Mersen

reference document 2014

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General overview of the Group

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Message from the Chairman of the Supervisory Board

The 2014 global economic environment was varied, but fairly sluggish overall. Europe treaded water, the United States showed an upturn in the second half, although driven solely by consumption, and the emerging countries posted very mixed performance, but as a whole, grew more slowly than in the past. In all these regions, industrial investment, which constitutes Mersen's main outlet, suffered in relation to the development of the economy in general.

For Mersen, 2014 was thus clearly still a difficult year, but one that showed signs of improvement: organic growth of 2% excluding the chemicals market (-1.5% in total), and a slight increase in the operating margin.

Above all, Mersen's performance illustrates our resilience given the difficult context of the past three years and our determination to come out on top. Sales have picked up again in several segments, such a power electronics, solar, and wind, thanks to the quality of our technical developments, the very active presence of our sales teams, and our world-class competitiveness.

Implementation of the Transform plan is now nearly complete. Its benefits are starting to be seen in the financial statements, but will be even more visible in 2015. It will result in a more effective industrial organization and the Group will thus be able to take full advantage of any market recovery.

In a context that may remain sluggish in Europe and in certain segments, such as chemicals, our performance should show more marked growth in 2015. We will continue our efforts to achieve productivity gains and our organization will continue to adapt in order to reach maximum efficiency.

I would like to thank our shareholders for their loyalty, despite unfavorable share price trends in 2014. We hope that this price will gradually reflect the ambitions we have stated for the future, our true potential, which can be achieved in an improved economic climate, and the value of our strategic positions. In recognition of the trust and loyalty of our shareholders, the Supervisory Board and the Management Board have decided to propose an increase in the dividend to €0.50 per share at the General Meeting of Shareholders.

In terms of governance, I would like to note there has been a partial replacement of members of the Supervisory Board, with the arrival of Ms. Isabelle Azemard in 2014 and Ms. Catherine Delcroix, beginning of 2015, each of whom brings valuable industry experience. I am delighted that there are now 4 women on Mersen's Supervisory Board, placing Mersen ahead of regulatory developments.

Last, I would like to thank all of the management teams and all of the Group's employees for their commitment to Mersen. Thanks to them, Mersen will continue to perform with strength and success.

Hervé Couffin

Message from the Chairman of the Management Board

In 2014 Mersen experienced a strong upturn in activity on its renewable energies and electronics markets, which partially offset the impact on the chemicals market of the non-renewal of a major contract and weak demand. The Asia-Pacific region grew by nearly 4% and the situation in North America improved sharply at year-end. In Europe, several countries, including Germany and Italy, experienced significant growth, which partially offset the decline related to the end of the Sabic contract. The Group also continued its acquisition policy this year, successfully integrating the Spanish company, Cirprotec, in early 2014, which will contribute to the electrical segment's growth strategy. Mersen thus posted sales of €731 million, a limited decline compared to 2013.

Despite this slight business contraction and an economic climate that continues to prove difficult, the Group demonstrated its resilience and adaptability, with a current operating margin of 8.2% of sales, up slightly over the prior year. This is the result of our transformation process, illustrated, in particular, by the Transform plan. It has helped Mersen become more agile, closer to its markets and its customers, with increasingly innovative products and solutions.

Thanks to the involvement of the operating teams, Mersen also continued its drive to enhance cash management by generating operating cash flow before capital expenditure and non-recurring items of nearly €80 million over the period. This is a very robust performance in a context of industrial restructuring and anticipation of growth of sales. Net debt is virtually stable compared with last year because of the impact of the appreciation of the US dollar with regard to the euro, but financial ratios remained robust, which allowed the Group to renegotiate favorable terms for its syndicated loan.

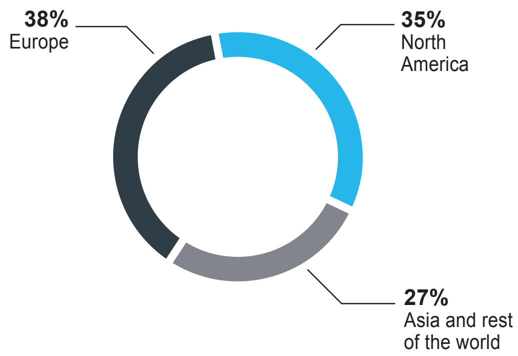
Mersen's ambition has not changed. We seek to achieve, in a favorable economic context, sales of close to €1 billion in 2018 with an operating margin before non-recurring items of 12% of sales. The 2015 economic climate remains unpredictable, but we expect a more favorable year than 2014. In that context, the Group will continue to bolster its efforts to create and innovate to increase its competitiveness, while continuing to implement the Transform plan. We will also continue our search for targeted acquisitions to expand our offering and accelerate our development.

I would like to thank our teams for their commitment. 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. We are thus well-positioned to embark on 2015 with confidence.

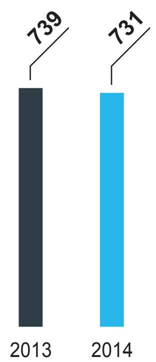
Luc Themelin

KEY FIGURES

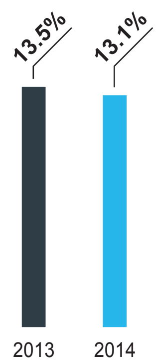
2014 SALES
Geographic breakdown



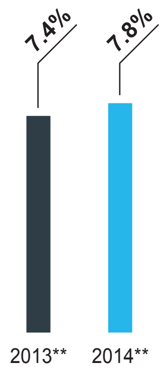
SALES
(in millions of euros)



EBITDA MARGIN
(in %)

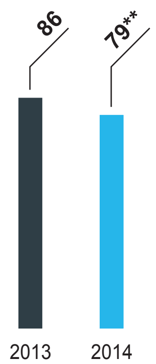


RETURN ON CAPITAL EMPLOYED* *(in %)*



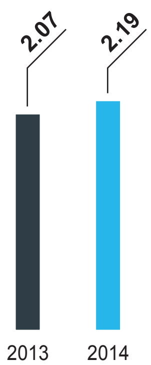
* Operating income before non-recurring items/average capital employed (net non-current assets including goodwill + WCR).
** Before one-off charges.

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



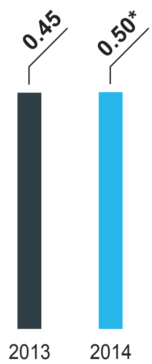
* After tax and working capital requirement and before capital expenditure - continuing operations.
** Excluding non-recurring items.

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) intended for 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 energSies 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, aerospace, and maritime) 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 2014

→ Improvements

The Group's 2014 sales were close to the 2013 level. The year was characterized by momentum in our renewable energies and electronics markets, which offset the depressed chemicals market.

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 delivers 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.

The steep decline in cell and polysilicon prices over the past four years has made this energy more cost-efficient and brought it closer towards grid parity in a number of countries. Solar panel installation is therefore continuing to progress worldwide, with particularly significant growth in 2014 in China, Japan and the United States. In 2014, approximately 47 GW were installed, compared to 41 in 2013.

Mersen continues to be a key partner for high-end polysilicon manufacturers, such as Wacker Chemical, Hemlock, SunEdison and GCL, and supports them in their new investments. The Group also supplies graphite components for crystallization furnaces to solar cell manufacturers. These customers, primarily Chinese, have improved their processes and thus helped to improve solar energy efficiency. The market continued to be affected by over-capacity in 2014 but the Group performed well, thanks to innovation and operational improvements.

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 2014, business was particularly brisk in this area in North America, Japan and India. Mersen was also chosen to participate in the project to build the largest solar farm in Europe, located in the town of Cestas, near Bordeaux, France. The Group is supplying components specifically adapted to the photovoltaic application, including low-voltage switches, surge protection system, fuses and fuse holders, for a total of more than 200,000 units that will protect the entire facility, upstream of the converter.

In the **wind energy** segment, Mersen delivers solutions for generator power distribution, motors and distribution equipment (fuses, surge protection devices, bus bars and coolers), electricity generation (slip-ring assemblies, brushes and brush-holders) and pitch motors and yaw motors (signal transmission systems, brushes and brush-holders). 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.

Mersen stood out on the replacement market in the US in 2014, in particular thanks to steady business with NAWSA (North American Wind Service Alliance), the leading repair-distribution network specializing in wind energy in North America. This company deployed its expertise in the replacement market in China in 2014, making inroads with Chinese generator manufacturers (Sinovel, United Power and DEC) and Western manufacturers operating in Asia (Gamesa and GE).

In the original equipment market, Mersen signed a framework agreement in 2014 with ABB to supply slip rings, brush-holders and graphite brushes designed specifically for ABB's new range of generators that use brush technology. The first orders were placed in 2014 in India, China, and Austria, with Mersen's presence in these countries offering a clear competitive advantage. Thanks to the successful completion of the initial orders, the agreement was extended at the end of the year to Brazil, where the Group also has a solid presence.

Mersen is also present in other segments of the renewable energies market, including **hydro**. 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). In 2014, the Group positioned itself successfully on two PSP (Pump Storage Power) projects, Alstom's Linthal Project in Switzerland and Voith's Frades II project in Portugal. Mersen supplies large-diameter brush rockers designed in collaboration with the prime contractors' teams. The Group is also present on the maintenance and services market.

Last, business slowed in the **conventional energies** segment, but the Group continues to pursue developments intended to facilitate equipment maintenance. The Group's ability to develop made-to-measure and plug-and-play systems and to offer reengineering solutions has thus generated several contracts, in particular, with Alstom in Germany.

The energy market as a whole represented 18% of Mersen's sales in 2014, compared 16% in 2013, with growth of more than 10% compared to last year.

Electronics

Mersen is active in two areas of the electronics market.

- Mersen's **materials segment** supplies primarily 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.

  In 2014, Mersen's position vis-à-vis the Western technology 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. In the silicon electronics segment, the Group is the lead supplier of graphite susceptors for ion implantation, and is the preferred supplier for Applied Varian, the industry leader, delivering to both the US and China.
- Mersen also provides custom-made **power electronics components** (sophisticated cooling and bus bar systems and fuses) to equipment suppliers 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, in transmission grid and energy distribution interconnections.

  In 2014, the Group completed investments in China, providing it with a high-performing industrial platform that can serve customers in the area. In terms of commercial organization, Mersen now has a global network of specialized engineers who can meet customers' needs worldwide and support their international development.

The business was very active in 2014. The Group was selected by the South Korean company Dawonsys, which won the ITER Korea Agency contract to manufacture power converters for the ITER (International Thermonuclear Experimental Reactor). Mersen will provide cooling devices and semi-conductor fuses, among other components. The Group won market share in Asia, thanks particularly to its success with customers such as Fuji Kobe (Japan - UPS facilities). New Chinese actors also selected Mersen to supply bus bars for HVDC lines (RXPE) and variable speed drives (Tianxin).

The electronics market represented 18% of Group sales in 2014, compared to 16% in 2013, with growth of more than 6% compared to last year.

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 (including heat exchangers, columns, and reactors) that perform heat exchange and transfer highly corrosive and high-temperature fluids. In addition to individual pieces of equipment, Mersen offers turnkey process solutions.

After two robust years led by deliveries of critical reactive metal equipment for the Sabac Group, the business slowed in 2014.

However, turnkey systems remain a significant aspect of this business, driven by the needs of the chlor-alkali market. The business was particularly robust in North America and the Middle East, led by investments in the oil and gas and water treatment markets. On the other hand, Europe remained stable. However, activity there should increase in the future, given the European legislation requiring mercury cell technology to be phased out and replaced by membrane technology by late 2017.

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. Thus in 2014, we delivered heat exchangers in China, South Africa (Foskor) and Morocco to our long-time customer OCP (Office Chérifien des Phosphates). We also received a major order from the South Korean engineering company Hanwha Engineering & Construction, to equip a new phosphoric acid production unit in the Persian Gulf. This unit will be an integral part of the phosphate product industrial complex to be built in northern Saudi Arabia.

We have also worked successfully with a Japanese engineering firm on a project to expand a synthetic rubber plant based in Singapore, delivering a turnkey PTFE pipe solution.

The Group also delivers heat exchangers and turnkey hydrochloric acid production systems for the isocyanate market (TDI/TMI), intermediates in the production of polyurethane foam in Europe and the Middle East. This market continued to grow in 2014, driven by demand related to construction, automobile production and consumer goods.

Last, in the specialty chemicals market (herbicides, food additives and paint), the Group received orders for heat exchangers from the US and Europe. We also continued our collaboration with Corning in the development of continuous-flow reactors.

In 2014, the Group reorganized its anticorrosion equipment maintenance and services in order to expand this offering to its customers.

This market generated 13% of sales in 2014, compared with 16% in 2013.

Transportation

With soaring demand for passenger transportation and also growing demand for the transport of goods, one of the solutions viable from a long-term perspective is the development of mass transit, air and rail transportation systems, which require high-performance and ultra-reliable electrical systems.

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, brush-holders) and electrical power supplies (current collectors, grounding systems, third-rail shoes, pantograph strips) and draw on the Group's expertise, which is widely recognized by the leading manufacturers.

The rail sector continues to grow, driven by increasing urbanization in emerging countries, environmental concerns, and fuel costs. Traffic is increasing by approximately 5% annually and the global market should grow by an average of 2.6% between now and 2017.

In 2014, the worldwide rail market continued to expand by around 2.5% to 5% depending on the market segment (rolling stock, infrastructure, maintenance and interoperability), representing approximately €160 billion in volume. Network interoperability needs have grown by approximately 5%. By type of network, subways and goods transport showed the greatest growth, from 5 to 6%. Demand for high-speed trains slowed after record equipment years in China, but continues to grow at about 2%.

Western Europe remains the largest market in geographic terms, followed closely by Asia-Pacific and North America, which totaled nearly 68% of purchasing volumes in 2014. The Chinese manufacturers CSR and CNR, which moved, respectively, to first and third positions worldwide in 2012, are competing increasingly with traditional actors on all markets.

Mersen's local commercial and industrial presence and its long-time positioning with all major manufacturers - including Chinese - contributed to many successes in 2014, particularly when the ability to assemble products locally is a commercial requirement.

Mersen experienced significant demand in the area of high-speed trains in China in 2014. The Group supplied coolers for Siemens trains deployed in China and earth return current units for Chinese manufacturers' trains (CSR and CNR). The Group is also positioned on new metro and intra-urban link projects in Eastern Europe, Southeast Asia and Latin America, as well as the Arabian Peninsula. With regard to the European market, Mersen received approval for its carbon pantograph strips under the DIN standard. Having completed this essential step, the Group can now target German, Austrian and Swiss transport systems in coming years. The Group also obtained a particularly significant order for the Zaragosa (Spain) tramway to supply static current collectors with fast standstill recharging (20 seconds) for catenary-free tramways.

The Group also continued to deploy 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. In 2014, the Group continued its partnership with the London Underground to handle maintenance of its subway trains.

The **air transport** market remained strong in 2014, although at a lower level than in 2013.

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. With the continuing trend toward more electric aircraft and growing efficiency needs, Mersen's market share in each airplane is increasing.

The Group works with many leading industry subcontractors to the major aircraft manufacturers, Airbus, Boeing, Bombardier and Embraer. In 2014, Mersen continued to deliver coolers to Thales to equip the B-787 Dreamliner planes. For the first time we obtained qualification on an engine produced by the German manufacturer MTU, which will generate additional business in coming years.

In the **space** segment, Mersen delivered its first silicon carbide components for the Euclid project as an Airbus Defence and Space sub-contractor. After participating in the design, we supplied the mirrors and structure of the large silicon carbide telescope. Thanks to its unique properties, such as lightness and exceptional thermomechanical stability, silicon carbide is particularly favored for space applications.

The transportation market contributed 16% of Mersen's sales in 2014, unchanged from 2013.

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 and brush-holders, industrial fuses, coolers, laminated bus bars, surge protection devices, thermal insulation products, heat exchangers and customized graphite components. The Group also provides services and maintenance solutions.

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.

The business was affected by an unfavorable economic environment in 2014 and, to a lesser degree, by the shift of steel production to Asia. Thanks to its worldwide organization, the Group has captured part of that business in Asia, but local manufacturers obtain a significant share of it.

The Group is also well-positioned in the electrical discharge machining market in Asia, Europe, and the United States, thanks to the specific grades of graphite for high-precision parts. Mersen supplies sophisticated graphite for Samsung's partners, who manufacture molds for the new generation of Galaxy devices.

Mersen is well-positioned with regard to large mining contractors in Australia, such as Rio Tinto and BHP, and supplies brushes and bus bars to specialized machine manufacturers, including Caterpillar and Joy Global. The Group was affected by the 2014 decline in mining in Australia.

In Europe, the Group provides unique services to steel companies (in particular, maintenance of rolling mill engines), strengthening commercial relationships over the long-term.

The Group offers a unique range of speed drives, in general, and is thus well positioned with regard to actors such as Siemens, Schneider and Semikron in the pump and fan motors. We also serve the paper, food, and water industries through customers like Vacon.

The Group focuses on the high end for process industries as a whole.

We generated 35% of our sales on this market in 2014, compared to 36% in 2013.

→ A balanced geographical presence

Mersen's geographical presence forms part of a strategy to establish close relationships with the leading industry players in its markets. Thanks to its powerful commercial network, Mersen can support customers' international development and also benefit from growth in local markets where we hold leadership positions.

The situation over the course of 2014 varied from region to region. It improved gradually in the North American region, ending with sharp growth, and remained positive in Asia throughout the year, excluding the impact in the fourth quarter, of the Group's decision to discontinue carbon steel equipment. Last, the situation remained depressed in Europe. In 2014, Mersen generated 38% of sales in Europe, 22 % in Asia, 35% in North America and 5% 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.

The Group's approach is part of a continuing program. In 2014, innovation focused on two principal areas, as in previous years:

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

The major innovations finalized in 2014 or still under development include:

- developing new grades of graphite at competitive costs for the least demanding applications (in terms of technical properties);
- developing surge protection systems that integrate electronic defect detection and predictive maintenance;
- developing contactless signal transfer systems to improve data transmission reliability;
- Patented, high voltage, current-limiting fuse technology that can replace other solutions and improves security in extreme conditions in wind and solar energy conversion applications; and,
- developing a continuous carbonization process for rayon fiber that reduces energy consumption, cuts manufacturing costs and improves quality and uniformity during the production of insulating felt.

Business activities at a glance

Materials (AMT)

- €280 million in sales.
- 38% of total sales.
- World no. 1 in graphite anticorrosion equipment [1].
- World no. 2 in high-temperature applications of isostatic graphite [1].

(1) Source: Mersen

Product range and applications

The materials segment product range performs two key functions that meet customer needs:

- Resistance against very high temperatures: Mersen's range includes isostatic graphite equipment, carbon-carbon composites, carbon-bonded carbon fibers, and silicon carbide for solar applications, semi-conductors and other refractory processes, electrodes for electrical discharge machining, and kiln linings.
- Protection against corrosion: this is provided by equipment using graphite, reactive metals (tantalum, zirconium and titanium) and fluorinated polymers (PTFE) for the chemical, pharmaceutical and metallurgy industries.

Priorities

- Develop high value-added applications employing isostatic graphite and other materials.
- Accelerate the development of downstream production activities in graphite (including surface treatment)
- Become a leading supplier of finished, high-quality products for the solar energy and electronics sectors.
- Continue to develop complete solutions, including services and maintenance for corrosive and high-temperature chemicals and pharmaceuticals.

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):

- Airbus Defense & Space (France)
- Applied Varian (United States)
- BASF (Germany)
- Bayer (Germany)
- Canexus (Canada)
- Cree (United States)
- Hemlock (United States)
- Jacobs (United States)
- OCP (Morocco)
- Safran (France)
- Samsung (South Korea)
- Solvay (France)
- Technip (France)
- 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)

- €451 million in sales.
- 62% of total sales.
- World no. 1 in brushes and brush-holders for industrial electric motors [1].
- World no. 2 in industrial fuses [1].

(1) Source: Mersen

Product range and applications

The electrical segment product range performs three key functions over the entire electricity chain that meet customers' needs:

- Power supply: ensures the stable, constant generation, flow and transformation of the current in industry (steel, mining, and power plants) and transport (rail, aeronautics, aerospace and maritime). This function is performed with brushes, brush-holders, and slip rings used in generators and engines, and special collection systems for the rail sector.
- Electrical current protection: prevent the destruction of industrial and commercial electrical equipment, ensure an uninterrupted power supply, and help to stabilize the electrical network. This function is performed by industrial fuses and all related accessories (to prevent short circuits) and by surge protection devices (to protect against damage from power surges).
- Power conversion: change the nature, voltage, intensity or frequency of the current to meet very diverse applications, such as motor speed variation and the transformation of solar and wind energy. To perform this function, Mersen designs special coolers, bus bars and fuses that are integrated around power electronics components.

Priorities

- Pursue continued growth worldwide, with a particular emphasis on Asia
- Maintain a strong and profitable position on mature products (brushes, brush holders and industrial fuses)
- Accelerate the organic development of high-growth products (complete range for wind power, surge protection devices and bundle offer for power conversion) via innovation or acquisition.

Principal competitors

(in alphabetic order):

- Aavid (United States) – coolers
- Dehn (Germany) – surge protection devices
- Eaton/Bussmann (United States) – industrial fuses
- Lytron (United States) – coolers
- Methode (United States) – bus bars
- Morgan advanced Materials (United Kingdom) – brushes, brush-holders, pantograph strips, etc.
- Phoenix Contact (Germany) - surge protection devices
- Rogers (United States) – bus bars
- Schunk (Germany) – brushes, brush-holders, pantograph strips, etc.

Principal customers

(in alphabetic order):

- ABB (Switzerland)
- Affiliated Distributors (United States)
- Alstom (France)
- Arcelor Mittal (France/India)
- Bombardier (Canada)
- Gamesa (Spain)
- GE Wind (United States)
- Hitachi (Japan)
- Imark (United States)
- Lafarge (France)
- Mitsubishi (Japan)
- NAWSA (United States)
- Rexel (France)
- Rockwell Automation (United States)
- Safran (France)
- Schneider (France)
- Siemens (Germany)
- Senvion (Germany)
- Sonepar (France)
- Thales (France)
- Voith (Germany)
- Weg (Brazil)

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 financial scope of consolidation based on the following principles:

- Social and societal reporting: all companies except for those acquired less than a year ago[2].
- Environmental reporting: all companies whose production generated sales of more than €15 million at year n-1[3], 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 2014, they accounted for around 63% 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.

(2) Only the workforce figures include all companies falling within the scope of financial consolidation.

(3) See page 36, «Environmental indicators» for more information.

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:

- defines the framework's indicators;
- 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

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.

→ Information regarding the collection of social data

Social information is collected through an HR information system used in all the Group's consolidated companies, with the exception of a 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 the latter companies (scope not included in the human resources information system, HRIS), which represented less than 1% of the workforce in 2014.

The HRIS model chosen is based on monthly data collection, performed by the local teams. Once this data has been collected, it is archived in the system and cannot be changed. The Group thus cannot ensure the perfect reliability of certain data that may be subject to minor subsequent modifications, particularly data regarding employee hiring and departures, and cannot reconcile these employee movements with the year-end extracts of workforce figures. The local HR teams are regularly informed and trained in order to improve the quality of monthly reporting.

→ Information regarding certain 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.

As data on absenteeism in the US is not systematically monitored in the local HR information system, this data has been reprocessed manually at the end of the fiscal year.

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. The accidents taken into account are those considered to be directly work related following investigation by the health and safety managers and for which the Group may have preventive action to take. Certain events, such as non-work related conditions or commuting accidents, are, for example, excluded, even if they have been declared workplace accidents by the relevant authorities.

Agreement

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

Biodiversity

The Group has not identified any specific concerns in terms of issues related to the preservation of biodiversity and its operations. Thus, no specific measures are taken to monitor this indicator.

Consumption of raw materials

All the companies included in the Group's environmental consolidation scope collect information on the consumption of raw materials. With regard to the indicator on copper consumption, the 2013 report revealed the use of an inconsistent method for taking changes in inventories into account. Efforts undertaken in 2014 have made this information more reliable. However, the implementation of new collection tools at some sites and the resulting change in methodology continued to affect the accuracy of performance monitoring in 2014.

Corporate governance bodies

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

Disabled employees (operations in France)

As the Group has a presence in a large number countries it is subject to the various local laws. Accordingly, this information is 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 on the tables 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 time limit on claims, 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; and,
- 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.

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 working time and social dialog

Because these concepts vary significantly by country, this 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.

Senior employees

Employees over 55 years of age.

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.

The HRIS model used is based on monthly data collection. Because training is not provided systematically on a monthly basis, they are subject to manual reprocessing at the end of the fiscal year.

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 have 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. Ces derniers couvrent des sujets considérés comme des principes et droits fondamentaux au travail, à savoir : In its HR management, the Group complies with the fundamental principles and rights at work laid down in the International Labour Organization's (ILO) fundamental conventions, which cover aspects such as the freedom of association, the right to organize and collective bargaining, the abolition of all forms of forced and compulsory 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 Group's forward human resources planning process and consistent with the strategic planning process, each division prepares an annual forecast of the skills and expertise it will need in the medium term, in keeping with its priorities and those of the Group.

This analysis is consolidated at the Group level, based on Mersen's reference job framework. This framework, which was updated in 2012, identifies and describes, 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), 88 Group reference jobs that are common to all divisions. This mapping, which covers all company employees, was expanded in 2014 with the development of a skills guide associated with each reference job. This effort to define jobs and skills was achieved through a close collaboration among the HR teams and operational managers representing the Group's divisions and regions. The latter were involved in the project groups sponsored by the members of the Executive Committee.

This mapping, which describes the jobs, their challenges, specificities and associated skills, should enable the Group to increase the effectiveness of its HR policies (including hiring, mobility and training):

- Training: the Group will rely on the new job skills guide to offer training programs by support function and, thus, continue to develop expertise and professionalism within the Group. An initial e-learning program was offered in late 2014 to all Procurement employees through the new Mersen Academy training platform.
- Annual performance evaluations: employees with the same position will be evaluated in terms of the same skills. This will strengthen the objectivity and soundness of the Group's evaluation process.
- In terms of hiring, this guide will be used to refine the description of the skills sought.

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. The Group has thus committed to hire, in France, 30 employees under the age of 27 (under open-ended contracts) and 200 young people under apprenticeship or vocational training contracts by mid-2016. In addition, 80 internships for young people following a certification curriculum will be offered every year. The Group recognizes the challenges involved in training young people and intends to provide individualized monitoring for youth. A new assignment has been created – that of mentor/advisor – to welcome young people into the company and guide them through the process. One of our apprenticeship managers who supported an apprentice over a two-year period at Mersen's Saint-Bonnet-de-Mure site was honored at the Trophées de l'Apprentissage Industriel, the industrial apprenticeship awards ceremony. This annual prize is given by the Lyon Mermoz industrial apprentice training center, CFAI. It recognizes the activities and successes of apprenticeship instructors.

The professional integration of young people is also a key element of HR policy in the United States. Mersen Rochester, for example, signed a partnership with local schools under which skilled workers at the site welcome and train young people from those schools. The purpose is to prepare for the future by identifying and preparing those young people who will take up the ropes further down the line.

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.

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 skills 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 skills 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 to prepare for this interview. The results of experience interviews will be used to enhance succession planning.

Lastly, highly motivated employees with expertise in a key area for the Group may be asked to become mentors. This kind of mentoring ensures the proper transmission of professional knowledge, which concerns everyone, whether experienced managers, engineers, technicians or operators.

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 the sharing and synergies of R&D resources among of the Group's various units.

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

- The modification of an internal online database to include a list of 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.

Exchanges with outside experts are also encouraged. For example, the Group entered into a partnership with French laboratories, productivity clusters, universities and engineering schools under a Unique Interministerial Fund (FUI) project. This collaborative project, FE^2E (economically and environmentally efficient fuses), integrates these partners in areas of advanced research (including materials, electrical engineering and modelling). In the field of materials, the Group is collaborating on the FORCE(1) project, launched this year to develop a low-cost carbon fiber sector in France. Working within a consortium comprised of French manufacturers and laboratories, Mersen is involved as a technical expert in this strategic project for the industry of the future, providing our knowledge of high-temperature processes and carbon materials used in the carbon fiber production chain. These collaborative projects reflect the Group's interest in and ability to meet significant technological and manufacturing challenges.

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. To this end, a targeted training program on cross-divisional and project management was developed for the teams in charge of the industrial consolidation plans. This program will be expanded via e-learning in 2015. 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

With the increasing complexity of Mersen's organizational structure resulting from the Group's expansion into new regions and the development of new intercultural relationships, Mersen has revised its managerial skills guide.

(1) Fibre Optimisée Réaliste Carbone Economique.

This guide must take into account both the Group's diversity (including cultural and generational) and aspects of its managerial environment (including management of workshops or international managers and local or remote management). The members of the Group's Executive Committee, as well as approximately 60 managers from different countries, cultures and business lines, are thus working on this to define shared Group management principles. The guide will be distributed and shared within the Group in 2015 before being integrated into the existing HR processes (including hiring, integration, annual evaluation and training).

It is also essential to support the Group's managers on a day-to-day basis. Using its distance training platform, the Group offered training in 2014 on various management topics (from individual to team), including certification training during which the manager receives support from a remote coach. Management training activities will remain a Group priority in 2015 and will be based on the new Group guide.

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. With a heightened presence on social networks (LinkedIn, Viadeo and Xing), the Group is improving the visibility of its job postings and is thus increasing its appeal. The Group highlights the diversity, energy and collegiality of its teams worldwide on its Facebook page.

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. Joint coaching can also be provided, which encourages team-building and strengthens team effectiveness.

HR tools available to managers

The annual review is one of the key aspects of the skills development process implemented within the Group. Annual reviews, a key opportunity for dialogue 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 HRIS can be used to manage online forms and facilitates annual reviews.

An additional tool was added in 2014. It sets objectives for new Group hires and allows the objectives set at the beginning of the year to be revised at mid-year, when necessary (based, for example, on changes in the environment).

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 made systematic 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 provides 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

By expanding access to e-learning to its employees around the world since 2013, the Group underscores its investment in skills development and support as jobs change. The Mersen Academy, the new e-learning portal, allows 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 training courses offered in 2014 were expanded, with more topics and sessions. At one-off events, such as the August 2014 Summer Campus, employees are invited to spend time on their personal development, adopting an independent learning approach. A quarterly newsletter has been launched and has helped to create interest in this program. It encourages employees to participate in this skills development process. 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 learning forum for geographically dispersed teams. An HR community will be launched on the platform soon to promote ongoing exchange, particularly around best practices, among HR professionals worldwide.

The Group is also encouraging certification training, over the course of employees' working life, through sector-based joint qualification certificates (including metallurgy and chemicals) and degree training. Several dozen employees from all regions participate in e-learning training programs certified by Essec Executive Education or the Institute of Leadership and Management (ILM). In Mexico, the Group offers employees at its Juarez site who want to continue their studies the services of a guidance office and allows them to take time off during exams. In 2014, 34 employees participated in this program. Approximately one-third earned a diploma.

More generally, in order for a Group like Mersen which holds a leadership position in many of its markets, to remain competitive, it must maintain excellence in its technical fields. In late 2014, the Group established an internal training school at its Saint-Bonnet-de-Mure facility to improve the quality of the fuses it produces. The training is provided by internal trainers and is available to all workshop employees.

In all, the Group devoted 1% of its total payroll costs to training in 2014, i.e. an average of 10.4 hours of training per employee.

Training	2014	2013
Spending on training as a% of total payroll costs*		
Group total	1.0	1.0
• o/w France	1.9	2.1
Average number of hours per employee*		
Group total	10.4	14.6
• o/w France	12.7	12.5

(*) Scope consolidated within the HRIS excluding the sites of Hittisau (Austria), Wenzhou (China), Vantaa (Finland), Cevins (France), Eggolsheim, Francfort (Germany), Kista (Sweden) and Berne (Switzerland)

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

The Human Resources Information System 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 2014, the salary revision module was improved, with the integration of new functionalities. In addition, to strengthen its communications on the Group's compensation policy, an Individual Payment Slip was issued to employees at a pilot French site for the first time. Use of this transparent, educational tool will be expanded in 2015. Other areas to be developed, such as a review of benchmark positions so that they can be classified (associated with the new Group job mapping), are being prepared.

Development of HR marketing

To attract the talented employees 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 (including France, the United States, China and Germany) to raise the profile of the Group and the jobs it offers among students. The Group regularly attends school events and student fairs in these countries and holds open days. In 2014, in partnership with EM Lyon, it also involved European students in its efforts to revise its managerial skills guide.

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 holding a made-to-measure program for them entitled "I Become Mersen".

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

The online Mersen Academy strengthens this effort by facilitating knowledge transfer to all new arrivals. Since this year, every new hire must complete safety training, which is available via the e-learning safety module.

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, entitled "We Become Mersen".

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.

Prevention in this area involves ongoing efforts to raise employee awareness of safety issues. This begins as soon as the employee enters the company. All new hires must watch a Group safety presentation (available via e-learning in English, Chinese, Spanish, and French).

This module presents and explains clear and understandable rules to all Group employees. Nine "Golden Safety Rules" are the foundation of the system. They address the main risks that may be encountered in our plants (traffic flow, posture, protective equipment, working on energy-powered systems, lifting operations, height work, confined spaces, risk situations and co-activities).

A survey of potentially fatal risks was also conducted at all Group subsidiaries. All employees were trained on generic risks, such as falls and electrical risks. A more targeted training was provided to employees who work on more specific equipment or in more specific environments.

As part of building a safety culture, we also publish a monthly report of safety results, together with an analysis, and disseminate best practices.

Most Group managers incorporate at least one safety objective in their annual targets.

In occupational health, Mersen has embarked on a program to develop well-being in the workplace, which paved the way for the signature of an agreement by all the labor partners in France. 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 monitoring a number of indicators per plant (including staff turnover, absenteeism rates and the percentage of new projects taking psycho-social risks into account).

To improve ergonomics, multidisciplinary working groups (operators, managers, technical departments, occupational medicine, safety officers, and workplace health and safety committees) are being formed at the sites to identify risks and improve workstation design in production, administrative and technical departments. These processes are intended to reduce incapacity at work, occupational diseases, and absenteeism. As in the area of quality processes, their objective is to take action as early as possible to prevent risks. Osteopathy treatments were thus offered during working hours at certain plants.

The French regional agency for the improvement of working conditions (ARACT) awarded the Amiens site in 2014 the "Qualité de vie au travail" (quality of working life) award. This award recognizes efforts to design workstations that can help production workshop employees avoid musculoskeletal problems.

After a 2012 analysis of French employees' exposure to occupational stress factors, an agreement to prevent such stress within the Mersen Group was signed on January 31, 2015. Its goal is to retain Mersen employees for as long as possible and keep them healthy by reducing co-exposure and improving workstation design when possible.

A charter calling for improved work-life balance has been deployed in France. It addresses four elements: the scheduling of meetings, maternity and paternity leave, flexible working hours and working at home. In France, as in the US, work-at-home arrangements have been established for several dozen employees.

