REFERENCE DOCUMENT 2013

MERSEN

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This document is a free translation into English for convenience purposes only of the French reference document filed with the Autorité des Marchés Financiers on March 5, 2014.

General overview of the Group

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Message from the Chairman of the Supervisory Board

Two thousand and thirteen was the second difficult year in succession for Mersen, and none of our businesses escaped the effects of a top-line contraction. We had to contend with a global environment blighted by growth that was very weak right across the board and almost non-existent in Europe. It started to slow down at times even in emerging markets, and this was particularly significant in industrial investments–broadly speaking our main target market.

Despite these conditions, we did not experience any market share losses and in fact we achieved some encouraging commercial successes. What's more, our teams continued their cost-cutting efforts, keeping our operating margins at a perfectly acceptable level. Our EBITDA margin of 13.5% reflects our resilience and ability to adapt to the changing conditions.

We remain cautious about 2014. Though it is unlikely to bring radical change, we still hope for gradual, modest improvement over the year, with some variation from one region to another.

Further productivity gains are needed, and we are now looking to make more structural changes. That is the goal of the transformation plan unveiled by management, which will be rolled out over the coming year.

In our 2013 financial statements, we recognized impairment losses and non-recurring charges based on business projections for graphite and chemicals. Although we posted a consolidated net loss as a result of these items, they did not have a material impact on our financial structure, which remains in good shape. And so to reward the support and loyalty of our shareholders, the Management Board and Supervisory Board have decided to leave Mersen's dividend policy unchanged and to propose a dividend at the Annual General Meeting of €0.45 per share, the same level as last year.

I would like to bring to your attention the changes in the Supervisory Board during the year. We were joined by Ulrike Steinhorst and Carolle Foissaud, both of whom boast lengthy experience gained in industrial responsibilities and, more recently, by Thierry Sommelet, who also came on board as a representative of BPIfrance Investissement.

And, finally, I would like to thank our employees for all their hard work–they drive Mersen's performance and innovation and underpin its ability to address the challenges that lie ahead.

Hervé Couffin

Message from the Chairman of the Management Board

The year 2013 was characterized by a mixed environment, both geographically and with regard to our end markets. The situation in Europe thus remained sluggish throughout the year, although it improved at the end of the period. The Asian chemicals and solar markets declined compared to the previous year. Lastly, the situation in the Americas varied significantly over the year but remained slightly in decline compared to the previous year, in particular on the chemicals market.

In spite of the business contraction and a hefty contribution made by a low-margin chemicals business, the Group delivered an EBITDA margin of 13.5% of sales. This level of margin was achieved thanks to the adaptation plan implemented in 2013 and reflects the Group's ability to hold firm in unfavorable contexts.

Given this business trend and after a review of its assets, the Group recognized, in its 2013 financial statements, €55 million in exceptional items related to business forecasts for the chemicals market and the under-use of certain items of graphite production equipment. These measures were necessary and altered the Group's net income significantly, though not its financial structure, which remains robust.

Mersen also continued its cash efforts in 2013 by generating, over the period, cash flow of nearly €90 million from operating activities before capital expenditures, proving the Group's ability to deliver a significant level of cash, year after year.

Our Group will commence an in-depth transformation in 2014. We must adapt to changes in our markets, better focus our efforts and organize even more quickly. The strength of this Transform plan is its worldwide nature. It will strengthen the Group in three large geographic areas and across all our business activities. It also relates to the goals that drive us and the resources that we continue to deploy on behalf of our customers. This is the challenge that the Group has set itself for the next two years, while continuing our efforts to boost creativity and innovation to increase our competitiveness.

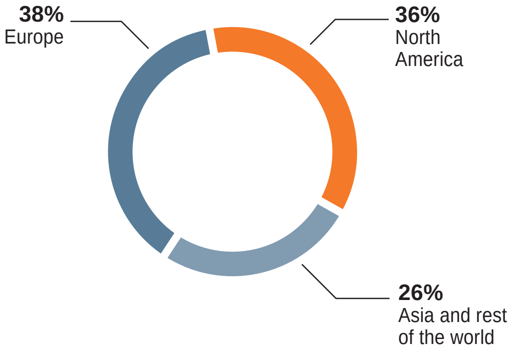
Beyond this plan, Mersen remains committed to maintaining the operational excellence of our manufacturing facilities, which is critical to ensuring world-class customer service and our ability to capture growth in our expanding markets. The Group will also pursue its targeted acquisition strategy to accelerate growth.

I would like to thank our teams for their commitment, which has allowed Mersen to meet the challenges of an unfavorable economic environment. Thanks to them, we are preparing our company for the future by relying on their expertise, skills and ability to remain close to our markets.

Luc Themelin

KEY FIGURES

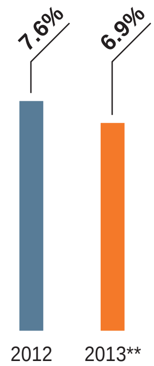
2013 SALES
Geographic breakdown



SALES
(in millions of euros)

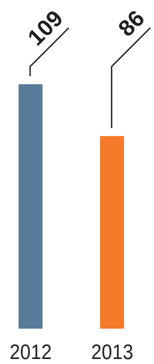
EBITDA MARGIN
(in %)

RETURN ON CAPITAL EMPLOYED* *(in %)*



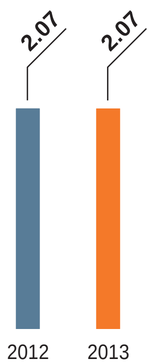
* IFRS operating income/average capital employed (net non-current assets including goodwill + WCR).
** Before one-off charges of €55 million, as released on January 29, 2014.

CASH FLOW FROM OPERATING ACTIVITIES GENERATED BY CONTINUING OPERATIONS*
(in millions of euros)



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

NET DEBT RATIO*
(net debt to Ebitda)



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

DIVIDEND PER SHARE
(in euros)

* Subject to shareholders' approval.

Group's business profile and strategic priorities

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

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

The **Advanced Materials and Technologies** (AMT - Materials) segment markets a range of high-performing graphite and metal equipment (including reactive metals and SiC) catering to highly exacting industrial environments, including high-temperature applications and corrosive environments. This includes ultra-pure graphite components used in industrial ovens, in the production of solar cells and semi-conductors or heat exchangers for metallurgy or the chemical industry.

The **Electrical Components and Technologies** (ECT - Electrical) segment markets components and innovative solutions underpinning the performance and safety of electrical installations, including brushes and brush-holders for electrical switching, slip-ring assemblies and signal transmission systems for wind turbines, industrial fuses, surge protection devices, current collectors and collectors for urban mass transit systems and a product range dedicated to power electronics that includes coolers, laminated bus bars and fuses.

The two areas offer a range of related services and maintenance.

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

- **energies** (solar, wind, hydro, conventional) and in particular renewable energies providing access to new energy sources and complementing conventional sources of energy;
- **electronics** providing solutions for the manufacture of semiconductors and for power conversion;
- **chemicals and pharmaceuticals** that meet the need for plastics in construction, the auto industry… and demand in the pharmaceutical industry;
- **transportation** (rail and aerospace) to meet the growing demand for travel among the world's population and for the transport of goods;
- it also caters to the **process industries**, supporting their transition towards greater energy efficiency.

Mersen now boasts an efficient manufacturing base with plants employing the very latest technologies. The Group also relies on an **international** sales network, which helps it to benefit from growth in local markets where it holds leadership positions and to pursue its strategy of forging close relationships with the principal industry players in its markets. **Innovation** at Mersen grows out of these relationships with customers and knowledge of the challenges they face. Mersen's customers are its leading innovation partners. They are prominent players in their own industry, and the Group manufactures custom-made products for them.

At the same time, the Group's policy of **selective acquisitions** over recent years has strengthened its leadership positions, while expanding its product range and geographical presence, especially in Asia, which represents a major source of growth.

The Group in 2013

A year of contrasts

In 2013, Mersen's business followed the same trend as in late 2012: slowed growth in Asia, a mixed situation in the United States over the year and depending on the markets (although the trend remains positive) and a clearly depressed environment in Europe. The Group has, however, strengthened its position on its main end markets in order to improve the industrial processes of customers seeking innovation and competitiveness.

Energy

Global energy demand is growing steadily, while fossil fuel resources are becoming scarcer. The rapid development of renewable energies is helping to mitigate the pressure brought to bear by energy demand and pollution, but technological solutions making them easier to use and more competitive also need to be found.

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

In **solar** energy, Mersen offers a large range of products used throughout the solar cell manufacturing process. The Group supplies graphite machined components (purified and sometimes coated), including, for example, ultra-pure graphite electrodes required to manufacture polysilicon, heating elements, crucible holders and kiln insulation for the production of polysilicon ingots, the principal component of photovoltaic cells.

Mersen first moved into this market in 2006 and expanded its business to achieve record sales of €110 million in 2011. However, sales have slowed considerably since 2012 and continued their decline in 2013. The overstock noted in late 2011 and the anti-dumping measures implemented in 2012 and 2013 (revaluation of customs duties on imports of photovoltaic cells) in the United States, Europe and, subsequently, in China, worsened the financial situation facing certain companies.

However, the steep decline in cell and polysilicon prices over the past three years has made this energy more cost-efficient and brought it closer towards grid parity in a number of countries.

Solar panels thus continue to be installed worldwide, with particularly significant growth in 2013 in the United States, China and Japan outpacing the European countries that have traditionally led in this market (Germany and Italy) where investment slowed. Approximately 35-37 GW were installed in 2013.

Although Mersen's business in this market continued to be impacted by overall overcapacity, the Group performed well. It strengthened its cooperation with the leaders in the sector through its geographical positioning, which enabled it to capture the large Chinese market. Mersen remains confident in the medium-term potential of this energy and is focusing heavily on research in order to move forward in this technology.

The Group also offers a range of energy distribution solutions (including junction boxes, circuit breakers, fuses and bus bars) that protect against the highly specific risks inherent in this type of electrical equipment and require specialist expertise to monitor panels and protect them from voltage surges and excess electrical charges. Mersen has also developed electronic disconnect devices for photovoltaic modules intended to prevent electrocution and prepare for future regulations on the safety of installations and emergency services (firefighters).

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

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

Business in 2013 was mixed. While sluggish in Europe and emerging countries, it remained brisk in the United States following a record year in 2012.

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

Mersen is also present in other segments of the renewable energies market, including **hydro**. In 2013, the Group benefited from the success of various solutions such as very large diameter slip-ring assemblies and complete dust aspiration systems. This equipment positions the Group both in the original equipment market (turbine manufacturing) and the replacement market (power plant operators). The Group's products and solutions thus address both mature hydroelectric markets (Europe and North America) and new hydro projects in emerging countries (Brazil, India, China and Colombia). Mersen is also regarded as a leading partner in maintenance and technician training.

Last, business slowed in the **conventional energies** segment, but the Group continues to pursue developments intended to facilitate equipment maintenance. For example, Mersen has developed a system of custom-made boxes that incorporate slip-ring assemblies, plug-and-play brush-holders and brushes and may also include a ventilation system. The benefit provided by such equipment in terms of maintenance generated slight growth in this market in 2013.

The energy market as a whole represented 16% of Mersen's 2013 sales, compared with 18% in 2012.

Electronics

Mersen is active in two areas of the electronics market.

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

  Mersen's position vis-à-vis the Western technological leaders in the LED market (particularly the American leaders in high-performance LEDs) enabled the Group to benefit from growth in the market for LEDs for general lighting.

- Mersen's **electrical segment** provides equipment suppliers custom-made power electronics components (sophisticated cooling, bus bars and fuses) that can optimize the design of their power modules. These components are found primarily in speed drives for electric motors in industrial and service facilities and in transmission grid and energy distribution interconnections.

  At the end of the year, the Group announced the signing of a major contract with Siemens Wind Power as part of the Siemens Integrated Control System (SICS) project. This contract is the first to involve Mersen's combined products and solutions in power electronics - coolers, bus bars and fuses. The Group won the contract owing to its specialized power electronics teams, which work closely with Siemens' teams to develop products that meet their system performance objectives. This contract strengthens Mersen's credentials as a key player in the power electronics market.

  The quality of the Group's cooling technology was also acknowledged in 2013, when it received the «Top Supplier" award in the technology category from the Siemens Large Drives division. The Group was chosen from among nearly 1,000 suppliers.

  In addition, the Group continued to roll out its global network of specialized engineers to bolster its ability to provide assistance in the design stage. Furthermore, the Group sold its first bus bars in China and Korea in 2013 thanks to local production capacity established in 2012.

Activity in this market was overall stable in 2013, with improved performance in the materials segment. The electrical segment was impacted by the temporary postponement of certain investments.

During 2013, the electronics market generated 16% of the Group's sales, compared with 14.5% in 2012.

Chemicals and Pharmaceuticals

Chemicals help to deliver improvements in our health food and are widely used in the development of consumer staples. They now represent a cornerstone of the global economy and provide a solid platform for future development.

Mersen is positioned today to supply these markets with an extensive range of custom-made graphite and reactive metal equipment (heat exchangers and columns) that perform heat exchange and transfer highly corrosive and high-temperature fluids. The Group also supplies this equipment in the form of pre-assembled units, which provide even greater reliability.

This activity remained brisk in 2013, in line with 2012.

In particular, the Group delivered part of the critical, reactive metal equipment for the manufacture of high-performance plastic materials that was part of Sabic's record June 2012 order.

The demand for turnkey hydrochloric acid production systems (skids) held steady in 2013, still driven by energy needs. Mersen continues to benefit from the boom in shale gas drilling in the United States and Canada, supplying the HCl acid synthesis units required in the extraction process. The Group also delivered skids to Qatar and Korea for HCl acid synthesis that is also used in manufacturing solar cells.

Fertilizer continues to be a significant market for the Group, which manufactures graphite equipment used in producing phosphoric acid, an intermediate product in the fertilizer production process. Polytubes were thus delivered to China, Vietnam and South Africa.

Last, the viscose market was particularly strong this year, with large orders for HCl acid synthesis units and graphite tubes for Southeast Asia and India.

In 2013, the Group strengthened its anticorrosion equipment services and maintenance. These services are deployed throughout the equipment lifecycle, from start-up to preventive or corrective maintenance and diagnostic advice.

This market generated 16% of sales in 2013, like in 2012.

Transportation

With soaring demand for passenger transportation and also growing demand for the transport of goods, one of the solutions viable from a long-term perspective is the development of mass transit, air and rail transportation systems, which require high-performance and ultra-reliable electrical systems. The situation during 2013 was mixed, with a sluggish rail but a very upbeat aerospace market.

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

In spite of the lackluster trends in rail transportation in 2013, rail's enduring appeal as a strategic development method, bolstered by concerns related to sustainable development and fuel costs, suggests that the market is likely to pick up in the medium term.

In 2013, Mersen entered into a major contract with the Alstom/Bombardier consortium to supply current collectors for the new Montreal subway. The Group also demonstrated its ability to meet the contract's particular challenges - compliance with American standards and manufacturing splitted between France and Quebec.

The Group also deployed its maintenance services. With this type of service, Mersen is able to demonstrate its expertise to its customers, while offering them the full breadth of its product range. This was the case in 2013, for example, with a motor maintenance contract with the Lille tram system, the VAL.

The **air transportation** market remained particularly strong in 2013, as in 2012.

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

The Group works with all the leading industry subcontractors to the major aircraft manufacturers: Airbus, Boeing and Embraer.

It increased its market share in 2013 thanks to the relevance of its offer and its operational excellence.

In the **space** segment, Mersen posted major successes through its subsidiary, Boostec, which specializes in silicon carbide. The Group was chosen for the Euclid and IASI-NG projects under a subcontracting arrangement with Astrium.

The transportation market contributed 16% of Mersen's sales during 2013, compared with 14.5% in 2012.

Process industries

Process industries – oil and mineral extraction, iron and steel production, paper production and glassmaking – constitute the Group's original market and place increased emphasis on energy efficiency through continuous process improvement and energy savings.

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

Business declined slightly in 2013, affected by the slowdown in the metallurgy and mining industries and the sluggish global economy. However, Mersen maintained a strong business in drilling in the United States, providing drill inserts.

The Group's position in the glass industry remains strong, thanks to its wide range of high performance carbons and graphites that meet the industry's unique specifications. The Mersen network's precision workshops machine parts locally that meet a variety of application requirements, such as flat and hollow glass, laboratory glass, pharmaceutical glass, TV and lighting tubes and optical fiber.

The Group has continued to strengthen its services in this market, with, for example, on-site machining so that maintenance can be performed on slip-ring assemblies without dismantling the machine. Many assignments were carried out in 2013, including for Arcelor Mittal, Constellium and Marcegaglia. Development of this type of services is powered by a fundamental market trend. It is the result of the combined effect of a loss of technical knowledge attributable to retirements among maintenance staff and a desire to outsource certain services previously carried out in house. It also helps to strengthen relationships with customers and may lead to purchases of Mersen products.

Our energy-saving solutions help to regulate and optimize engine operation. Demand is driven by industries that use large engines, such as metallurgy, mining and water treatment. Although this business was sluggish in 2013 because of the slowdown in the metallurgy and mining industries, it offers long-term potential for the Group.

Simultaneously, Mersen won market share in all the developing countries thanks to its operational excellence and local presence.

The Group generated 30% of its sales on this market in 2013, compared with 31% in 2012.

Sales on the other markets represented 6% of sales, as in 2012.

A balanced geographical presence

This forms part of a strategy to establish close relationships with the leading industry players in its markets. Thanks to its powerful sales network, Mersen benefits from growth in local markets where it holds leadership positions and builds its success in countries at the forefront of technology.

The situation over the course of 2013 varied from region to region. It improved gradually in Asia, particularly in China, after a slow start to the year. Growth in the United States was hesitant; however, the 2013 trend remained positive. Last, the 2012 economic slowdown in most European countries carried over into 2013 and affected the Group's business. In 2013, Mersen generated 38% of sales in Europe, 21% in Asia, 35% in North America and 6% in the rest of the world.

A culture of expertise and innovation

Innovation flows from the Group's close relationship with its customers, its knowledge of the challenges they face and its technology watch. Many innovations are produced in response to their increasingly exacting requests, leading to new designs and technologies, which are sometimes developed jointly.

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

During 2013, innovation efforts focused on the same two main areas as in previous years:

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

The major innovations finalized in 2013 or still under development include:

- Development of silicon carbine reactors-plate heat exchangers that enable the chemical and pharmaceutical industries to intensify their continuous processes in corrosive and highly exothermic environments;
- Design of an activatable fuse triggered by heat collectors that react to the very high luminosity that an arc flash produces;
- Development of a drilled silicon carbide block heat exchanger for specialty chemical manufacturers, which expands our graphite range in the upper segment, given the increased mechanical resistance and anti-corrosion properties and the lack of shedding of silicon carbide particles;
- Development of an eco-design third-rail shoe (to be inserted in rail pantograph systems), with a recyclable metal bracket, reducing user maintenance operations. This innovation was presented at the Lille SIFER trade show in 2013 and received the innovation trophy there;
- New graphite consumables, coated with tantalum carbide, delivering very high added value for epitaxy specialists in the LED industry.

Business activities at a glance

→ Materials (AMT)

- €300 million euros in sales.
- 40.5% of total sales.
- World no. 1 in graphite anticorrosion equipment.
- World no. 2 in high-temperature applications of isostatic graphite.

Activities

- Isostatic graphite equipment, carbon-carbon composites, carbon bonded carbon fibers and silicon carbide for high-temperature applications (solar, semiconductors, aerospace, glass-making, etc.).
- Anticorrosion equipment using graphite, reactive metals (tantalum, titanium, etc.) and fluorinated polymers (PTFE, etc.) and special metals for the chemical and pharmaceutical, metallurgy and water treatment industries.
- Diagnostics, assistance and maintenance.

Main applications

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

Priorities

- Develop high value-added applications employing isostatic graphite and other materials.
- Become a leading supplier of finished, high-quality products to the solar energy and electronics sectors.
- Continue developing complete solutions for corrosive and high-temperature chemicals and pharmaceuticals.
- Continue analyzing ways to achieve the industrial optimization and streamlining of certain product lines.

Principal competitors (in alphabetic order):

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

Principal customers (in alphabetic order):

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

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

→ Electrical (ECT)

- €438 million euros in sales.
- 59.5% of total sales.
- World no. 1 in brushes and brushholders for industrial electric motors.
- World no. 2 in industrial fuses, now the only independent leader, with the largest global range of fuses and fusegear.

Activities

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

Main applications

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

Priorities

- Continue development in renewable and conventional energies.
- Continue development of our range of power electronics solutions.
- Offer energy efficiency solutions.
- Expand sales in Asia.
- Develop maintenance services for motors and generators.

Principal competitors (in alphabetic order):

- Aavid (United States) – coolers
- Eaton/Bussmann (United States) – industrial fuses
- Lytron (United States) – coolers
- Methode (United States) – laminated bus bars
- Morgan Advanced Materials (United Kingdom) – brushes, brushholders, pantograph strips, etc.
- Rogers (United States) – laminated bus bars
- Schunk (Germany) – brushes, brushholders, pantograph strips, etc.
- Schleifring (Germany) – signal transmission systems

Principal customers (in alphabetic order):

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

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

2

Introduction: Reporting program and methodology

The Group strives to act as a good corporate citizen in its social, ecological and societal environment. To that end, for the last several years it has monitored certain information provided every year in its reference document.

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

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

→ Scope of reporting

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

- Social and societal reporting: all companies except for those acquired less than a year ago.
- Environmental reporting: all companies whose production generated sales of more than €15 million at year n-1, excluding companies acquired less than a year ago. Every company that was included in the scope of reporting and whose production exceeded the threshold of €15 million remains within the scope of the environmental reporting, provided that its sales do not fall below €7.5 million. These thresholds thus restrict environmental reporting to companies representative of the Group's business activities. In 2013, they accounted for around 62% of total sales.

Possible exclusions from the scope of reporting may be made for certain indicators, such as where local legislation does not permit the reporting of relevant data or where sufficient arrangements for the collection of certain types of data have not yet been made. The summary table at the end of this section recapitulates the scope covered by each of the indicators. The "Indicators and specific definitions" paragraph below also provides additional explanation of the definitions and/or the method of calculating certain indicators.

→ Organization of the reporting and methodology

Indicator sheets

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

Reporting year

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

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

Reporting process participants and their responsibilities

There are three levels of responsibility:

Corporate responsibility

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

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

- distributes the framework and its indicators to companies and ensures that they are clearly understood by providing adequate information and training;
- coordinates data collection;
- ensures that the reporting schedule is adhered to;
- checks the completeness and consistency of the data collected;
- consolidates the data;
- uses and analyzes the data.

Group companies' responsibility

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

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

External organization

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

The Group's statutory auditors performed audits and verifications for the first time on 2013 data, in accordance with the implementing decree of April 24, 2012.

→ Indicators and specific definitions

Absenteeism

Number of days of absence from work for any reason that the employer cannot anticipate: non-occupational disease, workplace accidents, maternity/paternity leave, strikes and any other unforeseeable absence.

Accident with lost time

An accident resulting in time off work. An accident affecting several people is recognized as a single accident. Only the causative event is taken into account.

Agreement

All arrangements made and accepted by the management of an operating company, division or the Group and one or more employee representatives.

Compensation (changes)

Given the Group's presence in many countries and the resulting disparities in compensation, no indicator was produced on this item.

Consumption of raw materials

All the Group's consolidated companies collect information on raw materials' consumption. The information collection process for the copper consumption indicator needs to be improved, as the subsidiaries do not take inventory variations into account in a consistent manner.

Corporate governance bodies

The corporate governance bodies are the Management Board, the Executive Committee and the Supervisory Board.

Disabled employees (operations in France)

The Group has a presence in many countries and operates under a variety of local laws. This information is thus provided only for France. This involves employees whose disability has been recognized by an organization or institution and under the conditions set by current French regulations.

Employees suffering from an occupational disease (operations in France)

Because the concept of occupational disease varies significantly from country to country, this information is provided only for France. A disease is recognized as “occupational” if it appears on one of the tables appended to the French Social Security Code or Rural Code. Under certain conditions, diseases that do not appear there may also be included:

- diseases designated in a table of occupational diseases but for which one or more conditions have not been met (with regard to the period required for recognition, the length of exposure or the exhaustive list of jobs), when it has been established that the victim’s regular work is the direct cause of the disease;
- diseases not designated in a table of occupational diseases when it has been established that they are caused, mainly and directly, by the victim’s regular work and that they lead to permanent disability at a rate at least equal to 25% or are the cause of the victim’s death.

Environmental, health and safety (EHS) manager

An EHS manager is an employee who is responsible for managing environmental, health and safety matters.

Environmental protection training

This indicator recognizes the total number of training hours provided whose title and/or main topic is linked directly to environmental protection issues.

Hiring

Total number of people hired during the fiscal year who meet the definition of “Workforce” described below.

HRIS

Social information is collected through an HR information system used in all the Group’s consolidated companies, with the exception of few entities that recently entered the scope of consolidation and are being incorporated gradually, based on an implementation schedule defined by the Group’s senior management. Only the workforce indicator is available for those latter companies (scope consolidated within the HRIS), which represented less than 2% of the workforce in 2013. Because this HRIS tool was adopted only recently, efforts over the coming years will focus on improving the reconciliation of data among the Group and its subsidiaries.

Local nationality

Local nationality is defined as the nationality of the country in which the company is located.

Managers

An employee is considered to be a manager when he or she holds a functional management (including engineer, project manager or technical expert) or team management position, with the exception of first-level management (supervisor).

Organization of work and Labor dialog

Because these concepts vary significantly from country to country, the related information is provided only for France.

Policy

A policy is an organized general framework, disseminated and deployed by the Group’s top management throughout all the companies or targeted groups of companies. This framework is formalized as an official, signed document.

Training

Training activities recognized as such are those organized and paid for by the Group and that are designed to:

- improve performance and help the employee adapt to changes in his/her job;
- develop the employee’s talents and help him/her acquire new skills.

Senior employees

Employees over 55 years of age.

Workforce and distribution by gender, age and geographic area

Employees included in the workforce at the end of the fiscal year, under open-ended or fixed-term contracts, excluding temporary workers, interns and sub-contractors.

Human resources policy

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

→ HR plan

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

The Group undertakes to comply with the fundamental principles and rights of the ILO (International Labour Organization) in keeping with legislation in effect. They cover aspects such as the freedom of association, the right to organize and collective bargaining, the abolition of all forms of forced and compulsory labor, the effective abolition of child labor, and the elimination of discrimination in respect of employment and occupation.

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

Forward human resources planning

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

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

These analyses are consolidated at Group level based on Mersen's new reference job framework. This framework, which was drawn up in 2012, identifies and describes reference jobs common to all the divisions for each of the 10 support functions (sales and marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs). This mapping of jobs covering all tiers within the Group (executives, technicians, supervisors, blue-collar staff, etc.) is used to fine-tune recruitment and training policies, deliver consistency in personnel management based on the level of employee contributions and facilitate competency development and career path management. Starting in 2013, the job skills associated with each position are being defined, which will produce a more in-depth mapping.

Senior employees and knowledge transmission

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

In France, the purpose of the action plan under the *Contrat de Génération* legislation, which was signed in September 2013 for a period of three years, is to promote the hiring of young people under open-ended employment contracts, while ensuring that senior employees' knowledge and skills are passed on. The Group intends to play an active role in carrying out this three-part objective through various commitments. Over the next three years, therefore, the Group will hire, in France, 30 employees under the age of 27 (under open-ended contracts) and 200 young people under apprenticeship or vocational contracts. In addition, 80 internships for young people following a certification curriculum will be offered every year. With regard to senior employees, the action plan incorporates certain commitments in the agreement promoting the employment of seniors, signed in 2009, such as mentoring. A new mission will be established, that of special advisor (*référent*), complementing that of mentor. HR managers will provide training in this new role within the subsidiaries.

The action plan continues to be deployed at the international level. It aims to replace and pass on the knowledge gained by seniors, increase employees' competencies to help drive the Group's growth and enhance communication about its values and corporate culture.

A review (known as the "experience interview") is conducted for all employees whose competencies are considered crucial and for all those likely to retire within two to five years. It aims to identify the employee's knowledge and core competencies so that arrangements can be made to safeguard and pass them on. This interview also reviews the employee's position ahead of his/her retirement and/or the final part of his/her career to make sure it is as interesting and useful as possible. Managers are offered training, either on-site or via e-learning, to prepare for this interview.

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

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

Stimulating innovation

Innovation is used to build a distinctive range of products and to drive growth. The Group's primary partners in terms of innovation are its customers, for which it develops tailored products.

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

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

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

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

An analysis of expertise was conducted this year by operational staff and the HR department on this topic.

Project management and cross-divisional coordination

Since it is aware that innovation, inventions and projects often take shape at the intersection between the Group's divisions and that these can be highly valuable, Mersen strives to enhance its employees' skills and provide support with this type of development. Indeed, a program of selective training in cross-divisional coordination and project management has been specially developed. It is to be strengthened in 2014 via the new e-learning platform created in 2013, the Mersen Academy.

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

Support managers, the principal agents of change

The complexity of Mersen's organization structure has increased as the Group has expanded into new regions and as new intercultural relationships have developed. In response, Mersen's managerial skills guide now includes a human dimension and a technical dimension with a view to achieving a consistent approach right across the Group.

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

Manager recruitment, development and career planning

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

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

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

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

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

HR tools available to managers

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

Training for plant managers in how to conduct these reviews was held in several countries, from Asia to the Americas including Europe. This training was reinforced in 2013 with an interview training program for all Group managers and organized via the new e-learning platform, the Mersen Academy.

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

Training

The Group created a global e-learning platform in 2013. By expanding access to e-Learning to its employees around the world, the Group underscores its investment in skills development and support as jobs change. The Mersen Academy, the new e-learning portal, will allow employees to obtain both high-quality general training and tailored job-specific training. This also offers the Group an opportunity to focus on priority and strategic topics and to instill the Group's culture. The first program launched this year thus dealt with Cash management within the company and reached a very large audience. The Mersen Academy provides more than a training platform. It also offers a space in which knowledge can be shared and exchanged and serves as a new forum for apprenticeships for geographically dispersed teams.

All in all, the Group devoted 1% of its total payroll during 2013 to training, i.e. an average of 14.6 hours of training per employee.

Training	2013	2012
Spending on training as a % of total payroll costs*		
Group total	1.0	1.1
• o/w France	2.1	1.7
Average number of hours per employee*		
Group total	14.6	15.0
• o/w France	12.5	11.8

(*) Scope consolidated within the HRIS

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

The Human Resources Information System is integrated into the Group's Human Capital Program. It has been operational since January 2012 and may now be found in around 30 countries. Its purpose is to deploy, within all Group entities in France and internationally, an information system that can optimize the oversight of human resources.

The main objectives of this comprehensive HRIS tool, used internationally, are to:

- Support managers in managing their team;
- Strengthen workforce monitoring with reliable, relevant indicators;
- Manage compensation systems;
- Streamline information processes and flows from the countries;
- Deploy the HR strategy throughout all Group subsidiaries; and,
- Promote Group culture and develop a strong Group identity.

This tool evolves continuously to provide regular, ongoing support to the Group's HR and managerial community. In 2013, the system migrated to a Web 2.0 solution, providing users with new ergonomics, more intuitive navigation and a more user-friendly interface. In addition, it incorporates the total payroll control modules (variable compensation and salary revisions).

This effort was rewarded in September 2013, when *Le cercle SIRH*, an organization representing HRIS professionals, awarded Mersen the Jury's Favorite prize in the HRIS Strategy category. This prize recognizes the Group's active HR policy in managing human resources and its willingness to deploy its processes worldwide.

Development of HR marketing

To attract the talent that the Group will need to underpin its future development, Mersen pursues a policy of building relationships with schools and universities in the main countries in which it is present (France, the United States, China, Germany, etc.) to raise Mersen's profile and its businesses among students. The Group regularly attends school events and student fairs in these countries and holds open days. In addition, it regularly hosts young people on internships or apprenticeship programs, especially in technical areas. Lastly, to increase the visibility and advantages of employment within the Group, Mersen's web site includes testimonials from employees who want to share their experience and describe their career path within the Group.

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

Integration within the Group

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

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

An e-integration program available on Mersen's intranet provides new employees with all the information they need to make their first few weeks with the Group even smoother. This represents a practical means of learning the essentials for their activities within the Group (cash management, 5S, project management, safety, etc.). The new Mersen Academy will strengthen these efforts and thus encourage knowledge transfer to all new arrivals within the Group.

When Mersen acquires a new business, careful preparations also need to be made to integrate its new employees so that they gain a sense of belonging to the Group. To achieve this, Mersen has developed an integration process, incorporating human, social and cultural aspects, for employees of the businesses it acquire.

Health & Safety

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

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

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

An assessment of employee exposure to occupational stress factors was conducted in France in 2012. Following this study, negotiations were launched with the labor partners to reach an agreement on preventing or reducing exposure to such factors. This agreement on stress prevention within the Mersen Group was signed on January 31, 2013. Its purpose is to retain Mersen employees with the Group for as long as possible and ensure that they remain healthy by reducing multiple sources of exposure and by making adjustments to workstations wherever possible.

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

In December 2012, Mersen received the sustainable and solidarity-based responsibility award at the fourth French " Objectif Mieux Vivre en Entreprise " conference on employee well-being, organized by RH&M, an institute that specializes in human resources and management.

These various measures, which take a resolutely long-term view, emphasize prevention. They contribute to maintaining the Group's relatively low absenteeism rate, which fell even further in 2013.

Absenteeism

As a percentage	2013	2012
Absenteeism rate *	3.3%	3.3%

(*) Scope consolidated within the HRIS excluding the sites of WenzhuYueqing (China), Toronto EA (Canada), Boonton EA and Salem (USA).

Diversity

The diverse origins, educational and cultural backgrounds, and ways of thinking of the Group's teams represent major advantages stimulating its creativity.

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

As a signatory in 2010 of the French corporate diversity charter, the Group has undertaken to combat all forms of discrimination by safeguarding respect for and promoting diversity. Mersen holds discussions on best practices with other businesses within the A.F.M.D. (French association of diversity managers), of which it is a member.

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

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

As a percentage	2013	2012
Plant managers/local nationality	91%	88%

Gender balance

A Women's Network, created in 2010, called WiN: Women in MerseN brings together male and female Group employees who want to work on a joint project to promote greater diversity through cooperation and mutual assistance. The aim of the WiN network is to pool the potential capabilities of its members and to provide opportunities for meetings and analysis outside the scope of any system or hierarchy. WiN also aims to become an international network within the Group that can take part in inter-company events and share experiences. In 2013, one of the women from the WiN network represented the Group for the Rhône-Alpes region at the "Femmes de l'économie" (Women in the Economy) awards ceremony and was nominated in the "Women in the International Market" category.

Gender balance has been clearly identified and stated by Mersen as a priority area for improvement. Numerous initiatives have been introduced since 2009, including new hires, career tracking, communication, awareness raising among managers, rewards and greater flexibility for parents in professional life, which have helped to achieve genuine progress in this area. The proportion of women managers tends to get close to the Group's objective to have at least 20% female managers. That percentage is 20% within the corporate governance bodies.

As a percentage	2013	2012
Women on corporate governance bodies	20%	15%

Employment and integration of disabled workers

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

Labor dialog

The Group Works Committee in France and the European Works Committee provide a forum for dialog with employee representative bodies concerning the Group's position and strategic objectives in France and in Europe as a whole. They provide an extra dimension to relations with employee representatives through the employee consultation and discussion bodies that exist in companies. These committees both met once during 2013.

In addition, many working meetings and negotiating sessions were held in 2013 under the auspices of the monitoring committees on various agreements (including health care costs and professional equality).

Social dialogue and consultation

This year, the Group sold its businesses at the Grésy and Brignais facilities. The Group sought to identify industry players that might be interested in taking over the operations and in a position to invest in their development. Efforts to identify credible potential buyers were successful. In July 2013, the 30 employees at the nuclear boiler making equipment facility (Grésy-sur-Aix) were thus hired by the NAWI Group, whose leading shareholder is an experienced industrialist and expert in this business sector. The 18 employees at the Brignais facility, working mainly in the mixer business, were transferred in late November to the family-owned group, JF Investment. The 30 employees who worked primarily at the metal plate heat exchanger business were transferred, on the same date, to a consortium composed of DEPN, two senior managers and the Aquair group.

To ensure transparency, with regard both to the employees concerned and the employee representative bodies, the management of the companies involved wanted to notify stakeholders in advance. To facilitate dialogue among these stakeholders throughout the process, an agreement was signed with the union delegates in March 2013. While this consultative process was underway, and without waiting for the consultative and information processes with the employee representative bodies to conclude, management took several actions intended to prepare for possible psycho-social risks and to support employees interested in initiating their own career planning process.

The Group demonstrated the same commitment to consultation and social dialogue when it decided to sell part of its component manufacturing operations at its Newburyport, Massachusetts (US) facility and transfer that manufacturing to a new facility in El Paso, Texas (US) or to its plant in Juarez, Mexico. A support plan for the approximately 70 employees affected was thus negotiated with the unions. It provided severance payments, as well as benefits and services to help the employees and their families during the transition phase.

Enable employees to share in the Group's success

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

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

Managers' bonuses are related to the cash flow from operations generated by their business unit and/or their division and to another collective objective (generally, the operating margin), as well as results obtained relative to their annual individual targets, particularly those related to safety, productivity and participation in value-creating projects. This policy helps to ensure that the Group's values and strategic objectives guide its day-to-day business decisions.

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

Internal communications

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

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

The Group's intranet, accessible in real time right around the world, provides a forum for sharing information and tools. Its content is constantly enriched by contributions from many section managers.

→ Workforce and facilities

Mersen is a global group with 6,382 employees (at December 31, 2013) in approximately 35 countries. In 2013, the Group consolidated the Swiss subsidiary's workforce for the first time.

Geographical analysis of the workforce (at December 31)

Country	2013	2013 (%)	2012	2012 (%)
Europe	2,300	36.0%	2,437	36.1%
• o/w France	1,484	23.3%	1,569	23.3%
North America	1,951	30.6%	2,018	29.9%
Asia-Pacific	1,645	25.8%	1,804	26.8%
Rest of the world*	486	7.6%	486	7.2%
TOTAL	**6,382**	**100.0%**	**6,745**	**100.0%**

** Africa and South America.*

In 2012, the figures excluded the sites of Grésy and Brignais.

In 2013, 1,199 people were hired around the world, including on fixed-term contracts; 304 were dismissed (scope consolidated within the HRIS).

Based on the reporting scope*, women accounted for 35% and senior employees for 15% of the workforce.

	2013*	2012*
Group headcount		
• o/w women (as a %)	35%	34%
• o/w seniors aged 55 and over (as a %)	15%	15%

** Scope consolidated within the HRIS*

Age pyramid (at December 31)*

Age brackets	Men	Women	Total
Under 25	4.7%	11.2%	**7.0%**
25 to 29	11.7%	14.9%	**12.8%**
30 to 34	13.4%	13.8%	**13.6%**
35 to 49	13.7%	10.3%	**12.5%**
40 to 44	14.1%	12.2%	**13.4%**
45 to 49	14.3%	12.7%	**13.7%**
50 to 54	12.4%	11.6%	**12.1%**
55 to 57	6.2%	5.6%	**6.0%**
58 to 59	4.0%	3.2%	**3.7%**
Over 60	5.5%	4.5%	**5.2%**

** Scope consolidated within the HRIS*

Geographical analysis of facilities (at December 31)

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

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

Country	2013	o/w facilities with more than 125 employees	2012
Europe	26	4	29
• o/w France	10	4	11
North America	15	3	15
Asia-Pacific	13	4	14
Rest of the world*	5	1	5
TOTAL	59	12	63

** Africa and South America*

Outsourcing

The Group partially outsources the manufacture of its products. In 2011, outsourcing costs amounted to around €60 million, for assembly, machining and welding and for the manufacture of metallic and plastic components.

Social information concerning the Group's companies in France

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

Headcount at December 31

	2013	2012	2011
Workforce	1,484	1,569	1,559
• o/w fixed-term contracts	13	17	16

Recruitment

	2013	2012	2011
Recruitment	53	112	162
• o/w fixed-term contracts	17	26	44

Temporary workers

	2013	2012	2011
Average headcount	130	124	200
% of the headcount	9%	8%	13%

Overtime

	2013	2012	2011
Overtime	23,692	26,283	42,975
% of hours worked	0.9%	1.0%	1.9%

Absenteeism

	2013	2012	2011
Absenteeism rate	5.9%	4.8%	5.2%
• o/w illness	4.5%	3.7%	3.8%

Part-time work

	2013	2012
Percentage of employees working part-time	5.8%	5.0%

Disabled employees

	2013	2012
Workers with a disability (as a %)	6.2%	4.1%

Organization of working hours

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

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

Health and Safety policy

Mersen is committed to developing and consolidating a health and safety culture within the Group by relying on three main tools: **Accountability, Risk Analysis and Continuous Improvement**. To achieve this goal, new tools were launched in 2013 which strengthened communications and prevention in this area. The medium-term goal remains to achieve **Excellence** in health and safety.

Organization of the function

The Group's health and safety function is now part of the Risk, Internal Audit and Safety department. This structure reflects the Group's commitment to improving the effectiveness of the safety policy by enabling the function to benefit from the Group's experience and expertise in industrial risk management and by implementing internal control methods to the security policy.

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

Most of the plants also have a dedicated health and safety officer who helps to implement the policy formulated by Group management.

	2013	2012
Companies with a dedicated Health & Safety officer	89%	83%

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

2013 Achievements

In 2013, this department's efforts focused on the following:

- Developing Group-wide "Golden Rules of Safety;"
- Developing an e-learning safety module for operators and a more tailored module for managers. The objective is to allow each new hire in the Group, including temporary workers, to benefit from this training;
- Developing the "near accident" statement to prevent risks as soon as possible; and,
- Implementing a simple risk detection tool when the work environment changes or when the operator begins working with a new piece of equipment.

The department also continued to upgrade the facilities in keeping with the Group's best practices and to ensure proper implementation of Group safety rules through safety audits.

The department continued the initiatives undertaken in 2012 to revitalize the safety visit process. This process, which was introduced several years ago, can provide a rapid safety audit of part of a production workshop or process. These audits are carried out by the management team from another part of the Group, together with a senior manager in most cases. They help to detect anomalies or deficiencies, and action plans are drawn up, with implementation verified in a subsequent audit. The Safety department encourages the facilities to establish an objective of four safety visits monthly per facility. With the active resumption of this process, the number of visits in 2013 rose by 25%, representing an average of three audits per facility and per month for the Group.

	2013	2012
Number of safety visits	2,240	1,800

Risk survey

The safety risk survey is updated annually for each Group unit. Revisions to this survey thus incorporate possible new risks resulting from changes to equipment or organizations. This risk survey was assessed as part of the Group safety audits. It is also reviewed systematically after each accident to verify that the cause of the accident has been listed.

Risk prevention

The analysis of occupational stress conducted in 2011 and continued in 2012 led to the signing, on January 31, 2013, of an agreement on preventing occupational stress, in compliance with legislative directives.

The Group continues its employee training in best practices in PAH protection (Polycyclic Aromatic Hydrocarbons) at the Group's main production facilities that face these risks. At the same time, research and development are underway so that materials with very low PAH content can be used.

Safety training and audit

An e-learning safety program was developed in 2013 and is now part of the integration process. The objective is to enable all new hires to benefit from this training when they arrive at Mersen. It encourages dissemination of the safety message and serves as a reminder of its importance to the Group from the moment the employee first enters the company.

The safety audits program continued in 2013. Approximately 12 corporate audits were conducted. The audit process is supplemented by a cross-audit program, organized by geographic area. These audits, encompassing internal control, safety and information systems, are conducted by specially trained personnel. They help to promote experience-sharing and are instrumental in fostering a Group safety culture. The program's organization by geographic area also helps to strengthen exchanges among facilities of the same culture, promoting understanding and implementation of the solutions proposed. In 2013, approximately 12 cross-audits were conducted.

Many facilities hold an annual safety week. Workplace safety topics are addressed, as well as larger issues, such as food safety and the risk of domestic accidents. This event provides another opportunity to create awareness among employees and instill the safety culture.

In addition, Mersen continued its policy of making safety a priority by holding its annual Safety Excellence Awards. These awards are given to facilities with first-rate safety management combined with a very high level of safety performance.

Safety indicators

The 2013 results improved over 2012, primarily with regard to accidents with lost time. While the number of hours worked is comparable, the rate of accidents with lost time improved by 12%, returning to the record level of 2.7 achieved in 2011. Overall, the Group has consolidated its safety performance over the last three years at a historically low rate. The average total number of accidents with or without lost time per million hours worked over the last three years is approximately seven, while the same average for the 2008-2010 period was 14, i.e. a decline of 50%. The severity rate also fell. This year, Mersen posted the second-lowest rate in its history since it began recording this indicator – 0.12, i.e. less than 1,800 days of lost time.

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

2013	2012	2011
2.7	3.0	2.7

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

2013	2012	2011
6.8	6.5	6.5

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

2013	2012	2011
0.12	0.16	0.07

Number	2013	2012
Number of occupational accidents with lost time concerning temporary staffing agency employees	2*	4*

(*) For a total of 680,600 hours worked in 2012 and 728,000 hours in 2013

Indicators/operations in France

Number	2013	2012
Number of employees suffering from an occupational disease*	10	10

(*) For a workforce totaling 1,569 in 2012 and 1,484 in 2013

Societal responsibility

Priorities

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

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

The corporate and cross-audits carried out by the Group's internal audit function provide insight on a regular basis into whether these rules are applied properly. Over the last three years, 88% of Group companies were covered by an internal audit.

At the same time, concrete measures have been implemented to raise teams' awareness about a number of risks associated with unlawful practices. A training module focused on fraud-related risks (swindling, counterfeiting, etc.) was developed for Group managers. Deployment began in France as well as in North America and China in 2013. Sixty managers were thus trained worldwide in 2013.

