REFERENCE DOCUMENT 2012

MERSEN

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This document is a free translation into English for convenience purposes only of the French reference document filed with the Autorité des Marchés Financiers on March 19, 2013.

GENERAL OVERVIEW OF THE GROUP

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Message from the Chairman of the Supervisory Board

Highly disappointing economic environment prevailed in 2012. Activity levels in European countries generally stagnated, with industrial output and, to an even greater extent, capital spending experiencing significant declines. Growth in the United States slowed sharply, and the pace of expansion slackened in all the emerging markets. Exacerbating the situation for Mersen, the solar industry's production chain came under significant pressure owing to overstocking and the need for restructuring.

In this highly depressed environment, our Group held firm thanks to its global presence and healthy sales mix balanced across the principal geographical regions, as well as the high-quality technology built into its products. Overall, the Group's sales posted a significant decline of 8.8% on a like-for-like basis, but they grew excluding the solar energy industry in Asia and North America.

Faced with this adverse situation, the management team reacted swiftly by implementing cost-cutting plans and then action plans including restructuring, transfers and potential disposals. This swift response helped to keep our margins at a decent level, with the EBITDA margin holding up at over 14%.

I would like to emphasize that the Supervisory Board and Management Board worked together effectively in a spirit of mutual trust and were able to make the right decisions in the best interest of the Company–tough though they may have been in certain cases.

No significant rebound appears likely for the current year, although the bottom seems to have been reached. Even so, I remain very confident about the medium term. The Group can count on some key strengths: its global positioning with a major presence in emerging markets, worldwide leadership from a technical and commercial perspective, a major ability to innovate, and an extremely competent and motivated workforce.

Based on our 2012 results, which showed a fall in operating income and an even larger one after non-recurring items (linked to restructuring measures), we are proposing a steep reduction in the dividend. What's more, the Group's shares did not perform very well during the year amid turbulent stock market conditions, especially for mid-cap industrial stocks such as Mersen. Given these challenging conditions, I would particularly like to thank all of our shareholders–large and small, French and international–for their loyalty and their support.

And to end with, I wish to thank all the Group's employees for their hard work. Thanks to them, the Group will emerge from the current period in even better shape.

Hervé Couffin

Message from the Chairman of the Management Board

During 2012, the Group faced constantly shifting and contrasting trends in its business environment.

Sales were boosted by growth in the aerospace and conventional energy markets. Mersen also enjoyed an excellent year in the chemicals and pharmaceuticals sector. The Group benefited from significant investments by the leading industry players, as illustrated by the signature of a contract with Sabic to supply a range of critical reactive metals equipment for the manufacture of high-performance plastics, which is worth several tens of millions of euros.

Our sales declined substantially in the solar energy market this year, but we believe the underlying reasons for this–overstocking and antidumping measures–will be only temporary. In addition, solar panels continued to be installed right around the world during 2012, and China unveiled a very large program of installations across the country starting in 2013. What's more, cell prices, which have been falling steadily for the past five years, are making this type of energy competitive. These highly positive factors demonstrate the appeal and potential of this new type of energy.

In spite of this business contraction and the hefty contribution made by low-margin chemicals business, the Group delivered an EBITDA margin of 14.3% and an operating margin before non-recurring items of 9.4% of sales. In the circumstances, this represents a decent margin level that was achieved as a result of cost-cutting efforts right across the Group from mid-2012 onwards.

Amid the persistently deteriorated conditions in Europe, we decided in late 2012 to step up our efforts to boost our profitability so that we have the room for maneuver we need to continue pursuing our projects. These measures will entail workforce reductions on every continent and reorganizations at certain facilities. They will help to streamline our cost base so that we can reap the full benefit of the recovery in end markets whenever it materializes.

We have also decided to divest certain product lines in the Materials segment which generate sales of around €20 million. Firstly, we intend to sell our nuclear power activities, as their development prospects were severely compromised by the Fukushima disaster. Secondly, the Group believes that it has neither the critical mass nor the key success factors in plate heat exchangers, stirrers and mixers required to develop these products sustainably and profitably. By selling them, we hope to find a buyer able to provide a suitable platform for the development of these businesses.

Unfortunately, the restructuring charges and impairment losses recognized ahead of these asset disposals took a heavy toll on 2012 net income, which slumped to €6 million from €57 million in 2011. Even so, these measures are necessary and will make us stronger.

Furthermore, the Group continued its drive to enhance its cash management, and it generated over €100 million in cash from operating activities, which was significantly better than in the previous year. This strong performance enabled us to keep on investing in markets with the greatest potential. We will continue to capitalize on our expertise and our technological lead as we face up to future demand.

Lastly, given the challenging environment in Europe, it is worth emphasizing that our finances remain in very good shape. Our net debt stands at less than half our equity, and we extended the average maturity of our debt very significantly by refinancing our syndicated loan last July.

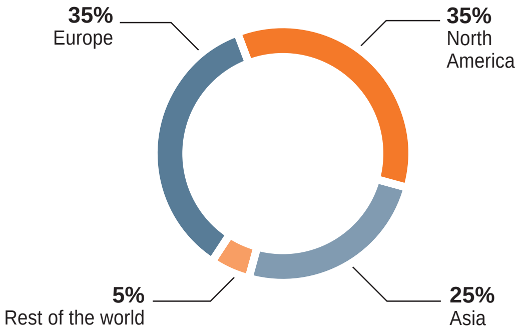
As in 2012, the Group will face a complex economic environment in 2013. Nonetheless, our priority remains meeting the needs of our customers right around the world. We constantly review their requirements so that we can enhance and upgrade our product range and our processes.

Thanks to our teams, our know-how and our market positions, we remain confident in our ability to seize all the opportunities arising to put Mersen back quickly on a growth trajectory.

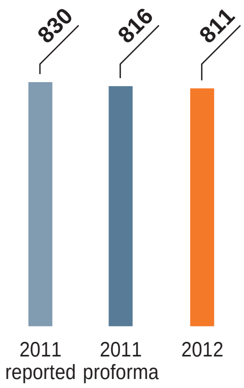
Luc Themelin

KEY FIGURES

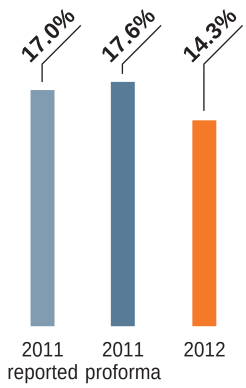
2012 SALES
Geographic breakdown



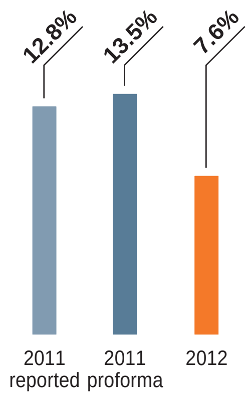
SALES
(In millions of euros)



EBITDA MARGIN
(In %)

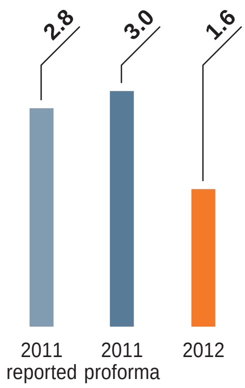


RETURN ON CAPITAL EMPLOYED* *(In %)*



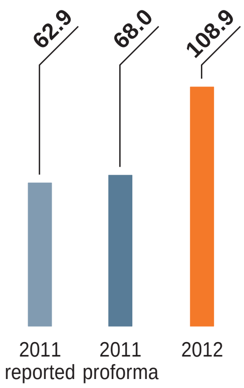
* IFRS operating income/average capital employed (net non-current assets including goodwill + working capital requirement)

EARNING PER SHARE*
(In euros)



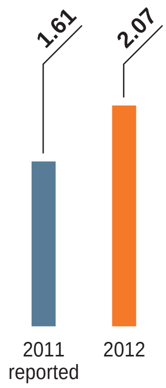
* Continuing operations

CASH FLOW*
(In millions of euros)



* After tax and working capital requirement and before capital expenditure - continuing operations.

DEBT-TO-EBITDA RATIO*



* Calculated using the method specified for the USD350 million syndicated loan.

Group's business profile and strategic priorities

Mersen develops innovative solutions geared to the needs of its customers and designed to optimize their industrial performance.

The Group's business activities are currently built around **two areas of expertise** in which it holds leadership positions or is the joint world leader.

The **Advanced Materials and Technologies (Materials)** segment markets a range of graphite and metal equipment catering to highly exacting industrial environments, i.e. high-temperature applications and anticorrosion equipment.

The **Electrical Components and Technologies (Electrical)** segment markets components and innovative solutions underpinning the performance and safety of electrical installations, including brushes and brushholders for electrical switching, slip-ring assemblies and signal transmission systems for wind turbines, industrial fuses, coolers for power semiconductors and current collectors for urban mass transit systems, laminated busbars, etc., as well as a range of related maintenance services.

These two areas of expertise are geared to serving the **markets** that have formed around the challenges of energy efficiency and demographic growth:

- **energies** (solar, wind, hydro, conventional) and in particular alternative energies providing access to new energy sources and complementing conventional sources of energy;
- **electronics** providing solutions for the manufacture of semiconductors and for power conversion;
- **chemicals and pharmaceuticals** helping to meet demand for food and healthcare triggered by global demographic growth and higher living standards in emerging markets;
- **rail transportation** systems as more and more people need to travel and larger and larger goods volumes are transported.
- They also cater to the **process industries**, supporting their transition towards greater energy efficiency.

Mersen now boasts an efficient **manufacturing base** with plants employing the very latest technologies. At the same time, the Group's policy of **selective acquisitions** over recent years has strengthened its positions in each of its business segments, while expanding its product range and geographical positions, especially in Asia, which represents a major engine of growth.

It is also backed up by an international industrial and commercial network and teams that have honed their culture of expertise and innovation in order to meet their customers' needs more and more effectively.

THE GROUP IN 2012

A year of contrasts

During 2012, Mersen was held back by the global economic slowdown, which was particularly deep in Europe. Another defining feature of the year was the weak level of solar energy business, particularly with Chinese solar cell manufacturers. That said, the Group's positioning across a range of diversified markets–energy, electronics, chemicals and pharmaceuticals, transportation and process industries–and its global geographical footprint enabling it to provide local service to the leading industry players around the world offset some of these negative effects.

Energy

Global energy demand is growing steadily, while fossil fuel resources are becoming scarcer. At the same time, combating global warming has become an imperative. The rapid development of alternative energies is helping to mitigate the pressure brought to bear by energy demand and pollution, but technological solutions making them easier to use and more competitive also need to be found.

Mersen is developing solutions to meet the needs of the principal energy sources and alternative energies in particular.

In **solar energy**, Mersen offers a large range of products used throughout the solar cell manufacturing process. The Group supplies complex graphite components–resistors, crucibles, electrodes–kiln linings, insulation fibers and graphite-machined components to manufacture polysilicon. It provides the ultra-pure graphite electrodes required to manufacture polysilicon ingots, the principal component in photovoltaic cells. The Group also offers a full range of electrical protection solutions dedicated to this type of highly specialized installation, e.g. junction boxes, fuses and surge protection devices.

Mersen first moved into this market in 2006 and expanded its business to achieve record sales of €110 million in 2011. However, in late 2011, solar cell production experienced a slowdown triggered by overstocking. And Mersen's sales bore the brunt of this from the beginning of 2012 onwards. Then in the third quarter, the introduction of anti-dumping measures, with the revaluation in custom duties on imports of photovoltaic cells into the United States, exacerbated the financial position of Chinese manufacturers and delayed the prospect of a recovery in the market, which had initially been anticipated in late 2012.

Even so, solar panels continue to be installed right around the world. In 2012, new installations accounted for 32 GW* in capacity compared with 27 GW in 2011. And the outlook is promising. New countries such as China, the United States, Japan and Australia are taking over from the countries that have traditionally generated strong demand (Germany, Italy).

In addition, the steep decline in cell and polysilicon prices over the past two years has made this energy more cost-efficient and brought it closer towards grid parity in a number of countries. Lastly, Mersen can adapt to the geographical shift in this market as it has a global manufacturing base. The Group remains confident in the medium-term potential of this market.

The electrical protection solutions developed by the Group protect against highly specific risks inherent in this type of electrical equipment and require specialist expertise to monitor panels and keep them safe from voltage surges and excess electrical charges. Mersen is actively involved in formulating new electrical installation standards to make this type of photovoltaic equipment safer. For example, Mersen's Helio Protection range specifically developed for photovoltaic installations gives the Group a competitive advantage. The Group also has a team dedicated to providing safety and reliability solutions for photovoltaic systems. During 2012, the business drew strength from its global presence, capitalizing on growth in the United States while performance slowed in Europe.

In the **wind energy** segment, Mersen delivers solutions for the electrical protection of generators and motors (fuses, busbars and coolers), for electricity generation (slip-ring assemblies, brushes and brushholders) and for yaw motors and nacelles (signal transmission systems, brushes and brushholders). The Group also develops maintenance services optimizing the generation of wind energy, including technical diagnostics, equipment checks, component installation and replacement.

This extensive range has made it a leading supplier to the wind energy industry.

During 2012, installed capacity continued to grow (up 19% vs. 2011), albeit at a slower pace than in 2011. At year-end 2012, it stood at 282 GW**, up from 238 GW at year-end 2011. In the market for new wind turbines, Mersen supplied solutions to GE Vietnam and Hitachi Japan, which were assembled in Vietnam and exported to the United States.

In original equipment, the performance of Mersen's solutions also established it in the offshore wind energy segment, and it supplies equipment for the world's most powerful offshore wind turbine–its hybrid signal transmission systems have been specially developed to meet the constraints related to offshore environments and their power requirements.

* *Estimates: NPD Solarbuzz.*
** *Estimates: GWEC.*

In the replacement segment, Mersen remains well-placed owing to the quality of its solutions and its made-to-measure services. This fast-expanding business helped to offset the impact of the slowdown in the original equipment segment.

Mersen is also present in other segments of the alternative energies market, including **hydro**. The Group has developed solutions, such as very large diameter slip-ring assemblies, which it supplied for use in dams in Brazil, or complete dust aspiration systems. Mersen is also regarded as a leading partner in maintenance and has carried out numerous motor and generator maintenance and technician training assignments.

Lastly, business was brisk in the **conventional energies** segment. By working together with the leading generator manufacturers around the world (France, Germany, Russia, United States, Japan), the Group was able to design dedicated brushgear systems and to launch projects and prototypes with bright prospects. In addition, the Group developed a testing capability for turbogenerators, enabling it to provide an additional service to its customers.

The energy market as a whole contributed 18% of Mersen's 2012 sales, compared with 25% in 2011.

Electronics

Mersen is active in two areas of the electronics market.

- Mersen's **materials segment** principally supplies high-grade and ultra-pure graphite for the manufacture of semiconductors used in power electronics and LEDs. The quality of graphite and Mersen's high-precision machining help to maximize the yield of the power semiconductor manufacturing process and are also well-suited to the latest generations of components, which feature a higher degree of miniaturization and ever higher power requirements.

  During 2012, manufacturers of silicon-based semiconductors cut back on their production, leading to a contraction in Mersen's business. Even so, the Group strengthened its positions by gaining market share, especially thanks to its presence in China.

- The **electrical segment** delivers sophisticated voltage surge protection, current protection, cooling and interconnection solutions used in the power convertors that are found, for instance, in speed drives for electric motors in industrial and service facilities and in grid interconnections.

  Since 2012, Mersen's range of products has grown with the integration of Eldre, one of the world's leading suppliers of laminated and insulated busbars, further strengthening its position as a leading global partner to the power electronics industry. As part of its strategy of building up its presence in this segment, the Group simultaneously rolled out a global network of specialized engineers to bolster its ability to provide assistance at the design stage, while developing local production capacity to enhance its customer service. A new fuse production line for power semiconductors was set up in North America, while two new manufacturing lines–one for high-performance coolers and the other for laminated busbars–were rolled out in China during 2012.

  Mersen signed a contract at the beginning of the year with Siemens Energy in connection with the European project to develop green energy sources in the North Sea. This contract is to supply made-to-measure coolers protecting the converters used for the transmission of the electricity generated by offshore wind farms via subaquatic cables and for the connection to the onshore power grids. This project has established the Group as a key player in the renewable energies market and a leading partner to the power electronics industry.

Broadly speaking, business weakened in this market during 2012 owing to the economic crisis, which led to the postponement of certain investments, and overcapacity in China.

During 2012, the electronics market generated 14.5% of the Group's sales, compared with 15% in 2011.

Chemicals and Pharmaceuticals

Chemicals help to deliver improvements in our health and diet and are widely used in the development of consumer staples. They now represent a cornerstone of the global economy and provide a solid platform for future development. At the same time, higher living standards in emerging markets and population ageing are creating new healthcare-related needs that will drive expansion in the pharmaceutical market.

Mersen has positioned itself to supply these markets with an extensive range of made-to-measure graphite and reactive metal equipment (heat exchangers, columns) used by the chemicals and pharmaceutical industries to carry and store highly corrosive and high-temperature fluids. The Group also supplies this equipment in the form of pre-assembled units providing an even higher level of reliability.

The business enjoyed strong expansion during 2012, maintaining the upbeat momentum seen in 2011.

Demand was driven in particular by inorganic chemicals on the back of further expansion in the market for fertilizers, since phosphoric acid is a key component in their production. Business trends were healthy in the Middle East and North Africa, where the majority of phosphate mines are located. These trends were facilitated by Mersen's local workshop in Morocco, which enables it to meet the needs of Office Chérifien des Phosphates, one of the region's largest producers of fertilizers and phosphoric acid.

In addition, Mersen reaped the benefit of the development of shale gas drilling in the United States, logging some major orders for turnkey hydrochloric acid production units (skids), which are used in the extraction process for this new energy source.

Lastly, Mersen received a record order worth several tens of millions of euros from Sabic to deliver by 2014 various critical items of reactive metal equipment for the manufacture of high-performance plastic materials. A very large order was also received from AkzoNobel for its new chloromethane unit in Germany. It covers the supply of a set of skids for the chemicals industry. These turnkey systems are integrated into units producing chloralkali and chloromethane. These products are used in the manufacture of plastics, silicones and synthetic rubber, as well as by process industries (metal-working, paper, textiles, etc.).

This market accounted for 16% of 2012 sales, compared with 13% in 2011. The order backlog again augurs well for 2013.

Transportation

With soaring demand for passenger transportation and also growing demand for the transport of goods, one of the solutions viable from a long-term perspective is the development of mass transit, air and rail transportation systems, which require high-performance and ultra-reliable electrical systems. The situation during 2012 was mixed, with a sluggish rail but a very upbeat aerospace market.

In the **rail** segment, Mersen's solutions are used in both rail infrastructure and rolling stock. Its applications include the distribution of electrical energy (coolers, laminated busbars, fuses, surge protection devices, disconnect switches, brushes, brushholders) and electrical power supplies (current collectors, grounding systems, third-rail shoes, pantograph strips) and draw on the Group's expertise, which is widely recognized by the leading manufacturers.

The rail sector was sluggish around the world, depressed by the crisis in Europe (especially doubts about European stimulus plans) and the brakes put on investment plans in China. This said, maintenance services excelled, sealing a large contract with London Underground to maintain train motors for London's Tube system, which kept the services running flawlessly during the Olympic Games. Given the quality of service provided and the customer's satisfaction, the contract was renewed for 2013. With this type of service, Mersen is able to demonstrate its expertise to its customers, while offering them the full breadth of its product range.

In spite of the lackluster trends in rail transportation during 2012, rail's enduring appeal as a strategic avenue of development given the emphasis on sustainable development and fuel costs means that the market is likely to pick up in the medium term.

On the other hand, the **aerospace transportation** market enjoyed upbeat trends in 2012.

In this segment, Mersen provides extremely advanced components able to withstand extreme environments while also satisfying the industry's very demanding and strict requirements from a safety perspective. They include items of equipment able to withstand environments characterized by extreme temperatures and abrasiveness, such as refractories, carbon-carbon composite products for braking, seals and coolers for power electronics and carbon brushes for rotating electrical machinery. The Group's solutions and materials are also used in the manufacturing processes for special alloy reactor blades.

The Group supplies components to the leading aircraft manufacturers, such as Airbus, Boeing and Embraer, as well as to the principal aerospace industry subcontractors.

While capitalizing on the industry's firm showing in 2012, the Group also increased its market share, thereby outperforming the average rate of growth in the sector.

The transportation market contributed 14.5% of Mersen's sales during 2012, compared with 13% in 2011.

Process industries

Process industries–extraction, steelmaking, paper production and glassmaking–the Group's original market generating 31% of its 2012 sales, place growing emphasis on energy efficiency through continuous improvement in processes and energy savings.

Mersen supplies its entire product range to this segment, including brushes and brushholders, industrial fuses, coolers, laminated busbars, surge protection devices, thermal insulation products and custom-finished graphite components. The Group also provides services and maintenance solutions.

In 2012, business was generally slow in Europe, while trends in the Americas and Asia were firmer. Certain countries, such as Mexico, Turkey and India, where industry is maturing all the time from a technological standpoint, provided significant sources of growth for Mersen, and this trend is expected to continue in the coming years.

Mersen also reaped the benefit of growth in oil and gas extraction in the United States. The Group provides drill inserts, as well as slip-ring assemblies and other components needed to maintain oil and gas extraction platforms and fields.

Mersen's solutions are also used in the motors for the ExoMars rover being developed by the European and Russian space agencies, which will be sent to the planet Mars in 2018.

Business was particularly brisk in services, especially motor maintenance services in traditional industries. Numerous assignments were performed during 2012 in the steelmaking sector for international groups such as ArcelorMittal in France and the Benelux countries, Tata-Steel in France, Marcegaglia in Italy and Usiminas in Brazil. Development of this type of services is powered by a fundamental market trend. It is the result of the combined effect of a loss of technical knowledge attributable to retirements among maintenance staff and a desire to outsource certain services previously carried out in house. It also helps to strengthen relationships with customers and may lead to purchases of Mersen products. In addition, the technical training provided for customers has gained traction in several countries, prompting the Group to open a dedicated center at its Bangalore (India) plant.

→ Outstanding global presence

For several years, the Group has been building up its presence around the world, especially in Asia.

While these positions enable it to manufacture cost effectively, the main rationale behind this drive was to be in a position to deliver local service to the main industry players in its markets. Leveraging its powerful sales network, the Group has been able to capitalize on the growth rates in these local markets where it holds leadership positions.

During 2012, Asia was held back by the slowdown in solar energy. Excluding solar energy, the region enjoyed strong momentum. It contributed 25% of sales in 2012, up from 17% in 2007, representing a CAGR of 14%. Growth was also brisk in the United States, adjusted for the impact of the solar energy slowdown. In Europe, the economic slowdown affecting most countries was a drag on the Group's performance.

→ Selective acquisitions

For several years, the Group has implemented a policy of making selective acquisitions to consolidate its leadership positions while unlocking technological synergies and cross-selling opportunities.

In early January 2012, the Group finalized the acquisition in the United States of Eldre, the world leader in laminated and insulated busbars. This acquisition has broadened the Group's range of solutions improving the efficiency, performance and safety of power electronics. Mersen, already a world leader in fuses and coolers for the protection of semiconductors, has now added these busbars to its range of products. The Group has thus strengthened its position as the leading global partner to the power electronics industry. Power electronics components are required for applications in expanding markets targeted by Mersen, such as energy (solar, wind, etc.), transportation (motors for the rail sector, etc.), data centers and electronics (speed controllers, converters, etc.).

→ Further innovation

Innovation flows from the Group's close relationship with its customers, its knowledge of the challenges they face and its technology watch. Mersen's customers are its leading innovation partners. They are prominent players in their own industry, and the Group manufactures made-to-measure products for them. A large part of innovation comes from their increasingly exacting requests and leads to the formulation of new designs, which are sometimes developed jointly.

It is stimulated by highly motivating events, such as development days and the Innovation Challenges arranged each year within the Group to reward the initiatives with the greatest promise in terms of future developments.

During 2012, innovation efforts focused on the same two main areas as in previous years:

- developing new products and solutions to drive Mersen's growth over the short and long term, meeting the needs of our markets or addressing strategic applications, such as photovoltaic and wind energy, rail transportation, electronics, LEDs and energy efficiency;
- increasing the competitiveness of the products sold by the Group's core businesses.

The major innovations finalized in 2012 or still under development include:

- Circular electric busbars enhancing the connection, performance and reliability of the next generations of wind turbines;
- New grades of custom-molded graphite brushes containing metal powder mixes at a very competitive cost for the wind energy replacement market;
- New coated graphite consumables delivering very high value-added for epitaxy specialists using silicon carbide substrates, which are employed in the LED industry;
- Silicon carbide block heat exchangers with a very high level of mechanical and thermal resilience for use in highly corrosive fine chemicals applications
- HCl acid synthesis units geared to meeting the growing demand for shale gas;
- Silicon carbide mirrors coated with an additional silicon carbide layer for optical laser applications;
- Dust aspiration systems for hydroelectric power plants.

Business activities at a glance

Advanced Materials and Technologies

- €346 million in sales.
- 43% of total sales.
- World no. 1 in graphite anticorrosion equipment.
- World no. 2 in high-temperature applications of isostatic graphite.

Divisional overview

- Isostatic graphite equipment, carbon-carbon composites, carbon bonded carbon fibers and silicon carbide for high-temperature applications (solar, semiconductors, aerospace, glass-making, etc.).
- Anticorrosion equipment based on graphite, reactive metals (tantalum, titanium, etc.) and fluorinated polymers (PTFE, etc.) and special metals for the chemicals and pharmaceuticals, metal-working and water treatment industries.

Main applications

- Manufacturing equipment for solar applications, semiconductors and other refractory processes, electrodes for electrical discharge machining or kiln linings, etc.
- Processing (heat exchangers, reactors, etc.), storage and distribution (tubing, pipes, etc.) of hot corrosive fluids.
- Design and manufacture of turnkey hydrochloric acid production, absorption and distillation systems.
- Water treatment (filters, heat exchangers, etc.).

Priorities

- Develop high value-added applications employing isostatic graphite and other materials, notably for the solar energy and electronics industries.
- Become a leading supplier of finished products and high-quality solutions to the solar energy and electronics sectors.
- Continue developing complete multi-material solutions for corrosive and high-temperature chemicals and pharmaceuticals.
- Develop systems geared to extraction and shale gas in particular
- Continue studying ways of streamlining certain product lines.

Principal competitors (in alphabetic order):

- Schunk (Germany) – Isostatic graphite
- SGL Carbon (Germany) – Isostatic graphite, anticorrosion systems
- Tokai Carbon (Japan) – Isostatic graphite
- Toyo Tanso (Japan) – Isostatic graphite

Principal customers (in alphabetic order):

- Air Liquide (France)
- Alstom (France)
- BASF (Germany)
- Canexus (Canada)
- Cree (United States)
- Hemlock (United States)
- Jacobs (United States)
- MEMC (United States)
- OCP (Morocco)
- SABIC (Saudi Arabia)
- Samsung Everland (South Korea)
- Technip (France)
- Udhe (Germany)
- Wacker Chemie (Germany)
- Yingli Green Energy (China)

Some of the Advanced Materials and Technologies businesses are covered by the regulations on the control of exports of dual-use items and technology.

Electrical Components and Technologies

- €464 million in sales.
- 57% of total sales.
- World no. 1 in carbon brushes and brush-holders for electrical rotating machines.
- World no. 1 in power electronics products and solutions (fuses, coolers, busbars).
- World no. 2 in industrial fuses, now the only independent leader, with the largest global range of fuses and fusegear.

Divisional overview

- Components and systems for distributing and controlling energy, such as fuses, surge protection devices, circuit-breakers and collection devices, as well as components and systems for power electronics such as fuses, surge protection devices, coolers and laminated busbars.
- Power and signal transmission components: sliding electrical contacts, graphite brushes for electric motors and assemblies comprising brushes, brushholders and slip-ring assemblies, and pantograph strips.
- Diagnostics, assistance and maintenance.

Main applications

- Safety and reliability in the distribution and control of energy from industrial and commercial electrical equipment.
- Protection and improvement in the efficiency of power converters in energy, transportation and industry.
- Solutions for rotating electrical machinery and sliding contacts used in industry (steelmaking, mining, power plants, etc.) and transportation (railways, mass transit, aviation, aerospace, maritime).

Priorities

- Continue development in renewable (solar and wind) energies.
- Continue development of our range of power electronics solutions.
- Offer energy-efficient solutions
- Expand sales in Asia.
- Develop maintenance services for motors and generators.
- Deliver complete solutions for our customers in the energy sector.

Principal competitors (in alphabetic order):

- Eaton/Bussmann (United States) – industrial fuses
- Morgan Crucible (United Kingdom) – brushes, brushholders, pantograph strips, etc.
- Rogers (United States) – busbars
- Schunk (Germany) – brushes, brushholders, pantograph strips, etc.
- Schleifring (Germany) – signal transmission systems

Principal customers (in alphabetic order):

- Affiliated Distributors (United States)
- Alstom (France)
- Arcelor Mittal (France/India)
- BE Aerospace (United States)
- Bombardier (Canada)
- GE Wind (United States)
- Imark (United States)
- Group Lafarge (France)
- Legrand (France)
- Metronet (United Kingdom)
- REpower (Germany)
- Rexel (France)
- Schneider (France)
- Siemens (Germany)
- Sonepar (France)
- TMEIC (Japan)
- Wesco (United States)

Corporate social responsibility and sustainable development

2

INTRODUCTION: REPORTING PROGRAM AND METHODOLOGY

The Group strives to act as a good corporate citizen in its social, environment and societal environment. To this end, it has a system assessing its sustainable development performance, and certain information is reported every year in its reference document.

Following publication of the Grenelle 2 legislation in France (law no. 2010-788 of July 12, 2010) instituting a nationwide commitment to the environment, Mersen stepped up its reporting program. As part of this drive, the Group consolidated its unique internal reporting framework formally defining and describing the processes and methods to be used to gather and report data in line with Article 225 of this law. A number of indicators have been added to those traditionally monitored, while the scope of reporting has been extended to include a larger number of Group companies. All the information collected is published in the reference document with effect from 2012.

Mersen's commitment to this program will make it easier to track the selected indicators more accurately (1) and strengthen the underpinnings of its continuous improvement program in the social, environmental and societal arena.

→ Scope of reporting

The scope of social, environmental and societal reporting encompasses the companies included in the scope of consolidation based on the following principles:

- Social and societal reporting: all companies except for those acquired less than a year ago. For 2012, the non-core businesses intended for sale as announced on February 14, 2013 have been excluded (see the management report).
- Environmental reporting: all the companies whose production generates sales in excess of €15 million, except for companies acquired less than one year ago and companies without any production activities. The €15 million threshold restricts environmental reporting to companies representative of the Group's business activities. Together, they account for around 75% of its total sales.

Possible exclusions from the scope of reporting may be made for certain indicators, such as where local legislation does not permit the reporting of relevant data or where sufficient arrangements for the collection of certain types of data have not yet been made. The summary table at the end of this section recapitulates the scope covered by each of the indicators.

→ Organization of the reporting and methodology

Indicator sheets

Data is reported using the indicators described in technical sheets stating in particular the reporting frequency, the indicator's objectives, its scope of application, the definitions needed to understand the indicator and its scope, the calculation methodology and the consistency checks.

Reporting year

The data reported in year n covers the period from January 1 to December 31 of year n-1.

Reporting process participants and their responsibilities

At corporate level

The indicators in this framework have been defined internally by the Risk, Internal Audit and Safety department and by the Human Resources department.

In conjunction with the Human Resources department for social information, the Risk, Internal Audit and Safety department organizes the reporting with the directors of the companies within the scope. To this end, it:

- distributes the framework and its indicators to companies and ensures that they are clearly understood by providing adequate information and training;

(1) A table summarizing all the indicators tracked is provided at the end of the chapter.

- coordinates data collection;
- ensures that the reporting schedule is adhered to;
- checks the completeness and consistency of the data reported;
- consolidates the data;
- uses and analyzes the data.

At the level of Group companies

Data reporting is the responsibility of the director of each company within the scope that:

- organizes data collection at company level by defining responsibilities and ensuring that the framework and its indicators are clearly understood;
- safeguards data traceability;
- ensures that the reporting schedule is adhered to;
- controls the exhaustiveness and consistency of the data that it reports and implements the requisite checks and verifications by persons not involved in the collection process.

External organization

To ensure that the framework is grasped and applied properly, several audits were conducted in 2012 by an external organization at several facilities around the world. These audits led to the detection of several deficiencies, with relevant adjustments being made to the reporting framework to improve the reliability of the data.

Human resources policy

Mersen's corporate project relies first and foremost on the men and women who work for the Group. Our employees possess the expertise and know-how required to meet customers' day-to-day requirements and develop innovative solutions by keeping a close eye on market trends and the latest technological advances. Their knowledge and savoir-faire represent our most precious asset–our human capital.

→ HR plan

The HR plan is predicated on four pillars and is implemented by the entire management team, with the support of the HR teams. The plan aims to build a strong HR identity to support achievement of Mersen's strategic goals. It takes into account the needs of the divisions and its employees' expectations and needs, while giving managers the requisite visibility and clarity in the medium term concerning the changes that need to be made.

In its HR management, the Group complies with the fundamental principles and rights at work laid down in the International Labour Organization's (ILO) fundamental conventions, which cover aspects such as the freedom of association, the right to organize and collective bargaining, the abolition of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

Secure the Group's future by nurturing and valuing its human capital

Forward human resources planning

Since the Group is constantly changing, it is crucial for it to plan ahead and prepare for the future by identifying the competencies that it will need in the future to sustain its development. At the same time, employees must be aware of the likely changes in their jobs so that they themselves can make the necessary adjustments to their own skill set.

Based on the forward human resources planning process, which was overhauled two years ago in line with the strategic planning process, each division prepares forecasts every year of the skills and expertise it will need in future years according to its priorities and those of the Group.

These analyses are consolidated at Group level based on Mersen's new reference job framework. This framework, which was drawn up in 2012, identifies and describes reference jobs common to all the divisions for each of the nine support functions (sales and marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs). This mapping of jobs covering all tiers within the Group (executives, technicians, supervisors, blue-collar staff, etc.) is used to fine-tune recruitment and training policies, deliver consistent personnel management based on employee contributions and facilitate competency development and career path management.

Senior employees and knowledge transmission

Planning ahead for departures linked to demographic trends in the Group's workforce is a key aspect of the Group's policy of human resource planning.

In France, the three-year agreement promoting the employment of seniors signed in 2009 with all the union organizations representing the Group's employees goes beyond the legal obligations. It aims to introduce a bold approach backed up by concrete measures as part of an integrated human resources policy. Based on their aspirations and competencies and the Group's current and forecast needs, this agreement aims to prepare for the final part of employees' careers as effectively as possible by fleshing out their career plans. It will remain in force until September 30, 2013, when the action plan including commitments concerning the employment of young people and senior employees in connection with the *contrat de génération* legislation in France (measures to boost employment among the young and older sections of the working population) will be implemented.

Deployment of the program continues outside France. It aims to replace and pass on the knowledge gained by seniors, increase employees' competencies to help drive the Group's growth and enhance communication about its values and corporate culture.

A new type of review (known as the "experience interview") has been introduced, which aims to identify the employee's knowledge and core competencies so that arrangements can be made to safeguard and pass them on for each employee whose competencies are regarded as crucial and for all employees likely to retire within two to five years. This interview also reviews the employee's position ahead of his/her retirement and/or the final part of his/her career to make sure it is as interesting and useful as possible.

As a result, the employee's working arrangements can also be reviewed and adjustments to his/her job (switch to part-time, etc.) considered.

Lastly, highly motivated employees with expertise in a key area may be asked to become "mentors". The aim of mentoring is to pass on knowledge. Some initial trials have been introduced in France.

The results of experience interviews will be used to enhance succession planning.

Stimulating innovation

Innovation is used to build a distinctive range of products and to drive growth. The Group's main innovation partners are its customers, and it develops customized products for them.

Mersen has two primary goals: bolster the culture, resources and oversight of innovation and of Research & Development (R&D); and structure and promote sharing and synergies between the R&D resources of the Group's various units.

The decisions made and initiatives implemented over the past five years have led to:

- An internal online database being modified to list experts (by materials, by physical and chemical phenomena and by industrial processes) and special equipment at all of the Group facilities;
- Research, development and technology watch priorities being documented for divisions and the Group, while ensuring that they remain consistent with its growth objectives in certain key markets, such as solar energy and electronics;
- The three ideas creating the most value being rewarded each year through the Innovation challenge.

Innovation also lies at the heart of our corporate culture and our HR policy, which promotes autonomy, creativity, initiative-taking and idea sharing, by restricting the number of management tiers and providing easy access to managers.

Project management and cross-divisional coordination

Since it is aware that innovation, inventions and projects often take shape at the intersection between the Group's divisions and that these can be highly valuable, Mersen strives to enhance its employees' skills and provide support with this type of development. Indeed, a program of selective training in cross-divisional coordination and project management has been specially developed.

In addition, to help them progress and to prepare them for future positions of responsibility, employees at all levels of the Group regularly attend training sessions or perform training assignments or projects that deliberately focus on topics outside their usual field of expertise.

Support managers, the principal agents of change

The complexity of Mersen's organization structure has increased as the Group has expanded into new regions and as new intercultural relationships have developed. To reflect this, Mersen has added a human dimension alongside the existing technical dimension to its managerial skills guide with a view to achieving a consistent approach right across the Group.

In addition, the Group is seeking to enhance the HR tools provided to managers to help spot and nurture talented employees.

Manager recruitment, development and career planning

The **recruitment process** for managers has now been harmonized across all the Group's companies to make it as streamlined and professional as possible.

Career committees provide an opportunity each year to review the career prospects of the Group's principal managers and are used to prepare individual competency development plans. They are conducted at plant and divisional level and help to identify key and/or high-potential employees for review by the Management Board's Talents Committee. Like experience interviews, these Committees help to add more substance to **succession planning**.

Mersen's global dimension provides employees with genuine career development opportunities. The Group has demonstrated its ability to encourage exchanges between its various units, divisions and geographical regions by prioritizing mobility and the international diversity of managers. Mersen's success is predicated on both a balanced **international mobility policy** and the development of local talent. It reflects Mersen's values, namely a human dimension, local relationships right around the world, operational excellence, responsibility and profitable growth.

The human dimension requires respect for and the recognition of local cultures and skills, wherever they may be. It facilitates a rapid response for customers and will help to power innovation and growth.

The decision to entrust an employee with a managerial position with a high level of responsibility is in most cases preceded by an evaluation conducted by an expert firm (assessment process), which seeks to confirm the fit between the candidate's profile and the skills required in and demands associated with the post. Once they have become accustomed to the job, the new manager can be supported, where necessary, by a coach helping to deal with all the various aspects, including the human dimension, of the new position.

HR tools available to managers

The **annual review** is one of the key aspects of the competency development process implemented within the Group. Annual reviews, a key opportunity for dialog and discussions between the employee and direct management superior, help to assess individual performance over the previous year and set objectives for the year to come. They also provide a chance to assess competency development initiatives carried out during the past year and to determine what action needs to be taken or continued to make progress in the employee's current position or to gain promotion in the future. An application developed on the Group's new Human Resources Information System can be used to manage online forms and facilitates annual reviews.

Training for plant managers in how to conduct these reviews was held in several countries, from Asia to the Americas including Europe.

Career reviews are another tool, which provide a full analysis of employees' professional accomplishments, help them to formulate their expectations and goals for the medium term. They also provide an opportunity for managers two tiers up to have direct contact with employees and to listen to their aspirations. Career reviews can also be offered during Career Committees or at the mid-point of an employee's career to see how the land lies.

Training

The training program continued during 2012, with an emphasis on three areas:

- management of occupational health and safety (prevention of psycho-social risks);
- leadership and management of teams (preparation for interviews, communication, local management, etc.);
- knowledge transmission with preparations for experience interviews and mentoring.

All in all, the Group devoted 1.1% of its total payroll during 2012 to **training**, i.e. an average of 11.8 hours of training per employee.

Spending on training	2012	2011
As a % of total payroll costs*		
Group total	1.1	1.1
• o/w France	1.75	1.0
Average number of hours per employee*		
Group total	15	10
• o/w France	11.8	9.0

* *several plants where this information was not compiled, either owing to the local legislation or because the data collection system is currently being upgraded, were not included in the data shown above. The facilities covered by this indicator account for over 88% of total payroll charges.*

Put HR teams at the heart of the Group's transformation

The **new HR information system** rolled out in January 2012 has helped to reconfigure human resources management at every tier–at plant, country, regional, divisional and Group level.

The objectives of the new system are as follows:

- Facilitate the day-to-day tasks of HR and safety teams as effectively as possible;
- Support managers with the development of their competencies and management of their team and provide them with HR indicators to help manage their actions;
- Contribute to management and deployment of the HR plan;
- Foster the development of a corporate culture and a shared identity;
- Accelerate uptake of the HR processes by existing teams and those at newly acquired companies;
- Enable employees to view and store various documents concerning their career in their file with the help of an easy-to-use tool.

Development of HR marketing

To attract the talent that the Group will need to underpin its future development, Mersen pursues a policy of building relationships with schools and universities in the main countries in which it is present (France, the United States, China, Germany, etc.) to raise the profile of the Group and of the jobs it offers among students. The Group regularly attends school events and student fairs in these countries and holds open days. In addition, it regularly hosts young people on internships or apprenticeship programs, especially in technical areas.

Develop a sense of well-being and cohesion in the workplace

Integration within the Group

The Group supports new hires during the crucial period of their integration by arranging a made-to-measure program for them.

A welcome booklet distributed within the Group has enriched this integration support.

An e-induction program available on Mersen's intranet provides new employees with all the information they need to make their first few weeks with the Group even smoother. This represents a practical means of learning the essentials for their activities within the Group (cash management, 5S, project management, safety, etc.).

When Mersen acquires a new business, careful preparations also need to be made to integrate its new employees so that they gain a sense of belonging to the Group. To this end, Mersen has prepared an integration program intended for employees of the businesses it acquires, which aims to facilitate their integration from a human, social and cultural perspective.

Health & Safety

Mersen is exposed to the risks inherent in all industrial activities. Even so, the Group works tirelessly to protect its employees[1].

Safety, improved working conditions and the prevention of psycho-social risks and occupational stress represent a major focus for the Group's social policy. An occupational health and safety management system has been introduced and implemented globally, irrespective of the location and culture of individual plants. Mersen's managers strive for excellence in these areas.

In occupational health, Mersen has embarked on a program to develop well-being in the workplace, which paved the way for the signature of an agreement by all the labor partners in France during 2011. This agreement aims to provide preventative solutions and remedial measures. In particular, it calls for all managers and employee representatives to be trained in the prevention of psycho-social risks, as well as for the creation of a country-wide committee closely monitoring a number of indicators per plant (staff turnover, absenteeism rates, percentage of new projects taking psycho-social risks into account, etc).

In France, the issue of occupational stress was also a key focus. Based on an agreement signed in late 2011, a diagnostic assessment of employees' exposure to occupational stress factors was carried out during 2012, and negotiations with the unions and employee representatives were held afterwards to seek ways of eliminating or reducing exposure to these factors. This agreement on the prevention of occupational stress within the Mersen group is due to be signed in early 2013.

This commitment to health and safety will be instrumental in fostering development of a culture of health and safety. It is not confined to the Group's operations in France. Actions were taken at all the Group's facilities, including:

- the organization in three of the Group's most important countries (France, United States, China) of a survey of employee well-being in the workplace;
- roll-out of a system aiming to detect and reduce Repetitive Stress Injuries (RSI) at all the Group's facilities;
- the organization of health & safety weeks at its facilities around the world.

In France, employees' work-life balance was another area given attention, and a charter promoting a better balance was introduced, with four points of emphasis: the scheduling of meetings, maternity and paternity leave, flexible working hours and working at home.

These various measures, which take a resolutely long-term view, emphasize prevention.

The 5S program is another critical component of this approach. The introduction of organizational principles for workstations and offices aimed at creating an effective work environment helps to improve productivity, working conditions, safety and quality. By increasing the reliability of all corporate processes, both functional and operational, the 5S program makes a tangible contribution to the improvement in business performance.

Absenteeism

As a percentage	2012
Absenteeism rate *	3.3%

(*) Scope consolidated within the HRIS[2]

Diversity

Innovating means breaking with the habits of the past and thinking outside the box. The diverse origins, educational and cultural backgrounds, and ways of thinking of the Group's teams represent major advantages stimulating its creativity.

Its human resources staff strive to ensure equal opportunities, while maintaining and strengthening the multi-disciplinary capabilities of teams.

To entrench and reinforce the diversity initiative, the Group launched the Mersen Diversity program during 2010. As a signatory in 2010 of the **French corporate diversity charter**, the Group has undertaken to combat all forms of discrimination by safeguarding respect for and promoting diversity. Mersen holds discussions on best practices with other businesses within the **AFMD** (French association of diversity managers), of which it is a member.

(1) The health and safety policy is presented at the end of this section.

(2) A new HR information system (HRIS) was rolled out at most facilities during 2012. Even so, a small proportion of them (6.6%) that had not yet switched over to the new system was unable to report certain categories of information. Where this was the case, they were left out of the scope of reporting.

While Mersen's corporate culture is strong, it is adapted in each country to fit in with the local culture and customs. The best way of achieving this integration is to give the management reins to local managers, and this is what the Group has done at almost 90% of its plants. The Group's human dimension takes on its full meaning in this drive for a subtle balance between respecting its principles and values and embracing local customs and practices. Lastly, Mersen wants its management structures to reflect the diversity of its teams. To this end, the Group has continued to implement measures to **hire managers from diverse backgrounds** to help non-French employees to gain positions of responsibility.

As a percentage	2012
Plant directors with a local cultural identity	88%

Gender balance

A **Women's Network**, called **WiN** (*Women in MerseN*) was set up. It brings together women and men working for the Group who want to work together on a joint project to promote greater diversity through cooperation and mutual assistance. The aim of the WiN network is to pool the potential capabilities of its members and to provide opportunities for meetings and analysis outside the scope of any system or hierarchy. WiN also aims to become an international network within the Group that can take part in inter-company events and share experiences.

Gender balance has been clearly identified and stated by Mersen as a priority area for improvement. Numerous initiatives have been introduced since 2009, including new hires, career tracking, communication, awareness-raising among managers, rewards, greater flexibility for parents in professional life, which have helped to achieve genuine progress in this area. The proportion of women managers went up from 13% at year-end 2008 to nearly 19% at year-end 2012. The Group's objective is for at least 20% of its managers to be women.

As a percentage	2012
Women-managers*	18.8%
Women on corporate governance bodies	15%

(*) Scope consolidated within the HRIS[(1)]

Employment and integration of disabled workers

From outsourcing to ESATs (French organizations that help disabled people back into work), numerous measures have already been implemented at French facilities to promote the employment of disabled workers. Going beyond its obligations, Mersen decided to step up policy of promoting disabled employment as part of its policy of fostering diversity. Accordingly, it set up a partnership in late 2009 with ARPEJEH, a not-for-profit organization supporting educational projects for disabled school pupils and students. As part of this initiative, several disabled interns spent a few months with the Group. It helps to change the attitudes of Mersen's employees to disabilities, while encouraging creativity and open-mindedness.

Labor dialog

The Group Works Committee in France and the European Works Committee provide a forum for dialog with employee representative bodies concerning the Group's position and strategic objectives in France and in Europe as a whole. They provide an extra dimension to relations with employee representatives through the employee consultation and discussion bodies that exist in companies. These committees both met once during 2012.

Furthermore, numerous study meetings and negotiations were held during 2012 covering issues such as occupational health (diagnostic assessment of occupational stress) and diversity (agreement on professional equality).

More specifically, two agreements were signed in France during 2012. The first was signed with the CGC union covering advance human resource and competency planning. As part of a strategic vision that makes employment and competency development a key avenue of the Group's development, it offers all employees throughout their careers and irrespective of their gender, age or any disabilities an opportunity to pursue professional development by providing support that smooths and underpins their career advancement.

The second agreement signed in France during 2012 related to the PERCO collective pensions plan. It was a supplemental agreement to the agreement dated December 2, 2009, which primarily aims to reduce the financial risks associated with this type of savings.

Enable employees to share in the Group's success

Rallying employees individually and collectively around common objectives is one of the key strengths of Mersen's human resources policy. Profit-related incentive payments based on collective performance, remuneration based on individual and collective objectives and the development of employee share ownership contribute to this type of commitment by the Group's employees.

Employee incentive and profit-sharing agreements take into account the Group's financial performance, as well as the individual contribution made by each individual to the performance of their business. The development of technical incentive payments is predicated on collective criteria, such as productivity and safety improvements, customer satisfaction linked to product and service quality, ability to meet deadlines, innovation and reductions in non-quality costs. In addition, financial incentive payments are linked to attainment of operating margin targets at business unit and/or divisional level.

(1) A new HR information system (HRIS) was rolled out at most facilities during 2012. Even so, a small proportion of them (6.6%) that had not yet switched over to the new system was unable to report certain categories of information. Where this was the case, they were left out of the scope of reporting.

Managers' bonus payments are linked to the operating margin and operating cash flow generated by their business unit and their division and their performance relative to their annual individual targets, particularly those related to safety, productivity and participation in value-creating projects. This policy helps to ensure that the Group's values and strategic objectives guide its day-to-day business decisions.

The PERCO (collective pension savings) and PERE (corporate pension savings) plans signed with the CFE/CGC, FO and CFDT union organizations are currently being rolled out. These new top-up pension arrangements, complementing the statutory regimes, reflect the Group's enduring commitment to help each of its employees plan ahead for retirement. They also represent a major attraction for potential employees. They cover the entire employee population while taking into account their specific characteristics. The PERCO plan introduced in 2010 covers all the Group's employees in France. It provides for matching employer contributions that are highly advantageous for the employees whose ability to save is the most limited. The PERE plan, which is for all executives and equivalent grade staff in France, was introduced at the Group's French facilities in 2011.

Internal communications

Sharing information is a key aspect of employee motivation. Mersen endeavors to communicate internally about the performance of its businesses, including both its results and future projects. This emphasis on transparency enables each individual to gain a full sense of what it means to be part of the Group.

The **Inside Mersen** internal newsletter is available in seven languages, i.e. French, English, German, Spanish, Italian, Chinese and Portuguese. It is available in an interactive electronic format on the intranet. Information is also passed on using complementary theme-based publications concerning the latest news and plant magazines, which focus on local information. In addition, discussions between management and employees take place on a monthly basis at most facilities.

The Group's **intranet**, accessible in real time right around the world, provides an easy-to-use forum for sharing information and tools. Its contents are constantly enriched through active contributions by the numerous section managers. Discussions and information-sharing are facilitated by its functionality and ease of use.

Workforce and facilities

Mersen is a global group with 6,745* employees at December 31, 2012 in over 40 countries. The Group consolidated the workforce of Eldre, a company acquired in early 2012, and production subsidiaries in Colombia and Morocco.

Excluding the impact of these new additions, the workforce fell by some 430 employees compared with its year-end 2011 level. On a reported basis, the decline came to around 100 employees.

Geographical analysis of the workforce (at December 31)

Country	2012*	2012 (%)	2011 proforma	*2011*
Europe and North Africa	2,632	39.0%	2,697	*2,789*
• o/w France	1,569	23.3%	1,466	*1,558*
North America (including Mexico)	2,018	29.9%	1,986	*1,986*
Asia-Pacific	1,804	26.8%	1,894	*1,894*
Rest of the world	291	4.3%	253	*253*
TOTAL	6,745	100.0%	6,830	*6,922*

Based on the reporting scope, women accounted for 34% and senior employees for 15% of the workforce

	2012 (%)
Group headcount	
• o/w women (as a %)	34%
• o/w seniors aged 55 and over (as a %)	15%

Scope consolidated within the HRIS

** Continuing activities.*

Geographical analysis of facilities (at December 31)*

The Group has a presence on five continents. This presence reflects part of Mersen's strategy of forging close relationships in its markets and represents a strategic advantage.

The Group's various manufacturing facilities include both large plants (>125 staff) dedicated to producing intermediate products and large runs and local workshops, which meet the highly specific needs of their local customers. They break down as follows by geographical area:

Country	2012	plants with > 125 employees	2011 proforma	*2011*
Europe and North Africa	31	5	29	*31*
• o/w France	12	4	10	*12*
North America	15	5	14	*14*
Asia-Pacific	14	5	13	*13*
Rest of the world	4	0	4	*4*
TOTAL	**64**	**15**	**60**	***62***

(*) Consolidated scope

Outsourcing

The Group partially outsources the manufacture of its products. In 2012, outsourcing costs amounted to around €66 million, of which €31 million were predominantly attributable to assembly, machining and welding and €35 million to metallic component cutting operations and the manufacture of plastic components.

