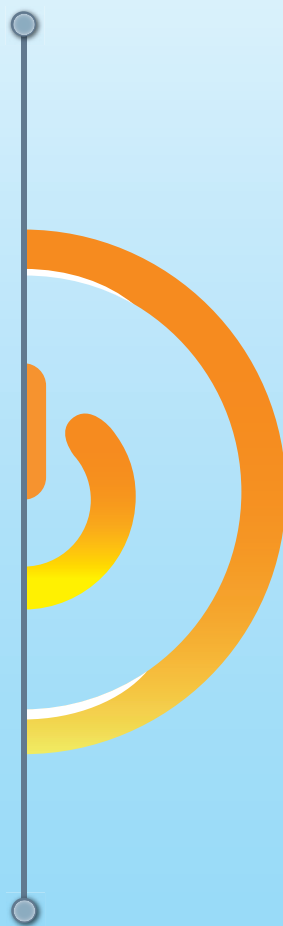


FIRST-HALF 2011 FINANCIAL REPORT



MERSEN

MERSEN

First-half 2011 financial report

	page
1 Group overview	3
2 Consolidated financial statements	7
3 Appendix	17
4 Statutory Auditors' report	49
5 Statement of the officer	51

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

When we announced 2010 results, our excellent performance combined with renewed economic growth meant that Mersen business model was fully borne out. Six months later, 2011 first half results confirm the wisdom of our strategy and show our ability to attain and surpass our targets.

Mersen enjoyed a favorable macroeconomic environment in the first half of 2011. More importantly, however, we took advantage of our strategic focus on sustainable development-related markets (alternative energies, rail transportation, energy efficiency) and our increased presence in Asia. These recently acquired positions enabled Mersen to generate revenue of €419 million, a like-for-like increase of 16% relative to the first half of 2010. We achieved revenue growth in all our geographical areas and business segments.

Energy, particularly solar energy, was once again one of our most buoyant markets. Our sales in the photovoltaic industry rose by around 75%⁽¹⁾, driven by strong growth in China, major investments in polysilicon production and ongoing installations of solar panels in Europe and elsewhere. Mersen is taking full advantage of all these growth drivers. We have enhanced our global presence through the recent expansion of our production facilities in China and South Korea, while our innovative products distinguish us from our rivals.

Year after year, we are continuing to strengthen our positions in alternative energies, which now account for 19% of our revenue, 10 points more than in 2008.

Our first-half earnings were also very pleasing. Operating margin before non-recurring items was 12.9%, beating the previous record set in 2008. Net income roughly doubled year-on-year, from €17 million to €33 million.

These very good figures show our ability to convert strong growth into earnings. Our success in generating profits is based on our constant development of high-value-added products that meet customer needs. Secondly, this success vindicates our strategy of targeted investments in modern manufacturing capacity. It also reflects the hard work done by our staff and their commitment, proven time and again, to Mersen's values and strategy.

We are quickly moving towards our targets of generating 25% of sales from alternative energies, 50% from sustainable development-related markets and 30% from Asia.

I am confident we will meet our main challenges, which are to maintain our constant development in order to anticipate future client needs and to maintain the technical edge that we have achieved.

Luc Themelin
Chairman of the
Management Board



1

(1) Historical data

BUSINESS OVERVIEW

→ Advanced Materials and Technologies

Advanced Materials and Technologies posted sales of €189.4 million, up 19.7% like-for-like compared with the first half of 2010. On a reported basis, sales growth was 25.7%.

Sales in the **photovoltaic market** were much higher than in the year-earlier period. They were boosted by large-scale deliveries of original equipment for the Chinese solar industry. Further support came from the replacement market, which was very buoyant.

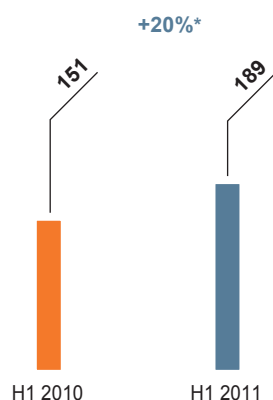
Business levels in **process industries** remained strong and sales to the **electronics** sector were robust, particularly in Asia.

In the **chemicals and pharmaceuticals** sector, activity picked up substantially in the second quarter, especially in China and the phosphoric acid market. Order intake was firm.

EBITDA totaled €42.6 million, equal to 22.5% of sales, and grew by 50% year-on-year, boosted by volume growth and higher prices.

Operating income before non-recurring items was up 82% at €30.2 million, equal to 15.9% of sales.

Sales (€ million)



EBITDA (€M)	28.3	42.6
EBITDA margin	18.8%	22.5%
Operating income before non-recurring items (€M)	16.6	30.2
Operating margin before non-recurring items	11.0%	15.9%

→ Electrical Components and Technologies

First-half sales in the Electrical Components and Technologies segment came to €230 million, up 16.5% on a reported basis and up 12.6% like-for-like.

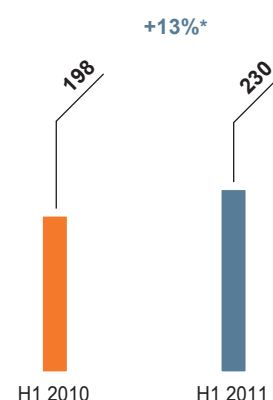
Sales remained strong in all markets - **energy, transport, electronics and process industries** - and in the three major geographical areas.

In the energy market, wind-power sales saw further support from the growing replacement market, while there was moderate growth in sales of original equipment. Solar sales continued to grow strongly in North America and Asia, although there was a slowdown in some European countries, such as Italy, relative to the start of the year.

EBITDA came to €37.6 million or 16.4% of sales. This represents year-on-year growth of 23%, driven by higher sales volumes and increased prices offsetting the rise in input commodity prices.

Operating income before non-recurring items totaled €31.3 million. This equates to 13.6% of sales, 1 point more than the already-high level achieved in the first half 2010.

Sales (€ million)



EBITDA (€M)	30.5	37.6
EBITDA margin	15.5%	16.4%
Operating income before non-recurring items (€M)	24.8	31.3
Operating margin before non-recurring items	12.6%	13.6%

* like-for-like

NET INCOME FOR THE PERIOD

→ Consolidated sales

Group sales for the first half of 2011 totaled €419.4 million. On a reported basis, this represents growth of 20.5%. Like-for-like, growth came to 15.7%.

In Europe, sales amounted to €158 million, giving organic growth of 11.9%.

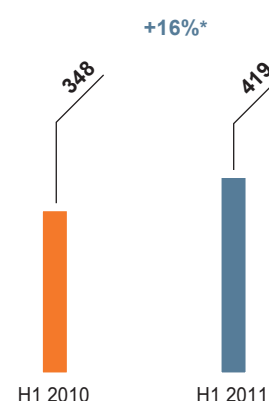
This was driven by very firm business levels in the solar market and strong sales in Mersen's traditional markets.

In North America, sales rose by 23.6% like-for-like to €134.1 million. Growth was supported by strong billings in the solar business, in both graphite equipment and electrical components. Sales to process industries and the electronics sector were also very buoyant.

In Asia, sales came in up 18.2% like-for-like at €103.6 million. Growth was robust, particularly in China and South Korea, where the Group is reaping the benefits of strong electronics and solar energy markets, along with the recovery in China. This growth comfortably offset the non-recurrence of a large order received in 2010, relating to seawater desalination equipment in Australia.

First-half sales were also supported by strong demand in traditional industrial markets and by Mersen's position in growth markets and fast-developing geographical areas. Alternative-energy sales now account for 19% of the total versus 15% in 2010. This increase has been driven in particular by growth in the photovoltaic market.

Sales (€ million)



EBITDA (€M)	51.9	73.1
EBITDA margin	14.9%	17.4%
Operating income before non-recurring items (€M)	34.4	54.2
Operating margin before non-recurring items	9.9%	12.9%

→ EBITDA and operating income

EBITDA came to €73.1 million or 17.4% of sales. This represents year-on-year growth of 41%, supported by business growth and better market conditions.

Operating income before non-recurring items was €54.2 million, equal to 12.9% of sales as opposed to 9.9% in the year-earlier period.

IFRS operating income came to €51.8 million, after €2 million in net non-recurring charges and a €0.4 million charge relating to acquisition-related amortization of intangible assets.

* like-for-like

→ Net income

Net finance costs amounted to €4.8 million, slightly less than in the first half of 2010.

The tax rate was 33.5%.

Net income from discontinued operations amounted to €1.6 million. This relates to an earn-out payment made by the purchaser of automotive activities, following the attainment of earnings targets.

Net income was €32.9 million, compared with €17.3 million in the first half of 2010.

→ Debt

At end-June 2011, net debt was €228.8 million, as opposed to €220.1 million at end-2010. The €8.7 million increase resulted mainly from debt related to the buy-out of minority interests in Mingrong Electrical Protection.

Net cash flow from operating activities was €17.8 million as opposed to €30.4 million in the year-earlier period. This reflects a €38.0 million increase in the working capital requirement, resulting from strong business growth. In addition, tax paid was €16.3 million, substantially more than in the first half of 2010 because of higher earnings and the fact that all tax-loss carryforwards in North America were used up in late 2010.

Capital expenditures, excluding changes in the scope of consolidation, amounted to €18.4 million, compared with €12.3 million in the first half of 2010. Mersen continued to invest in graphite production and finishing capacity in order to meet growing demand for graphite, particularly in the solar industry.

The rise in the euro had an adverse currency-translation impact of €7.9 million on Mersen's debt levels.

The net debt-to-EBITDA ratio continued to improve, ending the period at 1.52x, compared with 1.86x at year-end 2010. The net debt-to-equity ratio came to 47% compared with 44% at year-end 2010.