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

To support this process and in connection with the streamlining of the Group's supplier panel, the purchasing department also established a supplier audit system covering questions related to:

- compliance with the "global group" charter, which includes rules of compliance with the ILO fundamental rights of workers;
- efforts to reduce environmental impacts.

Environmental criteria, and specifically ISO 14001 certification, are included in the supplier selection process.

Local initiatives

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

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

In 2013, several Group facilities were particularly involved in local initiatives to boost regional economies.

In the Lorraine region (France), for example, which seeks to promote economic development based on expertise in materials and energy, the Pagny-sur-Moselle plant is helping to fund two regional competitiveness clusters - «Materalia» (materials and processes) and «Fibres» (fiber-reinforced materials). It contributes to defining key areas for regional development by participating in the steering committee of the Institut Carnot in Nancy, an association of innovative laboratories. During the Fête de la Science, it also chaired conferences on the topic of carbon, in connection with its partnership with the IUT-Forbach Materials Science and Engineering Department.

Similarly, Boostec, a Mersen subsidiary in the Midi-Pyrénées region (France), is a member of two competitiveness clusters, the European ceramics cluster and Aerospace Valley, and works with local governments and the Chamber of Commerce and Industry on analysis and actions to promote industrial recovery in the region. Similar initiatives exist outside of France, for example, in Greenville, Michigan (U.S.), Cabreuva, Brazil and Bommasandra, India.

Many facilities around the world (Brazil, United States, France and India) participated in apprenticeship and youth employment programs in 2013. Interns from local schools and universities are regularly brought in on apprenticeship contracts.

In addition, "open houses" were organized at facilities in Brazil, India and France to promote industry and the Group's operations among local populations. Several plants (including Amiens, Gorcy, La Mure and Saint-Loup-de-Naud in France, Cabreuva, Brazil, MEP in China, Bommasandra, India, Juarez, Mexico and Tunis, Tunisia) also held safety days or a safety weeks.

Environmental approach

→ Priorities

Mersen is involved in environmental issues on two levels: first, through its markets and products, given its position on renewable energy markets and the contributions its equipment makes to energy efficiency; and, second, through its commitment to an environmentally and socially responsible strategy. The Group pursues a collective and pragmatic approach involving all its employees, who are educated and receive training at every level of responsibility.

Mersen undertakes to:

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

In 2013, Mersen continued its review of the implications of the Grenelle II legislation (law no. 2010-788 of July 12, 2010) on the national commitment to the environment. After the reporting standard was consolidated and validated by specialist auditors, several test audits were conducted in late 2012, which led to adjustments to the standard in 2013. Steps were then taken to increase awareness and clarify the process to improve reporting quality. Beyond the regulatory requirements, awareness-raising within the teams and sharing of best practices should support implementation of plans to reduce consumption and save energy at all of the Group's main sites.

→ Minimize environmental impacts

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

The **Quality and Continuous Improvement** (QPC) program continues year after year, including in environmental matters. It was backed up by training initiatives to achieve operational excellence.

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

Regulatory compliance

In connection with the **Reach regulation**, in 2010 the Group registered certain products that make up graphite (mainly resins) and, in 2013, those that make up flexible graphite. The Group works with its suppliers to actively monitor the progress of work and the registration of certain strategic products purchased. The objective is to anticipate possible bans on the marketing of these products. Mersen also set up a monitoring unit to track the new rules being introduced by the ECHA (European Chemicals Agency). Mersen uses certain products on the ECHA list of registered substances in its manufacturing processes. The Group monitors changes in the regulations so that it can take the relevant measures and plan ahead to find alternatives for certain products. To be able to guarantee an uninterrupted supply chain, the Group has to check with the supplier of a substance requiring approval that it has indeed satisfied the requirements to maintain its marketing approval in the European market.

With regard to dangerous substances, Mersen is always very vigilant regarding the implementation of protection measures and a working group meets regularly to monitor their application and recommend changes. These measures seek to ensure the protection of employees and the environment. Very strict guidelines are implemented at the relevant plants to protect those working with the substances to the maximum possible extent. Firstly, it is compulsory for them to wear personal protective equipment (including masks and overalls) geared to the specific risk. Second, investments were made in aspiration systems and machine enclosure systems, which reduced dust levels significantly. Lastly, gaseous effluents are collected and processed prior to discharge into the atmosphere.

The Group has already calculated the **carbon footprint** of its main production facilities in France, also in anticipation of future environmental concerns, although Mersen is not one of the companies subject to the first French national plan for the allocation of carbon dioxide emission quotas (PNAQ). Concrete actions were thus developed, particularly taking energy consumption and CO_2 emissions into account when production equipment is renovated. In 2013, an analysis was conducted of energy consumption at the French plants. Some of the recommendations are scheduled to be implemented in 2014.

The logistics and material transportation chain also represents an area for improvement with efforts to streamline use of transportation and the number of journeys required. Research and development is a third source of potential advances, through adjustments to manufacturing processes in particular.

Lastly, Mersen continues to monitor changes in European regulations and directives that could take effect in the coming years. Those include, for example, the Industrial Emissions Directive (IED), intended to prevent and reduce air, water and soil pollution from industrial installations by relying on the best available technology (BAT). The Group is also working with the European Carbon and Graphite Association (ECGA) to contribute to the dialogue with European institutions in areas affecting the graphite industry.

Certifications

The ISO 14001 certification program covers the Group's main production facilities. 47% of the production facilities included in the reporting scope and 67% of facilities with more than 125 employees are currently certified. Some sites took this process even further by striving to achieve OHSAS 18001 (Occupational Health and Safety Assessment Series) certification or Occupational Health and Safety Management.

Waste management

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

Soil pollution

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

→ Sustainable use of resources

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

As part of this approach, Mersen has stepped up the implementation of methods and skills to develop products based on an eco-design approach. The environmental implications of new products are taken into account from the design stage through to the end of their life cycle.

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

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

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

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

This type of tool also helps to maintain traceability of products from existing lines for comparison purposes when future product lines are developed. It is also another tool for comparison in terms of the competition.

With regard to procurement and outsourcing, Mersen's policy is intended to take environmental issues into account (cf. also § "Social responsibility"). Several years ago, the Group thus developed an "eco-sustainable-redesign to cost" process. Based on a product functional analysis, this method is intended to replace or reduce the proportion of certain components or raw materials, substituting others that are more environmentally sound without affecting product functionality. After working, on a priority basis, on products for which the proportion of procurement represented a majority share of the price, the process is now being expanded to new products.

→ Local initiatives

As part of the Group's environmental program, facilities continued their efforts and implemented programs to optimize and reduce energy and water consumption by installing equipment and new-generation energy-saving systems.

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

In addition, many local initiatives were carried out, which all constitute progress. The examples referred to below were identified at major facilities over the last two years (listed geographically).

Amiens, France

- Replacement of heavy fuel boilers by less-polluting gas boilers;
- Selective waste sorting program;
- Recycling of graphite wastes;
- Resale of wood waste; and,
- Publication of a monthly newsletter dedicated to safety and the environment raising employees' awareness of safety and environmental issues and promoting best practices.

Gennevilliers, France

- Following the plant's 2012 environmental impact study, specific investments in verification and maintenance equipment and services;
- Sewer improvements, with the installation of a sump for collecting spillage from the plant;
- Monitoring of liquid and gas discharges;
- Roll-out of a selective waste sorting program; and,
- Publication of a monthly newsletter dedicated to safety and the environment to raise employees' awareness of safety and environmental issues and promote best practices.

Pagny-sur-Moselle, France

- Investments to replace equipment with more energy-efficient systems (transformer, compressors, lighting, etc.);
- Replacement of parts of the plumbing network to reduce leaks and cut water consumption;
- Post-combustion energy recovery; and,
- Redesign and renovation of changing rooms that meet environmental standards (including thermal insulation and energy efficiency), thus achieving significant savings.

Saint-Bonnet de Mure, France

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

Saint-Loup de Naud, France

- Construction of a new surface treatment facility complying with the latest environmental safety standards, including closed circuit systems and vapor washing.

El Jadida, Morocco

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

Frankfurt and Jestetten, Germany

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

Toronto, Canada

- Launch of the "do more with less" program, particularly in the area of water and energy consumption;
- Production of a best practices guide to reducing CO_2 emissions; and,
- Development of a training program on environmentally responsible behavior for employees.

Boonton (New Jersey), United States

- Removal of old hydraulic machines in 2012, which eliminated oil wastes at the facility in 2013.

Midland (Michigan), United States

- Implementation of measures for recycling and discharge of liquids and exhaust fumes.

Oxnard (California), United States

- Installation of a heat treatment furnace and purchase of more energy efficient gas burners to reduce gas consumption; and,
- Implementation of a storage policy for used components.

Salem (Virginia), United States

- Steel and graphite recycling.

St Mary's (Pennsylvania), United States

- Resale of recycled materials that cannot be reused by the plant; and,
- Training for environmental coordinators.

Sao Paulo, Brazil

- Continuation of initiatives promoting sound environmental habits: internal newsletter, 5S challenge, environmental controls, materials controls.

Chongqing, China

- Introduction of an online system controlling gas and sulfur dioxide emissions, in liaison with the local authorities;
- Implementation of a monthly review to monitor and analyze water consumption;
- Campaign to maintain pipes to identify leaks;
- After pumps were introduced into production cycles to reduce water consumption, consumption was reduced and the efficiency of cooling was improved; and,
- Installation of gas purifiers.

Xianda, China

- Establishment of a plan for monitoring the emission of exhaust;
- Development of a list of dangerous substances and measures for storing, transporting and processing them; and,
- Implementation of an environmental protection management system (daily inspection, maintenance and repair).

Key indicators

The Group continued to pursue certification of its main production facilities. In 2013, 67% of plants with more than 125 employees were ISO 14001-certified.

	2013	2012
ISO 14001 certification rate	47%	42%
plants with > 125 employees	67%	70%
Training in environmental protection *(number of hours)*	2,207	2,077

In € million	2013	2012
Amount of significant provisions for environmental risks	0.5	0.5

	Unit	2013	2012
Water and energy consumption			
Water	m^3	502,028	640,955
Electricity	MWh	144,048	171,611
Gas	MWh	147,562	151,354
Consumption of raw materials and metals			
Timber	Tons	1,571	1,648
Cardboard	Tons	582	644
Copper	Tons	1,436	1,624*
Coke	Tons	4,476	5,859*
Waste			
Hazardous industrial waste	Tons	1,690	- *
Non-hazardous industrial waste	Tons	9,267	7,212
Including recycling:			
Recycled timber	Tons	620	625
Recycled cardboard	Tons	316	283
Recycled ferrous metal	Tons	1,099	1,017
Recycled artificial graphite	Tons	2,024	2,394
Recycled oil wastes	Liters	5,011	8,496
Discharges			
CO_2 emissions	Tons	90,213	105,485

** 2012 data corrected or not disclosed following the improvement of data reliability in 2013.*

In 2013, consumption fell overall as a result of business contraction.

Overview of indicators

To facilitate the monitoring of the social, environmental and societal data in Mersen's reporting framework, the following table recapitulates the list of indicators, their scope, their nature (i.e. qualitative or quantitative) and a reference to the page on which the indicator is presented. It also presents the relationship with the specific Global Reporting Initiative indicators (version 3.1).

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
SCOPE				
Scope	-	Reporting program and methodology	3.5 to 3.11	16
SOCIAL INFORMATION				
EMPLOYMENT				
Total workforce broken down by gender	Quantitative	Standard	LA1	25
Total workforce broken down by age	Quantitative	Standard		25
Total workforce broken down by geographical area	Quantitative	Standard	LA1	24
Number of new hires	Quantitative	Standard	LA2	24
Number of dismissals	Quantitative	Standard	LA2	24
Compensation policy and their development	Qualitative	Standard		18, 24
ORGANIZATION OF WORK				
Policy on the organization of working time	Qualitative	Restricted/France		26
Percentage of the workforce working part-time	Quantitative	Restricted/France		26
Absenteeism rate	Quantitative	Standard	LA7	26
LABOR RELATIONS				
Structure of the labor dialog	Qualitative	Restricted/Europe	LA4	23
Collective bargaining agreements	Qualitative	Restricted/France	LA5	19, 22
HEALTH & SAFETY				
Safety policy	Qualitative	Standard	LA6 & LA8	27
List of occupational health and safety agreements	Qualitative	Restricted/France	LA9	22
Number of safety visits	Quantitative	Standard		27
Frequency rate of occupational accidents with lost time (TF1)	Quantitative	Standard	LA7	28
Frequency rate of occupational accidents with and without lost time (TF2)	Quantitative	Standard	LA7	28
Severity rate (TFG) of occupational accidents	Quantitative	Standard	LA7	28
Number of occupational accidents with lost time concerning temporary staffing agency employees	Quantitative	Restricted/France	LA7	28
Number of employees suffering from an occupational disease	Quantitative	Restricted/France	LA7	28

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
TRAINING POLICY				
Training policies implemented	Qualitative	Standard	LA11	21
Number of hours of training	Quantitative	Standard	LA10	21
DIVERSITY AND EQUAL OPPORTUNITY				
Diversity policy	Qualitative	Standard	LA13 & EC7	22
Percentage of women managers	Quantitative	Standard	LA13	23
Percentage of women on corporate governance bodies	Quantitative	Standard	LA13	23
Percentage of disabled employees in the workforce	Quantitative	Restricted/France	LA13	23
Percentage of senior employees in the workforce	Quantitative	Standard	LA13	24
Percentage of plant managers/ local nationality	Quantitative	Standard	EC7	23
PROMOTION OF AND COMPLIANCE WITH ILO CONVENTIONS (human rights)				
Conformity with the provisions of the ILO's key conventions	Qualitative	Standard	HR	19
ENVIRONMENTAL INFORMATION				
GENERAL ENVIRONMENTAL POLICY				
Organization of the company to take environmental concerns into account	Qualitative	Standard/Group approach	Managerial approach	30
ISO 14001 certification rate	Quantitative	Standard		31
Percentage of companies with a dedicated EHS manager	Quantitative	Standard		27
Number of hours of environmental protection training	Quantitative	Standard		34
Resources dedicated to environmental risk prevention	Qualitative	Standard	EN30	31
Amount of significant provisions for environmental risks	Quantitative	Standard	EN28 & EC2	34
POLLUTION AND WASTE MANAGEMENT				
Recycled ferrous metal	Quantitative	Standard – This indicator proved to be unrepresentative of the Group's production activities and will be reassessed in 2014.		34
Recycled artificial graphite	Quantitative	Standard		34
Non-hazardous industrial waste	Quantitative	Standard	EN22	34
Hazardous industrial waste	Quantitative	Standard – 2012 data not disclosed after improving the reliability of data in 2013.	EN22	34
Recycled oil wastes	Quantitative	Standard – Sharp drop in 2013 after removal of old equipment.	EN22	34
Measures to mitigate noise pollution and all other types of pollution specific to an activity	-	Not relevant to the activity		34

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
SUSTAINABLE USE OF RESOURCES				
Volume of water consumed	Quantitative	Standard	EN8	34
Electricity consumption	Quantitative	Standard	EN3 & 4	34
Gas consumption	Quantitative	Standard	EN3 & 4	34
Wood consumption	Quantitative	Standard	EN1	34
Cardboard consumption	Quantitative	Standard	EN1	34
Copper consumption	Quantitative	Standard	EN1	34
Coke consumption	Quantitative	Standard	EN1	34
Recycled timber	Quantitative	Standard	EN2	34
Measures to improve energy efficiency and use of renewable energy sources	Qualitative	Standard	EN6	31
Land use	-	Not relevant to the activity		-
CLIMATE CHANGE				
CO_2 emissions	Qualitative		EN16	34
Measures to adapt to climate change	-	Not relevant to the activity		-
BIODIVERSITY PROTECTION				
Measures taken to preserve and develop biodiversity	-	Not a priority	EN11 to 15, EN25	-
SOCIETAL INFORMATION				
REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE ACTIVITIES				
Local and regional impact of activities on employment and development	Qualitative	Restricted/France International consolidation not yet performed.	EC8 & EC9	29
RELATIONS WITH STAKEHOLDERS				
Dialogue with stakeholders	Qualitative	Standard	4.14 to 4.17	29
Support, partnership and sponsorship initiatives	Qualitative	Standard	EC1 & 4.11 to 4.13	29
OUTSOURCING AND SUPPLIERS				
Inclusion of social and environmental concerns in purchasing policy	Qualitative	Standard/Group policy	EC6 & HR2	29
External suppliers and subcontractors with ISO 14001 certification	Quantitative	Restricted Reliability of indicator being strengthened, not yet restored.	4.14	29
Volumes sourced from ISO 14001-certified suppliers	Quantitative	Restricted Reliability of indicator being strengthened, not yet disclosed.		29
FAIR OPERATING PRACTICES				
Measures implemented to prevent all forms of corruption	Qualitative	Standard/Group policy	SO2 to 4, SO7 & SO8	29
Percentage of companies covered by an internal audit in the past 3 years	Quantitative	Standard		29
Managers who have attended the anti-fraud training	Quantitative	Standard	SO3	29
Measures to protect consumer health and safety	-	Not relevant to the activity	PR1 & PR2	-
Other actions taken in support of human rights	-	Compliance brought about by implementation of the ethics charter	HR	29

**The concept of the “Standard” scope refers to the definition at the beginning of the “Scope of reporting” chapter. Where the scope is “Restricted”, the restrictions are stipulated either in each reporting table or in the “Comments” column above.*

Report of the Statutory Auditors

designated as independent third parties on the consolidated employee-related, environmental and social data included in the management report
Fiscal year ended December 31, 2013

To the Shareholders,

In our capacity as Mersen SA's Statutory Auditors and designated independent third parties, having submitted a valid accreditation request approved by Cofrac, we hereby report to you on the employee-related, environmental and social data contained in the management report (hereinafter the "CSR Data"), in respect of the financial year ended December 31, 2013 in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code.

→ Responsibilities of the company

The Management Board is tasked with producing a management report containing the CSR Data provided for in Article R. 225-105-1 of the French Commercial Code, in accordance with the relevant guidelines (the "Guidelines"). A summary is contained in part 2 of the management report entitled *Responsibility and Sustainable Development* and is available upon request from the Company's registered office.

→ Independence and quality control

Our independence is defined in the regulations, our professional code of conduct and in the provisions laid down in Article L. 822-11 of the French Commercial Code. In addition, we have put in place a system of quality control encompassing policies and procedures documented to ensure we comply with the code of conduct rules, professional standards and the applicable law and regulations.

→ Responsibilities of the Statutory Auditors

Based on our procedures, our role is to:

- certify that the CSR Data required is disclosed in the management report or, where omitted, is explained in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of inclusion of the CSR Data);
- express an opinion with moderate assurance that the CSR Data as a whole is fairly presented in all material respects in line with the Guidelines (reasoned opinion on the fair presentation of the CSR Data).

Our procedures were performed by a team of ten people between September 2013 and February 2014 over a period of around six weeks. To assist us with our work, we called on the services of CSR specialists.

We performed the procedures outlined below in line with the applicable professional standards in France as defined in the order of May 13, 2013 laying down how the independent third party should conduct its assignment and international standard ISAE 3000[1] concerning the reasoned opinion on the fair presentation of the CSR Data.

1. Certification of inclusion of the CSR Data

Based on meetings with the relevant heads of department, we apprised ourselves of the sustainable development priorities as a function of the employee-related and environmental implications of the Company's activities and its social commitments and, where appropriate, the resulting initiatives and programs.

We compared the CSR Data contained in the management report with the list of requirements in Article R. 225-105-1 of the French Commercial Code.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

Where certain consolidated information is missing, we made sure that explanations are provided in accordance with the provisions of paragraph 3 of Article R. 225-105.

We verified that the CSR Data covered the scope of consolidation, i.e. the Company and its subsidiaries as defined in Article L. 233-1 and the companies that it controls as defined in Article L. 233-3 of the French Commercial Code subject to the limitations stipulated in the methodological note in the Introduction to part 2 of the management report.

Based on this work and subject to the limitations stated above, we certify that the requisite Data is included in the management report.

2. Reasoned opinion on the fair presentation of the CSR Data

Nature and scope of the work

We met with around 20 people responsible for preparing the CSR Data in the departments in charge of the data compilation processes and, where appropriate, responsible for the internal control and risk management procedures, to:

- assess the appropriateness of the Guidelines in respect of their degree of relevance, completeness, reliability, neutrality and comprehensiveness, while taking into consideration best practices in the sector, where such exist;
- ensure that a collection, compilation, processing and control process exists in order to guarantee the completeness and consistency of the Data and to familiarize ourselves with the internal control and risk management procedures used to prepare the CSR Data.

We determined the nature and scope of the tests and controls as a function of the nature and volume of CSR Data with regard to the Company's characteristics, employee-related and environmental imperatives arising from its activities, its sustainable development priorities and best practices in the sector.

With regard to the CSR Data that we considered to be most significant(1):

- at the level of the consolidating entity, we viewed the documentary sources and conducted interviews to corroborate the qualitative data (organization, policies, actions), carried out analytical procedures on the quantitative data and verified the data calculations and consolidation on a test basis, and we ensured they are coherent and consistent with the other data contained in the management report;
- in a representative sample of entities and departments that we selected(2) based on their activities, their contribution to the consolidated indicators, their positions and a risk analysis, we held meetings to ensure procedures are applied correctly and conducted detailed tests based on sampling to check the calculations performed and reconcile the data from supporting documents. The sample selected covers an average of 20% of the workforce and between 29% and 80% of the quantitative environmental information.

We also assessed whether the other consolidated CSR Data is consistent with our knowledge of the Company.

Lastly, we assessed the relevance of the explanations given concerning the total or partial lack of certain data, where appropriate.

(1) Quantitative employee-related data: Total workforce, % of women in Group workforce, Number of new hires, Number of dismissals, Percentage of women managers, Percentage of disabled employees, Absenteeism rate, Occupational accident with lost time frequency rate, Occupational accident severity rate, Average number of hours of training by employee, Quantitative environmental data: Water consumption, Electricity consumption, Gas consumption, CO2 emissions, Copper consumption, Hazardous and non-hazardous industrial waste (tonnes); Qualitative data: Organization of working hours, Employee relations, Health and safety, Training, Equal opportunities, General environmental policy, Local development, economic and social impact of business activities, Sub-contracting and suppliers, Fair practice.

(2) Selected facilities: Amiens, Chongqing, Holytown, Pagny, Saint Bonnet and St Mary's.

We believe that the sampling methods and sample sizes determined using our professional judgment allow us to express an opinion with moderate assurance. A higher level of assurance would have required a more extensive review. Given the use of sampling techniques and other limitations inherent in the operation of any information and internal control system, the risk of a material misstatement not being detected in the CSR Data cannot be completely eliminated.

Opinion

Based on our review, we did not identify any material misstatements likely to call into question the fair presentation of the CSR Data taken as a whole, in line with the Guidelines.

Observations

Without qualifying the opinion stated above, we draw your attention to the following points:

With regard to the reporting of human resources indicators, the methodological note presented in the Introduction to part 2 “Responsibility and Sustainable Development” of the Management report stipulates that since the human resources information system was deployed only recently, documentation of the reconciliation of the data between the Group and its subsidiaries will be an area for improvement over the next few years.

Neuilly-sur-Seine and Paris-La-Défense, March 5, 2014

The Statutory Auditors,

Deloitte & Associés		**KPMG Audit ID**	
		KPMG SA department.	
Joël Assayah	Florence Didier-Noaro	Catherine Porta	Philippe Arnaud
Partner	Partner	Partner	Partner
	Social and Environmental Responsibility		Climate Change and Sustainable Development department

Corporate governance

3

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

SUPERVISORY BOARD

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Bpifrance Investissement represented by **Thierry SOMMELET** Member of the Strategy Committee	Oct. 30, 2013		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	2,242,770 (1) 0 (2)	**Member of the Supervisory Board (permanent representative of Bpifrance):** Inside Secure, Mader TDF, via Tyrol Acquisition 1 and 2 holdings, in its own name.
Jocelyne CANETTI DoB: Dec. 5, 1949 Member of the Audit and Accounts Committee and the Appointments and Remuneration Committee	May 20, 2010		Annual General Meeting called to vote on the financial statements for the year ending December 31, 2013	653 (1) 0 (2)	
Yann CHARETON DoB: Jan. 8, 1978 Member of the Audit and Accounts Committee	May 19, 2009	May 16, 2013	Annual General Meeting called to vote on the 2016 financial statements	920 (1) 0 (2)	**Supervisory Committee of:** Alves, Novacap International **Director of:** Kos SpA, Novaluxco 1 SA, Novaluxco 2 SA, PhotoTechLuxco 1 SA, PhotoTechLuxco 2 SA, Lima Holding SpA, Lima Corporate SpA, Bruni Glass SpA, Bruni Glass Holding SpA **Manager of:** ACF Investment 1 **Manager of:** ACF Investment
Hervé COUFFIN DoB: Oct. 26, 1951 Chairman of the Supervisory Board Member of the Audit and Accounts Committee and the Appointments and Remuneration Committee Chairman of the Strategy Committee Independent member**	May 19, 2009	May 16, 2013	Annual General Meeting called to vote on the 2016 financial statements	26,667 (1) 13,000 (2)	**Chairman and Chief Executive Officer of:** Callisto **Managing Partner of:** HC Conseil **Director of:** Antargaz, Ipsen and Compagnie Franco-Tunisienne des Pétroles (Tunisia)

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

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Bertrand FINET DoB: Sep. 6, 1965 Member of the Strategy Committee	May 19, 2011		Oct. 30, 2013 (resigned)	800 (1) 0 (2)	**Member of the Supervisory Board of:** Fonds de consolidation des Entreprises (FCDE) and Chairman of the Investment Committee, Assystem **Director of:** TDF **Member of the:** Investment Consultative Committee of Qualium, Audit Committee of Assystem **Special advisor:** Constellium
Carolle FOISSAUD DoB: Sep. 2, 1966 Member of the Audit and Accounts Committee	May 16, 2013		Annual General Meeting called to vote on the 2016 financial statements	120 (1) 0 (2)	**Director of:** AREVA NC
Dominique GAILLARD DoB: Feb. 17, 1960 Member of the Appointments and Remuneration Committee and the Strategy Committee	May 19, 2009	May 16, 2013	Annual General Meeting called to vote on the 2016 financial statements	790 (1) 0 (2)	**Chief Executive Officer of:** ARDIAN France SA and ARDIAN Holding SAS **Member of the Management Board of:** ARDIAN France SA and ARDIAN **Member of the Supervisory Board of:** ARDIAN Germany GmbH **Member of the Supervisory Committee of:** ARDIAN US LLC **Member of the Executive Committee of:** ARDIAN Italy S.r.l. **Member of the Board of Directors of:** ARDIAN Investment UK Ltd, ARDIAN Italy S.r.l., ARDIAN Switzerland Holding AG, RPAX One S.A. **Member of the Board of Managers of:** ACF I Investment S.a.r.l. **Managing Director of:** AXA Private Equity Eastern Europe GmbH (ended Dec, 5, 2013), APEP GmbH **Chairman of:** AXA Alexandrie SAS, Gaillon Invest. SAS, Holding Gaillon SASU, Penfret SA **Member of the Supervisory Committee of:** Alvest SAS **Director of:** AXA Co-Investment II Ltd, AXA CEE Management Ltd **Director of:** Spie SA, Clayax Acquisition SAS, Club Méditerranée SA **Chairman and Member of the Supervisory Board of:** Fives SA Member of the Supervisory Board of Novafives SAS **Vice-chairman of:** AXA CDP Co-Investment Fund LLC, AXA Co-Investment II LLC, AXA PE FS LLC

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** *According to the requirements of the AFEP-MEDEF code*
(1) Number of shares held.
(2) Number of BSAR warrants held.

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Jean-Paul JACAMON DoB: Aug. 5, 1947 Chairman of the Appointments and Remuneration Committee Member of the Strategy Committee Independent member**	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	818 (1) 3,200 (2)	**Director of:** TOKHEIM, NGE **Former Director of:** Alcan, AMEC
Agnès LEMARCHAND DoB: Dec. 29, 1954 Member of the Appointments and Remuneration Committee and the Strategy Committee Independent member**	May 19, 2009		May 16, 2013 (non- renewal)	320 (1) 1,600 (2)	**Executive Chairman and Director of:** Steetley Dolomite Ltd **Member of the Supervisory Board of:** Siclae (proposed by FSI), Areva
Henri-Dominique PETIT DoB: Jul. 3, 1948 Vice-Chairman of the Supervisory Board, Chairman of the Audit and Accounts Committee Member of the Appointments and Remuneration Committee Independent member**	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	832 (1) 800 (2)	**Senior Advisor** to the consultative committee of European corporate finance house DC Advisory. **Member of the Supervisory Board of:** Amber Europe
Walter PIZZAFERRI DoB: Aug. 20, 1957 Independent member**	May 19, 2009		May 16, 2013 (non- renewal)	718 (1)	**Manager of:** Tercara, Les Verrières de Montagnac, L'Observatoire de l'Innovation dans l'Energie
Philippe ROLLIER DoB: Feb. 19, 1943 Member of the Audit and Accounts Committee and the Strategy Committee Independent member**	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	534 (1) 5,000 (2)	**Director of:** SONOCO Products (USA) **Member of the Supervisory Committee of:** Groupe Grégoire **Manager of:** Cybèle **Chairman and Chief Executive Officer of:** STANISLAS
Marc SPEECKAERT DoB: May 23, 1951	May 19, 2009	May 19, 2011	Annual General Meeting called to vote on the financial statements for the year ending December 31, 2014	1,059 (1) 0 (2)	**Managing Director of:** Sofina **Director of:** SES (Luxemburg), Rapala (Finland), Petit-Forestier (France), Maison Chapoutier (France)
Ulrike STEINHORST DoB: Dec. 2, 1951 Member of the Appointments and Remunerations Committee	May 15, 2013		Annual General Meeting called to vote on the 2016 financial statements	120 (1) 0 (2)	**Member of the Board of Directors of:** Valeo.

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

MANAGEMENT BOARD

Members of the Management Board Names	Date of first appointment	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital	Other positions held
Luc THEMELIN DoB: Feb. 23, 1961 Chairman of the Management Board (since August 24, 2011)	May 19, 2009	May 16, 2013	May 16, 2017	2,479 (1) 4,000 (2)	Chairman and/or director of several Mersen group subsidiaries.
Thomas BAUMGARTNER DoB: Feb. 26, 1971	Aug. 24, 2011	May 16, 2013	May 16, 2017	1,121 (1) 600 (2)	Chairman and/or director of several Mersen group subsidiaries.
Christophe BOMMIER DoB: Sep. 24, 1960	Aug. 24, 2011	May 16, 2013	May 16, 2017	6,900 (1) 3,500 (2)	Director of several Mersen group subsidiaries.
Didier MULLER DoB: Jun. 26, 1958	Aug. 24, 2011	May 16, 2013	May 16, 2017	77 (1) 0 (2)	Chairman and/or director of several Mersen group subsidiaries.
Marc VINET DoB: May 7, 1968	Aug. 24, 2011	May 16, 2013	May 16, 2017	408 (1) 3,000 (2)	Chairman and/or director of several Mersen group subsidiaries.

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

Summary biographies of the Supervisory Board members

Jocelyne Canetti

A graduate of the École Normale Supérieure and holder of the aggregation senior teaching qualification in mathematics, Jocelyne Canetti joined EDF in 1980 where she held various operational duties from 1980 to 1995. She was successively director of the EDF Entreprises Industries centre (1997-1999), director of the European sales network in the corporate sales department (2000-2002), director of the corporate division (2002-2007) and EDF Commerce's director of the eco-energy efficiency services department (2007-2009). She served on the Board of Directors of several companies (Société Monégasque d'Electricité et Gaz, EDF Energies Nouvelles Réparties and Edenkia) and on the Supervisory Board of RTE (Réseau de Transport d'Electricité). She is Vice-chair of the French Consumer Mediation Commission. Since January 1, 2009, Jocelyne Canetti has been an EDF ombudsman. Since she is a representative of Bpifrance Investissement, a shareholder in Mersen, Jocelyne Canetti cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Yann Chareton

After graduating from the IEP in Paris in 2000 and from the ESSEC business school in 2002, Yann Chareton also studied at the London School of Economics and the Università Commerciale Luigi Bocconi in Milan. In October 2005, he joined AXA Private Equity's Mid Cap LBO team (which became Ardian in 2013) where he is Director at the Milan office. Since Ardian is a shareholder in Mersen, Yann Chareton cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Hervé Couffin

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

Bertrand Finet (term in office ended on October 30, 2013)

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

Carolle Foissaud

Carolle Foissaud is a graduate of the École Polytechnique and the École Nationale Supérieure des Télécommunications. She has spent the bulk of her career with the Areva Group, primarily in operational positions within the Connectors, Fuel, Reactors and Cleanup units. She is a member of the Executive Management Board (EMB) of the Areva Group and Senior Vice President for Safety, Security and Operations Support. On March 1, 2014, she was appointed Chief Executive Officer of AREVA TA and Senior Executive Vice President, Propulsion and Research Reactors Business Division. In accordance with the opinion of the Appointments and Remuneration Committee, Carolle Foissaud is considered as an independent member of the Supervisory Board.

Dominique Gaillard

A graduate of the Ecole Polytechnique, Ecole Nationale des Ponts et Chaussées, the IAE in Paris and the University of Berkeley, California (MSc), Dominique Gaillard began his career working for a Pechiney subsidiary as R&D director, then sales and marketing director (1988-1990). From 1990 to 1997, he worked in private equity at Charterhouse, during which time he arranged numerous development capital and LBO transactions. He joined AXA Private Equity (which became Ardian in 2013) in 1997 as head of LBOs. He is now managing director in charge of Direct Funds (development capital, Small & Mid Cap LBOs, Co-Investment, Infrastructure). Since Ardian is a shareholder in Mersen, Dominique Gaillard cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Jean-Paul Jacamon

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

Agnès Lemarchand (term in office expired on May 16, 2013)

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

Henri-Dominique Petit

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

Walter Pizzaferri (term in office expired May 16, 2013)

Walter Pizzaferri is the founder and manager of Tercara, a company that invests in advisory firms and innovative SMEs, having spent more than 25 years in strategic and organizational consulting with major firms (Orga Consultants, KMPG Peat Marwick and Bain & Company) and as founder and CEO of the European offices of US- and UK-based firms (PRTM and JSA). In accordance with the opinion of the Appointments and Remuneration Committee, Walter Pizzaferri was considered as an independent member of the Supervisory Board.

Philippe Rollier

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

Thierry Sommelet (permanent representative of Bpifrance Investissement)

A graduate of the Ecole Nationale des Ponts et Chaussées French engineering school and holding an MBA from INSEAD, Thierry Sommelet began his career in the capital markets at Crédit Commercial de France in 1992 in Paris and, subsequently, in New York. After holding management positions in London and Paris, he joined the Caisse des Dépôts et Consignations in 2002 as Manager of Financial Arrangements in the Digital Investments and Holdings department. He moved to the Strategic Investment Fund when it was established in 2008, and is Senior Investment Director at Bpifrance Participations.Thierry Sommelet is not an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Marc Speeckaert

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

Ulrike Steinhorst

Ulrike Steinhorst began her career in France at the Ministry of European Affairs before moving to EDF's International Division. She joined Degussa AG in 1999, where she held several positions in Germany and France. She headed the Degussa France subsidiary and in 2007 moved to the EADS group, where she is now Head of Strategy, Planning and Finance at the Research Directorate of the Airbus Group, after serving as Chief of Staff to the CEO. Ulrike Steinhorst is a German lawyer and a graduate of Paris II – Panthéon University, HEC (EMBA) and the French Ecole Nationale d'Administration (International Cycle). Since 2011, she has been an independent director of Valeo. In accordance with the opinion of the Appointments and Remuneration Committee, Ulrike Steinhorst is considered as an independent member of the Supervisory Board.

→ Summary biographies of the Management Board members

Luc Themelin

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

Applications division and a member of the Management Board in May 2009. He was appointed as Chairman of the Management Board on August 24, 2011. His term in office as Chairman was renewed on May 16, 2013 for a period of four years.

Thomas Baumgartner

Thomas Baumgartner began his career in 1996 with Crédit Lyonnais as a credit analyst, before taking over as relationship manager for industrial large accounts. In 1999, he joined Mersen as Head of Financing and Treasury, before moving on to become Director of Planning and Management Control. In March 2010, Thomas Baumgartner was appointed CFO. He was appointed as member of the Management Board on August 24, 2011. His term in office was renewed on May 16, 2013 for a period of four years. Thomas Baumgartner is a graduate of the IEP school (political studies) in Paris.

Christophe Bommier

Christophe Bommier began his career with Pechiney as an R&D engineer, before joining the Mersen group in 1989 where he rapidly rose through the ranks to become Vice President, Braking. In 1998, he moved to the United States where he took charge of the North American operations of the High Temperatures division, before being appointed Vice President, High Temperatures Asia in 2006. During 2010, he was appointed as Global Vice President, High Temperatures. He was appointed as a member of the Management Board on August 24, 2011. His term in office was renewed on May 16, 2013 for a period of four years. Christophe Bommier is a graduate of the Paris School of Physics and Chemistry.

Didier Muller

Didier Muller began his career in 1981 and held several sales positions. He joined the Mersen group in 1989, being given responsibility for various subsidiaries and divisions, predominantly in international markets. He directed operations in South America before taking over the Electrical Applications division in 2006. On August 24, 2011, he was appointed as a member of the Management Board and in July 2012, he also took over management of Chemical Equipment. His term in office as a member of the Management Board was renewed on May 16, 2013 for a period of four years. Didier Muller is a graduate of the Rouen ESC business school and holds a master's degree in economic science.

Marc Vinet

Marc Vinet began his career as an engineer with Ferraz in the United States. During 1994, he took over responsibility for the international development of the power electrotechnical division. During 1998, he jointly ran a German subsidiary of Ferraz. After returning to France in 2002, he was appointed as manager of the coolers and power electronics product line. During 2005, he joined the executive committee of the Electrical Protection division as sales and marketing director. Since 2008, he has run the Electrical Protection division. He was appointed as a member of the Management Board on August 24, 2011. His term in office was renewed on May 16, 2013 for a period of four years. Marc Vinet holds a master's degree in economic science and a Supelec engineering diploma.

→ Board practices

Operation of the Supervisory Board

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

Operation of the Management Board

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

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

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

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

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

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

Since August 24, 2011, the Management Board has had five members: Luc Themelin (Chairman), Thomas Baumgartner, Christophe Bommier, Didier Muller and Marc Vinet. Luc Themelin's term in office as Chairman of the Management Board, and those of Thomas Baumgartner, Christophe Bommier, Didier Muller and Marc Vinet as members of the Management Board were renewed by decision of the Supervisory Board on May 16, 2013 for a period of four years. During 2013, the Committee met ten times with an attendance rate of 100%.

Executive Committee

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

Thomas Farkas
Director of Strategy and Development

Estelle Legrand
Director of Human Resources

Jérôme Sarragozi
Director of Legal Affairs, Secretary of the Supervisory Board and the Management Board

Charles-Henri Vollet
Director of Procurement and Information Systems

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

→ Conflicts of interest involving administrative and management bodies

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

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

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

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

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

The members of the Supervisory Board, Management Board and the Group's principal managers have undertaken to refrain from using or disclosing the privileged information that they hold for the purpose of buying or selling the Company's shares and not to carry out any transaction of this type during the black-out periods. For fiscal 2014, the black-out periods are:

- **January 14 to January 30, 2014:** owing to the announcement of fourth-quarter 2013 sales on January 29, 2014;
- **from February 4 to March 7, 2014:** owing to the announcement of the 2013 financial statements on March 6, 2014
- **from April 14 to April 30, 2014:** owing to the announcement of first-quarter 2014 sales on April 29, 2014;
- **from July 1 to August 1, 2014:** owing to the announcement of the interim results on July 31, 2014
- **from October 14 to October 30, 2014:** owing to the announcement of third-quarter 2014 sales on October 29, 2014.
- The black-out periods specified above are set notably in accordance with the AMF recommendations of November 3, 2010 (AMF recommendations no. 2010-07), which calls for two black-out periods:
- a period of at least **30 calendar days** prior to the publication of the annual, interim and, where appropriate, full quarterly financial statements; and
- a period of at least **15 calendar days** prior to publication of quarterly reports.

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

→ Service agreements providing for the grant of future benefits

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

Compensation and benefits in kind

Pursuant to the law of July 3, 2008 transposing European directive 2006/46/EC of June 14, 2006 into French law, the Mersen group refers to the corporate governance code for listed companies drawn up by the AFEP-MEDEF (Code revised in June 2013) in drafting the report set forth in Article L. 225-68 of the French Commercial Code.

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

The aggregate amount of total compensation and benefits of any kind paid during fiscal 2013 to Mersen's corporate officers, namely the members of the Supervisory Board, plus the Chairman, Vice-Chairman and members of the Management Board, came to €1,676,559, breaking down into:

- compensation payable to Management Board members as presented in the summary tables on the following pages;
- compensation paid to Supervisory Board members. These attendance fees in respect of fiscal 2013 were paid in early 2014 and split between Supervisory Board members and is made up of a fixed and a variable part in proportion to their attendance at Board meetings and at the various meetings of the Committees held under the Board's responsibility. They were allocated between the Supervisory Board members as follows:

Amounts due in respect of the financial year *(in €)*	2013	2012
Bpifrance Investissement(1)	6,624	0
Jocelyne Canetti	24,635	24,110
Yann Chareton	21,055	21,952
Hervé Couffin	26,835	26,677
Bertrand Finet(2)	14,369	23,093
Carolle Foissaud(5)	16,406	0
Dominique Gaillard	26,155	16,553
Jean-Paul Jacamon	26,796	25,124
Jean-Claude Karpeles(3)	0	9,748
Agnès Lemarchand(4)	8,994	23,093
Henri-Dominique Petit	29,821	29,790
Walter Pizzaferri(4)	7,948	22,212
Philippe Rollier	26,349	26,497
Marc Speeckaert	15,700	15,151
Ulrike Steinhorst(5)	12,315	0
TOTAL	**264,000**	**264,000**

(1) Member of the Supervisory Board by cooptation as of October 30, 2013, replacing Bertrand Finet.
(2) Term in office expired on October 30, 2013
(3) Term in office expired on June 5, 2012
(4) Term in office expired on May 16, 2013
(5) Member of the Supervisory Board since May 16, 2013

On May 16, 2013, when the Company's Supervisory Board renewed the term in office of the Chairman and Vice-Chairman of the Supervisory Board, it decided to allocate an annual, flat-rate payment of €80,000 and €20,000 respectively to the Chairman, Hervé Couffin, and Vice-Chairman, Henri-Dominique Petit, corresponding to the same flat-rate payment allocated to them during their prior term.

On May 16, 2013, when the Board renewed the term in office of the Chairman of the Management Board, it retained the annual remuneration of €400,000 paid to Luc Themelin. It also decided to renew the same variable portion of his compensation, between 0% and 100% maximum of his base salary. The Supervisory Board determined the distribution of the variable portion for 2013 based on the following three criteria: operating cash flow (35% weighting), ROCE (35% weighting) and personal targets (30% weighting). The level of attainment of each of these three criteria is set each year by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee.

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

The 2013 compensation information described on pages 51, 52 and 53 shall be submitted to the advisory vote of the shareholders at the Annual General Meeting of May 15, 2014.

Luc Themelin, Chairman of the Management Board

(in €)	2013	2012
Compensation and benefits payable in respect of the fiscal year (broken down below)	692,872	422,371 (1)
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	0	0
TOTAL	**692,872**	**422,371**

(1) Compensation includes the incentive payment in respect of 2012 paid in 2013.

No severance indemnity for termination in office was paid in 2013 (see agreement page 55).

Thomas Baumgartner, Member of the Management Board

(in €)	2013	2012
Compensation and benefits payable in respect of the fiscal year (broken down below)	257,366	221,304 (1)
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	0	40,400
TOTAL	**257,366**	**261,704**

(1) Compensation includes incentive and employee profit-sharing in respect of 2012 paid out in 2013.

Christophe Bommier, Member of the Management Board

(in €)	2013 (1)	2012 (1)
Compensation and benefits payable in respect of the fiscal year (broken down below)	227,413	214,001
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year	0	40,400
TOTAL	**227,413**	**254,401**

(1) Compensation in US dollars converted into euros at the average annual rate (2012 = 1.2859 - 2013 = 1.3281).

Didier Muller, Member of the Management Board

(in €)	2013 (1)	2012 (1)
Compensation and benefits payable in respect of the fiscal year (broken down below)	276,358	238,264
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	0	40,400
TOTAL	**276,358**	**278,664**

(1) Compensation in US dollars converted into euros at the average annual rate (2012 = 1.2859 - 2013 = 1.3281).

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

Marc Vinet, Member of the Management Board

(in €)	2013	2012
Compensation and benefits payable in respect of the fiscal year (broken down below)	246,139	232,286
Valuation of options granted during the fiscal year	0	0
Valuation of bonus share allotments during the fiscal year*	0	40 400
TOTAL	**246,139**	**272,686**

(1) Compensation includes incentive and employee profit-sharing in respect of 2012 paid out in 2013.
** Subject to performance conditions and a four-year holding period. Valued based on a share price of €16.16 for the 2012 plan.*

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

Luc Themelin, Member of the Management Board (as of May 19, 2009) – Chairman of the Management Board

	2013		2012	
(in €)	Amounts payable in respect of 2013	Amounts paid in 2013	Amounts payable in respect of 2012	Amounts paid in 2012
Fixed salary	400,000	400,000	400,000	400,000
Variable salary	268,700	0 (1)	0 (1)	155,420
Incentives/Profit-sharing	11,776 (3)	10,170 (3)	10,709	22,173 (2)
Benefits in kind	12,396	12,396	11,662	11,165
TOTAL	**692,872**	**422,566**	**422,371**	**588,758**

(1) €125,500 not paid at the personal request of the Chairman of the Management Board.
(2) including €18,030 under the incentive agreement and €4,143 from the special profit sharing reserve.
(3) only under the incentive agreement. As of August 2011, the Chairman of the Management Board no longer benefits from the special profit sharing reserve.
N.B. The bonus, which varies between 0% and 100% of the basic salary, is paid in year n+1.
N.B. Benefits in kind include contributions towards the corporate executives' social guarantee, as well as a company car.

