Half-year financial report 2013

Mersen

MERSEN

2013 Half-Year Financial Report

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Management report

Consolidated results

Sales

In the first half of 2013, Mersen's consolidated sales totaled €377.0 million. On a like-for-like basis, this was in line with the second half of 2012 but down 9.1% compared with the first half of 2012. The situation improved during the period, with sales in the second quarter up 2.1% over the first quarter on a like-for-like basis.

Economic conditions in Europe in the first half remained lackluster in the process and solar energy industries, but the Group continued to benefit in this region from the SABIC contract and the solid performance of the transportation sector which limited the decline to 2.8%.

In Asia, the sales decrease was mainly due to the shift in the region's chemical market deliveries in the first half of 2012 to Europe, North America and the Middle East. The region also continued to be affected by the slowdown in the solar energy market as well as one-time deliveries of original wind farm equipment. Nevertheless, sales in Asia were up by more than 5% in the second quarter compared with the first.

In the Americas, the decline was limited to 3%, with a slowdown in the process industries and solid performances in the other markets.

In millions of euros	H1 2013	H1 2012 restated(1)	Total growth	Organic growth	*H1 2012 as reported*
Materials segment (AMT)	153.6	176.5	-13.0%	-12.6%	*184.3*
Electrical segment (ECT)	223.4	242.8	-8.0%	-6.6%	*242.8*
GROUP TOTAL	**377.0**	**419.3**	**-10.1%**	**-9.1%**	***427.1***
Europe	142.7	146.6	-2.8%	-2.8%	*150.7*
Asia-Pacific	78.1	109.8	-28.9%	-26.9%	*111.1*
North America	136.3	142.4	-4.3%	-3.0%	*142.4*
Rest of the World	19.9	20.5	-2.6%	-3.9%	*22.9*
GROUP TOTAL	**377.0**	**419.3**	**-10.1%**	**-9.1%**	***427.1***

(1) Sales figures restated for businesses held for sale.

Sales in the Materials segment fell by 12.6% on a like-for-like basis. This decline was due to the slowdown in the solar energy market and in particular a drop in deliveries to polysilicon manufacturers. Excluding solar energy, the organic decline was limited to 2.1%. This segment benefited from continued substantial deliveries to the chemicals. The aeronautical business continues to grow, driven by increased production rates. By contrast, sales to process industries declined.

Business volume in the Electrical segment was down 6.6% on a like-for-like basis. In Europe, this decline mainly affected the process industries. Sales for the rail transportation market were unchanged from the same period last year while the wind energy sector was down due to the non-recurrence of OEM contracts. At the end of the first half, demand had picked up again in North America and Asia, particularly Japan.

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EBITDA and operating income before non-recurring items

In millions of euros	H1 2013	H1 2012 restated(1)	*H1 2012 as reported*
Operating income before non-recurring items(2)	30.6	46.9	*44.4*
Impairment, depreciation and amortization	20.4	19.6	*19.8*
EBITDA	**51.0**	**66.5**	***64.2***
% of sales	*13.5%*	*15.9%*	*15.0%*

Group EBITDA(3) was €51.0 million in the first half of 2013, down 23% compared with the same period in 2012, restated.

EBITDA margin was 13.5%, down 2.4 points year-on-year. 3.9 points of this lower margin was due to a decrease in business (on a like-for-like basis) and a less positive product mix, while the impact of lower prices accounted for 0.6 point. However, these two effects were partly offset by the productivity and fixed cost control plan.

The same trend was evident in the operating margin before non-recurring items, which fell to 8.1% of sales, 3.1 points lower than in 2012, restated.

In millions of euros	H1 2013	H1 2012 restated(1)	Change	*H1 2012 as reported*
Sales	377.0	419.3	-10.0%	*427.1*
Gross margin	110.5	129.2	-14.5%	*129.2*
as a % of sales	*29.3%*	*30.8%*		*30.3%*
Selling, marketing and other costs	(38.2)	(39.0)	-2.3%	*(40.6)*
Administrative and R&D costs	(41.7)	(43.3)	-3.4%	*(44.2)*
Total fixed costs (excluding production)	(79.9)	(82.3)	-2.9%	*(84.8)*
Operating income before non-recurring items	**30.6**	**46.9**	**-34.8%**	***44.4***
as a % of sales	*8.1%*	*11.2%*		*10.4%*

Gross margin fell because of weaker coverage of fixed production costs – particularly depreciation – as business levels declined.

Fixed costs (excluding production) were down following implementation of the plans to align costs with changed market conditions.

(1) The data published for fiscal 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Materials segment (AMT) at the end of 2012.

(2) Based on definition 2009.R.03 of the French National Accounting Board (CNC)

(3) Operating income before non-recurring items + depreciation and amortization.

Net income

Net income attributable to Group equity holders came in at €11.5 million, versus €23.0 million in the same period in 2012 restated.

In millions of euros	H1 2013	H1 2012 restated(1)	*H1 2012 as reported*
Operating income before non-recurring items	**30.6**	**46.9**	***44.4***
Non-recurring income and expenses, net	(4.4)	(2.3)	*(2.4)*
Amortization and impairment of revalued intangible assets	(0.6)	(0.4)	*(0.4)*
Operating income	**25.6**	**44.2**	***41.6***
Net finance costs	(5.6)	(6.6)	*(6.6)*
Income tax	(6.3)	(11.9)	*(11.7)*
Net income from continuing operations	**13.7**	**25.7**	***23.3***
Net (loss)/income from operations sold or discontinued	(1.7)	(2.3)	*(0.4)*
Consolidated net income	**12.0**	**23.4**	***22.9***
Net income attributable to Group equity holders	***11.5***	***23.0***	***22.5***

(1) *The data published for fiscal 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Materials segment (AMT) at the end of 2012.*

The main items in the consolidated income statement are as follows:

- Non-recurring income and expenses resulted in a net charge of €4.4 million, mainly for restructuring costs related to the adaptation plans.
- Amortization of revalued intangible assets amounted to -€0.6 million.
- Mersen's net finance costs totaled -€5.6 million in the first half of 2013, lower than for the same period in 2012 due to a drop in average net debt of €18 million at constant exchange rates.
- The tax charge was €6.3 million for the first half, giving an effective tax rate of 31% (versus 33% in the first half of 2012).
- Net loss from operations sold or discontinued amounted to -€1.7 million. This includes the contribution to first-half 2013 of activities in metal boilermaking equipment for the nuclear power market, metal plate heat exchangers, and stirrers and mixers. The plan to sell these activities was announced in February 2013. On July 8, 2013, Mersen announced the sale to the Nawi group of its activities in metal boilermaking equipment for the nuclear power market.

CASH AND DEBT

Condensed statement of cash flows

In thousands of euros	H1 2013	H1 2012 restated(1)	*H1 2012 as reported*
Net cash from operating activities before change in WCR	47.0	62.9	*61.2*
Change in working capital	(12.1)	(5.3)	*(7.8)*
Change in income tax	(11.7)	(13.7)	*(13.7)*
Net cash from discontinued operations	(6.4)	(4.2)	*--*
Net cash from operating activities	**16.8**	**39.7**	***39.7***
Capital expenditure	(12.1)	(14.7)	*(14.7)*
Net cash from continuing operations after capital expenditure	**4.7**	**25.0**	***25.0***
Impact of changes in the scope of consolidation	0.7	(26.9)	*(26.9)*
Disposals of non-current assets and other	0.4	(0.7)	*(0.7)*
Net cash from/(used by) operating and investing activities	**5.8**	**(2.6)**	***(2.6)***
Interest paid	(5.6)	(6.3)	*(6.3)*
Dividends paid	(0.4)	(0.1)	*(0.1)*
Issue of new shares and other	(3.8)		
Net cash flow before change in debt	**(4.0)**	**(9.0)**	***(9.0)***

(1) The data published for fiscal 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Materials segment (AMT) at the end of 2012.

Net cash from operating activities was down compared with the first half of 2012 due to a substantial increase in WCR. This increase was related to a temporary negative impact on the sequencing of cash flow on the SABIC contract. Besides, the increase of trade receivables was related to seasonal sales fluctuations.

Capital expenditure amounted to €12.1 million and related for around 60% to the Materials segment (graphite transformation capabilities).

The Group's buyback of its own shares in May 2013 came to €3.8 million.

Balance sheet

Net debt at June 30, 2013 was €242.8 million, close to the €241.5 million recorded at the end of 2012.

The Group maintained its sound financial structure. At the end of the period, net debt/EBITDA leverage was 2.33* (versus 2.07* at end-2012) and net debt/equity ratio (gearing) was 47%* versus 45%* at end-2012.