OUTLOOK

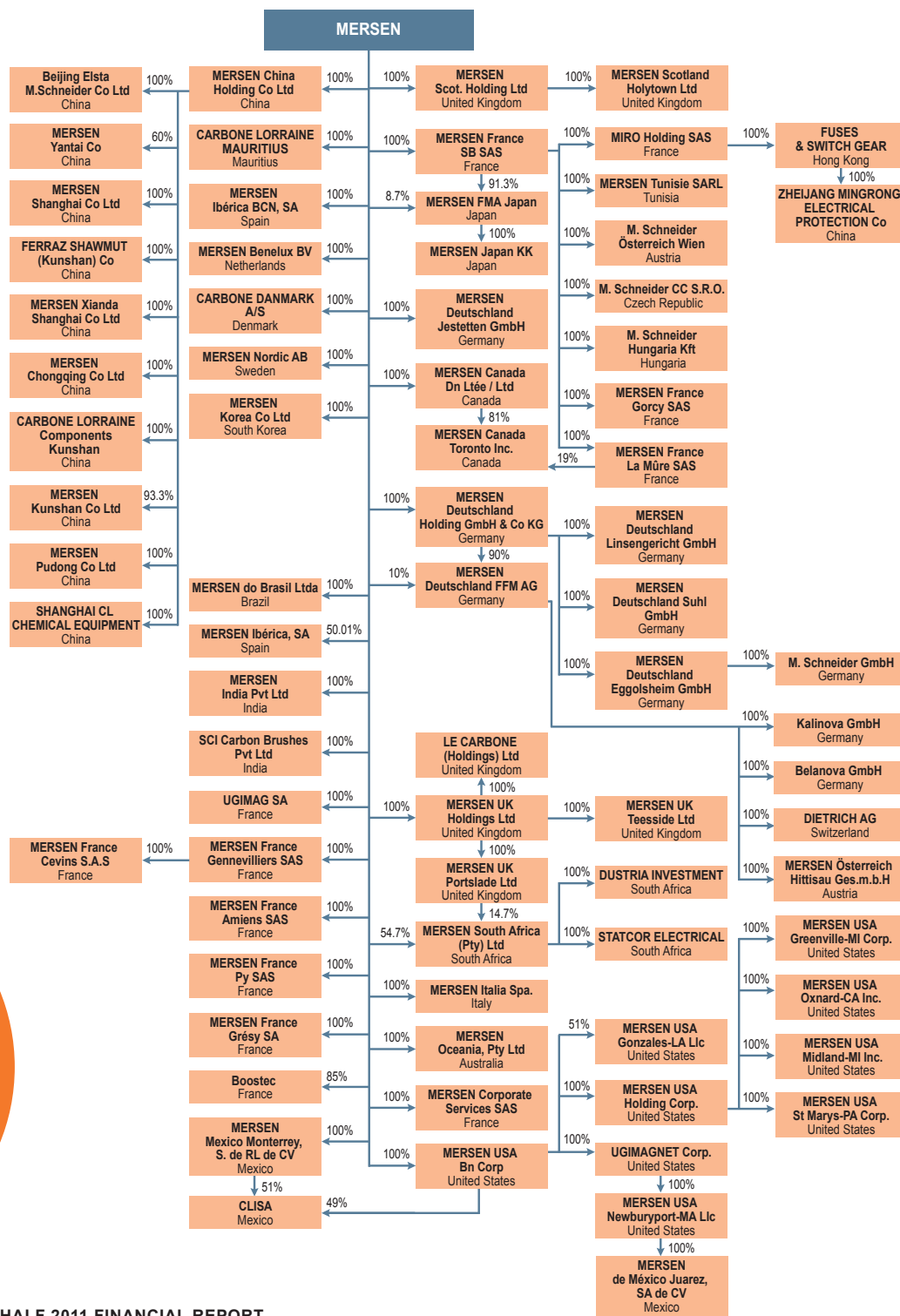
Our business is being boosted by firm growth in most of our markets and by the geographical positions we have developed in the last few years. Taking into account our strong first-half sales and income growth while paying close attention to the

macroeconomic environment, we are raising our full-year 2011 targets and expect double-digit organic revenue growth, along with operating margin before non-recurring items of at least 12%.



CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF CONSOLIDATION AT JUNE 30, 2011



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
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	FC	100	100
7. Miro Holding SAS (France)	FC	100	100
8. Mersen France Gorcy SAS (France)	FC	100	100
9. Ugimag SA (France)	FC	100	100
10. Mersen France Cevins SAS (France)	FC	100	100
11. Mersen France Grésy SAS (France)	FC	100	100
12. Boostec (France)	FC	85	85
13. Mersen Deutschland Holding GmbH & Co. KG (Germany)	FC	100	100
- Mersen Deutschland FFM AG	FC	100	100
- Belanova-Kalbach GmbH	FC	100	100
- Kalinova-Kalbach GmbH	FC	100	100
- Mersen Deutschland Lisengericht GmbH	FC	100	100
- Mersen Deutschland Suhl GmbH	FC	100	100
14. Mersen Deutschland Eggolsheim GmbH (Germany)	FC	100	100
15. M.Schneider GmbH (Germany)	FC	100	100
16. Mersen Deutschland Jestetten GmbH (Germany)	FC	100	100
17. Dietrich AG (Switzerland)	FC	100	100
18. Mersen Österreich Hittisau GmbH (Austria)	FC	100	100
19. M.Schneider Österreich Wien GmbH (Austria)	FC	100	100
20. Mersen Ibérica SA (Spain)	FC	50	50
21. Mersen Ibérica BCN SA	FC	100	100
22. Mersen UK Holdings Ltd	FC	100	100
- Mersen UK Portslade Ltd	FC	100	100
- Le Carbone (Holdings) Ltd	FC	100	100
- Mersen UK Teesside Ltd	FC	100	100
23. MERSEN Scot. Holding Ltd (UK)	FC	100	100
24. Mersen Scotland Holytown Ltd (UK)	FC	100	100
25. Mersen Italia SpA (Italy)	FC	100	100
26. Mersen Benelux BV (Netherlands)	FC	100	100
27. Mersen Nordic AB (Sweden)	FC	100	100
- Carbone Danmark A/S (Denmark)	FC	100	100
28. Mersen Canada Dn Ltée/Ltd (Canada)	FC	100	100

	Method of consolidation FC: Full consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
29. M.Schneider CZ S.R.O. (Czech Republic)	FC	100	100
30. M.Schneider Hungaria Kft (Hungary)	FC	100	100
31. Mersen Canada Toronto Inc.	FC	100	100
32. Mersen USA Bn Corp. (USA)	FC	100	100
- Mersen USA Gonzales-SA LLC	FC	51	51
- Mersen USA Holding Corp.	FC	100	100
- Ugimagnet Corp.	FC	100	100
33. Mersen USA St Marys-PA Corp.	FC	100	100
34. Mersen USA Oxnard-CA Inc. (USA)	FC	100	100
35. Mersen USA Midland-MI Inc. (USA)	FC	100	100
36. Mersen USA Greenville-MI Corp. (USA)	FC	100	100
37. Mersen USA Newburyport-MA LLC (USA)	FC	100	100
- Mersen de México Juarez, SA DE. CV (Mexico)	FC	100	100
38. Mersen México Monterrey, S de RL de CV	FC	100	100
- Carbone Lorraine Inmobiliaria SA	FC	100	100
39. Mersen Oceania, Pty Ltd	FC	100	100
40. Mersen FMA Japan KK (Japan)	FC	100	100
41. Mersen Japan KK	FC	100	100
42. Mersen Korea Co. Ltd	FC	100	100
43. Mersen India Pvt. Ltd	FC	100	100
44. SCI Carbon Brushes Pvt. Ltd	FC	100	100
45. Carbone Lorraine Mauritius (Mauritius)	FC	100	100
46. Mersen China Holding Co. Ltd (China)	FC	100	100
47. Mersen Pudong Co. Ltd (China)	FC	100	100
48. Mersen Chongqing Co. Ltd (China)	FC	100	100
49. Carbone Lorraine Components Kunshan Co. Ltd (China)	FC	100	100
50. Mersen Kunshan Co. Ltd (China)	FC	93	93
Shanghai Carbone Lorraine Chemical Equipment Co. Ltd			
51. (China)	FC	100	100
52. Mersen Xianda Shanghai Co. Ltd (China)	FC	100	100
53. Mersen Shanghai Co. Ltd	FC	100	100
- Ferraz Shawmut (Kunshan) Company	FC	100	100
54. Zhejiang Mingrong Electrical Protection Company	FC	100	100
55. Mersen Yantai Co. (China)	FC	60	60
56. Beijing Elsta M.Schneider Co Ltd (China)	FC	100	100
57. Mersen South Africa PTY Ltd (South Africa)	FC	69	69
- Statcor Electrical	FC	69	69
- Dustria Investment	FC	69	69
58. Mersen do Brasil Ltda. (Brazil)	FC	100	100
59. Mersen Tunisie SARL (Tunisia)	FC	100	100
60. Fuses & Switchgear (Hong Kong)	FC	100	100

The fiscal year of all these companies is the same as the calendar year.

CHANGES IN THE SCOPE OF CONSOLIDATION

DURING THE PAST TWO YEARS

The principal changes that affected the consolidated financial statements in 2010 and 2011 are presented below:

■ during fiscal 2010:

- Lump, a company that merged into and with Mersen France PY, was consolidated for the first time from January 1, 2010,
- Fuses & Switchgear (parent company of Mingrong), Zhejiang Mingrong Electrical Protection, Mersen Shanghai Co. Ltd and Ferraz Shawmut Kunshan were consolidated for the first time from January 1, 2010,
- French company Boostec, which was acquired in March 2010, was consolidated for the first time from January 1, 2010,
- the M.Schneider group companies were acquired on May 1, 2010 and were also consolidated for the first time from the same date,

- Mersen France Grésy was consolidated for the first time from January 1, 2010,
- Mersen Yantai Co, which was incorporated on November 1, 2010, was also consolidated for the first time from the same date.

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

■ during fiscal 2011:

- Chinese company Beijing Elsta M. Schneider Co. Ltd, whose minority shareholders the Group bought out in the first half of 2011, was consolidated for the first time from January 1, 2011.

CONSOLIDATED INCOME STATEMENT

<i>(in millions of euros)</i>	Note	First half 2011	First half 2010
CONTINUING OPERATIONS			
Consolidated sales	16	419.4	348.1
Cost of sales		(285.1)	(239.5)
Gross income		134.3	108.6
Selling and marketing costs		(38.3)	(36.3)
Administrative and research costs		(39.4)	(36.7)
Other operating costs		(2.4)	(1.2)
Operating income before non-recurring items		54.2	34.4
Non-recurring charges	15	(3.4)	(3.9)
Non-recurring income	15	1.4	2.9
Amortization of revalued intangible assets		(0.4)	(0.4)
Operating income	16/18	51.8	33.0
Finance costs	19	(4.8)	(5.9)
Net finance costs		(4.8)	(5.9)
Income before tax and non-recurring items		47.0	27.1
Current and deferred income tax	20	(15.7)	(8.7)
Net income from continuing operations		31.3	18.4
Net income from assets held for sale or discontinued operations	4	1.6	(1.1)
Net income for the year		32.9	17.3
Attributable to:			
- Mersen's shareholders		31.5	16.7
- Minority interests		1.4	0.6
NET INCOME FOR THE YEAR		32.9	17.3
Earnings per share	21		
Basic earnings per share (€)		1.58	0.85
Diluted earnings per share (€)		1.52	0.82
Earnings per share from continuing operations	21		
Basic earnings per share (€)		1.50	0.91
Diluted earnings per share (€)		1.44	0.88

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>(in millions of euros)</i>		First half 2011	First half 2010
NET INCOME FOR THE PERIOD		32.9	17.3
Change in fair value of hedging derivatives	19	1.0	(3.6)
Change in balance sheet items at year-end exchange rate		(18.4)	38.7
Tax on income recognized in equity	19	(0.4)	1.1
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		(17.8)	36.2
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD		15.1	53.5
Attributable to:			
- Mersen's shareholders		14.7	52.6
- Minority interests		0.4	0.9
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD		15.1	53.5