Thomas Baumgartner, Member of the Management Board

	2013		2012	
(in €)	Amounts payable in respect of 2013	Amounts paid in 2013	Amounts payable in respect of 2012	Amounts paid in 2012
Fixed salary	180,000	180,000	180,000	180,000
Variable salary	60,728	27,360	27,360	49,300
Incentives/Profit-sharing	12,494 (3)	9,876 (2)	10,480 (1)	23,823
Benefits in kind	4,144	4,144	3,464	3,464
TOTAL	**257,366**	**221,380**	**221,304**	**256,587**

(1) including €6,646 under the incentive agreement and €3,834 from the special profit sharing reserve.
(2) including €6,109 under the incentive agreement and €3,767 from the special profit sharing reserve.
(3) including €8,167 under the incentive agreement and €4,327 from the special profit sharing reserve.

Christophe Bommier, Member of the Management Board

	2013		2012	
(in €)	Amounts payable in respect of 2013 (1)	Amounts paid in 2013 (1)	Amounts payable in respect of 2012 (1)	Amounts paid in 2012 (1)
Fixed salary	192,004	192,004	198,304	198,304
Variable salary	34,140	11,520	11,898	81,363
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	2,269	2,269	3,799	3,799
TOTAL	**227,413**	**205,793**	**214,001**	**283,466**

(1) Compensation in US dollars converted into euros at the average annual rate (2012 = 1.2859 - 2013 = 1.3281).

Didier Muller, Member of the Management Board

(in €)	2013		2012	
	Amounts payable in respect of 2013[1]	Amounts paid in 2013[1]	Amounts payable in respect of 2012[1]	Amounts paid in 2012[1]
Fixed salary	203,298	203,298	202,193	202,193
Variable salary	69,925	31,664	32,703	46,077
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	3,135	3,135	3,368	3,368
TOTAL	**276,358**	**238,097**	**238,264**	**251,638**

(1) Compensation in US dollars converted into euros at the average annual rate (2012 = 1.2859 - 2013 = 1.3281).

Marc Vinet, Member of the Management Board

(in €)	2013		2012	
	Amounts payable in respect of 2013	Amounts paid in 2013	Amounts payable in respect of 2012	Amounts paid in 2012
Fixed salary	190,000	190,000	197,917	197,917
Variable salary	44,326	27 700	27 700	65 625
Incentives/Profit-sharing	7,478[2]	2,688[1]	2,908	4,164
Benefits in kind	4,335	4,335	3,761	3,761
TOTAL	**246,139**	**224,723**	**232,286**	**271,467**

(1) Paid only under the incentive agreement.
(2) including €1,476 under Mersen SB SAS incentive agreement, €3,838 under Mersen Corporate Services incentive agreement and €2,164 from the special profit sharing reserve.

Hervé Couffin, Chairman of the Supervisory Board

(in €)	2013		2012	
	Amounts payable in respect of 2013	Amounts paid in 2013	Amounts payable in respect of 2012	Amounts paid in 2012
Fixed salary	80,000	80,000	80,000	80,000
Attendance fees	26,835	26,677	26,677	25,454
Benefits in kind	0	0	0	0
TOTAL	**106,835**	**106,677**	**106,677**	**105,454**

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

(in €)	2013		2012	
	Amounts payable in respect of 2013	Amounts paid in 2013	Amounts payable in respect of 2012	Amounts paid in 2012
Fixed salary	20,000	20,000	20,000	**in 2012**
Attendance fees	29,821	29,790	29,790	28,250
Benefits in kind	0	0	0	0
TOTAL	**49,821**	**49,790**	**49,790**	**48,250**

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

Summary of commitments given to Management Board members

	Employment contract	Supplementary pension scheme	Compensation and benefits due or likely to be payable owing to the cessation or change in duties	Payment under a no-compete clause
Luc Themelin Chairman of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	NO	YES(1)	YES(2)	YES
Thomas Baumgartner Member of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	YES	NO	NO(3)	NO
Christophe Bommier Member of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	YES	NO	NO(3)	NO
Didier Muller Member of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	YES	NO	NO(3)	NO
Marc Vinet Member of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	YES	NO	NO(3)	NO

(1) Luc Themelin receives the benefit a supplementary pension plan pursuant to his employment agreement, the terms of which are described below (Agreements referred to in Article L.225-86 of the French Commercial Code).
(2) Compensation and benefits due or likely to be paid on grounds of termination or change in duties are described below (Agreements referred to in Article L.225-86 of the French Commercial Code).
(3) Excluding severance payment due in the event of termination in office.

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

Severance payment for Luc Themelin:

At its meeting on May 16, 2013, the Supervisory Board decided, pursuant to the provisions of Articles L. 225-86 and L. 225-90 of the French Commercial Code, to make the same payments to Luc Themelin as those that were made during his prior term in office, assuming that his terms in office as Chairman and Member of the Management Board are terminated in line with the conditions stipulated below:

No-compete and non-solicitation clause

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

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

Termination of his term in office:

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

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

The Severance Payment is calculated as follows:

I = 0.5 x R x P
where

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

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

- Performance metric (P):

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

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

Performance in year n is equal to the percentage achievement of objectives for the target bonus. **P** may vary from 0 to 200%.

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

- Performance conditions:

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

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

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

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

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

Stock subscription options - Performance shares

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

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

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

Compensation and benefits due in respect of 2013 to senior managers (Executive Committee) who are not corporate officers

(Gross amounts in euros)	2013
Basic salaries	615,000
Performance-related bonuses	182,967
Benefits in kind	15,228
TOTAL	**813,195**

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

Compensation and benefits paid to senior managers, including corporate officers

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

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

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

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

For the other members of the Management Board:

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

For members of the Executive Committee:

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

Under his employment agreement, Luc Themelin receives the benefit of a top-up pension plan. It is stipulated that Luc Themelin is the sole beneficiary of this pension plan within the Company.

Loans and guarantees granted to senior managers

None.

Employee incentive agreements

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

(€ 000s)	2013	2012	2011	2010	2009
Amounts allocated to employees	2,956	1,767	3,048	3,699	1,620
Number of beneficiaries	2,172	1,713	1,597	1,458	1,433

Employee profit-sharing

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

(€ 000s)	2013	2012	2011	2010	2009
Amounts allocated to employees	1,075	934	1,901	1,867	762
Number of beneficiaries	1,173	899	891	1,420	1,110

Corporate savings plan

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

Group Investment Plan

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

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

Stock subscription options

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

All the stock subscription plans are subject to performance conditions.

In 2013, 13,150 options were exercised.

The total number of stock subscription options still outstanding stands at 450,555, i.e. 2.2 % of the share capital. Members of the Management Board have no options to purchase or to subscribe shares in subsidiaries of the Group.

Stock subscription options: Previous grants

	2003 plan Tranche 10	2007 plan Tranche 11	2009 plan Tranche 12	Total
Date of Board of Directors' meeting	May 17, 2003	Jul. 25, 2007	Jan. 22, 2009	
Total number of shares available for subscription	140,293	177,876	366,582	684,751
- o/w corporate officers at the publication date	*-*	*-*	*32,345*	*32,345*
Luc Themelin (not a corporate officer until May 19, 2009)	*2,083**	*10,780**	*32,345*	*45,208*
Thomas Baumgartner (not a corporate officer until August 24, 2011)	*1,458**	*4,797**	*9,704**	*15,959*
Christophe Bommier (not a corporate officer until August 24, 2011)	*2,083**	*4,797**	*12,938**	*19,818*
Didier Muller (not a corporate officer until August 24, 2011)	*1,874**	*4,797**	*12,938**	*19,609*
Marc Vinet (not a corporate officer until August 24, 2011)	*1,458**	*4,797**	*12,938**	*19,193*
- o/w corporate officers at the allotment date, who have since left the Company	*10,099*	*26,950*	*53,908*	*90,957*
-o/w top 10 allottees	*48,310*	*77,885*	*140,163*	*266,358*
Subscription price	19.68	53.10	17.53	
Start of exercise period	May 07	July 11	Feb. 13	
Expiration date	May 13	July 17	Feb. 19	
Total number of shares subscribed at Dec. 31, 2013	51,822	0	13,150	64,972
Options canceled by Dec. 31, 2013	36,659	75,362	5,391	169,224
- o/w canceled in 2013	*36,659*	*0*	*0*	*36,659*
OPTIONS THAT MAY STILL BE EXERCISED	**0**	**102,514**	**348,041**	**450,555**

(*) Options allotted prior to their appointment as a corporate officer.

In 2013, no stock subscription options were granted to Management Board members.

Performance conditions and holding requirements attached to stock subscription plans

2003 plan:

Performance conditions:

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

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

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

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

Holding requirements: none

2007 plan:

Performance conditions:

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

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

Holding requirements: none

2009 plan:

Performance conditions:

Performance criteria were defined as follows, with implementation of the plan.

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

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

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

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

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

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

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

Holding requirements:

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

Stock subscription options: Corporate officers

	Number of options granted/exercised	Price	Expiration date
Options granted since January 1, 2013 to each Management Board member:			
- Chairman of the Management Board: Luc Themelin	0	-	-
- Member of the Management Board: Thomas Baumgartner	0	-	-
- Member of the Management Board: Christophe Bommier	0	-	-
- Member of the Management Board: Didier Muller	0	-	-
- Member of the Management Board: Marc Vinet	0	-	
Options exercised since January 1, 2013 by each Management Board member:			
- Chairman of the Management Board: Luc Themelin	0	-	-
- Member of the Management Board: Thomas Baumgartner	0	-	-
- Member of the Management Board: Christophe Bommier	0	-	-
- Member of the Management Board: Didier Muller	5,000	17.53	Feb. 11, 2019
- Member of the Management Board: Marc Vinet	0	-	-

The Management Board decided that its members may not engage in risk hedging transactions with regard to subscription options or shares resulting from the exercise of options.

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

	Number of options granted/exercised	Weighted average exercise price
Options granted since January 1, 2013 to the 10 employees who received the largest number	0	
Options exercised since January 1, 2013 by the 10 employees who received the largest number	4,650	€17.53

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

	2010 plan
Date of Board of Directors' meeting	July 15, 2010
Total number of shares available for subscription	103,331
- o/w corporate officers at the publication date	*11,100*
Luc Themelin (not a corporate officer until May 19, 2009)	*4,000*
Thomas Baumgartner (not a corporate officer until August 24, 2011)	*600*
Christophe Bommier (not a corporate officer until August 24, 2011)	*3,500*
Didier Muller (not a corporate officer until August 24, 2011)	*0*
Marc Vinet (not a corporate officer until August 24, 2011)	*3,000*
- o/w corporate officers at the allotment date, who have since left the Company	*6,700*
-o/w top 10 allottees	*39,900*
Subscription price	1 BSAR 2007 + €1.5
Start of exercise period	July 17, 2012
Expiration date	July 16, 2017
Total number of shares subscribed at Dec. 31, 2013	103,331
Options canceled by Dec. 31, 2013	0
- o/w canceled in 2013	*0*
BSARS THAT MAY STILL BE EXERCISED	**103,331**

Bonus share allotments

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

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

BONUS SHARE ALLOTMENTS: PREVIOUS GRANTS

	2008 plan Tranche 3	2009 plan Tranche 4	2011 plan Tranche 5	2011 plan Tranche 6 (with performance conditions)	2012 plan Tranche 7 reallotment (with performance conditions)	Total
Date of allotment decision	Feb. 26, 2008	Jan. 22, 2009	May 27, 2011	May 27, 2011	June 27, 2012	
Total number of shares allotted	21,567	53,900	60,000	140,000	20,000	295,467
- o/w corporate officers at the publication date			*0*	*14,000*	*10,000*	*34,000*
Luc Themelin (not a corporate officer until May 19, 2009)			*0*	*14,000*	*0*	*14,000*
Thomas Baumgartner (not a corporate officer until August 24, 2011)				*6,000****	*2,500*	*8,500*
Christophe Bommier (not a corporate officer until August 24, 2011)				*6,000****	*2,500*	*8,500*
Didier Muller (not a corporate officer until August 24, 2011)				*6,000****	*2,500*	*8,500*
Marc Vinet (not a corporate officer until August 24, 2011)				*6,000****	*2,500*	*8,500*
- o/w corporate officers at the allotment date who have since left the Company	*0*	*0*	*0*	*20,000*		*20,000*
- o/w top 10 allottees	*3,230*	*10,780*	*8,000*	*48,800*	*10 000*	*80,810*
Valuation at allotment date**	29.63	18.65	35.34	35.34	16,16	
Definitive allotment date (end of the vesting period)	March 1, 2011	Jan. 22, 2013	May 27, 2015	May 27, 2015	May 27, 2016	
End of lock-up period	March 1, 2013	Jan. 22, 2013*	May 28, 2015*	May 28, 2015*	May 28, 2016*	
Allotments canceled at Dec. 31, 2013	1,403	4,312	4,000	28,800	0	38,515
o/w canceled in 2013	*0*	*0*	*2,800*	*8,800*	*0*	*11,600*
Number of shares vested definitively, not transferable	20 164	49 588				69,752
Outstanding at Dec. 31, 2013	**0**	**0**	**56,000**	**111,200**	**20,000**	**187,200**

(*) There is a two-year holding period for beneficiaries who are French tax residents.
(**) Excluding corporate officers.
(***) Bonus share allotted prior to their appointment as a corporate officer.

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

In 2013, no bonus shares became available to any of the Management Board members.

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

2011 plan (tranche 6) and 2012 plan:

Performance conditions:

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

Criterion 1

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

Criterion 2

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

Holding requirements:

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

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

Number of shares held directly by members of the Supervisory Board and Management Board: 2,294,784 (of which 2,242,770 held by Bpifrance Investissement).

Number of shares held via the Mersen FCPE (corporate mutual fund) by Management Board members: 8,516.

Supervisory and Management Board members hold 33,100 warrants (BSARs), entitling them to subscribe an equivalent number of shares at a price of €40.50 per share by July 2017.

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

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

Report by the Chairman of the Supervisory Board

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

1. Legislative and regulatory environment

1.1 Legal provisions

In accordance with Article L. 225-68 sub-paragraph 7 of the French Commercial Code, the Chairman of the Supervisory Board reports on the composition, preparation and organization of the work of the Board and on the internal control and risk management procedures implemented by the Company. This report was prepared by the Chairman of the Supervisory Board in accordance with the provisions of Article L. 225-68 sub-paragraph 7 of the French Commercial Code for the fiscal year ending December 31, 2013.

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

At the request of the Chairman of the Supervisory Board, this report was submitted for the opinion of the Audit and Accounts Committee on February 28, 2014 and for the approval of the Supervisory Board on March 5, 2014, in accordance with the aforementioned arrangements.

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

Pursuant to the law of July 3, 2008 transposing European directive 2006/46/EC of June 14, 2006 into French law, the Mersen group refers to the corporate governance code for listed companies drawn up by the AFEP-MEDEF (code revised in June 2013). Pursuant to Article L. 225-37 sub-para. 6, the Chairman summarizes and describes below several recommendations of said corporate governance code that are applied partially by the Company, as things currently stand:

Fixed portion of Management Board members' compensation and benefits

The Company intends to leave in place the possibility of an annual review of the compensation paid to Management Board members, with the AFEP-MEDEF corporate governance code recommending less frequent reviews (for example, every three years). All changes are made after a comparison with the compensation paid to Management Board members of companies of comparable size and assuming that significant disparities with respect to market practices were observed.

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

In connection with the renewal of the term in office of the Chairman of the Management Board, Luc Themelin, the Supervisory Board decided on May 16, 2013, to renew, without change, the principle of payment of severance pay, subject specifically to performance criteria, if the Mersen Group should terminate, in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement or enforced retirement), Luc Themelin's term in office as Chairman of the Management Board (notably by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of duties following the conversion or merger of the company, except for a change in corporate governance leading to the appointment of a Chief Executive Officer of a *société anonyme* with a Board of Directors). This severance payment would be payable in the case of enforced departure. The grant of this severance payment will be presented for approval at the May 15, 2014 General Meeting of Shareholders.

2. Procedures conducted in the preparation of this report

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

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

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

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

3.1 Operation of the Supervisory Board:

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

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

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

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

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

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

The internal charter has five articles:

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

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

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

3.2 Composition of the Supervisory Board

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

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

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

At the publication date of this document, the Supervisory Board had 11 members.

Board

Chairman of the Supervisory Board: Hervé Couffin.

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

Members of the Supervisory Board:

- Bpifrance Investissement, represented by Thierry Sommelet;
- Jocelyne Canetti;
- Yann Chareton;
- Carolle Foissaud
- Dominique Gaillard;
- Jean-Paul Jacamon;
- Philippe Rollier;
- Marc Speeckaert
- Ulrike Steinhorst.

3.3 Work performed by the Supervisory Board

The Supervisory Board met nine times in 2013, with an average attendance rate of 88.8%.

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

- **January 29, 2013:** the Board reviewed and approved the 2013 budget and was informed of an initial estimate of 2012 sales and operating income. In addition, a progress report was presented on the planned disposal of the nuclear boiler-making equipment operations (Grésy) and of the plate heat exchangers and stirrer and mixer businesses at the Brignais site. The Board also approved the draft settlement ending civil proceedings before the CAT (UK). Lastly, the Board gave its authorization to the Management Board concerning the issuance of guarantees and endorsements up to an aggregate maximum amount of €10,000,000.
- **March 19, 2013:** the Board reviewed and approved the draft financial statements at December 31, 2012. It approved the 2013 draft guidance proposed by the Management Board. It approved the report by the Chairman of the Supervisory Board on the work performed by the Board and on internal control. The draft resolutions for the Annual General Meeting were drawn up by the Supervisory Board. The Chairman of the Management Board presented the Group's activity to end February 28, 2013. A progress report was presented on the planned disposal of the nuclear boiler-making equipment operations (Grésy) and the plate heat exchangers and stirrer and mixer businesses at the Brignais site. The Board reviewed a potential acquisition and approved the list of independent members of the Supervisory Board. The Board set the 2012 bonus for members of the Management Board, as well as their compensation and 2013 performance objectives. Lastly, the Board approved the list of independent members of the Supervisory Board.
- **May 16, 2013:** Following on the renewal of his term in office as a member of the Supervisory Board based on the decision of the May 16, 2013 General Meeting, the Board appointed Hervé Couffin as Chairman of the Board and set his annual compensation. It then appointed the members of the Board's committees. The Board also renewed the term in office of the five members of the Management Board for a period of four years and Luc Themelin's term in office as Chairman of the Management Board. It set the compensation of the members of the Management Board, without change, and also decided to renew, without change, the principle of payment of severance pay to Luc Themelin should the Mersen Group terminate Luc Themelin's term in office as Chairman of the Management Board. The Board also reviewed the progress of potential acquisitions and the planned disposal of the nuclear boiler-making equipment operations (Grésy) and the plate heat exchangers and stirrer and mixer businesses at the Brignais site. Lastly, the Board was updated on the Group's safety plan.
- **June 25, 2013:** The Chairman of the Management Board presented the Group's business trends as of May 31, 2013. The Board also heard a presentation on potential areas for industrial optimization. The Board approved the disposal of Mersen's Grésy plant (which specializes in nuclear boiler-making equipment) to the NAWI Group. The Board also approved a draft settlement with AVO Carbon. Lastly, the Board discussed its operations with regard to rules of good governance.
- **July 23, 2013:** the Board reviewed and approved the Group's 2013-2017 strategic plan. The Management Board presented the Group's business trends as of June 30, 2013. The Board also approved the refinancing of the syndicated revolving facility that the Group set up in China. Lastly, the Board approved the change to the annual guidance proposed by the Management Board.
- **August 28, 2013:** the Supervisory Board reviewed and approved the draft interim financial statements for the six months to June 30, 2013 and management projections presented by the Management Board. The Chairman of the Management Board presented the Group's business trends as of July 31, 2013. The Board also reviewed the progress of the planned disposal of the plate heat exchanger and stirrer and mixer businesses at the Brignais site.
- **September 17, 2013:** The Board reviewed and approved the disposal of the plate heat exchanger and stirrer and mixer businesses at the Brignais site. The Chairman of the Management Board presented the Group's business trends as of August 31, 2013.

- **October 30, 2013:** The Chairman of the Management Board presented the Group's business trends as of September 30, 2013. The Board also reviewed progress of acquisition projects.
- **November 26, 2013:** The Chairman of the Management Board presented the Group's business trends as of October 31, 2013 and year-end 2013 projections. The Chairman of the Management Board also made a presentation on areas for industrial optimization.

3.4 Work performed by the Supervisory Board's three committees

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

When performing its duties, each of the Committees may:

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

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

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

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

Audit and Accounts Committee:

The internal charter of the Supervisory Board states that the Audit and Accounts Committee comprises at least three and at most six members, including a majority of independent members. The internal charter also stipulates that members of the Audit and Accounts Committee are selected on account of their expertise in accounting and financial matters. Given their training and professional experience, the Committee members satisfy this competency criterion. The Audit and Accounts Committee meets at least three times per year and whenever it deems necessary, and in advance of Supervisory Board meetings for which the agenda includes a review of an issue related to its area of expertise. For the annual accounts review, the Committe meets about one week before the Supervisory Board meeting. The Group CFO is in charge of presentations. The Vice President Group Risks, Internal Audit and Safety attends these meetings at least once a year.

The Audit and Accounts Committee has six members designated from among the members of the Supervisory Board, four of whom are independent: namely Jocelyne Canetti, Yann Chareton, Hervé Couffin, Carolle Foissaud, Philippe Rollier and Henri-Dominique Petit. Henri-Dominique Petit acts as Chairman of the Committee.

During 2013, the Committee met five times with an attendance rate of 92.8%.

- **January 24, 2013:** the Committee reviewed an initial estimate of the 2013 results. A presentation was made about the results of impairment testing of the Group's CGUs. The Committee reviewed the accounting aspects of the planned disposal of the nuclear boiler-making equipment business (Grésy) and of the plate heat exchangers and the stirrer and mixer businesses at the Brignais site. It was also informed of the main effects of the 2013 budget law on Mersen, as well as developments regarding late payments in China.
- **March 13, 2013:** the Committee reviewed, in the presence of the Statutory Auditors, the draft 2012 annual financial statements, and draft 2012 reference document. The Statutory Auditors also presented their audit report to the Committee. The Committee members then held discussions with the Statutory Auditors, without the presence of the management team members, concerning the financial statements and their audit findings.
- **June 6, 2013:** The Committee reviewed progress on the Cash Initiative project and the situation of the UK and US pension plans. The Committee also reviewed the organization of the Group's financial management. Lastly, it issued a favorable opinion on a draft settlement with AVO Carbon.
- **August 27, 2013:** the Committee reviewed, in the presence of the Statutory Auditors, the draft interim financial statements for the six months ending June 30, 2013, as well as the draft interim report. The Statutory Auditors also presented their audit report to the Committee. It also met with the Statutory Auditors without members of the management team being present.
- **December 4, 2013:** the Committee heard a presentation on the results of the internal audits conducted in 2013 and validated the proposed 2014 audit program. It received a progress report on the update of the 2013 risk mapping, which the Committee approved. The Committee discussed the principal accounting issues that arose during 2013 in connection with the preparation of the 2013 financial statements.

Appointments and Remuneration Committee:

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

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

During this period, the Appointments and Compensation Committee met on four occasions with an attendance rate of 100%.

- **February 7, 2013:** the Committee approved the proposal of the Chairman of the Management Board to retain, for 2013, the compensation conditions for the members of the Management Board and the Executive Committee. It also validated the 2012 bonuses awarded to members of the Management Board and accepted the method proposed for determining their 2013 bonus payments.

- **March 13, 2013:** The Committee issued a favorable opinion on the renewal of the terms of office of Supervisory Board members Yann Chareton, Hervé Couffin and Dominique Gaillard. It also proposed the appointment of Carolle Foissaud and Ulrike Steinhorst as new members of the Supervisory Board. Lastly, pursuant to the Copé-Zimmermann law, the Committee reviewed Mersen's policy with regard to professional equality between men and women.
- **October 30, 2013:** the Committee reviewed and approved the proposal to co-opt Bpifrance Investissement to replace Bertrand Finet, who is resigning.
- **November 20, 2013:** The Committee heard a presentation on various Long Term Incentive (LTI) plans in France and abroad. In connection with a study on the competitiveness of the compensation of the members of the Management Board and the Executive Committee, the Committee proposed several changes to the company comparison sample.

Strategy Committee:

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

The Committee has five members appointed from among the Supervisory Board members, three of whom are independent, namely Hervé Couffin, Dominique Gaillard, Jean-Paul Jacamon, Philippe Rollier and Thierry Sommelet. Hervé Couffin acts as Chairman of the Committee.

During 2013, the Strategy Committee met twice with an attendance rate of 100%.

- **March 1, 2013:** the Strategy Committee reviewed an acquisition opportunity.
- **November 20, 2013:** the Committee heard a presentation on competition in the Chinese market and information on the dynamics of the solar market. Lastly, the Committee reviewed the Group's strategy in the area of power quality.

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

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

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

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

- the objectives for net cash flow generated by the Group's operating activities and/or by a business during the fiscal year;
- for certain members, a business's operating margin before non-recurring items;
- the Group's ROCE objectives during the fiscal year;
- certain individual objectives set by the Supervisory Board for the year.

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

5. Principal internal control procedures implemented by the Mersen group

5.1 Definition of internal control

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

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

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

Mersen has thus adopted a definition of internal control comparable to the international standard set by COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose conclusions were published in 1992 in the United States and are available at www.coso.org. The COSO standard was revised in 2013. This standard highlights an expanded internal control practice that covers non-financial functions, as well as careful monitoring of the work by the audit and accounts committee. Mersen evaluated its current organization with regard to the new developments in this standard. The review showed that the Mersen Group's internal control practices comply with the proposed changes. However, the current control system cannot provide absolute assurance that risks have been completely eliminated. In addition, the Group has taken into account aspects of the reference framework published in January 2007 by the AMF concerning the general principles of internal control.

5.2 General principles of internal control

Since it has a manufacturing base spanning around 35 countries on five continents, the Mersen group monitors the effectiveness of its internal control framework by means of the following:

5.2.1 Internal control organization

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

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

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

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

- monitoring the process used to prepare financial information by assessing the financial documents distributed by the Company and ensuring that a sufficiently well-organized process exists for the preparation of this information;
- ensuring the efficiency of the internal control and risk management systems through:
  - validating the annual internal audit program and ensuring that the efficiency of internal control systems is monitored and that the recommendations made by the Statutory Auditors and internal audit teams are implemented;
  - monitoring progress on work in the field of risk management.
- overseeing the audit of the annual parent company and consolidated financial statements by the Statutory Auditors;
- monitoring the independence of the Statutory Auditors.

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

5.2.2 Risk management

The Group has introduced a program of annual updates to its risk mapping survey. It also reviews the mapping survey more extensively every three years. During 2013, the mapping survey produced in 2012 was updated, which had been updated in line with the existing process.

Risks are classified into the following four categories:

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

For each category, the potential risks are ranked, not only by their impact and probability of occurrence, but also based on the level of control provided by the control framework in place. A review of the action plans is presented to the Audit and Accounts Committee on a regular basis. Depending on the progress made by plans and trends in the global economy, the mapping survey is updated and validated by the Audit and Accounts Committee. Following this exercise, the Risk, Internal Audit and Safety department defined or redefined its action plans. The aim of these plans is to reduce the impact and/or frequency of each risk. They are also intended to ensure that the measures currently in place effectively help to mitigate the potential risk. As with previous mapping surveys, a progress report on the action plans will be given on a regular basis and at least once a year to the Audit and Accounts Committee and to the Management Board. The risk management policy is described in the Risk management section of the reference document. Pursuant to the organizational plan for revising this document, an in-depth review will be conducted in 2014.

5.2.3 Control activities

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

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

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

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

5.2.4 Internal control oversight

Internal audit department

The Group's internal audit department is responsible for overseeing proper implementation of the internal control handbook and for leading the Group's internal control program. It also coordinates the networks and organization of corporate and cross-audits right across the Group. It submits its findings to the Audit and Accounts Committee on a regular basis, as well as to the Statutory Auditors. In 2013, this department carried out 21 assignments. The purpose of these assignments was to:

- analyze the effectiveness of internal control and verify proper application of the action plans implemented following the audits conducted in previous years at 19 production plants.
- ensure proper implementation of action plans in the two facilities that had been audited the previous year (one facility) and at the beginning of the year (the second facility), and where internal control was found to be unsatisfactory.

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

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

Information systems security

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

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

An Information Systems Security Committee was set up in 2009. It is chaired by the Risk, Internal Audit and Safety department. The role of this Committee is to:

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

An information systems security manager was appointed in 2013. This person reports to the Risk, Internal Audit and Safety department. His or her role is to:

- Verify that the information systems security policy is implemented properly;
- Lead the information systems' contact network in the area of security;
- Propose analytic tools and improvements for better control of the existing systems;
- Develop the information systems security culture.

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

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

Management control and strategic planning

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

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

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

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

Human resources procedures

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

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

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

Sustainable development

Mersen has long pursued a responsible approach in environmental, economic and social affairs. Aside from the economic aspects related to the Group's business development, it also strives to promote social and environmental progress. This commitment is described in greater detail in Chapter 2 of the reference document. Mersen took the French Grenelle regulation into account for 2012. To achieve this, with the help of an external consulting firm, it developed a reporting standard based on sustainable development indicators. This framework was rolled out across all the units covered by these regulations. In its reference document, the Group reports comprehensively on all the aspects covered by the French Grenelle 2 environmental regulations. This reporting is the subject of a statement by the certifying organization.

Quality-related assurance procedures

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

The 5S method, which introduces rules concerning the order, tidiness and cleanliness of workstations laid down in the QPC plan, does not apply solely to the Group's workshops, but also to offices. Group-wide quality indicators are monitored at each site, such as service rate and customer satisfaction, using indicators including:

- average response time to offers,
- customer satisfaction surveys,
- non-quality costs;
- productivity indicators.

6. Accounting and financial internal control

6.1 General organization

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

6.2 Preparation of accounting and financial information

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

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

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

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

6.3 Treasury and financing

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

The Group has pursued a major drive to develop its cash management culture, mainly at manager level. Approximately 100 managers took the new training focused on cash awareness, offered via the e-learning tool since 2013. This awareness contributes to the development of cash culture within the company.

→ 7. Program adopted in 2013 and 2014 action plan for internal control

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

The following specific initiatives were initiated in 2013 to tighten up internal control:

- Following a 2012 study on the degree of maturity of the Group's internal control, several improvements were made; specifically, a self-assessment tool for corporate functions was developed. Several analytic tools were developed to improve the preparation of audit assignments and strengthen the relevance of the tests.
- A basis for analyzing the degree of internal control by business, process and geographic area was created. It provides a summary of the degree of internal control in our Group, based on several criteria.
- The internal audit department also strengthened the internal control culture by taking the following action:
  - More active participation in internal audits by regional financial managers,
  - Changes to the internal control letter signed every year by each plant manager and the financial manager to make this letter more exacting in terms of the level of internal control required at business units,
  - A monthly presentation to the Management Board on internal control.

In 2013, the internal audit department conducted audits based on a program approved by the Audit and Accounts Committee. Twenty-one site audits, including two control audits, were performed.

It presented the findings of the updated risk mapping survey to the Management Board, then to the Audit and Accounts Committee. Follow-up on the action plan defined in 2012 was also presented. The Audit and Accounts Committee was also informed about the organization of internal control tasks in line with the recommendations of the 8th European directive.

The various audits conducted during 2013 did not reveal any significant internal control failings or deficiencies.

The Group evaluated the functioning of its internal control based on the new COSO 2013 directives. No significant shortcomings were identified with regard to this new directive. Several minor adjustments will be made in 2014.

As part of the evaluation of accounting and financial internal control vis-à-vis the AMF's framework, the Group continued to implement initiatives, in France and abroad, to raise awareness among the Group's managers of the risks of fraud (swindling, forgery, etc.).

A risk mapping survey was conducted in 2013, focused on Information Systems Security issues. This mapping survey helped the information security systems manager to direct and prioritize his activities. A remote compliance testing system vis-à-vis Group standards is now in place and an audit program was conducted. Eighteen companies were tested.

Looking ahead to 2014, the following projects are set to be launched by the Risk, Internal Audit and Safety department, which involve:

- Strengthening the internal control culture within the Group.
- Continuing to develop the self-assessment tool for corporate functions.
- Implementing the few adjustments required following the compliance study vis-à-vis the COSO 2013 changes.

STATUTORY AUDITORS' REPORT
ON THE REPORT BY THE CHAIRMAN OF MERSEN SA'S SUPERVISORY BOARD, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE FISCAL YEAR ENDED DECEMBER 31, 2013

To the Shareholders,

In our capacity as Statutory Auditors of Mersen SA, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2013.

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

It is our responsibility to:

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

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

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

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

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

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

Other disclosures

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

The Statutory Auditors

Paris La Défense, March 5, 2014	Neuilly-sur-Seine, March 5, 2014
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

Statutory Auditors' report on related-party transactions

Annual General Meeting convened to approve the financial statements for the fiscal year ended December 31, 2013

To the Shareholders,

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

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

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

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

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

Related-party transactions authorized during the past fiscal year

Pursuant to Article L. 225-88 of the French Commercial Code, we were advised of the following related-party transactions that were subject to prior authorization by the Supervisory Board.

With Luc Themelin, Chairman of the Management Board

In a decision made on May 16, 2013, the Supervisory Board decided to make the same payments to Luc Themelin as those made to him during his previous term, in the event that his terms as Chairman and member of the Management Board end, under the following conditions:

No-compete and non-solicitation clause

- Type and motive: in the event of the termination of his term in office as Chairman and Member of the Management Board and, in return for his no-compete and non-solicitation undertaking, Luc Themelin will receive monthly indemnity payment for a one-year period from the cessation date of his duties. The Company may decide to forgo this no-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing Luc Themelin of its decision within a notice period of two months with effect from termination of the term in office.

- Specific arrangements: the amount of the indemnity payment to be paid to Luc Themelin in return for the no-compete and non-solicitation undertaking will be equal to 50% of the final monthly gross fixed compensation and benefits that he received immediately prior to termination of his term in office.

Severance package for an officer/legal representative

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

Stock subscription options - Performance shares

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

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

The Statutory Auditors

Paris La Défense, March 5, 2014	Neuilly-sur-Seine, March 5, 2014
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

GENERAL LEGAL AND FINANCIAL INFORMATION

4

GENERAL INFORMATION ABOUT THE COMPANY

→ Corporate name and headquarters

Mersen

Immeuble La Fayette

2 place des Vosges

F-92400 Courbevoie La Défense 5

→ Form, nationality and law

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

→ Incorporation and corporate life

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

→ Corporate purpose (Article 3 of the Articles of Association)

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

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

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

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

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

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

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

→ Trade and Companies Register Code

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

Access to the Company's corporate documents

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

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

Fiscal year

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

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

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

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

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

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

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

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

The balance is then divided among the shareholders without distinction.

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

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

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

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

Notice of meetings - Admission

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

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

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

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

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

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

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

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

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

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

Trading by the Company in its own shares

At the Combined General Meeting of May 16, 2013, the Company was authorized to trade in its own shares on the stock exchange in accordance with Article L. 225-209 *et seq.* of the French Commercial Code in order to:

- enhance trading in and the liquidity of the Company's shares by engaging the services of an investment service provider under a liquidity agreement in accordance with the AMAFI'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. Based on the maximum purchase price set above and the number of shares making up the capital at the date of the authorization, the aggregate maximum amount of the purchases may not exceed €102,002,750.

This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2013. A new authorization concerning stock repurchases will be submitted for shareholders' approval at the Combined General Meeting on May 15, 2014.

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

Since May 16, 2013, with the exception of the shares repurchased pursuant to the liquidity agreement, on May 17, 2013, the Company purchased 200,000 shares to be cancelled at a later date.

In March 2005, the Company signed a liquidity agreement with Exane-BNP Paribas conforming to the AMAFI's charter. At December 31, 2013, 40,617 shares were held under this liquidity agreement.

Double voting rights

No shares carry double voting rights.

General information about the share capital

Conditions

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

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

At December 31, 2013, the share capital amounted to €41,632,728, divided into 20,816,364 shares, each with a par value of €2 and belonging to the same category.

Authorizations to carry out a capital increase

Combined General Meeting of May 20, 2010

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

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

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

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

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

Combined General Meeting of May 23, 2012

Increases in the capital with preferential subscription rights for shareholders

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

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

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

Capital increase reserved for employees participating in the Group Investment Plan

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

Combined General Meeting of May 16, 2013

Payment of the dividend in shares

The General Meeting of May 16, 2013 decided to give each shareholder the option of receiving payment of the entire dividend on shares already owned in new shares of the Company.

At its meeting on May 16, 2013, the Management Board set the issue price for the new shares at €15.48, which corresponded to 90% of the average opening price of the Company's shares on Euronext in the 20 stock market sessions preceding the General Meeting, less the amount of the dividend. On July 2, 2013, at the end of the period during which the option was available, the Management Board formally noted that 13,766,205 rights were reinvested in new shares of the Company and decided to issue 402,057 new shares each with a par value of €2.

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

The Annual General Meeting delegated powers to the Management Board to decide to issue, on one or more occasions, and subject to the prior approval of the Supervisory Board, called to approve based on a positive prior and compliant opinion of a committee comprising three (3) independent members specially appointed by the Supervisory Board to this end, warrants enabling their holders to subscribe on preferential terms the Company's shares and their allotment free of charge to all the Company's shareholders with this status prior to the expiry of the public offer. The total nominal amount of the capital increase resulting from the exercise of these subscription warrants may not exceed 25% of the nominal amount of the share capital. This authorization states that the Management Board will have to report, at the time of the issue, on the circumstances and reasons why it believes that the offer is not in the interests of the shareholders and justify the issuance of the warrants, as well as the financial and legal terms of the warrants. They will automatically become null and void when the offer and any rival offer fail, become null and void or are withdrawn. The delegation of powers to the Management Board is valid for any issue of stock subscription warrants as part of a public offer filed within a period of eighteen (18) months. This authorization replaces and supersedes the previous authorization granted by the General Meeting of May 23, 2012. To date, this authorization has not been used by the Company.

SUMMARY OF CHANGES IN THE SHARE CAPITAL

Dates	Description of the transaction	Share capital following the transaction	Share premium	Total number of shares after the transaction
12/31/2005	Issue of 85,775 new shares each with a par value of €2 through the exercise of subscription options	27,682,704	1,829,333	13,841,352
06/28/2006	Issue of 44,494 new shares each with a par value of €2 as a result of the capital increase reserved for employees	27,771,692	1,388,213	13,885,846
12/31/2006	Issue of 79,629 new shares each with a par value of €2 through the exercise of subscription options	27 930 950	2,219,832	13,965,475
07/25/2007	Issue of 30,900 new shares each with a par value of €2 through the grant of bonus shares	27,992,750	1,721,748 unavailable reserves	13,996,375
09/11/2007	Issue of 200,191 new shares each with a par value of €2 through the exercise of subscription options	28,393,132	6,627,591	14,196,566
12/17/2007	Issue of 44,094 new shares each with a par value of €2 as a result of the capital increase reserved for employees	28,481,320	1,931,317	14,240,660
01/24/2008	Issue of 40,075 new shares each with a par value of €2 through the exercise of subscription options	28,561,470	1,254,681	14,280,735
07/24/2008	Issue of 16,478 new shares each with a par value of €2 through the grant of bonus shares	28,594,426	540,478 unavailable reserves	14,297,213
05/26/2009	Issue of 400,000 shares each with a par value of €2 resulting from the exercise of 400,000 share issuance rights	29,394,426	7,340,000	14,697,213
06/11/2009	Issue of 400,000 shares each with a par value of €2 resulting from the exercise of 400,000 share issuance rights	30,194,426	7064,000	15,097,213

Dates	Description of the transaction	Share capital following the transaction	Share premium	Total number of shares after the transaction
06/25/2009	Issue of 400,000 shares each with a par value of €2 resulting from the exercise of 400,000 share issuance rights	30,994,426	6,248,000	15,497,213
07/07/2009	Issue of 355,484 shares each with a par value of €2 resulting from the payment of the dividend in shares	31,705,394	5,822,827	15,852,697
10/19/2009	Issue of 3,730,044 shares each with a par value of €2 through a capital increase in cash with preferential subscription rights for shareholders	39,165,482	55,950,660	19,582,741
12/15/2009	Issue of 62,668 shares each with a par value of €2 as a result of the capital increase reserved for employees	39,290,818	982,007	19,645,409
07/02/2010	Issue of 294,921 new shares each with a par value of €2 as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	39,880,660	6,370,293	19,940,330
01/27/2011	Issue of 2,447 shares each with a par value of €2 as a result of the exercise of stock subscription options by employees	39,885,554	43,263	19,942,777
03/01/2011	Issue of 20,164 new shares each with a par value of €2 through the grant of bonus shares	39,925,882	707,756 unavailable reserves	19,962,941
07/07/2011	Issue of 294,894 shares each with a par value of €2 resulting from the payment of the dividend in shares	40,515,670	10,005,753	20,257,835
11/24/2011	Issue of 25,130 shares each with a par value of €2 as a result of the capital increase reserved for employees	40,565,930	623,475	20,282,965
12/02/2011	Additional issue of 1,450 shares each with a par value of €2 as a result of the capital increase reserved for employees	40,568,830	35,974	20,284,415
01/25/2012	Issue of 3,939 new shares each with a par value of €2 through the exercise of subscription options in 2011	40,576,708	69,641	20,288,354
07/02/2012	Issue of 62,615 new shares each with a par value of €2 as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	40,701,938	62,615	20,350,969
01/22/2013	Issue of 49,588 shares each with a par value of €2 through the grant of bonus shares	40,801,114	988,289 unavailable reserves	20,400,557
07/02/2013	Issue of 402,057 new shares each with a par value of €2 as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	41,605,228	5,419,728	20,802,614
11/21/2013	Issue of 600 shares each with a par value of €2 through the grant of bonus shares	41,606,428	14,484 unavailable reserves	20,803,214
01/29/2014	Issue of 13,150 new shares each with a par value of €2 through the exercise of subscription options in 2013	41,632,728	204,220	20,816,364

Voting right certificates

None.

Investment certificates

None.

Shares pledged

None.

Shareholders' agreement

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

Securities conferring rights to the share capital

The stock options still to be exercised at December 31, 2013, after taking into account cancellations, entitle their holders to acquire a total of 450,555 shares, each with a par value of €2.

The BSAR warrants that may be exercised at December 31, 2013 entitle their holders to acquire a total of 103,331 new shares, each with a par value of €2.

The total number of bonus shares likely to be granted definitively stands at 187,200 new shares, each with a par value of €2, representing 0.89 % of the current share capital.

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

Based on the number of stock subscription options, BSAR warrants that may be exercised by BSAR grantees and the shares that may be definitively granted, the maximum dilution would be 3.6 %.

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

Ownership of the share capital

The Company's share capital at December 31, 2013 amounted to €41,632,728, comprising 20,816,364 shares each with a par value of €2 and all belonging to the same category.

The number of voting rights stood at 20,575,747 at December 31, 2013.

At December 31, 2013, 40,617 shares representing 0.2 % of the share capital were held by the Company pursuant to the liquidity agreement entered into with Exane BNP Paribas. The Company purchased 200,000 shares on May 17, 2013, to be cancelled at a later date.

No shares carry double voting rights.

The number of stock subscription options granted to members of the Management Board and still outstanding stood at 98,333 taking into account the canceled options.

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

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

Following the investment by AXA Private Equity in the Company's share capital in July 2008, an agreement was entered into with the Company. Under the terms of the agreement, ACF I Investment (AXA Private Equity group) undertook not to sell any block of shares representing 5% or more of Mersen's share capital to an identified investor, except in connection with a public offer. Any sale by ACF I Investment of its shares in the market is to be performed in an orderly manner, wherever possible, with a view to restricting the effects of such a disposal on the Company's share price. The agreement ended on June 30, 2012. However, the requirement to sell in an orderly manner remains in effect after the agreement terminates, as long as AXA Private Equity (Ardian) holds more than 10% of the Company's capital.

Stock repurchase program

Description of the stock repurchase program submitted for shareholders' approval at the Combined General Meeting of May 15, 2014

In accordance with Article 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 into 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 euros.

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 AMAFI's charter;**
- **grant or transfer shares to employees in connection with the employee profit-sharing plan under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3 and the allotment of shares to employees of the Mersen Group pursuant to the provisions of European Regulation no. 2273/2003 of December 22, 2003;**
- **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: This authorization is valid until the General Meeting convened to approve the financial statements for fiscal 2014. In no case whatsoever will this authorization remain valid for more than 18 months.

I - Outcome of the previous program

With the exception of the repurchases made under the liquidity agreement, on May 17, 2013, the Company purchased 200,000 shares actions to be cancelled at a later date. At December 31, 2013, 40,617 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 16, 2013 AND DECEMBER 31, 2013

Percentage of the share capital held directly and indirectly	0.96%
Number of shares canceled over the previous 24 months	None
Number of shares held in the portfolio	200,000
Carrying amount of the portfolio	3,494,000
Market value of the portfolio (at December 31, 2013)	5,038,000

	Total gross cash flows		Open interest on the filing date of the information memorandum					
	Purchases	Sales/ Transfers	Open interest, buy side			Open interest, sell side		
			Calls purchased	Puts sold	Futures purchased	Calls sold	Puts purchased	Futures sold
Number of instruments	200,000							
Average maximum life			None	None	None	None	None	None
Average transaction price	17.47							
Average exercise price			None	None	None	None	None	None
Amounts	3,494,000		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 AMAFI'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 15, 2014.