	June 30, 2013	December 31, 2012
Total net debt *(in millions of euros)*	242.8	241.5
Net debt/equity*	0.47	0.45
Net debt/EBITDA*	2.33	2.07

Application of the revised IAS 19 *Employee Benefits* resulted in the following impacts on the financial statements at December 31, 2012:

- Increase in pension obligations of €40.9 million
- Decline in shareholders' equity of €28.4 million

Recent trends and outlook for 2013

Recent trends

On July 8, 2013, Mersen announced the sale of its business at the Grésy-sur-Aix plant to the Nawi Group, specialists in boilermaking equipment for the nuclear power industry.

Outlook

The Group confirms its forecasts for 2013, as reported at the end of July, namely:

- a decline in sales of around 5% on a like-for-like basis,
- EBITDA margin between 13% and 13.5%,
- operating margin before non-recurring items between 8% and 8.5%.

* *Based on the calculation of covenants of private placements of $100 million issued in November 2011 and the Group syndicated loan renewed in July 2012*

Consolidated financial statements

Changes in the scope of consolidation

during the past two years

The principal changes that affected the consolidated financial statements in 2012 and 2013 are presented below:

- During fiscal 2012:
  - Mersen France SB S.A.S acquired a 100% stake in French company Eldre SAS, which was consolidated for the first time on January 1, 2012.
  - Mersen USA Holding Corp. acquired a 100% stake in U.S. company Eldre Corporation, which was consolidated for the first time on January 1, 2012.
  - Mersen Colombia was consolidated for the first time on January 1, 2012.
  - Mersen Maroc S.A.R.L. was consolidated for the first time on January 1, 2012.
- During the first half of 2013:
  - Mersen Schweiz AG was consolidated for the first time on January 1, 2013.

Given that these changes in scope were not material, no pro forma financial statements were prepared.

Assets held for sale: non-strategic assets in the Advanced Materials and Technologies segment

In order to focus on its core businesses, in December 2012 the Group decided to sell a number of unprofitable businesses resulting from acquisitions made over the last 10 years.

These are presented in accordance with IFRS 5, and the financial statements as at June 30, 2012 are presented as restated.

IFRS

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Pursuant to European Regulation 1606-2002 applicable to the consolidated financial statements of listed European companies, and because of its listing in a European member state, the Mersen Group's consolidated financial statements have been published in compliance with IFRSs since initial application in fiscal 2005.

CONSOLIDATED INCOME STATEMENT

In millions of euros	Note	June 30, 2013	June 30, 2012 restated (*)
CONTINUING OPERATIONS			
Consolidated sales	12	377.0	419.3
Cost of sales		(266.5)	(290.1)
Total gross margin		**110.5**	**129.2**
Selling and marketing costs		(38.0)	(38.9)
Administrative and research costs		(41.7)	(43.3)
Other operating costs		(0.2)	(0.1)
Operating income before non-recurring items	**12**	**30.6**	**46.9**
Non-recurring charges	11	(5.5)	(2.3)
Non-recurring income	11	1.1	0.0
Amortization of revalued intangible assets		(0.6)	(0.4)
Operating income	**12**	**25.6**	**44.2**
Financial expense		(5.6)	(6.6)
Financial income		0.0	0.0
Net finance costs		**(5.6)**	**(6.6)**
Income before tax and non-recurring items		**20.0**	**37.6**
Current and deferred income tax	14	(6.3)	(11.9)
Net income from continuing operations		**13.7**	**25.7**
Net income from assets held for sale or discontinued operations	3	(1.7)	(2.3)
Net income for the year		**12.0**	**23.4**
Attributable to:			
- Group equity holders		11.5	23.0
- Minority interests		0.5	0.4
NET INCOME FOR THE PERIOD		**12.0**	**23.4**
Earnings per share	**15**		
Basic earnings per share *(EUR)*		0.57	1.13
Diluted earnings per share *(EUR)*		0.55	1.09
Earnings per share from continuing operations			
Basic earnings per share *(EUR)*		0.65	1.25
Diluted earnings per share *(EUR)*		0.63	1.21
Earnings per share from assets held for sale or discontinued operations			
Basic earnings per share *(EUR)*		(0.09)	(0.12)
Diluted earnings per share *(EUR)*		(0.08)	(0.11)

(*) The income statement at June 30, 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Advanced Materials and Technologies segment at the end of 2012 (Note 2e)

Condensed statement of comprehensive income

In millions of euros	June 30, 2013	June 30, 2012 restated (*)
NET INCOME FOR THE PERIOD	12.0	23.4
Items that will not be subsequently reclassified in income		
Revaluation of net liabilities (assets) for defined benefits (Employee benefits)	11.3	(12.1)
Income tax expense (benefit) on items that will not be reclassified in income	(3.9)	3.9
	7.4	**(8.2)**
Items likely to be subsequently reclassified in income		
Change in fair value of hedging instruments	(0.7)	(0.1)
Change in balance sheet items at period-end exchange rate	(1.0)	7.5
Income tax expense (benefit) on items likely to be reclassified in income	0.2	(0.1)
	(1.5)	**7.3**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	5.9	(0.9)
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	17.9	22.5
Attributable to:		
- Group equity holders	17.4	22.0
- Minority interests	0.5	0.5
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	17.9	22.5

(*) The condensed statement of comprehensive income at June 30, 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Advanced Materials and Technologies segment at the end of 2012 (Note 2e).

STATEMENT OF FINANCIAL POSITION

Assets

In millions of euros	Note	June 30, 2013	Dec. 31, 2012 restated (*)
NON-CURRENT ASSETS			
Intangible assets	4 and 5		
- Goodwill		269.4	269.7
- Other intangible assets		39.1	40.1
Property, plant and equipment	4 and 5		
- Land		29.1	29.4
- Buildings		64.3	62.7
- Plant, equipment and other assets		185.1	189.4
- Assets under construction		25.2	30.3
Non-current financial assets			
- Investments		3.3	3.3
- Non-current derivatives		0.1	0.0
- Other financial assets		3.3	7.0
Non-current tax assets			
- Deferred tax assets	14	34.8	32.2
- Long-term portion of current tax assets		5.3	3.7
TOTAL NON-CURRENT ASSETS		**659.0**	**667.8**
CURRENT ASSETS			
- Inventories		171.6	173.6
- Trade receivables		124.0	112.3
- Other receivables		18.4	14.4
- Short-term portion of current tax assets		11.0	7.6
- Other current assets			
- Current financial assets	9	9.5	7.0
- Current derivatives		1.2	1.7
- Cash and cash equivalents	9	19.6	21.4
- Assets held for sale or discontinued operations	3	8.2	5.6
TOTAL CURRENT ASSETS		**363.5**	**343.6**
TOTAL ASSETS		**1,022.5**	**1,011.4**

(*) The statement of financial position at December 31, 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits)(Note 2e).

Liabilities

In millions of euros	Note	June 30, 2013	Dec. 31, 2012 restated*
EQUITY			
- Share capital	6	40.8	40.7
- Premiums and retained earnings		467.7	467.3
- Net income for the period		11.5	6.5
- Cumulative translation adjustments		(26.8)	(25.8)
EQUITY ATTRIBUTABLE TO MERSEN SHAREHOLDERS		**493.2**	**488.7**
- Minority interests		10.5	10.5
EQUITY		**503.7**	**499.2**
NON-CURRENT LIABILITIES			
- Non-current provisions	7	0.8	0.7
- Employee benefits	8	65.5	77.1
- Deferred tax liabilities	14	23.4	19.7
- Long- and medium-term borrowings	9	217.2	234.3
- Non-current derivatives		1.1	1.9
TOTAL NON-CURRENT LIABILITIES		**308.0**	**333.7**
CURRENT LIABILITIES			
- Trade payables		58.7	60.5
- Other payables		61.2	58.7
- Current provisions	7	3.5	2.6
- Short-term portion of current tax assets		8.6	6.8
- Other liabilities	7	11.7	2.1
- Other current financial liabilities	9	12.8	10.3
- Current derivatives		1.5	0.7
- Current advances	9	0.8	
- Bank overdrafts	9	41.1	25.3
- Liabilities associated with assets held for sale or discontinued operations	3	10.9	11.5
TOTAL CURRENT LIABILITIES		**210.8**	**178.5**
TOTAL LIABILITIES AND EQUITY		**1,022.5**	**1,011.4**

(*) The statement of financial position at December 31, 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits)(Note 2e).

