

# 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 Sales/ Purchases Transfers	Open interest on the filing date of the information memorandum					
		Open interest, buy side			Open interest, sell side		
		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:

<i>(in millions of euros)</i>	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%
<b>Net income attributable to Mersen's shareholders</b>	<b>5.6</b>	<b>(1.0)</b>	<b>4.6</b>	<b>-18.5%</b>
<b>Earnings per share</b>	<b>0.28</b>		<b>0.25</b>	<b>-10.7%</b>
<b>Net income from continuing operations, attributable to Group shareholders</b>	<b>33.3</b>	<b>(1.0)</b>	<b>32.3</b>	<b>-3.1%</b>
<b>Net income from continuing operations per share</b>	<b>1.64</b>		<b>1.77</b>	<b>7.8%</b>

## 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%	
<b>TOTAL</b>	<b>20,350,969</b>	<b>100%</b>	<b>100%</b>

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.