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 AMAFI's charter;
- grant or transfer shares to employees in connection with the employee profit-sharing plan under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3 and the allotment of shares to employees of the Mersen Group pursuant to the provisions of European Regulation no. 2273/2003 of December 22, 2003;
- 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 Article 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 into force on October 13, 2004. It will be submitted for shareholders' approval Combined General Meeting of May 15, 2014, 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 and European Regulation no. 2273/2003 of December 22, 2003, 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 2,081,636 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 AMAFI's charter;
- grant or transfer shares to employees in connection with the employee profit-sharing plan under the conditions provided for in Articles L. 225-197-1 to L. 225-197-3 and the allotment of shares to employees of the Mersen Group pursuant to the provisions of European Regulation no. 2273/2003 of December 22, 2003;
- 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 €104,081,800.

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 2014. 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 16, 2013.

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. 2,081,636 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 €104,081,800.

The Company's discretionary reserves, as stated under liabilities in the most recent annual financial statements prepared and certified at December 31, 2013, amounted to 273,555,768 euros. Pursuant to law, the size of the stock repurchase program may not exceed this figure ahead of the end of fiscal 2014.

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 15, 2014 and until the date of the General Meeting convened to approve the financial statements for 2014. 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 €77.7 million at December 31, 2013. Equity attributable to the Group's shareholders stood at €442.8 million, and net debt at €212 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, 2013.

The other key assumptions used were as follows:

- interest expense estimated at the gross annual rate of 3.5%;
- a unit repurchase price of €24.357, the average closing price for trading sessions between January 16 and February 12, 2014;
- theoretical tax rate: 33%.

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

(In millions of euros)	Consolidated financial statements at Dec 31, 2013	Impact of the repurchase of 10% of the share capital	Proforma after the repurchase of 10% of the share capital	Impact of the repurchase *(in %)*
Equity attributable to Group shareholders	442.8	(51.9)	390.9	-11.7%
Total equity	452.8	(51.9)	400.9	-11.5%
Net debt	212.0	50.7	262.7	23.9%
Total number of shares outstanding at Dec. 31, 2013	20,816,364	2,081,636	18,734,728	-10.0%
Weighted average number of shares used to compute Earnings per share	20,450,830	2,045,083	18,405,747	-10.0%
Net income attributable to Mersen's shareholders	**(29.2)**	**(1.2)**	**(30.4)**	**-4.1%**
Earnings per share	**(1.43)**		**(1.65)**	**-15.5%**
Net income from continuing operations attributable to Mersen's shareholders	**(24.8)**	**(1.2)**	**(26.0)**	**-4.8%**
Earnings from continuing operations per share*	**(1.24)**		**(1.41)**	**-13.9%**

** The effect from the share buy-back on the EPS is negative because of the negative net income.*

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 219 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, 2013

Mersen's share capital is divided into 20,816,364 shares, each with a par value of €2, ownership of which at December 31, 2013 was as follows based on the information received by Mersen:

OWNERSHIP OF THE SHARE CAPITAL AT DECEMBER 31, 2013

Shareholders	Number of shares	% of the share capital	% of voting rights
Free float, comprising:	20,816,364	100.0%	100.0%
- French institutional investors	9,890,443	47.5%	48.0%
- International institutional investors	7,556,498	36.3%	36.8%
- Individual shareholders	2,927,910	14.0%	14.2%
- Employee shareholders	200,896	1.0%	1.0%
Treasury shares	240,617	1.2%	
TOTAL	**20,816,364**	**100%**	**100%**

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

Shareholder	Number of shares	Percentage
ACF I Investment (Ardian)	3,624,304	17.4%
Bpifrance Investissements / Caisse des Dépôts et Consignations	3,165,039	15.2%
SOFINA	1,632,398	7.8%

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, 2013, 450,555 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 presented in Chapter 3 of this reference document.

The number of BSAR warrants outstanding at December 31, 2013, entitle their holders to acquire 103,331 new shares, each with a par value of €2.

The total number of bonus shares that may be granted definitively at December 31, 2013 was 187,200 new shares each with a par value of €2 after the adjustment resulting from the October 2009 capital increase.

IX - Persons responsible for the information memorandum

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

SHAREHOLDERS

Share ownership thresholds crossed

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, declared that it held 406,076 shares representing 1.9954% of the share capital and voting rights at December 31, 2012.

January 15, 2013: the Amundi Group (Amundi, Société Générale Gestion, Étoile Gestion and CPR Asset Management) declared that it held 195,158 shares representing 0.95% of the share 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, declared that it held 411,877 shares representing 2.0239% of the share capital and voting rights at February 26, 2013.

March 21, 2013: SG Private Banking, on behalf of the mutual funds that it manages, declared that it held 205,000 shares representing 1.004% of the share capital and voting rights.

June 10, 2013: Mondrian Investment Partners declared that it held 1,000,427 shares representing 4.92% of the share capital and 3.59% of the voting rights.

June 24, 2013: Norge Bank declared that it had crossed above the 3% threshold and held 618,505 shares representing 3.03% of the share capital.

July 2, 2013: Mondrian Investment Partners declared that it held 256,055 shares representing 1.26% of the share capital and 0.92% of the voting rights.

July 18, 2013: BPI-Groupe SA (formerly EPIC OSEO), via Bpifrance Participations SA (formerly FSI) declared that it held 2,280,064 shares representing 10.96% of the share capital and voting rights at July 12, 2013.

August 19, 2013: SG Private Banking, on behalf of the mutual funds that it manages, declared that it held 180,433 shares representing 0.884% of the share capital and voting rights[(1)].

October 16, 2013: BNP Paribas Investment Partners, acting on behalf of the entities that it controls, declared that it held 637,509 shares representing 3.0646% of the share capital and voting rights.

CHANGES IN OWNERSHIP OF THE SHARE CAPITAL

	Dec. 31, 2013			Dec. 31, 2012			Dec. 31, 2011		
Shareholders	Number of shares	% of the share capital	% of voting rights	Number of shares	% of the share capital	% of voting rights	Number of shares	% of the share capital	% of voting rights
Free float, o/w	20,816,364			20,350,969			20,233,735		
- French institutional investors	9,890,443	47.5%	48.2%	9,953,609	48.9%	49.0%	9,584,581	47.3%	47.4%
- International institutional investors	7,556,498	36.3%	36.8%	6,441,498	31.7%	31.8%	6,842,700	33.7%	33.8%
- Individual shareholders	2,927,910	14.0%	14.2%	3,638,218	17.9%	17.9%	3,613,040	17.8%	17.8%
- Employee shareholders	200,896	1.0%	1.0%	268,073	1.3%	1.3%	193,414	1.0%	1.0%
Treasury shares	240,617	1.2%		49,571	0.2%		54,619	0.2%	
TOTAL	20,816,364	100.0%	100.0%	20,350,969	100.0%	100.0%	20,288,354	100.0%	100.0%

(1) Excluding Caisse des dépôts et consignation.

Members of the Management Board and Supervisory Board hold 2,294,784 registered shares (of which 2 242 770 are held by Bpifrance) and Management Board members hold 8,516 shares via the Mersen FCPE (corporate mutual funds), representing a total of 11.0% of the share capital. The Company held a total of 240,617 of its own shares at December 31, 2013, of which 40,617 under a liquidity agreement complying with the AMAFI's charter.

Dividend

	Nbr of shares at year-end	Earnings per share (€)	Share price (€)			Overall yield based on year-end share price
		Dividend	High	Low	Last	
2008	14,297,213	0.62	47.58	17.06	17.81	3.5%
2009	19,645,409	0.50	28.07	14.46	25.40	2.0%
2010	19,942,777	0.75	35.38	23.21	34.30	2.2%
2011	20,288,354	1.00	42.81	21.17	23.35	4.3%
2012	20,350,969	0.45	28.67	18.16	21.09	2.1%
2013	20,816,364	0.45	27.14	16.44	25.19	1.8%

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

With respect to fiscal 2013, the Third Resolution of the Combined General Meeting of May 15, 2014 provides for payment of a dividend of €0.45 per share, subject to shareholders' approval.

Financial rating

The Group is not subject to any external financial rating by any rating agency.

Mersen and the stock market

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

→ Share price performance

While Mersen's share price performance was positive in 2013, the year was characterized by two contrasting periods. During the first half of the year, the share price fell by 24% compared to December 31, 2012. During the second half, it recovered 56% compared to the end of June 2013. The increase over the full year was 19%, slightly outperforming the SBF 120 companies.

Share-related data

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

Share price (1)

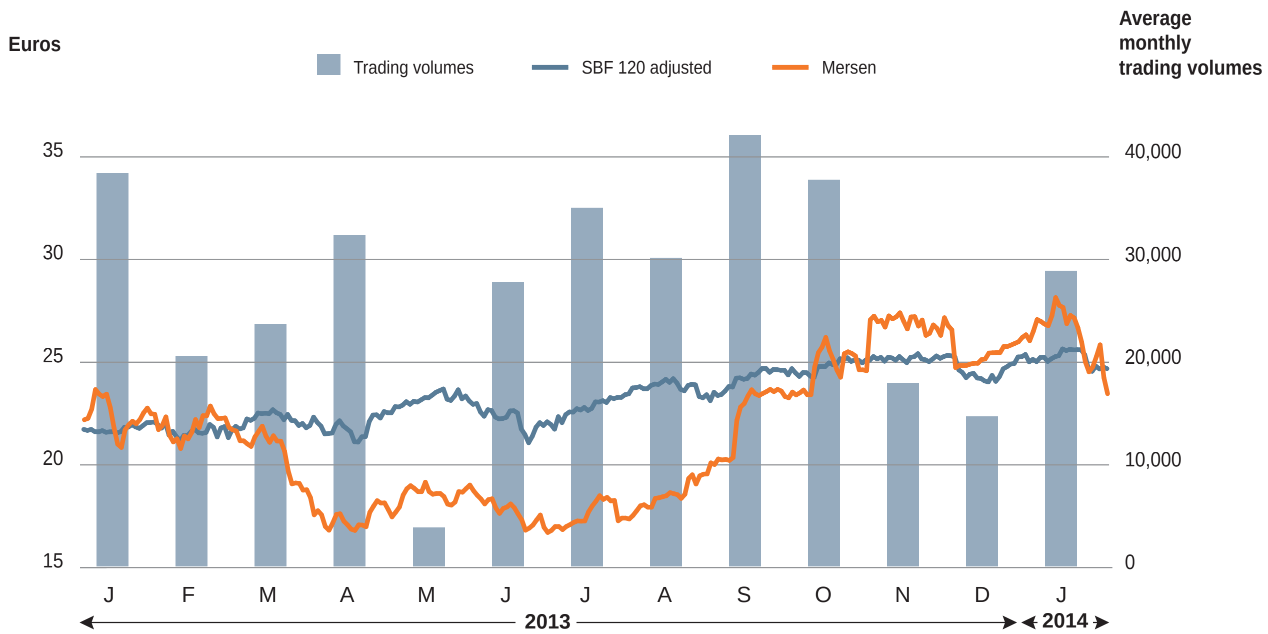
- at December 31, 2013: €25.19.
- 2013 high: €27.14.
- 2013 low: €16.44.

(1) At the close of the market.

Trading

- Average 2013 monthly trading volume: 639,072 (average 2012 monthly trading volume: 598,487).
- Average daily trading volume in 2013: 30,074 (average daily trading volume in 2012: 28,114).

→ Share price performance and trading volumes



Source: Euronext.

Market data

Mersen shares	Number of shares traded	Capital traded on a monthly basis[(a)] *(in millions of euros)*	Average number of shares traded per session	Share price High (€)	Share price Low (€)	Share price Average (€)
2012						
January	946,929	24.03	43,042	28.67	22.63	25.37
February	641,841	16.58	30,564	26.69	25.09	25.84
March	759,503	20.00	34,523	27.78	24.10	26.34
April	634,616	15.62	33,401	26.56	22.99	24.61
May	482,669	11.11	21,940	25.23	20.35	23.02
June	521,616	10.02	24,839	20.10	18.16	19.22
July	504,978	10.09	22,954	20.92	18.85	19.99
August	520,109	10.84	22,613	23.00	19.50	20.86
September	513,436	12.19	25,672	25.08	22.38	23.75
October	627,452	13.69	27,281	23.55	19.07	21.83
November	501,836	9.5	22,811	19.87	18.35	19.01
December	526,857	10.83	27,729	21.88	19.32	20.57
2013						
January	842,667	18.59	38,303	23.40	20.58	22.09
February	410,382	8.86	20,515	22.60	20.85	21.60
March	472,259	9.53	23,613	21.62	18.14	20.18
April	677,425	11.63	32,258	17.99	16.54	17.17
May	833,583	15.21	37,890	18.89	17.20	18.25
June	553,670	9.68	27,684	18.47	16.55	17.50
July	802,902	13.83	34,909	18.23	16.44	17.24
August	660,819	12.14	30,037	19.83	17.27	18.38
September	881,839	19.55	41,992	23.41	19.75	22.18
October	866,349	21.33	37,667	26.98	23.14	24.62
November	375,386	9.99	17,876	27.14	26.04	26.62
December	291,579	7.32	14,579	26.07	24.47	25.13
2014						
January	633,227	16.47	28 783	27.88	23.20	26.02

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

(Share price)	January 2014	2013	2012
At end of period	23.20	25.19	21.09
Number of shares at end of period	20,816,364	20,816,364	20,350,969
Market capitalization at end of period *(in millions of euros)*	483	524	429
Average daily number of shares traded	28,783	30,074	28,114

Dividend per share

(In euros)	2013	2012	2011	2010	2009
	0.45	0.45	1.00	0.75	0.50

A confidence-based relationship with shareholders

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

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

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

In addition, the web site provides extensive information on products and markets. All regulatory information, Focus documents on the Group's business lines, a Factbook and presentations of results are available in the Finance section.

Key events in the 2013 investor relations calendar

Sales reports

Fourth-quarter 2012 sales - January 30

First-quarter 2013 sales - April 29

Second-quarter 2013 sales - July 26

Third-quarter 2013 sales - October 29

Earnings reports

Full-year 2012 results - March 20

Interim 2013 results - August 29

Meetings for institutional investors

In Europe and North America - throughout the year

Meetings for individual shareholders

Nantes – November 27

Annual General Meeting

Paris - May 16

Key events in the 2014 investor relations calendar

Sales reports

Fourth-quarter 2013 sales - January 29

First-quarter 2014 sales - April 29

Second-quarter 2014 sales and 2014 Interim results – July 31

Third-quarter 2014 sales - October 29

Earnings reports

Full-year 2013 results - March 6

Interim 2014 results – July 31

Meetings for institutional investors

In Europe and North America - throughout the year

Meetings for individual shareholders

In France – throughout the year

Annual General Meeting

Paris - May 15

Officer responsible for information

Thomas Baumgartner

Group Vice President, Finance and Administration

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Management report

5

Introduction

In a mixed environment, both geographically and with regard to our end markets, Mersen reported sales of €739 million in 2013, down 6% on a like-for-like basis compared with 2012.

In spite of this business contraction and the hefty contribution made by the low-margin chemicals business, the Group delivered an EBITDA margin of 13.5% and an operating margin before non-recurring items of 8.1% of sales. This margin was achieved thanks to the adaptation plan implemented in 2013 and reflects the Group's ability to hold firm in unfavorable contexts.

Given this business trend and after a review of its assets, the Group posted approximately €40 million, in its 2013 financial statements, in impairment of assets and provisions related to business forecasts for the chemicals market and the under-utilization of certain graphite production equipment, as well as €10 million net in depreciation of deferred tax assets in France. The Group also recognized nearly €8 million in restructuring expenses for the year. All of these exceptional charges have no impact on the Group's financial structure, which remains solid.

Mersen also continued its cash efforts by generating cash flow over the period of nearly €90 million from operating activities before capital expenditures, thus reducing the debt, which now stands at €210 million.

Consolidated results

Sales

Mersen's 2013 consolidated sales totaled €738.8 million, down 6% on a like-for-like basis compared to 2012. The effect of depreciation of most currencies against the euro reduced the year's sales by nearly €26 million.

(in millions of euros)	2013	2012	organic growth	total growth
Materials (AMT)	300.3	346.3	-11.2%	-13.3%
Electrical (ECT)	438.5	464.4	-2.1%	-5.6%
GROUP TOTAL	738.8	810.7	-6.0%	-8.9%
Europe	281.8	284.4	-0.6%	-0.9%
Asia-Pacific	156.9	205.8	-19.7%	-23.7%
North America	261.7	279.7	-3.1%	-6.4%
Rest of the world	38.4	40.8	3.7%	-5.9%
GROUP TOTAL	738.8	810.7	-6.0%	-8.9%

The economic context remained sluggish in Europe, but the Group benefited in this region from the SABIC contract, under which it posted sales equivalent to 2012 on a like-for-like basis. The situation improved throughout the region at the end of the year, except in France, where business remained weak.

In Asia, organic contraction during the year resulted primarily from the non-recurrent contract in anti-corrosion systems for chemicals, where sales shifted to other geographic regions, and from the decline in solar compared to the previous year. The region remained strong in other markets.

The American electronic and wind markets performed well. However, sales in chemicals related to shale gas drilling were lower this year compared to 2012. Lastly, business slowed during the last quarter because electrical distributors limited their inventories at year-end.

Sales in the Materials division posted an organic contraction of -11.2% for the year mainly as a result of weak sales in the solar market. Excluding solar (-4.4% in organic), the Group's billings were strong in aerospace and electronics. Sales in the chemical market remained at 2012 levels. However, process industries were down in an unfavorable macroeconomic context.

The decline in sales in the Electrical segment was limited to -2.1%. The energy and transport markets were in line, overall, with 2012. After a disappointing start to the year, electronics rebounded during the second half. Process industries contracted, particularly in Europe, related to the current economic conditions.

EBITDA and operating income before non-recurring items

(in millions of euros)	2013	2012[1]
Operating income before non-recurring items	59.8	77.6
Depreciation and amortization	40.2	39.7
EBITDA	**100.0**	**117.3**
as a % of sales	*13.5%*	*14.5%*

EBITDA[2] stood at €100.0 million, or 13.5% of sales, down one point compared to 2012.

The EBITDA margin for the Electrical segment (ECT) was in line with last year's (14.3% vs. 14.4%). In spite of the top-line contraction, this healthy resilience was largely attributable to the adaptation plans and steady sale prices on its markets.

Despite a significant decline in business, the EBITDA on the Materials (AMT) division remained high, at 15.9% of sales.

The decline compared to 2012 (18.2%) is the result of a major business contraction, a negative product mix effect with strong lower-margin Chemicals sales and price reductions over the year in the graphite business, particularly in Asia. These factors were offset in part by savings measures.

The Group's operating income before non-recurring items[3] came to €59.8 million in 2013, representing an operating margin of 8.1% of sales, down 1.5 points compared with 2012[1].

(in millions of euros)	2013	20121	*Change*
Sales	738.8	810.7	*-8.9%*
Gross income	213.4	243.4	*-12.3%*
As a % of sales	*28.9%*	*30.0%*	
Selling, marketing and other costs	(72.4)	(79.3)	*-8.8%*
G&A and R&D costs	(81.2)	(86.5)	*-6.1%*
Operating income before non-recurring	**59.8**	**77.6**	***-22.9%***
As a % of sales	*8.1%*	*9.6%*	

The gross margin fell by around 1 point amid weaker business volumes and a lower average production capacity utilization rate compared to 2012, although the trend improved over the course of the year.

Marketing, G&A and R&D costs fell by 7.4%, in line with the decline in sales.

(1) The 2012 data published were restated to take into account the application of revised IAS 19 (employee benefits).
(2) Operating income before non-recurring items + depreciation and amortization
(3) Based on the definition laid down in CNC regulation 2009.R.03.

Net income from continuing operations

Net income from continuing operations showed a loss of €24.8 million compared to a profit of €34.9 million in 2012[1].

(in millions of euros)	2013	2012[1]
Operating income before non-recurring items	**59.8**	**77.6**
Non-recurring income and expense	(49.3)	(11.3)
Amortization and impairment of revalued intangible assets	(1.2)	(0.9)
Operating income	**9.3**	**65.4**
Net finance income/(costs)	(11.0)	(13.0)
Income tax	(23.1)	(17.5)
Net income from continuing operations	**(24.8)**	**34.9**

Non-recurring income and expense showed a loss of €49.3 million[2]. They include:

- Impairment of assets and provisions of approximately €37 million, primarily in the Materials division, related to forecasted business contraction on the Chemicals market and the under-utilization of certain graphite equipment.
- Restructuring charges of approximately €8 million, of which €4 million was recognized in the first half-year, corresponded to the restructuring and business relocations in the Electrical segment in connection with the 2013 adaptation plan. The €4 million recognized in the second half-year is related to the Materials division.
- Other expenses, specifically provisions for litigation, legal fees and acquisition fees, of approximately €4 million.

In 2012, the expense was €11.3 million, primarily in restructuring and relocations and asset depreciation.

Mersen's 2013 net financial expense was €11 million, down from the previous year. This decline was primarily attributable to the €20 million reduction in the average debt over the year compared to the 2012 average debt.

The tax expense totaled €23.1 million and includes €12 million net in impairment of deferred tax assets, primarily in France[2]. The effective tax rate, calculated based on income restated to take into account non-deductible expenses and impairment of deferred tax assets, was 33%, equivalent to the 2012 rate.

Net income attributable to Mersen's shareholders

(in millions of euros)	2013	2012[1]
Net income from continuing operations	**(24.8)**	**34.9**
Net income from assets held for sale and discontinued operations	(3.8)	(27.7)
Net income	**(28.6)**	**7.2**
Attributable to Mersen's shareholders	**(29.2)**	**6.5**
Non-controlling interests	(0.6)	(0.7)

The net loss from assets held for sale and discontinued operations came to €3.8 million, compared with €27.7 million in 2012[1].

In 2013, it included operating results for the two facilities that the Group sold in 2013, i.e. the nuclear boiler making equipment operations at the Grésy (France) site and the metal heat exchanger and stirrer and mixer activities at the Brignais (France) site. The disposals were concluded in July and December 2013 respectively.

In 2012, this amount included primarily €20 million in impairment loss, plus a €5.4 million net loss (excluding divesture) posted by the business activities in 2012.

(1) The 2012 data published were restated to take into account the application of revised IAS 19 (employee benefits).
(2) The 2012 data published were restated to take into account the application of revised IAS 19 (employee benefits). When it published its 2013 sales figures, the Group discussed the recognition of €55 million in exceptional items. This amount corresponds to €45 million in non-current expense (over €4 million in expense reported in the first half-year) and to €10 million net in impairment of deferred tax assets in France.

Dividend

The Supervisory Board will propose payment of a dividend of €0.45 per share at the Annual General Meeting of the shareholders. This will result in a total distribution of nearly €9.3 million, representing 36% of consolidated net income (Group share) before taking into account the €55 million in exceptional items recognized and announced in January 2014.

Cash and debt

Condensed statement of cash flows

(In millions of euros)	2013	2012[1]
Cash generated by operating activities before change in the WCR	90.1	103.8
Change in the working capital requirement	13.9	27.7
Change in tax expense	(17.7)	(22.6)
Net cash generated by continuing operating activities	**86.3**	**108.9**
Cash generated by discontinued operations	(8.6)	(7.1)
Net cash generated by operating activities	**77.7**	**101.8**
Capital expenditures	(27.8)	(42.2)
Net cash generated by operating activities after capital expenditures	**49.9**	**59.6**
Change in scope (acquisitions)	(3.2)	(30.0)
Disposals of non-current assets and other	(6.6)	0.9
Net cash generated/(used) by operating and investing activities	**40.1**	**30.5**
Interest payments	(10.7)	(12.3)
Dividends paid	(3.7)	(19.4)
Increase in the share capital and other	(3.4)	0
Net cash flow before the change in debt	**22.3**	**(1.2)**

Thanks to strong management of working capital requirements, the Group generated net cash flow from continuing operations of €86.3 million.

Capital expenditures stood at €27.8 million, a reduction of more than €14 million over 2012; of that total, 60% concerns the Materials division. The investment policy is presented in this chapter.

Changes in the scope of consolidation are related primarily to earn-out payments from two 2013 disposals. In 2013, cash flow from acquisitions included the impact of the Eldre acquisition.

“Disposals of non-current assets and others” include, in part, cash flows from the sales agreements for the two production facilities disposed of in July and December 2013 respectively.

The lower dividends paid is attributable to the amount of the dividend paid in 2012, which was higher than that paid in 2013, and by the payment of this dividend primarily in cash.

For 2013, net cash flow was thus positive, at more than €22 million, compared to nearly zero in 2012.

(1) The 2012 data published were restated to take into account the application of revised IAS 19 (employee benefits).

Balance sheet

Net debt at year-end 2013 came to €212.0 million, down by nearly €30 million compared to year-end 2012 (€241.5 million).

The Group maintained a strong financial structure, with ratios unchanged from the previous year: The net debt/EBITDA ratio (leverage) was 2.07(1) and the net debt/equity ratio (gearing) was 45%(1).

	Dec. 31, 2013	Dec. 31, 2012
Total net debt *(in millions of euros)*	212.0	241.5
Net debt/equity(1)	0.45	0.45
Net debt/EBITDA(1)	2.07	2.07

Operations outside France

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

In 2013, around 71% of the Group's capital expenditures were devoted to international markets. They concerned primarily the replacement and modernization of industrial equipment.

In 2013, the Group derived 91% of its sales from outside France (i.e. sales generated by foreign companies excluding those realized in France and exports by French companies).

The sales contributed by the Group's subsidiaries outside France came to €599 million, down 4% compared with 2012 on a like-for-like basis.

Sales in the Asia-Pacific region totaled 21.5% of Group consolidated sales in 2013, 38% in Europe, 35.5% in North America and 5% in the rest of the world (South America, Africa and the Middle East).

Investment policy

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

Spending on acquisitions in 2012 concerned primarily the purchase of Eldre in France and the United States.

During 2013, investments in continuing operations amounted to €27.8 million.

Mersen replaced and modernized its industrial equipment, continued its investments in its expanding markets in China and the United States and invested in the American optimization project of its Electrical Protection production processes.

Spending on acquisitions came to €3.2 million in 2013. It included primarily the MS Schneider Group earn-out payment (€1 million) and covers the third installment of the buy-out of minority investors in Mingrong Electrical Protection (€1.8 million).

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

(1) Ratio calculated using the method specified for the USD350 million syndicated loan.

(in millions of euros)	Continuing operations 2013	2012
Increase in property, plant and equipment	(26.8)	(41.5)
Change in fixed asset suppliers	(1.0)	(0.7)
CAPITAL EXPENDITURES	**(27.8)**	**(42.2)**
Increase in intangible assets	(1.3)	(0.8)
Increase in financial assets	(0.1)	0.4
Other changes in investment flows (excl. fixed asset suppliers)		0.4
SUB-TOTAL	**(29.2)**	**(42.2)**
Investments linked to acquisitions	(3.2)	(30.0)
Investments linked to asset disposals	0.6	1.5
TOTAL	**(31.8)**	**(70.7)**

Financing policy

A Group policy has been defined for financing, which is coordinated by the Finance and Administration department.

The Group possesses confirmed credit lines, which have not been drawn down in their entirety.

Most of the Group's borrowings have been arranged by Mersen SA. Cash pooling systems in Europe, the United States and China help to optimize use of all the credit lines.

In 2003, the Group refinanced a bank loan due for repayment by means of private placements in the US with an average redemption date of 2015 to diversify its sources of financing.

During 2007, the Group launched an issue of bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) with an average life of six years.

In 2011, the Group finalized a USD 100 million private placement with a final maturity in 2021 to extend the duration of its debt and diversify its sources of financing.

In 2012, the Group refinanced its syndicated loan due to expire in July 2013, replacing it with a new five-year syndicated loan and bilateral loans.

In 2013, the Group refinanced its syndicated loan in China due to expire in September 2014, replacing it with a new five-year syndicated loan and bilateral loans.

All the details concerning borrowings are presented in Note 15 to the consolidated financial statements.

Relations between the parent company and its subsidiaries

Mersen is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 87 consolidated and unconsolidated companies in 32 countries. The Group's largest manufacturing facilities are located in France, the United States, China, Germany and Mexico.

The Group's Executive Committee runs its operational affairs. In certain cases, Executive Committee members (including Management Board members) may be directors or officers in companies belonging to their segment.

Parent company results and financial statements

→ Parent company's financial position

The sales and other revenues recorded by the parent company, Mersen SA, amounted to €3.9 million. These revenues derived from Mersen SA's activities as a holding company, namely the management of investments in subsidiaries and affiliates, Group financing and various other services.

The parent company's operating loss, which reflects the holding company's operating costs, stood at €3.7 million.

Net financial income stood at €12.2 million, compared to €13.2 million in 2012. The amount remained stable and includes €16.6 million in impairment losses on investments, specifically with regard to Mersen Holding China and Mersen do Brazil.

The parent company's income before tax and non-recurring items came to €8.5 million. The parent company posted an exceptional loss of €8.2 million, compared with a loss of €1.0 million in 2012.

The parent company recorded a tax benefit of €1.5 million. This was the result of the tax paid by the French subsidiaries consolidated for tax purposes.

Taking all these items into account, the parent company posted net income of €1.8 million, compared with €10.6 million in 2012.

→ Information about payment terms for the parent company's suppliers

The standard terms of payment for suppliers are 45 days end of month.

In accordance with Article D. 441-4 of the French Commercial Code, the maturity schedule for trade payables at December 31, 2013 comprised €1 million in amounts payable within less than 30 days and €0.3 million in amounts payable between 30 and 60 days. At December 31, 2012, the amounts payable within less than 30 days stood at €0.6 million and amounts payable between 30 and 60 days at €0.2 million.

Research and development policy

The Group's research and development activities principally consist in developing materials, manufacturing processes, products and systems with a view to:

- safeguarding the Group's profitable growth by developing an innovative and made-to-measure range of solutions catering to the needs of our strategic markets; and
- cutting manufacturing costs.

The Group devotes around 3% of its sales to research and development concerning the refinement of products, materials and processes and technical sales efforts with a view to adapting its solutions or services constantly to each customer's specific requirements.

Most of this expenditure is financed internally.

The Group's approach is part of a continuing program: during 2013, as in previous years, innovation focused on two principal areas:

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

The major innovations finalized in 2013 or still under development include:

- The development of silicon carbine reactors-plate heat exchangers that enable the pharmaceutical industries to intensify their continuous processes in corrosive and highly exothermic environments;
- The design of an activatable fuse, triggered by heat collectors that react to the very high luminosity that an accidental arc produces;
- The development of a drilled silicon carbide block heat exchanger for specialty chemical manufacturers, which expands our graphite range in the upper segment, given the increased mechanical resistance and anti-corrosion properties and the lack of shedding of silicon carbide particles;
- The development of an eco-design third-rail shoe (to be inserted in rail pantograph systems), with a recyclable metal bracket, reducing user maintenance operations. This innovation was presented at the SIFER trade show in Lille in March 2013 and received the innovation trophy there;
- New graphite consumables, coated with tantalum carbide, delivering very high added value for epitaxy specialists in the LED industry.

Risk management

The report of the Chairman of the Supervisory Board, presented in Chapter 3 of this reference document, describes the risk management organization and procedures established within the Group.

The risks described below are, as of the date of this document, those that the Group believes could have a material adverse impact on its businesses, financial position, results or outlook. The Group may be exposed to other risks that are not identified as of the date of this report or that do not currently appear to be material at present.

Risks related to the market environment and the Group's business activities

Industrial risks

The Group may face certain industrial risks that could have an impact on its business activities or the safety of its employees. However, these risks are spread, in general, over several production facilities, geographic regions and different processes. To minimize these risks, the Group takes action related to:

- the preparation and regular review of industrial risk mapping,
- the preparation and regular review of procedures regarding equipment or processes that could be dangerous, for example, given the temperatures reached during production,
- the preparation of a Business Continuity Plan for certain facilities and/or certain strategic equipment,
- regular safety audits.

In addition, inspections by the Group's insurance experts assess the level of fire prevention and protection at the Group's main manufacturing facilities in France and in other countries.

Risks related to dependence on certain production facilities

Some of the group's facilities manufacture items used by other group facilities. If certain facilities or processes are interrupted for an extended period, this could affect the profitability of the group or of a business activity. The Group limits this risk by ensuring availability of duplicate critical equipment (for example, by investing in a second graphite block production facility in 2007) or by preparing business continuity plans.

Environmental risks

Like any industry player, the Group must comply with many environmental laws and regulations in the countries in which it conducts its business activities. These laws expose the Group's operating companies to liability risks and significant costs (for example, liability for current or past business activities or related to assets disposed of). To minimize these risks, the Group takes actions related primarily to:

- ongoing improvement of protection and equipment for employees exposed to CMR (carcinogenic, mutagenic or toxic to reproduction) substances as well as training activities;
- conducting a study of energy savings in France;
- continued implementation of the Grenelle 2 regulation. This was carried out in conjunction with an external consulting firm to ensure proper implementation of the regulation. Mersen has been fully compliant with these regulations since the end of 2012.
- regulatory monitoring through participation in working groups composed of the leading players in carbon and graphite in Europe

The Group's environmental policy is described in Chapter 2 of this reference document.

Risks related to the capital-intense nature of certain business activities

Some of the Group's business sectors, specifically graphite for High Temperature applications (Materials division), may be exposed to consequences related to their capital-intense nature, such as a decline in profitability in the event of a drop in demand (due to significant depreciation) or lower prices in the event of global over-capacity in this business area.

Risks related to the economic environment

The Group may be affected by an unfavorable economic environment in a geographic region or business sector. Changes in sales may have a major impact on results, particularly in the event of a business contraction over several half-year periods. The Group recently experienced such a contraction in Europe and in the solar market.

However, this risk is limited thanks to the diversity of the Group's markets and the geographic regions in which it operates. It has also demonstrated its ability to implement major cost containment plans to address these situations. Lastly, the Group announced that it was analyzing an industrial streamlining plan to be implemented in 2014 and 2015. The plan is intended to improve flexibility in the face of economic uncertainties, particularly in Europe.

Risks related to the competitive situation

Mersen is active in competitive markets. Depending on the business sector, this competition may come from companies larger than Mersen or from small-scale local players. It is thus difficult for the Group to guarantee that it will be able to maintain or increase its market share in markets where it is already active or to penetrate new markets. In the future, the Group may face new competitors in low-cost countries.

However, Mersen's presence in several business sectors and several geographic regions, with competitors that differ, in general, by sector and/or geographic region, and its focus on high value-added products tend to limit these risks.

Information system risks

The information system security function continued to implement a series of measures aimed at safeguarding the integrity, availability and confidentiality of the Group's information systems.

In particular:

- it continued to develop centralized control systems that can be used to check remotely whether Group rules are being applied properly and rolled out a remote audit system checking whether the Group's safety guidelines have been implemented;
- it conducted network audits.

A system enables business units to conduct a self-assessment of their compliance with the Group's standards and help improve information systems security.

In addition, Mersen mapped its information system risks in 2012, which led to the July 1, 2013 launch of an Information Systems Quality and Safety program.

However, the Group cannot dismiss the possibility of a system failure (equipment or software), human error or computer virus that could harm the Group's reputation or the quality of its service.

Raw materials risks

The Group relies on certain raw materials, particularly those used in the formulation of graphite. To limit the risks related to raw materials and secure purchases of the most sensitive materials over the long term, Mersen continues its research program into identifying alternative procurement sources in the event that it has to contend with a supplier with a dominant market position.

From a more global perspective, the purchasing teams continued to achieve concrete results from their collaboration with technical teams on redesign to cost projects in order to enhance performance of suppliers with a view to:

- securing more competitive purchasing prices and industrialization solutions;
- planning ahead for the possible replacement of products purchased that are not deemed to comply with the REACH regulations;
- helping to reduce consumption of energy and raw materials used in the manufacture of finished products.

What's more, to protect against price increases, exposure to certain raw materials was hedged using either derivative products or supplier-provided protection (see the section on financial market and financing risks below).

Risks related to dependence on customers or commercial litigation

The Group's customers are very diverse. On a Group-wide basis, this diversity helps limit the risk of dependence on a single customer. In 2013, no single customer represented more than 5% of consolidated sales.

However, in certain countries, one customer may represent a large share of the business of a specific manufacturing facility. The loss of that customer could have significant impact on a local level.

PROPORTION OF SALES DERIVING FROM THE GROUP'S PRINCIPAL CUSTOMERS

	2013		2012	
(in thousands of euros)	Sales	% of sales	Sales	% of sales
With the Group's leading customer	26,292	3.6%	22,663	2.8%
With the Group's top 5 customers	84,809	11.5%	79,366	9.8%
With the Group's top 10 customers	127,229	17.2%	123,765	15.3%

Since 2003, the Group has adopted a commercial credit insurance program with Coface, which is described in Note 3 to the consolidated financial statements.

The Group is also exposed to risks of customer complaints regarding defective products or, for certain business activities, late penalties. The diversity of customers and business activities tends to limit this risk for the Group. In addition, some of these risks are partially covered by insurance.

Risks related to acquisitions or restructuring

The Group has followed a strategy of targeted acquisitions for several years. Any acquisition where the price, including any liabilities assumed, exceeds €3 million must be authorized by the Supervisory Board at the proposal of the Management Board.

Every acquisition includes certain risks of inadequate evaluation of certain factors or of integration problems that may affect the results of the Group or of a business activity. To limit this risk, the Group follows complete due diligence procedures (including environmental, legal, financial, industrial and human resources) as well as integration rules. In many cases, it also retains the management of the target company to facilitate integration.

The Group regularly conducts industrial and commercial reorganizations that may result in risks of labor conflict, loss of expertise or loss of sales. These risks may be heightened during the operational implementation of the Transform plan. The Group limits these risks by setting up dedicated project groups, carefully identifying risks and taking steps to reduce the risks identified.

Geopolitical risks

The Group carries out a significant share of its commercial and industrial activities in emerging countries that have recently experienced or are at risk of experiencing periods of political and economic instability. In 2013, for example, sales outside Europe and North America represented 26% of consolidated sales. The Group is thus exposed to certain risks that could affect its profitability in certain geographic areas.

Specifically, the Group has a manufacturing facility in a country considered to be at high risk, according to the Coface classification, i.e., in Argentina. Although this unconsolidated subsidiary represents a potential risk, it is a very modest one given its size, as its sales totaled €1.4 million in 2013.

With facilities in more than 34 countries, the Group is exposed, generally, to the risk of regulatory change (tax, legal or other) that may affect its profitability or its ability to generate financial flows to the parent company.

Human and social risks

To guard against the risk of losing expertise, the Group has adopted procedures, programs and actions intended to maintain employee loyalty and develop employee skills to support the Group's growth as far as possible (see Chapter 2 of this reference document).

In addition, when restructuring measures liable to have an impact on the workforce are contemplated, the solutions envisaged are studied in conjunction with the unions and employee representatives in accordance with legal provisions. Appropriate measures are taken to reassign affected employees to new positions within or outside the Group. However, the Group cannot dismiss the possibility of labor conflicts or legal action by employees that may have negative impacts on the Group's financial position, results or image.

Risks related to internal control failings and risk of fraud

Given the Group's international presence, its administrative, financial, and operational processes are managed in diverse legal and regulatory environments, with a sensitivity to internal control and risk management that differs from one entity to another. In this context, the Group cannot dismiss the possibility of internal control failings, fraud or the failure to comply with local regulations, which may have significant impacts on the Group's financial position and/or harm its image.

To limit this risk, Mersen regularly reviews its internal control procedures and implements training and audits of subsidiaries. This process is described in greater detail in the report of the Chairman of the Supervisory Board, found in Chapter 3 of this document.

→ Financial risks

Currency risks

Currency risks are addressed in the "Currency risks" section of Note 3 to the consolidated financial statements.

Interest-rate risk

Interest-rate risks are addressed in the "Interest-rate risks" section of Note 3 to the consolidated financial statements.

Raw material risks

Raw material risks are addressed in the "Raw material risks" section of Note 3 to the consolidated financial statements.

Counterparty risks

All hedging transactions are entered into with prime financial institutions. The Group has no material investment securities and is not exposed to counterparty risks on such securities.

In addition, the Group holds swaps covering a nominal amount of €47.9 million, but does not believe that it is exposed to counterparty risk because its positions are marked to market (mark-to-market valuation of negative €0.7 million).

In terms of credit risk, the Group set up an insurance program with commercial credit insurer Coface covering its principal companies in the US, France, Germany, the UK and China (domestic customers) against the risk of non-payment for financial or political reasons. Coverage varies between 0 and 90% of invoiced amounts from customer to customer.

Liquidity risks

The Group conducted a specific review of its liquidity risk and believes that it will be able to honor its forthcoming repayments.

Liquidity risks are addressed in the "Liquidity risks" section of Note 3 to the consolidated financial statements.

Equity risks

At December 31, 2013, the Group held 240,617 shares in treasury worth €4.5 million. At the same date, the Group had not subscribed any shares in listed companies.

Tax and customs risks

The Group undergoes regular tax and customs audits by the tax/customs authorities in the countries in which it operates. In the past, the tax reassessments issued after tax/customs audits were for non-material amounts.

AVO Carbon Mexico, a company sold by the Group in April 2009, underwent an audit by the Mexican customs authorities, which led to a potential €5 million tax reassessment. AVO Carbon Mexico is challenging this tax reassessment and filed several appeals in 2013 with local authorities and courts. Should Mersen have to cover part or all of this reassessment under its seller's representations and warranties, the impact on the Group's consolidated financial statements would not be material, because the amount would be deducted from the earn out payment potentially payable by AVO Carbon to Mersen.

Mersen do Brasil, a wholly-owned subsidiary of Mersen SA, was notified in June 2013 of a customs audit covering the January 2008-December 2012 period. Customs officials issued a notice of reassessment in the amount of 7.5 million Brazilian reals. The Group rejects all demands.

Legal risks

Dependence of the Company

The Mersen group is not dependent on any patent, license or supply contract that may have a material adverse effect on its business activities or profitability.

Litigation

None of the four legal proceedings referred to above led to provisions being set aside, as the Group is not in a position as things stand to assess the financial risk.

Civil proceedings in Canada

The separate lawsuit initiated during 2004 in Canada by certain customers against the main Canadian manufacturers of graphite brushes, including Mersen Toronto, a Canadian subsidiary of Mersen, is still in progress and there have been no new developments since 2007. To recap, this lawsuit was instigated following the fine of CAD 1 million that Morgan Crucible Ltd was ordered to pay in July 2004 for anti-trust practices in the field of graphite brushes for traction applications during the 1995-1998 period. To recap, the Canadian judge ruled in February 2007 that only Canadian urban transportation companies could join the proceedings in progress. The risk for Mersen Toronto is still not material.

Civil proceedings in the United Kingdom

In February 2011, the Deutsche Bahn group, together with other European rail companies, announced that it was launching legal action against Morgan, SGL, Schunk and Mersen before the CAT. The plaintiffs are attempting to secure redress before the CAT for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. During May 2011, the CAT ruled that plaintiffs' action against Morgan was time-barred. The plaintiffs have appealed this decision. In August 2012, the Court of Appeal authorized the plaintiffs to continue their proceedings before the CAT against Morgan Crucible, Mersen, Schunk and SGL. Morgan Crucible appealed this decision to the Supreme Court in the United Kingdom. In October 2013, the CAT decided to resume the proceeding only for the English plaintiffs. The proceeding before the CAT remains suspended for the other plaintiffs pending the outcome of this appeal.

Administrative proceedings in France

In February 2013, SNCF commenced legal action against Morgan, SGL, Schunk and Mersen in the Paris Administrative Court. SNCF is attempting to secure redress for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. In June 2013, the SNCF, seeking to insure against a decision by the Administrative Court 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.

Since 1999, the Group has developed a worldwide compliance program to provide training for and raise the awareness of operational and commercial managers about competition legislation. This worldwide compliance program remains in place. It was updated again in June 2010 following the change in the Group's name and corporate identity. Highly stringent internal control measures and external audits ensure that competition legislation is scrupulously complied with in all the countries in which the Group does business.

Legal proceedings in France (accident at the Gennevilliers plant on April 7, 2010)

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

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

There are no other governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened, of which the Group is aware, which may have or have had, during the previous 12 months, significant effects on the Group's financial position or profitability.

Insurance

The Group's insurance policy is determined by the Management Board. To protect the Group's future, the levels of coverage are set based on the Group's loss record and an assessment of the risks incurred by each Group subsidiary. With loss experience remaining under control in 2013, the Group's insurance programs remained stable. The improvement in the Group's insurance loss record during 2013 and continued efforts under its risk prevention policy helped to maintain its coverage levels and premiums for 2014.

The Group has arranged worldwide insurance programs (handled, in certain countries, through local policies) with prime insurance companies to cover its main property/business interruption, civil liability, environmental, civil aviation and transport risks. These worldwide programs provide all the Group's subsidiaries with cover and restrictions tailored to their needs. No captive policies have been arranged.

The Group's civil liability (operations, before and after delivery) and environmental insurance programs notably cover bodily injury, damage to tangible and intangible property, site clearance and rebuilding costs, withdrawal costs, damage to property entrusted with the Group and pollution abatement costs, subject to the usual deductibles, exclusions and restrictions. The program comprises a master policy in France and local policies in certain countries. The total premiums paid by the Mersen group during the fiscal year 2012 in respect of its civil liability, environmental and civil aviation insurance program came to €619,403.