Social information concerning the Group's companies in France

In accordance with the provisions of Decree no. 2002-221 of February 20, 2002 in application of Article L. 225-102-1 of the French Commercial Code (operations in France):

Headcount at December 31

	2012	2011	2010
Workforce	1,569	1,559	1,527
• o/w fixed-term contracts	17	16	14

Recruitment

	2012	2011	2010
Recruitment	112	162	105
• o/w fixed-term contracts	26	44	39

Temporary workers

	2012	2011	2010
Average headcount	124	200	193
% of the headcount	8%	13%	13%

Overtime

	2012	2011	2010
Overtime	26,283	42,975	46,830
% of hours worked	1.0%	1.9%	2.0%

Absenteeism

	2012	2011	2010
Absenteeism rate	4.8%	5.2%	4.8%
• o/w illness	3.7%	3.8%	3.5%

Part-time work

	2012
Percentage of employees working part-time	5.0%

Disabled employees

	2012
Workers with a disability (as a %)	4.1%

Organization of working hours

In France, an agreement on executives' working hours was signed in 2011.

The working hours of engineers and managers are calculated based on an annual total of 216 work days, which gives them an average of 12 days of additional leave per year. The 2011 agreement also provides for an annual review between a manager and his/her employees covering issues including the organization of work, work load and fluctuations in daily activities.

HEALTH AND SAFETY POLICY

→ Priorities

Based on the four key drivers of **Leadership**, **Positive reinforcement**, **Risk analysis** and **Continuous improvement**, the Group continued to implement health and safety initiatives. The Group's medium-term objective remains **Excellence** in health and safety.

→ Organization of the function

The Group's health and safety function is now part of the Risk, Internal Audit and Safety department. The Group made this transfer in order to enhance the efficiency of its safety policy, firstly through the sharing of experience and expertise between the safety and industrial risk management units, and secondly by introducing internal control methods as part of the safety policy.

This function is backed up by a Group Safety Committee comprising the Management Board and the Group's Human Resources Department. It reports to the committee on a monthly basis. This close relationship allows it to be highly responsive and demonstrates senior management's unstinting commitment to health and safety. It also draws on a network of regional correspondents. Their role is to perform cross-audits in the region, conduct more detailed audits at underperforming units and implement the Group safety policy formulated by the Group Safety Committee.

Every month, the Risk, Internal Audit and Safety department circulates a publication dedicated to safety reviewing the latest trends in Mersen's safety indicators and highlighting best practices. It is accessible on the Group's intranet and is sent to plant managers and safety managers.

During 2012, this department focused on building a Group-wide system to detect Repetitive Strain Injuries (RSI).

At the same time, it continued its drive to bring all its facilities into line with the Group's best practices.

It conducted a detailed review of the Group's safety training for plant managers and safety officers.

The department also revitalized its Management Safety Visit (MSV) program. This process, which was introduced several years ago, can provide a rapid safety audit of part of a production workshop or process. These audits are carried out by the management team from another part of the Group, together with a senior manager in most cases. They help to detect anomalies or deficiencies, and action plans are drawn up, with implementation verified in a subsequent audit. The Safety department now monitors the number of management safety visits conducted every month by plant.

	2012
Number of management safety visits	1,800*

(*) Out of a total of some 60 plants

Risk survey

During 2010, the Group mapped out its safety risks. During 2012, all business units updated their risk survey. To this end, it reviewed the action plans in progress to reassess the residual risks. New risk factors associated with changes in materials used or a new organization were detected. An action plan was implemented to cut the significant risks. This risk survey was assessed as part of the Group safety audits.

Risk prevention

During 2011, the Group signed an agreement on the prevention of psycho-social risks and another on the prevention of occupational stress at its facilities in France (see Human Resources Policy at the beginning of this section).

It also launched a study during 2011 on occupational stress in conjunction with the legal guidelines and continued this program during 2012.

In addition, it continued to train its employees in best practices concerning protection against PAHs (polycyclic aromatic hydrocarbons) at the Group's principal manufacturing facilities exposed to these risks, i.e. Chongqing (China), St Mary's (United States), Holytown (United Kingdom), Bangalore (India), Amiens, Pagny-sur-Moselle and Gennevilliers (France).

Security training and audit

The Group continued to implement training programs, focused in particular on recently acquired units and Eldre's facilities in France and the United States. It also stepped up the program of safety audits by developing cross-audits organized by geographical region. These audits, encompassing internal control, safety and information systems, are conducted by specially trained personnel. They help to promote experience-sharing and are instrumental in fostering a Group safety culture. Working in regions also increases exchanges between business units with a similar culture, thereby promoting understanding and implementation of the proposed solutions. A dozen or so cross-audits were carried out during 2012.

In addition, Mersen continued its policy of making safety a priority by holding its annual Safety Excellence Awards. These awards are given to facilities with first-rate safety management combined with a very high level of safety performance. The Group also continues to implement targeted tools to improve the relevance of its audits and pragmatically enrich guidelines concerning the most sensitive or most frequent risks.

	2012
Companies with a dedicated Health & Safety officer	83%

Safety indicators

Performance during 2012 dropped slightly by comparison with 2011 owing chiefly to the severity rate. This deterioration was partly attributable to a fatal accident that occurred at a graphite manufacturing unit in the United States. After a review of the procedures and equipment, the investigation by the US authorities came to the conclusion that the incident was caused by human error. Leaving aside this tragic event, the Group consolidated on its healthy performance. The number of accidents with or without lost time was stable compared with 2011 at 6.5 per million man-hours. The number of lost-time occupational accidents edged up to 3.0 per million man-hours. The number of accidents was stable, but the number of man-hours was almost 5% lower than in the previous year.

Number of lost-time occupational accidents per million man-hours (TF1)

2012	2011	2010
3.0	2.7	3.2

Number of occupational accidents with or without lost time per million man-hours (TF2)

2012	2011	2010
6.5	6.5	10.3

Number of working days lost to occupational accidents per thousand man-hours (TG)

2012	2011	2010
0.16	0.07	0.16

Indicators/operations in France

Number	2012
Number of employees suffering from an occupational disease	10*

(*) Based on a headcount of 1,569 employees

Number	2012
Number of occupational accidents with lost time concerning temporary staffing agency employees	4*

(*) Based on a total of 635 000 man-hours.

Societal policy

Priorities

The Group takes great care to act as a good corporate citizen wherever it does business. Through its activities, it naturally has an impact on local and regional development. It also endeavors to engage in a respectful dialog in the general interest with the communities in which it is established.

The Group's **Ethics Charter**, which is circulated internally and published on Mersen's web site, restates a number of these personal and collective rules of conduct, which are intended to guide the behavior of all employees as they go about their daily business activities. These rules emphasize the following points: a ban on all forms of corruption and compliance with all applicable international, national and local laws and regulations.

The corporate and cross-audits carried out by the Group's internal audit function provide insight on a regular basis into whether these rules are applied properly. Over the past three years, 93% of the Group's companies have undergone an internal audit.

At the same time, concrete measures have been implemented to raise teams' awareness about a number of risks associated with unlawful practices. For example, a training module focused on fraud-related risks (swindling, counterfeiting, etc.) was developed for Group managers during 2012. It will be rolled out in France, before being extended to North America and China from 2013 onwards.

Through its purchasing policy, Mersen also helps to integrate the Group within the fabric of the local community. By encouraging relationships with local suppliers as a priority, it contributes to the economic and social development of the regions in which the Group operates, while meeting its economic and environmental imperatives (lower costs and lower greenhouse gas emissions by curbing transportation requirements). Group companies are also actively encouraged to work with ISO 14001 certified suppliers.

Local initiatives

Numerous local initiatives were taken by plant managers to meet local concerns in regions right around the world. These may take the form of financial contributions or concrete measures, including, for instance,

- The development of partnerships with apprenticeship programs, schools and universities (internships to help people learn about the workplace, student programs, participation in job forums, open days);
- Student bursaries;
- Support for professional training campaigns, by hosting people on workplace induction or work-study programs;
- Participation in competitiveness clusters;
- Sponsorship for humanitarian causes;
- Contributions to charitable causes.

Environmental policy

Priorities

Mersen's environmental policy translates into action on two levels. Firstly, it has positioned itself to serve the renewable energies markets. Secondly, it has embraced a strategy of profitable growth that is respectful of the environment and socially responsible. The Group pursues a collective and pragmatic approach involving all its employees, who are educated and receive training at every level of responsibility.

Mersen undertakes to:

1. **Comply with the regulations in force**, in the form of legal and other requirements covering its products and existing installations;
2. **Catalogue potential risks** related to its installations and products, review whether prevention is sufficient to avoid any accidents that may pose a threat to people in the neighborhood or the surrounding area (particularly to customers, the workforce and those living close to production sites);
3. **Visit installations** periodically to detect anomalies;
4. **Use incidents and best internal and external practices** for a program of quality and continuous improvement based on experience-sharing;
5. **Minimize consumption** of water, energy, raw materials and packaging and encourage recycling and waste-to-energy conversion;
6. **Foster progress** through continuous improvement by rolling out an ISO 14001 Environmental Management System at all the Group's major plants;
7. **Promote eco-design**, notably by extending use of EIME, the dedicated software system.

In 2012, Mersen continued its review of the implications of the Grenelle II legislation (law no. 2010-788 of July 12, 2010) on the national commitment to the environment. To this end, the Group consolidated its unique internal reporting framework, which was then validated by specialized auditors. It conducted several audits around the world to ensure that the reporting framework is applied properly. Mersen's commitment as part of the introduction of the Grenelle II legislation will deliver more accurate product and energy consumption figures and pave the way for implementation of plans to reduce energy consumption at the Group's principal facilities.

Minimize environmental impacts

In the field, Mersen's environmental policy translates into a quest to identify best practices and an extremely high level of vigilance. It is intended to help the Group achieve a virtuous circle.

The **Quality and Continuous Improvement** (QPC) program continues year after year, including in environmental matters. It was backed up by training initiatives to achieve operational excellence. Competitions, such as the World 5S Challenge, help to promote emulation among all the Group's various companies.

To meet European environmental constraints and plan ahead for potential regulatory changes, Mersen stepped up its preparations in several areas.

Regulatory compliance

After registering the products it uses (chiefly graphite) during 2010 to comply with the ***Reach regulations***, the Group continued to monitor its suppliers. It has worked actively with certain key suppliers to monitor the progress of their work and the registration of certain products that it buys. Its goal is to avoid the risk of a strategically important product for the Group being banned from sale. Mersen also set up a monitoring unit to track the new rules being introduced by the ECHA (European Chemicals Agency). Mersen uses certain products on the ECHA list of registered substances in its manufacturing processes. The Group monitors changes in the regulations so that it can take the relevant measures and plan ahead to find alternatives for certain products. To be able to guarantee an uninterrupted supply chain, the Group has to check with the supplier of a substance requiring approval that it has indeed satisfied the requirements to maintain its marketing approval in the European market.

Mersen takes great care in implementing protective measures to keep its employees and the environment safe from for CMR (Carcinogenic, Mutagenic or Toxic to Reproduction) substances. Very strict guidelines are implemented at the relevant plants to protect those working with the substances to the maximum possible extent. Firstly, it is compulsory for them to wear protective equipment geared to the specific risk. Secondly, dust levels are reduced significantly using aspiration systems. Lastly, gaseous effluents are collected and processed prior to discharge into the atmosphere.

As part of the same approach of environmental forward planning, the Group conducted the first **carbon footprint assessment** of its principal manufacturing facilities in France in 2008. Even so, Mersen was not among the businesses covered by the first French national plan for the allocation of carbon dioxide emission quotas (PNAQ). Following these carbon footprint assessments, concrete measures were introduced. When production machinery–especially kilns–is renewed, energy consumption and CO_2 emissions is monitored particularly closely. The logistics and material transportation chain also represents an area for improvement with efforts to streamline use of transportation and the number of journeys required. Research and development is a third source of potential advances, through adjustments to manufacturing processes in particular.

Certifications

The ISO 14001 **certification** program covers the Group's main production facilities, and 50% of these facilities have now gained accreditation. Some plants (4) took this process even further by striving to achieve OHSAS 18001 (Occupational Health and Safety Assessment Series) certification. Lastly, one of the principal facilities in France (Saint Bonnet de Mure) was awarded the new European EN 16001 accreditation concerning energy management systems in early 2011 and in so doing became the first industrial plant in France to secure this certification. The measures implemented help to raise employee awareness, enabling them to develop good habits that lead to energy savings and lower energy bills as a result.

Waste management

Special attention is always paid to **waste management**. Certain improvements have been proposed by teams themselves as part of the 5S program. They have since been introduced right across the board. This method is predicated on sorting, tidiness, cleanliness, standardization and maintenance. Irrespective of their location, all the Group's facilities are obliged to meet these stringent standards. In terms of waste processing, the Group is an active participant in efforts to recycle fuse waste by reusing large amounts of the metal content of used fuses. Similar initiatives are underway in brush manufacturing, with a recovery program introduced to collect used brushes from customers to recycle the reuseable metal content.

Soil pollution

The Group also continued to monitor closely the risks arising from **soil pollution**, through in-depth audits in particular. All the products used by the Group are subject to constant monitoring, not only by the local authorities, but also by Mersen's employees, who are trained in these areas.

→ Sustainable use of resources

The Group strives to offer products with a limited impact on the environment. To this end, it endeavors to acquire the best available technologies, i.e. techniques that satisfy most effectively the sustainable development criteria, when designing its new manufacturing lines and its new products.

During 2012, Mersen continued its redesign to cost program for certain of its products. It has evolved into an eco-sustainable-redesign to cost initiative: aside from a complete overhaul of the product's various components to optimize their design without affecting their functionality, it also aims to replace certain inputs with other more environmentally-friendly materials. As part of this approach, Mersen has stepped up the implementation of methods and skills to develop products based on an eco-design approach. The environmental implications of new products are taken into account from the design stage through to the end of their life cycle.

Research and development teams are trained in eco-design and specifications systematically take into account the objective of reducing environmental impact.

For example, the EIME (impact evaluation and eco-design management) software application is used in electrical protection to carry out an environmental impact analysis of products (water and air pollution, depletion of natural resources, etc.) throughout their life cycle.

All the stages in the product's life cycle are taken into account, such as:

- the choice of raw materials, with easily recyclable materials being prioritized;
- the weight of packaging;
- reductions in the number of assembly stages;
- reductions in the volume of waste;
- most effective logistics;
- the product's end of life.

This type of tool can also be used to compare products from existing lines with future products under development, as well as competitors' products.

→ Local initiatives

As part of the Group's environmental program, plants continued their efforts to mitigate environmental impacts. Most of them have implemented programs to optimize and reduce energy and water consumption by using the latest generation of more energy-efficient equipment and systems.

Training in eco-friendly processes through sessions dedicated to sharing best practices and through local publications also gained traction.

What's more, numerous local initiatives were implemented, leading to an array of improvements during 2012. The examples referred to below were taken from a number of major facilities (presentation by geographical facility).

Amiens, France

- Further measures to optimize the graphitization cycle planning to curb energy use.
- Roll-out of a selective waste sorting program.
- Publication of a monthly newsletter dedicated to safety and the environment raising employees' awareness of safety and environmental issues and promoting best practices.

Gennevilliers, France

- An environmental impact study of the plant was drawn up during 2012.
- Further measures to optimize vacuum purification cycle planning to curb energy use.
- Roll-out of measures to improve waste recovery.

Pagny-sur-Moselle, France

- Investments to replace equipment with more energy-efficient systems (compressors, lighting, etc.).
- Replacement of parts of the plumbing network to reduce leaks and cut water consumption.
- Post-combustion energy recovery.

Saint-Bonnet de Mure, France

- Recovery and reuse of fuse components from fuses found to be defective in testing.
- Application of environmental criteria to the procurement process: prioritized use of recyclable materials, generalization of more eco-friendly packaging, collaboration, where possible, with local suppliers to cut transportation costs and greenhouse gas emissions.
- Follow-up on recommendations defined during the preliminary diagnostic assessment of energy use carried out in 2011 to identify potential energy savings.
- Monthly publication of an environmental bulletin to raise employees' awareness about safety and environmental issues and promote eco-friendly behavior.
- Annual campaign to raise awareness about environmental issues.

Linsengericht and Frankfurt, Germany

- Consumption of energy solely from renewable sources (hydro electricity).

El Jadida, Morocco

- Implementation of a dust aspiration system in the brush workshop.
- Introduction of a recycling facility and a unit treating water recovered from washing out blocks.

Toronto, Canada

- Introduction of a wastewater treatment system.

Newburyport, United States

- Introduction of a wastewater treatment system.
- Roll-out of a plan to curb use of toxic substances.

St Mary's, United States

- Resale of recycled materials that cannot be reused by the plant.

Chongqing, China

- Introduction of an online system controlling gas and sulfur dioxide emissions, in liaison with the local authorities.
- Introduction of pumps into production cycles to reduce water consumption.
- Installation of gas purifiers.
- Reuse of production waste: all broken graphite blocks and dust recovered are recycled.

Key indicators

	2012
ISO 14001 certification rate	50%
o/w plants with > 125 employees	70%
Training in environmental protection *(number of hours)*	2,077

In millions of euros	2012
Amount of significant provisions for environmental risks	0.5

	Unit	2012
Water and energy consumption		
Water	m^3	640,955
Electricity	MWh	171,611
Gas	MWh	151,354
Consumption of raw materials and metals		
Timber	Tons	1,648
Cardboard	Tons	644
Copper	Tons	1,624
Coke	Tons	5,859
Waste		
Non-hazardous industrial waste	Tons	7,212
Hazardous industrial waste	Tons	478
Recycling		
Recycled timber	Tons	625
Recycled cardboard	Tons	283
Recycled ferrous metal	Tons	1,017
Recycled artificial graphite	Tons	2,394
Discharges		
CO_2 emissions	Tons	105,485

(*) Based on the reporting scope defined on page 16

Overview of indicators

To facilitate the monitoring of the social, environmental and societal data in Mersen's reporting framework, the following table recapitulates the list of indicators, their scope, their nature (i.e. qualitative or quantitative) and a reference to the page on which the indicator is presented.

Designation	Scope*	Page
Social indicators		
Qualitative		
Compensation policy	Standard	21
Working hours organization policy	Restricted/France	24
Structure of the labor dialog	Restricted/Europe	21
Collective bargaining agreements	Restricted/France	21
Safety policy	Standard	20, 24 to 26
List of occupational health and safety agreements	Restricted/France	20
Conformity with the provisions of the ILO's key conventions	Standard	17
Diversity policy	Standard	20, 21
Training policy	Standard	19
Quantitative		
Total workforce broken down by gender	Standard	22
Total workforce broken down by geographical area	Standard	23
Number of new hires	Standard	**
Number of dismissals	Standard	**
Percentage of the workforce working part-time	Restricted/France	24
Absenteeism rate	Standard	20, 24
Rate of MSVs	Standard	25
Frequency rate of occupational accidents with lost time (TF1)	Standard	26
Frequency rate of occupational accidents with and without lost time (TF2)	Standard	26
Severity rate (TFG) of occupational accidents	Standard	26
Number of employees suffering from an occupational disease	Restricted/France	26
Number of occupational accidents with lost time concerning temporary staffing agency employees	Restricted/France	23, 26
Number of hours of training	Standard	19
Percentage of women managers	Standard	21
Percentage of women on corporate governance bodies	Standard	21
Percentage of disabled employees in the workforce	Restricted/France	21
Percentage of senior employees in the workforce	Standard	22
Percentage of plant directors with a local cultural identity	Standard	21

* *"Standard" scope refers to the definition provided on page 16. Where the scope is "Restricted", the restrictions are stipulated either in each reporting table or in the "Comments" column above.*

** *Since the indicator introduced during 2012 was not tracked in the same way by all the Group's facilities, it cannot be reported in a pertinent manner*

Designation	Scope*	Page
Societal indicators		
Qualitative		
Local and regional impact of activities on employment and development	Standard/France	26
Dialog with stakeholders	Standard	86
Support, partnership and sponsorship initiatives	Standard	26
Incorporation of social and environmental factors in purchasing policy	Standard/Group policy	26
Managers who have attended the anti-fraud training	Standard	26
Measures implemented to prevent any form of corruption	Standard/Group policy	26
Quantitative		
External suppliers and subcontractors with ISO 14001 certification	Restricted	**
Volumes sourced from ISO 14001-certified suppliers	Restricted	**
Percentage of companies covered by an internal audit in the past 3 years	Standard	26
Managers who have attended the anti-fraud training	Standard	26
Environmental indicators		
Qualitative		
Resources devoted to the prevention of environmental risks	Standard	30
Quantitative		
ISO 14001 certification rate	Standard	30
Percentage of companies with a dedicated HSE officer	Standard	*25*
Number of hours of environmental protection training delivered	Standard	**
Amount of significant provisions for environmental risks	Standard	30
Volume of water consumed	Standard	30
Electricity consumption	Standard	30
Gas consumption	Standard	30
Wood consumption	Standard	30
Cardboard consumption	Standard	30
Copper consumption	Standard	30
Coke consumption	Standard	30
Recycled timber	Standard	30
Recycled ferrous metal	Standard	30
Recycled artificial graphite	Standard	30
Non-hazardous industrial waste	Standard	30
Hazardous industrial waste	Standard	30
CO_2 emissions	Standard	30

* *"Standard" scope refers to the definition provided on page 16. Where the scope is "Restricted", the restrictions are stipulated either in each reporting table or in the "Comments" column above.*

** *Since the indicator introduced during 2012 was not tracked in the same way by all the Group's facilities, it cannot be reported in a pertinent manner*

Corporate governance

3

Administrative, management and supervisory bodies

SUPERVISORY BOARD

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Jocelyne Canetti DoB: Dec. 5, 1949 Member of the Audit and Accounts Committee and the Appointments and Remuneration Committee	May 20, 2010		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2013	653(1) 0(2)	
Yann Chareton DoB: January 8, 1978 Member of the Audit and Accounts Committee	May 19, 2009		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2012	920(1) 0(2)	**Supervisory Committee of:** Alves, Novacap International **Director of:** Kos SpA, Novaluxco 1 SA, Novaluxco 2 SA, PhotoTechLuxco 1 SA, PhotoTechLuxco 2 SA, Lima Holding SpA, Lima Corporate SpA, Bruni Glass SpA, Bruni Glass Holding SpA **Manager of:** ACF Investment 1 **Manager of:** ACF Investment
Hervé Couffin DoB: October 26, 1951 Chairman of the Supervisory Board Member of the Audit and Accounts Committee, the Appointments and Remuneration Committee and the Strategy Committee Independent member**	May 19, 2009		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2012	25,915(1) 13,000(2)	**Chairman and Chief Executive Officer of:** Callisto **Managing Partner of:** HC Conseil **Director of:** Antargaz, Ipsen and Compagnie Franco-Tunisienne des Pétroles (Tunisia)
Bertrand Finet DoB: September 6, 1965 Member of the Strategy Committee	May 19, 2011		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	800(1) 0(2)	**Member of the Supervisory Board of:** Fonds de consolidation des Entreprises (FCDE) and Chairman of the Investment Committee, Assystem **Director of:** TDF **Member of the:** Investment Consultative Committee of Qualium, Audit Committee of Assystem **Special advisor:** Constellium

* *In accordance with Article 20 of the Articles of Association, each Supervisory Board member must hold at least 120 shares for the entire duration of his or her term in office. These shares must be held in registered form.*
** *According to the requirements of the AFEP-MEDEF code*
(1) Number of shares held.
(2) Number of BSAR warrants held.

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Dominique Gaillard DoB: February 17, 1960 Member of the Appointments and Remuneration Committee and the Strategy Committee	May 19, 2009		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2012	823(1) 0(2)	**Chief Executive Officer of:** AXA Investment Managers Private Equity Europe SA **Member of the Management Board of:** AXA Investment Managers Private Equity Europe SA and AXA Investment Managers Private Equity SA **Member of the Supervisory Board of:** AXA Private Equity Germany GmbH **Member of the Supervisory Committee of:** AXA Private Equity LLC **Member of the Board of Directors of:** AXA Private Equity UK Ltd, AXA Private Equity Italy Srl **Member of the Executive Committee of:** AXA Private Equity Italy Srl **Managing Director of:** AXA Private Equity Eastern Europe GmbH **Chairman of:** AXA Alexandrie SAS **Member of the Supervisory Committee of:** Alvest SAS **Member of the Board of Managers of:** ACF Investment I Sàrl Director of AXA Co-Investment II Ltd **Director of:** Spie, Clayax Acquisition 4 SAS, RPAX One SA **Special advisor to the Board of Directors of:** Club Méditerranée **Member of the Board of Directors of:** AXA Private Equity Switzerland Finance AG **Manager of:** Penfret **Chairman and Member of the Supervisory Board of:** Fives, Novafives
Jean-Paul Jacamon DoB: August 5, 1947 Chairman of the Appointments and Remuneration Committee Member of the Strategy Committee Independent member**	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	195(1) 3,200(2)	**Director of:** Tokheim **Former Director of:** Alcan, AMEC
Jean-Claude Karpeles (term in office expired on June 5, 2012) DoB: June 5, 1940 Member of the Audit and Accounts Committee and the Strategy Committee Independent member**	May 19, 2009	May 19, 2011	June 5, 2012 (age limit)	3,458(1) 5,000(2)	**Honorary General Delegate:** Gimelec **Manager and Chief Executive Officer of:** ELEC Promotion SARL, Gimelec Promotion SARL **Director of:** CPI Media, Paris region development and urban planning institute, Streamcore **Chairman of:** ELEN (Électricité Environnement) **Elected member of:** Paris Chamber of Commerce and Industry - Hauts de Seine department

* *In accordance with Article 20 of the Articles of Association, each Supervisory Board member must hold at least 120 shares for the entire duration of his or her term in office. These shares must be held in registered form.*
** *According to the requirements of the AFEP-MEDEF code*
(1) Number of shares held.
(2) Number of BSAR warrants held.

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Agnès Lemarchand DoB: Dec. 29, 1954 Member of the Appointments and Remuneration Committee and the Strategy Committee Independent member**	May 19, 2009		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2012	320(1) 1,600(2)	**Executive Chairman and Director of:** Steetley Dolomite Ltd **Member of the Supervisory Board of:** Siclae (proposed by FSI), Areva
Henri-Dominique Petit DoB: July 3, 1948 Vice-Chairman of the Supervisory Board, Chairman of the Audit and Accounts Committee Member of the Appointments and Remuneration Committee Independent member**	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	817(1) 800(2)	**Senior Advisor** of European corporate finance house DC Advisory.
Walter Pizzaferri DoB: August 20, 1957 Chairman of the Strategy Committee Independent member**	May 19, 2009		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2012	718(1)	**Manager of:** Tercara, Les Verrières de Montagnac, L'Observatoire de l'Innovation dans l'Energie
Philippe Rollier DoB: February 19, 1943 Member of the Audit and Accounts Committee and the Strategy Committee Independent member**	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	534(1) 5,000(2)	**Director of:** Sonoco Products (US), Charter Committee **Member of the Supervisory Committee of:** Groupe Grégoire **Manager of:** Cybèle
Marc Speeckaert DoB: May 23, 1951	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	1,059(1) 0(2)	**Managing Director of:** Sofina **Director of:** SES (Luxemburg), Rapala (Finland), Petit-Forestier (France), Maison Chapoutier (France)

* *In accordance with Article 20 of the Articles of Association, each Supervisory Board member must hold at least 120 shares for the entire duration of his or her term in office. These shares must be held in registered form.*
** *According to the requirements of the AFEP-MEDEF code*
(1) Number of shares held.
(2) Number of BSAR warrants held.

MANAGEMENT BOARD

Members of the Management Board Names	Date of first appointment	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital	Other positions held
Luc Themelin DoB: February 23, 1961 Chairman of the Management Board (since August 24, 2011)	May 19, 2009		May 19, 2013	2,479(1) 4,000(2)	Chairman and/or director of several Mersen group subsidiaries.
Thomas Baumgartner DoB: February 26, 1971 (since August 24, 2011)	August 24, 2011		May 19, 2013	1,121(1) 600(2)	Chairman and/or director of several Mersen group subsidiaries.
Christophe Bommier DoB: September 24, 1960 (since August 24, 2011)	August 24, 2011		May 19, 2013	6,900(1) 3,500(2)	Director of several Mersen group subsidiaries.
Didier Muller DoB: June 26, 1958 (since August 24, 2011)	August 24, 2011		May 19, 2013	408(1) 0(2)	Chairman and director of several Mersen group subsidiaries.
Marc Vinet DoB: May 7, 1968 (since August 24, 2011)	August 24, 2011		May 19, 2013	469(1) 3,000(2)	Chairman and/or director of several Mersen group subsidiaries.

(1) Number of shares held.
(2) Number of BSAR warrants held.

Summary biographies of the Supervisory Board members

Jocelyne Canetti

A graduate of the Ecole Normale Supérieure and holder of the agrégation senior teaching qualification in mathematics, Jocelyne Canetti joined EDF in 1980 where she held various operational duties from 1980 to 1995. She was successively director of the EDF Entreprises Industries centre (1997-1999), director of the European sales network in the corporate sales department (2000-2002), director of the corporate division (2002-2007) and EDF Commerce's director of the eco-energy efficiency services department (2007-2009). Since January 1, 2009, Jocelyne Canetti has been an EDF ombudsman. Since she is a representative of Fonds Stratégique d'Investissement, a shareholder in Mersen, Jocelyne Canetti cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Yann Chareton

After graduating from the IEP in Paris in 2000 and from the ESSEC business school in 2002, Yann Chareton also studied at the London School of Economics and the Università Commerciale Luigi Bocconi in Milan. In October 2005, he joined AXA Private Equity's Mid Cap LBO team where he is Director at the Milan office. Since AXA Private Equity is a shareholder in Mersen, Yann Chareton cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Hervé Couffin

A graduate of the Ecole Polytechnique and a qualified Corps des Mines engineer, Hervé Couffin started his career working for the French industry ministry. He joined the Paribas group in 1983 as director responsible for principal investments. He became a member of Paribas Principal Investments' executive committee in 1993, before being named senior partner and member of PAI Partners' executive committee until 2004. In 2005, he founded Callisto, a company providing financial advice to senior management teams in relation to LBO transactions, and is its chairman and chief executive officer. In accordance with the opinion of the Appointments and Remuneration Committee, Hervé Couffin is considered as an independent member of the Supervisory Board.

Bertrand Finet

Bertrand Finet, a graduate from the ESSEC business school, has spent his entire career in the investment industry, initially with 3i (in London and then Paris), CVC Capital Partners (Managing Director of the Paris office) and then as Managing Director of Candover's Paris office. He was named Director and a member of Fonds Stratégique d'Investissement's (FSI) Executive Committee in September 2009. Since he is a representative of Fonds Stratégique d'Investissement, a shareholder in Mersen, Bertrand Finet cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Dominique Gaillard

A graduate of the Ecole Polytechnique, Ecole Nationale des Ponts et Chaussées, the IAE in Paris and the University of Berkeley, California (MSc), Dominique Gaillard began his career working for a Pechiney subsidiary as a R&D director, then sales and marketing director (1988-1990). From 1990 to 1997, he worked in private equity at Charterhouse, during which time he arranged numerous development capital and LBO transactions. He joined AXA Private Equity in 1997 as head of LBOs. He is now managing director in charge of Direct Funds (development capital, Small & Mid Cap LBOs, Co-Investment, Infrastructure). Since AXA Private Equity is a shareholder in Mersen, Yann Chareton cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Jean-Paul Jacamon

A graduate of the prestigious Ecole Polytechnique and Ecole des Mines, Jean-Paul Jacamon joined Schneider Electric in 1981, having begun his career with the French industry ministry and Datar. He became chairman and chief executive officer of Spie-Trindel and Spie Enertrans, before being named senior executive vice president of Spie Batignolles in 1993. In 1995, he was appointed CEO of the European division, then CEO in 1996. From 1999 to 2002, he was vice-chairman and chief operating officer of Schneider Electric. In accordance with the opinion of the Appointments and Remuneration Committee, Jean-Paul Jacamon is considered as an independent member of the Supervisory Board.

Jean-Claude Karpeles (term in office expired on June 5, 2012)

A graduate of the Ecole Supérieure d'Ingénieur in electrical and electronic engineering, with an MBA from EDHEC and a postgraduate degree in economics, Jean-Claude Karpeles began his career as an administrator with the European Commission in 1963. He was then responsible for international affairs for the electrical and electronics industries and, in this role, he created and managed several export consortiums. In 1981, he was appointed as the general delegate, then honorary general delegate from 2008 at Gimelec. From 1991 until 2007, he was general delegate of the French electrical and electronics industry. At the same time, he was named by the French finance ministry as chairman of Actim in 1986 then of CFME Actim and UbiFrance (organizations promoting French foreign trade) until 2004. In accordance with the opinion of the Appointments and Remuneration Committee, Jean-Paul Karpeles is considered as an independent member of the Supervisory Board.

Agnès Lemarchand

Since graduating from the Ecole Nationale Supérieure de Chimie in Paris and MIT in Boston, with an MBA from INSEAD, Agnès Lemarchand has spent her entire career in industry. In the past, she managed Industrie Biologique Française, a Rhône Poulenc subsidiary, followed by Ciments Français' industrial minerals division, before being appointed CEO of Lafarge's lime business, a position she held from 1998 to 2004. During 2005, she set up Steetley Dolomite Limited in the UK, a former Lafarge subsidiary that she bought out with management and is currently its Executive Chairman. In accordance with the opinion of the Appointments and Remuneration Committee, Agnès Lemarchand is considered as an independent member of the Supervisory Board.

Henri-Dominique Petit

After high-level scientific training (Ecole Supérieure de Physique et de Chimie in Paris, followed by a postgraduate degree in nuclear physics and a PhD in particle electronics at Orsay university), Henri-Dominique Petit joined Kodak, a group with which he spent the bulk of his career. He held a wide variety of positions in France and in the rest of the world. He was appointed VP of the Group in 1992 and Senior VP in 2003. He took over at the helm of Sperian Protection (formerly Bacou-Dalloz) in 2004 and consolidated on the group's merger and international development. He served as Chief Executive Officer until 2009 and Chairman until 2010. In April 2011, Henri-Dominique Petit was named Senior Advisor of European corporate finance house DC Advisory. In accordance with the opinion of the Appointments and Remuneration Committee, Henri-Dominique Petit is considered as an independent member of the Supervisory Board.

Walter Pizzaferri

Walter Pizzaferri is the founder and manager of Tercara, a company that invests in advisory firms and innovative SMEs. After spending over 25 years working in strategy and organization consulting for the leading firms (Orga Consultants, KPMG Peat Marwick, Bain & Co.) and as the founder and chief executive officer of the European arms of US and UK-based firms (PRTM, JSA), Walter Pizzaferri was a partner for seven years at Stratorg, where he was responsible for the automobile sector and international development. A lecturer at HEC Entrepreneurs, he also set up and directed the Observatoire de l'Innovation Automobile and the Observatoire de l'Innovation dans l'Energie, observatories monitoring innovation in the automobile and energy sectors, with the support of leaders in these two industries. In accordance with the opinion of the Appointments and Remuneration Committee, Walter Pizzaferri is considered as an independent member of the Supervisory Board.

Philippe Rollier

A graduate of the Paris-Grignon Institut National Agronomique and of the IEP school (political studies) in Paris, Philippe Rollier has spent his entire career with the Lafarge group, including 15 years abroad. From 1980 to 1995, he directed two of Lafarge's diversification subsidiaries, namely Allia (sanitary ceramics) and Orsan (biotechnologies). He then became executive vice president for Central and Eastern Europe. In 1999, he was appointed as chief operating officer of the Lafarge group. From 2001 to 2006, he served as chairman and CEO of Lafarge North America, which is based in Washington. In accordance with the opinion of the Appointments and Remuneration Committee, Philippe Rollier is considered as an independent member of the Supervisory Board.

Marc Speeckaert

After graduating in applied economics and taking an MBA at the Catholic University of Louvain (Belgium), Marc Speeckaert also attended an Advanced Management Program at Wharton (University of Pennsylvania, US). He began his career with Touche Ross & Cie, before spending ten years with ITT Corporation where he held several financial positions. During 1986, he joined the Glaverbel group in Belgium where he went on to become chief financial officer, after taking responsibility for management control. From 1991 to 1994, he held the same position with the Lhoist group. From 1994 to 2004, he was chief financial officer, then chief strategy officer of Belgacom in Belgium. Since 2004, he has been managing director of Sofina. Since Sofina is a shareholder in Mersen, Marc Speeckaert is not an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

→ Summary biographies of the Management Board members

Luc Themelin

Luc Themelin, who holds a PhD in materials science, has spent the bulk of his career with the Mersen group, having originally been hired as a Research and Development engineer. He was appointed as the Director of the Braking division in 1998 and then of the High Temperatures division in 2004. He joined the Executive Committee in 2005, while continuing to manage the Braking division and to oversee the High Temperatures division. On July 1, 2008, Luc Themelin was appointed as Supervisor of the Electrical Applications division and a member of the Management Board in May 2009. He was appointed as Chairman of the Management Board on August 24, 2011.

Thomas Baumgartner

Thomas Baumgartner began his career in 1996 with Crédit Lyonnais as a credit analyst, before taking over as relationship manager for industrial large accounts. In 1999, he joined Mersen as Head of Financing and Treasury, before moving on to become Director of Planning and Management Control. In March 2010, Thomas Baumgartner was appointed as CFO and on August 24, 2011, he was appointed as a member of the Management Board. Thomas Baumgartner is a graduate of the IEP school (political studies) in Paris.

Christophe Bommier

Christophe Bommier began his career with Pechiney as an R&D engineer, before joining the Mersen group in 1989 where he rapidly rose through the ranks to become Vice President, Braking. In 1998, he moved to the United States where he took charge of the North American operations of the High Temperatures division, before being appointed Vice President, High Temperatures Asia in 2006. During 2010, he was appointed as Global Vice President, High Temperatures and on August 24, 2011, he was appointed as a member of the Management Board. Christophe Bommier is a graduate of the Paris School of Physics and Chemistry.

Didier Muller

Didier Muller began his career in 1981 and held several sales positions. He joined the Mersen group in 1989, being given responsibility for various subsidiaries and divisions, predominantly in international markets. He ran operations in South America, before taking over at the helm of the Electrical Applications division in 2006. On August 24, 2011, he was appointed as a member of the Management Board and in July 2012, he also took over management of the Chemical Engineering business. Didier Muller is a graduate of the Rouen ESC business school and holds a master's degree in economic science.

Marc Vinet

Marc Vinet began his career as an engineer with Ferraz in the United States. During 1994, he took over responsibility for the international development of the power electrotechnical division. During 1998, he jointly ran a German subsidiary of Ferraz. After returning to France in 2002, he was appointed as manager of the coolers and power electronics product line. During 2005, he joined the executive committee of the Electrical Protection division as sales and marketing director. Since 2008, he has run the Electrical Protection division and on August 24, 2011, he was appointed as a member of the Management Board. Marc Vinet holds a master's degree in economic science and a Supelec engineering diploma.

→ Board practices

Operation of the Supervisory Board

The composition, operation, duties and remit of the Supervisory Board and of its Committees, as well as their tasks, are described in the "Report of the Chairman of the Supervisory Board on the preparation and organization of the Board's work and on internal control procedures" at the end of this section.

Operation of the Management Board

The Company is administered by a Management Board comprising between two and seven individual natural persons, who perform their duties under the oversight of the Supervisory Board. They are appointed for a term of four years by the Supervisory Board, which confers the role of Chairman on one of them. All members of the Management Board are eligible for re-election. Management Board members must not be aged over 65 years. When a Management Board member reaches the age limit, s/he is deemed to have resigned as a matter of course. Management Board members may be dismissed by the General Meeting and by the Supervisory Board.

The Management Board has the broadest powers to act in all circumstances in the name of the Company, within the restrictions of the corporate purpose and subject to the powers granted by law to the Supervisory Board and to shareholder meetings.

In dealings with third parties, the Company is bound even by acts of the Management Board not falling within the corporate purpose, unless it can prove that the third party knew that the act fell outside the scope of the corporate purpose or that it could not fail to know this in view of the circumstances, with mere publication of the Articles of Association not counting as evidence thereof.

The Chairman of the Management Board represents the Company in its dealings with third parties. The Supervisory Board may grant the same powers to represent the Company to one or more other members of the Management Board, who then carry the title of Chief Executive Officer.

Members of the Management Board meet whenever corporate interests so require and at least four times per annum, when convened by the Chairman or half its members, at the location indicated by the person convening the meeting. Meetings may be convened by any means, including verbal arrangement.

The Management Board may deliberate validly only if at least two members, including the Chairman, are present. The Management Board's decisions are made based on a majority vote of the members present. No one within the Management Board may vote by proxy. Where votes are split, the Chairman of the Management Board holds a casting vote. Minutes signed by the Chairman and one of the Management Board members are drafted after every meeting.

Luc Themelin was appointed as Chairman of the Management Board by the Supervisory Board on August 24, 2011 for a term in office expiring on May 19, 2013. Since August 24, 2011, the Management Board has had five members: Luc Themelin (Chairman), Thomas Baumgartner, Christophe Bommier, Didier Muller and Marc Vinet, who were also named at the meeting of the Supervisory Board on August 24, 2011 for a term in office expiring on May 19, 2013. Between January 1 and December 31, 2012, the Management Board met 10 times, with an attendance rate of 100%.

Executive Committee

An Executive Committee was set up by the Management Board on October 14, 2011 to expand Mersen's senior management team and make sure that all the Group's major functions are represented. In addition to the **five Management Board members**, it comprises:

Thomas Farkas
Director of Strategy and Development

Estelle Legrand
Director of Human Resources

Jérôme Sarragozi
Director of Legal Affairs

Charles-Henri Vollet
Director of Procurement and Information Systems

The Executive Committee is responsible for managing the Mersen group's operational affairs and it meets every month to review the Group's financial performance and decide on action plans in various areas (human resources, IT, procurement, legal affairs, development, etc.) in line with its strategic priorities. The Executive Committee ensures that the Group's organization functions properly and in this capacity it is heavily involved in forecasting the human resources required for the continued development of its business activities.

Conflicts of interest involving administrative and management bodies

As far as the Company is aware, there are no family ties between members of the Supervisory Board or Management Board, nor are there any between them.

No members of the Supervisory Board, Management Board or Executive Committee have been convicted of fraud for the past five years at least.

No members of the Supervisory Board or Management Board have been involved in any bankruptcy, sequestration or liquidation for the past five years at least.

No members of the Supervisory Board or Management Board have been charged with any other offence or had any official public disciplinary action taken against for at least the past five years.

There are no conflicts of interest between the private interests and/or other duties of any of the members of the Supervisory Board or Management Board with respect to Mersen.

The members of the Supervisory Board, Management Board and the Group's principal managers have undertaken to refrain from using or disclosing the privileged information that they hold for the purpose of buying or selling the Company's shares and not to carry out any transaction of this type during the black-out periods. For fiscal 2013, the black-out periods are:

- **January 15 to January 31, 2013:** owing to the announcement of fourth-quarter 2012 sales on January 30, 2013;
- **from February 19 to March 21, 2013:** owing to the announcement of full-year 2012 results on March 20, 2013;
- **from April 14 to April 30, 2013:** owing to the announcement of first-quarter 2013 sales on April 29, 2013;
- **from July 11 to July 29, 2013:** owing to the announcement of second-quarter 2013 sales on July 26, 2013;
- **July 31 to August 30, 2013:** owing to the announcement of interim results on August 29, 2013;
- **from October 14 to October 30, 2013:** owing to the announcement of third-quarter 2013 sales on October 29, 2013.

The black-out periods specified above are set notably in accordance with the AMF recommendations of November 3, 2010 (AMF recommendations no. 2010-07), which calls for two black-out periods:

- a period of at least **30 calendar days** prior to the publication of the annual, interim and, where appropriate, full quarterly financial statements; and
- a period of at least **15 calendar days** prior to publication of quarterly reports.

There is no service contract between members of the Management or Supervisory Boards and Mersen or any of its subsidiaries.

Service agreements providing for the grant of future benefits

Mersen has not entered into any service agreements providing for the grant of future benefits.

Compensation and benefits in kind

In October 2008, Mersen confirmed that the AFEP-MEDEF recommendations concerning the compensation of executive officers and directors of listed companies were adopted from October 17, 2008 by the Company as part of the decisions made on that day because they are in line with the Company's approach to corporate governance. The Board stated that in accordance with the law of July 3, 2008 transposing into French law European directive 2006/46/EC of June 14, 2006, the amended AFEP-MEDEF code is the document to which the Company refers when drafting the report provided for in Article L. 225-37 of the French Commercial Code with effect from the current fiscal year.

Disclosure of corporate officers' remuneration in accordance with Article L. 225-102-1 of the French Commercial Code

The aggregate amount of total compensation and benefits of any kind paid during fiscal 2012 to Mersen's corporate officers, namely the members of the Supervisory Board, plus the Chairman, Vice-Chairman and members of the Management Board, came to €2,081,744, breaking down into:

- compensation payable to Management Board members as presented in the summary tables on the following pages;
- compensation paid to Supervisory Board members. These attendance fees in respect of fiscal 2012 were paid in early 2013 and split between Supervisory Board members in proportion to their attendance at Board meetings and at the various meetings of the Committees held under the Board's responsibility. They were allocated between the Supervisory Board members as follows:

Amounts due in respect of the financial year *(€)*	2012	2011
Jocelyne Canetti	24,110	22,345
Yann Chareton	21,952	19,760
Hervé Couffin	26,677	25,454
Bertrand Finet*	23,093	12,703
Dominique Gaillard	16,553	21,559
Jean-Paul Jacamon	25,124	26,057
Jean-Claude Karpeles**	9,748	23,825
Agnès Lemarchand	23,093	23,787
Henri-Dominique Petit	29,790	28,250
Walter Pizzaferri	22,212	20,097
Philippe Rollier	26,497	24,840
Marc Speeckaert	15,151	15,321
TOTAL	**264,000**	**264,000**

** Member of the Supervisory Board since May 19, 2011.*
*** term in office expired on June 5, 2012.*

At its meeting on May 19, 2009, the Company's Supervisory Board decided to allocate to its Chairman Hervé Couffin and its Vice-Chairman Henri-Dominique Petit fixed annual compensation of respectively €80,000 for Hervé Couffin and €20,000 for Henri-Dominique Petit. These compensation and benefits remained unchanged in 2012.

On October 6, 2011, the Board set the annual compensation and benefits payable to Luc Themelin as Chairman of the Management Board at €400,000 with effect from September 1, 2011. These compensation and benefits remained unchanged in 2012. The decision was taken to set the variable portion of his compensation at between 0% and 100% at most of his basic salary. At its meeting on March 14, 2012, the Supervisory Board determined the allocation of the variable portion of compensation for 2012 based on the following three criteria: operating cash flow (35% weighting), ROCE (35% weighting) and personal targets (30% weighting). The level of attainment of each of these three criteria is set each year by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee.

SUMMARY OF THE COMPENSATION AND BENEFITS, OPTIONS AND SHARES GRANTED TO EACH MANAGEMENT BOARD MEMBER

Ernest Totino, Chairman of the Management Board (until August 24, 2011)

(€)	2012	2011
Compensation and benefits payable in respect of the fiscal year (broken down below)	0	524,357[(1)]
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year1*	0	0
TOTAL	**0**	**524,357**

(1) Compensation includes the incentive payment in respect of 2011 paid in 2012.

Luc Themelin, Member of the Management Board (since May 19, 2011) – Chairman of the Management Board (from August 24, 2011)

(€)	2012	2011
Compensation and benefits payable in respect of the fiscal year (broken down below)	422,371	509,001[(1)]
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	0	494,760
TOTAL	**422,371**	**1,003,761**

(1) Compensation includes incentives and employee profit-sharing due in respect of 2011 and paid in 2012 in an amount of €20,978, comprising €4,143 in employee profit-sharing and €16,834 in incentives.

Thomas Baumgartner, Member of the Management Board (from August 24, 2011)

(€)	2012	2011
Compensation and benefits payable in respect of the fiscal year (broken down below)	221,304	246,630[(1)]
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	40,400	212,040
TOTAL	**261,704**	**458,670**

(1) Compensation includes incentive and employee profit-sharing in respect of 2011 paid out in 2012.

Christophe Bommier, Member of the Management Board (from August 24, 2011)

(€)	2012[(1)]	2011[(1)]
Compensation and benefits payable in respect of the fiscal year (broken down below)	214,001	239,355
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year	40,400	212,040
TOTAL	**254,401**	**451,395**

(1) Compensation in US dollars converted into euros at the average annual rate (2011 = 1.392 - 2012 = 1.2859).

* *Subject to performance conditions and a four-year holding period. Valued based on a share price of €35.34 for the 2011 plan and €16.16 for the 2012 plan.*

Didier Muller, Member of the Management Board (from August 24, 2011)

(€)	2012[1]	2011[1]
Compensation and benefits payable in respect of the fiscal year (broken down below)	238,264	215,806
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year	40,400	212,040
TOTAL	**278,664**	**427,846**

(1) Compensation in US dollars converted into euros at the average annual rate (2011 = 1.392 - 2012 = 1.2859).

Marc Vinet, Member of the Management Board (from August 24, 2011)

(€)	2012	2011
Compensation and benefits payable in respect of the fiscal year (broken down below)	232,286	247,693[1]
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	40,400	212,040
TOTAL	**272,686**	**459,733**

(1) Compensation includes incentive and employee profit-sharing in respect of 2011 paid out in 2012.
** Subject to performance conditions and a four-year holding period. Valued based on a share price of €35.34 for the 2011 plan and €16.16 for the 2012 plan.*

SUMMARY OF THE COMPENSATION AND BENEFITS PAYABLE TO EACH MANAGEMENT BOARD MEMBER

Ernest Totino, Chairman of the Management Board (until August 24, 2011)

	2012		2011	
(€)	Amounts payable in respect of 2012	Amounts paid in 2012[1]	Amounts payable in respect of 2011[1]	Amounts paid in 2011
Fixed salary	0	0	303,333	303,333
Variable salary	0	0	198,000	466,625[2]
Incentives/Profit-sharing	0	12,124	12,124[3]	16,736
Benefits in kind	0	0	10,900	10,900
TOTAL	**0**	**12,124**	**524,357**	**797,594**

(1) Compensation and benefits excluding payments made as a result of the termination of an appointment as officer/legal representative.
(2) Amount including the amount due in respect of 2011 paid in 2011.
(3) Incentive agreement in respect of 2011 paid in 2012.
N.B. The bonus, which varies between 0% and 100% of the basic salary, is paid in year n+1.
N.B. Benefits in kind include contributions towards the corporate executives' social guarantee, as well as a company car.

Luc Themelin, Member of the Management Board (since May 19, 2009) – Chairman of the Management Board (from August 24, 2011)

	2012		2011	
(€)	Amounts payable in respect of 2012	Amounts paid in 2012	Amounts payable in respect of 2011	Amounts paid in 2011
Fixed salary	400,000	400,000	326,666	326,666
Variable salary	0[a]	155,420	155,420	138,460
Incentives/Profit-sharing	10,709	22,173[d]	20,978[c]	19,217[b]
Benefits in kind	11,662	11,165	5,937	5,937
TOTAL	**422,371**	**588,758**	**509,001**	**490,280**

*(a) **amount of €125,000 not paid at the own request of the Chairman of the Management Board.***
(b) including €16,736 under the incentive agreement and €2,481 from the special profit sharing reserve.
(c) including €16,835 under the incentive agreement and €4,143 from the special profit sharing reserve.
(d) including €18,030 under the incentive agreement and €4,143 from the special profit sharing reserve.
N.B. The bonus, which varies between 0% and 100% of the basic salary, is paid in year n+1.
N.B. Benefits in kind include contributions towards the corporate executives' social guarantee, as well as a company car.

Thomas Baumgartner, Member of the Management Board (from August 24, 2011)

(€)	2012		2011	
	Amounts payable in respect of 2012	Amounts paid in 2012	Amounts payable in respect of 2011	Amounts paid in 2011
Fixed salary	180,000	180,000	170,000	170,000
Variable salary	27,360	49,300	49,300	52,000
Incentives/Profit-sharing	10,480(1)	23,823	23,978	14,091
Benefits in kind	3,464	3,464	3,352	3,352
TOTAL	221,304	256,587	246,630	239,443

(1) including €6,646 under the incentive agreement and €3,834 from the special profit sharing reserve.