The Mersen facilities around the world have organized actively in support of employee health, with initiatives ranging from setting up a gym (Rochester, NY), to providing free employee health assessments (St. Mary's, Pennsylvania) and sponsoring running races (Pagny, France).

These various measures, which take a resolutely long-term view, emphasize prevention. They contribute to maintaining a relatively low absenteeism rate within the Group.

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

Absenteeism

As a percentage	2014	2013
Absenteeism rate	3.3%*	3.3%

(*) Scope consolidated within the HRIS excluding the site of sites of Bogota (Colombia), Vantaa (Finland), El Paso (Mexico), Kista (Sweden), Holytown (UK), Greenville and Rochester (United-States).

Diversity

The diverse origins, educational and cultural backgrounds, and ways of thinking of the Group's teams represent major advantages stimulating its creativity. Mersen is an international group and the diversity of its employees offers another advantage by providing insight into the needs of customers worldwide.

Mersen thus encourages a company culture characterized by mutual respect and recognition of each individual's intrinsic value. This attitude, which is deeply rooted in actions and behavior, is exemplified by the US site in Boonton, N. J., where individuals of 25 different nationalities work together day-to-day to help the business prosper.

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.

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 practice at nearly 90% 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	2014	2013
Plant managers/local nationality	87%	91%

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 hierarchical system. WiN also aims to become an international network within the Group that can take part in inter-company events and share experiences. In 2014, female Group managers participated in the women's entrepreneurship week held in the Rhône-Alpes region to promote women's participation among middle school, high school and university students. In collaboration with the Human Resources department, the WiN network at the Mersen Pagny facility offers training to women there to support their professional development and satisfaction.

Gender balance has been clearly identified and stated by Mersen as a priority area for improvement. Constant effort is required to integrate more women in all our business lines, including production. Numerous initiatives have been introduced in the last few years, including hiring, career tracking, community, awareness-raising among managers, remuneration, greater flexibility for parents in professional life, and organizational modifications. At the Saint-Bonnet-de-Mure facility, for example, the PTRV production workshop was completely reorganized, eliminating or reducing physical constraints to the extent possible, thus enabling female operators to work there.

The proportion of women managers is approaching the Group's objective to reach at least 20% female managers. Twenty-one percent of the members of the corporate governance bodies (Supervisory Board, Management Board and Executive Committee) are women.

As a percentage	2014	2013
Women on corporate governance bodies	21%	20%

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. Facilities around the world are stepping up to help the disabled. In India, the Mersen site regularly takes on new employees with major disabilities (including deaf people) in its production workshop.

Labor dialogue

The Group Works Committee in France and the European Works Committee provide a forum for dialogue 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.

In addition, several study meetings and negotiations were held during 2014 during meetings of the commissions monitoring various agreements (health costs, incentives, and simplification of Mersen's corporate mutual funds (FCPE) established under a collective pension savings plan (PERCO)).

Social dialogue and consultation

At the start of the year, the Group announced the launch of a consolidation plan – the "Transform" plan - to improve the Group's competitiveness by optimizing its industrial facilities. This overall plan is intended to simplify the Group's industrial base, particularly in Europe.

Six of the European industrial facilities were concerned, either as the result of a shut-down (Cevins in France, Patrica in Italy, Portslade in Great Britain and Jestetten in Germany), with resources and volumes reassigned to other Group facilities, or of downsizing (Frankfurt in Germany and Milan in Italy). In the United States, the plan provided for the closure of the Oxnard (California) and Midland (Michigan) facilities and redeployment of their production. A total of 320 positions were cut.

Simultaneously with the consultative and information processes involving the representative bodies of the employees concerned, both at the European and local levels, and without waiting for these processes to conclude, the Group took several actions intended to prepare for possible psycho-social risks and support employees interested in initiating their own career planning process.

In addition, the employees at the sites concerned were offered the opportunity to work at other Group facilities (for those who accepted geographic mobility). This process was closely supervised and managed to ensure equity and consistency in the mobility terms and conditions. Several mobility arrangements were thus established, both in the United States and Europe.

In accordance with its practices, throughout the consultative and information processes, the Mersen Group sought to carry out this consolidation plan with a concern for healthy social dialogue. Because the Mersen Cevins site did not have employee representation, the Group suggested that the social dialogue be conducted through France's central trade union delegates.

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.

The salary increase policy is defined by site and by country based on local environmental and inflation criteria. The average increase for basic salaries in 2014 was +3.7% compared to 2013.

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. Beyond financial incentives, Mersen reaffirms its desire to involve employees in ongoing improvement through "technical" incentive payments, intended to reward improved performance, which reflects employees' work and contribution. 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.

Ensure employees' social protection

Mersen is committed to ensuring that its employees obtain high-quality social protection with regard to health care and pensions. In France, this is reflected in agreements negotiated to address employees' needs, in compliance with national regulations.

PERCO (collective pension savings plan) and Article 83 (formerly, corporate pension savings plan, or PERE) agreements were signed with the CFE/CGC, FO and CFDT unions in 2009. These supplemental pension schemes, which complement the system required by law, illustrate the Group's sustained commitment to help every employee prepare 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. An improvement to this contribution scale was proposed this year to encourage employees to save more in anticipation of retirement. The "Article 43" plan, which is for all executives and equivalent grade staff in France, was introduced at the Group's French facilities in 2009.

To ensure equitable treatment and attract and retain talented employees, the Group is committed to establishing adequate social protection in countries where they do not exist. We have thus established health coverage for all our employees in Brazil and China over the past two years.

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 6,368 employees (at December 31, 2014) in approximately 35 countries.

Geographical analysis of the workforce (at December 31)

Country	2014	2014 (%)	2013	2013 (%)
Europe	2,301	36.1%	2,300	36.0%
• o/w France	1,490	23.4%	1,484	23.3%
North America	1,948	30.6%	1,951	30.6%
Asia-Pacific	1,569	24.6%	1,645	25.8%
Rest of the world*	550	8.6%	486	7.6%
TOTAL	6,368	100.0%	6,382	100.0%

** Africa and South America*

At comparable scope (i.e. excluding the staff of the Spanish Company Cirprotec), the headcount fell by 81. In Europe and in the United States, the Transform plan resulted in staff reduction in the facilities concerned and in hirings in the receiving sites. In Asia, the decision to discontinue carbon steel equipment production led to staff reduction in one facility.

In 2014, 1,478 people were hired around the world, including on fixed-term contracts, and 415 were dismissed (scope consolidated within the HRIS).

Based on the reporting scope*, women accounted for 36% and senior employees for 15% of the workforce.

	2014*	2013*
Group headcount		
• o/w women (as a%)	36%	35%
• o/w seniors aged 55 and over (as a%)	15%	15%

** Scope consolidated within the HRIS*

AGE PYRAMID (AT DEC. 31)*

Age brackets	Men	Women	Total
Under 25	4.9%	10.5%	**6.9%**
25 to 29	11.5%	14.6%	**12.6%**
30 to 34	14.1%	15.7%	**14.7%**
35 to 49	13.4%	11.4%	**12.7%**
40 to 44	13.8%	12.0%	**13.1%**
45 to 49	14.0%	11.4%	**13.0%**
50 to 54	12.3%	11.4%	**12.0%**
55 to 57	6.6%	6.2%	**6.5%**
58 to 59	3.8%	2.5%	**3.4%**
Over 60	5.7%	4.3%	**5.2%**

** Scope consolidated within the HRIS*

The average age of Group employees is 41.

Headcount broken down by category

Categories	Dec. 31, 2014	%	Dec. 31, 2013	%
Engineers and managers	1,042	18%	1,046	16%
Technicians and supervisors	1,019	16%	1,059	17%
Employees	630	10%	658	10%
Blue-collar workers	3,577	56%	3,619	57%
TOTAL	6,368	100%	6,382	100%

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	2014	o/w facilities with more than 125 employees	2013
Europe	24	4	26
• o/w France	9	4	10
North America	14	4	15
Asia-Pacific	13	3	13
Rest of the world*	5	2	5
TOTAL	56	13	59

** Africa and South America*

In 2014, the Group acquired a majority stake in the Spanish company Cirprotec, which has an industrial facility near Barcelona. In addition, under the Transform plan and industrial adjustment plans, three industrial facilities were closed at year-end and one transferred its production to another existing facility.

Outsourcing

The Group partially outsources the manufacture of its products. The value of outsourcing in 2014 totaled approximately €70 million, including labor subcontracting for assembly, machining and welding and for the manufacture of components such as metal, plastic and ceramic parts.

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

	2014	2013	2012
Workforce	1,490	1,484	1,569
• o/w fixed-term contracts	33	13	17

Recruitment

	2014	2013	2012
Recruitment	133	53	112
• o/w fixed-term contracts	48	17	26

Temporary workers

	2014	2013	2012
Average headcount	132	130	124
% of the headcount	9%	9%	8%

Overtime

	2014	2013	2012
Overtime	22,366	23,692	26,283
% of hours worked	1.0%	0.9%	1.0%

Absenteeism

	2014	2013	2012
Absenteeism rate	5.3%	5.9%	4.8%
• o/w illness	4.1%	4.5%	3.7%

Part-time work

	2014	2013	2012
Percentage of employees working part-time	6.0%	5.8%	5.0%

Disabled employees

	2014	2013	2012
Workers with a disability (as a%)	4.7%	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**. 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 safety policy.

This function is supported by a Group Safety Committee, composed of members of the Management Board and the director of Mersen's Human Resources. 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.

	2014	2013
Companies with a dedicated Health & Safety officer	83%	89%

In 2014, the decline in the portion of facilities with a dedicated health and safety manager was a result only of the change in environmental reporting scope.

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 sent to plant managers and safety managers and is also available on the Group intranet.

2014 Achievements

In 2014, this department's efforts focused on implementing a survey of potentially fatal risks at each unit. The units were all assigned to build awareness of these risks among all teams. The teams most directly concerned by certain specific risks held meetings.

The following tools were also developed and consolidated:

- Establishment of an e-learning tool in various languages, with the potential to reach 83% of the Group's population. This tool is intended, on a priority basis, for all those persons who join the Group; however, several sites have chosen to train all existing employees;
- Implementation of a reporting system on potentially dangerous situations: the objective is to report potential serious and dangerous events that have occurred across the Group's facilities but have not resulted in an accident;
- Strengthening of "near miss" reporting tool: this tool was launched in 2013 and its use has increased awareness of the working environment and potentially avoid events that could become accidents. In 2013, Group units reported approximately 600 potentially dangerous situations. In 2014, that figure exceeded 1,200, proving that this working and early detection culture is now in place within the Group.

Facility updates in terms of Group best practices also continued, along with safety audits to monitor proper implementation of Group safety rules.

In addition, the number of safety visits rose by 20% compared to 2013, reaching 2,687, or nearly four visits per site and per month. These safety visits provide an opportunity to conduct a rapid safety audit of part of a production workshop or process. They are conducted by a supervisor in charge of a different sector, usually accompanied by a member of the management team. The visits help to detect anomalies or deficiencies and generate action plans, whose implementation is verified at the next audit. The Safety department encourages the facilities to establish an objective of four safety visits monthly per facility.

	2014	2013
Number of safety visits	2,687	2,240

→ 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.

A survey of potentially fatal risks was established in 2014 for all Group units. The individuals who face these kinds of risk participated in an awareness-raising program.

The risk survey is described in the Chairman's report, in Chapter 3 of this document.

→ Risk prevention

In compliance with legislative directives, an agreement on the prevention of occupational stress was signed in early 2013 in France.

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. Research and development are still underway so that materials with very low PAH content can be used. Tests have been conducted and some production now uses materials with lower PAH content. In addition, working groups were set up several years ago to ensure continuous improvement of the working environment and the protection of individuals.

→ Safety training and audit

An e-learning safety program was developed in 2013 and implemented in 2014. It 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 audit program continued in 2014. Thirteen audits, including cross-audits organized by geographic area, were conducted by trained individuals. 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.

Many sites organize an annual safety week, including, in 2014, Dorion (Canada), Gennevilliers and Pagny (France), Juarez (Mexico) and MGhira (Tunisia). Workplace safety topics are addressed, as well as other 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. In 2014, the excellence award was given to the Amiens (France) and Holytown (United Kingdom) sites. At the same time, an incentive award was given to the Greenville (United States), Gebze (Turkey) and Shanghai Songjiang (China) sites.

Safety indicators

Mersen's 2014 safety results varied considerably. The Group achieved the best result in its history in terms of the number of lost-time accidents, with a rate below two for the first time. In addition, 39 of the Group's 56 sites experienced no lost-time accidents in 2014. However, the year was marked by the regrettable death of two employees.

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

Thanks to ongoing efforts to build the Group's safety culture, we achieved a TF1 rate of 1.96 lost-time accidents per million hours worked in 2014, the best rate the Group has ever achieved. It rose by almost 30% compared to 2013, when the Group performed close to its best historic results.

We continued to set up training tools to create safety awareness among new employees. An e-learning safety program was created and every new Group employee must take the training before starting work. This strong message, delivered as soon as an employee joins Mersen, is an important method for creating awareness of this safety culture among employees.

A risk awareness campaign was also conducted in 2014 with all employees.

2014	2013	2012
1.96	2.7	3.0

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

The rate of accidents with and without lost time is 6.2 accidents per million hours worked. This figure also improved by 10% over 2013.

Strengthened equipment protection systems, lifting aids, and training (e-learning and awareness-raising regarding risks) have sharply reduced the number of accidents with and without lost time. For the first time, the Group fell below 90 accidents, with and without lost time, for nearly 14 million hours worked.

The Group's TF2 performance has improved overall over the last five years.

2014	2013	2012
6.2	6.8	6.5

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

The severity rate worsened compared to prior years because of the two fatal accidents. Following these two accidents, the entire workforce at all Group facilities was again alerted to the potentially dangerous risks in their units. Safety communication was boosted and employees were reminded of the requirement to comply with Group safety rules in all circumstances.

2014	2013	2012
0.18	0.12	0.16

Number	2014	2013
Number of occupational accidents with lost time concerning temporary staffing agency employees	3*	2*

(*) For a total of 960,000 hours worked in 2014 and 728,000 hours in 2013

Indicators/operations in France

Number	2014	2013
Number of employees suffering from an occupational disease*	9	10

(*) For a workforce totaling 1,490 in 2014 and 1,484 in 2013

Societal policy

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 dialogue 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, 90% of Group companies were covered by an internal audit.

The purchasing department also set up a supplier audit system, covering questions related to compliance with the Ethics Charter and incorporating rules of compliance with the ILO's fundamental rights of workers.

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 the Americas and China in 2013. Since implementation, 88 managers have been trained worldwide. Warnings are also sent systematically from the Risk and Internal Audit department to each of the plant managers when fraud risks or attempts are identified.

→ Local initiatives

Numerous local initiatives were taken by plant managers, who are closest to local concerns in regions 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 of humanitarian operations and contributions to charitable action organizations.

The following were among the most significant actions taken in 2014.

Local economic action

Several Group facilities in France are involved in competitiveness clusters, whose mission is to mobilize participating businesses in support of jobs and growth. For example, Boostec, a Mersen subsidiary in the Midi-Pyrénées region, is a member of two competitiveness clusters, the European ceramics cluster and Aerospace Valley. Eldre, another subsidiary located in Angers, is involved in many business networks (S2E2, Réseaulia, CDM, ID4Car, Néopolia, SERAM-Arts, Pôle Médée and We Network).

The Pagny-sur-Moselle and Eldre (Angers) facilities participated in the April 2014 industry week event (Semaine de l'Industrie), which organizes open house days. By inviting visitors to learn about their operations, know-how and products, they help to enhance the industry's image, primarily among young people.

In addition, purchasing by the facilities, as a whole, helps integrate them into the local community. By working with local suppliers as a priority, in implementation of the Group's purchasing policy recommendations, they contribute to the economic and social development of the regions where they operate, while meeting economic and environmental goals (lower costs and lower greenhouse gas emissions by limiting transport).

Actions promoting employment, training and apprenticeship

Many sites around the world - including Brazil, Canada, the United States, France, and India - contribute regularly to integrating young people through apprenticeships or by taking on interns from local schools and universities. India, for example, hosted 22 apprentices and the Gennevilliers site accepted 15 apprentices for the 2014-2015 year. In Brazil, partnerships have been developed with the national industrial training service (SENAI) and the social services for industry (SESI) organization. Students who spend four hours/day in the company receive priority for employment.

In France, the Pagny-sur-Moselle facility works regularly with local educational institutions and universities (including EEIGM, Ensic, ENIM and Université Paul Verlaine). This cooperation may take the form of hours of training provided by employees or participation in job forums or conferences. It also involves regular apprenticeship offers within the company.

In collaboration with the Picardie Regional Council, the Université de Picardie Jules Verne and 23 regional businesses, the Amiens (France) site supported a wind energy jobs training initiative, the Windlab. This training offered jobseekers an opportunity to obtain a certificate that is essential for working in the booming wind energy sector.

One of our employees at the St-Bonnet (France) site received the industrial apprenticeship award (Trophée de l'Apprentissage), in the apprenticeship manager category, for supporting an apprentice over a two-year period. Awarded by the Institut des Ressources Industrielles, these prizes recognize the activities and successes of apprenticeship managers, apprentices and companies.

Apprentices at the Hittisau (Austria) site participated in a campaign promoting industrial apprenticeships. They were taken on to be trained in metallurgy trades.

In 2014, the Salem (United States) facility worked in close collaboration with public authorities on a training program that offered 50 jobs upon completion.

Close ties have been established with universities, for example in Newburyport (United States), where the R&D department works with Northeastern University, Toronto (Canada), which is pursuing R&D activities with Waterloo and McMaster universities, and Japan, where Mersen developed a partnership with the university in Nagaoka (Nagoya University of Technology).

In France, the Pagny-sur-Moselle facility collaborates regularly with local schools and universities (including EEIGM, Ensic, ENIM, and Université Paul Verlaine). This can involve classes taught by employees, participation in job forums and conferences, or regular apprenticeship opportunities within the company.

The Newburyport site also offered several scholarships to students in local secondary schools.

Charitable contributions and volunteerism

For 10 years, the Pagny-sur-Moselle (France) facility has provided logistical assistance to programs initiated between the Louis Vincent technical high school in Metz and the provincial high school In Yako, Burkina Faso. This year, Mersen delivered computer equipment provided by the high school and gifts from the Pagny Works Committee.

The Saint-Bonnet-de-Mure (France) facility sponsored a two-student team from the Lyon INSA, who participated in the 2014 4L Trophy™ rally. This 6,000-kilometer car race is both a daring adventure and a humanitarian project, as the students carry medical and school supplies in their 4L vehicle. Congratulations to these young women, who accepted this sporting and humanitarian challenge with enthusiasm and energy.

In Germany, Mersen supported the founding of a recycling organization. This non-profit group organizes the collection and recycling of fuses throughout the country. Profits generated are invested in activities that support training, teaching and research in electrical engineering and in charitable activities.

In India, Mersen supported government initiatives to provide training (in embroidery, sewing and hairdressing) for employees' wives.

At the same time, most of the sites make contributions to local associations and sponsor sports activities in which company employees participate.

Environmental approach

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 2014, 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. The audit and verification of the Group's CSR data by external auditors, performed for the first time in 2014 on 2013 data, generated an audit report published in the reference document. This made it possible to adjust the guideline and implement awareness-raising and clarification activities to improve the quality of the reporting.

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.

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

Comply with regulatory provisions

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.

The European REACH regulation (Registration, Evaluation, Authorization, and Restriction of Chemicals) assigns industry the responsibility to assess and manage the risks posed by the chemicals they use. To comply with this obligation, in 2010 the Group registered certain products that make up graphite (mainly resins) and, in 2013, those that make up flexible graphite.

Mersen also specifically monitors certain products whose use is subject to this regulation, such as coal tar pitch.

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 ensure that the new rules introduced by the ECHA (European Chemicals Agency) are taken into account. Mersen uses certain products on the ECHA list of registered substances in its manufacturing processes.

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. Strict instructions are implemented at the sites concerned to ensure the maximum protection of persons required to work with these substances, particularly with regard to wearing appropriate protective gear (including masks and suits). 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.

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.

Although Mersen is not one of the companies subject to the first French national plan for the allocation of carbon dioxide emission quotas (PNAQ), the Group has already calculated the carbon footprint of its main production facilities in France. Concrete actions were thus developed, particularly taking energy consumption and CO_2 emissions into account when production equipment is renovated.

Seeking out best practices

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"). For several years now, therefore, the Group has been developing an "eco-sustainable-redesign-to-cost" process. Based on a functional analysis of the product, 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.

In addition, the Group promotes the application of environmental criteria in the purchasing process, including 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.

We also encourage the adoption of pragmatic initiatives to reduce our environmental footprint, such as improving vehicle occupancy rates, efforts to reduce packaging weight, and the purchase of eco-friendly vehicles.

Last, certain Group facilities have integrated environmental criteria, such as the ISO 14001 certification, In their subcontractor selection. Facilities with purchases of more than €4 million/year are starting to monitor more systematically the share of purchasing from ISO 14001-certified suppliers.

Energy consumption

To optimize its resource consumption, each production facility monitors consumption and sets objectives and related action plans. Several examples are presented below. The decision to use renewables as an energy source is left to the initiative of the facilities.

Waste management

Based on their specialty, the Group's facilities follow approaches at multiple levels intended to reduce the environmental impact of their industrial activities:

- Recovery of waste associated with industrial production: Mersen's production activities produce manufacturing residues that may be reused to produce other Group products or resold to third parties to be incorporated in other production processes. This the case, for example, of graphite powder from graphite block drilling, which can be reused to manufacture graphite tubes or resold for reuse in steel production.
- Recycling of used products: The Group has actively participated for several years 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.
- Emissions recovery: Certain facilities have set up systems to recover the heat generated by industrial activities. For example, this heat may be reinjected into the heating system or used as an energy source.

Several examples of waste recovery are described below.

Land use and noise pollution

Land use does not constitute a specific issue with regard to the Group's business, as the vast majority of facilities are located in industrial zones where they do not occupy extensive areas compared to other industrial activities.

The Group continues to closely monitor the risks associated with soil pollution. All the products used by Mersen are subject to constant monitoring, not only by local authorities, but also by Mersen's employees, who are trained in these areas. The risks associated with soil pollution were incorporated in the risk mapping in 2013.

The Group's industrial activities do not generate specific noise pollution that exceeds standards. Controls may be performed pursuant to applicable local regulatory requirements.

Measures to adapt to climate change

The risks associated with weather-related hazards associated with climate change were analyzed in connection with a specific mapping of the risks of natural disasters to which the Group may be exposed. This mapping did not reveal any specific risk.

Environmental indicators

In 2014, the environmental consolidation scope was expanded to include two new facilities, pursuant to the principles defined in the introduction. The French facilities at La Mure and Angers now fall within that scope. However, implementation of the consolidation plan announced early in the year (the Transform plan), intended to improve the Group's competitiveness by simplifying its industrial base, has resulted in the removal of the Mersen Deutschland (Germany), Midland and Oxnard (United States) from the environmental scope and not to include Mersen Italia corresponding to the criteria, because of its planned closure under the Transform plan.

Environmental certifications and training

The Group continued to pursue certification of its main production facilities. Half of the production facilities included in the reporting scope are currently certified ISO 14001, the environmental management system standard.

Simultaneously, environmental protection training grew significantly in 2014, with 2,373 hours of training provided, compared to 2,207 in 2013, i.e. an increase of 8%.

ISO 14001 certifications	2014	2013
ISO 14001 certification rate	50%	47%
Training in environmental protection *(number of hours)**	2,373	2,207

** The information covers 71% of the workforce in the environmental scope as some entities have not yet established a process to monitor this data.*

Environmental provisions

In millions of euros	2014	2013
Amount of significant provisions for environmental risks*	0.5	0.5

**Provision related to a risk of minor pollution noted in 2010, following the use, more than 20 years ago, of certain processes and products by a site that subsequently joined the Group. Those processes and products are no longer used today.*

Consumption of water and energy and CO_2 emissions

In 2014, consumption of electricity and gas rose, respectively, by 8% and 4%. However, half of the facilities reduced their consumption by implementing better-performing energy management systems and developing energy-saving processes (cf., the local initiatives below). The slowdown of operations at facilities dedicated to anticorrosion systems also contributed to this reduction. However, the other half, including several sites that dominate the indicator, such as Mersen Chongqing (China) and Mersen St Mary's (US), which produce graphite, increased their production in 2014, thus increasing overall consumption. In addition, the test phase associated with the commissioning of a new kiln in Holytown (UK), generated temporary, but significant, surplus consumption. Consequently, CO_2 emissions rose by a similar percentage (10%).

Water consumption does not represent a specific issue for Mersen at any of its facilities. The Group's industrial activities require only limited quantities of water. Some processes, particularly cooling-related, use water in closed systems. Water consumption dropped overall by 2%, compared to 2013, thanks in part to the identification and repair of leaks in the water distribution network.

	Unit	2014	2013
Electricity	MWh	156,211	144,048
Gas	MWh	153,516	147,562
CO_2 emissions	Tons	98,930	90,213
Water	m^3	494,632	502,028

Consumption of raw materials and metals

Consumption of raw materials and metals varied considerably in 2014. While timber barely rose, this does not reflect the differences across sites. Reduced activity and significant efforts to use recycled wood at certain facilities led to a major reduction in consumption. However, the decline was offset by sharply higher consumption at the Chongqing (China) and St Mary's (US) facilities, where production rose in 2014 and was reflected by a greater share of the indicator.

The major increase in cardboard consumption (34%) is largely attributable to the Juarez (Mexico) site, which represents 50% in this indicator and increased its consumption sharply with the new production lines transferred from the Newburyport (US) facilities that are not included in the environmental consolidation scope.

As a result, this change does not take into account the progress that other facilities have made in reducing their consumption. For example, efforts to standardize packaging were made in 2013 and 2014 at the Gennevilliers (France) site to limit over-consumption and streamline its cardboard procurement. Those efforts resulted in a 71% reduction of cardboard consumption in 2014. At the Toronto (Canada) site, changes in packaging methods reduced consumption by 54%.

Consumption of coke rose sharply in 2014 (24%), led primarily by increased graphite production at the St Mary's (US) site, which represents nearly 95% of the Group's consumption.

Copper consumption fell by 11%. However, implementation of consumption monitoring under Grenelle II reporting has shown that efforts to harmonize calculation methodologies and increase reliability must continue.

	Unit	2014	2013
Timber	Tons	1,575	1,571
Cardboard	Tons	779	582
Coke	Tons	5,552	4,476
Copper	Tons	1,273	1,436*

** The 2013 data is not entirely reliable as the 2014 audits revealed significant differences across calculation methods.*

Waste

The 2014 consolidated data did not show significant changes, although the individual data are fairly heterogeneous.

However, certain sites have made efforts to improve recycling. For example, the Bay City (US) site, which carried out an awareness-raising campaign to strengthen eco-friendly behavior, increased its cardboard recycling by 41%, thanks to the occasional hiring of employees assigned to recycling. Timber recycling increased sharply at the Gennevilliers (France) site, following implementation of a palette recycling system.

The considerable increase in metal recycling (84%) is the result of the resale of large inventories of ferrous metal by the Xianda (China) site after the production of carbon steel equipment ended.

Implementation of oil recycling monitoring will require considerable effort to create a reliable system, which should bear fruit in the coming years.

	Unit	2014	2013
Hazardous industrial waste*	Tons	1,637	1,690
Non-hazardous industrial waste	Tons	10,919	9,267
Including recycling:			
Recycled timber	Tons	667	620
Recycled cardboard	Tons	292	316
Recycled ferrous metal	Tons	2,021	1,099
Recycled artificial graphite	Tons	1,928	2,024
Recycled oil wastes	Liters	34,457	-**

** Data including special waste (including construction and dismantling) for certain facilities that have not yet established a process for identifying waste associated with this kind of unusual work.*
*** 2013 data not presented as monitoring of the data in 2014 revealed significant differences across of the calculation methods and lack of reliability of the data reported.*

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

- Selective waste sorting program;
- Recycling of graphite wastes;
- Sludge recycling carried out in collaboration with the site's R&D department;
- Publication of a newsletter dedicated to safety and the environment to raise employee awareness of safety and environmental issues and promote best practices.

Gennevilliers, France

- Update of the site environmental impact study;
- Specific environmental expenditures for verification supplies and services and maintenance;
- Implementation of an internal recycling system for palettes and wooden boxes, thereby reducing external purchasing;
- Packaging standardization efforts to limit over-consumption and streamline cardboard procurement; and,
- Publication of a newsletter dedicated to safety and the environment to raise employee awareness of safety and environmental issues and promote best practices.

Pagny-sur-Moselle, France

- Investments to replace equipment with more energy-efficient systems (including transformers, compressors and lighting);
- Post-combustion energy recovery; and,
- Restoration of the plant's aspiration system to protect employees and the environment; and,
- Optimization of the water system used in to impregnate graphite blocks, thus saving energy.

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, expanded use of more eco-friendly packaging, and priority to collaboration with local suppliers to cut transportation costs and greenhouse gas emissions.
- Initiatives to reduce the consumption of gas and electricity (including changing a boiler burner and automating the management of the compressors' operating ranges);
- Streamlining and reorganization of the chemical products storage facility; and,
- Publication of an environmental bulletin to raise employees' awareness about safety and environmental issues and promote eco-friendly behavior.

Holytown, United Kingdom

- Use of a less polluting product painting process that reduces filtration equipment operating time and achieves significant savings in electricity and gas consumption.

Bay City, United States

- Continuation of recycling efforts by raising awareness of environmental protection;
- Installation of digital meters on purification receptacles to improve checks and procedures and prevent risks of accident; and,
- Efforts to reduce emissions and smoke and eliminate unnecessary chemical products.

Greenville, United States

- Continuation of graphite recycling;
- Maintenance of dust aspiration systems to ensure good air quality;

St Mary's, United States

- Implementation of a high-performance lighting system throughout the plant;
- Hiring of an environmental, health and safety manager to coordinate pro-environmental efforts; and,
- Enhanced awareness-raising and training on spill risks.

Sao Paulo, Brazil

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

Toronto, Canada

- Annual evaluation of environmental risks and action plan;
- Preventive systems maintenance;
- Industrial wastewater treatment;
- Elimination of chemical and greasy wastes by an external service provider; and,
- Streamlining workloads to reduce work periods and electricity expenditures.

Chongqing, China

- Monitoring of an online system of gas and sulfur dioxide emissions, in liaison with the local authorities;
- Monthly review to monitor and analyze water consumption;
- Program to maintain and upgrade gas cleaning systems to improve their operating conditions;
- Training for all employees on new environmental protection legislation; and,
- Environmental emergency situation training campaign.

Xianda, China

- Monitoring of the exhaust emission plan established in 2013;
- Monitoring of dangerous substances and related storage, transport and treatment measures since 2013; all hazardous wastes are now registered and turned over to a qualified business for elimination;
- Construction of dedicated premises for the temporary storage of hazardous wastes; and,
- Training and awareness-raising on environmental problems for the various employee categories.

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	26
Total workforce broken down by age	Quantitative	Standard		26
Total workforce broken down by geographical area	Quantitative	Standard	LA1	26
Number of new hires	Quantitative	Standard	LA2	27
Total workforce broken down by category	Quantitative	Standard		27
Number of dismissals	Quantitative	Standard	LA2	26
Compensation policy and their development	Qualitative	Standard		25
ORGANIZATION OF WORK				
Policy on the organization of working time	Qualitative	Restricted/France		28
Percentage of the workforce working part-time	Quantitative	Restricted/France		28
Absenteeism rate	Quantitative	Restricted (94% of the Group's workforce)	LA7	24, 25
LABOR RELATIONS				
Structure of the labor dialog	Qualitative	Restricted/Europe	LA4	24
Collective bargaining agreements	Qualitative	Restricted/France	LA5	19, 23
HEALTH & SAFETY				
Safety policy	Qualitative	Standard	LA6 & LA8	29
List of occupational health and safety agreements	Qualitative	Restricted/France	LA9	23
Number of safety visits	Quantitative	Standard		29
Frequency rate of occupational accidents with lost time (TF1)	Quantitative	Standard	LA7	31
Frequency rate of occupational accidents with and without lost time (TF2)	Quantitative	Standard	LA7	31
Severity rate (TFG) of occupational accidents	Quantitative	Standard	LA7	31
Number of occupational accidents with lost time concerning temporary staffing agency employees	Quantitative	Restricted/France	LA7	31
Number of employees suffering from an occupational disease	Quantitative	Restricted/France	LA7	31

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	Restricted (90% of the Group's workforce)	LA10	22
DIVERSITY AND EQUAL OPPORTUNITY				
Diversity policy	Qualitative	Standard	LA13 & EC5 & EC7	24
Percentage of women managers	Quantitative	Standard	LA13	24
Percentage of women on corporate governance bodies	Quantitative	Standard	LA13	24
Percentage of disabled employees in the workforce	Quantitative	Restricted/France	LA13	28
Percentage of senior employees in the workforce	Quantitative	Standard	LA13	26
Percentage of plant managers/ local nationality	Quantitative	Standard	EC7	24
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 policy	Managerial approach	33
ISO 14001 certification rate	Quantitative	Standard		36
Percentage of companies with a dedicated EHS manager	Quantitative	Standard		29
Number of hours of environmental protection training	Quantitative	Restricted (71% in the Group's workforce)		36
Resources dedicated to environmental risk prevention	Qualitative	Standard	EN30	33
Amount of significant provisions for environmental risks	Quantitative	Standard	EN28 & EC2	36
POLLUTION AND WASTE MANAGEMENT				
Recycled ferrous metal	Quantitative	Standard		37
Recycled artificial graphite	Quantitative	Standard		37
Non-hazardous industrial waste	Quantitative	Standard	EN22	37
Hazardous industrial waste	Quantitative	Standard	EN22	37
Recycled oil wastes	Quantitative	Standard	EN22	37
Measures to mitigate noise pollution and all other types of pollution specific to an activity	Qualitative	Standard		35

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	36
Electricity consumption	Quantitative	Standard	EN3 & 4	36
Gas consumption	Quantitative	Standard	EN3 & 4	36
Wood consumption	Quantitative	Standard	EN1	37
Cardboard consumption	Quantitative	Standard	EN1	37
Copper consumption	Quantitative	Standard	EN1	37
Coke consumption	Quantitative	Standard	EN1	37
Recycled timber	Quantitative	Standard	EN2	37
Measures to improve energy efficiency and use of renewable energy sources	Qualitative	Standard	EN6	35
Land use	Qualitative	Standard		35
CLIMATE CHANGE				
CO_2 emissions	Quantitative	Standard	EN16	36
Measures to adapt to climate change	Qualitative	Standard		35
BIODIVERSITY PROTECTION				
Measures taken to preserve and develop biodiversity	-	Standard	EN11 to 15, EN25	17
SOCIETAL INFORMATION				
REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE ACTIVITIES				
Local and regional impact of activities on employment and development	Qualitative	Standard	EC8 & EC9	32
RELATIONS WITH STAKEHOLDERS				
Dialogue with stakeholders	Qualitative	Standard	4.14 to 4.17	32
Support, partnership and sponsorship initiatives	Qualitative	Standard	EC1 & 4.11 to 4.13	32
OUTSOURCING AND SUPPLIERS				
Inclusion of social and environmental concerns in purchasing policy	Qualitative	Standard/Group policy	EC6 & HR2 & HR5 to 7	32
External suppliers and subcontractors with ISO 14001 certification	Quantitative	Restricted This indicator, which the sites monitor on a heterogeneous basis, will be reevaluated in 2015.	4.14	32
Volumes sourced from ISO 14001-certified suppliers	Quantitative	Restricted This indicator, which the sites monitor on a heterogeneous basis, will be reevaluated in 2015.		32
FAIR OPERATING PRACTICES				
Measures implemented to prevent all forms of corruption	Qualitative	Standard/Group policy	SO2 to 4, SO7 & SO8	32
Percentage of companies covered by an internal audit in the past 3 years	Quantitative	Standard		32
Managers who have attended the anti-fraud training	Quantitative	Standard	SO3	32
Measures to protect consumer health and safety	Qualitative	Standard	PR1 & PR2	18
Other actions taken in support of human rights	Qualitative	Compliance brought about by implementation of the ethics charter	HR	32

** 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 independent third party

on the consolidated employee-related, environmental and social information in the management report Fiscal year ended December 31, 2014

To the Shareholders,

In our capacity as a third party independent of Mersen, accredited by COFRAC under number 3-1049[1] and member of the KPMG International network as one of your Statutory Auditors, 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, 2014 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, prepared in accordance with the relevant guidelines (the "Guidelines"). A summary is contained in the management report 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 applicable laws and regulations.