CHANGES IN EQUITY

In millions of euros	Attributable to Mersen shareholders						
	Share capital	Premiums and reserves	Earnings	Cumulative translation adjustment	Total	Minority interests	Equity
PREVIOUSLY REPORTED BALANCE AT JANUARY 1, 2012	**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 period			22.5		22.5	0.4	22.9
Change in fair value of hedging derivatives, net of taxes		(0.2)			(0.2)		(0.2)
Cumulative translation adjustment				7.4	7.4	0.1	7.5
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**(0.2)**	**0.0**	**7.4**	**7.2**	**0.1**	**7.3**
COMPREHENSIVE INCOME FOR THE PERIOD, AS REPORTED	**0.0**	**(0.2)**	**22.5**	**7.4**	**29.7**	**0.5**	**30.2**
Net income for the period restated for revised IAS 19			0.5		0.5		0.5
Revaluation of net liabilities (assets) for defined benefits after tax			(8.2)		(8.2)		(8.2)
COMPREHENSIVE INCOME FOR THE PERIOD, RESTATED	**0.0**	**(0.2)**	**14.8**	**7.4**	**22.0**	**0.5**	**22.5**
Dividends paid		(20.3)			(20.3)	(0.1)	(20.4)
Issue of new shares					0.0		0.0
Expenses on issue of new shares					0.0		0.0
Treasury shares		1.0			1.0		1.0
Change in minority interests					0.0		0.0
Other items					0.0		0.0
EQUITY AT JUNE 30, 2012	**40.6**	**493.2**	**14.8**	**(13.4)**	**535.2**	**10.8**	**546.0**
EQUITY AT DECEMBER 31, 2012, AS REPORTED	**40.7**	**496.6**	**5.6**	**(25.8)**	**517.1**	**10.5**	**527.6**
Revaluation of net liabilities (assets) for defined benefits after tax		(29.3)	0.9		(28.4)		(28.4)
EQUITY AT DECEMBER 31, 2012, RESTATED	**40.7**	**467.3**	**6.5**	**(25.8)**	**488.7**	**10.5**	**499.2**
Prior-period net income		6.5	(6.5)		0.0		0.0
Net income for the period			11.5		11.5	0.5	12.0
Change in fair value of hedging derivatives, net of taxes		(0.5)			(0.5)		(0.5)
Cumulative translation adjustment				(1.0)	(1.0)		(1.0)
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**(0.5)**	**0.0**	**(1.0)**	**(1.5)**	**0.0**	**(1.5)**
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**(0.5)**	**11.5**	**(1.0)**	**10.0**	**0.5**	**10.5**
Revaluation of net liabilities (assets) for defined benefits after tax		7.4			7.4		7.4
COMPREHENSIVE INCOME FOR THE PERIOD, RESTATED	**0.0**	**6.9**	**11.5**	**(1.0)**	**17.4**	**0.5**	**17.9**
Dividends not yet paid		(9.0)			(9.0)	(0.4)	(9.4)
Issue of new shares	0.1				0.1		0.1
Expenses on issue of new shares					0.0		0.0
Treasury shares — Stock options — Bonus shares		(3.9)			(3.9)		(3.9)
Other items		(0.1)			(0.1)	(0.1)	(0.2)
EQUITY AT JUNE 30, 2013	**40.8**	**467.7**	**11.5**	**(26.8)**	**493.2**	**10.5**	**503.7**

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	June 30, 2013	June 30, 2012 restated*
Income before tax	20.0	37.2
Depreciation and amortization	20.4	19.7
Additions to/(write-backs from) provisions	1.7	(0.5)
Net finance costs	5.6	6.5
Capital gains/(losses) on asset disposals	0.1	0.0
Other	(0.8)	0.0
Net cash from operating activities before change in WCR	**47.0**	**62.9**
Change in working capital requirement	(12.1)	(5.3)
Income tax paid	(11.7)	(13.7)
Net cash from continuing operations	**23.2**	**43.9**
Net cash from discontinued operations	**(6.4)**	**(4.2)**
Net cash from operating activities	**16.8**	**39.7**
Investing activities		
Intangible assets	(0.3)	(0.2)
Property, plant and equipment	(11.0)	(16.5)
Financial assets		(0.9)
Impact of changes in the scope of consolidation	0.7	(26.9)
Other changes in net cash from/(used by) investing activities	(0.4)	2.2
Net cash from/(used by) investing activities from continuing operations	**(11.0)**	**(42.3)**
Net cash from/(used by) investing activities from discontinued operations	0.0	0.0
Net cash from/(used by) investing activities	**(11.0)**	**(42.3)**
Net cash from/(used by) operating and investing activities	**5.8**	**(2.6)**
Proceeds from issue of new shares and other changes in equity	(3.8)	0.0
Net dividends paid to shareholders and minority interests	(0.4)	(0.1)
Interest payments	(5.6)	(6.3)
Change in debt (Note 9)	2.2	(4.9)
Net cash from/(used by) financing activities	**(7.6)**	**(11.3)**
Change in cash	**(1.8)**	**(13.9)**
Cash at beginning of period (Note 9)	21.4	52.2
Cash at end of period (Note 9)	19.6	39.4
Impact of changes in the scope of consolidation	(0.2)	(0.8)
Impact of currency fluctuations	0.2	(0.3)
CHANGE IN CASH	**(1.8)**	**(13.9)**

(*) The cash flow statement at June 30, 2012 has been restated to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Advanced Materials and Technologies segment at the end of 2012 (Note 2e).

Appendix

Notes to the consolidated financial statements

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Note 1 Statement of compliance

In accordance with EC Regulation 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 IFRSs *(International Financial Reporting Standards)*, because the Group is listed in a European Union member state.

The standards and interpretations applicable from January 1, 2013 are stated in Note 2.

The options adopted by the Group are stated in Note 2 of the 2012 Reference document.

The interim consolidated financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not contain all information required in the full annual financial statements and must be read in conjunction with the Group’s financial statements for the year ended December 31, 2012, available at www.mersen.com.

The interim consolidated financial statements for the six months ended June 30, 2013 have been prepared using the recognition and measurement principles stated in the IFRSs adopted for use in the European Union on the same date.

Note 2 Principles and methods

The accounting methods described in the principles and methods provided in the 2012 reference document have been applied consistently to all periods presented in the consolidated financial statements and systematically by all Group entities with the exception of the change in accounting method described in Note 2.

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 balance sheet date. These estimates and assumptions are made based on past experience and various other factors. The current backdrop of a severe deterioration in the economic and financial environment has made it hard 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 balance-sheet 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.

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 that period, or during the period of the change and subsequent periods if the latter are also affected by the change.

Note 3 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.

Note 5 concerns 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 of the relevant units taking discount rates into account.

Notes 7 and 8 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 14 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 process for collecting 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.

Change in accounting methods

The Group has adopted the following standards and amendments, which include any consequential amendment to other standards whose date of initial application was January 1, 2013.

IFRS 10 *Consolidated Financial Statements* (2011), IFRS 11 *Partnerships* (see (a))

IFRS 13 *Fair Value Measurement* (see (b))

Presentation of Other Comprehensive Income (amendment to IAS 1) (see (c))

IAS 19 *Employee Benefits* (2011) (see (d))

The nature and impact of the changes are detailed below.

a) Subsidiaries and partnerships

IFRS 10 introduces a single control model for determining whether an investment entity should be consolidated. Under IFRS 11, even though the type of partnership is still an important consideration, it is no longer key to its accounting qualification and therefore its subsequent recognition.

These changes have not led to a revision of the Group's conclusions regarding its scope of consolidation nor to a change in the recognition of some of its entities.

b) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and related disclosures when this is required or made possible by other IFRSs. Under this standard, the single definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The standard replaces and develops the disclosures relating to the fair value measurement of other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. Some of this information with respect to financial instruments is necessary to prepare interim financial statements. The Group has therefore included additional information (see Note 10).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new provisions on fair value measurement prospectively, and has not produced comparative data for the new disclosures. Consequently, the amendments have not had a material impact on the measurement of the Group's assets and liabilities.

c) Presentation of other comprehensive income

Following the amendment to IAS 1, the Group has modified the presentation of other comprehensive income in the condensed statement of comprehensive income in order to present items needing to be reclassified into net income separately from items that will never be reclassified. Comparative information has also been presented in this manner.

The adoption of the amendment to IAS 1 has had no impact on recognized assets and liabilities and the Group's comprehensive income.

d) Defined benefit plans

- The amendments to IAS 19 *Employee Benefits* were published by the IASB on June 16, 2011 and adopted by the EU on June 5, 2012. These amendments are mandatory from January 1, 2013, with retrospective effect from January 1, 2012. The main impacts for the Group are as follows:
- Elimination of the corridor method for recognizing in the income statement the amortization of actuarial gains and losses arising in employee defined benefits plans: actuarial gains and losses not recognized at December 31, 2011 have therefore been recognized against consolidated shareholders' equity from January 1, 2012;
- Actuarial gains and losses generated after January 1, 2012 are immediately recognized in other items of the overall income statement and will never be restated in the income statement. Accordingly, the consolidated financial statements for fiscal 2012 have been adjusted for the reversal of the amortization of actuarial gains and losses in payroll costs and the recognition of actuarial gains and losses generated in 2012 in non-recyclable OCI (Other Comprehensive Income).
- The cost of past services resulting from changes or reductions to the plan from January 1, 2012 is recognized entirely in the profit and loss statement. Consequently, past service costs not amortized at December 31, 2011 have been recognized against consolidated shareholders' equity from January 1, 2012.
- The expected return from plan assets is assessed by using the discount rate used for the valuation of the commitments.