STATEMENT OF FINANCIAL POSITION

Assets

<i>(in millions of euros)</i>	Note	June 30, 2011	Dec. 31, 2010
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	5	250.7	260.8
- Other intangible assets	7	39.1	37.1
Property, plant and equipment			
- Land		26.8	29.5
- Buildings		48.5	51.1
- Plant, equipment and other assets	7	162.4	172.5
- Assets in progress		34.2	34.1
Non-current financial assets			
- Investments	8	5.3	6.2
- Other financial assets	3/14	8.9	9.7
Non-current tax assets			
- Deferred tax assets	20	23.0	25.5
- Non-current income tax assets		1.5	1.1
TOTAL NON-CURRENT ASSETS		600.4	627.6
CURRENT ASSETS			
- Inventories	9	176.6	168.0
- Trade receivables	10	135.1	117.7
- Other receivables		24.4	17.8
- Current income tax assets		4.4	4.3
- Other current assets			0.4
- Current financial assets	14	6.0	4.6
- Current derivatives	3	0.3	0.7
- Financial assets	14	0.8	0.3
- Cash and cash equivalents	14	44.8	48.3
TOTAL CURRENT ASSETS		392.4	362.1
TOTAL ASSETS		992.8	989.7

Liabilities and equity

<i>(in millions of euros)</i>	Note	June 30, 2011	Dec. 31, 2010
EQUITY			
- Share capital	11	39.9	39.9
- Premiums and retained earnings		446.5	432.2
- Net income for the period		31.5	38.4
- Cumulative translation adjustments		(47.1)	(29.7)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		470.8	480.8
- Minority interests		8.9	12.9
EQUITY		479.7	493.7
NON-CURRENT LIABILITIES			
- Non-current provisions	12	0.5	0.5
- Employee benefits	13	36.6	36.7
- Deferred tax liabilities	20	19.9	22.4
- Borrowings	14	248.4	227.1
- Non-current derivatives	3	0.8	1.5
TOTAL NON-CURRENT LIABILITIES		306.2	288.2
CURRENT LIABILITIES			
- Trade payables		75.8	71.6
- Other payables		66.4	66.8
- Current provisions	12	5.7	4.1
- Current income tax liabilities		7.6	8.4
- Other liabilities including dividends	12	18.4	8.6
- Other current financial liabilities	14	16.3	35.0
- Current derivatives	3	1.0	2.1
- Current advances	14	0.9	4.3
- Bank overdrafts	14	14.8	6.9
TOTAL CURRENT LIABILITIES		206.9	207.8
TOTAL LIABILITIES AND EQUITY		992.8	989.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of euros)	Attributable to Mersen's shareholders				Total	Minority interests	Equity
	Share capital	Premiums and retained earnings	Net income for the period	Cumulative translation adjustment			
EQUITY AT DEC. 31, 2009	39.3	420.5	14.6	(53.8)	420.6	4.3	424.9
Prior-period net income		14.6	(14.6)		0.0		0.0
Net income for the period			16.7		16.7	0.6	17.3
Change in fair value of hedging derivatives, net of taxes		(2.5)			(2.5)		(2.5)
Cumulative translation adjustment				38.4	38.4	0.3	38.7
TOTAL OTHER COMPREHENSIVE INCOME	0.0	(2.5)	0.0	38.4	35.9	0.3	36.2
COMPREHENSIVE INCOME FOR THE YEAR	0.0	(2.5)	16.7	38.4	52.6	0.9	53.5
Dividends not yet paid		(9.8)			(9.8)	(0.6)	(10.4)
Expenses on issue of new shares		(0.2)			(0.2)		(0.2)
Treasury shares		0.2			0.2		0.2
Other items		1.2			1.2	4.2	5.4
EQUITY AT JUNE 30, 2010	39.3	424.0	16.7	(15.4)	464.6	8.8	473.4
EQUITY AT DEC. 31, 2010	39.9	432.2	38.4	(29.7)	480.8	12.9	493.7
Prior-period net income		38.4	(38.4)		0.0		0.0
Net income for the period			31.5		31.5	1.4	32.9
Change in fair value of hedging derivatives, net of taxes		0.6			0.6		0.6
Cumulative translation adjustment				(17.4)	(17.4)	(1.0)	(18.4)
TOTAL OTHER COMPREHENSIVE INCOME	0.0	0.6	0.0	(17.4)	(16.8)	(1.0)	(17.8)
COMPREHENSIVE INCOME FOR THE PERIOD	0.0	0.6	31.5	(17.4)	14.7	0.4	15.1
Dividends not yet paid		(15.0)			(15.0)	(0.3)	(15.3)
Issue of new shares		0.1			0.1		0.1
Expenses on issue of new shares					0.0		0.0
Treasury shares		0.6			0.6		0.6
Other items ^(a)		(10.4)			(10.4)	(4.1)	(14.5)
EQUITY AT JUNE 30, 2011	39.9	446.5	31.5	(47.1)	470.8	8.9	479.7

(a) Other items mainly comprise the purchase of minority interests (49%) in Zhejiang Mingrong Electrical Protection.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in millions of euros)</i>	First half 2011	First half 2010
Income before tax	47.0	27.1
Depreciation and amortization	18.9	17.5
Additions to/(write-backs from) provisions	2.2	0.2
Net finance costs	4.8	5.9
Capital gains/(losses) on asset disposals	0.2	
Other	(0.8)	(1.7)
Cash generated by operating activities before change in the WCR	72.3	49
Change in the working capital requirement	(38.0)	(15.9)
Income tax paid	(16.3)	(1.9)
Net cash generated by continuing operations	18.0	31.2
Cash generated by discontinued operations	(0.2)	(0.8)
Net cash generated by operating activities	17.8	30.4
Investing activities		
Increase in intangible assets	(0.3)	(0.1)
Increase in property, plant and equipment	(16.2)	(12.2)
Increase in financial assets		(0.1)
Impact of changes in the scope of consolidation	0.9	(14.3)
Other changes in cash generated/(used) by investing activities	(1.9)	0.1
Cash generated/(used) by investing activities from continuing operations	(17.5)	(26.6)
Cash generated/(used) by investing activities from discontinued operations	0.0	0.0
Cash generated/(used) by investing activities	(17.5)	(26.6)
Cash generated/(used) by operating and investing activities	0.3	3.8
Non-recurring cash outflow (EU fine)		(14.6)
Proceeds from issue of new shares and other increases in equity	0.1	0.2
Net dividends paid to shareholders and minority interests	(0.3)	(0.5)
Interest payments	(4.6)	(5.5)
Change in debt (Note 14)	4.0	19.5
Cash generated/(used) by financing activities	(0.8)	13.7
Change in cash	(0.5)	2.9
Cash at beginning of period (Note 14)	48.6	34.1
Cash at end of period (Note 14)	45.6	42.2
Impact of changes in the scope of consolidation	(0.4)	(2.7)
Impact of currency fluctuations	2.9	(2.5)
CHANGE IN CASH	(0.5)	2.9



APPENDIX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Note 1	STATEMENT OF CONFORMITY	18
Note 2	ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION	18
Note 3	FINANCIAL RISK MANAGEMENT	26
Note 4	SALE OF THE AUTOMOBILE AND HOUSEHOLD ELECTRICAL APPLIANCE BRUSH DIVISION	29
Note 5	GOODWILL	29
Note 6	ASSET IMPAIRMENT TESTS	30
Note 7	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	31
Note 8	INVESTMENTS	32
Note 9	INVENTORIES	32
Note 10	TRADE RECEIVABLES	33
Note 11	EQUITY	33
Note 12	PROVISIONS, CONTINGENT LIABILITIES AND OTHER LIABILITIES	34
Note 13	EMPLOYEE BENEFITS	35
Note 14	NET DEBT	36
Note 15	OTHER NON-RECURRING INCOME AND EXPENSE	39
Note 16	SEGMENT REPORTING	39
Note 17	STAFF COSTS AND HEADCOUNT	41
Note 18	OPERATING INCOME	41
Note 19	FINANCIAL INCOME AND COSTS	42
Note 20	INCOME TAX	43
Note 21	EARNINGS PER SHARE	44
Note 22	DIVIDENDS	44
Note 23	LEASES	44
Note 24	RELATED-PARTY DISCLOSURES	45
Note 25	COMMITMENTS AND CONTINGENCIES	47
Note 26	SUBSEQUENT EVENTS	48
Note 27	APPROVAL OF THE FINANCIAL STATEMENTS	48



3

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 IFRSs (International Financial Reporting Standards), because the Group is listed in a European Union member state.

The new standards and interpretations not yet applied are presented in Note W.

The options adopted by the Group are stated in the following chapters.

The interim consolidated financial statements for the six months ended June 30, 2011 have been prepared in accordance with IAS 34 - Interim financial reporting. They do not contain all information required in the full annual financial statements, and must be read in conjunction with the Group's financial statements for the year ended December 31, 2010, available at www.mersen.com.

The interim consolidated financial statements for the six months ended June 30, 2011 have been prepared using the recognition and measurement principles stated in the IFRSs adopted for use in the European Union at the same date.

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. Control is defined as the power to govern the financial and operating policies of a business so as to obtain benefits from its activities. Subsidiaries over which the Group directly or indirectly exerts exclusive control are fully consolidated.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the acquisition date or up to the loss of control respectively.

All associate undertakings over which the Group exerts significant influence, which is presumed to exist when the latter holds at least 20% of voting rights, are accounted for under the equity method. Subsidiaries' financial statements have been adjusted where necessary to ensure consistency with the policies used by all Group entities within the scope of consolidation.

All intra-Group transactions and balances have been eliminated.

The consolidated financial statements have been prepared in euros.

The Group's business activities do not experience significant seasonal fluctuations. Both sales and purchases are spread on a linear basis 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 of 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 components of 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 balance sheet 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 of 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 on the balance sheet 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 satisfying the definition of a business held for sale or discontinued operation are presented by separating out their results from continuing operations, and their cash flows are presented separately on the cash flow statement.

C - Foreign currency translation

The financial statements of the Group's foreign subsidiaries are prepared in their functional currency.

The balance sheets of companies whose functional currency is not the euro are translated into euros at the closing rate, except for equity, which is translated at the historic exchange rate. Income statement items are translated at the average exchange rate for the period. The average exchange rate represents the approximate value of the exchange rate at the transaction date in the absence of significant fluctuations.

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

Except for cash, which is translated at the closing rate, the cash flow statement items are translated at the average exchange rate, except where this is not appropriate.

Translation differences arising on balance sheet items are recorded separately in equity under cumulative translation adjustments. They comprise:

- the impact of changes in exchange rates on balance sheet items;
- the difference between net income calculated at the average exchange rate and net income calculated at the year-end exchange rate.

Goodwill and fair value adjustments deriving from the acquisition of subsidiaries whose functional currency is not the euro are treated as the relevant subsidiary's assets and liabilities. They are therefore stated in the subsidiary's functional currency and translated at the closing rate.

D - Foreign currency assets and liabilities

Foreign currency transactions are recognized and measured in line with IAS 21 - Effects of changes in foreign exchange rates.

Transactions denominated in currencies other than the euro are translated at the exchange rate on 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 way of protecting against fluctuations in the value of assets, liabilities and irrevocable commitments. A hedge also helps to protect against adverse fluctuations in cash flows (sales generated by the assets of the business, for instance).