Christophe Bommier, Member of the Management Board (from August 24, 2011)

(€)	2012		2011	
	Amounts payable in respect of 2012(1)	Payments made in 2012(1)	Amounts payable in respect of 2011(1)	Payments made in 2011(1)
Fixed salary	198,304	198,304	161,638	161,638
Variable salary	11,898	81,363	75,162	54,831
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	3,799	3,799	2,555	2,555
TOTAL	214,001	283,466	239,355	219,024

(1) Compensation in US dollars converted into euros at the average annual rate (2011 = 1.392 - 2012 = 1.2859).

Didier Muller, Member of the Management Board (from August 24, 2011)

(€)	2012		2011	
	Amounts payable in respect of 2012(1)	Payments made in 2012(1)	Amounts payable in respect of 2011(1)	Payments made in 2011(1)
Fixed salary	202,193	202,193	170,259	170,259
Variable salary	32,703	46,077	42,565	57,170
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	3,368	3,368	2,982	2,982
TOTAL	238,264	251,638	215,806	230,411

(1) Compensation in US dollars converted into euros at the average annual rate (2011 = 1.392 - 2012 = 1.2859).

Marc Vinet, Member of the Management Board (from August 24, 2011)

(€)	2012		2011	
	Amounts payable in respect of 2012	Amounts paid in 2012	Amounts payable in respect of 2011	Amounts paid in 2011
Fixed salary	197,917	197,917	175,000	175,000
Variable salary	27,700	65,625	65,625	62,800
Incentives/Profit-sharing	2,908	4,164	3,944	14,153
Benefits in kind	3,761	3,761	3,124	3,124
TOTAL	232,286	271,467	247,693	255,077

Hervé Couffin, Chairman of the Supervisory Board

(€)	2012		2011	
	Amounts payable in respect of 2012	Amounts paid in 2012	Amounts payable in respect of 2011	Amounts paid in 2011
Fixed salary	80,000	80,000	80,000	80,000
Attendance fees	26,677	25,454	25,454	24,427
Benefits in kind	0	0	0	0
TOTAL	106,677	105,454	105,454	104,427

Henri-Dominique Petit, Vice-Chairman of the Supervisory Board

(€)	2012		2011	
	Amounts payable in respect of 2012	Amounts paid in 2012	Amounts payable in respect of 2011	Amounts paid in 2011
Fixed salary	20,000	20,000	20,000	20,000
Attendance fees	29,790	28,250	28,250	28,384
Benefits in kind	0	0	0	0
TOTAL	49,790	48,250	48,250	48,384

The amounts stated above include all the compensation and benefits of any kind received by the corporate officers of companies controlled by Mersen within the meaning of Article L. 233-16.

Summary of commitments given to Management Board members

	Employment contract	Supplementary pension scheme	Compensation and benefits due or likely to be payable owing to the cessation or change in duties	Payment under a no-compete clause
Luc Themelin Chairman of the Management Board Appointment of May 19, 2009, which expires at the end of the 2013 General Meeting called to approve the financial statements for fiscal 2012	NO	YES(1)	YES(2)	YES
Thomas Baumgartner Member of the Management Board Appointment of August 24, 2011, which expires at the end of the 2013 General Meeting called to approve the financial statements for fiscal 2012	YES	NO	NO	NO
Christophe Bommier Member of the Management Board Appointment of August 24, 2011, which expires at the end of the 2013 General Meeting called to approve the financial statements for fiscal 2012	YES	NO	NO	NO
Didier Muller Member of the Management Board Appointment of August 24, 2011, which expires at the end of the 2013 General Meeting called to approve the financial statements for fiscal 2012	YES	NO	NO	NO
Marc Vinet Member of the Management Board Appointment of August 24, 2011, which expires at the end of the 2013 General Meeting called to approve the financial statements for fiscal 2012	YES	NO	NO	NO

(1) Luc Themelin receives the benefit of a supplementary pension plan pursuant to his employment agreement, the terms of which are described on page 48.
(2) The compensation and benefits due or likely to be paid on grounds of termination or change in duties are described on page 48.

Agreements regulated by Article L. 225-86 of the French Commercial Code

Severance payment for Luc Themelin:

At its meeting on October 6, 2011, the Supervisory Board decided, pursuant to the provisions of Article L. 225-86 and L. 225-90 of the French Commercial Code, to make the following payments to Luc Themelin in the event that his term in office as Chairman and Member of the Management Board is terminated, in line with the conditions stipulated below:

No-compete and non-solicitation clause

Should his term in office as Chairman and Member of the Management Board end, and in return for signing a no-compete and non-solicitation undertaking, for a one-year period from the date on which his duties cease, Luc Themelin will receive a monthly payment equivalent to 50% of the gross fixed monthly compensation and benefits that he received immediately prior to termination of his term in office. The Company may decide to forgo this no-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing Luc Themelin of its decision within a notice period of two months with effect from termination of the term in office.

The no-compete agreement referred to above will cover all of the Group's business activities and will be applicable in all of the countries in which Mersen is active (whether it has a physical presence there or whether it operates from a base in another country). At the Company's discretion, the no-compete and non-solicitation undertaking will be laid down and structured as a no-compete agreement, if necessary.

Termination of his term in office:

Should the Mersen group terminate, in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement, enforced retirement or resignation), Luc Themelin's term in office as Chairman and Member of the Management Board (notably by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of the duties following the conversion or merger of the company, except for a change in corporate governance leading to the appointment of a Chief Executive Officer of a *société anonyme* with a Board of Directors), a flat-rate payment will be made to Luc Themelin, calculated as stated in the performance conditions applicable (the "Severance Payment"). The Severance Payment will exclude payment of any other indemnity (of any type whatsoever, including compensation and interest).

In the event that Luc Themelin's responsibilities and/or compensation and benefits are altered substantially following a takeover of the Company and that he thus decides to leave the Company, he would receive the same severance payment.

The Severance Payment is calculated as follows:

I = 0.5 x R x P, where

- I is the amount of the Severance Payment
- R is the gross total compensation (basic salary and bonus, excluding benefits in kind and incentives) paid to Luc Themelin during the thirty-six months prior to termination (including the portion of variable pay due in respect of the year in progress at termination) whether these compensation and benefits have been paid to him in respect of his duties as Chairman of the Management Board or as an employee
- P is Luc Themelin's performance as measured in line with the criteria defined below.

Performance:

Payment of the aforementioned severance indemnity will be contingent upon attainment of the performance targets under the following conditions:

- Performance metric (P):

P = the average performance of L. Themelin in the three calendar years preceding his departure (as Chairman of the Management Board or an employee).

$$P = \frac{\text{performance (n-1)} + \text{performance (n-2)} + \text{performance (n-3)}}{3}$$

Performance in year n is equal to the percentage achievement of objectives for the target bonus. Given the limits set in Article 2, **P** may vary between 0 and 200%.

The average performance rate **P** will be observed by the Supervisory Board.

- Performance conditions:

If P >= 100%, 100% of the payment will be made

If P >= 90% and < 100%, 80% of the payment will be made

If P >= 70% and < 90%, 60% of the payment will be made

If P >= 50% and < 70%, 40% of the payment will be made

If P < 50%, no payment will be made.

Stock subscription options – Performance shares

Should Luc Themelin's term in office as Chairman and Member of the Management Board be terminated in any manner and for any reason whatsoever (barring termination following the acquisition of control of the Company, retirement or enforced retirement), he will automatically lose his entitlement to all the stock options granted to him prior to the end date of his term in office where the conditions of grant (condition related to continued presence and performance conditions) have not been satisfied by the end date of his term in office. He will also automatically lose his entitlement to all the shares, irrespective of whether they are subject to a performance condition, granted to him, in accordance with the provisions of Article L. 225-197-1 to L. 225-197-5 of the French Commercial Code, prior to the end date of his term in office, where the grant of these shares had not been made definitive by the end date of his term in office.

Even so, it is stipulated that the Supervisory Board reserves the right to decide, where appropriate, to leave in place some or all of the stock options and bonus shares, subject to satisfaction of the corresponding performance conditions.

The benefit of the stock options and bonus shares referred to above will be maintained should Luc Themelin's responsibilities and/or compensation and benefits be modified substantially following the acquisition of control of the Company causing him to decide to the leave the Company.

Compensation and benefits due in respect of 2012 to senior managers (Executive Committee) who are not corporate officers

(Gross amounts in euros)	2012
Basic salaries	615,000
Performance-related bonuses	87,685
Benefits in kind	14,628
TOTAL	717,313

N.B. The bonus, varying between 0% and 40% of basic salary.
N.B. Benefits in kind correspond to a company car.

Compensation and benefits paid to senior managers, including officers/legal representatives

Recommendations concerning basic salaries are made to the Board by the Appointments and Remuneration Committee after seeking the opinion of specialized consultants on current market rates.

The bonus system for the Chairman of the Management Board, members of the Management Board and the members of the Executive Committee is based on performance in relation to:

For the Chairman of the Management Board and Chief Financial Officer:

- the Group's ROCE objectives
- operating cash flow targets for the Group as a whole;
- certain individual objectives set at the beginning of the year.

For the other members of the Management Board:

- the Group's ROCE objectives
- objectives for their division's operating margin before non-recurring items;
- operating cash flow objectives for their division;
- certain individual objectives set at the beginning of the year.

For members of the Executive Committee:

- the Group's operating margin before non-recurring items;
- operating cash flow objectives for the Group as a whole;
- certain individual objectives set at the beginning of the year.

Note that the 2011 objectives for members of the Management Board (excl. the Chairman) and were not reviewed when they first joined the Management Board or the Executive Committee towards the end of the year. They were reviewed by the Board in 2012.

Under his employment agreement, Luc Themelin receives the benefit of a top-up pension plan.

At the Board of Directors' meeting on July 25, 2007, this regime was altered as follows: provided that the relevant person is still employed by the Group upon his/her retirement, this regime guarantees top-up pension income of 10-20%, depending on length of service, of the basic reference salary during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus.

In addition, to qualify for the benefit of this plan, individuals must have at least ten years' service with the Mersen group.

Loans and guarantees granted to senior managers

None.

Employee incentive agreements

Employee incentive agreements related to the Group's earnings are in place at most of its French subsidiaries, as well as in certain subsidiaries in the US, Canada and Australia. The methods used to calculate employee incentives vary from company to company and from country to country. They include both financial (operating income, EBIT and EVA) and, in some cases, technical criteria, such as safety improvements, customer service and scrap rates.

(€ 000s)	2012	2011	2010	2009	2008
Amounts allocated to employees	1,767	3,048	3,699	1,620	3,953
Number of beneficiaries	1,713	1,597	1,458	1,433	1,545

Employee profit-sharing

Profit-sharing agreements are in place at all the Group's subsidiaries in France with more than 50 employees, in accordance with Articles L. 442-2 and R. 442-2 of the French Labor Code and at the majority of the North American subsidiaries.

(€ 000s)	2012	2011	2010	2009	2008
Amounts allocated to employees	934	1,901	1,867	762	2,265
Number of beneficiaries	899	891	1,420	1,110	1,496

Corporate savings plan

Since 1995, financial authorizations to develop stock ownership among employees through a Group Investment Plan, stock subscription option plans and bonus share allotment plans have been granted on a regular basis by shareholders at the Extraordinary General Meeting.

Group Investment Plan

At the Annual General Meeting on May 23, 2012, shareholders authorized the Management Board to increase the share capital, subject to the Supervisory Board's prior approval, on one or more occasions at its sole discretion, through the issue of shares in cash reserved for employees participating in the Group Investment Plan. These increases in capital entail the waiver of shareholders' preferential subscription rights. The nominal amount of the capital increases that may be carried out pursuant to this authorization may not exceed €360,000, i.e. approximately 0.70% of the Company's share capital. This authorization is valid for a period of 26 months. It replaces and supersedes the previous authorization granted by the General Meeting of May 19, 2011.

To date, the Management Board has not made any use of this authorization.

Stock subscription options

At the Extraordinary General Meetings since 1995, shareholders have authorized the Company to grant, on one or more occasions, stock subscription options to some or all of the Company's senior managers or those of affiliated companies. The employee categories benefiting from these options are to be determined by the Supervisory Board each time that it makes use of the authorization.

All the stock subscription plans are subject to performance conditions.

In 2012, no options were exercised.

The total number of stock subscription options still outstanding stands at 500,364, i.e. 2.5% of the share capital. Members of the Management Board have no options to purchase or to subscribe shares in subsidiaries of the Group.

Stock subscription options: Previous grant

	2003 plan Tranche 10	2007 plan Tranche 11	2009 plan Tranche 12	Total
Date of Board of Directors' meeting	May 14, 2003	July 25, 2007	Jan. 22, 2009	
Total number of shares available for subscription	140,293	177,876	366,582	684,751
- o/w officers/legal representatives at the publication date:	-	-	*32,345*	*32,345**
Luc Themelin (not a officer/legal representative until May 19, 2009)	*	*	32,345	*32,345**
Thomas Baumgartner (not a officer/legal representative until August 24, 2011)	*	*	*	*
Christophe Bommier (not a officer/legal representative until August 24, 2011)	*	*	*	*
Didier Muller (not a officer/legal representative until August 24, 2011)	*	*	*	*
Marc Vinet (not a officer/legal representative until August 24, 2011)	*	*	*	*
- o/w officers/legal representatives at the allotment date, who have since left the Company	*10,099*	*26,950*	*53,908*	*90,957*
- o/w top 10 allottees	*48,310*	*77,885*	*140,163*	*266,358*
Subscription price	19.68	53.10	17.53	
Start of exercise period	May 2007	July 2011	Feb. 2013	
Expiration date	May 2013	July 2017	Feb. 2019	
Total number of shares subscribed at Dec. 31, 2012	51,822	0	0	51,822
Options canceled by Dec. 31, 2012	51,812	75,362	5,391	132,565
- o/w canceled in 2012	*0*	*2,102*	*5,391*	*7,493*
OPTIONS THAT MAY STILL BE EXERCISED	**36,659**	**102,514**	**361,191**	**500,364**

(*) Stock subscription options that could have been allotted prior to their appointment as a officer/legal representative are not counted.

In 2012, no stock subscription options were granted to Management Board members.

Performance conditions and holding requirements attached to stock subscription plans

2003 plan:

Performance conditions:

Exercise of the options was contingent on the Group's reaching a target for net income before non-recurring items for 2003:

- Were it to post net income before non-recurring items of €17,000,000 or more in 2003: beneficiaries had the right to exercise options subject to a limit of two-thirds of the stock subscription options granted.
- Were it to post net income before non-recurring items of €24,000,000 or more in 2003: beneficiaries had the right to exercise all the stock subscription options granted.

The options may be exercised on one or more occasions with effect from May 14, 2007 through to May 14, 2013 inclusive, in batches of at least 750 options, except for the remainder. The Board of Directors had the right to bring forward the date on which the options could be exercised in the event of changes to the French regulations.

Based on the performance recorded, two-thirds of the options were granted.

Holding requirements: none

2007 plan:

Performance conditions:

The possibility of exercising the options was contingent on growth in consolidated net income per share (basic earnings per share) between 2007 and 2010. 100% of the shares were granted if net earnings per share grew by 40% compared with 2006 (€2.53 per share). If at the end of fiscal 2010, net income per share had risen by 30% but less than 40%, four-fifths of the options were granted. If the increase was less than 30%, three-fifths were granted. The Board of Directors reserved the right to restate net income per share to adjust for any exceptional items that occurred during the period for the comparison with the objective set.

Based on the performance recorded, three-fifths of the shares were granted.

Holding requirements: none

2009 plan:

Performance conditions:

The percentage of options granted to each beneficiary that may be exercised will be determined by reference to the following two criteria, with the more favorable one being applied:

	100%	75% to 100%**	35% to 75%	0%
CRITERION 1	If EPS > or = 2 times its 2007* value	If EPS > or = 1.5 times and < 2 times its 2007* value	If EPS < 1.5 times and > or = 1 times its 2007* value	If EPS < 1 times its 2007* value
	100%	50% to 100%**	0%	
CRITERION 2	If Mersen's EPS growth is greater than or equal to the average EPS growth recorded by the sample of its peers plus at least 20 points	If Mersen's EPS growth is less than or equal to the average EPS growth recorded by the sample of its peers and less than this growth rate plus 20 percentage points	If Mersen's EPS growth is less than the average EPS growth recorded by the SBF 120 companies	

* *Adjusted for the impairment in EMC (business sold in May 2009). Based on comparable IFRSs.*
** *Smoothed based on EPS obtained.*

For the purpose of criterion no. 2, the measurement of Mersen's EPS growth is compared (in percentage terms) with that of the sample over the entire period, as is the difference between these growth rates and the 20 percentage point threshold.

The panel of peer companies is drawn up by executive management and approved by the Appointments and Remuneration Committee. It includes around 30 industrial companies belonging to French stock market indices. Only companies in the 2007 sample still present in these indices in 2011 or 2012 will be used for measurement purposes. The EPS figures used for these companies will be verified by an independent expert. The Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild fluctuations in EPS over the period.

Given the very strong economic uncertainties that have emerged since the Expansion 2011 plan was launched (growth plan for the period out to 2011, unveiled in September 2008), if 100% of the shares granted could not be exercised given the application of the criteria to the 2011 results, another measurement could be made based on the 2012 results, albeit with the resulting percentage being scaled down by a factor of 0.9. The grantees will benefit from the measurement most favorable for them. The calculations for 2007 and 2011 and/or 2012 will be checked by the Statutory Auditors.

Based on the performance recorded, 100% of the shares were granted.

Holding requirements:

Only the Chief Operating Officer serving at the date of the plan was obliged to retain the options until the total number of shares held in registered form was equivalent to one year's compensation.

Stock subscription options: officers/legal representatives

	Number of options granted/exercised	Price	Expiration date
Options granted since January 1, 2012 to each Management Board member:			
- Chairman of the Management Board: Luc Themelin	0	-	-
- Member of the Management Board: Thomas Baumgartner	0	-	-
- Member of the Management Board: Christophe Bommier	0	-	-
- Member of the Management Board: Didier Muller	0	-	-
- Member of the Management Board: Marc Vinet	0	-	
Options exercised since January 1, 2012 by each Management Board member:			
- Chairman of the Management Board Luc Themelin	0	-	-
- Member of the Management Board: Thomas Baumgartner	0	-	-
- Member of the Management Board: Christophe Bommier	0	-	-
- Member of the Management Board: Didier Muller	0	-	-
- Member of the Management Board: Marc Vinet	0	-	-

Stock subscription options: Shares allotted to the 10 employees (not officers/legal representatives) who received the largest number

	Number of options granted/exercised	Weighted average exercise price
Options granted since January 1, 2012 to the 10 employees who received the largest number	0	
Options exercised since January 1, 2012 by the 10 employees who received the largest number	0	

Redeemable stock subscription and/or acquisition warrants (BSARs): previous grants

	2010 Plan
Date of Board of Directors' meeting	July 15, 2010
Total number of shares available for subscription	103,331
- o/w officers/legal representatives at the publication date:	*11,100*
Luc Themelin (not a officer/legal representative until May 19, 2009)	*4,000*
Thomas Baumgartner (not a officer/legal representative until August 24, 2011)	*600*
Christophe Bommier (not a officer/legal representative until August 24, 2011)	*3,500*
Didier Muller (not a officer/legal representative until August 24, 2011)	*0*
Marc Vinet (not a officer/legal representative until August 24, 2011)	*3,000*
- o/w officers/legal representatives at the allotment date, who have since left the Company	*6,700*
- o/w top 10 allottees	*39,900*
Subscription price	1 BSAR 2007 + €1.5
Start of exercise period	17/7/2012
Expiration date	16/7/2017
Total number of shares subscribed at Dec. 31, 2012	103,331
Options canceled by Dec. 31, 2012	0
- o/w canceled in 2012	*0*
BSARS THAT MAY STILL BE EXERCISED	**103,331**

Bonus share allotments

At the Annual General Meeting on May 23, 2012, shareholders authorized the Management Board, on one or more occasions, to allot 20,000 existing or new shares, representing around 0.1% of the share capital, at no cost to Management Board members and employees of the Company and those of affiliated companies. They correspond to the number of shares allotted pursuant to the authorization granted by the General Meeting of May 19, 2011, the allotment of which was canceled in 2011. The number of shares that may be allotted to all the Company's Management Board members will have to be less than 25% of the total number of shares allotted. The vesting period at the end of which the grant of shares will become definitive was set at four years. No holding requirements and periods are imposed at the end of the vesting period. This authorization is valid for a period of 38 months from the date of the General Meeting.

At its meeting on June 27, 2012, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting 20,000 of the Company's shares under two bonus share allotment plans: the percentage of bonus shares allotted to each of the beneficiaries will be determined based on performance conditions identical to those applied for the 2011 plan (see below), with the most favorable amount being adopted. These criteria will be calculated based on fiscal 2012. Another measurement may be made based on 2013 results, albeit after application of a factor of 0.9x to the percentage attainment calculated. The grantees will benefit from the measurement most favorable for them. The calculations for 2012 and where appropriate 2013 will be audited by the Statutory Auditors. The published financial statements will be the basis for the calculations. Even so, in the event of a significant change in scope (acquisitions and disposals) occurring after the Supervisory Board meeting on June 22, 2012, the Appointments and Remuneration Committee may, if it deems such to be necessary, restate the financial statements for the effects of changes in scope for calculating the allotment percentages. The sample of comparable companies used to calculate criterion 2 will be proposed by the Management Board and approved by the Appointments and Remuneration Committee when the bonus share allotment plan is set up. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild fluctuations over the period in their EBITDA[(1)] to sales ratio.

BONUS SHARE ALLOTMENTS: PREVIOUS GRANTS

	2008 plan Tranche 3	2009 plan Tranche 4	2011 plan Tranche 5	2011 plan Tranche 6 (with performance conditions)	2012 plan Tranche 7 reallotment (with performance conditions)	Total
Date of allotment decision	February 26, 2008	January 22, 2009	May 27, 2011	May 27, 2011	June 27, 2012	
Total number of shares allotted	21,567	53,900	60,000	140,000	20,000	295,467
- o/w officers/legal representatives at the publication date	*	*	*0*	*14,000*	*10,000*	*34,000**
Luc Themelin (not a officer/legal representative until May 19, 2009)	*	*	*0*	*14,000*	*0*	*14,000**
Thomas Baumgartner (not a officer/legal representative until August 24, 2011)	*	*	*	*	*2,500*	*2,500**
Christophe Bommier (not a officer/legal representative until August 24, 2011)	*	*	*	*	*2,500*	*2,500**
Didier Muller (not a officer/legal representative until August 24, 2011)	*	*	*	*	*2,500*	*2,500**
Marc Vinet (not a officer/legal representative until August 24, 2011)	*	*	*	*	*2,500*	*2,500**
- o/w officers/legal representatives at the allotment date who have since left the Company	*0*	*0*	*0*	*20,000*		*20,000*
-o/w top 10 allottees	*3,230*	*10,780*	*8,000*	*48,800*	*10,000*	*80,810*
Valuation at allotment date	29.63	18.65	35.34	35.34	16.16	
Definitive allotment date (end of the vesting period)	March 1, 2011	Jan. 22, 2013	May 27, 2015	May 27, 2015	May 27, 2016	
End of lock-up period	March 1, 2013	Jan. 22, 2013**	May 28, 2015**	May 28, 2015**	May 28, 2016*	*
Allotments canceled at Dec. 31, 2012	1,403	4,312	1,200	20,000	0	26,915
o/w canceled in 2012	*0*	*0*	*0*	*0*	*0*	*0*
Number of shares vested definitively, not transferable	20,164					20,164
Outstanding at December 31, 2012	0	49,588	58,800	120,000	20,000	248,388

(*) Bonus shares that could have been allotted to them prior to their appointment as a officer/legal representative are not counted.
(**) There is a two-year holding period for beneficiaries who are French tax residents

(1) EBITDA = Operating income before non-recurring items + depreciation and amortization.

In 2012, no bonus shares became available to any of the Management Board members.

Performance conditions and holding requirements attached to bonus share plans allotted to members of the Management Board

2011 plan (tranche 6) and 2012 plan:

Performance conditions:

The percentage of bonus shares allotted to each of the beneficiaries is determined based on the most favorable of the following criteria. These criteria are calculated based on fiscal 2012. Another measurement may be made based on 2013 results, albeit after application of a factor of 0.9x to the percentage attainment calculated. The grantees will benefit from the measurement most favorable for them. The calculations for 2012 and where appropriate 2013 will be audited by the Statutory Auditors. The published financial statements will be the basis for the calculations. Even so, in the event of a significant change in scope (acquisitions and disposals) occurring after the Supervisory Board meeting on May 19, 2011, the Appointments and Remuneration Committee may, if it deems such to be necessary, restate the financial statements for the effects of changes in scope for calculating the allotment percentages. The sample of comparable companies used to calculate criterion 2 will be proposed by the Management Board and approved by the Appointments and Remuneration Committee when the bonus share allotment plan is set up. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild fluctuations over the period in their EBITDA[1] to sales ratio,

Criterion 1

- 100% if the EBITDA[1] to sales ratio is equal to or higher than 18%
- 35% if the EBITDA[1] to sales ratio is equal to that posted in 2010, i.e. 15.4%
- Between these two limits, the allotment percentage will be calculated on a straight-line basis
- 0% if the EBITDA[1] to sales ratio is less than that posted in 2010, i.e. 15.4%

Criterion 2

- 100% if the change in the EBITDA[1] to sales ratio between 2010 and 2012 (and where appropriate 2013) is at least 10% higher than the change in the average EBITDA[1] to sales ratio of a sample of comparable companies over the same period.
- 35% if the change in the EBITDA[1] to sales ratio between 2010 and 2012 (and where appropriate 2013) is equal to the change in the average EBITDA[1] to sales ratio of a sample of comparable companies over the same period.
- Between these two limits, the allotment percentage will be calculated on a straight-line basis
- 0% if the change in the EBITDA[1] to sales ratio between 2010 and 2012 (and where appropriate 2013) is less than the change in the average EBITDA[1] to sales ratio of a sample of comparable companies over the same period.

Holding requirements:

Subject to the allotment criteria and satisfaction of the aforementioned performance conditions, the bonus allotment of shares to the beneficiaries will become definitive at the end of a four-year vesting period. Until the end of the their term in office or of their duties, Management Board members are obliged to hold in the form of Mersen shares the equivalent of 30% of the capital gain (net of tax, social security contributions and payroll charges due) arising on the definitive vesting date of these shares.

→ Shares in the Company's capital held by senior managers

Number of shares held directly by members of the Supervisory Board and Management Board: 52,316.

Number of shares held via the Mersen FCPE (corporate mutual fund) by Management Board members: 5,119.

Supervisory and Management Board members hold 39,300 warrants (BSARs), entitling them to subscribe an equivalent number of shares at a price of €40.50 per share by July 2017.

In accordance with Article 20 of the Articles of Association, each Supervisory and Management Board member must hold at least 120 shares for the entire duration of his or her term in office. These shares must be held in registered form.

(1) EBITDA = Operating income before non-recurring items + depreciation and amortization.

Report by the Chairman of the Supervisory Board

on the preparation and organization of the Board's work and on internal control procedures

1. Legislative and regulatory environment

1.1 Legal provisions

In accordance with Article L. 225-68 sub-paragraph 7 of the French Commercial Code, the Chairman of the Supervisory Board reports on the composition, preparation and organization of the work of the Board and on the internal control and risk management procedures implemented by the Company. This report was prepared by the Chairman of the Supervisory Board in accordance with the provisions of Article L. 225-68 sub-paragraph 7 of the French Commercial Code for the fiscal year ended December 31, 2012.

Article L. 225-68 of the French Commercial Code notably states: *"Where a company refers voluntarily to a corporate governance code drafted by trade associations, the report [of the Chairman] should also indicate the provisions that were excluded and the reasons for their exclusion. In addition, the Chairman should also indicate where the code may be consulted. The [Chairman's] report is approved by the Supervisory Board and is published."*

At the request of the Chairman of the Supervisory Board, this report was submitted for the opinion of the Audit and Accounts Committee on March 13, 2013 and for the approval of the Supervisory Board on March 19, 2013, in accordance with the aforementioned arrangements.

1.2 AFEP-MEDEF corporate governance code: the reference code for the Mersen group

Pursuant to the law of July 3, 2008 transposing European directive 2006/46/EC of June 14, 2006 into French law, the Mersen group refers to the corporate governance code for listed companies drawn up by the AFEP-MEDEF. The AFEP-MEDEF recommendations of October 6, 2008 on the compensation of the executive officers and directors of listed companies, which are part of the Company's corporate governance program, have been applied by the Mersen group since October 17, 2008. Pursuant to Article L. 225-37 sub-para. 6, the Chairman summarizes and describes below several recommendations of said corporate governance code that are applied partially by the Company, as things currently stand:

Fixed portion of Management Board members' compensation and benefits

The Company intends to leave in place the possibility of an annual review of the compensation paid to Management Board members, with the AFEP-MEDEF corporate governance code recommending less frequent reviews. These changes are made by comparison with trends in salaries paid to executive officers and directors of companies of a similar size. It is worth noting that changes to the compensation and benefits package would be made only if significant disparities with the going market rates were observed.

Frequency of stock option and bonus share allotments

The Company wanted to introduce an authorization policy for stock subscription options at most every two years with a view to curbing the dilution suffered by shareholders. On an exceptional basis, the Company departed from this rule by allotting stock subscription options in 2008 and 2009, but has not allotted any more since 2009. The same policy has also applied to authorizations for bonus share allotments granted since 2005. The most recent authorization to set up a full-fledged bonus share allotment plan was granted at the Combined General Meeting on May 19, 2011, while the Combined General Meeting of May 23, 2012 authorized the reallotment of 20,000 shares originating from the 2011 authorization.

Severance payment due in the event of the enforced departure of the Chairman of the Management Board

At its meeting on October 6, 2011, the Supervisory Board decided to grant Luc Themelin a severance payment subject to performance conditions payable in the event that the Mersen group decides to terminate in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement, enforced retirement or resignation), his term in office as Chairman and Member of the Management Board (notably by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of the duties following the conversion or merger of the company, except for a change in corporate governance leading to his appointment as Chief Executive Officer of a société anonyme with a Board of Directors). The grant of this severance payment was approved at the Annual General Meeting of the shareholders on May 23, 2012. The payment would be due in the event of his enforced departure.

2. Procedures conducted in the preparation of this report

This report is prepared based on the information provided by the Management Board and the Company's support functions in connection with the annual review of the internal control procedures and the various meetings of the Supervisory Board and its committees.

In accordance with the law, the purpose of this report is to present the preparations made for and organization of the work performed by the Supervisory Board and any restrictions that the Supervisory Board has placed on the powers of the Management Board, as well as the internal control procedures in place within the Mersen group under the authority of the Management Board. The procedures described in this report apply to the parent company and all the companies included in the Group's consolidated financial statements.

Disclosures about items likely to have an impact in the event of a public offer are provided in Chapter 4 "General legal and financial information" of this reference document.

3. Preparation and organization of the work performed by the Supervisory Board

3.1 Operation of the Supervisory Board:

Assignments and duties of the Supervisory Board: The Supervisory Board exercises permanent control over the Management Board's stewardship of the Company. To this end, at all times during the year, it conducts the verifications and checks that it deems appropriate and is entitled to request any documents it deems necessary to perform its duties. As part of its supervisory duties, the Supervisory Board approves the full-year and interim financial statements, the annual budget and the medium-term Strategic Plan, as presented by the Chairman of the Management Board.

Irrespective of the transactions referred to in Article L. 225-68 sub-para. 2 of the French Commercial Code for which prior authorization of the Supervisory Board is required, the Management Board may not make decisions, unless previously authorized so to do by the Supervisory board, in the following areas:

- issues of securities conferring rights directly or indirectly to the Company's share capital;
- funding operations likely to alter substantially the Company's financing structure;
- capital expenditures or asset disposals (excluding shareholdings) in an amount of over €10 million;
- acquisitions, in whatever form, the price of which, inclusive of any liabilities assumed, exceeds €3 million;
- strategic partnership agreements;
- proposed amendments to the Articles of Association to be put to an extraordinary general meeting of the shareholders;
- proposed stock repurchase programs to be put to the ordinary general meeting of the shareholders;
- implementation of stock subscription or purchase plans and bonus share allotment plans for the Company's employees and corporate officers of affiliated companies, as well as grants of stock subscription or purchase plans and bonus share allotment plans for members of the Company's Management Board;
- proposed interim or annual financial statements, earnings appropriations, dividend payments and interim dividend payments;
- proposed appointments or renewals of the appointment of Statutory Auditors to be put to the ordinary general meeting of the shareholders.

Supervisory Board's internal charter: The Supervisory Board adopted its internal charter on July 23, 2009. The internal charter has been amended on three occasions. It was amended for the first time on January 28, 2011, following the publication of the AMF report on the Audit and Accounts Committee, then for a second time concerning the rules for calculating attendance fees and for a third time in 2011 to alter the role of the Strategy Committee.

The internal charter represents the governance charter for the Supervisory Board and also governs the relationships between the latter's members and members of Mersen's Management Board in a spirit of cooperation notably intended to ensure fluid exchanges between the corporate bodies in the interest of shareholders. It is intended to give the Supervisory Board the means to implement best practices in corporate governance.

It fits with the recommendations in the AFEP-MEDEF's corporate governance code.

The internal charter has five articles:

- Article 1 defines the role and duties of the Supervisory Board and indicates the lists of decisions made by the Management Board subject to authorization and to prior notice by the Supervisory Board;
- Article 2 relates to the arrangement and structure of Supervisory Board meetings (notices of meetings, participation, majority rules, minutes, Board secretary);
- Article 3 covers the compensation and benefits paid to members of the Supervisory Board (attendance fees, compensation and benefits paid to the Chairman and Vice President, exceptional compensation and benefits);
- Article 4 covers the ethical rules applicable to members of the Supervisory Board and the concept of "independent" members;
- Article 5 governs the operating rules for the Committees set up by the Supervisory Board.

The Supervisory Board's internal charter is available for download from the Company's web site at www.mersen.com.

The Supervisory Board conducts an annual self-assessment, which also includes each of the three committees.

3.2 Composition of the Supervisory Board

According to the Articles of Association, the Supervisory Board comprises at least three members and at most 18 members, who are appointed by the general meeting of the shareholders on the recommendation of the Supervisory Board.

Supervisory Board members are appointed for a renewable term in office of four years.

The age limit applicable to the duties performed by any individual Supervisory Board member and of any permanent representative of a legal entity is set at seventy-two (72) years.

At the publication date of this document, the Supervisory Board had 11 members. The term in office of Jean-Claude Karpeles came to an end on June 5, 2012, as he reached the age limit set in the Articles of Association.

Board

Chairman of the Supervisory Board: Hervé Couffin.

Vice-Chairman of the Supervisory Board: Henri-Dominique Petit.

Members of the Supervisory Board:

- Jocelyne Canetti;
- Yann Chareton;
- Bertrand Finet;
- Dominique Gaillard;
- Jean-Paul Jacamon;
- Agnès Lemarchand;
- Walter Pizzaferri;
- Philippe Rollier;
- Marc Speeckaert.

3.3 Work performed by the Supervisory Board

The Supervisory Board met eight times during 2012, with an average attendance rate of 92%.

During these meetings, the Supervisory Board made decisions concerning the following issues:

- **January 27, 2012:** The Supervisory Board reviewed and approved the 2012 budget and was informed of an initial estimate of 2011 sales and operating income. It was also given a presentation of a summary of the 2012 risk mapping survey. Lastly, the Board gave its authorization to the Management Board concerning the issuance of guarantees and endorsements up to an aggregate maximum amount of €10,000,000.
- **March 14, 2012:** The Board examined and approved the draft financial statements at December 31, 2011. It approved the report by the Chairman of the Supervisory Board on the work performed by the Board and on internal control. The draft resolutions for the Annual General Meeting were drawn up by the Supervisory Board. The Chairman of the Management Board presented the Group's business trends to February 28, 2012, together with a major contract being negotiated in the chemicals industry. On the recommendation of the Appointments and Remuneration Committee, the Supervisory Board approved the list of its independent members. Lastly, the Supervisory Board set the 2011 bonus for Management Board members, as well as their compensation and 2012 performance objectives.
- **May 19, 2012:** the Board was informed of and discussed the findings of the self-assessment of the Supervisory Board carried out by one of its members. It was apprised of the Group's business trends to April 30, 2012. In addition, the Supervisory Board reviewed progress on potential acquisitions and was given a presentation of the financing arrangements envisaged by the Group. Lastly, it was given an update on the outlook for one of the Group's divisions.
- **June 22, 2012:** The Supervisory Board reviewed and approved the 2012-2016 strategic plan for each of the Group's divisions. The Chairman of the Management Board presented trends in the Group's business to May 31, 2012. Furthermore, the Supervisory Board was updated on a potential acquisition and approved the sale of a minority shareholding in a company. Lastly, the Supervisory Board approved the plan to reallot 20,000 bonus shares that the Management Board was authorized to reallot following a decision made by the Annual General Meeting of May 23, 2012.
- **July 20, 2012:** the Supervisory Board reviewed and approved the Group's 2012-2016 strategic plan. The Management Board presented trends in the Group's business to June 30, 2012. The Supervisory Board also approved a potential acquisition in principle. Lastly, it approved the definitive allotment rate for stock options under the 2009 plan.
- **August 29, 2012:** the Supervisory Board reviewed and approved the draft interim financial statements for the six months to June 30, 2012 and management projections presented by the Management Board. The Chairman of the Management Board presented trends in the Group's business to July 31, 2012. Furthermore, the Supervisory Board was updated on potential acquisitions.
- **October 16, 2012:** The Chairman of the Management Board presented the Group's business trends to September 30, 2012 and provided an update on a potential acquisition.
- **November 28, 2012:** The Supervisory Board approved a plan to sell real estate assets and was given a detailed update on the Group's business trends to October 31, 2012. In addition, a progress report was given on certain reorganization plans announced in a press release dated October 24, 2012 (restructuring of plants, disposals of non-core and unprofitable product lines) within the Group. Lastly, the Group approved the Chairman of the Management Board's proposal to increase the compensation paid to Didier Muller following the increase in his responsibilities after his appointment as director of the Chemical Engineering division, as well as of the Electrical Applications division.

3.4 Work performed by the Supervisory Board's three committees

The Supervisory Board defined in its internal charter the functions, duties and resources of its three committees: the Audit and Accounts Committee, the Appointments and Remuneration Committee and the Strategy Committee. As far as possible and depending on the applicable circumstances, all decisions by the Supervisory Board concerning an area of a committee's jurisdiction will have to be preceded by a consultation of the relevant committee and may be made only after the relevant committee has issued its recommendations and proposals.

When performing its duties, each of the Committees may:

(i) have the Company communicate any document that it deems useful for the performance of its duties;

(ii) interview some or all members of the Management Board or any person that the committee deems useful to interview;

(iii) have any third parties of its choosing (expert, advisor or statutory auditor) attend Committee meetings.

This consultation of the Committees may not serve to delegate the powers conferred upon the Supervisory Board by law or in the Articles of Association or have the effect of reducing or restricting the Management Board's powers.

Audit and Accounts Committee:

The internal charter of the Supervisory Board states that the Audit and Accounts Committee comprises at least three and at most six members, including a majority of independent members. The internal charter also stipulates that members of the Audit and Accounts Committee are selected on account of their expertise in accounting and financial matters. Given their training and professional experience, the Committee members satisfy this competency criterion. The Audit and Accounts Committee meets at least three times per year and whenever it deems necessary, and in advance of Supervisory Board meeting for which the agenda includes a review of an issue related to its area of expertise.

The Audit and Accounts Committee has five members designated from among the members of the Supervisory Board, three of whom are independent, namely Jocelyne Canetti, Yann Chareton, Hervé Couffin, Philippe Rollier and Henri-Dominique Petit. Henri-Dominique Petit acts as Chairman of the Committee. Jean-Claude Karpeles was an (independent) member of the Committee until his term in office ended on June 5, 2012.

During 2012, the Committee met five times with an attendance rate of 93%.

- **January 26, 2012:** the Committee reviewed an initial estimate of the 2011 results. It was given a presentation concerning the finalization of the payments linked to the EMC disposal and another concerning impairment tests on one of the Group's divisions. The Committee was informed about the changes in the accounting standards expected to apply to the Group.
- **March 6, 2012:** the Committee reviewed the draft 2011 annual financial statements, and the Committee members held discussions with the Statutory Auditors concerning the financial statements and their audit findings, without members of the management team being present. It also reviewed the draft 2012 reference document.
- **June 7, 2012**: the Committee was given a presentation of the cash situation, litigation in progress and the leading indicators for one of the Group's divisions. The Committee also received a progress update on the Cash Initiative project and on the status of the UK and US pension plans. Lastly, the Committee reviewed the Group's investors relations strategy.
- **August 28, 2012:** the Committee reviewed, in the presence of the Statutory Auditors, the draft interim financial statements for the six months to June 30, 2012, as well as the draft interim report. The Statutory Auditors also presented their audit report to the Committee. It also met with the Statutory Auditors without members of the management team being present.
- **December 13, 2012:** the Committee was given a presentation of the results of the internal audits carried out during 2012 and validated the audit program proposed for 2013. It was updated on the 2012 risk mapping survey, which the Committee approved. The Committee discussed the principal accounting issues that arose during 2012 in connection with the preparation of the 2012 financial statements. Lastly, it was given a presentation of the Group's IT strategy.

Appointments and Remuneration Committee:

The internal charter of the Supervisory Board states that the Appointments and Remuneration Committee comprises at least three and at most six members, with independent members accounting for the majority. The Appointments and Remuneration Committee meets at least twice per year and, in any case, in advance of meetings of the Supervisory Board or Management Board, the agenda for which includes the review of an issue related to its area of expertise.

The Committee has six members appointed from among the Supervisory Board members, four of whom are independent, namely Jocelyne Canetti, Hervé Couffin, Dominique Gaillard, Jean-Paul Jacamon, Agnès Lemarchand and Henri-Dominique Petit. Jean-Paul Jacamon acts as Chairman of the Committee.

During this period, the Appointments and Remuneration Committee met on three occasions with an attendance rate of 92%.

- **February 9, 2012:** the Committee approved the proposed holding requirements for bonus shares applicable to officers/legal representatives. It also adopted the proposals submitted by the Chairman of the Management Board concerning increases in the compensation paid to other members of the Management Board and was informed of the plans regarding the Executive Committee members, with all these proposals backed up by a benchmark survey carried out by an external consultant. In addition, the Supervisory Board proposed a change in Luc Themelin's status and compensation package following his appointment as Chairman of the Management Board. It also validated the 2011 bonuses awarded to members of the Management Board and accepted the method proposed for determining their 2012 bonus payments. The Committee decided on the terms for the reallotment of the bonus shares, which had previously been granted in 2011 to executives who had left the Group. Lastly, the Committee proposed the list of Supervisory Board members to be regarded as independent.

- **June 6, 2012:** the Committee reviewed the proposed changes in the supplementary pension plan for the Group's senior executives and in particular the plan applicable to the Chairman of the Management Board. The Committee also reviewed its recommendations on the performance conditions applicable for the reallotment of bonus shares approved at the General Meeting on May 23, 2012. Lastly, the Committee formally noted that the performance conditions applicable to the definitive allotment of the 2009 stock options had been satisfied.
- **November 20, 2012:** the Committee reviewed Luc Themelin's supplementary pension arrangements and recommended that the current arrangements be maintained, while closing the system to new arrivals. It formally noted the decision made by the Chairman of the Management Board not to increase the compensation payable to members of the Management Board and Executive Committee in 2013 (excluding that of Didier Muller, see above -Supervisory Board of November 28, 2012). Lastly, succession plans for Management Board/Executive Committee members were presented to the Committee and discussed.

Strategy Committee:

The internal charter of the Supervisory Board stipulates that the Strategy Committee should have at least three and no more than eight members, including a majority of independent members. The Strategy Committee meets at least twice per year and whenever it deems necessary, and in advance of Supervisory Board meetings for which the agenda includes the review of an issue in its area of expertise.

The Committee has seven members designated from among the members of the Supervisory Board, five of whom are independent, namely Hervé Couffin, Bertrand Finet, Dominique Gaillard, Jean-Paul Jacamon, Agnès Lemarchand, Walter Pizzaferri and Philippe Rollier. Walter Pizzaferri acts as Chairman of the Committee. Jean-Claude Karpeles was an (independent) member of the Committee until his term in office ended on June 5, 2012.

During 2012, the Strategy Committee met three times with an attendance rate of 92%.

- **March 15, 2012:** the Strategy Committee was given a presentation concerning the scope for diversification by the Group in certain markets covered by the High Temperatures division, as well as the possibilities for establishing itself in markets adjacent to those already served by the Electrical Protection division. It also examined an acquisition opportunity.
- **April 25, 2012:** the Strategy Committee reviewed the options for expanding into business lines related and adjacent to those of the Group, potentially giving rise to acquisition opportunities or alliances.
- **November 28, 2012**: the Committee carried out a progress update on relevant opportunities for acquisitions and reviewed the status of the global photovoltaic industry value chain.

→ 4. Accounting principles and rules defined for the compensation and benefits granted to corporate officers

The attendance fees paid to members of the Supervisory Board are allocated in proportion to their participation in meetings of the Supervisory Board and its various Committees.

At its first meeting on May 19, 2009, the Supervisory Board meeting decided to allocate a fixed annual compensation package to the Chairman and Vice-Chairman of the Supervisory Board. This compensation has remained unchanged since.

The compensation and benefits paid to the Chairman and members of the Management Board are approved by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee. When considering the compensation and benefits paid to the Chairman and members of the Management Board, the Appointments and Remuneration Committee meets without them being in attendance. The bonus system for the Chairman and members of the Management Board is based on achievements in relation to:

- the objectives for net cash flow generated by the Group's operating activities during the fiscal year;
- the Group's ROCE objectives during the fiscal year;
- certain individual objectives set by the Supervisory Board for the year.

To date, the Chairman of the Management Board receives the benefit of a top-up pension plan. Provided that the relevant person is still employed by the Group upon his/her retirement, this regime guarantees top-up pension income of 10-20%, depending on length of service, of the basic reference salary during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. Additional information concerning the compensation and benefits paid to Management Board members is disclosed in the "Compensation and benefits" section of this reference document.

5. Principal internal control procedures implemented by the Mersen group

5.1 Definition of internal control

Internal control is defined by Mersen as a process implemented by all the employees under the leadership of the Management Board and executive team to run the Group rigorously and effectively.

Mersen's internal control aims to achieve the following objectives:

- compliance with the policies defined by the Group, as well as with the legislation and regulations in force;
- smooth operation of the internal processes and notably those helping to protect its assets;
- prevention of fraud and errors;
- accurate and complete financial information.

Mersen's definition of internal control is comparable to the international standard laid down by the COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose findings were published in 1992 in the United States and are available from the www.coso.org web site. Like all control systems, it does not provide absolute assurance that risks have been completely eliminated. In addition, the Group has taken into account aspects of the reference framework disseminated in January 2007 by the AMF concerning the general principles of internal control. This evaluation did not reveal any significant disparities.

5.2 General principles of internal control

Since it has a manufacturing base spanning around 40 countries on five continents, the Mersen group monitors the effectiveness of its internal control framework by means of the following:

5.2.1 Internal control organization

From a corporate governance perspective, Mersen opted for an organization guaranteeing separation and balance between powers. The executive and management powers exercised by the Management Board are kept clearly separate from the control powers exercised by the Supervisory Board.

Mersen's Management Board and its Chief Financial Officer design and supervise the internal control arrangements. The composition, operation, powers and remit of the Management Board are described in the "Corporate governance" section of this reference document.

At the Group's subsidiaries, each business unit manager is responsible for implementing the internal control policy defined by the Management Board and by the Supervisory Board's Audit and Accounts Committee.

As part of its control duties, Mersen's Supervisory Board has set up an Audit and Accounts Committee, the composition, number of meetings and main duties of which are described in the Corporate Governance section. It supervises internal control since it is notably responsible for:

- monitoring the process used to prepare financial information by assessing the financial documents distributed by the Company and ensuring that a sufficiently well-organized process exists for the preparation of this information;
- ensuring the efficiency of the internal control and risk management systems through:
  - validation of the annual internal audit program, efforts to monitor the efficiency of the internal control systems and implementation of the recommendations made;
  - follow-up on progress with risk management work.
- overseeing the audit of the annual parent company and consolidated financial statements by the Statutory Auditors;
- monitoring the independence of the Statutory Auditors.

Mersen's Risk, Internal Audit and Safety department follows up on internal control and risk management initiatives. It reports to the finance and administration department and informs the Supervisory Board's Audit and Accounts Committee of its work.

5.2.2 Risk management

The Group has introduced a program of annual updates to its risk mapping survey. It also reviews the mapping survey more extensively every three years. During 2012, the mapping survey produced in 2011 was updated, having been reviewed more extensively in line with the existing process.

Risks are classified into the following four categories:

- strategic risks;
- operational risks;
- information-related risks;
- financial risks.

For each category, the potential risks are ranked, not only by their impact and probability of occurrence, but also based on the level of control provided by the control framework in place. A review of the action plans is presented to the Audit and Accounts Committee on a regular basis. Depending on the progress made by plans and trends in the global economy, the mapping survey is updated and validated by the Audit and Accounts Committee. This update did not show any major risks that are not under satisfactory control. Following this exercise, the Risk, Internal Audit and Safety department defined or redefined its action plans. The aim of these plans is to reduce the impact and/or frequency of each risk. They are also intended to ensure that the measures currently in place effectively help to mitigate the potential risk. As with previous mapping surveys, a progress report on the action plans will be given on a regular basis and at least once a year to the Audit and Accounts Committee and to the Management Board. The risk management policy is described in the Risk management section of the reference document.

5.2.3 Control activities

Mersen has drawn up and circulated an internal control handbook to all its subsidiaries. This document was made available online on Mersen's intranet site. It encompasses all the basic internal control procedures applicable at every Group unit. This handbook was reviewed thoroughly in 2011 to take into account changes in the Group and the higher internal control standards introduced. The handbook's format was also reviewed to make it more interactive, including the introduction of links to the Group's best practices. It covers the following points:

- a description of the background to, objectives and resources used in internal control; a description of the internal control organization and reference to the internal control framework adopted by the Group (COSO).
- The definition of Risk, the measurement of the "size" of a risk that the risk mapping survey tool describes;
- a list of all the fundamental internal controls to be implemented to ensure the efficient operation of the main business processes:
  - sales/customers,
  - purchases/suppliers,
  - logistics,
  - human resources management,
  - investments/fixed assets,
  - information system.
- the fundamental internal controls to be implemented to ensure the reliability of the accounting and reporting systems and financial statements with regard to the following objectives:
  - safeguarding assets,
  - compiling an exhaustive record of accounting transactions,
  - making sure transactions correspond to reality,
  - complying with the dates on which transactions are recorded,
  - correctly valuing assets and liabilities,
  - confidentiality.

The deployment of cross-audits also helped to strengthen the control system. After adequate training, audits are performed by the Group's operational and functional staff from each major geographical area (Asia, Europe, America). The audit program is drawn up by the Group's Risk and Internal Audit department. These audits help not only to check on internal control fundamentals every year, but also to ensure that action plans drawn up in the previous year have actually been implemented.

The aim of this program is also to exchange best practices and instill the internal control culture as widely as possible.

5.2.4 Internal control oversight

Internal audit department

The Group's internal audit department is responsible for overseeing proper implementation of the internal control handbook and for leading the Group's internal control program. It also coordinates the networks and organization of corporate and cross-audits right across the Group. It submits its findings to the Audit and Accounts Committee on a regular basis, as well as to the Statutory Auditors. This department conducted 16 assignments during 2012. The purpose of these assignments was to:

- analyze the effectiveness of internal control and verify proper application of the action plans implemented following the audits conducted in previous years at 15 production plants.
- ensure effective implementation of action plans at a unit that was audited in the previous year and at which internal control was not deemed to be satisfactory.

The internal audit department calls on the services of a specialized external firm to ensure the quality of the audit program and to facilitate continuous improvement.

Since 2007, the units audited have sent in a self-assessment of their internal control system in advance of the internal audit department's review. These evaluations reviewed by the internal audit function help to correct certain differences in assessments and to enhance the culture of internal control within the units.