The elimination of the corridor method and other spreading mechanisms used up to now by the Group have a material impact on employee benefits and the shareholders' equity of the Group in the balance sheet.

Restating the key 2012 indicators has resulted in:

- a decline in shareholders' equity at December 31, 2012 of €28.4 million; and
- an increase in net profit for fiscal 2012 of €0.9 million (€0.5 million at June 30, 2012) with an increase in 2012 operating income of €1.4 million (€0.7 million at June 30, 2012).

The retrospective application of the amendments to IAS 19 *Employee Benefits* has led to restatement of the 2012

e) Summary of the quantitative impact of changes in accounting method

The following tables summarize the material impact of changes in accounting methods on the Group's financial position, comprehensive income and cash flows.

The restated financial statements were impacted by a single change in accounting method relating to the revised IAS 19. In accordance with IFRS 5, *Comprehensive income* and *Cash flows* were also restated for the unprofitable assets of the Advanced Materials and Technologies segment which, at the end of 2012, the Group decided to sell in order to focus on its core businesses (See Note 3).

Change in June 2012 results from reported to restated

In millions of euros	June 30, 2012 restated	IFRS 5	IAS 19 revised	June 30, 2012 reported
CONTINUING OPERATIONS				
Consolidated sales	419.3	(7.8)		427.1
Cost of sales	(290.1)	7.1	0.7	(297.9)
Total gross margin	**129.2**	**(0.7)**	**0.7**	**129.2**
Selling and marketing costs	(38.9)	1.6		(40.5)
Administrative and research costs	(43.3)	0.9		(44.2)
Other operating costs	(0.1)	0.0		(0.1)
Operating income before non-recurring items	**46.9**	**1.8**	**0.7**	**44.4**
Non-recurring charges	(2.3)	0.1		(2.4)
Non-recurring income	0.0	0.0		0.0
Amortization of revalued intangible assets	(0.4)	0.0		(0.4)
Operating income	**44.2**	**1.9**	**0.7**	**41.6**
Financial expense	(6.6)	0.0		(6.6)
Financial income	0.0	0.0		
Finance costs	(6.6)	0.0		(6.6)
Net finance costs	**(6.6)**	**0.0**	**0.0**	**(6.6)**
Income before tax and non-recurring items	**37.6**	**1.9**	**0.7**	**35.0**
Current and deferred income tax	(11.9)	0.0	(0.2)	(11.7)
Net income from continuing operations	**25.7**	**1.9**	**0.5**	**23.3**
Net income from assets held for sale or discontinued operations	(2.3)	(1.9)		(0.4)
Net income for the year	**23.4**	**0.0**	**0.5**	**22.9**
Attributable to:		0.0		
- Group equity holders	23.0	0.0	0.5	22.5
- Minority interests	0.4	0.0		0.4
NET INCOME FOR THE PERIOD	**23.4**	**0.0**	**0.5**	**22.9**
Earnings per share				
Basic earnings per share *(EUR)*	1.13			1.11
Diluted earnings per share *(EUR)*	1.09			1.07
Earnings per share from continuing operations				
Basic earnings per share *(EUR)*	1.25			1.13
Diluted earnings per share *(EUR)*	1.21			1.09
Earnings per share from assets held for sale or discontinued operations				
Basic earnings per share *(EUR)*	(0.12)			(0.02)
Diluted earnings per share *(EUR)*	(0.11)			(0.02)

Change from the condensed statement of comprehensive income

In millions of euros	June 30, 2012 restated	IFRS 5	IAS 19 revised	June 30, 2012 reported
NET INCOME FOR THE PERIOD	**23.4**		**0.5**	**22.9**
Items that will not be subsequently reclassified in income				
Revaluation of net liabilities (assets) for defined benefits	(12.1)		(12.1)	
Income tax expense (benefit) on items that will not be reclassified in income	3.9		3.9	
	(8.2)	**0.0**	**(8.2)**	
Items likely to be subsequently reclassified in income				
Change in fair value of hedging instruments	(0.1)			(0.1)
Change in balance sheet items at period-end exchange rate	7.5			7.5
Income tax expense (benefit) on items likely to be reclassified in income	(0.1)			(0.1)
	7.3		**0.0**	**7.3**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	**(0.9)**	**0.0**	**(8.2)**	**7.3**
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**22.5**	**0.0**	**(7.7)**	**30.2**
Attributable to:				
- Group equity holders	22.0		(7.7)	29.7
- Minority interests	0.5			0.5
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**22.5**	**0.0**	**(7.7)**	**30.2**

Change in the 2012 statement of financial position from reported to restated

ASSETS

In millions of euros	Dec. 31, 2012 restated	IAS 19 revised	Dec. 31, 2012 reported
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	269.7		269.7
- Other intangible assets	40.1		40.1
Property, plant and equipment			
- Land	29.4		29.4
- Buildings	62.7		62.7
- Plant, equipment and other assets	189.4		189.4
- Assets under construction	30.3		30.3
Non-current financial assets			
- Investments	3.3		3.3
- Non-current derivatives	0.0		
- Other financial assets	7.0		7.0
Non-current tax assets			
- Deferred tax assets	32.2	3.2	29.0
- Long-term portion of current tax assets	3.7		3.7
TOTAL NON-CURRENT ASSETS	**667.8**	**3.2**	**664.6**
CURRENT ASSETS			
- Inventories	173.6		173.6
- Trade receivables	112.3		112.3
- Other receivables	14.4		14.4
- Short-term portion of current tax assets	7.6		7.6
- Other current assets			
- Current financial assets	7.0		7.0
- Current derivatives	1.7		1.7
- Financial assets			
- Cash and cash equivalents	21.4		21.4
- Assets held for sale or discontinued operations	5.6		5.6
TOTAL CURRENT ASSETS	**343.6**	**0.0**	**343.6**
TOTAL ASSETS	**1,011.4**	**3.2**	**1,008.2**

LIABILITIES

In millions of euros	Dec. 31, 2012 restated	IAS 19 revised	Dec. 31, 2012
EQUITY			
- Share capital	40.7		40.7
- Premiums and retained earnings	467.3	(29.3)	496.6
- Net income for the period	6.5	0.9	5.6
- Cumulative translation adjustments	(25.8)		(25.8)
EQUITY ATTRIBUTABLE TO MERSEN SHAREHOLDERS	**488.7**	**(28.4)**	**517.1**
- Minority interests	10.5		10.5
EQUITY	**499.2**	**(28.4)**	**527.6**
NON-CURRENT LIABILITIES			
- Non-current provisions	0.7		0.7
- Employee benefits	77.1	40.9	36.2
- Deferred tax liabilities	19.7	(9.3)	29.0
- Long- and medium-term borrowings	234.3		234.3
- Non-current derivatives	1.9		1.9
TOTAL NON-CURRENT LIABILITIES	**333.7**	**31.6**	**302.1**
CURRENT LIABILITIES			
- Trade payables	60.5		60.5
- Other payables	58.7		58.7
- Current provisions	2.6		2.6
- Short-term portion of current tax assets	6.8		6.8
- Other liabilities	2.1		2.1
- Other current financial liabilities	10.3		10.3
- Current derivatives	0.7		0.7
- Current advances			
- Bank overdrafts	25.3		25.3
- Liabilities associated with assets held for sale or discontinued operations	11.5		11.5
TOTAL CURRENT LIABILITIES	**178.5**		**178.5**
TOTAL LIABILITIES AND EQUITY	**1,011.4**	**3.2**	**1,008.2**