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

- changes in the fair value of instruments eligible as future cash flow hedges are accounted for directly in equity in respect of the effective portion of the hedge (intrinsic value); changes in the fair value of these instruments are then recognized in operating income (under "cost of sales" for commodity hedges and under "other operating costs" for currency hedges) and offset changes in the value of assets, liabilities and firm commitments hedged, as they occur. The time value of hedges is recorded under "other operating costs" in operating income;
- changes in the fair value of instruments not eligible as cash flow hedges are taken directly to income.

E2 - Interest-rate hedging

Interest rate derivatives are stated at fair value on the balance sheet. 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) for 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). At June 30, 2011, the Group had 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 for the relevant CGU;
- determining a value in use using a method comparable to any business valuation by discounting cash flows at the segment's weighted average cost of capital (WACC);
- comparing this value in use with the carrying amount of the relevant assets to determine whether or not an impairment loss needs to be recognized.

Value in use is determined based on free cash flow projections discounted over a period of five years and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each of the cash generating units (see Note 6).

The assumptions made for sales growth and terminal values are reasonable and consistent with the market data available for each of the operating activities.

Goodwill impairment losses are irreversible.

F2 - Patents and licenses

Patents and licenses are amortized on a straight line basis over the period for which they are protected by law.

Software is amortized on a straight line basis over its probable service life, which may not exceed five years.

F3 - Development costs

Under IAS 38 - Intangible assets, development costs are capitalized where:

- the entity has the intent and the financial and technical ability to see the development project through to completion;
- it is probable that the expected future economic benefits deriving from development costs will flow to the entity;
- the cost of the asset can be measured reliably;
- and the manner in which the intangible asset will probably generate 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 on the balance sheet. They are amortized on a straight-line basis over their useful life, which does not generally exceed three years.

F4 - Intangible assets acquired in connection with a business combination

Intangible assets also include technology, brands and customer relationships valued upon the acquisition of companies in accordance with IFRS 3 - Business combinations.

Amortization is expensed 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 relevant accounting 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. 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 on the Group's balance sheet 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 on the balance sheet.

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 term, the asset is depreciated in full over the shorter of the term of the lease and the useful life.

In addition, a portion of the capital amount of the debt is repaid in accordance with the debt repayment schedule contained in the finance lease agreement.

I - Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 - Impairment of assets, when events or changes in the market environment indicate a risk of impairment, the Group's intangible assets and property, plant and equipment undergo a detailed review to determine whether their carrying amount is below their recoverable amount. This amount is defined as the higher of fair value less costs to sell and value in use.

Should the recoverable amount of assets fall below their carrying amount, an impairment loss is recognized in respect of the difference between these two amounts. Impairment losses recognized on property, plant and equipment and intangible assets (except for goodwill) with a definite useful life may be reversed subsequently if the recoverable amount becomes higher than the carrying amount again (without exceeding the impairment loss initially recognized).

The recoverable amount of assets is usually determined based on their value in use. Value in use is defined as the expected future economic benefits from their use and from their sale. It is assessed notably by reference to the discounted future cash

flows projected based on economic assumptions and operating budgets drawn up by the Mersen group's senior management.

IAS 36 defines the discount rate to be used as the pre-tax interest rate reflecting the current assessment of time value per market and the risks specific to the asset. It represents the return that investors would require if they had to choose an investment, the amount, maturity and risks of which are equivalent to those of the relevant asset or Cash-Generating Unit (CGU).

The discount rate used for impairment testing takes into account the financial structure and gearing of companies in the sector, i.e. of peers and not of the business or group to which the asset or CGU belongs.

J - Financial assets and liabilities

Financial assets and liabilities are measured and recognized in line with IAS 39 - Financial instruments: recognition and measurement, IAS 32 - Financial instruments: presentation and IFRS 7 - Financial instruments: 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, considered alone and on an aggregate basis, are not material are not included in the scope of consolidation.

A company is included in the scope of consolidation when two of the following four criteria are met for two consecutive years:

- **Equity:** the difference between the value of the securities and net equity exceeds 1% of the Group's equity in the previous year;
- **Debt:** the amount of non-Group debt exceeds €5 million;
- **Sales to third parties:** the entity's sales less intra-Group sales represent more than 1% of Group sales in the previous year;
- **Net income:** net income exceeds €0.5 million.

The materiality of unconsolidated subsidiaries is reassessed at each balance sheet date.

J2 - Other non-current financial assets

These are receivables that do not arise during the business cycle. In accordance with IAS 39, they are stated at amortized cost, with an impairment loss being recognized when the recoverable amount falls below the carrying amount.

K - Share capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issue of ordinary shares or stock options are deducted from equity, net of tax.

Treasury shares are deducted from equity at their acquisition cost. Any gains or losses from the sale of these shares are recognized directly in equity and are not taken to income for the year.

L - Provisions

In accordance with IAS 37 - Provisions, contingent liabilities and contingent assets, provisions are recorded when the Group is under an obligation to a third party at the end of the fiscal year that is likely or certain to trigger an outflow of resources to the third party representing future economic benefits.

The relevant obligation may be legal, regulatory, or contractual in nature. It may also derive from the Group's business practices or from its public commitments where the Group has created a legitimate expectation among such third parties that it will assume certain responsibilities.

The estimated amount shown in provisions represents the outflow of resources that the Group will have to incur to extinguish its obligation. Where this amount cannot be measured reliably, no

provision is recorded. In this instance, information is disclosed in the notes to the financial statements.

Contingent liabilities consist of a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a probable obligation for which the outflow of resources is not likely. They are disclosed in the notes to the financial statements.

With restructurings, an obligation exists where the restructuring has been announced and a detailed plan drawn up or execution of the plan has commenced prior to the balance sheet date.

Where the entity has a reliable schedule, the liabilities are discounted where discounting has a material effect.

M - Inventories

Inventories are carried at the lower of cost and their probable net realizable value.

Cost comprises acquisition or production cost.

The only indirect costs taken into account in the measurement of work in progress and finished goods are production-related expenses. No interest costs are capitalized.

N - Consolidated sales

Net sales include sales of finished goods and related services, sales of scrap, sales of goods purchased for resale and invoiced shipping costs.

On an incidental basis, the Group enters into 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 expenses of the same type (selling, general, administrative or research).

O - Employee benefits

Under defined contribution plans, the Group is under no obligation other than to pay contributions. The corresponding charge, which reflects the payment of contributions, is expensed as incurred.

In line with IAS 19, defined benefit pension plans undergo an actuarial valuation using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value.

These actuarial calculations are based on various estimates:

- mortality tables;
- retirement dates;
- rate of future salary and benefit increases and employee turnover;
- expected return on plan assets;
- discount and inflation rates set for each of the relevant entities taking into account their local macro-economic environment.

Actuarial gains and losses comprise the cumulative impact of:

- experience adjustments (difference between previous actuarial assumptions and what has actually occurred); and
- changes in actuarial assumptions.

IAS 19 states that actuarial gains and losses may offset one another in the long term. As a result, it provides for the so-called corridor approach for the recognition of post-employment benefit obligations.

The Group has opted to use the following method:

- cumulative unrecognized actuarial gains and losses falling outside a corridor of plus or minus 10% of the value of the higher of the plan's assets and obligations are recognized and amortized over the expected average remaining working lives of the employees participating in the plan;
- gains and losses falling within the 10% corridor are not recognized;
- unrecognized net cumulative actuarial gains and losses include both the cumulative portion of the 10% within the corridor, as well as the portion outside the corridor, which has not been recognized at the balance sheet date. In accordance with IAS 19, they are disclosed in the notes to the financial statements.

O1 - Recognition of post-employment benefit obligations

The Group's post-employment benefit obligations are accounted for as follows:

- on the face of the balance sheet:

The amount recognized under liabilities in respect of defined contributions is equal to the total of:

- the present value of defined benefit obligations at the balance sheet date,

- less the fair value at the balance sheet date of plan assets used directly to pay or finance the obligations,
 - plus unrecognized actuarial gains (or less unrecognized actuarial losses) that exist under the aforementioned rule,
 - less as-yet-unrecognized past service costs and payments;
- on the face of the income statement:

The amount expensed or recognized in income (net periodic cost of employee benefits) is the total net amount of the following items:

- current service cost incurred during the period (or rights vested during the period),
- interest cost (also called the discounting effect),
- expected return on plan assets: this expected return is determined based on market expectations at the beginning of the period for returns on plan assets over the entire duration of the corresponding liability (long term),
- actuarial gains and losses: portion recognized during the period,
- past service cost: portion recognized during the period,
- losses/(gains) on any curtailment or settlement of the plan.

O2 - Recognition of unrecognized past service cost

Unrecognized past benefits are recognized in income on a pro-rata basis with the corresponding obligation.

P - Non-recurring income and expense

Non-recurring items correspond to income and expense not arising during the normal course of the Company's business activities. Major events likely to skew operating performance are recognized under this heading, which does not include any recurring operating expenses.

Non-recurring income and expense include the following items:

- material non-recurring gains and losses on disposal: on property, plant and equipment, intangible assets, investments, other financial assets and other assets;
- impairment losses recognized on investments, loans, goodwill and other assets;
- certain types of provision;
- reorganization and restructuring costs.

Q - Operating income

Operating income is shown before net finance costs, taxes and minority interests.

Investment grants are shown as a deduction from the 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 on the balance sheet and its tax base, which give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group discloses deferred taxes on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognized on the balance sheet where it is more likely than not 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 for the balance sheet, 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 balance sheet 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 balance sheet date to recover or to settle the carrying amount of these assets and liabilities.

S - Segment reporting

IFRS 8, which deals with 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 the 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 balance sheet date. These estimates and assumptions are made based on past experience and various other factors. Actual events occurring after the balance-sheet date may differ from the assumptions, estimates or assessments used.

Use of management estimates in the application of the Group's accounting standards

Mersen may make estimates and use assumptions affecting the carrying amount of assets and liabilities, income and expense, and information about underlying assets and liabilities. Future results are liable to diverge significantly from these estimates.

The estimates and underlying assumptions are made based on past experience and other factors considered to be reasonable based on circumstances. They serve as the basis for the judgment exercised to determine the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

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 that 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 6 concern the testing of goodwill and other non-current assets for impairment. The Group's management carried out this testing based on the most reliable expectations of future business trends at the relevant units taking discount rates into account.

Notes 12 and 13 concerning provisions and employee benefits describe the provisions set aside by Mersen. To determine these provisions, the Group used the most reliable estimate of these obligations.

Note 20 concerning tax expense reflects the Group's tax position, which is based for France and Germany on the Group's best estimate of trends in its future taxable income.

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

W – New standards and interpretations not yet applied

A number of new standards, amendments and interpretations will come into force in fiscal years beginning after January 1, 2011 and were not applied in the preparation of these consolidated financial statements. None of these standards, amendments or interpretations are expected to have a material impact on the Group's consolidated financial statements, with the exception of IFRS 9 - Financial instruments, application of which is mandatory for the Group's 2013 consolidated financial statements and may affect the classification and measurement of financial assets. The Group does not intend to adopt this standard early and its possible impact has not been determined.