Responsibility of the independent third party

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 five people between November 2014 and March 2015 over a period of around four 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[2] 3000 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.

(1) Scope is available at www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information

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

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 of the French Commercial Code.

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 reference document, which includes 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 conducted two interviews with four 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 they 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 facilities 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 identify possible omissions 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 21% of the workforce and between 21% and 51% of the quantitative environmental information.

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

Last, we assessed the relevance of the explanations related to, where appropriate, the total or partial absence of certain information, taking into consideration, where appropriate, best professional practices.

(1) Employee-related indicators: Total workforce at December 31 and breakdown by gender: Number of hires; Number of layoffs; Percentage of female managers: Rate of absenteeism; Rate of frequency of occupational accidents with lost time; Rate of seriousness of occupational accidents with lost time; Number of hours of training; Percentage of disabled employees.
Environmental indicators: Water consumption; Electricity consumption; Gas consumption; copper consumption; Tonnage of hazardous and non-hazardous industrial waste.
Qualitative information: Organization of the social dialogue, specifically, procedures for informing, consulting with and negotiating with employees; Workplace health and safety conditions; Company organization to take environmental issues into account and, as appropriate, processes for environmental assessment or certification.

(2) Juarez (Mexico); Greenville (United States); Amiens (France); Boonton (United States); Holytown (Scotland); Pagny (France).

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:

Regarding the reporting of the human resources indicators, the methodological note in the introduction to part 2, “Responsibility and Sustainable Development” of the reference document, which includes the management report, specifies the monthly data compilation methods, particularly with regard to employee movements during the year, training and absenteeism. To enhance the reliability of this data, efforts should be made in the coming years to strengthen the procedures for reconciling the data and for conducting analytical reviews.

Paris La Défense, March 10, 2015

The Statutory Auditors

KPMG S.A.

Philippe Arnaud	Philippe Cherqui
Partner	Partner
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
Isabelle Azemard DoB: Feb. 27, 1952 Member of the Appointments and Remuneration Committee **Business address:** 3 bd Pershing - Paris	5/15/14		Annual General Meeting called to vote on the 2017 financial statements	120 (1) 0 (2)	
Bpifrance Investissement represented by **Thierry Sommelet** Member of the Audit and Accounts Committee **Business address:** 14 rue Le Peletier - Paris	10/30/13		Annual General Meeting called to vote on the 2014 financial statements	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	5/20/10		5/15//2014 (term not renewed)	653 (1) 0 (2)	
Yann Chareton DoB: Jan. 8, 1978 Member of the Audit and Accounts Committee **Business address:** Piazza San Fedele 2 - Milano	5/19/09	5/16/13	Annual General Meeting called to vote on the 2016 financial statements	920 (1) 0 (2)	**Member of the Board of Managers:** ACF I Investment **Chairman of the Board of Directors of:** Italmatch Chemicals **Director of:** BG Holding, Bruni Glass, Calimax 1 SA, Calimax 2 SA, Kos Spa, Lima Holding, Limacorporate, Mikrolux 1 SA, Mikrolux 2 SA, Mikrolux 3 SA, NHV Holding, PhotoTechLuxco 1 SA, PhotoTechLuxco 2 SA

* *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.*
*** *Listed company.*
(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
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** **Business address:** 12 place Victor Hugo - Paris	5/19/09	5/16/13	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*** **Member of the Supervisory Board of:** Gerflor
Carolle Foissaud DoB: Sep. 2, 1966 Member of the Audit and Accounts Committee Independent member** **Business address:** Route de St-Aubin - Villiers-le-Bacle	5/16/13		Annual General Meeting called to vote on the 2016 financial statements	120 (1) 0 (2)	**Director of:** GFI***
Dominique Gaillard DoB: Feb. 17, 1960 Member of the Appointments and Remuneration Committee and the Strategy Committee **Business address:** 20 place Vendôme - Paris	5/19/09	5/16/13	Annual General Meeting called to vote on the 2016 financial statements	790 (1) 0 (2)	**Member of the Board of Manager of:** ACF I Investment **Chairman of the Board of Directors of:** Ardian Italy **Chairman of the Management Board of:** Ardian France **Vice-Chairman of the Supervisory Board of:** Fives **Managing Director of:** APEP GmbH, Ardian, Ardian Holding, **Director of:** Ardian Investment UK, Ardian Investment Switzerland, Club Méditerrannée***, Penfret, Spie Opérations, Spie SA, RPAX One SA **Member of the Supervisory Board:** Ardian Germany, Ardian US LLC, Novafives **Chairman:** AXA Alexandrie **Vice-President:** AXA CDP Co-Investment Fund, AXA Co-Investment II LLC, AXA PE FS **Director:** AXA CEE Management, AXA Co-Investment II Ltd

* *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.*
*** *Listed company.*
(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** **Business address:** 11 boulevard de la Porte verte -Versailles	5/19/09	5/19/11	Annual General Meeting called to vote on the 2014 financial statements	818 (1) 3,200 (2)	**Director of:** TOKHEIM, NGE **Former Director of:** Alcan, AMEC
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** **Business address:** 1 bis avenue de Lowendal - Paris	5/19/09	5/19/11	Annual General Meeting called to vote on the 2014 financial statements	832 (1) 800 (2)	**Senior Advisor** to the consultative committee of European corporate finance house DC Advisory. **Member of the Supervisory Committee of:** RG Groupe **Censor:** IPACKCHEM
Philippe Rollier DoB: Feb. 19, 1943 Member of the Audit and Accounts Committee and the Strategy Committee Independent member** **Business address:** 6 Square du Trocadéro - Paris	5/19/09	5/19/11	February 2015 (age limit)	534 (1) 5,000 (2)	**Director of:** SONOCO Products (USA) **Member of the Supervisory Committee of:** Groupe Grégoire, MOTUL **Manager of:** Cybèle **Chairman and Chief Executive Officer of:** STANISLAS
Marc Speeckaert DoB: May 23, 1951 **Business address:** Nijverheidsstraat 31 rue de l'Industrie 1040 Brussels - Belgium	5/19/09	5/19/11	Annual General Meeting called to vote on the 2014 financial statements	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 Remuneration Committee **Business address:** 12 rue Pasteur - Suresnes	5/16/13		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.*
*** *Listed company.*
(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)	5/19/09	May 16, 13	May 16, 17	2,479 (1) 4,000 (2)	Chairman and/or director of several Mersen group subsidiaries.
Thomas Baumgartner DoB: Feb. 26, 1971	8/24/11	May 16, 13	May 16, 17	1,121 (1) 600 (2)	Chairman and/or director of several Mersen group subsidiaries.
Christophe Bommier DoB: Sept. 24, 1960	8/24/11	May 16, 13	May 16, 17	6,900 (1) 3,500 (2)	Director of several Mersen group subsidiaries.
Didier Muller DoB: June 26, 1958	8/24/11	May 16, 13	May 16, 17	77 (1) 0 (2)	Chairman and/or director of several Mersen group subsidiaries.
Marc VINET DoB: May 7, 1968	08/24/11	May 16, 13	October 27, 14 (resignation)	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

Isabelle Azemard

Ms. Azemard is a graduate of the Institut Supérieur d'Electronique de Paris (ISEP), the Institut d'Administration des Entreprises (IAE) and the Institut des Hautes Etudes de la Défense Nationale. She spent her career in the Thales Group, including 20 years in sales and marketing management positions, primarily at the international level. Since 2013, she has been a consultant to business executives. Since she is a representative of Bpifrance Investissement, a shareholder in Mersen, Ms. Azemard may not be regarded as an independent member of the Supervisory Board, in the opinion of the Appointments and Remuneration Committee.

Jocelyne Canetti (term in office expired May 15, 2014)

A graduate of the École Normale Supérieure and holder of the *agrégation* senior teaching qualification in mathematics, Jocelyne Canetti joined EDF in 1980, where she held various operational duties from 1980 to 1995. She was successively director of the EDF Entreprises Industries center, director of the European sales network in the corporate sales department, director of the corporate division, and EDF Commerce's director of the eco-energy efficiency services department. She has served on the board of directors of several companies and on the supervisory board of RTE (Réseau de Transport d'Electricité). She is Vice-chair of the French Consumer Mediation Commission. Since she is a representative of Bpifrance Investissement, a shareholder in Mersen, Ms. Canetti was not regarded as an independent member of the Supervisory Board, in the opinion of the Appointments and Remuneration Committee.

Yann Chareton

A graduate of the IEP in Paris and ESSEC, Yann Chareton also studied at the London School of Economics and the Università Commerciale Luigi Bocconi in Milan. He carried out operations on the groups KOS, Lima, Bruni and Italmatch. 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.

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 CEO of Areva TA and Director of the Propulsion and Research Reactors Business Divison 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 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 prestigious Ecole Polytechnique and Ecole des Mines, Jean-Paul Jacamon joined Schneider Electric in 1981, having begun his career with the French industry ministry and Datar. He became chairman and chief executive officer of Spie-Trindel and Spie Enertrans, before being named senior executive vice president of Spie Batignolles in 1993. In 1995, he was appointed CEO of the European division, then CEO in 1996. From 1999 to 2002, he was vice-chairman and chief operating officer of Schneider Electric. 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.

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 Group Vice-President in 1992 and Senior Vice-President in 2003. He became 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.

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, with 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. Since Bpifrance Investissement is a shareholder in Mersen, Thierry Sommelet cannot be regarded as 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 ceramic materials science, began his carreer at Alliages Frittés Metafram, subsidiary of the Pechiney group in 1988. He joined the Mersen group in 1993, 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 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. 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 the South America region before heading up the Electrical Applications division in 2006. On August 24, 2011, he was appointed to the Management Board and in July 2012 he also took over management of the Chemical Engineering division. 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 (term in office expired on October 27, 2014)

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. In 2002, he took over the coolers and power electronics product line. In 2008, he took over management of 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 and ended on October 27, 2014, when he resigned from the Management Board. Marc Vinet holds a master's degree in economic science and a Supelec engineering diploma.

→ Board practices

Operation of the Supervisory Board

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

Operation of the Management Board

The Company is administered by a Management Board comprising of 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.

Between August 24, 2011 and October 27, 2014, the Management Board was composed of 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. Since October 27, 2014, the Management Board has been composed of four members, following Marc Vinet's resignation from his position as a member of the Management Board. During 2014, the Committee met 11 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 **Management Board members**, it is composed of:

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 2015, the black-out periods are:

- **January 14 to January 30, 2015:** owing to the announcement of fourth-quarter 2014 sales on January 29, 2015;
- **from February 9 to March 12, 2015:** owing to the announcement of the 2014 financial statements on March 11, 2015;
- **from April 13 to April 29, 2015:** owing to the announcement of first-quarter 2015 sales on April 28, 2015;
- **from July 1 to August 1, 2015:** owing to the announcement of the interim results on July 31, 2015;
- **from October 13 to October 29, 2015:** owing to the announcement of third-quarter 2015 sales on October 28, 2015.

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 call 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 the 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 2014 to Mersen's corporate officers, namely the members of the Supervisory Board, the Chairman and Vice-Chairman of the Supervisory Board and the members of the Management Board, came to €2,077,066*, 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. Attendance fees in respect of fiscal 2014 are paid in early 2015 and split between Supervisory Board members, based on a fixed portion and a variable portion prorated in respect of 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 €)*	2014	2013
Isabelle Azemard(1)	11,995	0
Bpifrance Investissement(2)	23,339	6,624
Jocelyne Canetti(3)	11,329	24,635
Yann Chareton	20,913	21,055
Hervé Couffin	26,103	26,835
Bertrand Finet(4)	0	14,369
Carolle Foissaud(5)	21,490	16,406
Dominique Gaillard	25,874	26,155
Jean-Paul Jacamon	27,961	26,796
Agnès Lemarchand(6)	0	8,994
Henri-Dominique Petit	29,477	29,821
Walter Pizzaferri(6)	0	7,948
Philippe Rollier	29,662	26,349
Marc Speeckaert	15,897	15,700
Ulrike Steinhorst(5)	19,959	12,315
TOTAL	**264,000**	**264,000**

(1) Member of the Supervisory Board since May 15, 2014, replacing Jocelyne Canetti.
(2) Member of the Supervisory Board by cooptation as of October 30, 2013, replacing Bertrand Finet.
(3) Term in office expired on May 15, 2014
(4) Term in office expired on October 30, 2013
(5) Member of the Supervisory Board since May 16, 2013
(6) Term in office expired on 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.

** Excluding Marc Vinet's severance pay (including days of paid-leave) of €316 K.*

On March 5, 2014, the Board maintained during 2014 the following compensation conditions for the Chairman of the Supervisory Board:

- annual gross compensation of €400,000, plus incentive
- a variable portion of between 0 and 100% maximum of the basic salary. The maximum threshold of 100% may be increased by a multiplying factor of up to 1.4 in the case of outperformance compared with the upper bound set for the calculation of the variable portion. The variable portion is composed of financial objectives for 70% (35% based on the Group's ROCE and 35% on operational cash flow) and personal objectives for 30%. The indicator used to calculate the ROCE is current operating income after taxes.

The 2014 financial objectives were based on the Group's annual budget. The threshold to achieve 100% of the financial objectives was set significantly higher than the budget.

The personal and financial objectives evaluated are reviewed every year by the Appointments and Remuneration Committee, based on the Group's strategic priorities. For 2014, the personal objectives focused primarily on the following: implementation of the Transform plan, security, and financial communications.

Details of the personal objectives are not made public for reasons of confidentiality.

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

The components of 2014 compensation described on pages 71 to 74 will be submitted for an advisory vote of the shareholders at the May 19, 2015 Annual General Meeting.

Luc Themelin, Chairman of the Management Board

(in €)	2014	2013
Compensation and benefits payable in respect of the fiscal year (broken down below)	714,742	692,872(1)
Valuation of options granted during the fiscal year(2)	110,400	0
Valuation of bonus share allotments during the fiscal year	0	0
TOTAL	**825,142**	**692,872**

(1) Compensation includes the incentive payment in respect of 2013 paid in 2014.
(2) Valuation corresponding to €3.68/option

No severance indemnity for termination in office was paid in 2014 (see agreement page 61).

Thomas Baumgartner, Member of the Management Board

(in €)	2014	2013
Compensation and benefits payable in respect of the fiscal year (broken down below)	283,653	257,366(1)
Valuation of options granted during the fiscal year(2)	66,240	0
Valuation of bonus share allotments during the fiscal year	0	0
TOTAL	**349,893**	**257,366**

(1) Compensation includes incentive and employee profit-sharing in respect of 2013 and paid in 2014.
(2) Valuation corresponding to €3.68/option

Christophe Bommier, Member of the Management Board

(in €)	2014(1)	2013(1)
Compensation and benefits payable in respect of the fiscal year (broken down below)	243,131	227,413
Valuation of options granted during the fiscal year(2)	66,240	0
Valuation of bonus share allotments during the fiscal year	0	0
TOTAL	**309,371**	**227,413**

(1) Compensation in US dollars converted into euros at the average annual rate (2013 = 1.3281. 2014: 1.3288).
(2) Valuation corresponding to €3.68/option

Didier Muller, Member of the Management Board

(in €)	2014[1]	2013[1]
Compensation and benefits payable in respect of the fiscal year (broken down below)	259,015	276,358
Valuation of options granted during the fiscal year[2]	66,240	0
Valuation of bonus share allotments during the fiscal year	0	0
TOTAL	**325,255**	**276,358**

(1) Compensation in US dollars converted into euros at the average annual rate (2013= 1.3281. 2014: 1.3288).
(2) Valuation corresponding to €3.68/option

Marc Vinet, Member of the Management Board until October 27, 2014

(in €)	2014	2013
Compensation and benefits payable in respect of the fiscal year (broken down below)	259,515	246,139[1]
Valuation of options granted during the fiscal year	0 [2]	0
Valuation of bonus share allotments during the fiscal year	0	0
TOTAL	**259,515**	**246,139**

(1) Compensation includes incentive and employee profit-sharing in respect of 2013 paid out in 2014.
(2) Options cancelled in 2015.
(3) Excluding severance pay (including days of paid-leave) of €316 K.

SUMMARY OF THE COMPENSATION PAYABLE TO EACH MANAGEMENT BOARD MEMBER

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

	2014		2013	
(in €)	Amounts payable in respect of 2014	Amounts paid in 2014	Amounts payable in respect of 2013	Amounts paid in 2013
Fixed salary	400,000	400,000	400,000	400,000
Variable salary	282,746	268,700	268,700	0[1]
Incentives/Profit-sharing [2]	20,201	12,498	11,776	10,170
Benefits in kind	11,795	11,795	12,396	12,396
TOTAL	**714,742**	**692,993**	**692,872**	**422,566**

(1) €125,500 not paid at the personal request of the Chairman of the Management Board.
(2) only under the incentive agreement. As of August 2011, the Chairman of the Management Board no longer benefits from the special profit sharing reserve.
Note 1: the bonus is paid Year N +1.
Note 2: Benefits in kind include contributions towards the corporate executives' social guarantee, as well as a company car.

Thomas Baumgartner, Member of the Management Board

	2014		2013	
(in €)	Amounts payable in respect of 2014	Amounts paid in 2014	Amounts payable in respect of 2013	Amounts paid in 2013
Fixed salary	190,000	190,000	180,000	180,000
Variable salary	71,142	60,728	60,728	27,360
Incentives/Profit-sharing	18,305[4]	13,283[3]	12,494[2]	9,876[1]
Benefits in kind	4,206	4,206	4,144	4,144
TOTAL	**283,653**	**268,217**	**257,366**	**221,380**

(1) including €6,109 under the incentive agreement and €3,767 from the special profit-sharing reserve.
(2) including €8,167 under the incentive agreement and €4,327 from the special profit-sharing reserve.
(3) including €8,888 under the incentive agreement and €4,395 from the special profit-sharing reserve
(4) including €16,839 under the incentive agreement and €1,466 from the special profit-sharing reserve

Christophe Bommier, Member of the Management Board

(in €)	2014		2013	
	Amounts payable in respect of 2014(1)	Amounts paid in 2014(1)	Amounts payable in respect of 2013(1)	Amounts paid in 2013(1)
Fixed salary	191,902	191,902	192,004	192,004
Variable salary	47,918	33,122	33,140	11,520
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	3,311	3,311	2,269	2,269
TOTAL	243,131	228,335	227,413	205,793

(1) Compensation in US dollars converted into euros at the average annual rate (2013 = 1.3281. 2014 = 1.3288).

Didier Muller, Member of the Management Board

(in €)	2014		2013	
	Amounts payable in respect of 2014(1)	Amounts paid in 2014(1)	Amounts payable in respect of 2013(1)	Amounts paid in 2013(1)
Fixed salary	203,191	203,191	203,298	203,298
Variable salary	52,626	69,888	69,925	31,664
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	3,198	3,198	3,135	3,135
TOTAL	259,015	276,277	276,358	238,097

(1) Compensation in US dollars converted into euros at the average annual rate (2013 = 1.3281. 2014 = 1.3288).

Marc Vinet, Member of the Management Board until October 27, 2014

(in €)	2014		2013	
	Amounts payable in respect of 2014(5)	Amounts paid in 2014	Amounts payable in respect of 2013	Amounts paid in 2013
Fixed salary	190,000	190,000	190,000	190,000
Variable salary	47,500	44,326	44,326	27,700
Incentives/Profit-sharing	17,809(4)	8,712(3)	7,478(2)	2,688(1)
Benefits in kind	4,206	4,206	4,335	4,335
TOTAL	259,515	247,244	246,139	224,723

(1) Paid only under the Mersen SB SAS incentive agreement.
(2) Of which €5,314 under the incentive agreements and €2,164 from the special profit-sharing reserve.
(3) Of which €6,515 under the incentive agreements and €2,197 from the special profit-sharing reserve.
(4) Of which €16,343 under the incentive agreements and €1,466 from the special profit-sharing reserve.
(5) Excluding severance pay (including days of paid-leave) of €316 K.

Hervé Couffin, Chairman of the Supervisory Board

(in €)	2014		2013	
	Amounts payable in respect of 2014	Amounts paid in 2014	Amounts payable in respect of 2013	Amounts paid in 2013
Fixed salary	80,000	80,000	80,000	80,000
Attendance fees	26,103	26,835	26,835	26,677
Benefits in kind	0	0	0	0
TOTAL	106,103	106,835	106,835	106,677

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

(in €)	2014		2013	
	Amounts payable in respect of 2014	Amounts paid in 2014	Amounts payable in respect of 2013	Amounts paid in 2013
Fixed salary	20,000	20,000	20,000	20,000
Attendance fees	29,477	29,821	29,821	29,790
Benefits in kind	0	0	0	0
TOTAL	**49,477**	**49,821**	**49,821**	**49,790**

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 expired on October 27, 2014	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 pay that may be paid upon termination of the employment contract.

→ 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).

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

Performance in year N is equal to the percentage achievement of objectives for the target bonus. 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.

On January 28, 2015, the Supervisory Board reviewed the agreement referred to above, pursuant to the provisions of the order of July 31, 2014, and confirmed its continuance in the interest of the company.

Compensation and benefits due in respect of 2014 to senior managers (Executive Committee) who are not corporate officers

(Gross amounts in euros)	2014
Basic salaries	630,000
Performance-related bonuses	180,360
Benefits in kind	15,456
TOTAL	**825,816**

Note 1: The bonus, varying between 0% and 40% of basic salary.
Note 2: 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 (calculated on the basis of current operating income after taxes) for 35%
- the Group's operating cash flow generation targets for 35%,
- certain individual objectives set at the beginning of the fiscal year for 30%.

For the other members of the Management Board:

- the Group's ROCE objectives (calculated on the basis of current operating income after taxes) for 20%
- their division's current operating margin objective for 20%
- operating cash flow objectives for their division for 20%,
- certain individual objectives set at the beginning of the year for 40%.

For members of the Executive Committee:

- Group-wide current operating margin objectives for 25%,
- Group-wide operating cash flow objectives for 25%,
- certain individual objectives set at the beginning of the fiscal year for 50%.

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.

(in € thousands)	2014	2013	2012	2011	2010
Amounts allocated to employees	3,656	2,956	1,767	3,048	3,699
Number of beneficiaries	2,159	2,172	1,713	1,597	1,458

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.

(in € thousands)	2014	2013	2012	2011	2010
Amounts allocated to employees	1,031	1,075	934	1,901	1,867
Number of beneficiaries	778	1,173	899	891	1,420

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 savings Plan

At the Annual General Meeting on May 15, 2014, 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 Savings 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 €400,000, i.e. approximately 1% 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 23, 2012.

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 2014, 450 options were exercised.

The total number of stock subscription options still outstanding stands at 600,105, i.e. 2.91% 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

	2007 plan Tranche 11	2009 plan Tranche 12	2014 plan Tranche 13	Total
Date of Board of Directors/Management Board meeting	Jul. 25, 2007	Jan. 22, 2009	May 21, 2014	
Total number of shares available for subscription	177,876	366,582	150,000	694,458
- o/w corporate officers at the publication date			(1)	
Luc Themelin (not a corporate officer until May 19, 2009)	*10,780**	*32,345*	*30,000*	*73,125*
Thomas Baumgartner (not a corporate officer until August 24, 2011)	*4,797**	*9,704**	*18,000*	*32,501*
Christophe Bommier (not a corporate officer until August 24, 2011)	*4,797**	*12,938**	*18,000*	*35,735*
Didier Muller (not a corporate officer until August 24, 2011)	*4 797**	*12,938**	*18,000*	*35,735*
- o/w corporate officers at the allotment date, who have since left the Company	*26,950*	*53,908*	*18,000*	*98,858*
o/w top 10 allottees	*77,885*	*140,163*	*150,000*	*368,048*
Subscription price	53.10	17.53	22.69	
Start of option exercise period	July 11	Feb. 13	May 16	
Expiration date	July 17	Feb. 19	May 21	
Total number of shares subscribed at Dec. 31, 2014	0	13,600	0	13,600
Options canceled by Dec. 31, 2014	75,362	5,391	0	80,753
- o/w canceled in 2014	*0*	*0*	*0*	*0*
OPTIONS THAT MAY STILL BE EXERCISED	**102,514**	**347,591**	**150,000**	**600,105**

(1) In 2014, the Group granted subscription options and bonus shares. The valuation of all of the allotments is 1,379,000, of which 27.2% for the members of the Management Board at the allotment date.
** Options allotted prior to their appointment as a corporate officer.*

Performance conditions and holding requirements attached to stock subscription plans

2007 plan:

Performance conditions:

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

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

Holding requirements: none

2009 plan:

Performance conditions:

The performance conditions were defined as followed when the plan was established.

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 time 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.*

Achievement of the performance objectives under this plan was determined based on the financial statements for fiscal years 2007 and 2011. These calculations were audited by the Statutory Auditors.

Based on the performance recorded, 100% of the shares were granted. The most favorable calculation was the one based on criterion 2. The sample of companies chosen includes groups listed in France: Air Liquide, ArcelorMittal, Bic, Bongrain, Ciments Français, Derichebourg, Essilor, Faiveley, Gemalto, Haulotte, Imerys, Ingenico, Lafarge, LDC, Legrand, Lisi, Manitou, Nexans, Norbert Dentressangle, Renault, Rexel, Saft, Schneider, Séché, Stef, Toupargel, Valeo, Veolia, Vicat and Zodiac.

The panel was drawn up by executive management and approved by the Appointments and Remuneration Committee. Only companies from the 2007 panel still listed in 2011 were retained for measurement.

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.

2014 plan:

Performance conditions:

The possibility of exercising the options was contingent on growth in the group's 2013 net profit per share (adjusted for exceptional charges of €55 million, including depreciation of deferred tax assets, recognized in S2 2013, i.e. an "adjusted 2013 EPS" of 1.27) in relation to the average EPS for 2014 and 2015 (adjusted for costs related to the Transform Plan) (the "adjusted 2014 and 2015 EPS"). The percentage of options granted to each beneficiary that may be exercised will be determined by application of the following two criteria, with the more favorable one being applied. The calculation of the percentages of options will be based on the financial statements published by the Company. In the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the May 21, 2014 Management Board meeting, the Management Board may, after obtaining the opinion of the Appointments and Remuneration Committee and the approval of the Supervisory Board, adjust the financial statements for the impacts of these transactions to calculate the option allotment percentages. The panel of comparable companies used to calculate criterion 2 was approved by the Supervisory Board on May 15, 2014, based on the recommendation of the Appointments and Remuneration Committee. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the sample those companies that have recorded manifestly excessive or abnormal EPS over the period. It includes the following companies listed on Paris Stock-Exchange: Air Liquide, Alstom, ArcelorMittal, Areva, Arkema, Ciments Français, EDF Energies Nouvelles, Essilor, Faiveley, Imerys, Ingenico, Lafarge, Nexans, Rexel, Saft, Saint-Gobain, Schneider, Sechilienne, Soitec, ST Micro, Vicat and Zodiac.

Criterion 1

- 0% if the average of the adjusted 2014 and 2015 EPS is below 1.27.
- 30% if the average of the adjusted 2014 and 2015 EPS is equal to 1.27.
- 100% if the average of the adjusted 2014 and 2015 EPS is equal to or greater than 1.75.
- The achievement objective is calculated at between 30% and 100% by linear interpolation if the average of the adjusted 2014 and 2015 EPS is between 1.27 and 1.75.

Criterion 2

- 0% if the growth of the Company's EPS (between the adjusted 2013 EPS and the average of the adjusted 2014 and 2015 EPS) is less than the average growth of the Panel of Companies' EPS over the same period.
- 50% if the growth of the Company's EPS (between the adjusted 2013 EPS and the average of the adjusted 2014 and 2015 EPS) is equal to the average growth of the Panel of Companies' EPS over the same period.
- 100% if the growth of the Company's EPS (between the adjusted 2013 EPS and the average of the adjusted 2014 and 2015 EPS) is 15 percentage points greater than the average growth of the Panel of Companies' EPS over the same period.
- The achievement percentage is calculated between 50% and 100% by linear interpolation if the growth of the Company's EPS (between the adjusted 2013 EPS and the average of the adjusted 2014 and 2015 EPS) exceeds by less than 15 percentage points the average growth of the Panel of Companies' EPS over the same period.

Holding requirements: 2 years, i.e. until May 21, 2016

Pursuant to article L.225-185 of the French Commercial Code, the Supervisory Board also decided that each member of the Management Board must hold the equivalent of 30% of the shares acquired upon the exercise of stock subscription options after the immediate sale of the shares necessary to finance the acquisition of the shares and the payment of taxes, social security contributions and payroll charges in respect of this resale of securities.

Stock subscription options: Corporate officers

	Number of options granted/ exercised	Exercise price	Valuation *(€3.68/option)*	Expiration date
Options granted since January 1, 2014 to each Management Board member*:				
- Chairman of the Management Board: Luc Themelin	30,000	22.69	110,400	May 22, 2021
- Member of the Management Board: Thomas Baumgartner	18,000	22.69	66,240	May 22, 2021
- Member of the Management Board: Christophe Bommier	18,000	22.69	66,240	May 22, 2021
- Member of the Management Board: Didier Muller	18,000	22.69	66,240	May 22, 2021
Options exercised since January 1, 2014 by each Management Board member*:				
- Chairman of the Management Board: Luc Themelin	0	-		-
- Member of the Management Board: Thomas Baumgartner	0	-		-
- Member of the Management Board: Christophe Bommier	0	-		-
- Member of the Management Board: Didier Muller	0	-		-

** At the publication date*

The Management Board agreed that its members may not participate in risk hedging transactions, either with regard to the subscription options or the shares from the exercise of the 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, 2014 to the 10 employees who received the largest number	0	
Options exercised since January 1, 2014 by the 10 employees who received the largest number	450	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:	
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*
- o/w corporate officers at the allotment date, who have since left the Company	*9,700*
- o/w top 10 allottees	*39,900*
Subscription price	1 2007 BSAR(1) + €1.5
Start of exercise period	7/17/2012
Expiration date	7/16/2017
Total number of shares subscribed at Dec. 31, 2014	103,331
BSARs canceled by Dec. 31, 2014	0
- o/w canceled in 2014	*0*
BSARS THAT MAY STILL BE EXERCISED	**103,331**

(1) The 2007 BSARs resulted in a subscription price of €12.

Bonus share allotments

At the Annual General Meeting on May 15, 2014, shareholders authorized the Management Board, on one or more occasions, to allot 50,000 existing or new shares, representing around 0.24% of the share capital, at no cost, to employees of the Company and those of affiliated companies. The vesting period at the end of which the award of shares will become definitive has been set at four years. Pursuant to the provisions of sub-paragraph 7 of article L. 225-197-1, the holding period is set at two years for beneficiaries who are French tax residents. No holding obligations and holding periods will be imposed at the end of the vesting period for beneficiaries who are not French tax residents. This authorization is valid for a period of 38 months from the date of the General Meeting. The performance conditions were defined as followed when the plan was established.

At its meeting on May 21, 2014, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting 50,000 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 the following performance criteria, with the most favorable amount being adopted. These criteria were calculated based on the financial statements published by the Company. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the May 21, 2014 Management Board meeting, the Management Board may, after obtaining the opinion of the Appointments and Remuneration Committee and the approval of the Supervisory Board, adjust the financial statements for the impacts of these transactions to calculate the allotment percentages. The panel of comparable companies used to calculate criterion 2 was approved by the Supervisory Board on May 15, 2014, based on the recommendation of the Appointments and Remuneration Committee. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the sample those companies that have recorded manifestly excessive or abnormal fluctuations in their EBITDA[1] over the period.

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

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)	2014 plan Tranche 8 (with performance conditions)	Total
Date of allotment decision	Feb. 26, 2008	Jan. 22, 2009	May 27, 2011	May 27, 2011	June 27, 2012	May 21, 2014	
Total number of shares allotted	21,567	53,900	60,000	140,000	20,000	50,000	345,467
- o/w corporate officers at the publication date							
Luc Themelin (not a corporate officer until May 19, 2009)			*0*	*14, 000*	*0*	*0*	*14,000*
Thomas Baumgartner (not a corporate officer until August 24, 2011)				*6,000*[(1)]	*2,500*	*0*	*8,500*
Christophe Bommier (not a corporate officer until August 24, 2011)				*6,000*[(1)]	*2,500*	*0*	*8,500*
Didier Muller (not a corporate officer until August 24, 2011)				*6,000*[(1)]	*2,500*	*0*	*8,500*
- o/w corporate officers at the allotment date who have since left the Company	*0*	*0*	*0*	*20,000*	*2,500*	*0*	*22,500*
o/w top 10 allottees	*3,230*	*10,780*	*8,000*	*48,800*	*10,000*	*14,000*	*94,810*
Valuation at allotment date	29.63	18.65	35.34	35.34	16.16	19.08 (French tax residents)[(2)]	
Definitive allotment date (end of the vesting period)	March 1, 2011	Jan. 22 2013	May 27, 2015	May 27, 2015	May 27, 2016	May 21, 2016 (French tax residents)[(3)]	
End of lock-up period	March 1, 2013	Jan. 22, 2013[(4)]	May 28, 2015[(4)]	May 28, 2015[(4)]	May 28, 2016[(4)]	May 22, 2018	
Allotments canceled at Dec. 31, 2014	1,403	4,312	4,000	96,632	12,200	0	118,547
o/w canceled in 2014	*0*	*0*	*0*	*67,832*	*12,200*	*0*	*80,032*
Number of shares vested definitively, not transferable	20,164	49,588				0	69,752
Outstanding at Dec. 31, 2014	**0**	**0**	**56,000**	**43,368**	**7,800**	**50,000**	**157,168**

(1) Shares allotted prior to the beneficiaries' appointment as a corporate officer.
(2) For beneficiaries who are non-French tax residents, the valuation is €18.89.
(3) For beneficiaries who are non-French tax residents, the definitive allotment date is May 21, 2018.
(4) For beneficiaries who are French tax residents, a 2-year additional period is required.