Information systems security

The Risk, Internal Audit and Safety department is responsible for overseeing information system security, which includes:

- securing the IT system and protect data confidentiality;
- tightening up the security of IT infrastructure and applications to ensure the continuity of operations.

An information systems security committee was set up in 2009. It is chaired by the Risk, Internal Audit and Safety department. The role of this Committee is to:

- define the Group's information systems security policy, as well as the priorities and an annual audit plan in accordance with the legislative and regulatory changes;
- validate the technical solutions to be implemented;
- ensure the effective implementation of the remedial measures where compliance breaches are detected.

5.2.5 Other factors contributing to the Group's internal control framework

The Group's management control and strategic planning, human resources management, sustainable development policy and quality-related procedures also contribute to ensuring compliance with the policies defined by the Group.

Management control and strategic planning

A Strategic Plan determining the priorities for coming years, a quantified business plan and a production plan are prepared every year. These plans are presented to the Supervisory Board.

At the start of each year, the Group's Management Board decides on the key initiatives that need to be launched by each division to achieve the goals set. It receives a monthly status report on and analysis of these action plans.

The budgeting process is carried out once a year. The budget is submitted for approval by the Management Board and then ratified by the Supervisory Board.

Financial performance in the current year is forecast every quarter. This process allows adjustments to be made for trend reversals and thus helps to speed up the decision-making process for any remedial measures required.

Human resources procedures

From an internal control standpoint, the Group's human resources policy is structured around:

- management reviews providing a regular update on all the Group's managers to enhance their career opportunities and to identify the Group's key men and women;
- annual individual reviews that enable business unit managers to assess the performance of their employees and to set targets for the following year together with them;
- forward planning of human resources, notably succession planning for senior managers.

Lastly, performance-related bonuses are calculated using clearly defined rules.

Sustainable development

Mersen has long pursued a responsible approach in environmental, economic and social affairs. Aside from the economic aspects related to the Group's business development, it also strives to promote social and environmental progress. This commitment is described in greater detail in the Sustainable development section of the reference document. Mersen took steps to comply with the Grenelle 2 environmental protection regulations during 2012. To this end, it implemented a reporting framework for sustainable development indicators with the assistance of an external firm. This framework was rolled out across all the units covered by these regulations. In its reference document, the Group reports comprehensively on all the aspects covered by the Grenelle 2 environmental regulations.

Quality assurance procedures

The Mersen group pursues a Group-wide quality policy through the Quality and Continuous Improvement (QPC) framework. This Group-wide framework is underpinned by ten priorities ranging from technical organization to employee involvement and customer satisfaction, a quality assurance system, internal communications, production and purchasing. Work in each of these priority areas focuses on proven methods. For instance, the production department employs tools such as 5S, SMED, Kanban, Hoshin, SPC, etc.

The 5S method, which introduces rules concerning the order, tidiness and cleanliness of workstations laid down in the QPC plan, does not apply solely to the Group's workshops, but also to offices. Several Group-wide quality indicators are monitored by each plant:

- the customer satisfaction and service level:
  - average response time to offers,
  - customer satisfaction surveys,
  - non-quality costs,
  - productivity indicators.

→ 6. Accounting and financial internal control

6.1 General organization

The Mersen group's Finance and Administration department is responsible for accounting and financial internal control. Its role is to produce and ensure the quality of the financial statements and management accounts. To this end, it draws on support from the finance department of each division. In turn, these departments are in contact with each business unit's finance department. This organization allows targets to be set and accounting and financial information to be collected and analyzed at different levels of the organization.

6.2 Preparation of accounting and financial information

The Finance and Administration department prepared and distributed a handbook of accounting and consolidation principles to all subsidiaries. This handbook contains the accounting principles applicable to every Group unit, as well as a description of the process of closing the accounts. It also contains the timetable for the various accounting closes, as well as a list of the information to be reported as part of the consolidation procedure. It lays down the rules that need to be followed by the consolidated sub-groups. This document is available on Mersen's intranet site.

The handbook is updated notably based on external changes in accounting standards in close collaboration with the Statutory Auditors, who validate the changes made with the Group's Finance and Administration department.

Each Group business unit produces monthly accounts and a standardized consolidation package by the deadline set by the Group. When this data is reported using Group-wide consolidation software, consistency checks are applied at each stage of the data gathering and processing process. The purpose of these checks is to:

- apply the Group's standards properly;
- validate and eliminate intra-Group transactions correctly;
- make consolidation adjustments.

6.3 Treasury and financing

The Treasury and Financing department manages the Group's treasury on a centralized basis. To control risks, Group procedures are in place, notably concerning foreign exchange hedge management, cash pooling, netting, the issuance of guarantees, customer risk management and the hedging of raw materials prices.

The Group has pursued a major drive to develop its culture of cash-focused management over the past few years, mainly at manager level. Managers are now involved in overseeing their unit's cash flow on a day-to-day basis. The goal is to raise decision-makers' awareness of the importance of cash, to give them the tools they need to adapt their management to their unit's finances and to make their cash forecasts more reliable.

→ 7. Program adopted in 2012 and 2013 action plan for internal control

Aside from the action principles and tools described in this report, application of which is intended to be permanent, the Group requests on an annual basis all plant managers to provide a formal undertaking that the principal points of internal control are applied properly at their business unit.

The following specific initiatives were initiated in 2012 to tighten up internal control:

- A study of the degree of maturity of the Group's internal control was carried out by an external firm. The maturity of internal control was assessed using various criteria, including corporate governance and systems. The findings show that the degree of maturity of the Group's internal control was good and lies in the upper range for comparably sized companies. A few improvements, in particular concerning the extension of the core function assessment, were proposed.
- The Treasury and Financing part of the evaluation system for the core functions was tested. The system is currently being developed for the Group Human Resources and Legal Affairs functions. There are plans to develop the system for the Consolidation and Information Systems functions.
- During 2012, the Internal Audit department completed the 16 audits approved by the Audit and Accounts Committee, which included one control audit. This paved the way for implementation of the action plans needed to remedy any deficiencies that came to light. Use of a tool to extract data from information systems is becoming increasingly common prior to audits. This helps to enhance preparations for assignments and makes tests more pertinent.
- It presented the findings of the updated risk mapping survey to the Management Board, then to the Audit and Accounts Committee. Follow-up on the action plan implemented in 2011 was also presented following the detailed review of the mapping survey. The Audit and Accounts Committee was also informed about the organization of internal control tasks in line with the recommendations of the 8th European directive.

The various audits conducted during 2012 did not reveal any significant internal control failings or deficiencies.

As part of the evaluation of accounting and financial internal control vis-à-vis the AMF's framework, the Group continued to implement initiatives to raise awareness among the Group's managers of the risks of fraud (swindling, forgery, etc.). This training program will now be extended to North America and China.

A risk mapping survey was carried out focusing on information systems security issues. This initial mapping survey will help to prioritize the actions to be taken to enhance the security of the Group's systems on a continuous basis. A remote compliance testing system vis-à-vis Group standards was built and is now implemented at virtually all of the Group's facilities.

Looking ahead to 2013, the following projects are set to be launched by the Risk, Internal Audit and Safety department, which involve:

- Strengthening culture of internal control within the Group through:
  - More active participation in internal audits by regional financial managers,
  - Changes to the internal control letter signed every year by each plant manager to make this letter more exacting in terms of the level of internal control required at business units,
  - A monthly presentation to the Management Board on internal control.
- Continuing to develop the data extraction system to extend its use;
- Continuing to develop the core function self-assessment system for other head office functions (consolidation and information systems);
- Implementing an action plan following the completion in 2012 of the information systems security risk mapping survey.

Statutory Auditors' report, on the report by the Chairman of Mersen SA's Supervisory Board, prepared in accordance with Article L. 225-235 of the French Commercial Code Fiscal year ended December 31, 2012

To the Shareholders,

In our capacity as Statutory Auditors of Mersen SA, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare and submit for the approval of the Supervisory Board a report on the internal control and risk management procedures implemented within the Company and containing the disclosures required by Article L. 225-68 of the French Commercial Code related to the corporate governance system.

It is our responsibility to:

- report to you our observations on the disclosures contained in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- certify that the report contains other disclosures required by the Article L. 225-68 of the French Commercial Code, it being stipulated that it is not our responsibility to verify the fair presentation of this other information.

We performed our procedures in accordance with the professional standards applicable in France.

Disclosures concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information

The professional standards require that we plan and perform procedures to assess the fair presentation of the information concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information in the Chairman's report. These procedures notably consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information underpinning the disclosures provided in the Chairman's report and in existing documentation;
- obtaining an understanding of the work performed to prepare the disclosures and existing documentation;
- determining whether the major deficiencies in internal control relating to the preparation and processing of accounting and financial information that we identified as part of our assignment are disclosed appropriately in the Chairman's report.

On the basis of these procedures, we have no matters to report concerning the disclosures provided regarding the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report by the Chairman of the Supervisory Board, prepared in accordance with Article L. 225-68 of the French Commercial Code.

Other disclosures

We certify that the Chairman of the Supervisory Board's report includes the other disclosures required by Article L. 225-68 of the French Commercial Code.

The Statutory Auditors

Paris La Défense, March 19, 2013	Neuilly-sur-Seine, March 19, 2013
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

Statutory Auditors' report on related-party transactions

Annual General Meeting convened to approve the financial statements for the fiscal year ended December 31, 2012

To the Shareholders,

In our capacity as Statutory Auditors of the Company, we hereby report to you on related-party transactions.

It is our responsibility to report to you, based on the information provided to us, on the key terms and conditions of the related-party transactions of which we were informed or which we discovered during our assignment, without commenting as to whether they are beneficial or appropriate or seeking to establish whether other such related-party transactions exist. It is your responsibility under the terms of Article R.225-58 of the French Commercial Code, to evaluate the benefits resulting from these agreements prior to their approval.

Furthermore, it is our responsibility to communicate to you the information required pursuant to Article R. 225-58 of the French Commercial Code on the execution during the fiscal year of the related-party transactions already approved by the Annual General Meeting.

We implemented the procedures that we deemed necessary with respect to the professional standards of the Compagnie nationale des commissaires aux comptes related to this assignment. These procedures consisted in verifying the consistency of the information provided to us with the documents it was taken from.

→ Related-party transactions subject to approval at the Annual General Meeting

Related-party transactions authorized during the past fiscal year

We hereby inform you that we were not advised of any new related-party transactions authorized during the past fiscal year that need to be submitted for the approval of the Annual General Meeting in accordance with the provisions of Article L. 225-86 of the French Commercial Code

→ Related-party transactions already approved by the Annual General Meeting

Related-party transactions approved in previous fiscal years that were not executed during the past fiscal year

Pursuant to Article R. 225-57 of the French Commercial Code, we were informed that the following related-party transactions, already approved by the Annual General Meeting in previous fiscal years, were not executed during the past fiscal year.

With Luc Themelin, Chairman of the Management Board

In a decision made on October 6, 2011, the Supervisory Board authorized the following agreements:

No-compete and non-solicitation clause

- Type and motive: in the event of the termination of his term in office as Chairman and Member of the Management Board and, in return for his no-compete and non-solicitation undertaking Luc Themelin will receive monthly indemnity payment for a one-year period from the cessation date of his duties. The Company may decide to forgo this no-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing Luc Themelin of its decision within a notice period of two months with effect from termination of the term in office.
- Specific arrangements: the amount of the indemnity payment to be paid to Luc Themelin in return for the no-compete and non-solicitation undertaking will be equal to 50% of the final monthly gross fixed compensation and benefits that he received immediately prior to termination of his term in office.

Severance package for a officer/legal representative

- Type and motive: Should the Mersen group terminate, in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement or enforced retirement), Luc Themelin's term in office as Chairman of the Management Board (notably by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of the duties following the conversion or merger of the company, except for a change in corporate governance leading to the appointment of a Chief Executive Officer of a société anonyme with a Board of Directors), a flat-rate payment will be made to Luc Themelin.
- Specific arrangements: the flat-rate payment consists of at most 0.5 times the total gross compensation paid to Luc Themelin during the thirty-six month period preceding termination (including the variable payments made in respect of the fiscal year in progress at the termination date) irrespective of whether these compensation and benefits were paid to him in his capacity Chairman of the Management Board or as an employee and subject to the attainment of performance criteria, defined as objectives for his target bonuses.

Stock subscription options – Performance shares

- Type and motive: Should Luc Themelin's term in office as Chairman and Member of the Management Board be terminated in any manner and for any reason whatsoever (barring termination following the acquisition of control of the Company, retirement or enforced retirement), he will automatically lose his entitlement to all the stock options granted to him prior to the end date of his term in office where the conditions of grant (condition related to continued presence and performance conditions) have not been satisfied by the end date of his term in office. He will also automatically lose his entitlement to all the shares, irrespective of whether they are subject to a performance condition, granted to him, in accordance with the provisions of Article L. 225-197-1 to L. 225-197-5 of the French Commercial Code, prior to the end date of his term in office, where the grant of these shares had not been made definitive by the end date of his term in office.

  Even so, it is stipulated that the Supervisory Board reserves the right to decide, where appropriate, to leave in place some or all of the stock options and bonus shares, subject to satisfaction of the corresponding performance conditions. The benefit of the stock options and bonus shares referred to above will be maintained should Luc Themelin's responsibilities and/or compensation and benefits be modified substantially following the acquisition of control of the Company causing him to decide to the leave the Company.

The Statutory Auditors

Paris La Défense, March 19, 2013	Neuilly-sur-Seine, March 19, 2013
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

GENERAL LEGAL AND FINANCIAL INFORMATION

4

General information about Mersen

Corporate name and headquarters

Mersen

Immeuble La Fayette

2 place des Vosges

92400 Courbevoie La Défense 5

Form, nationality and law

The Company is a *Société Anonyme* incorporated under French law and governed notably by the law of July 24, 1966.

Incorporation and corporate life

The Company was incorporated on January 1, 1937 and shall be dissolved on December 31, 2035 unless its life is extended or it is dissolved early by a vote of an Extraordinary General Meeting.

Corporate purpose (Article 3 of the Articles of Association)

The Company's purpose in France and in all other countries is to carry out all operations concerning the design, manufacture, processing, use and sale of:

- carbon-based products, articles or equipment, whether or not they are combined with other materials;
- metal powders, articles made from these powders, special alloys and articles made from these alloys;
- electro-mechanical and electronic products;
- all industrial products, especially metallurgical, mechanical, plastic and elastomer products;
- all other products, articles or equipment that may be related to the above products:
  - either by using the latter to make the former,
  - or by developing research activities,
  - or through manufacturing processes, industrial applications or distribution networks.

In the area defined above, the Company may carry out all activities related to:

- raw materials, prepared materials, components and elements, spare parts, semi-finished and finished products, equipment, combinations of equipment, assemblies of all kinds and sizes combining equipment;
- all works;
- all techniques.

The Company may also indirectly carry out operations related to technical, industrial and commercial activities. To this end, it may form any companies and groups of companies, acquire holdings in any companies and partnerships, contribute assets to the capital of any company and subscribe to the shares of any company, purchase or sell any shares, partnership shares, or corporate rights.

In general, the Company may carry out any industrial, commercial, financial, securities or real estate operations connected principally or incidentally to these activities.

Furthermore, the Company may acquire any interest, in any form whatsoever, in any French or foreign companies or organizations.

Trade and Companies Register Code

RCS NANTERRE B 572 060 333 - APE CODE: 6420Z.

Access to the Company's corporate documents

Corporate documents, particularly the Articles of Association, financial statements and reports to General Meetings by the Management Board and Supervisory Board and the Statutory Auditors, may be consulted at the headquarters by contacting:

Thomas Baumgartner
Group Vice President, Finance and Administration
Mersen
Immeuble La Fayette
2 place des Vosges
92400 Courbevoie La Défense 5 (France)
Tel.: + 33 (0)1 46 91 54 19

Fiscal year

The fiscal year begins on January 1 and ends on December 31 of each year.

Statutory distribution of income (Article 26 of the Articles of Association)

At the end of each fiscal year, the Management Board prepares an inventory and the annual financial statements as set forth in Section II Book 1 of the French Commercial Code.

Net income for the fiscal year, as shown on the income statement, comprises the difference between the income and expense for the year, less depreciation, amortization and provisions.

At least one twentieth of net income for the fiscal year, less any prior losses, if any, is allocated to a reserve account known as the statutory reserve.

When the amount in this reserve account reaches one tenth of the share capital, this deduction ceases to be mandatory but if, for any reason, the reserve account were to fall below one tenth of the share capital, the deduction would resume.

Income available for distribution consists of net income for the fiscal year less any prior losses and the amounts to be allocated to reserve accounts as stipulated by law, plus any retained earnings.

An initial dividend of 5% of the paid-up and unredeemed par value of the shares is distributed from income. The shareholders may not demand payment of the dividend out of subsequent years' income, should the income from one year, after the aforementioned deduction, render it impossible to make such a payment. In addition, the general meeting of the shareholders, on the recommendation of the Management Board, has the right to decide to deduct such amounts as it deems suitable, either for retained earnings or for reserves to be used as directed by the Management Board.

The balance is then divided among the shareholders without distinction.

The Ordinary General Meeting called to approve the financial statements for the fiscal year has the option of granting each shareholder the choice between receiving all or part of the dividend or interim dividend in cash or in shares.

The Ordinary General Meeting of the Shareholders may in addition resolve to distribute sums drawn from the reserve accounts at its disposal. In this case, the decision must indicate explicitly the reserve accounts from which the amounts are to be drawn.

However, dividends are drawn in priority from the year's income available for distribution.

General Meetings of Shareholders (Article 25 of the Articles of Association)

Notice of meetings - Admission

General Meetings of shareholders are convened under the conditions laid down in law, and their proceedings are governed by the quorum and majority voting requirements stipulated in law.

The meetings are held at Company headquarters or at any other location specified in the notice convening the meeting.

All shareholders owning at least one fully paid-up share may attend General Meetings.

To be entitled to attend the General Meeting, holders of bearer shares must present a certificate showing that their shares have been placed in a blocked account three days ahead of the scheduled date of the meeting.

The Management Board may always elect to shorten these time limits.

Any shareholder may also, if the Management Board so decides when the general meeting is convened, participate and vote at general meetings by means of videoconferencing and telecommunications technology making it possible to identify them, under the conditions and in line with the terms and conditions provided for in law.

General meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman of the Supervisory Board and, failing this, by a member of the Supervisory Board specially designated for this purpose by the Supervisory Board. Otherwise, the General Meeting shall elect its own Chairman.

Minutes of the general meetings are drawn up and the Chairman of the Supervisory Board, the Vice-Chairman of the Supervisory Board, the Secretary of the Supervisory Board or a duly authorized person certifies copies of the minutes.

Disclosure thresholds (Article 11ter of the Articles of Association)

Pursuant to the Company's Articles of Association, shareholders are obliged to disclose any increase to above or decrease to below 1% of the share capital or of voting rights, or any multiple of this percentage.

Trading by the Company in its own shares

At the Combined General Meeting of May 23, 2012, the Company was authorized to trade in its own shares on the stock exchange in accordance with Article L. 225-209 et seq. of the French Commercial Code in order to:

- enhance trading in and the liquidity of the Company's shares by engaging the services of an investment service provider under a liquidity agreement in accordance with the AFEI's charter;
- grant or transfer shares to employees in connection with the employee profit-sharing plan or the allotment of shares under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3;
- allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;
- purchase them for holding purposes and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cancel shares through a reduction in the share capital in accordance with the French Commercial Code.

The maximum purchase price is set at €60 per share. This price is set subject to adjustments related to any transactions affecting the Company's share capital. Based on the maximum purchase price set above and the number of shares making up the capital at the date of the authorization, the aggregate maximum amount of the purchases may not exceed €121,730,100.

This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2012. A new authorization concerning stock repurchases will be submitted for shareholders' approval at the Combined General Meeting on May 16, 2013.

These share purchases, grants or sales may be entered into and paid for by any means, including as part of a liquidity agreement entered into by the Company with an investment services provider.

Since May 24, 2012, the Company has not made use of this authorization, except for the acquisitions made under the liquidity agreement.

In March 2005, the Company signed a liquidity agreement with Exane-BNP Paribas conforming to the AFEI's charter. At December 31, 2012, 49,571 shares were held under this liquidity agreement.

Double voting rights

No shares carry double voting rights.

GENERAL INFORMATION ABOUT THE SHARE CAPITAL

Conditions

Changes in the share capital and the respective rights of the various classes of shares are made in accordance with the provisions laid down in law.

Amount and structure of the share capital (Article 6 of the Articles of Association)

At December 31, 2012, the share capital amounted to €40,701,938 divided into 20,350,969 shares, each with a par value of €2 and belonging to the same category.

Authorizations to carry out a capital increase

Combined General Meeting of May 20, 2010

Capital increase through the issuance of redeemable stock subscription and/or acquisition warrants (BSARs)

The Annual General Meeting delegated powers to the Management Board, which may opt to sub-delegate these under the terms of law and the regulations, to increase the share capital through the issuance on a single occasion of redeemable stock subscription and/or acquisition warrants (the “2010 BSARs”). The 2010 BSARs will be issued solely to holders of the 2007 BSARs in exchange for securities tendered to the Company under a simplified exchange offer without preferential subscription rights for shareholders to the shares to be issued through the exercise of the 2010 BSARs. The holders of the 2007 BSARs are the holders of the Company’s redeemable stock subscription and/or acquisition warrants, which were detached from the bonds with redeemable stock subscription and/or acquisition warrants issued on November 22, 2007 and were the subject of a prospectus approved by the Autorité des Marchés Financiers under visa no. 07-350 dated October 9, 2007.

The maximum nominal amount of the capital increases to be carried out pursuant to this delegation of powers was set at €246,240, representing a total number of 123,120 shares with a par value of €2, with this amount not taking into account additional shares that may be issued to protect the rights of the 2010 BSAR holders. The price of the shares to be issued via a 2010 BSAR may not be any lower than 150% of the average closing price of Mersen shares on the Eurolist market in Compartment B of Euronext Paris SA over the 40 trading sessions preceding the meeting of the Management Board approving the terms of issuance of the 2010 BSARs.

At its meeting on May 20, 2010, the Management Board laid down the terms, conditions and characteristics of a simplified public exchange offer for all the 2007 BSARs in issue in return for 2010 BSARs with an exercise price of €40.50. The 2010 BSARs were not transferable until July 16, 2012 except in particular circumstances, and their expiration date was extended to July 16, 2017.

At its meeting on July 15, 2010, the Management Board, based on the results of the offer as communicated by the Autorité des Marchés Financiers (Information bulletin 210C0631), formally noted that the definitive number of 2007 BSARs tendered was 113,771 and decided to issue 103,331 2010 BSARs.

Combined General Meeting of May 23, 2012

Payment of the dividend in shares

The General Meeting of May 23, 2012 decided to give each shareholder the option of receiving payment of the entire dividend on shares already owned in new shares of the Company.

At its meeting on May 24, 2012, the Management Board set the issue price for the new shares at €20.49, which corresponded to 90% of the average opening price of the Company’s shares on Euronext in the 20 stock market sessions preceding the General Meeting, less the amount of the dividend. On July 2, 2012, at the end of the period during which the option was available, the Management Board formally noted that 1,262,560 rights were reinvested in new shares of the Company and decided to issue 62,615 new shares each with a par value of €2.

Increases in the capital with preferential subscription rights for shareholders

The General Meeting authorized the Management Board, subject to the Supervisory Board’s prior approval, to issue shares or securities conferring rights immediately and/or in the future to the Company’s share capital, through the capitalization of premiums, reserves or retained earnings. The aggregate nominal amount of the immediate and/or future increases in the share capital that may be carried out under this authorization may not exceed €10 million. This authorization is valid for 26 months. To date, this authorization has not been used by the Company.

Capital increase in return for the contributions in kind made to the Company comprising capital instruments and securities conferring rights to the Company's share capital.

The General Meeting authorized the Management Board, subject to the Supervisory Board's prior approval, to issue shares or securities conferring rights, immediately and/or in the future, to the Company's share capital in return for the contributions in kind made to the Company comprising capital instruments and securities conferring rights to the Company's share capital. The aggregate nominal amount of the immediate and/or future increases in the share capital that may be carried out under this authorization may not exceed €10 million. This authorization is valid for 26 months. To date, this authorization has not been used by the Company.

Issuance of stock subscription warrants to be granted at no cost to shareholders in the event of a public offer for the Company's shares

The Annual General Meeting delegated powers to the Management Board to decide to issue, on one or more occasions, and subject to the prior approval of the Supervisory Board, called to approve based on a positive prior and compliant opinion of a committee comprising three (3) independent members specially appointed by the Supervisory Board to this end, warrants enabling their holders to subscribe on preferential terms the Company's shares and their allotment free of charge to all the Company's shareholders with this status prior to the expiry of the public offer. The total nominal amount of the capital increase resulting from the exercise of these subscription warrants may not exceed 25% of the nominal amount of the share capital. This authorization states that the Management Board will have to report, at the time of the issue, on the circumstances and reasons why it believes that the offer is not in the interests of the shareholders and justify the issuance of the warrants, as well as the financial and legal terms of the warrants. They will automatically become null and void when the offer and any rival offer fail, become null and void or are withdrawn. The delegation of powers to the Management Board is valid for any issue of stock subscription warrants as part of a public offer filed within a period of eighteen (18) months. This authorization replaces and supersedes the previous authorization granted by the General Meeting of May 19, 2011. To date, this authorization has not been used by the Company.

Bonus share allotments

At the Annual General Meeting, shareholders authorized the Management Board, on one or more occasions, to allot 20,000 existing or new shares, representing around 0.1% of the share capital, at no cost to corporate officers and employees of the Company and those of affiliated companies. These shares correspond to the number issued pursuant to the authorization granted by the General Meeting of May 19, 2011, the allotment of which was cancelled in 2011. Members of the Supervisory Board, corporate officers and employees and those of affiliated companies, who own more than 10% of the Company's capital and those who would own over 10% of the Company's capital as a result of the bonus share allotment are excluded from receiving these bonus share allotments. The vesting period at the end of which the grant of shares will become definitive has been set at four years. No holding obligations and periods are imposed at the end of the vesting period. The number of shares that may be allotted to all the Company's corporate officers and senior executives must be less than 25% of the total number of shares allotted pursuant to said authorization by the General Meeting on May 19, 2011 and supplemented by this authorization.

At its meeting on June 27, 2012, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting these 20,000 of the Company's shares under a bonus share allotment plan:

- Allotment of 10,000 of the Company's shares, subject to performance conditions, to four members of the Executive Committee and one Group executive;
- Allotment of 10,000 of the Company's shares, subject to performance conditions, to Management Board members (excluding the Chairman).

Capital increase reserved for employees participating in the Group Investment Plan

Shareholders authorized the Management Board to increase the share capital, subject to the Supervisory Board's prior approval, on one or more occasions at its sole discretion, through the issue of shares in cash reserved for employees participating in the Group Investment Plan. These increases in capital entail the waiver of shareholders' preferential subscription rights. The nominal amount of the capital increases that may be carried out pursuant to this authorization may not exceed €360,000, i.e. approximately 0.7% of the Company's share capital. This authorization is valid for a period of 26 months. It replaces and supersedes the previous authorization granted by the General Meeting of May 19, 2011. To date, this authorization has not been used by the Company.

SUMMARY OF CHANGES IN THE SHARE CAPITAL

Dates	Description of the transaction	Share capital following the transaction	Share premium	Total number of shares after the transaction
Dec. 31, 2002	Issue of 10,688 new shares each with a par value of €2 through the exercise of subscription options	22,278,300	180,704	11,139,150
Nov. 27, 2003	Issue of 3,750 new shares each with a par value of €2 through the exercise of subscription options	22,285,800	63,512	11,142,900
Dec. 23, 2003	Issue of 54,990 new shares each with a par value of €2 as a result of the capital increase reserved for employees	22,395,780	1,110,798	11,197,890

Dates	Description of the transaction	Share capital following the transaction	Share premium	Total number of shares after the transaction
April 15, 2004	Issue of 2,000 new shares each with a par value of €2 through the exercise of subscription options	22,399,780	30,520	11,199,890
Aug. 20, 2004	Issue of 2,500 new shares each with a par value of €2 through the exercise of subscription options	22,404,780	38,150	11,202,390
Oct. 19, 2004	Issue of 2,489,420 new shares each with a par value of €2 through a capital increase in cash with preferential subscription rights for shareholders	27,383,620	58,003,486	13,691,810
Dec. 16, 2004	Issue of 46,328 new shares each with a par value of €2 as a result of the capital increase reserved for employees	27,476,276	1,176,731	13,738,138
Dec. 31, 2004	Issue of 17,439 new shares each with a par value of €2 through the exercise of subscription options	27,511,154	254,261	13,755,577
Dec. 31, 2005	Issue of 85,775 new shares each with a par value of €2 through the exercise of subscription options	27,682,704	1,829,333	13,841,352
June 28, 2006	Issue of 44,494 new shares each with a par value of €2 as a result of the capital increase reserved for employees	27,771,692	1,388,213	13,885,846
Dec. 31, 2006	Issue of 79,629 new shares each with a par value of €2 through the exercise of subscription options	27,930,950	2,219,832	13,965,475
July 25, 2007	Issue of 30,900 shares each with a par value of €2 through the grant of bonus shares	27,992,750	1,721,748 Unavailable reserves	13,996,375
Sept. 11, 2007	Issue of 200,191 new shares each with a par value of €2 through the exercise of subscription options	28,393,132	6,627,591	14,196,566
Dec. 17, 2007	Issue of 44,094 new shares each with a par value of €2 as a result of the capital increase reserved for employees	28,481,320	1,931,317	14,240,660
Jan. 24, 2008	Issue of 40,075 new shares each with a par value of €2 through the exercise of subscription options	28,561,470	1,254,681	14,280,735
July 24, 2008	Issue of 16,478 shares each with a par value of €2 through the grant of bonus shares	28,594,426	540,478 Unavailable reserves	14,297,213
May 26, 2009	Issue of 400,000 shares, each with a par value of €2, resulting from the exercise of 400,000 share issuance rights	29,394,426	7,340,000	14,697,213
June 11, 2009	Issue of 400,000 shares, each with a par value of €2, resulting from the exercise of 400,000 share issuance rights	30,194,426	7,064,000	15,097,213
June 25, 2009	Issue of 400,000 shares, each with a par value of €2, resulting from the exercise of 400,000 share issuance rights	30,994,426	6,248,000	15,497,213
July 7, 2009	Issue of 355,484 shares, each with a par value of €2, resulting from the payment of the dividend in shares	31,705,394	5,822,827	15,852,697
Oct. 19, 2009	Issue of 3,730,044 new shares each with a par value of €2 through a capital increase in cash with preferential subscription rights for shareholders	39,165,482	55,950,660	19,582,741
Dec. 15, 2009	Issue of 62,668 new shares each with a par value of €2 as a result of the capital increase reserved for employees	39,290,818	982,007	19,645,409
July 2, 2010	Issue of 294,921 share each with a par value of €2 as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	39,880,660	6,370,293	19,940,330
Jan. 27, 2011	Issue of 2,447 shares each with a par value of €2 as a result of the exercise of stock subscription options by employees	39,885,554	43,263	19,942,777
March 1, 2011	Issue of 20,164 shares each with a par value of €2 through the grant of bonus shares	39,925,882	707,756 Unavailable reserves	19,962,941
July 7, 2011	Issue of 294,894 shares, each with a par value of €2, resulting from the payment of the dividend in shares	40,515,670	10,005,753	20,257,835
Nov. 24, 2011	Issue of 25,130 new shares each with a par value of €2 as a result of the capital increase reserved for employees	40,565,930	623,475	20,282,965
Dec. 2, 2011	Issue of 1,450 new shares each with a par value of €2 as a result of the capital increase reserved for employees	40,568,830	35,974	20,284,415
Jan. 25, 2012	Issue of 3,939 new shares each with a par value of €2 through the exercise of subscription options in 2011	40,576,708	69,641	20,288,354
July 2, 2012	Issue of 62,615 new shares each with a par value of €2 as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	40,701,938	62,615	20,350,969

Voting right certificates

None.

Investment certificates

None.

Shares pledged

None.

Shareholders' agreement

The Company is not aware of any shareholders' agreements or other agreements concerning its share capital.

Securities conferring rights to the share capital

The stock options still to be exercised at December 31, 2012, after taking into account cancellations, entitle their holders to acquire a total of 500,364 shares, each with a par value of €2.

The BSAR warrants that may be exercised at December 31, 2012 entitle their holders to acquire a total of 103,331 new shares, each with a par value of €2.

The total number of bonus shares likely to be granted definitively stands at 248,388 new shares, each with a par value of €2, representing 1.22% of the current share capital.

There are no other instruments or securities conferring rights to the Mersen's share capital.

Based on the number of stock subscription options, BSAR warrants that may be exercised by BSAR grantees and the shares that may be definitively granted, the maximum dilution would be 4.13%.

There are no other instruments or securities conferring rights to the Company's share capital.

Ownership of the share capital

The Company's share capital at December 31, 2012 amounted to €40,701,938, comprising 20,350,969 shares each with a par value of €2 and all belonging to the same category.

The number of voting rights stood at 20,301,398 at December 31, 2012.

At December 31, 2012, 49,571 shares representing 0.2% of the share capital were held by the Company pursuant to the liquidity agreement entered into with Exane-BNP Paribas. The Company did not buy or sell its own shares during fiscal 2012. The Company did not hold any other of its own shares at this date.

No shares carry double voting rights.

The number of stock subscription options granted to members of the Management Board and still outstanding stood at 103,333 taking into account the canceled options.

The number of bonus shares set to be granted definitively to members of the Management Board stands at 48,000 taking into account canceled allotments.

Furthermore, no public tender or exchange offer, nor any guaranteed share price offer has been made in respect of the Company's shares over the past three years. The Company has not initiated any such offers for other companies over the same period.

Following the investment by AXA Private Equity in the Company's share capital in July 2008, an agreement was entered into with the Company. Under the terms of the agreement, ACF I Investment (AXA Private Equity group) undertook not to sell any block of shares representing 5% or more of Mersen's share capital to an identified investor, except in connection with a public offer. Any sale by ACF I Investment of its shares in the market is to be performed in an orderly manner, wherever possible, with a view to restricting the effects of such a disposal on the Company's share price.

The agreement expired on June 30, 2012.

Stock repurchase program

Description of the stock repurchase program submitted for shareholders' approval at the Combined General Meeting of May 16, 2013

In accordance with Articles 241-1 et seq. of the General Regulation of the Autorité des Marchés Financiers, as well as EC regulation 2273/2003 of December 22, 2003, which entered force on October 13, 2004, this information memorandum is intended to present the objectives, terms and conditions for the renewal of the stock repurchase program, as well as its expected impact on the Company's shareholders.

SUMMARY OF THE PRINCIPAL CHARACTERISTICS OF THE PROGRAM

Issuer: MERSEN.

Shares concerned: Mersen's ordinary shares, admitted for trading in Compartment B of Eurolist by Euronext Paris (ISIN code: FR0000039620).

Maximum percentage of the capital authorized for repurchase by shareholders at the General Meeting: 10%.

Maximum acquisition price per share: €50.

Aims of the program in order of priority:

- **enhance trading in and the liquidity of the Company's shares by engaging the services of an investment service provider under a liquidity agreement in accordance with the AFEI's charter;**
- **grant or transfer shares to employees in connection with the employee profit-sharing plan or the allotment of shares under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3;**
- **allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;**
- **purchase them for holding purposes and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;**
- **cancel shares through a reduction in the share capital in accordance with the French Commercial Code.**

Duration of the program: 18 months from the Combined General Meeting of May 16, 2013 until the date of the General Meeting convened to approve the financial statements for fiscal 2013.

I - Outcome of the previous program

With the exception of the repurchases made under the liquidity agreement, the Company did not make any use of the authorization granted by the Combined General Meeting of May 23, 2012 in connection with the previous stock repurchase program to stabilize the share price. At December 31, 2012, 49,571 shares were held under this liquidity agreement.

The Company did not use any derivatives.

SUMMARY STATEMENT

ISSUER'S DECLARATION OF TRANSACTIONS IN ITS OWN SHARES BETWEEN MAY 23, 2012 AND DECEMBER 31, 2012

Percentage of the share capital held directly and indirectly	0.2%
Number of shares canceled over the previous 24 months	None
Number of shares held in the portfolio	None
Carrying amount of the portfolio	None
Market value of the portfolio	None

	Total gross cash flows		Open interest on the filing date of the information memorandum					
			Open interest, buy side			Open interest, sell side		
	Purchases	Sales/ Transfers	Calls purchased	Puts sold	Futures bought	Calls sold	Puts purchased	Futures sold
Number of instruments	0							
Average maximum life			None	None	None	None	None	None
Average transaction price	-							
Average exercise price			None	None	None	None	None	None
Amounts	-		None	None	None	None	None	None

Since February 25, 2005, the Company has entrusted Exane-BNP Paribas (independent services provider) with implementing a liquidity agreement in accordance with the AFEI's charter approved by the Autorité des Marchés Financiers for an automatically renewable period of one year. The funds and shares made available pursuant to this agreement and credited to the liquidity account on February 25, 2005 comprised €2,200,000 and no shares.

II - Objectives of the stock repurchase program

Mersen wants to be able to implement a program to repurchase its own shares pursuant to the authorization submitted for approval by shareholders at the Combined General Meeting on May 16, 2013.

Share purchases may be carried out, in decreasing order of priority, to:

- enhance trading in and the liquidity of the Company's shares by engaging the services of an investment service provider under a liquidity agreement in accordance with the AFEI's charter;
- grant or transfer shares to employees in connection with the employee profit-sharing plan or the allotment of shares under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3;
- allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;
- purchase them for holding purposes and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cancel shares through a reduction in the share capital in accordance with the French Commercial Code.

III - Legal framework

This program conforms to the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, as well as EC Regulation no. 2273/2003 of December 22, 2003, implementing the Market Abuse Directive 2003/6/EC of January 28, 2003, which entered force on October 13, 2004. It will be submitted for shareholders' approval at the Combined General Meeting of May 16, 2013, deliberating in accordance with the quorum and majority voting requirements for Ordinary General Meetings. The corresponding resolution to be proposed by the Management Board is worded as follows:

Purchase of Mersen shares

After hearing the Management Board's report and having familiarized itself with the description of the stock repurchase program, the General Meeting authorizes the Management Board under the conditions stipulated in Article L. 225-209 *et seq.* of the French Commercial Code to acquire, on one or more occasions and by any means, a number of the Company's shares representing up to 10% of the shares comprising the Company's share capital, or 2,035,096 shares.

The General Meeting resolves that purchases of the Company's shares may be made to:

- enhance trading in and the liquidity of the Company's shares by engaging the services of an investment service provider under a liquidity agreement in accordance with the AFEI's charter;
- grant or transfer shares to employees in connection with the employee profit-sharing plan or the allotment of shares under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3;
- allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;
- purchase them for holding purposes and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cancel shares through a reduction in the share capital in accordance with the French Commercial Code.

The maximum purchase price is set at €50 per share. This price is set subject to adjustments related to any transactions affecting the Company's share capital. In view of the maximum purchase price set, the aggregate amount of share purchases may not exceed €101,754,800.

These share purchases, grants or sales may be entered into and paid for by any means, including as part of a liquidity agreement entered into by the Company with an investment services provider.

This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2013. In no case whatsoever will this authorization remain valid for more than 18 months. It replaces and supersedes the previous authorization granted by the Combined General Meeting of May 23, 2012.

The General Meeting grants full powers to the Management Board, with the option of delegating them to the Chairman of the Management Board, to place all stock market orders, enter any into agreements, carry out all formalities and, generally speaking, do whatever is required to apply this authorization.

IV – Terms and conditions

1) Maximum percentage of the share capital to be acquired and maximum amount payable by Mersen

Mersen will have the option of acquiring up to 10% of the share capital at the date of the General Meeting, i.e. 2,035,096 shares. The Company reserves the right to make full use of the authorized program. Accordingly, the maximum amount that Mersen may pay assuming that it acquires shares at the maximum price set by the General Meeting, i.e. €50 per share, would be €101,754,800.

The Company's discretionary reserves, as stated under liabilities in the most recent annual financial statements prepared and certified at December 31, 2012, amounted to €267,398,551. Pursuant to law, the size of the stock repurchase program may not exceed this figure ahead of the end of fiscal 2013.

Mersen undertakes to stay below the direct and indirect ownership threshold of 10% of the share capital at all times.

2) Conditions governing repurchases

Stock repurchases, sales and transfers may take place at any time within the restrictions laid down in the stock market regulations and by any means, through trading in the market, through the use of option instruments or through block share purchases, provided that the General Meeting does not place any special restrictions on acquisitions of blocks of shares.

The Company will be careful not to increase the volatility of its shares when using options instruments.

3) Schedule for the program

These stock repurchases may take place only after the approval of the corresponding resolution to be presented to the Combined General Meeting of May 16, 2013 and until the date of the General Meeting convened to approve the financial statements for 2013. In no case whatsoever will this authorization remain valid for more than 18 months.

4) Financing for the stock repurchase program

Stock repurchases will be financed using the Company's cash funds or using debt finance. The Company will adjust its credit lines to cover these stock repurchases.

As a guide, net cash from operating activities before capital expenditures came to €101.8 million at December 31, 2012. Equity attributable to the Group's shareholders stood at €517.1 million, and net debt at €241.5 million.

V - Presentation of the likely impact of the stock repurchase program on Mersen's financial situation

Calculations of the impact of the program on the Group's financial statements were made assuming the repurchase of 10% of the share capital based on Mersen's share capital at December 31, 2012.

The other key assumptions used were as follows:

- interest expense estimated at the gross annual rate of 3.5%;
- a unit repurchase price of €217.2, the average closing price for trading sessions between January 23 and February 20, 2013;
- theoretical tax rate: 33%.

On this basis, the impact of the stock repurchase program on the Group's consolidated financial statements would be as follows:

(in millions of euros)	Consolidated financial statements at Dec. 31, 2012	Impact of the repurchase of 10% of the share capital	Proforma after the repurchase of 10% of the share capital	Impact of the repurchase *(%)*
Equity attributable to Group shareholders	515.1	(45.2)	471.9	-8.7%
Total equity	527.6	(45.2)	482.4	-8.6%
Net debt	241.5	44.2	285.7	18.3%
Total number of shares outstanding at Dec. 31	20,350,969	2,035,097	18,315,872	-10.0%
Weighted average number of shares used to compute Earnings per share	20,268,873	2,026,887	18,241,986	-10.0%
Net income attributable to Mersen's shareholders	**5.6**	**(1.0)**	**4.6**	**-18.5%**
Earnings per share	**0.28**		**0.25**	**-10.7%**
Net income from continuing operations, attributable to Group shareholders	**33.3**	**(1.0)**	**32.3**	**-3.1%**
Net income from continuing operations per share	**1.64**		**1.77**	**7.8%**

VI – Tax treatment of stock repurchases

1) For Mersen

The repurchase by Mersen of its own shares as part of this program without cancellation of the shares would have an impact on its taxable income if the shares were sold or transferred at a price other than their repurchase price. Taxable income would then be affected by the capital gain or loss arising.

2) For shareholders selling their shares

Capital gains tax applies to this repurchase program (Article 112-6 of the French General Tax Code). Gains realized by legal entities subject to French corporate income tax incur corporate income tax at the standard rate pursuant to Articles 209 and 210 of the French General Tax Code. Gains realized by individuals in France are subject to the disposal gains on securities or corporate rights regime provided for in Article 150-0-A of the French General Tax Code. Under this regime, capital gains are taxable at the marginal income rate, plus social security contributions amounting to 15.5%. Gains are not liable to this tax in France when realized by individuals not domiciled in France for tax purposes or by entities having a head office located outside France (and with no permanent establishment in France holding the shares on its balance sheet), without the former at any time having owned directly or indirectly, alone or with family members, a shareholding of over 25% in rights to the Company's corporate profits at any time whatsoever during the five years preceding the sale (Article 244 *bis* B and C of the French General Tax Code).

VII - Intervention by the person(s) controlling the issuer alone or in concert

No individual or legal entity controls Mersen either alone or in concert.

VIII - Breakdown of ownership of Mersen's share capital at December 31, 2012

Mersen's share capital is divided into 20,350,969 shares, each with a par value of €2, ownership of which at December 31, 2012 was as follows based on the information received by Mersen:

OWNERSHIP OF THE SHARE CAPITAL AT DECEMBER 31, 2012

Shareholders	Number of shares	% of the share capital	% of voting rights
Free float, comprising:	20,350,969	99.8%	100.0%
- Employee shareholders	268,073	1.3%	1.3%
- Individual shareholders	3,638,218	17.9%	17.9%
- French institutional investors	9,953,609	48.9%	49.0%
- International institutional investors	6,441,498	31.7%	31.8%
Treasury shares (liquidity agreement)	49,571	0.2%	
TOTAL	**20,350,969**	**100%**	**100%**

To the best of the Company's knowledge, the following shareholders own over 5% of the Company's share capital and voting rights:

Shareholder	Number of shares	Percentage
ACF I Investment (AXA Private Equity group)	3,521,922	17.31%
Fonds Stratégique d'Investissement/Caisse des Dépôts et Consignations	3,138,987	15.42%
Sofina	1,632,398	8.02%
Mondrian Investment Partners	1,367,800	6.72%

To the best of the Company's knowledge, no other shareholders hold over 5% of the Company's share capital and voting rights.

No shareholders' agreement is in place.

As a result of the stock options granted under the 1999 to 2010 plans still outstanding at December 31, 2012, 500,364 new shares (following the adjustment after the capital increase carried out in October 2009) may potentially be issued. The information concerning Mersen's stock subscription options is shown on page 51 of this reference document.

The number of BSAR warrants outstanding at December 31, 2012 entitle their holders to acquire 103,331 new shares, each with a par value of €2. These BSAR warrants were not exercisable prior to July 17, 2012, barring the occurrence of specific events.

The total number of bonus shares that may be granted definitively at December 31, 2012 was 248,388 new shares each with a par value of €2 after the adjustment resulting from the October 2009 capital increase.

IX - Persons responsible for the information memorandum

To the best of the Company's knowledge, the information provided in this information memorandum is true and accurate. It provides all the information required for investors to make an informed judgment of Mersen's stock repurchase program. There are no omissions liable to impair its significance.

Shareholders

Share ownership thresholds crossed

February 24, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 5% threshold of the share capital and voting rights and held 1,006,994 shares representing 4.963% of the share capital and voting rights at February 21, 2012.

March 30, 2012: BNP Paribas Asset Management acting in the name and on behalf of Cam Gestion, Fundquest France and Fortis Investments entities that are part of BNP Paribas Investment Partners declared that it held 415,244 shares representing 2.0467% of the share capital and voting rights at March 29, 2012.

May 8, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 4% threshold of the share capital and voting rights and held 773,226 shares representing 3.81% of the share capital and voting rights at May 4, 2012.

May 19, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 3% threshold of the share capital and voting rights and held 608,108 shares representing 2.997% of the share capital and voting rights at May 18, 2012.

July 3, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 2% threshold of the share capital and voting rights and held 388,444 shares representing 1.915% of the share capital and voting rights at July 2, 2012.

July 27, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 1% threshold of the share capital and voting rights and held shares representing 0.963% of the share capital and voting rights at July 26, 2012.

August 20, 2012: Sofina declared that it had crossed above the 8% threshold, holding 1,632,398 shares or 8.021% of the share capital and voting rights.

December 21, 2012: Amundi declared that it had crossed above the 1% threshold, holding 205,268 shares or 1.0% of the share capital and voting rights.

CHANGES IN OWNERSHIP OF THE SHARE CAPITAL

	Dec. 31, 2012			Dec. 31, 2011			Dec. 31, 2010		
Shareholders	Number of shares	% of the share capital	% of voting rights	Number of shares	% of the share capital	% of voting rights	Number of shares	% of the share capital	% of voting rights
Free float, o/w	20,350,969			20,233,735			19,916,343		
- French institutional investors	9,953,609	48.9%	49.0%	9,584,581	47.3%	47.4%	7,897,940	39.6%	39.6%
- Individual shareholders	3,638,218	17.9%	17.9%	3,613,040	17.8%	17.8%	3,358,122	16.9%	16.9%
- Employee shareholders	268,073	1.3%	1.3%	193,414	1.0%	1.0%	257,912	1.3%	1.3%
- International institutional investors	6,441,498	31.7%	31.8%	6,842,700	33.7%	33.8%	8,402,369	42.1%	42.2%
Treasury shares (liquidity agreement)	49,571	0.2%		54,619	0.2%		26,434	0.1%	
TOTAL	20,350,969	100.0%	100.0%	20,288,354	100.0%	100.0%	19,942,777	100.0%	100.0%

Members of the Management Board and Supervisory Board hold 52,316 shares and Management Board members hold 5,119 shares via the Mersen FCPE (corporate mutual funds), representing a total of 0.26% of the share capital. The Company held a total of 49,571 of its own shares at December 31, 2012 under a liquidity agreement complying with the AFEI's charter.

Dividend

	Nbr of shares at year-end	Earnings per share (€)	Share price (€)			Overall yield based on year-end share price
		Dividend	High	Low	Last	
2008	14,297,213	0.62	47.58	17.06	17.81	3.5%
2009	19,645,409	0.50	28.07	14.46	25.40	2.0%
2010	19,942,777	0.75	35.38	23.21	34.30	2.2%
2011	20,288,354	1.00	42.81	21.17	23.35	4.3%
2012	20,350,969	0.45	28.67	18.16	21.09	2.1%

Dividend payments are time-barred as prescribed by law, that is five years after their payment. After this time, payments are made to the French Tax Administration.

With respect to fiscal 2012, the Third Resolution of the Combined General Meeting of May 16, 2013 provides for payment of a dividend of €0.45 per share, subject to shareholders' approval.

MERSEN AND THE STOCK MARKET

Mersen endeavors to meet the value creation targets of its shareholders and to promote a broader understanding of the Group by providing clear, regular and transparent information.

Share price performance

Mersen's share price moved lower throughout the first half of 2012 in a grim stock market climate. By June 30, it had lost 18.2% compared with at December 31, 2011. During the second half, it recovered a modest amount of ground, recording a rise of 6.3%. Over the year as a whole, it declined by 10.7%.

Share-related data

- Listing: Euronext Paris.
- Market: Eurolist Compartment B.
- Indices: CAC Allshares, CAC Mid&Small, Next 150.
- Eligible for deferred settlement and for inclusion in French PEA savings plans.
- ISIN code: FR0000039620.

Share price (1)

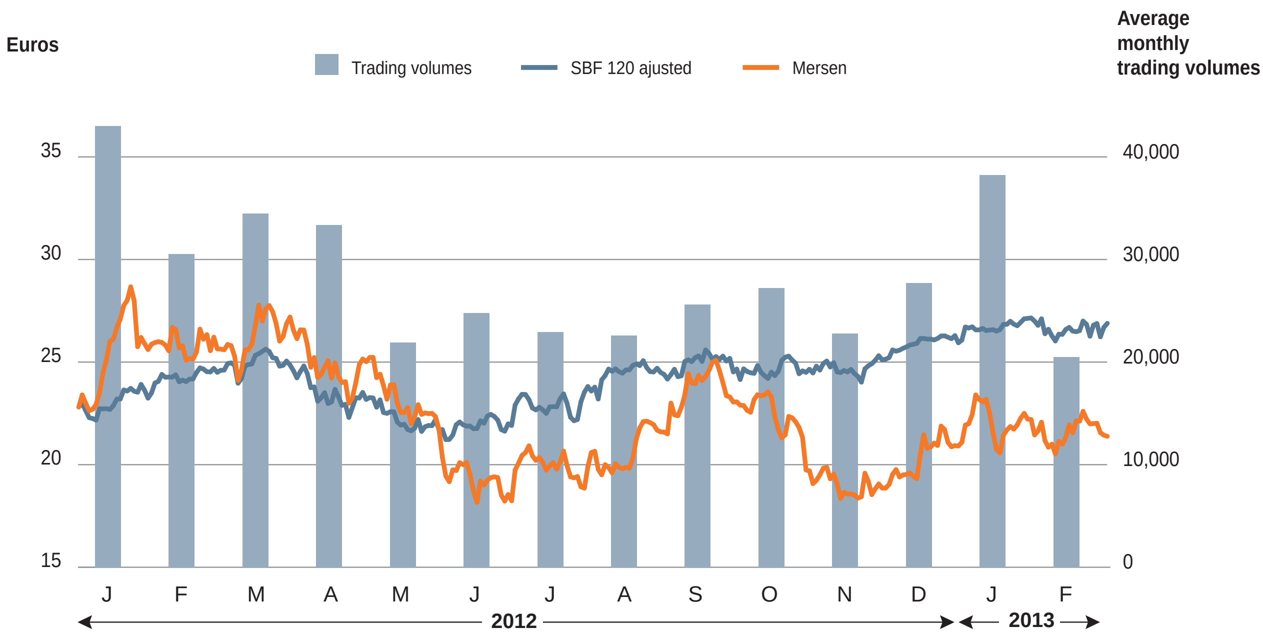
- at December 31, 2012*: €21.09.
- 2012 high: €28.67.
- 2012 low: €18.16.