The Group's property/business interruption insurance program notably covers bodily injury and physical damage, as well as losses caused by the interruption of business at the Group's main plants as a result of any sudden and accidental events (such as fire, storm, explosion, electrical damage, theft, etc.), subject to the usual deductibles, exclusions and restrictions. The program comprises a master policy and local policies in certain countries. It provides a contractual restriction per event (property/business interruption combined) of €100 million with sub-restrictions for certain events, such as storms, natural disasters or certain specific guarantees, such as machine failures and IT and electrical risks. The total premiums paid by the Mersen group during the fiscal year 2011 in respect of this insurance program came to €1,025,768.

Under the Group's transport insurance program, Mersen and its subsidiaries are protected by a worldwide policy that provides a guarantee of up to €5 million per shipment for all the Group's goods shipments, irrespective of the means of transportation used. Mersen paid a premium of €38,400 under this insurance program in the fiscal year 2013.

RECENT EVENTS AND OUTLOOK FOR 2014

Recent events

On February 12, 2014, Mersen announced that it had acquired a majority interest in Cirprotec, a company specializing in lightning and surge protection.

The transaction will continue to expand the Group's position in a segment with an attractive growth potential related to improvements in power quality and safety issues. The alliance participates to an on-going development of Mersen's portfolio and expertise in electrical specialties and represents combined sales in the global surge protection markets that exceed €20 million. It also allows the Group to globally address markets highly driven by safety and installation standards.

Outlook for 2014

The Group should see slightly higher sales on a like-for-like basis in 2014 with a second half more favorable than the first. Solar and electronics markets are expected to be more favorable while the chemical market should decrease because of a negative base effect due to strong sales in 2013. The operating margin before non-recurring items should also show a slight improvement.

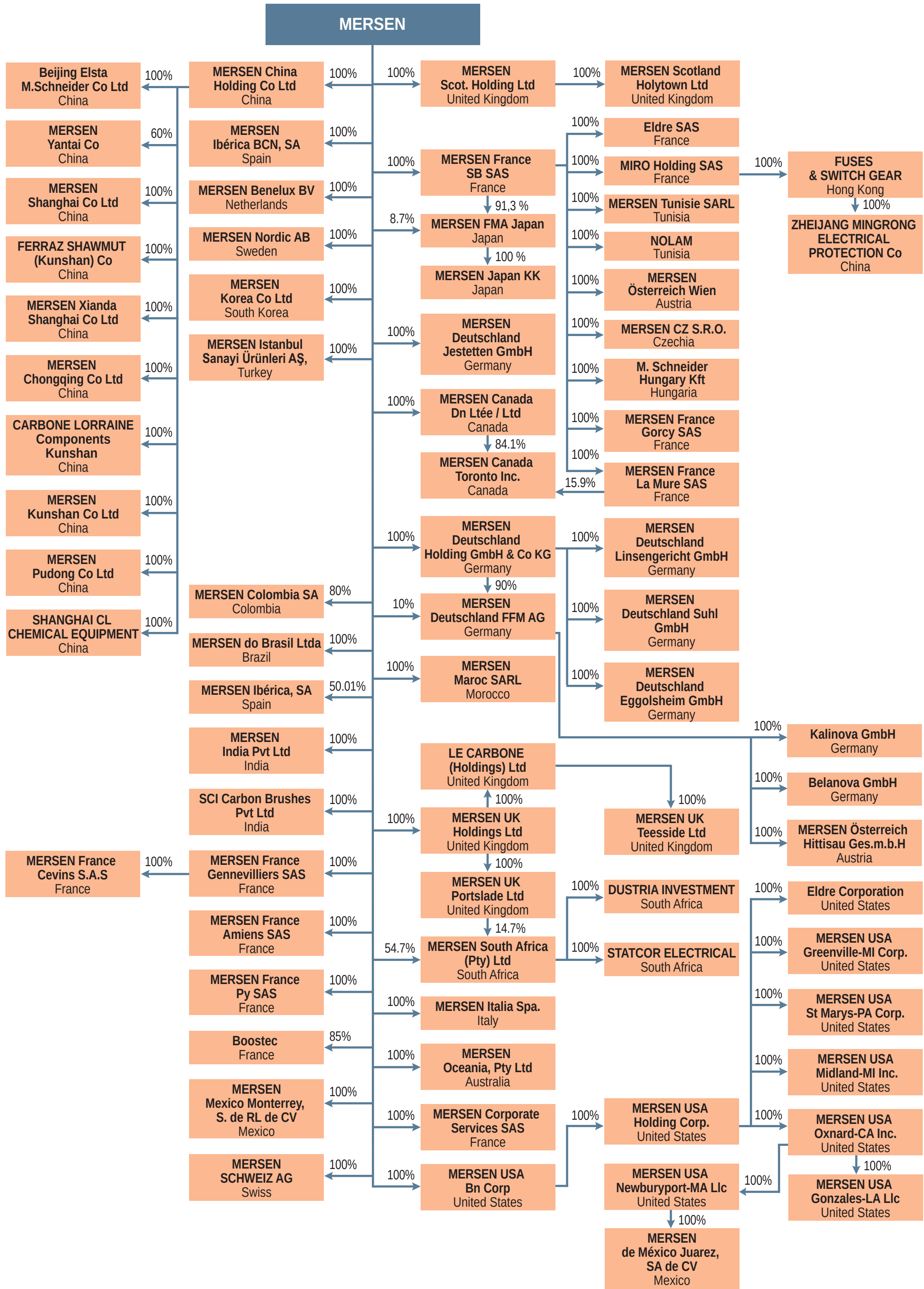
As announced last January, Mersen is launching in 2014 its “Transform» plan, which is part of its short- and medium-term development strategy. This global plan seeks to optimize the Group's operational efficiency by directing its efforts to the most promising geographic regions and improving the Group's flexibility to better respond to its economic environment. It will not have a significant impact in 2014 but should ultimately improve the operating margin by 1.5 points.

Given a return to a more favorable economic climate, Mersen, therefore transformed and focused on growth, has the ambition to achieve sales close to €1 billion in five years. With this level of momentum, the Group could exceed an operating margin before non-recurring items of 12% of sales before the end of the period.

CONSOLIDATED FINANCIAL STATEMENTS

6

Scope of consolidation at December 31, 2013



List of consolidated companies

	Method of consolidation FC: Full consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
1. **Mersen** (France)	FC	100	100
2. **Mersen France Amiens SAS** (France)	FC	100	100
3. **Mersen France Gennevilliers SAS** (France)	FC	100	100
- Mersen France Cevins SAS (France)	FC	100	100
4. **Mersen France Py SAS** (France)	FC	100	100
5. **Mersen Corporate Services SAS** (France)	FC	100	100
6. **Mersen France SB SAS** (France)	FC	100	100
- Mersen France La Mure SAS (France)	FC	100	100
- Eldre SAS (France)	FC	100	100
- Mersen Österreich Wien GmbH (Austria)	FC	100	100
- Mersen CZ SRO (Czechia)	FC	100	100
- M.Schneider Hungaria Kft (Hungary)	FC	100	100
- Mersen Tunisie SARL (Tunisia)	FC	100	100
- NOLAM Tunisie SARL (Tunisia)	FC	100	100
- Miro Holding SAS (France)	FC	100	100
- Fuses & Switchgear (Hong Kong)	FC	100	100
- Zhejiang Mingrong Electrical Protection Company (China)	FC	100	100
- Mersen FMA Japan KK (Japan)	FC	100	100
- Mersen Japan KK (Japan)	FC	100	100
- Mersen France Gorcy SAS (France)	FC	100	100
7. **Boostec** (France)	FC	85	85
8. **Mersen Deutschland Holding GmbH & Co. KG** (Germany)	FC	100	100
- Mersen Deutschland FFM AG (Germany)	FC	100	100
- Belanova-Kalbach GmbH (Germany)	FC	100	100
- Kalinova-Kalbach GmbH (Germany)	FC	100	100
- Mersen Österreich Hittisau GmbH (Austria)	FC	100	100
- Mersen Deutschland Lisengericht GmbH (Germany)	FC	100	100
- Mersen Deutschland Suhl GmbH (Germany)	FC	100	100
- Mersen Deutschland Eggolsheim GmbH (Germany)	FC	100	100
9. **Mersen Deutschland Jestetten GmbH** (Germany)	FC	100	100
10. **Mersen Ibérica SA** (Spain)	FC	50	50
11. **Mersen Ibérica BCN SA** (Spain)	FC	100	100
12. **Mersen UK Holdings Ltd.** (Great Britain)	FC	100	100
- Mersen UK Portslade Ltd. (Great Britain)	FC	100	100
- Le Carbone (Holdings) Ltd. (Great Britain)	FC	100	100
- Mersen UK Teeside Ltd. (Great Britain)	FC	100	100
13. **Mersen Scot. Holding Ltd.** (Great Britain)	FC	100	100
- Mersen Scotland Holytown Ltd. (Great Britain)	FC	100	100
14. **Mersen Italia Spa.** (Italy)	FC	100	100
15. **Mersen Benelux B.V** (Netherlands)	FC	100	100
16. **Mersen Nordic AB** (Sweden)	FC	100	100
17. **Mersen Schweiz AG** (Switzerland)	FC	100	100

	Method of consolidation FC: Full consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
18. **Mersen Canada Dn Ltée/Ltd.** (Canada)	FC	100	100
- Mersen Canada Toronto Inc. (Canada)	FC	100	100
19. **Mersen USA Bn Corp.** (United States)	FC	100	100
- Mersen USA Holding Corp. (United States)	FC	100	100
- Mersen USA Greenville-MI Corp. (United States)	FC	100	100
- Mersen USA St Marys, PA Corp. (United States)	FC	100	100
- Mersen USA Midland, MI Inc. (United States)	FC	100	100
- Mersen USA Oxnard, CA Inc. (United States)	FC	100	100
- Mersen USA Newburyport,MA LLC (United States)	FC	100	100
- Mersen de México Juarez, S.A DE. C.V (Mexico)	FC	100	100
- Mersen USA Gonzales, LA LLC (United States)	FC	100	100
- Eldre Corporation (United States)	FC	100	100
20. **Mersen México Monterrey, S de R.L. de C.V.** (Mexico)	FC	100	100
21. **Mersen Oceania, Pty Ltd.** (Australia)	FC	100	100
22. **Mersen Korea Co.** Ltd (South Korea)	FC	100	100
23. **Mersen India Pvt.** Ltd (India)	FC	100	100
24. **SCI Carbon Brushes Pvt.** Ltd (India)	FC	100	100
25. **Mersen China Holding Co. Ltd** (China)	FC	100	100
- Mersen Pudong Co. Ltd (China)	FC	100	100
- Mersen Chongqing Co. Ltd (China)	FC	100	100
- Carbone Lorraine Components Kunshan Co. Ltd (China)	FC	100	100
- Mersen Kunshan Co. Ltd (China)	FC	100	100
- Shanghai Carbone Lorraine Chemical Equipment Co. Ltd (China)	FC	100	100
- Mersen Xianda Shanghai Co. Ltd (China)	FC	100	100
- Mersen Shanghai Co. Ltd (China)	FC	100	100
- Ferraz Shawmut (Kunshan) Company (China)	FC	100	100
- Mersen Yantai Co. (China)	FC	60	60
- Beijing Elsta M.Schneider Co. Ltd (China)	FC	100	100
26. **Mersen South Africa Pty Ltd** (South Africa)	FC	69	69
- Statcor Electrical (South Africa)	FC	69	69
- Dustria Investment (South Africa)	FC	69	69
27. **Mersen do Brasil Ltda.** (Brazil)	FC	100	100
28. **Mersen Istanbul Sanayi Ürünleri** (Turkey)	FC	100	100
29. **Mersen Colombia SA** (Colombia)	FC	80	80
30. **Mersen Maroc SARL** (Morocco)	FC	100	100

The fiscal year of all these companies is the same as the calendar year.

Changes in the scope of consolidation over the past two years

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

- During fiscal year 2012:
  - Eldre SAS, a French company fully owned by Mersen France SB SAS, was consolidated for the first time on January 1, 2012.
  - Eldre Corporation, a US company fully owned by Mersen USA Holding Corp., 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 fiscal year 2013:
  - Mersen Schweiz AG, a Swiss company, was consolidated for the first time on January 1, 2013.
  - Nolam Tunisia was consolidated during the second half of 2013.

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

Assets held for sale and discontinued operations: non-core businesses in the Advanced Materials and Technologies segment

In 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.

On July 8, 2013, the Group announced the sale of its plant at Grésy-sur-Aix (France), specializing in boilermaking equipment for the nuclear industry, to the NAWI Group.

On December 2, 2013, the Group announced the sale of its two plants at Brignais (France):

- The metal boilermaking equipment business was sold to a consortium composed of DEPN, two senior managers and the Aquair group,
- The mixer business was purchased by the JF Investment group.

These are presented in accordance with IFRS 5.

IFRSs

In accordance with European regulation no. 1606-2002, which applies to the consolidated financial statements of listed European companies, the consolidated financial statements of the Mersen group have been published using the internationally recognized IFRS since 2005 because the Group is listed in a member state of the European Union.

Consolidated income statement

In millions of euros	Note	Dec. 31, 2013	Dec. 31, 2012 restated*
CONTINUING OPERATIONS			
Consolidated sales	17	738.8	810.7
Cost of sales		(525.4)	(567.3)
Gross income		**213.4**	**243.4**
Selling and marketing costs		(72.7)	(76.7)
Administrative and research costs		(81.2)	(86.5)
Other operating costs		0.3	(2.6)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**59.8**	**77.6**
Non-recurring charges	16	(50.4)	(14.8)
Non-recurring income	16	1.1	3.5
Amortization of revalued intangible assets		(1.2)	(0.9)
OPERATING INCOME	**17/19**	**9.3**	**65.4**
Financial expenses		(11.0)	(13.0)
Financial income			0.0
Net finance income/(costs)	**20**	**(11.0)**	**(13.0)**
Income before tax and non-recurring items		**(1.7)**	**52.4**
Current and deferred income tax	21	(23.1)	(17.5)
Net income from continuing operations		**(24.8)**	**34.9**
Net income from assets held for sale and discontinued operations	4	(3.8)	(27.7)
NET INCOME FOR THE YEAR		**(28.6)**	**7.2**
Attributable to:			
- Equity holders of the parent		(29.2)	6.5
- Non-controlling interests		0.6	0.7
NET INCOME FOR THE YEAR		**(28.6)**	**7.2**
Earnings per share	**22**		
Basic earnings per share *(€)*		(1.43)	0.32
Diluted earnings per share *(€)*		(1.38)	0.31
Earnings per share from continuing operations	**22**		
Basic earnings per share *(€)*		(1.24)	1.69
Diluted earnings per share *(€)*		(1.20)	1.63
Earnings per share from assets held for sale and discontinued operations	**22**		
Basic earnings per share *(€)*		(0.18)	(1.37)
Diluted earnings per share *(€)*		(0.18)	(1.32)

(*) The income statement at December 31, 2012 was restated to take into account the application of the revised IAS 19 (employee benefit obligations) (note 2 W).

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	Note	Dec. 31, 2013	Dec. 31, 2012 restated*
NET INCOME FOR THE YEAR		**(28.6)**	**7.2**
Items that will not be subsequently reclassified in income			
Revaluation of net liabilities (assets) for defined benefits		9.5	(16.4)
Income tax expense (benefit) on items that will not be reclassified in income		(3.0)	4.6
		6.5	(11.8)
Items likely to be subsequently reclassified in income			
Change in fair value of hedging derivatives	20	1.3	1.6
Change in assets and liabilities at year-end exchange rate		(17.9)	(5.0)
Income tax expense (benefit) on items likely to be reclassified in income	20	(0.4)	(0.6)
		(17.0)	(4.0)
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**(10.5)**	**(15.8)**
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD		**(39.1)**	**(8.6)**
Attributable to:			
- Equity holders of the parent		(39.5)	(9.2)
- Non-controlling interests		0.4	0.6

(*) The condensed statement of comprehensive income at December 31, 2012 was restated to take into account the application of the revised IAS 19 (employee benefit obligations) (note 2 W).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

In millions of euros	Note	Dec. 31, 2013	Dec. 31, 2012 restated*	Jan. 1, 2012 restated*
NON-CURRENT ASSETS				
Intangible assets				
- Goodwill	5	263.0	269.7	264.0
- Other intangible assets	7	32.9	40.1	40.0
Property, plant and equipment				
- Land		28.6	29.4	28.5
- Buildings		61.9	62.7	58.6
- Plant, equipment and other assets	7	161.8	189.4	189.5
- Assets in progress		21.9	30.3	29.6
Non-current financial assets				
- Investments	8	1.4	3.3	4.9
- Other financial assets	3/14	5.4	7.0	8.6
Non-current tax assets				
- Deferred tax assets	21	28.1	32.2	27.7
- Non-current portion of current tax assets		5.7	3.7	2.1
TOTAL NON-CURRENT ASSETS		**610.7**	**667.8**	**653.5**
CURRENT ASSETS				
- Inventories	9	154.3	173.6	188.7
- Trade receivables	10	108.0	112.3	128.0
- Other receivables		13.5	14.4	20.7
- Current portion of current tax liabilities		13.3	7.6	4.6
- Other current assets				
- Current financial assets	14	8.4	7.0	5.3
- Current derivatives	3	1.8	1.7	0.5
- Financial assets	14			
- Cash and cash equivalents	14	20.2	21.4	52.2
- Assets held for sale and discontinued operations	4	2.4	5.6	0.0
TOTAL CURRENT ASSETS		**321.9**	**343.6**	**400.0**
TOTAL ASSETS		**932.6**	**1,011.4**	**1,053.5**

(*) The consolidated statement of financial position at January 1, 2012 and at December 31, 2012 was restated to take into account the application of the IAS 19 (note 2W)

EQUITY AND LIABILITIES

In millions of euros	Note	Dec. 31, 2013	Dec. 31, 2012 restated*	Jan. 1, 2012 restated*
EQUITY				
- Share capital	11	41.6	40.7	40.6
- Premiums and retained earnings		473.8	467.3	438.3
- Net income for the year		(29.2)	6.5	56.9
- Cumulative translation adjustments		(43.4)	(25.8)	(20.8)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		**442.8**	**488.7**	**515.0**
- Non-controlling interests		10.0	10.5	10.4
EQUITY		**452.8**	**499.2**	**525.4**
NON-CURRENT LIABILITIES				
- Non-current provisions	12	8.5	0.7	0.5
- Employee benefits	13	66.5	77.1	61.0
- Deferred tax liabilities	21	22.1	19.7	18.9
- Borrowings	14	190.0	234.3	261.7
- Non-current derivatives	3	0.6	1.9	2.1
TOTAL NON-CURRENT LIABILITIES		**287.7**	**333.7**	**344.2**
CURRENT LIABILITIES				
- Trade payables		58.9	60.5	64.0
- Other payables		59.1	58.7	67.8
- Current provisions	12	5.1	2.6	5.0
- Current portion of current tax liabilities		12.2	6.8	5.5
- Other liabilities	12	2.7	2.1	5.1
- Other current financial liabilities		11.5	10.3	5.3
- Current derivatives	3	0.6	0.7	1.2
- Current advances	14	0.3		
- Bank overdrafts	14	38.8	25.3	30.0
- Liabilities related to assets held for sale and disc. op.	4	2.9	11.5	0.0
TOTAL CURRENT LIABILITIES		**192.1**	**178.5**	**183.9**
TOTAL EQUITY AND LIABILITIES		**932.6**	**1,011.4**	**1,053.5**

(*) The consolidated statement of financial position at January 1, 2012 and at December 31, 2012 was restated to take into account the application of the IAS 19 (note 2W)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Attributable to Mersen's shareholders						
	Share capital	Premiums and retained earnings	Net income for the year	Cumulative translation adjustment	Total	Non-controlling interests	Equity
PREVIOUSLY REPORTED BALANCE AT JANUARY 1, 2012	**40.6**	**455.8**	**56.9**	**(20.8)**	**532.5**	**10.4**	**542.9**
Revaluation of net liabilities (assets) for defined benefits after tax		(17.5)			(17.5)		(17.5)
BALANCE RESTATED AT JANUARY 1, 2012 IN ACCORDANCE WITH REVISED IAS 19*	**40.6**	**438.3**	**56.9**	**(20.8)**	**515.0**	**10.4**	**525.4**
Prior period net income		56.9	(56.9)		0.0		0.0
Net income for the year			5.6		5.6	0.7	6.3
Change in fair value of hedging derivatives, net of taxes		1.0			1.0		1.0
Cumulative translation adjustment				(4.9)	(4.9)	(0.1)	(5.0)
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**1.0**	**0.0**	**(4.9)**	**(3.9)**	**(0.1)**	**(4.0)**
COMPREHENSIVE INCOME FOR THE PERIOD, AS REPORTED	**0.0**	**1.0**	**5.6**	**(4.9)**	**1.7**	**0.6**	**2.3**
Net income for the period restated for revised IAS 19			0.9		0.9		0.9
Revaluation of net liabilities (assets) for defined benefits after tax		(11.8)			(11.8)		(11.8)
COMPREHENSIVE INCOME FOR THE PERIOD, RESTATED	**0.0**	**(10.8)**	**6.5**	**(4.9)**	**(9.2)**	**0.6**	**(8.6)**
Dividends paid		(19.0)			(19.0)	(0.5)	(19.5)
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		1.9			1.9		1.9
Change in non-controlling interests					0.0	0.4	0.4
Other items				(0.1)	(0.1)	(0.4)	(0.5)
EQUITY AT 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 year			(29.2)		(29.2)	0.6	(28.6)
Change in fair value of hedging derivatives, net of taxes		0.9			0.9		0.9
Revaluation of net liabilities (assets) for defined benefits after tax		6.5			6.5		6.5
Cumulative translation adjustment				(17.7)	(17.7)	(0.2)	(17.9)
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**7.4**	**0.0**	**(17.7)**	**(10.3)**	**(0.2)**	**(10.5)**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**7.4**	**(29.2)**	**(17.7)**	**(39.5)**	**0.4**	**(39.1)**
Dividends paid		(3.0)			(3.0)	(0.8)	(3.8)
Issue of new shares	0.9	(0.9)			0.0		0.0
Expenses on issue of new shares					0.0		0.0
Treasury shares – Stock options – Bonus shares		(3.7)			(3.7)		(3.7)
Other items		0.2		0.1	0.3	(0.1)	0.2
EQUITY AT DECEMBER 31, 2013	**41.6**	**473.8**	**(29.2)**	**(43.4)**	**442.8**	**10.0**	**452.8**

(*) Changes in equity at January 1, 2012 and at December 31, 2012 were restated to take into account the application of the IAS 19 (note 2W)

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	Dec. 31, 2013	Dec. 31, 2012 restated*
Income before tax	(1.7)	52.4
Depreciation and amortization	40.2	39.7
Additions to/(reversals from) provisions	39.0	(1.6)
Net finance income/(costs)	11.0	13.0
Capital gains/(losses) on asset disposals	1.9	(1.2)
Other	(0.3)	1.5
Cash generated by operating activities before change in the WCR	**90.1**	**103.8**
Change in the working capital requirement	13.9	27.7
Income tax paid	(17.7)	(22.6)
NET CASH GENERATED BY CONTINUING OPERATING ACTIVITIES	**86.3**	**108.9**
Cash generated by discontinued operating activities	**(8.6)**	**(7.1)**
Net cash generated by operating activities	**77.7**	**101.8**
Investment activities		
Decreases/(increases) in intangible assets	(1.3)	(0.8)
Decreases/(increases) in property, plant and equipment	(26.8)	(41.5)
Decreases/(increases) in fixed asset suppliers	(1.0)	(2.9)
Decreases/(increases) in financial assets	(0.1)	0.4
Impact of changes in the scope of consolidation	(2.6)	(28.5)
Other changes in net cash generated/(used) by investing activities		2.6
CASH GENERATED/(USED) BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(31.8)**	**(70.7)**
Net cash generated/(used) by investing activities from discontinued operations	**(5.8)**	**(0.6)**
Cash generated/(used) by investing activities	**(37.6)**	**(71.3)**
CASH GENERATED/(USED) BY OPERATING AND INVESTING ACTIVITIES	**40.1**	**30.5**
Proceeds from issue of new shares and other changes in equity	(3.4)	0.0
Net dividends paid to shareholders and minority interests	(3.7)	(19.4)
Interest payments	(10.7)	(12.3)
Change in debt (Note 14)	(23.3)	(30.7)
CASH GENERATED/(USED) BY FINANCING ACTIVITIES	**(41.1)**	**(62.4)**
Change in cash	**(1.0)**	**(31.9)**
Cash at beginning of fiscal year (Note 14)	21.4	52.2
Cash at end of fiscal year (Note 14)	20.2	21.4
Impact of changes in the scope of consolidation		0.0
Impact of currency fluctuations	0.2	(1.1)
CHANGE IN CASH	**(1.0)**	**(31.9)**

(*) The consolidated statement of cash flows at December 31, 2012 was restated to take into account the application of the IAS 19 (note 2W)

Notes to the consolidated financial statements

Summary of the notes to the financial statements

Note 1 Statement of conformity

In accordance with EC regulation no. 1606/2002 of July 19, 2002, which applies to the consolidated financial statements of European companies listed on a regulated market, the consolidated financial statements of Mersen and its subsidiaries (hereinafter "the Group") have been prepared in accordance with IFRS (International Financial Reporting Standards), because the Group is listed in a European Union member state.

The mandatory standards and interpretations at January 1, 2013 are presented in Note 2. The new standards applied as of 2013 are presented in note 2-W. The standards and interpretations not yet applied are presented in Note 2-X.

The options adopted by the Group are stated in the following chapters.

The consolidated financial statements at December 31, 2013 have been prepared using the recognition and measurement principles stated in the IFRSs adopted for use in the European Union at the same date. They have also been prepared in line with the presentation and financial reporting rules applicable to annual financial statements, as defined in the General Regulation of the Autorité des Marchés Financiers (AMF, the French market regulator).

For comparison purposes, the consolidated financial statements for the fiscal year to December 31, 2013 include data for fiscal 2012 restated using the same accounting rules.

The accounting principles stated from Note 2 onwards have been used to prepare the comparative figures and the annual financial statements for 2013.

Note 2 Accounting policies and principles of consolidation

A - Basis of consolidation

The consolidated financial statements include those of the parent company and of all those companies in which the Group holds a controlling interest.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the acquisition date or up to the loss of control respectively.

All intra-Group transactions and balances have been eliminated.

The consolidated financial statements have been prepared in euros.

The Group's business activities do not experience significant seasonal fluctuations. Both sales and purchases are spread evenly throughout the year.

B - Presentation of the financial statements

The Mersen group prepares its financial statements in line with the accounting principles laid down in the revised IAS 1 - Presentation of financial statements.

B1 - Statement of comprehensive income

Given customary practice and the nature of its business activities, the Group has opted for the by function of expense format of the income statement, which consists in classifying costs according to their function under cost of sales, selling, administrative, research and development costs.

The Group presents comprehensive income in two statements consisting of an income statement and a separate statement showing income and other comprehensive income.

B2 - Statement of financial position

Assets and liabilities arising during the business cycle and those with a maturity of less than 12 months at the reporting date are classified as current. All other assets and liabilities are classified as non-current.

B3 - Statement of cash flows

The Group prepares the consolidated statement of cash flows using the indirect method and as stipulated in IAS 7.

The indirect method consists in determining cash flows from operating activities for which net income or loss is adjusted for the effects of non-cash transactions and items arising from investing or financing activities.

B4 - Assets and liabilities held for sale and discontinued operations

In accordance with IFRS 5, assets and liabilities that are immediately available for sale in their current state and the sale of which is highly probable are shown in the statement of financial position under assets and liabilities held for sale. Where a group of assets is held for sale in a single transaction and the group of assets represents a distinct component of the entity (business line or principal and distinct geographical region covered by a single and coordinated disposal plan or a subsidiary acquired solely for resale), the group of assets and corresponding liabilities is considered as a whole. The disposal must take place in the year following this presentation of the asset or group of assets.

The non-current assets or group of assets held for sale are stated at the lower of their carrying amount and fair value net of disposal costs. Non-current assets in the statement of financial position as held for sale are no longer depreciated once they are presented as such.

The results recorded by groups of assets satisfying the definition of a business held for sale or discontinued operation are presented by separating out their results from continuing operations, and their cash flows are presented separately on the cash flow statement.

C - Foreign currency translation

The financial statements of the Group's foreign subsidiaries are prepared in their functional currency.

The assets and liabilities of companies whose functional currency is not the euro are translated into euros at the closing rate, except for equity, which is translated at the historic exchange rate. Income statement items are translated at the average exchange rate for the period, where the average exchange rate represents the value approached by the exchange rate at the transaction date in the absence of significant fluctuations.

Foreign exchange differences resulting from translation are recognized under other comprehensive income and are presented in the currency translation reserve component of equity. However, if the transaction relates to a subsidiary that is not wholly owned, a foreign exchange difference proportional to the percentage of ownership is allocated to non-controlling interests. Where a foreign operation is sold and control or significant influence or joint control is lost, the aggregate amount of the corresponding foreign exchange differences is reclassified in income. Where the Group sells part of its equity interest in a subsidiary that includes a foreign operation while retaining control, a proportional share of the aggregate amount of the foreign exchange differences is reallocated to non-controlling interests. Where the Group sells just a part of its interest in an associate or proportionally consolidated company that includes a foreign operation, while retaining significant influence or joint control, the proportionate share of the aggregate amount of foreign exchange differences is reclassified in income.

Except for cash, which is translated at the closing rate, the cash flow statement items are translated at the average exchange rate, except where this is not appropriate.

Translation differences arising on assets and liabilities are recorded separately in equity under cumulative translation adjustments. They comprise:

- The impact of changes in exchange rates on assets and liabilities;
- The difference between net income calculated at the average exchange rate and net income calculated at the year-end exchange rate.

Goodwill and fair value adjustments deriving from the acquisition of subsidiaries whose functional currency is not the euro are treated as that subsidiary's assets and liabilities. They are therefore stated in the subsidiary's functional currency and translated at the closing rate.

D - Foreign currency assets and liabilities

Foreign currency transactions are recognized and measured in line with IAS 21 - Effects of changes in foreign exchange rates.

Transactions denominated in currencies other than the euro are translated at the exchange rate ruling at the transaction date. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any gains and losses arising from currency translation are taken to operating income for the period under foreign exchange gains and losses.

Translation gains and losses on financial instruments denominated in foreign currencies representing a hedge of a net investment in a foreign operation are recorded in equity under cumulative translation adjustments.

E - Hedging

Hedging transactions are recognized and measured in line with the principles laid down in IAS 32 and 39.

E1 - Currency and raw material hedging

A currency derivative is eligible for hedge accounting where the hedging relationship was documented at the outset and its effectiveness has been demonstrated throughout its life.

A hedge is a means of protecting against fluctuations in the value of assets, liabilities and irrevocable commitments. A hedge also helps to protect against adverse fluctuations in cash flows (sales generated by the assets of the business, for instance).

Derivative instruments are stated at their fair value. Changes in the fair value of these instruments are accounted for as follows:

- Changes in fair value of instruments eligible as future cash flow hedges are accounted for directly in equity in respect of the effective portion of the hedge (intrinsic value). Changes in the fair value of these instruments are then recognized in operating income and offset changes in the value of assets, liabilities and firm commitments hedged, as they occur. The time value of hedges is recorded under "other operating costs" in operating income;
- Changes in the fair value of instruments not eligible as cash flow hedges are taken directly to income.

E2 - Interest-rate hedging

Interest rate derivatives are stated at fair value in the statement of financial position. Changes in their fair value are accounted for as follows:

- The ineffective portion of the derivative instrument is taken to income under the cost of debt;
- The effective portion of the derivative instrument is recognized as follows:
  - In equity for a derivative accounted for as a cash flow hedge (e.g. a swap turning a debt carrying a floating interest rate into a fixed-rate liability),
  - In income (cost of debt) in the case of a derivative accounted for as a fair value hedge (e.g. a swap turning a fixed interest rate into a floating interest rate). This accounting treatment is offset by changes in the fair value of the hedged debt.

F - Intangible assets

The applicable standards are IAS 38 - Intangible assets, IAS 36 - Impairment of assets and IFRS 3 - Business combinations.

In accordance with IAS 38 - Intangible assets, only items in respect of which future economic benefits are likely to flow to the Group and the cost of which may be reliably determined are accounted for as intangible assets.

The Group's intangible assets primarily comprise goodwill.

Other intangible assets (customer relationships, technology) with a finite life are accounted for at cost less accumulated amortization and impairment. Amortization is expensed as incurred on a straight-line basis over the estimated useful life of the relevant intangible asset.

F1 - Goodwill

In line with the revised IFRS 3, upon a business combination, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any equity interest previously held in the acquiree), plus the amount of any non-controlling interest in the acquiree, less the net amount (generally the fair value) of the identifiable assets acquired and the liabilities assumed, with all these amounts being measured at the acquisition date. If the difference above is negative, the resulting gain is recognized as a bargain purchase in income.

On a transaction by transaction basis, the Group may choose to measure at the acquisition date any non-controlling interest either at fair value or at the NCI's proportionate share of the net assets of the acquiree.

For business combinations between January 1, 2004 and January 1, 2010:

Goodwill represents the excess amount of the acquisition cost over the Group's share in the amounts recognized (generally at fair value) in respect of the assets, liabilities and contingent liabilities.

Goodwill is allocated individually to the Group's cash generating units (CGUs). The Group has defined the following four CGUs:

- Electrical Applications;
- Electrical Protection;
- High-Temperature Applications;
- Anticorrosion Equipment.

In accordance with IFRS 3 - Business combinations, goodwill is not amortized. It undergoes an impairment test whenever evidence of impairment in the value of assets appears and at least once every year.

In accordance with IAS 36, the Group tests for impairment by:

- Preparing cash flow projections after normalized tax based on the Strategic Plan of the relevant CGU;
- Determining a value in use using a method comparable to any business valuation by discounting cash flows at the segment's weighted average cost of capital (WACC);
- Comparing this value in use with the carrying amount of the relevant assets to determine whether or not an impairment loss needs to be recognized.

Value in use is determined based on free cash flow projections discounted over a period of five years and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each of the cash generating units (see Note 6).

The assumptions made for sales growth and terminal values are reasonable and consistent with the market data available for each of the operating activities.

Goodwill impairment losses are irreversible.

F2 - Patents and licenses

Patents and licenses are amortized on a straight line basis over the period for which they are protected by law.

Software is amortized on a straight line basis over its useful life, which may not exceed 5 years.

F3 - Development costs

Under IAS 38 - Intangible assets, development costs are capitalized where:

- The entity has the intent and the financial and technical ability to see the development project through to completion;
- It is probable that the expected future economic benefits that are attributable to the development will flow to the entity;
- The cost of the asset can be measured reliably; and
- The manner in which the intangible asset will generate probable future economic benefits.

Research and development costs that do not meet the aforementioned criteria are expensed as incurred. Capitalized development costs meeting the criteria laid down in the new accounting standards are recognized as an asset in the statement of financial position. They are amortized on a straight line basis over their useful life, which does not generally exceed 3 years.

F4 - Intangible assets acquired in connection with a business combination

Intangible assets also include technology, brands and customer relationships valued upon the acquisition of companies in accordance with IFRS 3 - Business combinations.

Amortization is recognized on a straight-line basis over the estimated useful life of the relevant intangible assets other than goodwill, once they are ready for operational use. The estimated useful lives applied for the period in question and the comparative period were as follows for the acquisitions completed:

- Brands with a finite useful life up to 30 years
- Patents and technologies up to 30 years
- Customer relationships up to 30 years

The Group studies external and internal factors associated with the asset based on the criteria laid down in the standard when establishing whether an intangible asset has a finite or infinite useful life.

G - Property, plant and equipment

In accordance with IAS 16 - Property, plant and equipment, only items whose cost may be determined reliably and in respect of which future economic benefits are likely to flow to the Group are accounted for as property, plant and equipment.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses, except for land, which was revalued at the IFRS transition date.

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are included in the cost of the asset.

Depreciation is calculated based on the rate of consumption of the expected economic benefits per item based on acquisition cost, less, where appropriate, residual value.

The various components of an item of property, plant and equipment are recognized separately where their estimated useful life and thus their depreciation period are materially different.

The Group applies the straight-line method of depreciation according to the expected service life of the item.

The periods used are as follows:

- Buildings: 20 to 50 years;
- Fixtures and fittings: 10 to 15 years;
- Plant and equipment: 3 to 10 years;
- Vehicles: 3 to 5 years.

These depreciation periods, as well as the residual values, are reviewed and adjusted at the end of each fiscal year. These changes are applied prospectively.

Investment grants are recognized at the outset as a deduction from the gross value of the non-current asset.

H - Leases

Under IAS 17, a lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset.

Where the criteria laid down in the standard are not met, the costs resulting from leases are charged to income for the period and the lease is considered as an operating lease.

Non-current assets used under a finance lease give rise to the recognition of both an item of property, plant and equipment and an obligation to make future lease payments. Leases are recognized at the lower of the fair value of the leased property and the present value of minimum payments. At the commencement of the lease term, the asset and relevant liability of the same value corresponding to the future payments under the lease are recognized in the statement of financial position.

Lease payments are broken down into a finance charge and the repayment of the outstanding debt. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The capitalized asset is depreciated over the useful life adopted by the Group for non-current assets of the same type. Where the Group is not reasonably certain that the lessee will take ownership of the asset at the end of the lease, the asset is depreciated in full over the shorter of the term of the lease and the useful life.

In addition, a portion of the capital amount of the debt is repaid in accordance with the debt repayment schedule contained in the finance lease agreement.

I - Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 - Impairment of assets, when events or changes in the market environment indicate a risk of impairment, the Group's intangible assets and property, plant and equipment undergo a detailed review to determine whether their carrying amount is below their recoverable amount. This amount is defined as the higher of fair value less costs to sell and value in use.

Should the recoverable amount of assets fall below their carrying amount, an impairment loss is recognized in respect of the difference between these two amounts. Impairment losses recognized on property, plant and equipment and intangible assets (except for goodwill) with a definite useful life may be reversed subsequently if the recoverable amount becomes higher than the carrying amount again (without exceeding the impairment loss initially recognized).

The recoverable amount of assets is usually determined based on their value in use. Value in use is defined as the expected future economic benefits from their use and from their sale. It is assessed notably by reference to the discounted future cash flows projected based on economic assumptions and operating budgets drawn up by the Mersen group's senior management.

IAS 36 defines the discount rate to be used as the pre-tax interest rate reflecting the current assessment of time value per market and the risks specific to the asset. It represents the return that investors would require if they had to choose an investment, the amount, maturity and risks of which are equivalent to those of the relevant asset or Cash-Generating Unit (CGU).

The discount rate used for impairment testing takes into account the financial structure and gearing of companies in the sector, i.e. of peers and not of the business or group to which the asset or CGU belongs.

J - Financial assets and liabilities

Financial assets and liabilities are measured and recognized in line with IAS 39 - Financial instruments: Recognition and Measurement, IAS 32 - Financial Instruments: Disclosure and Presentation and IFRS 7 - Disclosures.

Financial assets comprise investments available for sale, investments held to maturity, trading assets, margin deposits paid, derivatives held as assets, loans, receivables, and cash and cash equivalents.

Upon their initial measurement, all assets and liabilities not stated at fair value are measured at fair value taking transaction costs into account.

Subsequently, loans and receivables are recognized at amortized cost.

Financial liabilities comprise borrowings, other financing and bank overdrafts, derivatives held as liabilities, margin deposits received in relation to derivatives and other liabilities.

Except where covered by a fair value hedge (see E2), borrowings and other financial liabilities are stated at amortized cost calculated using the effective interest rate (EIR). For example, lending fees are deducted from the initial amount of the debt, then added back period by period according to the calculation of the EIR, with the amounts added back being recognized in income.

Current assets include operating receivables measured at amortized cost, with impairment losses being recognized where the carrying amount exceeds the recoverable amount.

J1 - Investments

Investments in unconsolidated subsidiaries are non-current financial assets classified in the available-for-sale category. They are stated at fair value. In the rare instances in which their fair value cannot be obtained, they are stated at cost.

Where there is objective evidence of impairment (financial difficulties, deterioration in performance without any growth prospects, local economic situation, etc.), any significant and long-term impairment losses are recognized in income.

These impairment losses are irreversible and are not written back.

The principal activity of the unconsolidated subsidiaries is the distribution of products manufactured by the Group's consolidated companies.

Subsidiaries that are not material considered alone or on an aggregate basis are not included in the scope of consolidation.

J2 - Other non-current financial assets

These are receivables that do not arise during the business cycle. In accordance with IAS 39, they are stated at amortized cost, with an impairment loss being recognized when the recoverable amount falls below the carrying amount.

K - Share capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issue of ordinary shares or stock options are deducted from equity, net of tax.

Treasury shares are deducted from equity at their acquisition cost. Any gains or losses from the sale of these shares are recognized directly in equity and are not taken to income for the year.

L - Provisions

In accordance with IAS 37, "Provisions, contingent liabilities and contingent assets," provisions are recorded when the Group is under an obligation to a third party at the end of the fiscal year that is likely or certain to trigger an outflow of resources to the third party representing future economic benefits.

The relevant obligation may be legal, regulatory, or contractual in nature. It may also derive from the Group's business practices or from its public commitments where the Group has created a legitimate expectation among such third parties that it will assume certain responsibilities.

The estimated amount shown in provisions represents the outflow of resources that the Group will have to incur to extinguish its obligation. Where this amount cannot be measured reliably, no provision is recorded. In this instance, information is disclosed in the notes to the financial statements.

Contingent liabilities consist of a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a probable obligation for which the outflow of resources is not likely. They are disclosed in the notes to the financial statements.

With restructurings, an obligation exists where the restructuring has been announced and a detailed plan drawn up or execution of the plan has commenced prior to the reporting date.

Where the entity has a reliable schedule, the liabilities are discounted where discounting has a material effect.

M - Inventories

Inventories are carried at the lower of cost and their probable net realizable value.

Cost comprises acquisition or production cost.

The only indirect costs taken into account in the measurement of work in progress and finished goods are production-related expenses. No interest costs are capitalized.

N - Consolidated sales

Net sales include sales of finished goods and related services, sales of scrap, sales of goods purchased for resale and invoiced shipping costs.

On a subsidiary basis, the Group executes construction contracts via several subsidiaries. If the outcome of a construction contract can be estimated reliably, revenues are recognized in income in proportion to the stage of completion of contract activity. The contract costs are expensed as incurred, except where they represent an asset linked to future contract activity.

A sale is recognized when the entity transfers to the buyer the risks and rewards incidental to ownership.

A sale is measured at the fair value of the consideration received or receivable. Where payment is deferred, leading to a significant impact on determination of fair value, this is reflected by discounting future payments.

The amount of revenue from the sale of goods and equipment is usually recognized when there is a formal agreement with the customer stipulating that risks have been transferred, the amount of revenue can be measured reliably and it is likely that the economic benefits arising from the transaction will flow to the Group. With agreements providing for formal acceptance of the goods, equipment or services received by the customer, recognition of the revenue is normally deferred until the date of acceptance.

Income from ancillary activities is recorded under the appropriate heading of the income statement, i.e. other revenues, financial income, or as a deduction from (selling, general, administrative or research) expenses of the same type.

O - Employee benefits

Post-employment benefit obligations granted by the Group vary based on legal obligations and the policy of each subsidiary in this regard. They include defined contribution plans and defined benefit plans.

With regard to defined contribution plans, the Group's obligations are limited to the payment of periodic contributions to outside organizations that handle administrative and financial management. Expenses charged with respect to these plans correspond to the contributions paid during the reference period.

A defined benefit plan is a post-employment benefit plan distinct from a defined contribution plan. The Group's obligation in connection with defined benefit plans is measured separately for each plan by estimating future benefits earned by employees in exchange for services rendered during the present period and prior periods and discounting that amount to determine its present value. This value is then reduced by the fair value of the plan assets to determine the net benefit liability (asset). The Group determines the net interest expense (income) on the defined benefit net liability (asset) for the period by applying the discount rate used at the beginning of the fiscal year to measure the obligation to the net benefit liability (asset).

The discount rate is determined by the Group with the help of an independent expert and takes market practices into account.

These calculations are performed every year by a qualified accountant using the projected unit credit method. When the calculation of the net obligation results in an asset for the Group, the corresponding amount recognized may not exceed the present value of any economic benefit available in the form of future refunds or reductions in future plan contributions. All minimum funding requirements applicable to Group plans are taken into account to calculate the present value of economic benefits. An economic benefit is available for the Group if it can be realized during the life of the plan or on the settlement dates for plan liabilities.

Net liabilities (assets) remeasured for defined benefits include actuarial gains and losses, the return on plan assets (excluding amounts taken into account to calculate net interest on net liabilities (assets)) and changes in the asset ceiling (excluding amounts taken into account in the calculation of net interest on net benefit liabilities (assets), as applicable) The Group then recognizes them immediately under other comprehensive income and all other expenses related to defined benefit plans are recognized in the income statement for employee benefits.

When adjustments are made to plan benefits, the impact associated with past services rendered by employees is immediately recognized in profit or loss at the time of the adjustment. In the case of plan curtailment, the corresponding gain or loss is also recognized in the income statement on the curtailment date.

The Group recognizes gains and losses from the settlement of a defined benefit plan at the time of the settlement. Gains or losses arising from a settlement equal the difference between the present value of the obligation for the defined benefit settled determined on the settlement date, and the consideration for the settlement, including total plan assets transferred and all payments made directly by the Group in connection with the settlement.

P - Non-recurring income and expense

Non-recurring items correspond to income and expense not arising during the normal course of the Company's business activities. Major events likely to skew operating performance are recognized under this heading, which does not include any recurring operating expenses.

Non-recurring income and expense include the following items:

- Material non-recurring gains and losses on disposal: on property, plant and equipment, intangible assets, investments, other financial assets and other assets;
- Impairment losses recognized on investments, loans, goodwill and other assets;
- Certain types of provision;
- Reorganization and restructuring costs.