Change in the Cash Flow Statement

In millions of euros	June 30, 2012 restated	IFRS 5	IAS 19 revised	June 30, 2012 reported
Income before tax	37.2	1.9	0.7	34.6
Depreciation and amortization	19.7	(0.1)		19.8
Additions to/(write-backs from) provisions	(0.5)	(0.1)	(0.7)	0.3
Net finance costs	6.5	0.0		6.5
Capital gains/(losses) on asset disposals	0.0	0.0		
Other	0.0	0.0		
Net cash from operating activities before change in WCR	**62.9**	**1.7**	**0.0**	**61.2**
Change in working capital requirement	(5.3)	2.5		(7.8)
Income tax paid	(13.7)	0.0		(13.7)
Net cash from continuing operations	**43.9**	**4.2**	**0.0**	**39.7**
Net cash from discontinued operations	**(4.2)**	**(4.2)**		
Net cash from operating activities	**39.7**	**0.0**	**0.0**	**39.7**
Investing activities				
Intangible assets	(0.2)	0.0		(0.2)
Property, plant and equipment	(16.5)	0.0		(16.5)
Financial assets	(0.9)	0.0		(0.9)
Impact of changes in the scope of consolidation	(26.9)	0.0		(26.9)
Other changes in net cash from/(used by) investing activities	2.2	0.0		2.2
Net cash from/(used by) investing activities from continuing operations	**(42.3)**	**0.0**		**(42.3)**
Net cash from/(used by) investing activities from discontinued operations	**0.0**			
Net cash from/(used by) investing activities	**(42.3)**			**(42.3)**
Net cash from/(used by) operating and investing activities	**(2.6)**			**(2.6)**
Net dividends paid to shareholders and minority interests	(0.1)			(0.1)
Interest payments	(6.3)			(6.3)
Change in debt	(4.9)			(4.9)
Net cash from/(used by) financing activities	**(11.3)**			**(11.3)**
Change in cash	**(13.9)**			**(13.9)**
Cash at beginning of period	52.2			52.2
Cash at end of period	39.4			39.4
Impact of changes in the scope of consolidation	(0.8)			(0.8)
Impact of currency fluctuations	(0.3)			(0.3)
CHANGE IN CASH	**(13.9)**			**(13.9)**

Note 3 Assets held for sale or discontinued operations

Assets of the Advanced Materials and Technologies segment

To focus on its core businesses, at the end of 2012 the Group decided to sell a number of unprofitable assets resulting from recent acquisitions. The affected assets in the Advanced Materials and Technologies segment were:

- Metal boilermaking equipment for the nuclear power market, whose development prospects were severely compromised by the Fukushima disaster;
- Metal plate heat exchangers, and stirrers and mixers. The Group noted that initial plans to develop these product lines could not be carried out and that possible synergies, both technical and commercial, with other activities in the Advanced Materials and Technologies segment were now very limited.

The assets currently being sold are:

- Mersen Grésy France
- the Brignais plant (Mersen France Py) in France

The Group also decided to discontinue its operations at the Mersen-Xianda plant in China and its development plans for the nuclear power market.

The group of affected assets was consequently presented and evaluated under IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*.

Given the planned terms of sale:

- Cash flow and debt from sold assets and liabilities have been excluded from the financial statements below. As a result, the cost of debt has been excluded from the income statement,
- The entities are part of the French tax consolidation structure; no tax was calculated on these companies in respect of their income which directly benefited the parent company,
- The impairment shown on the balance sheet relates to net assets held for sale or discontinued operations; it has been calculated by comparing the net carrying amount of these assets and liabilities with their realizable value. As a result, impairment losses, plus selling costs, amounted to €20 million after tax. Tax income on sale losses has been calculated and is presented in the income statement of the assets held for sale.

On July 8, 2013, Mersen announced the sale of Mersen Grésy France to the Nawi group.

A tax benefit was recognized in the amount of €2.7 million.

Impairment losses recorded at the end of December 2012 remained the same.

In accordance with the standard, assets and liabilities held for sale or discontinued operations are presented on a separate line on the Group's balance sheet.

Overview of assets held for sale or discontinued operations

ASSETS

In millions of euros	June 30, 2013	Dec. 31, 2012
- Financial assets	0.2	0.1
- Inventories	0.5	2.4
- Trade receivables	5.3	4.1
- Customer pre-payments	(4.0)	(4.8)
- Other receivables	0.5	0.7
- Deferred tax	5.7	3.1
ASSETS HELD FOR SALE OR DISCONTINUED OPERATIONS	**8.2**	**5.6**

LIABILITIES

In millions of euros	June 30, 2013	Dec. 31, 2012
- Employee benefits	0.8	0.6
- Non-current provisions	1.8	0.9
- Trade payables	2.5	4.8
- Other payables	2.3	1.8
- Current provisions	3.5	3.4
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE OR DISCONTINUED OPERATIONS	**10.9**	**11.5**
NET ASSETS BEING SOLD OR OPERATIONS BEING DISCONTINUED	**(2.7)**	**(5.9)**

Income statement for assets held for sale or discontinued operations

In millions of euros	June 30, 2013	June 30, 2012 restated
Sales	9.3	7.8
Cost of sales	(9.2)	(7.2)
Total gross margin	**0.1**	**0.6**
Selling and marketing costs	(1.3)	(1.6)
Administrative and research costs	(0.9)	(0.9)
Other operating costs	(0.4)	(0.1)
Operating income before non-recurring items	**(2.5)**	**(2.0)**
Non-recurring income and expenses, net	(1.9)	(0.3)
Sale/value loss	0.0	0.0
Operating income	**(4.4)**	**(2.3)**
Net finance costs	0.0	0.0
Income before tax and non-recurring items	**(4.4)**	**(2.3)**
Current and deferred income tax	2.7	0.0
Net (loss)/income from operations sold or discontinued	**(1.7)**	**(2.3)**

Note 4 Intangible assets and property, plant and equipment

Goodwill amounted to €269.4 million at June 30, 2013, down €0.3 million compared with December 31, 2012 as a result of currency effects.

There is no pending allocation of goodwill.

The decline in tangible assets from €311.8 million to €303.7 million, namely €8.1 million, was largely related to the recognition of amortization expenses amounting to €19.4 million and investments of €11 million.

Note 5 Asset impairment tests

Impairment tests were conducted for each of the cash-generating units when the balance sheet at December 31, 2012 was prepared.

Under IAS 36, tests were carried out on the basis of 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 took into account an analysis of comparable data as well as a calculation based on market parameters obtained from analysts (beta) or via Bloomberg (risk-free rate). Given these parameters and a market risk premium of between 6.8% and 7.8%, the average cost of share capital after tax used as a rate to discount future flows was set at 8% (versus 8.5% in 2011). This discount rate was applied to all CGUs. There was no significant evidence suggesting that different discount rates should be applied to the individual CGUs;
- The perpetual growth rate was 2% for the Electrical Applications CGU and 3% for the Electrical Protection, Anticorrosion Equipment and High-Temperature Applications CGUs. The growth rates applied to the CGUs were due to the change in activities of these CGUs in their markets; renewable energies for Electrical Applications, High-Temperature Applications and Anticorrosion Equipment, and more specifically, electronics for Electrical Protection, transport for Electrical Applications, and chemicals and pharmaceuticals for Anticorrosion Equipment.
- The normalized tax rate was 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-Temperature Applications CGU.

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 sensitivity test was performed based on a 1-point decline in the earnings ratio (EBITDA) of the terminal value.

The decline in values in use resulting from these changes in assumption does not call into question the valuation of non-current assets on the balance sheet.

No impairment index has been identified. Nevertheless, the potential vagaries related to the economic environment create a risk of uncertainty in the preparation of the cash flow forecasts used in the valuations.

Impairment testing will be carried out again at the 2013 year-end.

Note 6 Equity

Breakdown of the share capital

In number of shares (unless otherwise stated)	Ordinary shares
Number of shares at January 1, 2013	20,350,969
Issue of new shares *(in millions of euros)*	0.1
Number of shares at June 30, 2013	20,400,557
Number of shares in issue and fully paid-up during the period	49,588
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 or associates	267,744

Capital management

The Company's share capital at June 30, 2013 amounted to €40,801,114, comprising 20,400,557 shares each with a par value of €2 and all belonging to the same class. The number of voting rights stood at 20,132,813, since treasury shares do not carry voting rights. There are no double voting rights.

To the best of the Company's knowledge, ownership of the share capital breaks down as follows at June 30, 2013:

- French institutional investors: 49.0%
- Institutional investors from other countries: 30.5%
- Individual shareholders: 17.9%
- Employees: 1.4%
- Treasury shares: 1.3%

Since January 1, 2013, certain shareholders have reported crossing the following disclosure thresholds:

- January 2, 2013: BNP Paribas Asset Management, in the name and on behalf of Cam Gestion, Fundquest France and Fortis Investments entities consolidated within BNP Paribas Investment Partners, announced that it owned 406,076 shares on December 31, 2012, representing 1.9954% of the capital and voting rights.
- January 15, 2013: the Amundi Group (Amundi, Société Générale Gestion, Étoile Gestion and CPR Asset Management) announced that it owned 195,158 shares, representing 0.95% of the capital and voting rights.
- February 27, 2013: BNP Paribas Asset Management, in the name and on behalf of Cam Gestion, Fundquest France and Fortis Investments entities consolidated within BNP Paribas Investment Partners, announced that it owned 411,877 shares on February 26, 2013, representing 2.0239% of the capital and voting rights.
- March 21, 2013: Société Générale, on behalf of the mutual funds that it manages, announced that it owned 205,000 shares, representing 1.004% of the capital and voting rights.
- June 10, 2013: Mondrian Investment Partners announced it owned 1,000,427 shares representing 4.92% of the capital and 3.59% of the voting rights.
- June 24, 2013: Norge Bank announced it had exceeded the 3% threshold and owned 618,505 shares, representing 3.03% of the capital.
- July 02, 2013: Mondrian Investment Partners announced it owned 256,055 shares representing 1.26% of the capital and 0.92% of the voting rights.