(1) At the close of the market.

Trading

- Average 2012 monthly trading volume: 598,487 (average 2011 monthly trading volume: 567,379).
- Average daily trading volume in 2012: 28,114 (average daily trading volume in 2011: 28,054).

Share price performance and trading volumes



Source: Euronext.

Market data

Mersen shares	Number of shares traded	Capital traded on a monthly basis[a] *(in millions of euros)*	Average number of shares traded per session	Share price High (€)	Share price Low (€)	Share price Average (€)
2011						
January	427,390	14.93	20,352	38.55	32.85	34.94
February	521,420	19.66	26,071	40.00	35.77	37.70
March	830,317	31.15	36,101	39.55	33.61	37.51
April	760,013	30.73	40,001	41.75	39.20	40.44
May	580,588	23.72	36,390	42.81	39.06	40.86
June	454,292	17.85	20,650	40.86	36.91	39.29
July	524,585	20.38	24,980	40.04	37.01	38.84
August	641,590	21.58	27,895	37.24	30.61	33.63
September	642,352	20.54	29,198	36.00	27.86	31.98
October	702,411	19.73	33,448	29.41	25.35	28.09
November	723,596	18.18	32,891	27.75	21.62	25.12
December	644,315	14.76	30,682	26.69	21.17	22.91
2012						
January	946,929	24.03	43,042	28.67	22.63	25.37
February	641,841	16.58	30,564	26.69	25.09	25.84
March	759,503	20.00	34,523	27.78	24.10	26.34
April	634,616	15.62	33,401	26.56	22.99	24.61
May	482,669	11.11	21,940	25.23	20.35	23.02
June	521,616	10.02	24,839	20.10	18.16	19.22
July	504,978	10.09	22,954	20.92	18.85	19.99
August	520,109	10.84	22,613	23.00	19.50	20.86
September	513,436	12.19	25,672	25.08	22.38	23.75
October	627,452	13.69	27,281	23.55	19.07	21.83
November	501,836	9.5	22,811	19.87	18.35	19.01
December	526,857	10.83	27,729	21.88	19.32	20.57
2013						
January	842,667	18.59	38,303	23.40	20.58	22.07
February	410,385	8.86	20,515	22.60	20.85	21.60

Source: Euronext
(a) Based on the monthly average closing price

(Share price)	February 2013	January 2013	2012	2011
At end of period	21.88	21.64	21.09	23.35
Number of shares at end of period	20,400,557	20,350,969	20,350,969	20,288,354
Market capitalization at end of period *(in millions of euros)*	436	440	429	474
Average daily number of shares traded	20,515	38,303	28,114	29,888

Dividend per share

(In euros)	2012	2011	2010	2009	2008
	0.45	1.00	0.75	0.50	0.62

A confidence-based relationship with shareholders

Mersen maintains a confidence-based relationship with its shareholders built on transparency and communicates through various channels to give them a better understanding of the Group, its strategy, businesses and fundamentals.

The Group's investor relations strategy is predicated on an active program of information meetings and presentations, including:

- presentations in Europe and North America to institutional investors;
- meetings and seminars on specific themes for investment analysts and business and financial journalists;
- information and question-and-answer sessions with individual shareholders in France, backed up by a half-yearly newsletter.

To provide insight into the Group's business lines, Focus Mersen, a source of information about the Group available exclusively on the internet, has been published since 2009. Sixteen editions have been published since it was first launched.

Key events in the 2012 investor relations calendar

Sales reports

Fourth-quarter 2011 sales - January 24

First-quarter 2012 sales - April 25

Second-quarter 2012 sales - July 25

Third-quarter 2012 sales - October 24

Earnings reports

Full-year 2011 results - March 15

Interim 2012 results - August 30

Meetings for institutional investors

In Europe and North America - throughout the year

Capital Market Day on electronics: September 19

Annual General Meeting

Paris - May 23

Key events in the 2013 investor relations calendar

Sales reports

Fourth-quarter 2012 sales - January 30

First-quarter 2013 sales - April 29

Second-quarter 2013 sales - July 26

Third-quarter 2013 sales - October 29

Earnings reports

Full-year 2012 results - March 20

Interim 2013 results - August 29

Meetings for institutional investors

In Europe and North America - throughout the year

Annual General Meeting

Paris - May 16

Officer responsible for information

Thomas Baumgartner

Group Vice President, Finance and Administration

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Management report

5

Introduction

Highly unfavorable economic conditions in Europe and a challenging, but temporary situation in the solar energy market prevailed during 2012. Despite this environment, Mersen reported 2012 sales close to the level recorded in 2011. On a like-for-like basis, the top line sank by 8.8%, but was almost stable adjusted for sales in the solar energy market.

The Group's performance was boosted by growth in the aerospace and conventional energy markets. Mersen also enjoyed an excellent year in the chemicals and pharmaceuticals sector. Conversely, it was a disappointing year in the renewable energies market. The Group's solar energy sales halved compared with their 2011 level owing to temporary factors, including steep cutbacks in the production of solar cells after a year of overproduction and massive equipment purchases in 2011, and anti-dumping measures introduced in the United States and Europe targeting these manufacturers. Nonetheless, solar panel installations continued apace right around the world during 2012, totaling 32 GW, ahead of the 2011 level of 27 GW.

In spite of the business contraction and a hefty contribution made by low-margin chemicals business, the Group delivered an EBITDA margin of 14.3% and an operating margin before non-recurring items of 9.4% of sales. This margin level was achieved through cost-cutting efforts right across the Group introduced from mid-2012.

Mersen also decided to divest certain product lines in the Materials segment which generate sales of around €20 million. Firstly, it intends to sell its nuclear power activities, as their development prospects were severely compromised by the Fukushima disaster. Secondly, it believes that it has neither the critical mass nor the key success factors in plate heat exchangers, stirrers and mixers required to develop these products sustainably and profitably. These decisions dragged down net income for the year, but will make the Group more competitive in the future.

Furthermore, Mersen continued its drive to enhance its cash management, and it generated over €100 million in cash from operating activities before capital expenditures, which was significantly better than in the previous year. This strong performance enabled the Group to keep on investing in markets with the greatest potential.

Consolidated results

The 2012 financial statements show assets held for sale and discontinued operations on a separate line of the Group's income statement and balance sheet, in line with IFRS 5. The businesses principally comprise metal boilermaking equipment for the nuclear power market, metal plate heat exchangers and, stirrers and mixers, which form part of the Advanced Materials and Technologies segment (see below).

→ Sales

In 2012, Mersen's consolidated sales came to €810.7 million(1) , down 8.8% on a like-for-like basis compared with the adjusted 2011 figure. On a reported basis, the decline came to 0.7%, owing to the contribution made by Eldre, which was consolidated from the beginning of the year, and positive currency effects.

(in millions of euros)	2012	2011 proforma	organic growth	total growth	*2011*
Advanced Materials and Technologies	346.3	366.2	-11.3%	-5.4%	*379.6*
Electrical Components and Technologies	464.4	450.0	-6.7%	+3.2%	*450.0*
GROUP TOTAL	**810.7**	**816.2**	**-8.8%**	**-0.7%**	***829.6***
Europe	284.4	300.6	-10.5%	-5.4%	*310.6*
Asia-Pacific	205.8	212.9	-10.8%	-3.4%	*214.0*
North America	279.7	263.1	-5.8%	+6.3%	*263.4*
Rest of the world	40.8	39.6	-5.6%	+3.1%	*41.6*
GROUP TOTAL	**810.7**	**816.2**	**-8.8%**	**-0.7%**	***829.6***

(1) On January 30, 2013, the Group reported sales of €829.4 million. This figure included the contribution from the nuclear boilermaking equipment, stirrers and mixers, and plate heat exchangers units, which are now classified under assets held for sale and discontinued operations in line with IFRS 5.

Chemicals fared very well during the year, with sales moving up 17% like-for-like (26% on a reported basis). Sales to process industries increased, too, but to a lesser extent, while the transportation and conventional energy markets experienced a modest decline. Conversely, solar energy sales sank by over 50% (€48 million in 2012 compared with €110 million in 2011). Trends in electronics markets slowed as a result of cutbacks in investment spending and the low level of business of semiconductor manufacturers.

Excluding solar energy, business in Asia and North America grew on a like-for-like basis. Only Europe posted a contraction owing to the region's economic situation.

Sales in the Advanced Materials and Technologies segment posted an organic contraction of 11.3% during the year owing to the slowdown in the solar energy market. Excluding solar energy (organic growth of 7.2%), the Group was boosted by high billings on some large chemicals contracts and the firm performance of process industries and the air transportation market.

Sales in the Electrical Components and Technologies segment rose 3.2% on the back of the full-year contribution made by Eldre, a company acquired in early 2012. On a like-for-like basis, the segment's sales contracted by 6.7%. The decline was felt across all markets and electronics in particular.

EBITDA and operating income before non-recurring items

EBITDA(1) came to €116.0 million or 14.3% of sales.

(in millions of euros)	2012	2011 proforma	*2011*
Operating income before non-recurring items	76.3	106.5	*103.5*
Depreciation and amortization	39.7	37.0	*37.2*
EBITDA	**116.0**	**143.5**	***140.7***
as a % of sales	*14.3%*	*17.6%*	*17.0%*

The Group's operating income before non-recurring items(2) came to €76.3 million in 2012, representing an operating margin of 9.4% of sales, down more than 3 points compared with 2011.

The Advanced Materials and Technologies segment was mainly concerned, as it experienced a major business contraction, a negative product mix effect, with strong sales of lower-margin chemicals sales and, to a lesser extent, price reductions towards the end of the year. These factors were offset in part by savings measures.

The profitability of the Electrical Components and Technologies segment fell back by one point. In spite of the top-line contraction, this healthy resilience was largely attributable to the savings plans introduced.

(in millions of euros)	2012	2011 proforma	% chg.	*2011*
Sales	810.7	816.2	-0.7%	*829.6*
Gross income	242.1	263.1	-7.9%	*264.4*
As a % of sales	*29.9%*	*32.2%*		*31.9%*
Selling, marketing and other costs	(79.3)	(77.1)	+2.9%	*(80.5)*
G&A and R&D costs	(86.5)	(79.5)	+8.8%	*(80.4)*
Operating income before non-recurring items	**76.3**	**106.5**	**-28.5%**	***103.5***
As a % of sales	*9.4%*	*13.1%*		*12.5%*

The gross margin fell back 2.3 points amid weaker business volumes and a lower production capacity utilization rate than in 2011.

Selling, marketing, G&A and R&D costs declined by 1.5% on a like-for-like basis, with the inflation effects being offset by a savings plan and lower variable bonus payments linked to the Group's performance. They rose on a reported basis owing to the first-time consolidation of Eldre and appreciation in the US dollar against the euro during the year.

(1) Operating income before non-recurring items + depreciation and amortization.
(2) Based on the definition laid down in CNC regulation 2009.R.03.

Net income from continuing operations

Net income from continuing operations totaled €34.0 million, down from €62.4 million in 2011.

(in millions of euros)	2012	2011 proforma	*2011*
Operating income before non-recurring items	**76.3**	**106.5**	***103.5***
Non-recurring income and expense	(11.3)	(3.5)	*(4.2)*
Amortization and impairment of revalued intangible assets	(0.9)	(0.9)	*(0.9)*
Operating income	**64.1**	**102.1**	***98.4***
Net finance income/(costs)	(13.0)	(10.2)	*(10.2)*
Income tax	(17.1)	(29.5)	*(29.5)*
Net income from continuing operations	**34.0**	**62.4**	***58.7***

Trends in the main items of the income statement can be analyzed as follows:

- Net non-recurring expense totaled €11.3 million, predominantly comprising restructuring and transfer costs (€5.6 million) and asset impairment losses (€3.5 million).
- Amortization of revalued intangible assets represented an expense of €0.9 million, the same amount as in 2011.
- Mersen's net financial expense came to €13.0 million in 2012, which was higher than in 2011. This was attributable to the increase of €20 million in average debt at constant exchange rates during the year compared with 2011 average debt and the rise in the Group's borrowing rates as a result of the US private placement with an average maturity of 9 years.
- Income tax expense totaled €17.1 million over the year, which represented an effective tax rate of 33%, in line with 2011.

Assets held for sale and discontinued operations

The net loss from assets held for sale and discontinued operations came to €27.7 million, compared with €2.7 million in 2011.

It reflected the combined impact of:

- A €25.4 million charge linked to the plan to withdraw from metal boilermaking equipment for the nuclear power market, metal plate heat exchangers, and stirrers and mixers, and discontinuation of activities for the nuclear power market at Xianda's facility in China. Of this charge, €20 million represented an impairment loss, plus a €5.4 million net loss (excluding divesture) posted by the business activities in 2012.
- A €2.3 million charge related to the "brushes for automobiles and household appliance" business (sold on May 1, 2009) deriving chiefly from a settlement bringing a class-action lawsuit in the United Kingdom to a definitive end.

Net income attributable to Mersen's shareholders

(in millions of euros)	2012	2011 proforma	*2011*
Net income from continuing operations	**34.0**	**62.4**	***58.7***
Net income from assets held for sale and discontinued operations	(27.7)	(2.7)	*1.0*
Net income	**6.3**	**59.7**	***59.7***
Attributable to Mersen's shareholders	**5.6**	**56.9**	**56.9**
Non-controlling interests	0.7	2.8	*2.8*

Dividend

The Supervisory Board will propose payment of a dividend of €0.45 per share at the Annual General Meeting of the shareholders. This would result in a total payout of €9.2 million, representing 35% of the Group's net income attributable to Mersen's shareholders, prior to the impact of the impairment loss arising from the disposal plan. Shareholders will be given the option of electing for payment of the dividend in shares.

Cash and debt

Condensed statement of cash flows

(€ 000s)	2012	2011 proforma	*2011*
Cash generated by operating activities before change in the WCR	103.8	135.4	*131.5*
Change in the working capital requirement	27.7	(35.6)	*(36.8)*
Change in tax expense	(22.6)	(31.8)	*(31.8)*
Net cash generated by continuing operating activities	**108.9**	**68.0**	***62.9***
Cash generated by discontinued operations	(7.1)	(5.5)	*(0.4)*
Net cash generated by operating activities	**101.8**	**62.5**	***62.5***
Capital expenditures	(42.2)	(52.7)	*(53.3)*
Net cash generated by continuing operating activities after capital expenditures	**59.6**	**9.8**	***9.2***
Changes in scope (acquisitions)	(30.0)	(9.5)	*(9.5)*
Disposals of non-current assets and other	0.9	7.3	*7.9*
Net cash generated/(used) by operating and investing activities	**30.5**	**7.6**	***7.6***
Interest payments	(12.3)	(9.8)	*(9.8)*
Dividends paid	(19.4)	(5.2)	*(5.2)*
Increase in the share capital and other	0	(0.2)	*(0.2)*
Net cash flow before the change in debt	**(1.2)**	**(7.6)**	***(7.6)***

The net cash generated during the fiscal year was higher than in 2011 in spite of the impact of the Eldre acquisition (€28.8 million) and payment of the dividend in cash (€19.4 million compared with €5.2 million in 2011). This improvement was chiefly attributable to a clear reduction in the WCR.

Capital expenditures came to €42.2 million, with 75% focused on the Advanced Materials and Technologies segment. The investment policy is presented in this chapter.

Balance sheet

Net debt at year-end 2012 stood at €241.5 million, which was almost on a par with that recorded at year-end 2011 (€239.5 million). The change includes the impact of the acquisition of Eldre and payment of the majority of the dividend in cash.

The Group's finances remain in good shape. Its net debt to EBITDA ratio stood at 2.07x*, down from 1.61x* at year-end 2011, while the net debt to equity ratio came to 45%* , compared with 44% at year-end 2011.

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Total net debt *(in millions of euros)*	241.5	239.5	220.1	214.9	305.9
Net debt/equity*	0.45	0.44	0.44	0.50	0.93
Net debt/EBITDA*	2.07	1.61	1.86	2.52	2.73

* *Ratio calculated using the method specified for the USD350 million syndicated loan.*

Operations outside France

The Group had a presence on five continents. The international footprint of the Group's manufacturing facilities keeps it in close contact with its customers and allows them to be highly responsive to latest trends in its markets. In addition, it protects Mersen from the impact of currency fluctuations on its competitiveness.

In 2012, around 80% of the Group's capital expenditures were devoted to international markets. In particular, the Group continues to increase its graphite machining capacity in Asia and North America in anticipation of further expansion in the solar energy, electronics and process industry markets.

In 2012, the Group derived 91% of its sales from outside France (i.e. sales generated by foreign companies excluding those realized in France and exports by French companies).

The sales contributed by the Group's consolidated subsidiaries outside France came to €649 million, down 10% compared with 2011 on a like-for-like basis.

Investment policy

During 2011, investments in continuing operations amounted to €53.3 million. Mersen continued to increase its production capacity, carrying on where the investments it committed in 2010 left off. Spending on acquisitions amounted to €9.5 million. The bulk of this amount reflected the payment of part of the cost of buying out minority investors in Mingrong Electrical Protection (MEP), with the remainder (€7.4 million) being recognized under borrowings.

During 2012, Mersen maintained its investment spending with a view to making further inroads into expanding segments and regions, such as Asia and electronics. Investments in continuing operations amounted to €42.2 million.

Spending on acquisitions came to €30 million in 2012. They primarily reflected the acquisition of Eldre in France and in the United States and included the second installment in relation to the buyout of minority investors in Mingrong Electrical Protection (€1.6 million).

Pursuant to the Group's internal procedure, the Supervisory Board authorizes all investments in excess of €10 million, as well as all acquisitions of over €3 million.

(in millions of euros)	Continuing operations		
	2012	***2011 pro forma***	***2011 reported***
Increase in property, plant and equipment	(41.5)	(47.6)	***(48.1)***
Other changes in cash generated/(used) by investing activities	(0.7)	(5.1)	***(5.2)***
CAPITAL EXPENDITURES	**(42.2)**	**(52.7)**	***(53.3)***
Increase in intangible assets	(0.8)	(0.2)	***(0.2)***
Increase in financial assets	0.4		
Exceptional sales of assets	0.4	5.1	***5.1***
SUB-TOTAL	**(42.2)**	**(47.8)**	***(48.4)***
Investments linked to acquisitions	(30.0)	(9.5)	***(9.5)***
Investments linked to asset disposals	1.5	3.0	***3.0***
TOTAL	**(70.7)**	**(54.3)**	***(54.9)***

Financing policy

A Group policy has been defined for financing, which is coordinated by the Finance and Administration department.

The Group possesses confirmed credit lines, which have not been drawn down in their entirety.

Most of the Group's borrowings have been arranged by Mersen SA. Cash pooling systems in Europe, the United States and China help to optimize use of all the credit lines.

In 2003, the Group refinanced a bank loan due for repayment by means of private placements in the US with an average redemption date of 2015 to diversify its sources of financing.

During 2007, the Group launched an issue of bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) with an average life of six years.

In 2010, the Group refinanced its syndicated loan in China due to expire in September 2011, replacing it with a new three-year syndicated loan.

In 2011, the Group extended the maturity of its syndicated loan in China by one year to September 2014. In addition, the Group finalized a USD100 million private placement with a final maturity in 2021 to extend the duration of its debt and diversify its sources of financing.

In 2012, the Group refinanced its syndicated loan due to expire in July 2013, replacing it with a new five-year syndicated loan and bilateral loans.

All the details concerning borrowings are presented in Note 15 to the consolidated financial statements.

Relations between the parent company and its subsidiaries

Mersen is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen belongs to the Mersen group, which encompasses 91 consolidated and unconsolidated companies in 37 countries. The Group's largest manufacturing facilities are located in France, the United States, China, Germany and Mexico.

The Group's Executive Committee runs its operational affairs. In certain cases, Executive Committee members (including Management Board members) may be directors or officers in companies belonging to their segment.

Parent company results and financial statements

→ Parent company's financial position

The sales and other revenues recorded by the parent company, Mersen SA, amounted to €3.9 million. These revenues derived from Mersen SA's activities as a holding company, namely the management of investments in subsidiaries and affiliates, Group financing and various other services.

The parent company's operating loss, which reflects the holding company's operating costs, stood at €3.3 million.

Its net finance income totaled €13.2 million, compared with €32.1 million in 2011. This decline was attributable to impairment losses on investments and provisions for liabilities owing to the plan to withdraw from metal boilermaking equipment for the nuclear power market, metal plate heat exchangers, and stirrers and mixers, and the discontinuation of Xianda's activities for the nuclear power market at Xianda in China.

The parent company's income before tax and non-recurring items came to €9.9 million. The parent company posted an exceptional loss of €1.0 million, compared with a gain of €0.4 million in fiscal 2011.

The parent company recorded a tax benefit of €1.7 million. This was the result of the tax paid by the French subsidiaries consolidated for tax purposes.

Taking all these items into account, the parent company posted net income of €10.6 million, up from €29.8 million in 2011.

→ Information about payment terms for the parent company's suppliers

The standard terms of payment for suppliers are 45 days end of month.

In accordance with Article D. 441-4 of the French Commercial Code, the maturity schedule for trade payables at December 31, 2012 comprised €0.6 million in amounts payable within less than 30 days and €0.2 million in amounts payable between 30 and 60 days. At December 31, 2011, the amounts payable within less than 30 days stood at €0.7 million and amounts payable between 30 and 60 days at €0.1 million.

Research and development policy

The Group's research and development activities principally consist in developing materials, manufacturing processes, products and systems with a view to:

- safeguarding the Group's profitable growth by developing an innovative and made-to-measure range of solutions catering to the needs of our strategic markets; and
- cutting manufacturing costs.

The Group devotes around 3% of its sales to research and development concerning the refinement of products, materials and processes and technical sales efforts with a view to adapting its solutions or services constantly to each customer's specific requirements.

Most of this expenditure is financed internally.

The Group's approach is part of a continuing program: during 2012, as in previous years, innovation focused on two principal areas:

- developing new products and solutions to drive Mersen's growth over the short and long term, meeting the needs of our markets or addressing strategic applications, such as photovoltaic and wind energy, rail transportation, electronics, LEDs and energy efficiency;
- increasing the competitiveness of the products sold by the Group's core businesses.

The major innovations finalized in 2012 or still in progress include:

- Circular electric busbars enhancing the connection, performance and reliability of the next generations of wind turbines;
- New grades of custom-molded graphite brushes containing metal powder mixes at a very competitive cost for the wind energy replacement market;
- New coated graphite consumables delivering very high value-added for epitaxy specialists using silicon carbide substrates, which are employed in the LED industry;
- HCl acid synthesis units geared to meeting the growing demand for shale gas;
- Silicon carbide mirrors coated with an additional silicon carbide layer for optical laser applications.

Risk management

The Risk, Internal Audit and Safety department coordinates the management of risks. Its role consists in:

- detecting the principal risks facing the Group;
- defining a risk prevention and mitigation policy;
- proposing action plans and making sure they are implemented;
- and safeguarding the security of information systems.

The Risk, Internal Audit and Safety department reports to the Management Board and to the Audit and Accounts Committee.

The mapping of operational, financial, strategic and information-related risks was first carried out in 2001 and was updated every three years until 2010. Since 2010, the risk survey has been updated every year, with a detailed review on a three-year basis. The most recent detailed review was in 2011. During this exercise, the potential risks were classified based, firstly, on their significance (combination of their potential impact and their probability of occurrence) and, secondly, according to the level of control provided by existing risk control measures. This approach helped to distinguish between risk mitigation plans and measures controlling the effectiveness of existing action plans.

During 2012, the Group updated and reviewed risks that could potentially have a material adverse effect on its business, its financial position and/or the results of its operations and believes that there are no material risks other than those presented. The scale of certain existing risks factors was increased based on trends in the global economic environment and in particular the slowdown across Europe. The risk mapping was presented to the Management Board and to the Audit and Accounts Committee.

Industrial risks and environment-related risks

The Risk, Internal Audit and Safety department continued to implement measures to reduce risks. Some of these action plans were completed, while others are still underway. These initiatives focused primarily on:

- improving protection and equipment for personnel exposed to CMR (carcinogenic, mutagenic or toxic to reproduction) substances;
- building a Group-wide business continuity planning system;
- building a Group-wide system for detecting Repetitive Stress Injuries;
- conducting a mapping survey of facilities exposed to natural risks and verifying the suitability of insurance cover vis-à-vis risk factors;
- the Risk department also continued to implement the new Grenelle 2 environmental protection regulations. This task was carried out in conjunction with an external firm to ensure that the regulations are applied correctly. The Group is now fully compliant with these regulations.

The REACH monitoring unit oversaw the latest rule changes by the ECHA and in particular in relation to pitch, which is used in the manufacture of graphite products. To recap, during 2010, the Group registered the products subject to the REACH regulations, chiefly graphite. It also tracked the progress made with REACH registrations by its suppliers of certain strategic substances used in its manufacturing processes. This initiative was implemented to secure the Group's strategic purchases as far as possible. The Group will proceed in line with the timetable for the registration of several products in 2013.

As in previous years, inspections were arranged in conjunction with the Group's insurance experts to assess the level of fire prevention and protection at the Group's principal manufacturing facilities in and outside France. These inspections led to the drafting of recommendations to reinforce fire prevention and protection systems wherever necessary. The measures implemented undergo formal monitoring at least once every year with the Group's insurers.

Mersen also continued its efforts to eliminate the use of potential pollutants or to curb their use very strictly indeed. In 2012, the Group introduced the requisite measures to monitor developments concerning a limited pollution issue identified in 2010. The systems in place did not detect any developments of concern requiring action to be taken. To recap, this minor pollution incident was caused by the processes and products used at the site more than 20 years earlier, before it was owned by the Group. The processes used have since been modernized and are under control. The products used at the time were replaced many years ago and are no longer in use. During 2013, the Group will continue to use the monitoring system introduced in 2012.

In addition, the Group is working continuously on redesign to cost projects with a view to reducing its materials and energy consumption.

Information system risks

The information system security function continued to implement a series of measures aimed at safeguarding the integrity, availability and confidentiality of the Group's information systems.

In particular:

- it continued to develop centralized control systems that can be used to check remotely whether Group rules are being applied properly and rolled out a remote audit system checking whether the Group's safety guidelines have been implemented;
- it conducted network audits.

A system enables business units to conduct a self-assessment of their compliance with the Group's standards and help improve information systems security.

Furthermore, Mersen mapped out its information systems security risks during 2012.

Raw materials risks

To secure purchases of its most sensitive raw materials over the long term, Mersen continues to pursue its program of conducting research into and identifying alternative procurement sources in the event it has to contend with a supplier with a dominant market position.

From a more global perspective, the purchasing teams continued to achieve concrete results from their collaboration with technical teams on redesign to cost projects in order to enhance performance of suppliers with a view to:

- securing more competitive purchasing prices and industrialization solutions;
- planning ahead for the possible replacement of products purchased that are not deemed to comply with the REACH regulations;

- helping to reduce consumption of energy and raw materials used in the manufacture of finished products.

What's more, to protect against price increases, exposure to certain raw materials was hedged using either derivative products or supplier-provided protection (see the section on financial market and financing risks below).

Commercial risks

The risk arising from the failure of the Group's principal customers is modest as a result of the diversification of its portfolio. The Group's top ten customers accounted for just 15.3% of the Group's consolidated sales.

PROPORTION OF SALES DERIVING FROM THE GROUP'S PRINCIPAL CUSTOMERS

	2012		2011	
(€ 000s)	Sales	% of sales	Sales	% of sales
With the Group's leading customer	22,663	2.8%	23,246	2.8%
With the Group's top 5 customers	79,366	9.8%	89,379	10.8%
With the Group's top 10 customers	123,765	15.3%	141,464	17.1%

Since 2003, the Group has adopted a commercial credit insurance program with Coface, which is described in Note 3 to the consolidated financial statements.

Country risks

The Group has manufacturing facilities in countries considered to be at high risk (based on the Coface's classification), i.e. in Argentina and Greece.

Although these unconsolidated subsidiaries potentially represent a risk, it is a very modest one given their size, since their sales totaled less than €2.7 million in 2012.

Broadly speaking, the Group is not immune from geopolitical risk.

Insurance

The Group's insurance policy is determined by the Management Board. To protect the Group's future, the levels of coverage are set based on the Group's loss record and an assessment of the risks incurred by each Group subsidiary. With loss experience remaining under control during 2012, the Group's insurance programs did not experience any major adjustments. The improvement in the Group's insurance loss record during 2012 and continued efforts under its risk mitigation policy helped to maintain its coverage levels and premiums for 2013.

The Group has arranged worldwide insurance programs with prime insurance companies to cover its main property/business interruption, civil liability, environmental, civil aviation and transport risks. These worldwide programs provide all the Group's subsidiaries with cover and restrictions tailored to their needs. No captive policies have been arranged.

The Group's civil liability (operations, before and after delivery) and environmental insurance programs notably cover bodily injury, damage to tangible and intangible property, site clearance and rebuilding costs, withdrawal costs, damage to property entrusted with the Group and pollution abatement costs, subject to the usual deductibles, exclusions and restrictions. The program comprises a master policy in France and local policies in certain countries. The total premiums paid by the Mersen group during fiscal 2012 in respect of its civil liability, environmental and civil aviation insurance program came to €709,042.

The Group's property/business interruption insurance program notably covers bodily injury and property damage, as well as losses caused by the interruption of business at the Group's main plants as a result of any sudden and accidental events (such as fire, storm, explosion, electrical damage, theft, etc.), subject to the usual deductibles, exclusions and restrictions. The program comprises a master policy and local policies in certain countries. It provides a contractual restriction per event (property/business interruption combined) of €100 million with sub-restrictions for certain events, such as storms, natural disasters or certain specific guarantees, such as machine failures and IT and electrical risks. The total premiums paid by the Mersen group during fiscal 2012 in respect of this insurance program came to €1,239,903.

Under the Group's transport insurance program, Mersen and its subsidiaries are protected by a worldwide policy that provides a guarantee of up to €5 million per shipment for all the Group's goods shipments, irrespective of the means of transportation used. Mersen paid a premium of €41,310 under this insurance program in fiscal 2012.

Human and social risks

To guard as best it can against the risk of losing expertise, the Group prepared action plans covering key personnel in its organization during its management reviews and introduced measures to maintain their loyalty and/or ensure that they could be replaced.

In general terms, a review of the competencies that the Group will need over the next few years was carried out by each business unit to identify key jobs for the Group and to equip existing teams with the know-how they will need. Planning ahead for departures linked to demographic trends in Mersen's workforce is also a key aspect of its policy of forward human resource planning.

The "Seniors and Group culture management" work group drafted an action plan that will be implemented progressively around the world (with adjustments to take into account the labor rules applicable in the various countries in which the Group is present). The aim of the action plan is to replace and pass on the knowledge gained by seniors, increase their numbers within the workforce and managers' competencies to help drive the Group's growth, and communicate more about its values and corporate culture. It includes implementation of a process identifying key competencies at global level and organizing their dissemination. The process of defining core competencies was rolled out at the Group's major manufacturing facilities from 2009 onwards. For each employee whose skills are considered to be crucial, a succession plan is drawn up, which needs to be updated on an annual basis. The transfer of skills is recorded formally through an experience interview held by managers with each of their employees when they turn 58 (this age may vary from country to country depending on the legislation and local practices). In France, the December 2009 agreement on the management of seniors strengthened the competency development and career support process for senior employees (i.e. those aged 50 or over). Mentoring was also organized at various facilities in France, with seniors training employees in key jobs.

In France, following the signature during 2011 of an agreement with all the union organizations on job satisfaction, an annual monitoring unit was set up to assess compliance with the undertakings given in this agreement. Indicators, including staff turnover, absenteeism rate, the proportion of new projects taking psychosocial risks into account and the number of occupational conditions diagnosed, are analyzed every year to determine the level of job satisfaction in France.

What's more, an agreement on the prevention of occupational stress was signed in 2011. Under this agreement, a diagnostic assessment of employees' exposure to occupational stress factors was carried out in 2012 and negotiations were launched with the union organizations to agree on ways of preventing occupational stress within the Mersen group. This agreement is due to be signed in early 2013. It should help to keep Mersen's employees with the Group for as long as possible and in a good state of health, especially by eliminating multiple sources of exposure and by making adjustments to workstations wherever possible.

The Company pays particular attention to the quality of its labor relations and to dialog with employees and unions. For example, employee representatives and the Group's Management meet each year as part of the Group Works Committee in France and the European Works Committee. In addition, the central delegates of all the unions represented at the Group's plants in France meet with the Group's human resources department on an annual basis.

When restructuring measures liable to have an impact on the workforce are contemplated, the solutions envisaged are studied in conjunction with the unions and employee representatives in accordance with the provisions of law. Appropriate measures are taken to reassign affected employees to new positions within or outside the Group.

Tax risks

The Group undergoes regular tax audits by the tax authorities in the countries in which it operates. In the past, the tax reassessments issued to the Group after tax audits were for non-material amounts.

AVO Carbon Mexico, a company sold by the Group in April 2009, underwent an audit by the Mexican customs authorities, which led to a potential €5 million tax reassessment. AVO Carbon Mexico is challenging this tax reassessment and filed an appeal in January 2013 with the local customs authorities. Should Mersen have to cover part or all of this reassessment under its seller's representations and warranties, the impact on the Group's consolidated financial statements would not be material, because the amount would be deducted from the earnout payment potentially payable by AVO Carbon to Mersen.

Financial market and financing risks

Currency risks

Currency risks are addressed in the "Currency risks" section of Note 3 to the consolidated financial statements contained in this document.

Interest-rate risk

Interest-rate risks are addressed in the "Interest-rate risks" section of Note 3 to the consolidated financial statements contained in this document.

Commodity risks

Commodity risks are addressed in the "Commodity risks" section of Note 3 to the consolidated financial statements contained in this document.

Counterparty risks

All hedging transactions are entered into with prime financial institutions. The Group has no material investment securities and is not exposed to counterparty risks on such securities.

In addition, the Group holds swaps covering a nominal amount of €61.6 million, but does not believe that it is exposed to counterparty risk because its positions are marked to market (mark-to-market valuation of negative €2 million).

In terms of credit risk, the Group set up an insurance program with commercial credit insurer Coface covering its principal companies in the US, France, Germany, the UK and China (domestic customers) against the risk of non-payment for financial or political reasons. Coverage varies between 0 and 90% of invoiced amounts from customer to customer.

Liquidity risks

The Group conducted a specific review of its liquidity risk and believes that it will be able to honor its forthcoming repayments.

Liquidity risks are addressed in the "Liquidity risks" section of Note 3 to the consolidated financial statements contained in this document.

Equity risks

At December 31, 2012, the Group held 49,571 shares in treasury worth €1.5 million. At the same date, the Group had not subscribed any shares in listed companies.

→ Legal risks

Dependence of the Company

The Mersen group is not dependent on any patent, license or supply contract that may have a material adverse effect on its business activities or profitability.

The Group's principal customer contributed 2.8% of its sales. Its top 10 customers generated 15.3% of its sales.

Litigation

None of the legal proceedings referred to above led to provisions being set aside, as the Group is not in a position as things stand to assess the financial risk.

Civil proceedings in Canada

The separate lawsuit initiated during 2004 in Canada by certain customers against the main Canadian manufacturers of graphite brushes, including Mersen Toronto, a Canadian subsidiary of Mersen, is still in progress and there have been no new developments since 2007. To recap, this lawsuit was instigated following the fine of CAD1 million that Morgan Crucible Ltd was ordered to pay in July 2004 for anti-trust practices in the field of graphite brushes for traction applications during the 1995-1998 period. To recap, the Canadian judge ruled in February 2007 that only Canadian urban transportation companies could join the proceedings in progress. The risk for Mersen Toronto is still not material.

Civil proceedings in the United Kingdom

2007 civil action: In November 2012, the Court of Appeal in the United Kingdom upheld the ruling made in Mersen's favor by the CAT in 2011. In January 2013, Mersen and the plaintiffs reached an out-of-court settlement bringing the civil proceedings in the United Kingdom to a definitive close. To recap, in October 2007, three customers called on Mersen to appear in the proceedings they had initiated in early 2007 before the CAT against Morgan, SGL and Schunk. With these proceedings, the plaintiffs were attempting to secure redress before the CAT for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications.

2011 civil action: In February 2011, the Deutsche Bahn group, together with other European rail companies, announced that it was launching legal action against Morgan, SGL, Schunk and Mersen before the CAT. The plaintiffs are attempting to secure redress before the CAT for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. During May 2011, the CAT ruled that plaintiffs' action against Morgan was time-barred. The plaintiffs have appealed this decision. In August 2012, the Court of Appeal authorized the plaintiffs to continue their proceedings before the CAT against Morgan Crucible, Mersen, Schunk and SGL. Morgan Crucible appealed this decision to the Supreme Court in the United Kingdom. The proceedings before the CAT were suspended pending the outcome of the appeal.

Administrative proceedings in France

In February 2013, SNCF commenced legal action against Morgan, SGL, Schunk and Mersen in the Paris administrative court. SNCF is attempting to secure redress for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. Mersen rejects all of the allegations made by SNCF.

Since 1999, the Group has developed a worldwide compliance program to provide training for and raise the awareness of operational and commercial managers about competition legislation. This worldwide compliance program remains in place. It was updated again in June 2010 following the change in the Group's name and corporate identity. Highly stringent internal control measures and external audits ensure that competition legislation is scrupulously complied with in all the countries in which the Group does business.

Legal proceedings in France (accident at the Gennevilliers plant on April 7, 2010)

Following a fatal accident that occurred on April 7, 2010, at Mersen's site in Gennevilliers, a police investigation and then a criminal investigation were launched to determine the exact circumstances and causes of this accident, as well as any responsibilities. The criminal investigation continues and there were no significant developments during 2012.

There are no other governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Group is aware, during the previous 12 months which may have, or have had in the recent past material adverse effects on the Group's business activities, financial position or results of operations.

Outlook for 2013

As in 2012, the Group will face a mixed economic environment in 2013.

Mersen aims to generate 2013 sales comparable with 2012 level on a like-for-like basis. The Group anticipates a tough start to the year, in line with the second half of 2012 left off, with a top-line recovery during the second half of 2013.

As previously announced, Mersen will continue to roll out its adaptation plan during the year to reduce its cost base by some €10 million, but it will have to contend with pricing pressures and an unfavorable product mix in the AMT segment. Accordingly, Mersen aims to achieve an EBITDA margin of around 14% of sales and an operating margin before non-recurring items of around 9% over the full year.

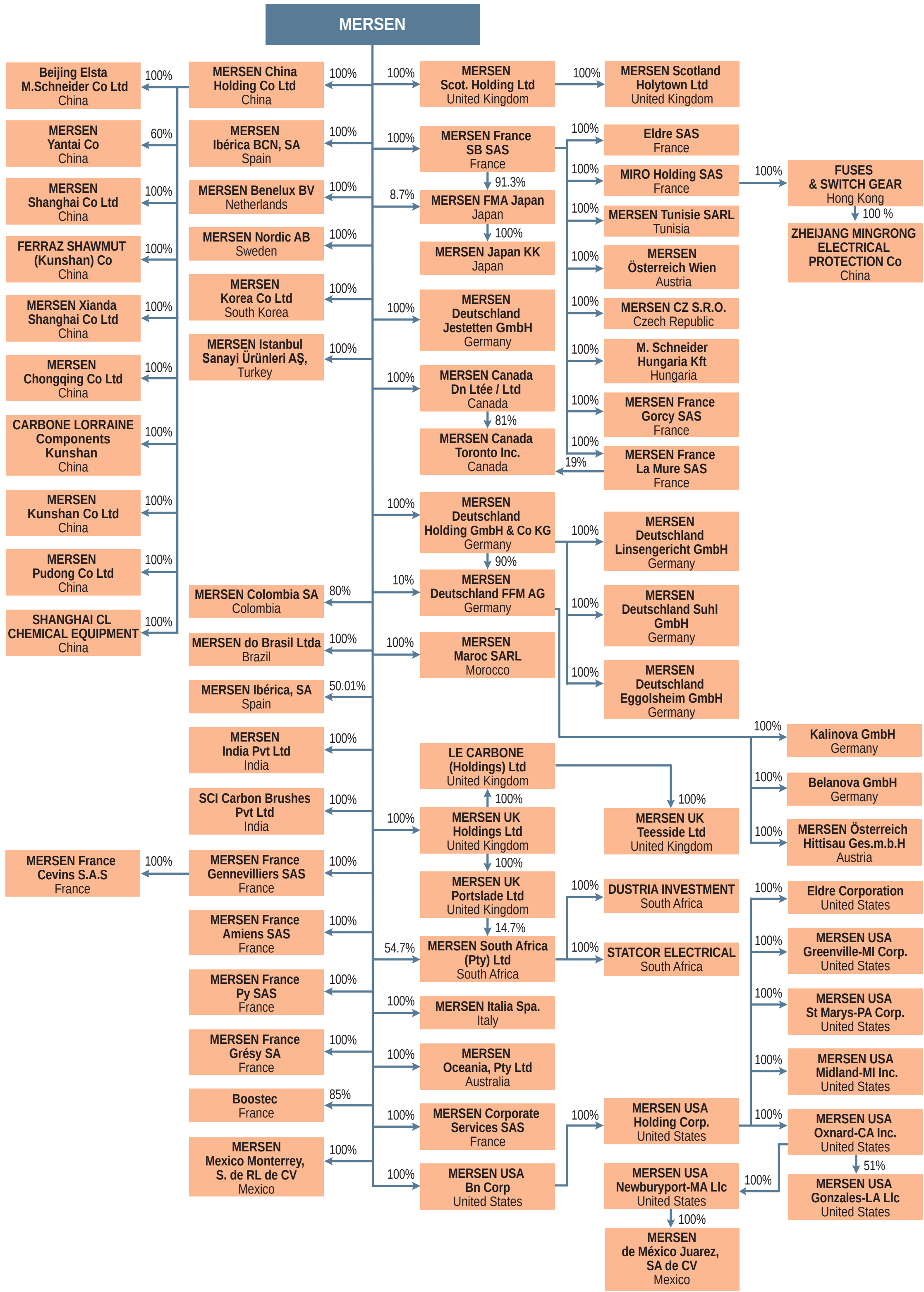
In addition, Mersen will continue to implement its plans to improve the logistics chain and its cash management and anticipates a significant decrease in capital expenditures compared with 2012.

In the medium term, the Group will continue to leverage the strengths of its teams, its expertise and the relationships it has built with its customers to strengthen its positions and step up the pace of its development.

Consolidated financial statements

6

Scope of consolidation at December 31, 2012



List of consolidated companies

	Method of consolidation FC: Full consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
1. **Mersen** (France)	FC	100	100
2. **Mersen France Amiens SAS** (France)	FC	100	100
3. **Mersen France Gennevilliers SAS** (France)	FC	100	100
- Mersen France Cevins SAS (France)	FC	100	100
4. **Mersen France Py SAS** (France)	FC	100	100
5. **Mersen Corporate Services SAS** (France)	FC	100	100
6. **Mersen France SB SAS** (France)	FC	100	100
- Mersen France La Mure SAS (France)	FC	100	100
- Eldre SAS (France)	FC	100	100
- Mersen Österreich Wien GmbH (Austria)	FC	100	100
- Mersen CZ SRO (Czech Republic)	FC	100	100
- M.Schneider Hungaria Kft (Hungary)	FC	100	100
- Mersen Tunisie SARL (Tunisia)	FC	100	100
- Miro Holding SAS (France)	FC	100	100
- Fuses & Switchgear (Hong Kong)	FC	100	100
- Zhejiang Mingrong Electrical Protection Company (China)	FC	100	100
- Mersen FMA Japan KK (Japan)	FC	100	100
- Mersen Japan KK (Japan)	FC	100	100
- Mersen France Gorcy SAS (France)	FC	100	100
7. **Mersen France Grésy SAS** (France)	FC	100	100
8. **Boostec** (France)	FC	85	85
9. **Mersen Deutschland Holding GmbH & Co. KG** (Germany)	FC	100	100
- Mersen Deutschland FFM AG (Germany)	FC	100	100
- Belanova-Kalbach GmbH (Germany)	FC	100	100
- Kalinova-Kalbach GmbH (Germany)	FC	100	100
- Mersen Österreich Hittisau GmbH (Austria)	FC	100	100
- Mersen Deutschland Lisengericht GmbH (Germany)	FC	100	100
- Mersen Deutschland Suhl GmbH (Germany)	FC	100	100
- Mersen Deutschland Eggolsheim GmbH (Germany)	FC	100	100
10. **Mersen Deutschland Jestetten GmbH** (Germany)	FC	100	100
11. **Mersen Ibérica SA** (Spain)	FC	50	50
12. **Mersen Ibérica BCN SA** (Spain)	FC	100	100
13. **Mersen UK Holdings Ltd** (United Kingdom)	FC	100	100
- Mersen UK Portslade Ltd (United Kingdom)	FC	100	100
- Le Carbone (Holdings) Ltd (United Kingdom)	FC	100	100
- Mersen UK Teesside Ltd (United Kingdom)	FC	100	100
14. **Mersen Scot. Holding Ltd** (United Kingdom)	FC	100	100
- Mersen Scotland Holytown Ltd (United Kingdom)	FC	100	100
15. **Mersen Italia SpA** (Italy)	FC	100	100
16. **Mersen Benelux BV** (Netherlands)	FC	100	100
17. **Mersen Nordic AB** (Sweden)	FC	100	100

	Method of consolidation FC: Full consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
18. Mersen Canada Dn Ltée/Ltd (Canada)	FC	100	100
- Mersen Canada Toronto Inc. (Canada)	FC	100	100
19. Mersen USA Bn Corp. (United States)	FC	100	100
- Mersen USA Holding Corp. (United States)	FC	100	100
- Mersen USA Greenville-MI Corp. (United States)	FC	100	100
- Mersen USA St Mary's-PA Corp. (United States)	FC	100	100
- Mersen USA Midland-MI Inc. (United States)	FC	100	100
- Mersen USA Oxnard-CA Inc. (United States)	FC	100	100
- Mersen USA Newburyport-MA LLC (United States)	FC	100	100
- Mersen de México Juarez, SA DE CV (Mexico)	FC	100	100
- Mersen USA Gonzales-LA LLC (United States)	FC	51	51
- Eldre Corporation (United States)	FC	100	100
20. Mersen México Monterrey, S de RL de CV (Mexico)	FC	100	100
21. Mersen Oceania, Pty Ltd (Australia)	FC	100	100
22. Mersen Korea Co. Ltd (South Korea)	FC	100	100
23. Mersen India Pvt. Ltd (India)	FC	100	100
24. SCI Carbon Brushes Pvt. Ltd (India)	FC	100	100
25. Mersen China Holding Co. Ltd (China)	FC	100	100
- Mersen Pudong Co. Ltd (China)	FC	100	100
- Mersen Chongqing Co. Ltd (China)	FC	100	100
- Carbone Lorraine Components Kunshan Co. Ltd (China)	FC	100	100
- Mersen Kunshan Co. Ltd (China)	FC	100	100
- Shanghai Carbone Lorraine Chemical Equipment Co. Ltd (China)	FC	100	100
- Mersen Xianda Shanghai Co. Ltd (China)	FC	100	100
- Mersen Shanghai Co. Ltd (China)	FC	100	100
- Ferraz Shawmut (Kunshan) Company (China)	FC	100	100
- Mersen Yantai Co. (China)	FC	60	60
- Beijing Elsta M.Schneider Co. Ltd (China)	FC	100	100
26. Mersen South Africa Pty Ltd (South Africa)	FC	69	69
- Statcor Electrical (South Africa)	FC	69	69
- Dustria Investment (South Africa)	FC	69	69
27. Mersen do Brasil Ltda (Brazil)	FC	100	100
28. Mersen Istanbul Sanayi Ürünleri (Turkey)	FC	100	100
29. Mersen Colombia SA (Colombia)	FC	80	80
30. Mersen Maroc SARL (Morocco)	FC	100	100

The fiscal year of all these companies is the same as the calendar year.

Changes in the scope of consolidation over the past two years

The principal changes that affected the consolidated financial statements in 2011 and 2012 are presented below:

- during fiscal 2011:
  - Beijing Elsta M.Schneider Co. Ltd, a Chinese company whose minority investors were bought out by the Group during the first half of 2011, was consolidated for the first time from January 1, 2011.
  - Mersen Istanbul Sanayi Ürünleri was also consolidated for the first time from January 1, 2011.
- during fiscal 2012:
  - Eldre SAS, a French company of which Mersen France SB SAS acquired full ownership on January 3, 2012, was consolidated for the first time from January 1, 2012.
  - Eldre Corporation, a US company of which Mersen USA Holding Corp. acquired full ownership on January 3, 2012, was consolidated for the first time from January 1, 2012.
  - Mersen Colombia was consolidated for the first time from January 1, 2012.
  - Mersen Maroc SARL was consolidated for the first time from January 1, 2012.

Given that these changes in scope were not material, no pro forma financial statements were prepared.

Assets held for sale and discontinued operations: non-core businesses in the Advanced Materials and Technologies segment

In late 2012, the Group launched a plan to divest certain unprofitable businesses acquired in deals over recent years, in a drive to refocus on its core businesses.

These businesses, which are material in terms of their contribution to operating performance, are presented in line with the principles laid down in IFRS 5.

The comparative figures in the statement of comprehensive income and statement of cash flows have been restated to present these businesses separately from continuing operations.

IFRS

In accordance with European regulation no. 1606-2002, which applies to the consolidated financial statements of listed European companies, the consolidated financial statements of the Mersen group have been published using the internationally recognized IFRS since 2005 because the Group is listed in a member state of the European Union.