Q - Operating income

Operating income is shown before net finance costs, taxes and non-controlling interests.

Investment grants are shown as a deduction from costs to which the grant relates.

R - Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Temporary differences are differences between the carrying amount of an asset or liability in the consolidated financial statements and its tax base, which give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group discloses deferred taxes separately from other assets and liabilities. Deferred tax assets are recognized where it is more likely than unlikely that they will be recovered in subsequent years. Deferred tax assets and liabilities are not discounted.

When assessing the Group's ability to recover these assets, the following items in particular are taken into consideration:

- Projections of its future taxable income;
- Its taxable income in previous years.

Deferred tax assets and liabilities are stated using the liability method, i.e. using the tax rate that is expected to be applied in the fiscal year in which the asset will be realized or the liability settled, based on tax rates (and tax laws) enacted or substantively enacted at the reporting date, taking into account future tax rate increases or decreases.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the entity expects at the reporting date to recover or to settle the carrying amount of these assets and liabilities.

S - Segment reporting

IFRS 8 on segment reporting defines an operating segment as a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

The internal reporting provided to the chief operating decision maker, i.e. the Management Board, and to the Supervisory Board, reflects the management structure of the Mersen group, which is based on the following segmentation:

Advanced Materials and Technologies: graphite equipment and other high-performance materials dedicated to extreme industrial environments.

Electrical Components and Technologies: systems and components contributing to the performance and protection of electrical equipment.

Pursuant to IFRS 8, the Group identifies and presents operating segments based on the information provided internally to the Management Board.

T - Earnings per share

Basic and diluted earnings per share are shown both for total net income and net income from continuing operations.

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the period.

For the calculation of diluted earnings per share, net income attributable to holders of ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

U - Equity-linked benefits granted to employees

In accordance with IFRS 2 - Share-based payment, stock purchase and subscription options and offerings reserved for employees related to shares in the Group are recognized at fair value at the grant date.

The value of stock purchase and subscription options depends notably on the exercise price, the probability of the conditions attached to exercise of the options being met, the life of the options, current price of the underlying shares, anticipated volatility of the share price, expected dividends and risk-free interest rate over the life of the option. This value is recognized in staff costs on a straight-line basis over the vesting period of the rights with a direct equivalent entry in equity for plans settled in equity and in liabilities to employees for plans settled in cash.

V - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or assessments be made, particularly in relation to the calculation of provisions and impairment testing. These assumptions, estimates or assessments are prepared on the basis of the information available and the position at the reporting date. These estimates and assumptions are made based on past experience and various other factors. The current backdrop of a severe downturn in the economic and financial environment has made it harder to assess the business outlook. It is conceivable that actual figures will subsequently differ from the estimates and assumptions adopted.

Actual events occurring after the reporting date may differ from the assumptions, estimates or assessments used.

Use of management estimates in the application of the Group's accounting standards

Mersen may make estimates and use assumptions affecting the carrying amount of assets and liabilities, income and expense, and information about underlying assets and liabilities. Future results are liable to diverge significantly from these estimates.

The estimates and underlying assumptions are made based on past experience and other factors considered to be reasonable based on circumstances. They serve as the basis for the judgment exercised to determine the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

The estimates and underlying assumptions are reviewed continuously. The effect of changes in accounting estimates is recognized during the period of the change if it affects only this period or during the period of the change and subsequent periods, if the latter are also affected by the change.

Note 4 relates to net assets held for sale and discontinued operations. The impairment in these assets has been calculated by comparing the carrying amount of these assets and liabilities with a best estimate of their realizable value.

Notes 2-F1, 2-I and 6 concern the testing of goodwill and other non-current assets for impairment. The Group's management carried out this testing based on the most reliable expectations of future business trends at the relevant units taking discount rates into account.

Notes 12 and 13 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 21 concerning tax expense reflects the Group's tax position, which is based for France and Germany on the Group's best estimate of trends in its future taxable income.

All these estimates are predicated on a structured collection process for projections of future cash flows, providing for validation by line managers, as well as on expectations for market data based on external indicators and used in line with consistent and documented methods.

W – New standards applied as of fiscal year 2013

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 13 - Fair Value Measurement (see (a))

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

IAS 19 - Employee Benefits (2011) (see (c))

The nature and impact of the changes are detailed below.

a) 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. The Group has therefore included additional information (see Note 15).

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.

b) 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.

c) 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. 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 income for the 2012 fiscal year of €0.9 million, with increased 2012 operating income of €1.3 million.

The retrospective application of the amendments to IAS 19 Employee Benefits has led to restatement of the 2012 consolidated financial statements for comparison purposes. Details of the related impacts are presented in Note 2 w-d.

d) 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.

Change in December 2012 results from reported to restated

In millions of euros	Dec. 31, 2012 restated	IAS 19 revised	Dec. 31, 2012 reported
CONTINUING OPERATIONS			
Consolidated sales	810.7		810.7
Cost of sales	(567.3)	1.3	(568.6)
Gross income	**243.4**	**1.3**	**242.1**
Selling and marketing costs	(76.7)		(76.7)
Administrative and research costs	(86.5)		(86.5)
Other operating costs	(2.6)		(2.6)
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**77.6**	**1.3**	**76.3**
Non-recurring charges	(14.8)		(14.8)
Non-recurring income	3.5		3.5
Amortization of revalued intangible assets	(0.9)		(0.9)
OPERATING INCOME	**65.4**	**1.3**	**64.1**
Financial expense	(13.0)		(13.0)
Financial income	0.0		
Net finance income/(costs)	**(13.0)**	**0.0**	**(13.0)**
Income before tax and non-recurring items	**52.4**	**1.3**	**51.1**
Current and deferred income tax	(17.5)	(0.4)	(17.1)
Net income from continuing operations	**34.9**	**0.9**	**34.0**
Net income from assets held for sale and discontinued operations	(27.7)		(27.7)
NET INCOME FOR THE YEAR	**7.2**	**0.9**	**6.3**
Attributable to:			
- Equity holders of the parent	6.5	0.9	5.6
- Non-controlling interests	0.7		0.7
NET INCOME FOR THE YEAR	**7.2**	**0.9**	**6.3**
Earnings per share			
Basic earnings per share *(€)*	0.32		0.28
Diluted earnings per share *(€)*	0.31		0.27
Earnings per share from continuing operations			
Basic earnings per share *(€)*	1.69		1.64
Diluted earnings per share *(€)*	1.63		1.59
Earnings per share from assets held for sale and discontinued operations			
Basic earnings per share *(€)*	(1.37)		(1.37)
Diluted earnings per share *(€)*	(1.32)		(1.32)

Change from the condensed statement of comprehensive income

In millions of euros	Dec. 31, 2012 restated	IAS 19 revised	Dec. 31, 2012 reported
NET INCOME FOR THE YEAR	**7.2**	**0.9**	**6.3**
Items that will not be subsequently reclassified in income			
Revaluation of net liabilities (assets) for defined benefits	(16.4)	(16.4)	
Income tax expense (benefit) on items that will not be reclassified in income	4.6	4.6	
	(11.8)	(11.8)	
Items likely to be subsequently reclassified in income			
Change in fair value of hedging derivatives	1.6		1.6
Change in assets and liabilities at year-end exchange rate	(5.0)		(5.0)
Income tax expense (benefit) on items likely to be reclassified in income	(0.6)		(0.6)
	(4.0)	0.0	(4.0)
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	**(15.8)**	**(11.8)**	**(4.0)**
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**(8.6)**	**(10.9)**	**2.3**
Attributable to:			
- Equity holders of the parent	(9.2)	(10.9)	1.7
- Non-controlling interests	0.6		0.6
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**(8.6)**	**(10.9)**	**2.3**

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	Jan. 1, 2012 restated	IAS 19 revised	Jan. 1, 2012 reported
NON-CURRENT ASSETS						
Intangible assets						
- Goodwill	269.7		269.7	264.0		264.0
- Other intangible assets	40.1		40.1	40.0		40.0
Property, plant and equipment						
- Land	29.4		29.4	28.5		28.5
- Buildings	62.7		62.7	58.6		58.6
- Plant, equipment and other assets	189.4		189.4	189.5		189.5
- Assets in progress	30.3		30.3	29.6		29.6
Non-current financial assets						
- Investments	3.3		3.3	4.9		4.9
- Non-current derivatives	0.0			0.0		
- Other financial assets	7.0		7.0	8.6		8.6
Non-current tax assets						
- Deferred tax assets	32.2	3.2	29.0	27.7	2.0	25.7
- Non-current portion of current tax assets	3.7		3.7	2.1		2.1
TOTAL NON-CURRENT ASSETS	**667.8**	**3.2**	**664.6**	**653.5**	**2.0**	**651.5**
CURRENT ASSETS						
- Inventories	173.6		173.6	188.7		188.7
- Trade receivables	112.3		112.3	128.0		128.0
- Other receivables	14.4		14.4	20.7		20.7
- Current portion of current tax liabilities	7.6		7.6	4.6		4.6
- Other current assets						
- Current financial assets	7.0		7.0	5.3		5.3
- Current derivatives	1.7		1.7	0.5		0.5
- Financial assets						
- Cash and cash equivalents	21.4		21.4	52.2		52.2
- Assets held for sale and discontinued operations	5.6		5.6	0.0		0.0
TOTAL CURRENT ASSETS	**343.6**	**0.0**	**343.6**	**400.0**	**0.0**	**400.0**
TOTAL ASSETS	**1,011.4**	**3.2**	**1,008.2**	**1,053.5**	**2.0**	**1,051.5**

EQUITY AND LIABILITIES

In millions of euros	Dec. 31, 2012 restated	IAS 19 revised	Dec. 31, 2012 reported	Jan. 1, 2012 restated	IAS 19 revised	Jan. 1, 2012 reported
EQUITY						
- Share capital	40.7		40.7	40.6		40.6
- Premiums and retained earnings	467.3	(29.3)	496.6	438.3	(17.5)	455.8
- Net income for the year	6.5	0.9	5.6	56.9		56.9
- Cumulative translation adjustments	(25.8)		(25.8)	(20.8)		(20.8)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS	**488.7**	**(28.4)**	**517.1**	**515.0**	**(17.5)**	**532.5**
- Non-controlling interests	10.5		10.5	10.4		10.4
EQUITY	**499.2**	**(28.4)**	**527.6**	**525.4**	**(17.5)**	**542.9**
NON-CURRENT LIABILITIES						
- Non-current provisions	0.7		0.7	0.5		0.5
- Employee benefits	77.1	40.9	36.2	61.0	25.4	35.6
- Deferred tax liabilities	19.7	(9.3)	29.0	18.9	(5.9)	24.8
- Borrowings	234.3		234.3	261.7		261.7
- Non-current derivatives	1.9		1.9	2.1		2.1
TOTAL NON-CURRENT LIABILITIES	**333.7**	**31.6**	**302.1**	**344.2**	**19.5**	**324.7**
CURRENT LIABILITIES						
- Trade payables	60.5		60.5	64.0		64.0
- Other payables	58.7		58.7	67.8		67.8
- Current provisions	2.6		2.6	5.0		5.0
- Current portion of current tax liabilities	6.8		6.8	5.5		5.5
- Other liabilities	2.1		2.1	5.1		5.1
- Other current financial liabilities	10.3		10.3	5.3		5.3
- Current derivatives	0.7		0.7	1.2		1.2
- Current advances						
- Bank overdrafts	25.3		25.3	30.0		30.0
- Liabilities related to assets held for sale and disc. op.	11.5		11.5	0.0		0.0
TOTAL CURRENT LIABILITIES	**178.5**		**178.5**	**183.9**		**183.9**
TOTAL EQUITY AND LIABILITIES	**1,011.4**	**3.2**	**1,008.2**	**1,053.5**	**2.0**	**1,051.5**

Change in the Cash Flow Statement

In millions of euros	Dec. 31, 2012 restated	IAS 19 revised	Dec. 31, 2012 reported
Income before tax	52.4	1.3	51.1
Depreciation and amortization	39.7		39.7
Additions to/(reversals from) provisions	(1.6)	(1.3)	(0.3)
Net finance income/(costs)	13.0		13.0
Capital gains/(losses) on asset disposals	(1.2)		(1.2)
Other	1.5		1.5
Cash generated by operating activities before change in the WCR	**103.8**	**0**	**103.8**
Change in the working capital requirement	27.7		27.7
Income tax paid	(22.6)		(22.6)
NET CASH GENERATED BY CONTINUING OPERATING ACTIVITIES	**108.9**	**0.0**	**108.9**
Cash generated by discontinued operations	**(7.1)**		**(7.1)**
Net cash generated by operating activities	**101.8**	**0**	**101.8**
Investing activities:			
Decreases/(increases) in intangible assets	(0.8)		(0.8)
Decreases/(increases) in property, plant and equipment	(41.5)		(41.5)
Decreases/(increases) in financial assets	0.4		0.4
Impact of changes in the scope of consolidation	(28.5)		(28.5)
Other changes in net cash generated/(used) by investing activities	(0.3)		(0.3)
CASH GENERATED/(USED) BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(70.7)**	**0.0**	**(70.7)**
Cash generated/(used) by investing activities from discontinued operations	**(0.6)**		**(0.6)**
Cash generated/(used) by investing activities	**(71.3)**		**(71.3)**
CASH GENERATED/(USED) BY OPERATING AND INVESTING ACTIVITIES	**30.5**		**30.5**
Proceeds from issue of new shares and other changes in equity	0.0		0.0
Net dividends paid to shareholders and minority interests	(19.4)		(19.4)
Interest payments	(12.3)		(12.3)
Change in debt (Note 15)	(30.7)		(30.7)
CASH GENERATED/(USED) BY FINANCING ACTIVITIES	**(62.4)**		**(62.4)**
Change in cash	**(31.9)**		**(31.9)**
Cash at beginning of fiscal year (Note 15)	52.2		52.2
Cash at end of fiscal year (Note 15)	21.4		21.4
Impact of changes in the scope of consolidation	0.0		
Impact of currency fluctuations	(1.1)		(1.1)
CHANGE IN CASH	**(31.9)**		**(31.9)**

X - New standards and interpretations not yet applied

New standards, norms and interpretations will enter force in the fiscal year beginning on or after January 1, 2013 and were not applied in the preparation of these consolidated financial statements. The new standards, amendments to standards and interpretations relevant to the Group are presented below. The Group has not and has no plans to adopt the norms early:

IFRS 10 - Consolidated financial statements, IFRS 11 - Partnerships, IFRS 12 - Disclosure of interests in other entities (January 1, 2014 mandatory application date in the EU)

IFRS 10 introduces a single control model for determining whether an investee needs to be consolidated. Under IFRS 11, the form of a partnership, though still an important aspect to be considered, is no longer the sole factor determining its accounting designation and thus for its subsequent recognition. IFRS 12 brings together in a new standard the disclosures required concerning an entity's investment in subsidiaries, partnerships, joint ventures and unconsolidated structured entities.

The Group will not need to revise its conclusions concerning its scope of consolidation or alter how it accounts for certain of its units. The Group is currently assessing the provisions of IFRS 12 on disclosures by comparison with those disclosures currently required.

Note 3 Financial risk management

The Group is exposed to the following risks through its use of financial instruments:

- Liquidity risk;
- Interest-rate risk;
- Raw material risk;
- Currency risk;
- Credit risk.

This note discloses information about the Group's exposure to each of the aforementioned risk factors, its objectives, its risk measurement and management policy and procedures.

Quantitative information is also provided in other sections of the consolidated financial statements.

Capital management is presented in Note 11.

Liquidity risk

Mersen has at its disposal credit lines and confirmed borrowings representing a total amount of €386 million with an average maturity of 4.3 years, of which 51% was drawn down at December 31, 2013.

Mersen's principal financing agreements are as follows:

- A syndicated bank loan arranged in July 2012 comprising two bullet tranches, one in an amount of €100 million and the other of USD75 million, both with a maturity of 5 years.
- Bilateral bank loans arranged in July 2012 amounting to €55 million with an average maturity of 4 years.
- A bilateral bank loan arranged in September 2012 amounting to USD25 million with a 5-year maturity, which was intended to finance the Mersen group's activities in the United States.
- A RMB 200 million loan arranged in September 2013, with a maturity of five years, syndicated with an international pool of banks, intended to finance the Mersen group's operations in China. The interest rate paid is the PBoC without a credit margin when drawdowns are made.
- Bilateral loans arranged in September 2013 amounting to RMB 325 million, with average maturity of three years and intended to finance the Mersen group's operations in China.
- A USD 85 million private placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million tranche with a final maturity of 12 years. The average duration of the private placement was initially around eight years because it is repayable in installments. The interest paid to investors carries a fixed rate.
- A USD100 million private placement negotiated in November 2011 with a US investor, comprising one USD50 million tranche with a maturity of 10 years and one €37.2 million tranche with a maturity of 8 years, with all principal repayable on maturity. The investor will receive a fixed rate of interest.
- A €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) finalized in November 2007 and repayable in one-third installments between 2012 and 2014, giving it an average life of six years (at issue). The interest rate paid is 3-month Euribor plus a fixed margin. This margin is negative owing to the sale of the warrants.

Breakdown by maturity of credit lines and confirmed borrowings

In millions of euros	Amount	Drawn down at Dec. 31 2013	% drawn down at Dec. 31, 2013	Maturities: less than 1 year	Maturities: between 1 and 5 years	Maturities: over 5 years
Group syndicated loan	154.4	23.0	15%	0.0	154.4	0.0
Group bilateral loans	55.0	37.3	68%	0.0	55.0	0.0
US bilateral loan	18.1	0.0	0%	0.0	18.1	0.0
Confirmed credit lines,. China	62.9	39.3	63%	2.8	60.1	0.0
2003 US private placements	5.8	5.8	100%	2.9	2.9	0.0
2011 US private placements	73.5	73.5	100%	0.0	0.0	73.5
OBSAAR bonds	13.3	13.3	100%	13.3	0.0	0.0
Other	2.9	2.9	100%	0.3	1.3	1.3
TOTAL	**386.0**	**195.3**	**51%**	**AVERAGE MATURITY = 4.3 YEARS**		

Breakdown by maturity of cash flows from credit line drawdowns and confirmed borrowings

(In millions of euros) Drawdowns	Drawn down at Dec. 31 2013	Expected cash flows	Maturities: 1-6 months	Maturities: 6-12 months	Maturities: Over 1 year
Group syndicated loan	23.0	23.1	23.1	0.0	0.0
Group bilateral loans	37.3	37.5	37.5	0.0	0.0
US bilateral loan	0.0	0.0	0.0	0.0	0.0
Confirmed credit lines,. China	39.3	43.9	10.7	2.3	30.8
2003 US private placements	5.8	6.2	3.1	0.1	3.0
2011 US private placements	73.5	97.7	1.7	1.7	94.2
OBSAAR bonds	13.3	13.5	0.2	13.3	0.0
Other	2.9	3.1	0.2	0.2	2.8
TOTAL	**195.3**	**225.0**	**76.5**	**17.6**	**130.9**

Interest-rate risk

The interest-rate risk management policy is approved by the Group's Management Board based on the proposals submitted by Mersen's finance department and consists in establishing positions from time to time taking into account variations in interest rates.

In May 2003, the Group purchased several interest-rate swaps covering an aggregate nominal amount of USD85 million to turn the interest payable on the US private placements into a floating rate. These swaps were sold again in April 2009, bringing the debt back to a fixed rate.

When it was acquired by Mersen, Mersen Scotland Holytown had an interest rate swap with a nominal amount of GBP4 million that was arranged on January 15, 2008 to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under this swap, the Company receives interest due to the lender and pays a fixed rate of 5.38%. The repayment and duration profile of the swap match those of the debt. At December 31, 2013, the nominal amount stood at GBP2.7 million.

In June 2009, the Group purchased an interest-rate swap with an aggregate amount of €39 million to convert the interest due on the OBSAAR bonds into a fixed rate. Under this swap, the Company receives the interest due to the lenders and pays a fixed rate of 2.815% with a repayment profile and term equivalent to those of the OBSAAR bonds.

The 2011 US private placements carry a fixed rate of interest, with an average coupon of 4.7%.

In September 2012, Mersen arranged two interest rate swaps with nominal amounts of €20 million and GBP10 million in order to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under these swaps, the Company receives the interest due to the lender and pays a fixed rate of 0.6575% for the euro swap and 0.86% for the sterling swap.

(In millions of euros)	Amount	Interest rate received	Interest rate paid	Maturities less than 1 year	between 1 and 5 years	over 5 years
EUR swap	20.0	Euribor 3 months	0.6575%	0.0	20.0	0.0
EUR swap	13.0	Euribor 3 months	2.815%	13.0	0.0	0.0
GBP swap	12.0	Libor GBP 3 months	0.86%	0.0	12.0	0.0
GBP swap	2.9	Libor GBP 1 months	5.38%	0.3	1.3	1.3

(In millions of euros)			Maturities		
SWAP	MTM [a]	Expected cash flows	less than 1 year	between 1 and 5 years	over 5 years
Assets	0.2	0.0	0.0	0.0	0.0
Equities and liabilities	(0.9)	(1.3)	(0.6)	(0.6)	(0.1)

(a) Marked-to-market = adjusted to market value.

Sensitivity analysis of the fair value of fixed-income instruments

The Group has not recognized any fixed-income financial assets or liabilities at fair value through profit or loss or designated any derivatives (interest rate swaps) as fair value hedges. Accordingly, a change in interest rates at the reporting date, would not have had any impact on the income statement.

A 50 basis point fluctuation in interest rates would have triggered a change in other comprehensive income of €0.6 million (2012: €0.9 million).

Raw material risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for a significant volume of purchases (around €20 million) for the Mersen group. Different hedging techniques, such as index-linking of purchase prices, index-linking of selling prices and bank hedging, can be applied.

The raw material price risk management policy is approved by the Group's Management Board based on proposals submitted by Mersen's finance and procurement departments and consists in establishing positions in raw material futures contracts or in zero-premium collars.

Around 60% of copper price exposure and 99% of silver price exposure can be covered through bank hedging.

At December 31, 2013, with regard to 2014 quantities, 48% of the hedgeable copper tonnages and 50% of hedgeable silver tonnages were actually hedged.

Recognition at year-end 2013 of raw material hedges

MTM [a] *(stated in millions of euros)*	Impact on 2013 other comprehensive income	2013 income statement impact
MTM of copper hedges	0.0	0.0
MTM of silver hedges	-0.3	0.0

(a) Marked-to-market = adjusted to market value.

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
Average exchange rate from Jan. 1, 2012 through Dec. 31, 2012 [a]	102.62	1.2859	1 448.20	0.8111	8.1094
Closing exchange rate at Dec. 31, 2012 [b]	113.61	1.3194	1 406.23	0.8161	8.2207
Average exchange rate from Jan. 1, 2013 through Dec. 31, 2013 [a]	129.66	1.3281	1 453.86	0.8493	8.1655
Closing exchange rate at Dec. 31, 2013 [b]	144.72	1.3791	1 450.93	0.8337	8.3491

(a) Exchange rates used to convert the statement of cash flows and the income statement.
(b) Exchange rates used to translate assets and liabilities.

The currency risk management policy is approved by the Group's Management Board based on proposals submitted by the finance department.

Based on a complete inventory of internal and external risks, it consists in entering into forward currency purchases with prime lending institutions.

The Group's usual business policy is to hedge currency risks as soon as orders are taken or to hedge an annual budget. The main currency risk derives from intra-Group sales transactions.

The Group's usual policy is to arrange borrowings in local currencies, except in special circumstances. Borrowings in foreign currencies arranged by the parent company match loans made in the same currencies to its subsidiaries.

For consolidation purposes, the income statement and statements of cash flows of foreign subsidiaries are translated into euros at the average exchange rate for the relevant period, while assets and liabilities are translated at the rate prevailing at the end of each reporting period. The impact of this currency translation may be material. The principal effect derives from the impact of fluctuations in the US dollar exchange rate on the Group's equity and debt.

The Group's operating income before non-recurring items is exposed to exchange rate fluctuations principally through the translation of earnings recorded by companies whose local currency is not the euro. The principal exposure is to the US dollar. A 10% decline in the value of the US dollar compared with the average recorded from January to December 2013 would have had a translation impact of negative €3.9 million on the Group's operating income before non-recurring items. Conversely, this 10% decline in the US dollar compared with the 2013 closing exchange rate would have had a translation impact of negative €4.3 million on the Group's net debt at December 31, 2013.

Except in special cases, hedging is centralized by the parent company. It is carried out under strictly defined procedures. Hedges are valued as described below.

€/foreign currency risks

Risks *(in millions of euros)* (a)	JPY	USD	KRW	GBP	RMB
Sale of foreign currencies	8.0	12.0	3.3	1.4	5.0
Purchase of foreign currencies	(0.8)	(11.3)	(0.0)	(1.6)	(9.3)
Potential 2013 exposure	7.2	0.7	3.3	(0.2)	(4.3)
Hedges at December 31, 2013	(4.6)	(0.3)	(0.5)	0.0	4.0
Net position	2.6	0.4	2.8	(0.2)	(0.3)
Impact in euros of a 5% fall in the euro	0.14	0.02	0.14	(0.01)	(0.01)

(a) Excluding potential anticorrosion equipment business that is hedged when an order is placed.
(b) Sensitivities were calculated based on exchange rates at December 31, 2013.

USD/foreign currency risks

Risks *(in millions of US dollars)* (a)	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	2.7	17.7	0.3	14.7	24.4
Purchases of foreign currencies	(0.0)	(0.4)	(9.2)	(24.5)	(26.8)
Potential 2013 exposure	2.7	17.3	(8.9)	(9.8)	2.4
Hedges at December 31, 2013	(1.8)	(5.6)	6.0	6.1	(2.3)
Net position	0.9	11.7	(2.9)	(3.7)	0.1
Impact in USD dollars of a 5% fall in the USD (b)	0.05	0.62	(0.15)	(0.19)	0.00

(a) Excluding potential anticorrosion equipment business that is hedged when an order is placed.
(b) Sensitivities were calculated based on exchange rates at December 31, 2013.

Recognition at year-end 2013 of currency transactions

MTM (a) *(in millions of euros)*		Dec. 31, 2013
Marked to market value of currency hedges	Other comprehensive income	1.2
	Other financial components of operating income	0.2

(a) Marked-to-market = adjusted to market value.

An increase or decrease in the euro, such as stated below, relative to the USD, GBP and JPY at December 31, 2013, would have led to an increase/(decrease) in other comprehensive income and operating income by the amounts stated below as a result of the currency hedges.

	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
	Other comprehensive income	Gains or losses recognized in operating income*	Other comprehensive income	Gains or losses recognized in operating income*
USD (change of 5%)	0.1	0.0	(0.1)	(0.0)
JPY (change of 5%)	0.1	0.1	(0.1)	(0.1)
RMB (change of 5%)	(0.2)	0.0	0.2	(0.0)

** Excluding (reverse) impact arising from remeasurement of the underlyings in the statement of financial position.*

This analysis is conducted on the basis of fluctuations in exchange rates that the Group considers as reasonably feasible at the reporting date. For the purposes of this analysis, all the other parameters, especially interest rates, are assumed to have remained unchanged and the impact of projected sales and purchases was ignored.

Sensitivity to the other exchange rates was not measured because the impact was not material.

Future impact on income of currency transactions recognized at December 31, 2013

(in millions of euros) CURRENCY	Marking to market of currency derivatives in other comprehensive income	Impact on income	
		less than 6 months	over 6 months
Assets	1.3	0.7	0.6
Equity and liabilities	(0.1)	(0.1)	0.0

Future cash flows on currency transactions recognized at December 31, 2013

CURRENCY *(in millions of euros)*	MTM	Expected cash flows
Assets	1.7	1.7
Equity and liabilities	(0.3)	(0.3)

Currency hedges are adjusted as a function of the underlyings, and so there is no timing difference between their maturities.

Credit risk

The Group set up an insurance program in 2003 with commercial credit insurer Coface covering its principal companies in the US and France against the risk of non-payment for financial or political reasons. Coverage varies between 0 and 90% of invoiced amounts from customer to customer.

During 2009, this program was extended to cover Germany, the United Kingdom and China (domestic customers).

Supplemental agreements to the policies covering the French receivables transferred during 2009 were signed in favor of the factor.

During fiscal 2012 and 2013, the Group continued its programs of selling receivables due from various French subsidiaries, which gave rise to €11.4 million in receivables sold at December 31, 2013 compared to €12 million at December 31, 2012 (excluding discontinued operations). Supplemental agreements to the policies covering the French receivables transferred during 2009 were signed in favor of the factor.

Assets derecognized with continuing application: the security deposit concerning the programs of selling receivables stands at €1.1 million.

Note 4 Assets held for sale and discontinued operations

Businesses in the Advanced Materials and Technologies segment

In late 2012, the Group decided to pull out of certain unprofitable businesses acquired in deals over the last ten years, in a drive to refocus on its core businesses. These businesses from the Advanced Materials and Technologies segment include:

- Metal boilermaking equipment for the nuclear power market, the development prospects for which were severely compromised by the Fukushima disaster.
- Metal plate heat exchangers, and stirrers and mixers. The Group has noted that the original plans to develop in these product categories did not come to fruition and that the potential technical and revenue enhancement synergies with other units in the Advanced Materials and Technologies segment are currently very modest.

These businesses were sold in 2013 and include:

- Mersen Grésy France (sold in early July to the NAWI group)
- The Brignais facility (Mersen France PY), located in France and sold at the end of November 2013:.
  - The exchanger operations were sold to a consortium including DEPN, two senior managers and the Aquair group and
  - The mixer operations were sold to the JF Investment group

In addition, the Group has decided to shut down the operations and discontinue the business plan for the nuclear power market at the Mersen-Xianda plant (China).

Accordingly, the disposal group has been presented and measured in line with IFRS 5 - Non-current assets held for sale and discontinued operations.

Given the disposal terms envisaged:

- The cash and debt of the assets and liabilities in the disposal group were excluded from the financial statements below. As a result, the cost of debt has been excluded from the income statement,
- The units belong to the consolidated tax group in France. No tax expense has been calculated for these companies, as their net income is assessed directly at the level of their parent company for 2012.
- Impairment losses shown in the statement of financial position relate to the net assets held for sale and discontinued operations. They were calculated by comparing the net carrying amount of these assets and liabilities with their realizable value. Impairment losses plus disposal costs thus amount to €20 million after tax. The tax benefit from the disposal losses was calculated and is presented on the income statement for assets held for sale and discontinued operations.
- In 2013, the final sales led to the recognition of net income of €2.8 million.

Automobile and household electrical appliance brush and brushholder division

The Group finalized the sale of its Automobile and household electrical appliance brush and brushholder division on May 1, 2009.

In fiscal 2012, the division posted a loss of €2.3 million reflecting a settlement bringing civil proceedings in the United Kingdom to a definitive close (2007 civil proceedings).

The impacts at year-end 2013 were non-material.

Pursuant to the standard, the assets and liabilities held for sale and discontinued operations are shown on a separate line of the Group's statement of financial position.

Statement of financial position of assets held for sale and discontinued operations

ASSETS

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
- Financial assets	0.0	0.1
- Inventories	0.0	2.4
- Trade receivables	3.5	4.1
- Customer pre-payments	(1.1)	(4.8)
- Other receivables	0.0	0.7
- Deferred tax	0.0	3.1
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**2.4**	**5.6**

EQUITY AND LIABILITIES

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
- Employee benefits	0.0	0.6
- Non-current provisions	0.0	0.9
- Trade payables	1.3	4.8
- Other payables	0.7	1.8
- Current provisions	0.9	3.4
LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISC. OP.	**2.9**	**11.5**
NET ASSETS IN PROCESS OF BEING SOLD OR DISC. OP.	**(0.5)**	**(5.9)**

Income statement for assets held for sale and discontinued operations

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Sales	14.9	18.7
Cost of sales	(14.8)	(17.1)
Gross income	**0.1**	**1.6**
Selling and marketing costs	(2.1)	(3.0)
Administrative and research costs	(1.4)	(2.0)
Other operating costs	(1.0)	(0.5)
Operating income before non-recurring items	**(4.4)**	**(3.9)**
Non-recurring income and expense	(2.2)	(3.8)
Impairment losses/Gains (losses) on sale	1.1	(22.1)
Operating income	**(5.5)**	**(29.8)**
Net finance income/(costs)	0.0	0.0
Income before tax and non-recurring items	**(5.5)**	**(29.8)**
Current and deferred income tax	1.7	2.1
Net income from assets held for sale/discontinued operations attributable to the owners of the parent company	**(3.8)**	**(27.7)**

Note 5 Goodwill

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Carrying amount at end of period	269.7	264.0
Acquisitions	0.6	14.3
Disc. op. and assets held for sale		(6.4)
Translation adjustments	(7.3)	(2.2)
Carrying amount at end of period	263.0	269.7
Gross value at end of period	263.0	269.7
Total impairment losses at end of period	**0.0**	**0.0**

A breakdown by Cash-Generating Unit is shown in the following table:

	Dec. 31, 2012	Movements during 2013		Dec. 31, 2013
In millions of euros	Carrying amount	Acquisitions	Cumulative translation adjustment	Carrying amount
Anticorrosion Equipment	62.2	0.6	(2.2)	60.6
High-Temperature Applications	92.7		(1.3)	91.4
Electrical Applications	12.4		(0.6)	11.8
Electrical Protection	102.4		(3.2)	99.2
TOTAL	**269.7**	**0.6**	**(7.3)**	**263.0**

There is no pending allocation of goodwill.

Note 6 Asset impairment tests

Impairment tests for cash-generating units

Impairment tests were conducted for each of the cash-generating units when the statement of financial position at December 31, 2013 was prepared.

Under IAS 36, tests were carried out on the basis of the value in use determined using the discounted cash flow method. The key assumptions used were as follows:

- Five-year cash flow forecasts based on the 2014 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 6.5% and 7.5%, the average cost of share capital after tax used as a rate to discount future flows was set at 8% (identical to 2012). 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;
- Perpetual growth rate of 2% for the Electrical Applications CGU and 3% for the Electrical Protection, Anticorrosion Equipment and High Temperatures CGUs. The growth rates applied to the CGUs reflect business trends in their markets, i.e. renewable energies for Electrical Applications, High Temperatures and Anticorrosion Equipment and, more specifically, electronics for Electrical Protection, transportation for Electrical Applications, and chemicals/pharmaceuticals for Anticorrosion Equipment.
- A normalized tax rate of 34%.

A calculation of sensitivity to the discount rate was conducted such that the recoverable amount was equal to the carrying amount. The discount rates obtained are:

- Around 24% for the Electrical Applications CGU;
- Around 19% for the Electrical Protection CGU;
- Around 11% for the High Temperatures CGU.
- And around 10% for the Anticorrosion Equipment 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 evidence of impairment was identified. Even so, potential uncertainties associated with the economic environment pose a risk to the preparation of the cash flow projections used in the valuations produced.

Impairment test on specific assets

In accordance with IAS 36, taking into account the market environment for its businesses indicating a risk of impairment loss, the Group reviewed these assets to ensure that its intangible assets, property, plant and equipment and financial assets were recognized at a carrying value that did not exceed the recoverable amount determined with regard to the values in use (calculated by applying a discount rate of 8%).

This led to the identification of €29.9 million in impairment losses on assets, primarily on Advanced Materials and Technologies:

- Related to the reduced activity forecasts on the market for chemicals for Anticorrosion Equipment,
- Because of the under-use of certain production equipment for High Temperature graphite activities.

The main assets depreciated and written off are:

- Intangible assets for €7.9 million with regard to a company in China (cf. note 7);
- Property, plant and equipment for €14.8 million (cf. note 7);
- Current assets for €4.7 million, primarily inventories stocks (cf. note 9) and customers (cf. note 10); and,
- Participating interests and loans in the amount of €2.5 million (cf. note 8).

Note 7 Property, plant and equipment and intangible assets

In millions of euros	Intangible assets	Land	Buildings	Plant, equipment and other	Assets in progress	Total property, plant and equipment	TOTAL
Carrying amount at January 1, 2012	**40.0**	**28.5**	**58.6**	**189.5**	**29.6**	**306.2**	**346.2**
Acquisitions of non-current assets	0.8		1.7	14.1	25.7	41.5	42.3
Retirements and disposals		(0.1)	(0.2)	(1.4)		(1.7)	(1.7)
Depreciation and amortization	(2.7)		(3.4)	(36.6)		(40.0)	(42.7)
Translation adjustments	(0.1)		(0.4)	(1.2)	(0.4)	(2.0)	(2.1)
Impact of changes in the scope of consolidation		0.6	3.0	6.4		10.0	10.0
Assets held for sale and discontinued operations	(2.0)		(0.1)	(1.0)	(0.3)	(1.4)	(3.4)
Other movements	4.1	0.4	3.5	19.6	(24.3)	(0.8)	3.3
Carrying amount at December 31, 2012	**40.1**	**29.4**	**62.7**	**189.4**	**30.3**	**311.8**	**351.9**
Gross value at December 31, 2012	70.9	30.2	118.9	502.2	30.3	681.6	752.5
Total depreciation and amortization at December 31, 2012	(30.8)	(0.8)	(56.2)	(310.7)		(367.7)	(398.5)
Total impairment losses at December 31, 2012				(2.1)		(2.1)	(2.1)
Carrying amount at January 1, 2013	**40.1**	**29.4**	**62.7**	**189.4**	**30.3**	**311.8**	**351.9**
Acquisitions of non-current assets	1.3		0.9	9.7	16.2	26.8	28.1
Retirements and disposals	(0.7)	(0.1)	(0.1)	(1.3)		(1.5)	(2.2)
Depreciation and amortization	(10.2)	(1.2)	(3.9)	(46.8)		(51.9)	(62.1)
Translation adjustments	(0.3)	(0.7)	(1.8)	(4.6)	(0.8)	(7.9)	(8.2)
Impact of changes in the scope of consolidation			0.1			0.1	0.1
Assets held for sale and discontinued operations						0.0	0.0
Other movements	2.7	1.2	4.0	15.4	(23.8)	(3.2)	(0.5)
Carrying amount at December 31, 2013	**32.9**	**28.6**	**61.9**	**161.8**	**21.9**	**274.2**	**307.1**
Gross value at December 31, 2013	**74.4**	**30.6**	**120.8**	**503.6**	**21.9**	**676.9**	**751.3**
Total depreciation and amortization at December 31, 2013	**(33.6)**	**(0.8)**	**(58.9)**	**(329.4)**		**(389.1)**	**(422.7)**
Total impairment losses at December 31, 2013	**(7.9)**	**(1.2)**		**(12.4)**		**(13.6)**	**(21.5)**

Impairments losses involve assets depreciated in accordance with IAS 36 (cf. note 6 Asset impairment).

Spending on research (or for the research phase of an internal project) is expensed as incurred.

An intangible asset is recognized in respect of development costs resulting from the development (or the development phase of an internal project) if and only if the Group can demonstrate that the developments satisfy the criteria in the standard.

At December 31, 2013, development expenses identified by the Group for the period that satisfy these criteria are non-material.

Note 8 Investments

At year-end, the unconsolidated shareholdings held by consolidated companies had a gross value of:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Gross value	6.9	7.7
Impairment losses	(5.5)	(4.4)
CARRYING AMOUNT	1.4	3.3

The investments in the Greek company were sold; consequently, the gross value of investments fell by €0.8 million. Impairment losses were impacted by the same amount.

The impairment losses recognized on investments at December 31, 2013 primarily affected Fusetech, Argentina and Russia.

Impairment losses recognized during the year involve Fusetech and Russia for €1.9 million. (cf. Note 6 Impairment losses)

The main investments in unconsolidated subsidiaries and associates are as follows:

In millions of euros Company name	% held	Gross value	Carrying amount
Fusetech	50%	1.3	0.0
Mersen Argentina	100%	3.7	0.8
Mersen Russia	100%	1.2	0.0
GMI	25%	0.2	0.2
Mersen Chile Ltd	100%	0.2	0.2
Investments in other companies		0.3	0.2
TOTAL		6.9	1.4

Note 9 Inventories

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Raw materials and other supplies	87.4	98.9
Work in progress	41.6	51.5
Finished goods	40.4	35.8
Carrying amount of inventories	169.4	186.2
Impairment losses	(15.1)	(12.6)
CARRYING AMOUNT OF INVENTORIES	154.3	173.6

Net inventories decreased by €19.3 million at December 31, 2013, of which +€0.1 million was attributable to changes in the scope of consolidation and €(5.5) million attributable to currency effects. On a like-for-like basis, inventories fell by €13.9 million (-8%).

Impairment losses rose by €2.5 million and take into account a depreciation of €3.3 million for impairment of assets indicated in Note 6.

Note 10 Trade receivables

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Gross trade receivables	167.8	159.6
Customer advances	(52.5)	(40.5)
Impairment losses	(7.3)	(6.8)
NET TRADE RECEIVABLES	**108.0**	**112.3**

Net trade receivables declined by €4.3 million at December 31, 2013, of which +€0.4 million attributable to changes in the scope of consolidation and €(4.8) million attributable to currency effects. On a like-for-like basis, trade receivables grew by €0.1 million, or +0.1%.

A factoring agreement was set up in 2009 covering the sale of trade receivables held by the Group's principal subsidiaries in France.

The agreement (see Note 3) stipulates a maximum outstanding balance of €20 million. At December 31, 2012, the outstanding amount was €11.4 million, compared to €16.1 million at year-end 2012 (€12 million excluding assets held for sale).

At December 31, 2013, late payments accounted for 11% of trade receivables before customer advances (5% of late payments overdue by less than 30 days) compared to 15% at December 31, 2012. This decline was due primarily to a fall in late payments in China. Overdue trade receivables broke down as follows at December 31:

In millions of euros	Dec. 31, 2013		Dec. 31, 2012	
	Gross	Impairment	Gross	Impairment
Receivables not yet due	143.7	(1.2)	130.4	(1.1)
Receivables 0-30 days past due	8.1	(0.1)	8.9	(0.4)
Receivables 31-120 days past due	7.4	(0.9)	7.8	(0.5)
Receivables 121 days to 1 year past due	4.7	(1.5)	8.8	(1.7)
Receivables more than 1 year past due	3.9	(3.6)	3.7	(3.1)
NET TRADE RECEIVABLES	**167.8**	**(7.3)**	**159.6**	**(6.8)**

The movements related to valuation allowances on trade receivables were as follows:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Impairment losses at January 1	(6.8)	(3.9)
Allowance/reversal during the fiscal year	(0.5)	(2.9)
IMPAIRMENT LOSSES AT DECEMBER 31	**(7.3)**	**(6.8)**

Impairment in trade receivables is reviewed on a customer-by-customer basis by each unit in line with procedures in progress.

Note 11 Equity

Number of shares (unless stated otherwise)	**Ordinary shares**
Number of shares at January 1, 2013	20,350, 969
Issue of new shares *(in millions of euros)*	0.9
Number of shares at December 31, 2013	20,816,364
Number of shares in issue and fully paid-up	20,816,364
Number of shares in issue and not fully paid-up	
Par value of shares *(€)*	2
Entity's shares held by itself or by its subsidiaries and associates	240,617

Capital management

The Company's share capital at December 31, 2013 amounted to €41,633,364, comprising 20,816,364 shares each with a par value of €2 and all belonging to the same class. The number of voting rights stood at 20,575,747, since shares held in treasury do not carry voting rights. No shares carry double voting rights.

To the best of the Company's knowledge, its ownership structure at December 31, 2013 was as follows:

- French institutional investors: 47.5%
- International institutional investors: 36.3%
- Individual shareholders: 14.0%
- Employee shareholders: 1.0%
- Treasury shares: 1.2%

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 2, 2013: Mondrian Investment Partners announced it owned 256,055 shares representing 1.26% of the capital and 0.92% of the voting rights.
- July 18, 2013: BPI-Groupe SA (formerly, EPIC OSEO), via Bpifrance Participations SA (formerly, FSI) announced on July 12, 2013 that it owned 2,280,064 shares, representing 10.96% of the capital and voting rights.
- August 19, 2013: SG Private Banking, on behalf of the mutual funds that it manages, announced that it owned 180,433 shares, representing 0.884% of the capital and voting rights.
- October 16, 2013: BNP Investment Partners, acting on behalf of the entities that it controls, announced that it owned 637,509 shares, representing 3.0646% of the capital and voting rights.

At December 31, 2013, 40,617 shares representing 0.2% of the share capital were held under a liquidity agreement approved by the Autorité des Marchés Financiers and entrusted to investment services provider Exane.

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 December 31, 2013, the Group's employees owned 200,896 shares representing 1.0% of the share capital, plus 450,555 stock options that, if exercised in full, would represent 2.2% of the current share capital. The stock option plans set up by the Group are based on an exercise price determined without any discount, since exercise of the options is subject to conditions linked to the Group's future performance. Using this method, the Group ensures that the interests of its managers are aligned with those of its shareholders.

In addition, the Group implemented a policy of awarding bonus shares. Definitive allotment of the shares is contingent upon beneficiaries' presence on the Group's payroll at the end of the vesting period. Allotments to Management Board members and employees considered by the Management Board to make a significant contribution to the Company's performance are subject to performance conditions. Conversely, the Management Board did not want to set performance conditions for employees who, by the nature of their jobs, contribute less directly to the Company's performance. At December 31, 2013, the number of bonus shares likely to be allotted definitively stands at 187,200 new shares, representing 0.89% 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. In a decision of July 2, 2013, the Management Board noted that at the end of the option period, 13,766,205 rights were reinvested in new Company shares and decided to issue 402,057 new shares, each with a par value of €2.

Neither the Company, nor its subsidiaries are subject to specific capital constraints under external rules.

No shares carry double voting rights.

With respect to share-based payments, the plans set up after November 7, 2002 were measured in accordance with IFRS 2.