At June 30, 2013, 67,744 shares representing 0.3% of the share capital was held under a liquidity agreement approved by the French Financial Markets Authority and entrusted to independent investment services provider Exane.

In addition, on May 17, 2013, the Company acquired 200,000 shares to be cancelled at a later date. This share purchase was part of the share buyback program approved by the General Meeting of May 16, 2013.

At June 30, 2013 the Group's employees owned 249,940 shares, representing 1.4% of the share capital, plus 463,705 stock options that, if exercised in full, would represent 2.4% 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.

The Group has also implemented a policy of allotting bonus shares. Definitive allotment of the shares is contingent on the relevant beneficiaries' presence on the Group's payroll at the end of the vesting period. Awards to members of the Management Board and employees that, in the Management Board's view, have made a significant contribution to the Company's performance are subject to performance conditions. However, the Management Board did not wish to set performance conditions for employees who, because of their role, contribute less directly to the Company's financial results. At June 30, 2013, the number of bonus shares with the potential to be allotted definitively was 243,988, representing 1.2% of the current share capital.

In its third resolution, the Company's General Meeting of May 16, 2013 decided to distribute a dividend of €0.45 per share. Through the fourth resolution, it was decided that shareholders would have the option of receiving all dividends in the form of new Mersen shares. On May 16, 2013, the Management Board set the price for new shares at €15.48. On July 2, 2013, the Management Board noted that at the end of the option period, 13,766,205 rights had been reinvested in new shares of the Company, and decided to issue 402,057 new shares with a par value of €2 each.

By virtue of external regulations, neither the Company nor its subsidiaries are subject to specific requirements regarding share capital.

There are no double voting rights.

Income of €0.2 million was recognized in the income statement in respect of payments based on shares, versus €1.0 million at June 30, 2012. Income for the first half of 2013 takes into account income of €1 million. The Group anticipates that performance criteria allowing the definitive allotment of shares from the 2011 and 2012 bonus share plans will not be fully achieved.

Note 7 Provisions, contingent liabilities and other liabilities

	June 30, 2013		Dec. 31, 2012	
In millions of euros	Non-current	Current	Non-current	Current
Provision for restructuring	0.3	2.8	0.3	0.6
Provision for litigation	0.2	0.2	0.2	1.5
Other provisions	0.3	0.5	0.2	0.5
TOTAL	**0.8**	**3.5**	**0.7**	**2.6**

Provisions amounted to €4.3 million at June 30, 2013 (versus €3.3 million at December 31, 2012), up €1.0 million due to:

- the restructuring payment following the closure of the M. Schneider site in Germany,
- a restructuring provision set aside for Electrical Protection operations, and
- payment of the provision set aside for the dispute relating to proceedings initiated in the United Kingdom before the CAT (Competition Appeal Tribunal) by some customers who had opted out of the US class action lawsuit, settled in 2009. A provision was set aside in 2012 and the civil proceedings were definitively closed following an agreement reached in January 2013.

Civil actions

Class action in the United Kingdom

In the first half of 2013, there were no new developments in the civil proceedings initiated before the CAT in February 2011 by the Deutsche Bahn group, together with other European rail companies. Legal proceedings are still suspended, pending the decision of the UK Supreme Court, to which the matter was referred in 2012 by Morgan Crucible.

Administrative actions in France

In February 2013, the SNCF commenced legal action against Morgan, SGL, Schunk and Mersen in the Paris Administrative Tribunal. The SNCF is claiming damages for losses that they allegedly suffered as a result of practices in the market for electric motor brushes and products for mechanical applications, against which the European Commission ruled in December 2003. In June 2013, the SNCF, seeking to insure against a decision by the Administrative Tribunal that it has no jurisdiction to adjudicate the action, began legal action before the Commercial Court of Paris. Mersen rejects all of the allegations and demands put forward by the SNCF.

Criminal investigation in France (accident at Gennevilliers on April 7, 2010)

Criminal investigation that was initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress, with no significant developments during the first half of 2013.

Based on available information, the necessary provisions have been set aside for all identified ongoing litigation.

There are no other government, legal or arbitration proceedings, or any proceedings of which the Group is aware, that are pending or threatened and that are likely to have or have had a negative material impact on the Group's operations, financial position and profitability during the last 12 months.

Other liabilities (€11.7 million at June 30, 2013) mainly included dividends of €9.1 million to be paid following the General Meeting of May 16, 2013 and amounts payable on property, plant and equipment.

No other material contingent liabilities were identified at end-June 2013.

Note 8 Employee benefits

The Mersen group's principal pension plans are defined benefit plans and are located in the US (46% of obligations), the UK (21% of obligations), France (15% of obligations) and Germany (10% of obligations).

Under the defined contribution plan, the Group does not have to make supplementary payments in addition to the contributions already paid into a fund, if this fund has insufficient assets to cover the benefits corresponding to the employees' service during the current and previous 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:

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%

In light of the change in discount rates at June 30, 2013, the Group reassessed its actuarial debt using sensitivities calculated by actuaries at December 31, 2012.

The discount rates used to measure debt at June 30, 2013 are as follows:

- France 3.05% (down 0.25 points)
- Germany 3.05% (down 0.25 points)
- United States 4.8% (up 1 point)
- United Kingdom 4.4% (no change)

The assets have been valued at fair value.

Reconciliation between assets and liabilities recognized

	June 30, 2013	Dec. 31, 2012 restated
Actuarial obligation	144.4	153.0
Value of plan assets	(78.9)	(75.9)
PROVISION BEFORE THE LIMIT ON ASSETS	65.5	77.1
Surplus management reserve		
PROVISION AFTER THE LIMIT ON ASSETS	65.5	77.1

The charge (restated under the revised IAS 19) recognized at June 30, 2013 in respect of these plans was €3.7 million, compared with €3.8 million at June 30, 2012.

Note 9 Net debt

Breakdown by maturity of credit lines and confirmed borrowings

In millions of euros	Amount	Drawn down at June 30, 2013	% drawn down at June 30, 2013	Maturities: less than 1 year	between 1 and 5 years	over 5 years
Group syndicated loan	157.3	17.5	11%	0.0	157.3	0.0
Group bilateral loans	55.0	35.0	64%	0.0	55.0	0.0
USA bilateral loan	19.1	11.5	60%	0.0	19.1	0.0
Confirmed credit lines, China	58.4	44.9	76%	9.8	48.6	0.0
2003 US private placements	6.1	6.1	100%	3.1	3.0	0.0
2011 US private placements	75.5	75.5	100%	0.0	0.0	75.5
OBSAAR bonds	26.7	26.7	100%	13.3	13.4	0.0
Other	3.0	3.0	100%	0.3	1.2	1.5
TOTAL	401.1	220.2	55%	AVERAGE MATURITY = 4.3 YEARS		

Breakdown of total net debt at June 30, 2013

In millions of euros	June 30, 2013	Dec. 31, 2012
Long- and medium-term borrowings	217.2	234.3
Current financial liabilities	12.8	10.3
Current advances	0.8	0.0
Bank overdrafts	41.1	25.3
TOTAL GROSS DEBT	271.9	269.9
Current financial assets	(9.5)	(7.0)
Financial assets	0.0	0.0
Cash and cash equivalents	(19.6)	(21.4)
Cash	(19.6)	(21.4)
TOTAL NET DEBT	242.8	241.5

Total consolidated net debt at June 30, 2013 was €242.8 million versus €241.5 million at year-end 2012.

Of the €271.9 million in total gross debt, €220.2 million stems from the use of the confirmed loans and borrowings and the remainder chiefly from use of non-confirmed lines (bank overdrafts and other lines).