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Consolidated income statement

In millions of euros	Note	2012	2011 pro forma	2011 reported
CONTINUING OPERATIONS				
Consolidated sales	18	810.7	816.2	829.6
Cost of sales		(568.6)	(553.1)	(565.2)
Gross income		**242.1**	**263.1**	**264.4**
Selling and marketing costs		(76.7)	(72.4)	(75.8)
Administrative and research costs		(86.5)	(79.5)	(80.4)
Other operating costs		(2.6)	(4.7)	(4.7)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**76.3**	**106.5**	**103.5**
Non-recurring charges	17	(14.8)	(6.5)	(7.2)
Non-recurring income	17	3.5	3.0	3.0
Amortization of remeasured intangible assets		(0.9)	(0.9)	(0.9)
OPERATING INCOME	**18-20**	**64.1**	**102.1**	**98.4**
Financial expense		(13.0)	(10.2)	(10.2)
Financial income		0.0	0.0	0.0
Net finance income/(costs)	**21**	**(13.0)**	**(10.2)**	**(10.2)**
Income before tax and non-recurring items		**51.1**	**91.9**	**88.2**
Current and deferred income tax	22	(17.1)	(29.5)	(29.5)
Net income from continuing operations		**34.0**	**62.4**	**58.7**
Net income from assets held for sale and discontinued operations	5	(27.7)	(2.7)	1.0
NET INCOME FOR THE YEAR		**6.3**	**59.7**	**59.7**
Attributable to:				
- Equity holders of the parent		5.6	56.9	56.9
- Non-controlling interests		0.7	2.8	2.8
NET INCOME FOR THE YEAR		**6.3**	**59.7**	**59.7**
Earnings per share	**23**			
Basic earnings per share *(€)*		0.28	2.83	2.83
Diluted earnings per share *(€)*		0.27	2.73	2.73
Earnings per share from continuing operations	**23**			
Basic earnings per share *(€)*		1.64	2.97	2.79
Diluted earnings per share *(€)*		1.59	2.87	2.69
Earnings per share from assets held for sale and discontinued operations	**23**			
Basic earnings per share *(€)*		(1.37)	(0.14)	0.05
Diluted earnings per share *(€)*		(1.32)	(0.13)	0.04

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Condensed statement of comprehensive income

In millions of euros	Notes	Dec. 31, 2012	Dec. 31, 2011
NET INCOME FOR THE YEAR		6.3	59.7
Change in fair value of hedging derivatives	21	1.6	(0.2)
Change in assets and liabilities at year-end exchange rate		(5.0)	8.5
Tax on income recognized in equity	21	(0.6)	0.1
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		(4.0)	8.4
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD		2.3	68.1
Attributable to:			
- Equity holders of the parent		1.7	65.7
- Non-controlling interests		0.6	2.4

Consolidated statement of financial position

ASSETS

In millions of euros	Note	Dec. 31, 2012	Dec. 31, 2011
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	6	269.7	264.0
- Other intangible assets	8	40.1	40.0
Property, plant and equipment			
- Land		29.4	28.5
- Buildings		62.7	58.6
- Plant, equipment and other assets	8	189.4	189.5
- Assets in progress		30.3	29.6
Non-current financial assets			
- Investments	9	3.3	4.9
- Non-current derivatives			
- Other financial assets	3-15	7.0	8.6
Non-current tax assets			
- Deferred tax assets	22	29.0	25.7
- Non-current portion of current tax assets		3.7	2.1
TOTAL NON-CURRENT ASSETS		**664.6**	**651.5**
CURRENT ASSETS			
- Inventories	10	173.6	188.7
- Trade receivables	11	112.3	128.0
- Other receivables		14.4	20.7
- Current portion of current tax liabilities		7.6	4.6
- Other current assets			
- Current financial assets	15	7.0	5.3
- Current derivatives	3	1.7	0.5
- Financial assets	15		
- Cash and cash equivalents	15	21.4	52.2
- Assets held for sale and discontinued operations	5	5.6	
TOTAL CURRENT ASSETS		**343.6**	**400.0**
TOTAL ASSETS		**1,008.2**	**1,051.5**

EQUITY AND LIABILITIES

In millions of euros	Note	Dec. 31, 2012	Dec. 31, 2011
EQUITY			
- Share capital	12	40.7	40.6
- Premiums and retained earnings		496.6	455.8
- Net income for the year		5.6	56.9
- Cumulative translation adjustments		(25.8)	(20.8)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		**517.1**	**532.5**
- Non-controlling interests		10.5	10.4
EQUITY		**527.6**	**542.9**
NON-CURRENT LIABILITIES			
- Non-current provisions	13	0.7	0.5
- Employee benefits	14	36.2	35.6
- Deferred tax liabilities	22	29.0	24.8
- Borrowings	15	234.3	261.7
- Non-current derivatives	3	1.9	2.1
TOTAL NON-CURRENT LIABILITIES		**302.1**	**324.7**
CURRENT LIABILITIES			
- Trade payables		60.5	64.0
- Other payables		58.7	67.8
- Current provisions	13	2.6	5.0
- Current portion of current tax liabilities		6.8	5.5
- Other liabilities	13	2.1	5.1
- Other current financial liabilities	15	10.3	5.3
- Current derivatives	3	0.7	1.2
- Current advances	15		
- Bank overdrafts	15	25.3	30.0
- Liabilities related to assets held for sale and disc. op.	5	11.5	
TOTAL CURRENT LIABILITIES		**178.5**	**183.9**
TOTAL EQUITY AND LIABILITIES		**1,008.2**	**1,051.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Attributable to Mersen's shareholders						
	Share capital	Premiums and retained earnings	Net income for the year	Cumulative translation adjustment	Total	Non-controlling interests	Equity
EQUITY AT DEC. 31, 2010	**39.9**	**432.2**	**38.4**	**(29.7)**	**480.8**	**12.9**	**493.7**
Prior period net income		38.4	(38.4)		0.0		0.0
Net income for the year			56.9		56.9	2.8	59.7
Change in fair value of hedging derivatives, net of taxes		(0.1)			(0.1)		(0.1)
Cumulative translation adjustment				8.9	8.9	(0.4)	8.5
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**(0.1)**	**0.0**	**8.9**	**8.8**	**(0.4)**	**8.4**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**(0.1)**	**56.9**	**8.9**	**65.7**	**2.4**	**68.1**
Dividends paid		(15.0)			(15.0)	(0.7)	(15.7)
Issue of new shares	0.7	10.7			11.4		11.4
Expenses on issue of new shares		(0.2)			(0.2)		(0.2)
Treasury shares		0.2			0.2		0.2
Change in non-controlling interests		(10.7)			(10.7)	(4.2)	(14.9)
Other items		0.3			0.3		0.3
EQUITY AT DEC. 31, 2011	**40.6**	**455.8**	**56.9**	**(20.8)**	**532.5**	**10.4**	**542.9**
Prior period net income		56.9	(56.9)		0.0		0.0
Net income for the year			5.6		5.6	0.7	6.3
Change in fair value of hedging derivatives, net of taxes		1.0			1.0		1.0
Cumulative translation adjustment				(4.9)	(4.9)	(0.1)	(5.0)
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**1.0**	**0.0**	**(4.9)**	**(3.9)**	**(0.1)**	**(4.0)**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**1.0**	**5.6**	**(4.9)**	**1.7**	**0.6**	**2.3**
Dividends paid		(19.0)			(19.0)	(0.5)	(19.5)
Issue of new shares	0.1				0.1		0.1
Treasury shares - Stock options - Bonus shares		1.9			1.9		1.9
Change in non-controlling interests					0.0	0.4	0.4
Other items				(0.1)	(0.1)	(0.4)	(0.5)
EQUITY AT DEC. 31, 2012	**40.7**	**496.6**	**5.6**	**(25.8)**	**517.1**	**10.5**	**527.6**

Consolidated statement of cash flows

In millions of euros	2012	2011 pro forma	2011 reported
Income before tax	51.1	91.9	88.2
Depreciation and amortization	39.7	37	37.2
Additions to/(reversals from) provisions	(0.3)	(0.8)	(1.1)
Net finance income/(costs)	13.0	10.2	10.2
Capital gains/(losses) on asset disposals	(1.2)	1.3	1.3
Other	1.5	(4.2)	(4.3)
Cash generated by operating activities before change in the WCR	**103.8**	**135.4**	**131.5**
Change in the working capital requirement	27.7	(35.6)	(36.8)
Income tax paid	(22.6)	(31.8)	(31.8)
NET CASH GENERATED BY CONTINUING OPERATING ACTIVITIES	**108.9**	**68.0**	**62.9**
Cash generated by discontinued operating activities	**(7.1)**	**(5.5)**	**(0.4)**
Net cash generated by operating activities	**101.8**	**62.5**	**62.5**
Investing activities			
Decreases/(increases) in intangible assets	(0.8)	(0.2)	(0.2)
Decreases/(increases) in property, plant and equipment	(41.5)	(47.6)	(48.1)
Decreases/(increases) in financial assets	0.4	0.0	
Impact of changes in the scope of consolidation	(28.5)	(9.5)	(9.5)
Other changes in cash generated/(used) by investing activities	(0.3)	3.0	2.9
CASH GENERATED/(USED) BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(70.7)**	**(54.3)**	**(54.9)**
Cash generated/(used) by investing activities from discontinued operations	**(0.6)**	**(0.6)**	
Cash generated/(used) by investing activities	**(71.3)**	**(54.9)**	**(54.9)**
CASH GENERATED/(USED) BY OPERATING AND INVESTING ACTIVITIES	**30.5**	**7.6**	**7.6**
Proceeds from issue of new shares and other increases in equity	0.0	(0.2)	(0.2)
Net dividends paid to shareholders and non-controlling interests	(19.4)	(5.2)	(5.2)
Interest payments	(12.3)	(9.8)	(9.8)
Change in debt (Note 15)	(30.7)	10.0	10.0
CASH GENERATED/(USED) BY FINANCING ACTIVITIES	**(62.4)**	**(5.2)**	**(5.2)**
Change in cash	**(31.9)**	**2.4**	**2.4**
Cash at beginning of fiscal year (Note 15)	52.2	48.6	48.6
Cash at end of fiscal year (Note 15)	21.4	52.2	52.2
Impact of changes in the scope of consolidation		(0.4)	(0.4)
Impact of currency fluctuations	(1.1)	(0.8)	(0.8)
CHANGE IN CASH	**(31.9)**	**2.4**	**2.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

Note 1 Statement of conformity

In accordance with EC regulation no. 1606/2002 of July 19, 2002, which applies to the consolidated financial statements of European companies listed on a regulated market, the consolidated financial statements of Mersen and its subsidiaries (hereinafter "the Group") have been prepared in accordance with IFRS (International Financial Reporting Standards), because the Group is listed in a European Union member state.

The mandatory standards and interpretations at January 1, 2012 are presented in Note 2. The new standards and interpretations not yet applied are presented in Note 2-W.

The options adopted by the Group are stated in the following chapters.

The consolidated financial statements at December 31, 2012 have been prepared using the recognition and measurement principles stated in the IFRSs adopted for use in the European Union at the same date. They have also been prepared in line with the presentation and financial reporting rules applicable to annual financial statements, as defined in the General Regulation of the Autorité des Marchés Financiers (AMF, the French market regulator).

For comparison purposes, the consolidated financial statements for the fiscal year to December 31, 2012 include data for fiscal 2011 restated using the same accounting rules.

The accounting principles stated from Note 2 onwards have been used to prepare the comparative figures and the annual financial statements for 2012.

Note 2 Accounting policies and principles of consolidation

The accounting methods presented below have been applied consistently throughout the periods covered by the consolidated financial statements and across all the Group's reporting units.

A - Basis of consolidation

The consolidated financial statements include those of the parent company and of all those companies in which the Group holds a controlling interest. Control is defined as the power to govern the financial and operating policies of a business so as to obtain benefits from its activities. Subsidiaries over which the Group directly or indirectly exerts exclusive control are fully consolidated.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the acquisition date or up to the loss of control respectively.

All associate undertakings over which the Group exerts significant influence, which is presumed to exist when the latter holds at least 20% of voting rights, are accounted for under the equity method. Subsidiaries' financial statements have been adjusted where necessary to ensure consistency with the policies used by other Group entities within the scope of consolidation.

All intra-Group transactions and balances have been eliminated.

The consolidated financial statements have been prepared in euros.

The Group's business activities do not experience significant seasonal fluctuations. Both sales and purchases are spread evenly throughout the year.

B - Presentation of the financial statements

The Mersen group prepares its financial statements in line with the accounting principles laid down in the revised IAS 1 - Presentation of financial statements.

B1 - Statement of comprehensive income

Given customary practice and the nature of its business activities, the Group has opted for the by function of expense format of the income statement, which consists in classifying costs according to their function under cost of sales, selling, administrative, research and development costs.

The Group presents comprehensive income in two statements consisting of an income statement and a separate statement showing income and other comprehensive income.

B2 - Statement of financial position

Assets and liabilities arising during the business cycle and those with a maturity of less than 12 months at the reporting date are classified as current. All other assets and liabilities are classified as non-current.

B3 - Statement of cash flows

The Group prepares the consolidated statement of cash flows using the indirect method and as stipulated in IAS 7.

The indirect method consists in determining cash flows from operating activities for which net income or loss is adjusted for the effects of non-cash transactions and items arising from investing or financing activities.

B4 - Assets and liabilities held for sale and discontinued operations

In accordance with IFRS 5, assets and liabilities that are immediately available for sale in their current state and the sale of which is highly probable are shown in the statement of financial position under assets and liabilities held for sale. Where a group of assets is held for sale in a single transaction and the group of assets represents a distinct component of the entity (business line or principal and distinct geographical region covered by a single and coordinated disposal plan or a subsidiary acquired solely for resale), the group of assets and corresponding liabilities is considered as a whole. The disposal must take place in the year following this presentation of the asset or group of assets.

The non-current assets or group of assets held for sale are stated at the lower of their carrying amount and fair value net of disposal costs. Non-current assets in the statement of financial position as held for sale are no longer depreciated once they are presented as such.

The results recorded by groups of assets satisfying the definition of a business held for sale or discontinued operation are presented by separating out their results from continuing operations, and their cash flows are presented separately on the cash flow statement.

C - Foreign currency translation

The financial statements of the Group's foreign subsidiaries are prepared in their functional currency.

The assets and liabilities of companies whose functional currency is not the euro is translated into euros at the closing rate, except for equity, which is translated at the historic exchange rate. Income statement items are translated at the average exchange rate for the period, where the average exchange rate represents the value approached by the exchange rate at the transaction date in the absence of significant fluctuations.

Foreign exchange differences resulting from translation are recognized under other comprehensive income and are presented in the currency translation reserve component of equity. However, if the transaction relates to a subsidiary that is not wholly owned, a foreign exchange difference proportional to the percentage of ownership is allocated to non-controlling interests. Where a foreign operation is sold and control or significant influence or joint control is lost, the aggregate amount of the corresponding foreign exchange differences is reclassified in income. Where the Group sells part of its equity interest in a subsidiary that includes a foreign operation while retaining control, a proportional share of the aggregate amount of the foreign exchange differences is reallocated to non-controlling interests. Where the Group sells just a part of its interest in an associate or proportionally consolidated company that includes a foreign operation, while retaining significant influence or joint control, the proportionate share of the aggregate amount of foreign exchange differences is reclassified in income.

Except for cash, which is translated at the closing rate, the cash flow statement items are translated at the average exchange rate, except where this is not appropriate.

Translation differences arising on assets and liabilities are recorded separately in equity under cumulative translation adjustments. They comprise:

- the impact of changes in exchange rates on assets and liabilities;
- the difference between net income calculated at the average exchange rate and net income calculated at the year-end exchange rate.

Goodwill and fair value adjustments deriving from the acquisition of subsidiaries whose functional currency is not the euro are treated as the relevant subsidiary's assets and liabilities. They are therefore stated in the subsidiary's functional currency and translated at the closing rate.

D - Foreign currency assets and liabilities

Foreign currency transactions are recognized and measured in line with IAS 21 - Effects of changes in foreign exchange rates.

Transactions denominated in currencies other than the euro are translated at the exchange rate ruling at the transaction date. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any gains and losses arising from currency translation are taken to operating income for the period under foreign exchange gains and losses.

Translation gains and losses on financial instruments denominated in foreign currencies representing a hedge of a net investment in a foreign operation are recorded in equity under cumulative translation adjustments.

E - Hedging

Hedging transactions are recognized and measured in line with the principles laid down in IAS 32 and 39.

E1 - Currency and commodity hedges

A currency derivative is eligible for hedge accounting where the hedging relationship was documented at the outset and its effectiveness has been demonstrated throughout its life.

A hedge is a means of protecting against fluctuations in the value of assets, liabilities and irrevocable commitments. A hedge also helps to protect against adverse fluctuations in cash flows (sales generated by the assets of the business, for instance).

Derivative instruments are stated at their fair value. Changes in the fair value of these instruments are accounted for as follows:

- changes in the fair value of instruments eligible as future cash flow hedges are accounted for directly in equity in respect of the effective portion of the hedge (intrinsic value). Changes in the fair value of these instruments are then recognized in operating income (under "cost of sales" for commodity hedges and under "other operating costs" for currency hedges) and offset changes in the value of assets, liabilities and firm commitments hedged, as they occur. The time value of hedges is recorded under "other operating costs" in operating income;

- changes in the fair value of instruments not eligible as cash flow hedges are taken directly to income.

E2 - Interest-rate hedging

Interest rate derivatives are stated at fair value in the statement of financial position. Changes in their fair value are accounted for as follows:

- the ineffective portion of the derivative instrument is taken to income under the cost of debt;
- the effective portion of the derivative instrument is recognized as follows:
  - in equity for a derivative accounted for as a cash flow hedge (e.g. a swap turning a debt carrying a floating interest rate into a fixed-rate liability),
  - in income (cost of debt) in the case of a derivative accounted for as a fair value hedge (e.g. a swap turning a fixed interest rate into a floating interest rate). This accounting treatment is offset by changes in the fair value of the hedged debt.

F - Intangible assets

The applicable standards are IAS 38 - Intangible assets, IAS 36 - Impairment of assets and IFRS 3 - Business combinations.

In accordance with IAS 38 - Intangible assets, only items in respect of which future economic benefits are likely to flow to the Group and the cost of which may be reliably determined are accounted for as intangible assets.

The Group's intangible assets primarily comprise goodwill.

Other intangible assets (customer relationships, technology) with a finite life are accounted for at cost less accumulated amortization and impairment. Amortization is expensed as incurred on a straight-line basis over the estimated useful life of the relevant intangible asset.

F1 - Goodwill

In line with the revised IFRS 3, upon a business combination, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any equity interest previously held in the acquiree), plus the amount of any non-controlling interest in the acquiree, less the net amount (generally the fair value) of the identifiable assets acquired and the liabilities assumed, with all these amounts being measured at the acquisition date. If the difference above is negative, the resulting gain is recognized as a bargain purchase in income.

On a transaction by transaction basis, the Group may choose to measure at the acquisition date any non-controlling interest either at fair value or at the NCI's proportionate share of the net assets of the acquiree.

For business combinations between January 1, 2004 and January 1, 2010:

Goodwill represents the excess amount of the acquisition cost over the Group's share in the amounts recognized (generally at fair value) in respect of the assets, liabilities and contingent liabilities.

Goodwill is allocated individually to the Group's cash generating units (CGUs). The Group has defined the following four CGUs:

- Electrical Applications;
- Electrical Protection;
- High-Temperature Applications;
- Anticorrosion Equipment.

In accordance with IFRS 3 - Business combinations, goodwill is not amortized. It undergoes an impairment test whenever evidence of impairment in the value of assets appears and at least once every year.

In accordance with IAS 36, the Group tests for impairment by:

- preparing cash flow projections after normalized tax based on the Strategic Plan of the relevant CGU;
- determining a value in use using a method comparable to any business valuation by discounting cash flows at the segment's weighted average cost of capital (WACC);
- comparing this value in use with the carrying amount of the relevant assets to determine whether or not an impairment loss needs to be recognized.

Value in use is determined based on free cash flow projections discounted over a period of five years and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each of the cash generating units (see Note 7).

The assumptions made for sales growth and terminal values are reasonable and consistent with the market data available for each of the operating activities.

Goodwill impairment losses are irreversible.

F2 - Patents and licenses

Patents and licenses are amortized on a straight line basis over the period for which they are protected by law.

Software is amortized on a straight line basis over its probable service life, which may not exceed five years.

F3 - Development costs

Under IAS 38 - Intangible assets, development costs are capitalized where:

- the entity has the intent and the financial and technical ability to see the development project through to completion;
- it is probable that the expected future economic benefits that are attributable to the development will flow to the entity;
- the cost of the asset can be measured reliably; and

- the manner in which the intangible asset will generate probable future economic benefits.

Research and development costs that do not meet the aforementioned criteria are expensed as incurred. Capitalized development costs meeting the criteria laid down in the new accounting standards are recognized as an asset in the statement of financial position. They are amortized on a straight line basis over their useful life, which does not generally exceed three years.

F4 - Intangible assets acquired in connection with a business combination

Intangible assets also include technology, brands and customer relationships valued upon the acquisition of companies in accordance with IFRS 3 - Business combinations.

Amortization is recognized on a straight-line basis over the estimated useful life of the relevant intangible assets other than goodwill, once they are ready for operational use. The estimated useful lives applied for the period in question and the comparative period were as follows for the acquisitions completed:

- brands with a finite useful life — up to 30 years
- patents and technologies — up to 30 years
- customer relationships — up to 30 years

The Group studies external and internal factors associated with the asset based on the criteria laid down in the standard when establishing whether an intangible asset has a finite or infinite useful life.

G - Property, plant and equipment

In accordance with IAS 16 - Property, plant and equipment, only items whose cost may be determined reliably and in respect of which future economic benefits are likely to flow to the Group are accounted for as property, plant and equipment.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses, except for land, which was revalued at the IFRS transition date.

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are included in the cost of the asset.

Depreciation is calculated based on the rate of consumption of the expected economic benefits per item based on acquisition cost, less, where appropriate, residual value.

The various components of an item of property, plant and equipment are recognized separately where their estimated useful life and thus their depreciation period are materially different.

The Group applies the straight-line method of depreciation according to the expected service life of the item.

The periods used are as follows:

- buildings: 20 to 50 years;
- fixtures and fittings: 10 to 15 years;
- plant and equipment: 3 to 10 years;
- vehicles: 3 to 5 years.

These depreciation periods, as well as the residual values, are reviewed and adjusted at the end of each fiscal year. These changes are applied prospectively.

Investment grants are recognized at the outset as a deduction from the gross value of the non-current asset.

H - Leases

Under IAS 17, a lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset.

Where the criteria laid down in the standard are not met, the costs resulting from leases are charged to income for the period and the lease is considered as an operating lease.

Non-current assets used under a finance lease give rise to the recognition of both an item of property, plant and equipment and an obligation to make future lease payments. Leases are recognized at the lower of the fair value of the leased property and the present value of minimum payments. At the commencement of the lease term, the asset and relevant liability of the same value corresponding to the future payments under the lease are recognized in the statement of financial position.

Lease payments are broken down into a finance charge and the repayment of the outstanding debt. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The capitalized asset is depreciated over the useful life adopted by the Group for non-current assets of the same type. Where the Group is not reasonably certain that the lessee will take ownership of the asset at the end of the lease, the asset is depreciated in full over the shorter of the term of the lease and the useful life.

In addition, a portion of the capital amount of the debt is repaid in accordance with the debt repayment schedule contained in the finance lease agreement.

I - Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 - Impairment of assets, when events or changes in the market environment indicate a risk of impairment, the Group's intangible assets and property, plant and equipment undergo a detailed review to determine whether their carrying amount is below their recoverable amount. This amount is defined as the higher of fair value less costs to sell and value in use.

Should the recoverable amount of assets fall below their carrying amount, an impairment loss is recognized in respect of the difference between these two amounts. Impairment losses recognized on property, plant and equipment and intangible assets (except for goodwill) with a definite useful life may be reversed subsequently if the recoverable amount becomes higher than the carrying amount again (without exceeding the impairment loss initially recognized).

The recoverable amount of assets is usually determined based on their value in use. Value in use is defined as the expected future economic benefits from their use and from their sale. It is assessed notably by reference to the discounted future cash flows projected based on economic assumptions and operating budgets drawn up by the Mersen group's senior management.

IAS 36 defines the discount rate to be used as the pre-tax interest rate reflecting the current assessment of time value per market and the risks specific to the asset. It represents the return that investors would require if they had to choose an investment, the amount, maturity and risks of which are equivalent to those of the relevant asset or Cash-Generating Unit (CGU).

The discount rate used for impairment testing takes into account the financial structure and gearing of companies in the sector, i.e. of peers and not of the business or group to which the asset or CGU belongs.

J - Financial assets and liabilities

Financial assets and liabilities are measured and recognized in line with IAS 39 - Financial instruments: Recognition and Measurement, IAS 32 - Financial Instruments: Disclosure and Presentation and IFRS 7 - Disclosures.

Financial assets comprise investments available for sale, investments held to maturity, trading assets, margin deposits paid, derivatives held as assets, loans, receivables, and cash and cash equivalents.

Upon their initial measurement, all assets and liabilities not stated at fair value are measured at fair value taking transaction costs into account.

Subsequently, loans and receivables are recognized at amortized cost.

Financial liabilities comprise borrowings, other financing and bank overdrafts, derivatives held as liabilities, margin deposits received in relation to derivatives and other liabilities.

Except where covered by a fair value hedge (see E2), borrowings and other financial liabilities are stated at amortized cost calculated using the effective interest rate (EIR). For example, lending fees are deducted from the initial amount of the debt, then added back period by period according to the calculation of the EIR, with the amounts added back being recognized in income.

Current assets include operating receivables measured at amortized cost, with impairment losses being recognized where the carrying amount exceeds the recoverable amount.

J1 - Investments

Investments in unconsolidated subsidiaries are non-current financial assets classified in the available-for-sale category. They are stated at fair value. In the rare instances in which their fair value cannot be obtained, they are stated at cost.

Where there is objective evidence of impairment (financial difficulties, deterioration in performance without any growth prospects, local economic situation, etc.), any significant and long-term impairment losses are recognized in income.

These impairment losses are irreversible and are not written back.

The principal activity of the unconsolidated subsidiaries is the distribution of products manufactured by the Group's consolidated companies.

Subsidiaries that are not material considered alone or on an aggregate basis are not included in the scope of consolidation.

A company is included in the scope of consolidation when two of the following four criteria are met for two consecutive years:

- **Equity:** the difference between the value of the securities and net equity exceeds 1% of the Group's equity in the previous year;
- **Debt:** the amount of non-Group debt exceeds €5 million;
- **Sales to third parties:** the entity's sales less intra-Group sales represent more than 1% of Group sales in the previous year;
- **Net income:** net income exceeds €0.5 million.

The materiality of unconsolidated subsidiaries is reassessed at each reporting date.

J2 - Other non-current financial assets

These are receivables that do not arise during the business cycle. In accordance with IAS 39, they are stated at amortized cost, with an impairment loss being recognized when the recoverable amount falls below the carrying amount.

K - Share capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issue of ordinary shares or stock options are deducted from equity, net of tax.

Treasury shares are deducted from equity at their acquisition cost. Any gains or losses from the sale of these shares are recognized directly in equity and are not taken to income for the year.

L - Provisions

In accordance with IAS 37 - Provisions, contingent liabilities and contingent assets, provisions are recorded when the Group is under an obligation to a third party at the end of the fiscal year that is likely or certain to trigger an outflow of resources to the third party representing future economic benefits.

The relevant obligation may be legal, regulatory, or contractual in nature. It may also derive from the Group's business practices or from its public commitments where the Group has created a legitimate expectation among such third parties that it will assume certain responsibilities.

The estimated amount shown in provisions represents the outflow of resources that the Group will have to incur to extinguish its obligation. Where this amount cannot be measured reliably, no provision is recorded. In this instance, information is disclosed in the notes to the financial statements.

Contingent liabilities consist of a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a probable obligation for which the outflow of resources is not likely. They are disclosed in the notes to the financial statements.

With restructurings, an obligation exists where the restructuring has been announced and a detailed plan drawn up or execution of the plan has commenced prior to the reporting date.

Where the entity has a reliable schedule, the liabilities are discounted where discounting has a material effect.

M - Inventories

Inventories are carried at the lower of cost and their probable net realizable value.

Cost comprises acquisition or production cost.

The only indirect costs taken into account in the measurement of work in progress and finished goods are production-related expenses. No interest costs are capitalized.

N - Consolidated sales

Net sales include sales of finished goods and related services, sales of scrap, sales of goods purchased for resale and invoiced shipping costs.

On a subsidiary basis, the Group executes construction contracts via several subsidiaries. If the outcome of a construction contract can be estimated reliably, revenues are recognized in income in proportion to the stage of completion of contract activity. The contract costs are expensed as incurred, except where they represent an asset linked to future contract activity.

A sale is recognized when the entity transfers to the buyer the risks and rewards incidental to ownership.

A sale is measured at the fair value of the consideration received or receivable. Where payment is deferred, leading to a significant impact on determination of fair value, this is reflected by discounting future payments.

The amount of revenue from the sale of goods and equipment is usually recognized when there is a formal agreement with the customer stipulating that risks have been transferred, the amount of revenue can be measured reliably and it is likely that the economic benefits arising from the transaction will flow to the Group. With agreements providing for formal acceptance of the goods, equipment or services received by the customer, recognition of the revenue is normally deferred until the date of acceptance.

Income from ancillary activities is recorded under the appropriate heading of the income statement, i.e. other revenues, financial income, or as a deduction from (selling, general, administrative or research) expenses of the same type.

O - Employee benefits

Under defined contribution plans, the Group is under no obligation other than to pay contributions. The corresponding charge, which reflects the payment of contributions, is expensed as incurred.

In line with IAS 19, defined benefit pension plans undergo an actuarial valuation using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value.

These actuarial calculations are based on various estimates:

- mortality tables;
- retirement dates;
- rate of future salary and benefit increases and employee turnover;
- expected return on plan assets;
- discount and inflation rates set for each of the relevant entities taking into account their local macro-economic environment.

Actuarial gains and losses comprise the cumulative impact of:

- experience adjustments (difference between previous actuarial assumptions and what has actually occurred); and
- changes in actuarial assumptions.

IAS 19 states that actuarial gains and losses may offset one another in the long term. As a result, it provides for the so-called corridor approach for the recognition of post-employment benefit obligations.

The Group has opted to use the following method:

- cumulative unrecognized actuarial gains and losses falling outside a corridor of plus or minus 10% of the value of the higher of the plan's assets and obligations are recognized and amortized over the expected average remaining working lives of the employees participating in the plan;
- gains and losses falling within the 10% corridor are not recognized;
- unrecognized net cumulative actuarial gains and losses include both the cumulative portion of the 10% within the corridor, as well as the portion outside the corridor, which has not been recognized at the reporting date. In accordance with IAS 19, they are disclosed in the notes to the financial statements.

O1 - Recognition of post-employment benefit obligations

The Group's post-employment benefit obligations are accounted for as follows:

- in the statement of financial position:
  - the amount recognized under liabilities in respect of defined contributions is equal to the total of:
  - the present value of defined benefit obligations at the reporting date,
  - less the fair value at the reporting date of plan assets used directly to pay or finance the obligations,
  - plus unrecognized actuarial gains (or less unrecognized actuarial losses) that exist under the aforementioned rule,
  - less as yet unrecognized past service costs and payments;
- in income:
  - the amount expensed or recognized in income (net periodic cost of employee benefits) is the total amount net of the following items:
  - current service cost incurred during the period (or rights vested during the period),
  - interest cost (also called the discounting effect),
  - expected return on plan assets: this expected return is determined based on market expectations at the beginning of the period for returns on plan assets over the entire duration of the corresponding liability (long term),
  - actuarial gains and losses: portion recognized during the period,
  - past service cost: portion recognized during the period,
  - losses/(gains) on any curtailment or settlement of the plan.

O2 - Recognition of unrecognized past service cost

Unrecognized past benefits are recognized in income on a pro rata basis with the corresponding obligation.

P - Non-recurring income and expense

Non-recurring items correspond to income and expense not arising during the normal course of the Company's business activities. Major events likely to skew operating performance are recognized under this heading, which does not include any recurring operating expenses.

Non-recurring income and expense include the following items:

- material non-recurring gains and losses on disposal: on property, plant and equipment, intangible assets, investments, other financial assets and other assets;
- impairment losses recognized on investments, loans, goodwill and other assets;
- certain types of provision;
- reorganization and restructuring costs.

Q - Operating income

Operating income is shown before net finance costs, taxes and non-controlling interests.

Investment grants are shown as a deduction from costs to which the grant relates.

R - Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Temporary differences are differences between the carrying amount of an asset or liability in the consolidated financial statements and its tax base, which give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group discloses deferred taxes separately from other assets and liabilities. Deferred tax assets are recognized where it is more likely than unlikely that they will be recovered in subsequent years. Deferred tax assets and liabilities are not discounted.

When assessing the Group's ability to recover these assets, the following items in particular are taken into consideration:

- projections of its future taxable income;
- its taxable income in previous years.

Deferred tax assets and liabilities are stated using the liability method, i.e. using the tax rate that is expected to be applied in the fiscal year in which the asset will be realized or the liability settled, based on tax rates (and tax laws) enacted or substantively enacted at the reporting date, taking into account future tax rate increases or decreases.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the entity expects at the reporting date to recover or to settle the carrying amount of these assets and liabilities.

S - Segment reporting

IFRS 8 on segment reporting defines an operating segment as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The internal reporting provided to the chief operating decision maker, i.e. the Management Board, and to the Supervisory Board, reflects the management structure of the Mersen group, which is based on the following segmentation:

Advanced Materials and Technologies: graphite equipment and other high-performance materials dedicated to extreme industrial environments.

Electrical Components and Technologies: systems and components contributing to the performance and protection of electrical equipment.

Pursuant to IFRS 8, the Group identifies and presents operating segments based on the information provided internally to the Management Board.

T - Earnings per share

Basic and diluted earnings per share are shown both for total net income and net income from continuing operations.

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the period.

For the calculation of diluted earnings per share, net income attributable to holders of ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

U - Equity-linked benefits granted to employees

In accordance with IFRS 2 - Share-based payment, stock purchase and subscription options and offerings reserved for employees related to shares in the Group are recognized at fair value at the grant date.

The value of stock purchase and subscription options depends notably on the exercise price, the probability of the conditions attached to exercise of the options being met, the life of the options, current price of the underlying shares, anticipated volatility of the share price, expected dividends and risk-free interest rate over the life of the option. This value is recognized in staff costs on a straight-line basis over the vesting period of the rights with a direct equivalent entry in equity for plans settled in equity and in liabilities to employees for plans settled in cash.

V - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or assessments be made, particularly in relation to the calculation of provisions and impairment testing. These assumptions, estimates or assessments are prepared on the basis of the information available and the position at the reporting date. These estimates and assumptions are made based on past experience and various other factors. The current backdrop of a severe downturn in the economic and financial environment has made it harder to assess the business outlook. It is conceivable that actual figures will subsequently differ from the estimates and assumptions adopted.

Actual events occurring after the reporting date may differ from the assumptions, estimates or assessments used.

Use of management estimates in the application of the Group's accounting standards

Mersen may make estimates and use assumptions affecting the carrying amount of assets and liabilities, income and expense, and information about underlying assets and liabilities. Future results are liable to diverge significantly from these estimates.

The estimates and underlying assumptions are made based on past experience and other factors considered to be reasonable based on circumstances. They serve as the basis for the judgment exercised to determine the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

The estimates and underlying assumptions are reviewed continuously. The effect of changes in accounting estimates is recognized during the period of the change if it affects only this period or during the period of the change and subsequent periods, if the latter are also affected by the change.

Note 5 relates to net assets held for sale and discontinued operations. The impairment in these assets has been calculated by comparing the carrying amount of these assets and liabilities with a best estimate of their realizable value.

Notes 2-F1, 2-I and 7 concern the testing of goodwill and other non-current assets for impairment. The Group's management carried out this testing based on the most reliable expectations of future business trends at the relevant units taking discount rates into account.

Notes 13 and 14 concerning provisions and employee benefits describe the provisions set aside by Mersen. To determine these provisions, the Group used the most reliable estimate of these obligations.

Note 22 concerning tax expense reflects the Group's tax position, which is based for France and Germany on the Group's best estimate of trends in its future taxable income.

All these estimates are predicated on a structured collection process for projections of future cash flows, providing for validation by line managers, as well as on expectations for market data based on external indicators and used in line with consistent and documented methods.

W – New standards and interpretations not yet applied

New standards, norms and interpretations will enter force in the fiscal year beginning on or after January 1, 2012 and were not applied in the preparation of these consolidated financial statements. The new standards, amendments and interpretations relevant to the Group are presented below. The Group has not and has no plans to adopt the norms early.

- IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities (2011):

  IFRS 10 introduces a single control model for determining whether an investee needs to be consolidated. Under IFRS 11, the form of a partnership, though still an important aspect to be considered, is no longer the sole factor determining its accounting designation and thus for its subsequent recognition. IFRS 12 brings together in a new standard the disclosures required concerning an entity's investment in subsidiaries, partnerships, joint ventures and unconsolidated structured entities.

  The Group will not need to revise its conclusions concerning its scope of consolidation or alter how it accounts for certain of its units. The Group is currently assessing the provisions of IFRS 12 on disclosures by comparison with those disclosures currently required.

  These standards will enter force for annual periods beginning on or after January 1, 2013 (according to the IASB).

- IAS 19 (2011) revised on Employee Benefits, which will enter force for annual periods beginning on or after January 1, 2013, alters the definition of short-term employee benefits and other long-term benefits to clarify the distinction between the two and, for defined benefit plans, removes the choice of accounting method applicable to the recognition of actuarial gains and losses.

  The removal of the corridor approach previously adopted by the Group will have a material impact on employee benefits and the Group's equity. The impact net of tax will be a reduction in 2012 reserves of around €27 million, while the gain on 2012 results will be €0.9 million when the 2013 financial statements and 2012 financial statements restated for the change to IAS 19 are published;

- IFRS 9 - Financial Instruments (2010), IFRS 9 - Financial Instruments (2009)

  IFRS 9 (2009) introduces new arrangements for classifying and measuring financial assets. Under IFRS 9 (2009), financial assets are classified and measured according to the business model for the purposes of which these assets are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional disclosures concerning financial liabilities. IASB is currently working on a plan to make a limited adjustment to the classification and measurement requirements in IFRS 9 and to add new arrangements for handling the impairment of financial assets and hedge accounting.

  The IFRS 9 (2010 and 2009) will enter force for annual periods beginning on or after January 1, 2015 and early authorization is permitted.

  The Group does not intend to adopt this standard early and its possible impact has not been determined.

- IFRS 13 - Fair Value Measurement (2011)

  IFRS 13 represents a unique source of arrangements for measuring fair value and replaces those previously scattered between the various IFRSs. Barring limited exceptions, IFRS 13 applies when fair value is measured or where notes related to fair value are required or authorized by other IFRSs. The Group is currently reviewing the methods it uses to determine fair value, but does not anticipate a material impact. IFRS 13 is due to enter force for annual periods beginning on or after January 1, 2013.

Note 3 Financial risk management

The Group is exposed to the following risks through its use of financial instruments:

- liquidity risk;
- interest-rate risk;
- commodity risk;
- currency risk;
- credit risk.

This note discloses information about the Group's exposure to each of the aforementioned risk factors, its objectives, its risk measurement and management policy and procedures.

Quantitative information is also provided in other sections of the consolidated financial statements.

Capital management is presented in Note 12.

Liquidity risk

Mersen has at its disposal credit lines and confirmed borrowings representing a total amount of €418 million with an average maturity of 4.6 years, of which 56% was drawn down at December 31, 2012.

Mersen's principal financing agreements are as follows:

- A syndicated bank loan arranged in July 2012 comprising two bullet tranches, one in an amount of €100 million and the other of USD75 million, both with a maturity of 5 years.
- Bilateral bank loans arranged in July 2012 amounting to €55 million with an average maturity of 4 years.
- ● A bilateral bank loan arranged in September 2012 amounting to USD25 million with a 5-year maturity, which was intended to finance the Mersen group's activities in the United States.

- A USD100 million private placement negotiated in November 2011 with a US investor, comprising one USD50 million tranche with a final maturity of 10 years and one USD37.2 million tranche with a final maturity of 8 years, both with a bullet structure. The investor will receive a fixed rate of interest.
- A RMB500 million loan arranged in September 2010, with a maturity of three years, syndicated with an international pool of banks, intended to finance the Mersen group's operations in China. The interest rate paid is the PBoC without a credit margin when drawdowns are made. Under an extension option agreed in September 2011, the maturity of this borrowing was extended by a further year to September 2014.
- A €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) finalized in November 2007 and repayable in one-third installments between 2012 and 2014, giving it an average life of six years (at issue). The interest rate paid is 3-month Euribor plus a fixed margin. This margin is negative owing to the sale of the warrants;
- A USD85 million private placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million tranche with a final maturity of 12 years. The average duration of the private placement was initially around eight years because it is repayable in installments. The interest paid to investors carries a fixed rate.

Breakdown by maturity of credit lines and confirmed borrowings

(in millions of euros)	Amount	Amount drawn down at December 31, 2012	% drawn down at December 31, 2012	Maturities: less than 1 year	Maturities: between 1 and 5 years	Maturities: Over 5 years
Group syndicated loan	156.8	33.7	21%	0.0	156.8	0.0
Group bilateral loans	55.0	31.0	56%	0.0	55.0	0.0
US bilateral loan	19.0	0.0	0%	0.0	19.0	0.0
Confirmed credit lines, China	61.2	44.8	73%	8.4	52.8	0.0
2003 US private placements	16.1	16.1	100%	10.1	6.0	0.0
2011 US private placements	75.2	75.2	100%	0.0	0.0	75.2
OBSAAR bonds	26.7	26.7	100%	13.3	13.4	0.0
Other	7.5	7.5	100%	4.4	1.4	1.7
TOTAL	**417.5**	**235.0**	**56%**	**AVERAGE MATURITY (YEARS) = 4.6**		

Breakdown by maturity of cash flows from credit line drawdowns and confirmed borrowings

(in millions of euros) DRAW-DOWNS	Drawn down at Dec. 31 2012	Expected cash flows	Maturities: 1-6 months	Maturities: 6-12 months	Maturities: Over 1 year
Group syndicated loan	33.7	33.8	33.8	0.0	0.0
Group bilateral loans	31.0	31.1	31.1	0.0	0.0
Confirmed credit lines, China	44.8	48.9	7.4	5.4	36.1
2003 US private placements	16.1	17.1	10.5	0.2	6.4
2011 US private placements	75.2	103.4	1.8	1.7	99.9
OBSAAR bonds	26.7	27.7	0.3	13.7	13.7
Other	7.5	8.5	4.4	0.3	3.8
TOTAL	**235.0**	**270.5**	**89.3**	**21.3**	**159.9**

Interest-rate risk

The interest-rate risk management policy is approved by the Group's Management Board based on the proposals submitted by Mersen's finance department and consists in establishing positions from time to time as a function of the direction of interest rates.

In May 2003, the Group purchased several interest-rate swaps with an aggregate nominal amount of USD85 million to turn the interest payable on the US private placements into a floating rate. These swaps were sold again in April 2009, bringing the debt back to a fixed rate.

When it was acquired by Mersen, Mersen Scotland Holytown had an interest rate swap with a nominal amount of GBP4 million that was arranged on January 15, 2008 to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under this swap, the Company receives interest due to the lender and pays a fixed rate of 5.38%. The repayment and duration profile of the swap match those of the debt. At December 31, 2012, the nominal amount stood at GBP2.7 million.

In June 2009, the Group purchased an interest-rate swap with an aggregate amount of €39 million to convert the interest due on the OBSAAR bonds into a fixed rate. Under this swap, the Company receives the interest due to the lenders and pays a fixed rate of 2.815% with a repayment profile and term equivalent to those of the OBSAAR bonds.

The 2011 US private placements carry a fixed rate of interest, with an average coupon of 4.7%.

In September 2012, Mersen arranged two interest rate swaps with nominal amounts of €20 million and GBP10 million in order to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under these swaps, the Company receives the interest due to the lender and pays a fixed rate of 0.6575% for the euro swap and 0.86% for the sterling swap.

(in millions of euros)	Amount	Interest rate received	Interest rate paid	Maturities: less than 1 year	Maturities: between 1 and 5 years	Maturities: Over 5 years
EUR swap	26.0	3-month EUR Libor	2.815%	13.0	13.0	0.0
EUR swap	20.0	3-month EUR Libor	0.66%	0.0	20.0	0.0
GBP swap	12.3	3-month GBP Libor	0.86%	0.0	12.3	0.0
GBP swap	3.3	1-month GBP Libor	5.38%	0.3	1.3	1.7

(in millions of euros) *SWAP*	MTM (a)	Expected cash flows	Maturities: less than 1 year	Maturities: between 1 and 5 years	Maturities: over 5 years
Assets	0.0	0.6	0.2	0.4	0.0
Equity and liabilities	(2.0)	(3.0)	(1.1)	(1.6)	(0.3)

(a) Marked-to-market = adjusted to market value.

Sensitivity analysis of the fair value of fixed-income instruments

The Group has not recognized any fixed-income financial assets or liabilities at fair value through profit or loss or designated any derivatives (interest rate swaps) as fair value hedges. Accordingly, a change in interest rates at the reporting date, would not have had any impact on the income statement.

A 50 basis point fluctuation in interest rates would have triggered a change in other comprehensive income of €0.9 million (vs. €0.5 million in 2011).

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for a significant volume of purchases (around €25 million) for the Mersen group. Different hedging techniques, such as index-linking of purchase prices, index-linking of selling prices and bank hedging, can be applied.

The commodity price risk management policy is approved by the Group's Management Board based on proposals submitted by Mersen's finance and procurement departments and consists in establishing positions in commodity futures contracts or in zero-premium collars.

Around 63% of copper price exposure and 99% of silver price exposure can be covered through bank hedging.

At year-end 2012, 50% of the hedgable copper tonnages the quantities projected for 2013 and 50% of hedgable silver tonnages were actually hedged.

Recognition at year-end 2012 of commodity hedges

MTM [a] *(stated in millions of euros)*	Impact on 2012 other comprehensive income	2012 income statement impact
MTM of copper hedges	0.0	0.0
MTM of silver hedges	(0.3)	0.0

(a) Marked-to-market = adjusted to market value.

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
Average exchange rate from Jan. 1, 2011 through Dec. 31, 2011 [a]	109.86	1.3920	1,541.05	0.8678	8.9961
Closing exchange rate at Dec. 31, 2011 [b]	100.20	1.2939	1,498.69	0.8353	8.1588
Average exchange rate from Jan. 1, 2012 through Dec. 31, 2012 [a]	102.62	1.2859	1,448.20	0.8111	8.1094
Closing exchange rate at Dec. 31, 2012 [b]	113.61	1.3194	1,406.23	0.8161	8.2207

(a) Exchange rates used to convert the statement of cash flows and the income statement.
(b) Exchange rates used to translate assets and liabilities.

The currency risk management policy is approved by the Group's Management Board based on proposals submitted by the finance department.

Based on a complete inventory of internal and external risks, it consists in entering into forward currency purchases with prime lending institutions.

The Group's usual business policy is to hedge currency risks as soon as orders are taken or to hedge an annual budget. The main currency risk derives from intra-Group sales transactions.

The Group's usual policy is to arrange borrowings in local currencies, except in special circumstances. Borrowings in foreign currencies arranged by the parent company match loans made in the same currencies to its subsidiaries.

For consolidation purposes, the income statement and statements of cash flows of foreign subsidiaries are translated into euros at the average exchange rate for the relevant period, while assets and liabilities are translated at the rate prevailing at the end of each reporting period. The impact of this currency translation may be material. The principal effect derives from the impact of fluctuations in the US dollar exchange rate on the Group's equity and debt.

The Group's operating income before non-recurring items is exposed to exchange rate fluctuations principally through the translation of earnings recorded by companies whose local currency is not the euro. The principal exposure is to the US dollar. A 10% decline in the value of the US dollar compared with the average recorded from January to December 2012 would have had a translation impact of negative €4.5 million on the Group's operating income before non-recurring items. Conversely, this 10% decline in the US dollar compared with the 2012 closing exchange rate would have had a translation impact of negative €5.2 million on the Group's net debt at December 31, 2012.

Except in special cases, hedging is centralized by the parent company. It is carried out under strictly defined procedures. Hedges are valued as described below.

€/foreign currency risks

Risks *(stated in millions of euros)* [a]	JPY	USD	KRW	GBP	RMB
Sale of foreign currencies	11.9	15.3	2.3	1.2	3.8
Purchase of foreign currencies	(2.2)	(14.3)	(0.2)	(2.4)	(12.0)
Potential 2013 exposure	9.7	1.0	2.1	(1.2)	(8.2)
Hedges at December 31, 2012	(6.2)	0.1	(0.5)	0.0	6.4
Net position	3.5	1.1	1.6	(1.2)	(1.8)
Impact in euros of a 5% fall in the euro [b]	0.2	0.1	0.1	(0.1)	(0.1)

(a) Excluding potential anticorrosion equipment business that is hedged when an order is placed.
(b) Sensitivities were calculated based on exchange rates at December 31, 2012.

USD/foreign currency risks

Risks *(stated in millions of US dollars)* [(a)]	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	4.6	14.3	0.3	13.8	24.6
Purchases of foreign currencies	(0.0)	(0.7)	(10.3)	(20.3)	(23.1)
Potential 2013 exposure	4.6	13.6	(10.0)	(6.5)	1.5
Hedges at December 31, 2012	(3.8)	(6.7)	6.1	0.0	0.0
Net position	0.8	6.9	(3.9)	(6.5)	1.5
Impact in USD dollars of a 5% fall in the USD [(b)]	0.0	0.4	(0.2)	(0.3)	0.1

(a) Excluding potential anticorrosion equipment business that is hedged when an order is placed.
(b) Sensitivities were calculated based on exchange rates at December 31, 2012.

Recognition at year-end 2012 of currency transactions

MTM [(a)] *(stated in millions of euros)*		December 31, 2012
Marking to market value of currency hedges	Other comprehensive income	1.1
	Other financial components of operating income	0.2

a) Marked-to-market = adjusted to market value.

An increase or decrease in the euro, such as stated below, relative to the USD and JPY at December 31, 2012, would have led to an increase/(decrease) in other comprehensive income and operating income by the amounts stated below as a result of the currency hedges.

	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
Impact *(in millions of euros)* **at Dec. 31, 2012**	Other comprehensive income	Gains or losses recognized in operating income*	Other comprehensive income	Gains or losses recognized in operating income*
USD (change of 5%)	0.5	0.2	(0.6)	(0.2)
JPY (change of 5%)	0.3	0.0	(0.3)	(0.0)
RMB (change of 5%)	0.3	0.0	(0.1)	(0.2)

* *Excluding (reverse) impact arising from remeasurement of the underlyings in the statement of financial position.*

This analysis is conducted on the basis of fluctuations in exchange rates that the Group considers as reasonably feasible at the reporting date. For the purposes of this analysis, all the other parameters, especially interest rates, are assumed to have remained unchanged and the impact of projected sales and purchases was ignored.

Sensitivity to the other exchange rates was not measured because the impact was not material.

Future impact on income of currency transactions recognized at December 31, 2012

(Stated in millions of euros) CURRENCY	Marking to market of currency derivatives in other comprehensive income	Impact on income: less than 6 months	Impact on income: over 6 months
Assets	1.2	0.9	0.3
Equity and liabilities	(0.1)	(0.1)	(0.0)

Future cash flows on currency transactions recognized at December 31, 2012

CURRENCY *(in millions of euros)*	MTM	Expected cash flows
Assets	1.7	1.7
Equity and liabilities	(0.4)	(0.4)

Currency hedges are adjusted as a function of the underlyings, and so there is no timing difference between their maturities.

Credit risk

The Group set up an insurance program in 2003 with commercial credit insurer Coface covering its principal companies in the US and France against the risk of non-payment for financial or political reasons. Coverage varies between 0 and 90% of invoiced amounts from customer to customer.

During 2009, this program was extended to cover Germany, the United Kingdom and China (domestic customers).

Supplemental agreements to the policies covering the French receivables transferred during 2009 were signed in favor of the factor.

During fiscal 2011 and 2012, the Group continued its programs of selling receivables due from various French subsidiaries, which gave rise to €16.1 million in receivables sold at December 31, 2012 and the same amount at December 31, 2011. Supplemental agreements to the policies covering the French receivables transferred during 2009 were signed in favor of the factor. In addition, the Group sold to a bank a €0.7 million research tax credit receivable during 2012 in which the Group retains a residual continuing involvement owing to the tax risk.

Assets derecognized with continuing application: the security deposit concerning the programs of selling receivables stands at €1.6 million.

Note 4 Business combinations

On January 3, 2012, the Group acquired full ownership of Eldre, a family-owned US company with manufacturing facilities in the United States (Rochester, New York) and France (Saint Sylvain d'Anjou). Eldre manufactures laminated, insulated bus bars.

The purchase price and goodwill are based on the Group's stronger position as a leading global partner to the power electronics industry thanks to the power electronics components employed in the expanding markets targeted by Mersen, such as energy (solar, wind, etc.), transportation (motors for the rail sector, etc.) and electronics (speed controllers, converters, etc.).

This acquisition fits with the Group's profitable growth strategy, which is notably predicated on strengthening its leadership position in its expanding markets.

The net assets acquired in these transactions and related goodwill are presented below:

TOTAL ACQUISITIONS

In millions of euros	Net assets at acquisition date	Fair value adjustments	Allocation of the acquisition cost	Fair value of net assets
Non-current assets	5.5	2.9	3.8	12.2
Cash acquired	0.9			0.9
Other assets	9.4	(0.2)	0.0	9.2
Non-current liabilities	(0.6)	(1.1)	(1.3)	(3.0)
Current liabilities	(4.9)	0.0	0.0	(4.9)
Net assets	**10.3**	**1.6**	**2.5**	**14.4**
Goodwill				14.3
Non-controlling interests				0.0
Consideration transferred				28.7

The goodwill was allocated. The intangible assets identified came to €1.1 million in respect of technology, €2.5 million for customer relationships and €0.2 million for the brand.

The residual goodwill relates predominantly to expertise, employees' skills and the synergies anticipated from integrating the business within the Electrical Protection division. Part of the goodwill recognized is deductible for tax purposes (USD15.3 million).