In 2014, 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 (tranche 7):

The determination of the achievement of the performance objectives for the purposes of the definitive allotment of bonus shares was made based on the audited financial statements for fiscal years 2010, 2012 and 2013. These calculations were audited by the Statutory Auditors.

The percentage of definitive allotment is 39%. The calculation was based on a panel of comparable companies proposed by the Management Board and approved by the Appointments and Remuneration Committee when the bonus share plan was implemented. The Appointments and Remuneration Committee removed certain companies from the panel that had recorded very abnormal changes in EBITDA margins[1] over the period. The panel's list includes manufacturing companies listed in France: Air Liquide, Alstom, ArcelorMittal, Ciments Français, Essilor, Faiveley, Ingenico, Imerys, Lafarge, Nexans, Rexel, Saft, Saint-Gobain, Schneider Electric, SEB, Vicat and Zodiac.

Reminder: The percentage of bonus shares allotted to each of the beneficiaries was to be determined based on the most favorable of the following criteria. Criterion 2 was the most favorable.

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 margin[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.

The definitive allotment of shares will be carried out on June 27, 2015 or May 27, 2016 (see table above) and subject to a holding period of two years.

Until the end of 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.

Performance conditions and holding requirements attached to bonus share plans allotted to the group's employees in 2014

2014 plan (Tranche 8)

Performance conditions:

The percentage of bonus shares allotted to each of the beneficiaries will be determined based on the most favorable of the following criteria. The calculation of the allotment percentages will be based on the financial statements published by the Company. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the Management Board at which these bonus shares are allotted, the Management Board may, after obtaining the opinion of the Appointments and Remuneration Committee and the approval of the Supervisory Board, adjust the financial statements for the impacts of these transactions to calculate the allotment percentages. The panel of comparable companies used to calculate criterion 2 was approved by the Supervisory Board on May 15, 2014, based on the recommendation of the Appointments and Remuneration Committee. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the sample those companies that have recorded manifestly wild or abnormal fluctuations over the period in their EBITDA[1] margin. It includes the following companies listed in Paris: Air Liquide, Alstom, ArcelorMittal, Areva, Arkema, Ciments Français, EDF Energies Nouvelles, Essilor, Faiveley, Imerys, Ingenico, Lafarge, Nexans, Rexel, Saft, Saint-Gobain, Schneider, Sechilienne, Soitec, ST Micro, Vicat and Zodiac.

Criterion 1

- 100% if the 2015 EBITDA[1] to sales ratio is equal to or higher than 15.5%
- 30% if the 2015 EBITDA[1] to sales ratio is equal to 13.7%
- Between these two limits, the allotment percentage will be calculated on a straight-line basis
- 0% if the 2015 EBITDA[1] to sales ratio is less than 13.7%

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

Criterion 2

- 100% if the change in the EBITDA[1] to sales ratio between 2013 and 2015 is at least 10 percentage points higher than the change in the average EBITDA[1] to sales ratio of the Panel of Companies over the same period.
- 35% if the change in the EBITDA[1] to sales ratio between 2013 and 2015 is equal to the change in the average EBITDA[1] to sales ratio of the Panel of 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 2013 and 2015 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:

Pursuant to the provisions of sub-paragraph 7 of article L. 225-197-1, the holding period is set at two years for beneficiaries who are French tax residents. No holding obligations and periods are imposed at the end of the vesting period for beneficiaries who are not French tax residents.

Shares in the Company's capital held by senior managers

Number of shares held directly by members of the Supervisory Board and Management Board: 2,285,327 (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 euros 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.

Elements of compensation due or granted in respect of the fiscal year ended December 31, 2014 submitted to the advisory opinion of the shareholders

1 – Elements of compensation due or granted to Luc Themelin (Chairman of the Management Board) in respect of the fiscal year ended December 31, 2014

	Amounts or accounting valuation	Observations
Fixed salary	€400,000	The 2014 fixed salary has remained unchanged since 2012.
Annual variable salary (*amount due in respect of 2014 and paid in 2015*)	€282,746	The variable portion is between 0% and 100% of the fixed salary. The maximum threshold of 100% may be increased by a multiplying factor of up to 1.4 in the case of outperformance compared with the upper bound set for the calculation of the financial objectives of the variable portion. The variable portion is composed of financial objectives for 70% (35% based on the Group's ROCE, calculated on the basis of current operating income after taxes, and 35% on operational cash flow) and personal objectives for 30%. The 2014 financial goals were based on the Group's annual budget. The threshold to achieve 100% of the financial objectives was set higher than the budget. The personal and financial objectives evaluated are reviewed every year by the Appointments and Remuneration Committee, based on the Group's strategic priorities. For 2014, the personal objectives focused primarily on the following: implementation of the Transform plan, security, and financial communications. Details of the personal objectives are not made public for reasons of confidentiality. The variation salary for 2014 represents 71% of the fixed salary. The rate of achievement was 66.7% for the financial objectives and 80% for the personal objectives.
Deferred variable salary	N/A	There is no deferred variable salary mechanism.
Multi-annual variable salary	N/A	There is no multi-annual variable salary mechanism.
Exceptional salary	N/A	No exceptional salary was paid or is due in respect of 2014.
Incentive payments	€20,201	
Share options, performance shares or any other long-term element of compensation	Allotments (2014 Plan): 30,000 Accounting valuation: €110,400	The Annual General Meeting of May 15, 2014 authorized the Management Board, subject to prior approval by the Supervisory Board, to grant members of the Management Board and certain eligible managers of the Company 150,000 options entitling them to subscribe for new shares to be issued or to purchase existing shares from repurchases under the terms and conditions laid down by law. By decision of May 15, 2014, the Supervisory Board approved the granting of 30,000 (0.15% of the share capital) stock subscription options to Luc Themelin. The terms and performance criteria required are described in detail in pages 64 to 70 of the reference document.
Attendance fees	N/A	Luc Themelin does not receive attendance fees.

	Amounts or accounting valuation	Observations
Valuation of benefits of any kind	€11,795	In-kind benefits include the use of a company car and contributions paid to an external organization in respect of company executives' social guarantee.
Severance payment	€0 received	No amount is due in respect of 2014. At its May 16, 2013 meeting, the Supervisory Board decided, upon the renewal of Luc Themelin's term, to make the same payments to him as those that were made during his prior term in office. On January 28, 2015, the Supervisory Board reviewed the terms of the payments granted in 2013 and decided to maintain them unchanged.
No-compete payment	€0 received	No amount is due in respect of 2014. At its May 16, 2013 meeting, the Supervisory Board decided, upon the renewal of Luc Themelin's term, to make the same no-compete payment to him as the one made during his prior term in office.
Supplementary pension scheme	€0 received	No amount is due in respect of 2014. Luc Themelin is eligible for a defined benefit supplementary pension scheme if he is present and ends his career in the Mersen Group on the date on which he may claim his base Social Security pension. Under this scheme, Luc Themelin would receive a supplementary pension that would correspond to 20% of the amount of his average fixed salary for the last three years and 50% of his maximum variable salary because of his seniority in the Group.

2. Components of compensation due or granted to Thomas Baumgartner, Christophe Bommier, Didier Muller and Marc Vinet, members of the Management Board, in respect of the fiscal year ended December 31, 2014

(components overall)	Amounts or accounting valuation	Observations
Fixed salary	€775,093	The 2014 fixed salary is stable compared to that of 2013 based on the Management Board's desire to participate in the collective effort to control salaries.
Annual variable salary (amount due in respect of 2014 and paid in 2015)	€219,186	The variable portion of the members of the Management Board (other than its Chairman) is between 0% and 50% of the fixed salary. The maximum threshold of 50% may be increased by a multiplying factor of up to 1.4 in the case of outperformance, compared with the upper bound set for the calculation of the financial objectives of the variable portion. Thomas Baumgartner's variable portion is composed of financial objectives for 70% (35% based on the Group's ROCE, calculated on the basis of current operating income after taxes and 35% on operational cash flow) and personal objectives for 30%. The variable portion for Christophe Bommier, Didier Muller and Marc Vinet is composed of financial objectives for 60% (20% based on the Group's ROCE, calculated on the basis of current operating income after taxes, 20% on the current operating margin for their division, and 20% on the operational cash flow for their division) and personal objectives for 40%. The personal and financial objectives evaluated are reviewed every year by the Appointments and Remuneration Committee, based on the Group's strategic priorities. The 2014 financial goals were based on the annual budget. The threshold to achieve 100% of the financial goals was set significantly higher than the budget. For 2014, the personal goals focused primarily on the following: achievement of the Transform plan, operational cash flow, the security policy and progress on the publication date of the 2014 interim financial statements (for Thomas Baumgartner only). Details of the personal objectives are not made public for reasons of confidentiality. The average rate of achievement of the objectives linked to the variable salary for the members of the Management Board (other than the Chairman of the Management Board) was 59%, 48% for the financial objectives and 78% for the personal objectives.
Deferred variable salary	N/A	There is no deferred variable salary mechanism.
Multi-annual variable salary	N/A	There is no multi-annual variable salary mechanism.
Exceptional salary	€316 K	Severance pay (including days of paid-leave) for Marc Vinet.
Incentives/Profit-sharing	€36,114	Didier Muller and Christophe Bommier have U.S. employment contracts and thus do not benefit from incentive or profit-sharing agreements.

(components overall)	Amounts or accounting valuation	Observations
Share options, performance shares or any other long-term element of compensation	Allotments (2014 Plan): 54,000* Accounting valuation: €198,720*	The Annual General Meeting of May 15, 2014 authorized the Management Board, subject to prior approval by the Supervisory Board, to grant members of the Management Board and certain eligible managers of the Company 150,000 options entitling them to subscribe for new shares to be issued or to purchase existing shares from repurchases under the terms and conditions laid down by law. By decision of May 15, 2014, the Supervisory Board approved the granting of 18,000 stock subscription options to each member of the Management Board (other than Luc Themelin). The terms and performance criteria required are described in detail in pages 64 to 70 of the reference document.
Attendance fees	N/A	The members of the Management Board do not receive attendance fees.
Valuation of benefits of any kind	€14,921	In-kind benefits include the use of a company car and an annual medical examination.
No-compete payment	N/A	There is no commitment in respect of a no-compete payment.
Supplementary pension scheme	N/A	There are no commitments in respect of a supplementary pension scheme.

** Excluding options granted to Marc Vinet cancelled in 2015.*

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 in respect of the fiscal year ending December 31, 2014.

Article L. 225-68 sub-paragraph 7 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 report [of the Chairman] is approved by the Supervisory Board and is made public. The report ...should also indicate the specific terms relative to shareholders' participation in the annual general meeting or refer to the provisions of the articles of association that set forth these terms."*

At the request of the Chairman of the Supervisory Board, this report was submitted for the opinion of the Audit and Accounts Committee on March 5, 2015 and for the approval of the Supervisory Board on March 10, 2015, 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. 225-68 sub-para. 7, 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 has left 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 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.

As of 2015, the Company will review the compensation paid to the Management Board only on a multi-annual basis.

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 a severance payment, 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. It should be noted that Luc Themelin waived his employment contract and all benefits associated with it. This severance payment has been approved by the Annual General Meeting of May 15, 2014.

Predominantly variable portion for attendance fees granted to directors

The amount of attendance fees granted based on the actual presence of the members of the Supervisory Board at the various meetings of said Board and of its committees is equal to the fixed amount allocated in respect of the member of the Supervisory Board and/or of the committees. Because the attendance rate at the meetings of the Supervisory Board and of the committees is already very high, the Supervisory Board considered that establishing a predominantly variable portion did not offer an incentive for the Company.

The Company has decided that, starting 2015, a predominantly portion will be allocated based on attendance rate.

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, of this reference document, "General legal and financial information."

Information about the terms of shareholder participation in the Annual General Meeting is described in article 25 of the Company's Articles of Association, which is taken up in Chapter 4 of this reference document, "General legal and financial information."

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 December 31, 2014, the Supervisory Board was composed of 11 members.

Board

Chairman of the Supervisory Board: Hervé Couffin.

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

Members of the Supervisory Board:

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

In order to decide on the independent status of its members, the Board takes into consideration each criteria proposed by the AFEP-MEDEF code. However, please note that the “duration of cumulated mandates” criteria has not been retained, considering that, since no member of the current Management Board nor the Executive Committee was in office before 2009, the risk of proximity with Management over an excessively long period can be excluded.

3.3 Work performed by the Supervisory Board

The Supervisory Board met nine times in 2014, with an average attendance rate of 88%.

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

- **January 22, 2014:** Review and approval of assumptions regarding manufacturing optimization and of the cost of the Transform project, presented by the Management Board. Review of potential non-recurring charges to be recorded for fiscal year 2013. Approval of a proposed acquisition in the surge protection sector. Approval of the Group’s 2014 dividend policy.
- **January 29, 2014:** Review and approval of the 2014 budget. Information provided by the Management Board regarding an initial estimate of 2013 sales and operating income. Approval of the renewal of the authorization granted to the Management Board to issue guarantees and endorsements up to an aggregate maximum amount of €10,000,000.
- **March 5, 2014:** Review and approval of the draft financial statements as at December 31, 2013. Approval of the report of the Chairman of the Supervisory Board on the work of the Board and internal controls. Information provided by the Management Board on the Group’s activity as at the end of January 2014. Approval of the 2014 draft guidance and the medium-term prospects proposed by the Management Board. The draft resolutions for the Annual General Meeting were drawn up by the Supervisory Board. Approval of the 2013 bonus for the members of the Management Board and of their compensation, performance objectives and 2014 bonus rules. Approval of the list of independent members of the Supervisory Board. Authorization to issue joint and several guarantees in connection with establishing a credit line in China and a contract to supply products.
- **March 28, 2014:** Upon recommendation of the Appointments and Remuneration Committee, approval of the proposed appointment of a new member of the Board to replace a departing member.
- **May 15, 2014:** Appointment of the members of the three Board committees (Audit and Accounts Committee, Appointments and Remuneration Committee and Strategy Committee) and of the Chairman of the Strategy Committee. Information provided by the Management Committee on the Group’s activity as at the end of April 2014. Approval of each of the Transform plan’s manufacturing optimization projects. Review of the balance sheet of the Group’s acquisitions since 2006. Approval of the 2014 bonus share allotment and stock subscription option plans proposed by the Management Board. Approval of the cancellation of 200,000 shares purchased by the Company in May 2013 under the share repurchase program and the related capital reduction. Review of the conclusions of the self-evaluation assignment on the functioning of the Supervisory Board conducted by Henri-Dominique Petit.

- **July 10, 2014:** Review of the Group's 2014-2018 strategic plan. Information provided by the Management Board on the Group's activity as at the end of June 2014, on the progress of the Transform plan and changes in fixed costs. Approval of the restructuring of the syndicated loan established by the Group in 2012.
- **July 30, 2014:** Review and approval of the draft interim financial statements as at June 30, 2014 and the management projections presented by the Management Board. Approval of the principle of a settlement in connection with civil proceedings underway in Great Britain.
- **September 30, 2014: I**nformation provided by the Management Board on the Group's activity during July/August 2014. Review of the Group's security policy and results. Review of the operational excellence project proposed by the Management Board and progress on the Transform plan.
- **December 9, 2014:** Information provided by the Management Board on the Group's activities at the end of November 2014 and on the organization of one of the Group's divisions and on certain proposed acquisitions. The Board took note of the resignation of Marc Vinet from his position as a member of the Management Board.

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. The Committee meets approximately one week before the Supervisory Board to review the annual financial statements. The Group's Financial Director is responsible for making the presentations. The Director of Risk, Internal Audit and Safety attends these meetings at least annually.

On December 31, 2014, the Audit and Accounts Committee had six members designated from among the members of the Supervisory Board, four of whom are independent: Yann Chareton, Hervé Couffin, Carolle Foissaud, Henri-Dominique Petit, Philippe Rollier and Thierry Sommelet (as of May 15, 2014). Henri-Dominique Petit acts as Chairman of the Committee.

During 2014, the Committee met five times with an attendance rate of 94%.

- **January 22, 2014:** Review of draft annual financial statements (with specific attention to non-recurring items, including provisions for litigation). Review of an initial estimate of 2013 results. Information provided by the Management Board on the impairment tests of the Group's CGUs. Information provided on the main effects of the 2013 Finance Law on Mersen, as well as developments regarding late payments in China.
- **February 28, 2014:** Review, in the presence of the Statutory Auditors, of the proposed 2013 annual financial statements (with specific attention to non-recurring) and the draft 2013 reference document. Presentation by the Statutory Auditors on their audit assignment. Discussion with the Statutory Auditors, without the presence of the management team members, concerning the financial statements and their audit findings. Information provided by the Management Board on developments regarding late payments in the Group, particularly in China, and on the impacts of the new IFRS rules.
- **June 5, 2014:** Progress report on the Cash Initiative project, including the progress expected on the operational excellence project. Review of the organization of the Group's financial function. Information received on the status of the UK and US retirement schemes.
- **July 29, 2014:** Review, in the presence of the Statutory Auditors, of the draft interim financial statements for the six months ending June 30, 2014, as well as the draft interim report. Presentation by the Statutory Auditors on their audit assignment. Discussion with the Statutory Auditors, without the presence of the management team members.
- **December 3, 2014:** Presentation on the results of the internal audits conducted in 2014 and validation of the audit schedule proposed for 2015. Review and approval of the triennial revision of the 2014 risk mapping. Review of the main auditing items for 2014 in connection with the preparation of the 2014 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.

At December 31, 2014, the Committee had six members appointed from among the Supervisory Board members, four of whom are independent: Isabelle Azemard (as of May 15, 2014), Jocelyne Canetti (until May 15, 2014), 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 6, 2014:** Approval of the proposal of the Chairman of the Management Board to increase the salaries of the members of the Management Board for 2014 and the members of the Executive Committee. Validation of the 2013 bonus amounts granted to the members of the Management Board and approval of the proposed method for determining their 2014 bonus.
- **March 3, 2014:** Favorable opinion on the proposals for the 2014 Long-Term Incentive plan. Opinion on the independence of the members of the Supervisory Board.
- **November 27, 2014:** Review of the terms of the departure of Marc Vinet, member of the Management Board. Presentation on the proposed Long-Term Incentive (LTI) provisions for 2015. Discussion and organization of changes to be made in the composition of the Supervisory Board (expiration of the term of one member, renewal of four terms at the next General Meeting).

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.

At December 31, 2014 the Committee had five members designated from among the members of the Supervisory Board, three of whom are independent: Hervé Couffin, Dominique Gaillard, Jean-Paul Jacamon, Philippe Rollier and Thierry Sommelet (since October 2013). Hervé Couffin acts as Chairman of the Committee.

During 2014, the Strategy Committee met twice with an attendance rate of 90%.

- **March 19, 2014:** Presentation of certain growth levers for one of the businesses of the Group's electrical segment. Review of the development plan for one of the businesses in the materials segment in Asia.
- **November 20, 2014:** Presentation on the wind energy market and the issues facing one of the Group's businesses. Information on the solar market momentum. Presentation on the terms of the Group's participation in the FORCE (Fibre Optimisée Réaliste Carbone Economique, optimized and realistic economic carbon fiber) project. Update on acquisition projects.

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

Half of the attendance fees paid to members of the Supervisory Board are allocated in proportion to participation in meetings of the Supervisory Board and its various Committees under the Board's responsibility.

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 the following achievements:

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

- for 35%, related to the Group's ROCE objectives (calculated on the basis of current operating income after taxes) for the fiscal year;
- for 35%, related to the Group's operating cash flow generation targets;
- for 30%, related to certain individual objectives set at the beginning of the year by the Supervisory Board.

For the other members of the Management Board:

- for 20%, related to the Group's ROCE objectives (calculated on the basis of current operating income after taxes) for the fiscal year;
- for 20%, related to their division's current operating margin objective;
- for 20%, related to operating cash flow objectives for their division;
- for 40%, related to certain individual objectives set at the beginning of the year by the Supervisory Board.

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 for 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. It emphasizes 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 this standard. The review showed that the Mersen Group's internal control practices comply with the standard. However, the current control system cannot provide absolute assurance that risks have been completely eliminated. In addition, the Group has taken into account the 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 principle of annual updates to its Group risk mapping survey. It also reviews the mapping survey more extensively every three years. An in-depth update was conducted in 2014. At that time, the Group used on an external firm to ensure impartiality and expertise and guarantee a reliable, updated methodology. This update was performed through approximately 30 interviews with Group managers. Several members of the Supervisory Board were also interviewed.

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. In 2014, the Group strengthened its risk management policy, developing a mapping of business-specific risks. This pilot effort will gradually be extended to all of the Group's businesses.

The risk management policy is described in Chapter 2 of this document.

5.2.3 Control activities

Mersen has circulated an internal control handbook to all its subsidiaries. This document is available on Mersen's Intranet site. It encompasses all the basic internal control procedures applicable to every Group unit. The manual is interactive and includes 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. This department conducted 18 assignments in 2014. 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 17 production plants.
- ensure effective implementation of action plans at a unit that was audited in the previous year and at which internal control was not deemed to be satisfactory.

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

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

Information systems security

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

- 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 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.

The information systems security manager conducted 12 site audits in 2014. He also conducted approximately 20 remote tests to confirm that the infrastructure complies with Group rules.

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 Management Board decides on the key initiatives to be implemented to achieve the goals set. It receives a periodic 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 and the main financial aggregates for the current year are 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 has taken the Grenelle 2 regulation into account. To this end, it implemented a reporting framework for sustainable development indicators with the assistance of an external firm. This framework was rolled out across all the units covered by these regulations. The Group presents a complete reporting of the aspects referred to in the Grenelle 2 regulation in its reference document. This reporting is accredited 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.
- The Group has also set up an Operational Excellence department. Its mission is to improve the Group's operational performance, specifically by deploying tools at Group sites to analyze and improve logistics and quality.

→ 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. Approach adopted in 2014, and 2015 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 2014 to tighten up internal control:

- When a new site Director is appointed, the Group's CFO sends that person a letter outlining his/her responsibility to set up effective internal control, in compliance with Group directives. This letter is accompanied by the unit's latest audit report and the letter of representation on internal control, signed by his or her predecessor.
- A self-evaluation system for core functions has been established. Several self-evaluations were conducted under the control and supervision of the Internal Control department.
- Systematic use of data extracted from the Human Resources tool in preparation for site audits.
- Use of data from Information Systems Security audits. Presence of the ISS manager for more complex audits.
- The Executive Committee receives a monthly update on the Group's Internal Control news.

It should be noted that in 2014, Mersen received the Internal Control innovation prize, awarded by a jury of professionals at the annual conference organized by the IFACI and EY.

In 2014, the internal audit department conducted audits based on a program approved by the Audit and Accounts Committee. Eighteen site audits, including one control audit, were performed. Two audits scheduled for 2014 were postponed to 2015 because of the implementation of the Transform plan.

The conclusions of the updated risk mapping, as well as follow-up to the action plan decided in 2013, were presented to the Management Board and to the Audit and Accounts Committee. The Audit and Accounts Committee was also informed of the organization of the internal control efforts, in compliance with the recommendations of the 8 European Directive.

The various audits conducted during 2014 did not reveal any significant internal control failings or deficiencies.

The Group evaluated the operation of its internal control based on the new COSO 2013 directives. No major shortcoming was identified in respect of that new directive. Several minor adjustments were 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 Group managers and financial managers of the risks of fraud (swindling, forgery, etc.). The Group experienced several fraud attempts in 2014 which were unsuccessful, thanks in particular to these awareness raising efforts.

With regard to information systems security, an Information Systems Security risk mapping was carried out in 2013. Following the actions taken in 2014, this mapping will be updated and presented to the Executive Committee in 2015. A remote tool to test compliance with the Group standard has been set up. Approximately 20 remote tests have been conducted. Approximately 12 site audits were also conducted under this program.

Looking ahead to 2015, the following projects are set to be launched by the Risk, Internal Audit and Safety department:

- Deploy the ongoing control tools within the units via the regular analysis of several indicators extracted from the information systems at certain Group sites.
- Revise the Internal Control training for managers, following an e-learning approach.
- End the self-evaluations of the central functions, particularly for information systems and purchasing.
- Intervene, if necessary, in verifying that the Transform plan is deployed correctly.

Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report by the Chairman of Mersen SA's Supervisory Board Fiscal year ended December 31, 2014

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, 2014.

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 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

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 consist in:

- 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 10, 2015	Neuilly-sur-Seine, March 10, 2015
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	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, 2014

To the Shareholders,

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

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

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

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

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

Related-party transactions authorized during the past fiscal year

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

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

Related-party transactions approved in previous fiscal years that continued to be executed during the past fiscal year

Pursuant to Article R. 225-57 of the French Commercial Code, we were informed that the following related-party transactions, already approved by the Annual General Meeting in previous fiscal years, continued to be executed during the past fiscal year.

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 a 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 36-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.

  On January 28, 2015, the Supervisory Board re-examined the transaction referred to above, in accordance with the provisions of the order of July 31, 2014, and confirmed its continuation in the interests of the Company.

The Statutory Auditors

Paris La Défense, March 10, 2015	Neuilly-sur-Seine, March 10, 2015
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	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
F-92400 Courbevoie La Défense 5
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. If a disclosure does not meet the terms and conditions above, the share exceeding the fraction that should have been disclosed shall be stripped of voting rights at any Shareholders' Meeting that may be held until the expiration of a period of two years following the date on which proper notification is made, at the request, during the Meeting, of one or more shareholders holding at least 1% of the capital or voting rights.

Trading by the Company in its own shares

At the Combined General Meeting of May 15, 2014, 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 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 €104,081,800.

This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2014. A new authorization concerning stock repurchases will be submitted for shareholders' approval at the Combined General Meeting on May 19, 2015.

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 15, 2014, with the exception of repurchases under the liquidity agreement, the Company purchased 43,368 shares to be allotted, subsequently, to employees under existing bonus share allotment plans.

In March 2005, the Company signed a liquidity agreement with Exane-BNP Paribas conforming to the AMAFI's charter. Ce contrat de liquidité est renouvelé chaque année par tacite reconduction. At December 31, 2014, 53,637 shares were held under this liquidity agreement.

Double voting rights

As of the date of this reference document, no shares carry double voting rights. The Company's Articles of Association do not include provisions limiting and/or excluding double voting rights.

In accordance with French Law dated March 29, 2014 it is proposed to pass a resolution at the next General Meeting of May 19, 2015 which will cancel the double voting rights so that shareholders can resolve this issue.

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, 2014, the share capital amounted to €41,233,628, divided into 20,616,814 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 offered exclusively to the 2007 BSAR owners in exchange for securities tendered to the Company under a simplified exchange offer, referred to below, with waiver of the shareholders’ preferential subscription right to shares to be issued following the exercise of the 2010 BSARs. The holders of the 2007 BSARs are owners of redeemable stock subscription and/or acquisition warrants of the Company, detached from the bonds with redeemable stock subscription and/or acquisition warrants issued on November 22, 2007 and that were the subject of a prospectus approved by the Autorité des Marchés Financiers, the French financial market authority, under visa no. 07-350 dated October 9, 2007.

The nominal amount of the 2010 Bonds that may be issued pursuant to this authorization shall not exceed €246,240, which represents a maximum of 123,120 shares of nominal value of €2 each. This maximum number of shares does not include any additional shares which may be issued to protect the rights of 2010 Bonds owners. The 2010 Bonds will give the right to subscribe to or acquire Company shares at a price which shall not be lower than 150% of the average of the closing price of the Mersen shares on the Eurolist market compartment B of Euronext Paris SA over the 40 trading days preceding the management Board’ meeting deciding the conditions of issuance of the 2010 Bonds.

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 15, 2014

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 and/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% of the Company's share capital on the date of this Meeting and shall be applied to the ceiling of €10 million set out in the paragraph above. This authorization is valid for 26 months. To date, this authorization has not been used by the Company.

Bonus share allotments

At the General Meeting, the shareholders authorized the Management Board to allot existing or new shares to employees, or to certain categories of employees, of the Company and those of affiliated companies, at no cost. The total number of shares that may be allotted accordingly may not exceed 50,000. This authorization provides that the Management Board determine the identity and categories of beneficiaries of the share allotments referred to, as well as the performance and share allotment conditions and criteria. This authorization is valid for 38 months.

At its May 21, 2014 meeting, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting, at no cost, an aggregate number of 50,000 Company shares to 46 Mersen Group employees and managers pursuant to the related performance conditions; that is, a 2015 EBITDA(1) to sales ratio criterion or one based on change in the EBITDA(1) to sales ratio between 2013 and 2015, compared to a panel of comparable French companies (whichever is the more favorable).

Company stock subscription or purchase options granted to Management Board members and certain eligible managers of the Company

The General Meeting authorized the Management Board, subject to the Supervisory Board's prior approval, to allot, on one or more occasions, to members of the Management Board and certain eligible managers of the Company, options entitling them to subscribe for new shares to be issued or to purchase existing shares from repurchases under conditions provided by law. The total number of options thus allotted may not entitle the beneficiaries to subscribe for or acquire more than 150,000 shares, or 0.7% of the Company's share capital. These options shall entail the waiver of shareholders' preferential subscription rights. This authorization provides that the Management Board shall set the terms, specifically related to the performance of the Company, the Mersen Group or its related entities, under which the options shall be granted and may be exercised. The Management Board shall inform the General Assembly annually of the transactions carried out under this authorization. This authorization is valid for 38 months.

At its meeting on May 21, 2014, the Management Board decided, with the Supervisory Board's approval, to make use of this authorization by allotting 150,000 options granting a right to subscribe to new Company shares to beneficiaries who are either members or non-members of the Management Board. By Management Board decision, the possibility of exercising these options is contingent on growth of the Mersen Group's 2013 earnings per share (EPS), compared to the average of the 2014 and 2015 EPS. The percentage of options allotted will be determined based either on a criterion of the average of the 2014 and 2015 EPS or on the growth of the EPS compared to that of a panel of comparable French companies, whichever is the more favorable.

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 €400,000, i.e. approximately 1% 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 23, 2012. To date, this authorization has not been used by the Company.

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

The Annual General Meeting delegated powers to the Management Board to decide to issue, on one or more occasions, and subject to the prior approval of the Supervisory Board, called to approve based on a positive prior and compliant opinion of a committee comprising three 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 months. This authorization replaces and supersedes the previous authorization granted by the General Meeting of May 16, 2013. To date, this authorization has not been used by the Company.

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

SUMMARY OF CHANGES IN THE SHARE CAPITAL

Dates	Description of the transaction	Share capital following the transaction	Share premium *(in €)*	Total number of shares after the transaction
5/26/2009	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
6/11/2009	Issue of 400,000 shares each with a par value of €2 resulting from the exercise of 400,000 share issuance rights	30,194,426	7,064,000	15,097,213
6/25/2009	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
7/7/2009	Issue of 355,484 shares, each with a par value of €2, resulting from the payment of the dividend in shares	31,705,394	5,822,827	15,852,697
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
7/2/2010	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
1/27/2011	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
3/1/2011	Issue of 20,164 shares, each with a par value of €2, through the grant of bonus shares	39,925,882	707,756 unavailable reserves	19,962,941
7/7/2011	Issue of 294,894 shares, each with a par value of €2, resulting from the payment of the dividend in shares	40,515,670	10,005,753	20,257,835
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
12/2/2011	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
1/25/2012	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
7/2/2012	Issue of 62,615 new shares, each with a par value of €2, as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	4,701,938	62,615	20,350,969
1/22/2013	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
7/2/2013	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
1/27/2014	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
5/22/2014	Cancellation of 200,000 shares, each with a par value of €2	41,232,728	3,094,000	20,616,364
1/27/2015	Issue of 450 new shares, each with a par value of €2, through the exercise of subscription options in 2014	41,233,628	6,988.50	20,616,814

→ 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, 2014, after taking into account cancellations, entitle their holders to acquire a total of 600,105 shares, each with a par value of €2.

The BSAR warrants that may be exercised at December 31, 2014 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 157,168 new shares, each with a par value of €2, representing 0.76% of the current share capital.

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

Based on the number of stock subscription options, BSAR warrants that may be exercised by BSAR grantees, and the shares that may be definitively granted, the maximum dilution would be 4.17%.

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, 2014 amounted to €41,233,628, comprising 20,616,814 shares, each with a par value of €2 and all belonging to the same class.

The number of voting rights stood at 20,519,809 at December 31, 2014.

At December 31, 2014, 53,637 shares, representing 0.26% of the share capital, were held by the Company pursuant to the liquidity agreement entered into with Exane BNP Paribas. On May 22, 2014, the Company cancelled 200,000 of its treasury shares. The Company also purchased 43,368 shares to be allotted to employees at a later date under existing bonus share allotment plans.

As of the date of this reference document, no shares carry double voting rights. The Company's Articles of Association do not include provisions limiting and/or excluding double voting rights.

The number of stock subscription options granted to members of the Management Board and still outstanding stood at 177,096 taking into account the canceled options.

The number of bonus shares set to be granted definitively to members of the Management Board stands at 39,500 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

Liquidity agreement

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.

At December 31, 2014, the following funds and shares appeared in the liquidity account:

- 53,637 equities
- €427,016.

Trading in its own securities by the company during fiscal 2014

Number of treasury shares held by the company at December 31, 2013	240,617
Number of shares purchased in 2014	43,368
Number of shares canceled in 2014	200,000
Number of shares purchased under the liquidity agreement	170,761
Number of shares sold under the liquidity agreement	157,741
Number of treasury shares held by the company at December 31, 2014	**97,005**

The Company did not use any derivatives.

	Total gross cash flows		Open interest on the filing date of the document					
			Open interest, buy side			Open interest, sell side		
	Futures	Sales/ Transfers	Calls purchased	Puts sold	Futures sold	Calls sold	Puts purchased	Futures sold
Number of instruments	43,368							
Average maximum life			None	None	None	None	None	None
Average transaction price	18.7							
Average exercise price			None	None	None	None	None	None
Carrying amount of the portfolio	811,164							
Market value of the portfolio (at December 31, 2014)	877,976							

Description of the stock repurchase program submitted for shareholders' approval at the Combined General Meeting of May 19, 2015

Prepared in accordance with article 241-1 *et seq.* of the General Regulation of the Autorité des Marchés Financiers, article L225-209 *et seq.* of the French Commercial Code, and 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.

1 - Summary of the principal characteristics of the program

- Shares concerned: Mersen's ordinary shares, admitted for trading on Euronext Paris, Compartment B (ISIN code: FR0000039620).
- Maximum percentage of the capital authorized for repurchase by shareholders at the General Meeting: 10%.
- Maximum acquisition price per share: 40 euros.
- Duration of the program: This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2015. In no case whatsoever will this authorization remain valid for more than 18 months.

2- Objectives of the program

- 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 charter;
- Grant or transfer shares to Group employees and/or Management Board members under the company investment plan and under the terms and conditions set forth in articles L. 225-197-1 to L. 225-197-3 and the allotment of shares (specifically, allotment of bonus shares or share purchase options) 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 for holding purposes and subsequently remit 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.