Note 3 Financial risk management

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

- liquidity risk;
- interest-rate risk;
- commodity risk;
- currency risk;
- credit risk.

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

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

Capital management is presented in Note 11.

Liquidity risk

The Group policy is to always anticipate the renewal of credit lines. Mersen has credit lines and confirmed borrowings at its disposal representing a total amount of €377 million with an average maturity of 2.5 years, of which 65% was drawn down at June 30, 2011.

Mersen has five major financing agreements:

- A USD350 million loan arranged in July 2008 with a maturity of five years, syndicated with an international pool of banks. The interest rates on the syndicated loan are the interbank rate for the relevant currency when drawings are made plus a fixed credit margin.

- A RMB500 million loan arranged in September 2010, syndicated with an international pool of banks. The loan had an initial maturity of three years and there is an option to extend it by one year subject to the agreement of the banks. The loan is to finance the Mersen Group's activities in China. Interest is payable at the PBOC (People's Bank of China) interest rate, with no credit margin.
- A RMB50 million bilateral loan arranged in February 2011. The loan had an initial maturity of three years and there is an option to extend it by one year subject to the agreement of the bank. The loan is to finance Mersen Chongqing's activities in China. Interest is payable at the PBOC (People's Bank of China) interest rate, with no credit margin, when drawdowns are made.
- A €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) finalized in November 2007 and repayable in one-third installments between 2012 and 2014, giving it an average life of six years (at issue). The interest rate paid is 3-month Euribor plus a fixed margin. This margin is negative owing to the sale of the warrants.
- A USD85 million private placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million tranche with a final maturity of 12 years. The average duration of the private placement was initially around eight years because it is repayable in installments. The interest paid to investors carries a fixed rate.

Breakdown by maturity of credit lines and confirmed borrowings

(in millions of euros)				Maturities		
	Amount	Amount drawn down at June 30, 2011	% drawn down at June 30, 2011	less than 1 year	between 1 and 5 years	over 5 years
Group syndicated loan	242.2	120.1	50%	0.0	242.2	0.0
Confirmed credit lines, China	58.9	49.8	85%	0.0	58.9	0.0
US private placements	23.9	23.9	100%	9.2	14.7	0.0
OBSAAR bonds	39.7	39.7	100%	0.0	39.7	0.0
Confirmed credit lines, UK	7.3	7.3	100%	4.1	1.2	2.0
Other	4.8	4.8	100%	0.3	4.5	0.0
TOTAL	376.8	245.6	65%	Average maturity = 2.5 years		

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

(in millions of euros)	Amount drawn down at June 30, 2011	Expected cash flows	Maturities		
			1-6 months	6-12 months	over 1 year
DRAW-DOWNS					
Group syndicated loan	120.0	120.2	120.2		
Confirmed credit lines, China	49.8	56.8	1.6	1.6	53.6
US private placements, Tranche A	12.8	13.9	0.4	6.8	6.8
US private placements, Tranche B	11.1	12.8	0.4	3.1	9.4
OBSAAR bonds	39.7	42.2	0.5	0.5	41.2
Confirmed credit lines, UK	7.3	8.4	2.2	2.2	4.1
Other	4.8	5.3	0.1	0.1	5.1
TOTAL	245.6	259.7	125.3	14.3	120.1

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 of establishing positions from time to time as a function of the direction of interest rates.

In May 2003, the Group arranged several interest-rate swaps with an aggregate nominal amount of USD85 million to turn the interest payable on the US private placements into a floating rate. These swaps were sold again in April 2009, bringing the debt back to a fixed rate.

When it was acquired by Mersen, Mersen Scotland Holytown had an interest rate swap with a nominal amount of GBP4 million that was arranged on January 15, 2008 to convert part of the interest on 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 June 30, 2011, the nominal amount stood at GBP3.1 million.

In June 2009, the Group arranged an interest-rate swap with an aggregate amount of €39 million to convert the interest due on the OBSAAR bonds into a fixed rate. Under this swap, the Company receives the interest due to the lenders and pays a fixed rate of 2.815% with a repayment profile and term equivalent to those of the OBSAAR bonds.

Since Mersen considered that interest rates were at low levels by historic standards in late 2009, it decided to fix part of its cost of debt. Accordingly, in December 2009, the Group arranged two interest-rate swaps with nominal amounts of USD30 million and GBP20 million in order to convert the interest on part of its 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 1.175% for the US dollar swap and 1.58% for the sterling swap.

(in millions of euros)	Amount (in €)	Interest rate received	Interest rate paid	Maturities		
				less than 1 year	between 1 and 5 years	over 5 years
EUR swap	39.0	3-month Libor EUR - margin	2.815%	0.0	39.0	0.0
USD swap	20.8	1-month USD Libor+ margin	1.175%	20.8	0.0	0.0
GBP swap	22.2	1-month GBP Libor + margin	1.58%	22.2	0.0	0.0
GBP swap	3.4	1-month GBP Libor + margin	5.38%	0.3	1.2	1.9

(in millions of euros)	MTM ^(a)	Expected cash flows	Maturities		
			less than 1 year	between 1 and 5 years	over 5 years
SWAP					
Assets	0.0	1.7	0.7	1.0	0.0
Liabilities	(1.4)	(4.2)	(1.6)	(2.2)	(0.4)

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

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 that account for a significant volume of the Mersen Group's purchases (around €27 million). 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 of establishing positions in commodity futures contracts or in zero-premium collars.

Around 90% of copper price exposure and silver price exposure can be covered through bank hedging.

At end-June 2011, around 50% of the hedgeable tonnage of copper for full-year 2011 was hedged, and around 65% of quantities for the second half of 2011. To date, the Mersen Group has opted not to hedge all or part of its anticipated quantities of silver during 2011.

Impact of commodity hedging

<i>(in millions of euros)</i>	2011 balance sheet impact	2011 income statement impact
Copper	0.3	0.2
Silver	0.0	0.0

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
Average exchange rate from Jan. 1, 2010 through June 30, 2010 ^(a)	121.49	1.3268	1,534.27	0.8700	9.0678
Closing exchange rate at Dec. 31, 2010 ^(b)	108.65	1.3362	1,499.06	0.8608	8.8220
Average exchange rate from Jan. 1, 2011 through June 30, 2011 ^(a)	114.91	1.4046	1,544.56	0.8680	9.1755
Closing exchange rate at June 30, 2011 ^(b)	116.25	1.4453	1543.19	0.9026	9.3416

(a) Exchange rates used to convert the statement of cash flows and the income statement.

(b) Exchange rates used to translate the balance sheet.

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 of 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 balance-sheet items are translated at the closing rate. 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 June 2011 would have had a translation impact of negative €2.8 million on the Group's first-half operating income before non-recurring items. Conversely, a 10% decline in the US dollar compared with the average exchange rate from January to June 2011 would have had a translation impact of negative €4.0 million on the Group's net debt at June 30, 2011.

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.

Recognition at end-June 2011 of currency transactions

MTM ^(a) (stated in millions of euros)		June 30, 2011
Marking to market value of currency hedges	Equity	(0.3)
	Other financial components of operating income	(0.1)

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

Future cash flows on currency transactions recognized at June 30, 2011

CURRENCY (in millions of euros)	MTM	Expected cash flows
Assets	0.1	0.1
Liabilities	(0.5)	(0.5)

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 depending on the customer.

During 2009, this program was extended to cover Germany, the United Kingdom and China (domestic customers).

Supplemental agreements to the policies covering the French receivables transferred during 2009 were signed in favor of the factor.

Note 4 Sale of the automobile and household electrical appliance brush division

The Group finalized the sale of its automobile and household electrical appliance brush and brushholder division on May 1, 2009.

Net income from operations sold or discontinued under IFRS 5 in the first half of 2011 amounted to €1.6 million. This income arises from the recognition of an earn-out payment under a performance clause included in the contract of sale.

Note 5 Goodwill

(in millions of euros)	June 30, 2011	Dec. 31, 2010
Carrying amount at end of period	260.8	231.3
Acquisitions	1.1	23.3
Other movements	(1.9)	(4.1)
Translation adjustments	(9.3)	10.3
Carrying amount at end of period	250.7	260.8
Gross value at end of period	250.7	260.8
Total impairment losses at end of period	0.0	0.0

A breakdown by cash-generating unit is shown in the following table:

<i>(in millions of euros)</i>	Dec. 31, 2010	Movements during 2011			June 30, 2011
	Carrying amount	Acquisitions	Other movements	Cumulative translation adjustment	Carrying amount
Anticorrosion Equipment	69.1			(3.6)	65.5
High-Temperature Applications	91.5		(0.9)	(1.5)	89.1
Electrical Applications	12.9			(0.2)	12.7
Electrical Protection	87.3	1.1	(1.0)	(4.0)	83.4
TOTAL	260.8	1.1	(1.9)	(9.3)	250.7

The «acquisitions» column relates to goodwill at M.Schneider China.

The «other movements» column relates mostly to the allocation of the acquisition cost of M.Schneider and Boostec.

Note 6 Asset impairment tests

Impairment tests were conducted for each of the cash-generating units when the balance sheet at December 31, 2010 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 2011 budget and projections for the following four fiscal years.
- a discount rate after tax of 8% for all the CGUs. There was no significant evidence suggesting that different discount rates should be applied to the individual CGUs.
- a perpetual growth rate of 3.5% for the Anticorrosion Equipment CGU, 2% for the Electrical Applications CGU and 3% for the Electrical Protection and High Temperatures CGUs.
- a normalized tax rate of 34%.

The discount rate applied is an after-tax rate, since the application of a rate before tax has no impact on value-in-use calculations for the CGUs.

A sensitivity test was performed by decreasing in the first instance the perpetual growth rate by 1 point and in the second instance by increasing the after-tax discount rate by 1 point compared with the estimate used for each of the CGUs. The sensitivity tests did not cast doubt on the results obtained.

No evidence of impairment was identified. Even so, potential uncertainties associated with the economic environment pose a risk to the preparation of the cash flow projections used in the valuations produced.

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 18% for the Electrical Applications CGU;
- around 20% for the Electrical Protection CGU;
- around 13% for the Anticorrosion Equipment CGU; and
- around 16% for the High Temperatures CGU.

At June 30, 2011, the Group did not see any evidence of impairment losses capable of casting doubt on the results for the year ended December 31, 2010. Impairment testing will be carried out at the 2011 year-end.