Note 5 Assets held for sale and discontinued operations

Businesses in the Advanced Materials and Technologies segment

In late 2012, the Group decided to pull out of certain unprofitable businesses acquired in deals over recent years, in a drive to refocus on its core businesses. These businesses from the Advanced Materials and Technologies segment include:

- metal boilermaking equipment for the nuclear power market, the development prospects for which were severely compromised by the Fukushima disaster.
- metal plate heat exchangers, and stirrers and mixers. The Group has noted that the original plans to develop in these product categories did not come to fruition and that the potential technical and revenue enhancement synergies with other units in the Advanced Materials and Technologies segment are currently very modest.

The businesses up for sale are:

- Mersen Grésy France
- the Brignais facility (Mersen France PY), which is located in France.

In addition, the Group has decided to shut down the operations and discontinue the business plan for the nuclear power market in China at the Mersen-Xianda plant (China).

Accordingly, the disposal group has been presented and measured in line with IFRS 5 - Non-current assets held for sale and discontinued operations.

Given the disposal terms envisaged:

- the cash and debt of the assets and liabilities in the disposal group were excluded from the financial statements below. As a result, the cost of debt has been excluded from the income statement,
- the units belong to the consolidated tax group in France. No tax expense has been calculated for these companies, as their net income is assessed directly at the level of their parent company.
- impairment losses shown in the statement of financial position relate to the net assets held for sale and discontinued operations. They were calculated by comparing the net carrying amount of these assets and liabilities with their realizable value. Impairment losses plus disposal costs thus amount to €20 million after tax. The tax benefit from the disposal losses was calculated and is presented on the income statement for assets held for sale and discontinued operations.

Automobile and household electrical appliance brush and brushholder division

The Group finalized the sale of its Automobile and household electrical appliance brush and brushholder division on May 1, 2009.

The results of activities held for sale and discontinued operations include operations temporarily maintained, but closely related to the sale and set to be discontinued–notably under short-term services and outsourcing agreements.

The division's results for fiscal 2011 amounted to €1 million and arose from the recognition of an additional earnout payment subject to the performance clause provided for in the sale agreement and residual costs linked to the sale.

In fiscal 2012, the division posted a loss of €2.3 million reflecting a settlement bringing civil proceedings in the United Kingdom to a definitive close (2007 civil proceedings).

Pursuant to the standard, the assets and liabilities held for sale and discontinued operations are shown on a separate line of the Group's statement of financial position.

Statement of financial position of assets held for sale and discontinued operations

ASSETS

In millions of euros	Total at Dec. 31, 2012
Financial assets	0.1
Inventories	2.4
Trade receivables	4.1
Customer advances	(4.8)
Other receivables	0.7
Deferred tax	3.1
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**5.6**

EQUITY AND LIABILITIES

In millions of euros	Total at Dec. 31, 2012
Employee benefits	0.6
Non-current provisions	0.9
Payables	4.8
Other payables	1.8
Current provisions	3.4
LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISC. OP.	**11.5**
NET ASSETS IN PROCESS OF BEING SOLD OR DISC. OP.	**(5.9)**

Income statement for assets held for sale and discontinued operations

In millions of euros	2012	2011 pro forma	2011 reported
Sales	18.7	13.4	
Cost of sales	(17.1)	(12.5)	(0.4)
Gross income	**1.6**	**0.9**	**(0.4)**
Selling and marketing costs	(3.0)	(3.4)	0.0
Administrative and research costs	(2.0)	(0.9)	0.0
Other operating costs	(0.5)	(0.1)	(0.1)
Operating income before non-recurring items	**(3.9)**	**(3.5)**	**(0.5)**
Non-recurring income and expense	(3.8)	1.5	2.2
Loss on disposal/Impairment loss before tax	(22.1)	0.0	0.0
Operating income	**(29.8)**	**(2.0)**	**1.7**
Net finance income/(costs)	0.0	0.0	0.0
Income before tax and non-recurring items	**(29.8)**	**(2.0)**	**1.7**
Current and deferred income tax	2.1	(0.7)	(0.7)
Net income from assets held for sale/discontinued operations	**(27.7)**	**(2.7)**	**1.0**

Note 6 Goodwill

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Carrying amount at end of period	264.0	260.8
Acquisitions	14.3	1.1
Other movements		(1.8)
Disc. op. and assets held for sale	(6.4)	
Translation adjustments	(2.2)	3.9
Carrying amount at end of period	**269.7**	**264.0**
Gross value at end of period	269.7	264.0

A breakdown by cash-generating unit is shown in the following table:

In millions of euros	Dec. 31, 2011 Carrying amount	Movements during 2012 Acquisitions	Other movements	Disc. op. and assets held for sale	Cumulative translation adjustment	Dec. 31, 2012 Carrying amount
Anticorrosion Equipment	69.1		0.3	(6.4)	(0.8)	62.2
High-Temperature Applications	93.0		(0.2)		(0.1)	92.7
Electrical Applications	12.8		(0.3)		(0.1)	12.4
Electrical Protection	89.1	14.3	0.2		(1.2)	102.4
TOTAL	**264.0**	**14.3**	**0.0**	**(6.4)**	**(2.2)**	**269.7**

Acquisitions reflect the goodwill related to Eldre SAS (France) and Eldre Corporation (USA) (see Note 4).

Note 7 Asset impairment tests

Impairment tests were conducted for each of the cash-generating units for the preparation of the consolidated financial statements at December 31, 2012.

Under IAS 36, tests were carried out on the basis of the value in use determined using the discounted cash flow method. The key assumptions used were as follows:

- Five-year cash flow forecasts based on the 2013 budget and projections for the following four fiscal years.
- The weighted average cost of capital used to discount future cash flows, which takes into account both a peer comparison and a calculation based on market parameters obtained from analysts (beta) and/or from Bloomberg (risk-free interest rate). Taking these parameters into account and a market risk premium of between 6.8% and 7.8%, the average after-tax cost of capital used as a rate for discounting cash flows was set at 8% (vs. 8.5% in 2011). This discount rate is applied for all CGUs. There was no significant evidence suggesting that different discount rates should be applied to the individual CGUs;
- A perpetual growth rate of 2% for the Electrical Applications CGU and 3% for the Electrical Protection, Anticorrosion Equipment and High Temperatures CGUs. The growth rates adopted for the CGUs are attributable to business trends at these CGUs in their respective markets, i.e. renewable energies for the Electrical Applications, High Temperatures and Anticorrosion Equipment CGUs and more specifically electronics for the Electrical Protection CGU, transportation for the Electrical Applications CGU and chemicals/pharmaceuticals for the Anticorrosion Equipment CGU.
- A normalized tax rate of 34%.

A calculation of sensitivity to the discount rate was conducted such that the recoverable amount was equal to the carrying amount. The discount rates obtained are:

- around 17% for the Electrical Applications CGU;
- around 19% for the Electrical Protection CGU;
- around 10% for the Anticorrosion Equipment and High Temperatures CGUs.

A sensitivity test was performed by decreasing in the first instance the perpetual growth rate by 1 point and in the second instance by increasing the after-tax discount rate by 1 point compared with the estimate used for each of the CGUs.

A test of the sensitivity of terminal value to a 1-point decline in the EBITDA margin was carried out.

The lower values in use arising from these changes in assumptions do not call into question the valuation of the non-current assets in the statement of financial position.

No evidence of impairment was identified. Even so, potential uncertainties associated with the economic environment pose a risk to the preparation of the cash flow projections used in the valuations produced.

Note 8 Property, plant and equipment and intangible assets

In millions of euros	Intangible assets	Land	Buildings	Plant, equipment and other	Assets in progress	Total property, plant and equipment	Total
Carrying amount at January 1, 2011	**37.1**	**29.5**	**51.1**	**172.5**	**34.1**	**287.2**	**324.3**
Acquisitions of non-current assets	0.2	0.5	2.6	22.2	22.8	48.1	48.3
Retirements and disposals		(1.2)	(0.9)	(0.9)		(3.0)	(3.0)
Depreciation and amortization	(2.5)	(0.1)	(2.9)	(32.0)		(35.0)	(37.5)
Translation adjustments	0.3	(0.3)	1.8	6.6	0.4	8.5	8.8
Impact of changes in the scope of consolidation			1.0	0.2		1.2	1.2
Assets held for sale and discontinued operations						0.0	0.0
Other movements	4.9	0.1	5.9	20.9	(27.7)	(0.8)	4.1
Carrying amount at December 31, 2011	**40.0**	**28.5**	**58.6**	**189.5**	**29.6**	**306.2**	**346.2**
Gross value at December 31, 2011	68.2	29.2	107.9	480.2	29.6	646.9	715.1
Total depreciation and amortization at December 31, 2011	(28.2)	(0.7)	(49.3)	(290.7)		(340.7)	(368.9)
Total impairment losses at December 31, 2011						0.0	0.0
Carrying amount at January 1, 2012	**40.0**	**28.5**	**58.6**	**189.5**	**29.6**	**306.2**	**346.2**
Acquisitions of non-current assets	0.8		1.7	14.1	25.7	41.5	42.3
Retirements and disposals		(0.1)	(0.2)	(1.4)		(1.7)	(1.7)
Depreciation and amortization	(2.7)		(3.4)	(36.6)		(40.0)	(42.7)
Translation adjustments	(0.1)		(0.4)	(1.2)	(0.4)	(2.0)	(2.1)
Impact of changes in the scope of consolidation		0.6	3.0	6.4		10.0	10.0
Assets held for sale and discontinued operations	(2.0)		(0.1)	(1.0)	(0.3)	(1.4)	(3.4)
Other movements	4.1	0.4	3.5	19.6	(24.3)	(0.8)	3.3
Carrying amount at December 31, 2012	**40.1**	**29.4**	**62.7**	**189.4**	**30.3**	**311.8**	**351.9**
Gross value at December 31, 2012	**70.9**	**30.2**	**118.9**	**502.2**	**30.3**	**681.6**	**752.5**
Total depreciation and amortization at December 31, 2012	**(30.8)**	**(0.8)**	**(56.2)**	**(310.7)**		**(367.7)**	**(398.5)**
Total impairment losses at December 31, 2012				**(2.1)**		**(2.1)**	**(2.1)**

Spending on research (or for the research phase of an internal project) is expensed as incurred.

An intangible asset is recognized in respect of development costs resulting from the development (or the development phase of an internal project) if and only if the Group can demonstrate that the developments satisfy the criteria in the standard.

At December 31, 2012, the Group had not identified any development costs over the period satisfying these criteria.

Note 9 Investments

At year end, the unconsolidated shareholdings held by consolidated companies had a gross value of:

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Gross value	7.7	8.8
Impairment losses	(4.4)	(3.9)
CARRYING AMOUNT	**3.3**	**4.9**

The impairment losses recognized on investments at December 31, 2012 primarily affected units in Argentina, Greece and Russia.

The main investments in unconsolidated subsidiaries and associates are as follows:

In millions of euros Company name	% held	Gross value	Carrying amount
Fusetech	50%	1.3	1.3
Mersen Argentina	100%	3.7	0.8
Mersen Russia	100%	1.2	0.6
GMI	25%	0.2	0.2
Mersen Chile Ltd	100%	0.2	0.2
Mersen Hellas SA	100%	0.8	0.0
Investments in other companies		0.3	0.2
TOTAL		7.7	3.3

Note 10 Inventories

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Raw materials and other supplies	98.9	91.7
Work in progress	51.5	74.0
Finished goods	35.8	31.8
Carrying amount of inventories	186.2	197.5
Impairment losses	(12.6)	(8.8)
CARRYING AMOUNT OF INVENTORIES	173.6	188.7

Net inventories declined by €15.1 million at December 31, 2012, with a €5.9 million increase attributable to changes in the scope of consolidation, a decline of €1.6 million to currency effects and a fall of €2.0 million to assets held for sale. On a like-for-like basis, inventories fell by 9.2% to €17.4 million.

Note 11 Trade receivables

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Gross trade receivables	159.6	151.0
Customer advances	(40.5)	(19.1)
Impairment losses	(6.8)	(3.9)
NET TRADE RECEIVABLES	112.3	128.0

Net trade receivables declined by €15.7 million at December 31, 2012, of which a €4.5 million rise was attributable to changes in the scope of consolidation and decreases of €0.7 million and €5.7 million were attributable to currency effects and assets held for sale respectively. On a like-for-like basis, trade receivables fell by €13.8 million or 10.8%.

A factoring agreement was set up in 2009 covering the sale of trade receivables held by the Group's principal subsidiaries in France.

The agreement stipulates a maximum outstanding balance of €31.0 million. At December 31, 2012, the outstanding amount was €16.1 million, identical to the level at December 31, 2011 (see Note 3).

At December 31, 2012, late payments accounted for 15% of trade receivables before customer advances (6% of late payments overdue by less than 30 days) compared with 13% at December 31, 2011. The increase was attributable to a rise in late payments in China.

Overdue trade receivables broke down as follows at December 31:

In millions of euros	Dec. 31, 2012		Dec. 31, 2011	
	Gross	Impairment	Gross	Impairment
Receivables not yet due	130.4	(1.1)	129.4	(0.8)
Receivables 0-30 days past due	8.9	(0.4)	8.4	(0.4)
Receivables 31-120 days past due	7.8	(0.5)	8.4	(0.6)
Receivables 121 days to 1 year past due	8.8	(1.7)	2.8	(0.8)
Receivables more than 1 year past due	3.7	(3.1)	2.0	(1.3)
NET TRADE RECEIVABLES	159.6	(6.8)	151.0	(3.9)

The movements related to valuation allowances on trade receivables were as follows:

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Impairment losses at January 1	(3.9)	(3.2)
Allowance/reversal during the fiscal year	(2.9)	(0.7)
IMPAIRMENT LOSSES AT DECEMBER 31	(6.8)	(3.9)

Impairment in trade receivables is reviewed on a customer by customer basis by each unit in line with procedures in progress.

Note 12 Equity

Breakdown of the share capital

Number of shares (unless stated otherwise)	Ordinary shares
Number of shares at January 1, 2012	20,288,354
Issue of new shares *(in millions of euros)*	0.1
Number of shares at December 31, 2012	20,350,969
Number of shares in issue and fully paid-up	62,615
Number of shares in issue and not fully paid-up	0
Par value of shares *(€)*	2
Entity's shares held by itself or by its subsidiaries and associates	49,571

Capital management (legal aspects)

The Company's share capital at December 31, 2012 amounted to €40,701,938, comprising 20,350,969 shares each with a par value of €2 and all belonging to the same category. The number of voting rights stood at 20,301,398, since shares held in treasury do not carry voting rights. No shares carry double voting rights.

To the best of the Company's knowledge, its ownership structure at December 31, 2012 was as follows:

- French institutional investors: 48.9%
- International institutional investors: 31.7%
- Individual shareholders: 17.9%
- Employee shareholders: 1.3%
- Treasury shares: 0.2%

Since this date, certain shareholders have reported that they have crossed the following ownership thresholds:

- February 24, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 5% threshold of the share capital and voting rights and held 1,006,994 shares representing 4.963% of the share capital and voting rights at February 21, 2012.
- March 30, 2012: BNP Paribas Asset Management acting in the name and on behalf of Cam Gestion, Fundquest France and Fortis Investments entities that are part of BNP Paribas Investment Partners declared that it held 415,244 shares representing 2.0467% of the share capital and voting rights at March 29, 2012.
- May 8, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 4% threshold of the share capital and voting rights and held 773,226 shares representing 3.81% of the share capital and voting rights at May 4, 2012.
- May 19, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 3% threshold of the share capital and voting rights and held 608,108 shares representing 2.997% of the share capital and voting rights at May 18, 2012.
- July 3, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 2% threshold of the share capital and voting rights and held 388,444 shares representing 1.915% of the share capital and voting rights at July 2, 2012.
- July 27, 2012: Threadneedle (a subsidiary of Ameriprise Financial) declared that it had crossed below the 1% threshold of the share capital and voting rights and held shares representing 0.963% of the share capital and voting rights at July 26, 2012.
- August 20, 2012: Sofina declared that it had crossed above the 8% threshold, holding 1,632,398 shares or 8.021% of the share capital and voting rights.
- December 21, 2012: Amundi declared that it had crossed above the 1% threshold, holding 205,268 shares or 1.0% of the share capital and voting rights.

At December 31, 2012, 49,571 shares representing 0.2% of the share capital were held under a liquidity agreement approved by the Autorité des Marchés Financiers and entrusted to investment services provider Exane.

At December 31, 2012, the Group's employees owned 268,073 shares representing 1.3% of the share capital, plus 500,364 stock options that, if exercised in full, would represent 2.5% of the current share capital. The stock option plans set up by the Group are based on an exercise price determined without any discount, since exercise of the options is subject to conditions linked to the Group's future performance. Using this method, the Group ensures that the interests of its managers are aligned with those of its shareholders.

In addition, the Group implemented a policy of awarding bonus shares. Definitive allotment of the shares is contingent upon beneficiaries' presence on the Group's payroll at the end of the vesting period. Allotments to Management Board members and employees considered by the Management Board to make a significant contribution to the Company's performance are subject to performance conditions. Conversely, the Management Board did not want to set performance conditions for employees who, by the nature of their jobs, contribute less directly to the Company's performance. At December 31, 2012, the number of bonus shares likely to be allotted definitively stands at 248,388 new shares, representing 1.2% of the current share capital.

In the fourth resolution, the General Meeting of May 23, 2012 decided to offer each shareholder the option of receiving payment of the entire dividend for shares owned in new shares of the Company. On May 24, 2012, the Management Board set the issue price for new shares at €20.49. In a decision made on July 2, 2012, the Management Board noted that at the end of the option period, 1,262,560 rights were reinvested in new Company shares and decided to issue 62,615 new shares, each with a par value of €2.

To date, the Group has not conducted any stock repurchases because it uses its cash for its policy of selective acquisitions.

During fiscal 2012, the Group did not alter its capital management policy.

Neither the Company, nor its subsidiaries are subject to specific capital constraints under external rules.

No shares carry double voting rights.

With respect to share-based payments, the plans set up after November 7, 2002 were measured in accordance with IFRS 2.

The characteristics and assumptions used to value the plans are as follows:

Characteristics/Assumptions	2008 plan Bonus share allotments	2009 plan Stock options	2009 plan Bonus share allotments	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments
Allotment date	Feb. 26, 2008	Feb. 11, 2009	Jan. 22, 2009	May 27, 2011	May 27, 2011	June 27, 2012
Availability date	March 1, 2011	Feb. 11, 2013	Jan. 22, 2013	May 27, 2015	May 27, 2015	June 27, 2016
Expiration date	March 1, 2013*	Feb. 11, 2019	Feb. 1, 2014*	May 27, 2015*	May 27, 2015*	June 27, 2016*
Adjusted exercise price *(€)*	N/A	€17.53	N/A	N/A	N/A	N/A
Adjusted share price at allotment date	€27.48	€17.95	€17.95	€39.06	€39.06	€18.22
Estimated life *(number of years)*	3	8	4	4	4	4
Volatility	n/a	38.10%	n/a	35.20%	35.20%	36.50%
Dividend per share *(as a % of share price)*	2.30%	2.50%	2.50%	2.50%	2.50%	3.00%
Risk-free interest rate	n/a	3.26%	n/a	n/a	n/a	n/a
Exercise period *(number of years)*	3	4	4	4	4	4
Lock-up period *(number of years)*	2	0	0	0	0	0
Number of options/adjusted share allotments	21,567	366,582	53,900	140,000	60,000	20,000
Estimated annual cancellation rate	0.00%	7.00%	2.50%	5.00%	5.00%	5.00%
% of shares/options acquired following satisfaction of the performance condition	100%	100%	100%	100%	N/A	100%
Estimated number of options at end of vesting period	20,164	361,191	49,588	106,095	51,986	16,724
Valuation of options/shares	€25.67	€6.11	€16.24	€35.34	€35.34	€16.16
Valuation as a % of the share price at grant	93.40%	34.10%	90.50%	90.50%	90.50%	88.70%

** Expiration of the lock-up period.*

An expense of €2.0 million was recognized in the income statement in respect of these equity-settled plans compared with €0.9 million in fiscal 2011. The 2011 expense reflected a gain arising from the cancellation of two-fifths of the 2007 plan stock options, as the performance conditions were not met at the availability date.

The 2011 employee share ownership plan was recognized, taking into account the discount reflecting the non-transferability cost, in line with the CNC recommendation. The non-transferability cost was measured by an external consultant and calculated using the applicable borrowing rate in the personal lending market.

Note 13 Provisions, contingent liabilities and other liabilities

(€ m)	Dec. 31, 2012		Dec. 31, 2011	
	Non-current	Current	Non-current	Current
Provision for restructuring	0.3	0.6	0.4	2.9
Provision for litigation	0.2	1.5		
Other provisions	0.2	0.5	0.1	2.1
TOTAL	**0.7**	**2.6**	**0.5**	**5.0**

Provisions stood at €3.3 million at December 31, 2012 (€5.5 million at December 31, 2011), representing a reduction of €2.2 million owing to:

- the outlay of restructuring costs, primarily comprising a provision for restructuring related to the closure of the M.Schneider facility in Germany,
- the partial reversal, following further investigations, of a provision for pollution abatement costs linked to processes and products used at a manufacturing facility before it joined the Group, and
- the decision to set aside a provision for litigation covering the civil proceedings in the United Kingdom described below.

Civil proceedings

Certain customers who opted out of the US class action lawsuit in 2009 initiated proceedings in the United Kingdom before the CAT (Competition Administrative Tribunal). With these proceedings, the plaintiffs are attempting to secure redress for losses that they allegedly suffered following practices sanctioned in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. In January 2013, Mersen and the plaintiffs reached an out-of-court settlement bringing the civil proceedings in the United Kingdom to a definitive close.

In February 2011, the Deutsche Bahn group, together with other European rail companies, commenced legal action in the UK against Morgan, SGL, Schunk and Mersen in the CAT (Competition Administrative Tribunal). With these proceedings, the plaintiffs are attempting to secure redress for losses that they allegedly suffered following practices sanctioned in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications.

In August 2012, the Court of Appeal authorized the plaintiffs to continue their proceedings before the CAT against Mersen among others. Morgan Crucible, one of the other companies involved, appealed this decision in the Supreme Court. The proceedings before the CAT have thus been suspended pending the outcome of the appeal. To date, the Group does not possess sufficient information to estimate the risk linked to these proceedings, and no provision was thus set aside.

Other liabilities (€2.1 million at December 31, 2012) now chiefly comprise liabilities related to property, plant and equipment.

No other material contingent liabilities were identified at December 31, 2012.

Note 14 Employee benefits

The Mersen group's principal pension plans are defined benefit plans and are located in the US (42% of obligations), the UK (21% of obligations), France (13% of obligations) and Germany (9% of obligations).

Under defined contribution plans, the Group is under no obligation to make additional payments on top of the contributions already paid into a fund if the latter does not have sufficient assets to pay out the benefits corresponding to the service provided by employees during the period in progress or during future periods. For these plans, contributions are expensed as incurred.

The Group's obligations were measured at December 31, 2012 with the assistance of independent actuaries in accordance with IAS 19. The rates used for the principal countries are summarized below:

2011	Discount rate	Return on plan assets	Average rate of salary increases	Inflation rate
France	5.0%	3.80%/4.95%	Between 2.0% and 6.25%	2.2%
Germany	5.0%	Not applicable	2.5%	2.2%
United States	5.0%	6.75%	Not applicable	Not applicable
United Kingdom	5.15%	5.10%	3.60%	3.10%

2012	Discount rate	Return on plan assets	Average rate of salary increases	Inflation rate
France	3.3%	3.0%/3.3%	Between 2.0% and 6.25%	2.0%
Germany	3.3%	Not applicable	2.5%	2.0%
United States	3.8%	6.75%	salaried employees: 4%	Not applicable
United Kingdom	4.4%	5.1%	3.1%	2.0%/2.8%

Reconciliation between assets and liabilities recognized

	Dec. 31, 2012	Dec. 31, 2011
Actuarial obligation	153.1	126.3
Fair value of plan assets	(75.8)	(64.4)
Unrecognized actuarial gains and losses	(38.8)	(23.8)
Unrecognized past service cost (rights not vested)	(2.3)	(2.5)
PROVISION BEFORE THE LIMIT ON ASSETS	36.2	35.6
Surplus management reserve		
PROVISION AFTER THE LIMIT ON ASSETS	36.2	35.6

Breakdown of the Group's obligations at December 31 by geographical area

	France	Germany	United States	United Kingdom	Rest of the world	Total at Dec. 31, 2012
Actuarial obligation	20.7	14.1	64.4	32.8	21.1	153.1
Fair value of plan assets	(0.2)		(34.8)	(30.4)	(10.4)	(75.8)
Unrecognized actuarial gains and losses	(4.0)	(2.1)	(22.8)	(3.8)	(6.1)	(38.8)
Unrecognized past service cost (rights not vested)	(2.1)		(0.2)			(2.3)
NET AMOUNT RECOGNIZED	14.4	12.0	6.6	(1.4)	4.6	36.2

Movements in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2011	**17.6**	**12.2**	**48.9**	**29.6**	**18.0**	**126.3**
Payments made	(1.2)	(0.8)	(1.5)	(0.9)	(0.8)	(5.2)
Expense charged to income	1.6	0.6	4.7	1.8	1.8	10.5
Translation adjustment			(1.4)	0.6	(0.1)	(0.9)
Actuarial gains and losses	3.1	2.2	13.7	1.7	2.2	22.9
Assets held for sale and discontinued operations	(0.6)					(0.6)
Other movements	0.2	(0.1)				0.1
DECEMBER 31, 2012	20.7	14.1	64.4	32.8	21.1	153.1

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2011	**0.2**	**0.0**	**28.5**	**27.0**	**8.7**	**64.4**
Return on plan assets			4.9	2.9	1.4	9.2
Employer contribution			1.9	(0.1)	0.6	2.4
Employee contribution						0.0
Payment of benefits						0.0
Translation adjustment			(0.5)	0.6	(0.3)	(0.2)
Other movements						0.0
DECEMBER 31, 2012	0.2	0.0	34.8	30.4	10.4	75.8

US plan assets account for 46% of total plan assets, with 50% invested in equities and 50% in bonds.

UK plan assets account for 40% of total plan assets, with 51% invested in equities, 45% in government bonds and 4% in real estate and cash.

The expense recognized in fiscal 2012 in respect of these plans amounted to €8.9 million, compared with €6.5 million in 2011. The increase was attributable to the lower discount rates applied. The expense breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Total at Dec. 31, 2012	Total at Dec. 31, 2011
Current service cost	0.8		2.3	0.2	1.0	4.3	4.1
Interest cost	0.9	0.6	2.4	1.5	0.8	6.2	5.5
Expected return on plan assets			(2.0)	(1.4)	(0.5)	(3.9)	(3.7)
Amortization of actuarial gains and losses	0.7		1.1	0.1	0.2	2.1	1.3
Impact of the limit on assets						0.0	(0.6)
Other movements	0.1		0.1			0.2	(0.1)
TOTAL CHARGE FOR THE PERIOD	2.5	0.6	3.9	0.4	1.5	8.9	6.5

The change in actuarial gains and losses arising on the measurement of obligations and plan assets breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Total at Dec. 31, 2012	Total at Dec. 31, 2011
Adjustments linked to changes in assumptions	4.5	2.2	11.1	4.2	2.3	24.3	5.7
Experience adjustments to obligations	(1.5)		1.9	(2.5)	0.7	(1.4)	(0.3)
Experience adjustments to plan assets			(2.9)	(1.5)	(1.0)	(5.4)	3.5
ACTUARIAL GAINS AND LOSSES	3.0	2.2	10.1	0.2	2.0	17.5	8.9

In its financial statements for fiscal 2013, the Group will apply the revised IAS 19. The financial statements for fiscal 2012 will be restated and the impact net of tax effects will be around €27 million on 2012 reserves and €0.9 million on 2012 earnings. Before tax, the impact will be €41 million on reserves and €1.3 million on 2012 earnings.

An increase of 0.50 points in discount rates would lead to a reduction of €10.7 million in the estimated actuarial obligation, breaking down as follows:

France	(1.1)
Germany	(0.8)
United Kingdom	(2.6)
United States	(4.9)
Rest of the world	(1.3)
TOTAL	(10.7)

Note 15 Net debt

Analysis of total net debt at December 31, 2012

(in millions of euros)	Dec. 31, 2012	Dec. 31, 2011
Borrowings	234.3	261.7
Current financial liabilities	10.3	5.3
Current advances	0.0	0.0
Bank overdrafts	25.3	30.0
TOTAL GROSS DEBT	**269.9**	**297.0**
Including use of confirmed credit lines	*235.0*	*260.2*
Current financial assets	**(7.0)**	**(5.3)**
Cash and cash equivalents	(21.4)	(52.2)
Cash	**(21.4)**	**(52.2)**
TOTAL NET DEBT	**241.5**	**239.5**

Total consolidated net debt at December 31, 2012 rose to €241.5 million from €239.5 million at December 31, 2011.

Of the €269.9 million in total gross debt, €235.0 million stems from the use of the confirmed loans and borrowings and the remainder chiefly from use of the non-confirmed lines (bank overdrafts and other lines).

Net debt/equity

(in millions of euros)	Dec. 31, 2012	Dec. 31, 2011
Total net debt	241.5	239.5
Net debt/equity	0.45	0.44

Net debt amounted to 45% of equity at December 31, 2012, which is identical to the level recorded at December 31, 2011.

Reconciliation between changes in net debt shown in the statement of financial position and in the statement of cash flows

(in millions of euros)	Dec. 31, 2012	Dec. 31, 2011
Prior year debt	**239.5**	**220.1**
Cash generated by operating and investing activities after tax	(71.2)	(19.0)
Cash used by restructurings	4.5	1.5
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	28.5	9.5
Cash generated by the operating and investing activities of continuing operations	(38.2)	(8.0)
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	**7.7**	**0.4**
Proceeds from issuance of new shares	0.0	0.2
Dividends paid	19.4	5.2
Interest payments	12.3	9.8
Translation adjustments and other	(0.1)	6.4
Impact of changes in the scope of consolidation	3.1	(0.7)
Other changes	(2.2)	6.1
DEBT AT YEAR-END	**241.5**	**239.5**

Financial covenants at December 31, 2012

In connection with its various confirmed borrowings at Group level and in China, Mersen has to comply with a number of obligations, which are customary with this type of lending arrangement. Should it fail to comply with some of these obligations, the banks or investors (for the US private placements) may oblige Mersen to repay the relevant borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant borrowing may oblige the Group to repay other borrowings immediately.

Mersen must comply with the following financial covenants at June 30 and December 31 each year:

Financial covenants [a] (consolidated financial statements)

(in millions of euros)	**Net debt/ EBITDA**	**Net debt/ equity**	**EBITDA/ net interest expense**
Covenant ratios			
Group syndicated loan/bilateral agreements	< 3.50	< 1.3	-
2003 US private placement	< 3.35	< 1.3	> 3
2011 US private placement	< 3.50	< 1.3	> 3
OBSAAR bonds	-	< 1.35	-
Syndicated loan, China		< 1.35	
Actual ratios at December 31, 2012			
Group syndicated loan/bilateral agreements	2.07	0.45	-
2003 US private placement	1.99	0.45	9.83
2011 US private placement	2.07	0.45	9.46
OBSAAR bonds		0.47	
Syndicated loan, China		0.45	
Actual ratios at December 31, 2011			
Group syndicated loan	1.61	0.44	
2003 US private placement	1.61	0.44	14.76
2011 US private placement	1.66	0.44	14.36
OBSAAR bonds		0.45	
Syndicated loan, China		0.44	
Actual ratios at December 31, 2010			
Group syndicated loan	1.86	0.44	
US private placement	1.86	0.44	12.24
OBSAAR bonds		0.45	
Syndicated loan, China		0.44	

(a) Method for calculating covenants: In line with the accounting rules, the net debt shown in the financial statements uses closing rates to calculate the euro-equivalent value of debt denominated in foreign currencies. Solely for the calculation of the net debt/EBITDA ratio, net debt has to be recalculated at the average €/USD exchange rate for the period in the event of a difference of over 5% between the average exchange rate and the closing rate. To calculate the covenants at June 30, the convention is for EBITDA or gross operating income to be deemed to be EBITDA reported for the first six months of the year multiplied by two. To calculate the ratios, the EBITDA of the 2003 US private placement is restated for certain costs that were not included in EBITDA prior to the introduction of IFRSs.

At December 31, 2012, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Breakdown by currency of the drawdowns on credit lines and confirmed long- and medium-term borrowings including the short-term portion at December 31, 2012

Operating receivables and payables all mature in less than one year. A breakdown of borrowings by maturity is shown below.

(in millions of euros)	Total	< 1 year	> 1 and < 5 years	> 5 years
Borrowings in USD	54.1	10.1	6.1	37.9
Borrowings in EUR	99.1	17.4	44.4	37.3
Borrowings in GBP	37.0	0.3	35.0	1.7
Borrowings in RMB	44.8	8.4	36.4	0.0
TOTAL	**235.0**	**36.2**	**121.9**	**76.9**
Amortization of issuance costs at the EIR [(a)]	(1.7)			
Fair value of interest-rate derivatives	0.3			
TOTAL	**233.6**			

(a) Effective interest rate.

Of the €121.9 million in debt due to mature in between one and five years' time, €52.5 million had a maturity of less than two years at December 31, 2012.

Analysis of total net debt at December 31, 2012

(By currency)	%
EUR	47.9
USD	23.5
RMB	15.5
GBP	15.6
Other [(a)]	(2.5)

(a) Net financial surplus on other currencies.

(By interest rate)	%
Fixed	63.3
Floating	36.7

(in millions of euros)	Total	With a maturity < 5 years	With a maturity > 5 years
Long-term debt	269.9	193.0	76.9
Financial assets	(28.4)	(28.4)	0.0
Net position before hedging	**241.5**	**164.6**	**76.9**
Fixed-rate debt	152.9	76.0	76.9
Net position after hedging	**88.6**	**88.6**	**0.0**

Assuming Mersen's debt and exchange rates remain unchanged at their December 31, 2012 level and taking into account the swaps held in the portfolio, an increase of 100 basis points in floating interest rates would increase the Group's annual interest costs by around €0.9 million.

Note 16 Fair value

The following tables show the fair value of assets and liabilities, as well as their carrying amount:

Dec. 31, 2012 Asset and liability accounts and instrument categories	Note	Accounting categories Assets/ liabilities designated as at fair value	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total carrying amount of the category	Fair value of the category
Unlisted investments	9			3.3			3.3	3.3
Other non-current financial assets and derivatives held as assets	3-15				7.0		7.0	7.0
Non-current financial assets		**0.0**	**0.0**	**3.3**	**7.0**	**0.0**	**10.3**	**10.3**
Trade receivables	**11**				**112.3**		**112.3**	**112.3**
Current financial assets	15				7.0		7.0	7.0
Derivatives held as current assets	3	1.7					1.7	1.7
Financial assets	15						0.0	
Current financial assets		**1.7**	**0.0**	**0.0**	**7.0**	**0.0**	**8.7**	**8.7**
Cash and cash equivalents	**15**				**21.4**		**21.4**	**21.4**
Bank borrowings	15					(234.3)	(234.3)	(234.3)
Current advances	15						0.0	
Bank overdrafts	15					(25.3)	(25.3)	(25.3)
Derivatives held as non-current and current liabilities	3	(2.6)					(2.6)	(2.6)
Current financial liabilities	15					(10.3)	(10.3)	(10.3)
Borrowings	**15**	**(2.6)**	**0.0**	**0.0**	**0.0**	**(269.9)**	**(272.5)**	**(272.5)**
Trade payables						**(60.5)**	**(60.5)**	**(60.5)**
Carrying amount per category		**(0.9)**	**0.0**	**3.3**	**147.7**	**(330.4)**	**(180.3)**	**(180.3)**

Fair value hierarchy

	Fair value of the asset class at Dec. 31, 2012	Listed price Level 1	Internal model with observable inputs Level 2	Internal model with non-observable inputs Level 3
Investments (see Note 2, J1)	3.3			3.3
Derivatives held as assets	1.7		1.7	
Derivatives held as liabilities	(2.6)		(2.6)	

Dec. 31, 2011		Accounting categories						
Asset and liability accounts and instrument categories	Note	Assets/ liabilities designated as at fair value	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total carrying amount of the category	Fair value of the category
Unlisted investments	9			4.9			4.9	4.9
Other non-current financial assets and derivatives held as assets	3-15				8.6		8.6	8.6
Non-current financial assets		**0.0**	**0.0**	**4.9**	**8.6**	**0.0**	**13.5**	**13.5**
Trade receivables	**11**				**128.0**		**128.0**	**128.0**
Current financial assets	15				5.3		5.3	5.3
Derivatives held as current assets	3	0.5					0.5	0.5
Financial assets	15						0.0	
Current financial assets		**0.5**	**0.0**	**0.0**	**5.3**	**0.0**	**5.8**	**5.8**
Cash and cash equivalents	**15**				**52.2**		**52.2**	**52.2**
Bank borrowings	15					(261.7)	(261.7)	(261.7)
Current advances	15						0.0	
Bank overdrafts	15					(30.0)	(30.0)	(30.0)
Derivatives held as non-current and current liabilities	3	(3.3)					(3.3)	(3.3)
Current financial liabilities	15					(5.3)	(5.3)	(5.3)
Borrowings		**(3.3)**	**0.0**	**0.0**	**0.0**	**(297.0)**	**(300.3)**	**(300.3)**
Trade payables						**(64.0)**	**(64.0)**	**(64.0)**
Carrying amount per category		**(2.8)**	**0.0**	**4.9**	**194.1**	**(361.0)**	**(164.8)**	**(164.8)**

Note 17 Other non-recurring income and expense

Other non-recurring income and expense breaks down as follows:

In millions of euros	2012	2011 pro forma	2011 reported
Restructuring costs	(5.6)	(3.8)	(4.4)
Impairment of non-current assets	(3.5)		
Real estate/asset disposals		0.8	0.8
Debt waivers and commercial litigation	(2.2)		
Prior period losses of newly consolidated companies and acquisition costs	0.3	0.1	0.1
Other	(0.3)	(0.6)	(0.7)
TOTAL	**(11.3)**	**(3.5)**	**(4.2)**

In fiscal 2012, net non-recurring income and expense represented a net expense of €11.3 million, the bulk of which was accounted for by restructuring costs, asset writedowns and debt waivers.

In fiscal 2011, net non-recurring income and expense represented a net expense of €4.2 million, most of which comprises costs incurred in the reorganization of M.Schneider's manufacturing facility in Germany and expenses related to acquisitions, offset in part by capital gains on disposals (lighting business in Germany) and the prior period income of Mersen Istanbul.

Note 18 Segment reporting

Operating income

In millions of euros	Advanced Materials and Technologies (AMT)			Electrical Components and Technologies (ECS)			Total for continuing operations		
Sales	2012	2011 pro forma	2011 reported	2012	2011 pro forma	2011 reported	2012	2011 pro forma	2011 reported
Sales to third parties	346.3	366.2	379.6	464.4	450.0	450.0	810.7	816.2	829.6
Breakdown of sales	42.7%	44.9%	45.8%	57.3%	55.1%	54.2%	100.0%	100.0%	100.0%
Segment operating income before non-recurring items	**35.2**	**63.2**	**60.2**	**54.0**	**57.3**	**57.3**	**89.2**	**120.5**	**117.5**
Segment operating margin before non-recurring items*	10.1%	17.3%	15.9%	11.6%	12.7%	12.7%			
Segment non-recurring income and expense	(6.6)	(1.2)	(1.9)	(4.4)	(2.9)	(2.9)	(11.0)	(4.1)	(4.8)
Amortization of remeasured intangible assets	(0.7)	(0.7)	(0.7)	(0.2)	(0.2)	(0.2)	(0.9)	(0.9)	(0.9)
Segment operating income	**27.9**	**61.3**	**57.6**	**49.4**	**54.2**	**54.2**	**77.3**	**115.5**	**111.8**
Segment operating margin*	8.1%	16.7%	15.2%	10.6%	12.0%	12.0%			
EBITDA margin [(1)]	18.0%	24.0%	22.4%	14.2%	15.4%	15.4%			
Recurring unallocated costs							(12.9)	(14.0)	(14.0)
Non-recurring unallocated costs							(0.3)	0.6	0.6
Operating income from continuing operations							**64.1**	**102.1**	**98.4**
Operating margin from continuing operations							7.9%	12.5%	11.9%
Net finance income/(costs)							(13.0)	(10.2)	(10.2)
Current and deferred income tax							(17.1)	(29.5)	(29.5)
Net income from continuing operations							**34.0**	**62.4**	**58.7**

**Segment operating margin = Operating income/Segment sales to third parties.*
(1) The Group's EBITDA represents segment operating income before non-recurring items plus segment depreciation and amortization

Breakdown of sales and sales trends by geographical area

In millions of euros	2012	%	2011 pro forma	%	2011 reported	%
France	70.1	8.6%	74.4	9.1%	84.4	10.2%
Rest of Europe	214.4	26.4%	226.2	27.7%	226.2	27.3%
North America	279.7	34.5%	263.1	32.2%	263.4	31.8%
Asia	205.7	25.4%	212.9	26.1%	214	25.8%
Rest of the world	40.8	5.0%	39.6	4.9%	41.6	4.9%
TOTAL	**810.7**	**100.0%**	**816.2**	**100.0%**	**829.6**	**100.0%**

No single customer accounts for over 10% of the Group's sales. The number one customer accounted for 2.8% of the Group's sales.

The Group's activities are not subject to any significant seasonal variation.

Breakdown of depreciation and amortization recognized by segment

	2012				2011 pro forma				2011 reported			
In millions of euros	AMT	ECS	Unallocated	Total	AMT	ECS	Unallocated	Total	AMT	ECS	Unallocated	Total
TOTAL	**(27.3)**	**(12.1)**	**(0.3)**	**(39.7)**	**(24.6)**	**(12.2)**	**(0.2)**	**(37.0)**	**(24.9)**	**(12.1)**	**(0.2)**	**(37.2)**

Segment assets

In millions of euros	AMT	ECS	TOTAL	Intra-Group transactions eliminated	Total at December 31, 2012
Non-current assets, net (excluding investments)	414.4	214.2	628.6		628.6
Inventories	96.9	76.7	173.6		173.6
Trade receivables	63.3	79.2	142.5	(30.2)	112.3
Other receivables	10.9	8.7	19.6	(5.2)	14.4
TOTAL SEGMENT ASSETS	**585.5**	**378.8**	**964.3**	**(35.4)**	**928.9**
Investments					3.3
Deferred tax assets					29.0
Non-current portion of current tax assets					3.7
Current portion of current tax liabilities					7.6
Other current assets					0
Current financial assets				0.4	7.0
Current derivatives					1.7
Financial assets					0
Cash and cash equivalents					21.4
Assets held for sale and discontinued operations					5.6
TOTAL UNALLOCATED ASSETS					**79.3**
TOTAL					**1,008.2**

Segment liabilities

In millions of euros	AMT	ECS	TOTAL	Intra-Group transactions eliminated	Total at December 31, 2012
Trade payables	44.7	46.0	90.7	(30.2)	60.5
Other payables and other liabilities	28.3	37.3	66.0	(4.8)	60.8
Non-current and current provisions	2.0	1.3	3.3		3.3
Employee benefits	10.0	26.2	36.2		36.2
TOTAL SEGMENT LIABILITIES	**85.0**	**110.8**	**196.2**	**(35.0)**	**160.8**
Deferred tax liabilities					29.0
Borrowings					234.3
Non-current derivatives					1.9
Current portion of current tax liabilities					6.8
Other current financial liabilities					10.3
Current derivatives					0.7
Current advances					0.0
Bank overdrafts					25.3
Liabilities related to assets held for sale and disc. op.					11.5
TOTAL UNALLOCATED LIABILITIES					**319.8**
TOTAL					**480.6**

Note 19 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement indemnities) came to €262.7 million in fiscal 2012 compared with €238.3 million in fiscal 2011.

On a like-for-like basis, payroll costs, including those related to temporary staff, rose by 2%.

Headcount of consolidated companies at end of period (continuing operations and assets held for sale and discontinued operations) by geographical area

Geographical area	Dec. 31, 2012	%	Dec. 31, 2011	%
France	1,654	24%	1,558	22%
Rest of Europe (+Maghreb)	1,063	16%	1,231	18%
North America (+Mexico)	2,018	30%	1,986	29%
Asia	1,804	26%	1,894	27%
Rest of the world	291	4%	253	4%
TOTAL	6,830	100%	6,922	100%

These figures include 85 employees (92 in 2011) based at the Gresy and Brignais plants affected by the plan to divest non-core businesses announced on February 14, 2013.

At comparable scope, the headcount decreased by approximately 430 among which 239 in Europe, 110 in North America and 90 in Asia.

Headcount of consolidated companies at end of period (continuing operations) broken down by category

Categories	Dec. 31, 2012	%	Dec. 31, 2011	%
Engineers and managers	1,009	15%	940	14%
Technicians and supervisors	1,065	15%	808	12%
Employees	722	11%	928	13%
Blue-collar workers	4,034	59%	4,246	61%
TOTAL	6,830	100%	6,922	100%

Note 20 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

In millions of euros	2012	2011 pro forma	2011 reported
Product sales	783.2	788.5	802.6
Trading sales	27.5	27.7	27.0
TOTAL SALES	**810.7**	**816.2**	**829.6**
Other operating revenues	7.6	7.8	7.9
Cost of trading sales	(19.2)	(19.4)	(18.5)
Raw material costs	(214.2)	(214.6)	(222.6)
Costs on other operating revenues	(1.1)	(0.8)	(0.8)
Manufacturing costs	(139.9)	(138.8)	(140.6)
Salary costs	(257.0)	(233.4)	(238.8)
Employee incentives and profit-sharing	(5.7)	(4.9)	(5.0)
Other expenses	(70.2)	(66.8)	(69.1)
Financial components of operating income	(4.8)	(3.9)	(3.9)
Depreciation and amortization	(39.7)	(37.0)	(37.2)
Provisions	(1.5)	(2.8)	(2.8)
Impairment losses on non-current assets	(2.1)		
Gains/(losses) on asset disposals	1.2	0.5	0.2
OPERATING INCOME	**64.1**	**102.1**	**98.4**

Note 21 Financial income and costs

Recognized on the income statement *(In millions of euros)*	2012	2011
Amortization of bond issuance costs	(0.8)	(0.5)
Interest paid on debt	(11.2)	(9.2)
Commission on debt	(1.0)	(0.5)
Interest income from bank deposits	0.0	0.0
Net finance income/(costs)	**(13.0)**	**(10.2)**

The net finance costs shown above include the following items from assets and liabilities that are not shown at fair value through profit or loss:

Total interest income from financial assets	(0.0)	(0.0)
Total interest expense from financial liabilities	(13.0)	(10.2)
Net finance income/(costs)	**(13.0)**	**(10.2)**

Recognized directly in other comprehensive income *(in millions of euros)*	2012	2011
Change in fair value of currency hedges	1.6	0.4
Change in fair value of interest rate hedges	0.2	0.1
Change in fair value of commodity hedges	(0.2)	(0.7)
Tax on the fluctuations recognized in other comprehensive income	(0.6)	0.1
Net financial income recognized directly in other comprehensive income net of tax	**1.0**	**(0.1)**

Note 22 Income tax

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Current income tax	(18.4)	(27.9)
Deferred income tax	2.2	(1.6)
Withholding tax	(0.9)	
Total tax expense	**(17.1)**	**(29.5)**

The Group has:

- one consolidated tax group in France;
- one consolidated tax group in the United States;
- two consolidated tax groups in Germany; and
- The effective tax rate for the Group's continuing operations stood at 33% in fiscal 2012 as in fiscal 2011 (and 32% in the restated financial statements for fiscal 2011).

Analysis of income tax expense

In millions of euros	2012
Net income	**6.3**
Net income from assets held for sale/discontinued operations	**(27.7)**
Net income from continuing operations	**34.0**
Income tax expense/(benefit) on continuing operations	(17.1)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(17.1)**
TAXABLE INCOME	**51.1**
Current tax rate in France	36.1%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(18.4)
Difference between income tax rate in France and other jurisdictions	(0.5)
Transactions qualifying for a reduced rate of taxation	
Permanent timing differences	0.4
Impact of limiting deferred tax assets	(1.2)
Other	2.6
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	**(17.1)**

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Deferred tax assets	29.0	25.7
Deferred tax liabilities	(29.0)	(24.8)
Net position	**0.0**	**0.9**

Deferred tax movements during fiscal 2012 were as follows:

In millions of euros	Dec. 31, 2011	Net income for the year	Other	Assets held for sale/ disc. op.	Addition to the scope of consolidation	Cumulative translation adjustment	Dec. 31, 2012
Employee benefit obligations	8.1	0.3	0.3			0.2	8.9
Depreciation of non-current assets	(22.4)	(4.0)	(0.3)			(0.4)	(27.1)
Tax-regulated provisions	(3.7)	0.9					(2.8)
Impact of tax losses	23.3	5.5	(0.2)	(1.2)		(0.1)	27.3
Impairment losses	0.3					(0.1)	0.2
Other	(4.7)	(0.5)	(0.6)		(1.3)	0.6	(6.5)
DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION – NET POSITION	**0.9**	**2.2**	**(0.8)**	**(1.2)**	**(1.3)**	**0.2**	**0.0**

Deferred tax assets were recognized based on their recoverability. France, Germany and the US were the main tax jurisdictions affected.

Given the lack of short-term profitability prospects, certain tax losses were not capitalized as deferred taxes. The bulk of these losses derived from China (€8 million).

Note 23 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	2012	2011 pro forma	2011 reported
Net income used to compute basic earnings per share *(net income for the period in millions of euros).*	5.6	56.9	56.9
Weighted average number of ordinary shares used to compute basic earnings per share	20,268,873	20,080,554	20,080,554
Adjustment for dilutive potential ordinary shares: - unexercised options	748,752	736,245	736,245
Weighted average number of ordinary shares used to compute diluted earnings per share	21,017,625	20,816,799	20,816,799
Basic earnings per share *(€)*	0.28	2.83	2.83
Diluted earnings per share *(€)*	0.27	2.73	2.73

Continuing operations	2012	2011 pro forma	2011 reported
Net income used to compute basic earnings per share *(net income for the period in millions of euros).*	33.3	59.6	55.9
Weighted average number of ordinary shares used to compute basic earnings per share	20,268,873	20,080,554	20,080,554
Adjustment for dilutive potential ordinary shares: - unexercised options	748,752	736,245	736,245
Weighted average number of ordinary shares used to compute diluted earnings per share	21,017,625	20,816,799	20,816,799
Basic earnings per share *(€)*	1.64	2.97	2.79
Diluted earnings per share *(€)*	1.59	2.87	2.69

Note 24 Dividends

At the Annual General Meeting, shareholders decided to pay out a dividend of €1 per share in respect of 2011, representing an amount of €20.3 million. Following the decision made at the Annual General Meeting of May 23, 2012, allowing shareholders to opt for payment of dividends in new shares, and the Management Board's decision on July 2 in the light of shareholders' decision to reinvest 1,262,560 rights in new shares, a €1.3 million capital increase (issue of 62,615 new shares) was completed in July 2012 and the Group made a cash payment of €19.0 million in respect of the dividend.

The dividend proposed in respect of fiscal 2012 stands at €0.45 per share, representing an aggregate amount of €9.2 million.

Note 25 Leases

1 - Finance leases

The Group does not hold any finance leases.

2 - The Group is the lessee (operating lease)

Schedule of minimum payments

(in millions of euros)	Total at Dec. 31, 2012	< 1 year	> 1 year	five years or more
Minimum payments	52.2	6.4	45.8	21.8

Minimum payments represent the amount of certain future property lease payments up until the expiration of the lease prior to any renewals. The leases do not contain any clause restricting debt or on dividend payments.

The increase in minimum payments (€0.8 million) compared with at December 31, 2011 derives predominantly from lease renewals.

Note 26 Related party disclosures

Mersen SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 91 consolidated and unconsolidated companies in 37 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries and associates

Group sales to unconsolidated subsidiaries amounted to €12.1 million in fiscal 2012, compared with €11.4 million in fiscal 2011.

In fiscal 2012, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0.2 million, stable compared with the €0.1 million in fiscal 2011.

The amounts receivable by the Group from its unconsolidated subsidiaries came to €4.7 million at December 31, 2012, while amounts payable stood at €0.4 million.

Shareholders' advances made to unconsolidated subsidiaries by Mersen amounted to €0.8 million (vs. €1.2 million in fiscal 2011) at December 31, 2012.