3 - Legal framework

This program is compliant with the provisions of Article L. 225-209 et seq. of the Commercial Code and with the EC Regulation n° 2273/2003 of December 22, 2003 implementing the "Market Abuse" Directive 2003/6/CE of January 8, 2003, which became effective on October 13, 2004. It will be submitted to the approval of the shareholders at the Combined General Meeting of May 19, 2015, deliberating in accordance with quorum and majority voting requirement for Ordinary General Meetings. The corresponding resolution to be proposed by the Management Board is worded as follows:

Resolution on the share repurchase program

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 2,061,681 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;
- allot or transfer shares to Group employees and/or Management Board members under the company investment plan and under the terms and conditions set forth in articles L. 225-197-1 to L. 225-197-3 and the allotment of shares (specifically, allotment of bonus shares or share purchase options) 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 €40 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 €82,467,240.

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 2015. 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 15, 2014.

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.

4 – Conditions

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. 2,061,681 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. 40 euros per share, would be 82,467,240 euros.

The Company's discretionary reserves, as stated under liabilities in the most recent annual financial statements prepared and certified at December 31, 2014, amounted to 26,409,276 euros. Pursuant to law, the size of the stock repurchase program may not exceed this figure until the fiscal 2015 financial statements are prepared.

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

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.

Duration of 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 19, 2015 and until the date of the General Meeting convened to approve the financial statements for 2015. In no case whatsoever will this authorization remain valid for more than 18 months.

Financing of the share 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.

5 – Breakdown by objectives of treasury shares held at December 31, 2014 and February 28, 2015 (excluding liquidity agreement)

Objective	Number of treasury shares and percentage of capital
Grant or transfer of shares to Group employees and/or Management Board members under the company investment plans and the allotment of shares, specifically, allotment of bonus shares or share purchase options	43,368 0.2%
Allotment of shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital	0 0%
Purchase for holding purposes and subsequent remit as part of an exchange offer or in consideration for any acquisitions	0 0%
Cancellation of shares through a reduction in the share capital in accordance with the French Commercial Code	0 0%

6 - Persons responsible for the information memorandum

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

Shareholders

Share ownership thresholds crossed

February 3, 2014: BNP Investment Partners announced in the name and on behalf of the entities it controls that it owned 850,505 shares, representing 4.0883% of the share capital and voting rights.

March 6, 2014: Highclere International Investors declared that at March 5, 2014 it held 202,615 shares, representing 0.97% of the share capital and voting rights.

May 12, 2014: Sterling Strategic Investments declared that at May 9, 2014, it held 212,690 shares, representing 1.02% of the share capital and voting rights.

June 10, 2014: Bank of America Corporation declared that at June 4, 2014 it held 272,230 shares, representing 1.3% of the share capital and voting rights.

June 19, 2014: Bank of America Corporation declared that it held less than one percent of the share capital and the voting rights.

September 9: Sterling Strategic Investments declared that at September 8, 2014, it held 414,500 shares, representing 2.01% of the share capital and voting rights.

November 19, 2014: BNP Investment Partners announced in the name and on behalf of the entities it controls that it owned 823,901 shares representing 3.99% of the share capital and voting rights.

December 10, 2014: T. Rowe Price Associates declared that it held 1,033,285 shares, representing 5.01% of the share capital and voting rights.

CHANGES IN OWNERSHIP OF THE SHARE CAPITAL

	Dec. 31, 2014			Dec. 31, 2013			Dec. 31, 2012		
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									
- French institutional investors	10,049,543	48.7%	49.0%	9,890,443	47.5%	48.0%	9,953,609	48.9%	49.0%
- International institutional investors	8,223,915	39.9%	40.1%	7,556,498	36.3%	36.8%	6,441,498	31.7%	31.8%
- Individual shareholders	2,081,865	10.1%	10.1%	2,927,910	14.0%	14.2%	3,638,218	17.9%	17.9%
- Employee shareholders	164,486	0.8%	0.8%	200,896	1.0%	1.0%	268,073	1.3%	1.3%
Treasury shares	97,005	0.5%	0.5%	240,617	1.2%		49,571	0.2%	
TOTAL	20,616,814			20,816,364	100.0%	100.0%	20,350,969	100.0%	100.0%

Members of the Management Board and Supervisory Board hold 2,293,843 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 11.3% of the share capital. The Company held a total of 97,005 of its own shares at December 31, 2014, of which 53,637 under a liquidity agreement complying with the AMAFI charter.

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

	Shares	% capital	Theoretical voting rights	% of theoretical voting rights	Voting rights that may be exercised at the AGM	% of voting rights that may be exercised at the AGM
ACF I Investment (Ardian)	3,624,304	17.6%	3,624,304	17.6%	3,624,304	17.6%
Bpifrance Investment	2,242,770	10.9%	2,242,770	10.9%	2,242,770	10.9%
Caisse des Dépôts et Consignations	922,269	4.5%	922,269	4.5%	922,269	4.5%
Sub-total (BPI + CDC)	**3,165,039**	**15.4%**	**3,165,039**	**15.4%**	**3,165,039**	**15.4%**
Sofina	1,679,852	8.1%	1,679,852	8.1%	1,679,852	8.1%
T-Rowe Price Associates	1,033,300	5.0%	1,033,300	5.0%	1,033,300	5.0%

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 2007, 2009 and 2014 plans still outstanding at December 31, 2014, 600,105 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, 2014, 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, 2014 is 157,168 new shares, each with a par value of €2.

Dividend

	Nbr of shares at year-end	Earnings per share *(in €)*	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%
2014	20,616,814	0.50	27,90	17,50	20.12	2.5%

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 2014, the Third Resolution of the Combined General Meeting of May 19, 2015 provides for payment of a dividend of €0.50 per share, subject to shareholders' approval.

Financial rating

The Mersen Group Is not assigned an external financial rating from financial rating agencies.

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

The development of Mersen's 2014 share price was disappointing. After improving significantly in 2013 (+19%), it continued to rise until mid-January, when it reached its high point of the year (+7% over December 31, 2013). It then began an irregular decline over the rest of the year. For 2014 overall, the share lost 18.5% of its value. However, the Group outperformed in 2014 compared to its graphite competitors, SGL Carbon and Graftech, whose shares fell more than 50% over the year.

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]

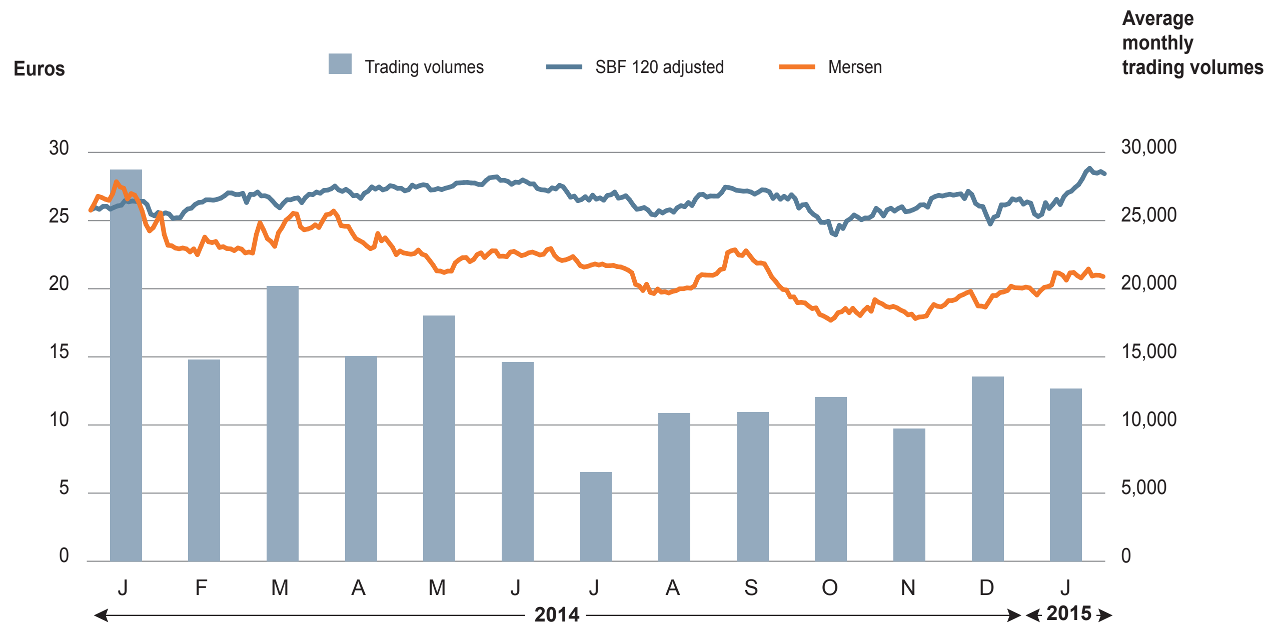
- at December 31, 2014: 20.12 euros.
- 2014 high: 27.88 euros.
- 2014 low: 17.68 euros.

[1] *At the close of the market.*

Trading

- Average 2014 monthly trading volume: 312,178 (average 2013 monthly trading volume: 639,072).
- Average daily trading volume in 2014: 14,691 (average daily trading volume in 2013: 30,074).

→ 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 *(in €)*	Share price Low *(in €)*	Share price Average *(in €)*
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
February	325,590	7.51	14,800	23.88	22.51	23.06
March	424,239	10.27	20,202	25.63	22.52	24.21
April	301,351	7.27	15,068	25.85	22.80	24.13
May	378,829	8.38	18,039	23.15	21.10	22.11
June	306,973	6.25	14,618	23.01	21.91	22.56
July	150,303	3.29	6,535	23.25	21.10	21.87
August	228,545	4.61	10,883	21.20	19.50	20.15
September	241,033	5.19	10,956	23.08	18.60	21.52
October	277,197	5.11	12,052	19.55	17.50	18.45
November	194,959	3.60	9,748	19.52	17.63	18.49
December	284,897	5.56	13,537	20.36	18.63	19.53
2015						
January	266,182	5.51	12,675	21.60	19.50	20.68

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

(Share price)	January 2015	2014	2013
At end of period	20.90	20.12	25.19
Number of shares at end of period	20,616,364	20,616,364	20,816,364
Market capitalization at end of period *(in millions of euros)*	431	415	524
Average daily number of shares traded	12,675	14,691	30,074

Dividend per share

(In euros)	2014	2013	2012	2011	2010
	0.50	0.45	0.45	1.00	0.75

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 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

Marseille – December 16

Annual General Meeting

Paris - May 15

Key events in the 2015 investor relations calendar

Sales reports

Fourth-quarter 2014 sales - January 29

First-quarter 2015 sales - April 28

Second-quarter 2015 sales - July 31

Third-quarter 2015 sales - October 28

Earnings reports

Full-year 2014 results - March 11

Interim 2015 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 19

Officer responsible for information

Thomas Baumgartner

Group Vice President, Finance and Administration

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Management report

5

Introduction

2014 was marked by the strength of Mersen's renewable energy (solar and wind) and electronics markets, which partially offset the impact on the chemicals market of the non-renewal of a major contract and weak demand. At the beginning of the year, the Group also successfully integrated the Cirprotec business, which will contribute to the electrical segment's growth strategy. Mersen thus posted sales of €731 million in 2014, a limited decline of 1.5% on a like-for-like basis compared to 2013.

Despite this slight business contraction, the Group delivered an operating margin before non-recurring items of 8.2% of sales, up slightly compared to the previous year, as a result of the operational teams' efforts.

Mersen also continued its drive to enhance its cash management by generating, over the period, operating cash flow before investments and non-recurring items of €79 million (compared to €86 million in 2013). At December 31, 2014, net debt totaled €216 million, leading to robust financial ratios (leverage of 2.2 and gearing of 46%).

Consolidated results

→ Sales

Mersen's 2014 consolidated sales totaled €730.9 million, down 1.1% on the previous year and 1.5% on a like-for-like basis. There was a negative exchange rate effect of €7.4 million, with the strengthening of the dollar at the end of the year partially offsetting the strong euro at the beginning. Cirprotec made a €10.4 million contribution for the year. The Group posted organic growth of 2% compared to 2013, excluding the chemicals market, coming off a high base of comparison of the Sabic contract and weak demand.

(In millions of euros)	2014	2013	Total growth	Organic growth
Materials segment	280.0	300.3	-6.8%	-6.6%
Electrical segment	450.9	438.5	2.8%	2.0%
GROUP TOTAL	**730.9**	**738.8**	**-1.1%**	**-1.5%**
Europe	279.5	281.8	-0.8%	-3.6%
Asia-Pacific	161.3	156.9	2.8%	3.6%
North America	256.3	261.7	-2.1%	-1.1%
Rest of the world	33.8	38.4	-11.9%	-9.5%
GROUP TOTAL	**730.9**	**738.8**	**-1.1%**	**-1.5%**

The Group faced a mixed global economic environment in 2014. In Europe, sales fell by 3.6%. Excluding the Sabic contract (chemicals), the region grew by more than 2%. Business rose in most countries, although France remained sluggish. The Asia-Pacific region grew by nearly 4% over the year, despite the discontinuation of the sale of carbon steel equipment. Trends on the Chinese solar market and the Korean electronics market are positive. Finally, the situation in North America improved significantly at year-end, nearly offsetting a slow start to the year and posting fourth-quarter growth of 8%.

Sales in the Materials segment posted an organic contraction of 6.6%, penalized in particular by the non-renewal of the Sabic contract and the discontinuation of the sale of carbon steel equipment, announced last October. Process industries, which are heavily dependent on the economic environment, were also down. On the other hand, the electronics business enjoyed strong growth, drive by the LED sector, and solar sales increased significantly over last year.

Sales in the Electrical segment rose 2.0% on a like-for-like basis. The energy market posted the strongest growth, driven by wind. The electronics market also grew, as a result of multiple power electronics projects. In the transportation market, business was driven by rail projects in Asia and continuing deliveries to major aerospace suppliers. Process industries were down slightly.

→ EBITDA and operating income before non-recurring items

(In millions of euros)	2014	2013
Operating income before non-recurring items	**59.7**	**59.8**
as a% of sales	*8.2%*	*8.1%*
Depreciation and amortization	36.1	40.2
EBITDA	**95.8**	**100.0**
as a% of sales	*13.1%*	*13.5%*

The Group's operating income before non-recurring items(1) reached €59.7 million in 2014, in line with 2013, for an operating margin of 8.2% of sales, up slightly over 2013.

The operating margin before non-recurring items in the Electrical segment rose over the previous year (12.3% vs. 11.6%). This strong performance is attributable to increased volumes with steady prices and a favorable trend in raw material.

The operating margin before non-recurring items of the Materials segment remained at the 2013 level (6.5% vs. 6.6%). This steady margin was the result of mixed effects, with, on the one hand, declining volumes in anticorrosion systems (particularly Sabic) and price pressure on graphite and, on the other, increased graphite volumes on high added-value applications, decrease of depreciation and the initial positive effects of the Transform plan.

EBITDA(2) stood at €95.8 million, or 13.1% of sales, down slightly compared to 2013.

(In millions of euros)	2014	2013	*Change*
Sales	730.9	738.8	*-1.1%*
Gross income	222.4	213.4	*+4.1%*
as a % of sales	*30.4%*	*28.9%*	
Selling, marketing and other costs	(73.4)*	(72.4)	*+1.3%*
G&A and R&D costs	(89.3)*	(81.2)	*+9.9%*
Operating income before non-recurring items	**59.7**	**59.8**	***-0.2%***
as a % of sales	*8.2%*	*8.1%*	

** In 2014, €3.6 million of selling costs were reallocated after detailed analysis.*

Gross profit increased by 1.5 points amid weaker volume, thanks to positive materials effects and productivity gains limited by slightly negative price effects in the materials segment.

G&A costs rose 2% and 5% respectively on an adjusted and a like-for-like basis.

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

Net income from continuing operations

Net income from continuing operations totaled €2.8 million, compared to a loss of €28.6 euros in 2013.

(In millions of euros)	2014	2013
Operating income before non-recurring items	**59.7**	**59.8**
Non-recurring income and expense	(37.0)	(49.3)
Amortization and impairment of revalued intangible assets	(1.0)	(1.2)
Operating income	**21.7**	**9.3**
Financial costs	(9.9)	(11.0)
Income tax	(9.1)	(23.1)
Net income from continuing operations	**2.7**	**(24.8)**
Net income from assets held for sale and discontinued operations	0.1	(3.8)
Net income	**2.8**	**(28.6)**
Attributable to Mersen's shareholders	**2.1**	**(29.2)**
Non-controlling interests	(0.7)	(0.6)

Non-recurring income and expense showed a loss of €37 million. This includes:

- Expenses related to the Transform plan, totaling approximately €28 million.
- Other expenses of approximately €9 million, primarily the cost of the final settlement of the civil lawsuit in the United Kingdom and other provisions for litigation, legal fees, restructuring costs and acquisition fees.

The 2013 expense was €49.3 million, primarily in restructuring costs and asset depreciation.

Mersen's net financial costs stood at €9.9 million in 2014, down over the 2013 level. This decline is attributable to the €10 million reduction in average debt over the year compared to 2013 and to the positive effect of the mid-year renegotiation of the syndicated loan conditions.

The tax expense was €9.1 million, for an effective tax rate of 33%, adjusted for non-recurring items (primarily the Transform plan, as a portion of its costs are non-deductible). This rate is equivalent to that of prior years. In 2013, the expense integrated €12 million net in impairment of deferred tax assets, primarily in France.

In 2013, net income from operations held for sale or discontinued 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.

Dividend

The Supervisory Board will propose payment of a dividend of €0.5 per share at the Annual General Meeting of the shareholders, an increase over the previous year (€0.45 per share). This would result in a total payout of around €10 million, representing 34% of consolidated net income (Group share), excluding non-recurring items (Transform and conclusion of civil proceedings in the UK).

Cash and debt

Condensed statement of cash flows

(In millions of euros)	2014	2013
Cash generated by operating activities before change in the WCR	77.4	90.1
Change in the working capital requirement	1.7	13.9
Change in tax expense	(13.3)	(17.7)
Net cash generated by continuing operating activities	**65.8**	**86.3**
Net cash generated by operating activities excluding exceptional items*	***79.1***	***86.3***
Cash generated by discontinued operations	(0.8)	(8.6)
Net cash generated by operating activities	**65.0**	**77.7**
Capital expenditures	(32.0)	(27.8)
Net cash generated by operating activities after capital expenditures	**33.0**	**49.9**
Change in scope (acquisitions)	(8.6)	(3.2)
Disposals of non-current assets and other	(0.7)	(6.6)
Net cash generated/(used) by operating and investing activities	**23.7**	**40.1**
Interest payments	(9.3)	(10.7)
Dividends paid	(10.0)	(3.7)
Increase in the share capital and other	(1.1)	(3.4)
Net cash flow before the change in debt	**3.3**	**22.3**

**2014 non-recurring items: Transform plan and conclusion of civil proceedings in the UK.*

The Group generated net cash from continuing operating activities of €65.8 million. This figure is €79.1 million excluding the year's non-recurring flows (Transform plan and conclusion of the civil proceedings in the UK), i.e. a decline of approximately €7 million compared to 2013. In 2014, working capital requirements fell slightly despite deployment of the Transform plan which involves a temporary increase in inventories, and expectation of increased sales in certain activities. In 2013, it fell more sharply against a backdrop of declining activity.

Capital expenditure totaled €32.0 million; around €3.5 million of which is related to the Transform plan. More than 60% of this concerned the materials segment. The investment policy is presented in this chapter.

Changes in the scope of consolidation concern the acquisition of a majority stake in Cirprotec (€4.1 million) and a final earn-out payment (€4.5 million) related to the purchase, in 2011, of Mingrong Electrical Protection minority interests. In 2013, they were related primarily to earn-out payments related to two sales completed during the year.

The increased dividends paid are attributable to the payment of the dividend only in cash for 2013.

Net cash thus stood at €3.3 million in 2014, compared to €22.3 million in 2013.

Balance sheet

Net debt at year-end 2014 was €216.0 million, compared to €212 million at year-end 2013. This takes into account nearly €20 million in exceptional outlays associated mainly with acquisitions and restructuring.

At comparable exchange rates, the debt would be €204 million, i.e. a decline of €12 million.

The Group maintained a strong financial structure, with ratios close to the previous year: net debt/EBITDA ratio (leverage) was 2.19* and net debt/equity ratio (gearing) was 0.46%*.

	Dec. 31, 2014	Dec. 31, 2013
Total net debt *(in millions of euros)*	216.0	212.0
Net debt/equity*	0.46	0.45
Net debt/EBITDA *	2.19	2.07

International 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 2014, around 65% of the Group's capital expenditures were devoted to international markets. This concerned primarily the replacement and modernization of industrial equipment.

In 2014, 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 0.5% compared with 2013 on a like-for-like basis.

Sales in the Asia-Pacific region totaled 22% of Group consolidated sales in 2014, 38% in Europe, 35% in North America and 5% in the rest of the world (South America, Africa and the Middle East).

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

Investment policy

During 2014, capital expenditures in continuing operations amounted to €32 million. With the projects launched in 2013 continuing, the Group invested in industrial equipment in China and the United States. The Group also initiated investments in the flexible felt market in Scotland and in projects related to the Transform plan in Europe and the United States.

Acquisitions totaled €8.6 million in 2014, involving payment for Cirprotec securities, a Spanish company purchased during the fiscal year (€4.1 million), and the fourth installment of the buy-out of minority interests in Mingrong Electrical Protection (€4.5 million).

In 2013, capital expenditures totaled €27.8 million and involved primarily the replacement, optimization and modernization of industrial equipment and continuing investments in China and the United States.

Spending on acquisitions came to €3.2 million in 2013. This included primarily the MS Schneider Group earn-out payment (€1 million) and covered the third installment of the buy-out of minority interests in Mingrong Electrical Protection (€1.8 million).

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

	Continuing operations	
(In millions of euros)	**2014**	**2013**
Increase in property, plant and equipment	(31.6)	(26.8)
Change in fixed asset suppliers	(0.4)	(1.0)
CAPITAL EXPENDITURES	**(32.0)**	**(27.8)**
Increase in intangible assets	(2.7)	(1.3)
Increase in financial assets	(1.1)	(0.1)
Other changes in investment flows (excl. fixed asset suppliers)	1.8	
SUB-TOTAL	**(34.0)**	**(29.2)**
Investments linked to acquisitions	(8.6)	(3.2)
Investments linked to asset disposals	0.0	0.6
TOTAL	**(42.6)**	**(31.8)**

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.

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.

In 2014, the Group renegotiated its syndicated loan due to expire in July 2017 by improving the financial terms and extending its maturity to July 2019.

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 93 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

Parent company's financial position in the preceding financial year

Sales and other revenues recorded by the parent company, Mersen SA, amounted to €12.0 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 invoicing for various services, plus fees for the use of the trademark and other associated intangibles.

The parent company's operating loss, which reflects the holding company's operating costs and trademark royalties, stood at €5.1 million.

Financial income totaled €30.7 million, compared to €12.2 million in 2013. In 2013, income included impairment losses on investments.

Income before tax and non-recurring items came to €25.5 million. The exceptional gain stood at €3.4 million, compared to a loss of €8.3 for 2013, which was impacted by the disposal of Mersen Grésy.

The parent company recorded a tax benefit of €1.6 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 €30.6 million, up from €1.8 million in 2013.

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, 2014 comprised €0.3 million in amounts payable within less than 30 days and €0.4 million in amounts payable between 30 and 60 days. At December 31, 2013, the amounts payable within less than 30 days stood at €1.0 million and amounts payable between 30 and 60 days at €0.3 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 2014, 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, aeronautic and rail transportation, electronics, LEDs and energy storage and energy efficiency;
- increasing the competitiveness of the products sold by the Group's core businesses.

The major innovations finalized in 2014 or still in progress include:

- Development of new grades of graphite at competitive costs for the least demanding applications (in terms of technical properties);
- Development of surge protection systems that integrate electronic defect detection and predictive maintenance;
- Development of contactless signal transfer systems to improve the reliability of data transmission;
- Patented, high voltage, current-limiting fuse technology that can replace traditional solutions and improve security in extreme conditions in wind and solar energy conversion applications; and,
- Development of a continuous carbonization process for rayon fiber that reduces energy consumption, cuts manufacturing costs and improves quality and uniformity during production of insulating felt.

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 Group reviewed risks that could have a material adverse effect on its business, its financial position or its results (or on its ability to achieve its objectives) and believes that there are no material risks other than those presented.

→ 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 the 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:

- monitoring matters such as the use of coal tar pitch in our carbon products. This product is still under study at the European level in connection with the REACH regulations. It may be subject to use conditions. The Mersen group is working at the European level with organizations that bring together graphite companies to participate actively in discussions and studies in this context;
- ongoing improvement of protection and equipment for employees exposed to CMR (carcinogenic, mutagenic or reprotoxic) substances as well as training activities. Research and development efforts are still underway in order to use non-CMR-classified materials;
- continued implementation of the Grenelle 2 regulation;
- regulatory monitoring through participation in working groups composed of the leading players in carbon and graphite in Europe;
- ISO 14001 certification for major facilities; and,
- pollution risk mapping within the Group and implementation of action plans to reduce these risks.

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. Since the end of 2013, therefore, the Group has been confronted with a significant decline in the chemicals 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. Finally, at the start of 2014 it launched an industrial rationalization plan entitled "Transform" with the aim, in particular, of being more flexible given the economic climate, particularly in Europe and at certain sites producing for the chemicals market.

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. Certain local companies, particularly in China, are capable of competing with Mersen in some products and applications. This competition is currently limited to specific applications of the Chinese market.

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. This program was deployed throughout 2014, with particular focus on structuring business resumption plans for the internal and external IT application hosting centers that Mersen uses.

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).

Raw material risks are addressed in the "Raw material risks" section of Note 3 to the consolidated financial statements.

Risks related to export controls on dual-use goods

The Group must comply with European and US regulations on the export of dual-use (civilian and military) goods and technologies. These regulations apply to the export of certain kinds of graphite-based goods produced in France and the United States. Unfavorable changes in these regulations intended specifically to restrain or prohibit certain exports could have a material impact on Mersen.

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 2014, 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

	2014		2013	
(in € million)	Sales	% of sales	Sales	% of sales
With the Group's leading customer	28.2	3.9%	26.3	3.6%
With the Group's top 5 customers	85.3	11.7%	84.8	11.5%
With the Group's top 10 customers	129.8	17.8%	127.2	17.2%

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 such as anticorrosion equipment characterized by project-based sales, to late penalties. The diversity of customers and activities limits the financial impact of this risk on the Group's earnings and financial position. 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.

Risks associated with acquisitions may lead indirectly to a risk on the valuation of goodwill. The Group has substantial goodwill related to past acquisitions. The amount of goodwill recognized on the balance sheet totals €281 million. Note 6 to the consolidated financial statements describes this goodwill in detail.

Impairment tests for cash-generating units are performed whenever evidence of impairment in the value of assets appears and at least once every year, to identify, where necessary, possible impairment on net assets, including goodwill, of these cash-generating units. 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 from these tests. The risk is greater for the Anticorrosion Equipment CGU. Its primary target is the chemicals market, which was affected by the end of the Sabic contract, and weak demand. The unit value of orders in that CGU is significantly greater than in the Group's other CGUs. Fluctuation in orders can thus create considerable variation in cash flow. Asset impairment tests are presented in Note 7 to the consolidated financial statements.

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.

Risks related to innovation and R&D

The Mersen group pursues a proactive policy in the area of innovation and R&D, described in this chapter.

Like any innovation policy, it may prove inadequate and/or inappropriate. However, the large number of the Group's products, applications and customers tends to limit this risk. In addition, capitalized costs are low overall, totaling less than 1% of Group sales. However, if certain R&D project were to fail, the Group could risk the impairment of capitalized development costs, pursuant to IFRS rules.

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 2014, sales outside Europe, North America, Japan and South Korea represented 15% of consolidated sales, of which 59% are derived from China. 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 Argentina, a country considered to be at high risk according to the Coface classification. Although this unconsolidated subsidiary represents a potential risk, it is a very modest one given its size, as its sales totaled €1.6 million in 2014.

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

The management and development of the Group's activities require the company to recruit and hire many highly-qualified technicians and managers. The success of the Group's internal and external development plans depends, in part, on its ability to hire and integrate individuals with new skills and to train and promote new talented employees. However, the Group could lose expertise and knowledge with the retirement of certain key employees and could face the risk of inadequate management skills. These risks could affect the profitability of a facility, an activity or a project.

To guard against this risk, 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.

In 2014, the Group implemented the Transform plan, which has resulted in, or will result in, a workforce reduction at certain facilities. The Group has held discussions with employee representatives at each facility concerned with a view toward minimizing the consequences for employees.

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 €35.6 million, but does not believe that it is exposed to counterparty risk because its positions are marked to market (mark-to-market valuation of -€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 may vary, by customer, between 0 and 90% of invoiced amounts.

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.

Credit risks

The Group must comply with OFAC regulation through its syndicated loan and US private placements. Failure to comply with this regulation could lead to default on these loans. The Group has implemented internal procedures to ensure compliance with this regulation at all Group facilities.

Equity risks

The presence of shareholders with a large stake in the Group limits the stock's liquidity.

At December 31, 2014, the Group held 97,005 treasury shares worth approximately €2 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.

In June 2013, Mersen do Brasil, a wholly-owned subsidiary of Mersen SA, was informed of a customs audit covering the period January 2008 – December 2012. Customs officials issued a notice of reassessment in the amount of 7.5 million Brazilian reals, or approximately €2.3 million at the exchange rate on December 31, 2014. The Group initiated a challenge.

→ 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 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 civil lawsuit initiated during 2004 in Canada by certain customers against the main Canadian manufacturers of graphite brushes, including Mersen Toronto, a Canadian subsidiary of Mersen, is still in progress and there have been no new developments since 2007. To recap, this lawsuit was instigated following the fine of CAD1 million that Morgan Crucible Ltd was ordered to pay in July 2004 for anti-trust practices in the field of graphite brushes for traction applications during the 1995-1998 period. To recap, the Canadian judge ruled in February 2007 that only Canadian urban transportation companies could join the proceedings in progress. The risk for Mersen Toronto is still not material.

Civil proceedings in the United Kingdom

In late 2014, Mersen and the plaintiffs reached an out-of-court settlement bringing the civil proceedings initiated in 2011 in the United Kingdom by Deutsche Bahn and several European rail companies to a definitive close. To recap, this proceeding was brought against Morgan, SGL, Schunk and Mersen. The plaintiffs were seeking to secure redress before the CAT for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in the area of brushes for electric motors and products for mechanical applications.

Administrative proceedings in France

In 2013, SNCF commenced two legal actions against Morgan, SGL, Schunk and Mersen respectively in the Paris Administrative Court and in the Paris Commercial 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 2014, the Paris Administrative Court rejected all the claims lodged by SNCF, which appealed the decision. The Paris Commercial Court accepted jurisdiction for the SNCF proceedings. 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 in 2014.

The Group reviewed the risks that could have a material effect on its business, its financial position or its results (or on its ability to achieve its objectives) and believes that there are no material risks other than those presented.

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.

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 claims remaining under control in 2013, the Group's insurance programs remained stable in 2014. Higher civil liability claims in 2014 led to an increase in certain premiums for 2015. However, this increase remained under control thanks to the continuation of the risk prevention policy.

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 fiscal 2014 in respect of its civil liability, environmental and civil aviation insurance program came to €647,000.

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 fiscal 2014 in respect of this insurance program came to €1,056,126.

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's fiscal 2014 premium came to €186,000, up over 2013 due to higher claims in this program in 2013 and 2014.

Outlook

In 2015, the Group will focus its efforts on its growth drivers–particularly the renewable energies and electronics markets–and its operational efficiency drivers, while continuing to roll out the Transform plan. On this basis, the Group expects to record sales growth on a like-for-like basis of 0 to 4% in 2015, depending on the economic environment, with the second part of the year likely to be stronger than the first. Performance in the first part of the year will suffer from comparison with the Sabic contract and the halt of sales of stainless-steel equipment. The operating margin before non-recurring items is also expected to improve tangibly in 2015, with the Group targeting a range of between 8.6% and 9.4% of sales. The positive effects of the Transform plan may be offset to some extent by a persistently weak graphite pricing environment.