Note 7 Property, plant and equipment and intangible assets

<i>(in millions of euros)</i>	Intangible assets	Land	Buildings	Plant, equipment and other	Other	Total property, plant and equipment
Carrying amount at January 1, 2010	31.0	32.1	47.8	146.2	37.6	263.7
Acquisitions	0.4		0.1	6.3	6.0	12.4
Retirements and disposals		(4.6)	(0.3)	(0.3)		(5.2)
Depreciation and amortization	(0.5)		2.3	(19.3)		(17.0)
Translation adjustments	1.0	1.1	5.5	16.7	3.9	27.2
Impact of changes in the scope of consolidation	0.1			3.8	0.3	4.1
Other movements	3.6	0.2	(4.3)	16.7	(12.0)	0.6
Carrying amount at June 30, 2010	35.6	28.8	51.1	170.1	35.8	285.8
Gross value at June 30, 2010	59.0	29.4	97.5	422.8	35.8	585.5
Total depreciation at June 30, 2010	(23.4)	(0.6)	(46.4)	(252.7)		(299.7)
Total impairment losses at June 30, 2010						0.0
Carrying amount at December 31, 2010	37.1	29.5	51.1	172.5	34.1	287.2
Gross value at December 31, 2010	61.9	30.1	98.6	434.5	34.1	597.3
Total depreciation at December 31, 2010	(24.8)	(0.6)	(47.5)	(262.0)		(310.1)
Total impairment losses at December 31, 2010						0.0
Carrying amount at January 1, 2011	37.1	29.5	51.1	172.5	34.1	287.2
Acquisitions	0.4		1.2	4.0	11.2	16.4
Retirements and disposals		(1.2)	(0.9)	(0.3)	(0.1)	(2.5)
Depreciation and amortization	(1.1)	(0.1)	(5.4)	(12.3)		(17.8)
Translation adjustments	(0.6)	(0.5)	(2.2)	(7.0)	(1.7)	(11.4)
Impact of changes in the scope of consolidation						0.0
Other movements	3.3	(0.9)	4.7	5.5	(9.3)	0.0
CARRYING AMOUNT AT JUNE 30, 2011	39.1	26.8	48.5	162.4	34.2	271.9
GROSS VALUE AT JUNE 30, 2011	65.8	27.5	98.5	428.5	34.2	588.7
TOTAL DEPRECIATION AT JUNE 30, 2011	(26.7)	(0.7)	(50.0)	(266.1)		(316.8)
TOTAL IMPAIRMENT LOSSES AT JUNE 30, 2011						0.0

The €3.3 million increase attributed to «other movements» in the intangible assets column relates mostly to the final allocation of the Boostec purchase price (€0.8 million allocated to technology) and the M.Schneider purchase price (€1.2 million allocated to customer relationships).

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 June 30, 2011, the Group had not identified any development costs over the period satisfying these criteria.

Note 8 Investments

At period-end, the value of the unconsolidated shareholdings held by consolidated companies was as follows:

<i>(in millions of euros)</i>	June 30, 2011	Dec. 31, 2010
Gross value	14.3	15.2
Impairment losses	(9.0)	(9.0)
CARRYING AMOUNT	5.3	6.2

The reduction in investments arose solely from M.Schneider China entering the scope of consolidation.

The impairment losses recognized on investments at June 30, 2011 primarily affected units in Turkey, Argentina, Singapore and Greece.

The main investments in unconsolidated subsidiaries and associates are as follows:

<i>(in millions of euros)</i>			
Company name	% held	Gross value	Carrying amount
Fusetech	50%	1.3	1.3
Mersen Sanayi Urünleri (Turkey)	100%	5.0	1.0
Mersen Argentina	100%	3.7	0.8
Mersen Maroc SARL	100%	0.7	0.7
Nortroll	34%	0.8	0.5
Mersen Russia	100%	0.3	0.3
Mersen Chile Ltd	100%	0.2	0.2
GMI	25%	0.2	0.2
Carbone Lorraine Singapore Holding Pte Ltd	100%	1.1	0.1
Mersen Hellas SA	100%	0.6	0.0
Investments in other companies		0.4	0.2
TOTAL		14.3	5.3

Note 9 Inventories

<i>(in millions of euros)</i>	June 30, 2011	Dec. 31, 2010
Raw materials and other supplies	86.8	75.3
Work in progress	68.8	62.0
Finished goods	31.5	41.2
Carrying amount of inventories	187.1	178.5
Impairment losses	(10.5)	(10.5)
CARRYING AMOUNT OF INVENTORIES	176.6	168.0

Inventories increased by €8.6 million in the first half of 2011, with an increase of €0.6 million attributable to changes in the scope of consolidation. Currency effects had a negative impact

of €5.7 million. On a like-for-like basis, inventories grew by 8.0% to €13.7 million.

Note 10 Trade receivables

<i>(in millions of euros)</i>	June 30, 2011	Dec. 31, 2010
Gross trade receivables	138.6	120.9
Impairment losses	(3.5)	(3.2)
NET TRADE RECEIVABLES	135.1	117.7

Net trade receivables grew by €17.4 million in the first half of 2011, with an increase of €0.4 million attributable to changes in the scope of consolidation. Currency effects had a negative impact

of €4.2 million. On a like-for-like basis, trade receivables grew by €21.2 million or 18.0%.

The movements related to impairment losses on trade receivables were as follows:

<i>(in millions of euros)</i>	June 30, 2011	Dec. 31, 2010
Impairment losses at January 1	(3.2)	(3.1)
Additions / write-backs during the period	(0.3)	(0.1)
IMPAIRMENT LOSSES AT 30 JUNE	(3.5)	(3.2)

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

Note 11 Equity

Breakdown of the share capital

<i>In number of shares (unless stated otherwise)</i>	Ordinary shares
Number of shares at January 1, 2011	19,942,777
Issue of new shares <i>(in millions of euros)</i>	0.0
Number of shares at June 30, 2011	19,962,941
Number of shares in issue and fully paid-up	19,962,941
Number of shares in issue and not fully paid-up	0
Par value of shares (€)	2
Entity's shares held by itself or by its subsidiaries and associates	25,890

Capital management

At June 30, 2011, Mersen's share capital amounted to €39,925,882 divided into 19,962,941 shares each with a nominal value of €2. The number of voting rights stood at 19,937,051, since shares held in treasury do not carry voting rights. There are no double voting rights.

To the best of our knowledge, ownership of the share capital broke down as follows at December 31, 2010:

■ French institutional investors:	39.6%
■ Institutional investors from other countries:	42.1%
■ Individual shareholders:	16.9%
■ Employees:	1.3%
■ Treasury shares:	0.1%

In the first half of 2011, Fonds Stratégique d'Investissement increased its stake in Mersen. In May 2011, it disclosed that it held 15% of Mersen's share capital alongside the Caisse des Dépôts et Consignations (versus 10.42% at December 31, 2010).

At June 30, 2011, 25,890 shares representing 0.13% of the share capital were held under a liquidity agreement approved by the Autorité des Marchés Financiers and entrusted to independent services provider Exane.

At June 30, 2011, Group employees owned 246,770 shares, equal to 1.24% of the share capital. In addition, they held 577,613 stock options which, if exercised in full, represent 2.89% of the current share capital, along with 249,588 bonus shares representing 1.25% of the current share capital. The vesting of these bonus shares is subject to length-of-service and, in some cases, performance conditions.

The Group's policy in terms of stock options and bonus shares is to enhance the loyalty and motivation of certain managers, while ensuring that the interests of shareholders and managers coincide.

As a result, 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.

Bonus shares allotted to corporate officers and employees who are able, through their activities, to make a significant contribution to the Group's performance are also subject to performance conditions. Bonus shares allotted to young managers, where the aim is to secure their loyalty, are only subject to length-of-service conditions.

In the first half of 2011, under the general authorisation given by shareholders in the May 19, 2011 General Meeting, the Management Board decided to allot 200,000 Mersen shares to employees free of charge under two bonus share plans. Under the first plan, 60,000 shares were allotted to 103 Group executives, subject only to length-of-service conditions. Under the second plan, 140,000 shares were allotted to Management Board members and to 36 Group managers, subject to length-of-service

and performance conditions based on the EBITDA/sales ratio achieved in 2012 (or 2013), or the change in the EBITDA/sales ratio between 2010 and 2012 (or 2013) benchmarked against comparable companies.

Through the fourth resolution of the General Meeting of May 19, 2011, it was decided that shareholders would have the option of receiving all dividends in the form of new Mersen shares. On May 19, 2011, the Management Board set the price for new shares at €35.93. On July 7, 2011, the Management Board noted that at the end of the option period, 13,953,960 rights had been reinvested in new shares, and decided to issue 294,894 new shares with par value of €2 each.

To date, the Group has not pursued stock repurchases because it uses its cash for its policy of selective acquisitions.

In the first half of 2011, the Group did not alter its capital management policy.

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

No shares carry double voting rights.

With respect to share-based payments, plans set up after November 7, 2002 are measured in accordance with IFRS 2.

Note 12 Provisions, contingent liabilities and other liabilities

(in millions of euros)	June 30, 2011		Dec. 31, 2010	
	Non-current	Current	Non-current	Current
- provision for restructuring	0.4	3.2	0.4	0.5
- provision for litigation		0.1		0.2
- other provisions	0.1	2.4	0.1	3.4
TOTAL	0.5	5.7	0.5	4.1

Provisions amounted to €6.2 million at June 30, 2011 (€4.6 million at December 31, 2010) and comprise primarily:

- a provision following the reorganization of the M.Schneider Germany production facilities;
- a provision set aside in 2010 for decontamination as a result of the processes and products used by a manufacturing facility before it joined the Group.

Some customers who opted out of the US class action lawsuit in 2009 initiated proceedings in the United Kingdom before the CAT (Competition Administrative Tribunal). Since the Group considers that there is no basis for this legal action, no provision was set aside.

In February 2011, the Deutsche Bahn group, together with other European rail companies, commenced legal action against

Morgan, SGL, Schunk and Mersen in the English Competition Appeal Tribunal (CAT). Through these new proceedings, the plaintiffs are claiming damages for losses that they allegedly suffered as a result of practices in the market for electric motor brushes and products for mechanical applications, against which the European Commission ruled in December 2003. The Group has made submissions defending the claim. At the time of writing, the Group did not have sufficient information to gauge the risk arising from this claim, and so no provision has been set aside in respect of it.

Other liabilities (€18.4 million at June 30, 2011) mainly included €15 million of dividends not yet paid to shareholders and amounts payable on property, plant and equipment.

No other material contingent liabilities were identified at June 30, 2011.

Note 13 Employee benefits

The Mersen group's principal pension plans are defined benefit plans and are located in the US (35% of obligations), the UK (22% of obligations), France (16% of obligations) and Germany (11% of obligations).

The Group's obligations were measured at December 31, 2010 with the assistance of independent actuaries in accordance with IAS 19. Obligations, assets covering those obligations and the charge recognized at June 30, 2011 were calculated by projecting forward the valuation at December 31, 2010.