2 - Compensation and benefits paid to key management personnel (Management Board, including the Chairman of the Management Board)

(in millions of euros)	2012	2011
Salaries, bonuses, benefits in kind and attendance fees [(a)]	1.7	2.2
Top-up pension plan payments [(b)]	(0.2)	(0.6)
Other long-term employee benefits		
TOTAL	**1.5**	**1.6**

(a) The figures for 2011 reflect the departure of Ernest Totino and the addition of four new members to the Management Board.
(b) The Chairman of the Management Board's contract entitles him to the benefit of a top-up pension plan, defined as follows: provided that the relevant person is still employed by the Group upon retirement, this regime guarantees top-up pension income of 10-20% of the basic reference salary depending on length of service during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. The actuarial obligation was assessed at December 31, 2012 at €2.1 million (€1.2 million at December 31, 2011).

Members of the Management Board do not qualify for any other long-term employee benefits.

Should his appointment be terminated, the Chairman of the Management Board will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him in respect of the thirty-six month period preceding termination, subject to the attainment of performance criteria. In return for signing a no-compete and non-sollicitation undertaking, he would also receive for a one-year period, a monthly payment equivalent to 50% of the gross fixed monthly compensation and benefits.

In addition, the following share-based payments were granted to the five current members of the Management Board (including the Chairman of the Management Board:

- Stock options: 265,706 stock subscription options were granted to the Management Board in 2007 and 2009:

	2007 plan Tranche 11
Date of Board of Directors' meeting	July 25, 2007
Total number of shares allotted	94,188
Subscription price	53.10
Start of exercise period	July 2011
Expiration date	July 2017

	2009 plan Tranche 12
Date of Board of Directors' meeting	January 22, 2009
Total number of shares allotted	171,518
Subscription price	17.53
Start of exercise period	February 2013
Expiration date	February 2019

- Bonus share allotments: see table showing previous issues to the Management Board:

	2006 plan Tranche 2
Date of Board of Directors' meeting	June 28, 2006
Total number of shares allotted	1,497
Reference price at the allotment date	40.07
Definitive allotment date (end of the vesting period)	July 1, 2008
End of lock-up period	July 1, 2011

	2011 plan Tranche 6
Date of Board of Directors' meeting	May 27, 2011
Total number of shares allotted	58,000
Reference price at the allotment date	35.34
Definitive allotment date (end of the vesting period)	May 27, 2015
End of lock-up period	May 28, 2015

The 2011 plan is subject to performance conditions.

No bonus shares were allotted to Management Board members in respect of the 2008 and 2009 plans.

Note 27 Commitments and contingencies

A - Financial commitments and liabilities

(in millions of euros)	Dec. 31, 2012	Dec. 31, 2011
Commitments given		
Market guarantees	18.5	21.1
Other guarantees	24.2	23.7
Other commitments given	9.6	6.5
TOTAL	**52.3**	**51.3**

The above table summarizes the Group's commitments and contingencies.

Nature

The largest item, which amounted to €24.2 million, comprises other guarantees, which notably include a €16 million guarantee covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements. The decline in market guarantees between 2011 and 2012 was attributable primarily to the expiration of certain guarantees covering specific transactions.

Maturity

Commitments and contingencies with a maturity of over 1 year amounted to €32.3 million. They include the €16 million linked to the cash pooling system, which remains in force for as long as the cash pooling agreements are in place. Market guarantees generally last for less than one year, except for a few market guarantees, the duration of which does not exceed three years.

Control

Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to commitments and contingencies without obtaining the prior approval of the Group's Finance department and, where appropriate, of the Management Board. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the account consolidation procedure.

As far as the Company is aware, no material commitments or contingencies under the accounting standards in force have been omitted.

B - Title retention clause

None

C – Individual Right to Training

In France, employees have an individual right to training. No provisions are set aside to cover these rights because the Group does not have the requisite information to assess them reliably.

Note 28 Subsequent events

None.

Note 29 Approval of the financial statements

The Group's consolidated financial statements for the fiscal year to December 31, 2012 were approved by the Management Board at its meeting on March 19, 2013.

Statutory Auditors' report on the consolidated financial statements

Fiscal year ended December 31, 2012

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 on December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Mersen SA,
- the justification of our assessments;
- the specific verifications required by law.

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

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require and we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis or using 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 by management, 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 audit 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, 2012, and of the results of its operations for the year then ended, in accordance with IFRSs as adopted for use in the European Union.

Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements at December 31, 2012, were prepared in the environment described in Note 2-V of the notes to the consolidated financial statements ("Use of estimates" section), making it fairly hard to assess the future outlook. Against this backdrop, in accordance with the provisions of Article L. 823-9 of the French Commercial Code (Code de Commerce), we conducted our own assessments, which we are bringing to your attention.

Operations, assets and liabilities held for sale

Note 2.B.4 to the consolidated financial statements presents the accounting rules and methods applicable to operations, assets and liabilities held for sale. As part of our assessment of the accounting principles applied by the Company, we verified the appropriateness of the accounting methods referred to above and of the disclosures provided in Note 5 to the consolidated financial statements and we ensured that they have been applied correctly.

Measurement of property, plant and equipment and of intangible assets

As disclosed in Notes 2.F.1 and 2.I to the consolidated financial statements, the Group performs goodwill impairment tests systematically at each balance sheet date and also assesses whether there is evidence of impairment in property, plant and equipment, and in intangible assets. We have examined the method used to implement the test as well as the estimated cash flows and the assumptions made. We have also verified that Notes 6 and 7 to the consolidated financial statements provide appropriate disclosures.

Employee benefits

Note 2.O describes the accounting policy used to evaluate pension and other related obligations. These obligations were evaluated by external actuaries. Our procedures consisted of examining the data used and the assumptions made, and verifying that Note 14 to the consolidated financial statements provides appropriate disclosures.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also conducted the specific verifications provided for in law of the information disclosed in the Group's management report.

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

The Statutory Auditors

Paris La Défense, March 19, 2013	Neuilly-sur-Seine, March 19, 2013
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

Parent company financial statements

7

INCOME STATEMENT

(€ 000s)	2012	2011
OPERATING REVENUES (1)		
Revenues		
Other revenues	1,141	1,183
TOTAL SALES	1,141	1,183
Operating subsidies	2	0
Reversals of operating provisions	4	2
Transferred operating costs	1,992	1,249
Other income	810	823
TOTAL (1)	3,949	3,257
OPERATING EXPENSES (2)		
Other purchases	21	14
External charges	4,900	3,969
Taxes other than income tax	349	503
Wages and salaries	1,040	2,072
Social security charges	334	627
Depreciation, amortization and charges to provisions:		
- against fixed assets: depreciation and amortization	44	54
- for liabilities and charges: charges to provisions	205	311
Other expenses	365	364
TOTAL (2)	7,258	7,914
OPERATING INCOME (TOTAL 1 - 2)	(3,309)	(4,657)

(€ 000s)	2012	2011
FINANCIAL INCOME (3)		
Income from participating interests	28,981	27,095
Other income from fixed assets	42	131
Other interest and related income	3,235	2,941
Reversals of depreciation, amortization and charges to provisions	5,299	5,752
Foreign exchange gains	10,751	9,203
TOTAL (3)	**48,308**	**45,122**
FINANCIAL EXPENSE (4)		
Depreciation, amortization and charges to provisions	19,341	538
Interest and related expenses	8,198	6,228
Foreign exchange losses	7,567	6,184
TOTAL (4)	**35,106**	**12,950**
NET FINANCIAL INCOME (3 - 4)	**13,202**	**32,172**
INCOME BEFORE TAX AND NON-RECURRING ITEMS	**9,893**	**27,515**
EXCEPTIONAL INCOME		
Management transactions	207	673
Capital transactions	379	4,879
Reversals of provisions and transferred costs	1,602	84,953
TOTAL (5)	**2,188**	**90,505**
EXCEPTIONAL CHARGES		
Management transactions	893	875
Capital transactions	2,134	89,149
Depreciation, amortization and charges to provisions	129	73
TOTAL (6)	**3,156**	**90,097**
NET EXCEPTIONAL INCOME (TOTAL 5 - 6)	**(968)**	**408**
INCOME TAX	**(1,724)**	**(1,887)**
NET INCOME FOR THE YEAR	**10,649**	**29,810**
TOTAL INCOME	**54,445**	**138,884**
TOTAL EXPENSES	**43,796**	**109,074**

Balance sheet

ASSETS

(€ 000s)	Dec. 31. 2012 Gross	Dec. 31. 2012 Depreciation and amortization	Dec. 31. 2012 Net	Dec. 31. 2011 Net
FIXED ASSETS				
Intangible fixed assets				
Concessions, patents, licenses, brands	8,596	8,571	25	53
SUB-TOTAL	**8,596**	**8,571**	**25**	**53**
Property, plant and equipment				
Other	425	323	102	113
SUB-TOTAL	**425**	**323**	**102**	**113**
Financial fixed assets (a)				
Participating interests	431,850	38,276	393,574	399,139
Loans and advances to participating interests	88,355	0	88,355	100,982
Other fixed assets	5		5	5
Other	3,112	41	3,071	3,534
SUB-TOTAL	**523,322**	**38,317**	**485,005**	**503,660**
TOTAL A	**532,343**	**47,211**	**485,132**	**503,826**
CURRENT ASSETS				
Advances and downpayments paid on orders (b)	0		0	0
Trade receivables and related accounts (b)	543		543	846
Other (b)	82,906		82,906	75,080
Cash and cash equivalents	230		230	369
ACCRUALS				
Prepaid expenses (b)	350		350	335
TOTAL B	**84,029**	**0**	**84,029**	**76,630**
Deferred costs D	1,458		1,458	779
Foreign currency translation losses E	2,634		2,634	4,499
TOTAL (A+B+C+D+E)	**620,464**	**47,211**	**573,253**	**585,734**

(a) due in less than one year: 2,372.
(b) due in over one year: 3,731.

LIABILITIES AND SHAREHOLDERS' EQUITY

(€ 000s)	Dec. 31. 2012	Dec. 31. 2011
SHAREHOLDERS' EQUITY		
Share capital	40,702	40,577
Issue premium	216,331	215,260
Merger premium	8,252	8,252
Revaluation reserves	3,252	3,252
Unavailable reserves	2,970	2,970
Statutory reserve	4,058	3,989
Other reserves	42,815	33,360
Retained earnings	60	3
Net income for the year	10,649	29,810
Tax-regulated provisions	115	99
TOTAL A	**329,204**	**337,572**
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for liabilities	5,272	78
Provisions for charges	676	380
TOTAL B	**5,948**	**458**
FINANCIAL LIABILITIES [(a)]		
Bond issues	29,900	43,269
Borrowings from credit institutions [(b)]	8,724	2,580
Other borrowings	156,498	158,648
Trade payables and related accounts	834	763
Tax and social security liabilities	1,641	1,804
Amounts due on fixed assets	0	17
Other financial liabilities	32,751	27,754
ACCRUALS		
Prepaid income	282	656
TOTAL C	**230,630**	**235,491**
Foreign exchange translation gains D	7,471	12,213
TOTAL (A+B+C+D)	**573,253**	**585,734**

(a) due in over one year: 163,420 due in less than one year: 67,208.
(b) including current bank loans and overdrafts: 8,288.

Notes to the balance sheet and income statement

Summary of the notes to the financial statements

Note 1 Accounting principles and methods

The financial statements of Mersen SA for fiscal 2012 have been prepared in accordance with the provisions of French law, notably including CRB Regulation no. 99-03 of June 22, 1999 and subsequent amendments.

The principal accounting methods used are as follows:

A - Share issuance costs

Share issuance costs are set off in full against share issue premiums.

B - Intangible fixed assets and property, plant and equipment

Fixed assets are stated at acquisition or production cost.

They are depreciated or amortized over their estimated useful life.

Differences between depreciation for tax and accounting purposes are recognized under accelerated depreciation and recorded under exceptional expenses, with a corresponding adjustment to tax-regulated provisions under liabilities on the balance sheet.

Generally speaking, the following useful lives are adopted:

- software and other intangible fixed assets: 5 years
- fixtures and fittings: 10 years
- office equipment and furniture: 5 years or 10 years

Where there is evidence of impairment, an impairment test is conducted comparing the net book value of the intangible fixed asset or of the item of property, plant and equipment with its current value. Where this current value has fallen below net book value, an impairment loss is recognized to bring the net book value into line with its current value. No such impairment losses were recognized during the fiscal year.

C - Participating interests and other fixed assets

Gross value comprises the contribution value or acquisition cost of the asset. An impairment loss may be recognized where the book value of an asset exceeds its value in use, with the latter notably determined by reference to the share of the equity, development prospects and sales recorded by the subsidiary. The Company's development prospects are assessed based on past experience and various factors. The current backdrop of a significant deterioration in the economic and financial environment makes it hard to assess the future outlook. It is therefore possible that future performance may well differ from the estimates used to assess the value of the securities portfolio.

Expenses related to the acquisition of participating interests and other fixed assets are included in the cost of securities.

Impairment losses and reversals of impairment in investments, as well as provisions related to participating interests are recorded under financial items. When participating interests are sold, the reversals of impairment on them are recognized under exceptional items so as not to unbalance net financial income and exceptional items.

D - Current assets - receivables

Doubtful receivables are written down to reflect the probable loss.

E - Foreign currency transactions

At the balance sheet date, foreign currency assets and liabilities are stated at the official exchange rate at December 31. A corresponding adjustment is recorded under foreign currency translation gains or losses.

Unrealized currency gains or losses do not affect net income. This said, a provision is set aside to cover the risk arising from unhedged unrealized foreign currency losses related to these foreign currencies.

F - Provisions for liabilities and charges

Provisions for liabilities and charges are set aside to cover litigation, disputes, guarantee and risk-related commitments arising during the normal course of the Company's business and likely to give rise to an outflow of resources.

Accordingly, provisions were set aside to cover all significant risks that the situation or events known at December 31, 2012 rendered likely to occur.

G - Costs deferred over several periods

Bond issuance costs are allocated over the estimated average life of the relevant borrowing.

H - Pension obligations and retirement indemnities

Top-up pension obligations under “closed” defined benefit plans covering part of the workforce are recognized in the form of a provision. Obligations to still active employees are recorded under provisions for liabilities and charges. Obligations to retired employees are transferred to a deferred cost account.

A provision for charges is set aside to cover the Company's commitment arising from top-up pension obligations specifically related to the Group's senior managers.

Retirement indemnities and long-service awards payable under collective bargaining agreements are recognized under provisions for liabilities and charges.

Retirement indemnities and long-service awards are calculated on an annual basis by independent actuaries in accordance with the provisions of the collective bargaining agreement for the French chemicals industry and the CNC recommendation issued on April 1, 2003. The projected unit credit method is used for this purpose. It takes into account using actuarial assumptions the employee's probable future length of service, level of salary costs, life expectancy and the rate of staff turnover. The obligation is discounted at an appropriate discount rate. The obligation is partially funded through payments to an external organization under a collective life insurance policy, the assets of which are stated at fair value.

Retirement indemnities are recognized using the corridor method.

The principal assumptions used in this calculation are as follows:

- future salary costs are calculated based on current salaries including an annual rate of salary increases of 2.00% and additional age-related increases;
- changes in actuarial assumptions are taken into account only where they fall outside the corridor and are amortized over the expected average remaining working lives of the plan members;
- discounting to present value at a rate of 3.30%;
- an average cost ratio of 40% to 45%;
- staff turnover calculated by age bracket;
- return on plan assets: 3.80%;
- mortality table used: TGHF05.

I - Stock repurchases

The stock repurchased by Mersen under the liquidity agreement entered into with a financial institution is shown under other fixed assets, in line with French accounting regulations.

An impairment loss in these shares is recognized when the cost of acquiring the stock exceeds the average share price during the final month of the fiscal year.

When these shares are sold, gains and losses are recognized under exceptional items.

J - Exceptional items

The Company has adopted the official French chart of accounts. Exceptional items encompass items not arising during the normal course of the Company's business. Accordingly, exceptional items comprise the book value of and proceeds from the disposal of fixed assets, accelerated tax depreciation and exceptional fixed asset write-downs, non-recurring indemnities, fines and penalties, as well as expenses related to these non-recurring events.

K - Stock subscription options and bonus share allotments

The Company has put in place stock option and bonus share allotment plans for certain of its employees.

When stock subscription options are exercised by beneficiaries, the new shares are issued and are accounted for in the same manner as a conventional issue of shares. The share premium is equal to the difference between the subscription price paid by the employee and the increase in the share capital.

When bonus shares are allotted to beneficiaries, new shares are issued and are accounted for in the same manner as an increase in capital through the capitalization of reserves. The par value of the shares is added to the share capital account, and the surplus is recorded under unavailable reserves.

The Company is not currently engaged in repurchasing shares in the market for allotment to beneficiaries under stock option and bonus share plans. In this case, the transaction would be recognized in accordance with Conseil National de la Comptabilité's notice no. 2008-17 concerning the treatment of stock subscription and purchase plans and bonus share allotment plans for employees.

Note 2 Analysis and commentary

Income statement

Sales

Revenues (€1,141 thousand) primarily derive from services billed in France and abroad.

Operating income

The Company's operating loss came to €3,309 thousand, reflecting the impact of the holding company's operating costs.

Net financial income

Net financial income of €13,202 thousand was lower than the €32,172 thousand posted in the previous year owing chiefly to impairment losses on shares in Mersen France PY (€8,047 thousand), Mersen France Grésy (€4,454 thousand) and the provision for liabilities related to Mersen France Grésy (€5,249 thousand).

Exceptional items

The exceptional loss of €968 thousand was primarily attributable to various disputes settled during the fiscal year and discounting charges related to defined benefit pension plans for the Company's retired employees.

Income tax

The Company recorded a 2012 income tax benefit of €1,724 thousand resulting from the consolidation of Mersen and its French subsidiaries for tax purposes.

These impairment losses and provisions are related to the plan to divest non-core businesses announced by the Group on February 14, 2013.

Balance sheet

In addition to the notes shown below, the following comments apply:

Financial fixed assets

The €18,655 thousand reduction in net book value was triggered chiefly by impairment losses recorded on the shares of Mersen France PY, Mersen France Grésy (see Note 4) and repayment of the loans and advances to participating interests.

Debt

The Company's total net debt rose by €3,604 thousand in the fiscal year to December 31, 2012.

(€ 000s)	Dec. 31. 2012	Dec. 31. 2011
Bank overdrafts	8,288	2,115
Bond issue	26,680	43,220
Other borrowings	156,011	158,203
Other financial liabilities [(a)]	32,155	27,123
Total debt	**223,134**	**230,661**
Cash and cash equivalents	(18)	(101)
Other receivables [(b)]	(78,481)	(69,140)
Marketable securities, cash and cash equivalents	**(78,499)**	**(69,241)**
Loans to subsidiaries	**(88,017)**	**(100,673)**
Other financial assets	**(2,964)**	**(3,489)**
Net debt	53,654	57,258
o/w: - due in over one year	73,407	75,673
- due in less than one year	(19,753)	(18,415)

(a) Financial advances received recognized under "Other financial liabilities".
(b) Financial advances made recognized under "Other receivables".

Note 3 Fixed assets

(€ 000s)	FIXED ASSETS				DEPRECIATION, AMORTIZATION & CHARGES TO PROVISIONS			
Accounts	Gross value at beginning of period	Increases	Decreases	Gross value at end of period	Total at beginning of period	Increases	Decreases	Total at end of period
Intangible fixed assets								
Start-up costs	0	0	0	0	0	0	0	0
Concessions, patents, licenses, brands, processes, rights	8,846	0	250	8,596	8,793	28	250	8,571
Fixed assets in progress	0	0	0	0	0	0	0	0
TOTAL (1)	**8,846**	**0**	**250**	**8,596**	**8,793**	**28**	**250**	**8,571**
Property, plant and equipment								
Buildings and technical installations	0	0	0	0	0	0	0	0
Other property, plant and equipment	426	5	6	425	313	16	6	323
Fixed assets in progress	0	0	0	0	0	0	0	0
Advances and downpayments	0	0	0	0	0	0	0	0
TOTAL (2)	**426**	**5**	**6**	**425**	**313**	**16**	**6**	**323**
Financial fixed assets								
Participating interests[(a)]	430,723	2,808	1,681	431,850	31,584	13,423	6,731	38,276
Loans and advances to participating interests	100,982	76,555	89,182	88,355	0	0	0	0
Other fixed assets	5	0	0	5	0	0	0	0
Other financial assets	3,630	6,604	7,122	3,112	96	41	96	41
TOTAL (3)	**535,340**	**85,967**	**97,985**	**523,322**	**31,680**	**13,464**	**6,827**	**38,317**
TOTAL	**544,612**	**85,972**	**98,241**	**532,343**	**40,786**	**13,508**	**7,083**	**47,211**

(a) see Note 4

Note 4 Provisions

(€ 000s) Accounts	Amount at beginning of period	Charges	Reversals of provisions used	Reversals of provisions not used	Amount at end of period
Tax-regulated provisions					
Accelerated tax depreciation	99	34	18	0	115
TOTAL (1)	**99**	**34**	**18**	**0**	**115**
Provisions for liabilities and charges					
Foreign currency losses	55	0	55	0	0
Retirement indemnities	83	24	0	0	107
Long-service awards	9	1	0	4	6
Senior manager pensions	288	180	0	0	468
Settlement with Emerson	0	95	0	0	95
Risk related to CL PI	23	0	0	0	23
Risk related to Mersen France Grésy[(a)]	0	5,249	0	0	5,249
TOTAL (2)	**458**	**5,549**	**55**	**4**	**5,948**
Provisions for impairment					
in participating interests	31,584	13,423	1,583	5,148	38,276
in shares held in treasury	96	41	96	0	41
TOTAL (3)	**31,680**	**13,464**	**1,679**	**5,148**	**38,317**
TOTAL	**32,237**	**19,047**	**1,752**	**5,152**	**44,380**

(a) Two facilities are affected by the plan to divest non-core businesses announced by the Group on February 14, 2013:
- the Brignais facility (integral part of Mersen France PY)
- the Grésy sur Aix facility (constituting Mersen France Grésy).
Impairment losses on assets held for sale were calculated by comparing the net book value of these assets with their net realizable value and were recognized partly under impairment losses on shares and partly under provisions for liabilities.

Note 5 Maturity schedule of assets and liabilities

(€ 000s) **Amounts due to the Group**	**Gross balance sheet value**	**Due in one year or less**	**Due in over one year**
Loans and advances to participating interests	88,355	338	88,017
Other financial fixed assets	3,112	2,034	1,078
Trade receivables	543	543	0
Other receivables	82,907	79,176	3,731
Prepaid expenses	350	350	0
TOTAL	**175,267**	**82,441**	**92,826**

(€ 000s) **Amounts payable by the Group**	**Gross balance sheet value**	**Due in one year or less**	**Due in over one year**	**Over five years ahead**
Bond issue	29,900	13,340	13,340	3,220
Borrowings from credit institutions	8,724	8,724	0	0
Other borrowings	156,498	10,556	70,760	75,182
Trade payables and related accounts	834	834	0	0
Tax and social security liabilities	1,641	722	420	499
Other financial liabilities	32,751	32,751	0	0
Prepaid income	282	282	0	0
TOTAL	**230,630**	**67,209**	**84,520**	**78,901**

Note 6 Information about related parties

The amounts shown in the columns below are taken from the balance sheet and income statement items referred to in the left-hand column.

(€ 000s) **Balance sheet or income statement item**	**Amount for related parties at least 50%-owned**	**Amount for participating interests (less than 50%-owned)**
Loans and advances to participating interests	88,355	0
Trade receivables	543	0
Other receivables	78,978	0
Borrowings from credit institutions	162	0
Trade payables	113	0
Other financial liabilities	32,413	0
Financial expense	19,412	0
Financial income	36,211	11

Note 7 Revaluation reserve

(€ 000s)	
Revaluation reserves	
At beginning of period	3,252
Reversed during period	0
At end of period	3,252

Note 8 Accrued income and expenses

(€ 000s)		
1. Amount of accrued income included in the balance sheet items below		
Loans and advances to participating interests		337
Other financial fixed assets		149
Other receivables		497
Trade payables and related accounts		1
Cash and cash equivalents		192
TOTAL		**1,176**
2. Amount of accrued expenses included in the balance sheet items below		
Borrowings from credit institutions		486
Other borrowings		436
Trade payables and related accounts		265
Tax and social security liabilities		1,558
Other financial liabilities		376
TOTAL		**3,121**
3. Amount of prepaid income and expenses	**Expenses**	**Income**
Operating items	350	6
Financial items	0	276
TOTAL	**350**	**282**
4. Costs deferred over several periods		
Bond issuance expenses at Jan. 1, 2012	779	
Bond issuance expenses in 2012	1,308	
2012 amortization of bond issuance costs	(629)	
TOTAL	**1,458**	

Note 9 Share capital

Share capital

The share capital is made up of 20,350,969 fully paid-up shares each with a par value of €2.

In 2012, 62,615 new shares arose from the dividend payable in shares.

In November 2007, the Company completed the issue of a €40 million bond comprising 1,000 bonds convertible into new and/or exchangeable for existing shares through the attached warrants ("OBSAAR" bonds) with a nominal unit value of €40,000. Each bond carries 114 BSAAR warrants, representing a total of 114,000 warrants sold to the Group's senior managers, which could ultimately lead to the issuance of a maximum of 123,120 shares (owing to the change in the exchange ratio linked to the capital increases completed in 2009), i.e. around 0.63% of the Company's share capital and voting rights. The sale of the warrants to the Group's senior executives has made for a significant reduction in the interest rates on the bond.

On May 21, 2010, a simplified exchange offer was launched for the BSAR warrants issued in 2007. Under the offer, the 2007 BSAR warrants could be tendered in exchange for 2010 BSAR warrants (redeemable warrants entitling holders to subscribe new and/or acquire existing shares).

2007 BSAR holders were able to choose between the following two alternatives when tendering their 2007 BSAR warrants:

- Exchange option: five 2007 BSAR warrants in return for two 2010 BSAR warrants;
- Combination option: one 2007 BSAR warrant plus a cash payment of €1.50 in return for one 2010 BSAR.

At its meeting on July 15, 2010, the Management Board formally noted based on the results of this offer that the final number of 2007 BSAR warrants tendered stood at 113,771. These BSAR warrants were automatically canceled. Given this outcome and the decisions made by the 2007 BSAR holders, the Management Board decided at the same meeting to issue 103,331 2010 BSAR warrants.

Stock subscription options and bonus share allotments

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors regularly offers Group managers the chance to subscribe stock subscription options, subject to attainment of specific earnings targets, or bonus shares, provided that they remain with the Group for a certain period of time.

Four stock option plans were awarded, namely on May 14, 2003, July 25, 2007 and February 11, 2009. The employee categories benefiting from these options are to be determined by the Management Board each time that it makes use of the authorization.

Four bonus share allotment plans were set up on February 26, 2008, January 22, 2009, May 27, 2011 and June 27, 2012.

The bonus share allotment plans and exercise of the stock options plans have to date been fulfilled through the issuance of new shares. As a result, no expenses or liabilities were recognized during the fiscal year in respect of these plans.

The characteristics of the stock options plans are as follows:

Characteristics/Assumptions	2003 plan stock options	2007 plan stock options	2009 plan stock options
Allotment date	May 14, 2003	July 25, 2007	Feb. 11, 2009
Availability date	May 14, 2007	July 25, 2011	Feb. 11, 2013
Expiration date	May 13, 2013	July 25, 2017	Feb. 11, 2019
Adjusted exercise price *(€)*	19.68	53.10	17.53
Adjusted share price at allotment date *(€)*	20.48	52.35	17.95
Estimated life *(number of years)*	5.5	5.5	8
Volatility	40.6%	30.9%	38.1%
Dividend per share *(as a % of share price)*	2.4	1.9	2.5
Risk-free interest rate	3.43%	4.44%	3.26%
Exercise period *(number of years)*	4	4	4
Lock-up period *(number of years)*	0	0	0
Adjusted number of options/share allotments	140,293	177,876	366,582
Estimated annual cancellation rate at year-end 2004	1.7%		
Estimated annual cancellation rate at year-end 2005	1.7%		
Estimated annual cancellation rate at year-end 2006	1.5%		
Estimated annual cancellation rate at year-end 2007	End of the plan	End of the plan	
Estimated annual cancellation rate at year-end 2008	End of the plan	End of the plan	
Estimated annual cancellation rate at year-end 2009	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2010	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2011	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2012	End of the plan	End of the plan	7.0%
% of shares/options vested following satisfaction of the performance condition[(a)]	66.7	60	100
Estimate of the number of options/shares ultimately vested in 2005	81,023		
Estimate of the number of options/shares ultimately vested in 2006	81,685		
Estimate of the number of options/shares ultimately vested in 2007	82,089	155,321	
Estimate of the number of options/shares ultimately vested in 2008	82,089	155,321	
Estimate of the number of options/shares ultimately vested in 2009	88,481	167,442	274,222
Estimate of the number of options/shares ultimately vested in 2010	88,481	172,892	314,391
Estimate of the number of options/shares ultimately vested in 2011	88,481	104,616	338,055
Estimate of the number of options/shares ultimately vested in 2012	88,481	104,616	361,191
Valuation of options/shares *(€)*	7.24	15.58	6.11
Valuation as a % of the share price at grant	35.5%	29.8%	34.1%

(a) The definitive performance condition applicable to the 2007 stock option plan was 60% satisfied in the end rather than the 100% satisfaction rate expected previously and 100% satisfied for the 2009 stock option plan.

The characteristics of the bonus share allotment plans were as follows:

Characteristics/Assumptions	2008 plan Bonus share allotments	2009 plan Bonus share allotments
Allotment date	Feb. 26, 2008	Jan. 22, 2009
Availability date	March 1, 2011	Jan. 22, 2013
Expiration date*	March 1, 2013	Jan. 22, 2014
Adjusted exercise price *(€)*	0.00	0.00
Adjusted share price at allotment date *(€)*	27.48	17.95
Estimated life *(number of years)*	3	4
Volatility	n/a	n/a
Dividend per share *(as a % of share price)*	2.3	2.5
Risk-free interest rate	n/a	n/a
Exercise period *(number of years)*	3	4
Lock-up period *(number of years)*	2	0
Adjusted number of options/share allotments	21,567	53,900
Estimated annual cancellation rate at year-end 2008	End of the plan	
Estimated annual cancellation rate at year-end 2009	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2010	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2011	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2012	End of the plan	2.5%
% of shares/options vested following satisfaction of the performance condition	100	100
Estimate of the number of options/shares ultimately vested in 2008	20,919	
Estimate of the number of options/shares ultimately vested in 2009	20,919	48,708
Estimate of the number of options/shares ultimately vested in 2010	19,363	47,715
Estimate of the number of options/shares ultimately vested in 2011	20,164	48,938
Estimate of the number of options/shares ultimately vested in 2012	20,164	49,588
Valuation of options/shares *(€)*	25.67	16.24
Valuation as a % of the share price at grant	93.4%	90.5%

** Expiration of the lock-up period.*

Characteristics/Assumptions	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments
Allotment date	May 27, 2011	May 27, 2011	June 27, 2012
Availability date	May 27, 2015	May 27, 2015	June 27, 2016
Expiration date*	May 27, 2015	May 27, 2015	June 27, 2016
Adjusted exercise price *(€)*	0.00	0.00	0.00
Adjusted share price at allotment date *(€)*	39.06	39.06	18.22
Estimated life *(number of years)*	4	4	4
Volatility	35.2%	35.2%	36.5%
Dividend per share *(as a % of share price)*	2.5	2.5	3.0
Risk-free interest rate	n/a	n/a	n/a
Exercise period *(number of years)*	4	4	4
Lock-up period *(number of years)*	0	0	0
Number of options/shares allotted	140,000	60,000	20,000
Estimated annual cancellation rate at year-end 2011	5.0%	5.0%	n/a
Estimated annual cancellation rate at year-end 2012	5.0%	5.0%	5.0%
% of shares/options vested following satisfaction of the performance condition	100	n/a	100
Estimate of the number of options/shares vested in 2011	100,779	49,382	n/a
Estimate of the number of options/shares vested in 2012	106,095	51,986	16,724
Valuation of options/shares *(€)*	35.34	35.34	16.16
Valuation as a % of the share price at grant	90.5%	90.5%	88.7%

** Expiration of the lock-up period.*

Statement of changes in equity

(€ 000s)	
Opening equity at January 1, 2012	**337,572**
Net income for the year	10,649
Change in tax-regulated provisions	16
Capital increases [(a)]	1,281
Expenses related to capital increases	(86)
Dividend payment	(20,228)
Closing equity at December 31, 2012	**329,204**

(a) related to the dividend payable in shares

Note 10 Commitments

Commitments and contingencies

(€ 000s)	
Commitments given	
Guarantee *for* euro cash pooling agreement	16,000
Guarantee for the syndicated loan to Mersen Holding China	58,389
Counter guarantee given to Mersen Deutschland Holding on guarantees	3,000
Counter guarantee given to Mersen USA BN on guarantees	9,000
Citibank bilateral credit guarantee	2,848
Mersen Scotland Holytown Scottish industry ministry guarantee	3,063
Security deposit paid to Ganton covering the Mersen USA Newburyport subsidiary	1,895
Lease covering rental of Mersen SA's premises	2,076
Eisenmann Mersen Scotland guarantee	982
Other guarantees and deposits	1,242
TOTAL	**98,495**
Commitments received	**0**
TOTAL	**98,495**

Other reciprocal commitments

(€ 000s)	
Reciprocal commitments given	
Currency hedges	36,692
Commodity hedges	258
TOTAL	**36,950**
Reciprocal commitments received	
Currency hedges	30,342
Commodity hedges	258
TOTAL	**30,600**

Employee benefits

Retirement indemnities, long-service awards and defined-benefit top-up pension plans

(€ 000s)	
Present value of plan obligations at December 31, 2012	3,515
Mathematical value of plan assets	(115)
Unrecognized actuarial gains and losses	(1,790)
TOTAL	**1,610**

Other commitments related to financial instruments

(€ 000s)	
Fair value of financial instruments at December 31, 2012	
Interest rate swaps	(1,178)
TOTAL	**(1,178)**

Note 11 Leases

The Company did not hold any finance leases in progress at December 31, 2012.

Note 12 Executive compensation

The compensation and benefits paid to members of the Management and Supervisory Boards directly by the Company or indirectly by certain subsidiaries came to €2,028 thousand during 2012.

Net top-up pension obligations in respect of senior managers came to €2,065 thousand.

Note 13 Average headcount

	Salaried employees	Seconded employees
Executives	3	0
Supervisors and technicians	2	0
TOTAL	5	0

Note 14 Analysis of tax expense

(€ 000s)	Income before tax	Tax payable
Current	9,893	0
Exceptional	(968)	0
Tax benefit received from subsidiaries consolidated for tax purposes		1,724

Increase and decrease in future tax liability

(€ 000s)	Beginning of period	Change during period	End of period
Accelerated tax depreciation	(42)	16	(26)
Provision for GPC pension obligations	539	199	738
Top-up pension provision	269	23	292
Provision for senior manager pension obligations	288	180	468
Accrued expense, social solidarity contribution	7	0	7
Paid vacation	15	1	16
Retirement indemnities	83	24	107
Tax base or future tax credit (significant items)	1,159	214	1,602
Tax losses	46,860	8,543	55,403
Total	48,019	8,986	57,005
Future short-term tax rate adopted	36.10%		36.10%
Future long-term tax rate adopted	34.43%		34.43%
Amount of future tax receivable	16,536		19,627

Note 15 Tax consolidation

On January 1, 2007, Mersen formed a consolidated tax group as defined in Articles 223 A *et seq.* of the French General Tax Code. This tax group chiefly comprises Mersen France SB, Mersen France La Mure, Mersen France Gennevilliers, Mersen France Amiens, Mersen France PY and Mersen Corporate Services.

Tax expense is calculated for each subsidiary every year as if the company were not a member of the tax group. This tax expense thus takes into account the losses recorded by the subsidiary during the period for which it has belonged to the tax group, which it can offset pursuant to ordinary law.

No arrangements have been made for repayment of tax to a loss-making subsidiary based on each subsidiary's current situation. In addition, no compensation is provided for should a loss-making subsidiary leave the group.

The tax benefit recorded by the parent company primarily reflects tax payments made by subsidiaries in profit less the tax liability payable by the tax group to the tax administration.

Subsidiaries are jointly and severally liable for payment of their tax to the French treasury, should Mersen default on payment.

Note 16 Translation adjustments

(€ 000s)	Amounts	o/w set off by hedges or global currency position	o/w deferred foreign exchange gains and losses	Other
Foreign currency translation losses (unrealized)				
On financial fixed assets	1,419	1,419		
On miscellaneous borrowings	1,215	1,215		
TOTAL	**2,634**	**2,634**		
Foreign currency translation gains (unrealized)				
On financial fixed assets	3,464	1,215		2,249
On miscellaneous borrowings	4,007	1,419	2,378	210
TOTAL	**7,471**	**2,634**	**2,378**	**2,459**

Note 17 Treasury shares

Pursuant to the liquidity agreement entered into with Exane-BNP Paribas, the Company held 49,571 treasury shares at December 31, 2012.

Note 18 Information about exceptional items

Exceptional income

(€ 000s)	
Management transactions	
Rebilling of professional fees and expenses	196
Other	11
SUB-TOTAL	**207**
Capital transactions	
Gains on the sale of treasury shares	284
Sale price of the participating interests	95
SUB-TOTAL	**379**
Reversals of impairment on other participating interests	1,583
Reversals of accelerated tax depreciation	19
SUB-TOTAL	**1,602**
TOTAL	**2,188**

Exceptional charges

(€ 000s)	
Management transactions	
Litigation related to the cap on business license tax	183
Professional fees and class-action expenses	360
GPC pensions for non-active workers	324
Other	26
SUB-TOTAL	**893**
Capital transactions	
Losses on the sale of treasury shares	454
Net book value of the other investments sold	1,680
SUB-TOTAL	**2,134**
Allowance for accelerated tax depreciation	34
Addition to the provision for settlement expenses	95
SUB-TOTAL	**129**
TOTAL	**3,156**

Note 19 Information about risk factors

The financial risk management policy is approved by the Management Board based on proposals submitted by the finance department. Currency and commodity hedging transactions are carried out subject to strictly defined procedures.

Liquidity risk

The Company has signed four major borrowing agreements.

A €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through the attached warrants ("OBSAAR" bonds) arranged in November 2007 (please see Note 9 for a detailed description).

A USD85 million private placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million with a final maturity of 12 years. The average duration of the private placement was initially around eight years because it is repayable in installments. The interest paid to investors carries a fixed rate.

A USD100 million private placement was negotiated in November 2011 with a US investor, comprising one USD50 million tranche with a final maturity of 10 years and one USD37.2 million tranche with a final maturity of 8 years, both with a bullet structure. The investor will receive a fixed rate of interest.

A syndicated loan arranged in July 2012 comprising two bullet tranches of €100 million and USD75 million respectively, both with a maturity of five years.

Bilateral loans arranged in July 2012 amounting to €55 million with an average maturity of four years.

Interest-rate risk

The interest-rate risk management policy consists in establishing positions from time to time as a function of the direction of interest rates.

Since the Company considered that interest rates are at low levels by historic standards, it decided to fix part of its cost of debt.

In May 2003, the Group purchased several interest-rate swaps covering an aggregate nominal amount of USD85 million to turn the interest payable on the US private placements into a floating rate. Under the terms of these swaps, the Company receives the interest payable to lenders and pays 3-month USD Libor plus a credit margin. The starting date of the swaps was May 28, 2003, and the swaps have the same duration as the US private placements. The amortization profile of these swaps mirrors that of the US private placements. At December 31, 2008, the swaps had a total nominal amount of USD66.4 million. These swaps were sold again in April 2009, bringing the debt back to a fixed rate.

In June 2009, the Company purchased an interest-rate swap covering an aggregate nominal amount of €39 million to convert the interest due on the OBSAAR borrowings into a fixed rate. Under this swap, the Company receives the interest due to the lenders and pays a fixed rate of 2.815% with a repayment profile and term equivalent to the OBSAAR borrowings.

In September 2012, the Company arranged two interest rate swaps covering nominal amounts of €20 million and GBP10 million in order to convert the interest on part of its medium-term confirmed debt into a fixed rate. Under these swaps, the Company receives the interest due to the lender and pays a fixed rate of 0.6575% for the euro swap and 0.86% for the sterling swap.

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for the largest purchases.

The commodity price risk management policy currently consists in arranging forward commodity purchases with prime banking institutions. These are passed on symmetrically to the subsidiaries involved in commodity purchasing.

Currency risk

The currency risk management policy consists, based on a complete inventory of inter-company and external risks, in arranging forward currency purchases with prime banking institutions.

Except in special cases, the hedges arranged with banks are centralized with the parent company and passed on symmetrically to the relevant subsidiaries to hedge trading flows based either on specific orders or on annual budgets.

The Company does not specifically hedge its net foreign assets.

Note 20 Consolidation

Mersen is fully consolidated by the Mersen group.

LIST OF SUBSIDIARIES AND SHAREHOLDINGS

(€ 000s) Detailed information (gross book value exceeding 1% of the share capital)	Share capital	Shareholders' equity excluding the share capital	% of share capital owned	Carrying amount in Mersen's books		Dividends received by the Company	Loans and advances, net	Guarantees and sureties given
				Gross	Net			
Mersen France SB SAS	40,936	9,387	100	49,589	49,589			
Mersen France Amiens SAS	22,477	(80)	100	25,402	25,402			
Mersen France Gennevilliers SAS	19,896	401	100	19,896	19,896			
Mersen Corporate Services SAS (France)	3,574	674	100	3,646	3,646	248		
Mersen France PY SAS	17,321	(8,047)	100	17,321	9,274			
Mersen France Grésy SAS	1,000	(6,249)	100	4,454	0			
Boostec (France)	1,085	(10)	85.26	5,442	5,442			
Mersen Deutschland FFM AG (Germany)	10,021	15,983	10	1,635	1,635			
Mersen Deutschland Holding GmbH & Co. KG (Germany)	28,700	(9,508)	100	28,700	16,697		414	3,000
Mersen Argentina SA (Argentina)	188	442	97.99	962	807			
Mersen Oceania Pty Ltd (Australia)	865	3,876	100	702	702	1,856		
Mersen do Brasil Ltda (Brazil)	13,132	(9,834)	100	23,847	16,800			
Mersen Canada Dn Ltee/Ltd (Canada)	1,469	11,084	100	1,322	1,322	2,449		
Mersen China Holding Co Ltd (China)	87,135	8,525	100	77,255	77,255			18,247
Mersen Korea Co. Ltd (South Korea)	3,470	8,649	100	12,060	11,540	1,707		
Mersen Ibérica SA (Spain)	2,404	3,118	60	680	680	161		
Mersen Ibérica Bcn SA (Spain)	2,043	(362)	100	2,396	2,396	200		
Mersen USA Bn Corp. (United States)	51,717	45,931	100	68,926	68,926	15,666	54,029	9,000
Mersen UK Holdings Ltd (United Kingdom)	7,628	6,399	100	903	903		4,595	
Mersen Scot. Holding Ltd (United Kingdom)	64,820	(1,361)	100	57,000	57,000		28,979	4,045
Mersen Hellas SA (Greece)	91	(54)	100	758	0			
Mersen India Pvt Ltd (India)	2,719	5,330	100	8,739	8,521			
Mersen Italia Spa (Italy)	4,000	1,320	100	6,090	6,090			
Mersen Fma Japan KK (Japan)	441	3,282	8.70	2,977	917	247		
Mersen Maroc SARL (Morocco)	1,165	172	100	1,186	1,186			
Mersen Mexico Monterrey S. de R.L. de C.V. (Mexico)	1,667	1,501	100	1,149	1,149			1,093
Mersen South Africa Pty Ltd (RSA)	94	2,022	54.77	813	813	247		
Mersen Rus (Russia)	1,162	(553)	100	1,200	600			
Mersen Nordic AB (Sweden)	233	474	100	551	551	592		
Mersen Istanbul Sanayi Urunleri AS (Turkey)	1,212	1,305	100	5,016	2,907			
Total figures (concerning the other subsidiaries and shareholdings)								
Subsidiaries (at least 50%-owned)								
in France				88	21			
outside France				929	727	1,137		
Shareholdings (10% to 50%-owned)								
outside France				217	180	11		
Other shareholdings (less than 10%-owned)				**0**	**0**			
TOTAL				**431,851**	**393,574**	**24,521**	**88,017**	**32,385**

Statutory Auditors' report on the financial statements

Fiscal year ended December 31, 2012

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 on December 31, 2012, on:

- the audit of the accompanying financial statements of Mersen SA,
- the justification of our assessments;
- the specific verifications and disclosures required by law.

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

→ Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require and we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using 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 by management, 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 audit opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2011, and of the results of operations for the year then ended in accordance with the accounting principles generally accepted in France.

→ Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters.

The Company assesses on an annual basis the carrying amount of its participating interests and other fixed assets using the method described in Note 1 to the financial statements on accounting principles and methods. We conducted the assessment of the approach adopted by the Company, which is described in the notes to the financial statements, based on the information available, and conducted tests of how these methods are applied on a test basis.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

Specific verifications and disclosures

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

We have no matters to report concerning the fair presentation and conformity with the financial statements of the information disclosed in the Management Board's management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

With regard to the disclosures provided in accordance with the provisions of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers and on the commitments given to them, we verified their consistency with the financial statements and with the figures used to prepare these financial statements and, where appropriate, with the data gathered by the Company from companies controlling the Company or controlled by it. Based on these procedures, we certify the accuracy and fair presentation of this information.

In accordance with the law, we verified that the management report contains the appropriate disclosures of the identity of the holders of the share capital and voting rights.

The Statutory Auditors

Paris La Défense, March 19, 2013	Neuilly-sur-Seine, March 19, 2013
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

Five-year financial summary

	2012	2011	2010	2009	2008
1. Share capital at year-end					
Capital *(€ 000s)*	40,702	40,577	39,886	39,291	28,595
Number of shares outstanding	20,350,969	20,288,354	19,942,777	19,645,409	14,297,213
Par value of shares *(€)*	2	2	2	2	2
2. Overall result of operations *(€ 000s)*					
Income before tax, depreciation, amortization, charges to provisions and employee profit-sharing[(a)(b)]	21,739	(61,808)	18,560	(12,862)	17,580
Income tax	(1,724)	(1,887)	(1,140)	(641)	(7,376)
Employee profit-sharing	0	0	0	0	0
Net income after tax, depreciation, amortization and charges to provisions	10,649	29,810	14,624	11,641	12,770
Total earnings paid out	9,180	20,288	14,957	9,823	8,864
3. Overall result of operations per share *(€)*					
Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions[(a)(b)]	1.15	(2.95)	0.95	(0.62)	1.75
Net income after tax, depreciation, amortization and provisions	0.52	1.47	0.73	0.59	0.89
Dividend paid on each share	0.45	1.00	0.75	0.50	0.62
4. Employees					
Average headcount	5	5	5	6	6
Total payroll costs *(€ 000s)*	1,040	2,072	1,400	2,967	2,145
Amount paid for welfare benefits *(€ 000s)*	334	627	418	700	565

(a) In 2011, income before tax, employee profit-sharing, depreciation, amortization and charges to provisions was negative because it reflected a non-recurring charge of €83,666 thousand for internal corporate restructuring. This charge was offset by the reversal of a provision for an equivalent amount, which is not included in the calculation of this income or earnings per share.

(b) Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions was negative in 2009 because it reflected an exceptional charge linked to the disposal of the automobile division. This charge was offset by the reversal of a provision, which is not included in the calculation of this ratio.

ADDITIONAL INFORMATION

8

Documents available to the public

→ Documents available for download from the Company's web site: www.mersen.com

The web site provides in-depth information about Mersen's products and markets, together with all the regulated information required, in line with the European Directive on Transparency.

Available documents notably include:

- This registration document as filed with the Autorité des Marchés Financiers;
- the interim 2012 report;
- financial press releases.

→ List of the information published or made public since January 1, 2012

Pursuant to Article 222-7 of the General Regulation of the Autorité des Marchés Financiers, the following list presents the information published by Mersen since January 1, 2012.

Press releases

Jan. 12, 2012: Mersen is awarded a contract with Siemens Energy for the North Sea green energies project

Jan. 24, 2012: 2011 sales up close to 11%, in line with the Group's objectives

March 15, 2012: Substantial improvement in 2011 performance: operating margin before non-recurring items of 12.5%, net income up 50%

April 2, 2012: Mersen attends EWEA 2012, the main European wind energy trade fair

April 12, 2012: Mersen to supply components for the most powerful offshore wind turbines ever built.

April 25, 2012: First-quarter 2012 sales - Growth of 4.5% on a reported basis - Moderate decline in sales on a like-for-like basis

May 3, 2012: Mersen has once again obtained a contract with the operator of the London underground in time for the 2012 Olympic Games.

June 21, 2012: Mersen selected for a contract worth several million euros to supply noble metals critical equipment for the chemicals industry

July 23, 2012: Mersen strengthens its financial position by extending the average maturity of its committed credit lines

July 25, 2012: Mersen: First-half 2012 sales

August 30, 2012: First-half 2012 results

September 19, 2012: Mersen Electronics Investor Day

October 24, 2012: Third-quarter 2012 sales

Nov. 5, 2012: Mersen wins an order worth close to €7 million from AkzoNobel

Presentations

March 15, 2012: Presentation of 2011 full-year results to the financial markets

September 19, 2012: Mersen Capital Market Day on electronics for analysts and investors

Information included by reference

The following information is included by reference in this annual report:

Fiscal 2011

Included in annual report no. D-12-0157 filed with the Autorité des Marchés Financiers on March 14, 2011 are:

- the consolidated financial statements for fiscal 2011 prepared in accordance with the IFRSs in force in 2011, together with the Statutory Auditors' reports on the consolidated financial statements, pages 100 to 149;
- the annual financial statements for 2011, together with the Statutory Auditors' reports on the annual financial statements, pages 152 to 173;
- the 2011 management report, pages 86 to 98.

Fiscal 2010

Included in annual report no. D-11-0133 submitted to the Autorité des Marchés Financiers on March 15, 2011 are:

- the consolidated financial statements for fiscal 2010 prepared in accordance with the IFRSs in force in 2010, together with the Statutory Auditors' reports on the consolidated financial statements, pages 42 to 94;
- the annual financial statements for 2010, together with the Statutory Auditors' reports on the annual financial statements, pages 96 to 116;
- an analysis of the 2010 results on pages 18 to 25.

Officer responsible for the registration document

Luc Themelin, Chairman of the Management Board

Mersen
Immeuble La Fayette, 2 place des Vosges
F-92400 Courbevoie La Défense 5
Tel.: +33 (0)1 46 91 54 19

Statement by the officer

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, these financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, and that the management report on pages 87 to 100 presents a faithful picture of the business trends, earnings and financial position of the Company and of all the entities included in the consolidation, as well as a description of the principal risks and uncertainties they are facing.

I obtained an end-of-assignment letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit ID, stating that they have completed their verification of the information related to the financial position and financial statements provided in the annual report, and read through this entire report.

Luc Themelin

Auditors and fees

Statutory Auditors

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Date of first term: 1986

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Represented by Joël Assayah

KPMG Audit ID
Immeuble Le Palatin - 3, cours du Triangle
92939 La Défense Cedex

Date of first term: 2004

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Represented by Catherine Porta

Alternate Auditors

BEAS
195, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

Date of first term: 2004

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

KPMG Audit IS
Immeuble Le Palatin - 3, cours du Triangle
92939 La Défense Cedex

Date of first term: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Fees paid to the Statutory Auditors and members of their networks by the Group

	2012				2011			
	Deloitte		KPMG		Deloitte		KPMG	
(€ 000s)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
- Statutory audit, certification, review of the individual and consolidated financial statements	866	72%	734	92.5%	810	75%	621	83%
- Other accessory and audit assignments	206	17%	55	6.5%	103	10%	85	11%
SUB-TOTAL	**1,072**	**89%**	**789**	**99%**	**913**	**85%**	**706**	**94%**
Other services, etc.								
- Legal, tax law, labor law	74	6%		0%	77	7%	0	0%
- Other (state where > 10% of audit fees)	58	5 %	4	1%	88	8%	43	6%
SUB-TOTAL	**132**	**11%**	**4**	**1%**	**165**	**15%**	**43**	**6%**
TOTAL	**1,204**	**100.0%**	**793**	**100.0%**	**1,078**	**100%**	**749**	**100%**

Expertise, our source of energy

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