Reconciliation between changes in net debt shown on the balance sheet and on the statement of cash flows

In millions of euros	June 30, 2013	June 30, 2012 restated
Prior period debt	**241.5**	**239.5**
Net cash from operating activities after tax	(14.5)	(29.9)
Cash used by restructurings	3.0	1.4
Net cash (inflows)/outflows attributable to changes in the scope of consolidation	(0.7)	26.9
Net cash from operating and investing activities of continuing operations	**(12.2)**	**(1.6)**
Net cash from operating and investing activities of operations sold or discontinued	**6.4**	**4.2**
Increase/decrease in capital	3.8	0.0
Dividends paid	0.4	0.1
Interest payments	5.6	6.3
Translation adjustments and other	(0.2)	4.8
Impact of changes in the scope of consolidation	0.1	0.7
Other changes	(2.6)	1.2
DEBT AT JUNE 30 OF THE CURRENT PERIOD	**242.8**	**255.2**

Financial covenants at June 30, 2013

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 obligate Mersen to repay the relevant borrowings ahead of schedule. Under cross-default clauses, early repayment of one significant borrowing may obligate 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	< 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 June 30, 2013			
Group syndicated/bilateral loan(s)	2.33	0.47	
2003 US private placement	2.27	0.47	9.26
2011 US private placement	2.33	0.47	9.01
OBSAAR bonds		0.49	
Syndicated loan, China		0.47	
Actual ratios at December 31, 2012			
Group syndicated/bilateral loan(s)	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	

(a) Method for calculating covenants: in line with accounting rules, in calculating the net debt shown in the financial statements, closing rates are used 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 that EBITDA or gross operating income is deemed to equal EBITDA reported for the first six months of the year multiplied by two.

At June 30, 2013, 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 June 30, 2013

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	Less than 1 year	From 1 to 5 years	More than 5 years
Borrowings in USD	55.8	3.1	14.5	38.2
Borrowings in EUR	99.0	13.3	48.4	37.3
Borrowings in GBP	20.5	0.3	18.7	1.5
Borrowings in RMB	44.9	9.8	35.1	0.0
TOTAL	**220.2**	**26.5**	**116.7**	**77.0**
Amortization of issuance costs at the EIR[(a)]	(1.5)			
Fair value of interest-rate derivatives	0.1			
TOTAL	**218.8**			

(a) Effective interest rate.

Of the €116.7 million in debt due to mature in between one and five years' time, €51.8 million had a maturity of less than two years at June 30, 2013.

Breakdown of total net debt at June 30, 2013

(By currency)	%
EUR	46.5
USD	22.9
RMB	15.6
GBP	14.7
Other	0.3

(By interest rate)	%
Fixed	64.6
Floating	35.4

In millions of euros	Total	o/w maturity < 5 years	o/w maturity > 5 years
Debt	271.9	196.3	75.5
Financial assets	(29.1)	(29.0)	0.0
Net position before hedging	**242.8**	**167.3**	**75.5**
Fixed-rate debt	142.3	66.8	75.5
Net position after hedging	**100.5**	**100.5**	**0.0**

Assuming Mersen's debt and exchange rates remain unchanged at their June 30, 2013 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 €1.0 million.

Note 10 Financial instruments

The following tables show the fair value of financial assets and liabilities and their carrying amounts in the balance sheet:

Classification of financial instruments measured at fair value according to the method for determining their fair value

June 30, 2013	Accounting categories						
Balance sheet category and instrument class	Assets/ liabilities designated at fair value	Assets held to maturity	Assets available for sale	Loans and receivables	Liabilities at amortized cost	Class total net book value on the balance sheet	Class fair value
Unlisted investment securities			3.3			3.3	3.3
Other non-current assets and derivatives held as assets	0.1			3.3		3.4	3.4
Non-current financial assets	**0.1**	**0.0**	**3.3**	**3.3**	**0.0**	**6.7**	**6.7**
Trade receivables				**124.0**		**124.0**	**124.0**
Current financial assets				9.5		9.5	9.5
Current derivatives held as assets	1.2					1.2	1.2
Financial assets						0.0	
Current financial assets	**1.2**	**0.0**	**0.0**	**9.5**	**0.0**	**10.7**	**10.7**
Cash and cash equivalents				**19.6**		**19.6**	**19.6**
Bank borrowings					(217.2)	(217.2)	(224.9)
Current advances					(0.8)	(0.8)	(0.8)
Bank overdrafts					(41.1)	(41.1)	(41.1)
Current and non-current derivatives held as liabilities	(2.6)					(2.6)	(2.6)
Current financial liabilities					(12.8)	(12.8)	(12.8)
Borrowings and other financial liabilities	**(2.6)**	**0.0**	**0.0**	**0.0**	**(271.9)**	**(274.5)**	**(282.2)**
Trade payables					**(58.7)**	**(58.7)**	**(58.7)**
Carrying amount by category	**(1.3)**	**0.0**	**3.3**	**156.4**	**(330.6)**	**(172.2)**	**(179.9)**

Classification of financial instruments measured at fair value according to the method for determining their fair value

	Class fair value at June 30, 2013	Listed price	Internal model with observable parameters	Internal model with unobservable parameters
		Level 1	Level 2	Level 3
Investments	3.3			3.3
Derivatives held as assets	1.3		1.3	
Derivatives held as liabilities	(2.6)		(2.6)	

Dec. 31, 2012 Balance sheet category and instrument class	Accounting categories: Assets/ liabilities designated at fair value	Assets held to maturity	Assets available for sale	Loans and receivables	Liabilities at amortized cost	Class total net book value on the balance sheet	Class fair value
Unlisted investment securities			3.3			3.3	3.3
Other non-current assets and derivatives held as assets				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				**112.3**		**112.3**	**112.3**
Current financial assets				7.0		7.0	7.0
Current derivatives held as assets	1.7					1.7	1.7
Financial assets						0.0	
Current financial assets	**1.7**	**0.0**	**0.0**	**7.0**	**0.0**	**8.7**	**8.7**
Cash and cash equivalents				**21.4**		**21.4**	**21.4**
Bank borrowings					(234.3)	(234.3)	(238.5)
Current advances						0.0	
Bank overdrafts					(25.3)	(25.3)	(25.3)
Current and non-current derivatives held as liabilities	(2.6)					(2.6)	(2.6)
Current financial liabilities					(10.3)	(10.3)	(10.3)
Borrowings and other financial liabilities	**(2.6)**	**0.0**	**0.0**	**0.0**	**(269.9)**	**(272.5)**	**(276.7)**
Trade payables					**(60.5)**	**(60.5)**	**(60.5)**
Carrying amount by category	**(0.9)**	**0.0**	**3.3**	**147.7**	**(330.4)**	**(180.3)**	**(184.5)**

Financial risk management:

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 depending on the 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 factoring agent.

Interest-rate, currency and commodity risk

There have been no material changes in interest-rate, currency and commodity risks since the closing of the financial statements at December 31, 2012.

Note 11 Other non-recurring income and expenses

Other non-recurring income and expenses break down as follows:

In millions of euros	June 30, 2013	June 30, 2012 restated
Restructuring	(4.8)	(0.6)
Prior period income (losses) of newly consolidated companies and acquisition costs	0.5	(0.5)
Other	(0.1)	(1.2)
TOTAL	**(4.4)**	**(2.3)**

In the first half of 2013, non-recurring income and expenses resulted in a net charge of €4.4 million. This primarily reflected the costs of reorganizing Electrical Protection operations in the United States and France.

Note 12 Segment reporting

In millions of euros	Advanced Materials and Technologies (AMT)			Electrical Components and Technologies (ECT)			Total for continuing operations		
	June 30, 2013	June 30, 2012 restated	June 30, 2012 reported	June 30, 2013	June 30, 2012 restated	June 30, 2012 reported	June 30, 2013	June 30, 2012 restated	June 30, 2012 reported
Sales to third parties	153.6	176.5	184.3	223.4	242.8	242.8	377.0	419.3	427.1
Breakdown of sales	40.7%	42.1%	43.2%	59.3%	57.9%	56.8%	100.0%	100.0%	100.0%
Segment operating income before non-recurring items	**11.8**	**23.9**	**22.1**	**25.0**	**29.5**	**29.2**	**36.8**	**53.4**	**51.3**
Recurring unallocated costs							(6.2)	(6.5)	(6.9)
Segment operating margin before non-recurring items*	7.7%	13.6%	12.0%	11.2%	12.1%	12.0%			
Recurring operating income from continuing operations							30.6	46.9	44.4
Operating margin from continuing operations before non-recurring items							8.1%	11.2%	10.4%
Segment non-recurring income and expenses	(0.3)	(0.9)	(1.0)	(3.9)	(1.4)	(1.4)	(4.2)	(2.3)	(2.4)
Amortization of revalued intangible assets	(0.3)	(0.3)	(0.3)	(0.3)	(0.1)	(0.1)	(0.6)	(0.4)	(0.4)
Segment operating income	**11.2**	**22.7**	**20.8**	**20.8**	**28.0**	**27.7**	**32.0**	**50.7**	**48.5**
Segment operating margin*	7.3%	12.9%	11.3%	9.3%	11.5%	11.4%			
EBITDA margin (1)	16.9%	21.2%	19.4%	13.9%	14.6%	14.5%	13.5%	15.9%	15.0%
Non-recurring unallocated costs							(0.2)	0.0	0.0
Operating income from continuing operations							**25.6**	**44.2**	**41.6**
Operating margin from continuing operations							6.8%	10.5%	9.7%
Net finance costs							(5.6)	(6.6)	(6.6)
Current and deferred income tax							(6.3)	(11.9)	(11.7)
Net income from continuing operations							**13.7**	**25.7**	**23.3**

** Segment operating margin = Operating income/Segment sales to third parties.*
(1) The Group's EBITDA represents combined segment operating income before non-recurring items plus segment depreciation and amortization.