The rates used for the principal countries are summarized below:

2010	Discount rate	Return on plan assets	Average rate of salary increases	Inflation rate
France	4.50%	3.80%/4.20%	2.0%	2.0%
Germany	4.50%	Not applicable	2.5%	2.0%
United States	5.40%	7.75%	Not applicable	Not applicable
United Kingdom	5.50%	5.40%	4.0%	3.25%

Reconciliation between assets and liabilities recognized

	June 30, 2011	Dec. 31, 2010
Actuarial obligation	111.6	114.6
Fair value of plan assets	(58.2)	(59.5)
Unrecognized actuarial gains and losses	(14.7)	(16.3)
Unrecognized past service cost (rights not vested)	(2.7)	(2.7)
PROVISION BEFORE THE LIMIT ON ASSETS	36.0	36.1
Surplus management reserve	0.6	0.6
PROVISION AFTER THE LIMIT ON ASSETS	36.6	36.7

Breakdown of the Group's net obligations at June 30, 2011 by geographical area

	France	Germany	United States	United Kingdom	Rest of the world	Total at June 30, 2011
Actuarial obligation	18.2	12.7	39.1	24.1	17.5	111.6
Fair value of plan assets	(0.4)		(24.2)	(24.7)	(8.9)	(58.2)
Unrecognized actuarial gains and losses	(1.6)	(0.4)	(8.2)	(0.3)	(4.2)	(14.7)
Unrecognized past service cost (rights not vested)	(2.4)		(0.2)	(0.1)		(2.7)
Surplus management reserve				0.6		0.6
Net amount recognized	13.8	12.3	6.5	(0.4)	4.4	36.6

Change in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2010	17.9	12.8	40.9	24.7	18.3	114.6
Payments	(0.5)	(0.4)	(0.8)	(0.2)	(0.4)	(2.3)
Expense charged to income	0.8	0.3	2.1	0.8	0.8	4.8
Translation adjustment			(3.1)	(1.2)	(0.9)	(5.2)
Actuarial gains and losses						0.0
Other movements					(0.3)	(0.3)
JUNE 30, 2011	18.2	12.7	39.1	24.1	17.5	111.6

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2010	0.4		24.8	25.3	9.0	59.5
Return on plan assets			1.0	0.7	0.2	1.9
Employer contribution	0.1	0.4	0.2		0.2	0.9
Employee contribution						0.0
Payment of benefits	(0.1)	(0.4)			(0.1)	(0.6)
Translation adjustment			(1.8)	(1.3)	(0.4)	(3.5)
Other movements						0.0
JUNE 30, 2011	0.4	0.0	24.2	24.7	8.9	58.2

UK plan assets account for 42% of total Group plan assets, with 53% invested in equities and 42% in government bonds.

US plan assets account for 42% of total Group plan assets, with 49% invested in equities and 46% in bonds.

The charge recognized at June 30, 2011 in respect of these plans was €3.7 million, compared with €3.4 million at June 30, 2010. This charge breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Total at June 30, 2011	Total at June 30, 2010
Current service cost	0.4		1.1	0.1	0.4	2.0	2.1
Interest cost	0.4	0.3	1.1	0.6	0.4	2.8	2.6
Expected return on plan assets			(1.0)	(0.7)	(0.2)	(1.9)	(1.8)
Amortization of actuarial gains and losses			0.5		0.2	0.7	0.4
Impact of the limit on assets	0.1					0.1	
Other movements						0.0	0.1
TOTAL CHARGE FOR THE PERIOD	0.9	0.3	1.7	0.0	0.8	3.7	3.4

Note 14 Net debt

Analysis of total net debt at June 30, 2011

(in millions of euros)	June 30, 2011	Dec. 31, 2010
Borrowings	248.4	227.1
Current financial liabilities	16.3	35.0
Current advances	0.9	4.3
Bank overdrafts	14.8	6.9
TOTAL GROSS DEBT	280.4	273.3
<i>Including use of confirmed credit lines</i>	245.6	248.3
Current financial assets	(6.0)	(4.6)
Financial assets	(0.8)	(0.3)
Cash and cash equivalents	(44.8)	(48.3)
Cash	(45.6)	(48.6)
TOTAL NET DEBT	228.8	220.1

Total consolidated net debt at June 30, 2011 rose to €228.8 million from €220.1 million at year-end 2010.

Of the €280.4 million in total gross debt, €245.6 million stems from the use of the confirmed loans and borrowings and the remainder chiefly from use of non-confirmed lines (bank overdrafts and other lines).

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

(in millions of euros)	June 30, 2011	June 30, 2010
Prior year debt (December 31)	220.1	214.9
Cash generated by operating and investing activities after tax	(0.2)	(19.3)
Cash used by restructurings	0.6	0.4
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	(0.9)	14.3
Cash generated by the operating and investing activities of continuing operations	(0.5)	(4.6)
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	0.2	0.8
Non-recurring cash outflow (EU fine)		14.3
Proceeds from issuance of new shares	(0.1)	(0.2)
Dividends paid	0.3	0.5
Interest payments	4.6	5.5
Translation adjustments and other	(7.7)	22.7
Impact of changes in the scope of consolidation	15.1	1.0
Other changes	(3.2)	0.6
DEBT AT PERIOD-END	228.8	255.8

Financial covenants at June 30, 2011

In connection with its various confirmed borrowings at Group level and in China, Mersen has to comply with a number of obligations, which are customary with this type of lending arrangement. Should it fail to comply with some of these obligations, the banks or investors (for the US private placements) may oblige Mersen to

repay the relevant borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant borrowing may oblige the Group to repay other borrowings immediately.

Mersen must comply with the following financial covenants at June 30 and December 31 each year:

Financial covenants^(a) (consolidated financial statements)

(in millions of euros)	Net debt/ EBITDA	Net debt/ equity	EBITDA / net interest expense
Covenant ratios			
Group syndicated loan	< 3.35	< 1.3	-
US private placement	< 3.35	< 1.3	> 3
OBSAAR bonds	-	< 1.35	-
Syndicated loan, China		< 1.35	
Actual ratios at June 30, 2011			
Group syndicated loan	1.52	0.47	-
US private placement	1.52	0.47	16.32
OBSAAR bonds		0.49	
Syndicated loan, China		0.47	
Actual ratios at December 31, 2010			
Group syndicated loan	1.86	0.44	-
US private placement	1.86	0.44	12.24
OBSAAR bonds		0.45	
Syndicated loan, China		0.44	

(a) Method for calculating covenants: In line with the accounting rules, in calculating the net debt shown in the financial statements, closing rates are used to calculate the euro-equivalent value of debt denominated in foreign currencies. Solely for the calculation of the net debt/EBITDA ratio, net debt has to be recalculated at the average €/USD exchange rate for the period in the event of a difference of over 5% between the average exchange rate and the closing rate. To calculate the covenants at June 30, the convention is that EBITDA or gross operating income is deemed to equal EBITDA reported for the first six months of the year multiplied by two.

At June 30, 2011, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Breakdown by currency of the drawdowns on credit lines and confirmed long- and medium-term borrowings including the short-term portion at June 30, 2011

Operating receivables and payables all mature in less than one year. A breakdown of borrowings by maturity is shown below.

(in millions of euros)	Total	< 1 year	> 1 and < 5 years	> 5 years
Borrowings in USD	51.6	9.2	42.4	0.0
Borrowings in EUR	88.5	0.3	88.2	0.0
Borrowings in GBP	55.7	4.2	49.5	2.0
Borrowings in RMB	49.8	0.0	49.8	0.0
TOTAL	245.6	13.7	229.9	2.0
Amortization of issuance costs at the EIR ^(a)	-0.8			
Fair value of interest-rate derivatives	0.8			
TOTAL	245.6			

(a) Effective interest rate.

Of the €229.9 million in debt due to mature in between one and five years' time, €16.7 million had a maturity of over three years at June 30, 2011.

Analysis of total net debt at June 30, 2011

By currency	%	By interest rate	%
EUR	31.9	Fixed	47.8
USD	27.1	Floating	52.2
RMB	20.2		
GBP	21.6		
Other ^(a)	-0.8		

(a) Net financial surplus on other currencies

(in millions of euros)	Total	o/w maturity < 5 years	o/w maturity > 5 years
Long-term debt	280.4	278.4	2.0
Financial assets	(51.6)	(51.6)	0.0
Net position before hedging	228.8	226.8	2.0
Fixed-rate debt	109.3	107.3	2.0
Net position after hedging	119.5	119.5	0.0

Assuming Mersen's debt and exchange rates remain unchanged at their June 30, 2011 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 €1.7 million.

Note 15 Other non-recurring income and expense

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

<i>(in millions of euros)</i>	First half 2011	First half 2010
Transfers/Restructuring	(2.9)	(0.6)
Real estate disposals		2.9
Kiln incidents and shutdowns		(1.0)
Prior period losses of newly consolidated companies and acquisition costs	(0.2)	(1.2)
Other	1.1	(1.1)
TOTAL	(2.0)	(1.0)

In the first half of 2011, non-recurring income and expense resulted in a net charge of €2.0 million. This primarily reflected the cost of reorganizing the M.Schneider Germany production facilities and charges linked to acquisitions (prior-period losses and acquisition costs). Other non-recurring income and expense mainly consisted of the sale of the sauna lighting business in Germany and the closure of the Czech subsidiary.

In the first half of 2010, non-recurring income and expense resulted in a net charge of €1.0 million and principally included the cost of reorganizing production facilities in the AMT segment and charges linked to acquisitions (prior-period losses and acquisition costs). The real-estate disposals relate to Brazil and France (Evreux). Other non-recurring expense mainly includes expenditure linked to the kiln incident at the Gennevilliers plant, as well as the shutdown of the Group's identical kilns. In addition, it includes expenditure linked to the change in corporate identity, leading to the Group being renamed «Mersen».

Note 16 Segment reporting

Operating income

<i>(in millions of euros)</i>	Advanced Materials and Technologies (AMT)		Electrical Components and Technologies (ECS)		Total for continuing operations		
	First half 2011	First half 2010	First half 2011	First half 2010	First half 2011	First half 2010	
Sales							
Sales to third parties	189.4	150.7	230.0	197.4	419.4	348.1	
Breakdown of sales	45.2%	43.3%	54.8%	56.7%	100.0%	100.0%	
Segment operating income before non-recurring items	30.2	16.6	31.3	24.8	61.5	41.4	
Segment operating margin before non-recurring items*	15.9%	11.0%	13.6%	12.6%	14.7%	11.9%	
Segment non-recurring income and expense	(0.8)	0.3	(1.9)	(0.2)	(2.7)	0.1	
Amortization of revalued intangible assets	(0.3)	(0.3)	(0.1)	(0.1)	(0.4)	(0.4)	
Segment operating income	29.1	16.6	29.3	24.5	58.4	41.1	
Segment operating margin*	15.4%	11.0%	12.7%	12.4%			
EBITDA margin ⁽¹⁾	22.5%	18.8%	16.4%	15.5%			
					Recurring unallocated costs	(7.3)	(7.0)
					Non-recurring unallocated costs	0.7	(1.1)
					Operating income from continuing operations	51.8	33.0
					Operating margin from continuing operations	12.3%	9.5%
					Net finance costs	(4.8)	(5.9)
					Current and deferred income tax	(15.7)	(8.7)
					Net income from continuing operations	31.3	18.4

* Segment operating margin = Operating income/Segment sales to third parties.

(1) The Group's EBITDA represents segment operating income before non-recurring items plus segment depreciation and amortization.