CONSOLIDATED FINANCIAL STATEMENTS

6

Consolidated income statement

In millions of euros	Notes	Dec. 31, 2014	Dec. 31, 2013
CONTINUING OPERATIONS			
Consolidated sales	18	730.9	738.8
Cost of sales		(508.5)	(525.4)
Total gross income		**222.4**	**213.4**
Selling and marketing costs		(71.3)	(72.7)
Administrative and research costs		(89.3)	(81.2)
Other operating costs		(2.1)	0.3
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**59.7**	**59.8**
Non-recurring charges	17	(37.0)	(50.4)
Non-recurring income	17		1.1
Amortization of revalued intangible assets		(1.0)	(1.2)
OPERATING INCOME	**18/20**	**21.7**	**9.3**
Financial expense		(9.9)	(11.0)
Financial income			
Net finance costs	21	**(9.9)**	**(11.0)**
Income before tax and non-recurring items		**11.8**	**(1.7)**
Current and deferred income tax	22	(9.1)	(23.1)
Net income from continuing operations		**2.7**	**(24.8)**
Net income from operations held for sale or discontinued operations	5	0.1	(3.8)
NET INCOME FOR THE YEAR		**2.8**	**(28.6)**
Attributable to:			
- Group equity holders		2.1	(29.2)
- Minority interests		0.7	0.6
NET INCOME FOR THE YEAR		**2.8**	(28.6)
Earnings per share	**23**		
Basic earnings per share *(€)*		0.10	(1.43)
Diluted earnings per share (€)		0.10	(1.38)
Earnings per share from continuing operations	**23**		
Basic earnings per share *(€)*		0.09	(1.24)
Diluted earnings per share (€)		0.09	(1.20)
Earnings per share from assets held for sale and discontinued operations	**23**		
Basic earnings per share *(€)*		0.01	(0.18)
Diluted earnings per share *(€)*		0.01	(0.18)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
NET INCOME FOR THE YEAR	**2.8**	**(28.6)**
Items that will not be subsequently reclassified in income		
Revaluation of net liabilities (assets) for defined benefits	(17.4)	9.5
Tax expense/income on revaluation of net liabilities (assets) for defined benefits	6.0	(3.0)
	(11.4)	6.5
Items likely to be subsequently reclassified in income		
Change in fair value of hedging derivatives	(1.7)	1.3
Change in assets and liabilities at year-end exchange rate	32.2	(17.9)
Tax expense/income on change in fair value of hedging derivatives	0.6	(0.4)
	31.1	(17.0)
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	**19.7**	**(10.5)**
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**22.5**	**(39.1)**
Attributable to:		
- Group equity holders	21.3	(39.5)
- Minority interests	1.2	0.4
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	22.5	**(39.1)**

Consolidated statement of financial position

ASSETS

In millions of euros	Note	Dec. 31, 2014	Dec. 31, 2013
NON-CURRENT ASSETS			
Intangible fixed assets			
- Goodwill	6	281.5	263.0
- Other intangible assets	8	34.4	32.9
Property, plant and equipment	8		
- Land		29.4	28.6
- Buildings		67.0	61.9
- Plant, equipment and other assets		169.3	161.8
- Assets in progress		24.3	21.9
Non-current financial assets			
- Investments	9	2.5	1.4
- Other financial assets		4.0	5.4
Non-current tax assets			
- Deferred tax assets	22	36.4	28.1
- Non-current portion of current tax assets		5.0	5.7
TOTAL NON-CURRENT ASSETS		**653.8**	**610.7**
CURRENT ASSETS			
- Inventories	10	162.4	154.3
- Trade receivables	11	115.9	108.0
- Other receivables		15.9	13.5
- Current portion of current tax liabilities		4.4	13.3
- Current financial assets	15	12.1	8.4
- Current derivatives	3	0.8	1.8
- Cash and cash equivalents	15	37.6	20.2
- Assets held for sale and discontinued operations	5	0.4	2.4
TOTAL CURRENT ASSETS		**349.5**	**321.9**
TOTAL ASSETS		**1,003.3**	**932.6**

LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros	Note	Dec. 31, 2014	Dec. 31, 2013
SHAREHOLDERS' EQUITY			
- Share capital	12	41.2	41.6
- Retained earnings		423.6	473.8
- Net income for the year		2.1	(29.2)
- Cumulative translation adjustments		(11.7)	(43.4)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		**455.2**	**442.8**
- Non-controlling interests		11.7	10.0
SHAREHOLDERS' EQUITY		**466.9**	**452.8**
NON-CURRENT LIABILITIES			
- Non-current provisions	13	3.8	8.5
- Employee benefits	14	89.6	66.5
- Deferred tax liabilities	22	19.3	22.1
- Long and medium-term borrowings	15	228.9	190.0
- Non-current derivatives	3	0.7	0.6
TOTAL NON-CURRENT LIABILITIES		**342.3**	**287.7**
CURRENT LIABILITIES			
- Trade payables		60.6	58.9
- Other payables		65.5	59.1
- Current provisions	13	19.6	5.1
- Current portion of current tax liabilities		4.9	12.2
- Other liabilities	13	3.1	2.7
- Other current financial liabilities	15	6.5	11.5
- Current derivatives	3	1.5	0.6
- Current advances	15	0.4	0.3
- Bank overdrafts	15	29.9	38.8
- Liabilities related to assets held for sale and discontinued operations	5	2.1	2.9
TOTAL CURRENT LIABILITIES		**194.1**	**192.1**
TOTAL EQUITY AND LIABILITIES		**1,003.3**	**932.6**

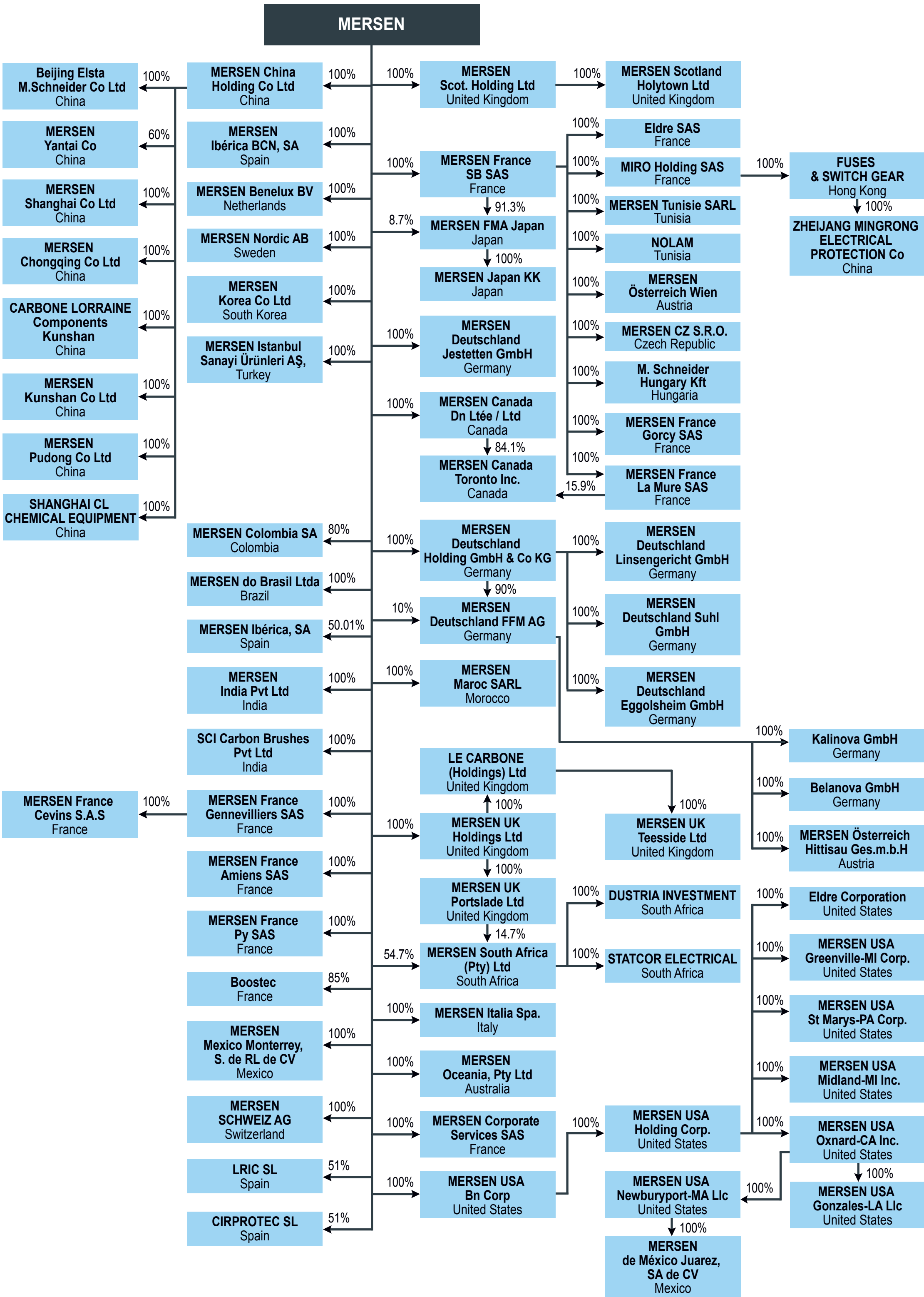
Statement of changes in equity

In millions of euros	Share capital	Premiums and retained earnings	Net income for the year	Cumulative translation adjustment	Total	Non-controlling interests	Equity
	Attributable to Mersen's shareholders						
OPENING EQUITY AT JANUARY 1, 2013	**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
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**
Prior period net income		(29.2)	29.2		0.0		0.0
Net income for the year			2.1		2.1	0.7	2.8
Change in fair value of hedging derivatives, net of taxes		(1.1)			(1.1)		(1.1)
Revaluation of net liabilities (assets) for defined benefits after tax		(11.4)			(11.4)		(11.4)
Cumulative translation adjustment				31.7	31.7	0.5	32.2
Total other comprehensive income	**0.0**	**(12.5)**	**0.0**	**31.7**	**19.2**	**0.5**	**19.7**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**(12.5)**	**2.1**	**31.7**	**21.3**	**1.2**	**22.5**
Dividends paid		(9.3)			(9.3)	(0.7)	(10.0)
Treasury shares	(0.4)	(0.6)			(1.0)		(1.0)
Stock options and bonus shares		1.3			1.3		1.3
Other items		0.1			0.1	1.2	1.3
EQUITY AT DECEMBER 31, 2014	**41.2**	**423.6**	**2.1**	**(11.7)**	**455.2**	**11.7**	**466.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Income before tax	11.8	(1.7)
Depreciation and amortization	36.1	40.2
Additions to/(reversals from) provisions	15.1	39.0
Net finance income/(costs)	9.9	11.0
Capital gains/(losses) on asset disposals	2.6	1.9
Other	1.9	(0.3)
Cash generated by operating activities before change in the WCR	**77.4**	**90.1**
Change in the working capital requirement	1.7	13.9
Income tax paid	(13.3)	(17.7)
Net cash generated by continuing operating activities	**65.8**	**86.3**
Cash generated by discontinued operations	**(0.8)**	**(8.6)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**65.0**	**77.7**
Investing activities		
Intangible fixed assets	(2.7)	(1.3)
Property, plant and equipment	(31.6)	(26.8)
Decreases/(increases) in fixed asset suppliers	(0.4)	(1.0)
Financial assets	(1.1)	(0.1)
Impact of changes in the scope of consolidation	(8.6)	(2.6)
Other changes in cash flow from/(used by) investing activities	1.8	
Cash generated/(used) by investing activities from continuing operations	**(42.6)**	**(31.8)**
Cash generated/(used) by investing activities from discontinued operations	**1.3**	**(5.8)**
CASH GENERATED/(USED) BY INVESTING ACTIVITIES	**(41.3)**	**(37.6)**
CASH GENERATED/(USED) BY OPERATING AND INVESTING ACTIVITIES	**23.7**	**40.1**
Proceeds from issue of new shares and other changes in equity	(1.1)	(3.4)
Net dividends paid to shareholders and minority interests	(10.0)	(3.7)
Interest payments	(9.3)	(10.7)
Change in debt	14.8	(23.3)
CASH GENERATED/(USED) BY FINANCING ACTIVITIES	**(5.6)**	**(41.1)**
Change in cash	**18.1**	**(1.0)**
Cash at beginning of fiscal year (Note 15)	20.2	21.4
Cash at end of fiscal year (Note 15)	37.6	20.2
Impact of changes in the scope of consolidation		
Impact of currency fluctuations	0.7	0.2
CHANGE IN CASH	**18.1**	**(1.0)**

Scope of consolidation at December 31, 2014



List of consolidated companies

	Method of consolidation FC: Full consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
1. **Mersen** (France)	FC	100	100
2. **Mersen France Amiens SAS** (France)	FC	100	100
3. **Mersen France Gennevilliers SAS** (France)	FC	100	100
- Mersen France Cevins SAS (France)	FC	100	100
4. **Mersen France Py SAS** (France)	FC	100	100
5. **Mersen Corporate Services SAS** (France)	FC	100	100
6. **Mersen France SB SAS** (France)	FC	100	100
- Mersen France La Mure SAS (France)	FC	100	100
- Eldre SAS (France)	FC	100	100
- Mersen Österreich Wien GmbH (Austria)	FC	100	100
- Mersen CZ SRO (Czech Republic)	FC	100	100
- M.Schneider Hungaria Kft (Hungary)	FC	100	100
- Mersen Tunisie SARL (Tunisia)	FC	100	100
- 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. **Cirprotec S.L.** (Spain)	FC	51	51
13. **LRIC S.L.** (Spain)	FC	51	51
14. **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
15. **Mersen Scotland Holding Ltd.** (Great Britain)	FC	100	100
- Mersen Scotland Holytown Ltd. (Great Britain)	FC	100	100
16. **Mersen Italia Spa.** (Italy)	FC	100	100
17. **Mersen Benelux B.V** (Netherlands)	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 Nordic AB** (Sweden)	FC	100	100
19. **Mersen Schweiz AG** (Switzerland)	FC	100	100
20. **Mersen Canada Dn Ltée/Ltd.** (Canada)	FC	100	100
- Mersen Canada Toronto Inc. (Canada)	FC	100	100
21. **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
22. **Mersen Mexico Monterrey, S de R.L. de C.V.** (Mexico)	FC	100	100
23. **Mersen Oceania, Pty Ltd.** (Australia)	FC	100	100
24. **Mersen Korea Co.** Ltd (South Korea)	FC	100	100
25. **Mersen India Pvt.** Ltd (India)	FC	100	100
26. **SCI Carbon Brushes Pvt.** Ltd (India)	FC	100	100
27. **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
- Mersen Yantai Co. (China)	FC	60	60
- Beijing Elsta M.Schneider Co. Ltd (China)	FC	100	100
28. **Mersen South Africa Pty Ltd** (South Africa)	FC	69	69
- Statcor Electrical (South Africa)	FC	69	69
- Dustria Investment (South Africa)	FC	69	69
29. **Mersen do Brasil Ltda.** (Brazil)	FC	100	100
30. **Mersen Istanbul Sanayi Ürünleri** (Turkey)	FC	100	100
31. **Mersen Colombia SA** (Colombia)	FC	80	80
32. **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 2013 and 2014 are presented below:

- 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.
- During 2014, the Spanish sister companies Cirprotec SL and Lric SL, of which the Group acquired 51%, were consolidated retroactively on January 1, 2014.

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.

Both businesses were sold in the second half of 2013.

These are presented in accordance with IFRS 5.

Major events

On January 29, 2014, the Group announced the launch of the "Transform" plan the details of which were specified on May 20, 2014.

The project, which aims to streamline the manufacturing organization by combining some of the Group's operations, is being implemented. Apart from costs already incurred, this plan has led to the recognition of provisions for liabilities and charges and of impairment losses for certain assets in the 2014 financial statements. The total cost of the Transform plan is €27.6 million. Details are provided in note 17 to the consolidated financial statements.

The valuations were carried out based on estimates as described in the Group's principles and methods.

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 standards and interpretations applicable at January 1, 2014 are presented in Note 2. The new standards applied as of 2014 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, 2014 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, 2014 include data for fiscal 2014 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 2014.

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 appearing on the balance sheet as held for sale are no longer depreciated once they are presented as such.

The results recorded by groups of assets meeting 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 balance sheet of companies whose functional currency is not the euro is translated into euros at the closing rate, except for equity, which is translated at the historic exchange rate. Income statement items are translated at the average exchange rate for the period, where the average exchange rate represents the value approached by the exchange rate at the transaction date in the absence of significant fluctuations.

Foreign exchange differences resulting from translation are recognized under other comprehensive income and are presented in the currency translation reserve component of equity. However, if the transaction relates to a subsidiary that is not wholly owned, a foreign exchange difference proportional to the percentage of ownership is allocated to non-controlling interests. Where a foreign operation is sold and control or significant influence or joint control is lost, the aggregate amount of the corresponding foreign exchange differences is reclassified in income. Where the Group sells part of its equity interest in a subsidiary that includes a foreign operation while retaining control, a proportional share of the aggregate amount of the foreign exchange differences is reallocated to non-controlling interests. Where the Group sells just a part of its interest in an associated 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 commodity hedges

A currency derivative is eligible for hedge accounting where the hedging relationship was documented at the outset and its effectiveness has been demonstrated throughout its life.

A hedge is a means of protecting against fluctuations in the value of assets, liabilities and irrevocable commitments. A hedge also helps to protect against adverse fluctuations in cash flows (sales generated by the assets of the business, for instance).

Derivative instruments are stated at their fair value. Changes in the fair value of these instruments are accounted for as follows:

- Changes in 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 7).

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).

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.

Production cost is based on the normal capacity of the production facilities.

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 expenses 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 provisions;
- 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 the 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.

Notes 2-F1, 2-I and 7 concern the testing of goodwill and other non-current assets for impairment. The Group's management carried out this testing based on the most reliable expectations of future business trends at the relevant units taking discount rates into account.

Notes 13 and 14 concerning provisions and employee benefits describe the provisions set aside by Mersen. To determine these provisions, the Group used the most reliable estimate of these obligations.

Note 22 concerning tax expense reflects the Group's tax position, which is based for France and Germany on the Group's best estimate of trends in its future taxable income.

All these estimates are predicated on a structured collection process for projections of future cash flows, providing for validation by line managers, as well as on expectations for market data based on external indicators and used in line with consistent and documented methods.

W – New standards applied as of fiscal year 2014

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, 2014.

IFRS 10 - Consolidated financial statements

IFRS 11 - Joint arrangements

IFRS 12 - Disclosure of interests in other entities

(mandatory date of application in the EU is January 1, 2014)

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.

These changes have not led to a revision of the Group's conclusions regarding its scope of consolidation or to a change in the recognition of some of its entities.

As the Group's investments in joint ventures are not significant, the information required by IFRS 12 is not provided.

IFRIC 21 - Levies

The Group applied the IFRIC 21 Levies interpretation for the first time in 2014. The Group continues its activities in several countries in which it is subject to government levies. Following the adoption of IFRIC 21, the Group reviewed the date of recognition primarily of property taxes, but also other local taxes, for which the obligating event, as provided by tax legislation, occurs at the end of the taxation year (January 1).

The interpretation clarifies that a levy is not recognized before the obligating event specified in the tax legislation occurs, even if there is no realistic opportunity to avoid the obligation.

The Group previously recognized these taxes over the tax year, on the basis that it would continue to operate in the future. In accordance with IFRIC 21, the Group has determined that the liability to pay the taxes should be recognized in full on January 1, when the obligating event as stated in the legislation occurs.

The change had no impact at December 31, 2014. For the half-year comparison, the income net of tax on the June 2014 results was estimated at €0.7 million. The changeover financial statements will be presented in the 2015 half-yearly report for purposes of comparison.

X - New standards and interpretations not yet applied

There were no new standards, amendments to standards, or interpretations relevant to the Group voted by the European Union at December 31 that were applicable to annual periods starting on or after January 1, 2014.

Note 3 Financial risk management

The Group is exposed to the following risks through its use of financial instruments:

- Liquidity risk;
- Interest-rate risk;
- Commodity risk;
- Currency risk;
- Credit risk.

This note discloses information about the Group's exposure to each of the aforementioned risk factors, its objectives, its risk measurement and its management policy and procedures.

Quantitative information is also provided in other sections of the consolidated financial statements.

Capital management is presented in Note 12.

Liquidity risk

Mersen has at its disposal credit lines and confirmed borrowings representing a total amount of €361 million with an average maturity of 4.9 years, of which 65% was drawn down at December 31, 2014.

Mersen's principal financing agreements are as follows:

- A multi-currency syndicated bank loan arranged in July 2012 and amended In July 2014. The loan is in the amount of €220 million and has a five-year maturity, repayable in full in July 2019.
- 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.

Breakdown by maturity of credit lines and confirmed borrowings

(In millions of euros)	Amount	Drawn down at Dec. 31, 2014	% drawn down at Dec. 31, 2014	Maturities < 1 year	From 1 to 5 years	> 5 years
Group syndicated loan	220.0	107.1	49%	0.0	220.0	0.0
Confirmed credit lines, China	57.1	41.7	73%	4.7	52.4	0.0
2003 US private placements	3.3	3.3	100%	3.3	0.0	0.0
2011 US private placements	78.5	78.5	100%	0.0	37.3	41.2
Other	2.8	2.8	100%	0.3	1.4	1.1
TOTAL	**361.7**	**233.4**	**65%**	**AVERAGE MATURITY = 4.9 YEARS**		

Breakdown by maturity of cash flows from credit line drawdowns and confirmed borrowings

(In millions of euros) Drawdowns	Drawn down at Dec. 31 2014	Expected cash flows	Maturities 1-6 months	6-12 months	> 1 year
Group syndicated loan	107.1	107.3	107.3	0.0	0.0
Confirmed credit lines, China	41.7	45.0	15.1	3.9	26.0
2003 US private placements	3.3	3.4	3.4	0.0	0.0
2011 US private placements	78.5	100.8	1.8	1.8	97.2
Other	2.8	3.4	0.2	0.2	3.0
TOTAL	**233.4**	**259.9**	**127.8**	**6.0**	**126.2**

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, 2014, the nominal amount stood at GBP2.2 million.

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 < 1 year	Maturities From 1 to 5 years	Maturities > 5 years
EUR swap	20.0	Euribor 3 months	0.6575%	0.0	20.0	0.0
GBP swap	12.8	Libor GBP 3 months	0.86%	0.0	12.8	0.0
GBP swap	2.8	Libor GBP 1 months	5.38.%	0.3	1.4	1.1

(In millions of euros) *SWAP*	MTM [(a)]	Expected cash flows	Maturities < 1 year	Maturities From 1 to 5 years	Maturities > 5 years
Assets	0.0	0.0	0.0	0.0	0.0
Liabilities and shareholders' equity	(0.7)	(0.9)	(0.3)	(0.5)	(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 €0.4 million (2013: €0.6 million).

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for a significant volume of purchases (around €25 million) for the Mersen group. Different hedging techniques, such as index-linking of purchase prices, index-linking of selling prices and bank hedging, can be applied.

The commodity price risk management policy is approved by the Group's Management Board based on proposals submitted by Mersen's finance and procurement departments and consists in establishing positions in commodity futures contracts or in zero-premium collars.

Around 68% of copper price exposure and 100% of silver price exposure can be covered through bank hedging.

At December 31, 2014, with regard to 2015 quantities, 57% of the hedgeable copper tonnages and 60% of hedgeable silver tonnages were actually hedged.

An increase or decrease in the price of copper and silver, such as stated below, relative to the closing prices at December 31, 2014, would have led to an increase/(decrease) in other comprehensive income and operating income by the amounts stated below on the commodity hedges.

	Copper		Silver	
Impact *(in millions of euros)* **at Dec. 31, 2014**	**Other items of comprehensive income**	**Gains or losses recognized in operating income**	**Other items of comprehensive income**	**Gains or losses recognized in operating income**
Increase of 5%	0.2	0.0	0.3	0.0
Reduction of 5%	(0.4)	0.0	(0.1)	0.0

Recognition at year-end 2014 of commodity hedges

MTM[(a)] *(stated in millions of euros)*	**Impact on 2014 other comprehensive income**	**Impact on 2014 income**
MTM of copper and silver hedges	(0,7)	0,0

(a) Marked-to-market = adjusted to market value.

The other metals (primarily steel and reactive metals) are used primarily in the Chemicals market. They are used in connection with orders from specific customers and, in general, their cost is passed on in the commercial offer. Consequently, price fluctuations have a limited impact on the Group's gross margins.

The price of petroleum derivatives (primarily pitch and petroleum coke), raw materials used to manufacture graphite, do not correlate significantly with the price of petroleum. Except in special cases, the price of these materials is not particularly volatile and has risen regularly in recent years.

Energy, particularly electricity and gas, is purchased at fixed prices on annual or multi-year forecast volumes, depending on the region.

Changes in the prices of energy and petroleum derivatives have had a minimal impact on the Group's margins as they are offset, partially or entirely, by reformulation programs.

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
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
Average exchange rate from Jan. 1, 2014 through Dec. 31, 2014[(a)]	140.38	1.3288	1,399.03	0.8064	8.1882
Closing exchange rate at Dec. 31, 2014[(b)]	145.23	1.2141	1,324.80	0.7789	7.5358

(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 2014 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 2014 closing exchange rate would have had a translation impact of negative €4.1 million on the Group's net debt at December 31, 2014.

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.

EUR/foreign currency risks

Risks *(stated in millions of euros)*[(a)]	JPY	USD	KRW	GBP	RMB
Sale of foreign currencies	7.4	15.4	3.1	2.3	8.9
Purchase of foreign currencies	(1.4)	(13.5)	(0.0)	(1.7)	(11.4)
Potential 2014 exposure	6.0	1.9	3.1	0.6	(2.5)
Hedges at December 31, 2014	(3.1)	(1.6)	(0.3)	(0.6)	2.5
Net position	2.9	0.3	2.8	0.0	0.0
Impact in euros of a 5% fall in the euro[(b)]	0.15	0.02	0.14	0.00	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, 2014.

USD/foreign currency risks

Risks *(stated in millions of US dollars)*[(a)]	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	2.6	13.4	0.0	18.6	22.5
Purchases of foreign currencies	(0.0)	(0.8)	(10.0)	(26.6)	(24.2)
Potential 2014 exposure	2.6	12.6	(10.0)	(8.0)	(1.7)
Hedges at December 31, 2014	(1.8)	(3.2)	5.5	8.0	2.8
Net position	0.8	9.4	(4.5)	(0.0)	1.1
Impact in USD dollars of a 5% fall in the USD[(b)]	0.04	0.50	(0.23)	0.0	0.06

(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, 2014.

Recognition at year-end 2014 of currency transactions

MTM[(a)] *(stated in millions of euros)*		Dec. 31, 2014
Marked-to-market value of currency hedges	Other comprehensive income	0.0
	Other financial components of operating income	0.0

(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, 2014, would have led to an increase/(decrease) in other comprehensive income and operating income by the amounts stated below as a result of the currency hedges.

	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
Impact *(in millions of euros)* **at Dec. 31, 2014**	Other items of comprehensive income	Gains or losses recognized in operating income*	Other items of comprehensive income	Gains or losses recognized in operating income*
USD (change of 5%)	0.3	0.0	(0.3)	(0.0)
JPY (change of 5%)	0.1	0.0	(0.2)	(0.1)
RMB (change of 5%)	(0.1)	0.2	(0.3)	0.2

**Excluding (reverse) impact arising from remeasurement of the underlyings in the statement of financial position.*

This analysis is conducted on the basis of fluctuations in exchange rates that the Group considers as reasonably feasible at the reporting date. For the purposes of this analysis, all the other parameters, especially interest rates, are assumed to have remained unchanged and the impact of projected sales and purchases was ignored.

Sensitivity to the other exchange rates was not measured because the impact was not material.

Future impact on income of currency transactions recognized at December 31, 2014

(Stated in millions of euros) CURRENCY	Marked-to-market of currency derivatives in other comprehensive income	Impact on income	
		less than 6 months	over 6 months
Assets	0.7	0.3	0.4
Liabilities	(0.7)	(0.2)	(0.5)

Future cash flows on currency transactions recognized at December 31, 2014

CURRENCY *(in millions of euros)*	MTM	Expected cash flows
Assets	0.8	0.8
Liabilities	(0.8)	(0.8)

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 2013 and 2014, the Group continued its programs of selling receivables due from various French subsidiaries, which gave rise to €11.6 million in receivables sold at December 31, 2014 compared to €11.4 million at December 31, 2013 (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 Business combinations

In February 2014, the Group took a majority stake of 51% in Cirprotec SL, a Spanish company specialized in lightning and surge protection headquartered in Terrassa near Barcelona.

The Group thus strengthened its product portfolio and its expertise in the electrical specialties.

Ciprotec's contribution to sales in the first half of 2014 was €10.4 million, operating income before non-recurring items was €1.2 million and net income totaled €0.3 million.

For this acquisition, the Group elected to measure its non-controlling interest in the equity.

The net assets acquired in this transaction and related goodwill are presented below:

In millions of euros	Total acquisitions			
	Net assets at acquisition date	Fair value adjustments	Allocation of the acquisition cost	Fair value of net assets
Non-current assets	0.9	0.0	0.0	0.9
Current assets	4.2	0.3	0.0	4.5
Non-current liabilities	(1.1)	0.0	0.0	(1.1)
Current liabilities	(1.6)	(0.1)	0.0	(1.7)
Net assets	**2.4**	**0.2**	**0.0**	**2.6**
Goodwill				**3.8**
Non-controlling interests				1.3
Consideration transferred				**5.1**

The Group has not identified intangible assets that could affect Cirprotec's goodwill.

Note 5 Assets held for sale and discontinued operations

Businesses in the Advanced Materials and Technologies segment

These businesses were sold in 2013 and involved Mersen Grésy France (sold in early July 2013 to the NAWI group) and the Brignais site (Mersen France PY) sold in late November 2013.

In 2013, disposal transactions had led to the recognition of income net of tax of €2.8 million.

For the first half of 2014, the loss posted was €2.4 million.

Automobile and household electrical appliance brush and brushholder division

On May 1, 2009 the Group had sold its Automobile and household electrical appliance brush and brush holder division.

As of December 31, 2014, for this transaction, income net of tax totaled €2.5 million taking into account the final agreement on the earn-out payment to be received for the disposal.

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, 2014	Dec. 31, 2013
- Financial assets		0.0
- Inventories		0.0
- Trade receivables	0.2	3.5
- Customer pre-payments		(1.1)
- Other receivables	0.2	0.0
Deferred tax		0.0
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0.4**	**2.4**

EQUITY AND LIABILITIES

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
- Employee benefits		0.0
- Non-current provisions	1.7	0.0
- Trade payables	0.3	1.3
- Other payables	0.1	0.7
- Current provisions		0.9
LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISC. OP.	**2.1**	**2.9**
NET ASSETS IN PROCESS OF BEING SOLD OR DISCONTINUED OPERATIONS	**(1.7)**	**(0.5)**

Income statement for assets held for sale and discontinued operations

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Sales	0.0	14.9
Cost of sales	0.0	(14.8)
Gross income	**0.0**	**0.1**
Selling and marketing costs	(0.1)	(2.1)
Administrative and research costs	0.0	(1.4)
Other operating costs	(0.1)	(1.0)
Operating income before non-recurring items	**(0.2)**	**(4.4)**
Non-recurring income and expense	(2.2)	(2.2)
Impairment losses/Gains (losses) on sale	3.5	1.1
Operating income	**1.1**	**(5.5)**
Net finance costs	0.0	0.0
Income before tax and non-recurring items	**1.1**	**(5.5)**
Current and deferred income tax	(1.0)	1.7
Net income from assets held for sale/discontinued operations	**0.1**	**(3.8)**

Note 6 Goodwill

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Carrying amount at end of period	263.0	269.7
Acquisitions	3.8	0.6
Other movements	(2.6)	
Discontinued operations and assets held for sale		
Translation adjustments	17.3	(7.3)
Carrying amount at end of period	281.5	263.0
Gross value at end of period	281.5	263.0
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, 2013	Movements during 2014			Dec. 31, 2014
In millions of euros	Carrying amount	Acquisitions	Other	Cumulative translation adjustment	Carrying amount
Anticorrosion Equipment	60.6		(2.6)	6.6	64.6
High-Temperature Applications	91.4			2.5	93.9
Electrical Applications	11.8			0.1	11.9
Electrical Protection	99.2	3.8		8.1	111.1
TOTAL	**263.0**	**3.8**	**(2.6)**	**17.3**	**281.5**

The other movements of €2.6 million concern the share of goodwill of the CS-SS (China) business, which the Group has disposed of. The value was measured on the basis of the relative values of the business disposed of with regard to the Anticorrosion Equipment CGU.

There is no pending allocation of goodwill.

Note 7 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, 2014 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 2015 budget and projections for the following four fiscal years.
- The weighted average cost of capital used to discount future cash flows took into account the calculation of the Group's beta (obtained from analysts) and of the risk-free rate (via Bloomberg). Given these parameters and a market risk premium of 6.5% and a size premium, the average cost of share capital after tax used as a rate to discount future flows was set at 7.7% (versus 8% in 2013). 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 High Temperatures, transport for Electrical Applications and shale gas, 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 27% for the Electrical Applications CGU;
- Around 17% for the Electrical Protection CGU;
- Around 9% for the High Temperatures and 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 impairment loss was recognized. 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

En 2013

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 (calculated applying an 8% discount rate).

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 8);
- Property, plant and equipment for €14.8 million (cf. note 8);
- Current assets for €4.7 million, primarily inventories (cf. note 10) and customers (cf. note 11); and,
- Participating interests and loans in the amount of €2.5 million (cf. note 9).

In 2014:

The Group reviewed the recoverable amount of its non-current assets. This analysis led to recognition of an additional impairment loss of €1.4 million following implementation of the Transform plan.

Note 8 Property, plant and equipment and intangible assets

In millions of euros	Intangible fixed assets	Land	Buildings	Plant, equipment and other	Fixed assets in progress	Total property, plant and equipment	TOTAL
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
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)
Carrying amount at January 1, 2014	**32.9.**	**28.6**	**61.9**	**161.8**	**21.9**	**274.2**	**307.1**
Acquisitions of non-current assets	2.7		2.1	9.1	20.4	31.6	34.3
Retirements and disposals			(0.2)	(2.9)		(3.1)	(3.1)
Depreciation and amortization	(2.6)		(3.7)	(30.8)		(34.5)	(37.1)
Translation adjustments	1.0	0.8	5.4	13.1	2.1	21.4	22.4
Impact of changes in the scope of consolidation	0.2			0.7		0.7	0.9
Other movements	0.2		1.5	18.3	(20.1)	(0.3)	(0.1)
Carrying amount at Dec. 31, 2014	**34.4**	**29.4**	**67.0**	**169.3**	**24.3**	**290.0**	**324.4**
Gross value at Dec.31, 2014	**79.0**	**31.6**	**131.7**	**552.1**	**24.3**	**739.7**	**818.7**
Total depreciation and amortization at Dec. 31, 2014	**(36.7)**	**(1.0)**	**(64.7)**	**(369.0)**		**(434.7)**	**(471.4)**
Total impairment losses at Dec. 31, 2014	**(7.9)**	**(1.2)**		**(13.8)**		**(15.0)**	**(22.9)**

Impairments losses involve assets depreciated in accordance with IAS 36 (cf. note 7 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, 2014, development expenses identified by the Group for the period that satisfy these criteria are non-material.

Note 9 Investments

At year-end, the unconsolidated shareholdings held by consolidated companies had a gross value of:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Gross value	8.0	6.9
Impairment losses	(5.5)	(5.5)
CARRYING AMOUNT	2.5	1.4

The increase in investments was the result of shares issued by Fusetech (Hungary).

The impairment losses recognized on investments at December 31, 2014 primarily affected Fusetech, Argentina and Russia. The main investments are as follows:

Company name	% held	Gross value	Carrying amount
Fusetech	50%	2.3	1.0
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		0.4	0.3
TOTAL		8.0	2.5

Note 10 Inventories

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Raw materials and other supplies	87.1	87.4
Work in progress	49.4	41.6
Finished goods	41.5	40.4
Carrying amount of inventories	178.0	169.4
Impairment losses	(15.6)	(15.1)
CARRYING AMOUNT OF INVENTORIES	162.4	154.3

Net inventories increased by €8.1 million at December 31, 2014, of which €2 million was attributable to changes in the scope of consolidation and €9.1 to currency effects. On a like-for-like basis, inventories fell by €3.0 million (-1.9%).

Impairment losses include €1 million in depreciation of inventories under the Transform plan.

Note 11 Trade receivables

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Gross trade receivables	149.7	167.8
Customer advances	(26.7)	(52.5)
Impairment losses	(7.1)	(7.3)
NET TRADE RECEIVABLES	**115.9**	**108.0**

Net trade receivables grew by €7.9 million at December 31, 2014, with €1.5 million attributable to changes in the scope of consolidation and €6.7 million to currency effects. On a like-for-like basis, trade receivables declined €0.3 million or -0.3%.

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, 2014, the outstanding amount was €11.6 million, compared to €11.4 at December 31, 2013.

At December 31, 2014, late payments accounted for 14% of trade receivables before customer advances (9% of late payments overdue by less than 30 days) compared with 11% at December 31, 2013 (5% of late payments overdue by less than 30 days).

Overdue trade receivables broke down as follows at December 31:

In millions of euros	Dec. 31, 2014		Dec. 31, 2013	
	Gross	Impairment	Gross	Impairment
Receivables not yet due	122.8	(0.3)	143.7	(1.2)
Receivables 0-30 days past due	12.0	(0.7)	8.1	(0.1)
Receivables 31-120 days past due	9.4	(1.4)	7.4	(0.9)
Receivables 121 days to 1 year past due	2.6	(1.6)	4.7	(1.5)
Receivables more than 1 year past due	2.9	(3.1)	3.9	(3.6)
NET TRADE RECEIVABLES	**149.7**	**(7.1)**	**167.8**	**(7.3)**

The movements related to valuation allowances on trade receivables were as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Impairment losses at January 1	(7.3)	(6.8)
Allowance/reversal during the fiscal year	0.2	(0.5)
IMPAIRMENT LOSSES AT DECEMBER 31	**(7.1)**	**(7.3)**

Impairment in trade receivables is reviewed on a customer-by-customer basis by each unit in line with procedures in progress.