Les activités du Groupe ne sont pas soumises à des effets de saisonnalité notable.

Breakdown of amortization and depreciation by business

In millions of euros	June 30, 2013				June 30, 2012 restated			
	AMT	ECT	Unal-located	Total	AMT	ECT	Unal-located	Total
TOTAL	**(14.2)**	**(6.0)**	**(0.2)**	**(20.4)**	**(13.5)**	**(6.0)**	**(0.2)**	**(19.7)**

Net carrying amount of assets at June 30, 2013 by segment

In millions of euros	AMT	ECT	Total at June 30, 2013
Non-current assets, net (excluding investments)	405.1	213.8	618.9
Inventories	92.8	78.8	171.6
Trade receivables	50.4	73.6	124.0
Other receivables	8.2	10.2	18.4
TOTAL SEGMENT ASSETS	**556.5**	**376.4**	**932.9**
Deferred tax assets			34.8
Long-term portion of current tax assets			5.3
Short-term portion of current tax assets			11
Other current assets			0
Current financial assets			9.5
Current derivatives			1.2
Financial assets			0
Cash and cash equivalents			19.6
Assets held for sale or discontinued operations			8.2
TOTAL UNALLOCATED ASSETS			**89.6**
TOTAL			**1,022.5**

Net carrying amount of liabilities at June 30, 2013 by segment

In millions of euros	AMT	ECT	Total at June 30, 2013
Trade payables	25.1	33.6	58.7
Other payables and other liabilities (including dividends)	36.1	36.8	72.9
Non-current and current provisions	0.6	3.7	4.3
Employee benefits	25.1	40.4	65.5
TOTAL SEGMENT LIABILITIES	**86.9**	**114.5**	**201.4**
Deferred tax liabilities			23.4
Long- and medium-term borrowings			217.2
Non-current derivatives			1.1
Short-term portion of current tax assets			8.6
Other current financial liabilities			12.8
Current derivatives			1.5
Current advances			0.8
Bank overdrafts			41.1
Liabilities associated with assets held for sale or discontinued operations			10.9
TOTAL UNALLOCATED LIABILITIES			**317.4**
TOTAL			**518.8**

Note 13 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement compensation) came to €€123.4 million in the first half of 2013 compared with €134.1 million in the first half of 2012.

Geographical area	June 30, 2013	%	June 30, 2012 restated	%
France	1,520	23%	1,577	24%
Rest of Europe (+ Tunisia)	1,098	17%	1,141	16%
North America (+ Mexico)	1,943	29%	2,102	30%
Asia	1,708	26%	1,820	26%
Rest of the world	344	5%	269	4%
TOTAL	6,613	100%	6,909	100%

At comparable scope, headcount fell by approximately 390.

Note 14 Income tax

In millions of euros	June 30, 2013	June 30, 2012 restated
Current income tax expense	(8.1)	(12.8)
Deferred income tax	2.1	1.3
Distribution tax	(0.3)	(0.4)
Total tax	(6.3)	(11.9)

The Group has:

- one consolidated tax group in France;
- one consolidated tax group in the United States;
- two consolidated tax groups in Germany.

The Group's effective tax rate on continuing operations came to 31.4% in the first half of 2013, compared with 33% in full-year 2012.

Analysis of income tax expense

In millions of euros	June 30, 2013
Net income	**12.0**
Income from operations sold/discontinued	**(1.7)**
Net income from continuing operations	**13.7**
Income tax expense/(benefit) on continuing operations	(6.3)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(6.3)**
TAXABLE INCOME	**20.0**
Current tax rate in France	36.1%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(7.2)
Difference between income tax rate in France and other jurisdictions	0.4
Transactions qualifying for a reduced rate of taxation	
Permanent timing differences	1.8
Impact of limiting deferred tax assets	(1.3)
Other	
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	**(6.3)**

The deferred tax assets and liabilities recognized on the balance sheet are as follows:

In millions of euros	June 30, 2013	Dec. 31, 2012 restated
Deferred tax assets	34.8	32.2
Deferred tax liabilities	(23.4)	(19.7)
Net position	**11.4**	**12.5**

Deferred tax movements during the first half of 2013 were as follows:

In millions of euros	Dec. 31, 2012 restated	Net income for the year	Other	Cumulative translation adjustment	June 30, 2013
Employee benefit obligations	21.4	0.8	(3.9)	(0.1)	18.2
Depreciation of non-current assets	(27.1)	(0.3)	0.0	(0.1)	(27.5)
Tax-regulated provisions	(2.8)	0.1	0.0	0.0	(2.7)
Impact of tax losses	27.3	2.5	0.0	(0.1)	29.7
Impairment losses	0.2	0.0	0.0	0.0	0.2
Other	(6.5)	(1.0)	0.4	0.6	(6.5)
DEFERRED TAX ON THE BALANCE SHEET – NET POSITION	**12.5**	**2.1**	**(3.5)**	**0.3**	**11.4**

Note 15 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing and discontinued operations	June 30, 2013	June 30, 2012 restated	June 30, 2012 reported
Net income used to compute basic earnings per share *(net income for the period in millions of euros)*	11.5	23	22.5
Weighted average number of ordinary shares used to compute basic earnings per share	20,285,035	20,229,664	20,229,664
Adjustment for dilutive ordinary shares: - unexercised options	707,693	756,245	756,245
Weighted average number of ordinary shares used to compute diluted earnings per share	20,992,728	20,985,909	20,985,909
Basic earnings per share *(€)*	0.57	1.13	1.11
Diluted earnings per share *(€)*	0.55	1.09	1.07

Continuing operations	June 30, 2013	June 30, 2012 restated	June 30, 2012 reported
Net income used to compute basic earnings per share *(net income for the period in millions of euros)*	13.2	25.3	22.9
Weighted average number of ordinary shares used to compute basic earnings per share	20,285,035	20,229,664	20,229,664
Adjustment for dilutive ordinary shares: - unexercised options	707,693	756,245	756,245
Weighted average number of ordinary shares used to compute diluted earnings per share	20,992,728	20,985,909	20,985,909
Basic earnings per share *(€)*	0.65	1.25	1.13
Diluted earnings per share *(€)*	0.63	1.21	1.09

Note 16 Dividends

In the May 16, 2013 General Meeting, shareholders approved a dividend payment of €0.45 per share with respect to 2012. In the same meeting, a motion was passed to enable shareholders to choose between having the dividend paid in cash or shares. On July 2, the Management Board noted the option selected by shareholders to reinvest 13,766,205 rights in new shares. A capital increase of €0.8 million and a share issue premium of €5.4 million (402,057 new shares issued) were therefore recorded in July 2013 and the Group will pay cash dividends totaling €2.8 million.

Note 17 Commitments and contingencies

At June 30, 2013 there were no material changes to commitments and contingencies in comparison to December 31, 2012.

Note 18 Subsequent events

On July 8, 2013 the Group announced it sold its plant at Grésy-sur-Aix (Savoie, France), which specialized in boilermaking equipment for the nuclear industry, to the NAWI Group.

Note 19 Approval of the financial statements

The Group’s consolidated financial statements for the six months ended June 30, 2013 were approved by the Management Board at its meeting of August 28, 2013.

Statutory Auditors' report on the 2013 interim financial information

To all Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with Article L.451-1-2 III of the French Monetary and Financial Code, we have conducted:

- the review of the accompanying condensed interim consolidated financial statements of Mersen SA for the period from January 1, 2013 to June 30, 2013;
- the verification of the information contained in the interim management report.

The Management Board was responsible for preparing these condensed consolidated interim financial statements. Our role is to express an opinion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting of the IFRSs, as adopted by the European Union.

Without qualifying the conclusion expressed above, we draw your attention to Notes 2d and 2e of the Notes to the condensed interim consolidated financial statements which outline the change in accounting method in respect of the application of the revised IAS 19 Employee Benefits from January 1, 2013.

II – Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Paris La Défense, August 28, 2013	Neuilly-sur-Seine, August 28, 2013
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

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Statement of the Officer

I certify that, to the best of my knowledge, these condensed interim financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair view 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 attached interim business report presents a fair view of the major events that occurred during the six months of the interim period and their impact on the financial statements, the principal transactions between related parties, as well as a description of the principal risks and principal uncertainties concerning the remaining six months of the fiscal year.

Paris, August 28, 2013

Luc Themelin

Chairman of the Management Board

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