The characteristics and assumptions used to value the plans are as follows:

Characteristics/Assumptions	2008 plan Bonus share allotments	2009 plan Stock options	2009 plan Bonus share allotments	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments
Allotment date	26/02/2008	11/02/2009	22/01/2009	27/05/2011	27/05/2011	27/06/2012
Availability date	01/03/2011	11/02/2013	22/01/2013	27/05/2015	27/05/2015	27/06/2016
Expiration date	01/03/2013 (1)	11/02/2019	22/01/2014(1)	27/05/2015 (1)	27/05/2015(1)	27/06/2016 (1)
Adjusted exercise price *(€)*	N/A	17.53 €	N/A	N/A	N/A	N/A
Adjusted share price at allotment date	27.48 €	17.95 €	17.95 €	39.06 €	39.06 €	18.22 €
Estimated life *(number of years)*	3	8	4	4	4	4
Volatility	N/A	38.10%	N/A	35.20%	35.20%	36.50%
Dividend per share *(as a% of share price)*	2.30%	2.50%	2.50%	2.50%	2.50%	3.00%
Risk-free interest rate	N/A	3.26%	N/A	N/A	N/A	N/A
Exercise period *(number of years)*	3	4	4	4	4	4
Lock-up period *(number of years)*	2	0	0	0	0	0
Adjusted number of options/share allotments	21,567	366,582	53,900	140,000	60,000	20,000
Estimated annual cancellation rate at the closing (2)	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%
% of shares/options vested following satisfaction of the performance condition	100%	100%	100%	100%	N/A	100%
Estimated number of options at end of vesting period	20 164	361 191	49 588	36 220	52 115	6 161
Valuation of options/shares	25.67 €	6.11 €	16.24 €	35.34 €	35.34 €	16.16 €
Valuation as a% of the share price at grant	93.40%	34.10%	90.50%	90.50%	90.50%	88.70%

(1) expiration of the non-transferability date
(2) excluding cancellation in connection with performance criteria

Income of €0.3 million was recognized in the income statement in respect of payments based on shares compared with an expense of €2 million at December 31, 2012. The 2013 charge takes into account income of €1.9 million, as 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.

The 2011 employee share ownership plan was recognized, taking into account the discount reflecting the non-transferability cost, in line with the CNC recommendation. The non-transferability cost was measured by an external consultant and calculated using the applicable borrowing rate in the personal lending market.

Note 12 Provisions, contingent liabilities and other liabilities

(€ m)	Dec. 31, 2013		Dec. 31, 2012	
	Non-current	Current	Non-current	Current
- provision for restructuring	0,3	1,4	0,3	0,6
- provision for litigation	5,6	2,2	0,2	1,5
- other provisions	2,6	1,5	0,2	0,5
TOTAL	8,5	5,1	0,7	2,6

Recurring and non-recurring	Dec. 31, 2012	Provisions set aside	Uses	Other	Cumulative translation adjustment	Dec. 31, 2013
- provision for restructuring	0,9	2,6	(2,2)	0,5	(0,1)	1,7
- provision for litigation	1,7	7,5	(1,2)	(0,2)		7,8
- other provisions	0,7	3,0	(0,2)	0,6		4,1
TOTAL	3,3	13,1	(3,6)	0,9	(0,1)	13,6

Provisions amounted to €13.6 million at December 31, 2013 (compared to €3.3 million at December 31, 2012), up €10.3 million due to:

- provisions set aside for:
  - Non-use of premises under an agreement in China for the Advanced Materials and Technology segment for €5.1 million,
  - Restructuring associated with a cost containment plan for the Electrical Components and Technologies segment,
  - Litigation and, specifically, attorneys' fees for civil proceedings underway,
- payment of a provision:
  - For restructuring primarily in Electrical Components and Systems (closure of a site in Germany and relocation of US operations),
  - In connection with 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 dealing with brushes, 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 proceedings

Civil proceedings in Canada

The separate lawsuit initiated in 2004 in Canada by certain customers against the main Canadian manufacturers of graphite brushes, including Mersen Toronto, a Canadian subsidiary of Mersen, is still in progress and there have been no new developments since 2007. To recap, this lawsuit was instigated following the fine of CAD1 million that Morgan Crucible Ltd was ordered to pay in July 2004 for anti-trust practices in the field of graphite brushes for traction applications during the 1995-1998 period. To recap, the Canadian judge ruled in February 2007 that only Canadian urban transportation companies could join the proceedings in progress. Mersen believes that the risk to the Group is not significant.

Civil proceedings in the United Kingdom

In February 2011, the Deutsche Bahn group, together with other European rail companies, announced that it was launching legal action against Morgan, SGL, Schunk and Mersen before the CAT. The plaintiffs are attempting to secure redress before the CAT for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. In May 2011, the CAT ruled that plaintiffs' action against Morgan was time-barred. The plaintiffs appealed this decision. In August 2012, the Court of Appeal authorized the plaintiffs to continue their proceedings before the CAT against Morgan Crucible, Mersen, Schunk and SGL. Morgan Crucible appealed this decision to the Supreme Court in the United Kingdom. In October 2013, the CAT decided to resume proceedings for the English plaintiffs only. The proceedings before the CAT remain suspended for the other plaintiffs pending the outcome of this appeal.

Administrative proceedings in France

In February 2013, SNCF commenced legal action against Morgan, SGL, Schunk and Mersen in the Paris Administrative Court. SNCF is attempting to secure redress for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. In June 2013, SNCF, seeking to insure against a decision by the Administrative Court 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.

Legal proceedings in France (accident at the Gennevilliers plant on April 7, 2010)

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress, with no significant developments in 2013.

Tax and custom proceedings:

AVO Carbon Mexico, a company sold by the Group in April 2009, underwent an audit by the Mexican customs authorities, which led to a potential €5 million tax reassessment. AVO Carbon Mexico is challenging this tax reassessment and filed several appeals in 2013 with local authorities and courts. Should Mersen have to cover part or all of this reassessment under its seller's representations and warranties, the impact on the Group's consolidated financial statements would not be material, because the amount would be deducted from the earnout payment potentially payable by AVO Carbon to Mersen.

Mersen do Brasil, a wholly-owned subsidiary of Mersen SA, was notified in June 2013 of a customs audit covering the January 2008-December 2012 period. Customs officials issued a notice of reassessment in the amount of 7.5 million Brazilian reals. The Group is challenging this reassessment and has initiated legal proceedings.

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

There are no other governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Group is aware, during the previous 12 months which may have, or have had in the recent past material adverse effects on the Group's business activities, financial position or results of operations.

Other liabilities (€2.7 million at December 31, 2013) chiefly comprise liabilities related to property, plant and equipment.

No other material contingent liabilities were identified at December 31, 2013.

Note 13 Employee benefits

Under defined contribution plans, the Group is under no obligation to make additional payments on top of the contributions already paid into a fund if the latter does not have sufficient assets to pay out the benefits corresponding to the service provided by employees during the period in progress or during future periods. For these plans, contributions are expensed as incurred.

The Mersen group's principal pension plans are defined benefit plans and are located in the US (39% of obligations), the UK (24% of obligations), France (15% of obligations) and Germany (10% of obligations).

There are two pension plans in the United States:

- The "hourly plan," for shop floor employees
- The "salaried plan," for office employees and closed to new entrants in 2011 because it was replaced by a defined contribution plan

These two plans are funded by contributions calculated on the value of the obligation and paid based on a funding plan over seven years. The fund's coverage ratio by assets measured in accordance with local standards is 87% for the salaried plan and 84% for the hourly plan.

There is a pension plan in the United Kingdom that was closed to new entrants in 2006. The level of funding on the debt, calculated in accordance with local rules and based on conservative assumptions, is 81%. Contributions are paid based on a schedule established with the trustees.

These pension funds constitute entities that are legally distinct from the Group. The funds' administrative bodies are composed of employee representatives, retirees and independent directors. They are legally required to act in the best interest of the plan's participants and are responsible for certain fund policies (including the investment, contribution and indexing policies).

In France, the defined benefit plans involve primarily lump-sum retirement payments and long-service awards. These plans are not funded.

There are two pension plans in Germany that are closed to new entrants and are not funded.

The Group's obligations were measured at December 31, 2013 with the assistance of independent actuaries in accordance with IAS 19. The rates used for the principal countries are summarized below:

2013	Discount rate	Average rate of salary increases	Inflation rate
France	3.0%	Between 2.0% and 6.25%	2.0%
Germany	3.0%	2.5%	2.0%
United States	4.8%	Salaried employees: 4%	Not applicable
United Kingdom	4.2%	2.6%	2.6%/3.4%

2012	Discount rate	Average rate of salary increases	Inflation rate
France	3.3%	Between 2.0% and 6.25%	2.0%
Germany	3.3%	2.5%	2.0%
United States	3.8%	Salaried employees: 4%	Not applicable
United Kingdom	4.4%	3.1%	2.0% /2.8%

Mortality assumptions are based on published statistics and mortality tables.

Reconciliation between assets and liabilities recognized

	Dec. 31, 2013	Dec. 31, 2012 restated
Actuarial obligation	147.0	153.0
Fair value of plan assets	(80.5)	(75.9)
PROVISION BEFORE THE LIMIT ON ASSETS	66.5	77.1
Surplus management reserve		
PROVISION AFTER THE LIMIT ON ASSETS	66.5	77.1

Breakdown of the Group's obligations at December 31 by geographical area

	France	Germany	United States	United Kingdom	Rest of the world	Total at Dec. 31, 2013
Actuarial obligation	21.8	14.0	56.8	34.7	19.7	147.0
Fair value of plan assets	(0.2)		(37.4)	(32.8)	(10.1)	(80.5)
NET AMOUNT RECOGNIZED	21.6	14.0	19.4	1.9	9.6	66.5

Movements in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2012	**20.7**	**14.1**	**64.4**	**32.7**	**21.1**	**153.0**
Payments made	(1.6)	(0.8)	(2.3)	(1.0)	(0.9)	(6.6)
Expense charged to income	1.6	0.5	5.5	1.8	1.8	11.2
Translation adjustment			(2.6)	(0.7)	(1.8)	(5.1)
Actuarial gains and losses	1.1	0.2	(8.2)	1.9	(0.5)	(5.5)
DECEMBER 31, 2013	21.8	14.0	56.8	34.7	19.7	147.0

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2012	**0.2**	**0.0**	**34.8**	**30.4**	**10.4**	**75.8**
Return on plan assets			1.3	1.3	0.4	3.0
Employer contribution			1.0	(0.3)	0.3	1.0
Employee contribution						0.0
Payment of benefits						0.0
Actuarial gains and losses			2.0	2.0		4.0
Translation adjustment			(1.7)	(0.6)	(1.0)	(3.3)
Other movements						0.0
DECEMBER 31, 2013	**0.2**	**0.0**	**37.4**	**32.8**	**10.1**	**80.5**

The plan assets cover primarily the United States plans (46% of total plan assets, with 52% invested in equities and 48% in bonds) and the United Kingdom plans (41% of total plan assets, with 57% invested in equities, 40% in government bonds and 3% in real estate and cash).

The charge recognized at December 31, 2013 in respect of these plans was €8.1 million, compared with €7.6 million in 2012, which breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2013	restated Dec. 31, 2012 under revised IAS 19
Current service cost	1.1		3.1	0.2	1.2	5.6	4.3
Interest cost	0.7	0.5	2.4	1.4	0.6	5.6	6.2
Expected return on plan assets			(1.3)	(1.3)	(0.4)	(3.0)	(3.1)
Administrative costs			0.2	0.2		0.4	0.0
Other movements	(0.2)				(0.3)	(0.5)	0.2
TOTAL CHARGE FOR THE PERIOD	**1.6**	**0.5**	**4.4**	**0.5**	**1.1**	**8.1**	**7.6**

The change in actuarial gains and losses arising on the measurement of obligations and plan assets breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Total Dec. 31, 2013	Total Dec. 31, 2012
Adjustments linked to changes in demographic assumptions			0.2	(0.8)		(0.6)	24.3
Adjustments linked to changes in financial assumptions	0.8	0.4	(9.6)	3.1	(0.5)	(5.8)	
Experience adjustments to obligations	0.3	(0.2)	1.2	(0.4)	0.2	1.1	(1.4)
Experience adjustments to plan assets			(2.0)	(2.0)	(0.2)	(4.2)	(5.4)
ACTUARIAL GAINS AND LOSSES	**1.1**	**0.2**	**(10.2)**	**(0.1)**	**(0.5)**	**(9.5)**	**17.5**

In 2013, the Group applied revised IAS 19 (cf. note 2W.c and 2W.d). The 2012 financial statements were restated and impact net of tax effect were €28.4 million on 2012 reserves and €0.9 million on 2012 earnings. Before tax, the impact was €40.9 million on reserves and €1.3 million on 2012 earnings.

Sensitivity analysis

An increase of 0.50 points in discount rates would lead to a reduction of €10.1 million in the estimated actuarial obligation.

An increase of 0.5 points in the inflation rate would lead to a €4 million increase in debt.

The breakdown of these sensitivities by country is presented in the table below.

Impact on the obligation in the case of	0.5% increase in the discount rate	0.5% increase in the inflation rate
France	(1.3)	1.0
Germany	(0.8)	0.8
United Kingdom	(2.9)	1.7
United States	(4.0)	0.0
Rest of the world	(1.1)	0.5
TOTAL	(10.1)	4.0

Note 14 Net debt

Analysis of total net debt at December 31, 2013

(In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Borrowings	190.0	234.3
Current financial liabilities	11.5	10.3
Current advances	0.3	0.0
Bank overdrafts	38.8	25.3
TOTAL GROSS DEBT	240.6	269.9
Including use of confirmed credit lines	*195.3*	*235.0*
Current financial assets	(8.4)	(7.0)
Cash and cash equivalents	(20.2)	(21.4)
Cash	(20.2)	(21.4)
TOTAL NET DEBT	212.0	241.5

Total consolidated net debt at December 31, 2013 rose to €212 million from €241.5 million at December 31, 2012.

Of the €240.6 million in total gross debt, €195.3 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).

Net debt/equity

(In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Total net debt	212.0	241.5
Net debt/equity [(a)]	0.45	0.45

(a) Calculated using the covenant method.

Net debt amounted to 45% of equity at December 31, 2013, which is identical to the level recorded at December 31, 2012.

Reconciliation between changes in net debt shown in the statement of financial position and in the statement of cash flows

(In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Prior year debt	**241.5**	**239.5**
Cash generated by operating and investing activities after tax	(63.7)	(71.2)
Cash used by restructurings	6.6	4.5
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	2.6	28.5
Cash generated by the operating and investing activities of continuing operations	**(54.5)**	**(38.2)**
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	14.4	7.7
Proceeds from issuance of new shares	3.4	0.0
Dividends paid	3.7	19.4
Interest payments	10.7	12.3
Translation adjustments and other	(3.3)	(0.1)
Impact of changes in the scope of consolidation	1.1	3.1
Other changes	(5.0)	(2.2)
DEBT AT YEAR-END	**212.0**	**241.5**

Financial covenants at December 31, 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 oblige Mersen to repay the relevant borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant borrowing may oblige the Group to repay other borrowings immediately.

Mersen must comply with the following financial covenants at June 30 and December 31 each year:

Financial covenants [a] (consolidated financial statements)

(In millions of euros)	Net debt/ EBITDA	Net debt/ equity	EBITDA/ net interest expense
Covenant ratios			
Confirmed credit lines, Group	< 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	-
Confirmed credit lines, China		< 1.3	
Actual ratios at December 31, 2013			
Confirmed credit lines, Group	2.07	0.45	-
2003 US private placement	2.01	0.45	9.56
2011 US private placement	2.07	0.45	9.30
OBSAAR bonds		0.47	
Confirmed credit lines, China		0.45	
Actual ratios at December 31, 2012			
Confirmed credit lines, Group	2.07	0.45	-
2003 US private placement	1.99	0.45	9.83
2011 US private placement	2.07	0.45	9.46
OBSAAR bonds		0.47	
Syndicated loan, China		0.45	
Actual ratios at December 31, 2011			
Group syndicated loan	1.61	0.44	
2003 US private placement	1.61	0.44	14.76
2011 US private placement	1.66	0.44	14.36
OBSAAR bonds		0.45	
Syndicated loan, China		0.44	

(a) Method for calculating covenants: In line with the accounting rules, the net debt shown in the financial statements uses closing rates to calculate the euro-equivalent value of debt denominated in foreign currencies. Solely for the calculation of the net debt/EBITDA ratio, net debt has to be recalculated at the average €/USD exchange rate for the period in the event of a difference of over 5% between the average exchange rate and the closing rate. To calculate the covenants at June 30, the convention is for EBITDA or gross operating income to be deemed to be EBITDA reported for the first six months of the year multiplied by two. To calculate the ratios, the EBITDA of the 2003 US private placement is restated for certain costs that were not included in EBITDA prior to the introduction of IFRSs.

At December 31, 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 December 31, 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	67.7	28.6	2.9	36.3
Borrowings in EUR	67.3	30.0	0.0	37.3
Borrowings in GBP	20.9	18.3	1.3	1.3
Borrowings in RMB	39.3	11.2	28.2	0.0
TOTAL	**195.3**	**88.0**	**32.3**	**74.9**
Amortization of issuance costs at the EIR[(a)]	(1.4)			
Fair value of interest-rate derivatives	0.1			
TOTAL	**194.0**			

(a) Effective interest rate.

Of the €32.3 million in debt due to mature in between one and five years' time, €7.7 million had a maturity of less than two years at December 31, 2013.

Analysis of total net debt at December 31, 2013

(By currency)	%
EUR	48.1
USD	20.5
RMB	14.6
GBP	17.4
Other [(a)]	-0.6

(a) Net financial surplus on other currencies.

(By interest rate)	%
Fixed	60.0
Floating	40.0

(In millions of euros)	Total	With a maturity < 5 years	With a maturity > 5 years
Long-term debt	240.6	165.7	74.9
Financial assets	(28.6)	(28.6)	0.0
Net position before hedging	**212.0**	**137.1**	**74.9**
Fixed-rate debt	127.3	52.4	74.9
Net position after hedging	**84.7**	**84.7**	**0.0**

Assuming Mersen's debt and exchange rates remain unchanged at their December 31, 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 €0.8 million.

Note 15 Fair value

Fair value hierarchy

The table below analyzes the assets and liabilities measured at their fair value on a recurring basis. The levels are defined as follows:

- Level 1: there are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: fair value measured using inputs other than the quoted prices included in Level 1, which are observable for the asset or the liability, directly or indirectly. The Group determines the fair value of Level 2 for debt instruments by using the cash flow discounting technique, based on contractual cash flows and a market discount rate. The fair value of Level 2 for over-the-counter financial derivative instruments is based on brokers' quoted prices. The Group ensures that these quoted prices are reasonable by discounting estimated future cash flow, using market interest rates that would be applied to similar instruments on the measurement date.
- Level 3: unobservable data regarding the asset or liability. Fair value is determined by applying the discounted cash flow method.

At Dec. 31, 2013		Carrying value						Fair value			
Asset and liability accounts and instrument categories	Note	Assets/liabilities designated as at fair value	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total carrying amount of the category	Level 1	Level 2	Level 3	Fair value of the category
Financial assets measured at their fair value											
Unlisted investments	8			1.4			1.4			1.4	1.4
Derivatives held as current and non-current assets	3	1.8					1.8		1.8		1.8
		1.8	0.0	1.4	0.0	0.0	3.2	0.0	1.8	1.4	3.2
Financial assets not measured at their fair value											
Current and non-current financial assets	14				13.8		13.8				0.0
Financial assets	14						0.0				0.0
Trade receivables	10				108.0		108.0				0.0
Cash and cash equivalents	14				20.2		20.2				0.0
		0.0	0.0	0.0	142.0	0.0	142.0	0.0	0.0	0.0	0.0
Financial liabilities measured at their fair value											
Derivatives held as current and non-current liabilities	3	(1.2)					(1.2)		(1.2)		(1.2)
		(1.2)	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)	0.0	(1.2)
Financial liabilities not measured at their fair value											
Bank borrowings	14					(190.0)	(190.0)		(198.3)		(198.3)
Current advances	14					(0.3)	(0.3)				0.0
Bank overdrafts	14					(38.8)	(38.8)				0.0
Current financial liabilities	14					(11.5)	(11.5)				0.0
Trade payables						(58.9)	(58.9)				0.0
		0.0	0.0	0.0	0.0	(299.5)	(299.5)	0.0	(198.3)	0.0	(198.3)
Carrying amount per category		0.6	0.0	1.4	142.0	(299.5)	(155.5)	0.0	(197.7)	1.4	(196.3)

For financial derivative instruments (foreign exchange forward contracts and interest rate swaps): the market comparable measurement technique is used. Fair value is based on brokers' quoted prices. Similar contracts are negotiated on an active market and their price reflects transactions that include similar instruments.

At Dec. 31, 2012		Carrying value						Fair value			
Asset and liability accounts and instrument categories	Note	Assets/ liabilities designated as at fair value	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total carrying amount of the category	Level 1	Level 2	Level 3	Fair value of the category
Financial assets measured at their fair value											
Unlisted investment securities	8			3.3			3.3			3.3	3.3
Derivatives held as current and non-current assets	3	1.7					1.7		1.7		1.7
		1.7	**0.0**	**3.3**	**0.0**	**0.0**	**5.0**	**0.0**	**1.7**	**3.3**	**5.0**
Financial assets not measured at their fair value											
Current and non-current financial assets	14				14.0		14.0				0.0
Financial assets	14						0.0				0.0
Trade receivables	10				112.3		112.3				0.0
Cash and cash equivalents	14				21.4		21.4				0.0
		0.0	**0.0**	**0.0**	**147.7**	**0.0**	**147.7**	**0.0**	**0.0**	**0.0**	**0.0**
Financial liabilities measured at their fair value											
Derivatives held as current and non-current liabilities	3	(2.6)					(2.6)			(2.6)	(2.6)
		(2.6)	**0.0**	**0.0**	**0.0**	**0.0**	**(2.6)**	**0.0**	**0.0**	**(2.6)**	**(2.6)**
Financial assets not measured at their fair value											
Bank borrowings	14					(234.3)	(234.3)		(238.5)		(238.5)
Current advances	14						0.0				0.0
Bank overdrafts	14					(25.3)	(25.3)				0.0
Current financial liabilities	14					(10.3)	(10.3)				0.0
Trade payables						(60.5)	(60.5)				0.0
		0.0	**0.0**	**0.0**	**0.0**	**(330.4)**	**(330.4)**	**0.0**	**(238.5)**	**0.0**	**(238.5)**
Carrying amount per category		**(0.9)**	**0.0**	**3.3**	**147.7**	**(330.4)**	**(180.3)**	**0.0**	**(236.8)**	**0.7**	**(236.1)**

Note 16 Other non-recurring income and expense

Other non-recurring income and expense breaks down as follows:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Restructuring costs	(8.1)	(5.6)
Impairment losses and provision associated with business prospects	(36.8)	(3.5)
Other expenses	(4.4)	(2.2)
TOTAL	**(49.3)**	**(11.3)**

At December 31, 2013, non-recurring income and expenses stood at €49.3 million and included primarily:

- Restructuring with regard to business reorganization and the costs of dismissals at several sites associated with the cost containment plan,
- Impairment losses and provisions with regard to the business outlook for the chemical market and the High Temperature graphite business
- Other charges, specifically provisions for litigation, costs of proceedings, prior period income of the newly-consolidated companies and acquisition costs, covering primarily attorneys' fees.

At December 31, 2012, net non-recurring income and expense represented a net expense of €11.3 million, the bulk of which was accounted for by restructuring costs, asset writedowns and debt waivers.

Note 17 Segment reporting

Operating income

In millions of euros	Advanced Materials and Technologies (AMT)			Electrical Components and Technologies (ECT)			Total for continuing operations		
	Dec. 31, 2013	Dec. 31, 2012 restated	Dec. 31, 2012 reported	Dec. 31, 2013	Dec. 31, 2012 restated	Dec. 31, 2012 reported	Dec. 31, 2013	Dec. 31, 2012 restated	Dec. 31, 2012 reported
Sales to third parties	300.3	346.3	346.3	438.5	464.4	464.4	738.8	810.7	810.7
Breakdown of sales	40.6%	42.7%	42.7%	59.4%	57.3%	57.3%	100.0%	100.0%	100.0%
Segment operating income before non-recurring items	**19.7**	**35.5**	**35.2**	**51.0**	**54.6**	**54.0**	**70.7**	**90.1**	**89.2**
Recurring unallocated costs							(10.9)	(12.5)	(12.9)
Segment operating margin before non-recurring items*	**6.6%**	**10.3%**	**10.1%**	**11.6%**	**11.7%**	**11.6%**			
Recurring operating income from continuing operations							59.8	77.6	76.3
Operating margin from continuing operations before non-recurring items							8.1%	9.6%	9.4%
Segment non-recurring income and expense	(36.9)	(6.6)	(6.6)	(9.4)	(4.4)	(4.4)	(46.3)	(11.0)	(11.0)
Amortization of revalued intangible assets	(0.6)	(0.7)	(0.7)	(0.6)	(0.2)	(0.2)	(1.2)	(0.9)	(0.9)
Segment operating income	**(17.8)**	**28.2**	**27.9**	**41.0**	**50.0**	**49.4**	**23.2**	**78.2**	**77.3**
Segment operating margin*	-5.9%	8.1%	8.1%	9.4%	10.8%	10.6%			
EBITDA margin [(1)]	15.9%	18.2%	18.0%	14.3%	14.4%	14.2%			
Non-recurring unallocated costs							(3.0)	(0.3)	(0.3)
Operating income from continuing operations							**9.3**	**65.4**	**64.1**
Operating margin from continuing operations							1.3%	8.1%	7.9%
Financial costs							(11.0)	(13.0)	(13.0)
Current and deferred income tax							(23.1)	(17.5)	(17.1)
Net income from continuing operations							**(24.8)**	**34.9**	**34.0**

**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.

Breakdown of sales by geographical area

In millions of euros	Dec. 31, 2013	%	Dec. 31, 2012	%
France	68.4	9.3%	70.1	8.7%
Rest of Europe	213.4	28.9%	214.3	26.4%
North America	261.7	35.4%	279.7	34.5%
Asia	156.9	21.2%	205.8	25.4%
Rest of the world	38.4	5.2%	40.8	5.0%
TOTAL	738.8	100.0%	810.7	100.0%

No single customer accounts for over 10% of the Group's sales. The number one customer accounted for 3.6% of the Group's sales.

The Group's activities are not subject to any significant seasonal variation.

Breakdown of depreciation and amortization recognized by segment

	Dec. 31, 2013				Dec. 31, 2012			
In millions of euros	AMT	ECT	Unallocated	Total	AMT	ECT	Unallocated	Total
TOTAL	(28.0)	(11.8)	(0.4)	(40.2)	(27.3)	(12.1)	(0.3)	(39.7)

Segment assets

In millions of euros	AMT	ECT	TOTAL	Total at Dec. 31, 2013
Non-current assets, net (excluding investments)	371.3	205.6	576.9	576.9
Inventories	83.5	70.8	154.3	154.3
Trade receivables	46.5	61.5	108.0	108.0
Other receivables	6.3	7.2	13.5	13.5
TOTAL SEGMENT ASSETS	507.6	345.1	852.7	852.7
Deferred tax assets				28.1
Non-current portion of current tax assets				5.7
Current portion of current tax liabilities				13.3
Other current assets				0
Current financial assets				8.4
Current derivatives				1.8
Financial assets				0
Cash and cash equivalents				20.2
Assets held for sale and discontinued operations				2.4
TOTAL UNALLOCATED ASSETS				79.9
TOTAL				932.6

Segment liabilities

In millions of euros	AMT	ECT	TOTAL	Total at Dec. 31, 2013
Trade payables	29.0	29.9	58.9	58.9
Other payables and other liabilities (including dividends)	26.2	35.6	61.8	61.8
Non-current and current provisions	10.9	2.7	13.6	13.6
Employee benefits	26.7	39.8	66.5	66.5
TOTAL SEGMENT LIABILITIES	**92.8**	**108.0**	**200.8**	**200.8**
Deferred tax liabilities				22.1
Borrowings				190.0
Non-current derivatives				0.6
Current portion of current tax liabilities				12.2
Other current financial liabilities				11.5
Current derivatives				0.6
Current advances				0.3
Bank overdrafts				38.8
Liabilities related to assets held for sale and disc. op.				2.9
TOTAL UNALLOCATED LIABILITIES				**279.0**
TOTAL				**479.8**

Note 18 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement compensation) came to €239.5 million in 2013 compared with €261.3 million in 2012, after restatement based on the revised IAS 19.

On a like-for-like basis, staff costs — including the cost of temporary staff — decreased by 6%.

Headcount of consolidated companies at end of period (continuing operations and) by geographical area

Geographical area	Dec. 31, 2013	%	Dec. 31, 2012	%
France	1,484	23%	1,654	24%
Rest of Europe	816	13%	868	13%
North America	1,951	30%	2,018	30%
Asia	1,645	26%	1,804	26%
Rest of the world	486	8%	486	7%
TOTAL	**6,382**	**100%**	**6,830**	**100%**

The headcount decreased by 448, of which 85 representing employees of companies and plants in our non-strategic operations in the Advanced Materials and Technology segment that were sold in 2013.

At comparable scope, the headcount decreased by 371, of which 159 in Asia, 85 in France, 67 in North America and 47 in Europe.

Headcount of consolidated companies at end of period (continuing operations) broken down by category

Categories	Dec. 31, 2013	%	Dec. 31, 2012	%
Engineers and managers	1,046	16%	1,009	15%
Technicians and supervisors	1,059	17%	1,065	15%
Employees	658	10%	722	11%
Blue-collar workers	3,619	57%	4,034	59%
TOTAL	**6,382**	**100%**	**6,830**	**100%**

Note 19 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012 restated
Product sales	712.8	783.2
Trading sales	26.0	27.5
TOTAL SALES	**738.8**	**810.7**
Other operating revenues	7.0	7.6
Cost of trading sales	(18.2)	(19.2)
Raw material costs	(202.5)	(214.2)
Costs on other operating revenues	(1.3)	(1.1)
Manufacturing costs	(127.6)	(139.9)
Salaries, incentives and profit-sharing	(239.5)	(261.4)
Other expenses	(66.1)	(70.2)
Financial components of operating income	(2.4)	(4.8)
Depreciation and amortization	(40.2)	(39.7)
Provisions and impairment losses	(36.8)	(3.6)
Gains/(losses) on asset disposals	(1.9)	1.2
OPERATING INCOME	**9.3**	**65.4**

Impairment losses are specified in note 6 and provisions in note 12.

Note 20 Financial income and costs

The net finance costs shown above include the following items from assets and liabilities that are not shown at fair value through profit or loss:

Recognized on the income statement (In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Amortization of bond issuance costs	(0.4)	(0.8)
Interest paid on debt	(9.8)	(11.2)
Commission on debt	(0.8)	(1.0)
Interest income from bank deposits	0.0	0.0
Net finance income/(costs)	**(11.0)**	**(13.0)**

The net finance costs shown above include the following items from assets and liabilities that are not shown at fair value through profit or loss:

Recognized on the income statement (In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Total interest income from financial assets	(0.0)	(0.0)
Total interest expense from financial liabilities	(11.0)	(13.0)
Net finance income(costs)	**(11.0)**	**(13.0)**

Recognized directly in other comprehensive income (In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Change in fair value of currency hedges	0.1	1.6
Change in fair value of interest rate hedges	1.2	0.2
Change in fair value of raw material hedges	0.0	(0.2)
Tax on the fluctuations recognized in other comprehensive income	(0.4)	(0.6)
Net financial income recognized directly in other comprehensive income net of tax	**0.9**	**1.0**

Note 21 Income tax

In millions of euros	Dec. 31, 2013	Dec. 31, 2012 restated
Current income tax	(14.3)	(18.4)
Deferred income tax	(8.6)	1.8
Withholding tax	(0.2)	(0.9)
Total tax expense	**(23.1)**	**(17.5)**

The Group has:

- One consolidated tax group in France;
- One consolidated tax group in the United States;
- Two consolidated tax groups in Germany; and
- The tax rate for the Group's continuing operations (excluding impairments of the net deferred tax asset position on losses and restatements of items associated with the business outlook without tax impact) was 33% in 2013, identical to 2012.

Analysis of income tax expense

In millions of euros	Dec. 31, 2013
Net income	**(28.6)**
Net income from assets held for sale/discontinued operations	(3.8)
Net income from continuing operations	**(24.8)**
Income tax expense/(benefit) on continuing operations	(23.1)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(23.1)**
TAXABLE INCOME	**(1.7)**
Current tax rate in France	36.1%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	0.6
Difference between income tax rate in France and other jurisdictions	1.0
Transactions qualifying for a reduced rate of taxation	
Permanent timing differences	(8.3)
Impact of limiting deferred tax assets	(16.3)
Other	(0.1)
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	**(23.1)**

The permanent differences take into account primarily non-deductible exceptional charges.

The impact of limiting deferred tax assets (€16.3 million) includes impairments of the net deferred tax asset position on losses, specifically in France and, more marginally, in China and Brazil.

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012 restated
Deferred tax assets	28.1	32.2
Deferred tax liabilities	(22,1)	(19,7)
Net position	**6,0**	**12,5**

Deferred tax movements during fiscal 2013 were as follows:

*In millions of euros**	Dec. 31, 2012 restated	Net income for the year	Other comprehensive income	Other	Cumulative translation adjustment	Dec. 31, 2013
Employee benefit obligations	21.4	1.4	(3.0)	(0.2)	(0.3)	19.3
Depreciation of non-current assets	(27.1)	(0.3)		(0.2)	0.6	(27.0)
Tax-regulated provisions	(2.8)	0.4		0.0	0.0	(2.4)
Impact of tax losses	27.3	(4.6)		0.5	(0.1)	23.1
Impairment losses	0.2	(0.9)		0.5	0.0	(0.2)
Other	(6.5)	(4.6)	(0.4)	4.8	(0.1)	(6.8)
DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION – NET POSITION	**12.5**	**(8.6)**	**(3.4)**	**5.4**	**0.1**	**6.0**

** (-liability /+ asset).*

Deferred tax assets were recognized based on their recoverability. France, Germany and China were the main countries affected.

Given the short-term outlook and to take reasonable payback periods into account, consistent with local tax rules and/or market practices, certain tax losses were not capitalized as deferred taxes. The bulk of these losses derived primarily from France (€38 million), China (€15 million) and Brazil (€7 million).

Note 22 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	Dec. 31, 2013	Dec. 31, 2012 restated	Dec. 31, 2012 reported
Net income used to compute basic earnings per share *(net income for the period in millions of euros).*	(29.2)	6.5	5.6
Weighted average number of ordinary shares used to compute basic earnings per share	20,450,830	20,268,873	20,268,873
Adjustment for dilutive potential ordinary shares: - unexercised options	637,755	748,752	748,752
Weighted average number of ordinary shares used to compute diluted earnings per share	21,088,585	21,017,625	21,017,625
Basic earnings per share *(€)*	(1.43)	0.32	0.28
Diluted earnings per share *(€)*	(1.38)	0.31	0.27

Continuing operations	Dec. 31. 2013	Dec. 31. 2012 restated	Dec. 31. 2012 reported
Net income used to compute basic earnings per share *(net income for the period in millions of euros).*	(25.4)	34.2	33.3
Weighted average number of ordinary shares used to compute basic earnings per share	20,450,830	20,268,873	20,268,873
Adjustment for dilutive potential ordinary shares: - unexercised options	637,755	748,752	748,752
Weighted average number of ordinary shares used to compute diluted earnings per share	21,088,585	21,017,625	21,017,625
Basic earnings per share *(€)*	(1.24)	1.69	1.64
Diluted earnings per share *(€)*	(1.20)	1.63	1.59

By restating, income net of exceptional charges in the amount of €55 million (provided on January 29, 2014), 2013 net income per share would be:

Continuing operations and assets held for sale	
Basic earnings per share *(€)*	1.27
Diluted earnings per share *(€)*	1.23

Continuing operations	
Basic earnings per share *(€)*	1.46
Diluted earnings per share *(€)*	1.41

Note 23 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 (402,057 new shares issued) were therefore recorded in July 2013 and the Group will pay cash dividends totaling €2.8 million.

The dividend proposed in respect of fiscal 2013 stands at €0.45 per share, representing an aggregate amount of €9.3 million.

Note 24 Leases

1 - Finance leases

Carrying amount by asset category

(In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Buildings	0	0

2 - The Group is the lessee (operating lease)

Schedule of minimum payments

(In millions of euros)	Total at Dec. 31, 2013	< 1 year	> 1 year	five years or more
Minimum payments	53.4	8.1	45.3	18.5

Minimum payments represent the amount of certain future property lease payments up until the expiration of the lease prior to any renewals. The leases do not contain any clause restricting debt or on dividend payments.

The increase in minimum payments compared to December 31, 2012 (€52,2 million) comes primarily from lease renewals.

Note 25 Related party disclosures

Mersen SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 87 consolidated and unconsolidated companies in 32 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries and associates

Group sales to unconsolidated subsidiaries amounted to €4.9 million in fiscal 2013, compared with €12.1 million in fiscal 2011.

At December 31, 2013, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0 million (vs. €0.2 million in 2012).

The amounts receivable by the Group from its unconsolidated subsidiaries came to €1.5 million at December 31, 2013, while amounts payable stood at €0.5 million.

Shareholders' advances made to unconsolidated subsidiaries by Mersen amounted to €0.1 million at December 31, 2013 (vs. €0.8 million in fiscal 2012).

2 - Compensation and benefits paid to key management personnel (Management Board, including the Chairman of the Management Board)

(In millions of euros)	Dec. 31, 2013	Dec. 31, 2012 restated under revised IAS 19
Salaries, bonuses, benefits in kind and attendance fees	1.3	1.7
Top-up pension plan payments (*)	0.1	0.1
Other long-term employee benefits		
TOTAL	**1.4**	**1.8**

(*) The Chairman of the Management Board's contract entitles him to the benefit of a top-up pension plan, defined as follows: provided that the relevant person is still employed by the Group upon retirement, this regime guarantees top-up pension income of 10-20% of the basic reference salary depending on length of service during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. The actuarial obligation was assessed at December 31, 2013 at €2.7 million (€2.1 million at December 31, 2012).

Members of the Management Board do not qualify for any other long-term employee benefits.

Should his appointment be terminated, the Chairman of the Management Board will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him in respect of the thirty-six month period preceding termination, subject to the attainment of performance criteria. He will also receive a monthly no-compete payment equal to 50% of his last gross fixed monthly compensation, payable over 12 months.

In addition, the following share-based payments were granted to the five current members of the Management Board (including the Chairman of the Management Board:

- Stock options: 265,706 stock subscription options were granted to the Management Board in 2007 and 2009:

	2007 plan Tranche 11
Date of Board of Directors' meeting	July 25, 2007
Total number of shares allotted	94,188
Subscription price	53.10
Start of exercise period	July 2011
Expiration date	July 2017

	2009 plan Tranche 12
Date of Board of Directors' meeting	22.01.09
Total number of shares allotted	171,518
Subscription price	17.53
Start of exercise period	February 2013
Expiration date	February 2019

- Bonus share allotments: table of past allotments to the Management Board:

	2006 plan Tranche 2
Date of Board of Directors' meeting	June 28, 2006
Total number of shares allotted	1,497
Reference price at the allotment date	40.07
Definitive allotment date (end of the vesting period)	July 1, 2008
End of lock-up period	July 1, 2011

	2011 plan Tranche 6
Date of Board of Directors' meeting	May 27, 2011
Total number of shares allotted	58,000
Reference price at the allotment date	35.34
Definitive allotment date (end of the vesting period)	27.05.15
End of lock-up period	May 28, 2015

The 2011 plan is subject to performance conditions.

No bonus shares were allotted to Management Board members in respect of the 2008 and 2009 plans.

Note 26 Commitments and contingencies

A - Financial commitments and liabilities

(In millions of euros)	Dec. 31, 2013	Dec. 31, 2012
Commitments received		
Guarantees and endorsements	0.0	0.0
Other commitments received	0.0	0.0
TOTAL	**0.0**	**0.0**
Commitments given		
Collateralized debts and commitments	0.0	0.0
Market guarantees	23.0	18.5
Payment guarantee on acquisitions	0.0	0.0
Other guarantees	20.0	24.2
Other commitments given	3.4	9.6
TOTAL	**46.4**	**52.3**

The above table summarizes the Group's commitments and contingencies.

Nature

The largest item, which amounted to €21.3 million, comprises other guarantees, which notably include a €16 million guarantee covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements.

Maturity

Commitments and contingencies with a maturity of over 1 year amounted to €28 million. They include the €16 million linked to the cash pooling system, which remains in force for as long as the cash pooling agreements are in place. Market guarantees generally last for less than one year, except for a few market guarantees, the duration of which does not exceed three years.

Control

Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to commitments and contingencies without obtaining the prior approval of the Group's Finance department and, where appropriate, of the Management Board. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the account consolidation procedure.

As far as the Company is aware, no material commitments or contingencies under the accounting standards in force have been omitted.

B - Title retention clause

None

C – Individual Right to Training

In France, employees have an individual right to training. No provisions are set aside to cover these rights because the Group does not have the requisite information to assess them reliably.

Note 27 Subsequent events

On February 12, 2014, Mersen announced that it had acquired a majority interest in Cirprotec, a company specializing in lightning and surge protection.

The transaction will continue to expand the Group's position in a segment with an attractive growth potential related to improvements in power quality and safety issues. The alliance participates to an on-going development of Mersen's portfolio and expertise in electrical specialties and represents combined sales in the global surge protection markets that exceed €20 million. It also allows the Group to globally address markets highly driven by safety and installation standards.

Cirprotec records 2013 net sales of around €8 million and net income of €0.7 million.

The purchase price stands at €5.1 million for a 51% participating interest.

The carrying amount of net assets stands at €3 million, and goodwill before fair value adjustments of assets and liabilities at around €7 million.

Note 28 Approval of the financial statements

The Group's consolidated financial statements for the fiscal year to December 31, 2013 were approved by the Management Board at its meeting on March 5, 2014.

Statutory Auditors' report on the consolidated financial statements

Fiscal year ended December 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended on December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Mersen SA,
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

→ Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013, and of the results of its operations for the year then ended, in accordance with IFRSs as adopted for use in the European Union.

Without calling into question the conclusion expressed above, we draw your attention to Note 2w of the notes to the consolidated financial statements, which outlines the change in accounting method in respect of the application of the revised IAS 19 Employee Benefits from January 1, 2013.

→ Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements at December 31, 2013 were prepared in the environment described in Note 2-V of the notes to the consolidated financial statements ("Use of estimates" section), making it fairly hard to assess the future outlook. Against this backdrop, in accordance with the provisions of Article L. 823-9 of the French Commercial Code (Code de Commerce), we conducted our own assessments, which we are bringing to your attention.

Measurement of property, plant and equipment and of intangible assets

As disclosed in Notes 2.F.1 and 2.I to the consolidated financial statements, the Group performs goodwill impairment tests systematically at each balance sheet date and also assesses whether there is evidence of impairment in property, plant and equipment, and in intangible assets. We have examined the method used to implement the test as well as the estimated cash flows and the assumptions made. We have also verified that Notes 5 and 6 to the consolidated financial statements provide appropriate disclosures.

Employee benefits

Note 2.O describes the accounting policy used to evaluate pension and other related obligations. These obligations were evaluated by external actuaries. Our procedures consisted of examining the data used and the assumptions made, and verifying that Note 13 to the consolidated financial statements provides appropriate disclosures.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also conducted the specific verifications provided for by law of the information disclosed in the Group's management report.

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

The Statutory Auditors

Paris La Défense, March 5, 2014	Neuilly-sur-Seine, March 5, 2014
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

Parent company financial statements

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Income statement

(€ 000s)	2013	2012
OPERATING REVENUES (1)		
Revenues		
Other revenues	1,907	1,141
TOTAL SALES	**1,907**	**1,141**
Operating subsidies	0	2
Reversals of operating provisions	5	4
Transferred operating costs	1,165	1,992
Other income	823	810
TOTAL 1	**3,900**	**3,949**
OPERATING EXPENSES (2)		
Other purchases	15	21
External charges	5,141	4,900
Taxes other than income tax	387	349
Wages and salaries	954	1,040
Social security charges	371	334
Depreciation, amortization and charges to provisions:		
- against fixed assets: depreciation and amortization	38	44
- for liabilities and charges: charges to provisions	302	205
Other expenses	364	365
TOTAL 2	**7,572**	**7,258**
OPERATING INCOME (TOTAL 1 - 2)	**(3,672)**	**(3,309)**

(€ 000s)	2013	2012
FINANCIAL INCOME (3)		
Income from participating interests	29,613	28,981
Other income from fixed assets	52	42
Other interest and related income	4,753	3,235
Reversals of depreciation, amortization and charges to provisions	1,792	5,299
Foreign exchange gains	10,387	10,751
TOTAL 3	**46,597**	**48,308**
FINANCIAL EXPENSE (4)		
Depreciation, amortization and charges to provisions	18,571	19,341
Interest and related expenses	8,287	8,198
Foreign exchange losses	7,555	7,567
TOTAL 4	**34,413**	**35,106**
NET FINANCIAL INCOME (3 - 4)	**12,184**	**13,202**
INCOME BEFORE TAX AND NON-RECURRING ITEMS	**8,512**	**9,893**
EXCEPTIONAL INCOME		
Management transactions	377	207
Capital transactions	498	379
Reversals of provisions and transferred costs	10,600	1,602
TOTAL 5	**11,475**	**2,188**
EXCEPTIONAL CHARGES		
Management transactions	1,271	893
Capital transactions	15,429	2,134
Depreciation, amortization and charges to provisions	3,025	129
TOTAL 6	**19,725**	**3,156**
NET EXCEPTIONAL INCOME (TOTAL 5 - 6)	**(8,250)**	**(968)**
INCOME TAX	**(1,500)**	**(1,724)**
NET INCOME FOR THE YEAR	**1,762**	**10,649**
TOTAL INCOME	**61,972**	**54,445**
TOTAL EXPENSES	**60,210**	**43,796**

Balance sheet

ASSETS

(€ 000s)	Dec. 31, 2013 Gross	Dec. 31, 2013 Depreciation and amortization	Dec. 31, 2013 Net	Dec. 31, 2012 Net
FIXED ASSETS				
Intangible fixed assets				
Concessions, patents, licenses, brands	8,596	8,594	2	25
SUB-TOTAL	**8,596**	**8,594**	**2**	**25**
Property, plant and equipment				
Other	427	339	88	102
SUB-TOTAL	**427**	**339**	**88**	**102**
Financial fixed assets [a]				
Participating interests	428,770	48,523	380,247	393,574
Loans and advances to participating interests	73,125	0	73,125	88,355
Other fixed assets	5		5	5
Other	7,827	39	7,788	3,071
SUB-TOTAL	**509,727**	**48,562**	**461,165**	**485,005**
TOTAL A	**518,750**	**57,495**	**461,255**	**485,132**
CURRENT ASSETS				
Advances and down payments paid on orders [b]	0		0	0
Trade receivables and related accounts [b]	1,213		1,213	543
Other [b]	104,933	706	104,227	82,906
Cash and cash equivalents	698		698	230
ACCRUALS				
Prepaid expenses [b]	160		160	350
TOTAL B	**107,004**	**706**	**106,298**	**84,029**
Deferred costs D	1,082		1,082	1,458
Foreign currency translation losses E	2,353		2,353	2,634
TOTAL (A+B+C+D+E)	**629,189**	**58,201**	**570,988**	**573,253**

(a) Due in less than one year: 7,033.
(b) Due in over one year: 5,728.