Note 12 Equity

Number of shares (unless stated otherwise)	**Ordinary shares**
Number of shares at January 1, 2014	20,816,364
Capital increase/reduction *(in millions of euros)*	-0.4
Number of shares at December 31, 2014	20,616,814
Entity's shares held by itself or by its subsidiaries and associates	97,005
Number of shares in issue and fully paid-up during the period	450
Number of cancelled treasury shares	200,000
Number of shares in issue and not fully paid-up	0
Par value of shares *(€)*	2

Capital management

The Company's share capital at December 31, 2014 amounted to €41,233,628, comprising 20,616,814 shares each with a par value of €2 and all belonging to the same class. The number of voting rights stood at 20,519,809, since shares held in treasury do not carry voting rights.

To the best of the Company's knowledge, its ownership structure at December 31, 2014 was as follows:

- French institutional investors: 48.7%
- International institutional investors: 39.9%
- Individual shareholders: 10.1%
- Employee shareholders: 0.8%
- Treasury shares: 0.5%

Since January 1, 2014, certain shareholders have reported crossing the following disclosure thresholds:

- February 3, 2014: BNP Investment Partners announced in the name and on behalf of the entities it controls that it owned 850,505 shares representing 4.0883% of the share capital and voting rights.
- March 6, 2014: Highclere International Investors declared that at March 5, 2014 it held 202,615 shares, representing 0.97% of the share capital and voting rights.
- May 12, 2014: Sterling Strategic Investments declared that at May 9, 2014 it held 212,690 shares, representing 1.0217% of the share capital and voting rights.
- June 10, 2014: Bank of America Corporation declared that at June 4, 2014 it held 272,230 shares, representing 1.309% of the share capital and voting rights.
- June 19, 2014: Bank of America Corporation declared that it held less than one percent of the share capital and the voting rights.
- September 9, 2014: Sterling Strategic Investments declared that at September 8, 2014 it held 414,500 shares, representing 2.0105% of the share capital and voting rights.
- November 19, 2014: BNP Investment Partners announced in the name and on behalf of the entities it controls that it owned 823,901 shares representing 3.9963% of the share capital and voting rights.
- December 10, 2014: T. Rowe Price Associates notified that it holds 1,033,285 shares, representing 5.01% of the share capital and the voting rights.

At December 31, 2014, 53,637 shares representing 0.26% of the share capital were held by the Company pursuant to the liquidity agreement entered into with Exane BNP Paribas.

On May 22, 2014, the Company cancelled 200,000 treasury shares, which resulted in a decrease in share capital of €0.4 million and in the share issue premium of €3.1 million.

In addition, it purchased 43,368 shares to be granted to employees at a later date under existing bonus share allotment plans.

At December 31, 2014, the Group's employees owned 164,486 shares representing 0.79% of the share capital, plus 600,105 stock subscription options that, if exercised in full, would represent 2.91% 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, 2014, the number of bonus shares likely to be allotted definitively stands at 157,168 new shares, representing 0.76% of the current share capital.

The Group has set up a bonus share and stock-option award plan voted at the GM of May 15, 2014 for a total of 50,000 bonus shares and 150,000 stock options. Both plans are subject to performance conditions.

The Company's General Meeting of May 15, 2014, in its third resolution decided to distribute a dividend of €0.45 per share; the Supervisory Board and the Management Board did not wish to renew the option to elect payment in new shares.

The number of stock subscription options granted to members of the Management Board and still outstanding stood at 177,096 taking into account the canceled options.

The number of bonus shares set to be granted definitively to members of the Management Board stands at 39,500 taking into account canceled allotments.

Neither the Company, nor its subsidiaries are subject to specific capital constraints under external rules.

No Company shareholder is currently entitled to double voting rights. On the date of the reference document, the Company Articles of Association do not contain any provision prohibiting double voting rights.

With respect to share-based payments, the plans were measured in accordance with IFRS 2.

The characteristics and assumptions used to value the plans are as follows:

Characteristics/Assumptions	2009 plan Bonus share allotments	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments	2014 plans Stock subscription options	2014 plan Bonus share allotments
Allotment date	01/22/2009	05/27/2011	05/27/2011	06/27/2012	05/21/2014	05/21/2014
Availability date	01/22/2013	05/27/2015	05/27/2015	06/27/2016	05/21/2016	05/21/2016 / 05/21/2018
Expiration date	01/22/2014 (1)	05/27/2015 (1)	05/27/2015 (1)	06/27/2016 (1)	05/21/2021	05/21/2016 / 05/21/2018 (1)
Adjusted exercise price *(€)*	N/A	N/A	N/A	N/A	€22.69	€0.00
Adjusted share price at allotment date	€17.95	€39.06	€39.06	€18.22	€21.30	€21.30
Estimated life *(number of years)*	4	4	4	4	4.5	2 / 4
Volatility	N/A	35.20%	35.20%	36.50%	31.00%	NA
Dividend per share *(as a% of share price)*	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
Risk-free interest rate	N/A	N/A	N/A	N/A	0.0019	0.0019
Exercise period *(number of years)*	4	4	4	4	5	2 / 4
Lock-up period *(number of years)*	0	0	0	0	2	2 / 0
Adjusted number of options/share allotments	53,900	140,000	60,000	20,000	150,000	31,400 / 18,600
Estimated annual cancellation rate at the closing (2)	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
% of shares/options vested following satisfaction of the performance condition	100%	100%	N/A	100%	100%	100%
Estimated number of options at end of vesting period	49 588	36 220	52 115	6 161	142 505	29 242 / 15 634
Valuation of options/shares	€16.24	€35.34	€35.34	€16.16	€3.68	€19.08/ €18.89
Valuation as a% of the share price at grant	90.50%	90.50%	90.50%	88.70%	17.30%	89.60%/ 88.70%

(1) expiration of the non-transferability date
(2) excluding cancellation in connection with performance criteria

An expense of €1.3 million was recognized in the income statement in respect of share-based payments, versus €0.3 million at December 31, 2013. The 2013 expense took into account income of €1.9 million, since the Group had anticipated that performance criteria allowing the definitive award of shares from the 2011 and 2012 bonus share plans would not be fully achieved.

The expense related to employee share ownership plans was measured taking into account the discount reflecting the non-transferability cost, in line with the CNC recommendation. The non-transferability cost was measured by an external consultant and calculated using the applicable borrowing rate in the personal lending market.

Note 13 Provisions, contingent liabilities and other liabilities

(In millions of euros)	Dec. 31, 2013		Dec. 31, 2013	
	Non-current	Current	Non-current	Current
- provision for restructuring	1.2	14.4	0.3	1.4
- provision for litigation	0.9	3.3	5.6	2.2
- other provisions	1.7	1.9	2.6	1.5
TOTAL	3.8	19.6	8.5	5.1

Recurring and non-recurring	Dec. 31, 2013	Provisions set aside/reversals	Uses	Other	Cumulative translation adjustment	Dec. 31, 2014
- provision for restructuring	1.7	15.0	(1.0)	(0.4)	0.3	15.6
- provision for litigation	7.8	(2.2)	(2.0)	0.5	0.1	4.2
- other provisions	4.1	1.3	(1.8)	0.0	0.0	3.6
TOTAL	13.6	14.1	(4.8)	0.1	0.4	23.4

Provisions totaled €23.4 million at December 31, 2014 (€13.6 million at December 31, 2013), an increase of €9.8 million, primarily as a result of the provisions set aside in connection with the Transform plan, including a €14.8 million provision for restructuring.

Civil proceedings

Legal proceedings

Civil proceedings in Canada

The civil lawsuit initiated during 2004 in Canada by certain customers against the main Canadian manufacturers of graphite brushes, including Mersen Toronto, a Canadian subsidiary of Mersen, is still in progress and there have been no new developments since 2007. To recap, this lawsuit was instigated following the fine of CAD1 million that Morgan Crucible Ltd was ordered to pay in July 2004 for anti-trust practices in the field of graphite brushes for traction applications during the 1995-1998 period. To recap, the Canadian judge ruled in February 2007 that only Canadian urban transportation companies could join the proceedings in progress. The risk for Mersen Toronto is still not material.

Civil proceedings in the United Kingdom

At the end of 2014, Mersen and the plaintiffs reached an out-of-court settlement bringing the civil proceedings initiated in 2011 in the United Kingdom by Deutsche Bahn and several European rail companies to a definitive close. To recap, this proceeding was brought against Morgan, SGL, Schunk and Mersen. The plaintiffs were attempting to secure redress before the CAT for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in the area of brushes for electric motors and products for mechanical applications.

Administrative proceedings in France

In 2013, SNCF commenced two legal actions against Morgan, SGL, Schunk and Mersen respectively in the Paris Administrative Court and in the Paris Commercial 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 2014, the Paris Administrative Court rejected all the claims lodged by SNCF, which appealed the decision. The Paris Commercial Court accepted jurisdiction for the SNCF proceedings. 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 in 2014.

Tax and custom proceedings

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.

In June 2013, Mersen do Brasil, a wholly-owned subsidiary of Mersen SA, was informed of a customs audit covering the period January 2008 – December 2012. Customs officials issued a notice of reassessment in the amount of 7.5 million Brazilian reals, or approximately €2.3 million at the exchange rate on December 31, 2014. The Group initiated a challenge.

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 (€3.1 million at December 31, 2014) chiefly comprise liabilities related to property, plant and equipment.

No other material contingent liabilities were identified at December 31, 2014.

Note 14 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 (43% of obligations), the UK (21% of obligations), France (14% of obligations) and Germany (9% 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 94% for the salaried plan and 91% 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 92%. 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, 2014 with the assistance of independent actuaries in accordance with IAS 19. The rates used for the principal countries are summarized below:

2014	Inflation rate	Average rate of salary increases	Inflation rate
France	1.65%	Between 2.0% and 6.25%	2.0%
Germany	1.65%	2.5%	2.0%
United States	4.15%	Salaried employees: 4%	Not applicable
United Kingdom	3.50%	2.6%	2.6% / 3.4%

2013	Inflation 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%

Mortality assumptions are based on published statistics and mortality tables.

Reconciliation between assets and liabilities recognized

	Dec. 31, 2014	Dec. 31, 2013
Actuarial obligation	188.4	147.0
Fair value of plan assets	(99.0)	(80.5)
PROVISION BEFORE THE LIMIT ON ASSETS	89.4	66.5
Surplus management reserve	0.2	
PROVISION AFTER THE LIMIT ON ASSETS	89.6	66.5

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, 2014
Actuarial obligation	25.5	17.2	81.7	40.5	23.5	188.4
Fair value of plan assets	(0.2)	0.0	(47.7)	(38.4)	(12.5)	(98.8)
NET AMOUNT RECOGNIZED	25.3	17.2	34.0	2.1	11.0	89.6

Movements in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2013	**21.8**	**14.0**	**56.8**	**34.7**	**19.7**	**147.0**
Payments made	(1.1)	(0.8)	(2.3)	(2.0)	(0.7)	(6.9)
Expense charged to income	1.8	0.6	6.1	1.9	1.5	11.9
Translation adjustment	0.0	0.0	9.1	2.6	0.6	12.3
Actuarial gains and losses	3.1	2.8	11.3	3.3	2.5	23.0
Other movements	(0.1)	0.6	0.7		(0.1)	1.1
DECEMBER 31, 2014	25.5	17.2	81.7	40.5	23.5	188.4

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2013	**0.2**	**0.0**	**37.4**	**32.8**	**10.1**	**80.5**
Return on plan assets			1.9	1.4	0.4	3.7
Employer contribution			3.4	0.8	0.8	5.0
Employee contribution				0.1	0.1	0.2
Payment of benefits			(2.3)	(2.1)	(0.3)	(4.7)
Actuarial gains and losses	0.0		1.4	3.0	1.2	5.6
Translation adjustment			5.6	2.4	0.2	8.2
Other movements			0.3			0.3
DECEMBER 31, 2014	0.2	0.0	47.7	38.4	12.5	98.8

The plan assets cover primarily the United States plans (48% of total plan assets, with 52% invested in equities and 48% in bonds) and the United Kingdom plans (39% of total plan assets, with 35% invested in equities, 61% in government bonds and 4% in real estate and cash).

The charge recognized at December 31, 2014 in respect of these plans was €8.2 million, compared with €8.1 million in 2013, which breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	12/31/2014	12/31/2013
Current service cost	0.9	0.2	3.1	0.3	0.6	5.1	5.6
Interest cost	0.6	0.4	2.8	1.4	0.9	6.1	5.6
Expected return on plan assets	0.0	0.0	(1.9)	(1.4)	(0.4)	(3.7)	(3.0)
Administrative costs	0.0	0.0	0.2	0.2	0.0	0.4	0.4
Other movements	0.3				0.0	0.3	(0.5)
TOTAL CHARGE FOR THE PERIOD	**1.8**	**0.6**	**4.2**	**0.5**	**1.1**	**8.2**	**8.1**

The change in actuarial gains and losses arising on the measurement of obligations and plan assets breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Total at Dec. 31, 2014	Total at Dec. 31, 2013
Adjustments linked to changes in demographic assumptions	0.0	0.0	5.1	0.0	0.4	5.5	(0.6)
Adjustments linked to changes in financial assumptions	3.6	2.9	7.2	4.2	2.0	19.9	(5.8)
Experience adjustments to obligations	(0.5)	(0.1)	(1.0)	(0.9)	0.2	(2.3)	1.1
Experience adjustments to plan assets	0.0		(1.4)	(3.0)	(1.3)	(5.7)	(4.2)
ACTUARIAL GAINS AND LOSSES	**3.1**	**2.8**	**9.9**	**0.3**	**1.3**	**17.4**	**(9.5)**

Sensitivity analysis

An increase of 0.50 point in discount rates would lead to a reduction of €13.6 million in the estimated actuarial obligation.

An increase of 0.5 point in the inflation rate would lead to a €4.7 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)	1.6
Germany	(1.1)	1.1
United Kingdom	(3.5)	1.5
United States	(6.2)	0.0
Rest of the world	(1.5)	0.5
TOTAL	**(13.6)**	**4.7**

Note 15 Net debt

Analysis of total net debt at Dec. 31, 2014

(In millions of euros)	Dec. 31, 2014	Dec. 31, 2013
Long- and medium-term borrowings	228.9	190.0
Current financial liabilities	6.5	11.5
Current advances	0.4	0.3
Bank overdrafts	29.9	38.8
TOTAL GROSS DEBT	**265.7**	**240.6**
Including use of confirmed credit lines	*233.4*	*195.3*
Current financial assets	**(12.1)**	**(8.4)**
Cash and cash equivalents	(37.6)	(20.2)
Cash	**(37.6)**	**(20.2)**
TOTAL NET DEBT	**216.0**	**212.0**

Total consolidated net debt at December 31, 2014 rose to €216.0 million from €212.0 million at year-end 2013.

Of the €265.7 million in total gross debt, €233.4 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, 2014	Dec. 31, 2013
Total net debt	216.0	212.0
Net debt/equity[(a)]	0.46	0.45

(a) Calculated using the covenant method

Net debt amounted to 46% of equity at December 31, 2014, compared with 45% at December 31, 2013.

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, 2014	Dec. 31, 2013
Prior year debt	**212.0**	**241.5**
Cash generated/(used) by operating and investing activities after tax	(47.7)	(63.7)
Cash used by restructurings	15.9	6.6
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	8.6	2.6
Cash generated by the operating and investing activities of continuing operations	**(23.2)**	**(54.5)**
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	(0.5)	14.4
Increase/decrease in capital	1.1	3.4
Dividends paid	10.0	3.7
Interest payments	9.3	10.7
Translation adjustments and other	12.1	(3.3)
Impact of changes in the scope of consolidation	0.6	1.1
Other changes	(5.4)	(5.0)
DEBT AT YEAR-END	**216.0**	**212.0**

Financial covenants at December 31, 2014

In connection with its various confirmed borrowings at Group level and in China, Mersen must 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
Confirmed credit lines, China	< 3.50	< 1.3	
Actual ratios at Dec. 31, 2014			
Group syndicated loan	2.19	0.46	-
2003 US private placement	2.11	0.46	10.74
2011 US private placement	2.19	0.46	10.32
Confirmed credit lines, China		0.46	-
Actual ratios at Dec. 31, 2014			
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
Confirmed credit lines, China		0.45	
Actual ratios at Dec. 31, 2014			
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
Syndicated loan, China		0.45	

(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, 2014, 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, 2014

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	44.5	3.3	0.0	41.2
Borrowings in EUR	107.3	70.0	37.3	0.0
Borrowings in GBP	39.9	37.4	1.4	1.1
Borrowings in RMB	41.7	17.3	24.4	0.0
TOTAL	**233.4**	**128.0**	**63.1**	**42.3**
Amortization of issuance costs at the EIR [a]	(1.4)			
Fair value of interest-rate derivatives	0.0			
TOTAL	**232.0**			

(a) Effective interest rate.

Of the €63.1 million in debt due to mature in between one and five years' time, €15.7 million had a maturity of less than two years at December 31, 2014.

Analysis of total net debt at December 31, 2014

(By currency)	%
EUR	54.1
USD	19.2
GBP	18.6
RMB	9.2
Other [a]	-1.2

(a) Net financial surplus on other currencies.

(By interest rate)	%
Fixed	54.0
Floating	46.0

(In millions of euros)	Total	Maturity < 5 years	Maturity > 5 years
Debt	265.7	223.4	42.3
Financial assets	(49.7)	(49.7)	0.0
Net position before hedging	**216.0**	**173.7**	**42.3**
Fixed-rate debt	117.4	75.1	42.3
Net position after hedging	**98.6**	**98.6**	**0.0**

Assuming Mersen's debt and exchange rates remain unchanged at their December 31, 2014 level and taking into account the swaps held in the portfolio, an increase of 100 basis points in floating interest rates would increase the Group's annual interest costs by around €1.0 million.

Note 16 Fair value of financial instruments

Fair value hierarchy

The table below analyzes the financial 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.

31/12/2014		Carrying value						Fair value			
Asset and liability accounts and instrument categories	Note	Assets/ liabilities designa-ted as at fair value	Held-to-maturity assets	Available-for-sale assets	Loans and recei-vables	Liabi-lities stated at amor-tized cost	Total carrying amount of the cate-gory	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at their fair value											
Unlisted investment securities	9			2.5			2.5			2.5	2.5
Derivatives held as current and non-current assets	3	0.8					0.8		0.8		0.8
		0.8	0.0	2.5	0.0	0.0	3.3	0.0	0.8	2.5	3.3
Financial assets not measured at their fair value											
Current and non-current financial assets	15				16.1		16.1				
Trade receivables	11				115.9		115.9				
Cash and cash equivalents	15				37.6		37.6				
		0.0	0.0	0.0	169.6	0.0	169.6				
Financial liabilities measured at their fair value											
Derivatives held as non-current and current liabilities	3	(2.2)					(2.2)		(2.2)		(2.2)
		(2.2)	0.0	0.0	0.0	0.0	(2.2)	0.0	(2.2)	0.0	(2.2)
Financial assets not measured at their fair value											
Bank borrowings	15					(228.9)	(228.9)		(229.3)		
Current advances	15					(0.4)	(0.4)				
Bank overdrafts	15					(29.9)	(29.9)				
Current financial liabilities	15					(6.5)	(6.5)				
Trade payables						(60.6)	(60.6)				
		0.0	0.0	0.0	0.0	(326.3)	(326.3)				
Carrying amount by class		(1.4)	0.0	2.5	169.6	(326.3)	(155.6)				

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 investment securities	9			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	15				13.8		13.8				0.0
Financial assets	15						0.0				0.0
Trade receivables	111				108.0		108.0				0.0
Cash and cash equivalents	15				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 non-current and 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 assets not measured at their fair value											
Bank borrowings	15					(190.0)	(190.0)		(198.3)		(198.3)
Current advances	15					(0.3)	(0.3)				0.0
Bank overdrafts	15					(38.8)	(38.8)				0.0
Current financial liabilities	15					(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.

Note 17 Other non-recurring income and expense

Other non-recurring income and expense breaks down as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Transform plan	(27.6)	
Impairment losses and provisions for litigation associated with business prospects		(36.8)
Litigation and other expenses	(6.7)	(4.4)
Restructuring costs	(2.7)	(8.1)
TOTAL	**(37.0)**	**(49.3)**

At December 31, 2014, non-recurring income and expenses stood at €37 million and included primarily:

- expenses related to the Transform project and totaling €27.6 million, including specifically:
  - expenses and provisions for employee-related costs for €16.3 million,
  - expenditures and provisions for fees, project management, costs of facility reclamation, and moving for €6.3 million,
  - disposal of goodwill from the CS-SS business in China for €2.6 million and
  - impairment of assets and inventory for €2.4 million,
- litigation and other expenses for €6.7 million, including primarily the cost associated with resolving the Deutsche Bahn litigation (cf. note 13), and,
- restructuring for €2.7, concerning primarily business reorganization and the costs of dismissals at several facilities associated with the cost containment plan.

The costs of the Transform plan were measured based on a process that was formalized and supervised by the Group's management.

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.

Note 18 Segment reporting

Operating income

In millions of euros	Advanced Materials and Technologies (AMT)		Electrical Components and Technologies (ECT)		Total for continuing operations	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Sales to third parties	280.0	300.3	450.9	438.5	730.9	738.8
Breakdown of sales	38.3%	40.6%	61.7%	59.4%	100.0%	100.0%
Segment operating income before non-recurring items	**18.1**	**19.7**	**55.4**	**51.0**	**73.5**	**70.7**
Recurring unallocated costs					(13.8)	(10.9)
Segment operating margin before non-recurring items*	**6.5%**	**6.6%**	**12.3%**	**11.6%**		
Recurring operating income from continuing operations					59.7	59.8
Operating margin from continuing operations before non-recurring items					8.2%	8.1%
Segment non-recurring income and expense	(15.5)	(36.9)	(15.1)	(9.4)	(30.6)	(46.3)
Amortization of revalued intangible assets	(0.4)	(0.6)	(0.6)	(0.6)	(1.0)	(1.2)
Segment operating income	**2.2**	**(17.8)**	**39.7**	**41.0**	**41.9**	**23.2**
Segment operating margin*	0.8%	-5.9%	8.8%	9.4%		
EBITDA margin (1)	15.1%	15.9%	14.9%	14.3%		
Non-recurring unallocated costs					(6.4)	(3.0)
Operating income from continuing operations					**21.7**	**9.3**
Operating margin from continuing operations					3.0%	1.3%
Net finance costs					(9.9)	(11.0)
Current and deferred income tax					(9.1)	(23.1)
Net income from continuing operations					**2.7**	**(24.8)**

**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 and sales trends by geographical area

In millions of euros	2014	%	2013	%
France	67.0	9.2%	68.4	9.3%
Rest of Europe	212.5	29.1%	213.4	28.9%
North America	256.3	35.0%	261.7	35.4%
Asia	161.3	22.1%	156.9	21.2%
Rest of the world	33.8	4.6%	38.4	5.2%
TOTAL	**730.9**	**100.0%**	**738.8**	**100.0%**

No single customer accounts for over 10% of the Group's sales. The number one customer accounted for 3.9% of the Group's sales.

The Group's activities are not subject to any significant seasonal variation.

Segment assets

In millions of euros	AMT	ECT	Total at Dec. 31, 2014
Non-current assets, net (excluding investments)	388.7	223.7	612.4
Inventories	90.2	72.2	162.4
Trade receivables	47.4	68.5	115.9
Other receivables	6.7	9.2	15.9
TOTAL SEGMENT ASSETS	**533.0**	**373.6**	**906.6**
Deferred tax assets			36.4
Non-current portion of current tax assets			5
Current portion of current tax liabilities			4.4
Current financial assets			12.1
Current derivatives			0.8
Cash and cash equivalents			37.6
Assets held for sale and discontinued operations			0.4
TOTAL UNALLOCATED ASSETS			**96.7**
TOTAL			**1,003.3**

Segment liabilities

In millions of euros	AMT	ECT	Total at Dec. 31, 2014
Trade payables	29.5	31.1	60.6
Other payables and other liabilities	30.4	38.2	68.6
Non-current and current provisions	12.4	11.0	23.4
Employee benefits	37.5	52.1	89.6
TOTAL SEGMENT LIABILITIES	**109.8**	**132.4**	**242.2**
Deferred tax liabilities			19.3
Long- and medium-term borrowings			228.9
Non-current derivatives			0.7
Current portion of current tax liabilities			4.9
Other current financial liabilities			6.5
Current derivatives			1.5
Current advances			0.4
Bank overdrafts			29.9
Liabilities related to assets held for sale and discontinued operations			2.1
TOTAL UNALLOCATED LIABILITIES			**294.2**
TOTAL			**536.4**

Note 19 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement compensation) came to €241.5 million in 2014 compared with €239.5 million in 2013, after restatement based on the revised IAS 19.

On a like-for-like basis, payroll costs, including those related to temporary staff, were stable.

Headcount of consolidated companies at end of period by geographical area

Geographical area	Dec. 31, 2014	%	Dec. 31, 2013	%
France	1,490	23%	1,484	23%
Rest of Europe	811	13%	816	13%
North America	1,948	30%	1,951	30%
Asia	1,569	25%	1,645	26%
Rest of the world	550	9%	486	8%
TOTAL	**6,368**	**100%**	**6,382**	**100%**

The headcount fell by 14 and 67 persons entered the Group after the acquisition of Cirprotec.

At comparable scope, headcount fell by approximately 81, of which 79 in Asia, 69 in Europe and three in North America. Headcount in the rest of the world and France increased, respectively, by 64 and six.

Headcount of consolidated companies at end of period broken down by category

Categories	Dec. 31, 2014	%	Dec. 31, 2013	%
Engineers and managers	1,142	18%	1,046	16%
Technicians and supervisors	1,019	16%	1,059	17%
Employees	630	10%	658	10%
Blue-collar workers	3,577	56%	3,619	57%
TOTAL	**6,368**	**100%**	**6,382**	**100%**

Note 20 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

In millions of euros	Dec. 31, 2014	Dec. 31,2013
Product sales	704.6	712.8
Trading sales	26.3	26.0
TOTAL SALES	**730.9**	**738.8**
Other operating revenues	7.7	7.0
Cost of trading sales	(18.4)	(18.2)
Raw material costs	(179.7)	(202.5)
Costs on other operating revenues	(1.5)	(1.3)
Manufacturing costs	(137.5)	(127.6)
Salaries, incentives and profit-sharing	(241.5)	(239.5)
Other expenses	(68.1)	(66.1)
Financial components of operating income	(3.9)	(2.4)
Depreciation and amortization	(36.1)	(40.2)
Transform plan	(27.6)	
2013 impairment losses and provisions	-	(36.8)
Gains/(losses) on asset disposals	(2.6)	(1.9)
OPERATING INCOME	**21.7**	**9.3**

Impairment losses are specified in note 7 and provisions in note 13.

Note 21 Financial income and costs

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Amortization of bond issuance expenses	(0.5)	(0.4)
Interest paid on debt	(8.6)	(9.8)
Short-term financial expense		
Commission on debt	(0.8)	(0.8)
Ineffective portion of interest-rate hedges		
Interest income from bank deposits		
NET FINANCE COSTS	(9.9)	(11.0)

The net finance cost shown above includes the following items from assets and liabilities that are not shown at fair value through the income statement:

Total interest income from financial assets	0.0	0.0
Total interest income from financial liabilities	(9.9)	(11.0)
Net finance costs	**(9.9)**	**(11.0)**

Recognized directly in equity *In millions of euros*	Dec. 31, 2014	Dec. 31, 2013
Change in fair value of currency hedges	(1.2)	0.1
Change in fair value of interest rate hedges	0.0	1.2
Change in fair value of commodity hedges	(0.5)	0.0
Impact on changes recognized in equity	0.6	(0.4)
Net finance costs recognized directly in equity, net of tax	**(1.1)**	**0.9**

Note 22 Income tax

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Current income tax	(15.9)	(14.3)
Deferred income tax	7.1	(8.6)
Withholding tax	(0.3)	(0.2)
Total tax expense	**(9.1)**	**(23.1)**

The Group has:

- One consolidated tax group in France;
- One consolidated tax group in the United States;
- Two consolidated tax groups in Germany;
- One consolidated tax group in the United Kingdom (group relief).

The tax rate on the Group's continuing operations (excluding elements related to the Transform plan and to major litigation) was 33% in 2014, identical to that of 2013 (calculated excluding charges related to the business outlook without tax impact).

Analysis of income tax expense

In millions of euros	Dec. 31, 2014
Net income	**2.8**
Net income from assets held for sale/discontinued operations	0.1
Net income from continuing operations	**2.7**
Income tax expense/(benefit) on continuing operations	(9.1)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(9.1)**
TAXABLE INCOME	**11.8**
Current tax rate in France	36.1%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(4.3)
Difference between income tax rate in France and other jurisdictions	(1.6)
Transactions qualifying for a reduced rate of taxation	
Permanent timing differences	0.4
Impact of limiting deferred tax assets	(4.5)
Other	0.9
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	**(9.1)**

The permanent differences take into account primarily non-deductible exceptional charges.

The impact of limiting deferred tax assets (€4.5 million) includes impairments of the net deferred tax asset position on losses, specifically in France and China.

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets	36.4	28.1
Deferred tax liabilities	(19.3)	(22.1)
Net position	**17.1**	**6.0**

Deferred tax movements during fiscal 2014 were as follows:

*In millions of euros**	Dec. 31, 2013	Income	Other comprehensive income	Other	Cumulative translation adjustment	Dec. 31, 2014
Employee benefit obligations	19.3	1.1	6.0	(1.0)	0.5	25.9
Depreciation of non-current assets	(27.0)	(1.9)	0.0	(7.4)	(2.0)	(38.3)
Tax-regulated provisions	(2.4)	0.4	0.0	0.1	0.0	(1.9)
Impact of tax losses	23.1	2.1	0.0	0.5	0.2	25.9
Impairment losses	(0.2)	0.0	0.0	(0.2)	0.0	(0.4)
Other	(6.8)	5.4	0.6	7.3	(0.6)	5.9
DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION – NET POSITION	**6.0**	**7.1**	**6.6**	**(0.7)**	**(1.9)**	**17,1**

* *(-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 (€43 million), China (€19 million) and Brazil (€7 million).

Note 23 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	Dec. 31, 2014	Dec. 31, 2013
Numerator: net income used to compute basic earnings per share (net income for the period in millions of euros)	2.1	(29.2)
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,519,809	20,450,830
Adjustment for dilutive potential ordinary shares: - unexercised options	757,273	637,755
Weighted average number of ordinary shares used to compute diluted earnings per share	21,277,082	21,088,585
Basic earnings per share *(€)*	0.10	(1.43)
Diluted earnings per share *(€)*	0.10	(1.38)

Continuing operations	Dec. 31, 2013	Dec. 31, 2013
Numerator: net income used to compute basic earnings per share (net income for the period in millions of euros)	2.0	(25.4)
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,519,809	20,450,830
Adjustment for dilutive potential ordinary shares: - unexercised options	757,273	637,755
Weighted average number of ordinary shares used to compute diluted earnings per share	21,277,082	21,088,585
Basic earnings per share *(€)*	0.09	(1.24)
Diluted earnings per share *(€)*	0.09	(1.20)

After restatement of income net of expenses for the Transform plan and the Deutsche Bahn litigation in 2014 and exceptional charges in the amount of €55 million in 2013, net income per share for 2014 and 2013 would be:

Continuing operations and assets held for sale		
Basic earnings per share *(€)*	1.44	1.27
Diluted earnings per share *(€)*	1.39	1.23

Continuing operations		
Basic earnings per share *(€)*	1.44	1.46
Diluted earnings per share *(€)*	1.39	1.41

Note 24 Dividends

In the May 15, 2014 General Meeting, shareholders approved a dividend payment of €0.45 per share for 2013. In July 2014, the Group paid out dividends in cash in the amount of €9.3 million.

The dividend proposed in respect of fiscal 2014 stands at €0.50 per share, representing an aggregate amount of €10.3 million.

Note 25 Leases

1 - Finance leases

Carrying amount by asset category

(In millions of euros)	Dec. 31, 2014	Dec. 31, 2013
Buildings	0	0

2 - The Group is the lessee (operating lease)

Schedule of minimum payments

(In millions of euros)	Total at Dec. 31, 2014	< 1 year	> 1 year	five years or more
Minimum payments	37.8	9.8	28.0	10.0

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 reduction in minimum payments by comparison with December 31, 2013 (€53.4 million) derived mainly from the renegotiation of a lease on a facility in China.

Note 26 Related party disclosures

Mersen SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 93 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 €3.4 million in fiscal 2014, compared with €4.9 million in fiscal 2013.

At December 31, 2014, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) were less than €0.1 million (identical to those of 2013).

The amounts receivable by the Group from its unconsolidated subsidiaries came to €1.3 million at December 31, 2014, while amounts payable stood at €0.9 million.

Shareholders' advances made to unconsolidated subsidiaries by Mersen were non-material (€0.1 million in fiscal 2013) at December 31, 2014.

2 - Compensation and benefits paid to key management personnel (Management Board, including the Chairman of the Management Board)

(In millions of euros)	Dec. 31, 2014[2]	Dec. 31, 2013
Salaries, bonuses, benefits in kind and attendance fees	1.7	1.3
Top-up pension plan payments[1]	0.2	0.1
Other long-term employee benefits		
TOTAL	**1.9**	**1.4**

(1) 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, 2014 at €3.0 million (€2.7 million at December 31, 2013).
(2) Excluding Marc Vinet's severance pay (including days of paid-leave).

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 36-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 four current members of the Management Board (including the Chairman of the Management Board:

- Stock options: 177,096 stock subscription options were granted to the Management Board in 2007, 2009, and 2014:

	2007 plan Tranche 11
Date of Board of Directors' meeting	July 25, 2007
Total number of shares allotted	25 171
Subscription price	53.10
Start of exercise period	July 2011
Expiration date	July 2017

	2009 plan Tranche 12
Date of Board of Directors' meeting	Jan. 22, 2009
Total number of shares allotted	67 925
Subscription price	17.53
Start of exercise period	February 2013
Expiration date	February 2019

	2014 plan Tranche 13
Date of Board of Directors' meeting	May 21, 2014
Total number of shares allotted	84 000
Subscription price	22.69
Start of exercise period	May 2016
Expiration date	May 2021

- Bonus share allotments: table of past allotments to the Management Board:

	2011 plan Tranche 6
Date of Board of Directors' meeting	May 27, 2011
Total number of shares allotted	32 000
Reference price at the allotment date	35.34
Definitive allotment date (end of the vesting period)	May 27, 2015
End of lock-up period	May 28, 2015

	2012 plan Tranche 7 (reallotment)
Date of Board of Directors' meeting	June 27, 2012
Total number of shares allotted	7 500
Reference price at the allotment date	35.34
Definitive allotment date (end of the vesting period)	May 27, 2015
End of lock-up period	May 28, 2015

The 2011 plan is subject to performance conditions.

No bonus shares were allotted to Management Board members in respect of the 2008, 2009, and 2014 plans.

Note 27 Commitments and contingencies

A - Financial commitments and liabilities

(In millions of euros)	Dec. 31, 2014	Dec. 31, 2013
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	22.0	23.0
Payment guarantee on acquisitions	0.0	0.0
Other guarantees	20.2	20.0
Other commitments given	2.2	3.4
TOTAL	**44.4**	**46.4**

The above table summarizes the Group's commitments and contingencies.

Nature

The “other guarantees” item, which amounted to €20.2 million, notably includes 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 one year amounted to €28.9 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

Note 28 Subsequent Events

None

Note 29 Approval of the financial statements

The Group’s consolidated financial statements for the fiscal year to December 31, 2014 were approved by the Management Board at its meeting on March 10, 2015.

Statutory Auditors' report on the consolidated financial statements

Fiscal year ended December 31, 2014

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, 2014, 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, the significant estimates made, and 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.

→ Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements at December 31, 2014 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 these impairments test as well as the estimated cash flows and the assumptions made. We have also verified that Notes 6 and 7 to the consolidated financial statements provide appropriate disclosures.

Employee benefits

Note 2.O describes the accounting policy used to evaluate pension and other related obligations. These obligations were evaluated by external actuaries. Our procedures consisted in examining the data used and the assumptions made, and verifying that Note 14 to the consolidated financial statements provides appropriate disclosures.

Costs associated with the Transform Plan

Your company recognized the costs associated with the Transform Plan to the fiscal year, as detailed in Note 17 to the financial statements. Our work involved assessing the data and assumptions on which management's estimates were based and reviewing, on a test basis, the calculations made by the Company. As part of our assessment, we verified the reasonableness of these estimates and ensured that Note 17 to the financial statements provides appropriate information.

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 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 10, 2015	Neuilly-sur-Seine, March 10, 2015
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	Joël Assayah
Partner	*Partner*

Parent company financial statements

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Income statement

(in € thousands)	2014	2013
OPERATING REVENUES (1)		
Revenues		
Other revenues	1,896	1,907
TOTAL SALES	**1,896**	**1,907**
Operating subsidies	0	0
Reversals of operating provisions	5	5
Transferred operating costs	1,718	1,165
Other income	8,380	823
TOTAL 1	**11,999**	**3,900**
OPERATING EXPENSES (2)		
Other purchases	15	15
External charges	13,600	5,141
Taxes other than income tax	367	387
Wages and salaries	1,078	954
Social security charges	404	371
Depreciation, amortization and charges to provisions:		
- against fixed assets: depreciation and amortization	18	38
- for liabilities and charges: charges to provisions	1,298	302
Other expenses	364	364
TOTAL 2	**17,144**	**7,572**
OPERATING INCOME (TOTAL 1 - 2)	**(5,145)**	**(3,672)**

(in € thousands)	2014	2013
FINANCIAL INCOME (3)		
Income from participating interests	33,133	29,6131
Other income from fixed assets	115	52
Other interest and related income	3,435	4,753
Reversals of depreciation, amortization and charges to provisions	710	1,792
Foreign exchange gains	4,820	10,387
TOTAL 3	**42,213**	**46,597**
FINANCIAL EXPENSE (4)		
Depreciation, amortization and charges to provisions	1,056	18,571
Interest and related expenses	6,545	8,287
Foreign exchange losses	3,922	7,555
TOTAL 4	**11,523**	**34,413**
NET FINANCIAL INCOME (3 - 4)	**30,690**	**12,184**
INCOME BEFORE TAX AND NON-RECURRING ITEMS	**25,545**	**8,512**
EXCEPTIONAL INCOME		
Management transactions	1,217	377
Capital transactions	2,697	498
Reversals of provisions and transferred costs	1,503	10,600
TOTAL 5	**5,417**	**11,475**
EXCEPTIONAL CHARGES		
Management transactions	1,643	1,271
Capital transactions	282	15,429
Depreciation, amortization and charges to provisions	41	3,025
TOTAL 6	**1,966**	**19,725**
NET EXCEPTIONAL INCOME (TOTAL 5 - 6)	**3,451**	**(8,250)**
INCOME TAX	**(1,608)**	**(1,500)**
NET INCOME FOR THE YEAR	**30,604**	**1,762**
TOTAL INCOME	**59,629**	**61,972**
TOTAL EXPENSES	**29,025**	**60,210**

BALANCE SHEET

ASSETS

(in € thousands)	Dec. 31, 2014 Gross	Dec. 31, 2014 Depreciation and amortization	Dec. 31, 2014 Net	Dec. 31, 2013 Net
FIXED ASSETS				
Intangible fixed assets				
Concessions, patents, licenses, brands	8,596	8,596	0	2
SUB-TOTAL	**8,596**	**8,596**	**0**	**2**
Property, plant and equipment				
Other	428	353	75	88
SUB-TOTAL	**428**	**353**	**75**	**88**
Financial fixed assets [a]				
Participating interests	472,356	47,996	424,360	380,247
Loans and advances to participating interests	122,441	0	122,441	73,125
Other fixed assets	5		5	5
Other	4,413	633	3,780	7,788
SUB-TOTAL	**599,215**	**48,629**	**550,586**	**461,165**
TOTAL A	**608,239**	**57,578**	**550,661**	**461,255**
CURRENT ASSETS				
Advances and down payments paid on orders [b]	0		0	0
Trade receivables and related accounts [b]	7,867		7,867	1,213
Other [b]	43,197	706	42,491	104,227
Investment securities	811		811	0
Cash and cash equivalents	317		317	698
ACCRUALS				
Prepaid expenses [b]	184		184	160
TOTAL B	**52,376**	**706**	**51,670**	**106,298**
Deferred costs D	1,165		1,165	1,082
Foreign currency translation losses E	5,071		5,071	2,2353
TOTAL (A+B+C+D+E)	**666,851**	**58,284**	**608,567**	**570,988**

(a) Due in less than one year: 3 729
(b) Due in over one year: 5 043

LIABILITIES AND SHAREHOLDERS' EQUITY

(in € thousands)	Dec. 31, 2014	Dec. 31, 2013
SHAREHOLDERS' EQUITY		
Share capital	41,234	41,633
Issue premium	211,192	221,852
Merger premium	8,252	8,252
Revaluation reserve	3,252	3,252
Unavailable reserves	3,973	3,973
Statutory reserve	4,158	4,070
Other reserves	43,251	43,251
Retained earnings	714	120
Net income for the year	30,604	1,762
Tax-regulated provisions	135	96
TOTAL A	**346,765**	**328,261**
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for liabilities	120	263
Provisions for charges	3,672	3,878
TOTAL B	**3,792**	**4,141**
FINANCIAL LIABILITIES (a)		
Bond issues	2,329	16,580
Borrowings from credit institutions (b)	10,227	22,319
Other borrowings	189,290	140,127
Trade payables and related accounts	745	1,284
Tax and social security liabilities	2,066	1,918
Amounts due on fixed assets	0	0
Other financial liabilities	47,160	51,963
ACCRUALS		
Prepaid income	18	98
TOTAL C	**251,835**	**234,289**
Foreign exchange translation gains D	6,175	4,297
TOTAL (A+B+C+D)	**608,567**	**570,988**

(a) Due in over one year: 188,904 due in less than one year: 62,931
(b) Including current bank loans and overdrafts: 9,857

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 2014 have been prepared in accordance with the provisions of French law, in particular Regulation no. 2014-03 of June 5, 2014 of the Autorité des Normes Comptables (French accounting standards authority), approved by ministerial order of September 8, 2014 on the official French chart of accounts.

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, 2014 rendered likely to occur.

G - Costs deferred over several periods

Bond issuance costs are allocated over the estimated average life of the relevant borrowing.

H - Pension obligations and retirement indemnities

Top-up pension obligations under "closed" defined benefit plans covering part of the workforce are recognized in the form of a provision. Obligations to still active employees are recorded under provisions for liabilities and charges. Obligations to retired employees are transferred to a deferred cost account.

A provision for charges is set aside to cover the Company's commitment arising from top-up pension obligations specifically related to the Group's senior managers.

Retirement indemnities and long-service awards payable under collective bargaining agreements are recognized under provisions for liabilities and charges.

Retirement indemnities and long-service awards are calculated on an annual basis by independent actuaries in accordance with the provisions of the collective bargaining agreement for the French chemicals industry and the CNC recommendation issued on April 1, 2003. The projected unit credit method is used for this purpose. It takes into account using actuarial assumptions the employee's probable future length of service, level of salary costs, life expectancy and the rate of staff turnover. The obligation is discounted at an appropriate discount rate. The obligation is partially funded through payments to an external organization under a collective life insurance policy, the assets of which are stated at fair value.

Retirement indemnities are recognized using the corridor method.

The principal assumptions used in this calculation are as follows:

- future salary costs are calculated based on current salaries including an annual rate of salary increases of 2.00% and additional age-related increases;
- changes in actuarial assumptions are taken into account only where they fall outside the corridor and are amortized over the expected average remaining working lives of the plan members;
- discounting to present value at a rate of 1.65%;
- an average cost ratio of 40% to 45%;
- staff turnover calculated by age bracket;
- return on plan assets: 1.65%;
- 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.

The Company may also repurchase treasury shares on the market, which are recorded as investment securities at their acquisition value, in accordance with French law.

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 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, the new shares are issued and 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 may also repurchase treasury shares on the market. In this case, a provision for expenses is recorded when this is likely to give rise to an outflow of resources for the Company and is equal to the loss expected upon allotment of the securities to the employees affected by the plan.

Note 2 Analysis and commentary

Income statement

Sales and other revenues

Revenues (€1,186 thousand) primarily derive from services billed in France and abroad. Other revenues (€8,380 thousand) relate primarily to royalties from brands and intangibles.

Operating income

The operating loss of €5,145 thousand reflects the holding company's operating costs and costs of the brand and intangibles.

Financial costs

The positive financial result of €30,690 thousand increased sharply compared to the €12,184 thousand result in the previous financial year. This is primarily attributable to the absence of significant impairment of subsidiaries' investments.

Exceptional items

The net exceptional gain of €3,451 thousand derives primarily from an additional payment from the sale of participating interests and a payment received from a settled dispute.

Income tax

The Company recorded a 2014 income tax benefit of €1,608 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 €89,421 thousand net increase in value resulted primarily from medium-term loans made to certain Mersen subsidiaries during the fiscal year and the increase in share capital for Mersen China Holding companies of €14,296 thousand and Mersen PY for €14,000 thousand.

Debt

The Company's total net debt at December 31, 2014 increased by €32,660 thousand, primarily as a result of the capitalization of subsidiaries.

(in € thousands)	Dec. 31, 2014	Dec. 31, 2013
Bank overdrafts	9,857	21,472
Bond issue	2,329	16,580
Other borrowings	188,867	139,661
Other financial liabilities [(a)]	46,019	51,131
Total debt	**247,072**	**228,844**
Cash and cash equivalents	(1,128)	(70)
Other receivables [(b)]	(35,708)	(96,504)
Marketable securities, cash and cash equivalents	**(36,836)**	**(96,574)**
Loans to subsidiaries	**(121,995)**	**(72,789)**
Other financial fixed assets	**(3,745)**	**(7,645)**
Net debt	84,496	51,836
o/w: - due in over one year	64,176	66,062
- due in less than one year	20,320	(14,226)

(a) Financial advances received recognized under "Other financial liabilities".
(b) Financial advances made recognized under "Other receivables".

Note 3 Fixed assets

(in € thousands)	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	8,594	2	0	8,596
Fixed assets in progress	0	0	0	0	0	0	0	0
TOTAL 1	**8,596**	**0**	**0**	**8,596**	**8,594**	**2**	**0**	**8,596**
Property, plant and equipment								
Buildings and technical installations	0	0	0	0	0	0	0	0
Other property, plant and equipment	427	2	1	428	339	15	1	353
Fixed assets in progress	0	0	0	0	0	0	0	0
Advances and down payments	0	0	0	0	0	0	0	0
TOTAL 2	**427**	**2**	**1**	**428**	**339**	**15**	**1**	**353**
Financial fixed assets								
Participating interests	428,770	43,586	0	472,356	48,523	0	527	47,996
Loans and advances to participating interests	73,125	103,832	54,516	122,441	0	0	0	0
Other fixed assets	5	0	0	5	0	0	0	0
Other financial fixed assets	7,827	6,919	10,333	4,413	39	633	39	633
TOTAL 3	**509,727**	**154,337**	**64,849**	**599,215**	**48,562**	**633**	**566**	**48,629**
TOTAL	**518,750**	**154,339**	**64,850**	**608,239**	**57,495**	**650**	**567**	**57,578**

Note 4 Provisions

(in € thousands) 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	96	41	3	0	134
TOTAL 1	**96**	**41**	**3**	**0**	**134**
Provisions for liabilities and charges					
Foreign currency losses	143	0	143	0	0
Retirement indemnities	102	0	0	5	97
Long-service awards	7	1	0	0	8
Senior manager pensions	769	486	0	0	1,255
Professional fees	2,500	0	1,421	79	1,000
Risk related to liability guarantee	500	0	0	0	500
Mersen shares for AGA	0	811	0	0	811
Risk related to CL PI	26	0	0	0	26
Risk related to Mersen RUS	94	0	0	0	94
TOTAL 2	**4,141**	**1,298**	**1,564**	**84**	**3,791**
Provisions for impairment(a)					
Mersen China Holding participating interest	8,000	0	0	0	8,000
Mersen do Brasil participating interest	14,147	0	0	0	14,147
Mersen Italia participating interest	1,500	0	0	0	1,500
Other participating interests	24,876	0	528	0	24,348
Shares held in treasury	39	33	39	0	33
Créances obligataires	0	600	0	0	600
TOTAL 3	**48,562**	**633**	**567**	**0**	**48,628**
TOTAL	**52,799**	**1,972**	**2,134**	**84**	**52,553**

Note 5 Maturity schedule of assets and liabilities

(in € thousands) **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	122,441	446	121,995
Other financial fixed assets	4,413	3,283	1,130
Trade receivables	7,866	7,866	0
Other receivables	43,197	38,154	5,043
Prepaid expenses	184	184	0
TOTAL	**178,101**	**49,933**	**128,168**

(in € thousands) **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	2,329	0	0	2,329
Borrowings from credit institutions	10,227	10,227	0	0
Other borrowings	189,290	3,718	185,572	0
Trade payables and related accounts	745	745	0	0
Tax and social security liabilities	2,066	1,063	432	571
Other financial liabilities	47,160	47,160	0	0
Prepaid income	18	18	0	0
TOTAL	**251,835**	**62,931**	**186,004**	**2,900**

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.

(in € thousands) **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	122,441	0
Trade receivables	7,866	0
Other receivables	35,917	56
Cash and cash equivalents	217	0
Trade payables	211	0
Other financial liabilities	46,625	0
Financial expenses	422	0
Financial income	36,986	8

Note 7 Revaluation reserve

(in € thousands)	
Revaluation reserves	
At beginning of period	3,252
Reversed during period	0
At end of period	3,252

Note 8 Accrued income and expenses

(in € thousands)		
1. Amount of accrued income included in the balance sheet items below		
Loans and advances to participating interests		446
Other financial fixed assets		67
Other receivables		265
Cash and cash equivalents		217
TOTAL		**995**
2. Amount of accrued expenses included in the balance sheet items below		
Borrowings from credit institutions		369
Other borrowings		424
Trade payables and related accounts		464
Tax and social security liabilities		1,948
Other financial liabilities		612
TOTAL		**3,817**
3. Amount of prepaid income and expenses	**Expenses**	**Income**
Operating items	184	3
Financial items	0	15
TOTAL	**184**	**18**
4. Costs deferred over several periods		
Bond issuance expenses at Jan. 1, 2014	1,082	
Bond issuance expenses in 2014	506	
2014 amortization of bond issuance costs	(423)	
TOTAL	**1,165**	

Note 9 Share capital

Share capital

The share capital is made up of 20,616,814 fully paid-up shares each with a par value of €2.

In 2014, 450 shares arose from the exercise of stock options granted to certain employees. The Company also cancelled 200,000 shares that had been repurchased on the market in 2013.

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 BSAR 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. They mature on July 16, 2017.

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.

Four stock option plans have been awarded, namely on May 14, 2003, July 25, 2007, February 11, 2009, and May 21, 2014. 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 May 27, 2011, June 27, 2012, and May 21, 2014.

The bonus share allotment plans and exercise of the stock options plans have been fulfilled primarily through the issuance of new shares. As a result, no expenses or liabilities were recognized during the fiscal year in respect of these plans.

When the shares are repurchased on the market, a provision for expenses is recorded when this is likely to give rise to an outflow of resources to the employee, in the amount corresponding to the loss expected for the Company.

The characteristics of the stock options plans are as follows:

Characteristics/Assumptions	2007 plan Stock options	2009 plan Stock options	2014 plan Stock options
Allotment date	07/25/2007	02/11/2009	05/21/2014
Availability date	07/25/2011	02/11/2013	05/21/2016
Expiration date	07/25/2017	02/11/2019	05/21/2021
Adjusted exercise price *(€)*	53,10	17.53	22.69
Adjusted share price at allotment date *(€)*	52.35	17.95	21.30
Estimated life *(number of years)*	5.5	8	4.5
Volatility	30.9%	38.1%	31.0%
Dividend per share *(as a % of share price)*	1.9	2.5	3.0
Risk-free interest rate	4.44%	3.26%	0.64%
Exercise period *(number of years)*	4	4	5
Lock-up period *(number of years)*	0	0	2
Adjusted number of options/share allotments	177,876	366,582	150,000
Estimated annual cancellation rate at year-end 2004			
Estimated annual cancellation rate at year-end 2005			
Estimated annual cancellation rate at year-end 2006			
Estimated annual cancellation rate at year-end 2007	End of the plan		
Estimated annual cancellation rate at year-end 2008	End of the plan		
Estimated annual cancellation rate at year-end 2009	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2010	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2011	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2012	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2013	End of the plan	End of the plan	
Estimated annual cancellation rate at year-end 2014	End of the plan	End of the plan	5.0%
% of shares/options vested following satisfaction of the performance condition(a)	60	100	100
Estimate of the number of options/shares ultimately vested in 2005			
Estimate of the number of options/shares ultimately vested in 2006			
Estimate of the number of options/shares ultimately vested in 2007	155,321		
Estimate of the number of options/shares ultimately vested in 2008	155,321		
Estimate of the number of options/shares ultimately vested in 2009	167,442	274,222	
Estimate of the number of options/shares ultimately vested in 2010	172,892	314,391	
Estimate of the number of options/shares ultimately vested in 2011	104,616	338,055	
Estimate of the number of options/shares ultimately vested in 2012	104,616	361,191	
Estimate of the number of options/shares ultimately vested in 2013	104,616	361,191	
Estimate of the number of options/shares ultimately vested in 2014	104,616	361,191	142,505
Valuation of options/shares *(€)*	15.58	6.11	3.68
Valuation as a % of the share price at grant	29.8%	34.1%	17.3%

(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	2009 plan Bonus share allotments
Allotment date	01/22/2009
Availability date	01/22/2013
Expiration date*	01/22/2014
Adjusted exercise price *(€)*	0.00
Adjusted share price at allotment date *(€)*	17.95
Estimated life *(number of years)*	4
Volatility	N/A
Dividend per share *(as a % of share price)*	2.5
Risk-free interest rate	N/A
Exercise period *(number of years)*	4
Lock-up period *(number of years)*	0
Adjusted number of options/share allotments	53,900
Estimated annual cancellation rate at year-end 2008	
Estimated annual cancellation rate at year-end 2009	2.5%
Estimated annual cancellation rate at year-end 2010	2.5%
Estimated annual cancellation rate at year-end 2011	2.5%
Estimated annual cancellation rate at year-end 2012	2.5%
Estimated annual cancellation rate at year-end 2013	End of the plan
% of shares/options vested following satisfaction of the performance condition	100
Estimate of the number of options/shares ultimately vested in 2008	
Estimate of the number of options/shares ultimately vested in 2009	48,708
Estimate of the number of options/shares ultimately vested in 2010	47,715
Estimate of the number of options/shares ultimately vested in 2011	48,938
Estimate of the number of options/shares ultimately vested in 2012	49,588
Estimate of the number of options/shares ultimately vested in 2013	49,588
Valuation of options/shares *(€)*	16.24
Valuation as a % of the share price at grant	90.5%

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	39	N/A	39
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
Estimate of the number of options/shares vested in 2014	16,568	54,856	2,818
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*

Characteristics/Assumptions	2014 plan Bonus share allotments
Allotment date	05/21/2014
Availability date	05/21/2016-05/21/2018
Expiration date*	05/21/2018
Adjusted exercise price *(€)*	0.00
Adjusted share price at allotment date *(€)*	21.30
Estimated life *(number of years)*	4
Volatility	31.0%
Dividend per share *(as a % of share price)*	3.0
Risk-free interest rate	N/A
Exercise period *(number of years)*	2 - 4
Lock-up period *(number of years)*	2 - 0
Number of options/shares allotted	50,000
Estimated annual cancellation rate at year-end 2014	5.0%
% of shares/options vested following satisfaction of the performance condition (a)	100
Estimate of the number of options/shares ultimately vested in 2014	44,876
Valuation of options/shares *(€)*	19.08 - 18.89
Valuation as a % of the share price at grant	89.6% - 88.7%

** Statement of changes in equity*
(a) The provisional performance condition for the 2014 bonus share allotment plan is 100%.

Statement of changes in equity

(in € thousands)	
Opening equity at January 1, 2014	**328,261**
Net income for the year	30,604
Change in tax-regulated provisions	39
Issue of new shares	8
Share capital reduction	(3,494)
Dividend payment	(9,256)
Retained earnings	603
Closing equity at December 31, 2014	**346,765**

Note 10 Commitments

Commitments and contingencies

(in € thousands)	
Commitments given	
Guarantee *for* euro cash pooling arrangement	16,000
Guarantee for the syndicated and bilateral loans to Chinese companies	61,059
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	2,059
Sabic contract guarantee covering Mersen USA Bn corp.	1,688
Rental guarantee covering Mersen Hittisau building	4,336
Lease covering rental of Mersen SA's premises	793
Other guarantees and deposits	1,506
TOTAL	**99,441**
Commitments received	**0**
TOTAL	**99,441**

Other reciprocal commitments

(in € thousands)	
Reciprocal commitments given	
Currency hedges	38,538
Commodity hedges	720
TOTAL	**39,258**
Reciprocal commitments received	
Currency hedges	42,336
Commodity hedges	720
TOTAL	**43,056**

Employee benefits

Retirement indemnities, long-service awards and defined-benefit top-up pension plans

(in € thousands)	
Present value of plan obligations at 31.12.14	4,614
Mathematical value of plan assets	(125)
Unrecognized actuarial gains and losses	(2,017)
TOTAL	**2,472**

Other commitments related to financial instruments

(in € thousands)	
Fair value of financial instruments at December 31, 2014	
Interest rate swaps	(230)
TOTAL	**(230)**

Note 11 Leases

The Company did not hold any finance leases in progress at December 31, 2014.

Note 12 Executive compensation

The compensation and benefits paid to members of the Management and Supervisory Boards directly by the Company or indirectly by certain subsidiaries came to €2,077 thousand during 2014.

Net top-up pension obligations in respect of senior managers came to €3,039 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

(in € thousands)	Income before tax	Tax payable
Current	25,545	0
Exceptional	3,451	0
Tax benefit received from subsidiaries consolidated for tax purposes		1,608

Increase and decrease in future tax liability

(in € thousands)	Beginning of period	Change during period	End of period
Accelerated tax depreciation	(4)	3	(1)
Provision for GPC pension obligations	853	2	855
Top-up pension provision	285	(29)	256
Provision for senior manager pension obligations	769	486	1,255
Retirement indemnities	102	(4)	98
Accrued expense, social solidarity contribution	10	9	19
Paid vacation	12	4)	16
Class action professional fees	2,500	(1,500)	1,000
Dépréciation prêt obligataire	0	600	600
Tax base or future tax credit (significant items)	4,527	(429)	4,098
Déficit groupe fiscal français	84,906	10,131	95,037
Total	89,433	9,702	99,135
Future short-term tax rate adopted	38.00%		38.00%
Future long-term tax rate adopted	34.43%		34.43%
Amount of future tax receivable	30,792		34,132

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

(in € thousands)	Amounts	O/w difference offset by hedges or global currency position	o/w deferred foreign exchange gains and losses	Other
Foreign currency translation losses (unrealized)				
On financial fixed assets	5,071	5,071		
On miscellaneous borrowings	0	0		
TOTAL	**5,071**	**5,071**		
Foreign currency translation gains (unrealized)				
On financial fixed assets	5,494	5,071		423
Sur créances	1			1
On miscellaneous borrowings	680		447	233
TOTAL	**6,175**	**5,071**	**447**	**657**

Note 17 Treasury shares

Under the liquidity agreement established with Exane BNP, the Company held 53,637 Treasury shares at December 31, 2014 and 43,368 treasury shares repurchased in November 2014 for bonus shares allotment to employees.

Note 18 Information about exceptional items

Exceptional income

(in € thousands)	
Management transactions	
Rebilling of professional fees and expenses	1,217
Other	0
SUB-TOTAL	**1,217**
Capital transactions	
Earn out on sale of shares in the EMC business	1,306
Gains on the sale of treasury shares	14
Compensation related to disputes	1,089
Interest on refund of withholding tax	288
SUB-TOTAL	**2,697**
Reversals of accelerated tax depreciation	3
Reversals of class action professional fees	1,500
SUB-TOTAL	**1,503**
TOTAL	**5,417**

Exceptional charges

(in € thousands)	
Management transactions	
Class action professional fees and expenses	1,421
Other fees on exceptional items	140
GPC pensions for non-active workers	82
SUB-TOTAL	**1,643**
Capital transactions	
Losses on the sale of treasury shares	282
SUB-TOTAL	**282**
Allowance for accelerated tax depreciation	41
SUB-TOTAL	**41**
TOTAL	**1,966**

Note 19 Information about risk factors

The financial risk management policy is approved by the Management Board based on proposals submitted by the finance department. Currency and commodity hedging transactions are carried out subject to strictly defined procedures.

Liquidity risk

The Company has signed the following major borrowing agreements:

A multi-currency syndicated bank loan established in July 2012 and amended In July 2014. The amount is €220 million and it has a five-year maturity, repayable in full in 2019.

A USD85 million private placement negotiated in May 2003 with US investors, comprising one USD65 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 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 receives a fixed rate of interest.

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. These swaps were sold again in April 2009, bringing the debt back to a fixed rate.

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.

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for the largest purchases.

The commodity price risk management policy currently consists in arranging forward commodity purchases with prime banking institutions. These are passed on symmetrically to the subsidiaries involved in commodity purchasing.

Currency risk

The currency risk management policy consists, based on a complete inventory of inter-company and external risks, in arranging forward currency purchases with prime banking institutions.

Except in special cases, the hedges arranged with banks are centralized with the parent company and passed on symmetrically to the relevant subsidiaries to hedge trading flows based either on specific orders or on annual budgets.

The Company does not specifically hedge its net foreign assets.

Note 20 Consolidation

Mersen is fully consolidated by the Mersen group.

List of subsidiaries and shareholdings

(in € thousands) **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	1,105	100	49,589	49,589		40,000	
Mersen France Amiens SAS	22,477	2,842	100	25,402	25,402			
Mersen France Gennevilliers SAS	14,482	(3,040)	100	23,896	23,896			
Mersen Corporate Services SAS (France)	3,574	936	100	3,646	3,646	286		
Mersen France PY SAS	10,321	(207)	100	31,321	23,274			
Boostec (France)	1,085	193	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	(7,239)	100	28,700	18,976		414	3,000
Mersen Argentina SA (Argentina)	119	649	97.99	962	807			
Mersen Oceania Pty Ltd (Australia)	742	2,828	100	702	702	793		
Mersen do Brasil Ltda (Brazil)	11,583	(8,815)	100	24,444	10,297			
Mersen Canada Dn Ltee/Ltd (Canada)	1,372	10,269	100	1,322	1,322	1,362		
Mersen China Holding Co Ltd (China)	111,864	(27,196)	100	93,682	85,682			
Mersen Korea Co. Ltd (South Korea)	3,683	8,187	100	12,060	11,540	1,249		
Cirprotec (Spain)	1,000	2,065	51	5,143	5,143			
Mersen Ibérica SA (Spain)	2,404	3,083	60	680	680	202		
Mersen Ibérica Bcn SA (Spain)	2,043	206	100	2,396	2,396			
Mersen USA Bn Corp. (United States)	56,202	66,795,	100	68,926	68,926	23,348	44,477	10,688
Mersen UK Holdings Ltd (United Kingdom)	7,992	1,833	100	903	903		4,173	
Mersen Scot. Holding Ltd (United Kingdom)	67,916	(1,516)	100	57,000	57,000		30,363	
Mersen India Pvt Ltd (India)	2,572	5,209	100	8,739	8,521			
Mersen Italia Spa (Italy)	5,500	977	100	11,590	10,090			
Mersen Fma Japan KK (Japan)	345	8,629	8.70	2,977	917	160		
Mersen Maroc SARL (Morocco)	1,183	(353)	100	1,186	1,186			
Mersen Mexico Monterrey S. de R.L. de C.V. (Mexico)	1,603	936	100	1,149	1,149			1,187
Mersen South Africa Pty Ltd (RSA)	75	1,001	54.77	813	813			
Mersen Rus (Russia)	649	(912)	100	1,200	0			
Mersen Nordic AB (Sweden)	213	2,268	100	551	551	716		
Mersen Istanbul Sanayi Urunleri AS (Turkey)	1,008	1,328	100	5,016	2,907	261		
Aggregate information (regarding other subsidiaries and participating interests)								
Subsidiaries (at least 50%-owned)								
in France				88	10			
outside France				980	778	801		
Shareholdings (10% to 50%-owned)								
outside France				216	180	8		
Other shareholdings (less than 10%-owned)				**0**	**0**			
TOTAL				**472,356**	**424,360**	**29,186**	**119,427**	**14,895**

Note: Information on sales and income has been omitted intentionally because of the serious harm that could result from its release in a highly-competitive international environment.

Statutory Auditors' report on the financial statements
Fiscal year ended December 31, 2014

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, 2014, 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, the significant estimates made, and 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 results of operations for the year ended and of the Company's financial position and its assets and liabilities as of the end of this fiscal year, 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 verified the application of these methods 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 10, 2015	Neuilly-sur-Seine, March 10, 2015
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	Joël Assayah
Partner	*Partner*

FIVE-YEAR FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
1. Share capital at year-end					
Capital *(€ 000s)*	41,234	41,633	40,702	40,577	39,886
Number of shares outstanding	20,616,834	20,816,364	20,350,969	20,288,354	19,942,777
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)]	29,191	9,801	21,739	(61,808)	18,560
Income tax	(1,608)	(1,500)	(1,724),	(1,887)	(1,140)
Employee profit-sharing	0	0	0	0	0
Net income after tax, depreciation, amortization and charges to provisions	30,604	1,762	10,649	29,810	14,624
Total earnings paid out	10,308	9,259	9,136	20,234	14,937
3. Overall result of operations per share *(€)*					
Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions [(a)]	1.49	0.54	1.15	(2.95)	0.95
Net income after tax, depreciation, amortization and provisions	1.48	0.08	0.52	1.47	0.73
Dividend paid on each share	0.50	0.45	0.45	1.00	0.75
4. Employees					
Average headcount	5	5	5	5	5
Total payroll costs *(€ 000s)*	1,078	954	1,040	2,072	1,400
Amount paid for welfare benefits *(€ 000s)*	404	371	334	627	418

(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.

ADDITIONAL INFORMATION

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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 2014 interim report;
- Financial press releases,
- Financial presentations.

List of the information published or made public since January 1, 2014

Pursuant to Article 222-7 of the General Regulation of the Autorité des Marchés Financiers, the following list presents the information published by Mersen since January 1, 2014.

Press Releases

01.29.14: Mersen: 2013 sales and launch of the "Transform" plan

02.12.14: Mersen deepens its footprint in the power quality segment.

03.06.14: 2013 reference document

03.06.14: Mersen: 2013 full-year results

04.07.14: Mersen: Appointment of Isabelle Azemard to the Supervisory Board

04.19.14: Mersen: First-quarter 2014 sales

05.20.14: Mersen:"Transform" plan

06.04.14: Ex-date dividend

06.30.14: Mersen signs a framework agreement with ABB for its new range of wind turbine generators

07.16.14: Mersen successfully renegotiates its syndicated loan

07.31.14: Mersen: 2014 half-year results

09.19.14: Mersen celebrates the centenary of its Gennevilliers industrial site.

09.25.14: Mersen: order of over €6 million for the chemical industry

10.07.14: Mersen recognized at the IFACI-EY innovation awards

10.13.14: Mersen releases

10.13.14: Mersen has joined the FORCE project

10.27.14: Mersen awarded a contract within international ITER project

10.29.14: Mersen: Third-quarter 2014 sales

12.04.14: Mersen Investor Day

12.17.14: Mersen awarded electrical protection contract for Europe's largest solar farm

Presentations

03/06/2014: Presentation of 2013 full-year results to the financial markets.

08/31/2014: Presentation of 2014 half-year results to the financial markets.

Information included by reference

The following information is included by reference in this annual report:

Fiscal 2013

Included in annual report no. D-14-0118 submitted to the Autorité des Marchés Financiers on 05.03.14 are:

- the consolidated financial statements for fiscal 2013 prepared in accordance with the IFRSs in force in 2013, together with the Statutory Auditors' reports on the consolidated financial statements, pages 110 to 170;
- the annual financial statements for 2013, together with the Statutory Auditors' reports on the annual financial statements, pages 172 to 194;
- the 2013 management report, pages 93 to 108.

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.

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 105 to 120 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.

The consolidated accounts regarding the fiscal year ending December 31, 2014, presented in this document, were addressed in a report by the auditors, which appears on pages 174 and 175.

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 Philippe Cherqui

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

	2014				2013			
	Deloitte		KPMG		Deloitte		KPMG	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
- Statutory audit, certification, review of the individual and consolidated financial statements	983	89%	851	75%	877	82%	744	87%
- Other accessory and audit assignments	59	5%	131	12%	78	7%	94	11%
SUB-TOTAL	**1,042**	**94%**	**982**	**87%**	**955**	**89%**	**838**	**98%**
Other services, etc.								
- Legal, tax law, labor law	23	2%	112	10%	103	10%	0	0%
- Other (state where > 10% of audit fees)	47	4%	38	3%	16	1%	17	2%
SUB-TOTAL	**70**	**6%**	**150**	**13%**	**119**	**11%**	**17**	**2%**
TOTAL	**1,112**	**100%**	**1,132**	**100%**	**1,074**	**100%**	**855**	**100%**

Expertise, our source of energy

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