LIABILITIES AND SHAREHOLDERS' EQUITY

(€ 000s)	Dec. 31, 2013	Dec. 31, 2012
SHAREHOLDERS' EQUITY		
Share capital	41,633	40,702
Issue premium	221,852	216,331
Merger premium	8,252	8,252
Revaluation reserve	3,252	3,252
Unavailable reserves	3,973	2,970
Statutory reserve	4,070	4,058
Other reserves	43,251	42,815
Retained earnings	120	60
Net income for the year	1,762	10,649
Tax-regulated provisions	96	115
TOTAL A	**328,261**	**329,204**
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for liabilities	263	5,272
Provisions for charges	3,878	676
TOTAL B	**4,141**	**5,948**
FINANCIAL LIABILITIES [(a)]		
Bond issues	16,580	29,900
Borrowings from credit institutions [(b)]	22,319	8,724
Other borrowings	140,127	156,498
Trade payables and related accounts	1,284	834
Tax and social security liabilities	1,918	1,641
Amounts due on fixed assets	0	0
Other financial liabilities	51,963	32,751
ACCRUALS		
Prepaid income	98	282
TOTAL C	**234,289**	**230,630**
Foreign exchange translation gains D	4,297	7,471
TOTAL (A+B+C+D)	**570,988**	**573,253**

(a) Due in over one year: 141,007 due in less than one year: 93,280.
(b) Including current bank loans and overdrafts: 21,472.

Notes to the balance sheet and income statement

Summary of the notes to the financial statements

Note 1 Accounting principles and methods

The financial statements of Mersen SA for fiscal year 2013 have been prepared in accordance with the provisions of French law, notably including CRB Regulation no. 99-03 of June 22, 1999 and subsequent amendments.

The principal accounting methods used are as follows:

A - Share issuance costs

Share issuance costs are set off in full against share issue premiums.

B - Intangible fixed assets and property, plant and equipment

Fixed assets are stated at acquisition or production cost.

They are depreciated or amortized over their estimated useful life.

Differences between depreciation for tax and accounting purposes are recognized under accelerated depreciation and recorded under exceptional expenses, with a corresponding adjustment to tax-regulated provisions under liabilities on the balance sheet.

Generally speaking, the following useful lives are adopted:

- software and other intangible fixed assets: 5 years
- fixtures and fittings: 10 years
- office equipment and furniture: 5 years or 10 years

Where there is evidence of impairment, an impairment test is conducted comparing the net book value of the intangible fixed asset or of the item of property, plant and equipment with its current value. Where this current value has fallen below net book value, an impairment loss is recognized to bring the net book value into line with its current value. No such impairment losses were recognized during the fiscal year.

C - Participating interests and other fixed assets

Gross value comprises the contribution value or acquisition cost of the asset. An impairment loss may be recognized where the book value of an asset exceeds its value in use, with the latter notably determined by reference to the share of the equity, development prospects and sales recorded by the subsidiary. The Company's development prospects are assessed based on past experience and various factors. The current backdrop of a significant deterioration in the economic and financial environment makes it hard to assess the future outlook. It is therefore possible that future performance may well differ from the estimates used to assess the value of the securities portfolio.

Expenses related to the acquisition of participating interests and other fixed assets are included in the cost of securities.

Impairment losses and reversals of impairment in investments, as well as provisions related to participating interests are recorded under financial items. When participating interests are sold, the reversals of impairment on them are recognized under exceptional items so as not to unbalance net financial income and exceptional items.

D - Current assets - receivables

Doubtful receivables are written down to reflect the probable loss.

E - Foreign currency transactions

At the balance sheet date, foreign currency assets and liabilities are stated at the official exchange rate at December 31. A corresponding adjustment is recorded under foreign currency translation gains or losses.

Unrealized currency gains or losses do not affect net income. This said, a provision is set aside to cover the risk arising from unhedged unrealized foreign currency losses related to these foreign currencies.

F - Provisions for liabilities and charges

Provisions for liabilities and charges are set aside to cover litigation, disputes, guarantee and risk-related commitments arising during the normal course of the Company's business and likely to give rise to an outflow of resources.

Accordingly, provisions were set aside to cover all significant risks that the situation or events known at December 31, 2013 rendered likely to occur.

G - Costs deferred over several periods

Bond issuance costs are allocated over the estimated average life of the relevant borrowing.

H - Pension obligations and retirement indemnities

Top-up pension obligations under "closed" defined benefit plans covering part of the workforce are recognized in the form of a provision. Obligations to still active employees are recorded under provisions for liabilities and charges. Obligations to retired employees are transferred to a deferred cost account.

A provision for charges is set aside to cover the Company's commitment arising from top-up pension obligations specifically related to the Group's senior managers.

Retirement indemnities and long-service awards payable under collective bargaining agreements are recognized under provisions for liabilities and charges.

Retirement indemnities and long-service awards are calculated on an annual basis by independent actuaries in accordance with the provisions of the collective bargaining agreement for the French chemicals industry and the CNC recommendation issued on April 1, 2003. The projected unit credit method is used for this purpose. It takes into account using actuarial assumptions the employee's probable future length of service, level of salary costs, life expectancy and the rate of staff turnover. The obligation is discounted at an appropriate discount rate. The obligation is partially funded through payments to an external organization under a collective life insurance policy, the assets of which are stated at fair value.

Retirement indemnities are recognized using the corridor method.

The principal assumptions used in this calculation are as follows:

- future salary costs are calculated based on current salaries including an annual rate of salary increases of 2.50% and additional age-related increases;
- changes in actuarial assumptions are taken into account only where they fall outside the corridor and are amortized over the expected average remaining working lives of the plan members;
- discounting to present value at a rate of 3.00%;
- an average cost ratio of 40% to 45%;
- staff turnover calculated by age bracket;
- return on plan assets: 3.00% ;
- mortality table used: TGHF05.

I - Stock repurchases

The stock repurchased by Mersen under the liquidity agreement entered into with a financial institution is shown under other fixed assets, in line with French accounting regulations.

An impairment loss in these shares is recognized when the cost of acquiring the stock exceeds the average share price during the final month of the fiscal year.

The same holds for any shares repurchased and to be cancelled in the future.

When these repurchased shares are sold under a liquidity agreement, gains and losses are recognized under exceptional items.

J - Exceptional items

The Company has adopted the official French chart of accounts. Exceptional items encompass items not arising during the normal course of the Company's business. Accordingly, exceptional items comprise the book value of and proceeds from the disposal of fixed assets, accelerated tax depreciation and exceptional fixed asset write-downs, non-recurring indemnities, fines and penalties, as well as expenses related to these non-recurring events.

K - Stock subscription options and bonus share allotments

The Company has put in place stock option and bonus share allotment plans for certain of its employees.

When stock subscription options are exercised by beneficiaries, the new shares are issued and are accounted for in the same manner as a conventional issue of shares. The share premium is equal to the difference between the subscription price paid by the employee and the increase in the share capital.

When bonus shares are allotted to beneficiaries, new shares are issued and are accounted for in the same manner as an increase in capital through the capitalization of reserves. The par value of the shares is added to the share capital account, and the surplus is recorded under unavailable reserves.

The Company is not currently engaged in repurchasing shares in the market for allotment to beneficiaries under stock option and bonus share plans. In this case, the transaction would be recognized in accordance with Conseil National de la Comptabilité's notice no. 2008-17 concerning the treatment of stock subscription and purchase plans and bonus share allotment plans for employees.

Note 2 Analysis and commentary

Income statement

Sales

Revenues (€1,907 thousand) primarily derive from services billed in France and abroad.

Operating income

The Company's operating loss came to €3,672 thousand, reflecting the impact of the holding company's operating costs.

Financial costs

The positive financial result of €12,184 thousand is stable compared to the €13,202 thousand result in the previous financial year. It takes into account impairment losses on investments of certain subsidiaries (see comments, Note 4).

Exceptional items

The exceptional negative result of €8,250 thousand is attributable primarily to the July 2013 disposal of Mersen Grésy and, more marginally, to a provision for professional fees related to class actions.

Income tax

The Company recorded a 2013 income tax benefit of €1,500 thousand resulting from the consolidation of Mersen and its French subsidiaries for tax purposes.

Balance sheet

In addition to the notes shown below, the following comments apply:

Financial fixed assets

The €23,840 thousand reduction in net value results primarily from impairment losses on investments in Mersen China Holding and Mersen do Brasil, as well as from the repayment of loans and advances to participating interests.

Debt

The Company's total net debt at December 31, 2013 fell by €5,038 thousand.

(€ 000s)	Dec. 31, 2013	Dec. 31, 2012
Bank overdrafts	21,472	8,288
Bond issue	13,360	26,680
Other borrowings	139,661	156,011
Other financial liabilities [(a)]	51,131	32,155
Total debt	**225,624**	**223,134**
Cash and cash equivalents	(70)	(18)
Other receivables [(b)]	(96,504)	(78,481)
Marketable securities, cash and cash equivalents	**(96,574)**	**(78,489)**
Loans to subsidiaries	**(72,789)**	**(88,017)**
Other financial assets	**(7,645)**	**(2,964)**
Net debt	48,616	53,654
o/w: - due in over one year	66,062	73,407
- due in less than one year	(17,446)	(19,753)

(a) Financial advances received recognized under "Other financial liabilities".
(b) Financial advances made recognized under "Other receivables".

Note 3 Fixed assets

(€ 000s)	FIXED ASSETS				DEPRECIATION, AMORTIZATION & CHARGES TO PROVISIONS			
Accounts	Gross value at beginning of period	Increases	Decreases	Gross value at end of period	Total at beginning of period	Increases	Decreases	Total at end of period
Intangible fixed assets								
Start-up costs	0	0	0	0	0	0	0	0
Concessions, patents, licenses, brands, processes, rights	8,596	0	0	8,596	8,571	23	0	8,594
Fixed assets in progress	0	0	0	0	0	0	0	0
TOTAL 1	**8,596**	**0**	**0**	**8,596**	**8,571**	**23**	**0**	**8,594**
Property, plant and equipment								
Buildings and technical installations	0	0	0	0	0	0	0	0
Other property, plant and equipment	425	2	0	427	323	16	0	339
Fixed assets in progress	0	0	0	0	0	0	0	0
Advances and downpayments	0	0	0	0	0	0	0	0
TOTAL 2	**425**	**2**	**0**	**427**	**323**	**16**	**0**	**339**
Financial fixed assets								
Participating interests [a]	431,850	4,208	7,288	428,770	38,276	17,210	6,963	48,523
Loans and advances to participating interests	88,355	12,926	28,156	73,125	0	0	0	0
Other fixed assets	5	0	0	5	0	0	0	0
Other financial assets	3,112	11,786	7,071	7,827	41	39	41	39
TOTAL 3	**523,322**	**28,920**	**42,515**	**509,727**	**38,317**	**17,249**	**7,004**	**48,562**
TOTAL	**532,343**	**29,522**	**43,115**	**518,750**	**47,211**	**17,288**	**7,004**	**57,495**

(a) see Note 4

Note 4 Provisions

(€ 000s) Accounts	Amount at beginning of period	Charges	Reversals of provisions used	Reversals of provisions not used	Amount at end of period
Tax-regulated provisions					
Accelerated tax depreciation	115	25	44	0	96
TOTAL 1	**115**	**25**	**44**	**0**	**96**
Provisions for liabilities and charges					
Foreign currency losses	0	143	0	0	143
Retirement indemnities	107	0	0	5	102
Long-service awards	6	1	0	0	7
Senior manager pensions	468	301	0	0	769
Settlement with Emerson	95	0	95	0	0
Professional fees	0	2,500	0	0	2,500
Charge for Mersen France Grésy liability guarantee	0	500	0	0	500
Risk related to CL PI	23	3	0	0	26
Risk related to Mersen France Grésy	5,249	0	5,249	0	0
Risk related to Mersen RUS	0	94	0	0	94
TOTAL 2	**5,948**	**3,542**	**5,344**	**5**	**4,141**
Provisions for impairment[(a)]					
Mersen China Holding participating interest	0	8,000	0	0	8,000
Mersen do Brasil participating interest	7,047	7,100	0	0	14,147
Mersen Italia participating interest	0	1,500	0	0	1,500
Mersen Grésy participating interest[(b)]	4,454	0	4,454	0	0
Other participating interests	26,775	610	758	1,751	24,876
in shares held in treasury	41	39	41	0	39
TOTAL 3	**38,317**	**17,249**	**5,253**	**1,751**	**48,562**
TOTAL	**44,380**	**20,816**	**10,641**	**1,751**	**52,799**

(a) The decision was made to recognize significant exceptional charges to certain Group subsidiaries, particularly because of a business contraction on the chemicals market and the underuse of certain graphite production equipment. The value in use of certain subsidiaries was thus severely affected and a total of €16,000 thousand in impairment losses was recognized. The impairments concern primarily Mersen China Holding, Mersen do Brasil and Mersen Italia.

(b) In accordance with the review of the strategic business portfolio review conducted at year-end 2012, in July 2013 the company disposed of Mersen Grésy and thus reversed the impairment loss recognized on that company.

Note 5 Maturity schedule of assets and liabilities

(€ 000s) **Amounts due to the Group**	Gross balance sheet value	Due in one year or less	Due in over one year
Loans and advances to participating interests	73,125	336	72,789
Other financial fixed assets	7,827	6,697	1,130
Trade receivables	1,213	1,213	0
Other receivables	104,934	99,206	5,728
Prepaid expenses	160	160	0
TOTAL	187,259	107,612	79,647

(€ 000s) **Amounts payable by the Group**	Gross balance sheet value	Due in one year or less	Due in over one year	Over five years ahead
Bond issue	16,580	13,360	0	3,220
Borrowings from credit institutions	22,319	22,319	0	0
Other borrowings	140,127	3,367	63,219	73,541
Trade payables and related accounts	1,283	1,283	0	0
Tax and social security liabilities	1,918	891	440	587
Other financial liabilities	51,963	51,963	0	0
Prepaid income	98	98	0	0
TOTAL	234,288	93,281	63,659	77,348

Note 6 Information about related parties

The amounts shown in the columns below are taken from the balance sheet and income statement items referred to in the left-hand column.

(€ 000s) **Balance sheet or income statement item**	Amount for related parties at least 50%-owned	Amount for participating interests (less than 50%-owned)
Loans and advances to participating interests	73,126	0
Trade receivables	1,213	0
Other receivables	97,032	56
Trade payables	232	0
Other financial liabilities	51,428	0
Financial expense	18,395	3
Financial income	35,962	38

Note 7 Revaluation reserve

(€ 000s)	
Revaluation reserves	
At beginning of period	3,252
Reversed during period	0
At end of period	3,252

Note 8 Accrued income and expenses

(€ 000s)		
1. Amount of accrued income included in the balance sheet items below		
Loans and advances to participating interests		336
Other financial fixed assets		182
Other receivables		615
Cash and cash equivalents		611
TOTAL		**1,744**
2. Amount of accrued expenses included in the balance sheet items below		
Borrowings from credit institutions		848
Other borrowings		466
Trade payables and related accounts		241
Tax and social security liabilities		1,829
Other financial liabilities		614
TOTAL		**3,998**
3. Amount of prepaid income and expenses	**Expenses**	**Income**
Operating items	160	3
Financial items	0	95
TOTAL	**160**	**98**
4. Costs deferred over several periods		
Bond issuance expenses at Jan. 1, 2013	1,458	
Bond issuance expenses in 2013	0	
2013 amortization of bond issuance costs	(376)	
TOTAL	**1,082**	

Note 9 Share capital

Share capital

The share capital is made up of 20,816,364 fully paid-up shares each with a par value of €2.

In 2013, 402,057 new shares arose from the dividend payable in shares.

In November 2007, the Company completed the issue of a €40 million bond comprising 1,000 bonds convertible into new and/or exchangeable for existing shares through the attached warrants (“OBSAAR” bonds) with a nominal unit value of €40,000. Each bond carries 114 BSAAR warrants, representing a total of 114,000 warrants sold to the Group’s senior managers, which could ultimately lead to the issuance of a maximum of 123,120 shares (owing to the change in the exchange ratio linked to the capital increases completed in 2009), i.e. around 0.63% of the Company’s share capital and voting rights. The sale of the warrants to the Group’s senior executives has made for a significant reduction in the interest rates on the bond.

On May 21, 2010, a simplified exchange offer was launched for the BSAR warrants issued in 2007. Under the offer, the 2007 BSAR warrants could be tendered in exchange for 2010 BSAR warrants (redeemable warrants entitling holders to subscribe new and/or acquire existing shares).

2007 BSAR holders were able to choose between the following two alternatives when tendering their 2007 BSAR warrants:

- Exchange option: five 2007 BSAR warrants in return for two 2010 BSAR warrants;
- Combination option: one 2007 BSAR warrant plus a cash payment of €1.50 in return for one 2010 BSAR.

At its meeting on July 15, 2010, the Management Board formally noted based on the results of this offer that the final number of 2007 BSAR warrants tendered stood at 113,771. These BSAR warrants were automatically canceled. Given this outcome and the decisions made by the 2007 BSAR holders, the Management Board decided at the same meeting to issue 103,331 2010 BSAR warrants.

Stock subscription options and bonus share allotments

After approval by the Supervisory Board, the Board of Directors decided to offer Group managers, on a regular basis, the opportunity to subscribe stock subscription options, subject to achieving specific earnings targets, or bonus shares, provided that they remain with the Group for a certain period of time.

Three stock option plans have been awarded, namely on May 14, 2003, July 25, 2007 and February 11, 2009. The employee categories benefiting from these options are to be determined by the Management Board each time that it makes use of the authorization.

Four bonus share allotment plans were set up on February 26, 2008, January 22, 2009, May 27, 2011 and June 27, 2012.

The bonus share allotment plans and exercise of the stock options plans have to date been fulfilled through the issuance of new shares. As a result, no expenses or liabilities were recognized during the fiscal year in respect of these plans.

The characteristics of the stock options plans are as follows:

Characteristics/Assumptions	2003 plan stock options	2007 plan stock options	2009 plan stock options
Allotment date	05/14/2003	07/25/2007	02/11/2009
Availability date	05/14/2007	07/25/2011	02/11/2013
Expiration date	05/13/2013	07/25/2017	02/11/2019
Adjusted exercise price *(€)*	19.68	53.10	17.53
Adjusted share price at allotment date *(€)*	20.48	52.35	17.95
Estimated life *(number of years)*	5.5	5.5	8
Volatility	40.6%	30.9%	38.1%
Dividend per share *(as a % of share price)*	2.4	1.9	2.5
Risk-free interest rate	3.43%	4.44%	3.26%
Exercise period *(number of years)*	4	4	4
Lock-up period *(number of years)*	0	0	0
Adjusted number of options/share allotments	140,293	177,876	366,582
Estimated annual cancellation rate at year-end 2004	1.7%		
Estimated annual cancellation rate at year-end 2005	1.7%		
Estimated annual cancellation rate at year-end 2006	1.5%		
Estimated annual cancellation rate at year-end 2007	End of the plan	End of the plan	
Estimated annual cancellation rate at year-end 2008	End of the plan	End of the plan	
Estimated annual cancellation rate at year-end 2009	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2010	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2011	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2012	End of the plan	End of the plan	7.0%
Estimated annual cancellation rate at year-end 2013	End of the plan	End of the plan	End of the plan
% of shares/options vested following satisfaction of the performance condition [(a)]	66.7	60	100
Estimate of the number of options/shares ultimately vested in 2005	81,023		
Estimate of the number of options/shares ultimately vested in 2006	81,685		
Estimate of the number of options/shares ultimately vested in 2007	82,089	155,321	
Estimate of the number of options/shares ultimately vested in 2008	82,089	155,321	
Estimate of the number of options/shares ultimately vested in 2009	88,481	167,442	274,222
Estimate of the number of options/shares ultimately vested in 2010	88,481	172,892	314,391
Estimate of the number of options/shares ultimately vested in 2011	88,481	104,616	338,055
Estimate of the number of options/shares ultimately vested in 2012	88,481	104,616	361,191
Estimate of the number of options/shares ultimately vested in 2013	88,481	104,616	361,191
Valuation of options/shares *(€)*	7.24	15.58	6.11
Valuation as a % of the share price at grant	35.5%	29.8%	34.1%

(a) The definitive performance condition applicable to the 2007 stock option plan was 60% satisfied in the end rather than the 100% satisfaction rate expected previously and 100% satisfied for the 2009 stock option plan.

The characteristics of the bonus share allotment plans were as follows:

Characteristics/Assumptions	2008 plan Bonus share allotments	2009 plan Bonus share allotments
Allotment date	02/26/2008	01/22/2009
Availability date	03/01/2011	01/22/2013
Expiration date*	03/01/2013	01/22/2014
Adjusted exercise price *(€)*	0,00	0,00
Adjusted share price at allotment date *(€)*	27.48	17.95
Estimated life *(number of years)*	3	4
Volatility	N/A	N/A
Dividend per share *(as a % of share price)*	2.3	2.5
Risk-free interest rate	N/A	N/A
Exercise period *(number of years)*	3	4
Lock-up period *(number of years)*	2	0
Adjusted number of options/share allotments	21,567	53,900
Estimated annual cancellation rate at year-end 2008	End of the plan	
Estimated annual cancellation rate at year-end 2009	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2010	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2011	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2012	End of the plan	2.5%
Estimated annual cancellation rate at year-end 2012	End of the plan	End of the plan
% of shares/options vested following satisfaction of the performance condition	100	100
Estimate of the number of options/shares ultimately vested in 2008	20,919	
Estimate of the number of options/shares ultimately vested in 2009	20,919	48,708
Estimate of the number of options/shares ultimately vested in 2010	19,363	47,715
Estimate of the number of options/shares ultimately vested in 2011	20,164	48,938
Estimate of the number of options/shares ultimately vested in 2012	20,164	49,588
Estimate of the number of options/shares ultimately vested in 2013	20,164	49,588
Valuation of options/shares *(€)*	25.67	16.24
Valuation as a % of the share price at grant	93.4%	90.5%

** Statement of changes in equity*

Characteristics/Assumptions	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments
Allotment date	05/27/2011	05/27/2011	06/27/2012
Availability date	05/27/2015	05/27/2015	06/27/2016
Expiration date*	05/27/2015	05/27/2015	06/27/2016
Adjusted exercise price *(€)*	0.00	0.00	0.00
Adjusted share price at allotment date *(€)*	39.06	39.06	18.22
Estimated life *(number of years)*	4	4	4
Volatility	35.2%	35.2%	36.5%
Dividend per share *(as a % of share price)*	2.5	2.5	3.0
Risk-free interest rate	N/A	N/A	N/A
Exercise period *(number of years)*	4	4	4
Lock-up period *(number of years)*	0	0	0
Number of options/shares allotted	140,000	60,000	20,000
Estimated annual cancellation rate at year-end 2011	5.0%	5.0%	N/A
Estimated annual cancellation rate at year-end 2012	5.0%	5.0%	5.0%
Estimated annual cancellation rate at year-end 2013	5.0%	5.0%	5.0%
% of shares/options vested following satisfaction of the performance condition	100	N/A	100
Estimate of the number of options/shares vested in 2011	100,779	49,382	N/A
Estimate of the number of options/shares vested in 2012	106,095	51,986	16,724
Estimate of the number of options/shares vested in 2013	36,220	52,115	6,161
Valuation of options/shares *(€)*	35.34	35.34	16.16
Valuation as a % of the share price at grant	90.5%	90.5%	88.7%

** Statement of changes in equity*

Statement of changes in equity

(€ 000s)	
Opening equity at January 1, 2013	**329,204**
Net income for the year	1,762
Change in tax-regulated provisions	(19)
Capital increases [(a)]	6,455
Expenses related to capital increases	(102)
Dividend payment	(9,039)
Closing equity at December 31, 2013	**328,261**

(a) related to the dividend payable in shares

Note 10 Commitments

Commitments and contingencies

(€ 000s)	
Commitments given	
Guarantee *for* euro cash pooling agreement	16,000
Guarantee for the syndicated loan to Mersen Holding China and Mersen Chongqing	62,881
Counter guarantee given to Mersen Deutschland Holding on guarantees	3,000
Counter guarantee given to Mersen USA BN on guarantees	9,000
Security deposit paid to Ganton covering the Mersen USA Newburyport subsidiary	1,813
Lease covering rental of Mersen SA's premises	1,621
Other guarantees and deposits	1,363
TOTAL	**95,678**
Commitments received	**0**
TOTAL	**95,678**

Other reciprocal commitments

(€ 000s)	
Reciprocal commitments given	
Currency hedges	36,186
Raw material hedges	262
TOTAL	**36,448**
Reciprocal commitments received	
Currency hedges	24,271
Raw material hedges	262
TOTAL	**24,533**

Employee benefits

Retirement indemnities, long-service awards and defined-benefit top-up pension plans

(€ 000s)	
Present value of plan obligations at December 31, 2013	4,119
Mathematical value of plan assets	(120)
Unrecognized actuarial gains and losses	(1,984)
TOTAL	**2,015**

Other commitments related to financial instruments

(€ 000s)	
Fair value of financial instruments at December 31, 2013	
Interest rate swaps	(189)
TOTAL	**(189)**

Note 11 Leases

The Company did not hold any finance leases in progress at December 31, 2013.

Note 12 Executive compensation

The compensation and benefits paid to members of the Management and Supervisory Boards directly by the Company or indirectly by certain subsidiaries came to €1,677 thousand during 2013.

Net top-up pension obligations in respect of senior managers came to €2,685 thousand.

Note 13 Average headcount

	Salaried employees	Seconded employees
Executives	3	0
Supervisors and technicians	2	0
TOTAL	**5**	**0**

Note 14 Analysis of tax expense

(€ 000s)	Income before tax	Tax payable
Current	8,512	0
Exceptional	(8,250)	0
Tax benefit received from subsidiaries consolidated for tax purposes		1,500

Increase and decrease in future tax liability

(€ 000s)	Beginning of period	Change during period	End of period
Accelerated tax depreciation	(26)	22	(4)
Provision for GPC pension obligations	738	115	853
Top-up pension provision	292	(7)	285
Provision for senior manager pension obligations	468	301	769
Retirement indemnities	107	(5)	102
Accrued expense, social solidarity contribution	7	3	10
Paid vacation	16	(4)	12
Class action professional fees	0	2,500	2,500
Tax base or future tax credit (significant items)	1,602	2,925	4,527
Tax losses	55,403	29,503	84,906
Total	57,005	32,428	89,433
Future short-term tax rate adopted	36.10%		38.00%
Future long-term tax rate adopted	34.43%		34.43%
Amount of future tax receivable	19,627		30,792

Note 15 Tax consolidation

As of January 1, 2013, Mersen forms a consolidated tax group as defined in Article 223 A *et seq.* of the French General Tax Code. This tax group chiefly comprises Mersen France SB, Mersen France La Mure, Mersen France Gennevilliers, Mersen France Amiens, Mersen France PY and Mersen Corporate Services.

Tax expense is calculated for each subsidiary every year as if the company were not a member of the tax group. This tax expense thus takes into account the losses recorded by the subsidiary during the period for which it has belonged to the tax group, which it can offset pursuant to ordinary law.

No arrangements have been made for repayment of tax to a loss-making subsidiary based on each subsidiary's current situation. In addition, no compensation is provided for should a loss-making subsidiary leave the group.

The tax benefit recorded by the parent company primarily reflects tax payments made by subsidiaries in profit less the tax liability payable by the tax group to the tax administration.

Subsidiaries are jointly and severally liable for payment of their tax to the French treasury, should Mersen default on payment.

Note 16 Translation adjustments

(€ 000s)	Amounts	o/w set off by hedges or global currency position	o/w deferred foreign exchange gains and losses	Other
Foreign currency translation losses (unrealized)				
On financial fixed assets	2,353	2,353		
On miscellaneous borrowings	0	0		
TOTAL	**2,353**	**2,353**		
Foreign currency translation gains (unrealized)				
On financial fixed assets	845			845
On miscellaneous borrowings	3,451	2,353	894	204
TOTAL	**4,296**	**2,353**	**894**	**1,049**

Note 17 Treasury shares

Under the liquidity agreement established with Exane-BNP Paribas, the Company held 40,617 Treasury shares at December 31, 2013 and 200,000 Treasury shares repurchased in May 2013 to be cancelled in the future.

Note 18 Information about exceptional items

Exceptional income

(€ 000s)	
Management transactions	
Rebilling of professional fees and expenses	371
Other	6
SUB-TOTAL	**377**
Capital transactions	
Gains on the sale of treasury shares	498
SUB-TOTAL	**498**
Reversal of a provision for risk/Mersen Grésy	5,249
Reversal of a provision for settlement expenses	95
Reversals of accelerated tax depreciation	44
Reversal of impairment loss on Mersen Hellas	758
Reversal of impairment loss on Mersen Grésy	4,454
SUB-TOTAL	**10,600**
TOTAL	**11,475**

Exceptional charges

(€ 000s)	
Management transactions	
Professional fees and class-action expenses	631
Professional fees for Mersen Grésy disposal	422
GPC pensions for non-active workers	218
SUB-TOTAL	**1,271**
Capital transactions	
Losses on the sale of treasury shares	240
Net book value of Mersen Grésy investments	6,454
Net book value of Mersen Hellas investments	835
Mersen Grésy net book value (accrued coupon interest)	7,900
SUB-TOTAL	**15,429**
Allowance for accelerated tax depreciation	25
Addition to the provision for class action professional fees	2,500
Addition to the provision for Mersen Grésy liability guarantee charge	500
SUB-TOTAL	**3,025**
TOTAL	**19,725**

Note 19 Information about risk factors

The financial risk management policy is approved by the Management Board based on proposals submitted by the finance department. Currency and raw material hedging transactions are carried out subject to strictly defined procedures.

Liquidity risk

The Company has signed four major borrowing agreements.

A €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through the attached warrants (“OBSAAR” bonds) arranged in November 2007 (please see Note 9 for a detailed description).

A USD85 million private placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million with a final maturity of 12 years. The average duration of the private placement was initially around eight years because it is repayable in installments. The interest paid to investors carries a fixed rate.

A USD100 million private placement was negotiated in November 2011 with a US investor, comprising one USD50 million tranche with a final maturity of 10 years and one USD37.2 million tranche with a final maturity of 8 years, both with a bullet structure. The investor will receive a fixed rate of interest.

A syndicated loan arranged in July 2012 comprising two bullet tranches of €100 million and USD75 million respectively, both with a maturity of five years.

Bilateral loans arranged in July 2012 amounting to €55 million with an average maturity of four years.

Interest-rate risk

The interest-rate risk management policy consists in establishing positions from time to time as a function of the direction of interest rates.

Since the Company considered that interest rates are at low levels by historic standards, it decided to fix part of its cost of debt.

In May 2003, the Group purchased several interest-rate swaps covering an aggregate nominal amount of USD85 million to turn the interest payable on the US private placements into a floating rate. Under the terms of these swaps, the Company receives the interest payable to lenders and pays 3-month USD Libor plus a credit margin. The starting date of the swaps was May 28, 2003, and the swaps have the same duration as the US private placements. The amortization profile of these swaps mirrors that of the US private placements. At December 31, 2008, the swaps had a total nominal amount of USD66.4 million. These swaps were sold again in April 2009, bringing the debt back to a fixed rate.

In June 2009, the Company purchased an interest-rate swap covering an aggregate nominal amount of €39 million to convert the interest due on the OBSAAR borrowings into a fixed rate. Under this swap, the Company receives the interest due to the lenders and pays a fixed rate of 2.815% with a repayment profile and term equivalent to the OBSAAR borrowings.

In September 2012, the Company arranged two interest rate swaps covering nominal amounts of €20 million and GBP10 million in order to convert the interest on part of its medium-term confirmed debt into a fixed rate. Under these swaps, the Company receives the interest due to the lender and pays a fixed rate of 0.6575% for the euro swap and 0.86% for the sterling swap.

Raw material risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for the largest purchases.

The raw material price risk management policy currently consists in arranging forward raw material purchases with prime banking institutions. These are passed on symmetrically to the subsidiaries involved in raw material purchasing.

Currency risk

The currency risk management policy consists, based on a complete inventory of inter-company and external risks, in arranging forward currency purchases with prime banking institutions.

Except in special cases, the hedges arranged with banks are centralized with the parent company and passed on symmetrically to the relevant subsidiaries to hedge trading flows based either on specific orders or on annual budgets.

The Company does not specifically hedge its net foreign assets.

Note 20 Consolidation

Mersen is fully consolidated by the Mersen group.

Note 21 Subsequent Events

On February 12, 2014, Mersen announced that it had acquired a majority interest in Cirprotec, a company specializing in lightning and surge protection.

LIST OF SUBSIDIARIES AND SHAREHOLDINGS

(€ 000s) Detailed information (gross book value exceeding 1% of the share capital)	Share capital	Share-holders' equity excluding the share capital	% of share capital owned	Carrying amount in Mersen's books		Dividends received by the Company	Loans and advances, net	Gua-rantees and sureties given
				Gross	Net			
Mersen France SB SAS	40,936	307	100	49,589	49,589			
Mersen France Amiens SAS	22,477	2,195	100	25,402	25,402			
Mersen France Gennevilliers SAS	19,896	(5,715)	100	19,896	19,896			
Mersen Corporate Services SAS (France)	3,574	560	100	3,646	3,646	393		
Mersen France PY SAS	17,321	(18,707)	100	17,321	9,274			
Boostec (France)	1,085	(151)	85.26	5,442	5,442			20
Mersen Deutschland FFM AG (Germany)	10,021	15,983	10	1,635	1,635			
Mersen Deutschland Holding GmbH & Co. KG (Germany)	28,700	(7,761)	100	28,700	18,448		414	3,000
Mersen Argentina SA (Argentina)	136	512	97.99	962	807			
Mersen Oceania Pty Ltd (Australia)	713	2,980	100	702	702	1,173		
Mersen do Brasil Ltda (Brazil)	10,899	(8,740)	100	23,847	9,700			
Mersen Canada Dn Ltee/Ltd (Canada)	1,316	9,594	100	1,322	1,322	1,369		
Mersen China Holding Co Ltd (China)	87,821	(1,757)	100	79,386	71,386			23,955
Mersen Korea Co. Ltd (South Korea)	3,363	7,914	100	12,060	11,540	1,865		
Mersen Ibérica SA (Spain)	2,404	3,302	60	680	680	167		
Mersen Ibérica Bcn SA (Spain)	2,043	(28)	100	2,396	2,396	(200)		
Mersen USA Bn Corp. (United States)	49,478	27,337	100	68,926	68,926	18,511	54,383	9,000
Mersen UK Holdings Ltd (United Kingdom)	7,470	(36)	100	903	903			
Mersen Scot. Holding Ltd (United Kingdom)	63,452	(1,385)	100	57,000	57,000		17,992	
Mersen India Pvt Ltd (India)	2,311	4,661	100	8,739	8,521			
Mersen Italia Spa (Italy)	4,000	957	100	6,090	4,590			
Mersen Fma Japan KK (Japan)	346	1,834	8.70	2,977	917	251		
Mersen Maroc SARL (Morocco)	1,155	(142)	100	1,186	1,186			
Mersen Mexico Monterrey S. de R.L. de C.V. (Mexico)	1,585	750	100	1,149	1,149	1,058		1,045
Mersen South Africa Pty Ltd (RSA)	72	999	54.77	813	813	113		
Mersen Rus (Russia)	1,034	852	100	1,200	0			
Mersen Nordic AB (Sweden)	226	1,972	100	551	551			
Mersen Istanbul Sanayi Urunleri AS (Turkey)	964	1,097	100	5,016	2,907	592		
Aggregate information (regarding other subsidiaries and participating interests)								
Subsidiaries (at least 50%-owned)								
in France				88	10			
outside France				929	727	881		
Shareholdings (10% to 50%-owned)								
outside France				217	180	38		
Other shareholdings (less than 10%-owned)				**0**	**0**			
TOTAL				**428,770**	**380,245**	**26,211**	**72,789**	**37,020**

Statutory Auditors' report on the financial statements

Financial year ended December, 31 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended on December 31, 2013, on:

- the audit of the accompanying financial statements of Mersen SA,
- the justification of our assessments;
- the specific verifications and disclosures required by law.

The financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2013, and of the results of operations for the year then ended in accordance with the accounting principles generally accepted in France.

Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters.

The Company assesses on an annual basis the carrying amount of its participating interests and other fixed assets using the method described in Note 1 to the financial statements on accounting principles and methods. We conducted the assessment of the approach adopted by the Company, which is described in the notes to the financial statements, based on the information available, and conducted tests of how these methods are applied on a test basis.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

Specific verifications and disclosures

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

We have no matters to report concerning the fair presentation and conformity with the financial statements of the information disclosed in the Management Board's management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

With regard to the disclosures provided in accordance with the provisions of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers and on the commitments given to them, we verified their consistency with the financial statements and with the figures used to prepare these financial statements and, where appropriate, with the data gathered by the Company from companies controlling the Company or controlled by it. Based on these procedures, we certify the accuracy and fair presentation of this information.

In accordance with the law, we verified that the management report contains the appropriate disclosures of the identity of the holders of the share capital and voting rights.

The Statutory Auditors

Paris La Défense, March 5, 2014	Neuilly-sur-Seine, March 5, 2014
KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

Five-year financial summary

	2013	2012	2011	2010	2009
1. Share capital at year-end					
Capital *(€ 000s)*	41,633	40,702	40,577	39,886	39,291
Number of shares outstanding	20,816,364	20,350,969	20,288,354	19,942,777	19,645,409
Par value of shares *(€)*	2	2	2	2	2
2. Overall result of operations *(€ 000s)*					
Income before tax, depreciation, amortization, charges to provisions and employee profit-sharing [(a)(b)]	9,801	21,739	(61,808)	18,560	(12,862)
Income tax	(1,500)	(1,724)	(1,887)	(1,140)	(641)
Employee profit-sharing	0	0	0	0	0
Net income after tax, depreciation, amortization and charges to provisions	1,762	10,649	29,810	14,624	11,641
Total earnings paid out	9,259	9,136	20,234	14,937	9,802
3. Overall result of operations per share *(€)*					
Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions [(a)(b)]	0.54	1.15	(2.95)	0.95	(0.62)
Net income after tax, depreciation, amortization and provisions	0.08	0.52	1.47	0.73	0.59
Dividend paid on each share	0.45	0.45	1.00	0.75	0.50
4. Employees					
Average headcount	5	5	5	5	6
Total payroll costs *(€ 000s)*	954	1,040	2,072	1,400	2,967
Amount paid for welfare benefits *(€ 000s)*	371	334	627	418	700

(a) In 2011, income before tax, employee profit-sharing, depreciation, amortization and charges to provisions was negative because it reflected a non-recurring charge of €83,666 thousand for internal corporate restructuring. This charge was offset by the reversal of a provision for an equivalent amount, which is not included in the calculation of this income or earnings per share.

(b) Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions was negative in 2009 because it reflected an exceptional charge linked to the disposal of the automobile division. This charge was offset by the reversal of a provision, which is not included in the calculation of this ratio.

ADDITIONAL INFORMATION

8

Documents available to the public

Documents available for download from the Company's web site: www.mersen.com

The web site provides in-depth information about Mersen's products and markets, together with all the regulated information required, in line with the European Directive on Transparency.

Available documents notably include:

- This reference document as filed with the Autorité des Marchés Financiers;
- The 2013 interim report;
- Financial press releases;
- Financial presentations.

List of the information published or made public in 2013

Pursuant to Article 222-7 of the General Regulation of the Autorité des Marchés Financiers, the following list presents the information published by Mersen in 2013.

Press Releases

January 16, 2013 Mersen selected by the Alstom/Bombardier consortium to provide equipment for the new Montreal metro

January 30, 2013: 2012 sales - in line with expectations and stable compared with 2011

February 14, 2013: Mersen announces its withdrawal from certain non-strategic businesses

March 20, 2013: 2012 annual results

April 15, 2013: Mersen: appointments to the Supervisory Board

April 29, 2013: First-quarter 2013 sales

May 16, 2013: Report on the Annual General Meeting of May 16, 2013

May 27, 2013: Mersen: buy-back shares

June 11, 2013: European Space Agency to use Mersen's technology

July 1, 2013: Mersen receives Siemens' "top supplier" award in the category "Best Technology"

July 8, 2013: Mersen: sale of the Grésy industrial plant

July 26, 2013: Mersen: Second-quarter 2013 sales

August 29, 2013: Mersen: 2013 half-year results

September 12, 2013: Mersen successfully refinances its credit facilities in China

September 17, 2013: Mersen receives a grant from the National Science Foundation

October 29, 2013: Mersen: Third-quarter 2013 sales

November 7, 2013: Mersen at the heart of EUMETSAT's next generation of satellites

November 25, 2013: Mersen wins a contract with Siemens to equip its latest generation of wind turbines.

December 2, 2013: Mersen: sale of Brignais industrial facility

December 5, 2013: Bpifrance Investissement co-opted the Supervisory Board of Mersen

Presentations

March 20, 2013: Presentation of 2012 full-year results to the financial markets.

August 29, 2013: Presentation of 2013 half-year results to the financial markets.

Information included by reference

The following information is included by reference in this annual report:

Fiscal 2012

The following information is included in annual report no. D-13-0179 filed with the Autorité des Marchés Financiers on March 19, 2013:

- the consolidated financial statements for fiscal 2012 prepared in accordance with the IFRSs in force in 2012, together with the Statutory Auditors' reports on the consolidated financial statements, pages 102 to 154;
- the annual financial statements for 2012, together with the Statutory Auditors' reports on the annual financial statements, pages 156 to 177;
- the 2012 management report, pages 88 to 100.

Fiscal 2011

The following information is included in annual report no. D-12-0157 filed with the Autorité des Marchés Financiers on March 14, 2012:

- the consolidated financial statements for fiscal 2011 prepared in accordance with the IFRSs in force in 2011, together with the Statutory Auditors' reports on the consolidated financial statements, pages 100 to 149;
- the annual financial statements for 2011, together with the Statutory Auditors' reports on the annual financial statements, pages 152 to 173;
- the 2011 management report, pages 86 to 98.

Officer responsible for the reference document

Luc Themelin, Chairman of the Management Board

Mersen
Immeuble La Fayette, 2 place des Vosges
F-92400 Courbevoie La Défense 5
Tel.: + 33 (0)1 46 91 54 19

Statement by the officer

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, these financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, and that the management report on pages 95 to 108 presents a faithful picture of the business trends, earnings and financial position of the Company and of all the entities included in the consolidation, as well as a description of the principal risks and uncertainties they are facing.

That letter contains the following comment: without challenging their opinion regarding the consolidated financial statements, the statutory auditors draw your attention to Note 2w of the Note to the consolidated financial statements, which outlines the change in accounting method in respect of the application of the revised IAS 19 Employee Benefits from January 1, 2013.

I obtained an end-of-assignment letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit ID, stating that they have completed their verification of the information related to the financial position and financial statements provided in the annual report, and read through this entire report.

Luc Themelin

Auditors and fees

Statutory Auditors

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Date of first term: 1986

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Represented by Joël Assayah

KPMG Audit ID
Immeuble Le Palatin - 3, cours du Triangle
92939 La Défense Cedex

Date of first term: 2004

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Represented by Catherine Porta

Alternate Auditors

BEAS
195, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

Date of first term: 2004

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

KPMG Audit IS
Immeuble Le Palatin - 3, cours du Triangle
92939 La Défense Cedex

Date of first term: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Fees paid to the Statutory Auditors and members of their networks by the Group

	2013				2012			
	Deloitte		KPMG		Deloitte		KPMG	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
- Statutory audit, certification, review of the individual and consolidated financial statements	877	82%	744	87%	866	72%	734	92.5%
- Other accessory and audit assignments	78	7%	94	11%	206	17%	55	6.5%
SUB-TOTAL	**955**	**89%**	**838**	**98%**	**1,072**	**89%**	**789**	**99%**
Other services, etc.								
- Legal, tax law, labor law	103	10%	0	0%	74	6%		0%
- Other (state where > 10% of audit fees)	16	1%	17	2%	58	5%	4	1%
SUB-TOTAL	**119**	**11%**	**17**	**2%**	**132**	**11%**	**4**	**1%**
TOTAL	**1,074**	**100%**	**855**	**100%**	**1,204**	**100%**	**793**	**100%**

Expertise, our source of energy

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