The Group's business activities do not experience significant seasonal fluctuations.

Breakdown of depreciation and amortization recognized by segment

<i>(in millions of euros)</i>	First half 2011				First half 2010			
	AMT	ECS	Unallocated	Total	AMT	ECS	Unallocated	Total
TOTAL	(12.4)	(6.4)	(0.1)	(18.9)	(11.7)	(5.7)	(0.1)	(17.5)

Segment assets

<i>(in millions of euros)</i>	AMT	ECS	TOTAL	Intra-Group transactions eliminated	Total at June 30, 2011
Non-current assets, net (excluding investments)	385.7	184.9	570.6		570.6
Inventories	88.3	88.3	176.6		176.6
Trade receivables	87.9	100.0	187.9	(52.8)	135.1
Other receivables	20.7	12.3	33	(8.6)	24.4
TOTAL SEGMENT ASSETS	582.6	385.5	968.1	(61.4)	906.7
Investments					5.3
Deferred tax assets					23
Non-current income tax assets					1.5
Current income tax assets					4.4
Current financial assets					6.0
Current derivatives					0.3
Financial assets					0.8
Cash and cash equivalents					44.8
TOTAL UNALLOCATED ASSETS					86.1
TOTAL					992.8

Segment liabilities

<i>(in millions of euros)</i>	AMT	ECS	TOTAL	Intra-Group transactions eliminated	Total at June 30, 2011
Trade payables	66.0	62.6	128.6	(52.8)	75.8
Other payables and other liabilities	51.2	42.2	93.4	(8.6)	84.8
Non-current and current provisions	0.4	5.8	6.2		6.2
Employee benefits	11.5	25.1	36.6		36.6
TOTAL SEGMENT LIABILITIES	129.1	135.7	264.8	(61.4)	203.4
Deferred tax liabilities					19.9
Borrowings					248.4
Non-current derivatives					0.8
Current income tax liabilities					7.6
Other current financial liabilities					16.3
Current derivatives					1.0
Current advances					0.9
Bank overdrafts					14.8
TOTAL UNALLOCATED LIABILITIES					309.7
TOTAL					513.1

Note 17 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement indemnities) came to €123.1 million in the first half of 2011 compared with €112.0 million in the first half of 2010.

On a like-for-like basis, staff costs increased by 7%.

Headcount of consolidated companies at end of period (continuing operations) by geographical area

Geographical area	June 30, 2011	%	June 30, 2010	%
France	1,534	22%	1,434	22%
Rest of Europe (+Tunisia)	1,319	19%	1,067	17%
North America (+Mexico)	2,064	29%	1,784	28%
Asia	1,957	27%	1,944	29%
Rest of the world	226	3%	228	4%
TOTAL	7,100	100%	6,457	100%

At comparable scope, the period-end headcount rose by 365 employees.

Note 18 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

<i>(in millions of euros)</i>	First half 2011	First half 2010
Product sales	405.9	336.8
Trading sales	13.5	11.3
TOTAL SALES	419.4	348.1
Other operating revenues	4.8	3.3
Cost of trading sales	(9.5)	(7.9)
Raw material and component costs	(113.6)	(89.8)
Costs on other operating revenues	(0.3)	(1.3)
Manufacturing costs	(71.0)	(58.2)
Salary costs	(119.7)	(109.3)
Employee incentives and profit-sharing	(3.4)	(2.7)
Other expenses	(31.4)	(30.2)
Financial components of operating income	(2.0)	(1.5)
Depreciation and amortization	(18.9)	(17.5)
Provisions	(2.8)	
Impairment losses		
Gains/(losses) on asset disposals	0.2	
OPERATING INCOME	51.8	33.0

Note 19 Financial income and costs

<i>(in millions of euros)</i>	First half 2011	First half 2010
Amortization of bond issuance costs	(0.2)	(0.2)
Interest paid on debt	(4.3)	(5.4)
Short-term financial expense		
Commission on debt	(0.3)	0.3
Ineffective portion of interest-rate hedges		
Interest income from bank deposits		0.0
Net finance costs	(4.8)	(5.9)

The net finance costs shown above include the following items from assets and liabilities that are not shown at fair value through profit or loss:

Total interest income from financial assets	(4.8)	(5.9)
Total interest income from financial liabilities	0.0	0.0
Net finance costs	(4.8)	(5.9)

Recognized directly in equity		
<i>(in millions of euros)</i>	First half 2011	First half 2010
Change in fair value of currency hedges	0.6	(1.7)
Change in fair value of interest-rate hedges	0.7	(1.9)
Change in fair value of commodity hedges	(0.3)	
Impact on changes recognized in equity	(0.4)	1.1
Net finance costs recognized directly in equity, net of tax	0.6	(2.5)

Note 20 Income tax

The Group has:

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

The Group's effective tax rate on continuing operations came to 33% in the first half of 2011 compared with 32% in full-year 2010.

Analysis of income tax expense

<i>(in millions of euros)</i>	First half 2011
NET INCOME	32.9
Income tax expense/(benefit) on continuing operations	(15.7)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	(15.7)
TAXABLE INCOME	48.6
Current tax rate in France	34.4%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(16.7)
Difference between income tax rate in France and other jurisdictions	0.6
Transactions qualifying for a reduced rate of taxation	(0.4)
Permanent timing differences	0.3
Impact of limiting deferred tax assets	(0.5)
Other	1.0
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	(15.7)

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

<i>(in millions of euros)</i>	June 30, 2011	Dec. 31, 2010
Deferred tax assets	23.0	25.5
Deferred tax liabilities	(19.9)	(22.4)
Net position	3.1	3.1

Deferred tax movements during the first half of 2011 were as follows:

<i>in millions of euros*</i>	Dec. 31, 2010	Net income for the year	Other	Cumulative translation adjustment	June 30, 2011
Employee benefit obligations	8.2			(0.2)	8.0
Depreciation of non-current assets	(20.7)	(0.7)	0.5	1.5	(19.4)
Tax-regulated provisions	(3.4)	(0.1)			(3.5)
Impact of tax losses	24.2	(1.3)	0.4	(0.1)	23.2
Impairment losses	0.2	0.1			0.3
Other	(5.4)	1.6	(1.7)		(5.5)
DEFERRED TAX ON THE BALANCE SHEET – NET POSITION	3.1	(0.4)	(0.8)	1.2	3.1

* (liability) / asset.

Deferred tax assets have been recognized on the basis of their recoverability. France, Germany and the US were the main tax jurisdictions concerned.

Note 21 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	First half 2011	First half 2010
Numerator: Net income used to compute basic earnings per share (net income for the period in millions of euros)	31.5	16.7
Denominator: Weighted average number of ordinary shares used to compute basic earnings per share	19,937,051	19,610,748
Adjustment for dilutive potential ordinary shares: - unexercised options	827,201	662,469
Weighted average number of ordinary shares used to compute diluted earnings per share	20,764,252	20,273,217
Basic earnings per share (€)	1.58	0.85
Diluted earnings per share (€)	1.52	0.82

Continuing operations	First half 2011	First half 2010
Numerator: Net income used to compute basic earnings per share (net income for the period in millions of euros)	29.9	17.8
Denominator: Weighted average number of ordinary shares used to compute basic earnings per share	19,937,051	19,610,748
Adjustment for dilutive potential ordinary shares: - unexercised options	827,201	662,469
Weighted average number of ordinary shares used to compute diluted earnings per share	20,764,252	20,273,217
Basic earnings per share (€)	1.50	0.91
Diluted earnings per share (€)	1.44	0.88

Note 22 Dividends

A dividend of €0.75 per share representing a total payment of €15 million was decided by the General Meeting in respect of fiscal 2010. Following the decision made at the General Meeting of May 19, 2011, allowing shareholders to opt for payment of dividends in new shares, together with the Management Board's

decision on July 7 in the light of shareholders' decision to reinvest 13,953,960 rights in new shares, the Group completed a €10.5 million capital increase (294,894 new shares) in July 2011 and will make a cash payment of €4.5 million in respect of the dividend.

Note 23 Leases

1 - Finance leases

Carrying amount by asset category

(in millions of euros)	June 30, 2011	Dec. 31, 2010
Buildings	0	0

2 - Operating leases (where the Group is the lessee)

Schedule of minimum payments

(in millions of euros)	Total at June 30, 2011	< 1 year	> 1 and < 5 years	> 5 years
Minimum payments	48.2	5.7	15.8	26.7

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 largest item (€38.7 million) relates to future rent payments at Mersen Xianda Shanghai's new plant in China.

The €5.4 million decrease in minimum lease payments by comparison with December 31, 2010 relates mainly to the payment of rent and a conversion effect.

Note 24 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 98 consolidated and unconsolidated companies in 39 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 €5.9 million in the first half of 2011, compared with €3.5 million in the first half of 2010.

In the first half of 2011, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0.1 million, compared with €0.3 million in full-year 2010.

The amounts receivable by the Group from its unconsolidated subsidiaries came to €3.4 million at June 30, 2011, while amounts payable amounted to €0.2 million.

Shareholders' advances made to unconsolidated subsidiaries by Mersen amounted to €1.3 million at June 30, 2011 versus €0.5 million at end-2010.

2 - Compensation paid to key management personnel (Management Board including the Chairman)

(in millions of euros)	First half 2011	First half 2010
Salaries, bonuses, benefits in kind and attendance fees	0.8	0.7
Top-up pension plan payments ^(a)	0.1	0.1
Other long-term employee benefits		0.0
TOTAL	0.9	0.8

(a) Members of the Management Board qualify for top-up pension payments 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. Actuarial obligations were measured at €1.7 million at June 30, 2011, compared with €1.7 million at December 31, 2010.

Members of the Management Board do not qualify for any other long-term employee benefits.

Should his appointment be terminated, the Chairman of the Group's Management Board will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him in respect of the thirty-six month period preceding termination, subject to the attainment of performance criteria.

Furthermore, members of the Management Board (including the Chairman of the Management Board) were awarded the following share-based payments:

- Stock options: 198,000 stock options were granted to members of the Management Board in 2007 and 2009

2007 plan Tranche 1	
Date of Board of Directors' meeting	July 25, 2007
Total number of shares allotted	75,000
Subscription price	57.24
Start of exercise period	July 2011
Expiration date	July 2017

2009 plan Tranche 1	
Date of Board of Directors' meeting	January 22, 2009
Total number of shares allotted	123,000
Subscription price	18.90
Start of exercise period	February 2013
Expiration date	February 2019

- Bonus share allotments: see the table of previous allotments to the Management Board below

2005 plan Tranche 1	
Date of Board of Directors' meeting	June 30, 2005
Total number of shares allotted	15,300
Share price at allotment date	39.25
Definitive allotment date (end of the vesting period)	July 1, 2007
End of lock-up period	July 1, 2009

2011 plan Tranche 6	
Date of Board of Directors' meeting	May 27, 2011
Total number of shares allotted	34,000
Share price at 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 under the 2008 and 2009 plan.

Note 25 Commitments and contingencies

A - Financial commitments and liabilities

<i>in millions of euros</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Commitments received			
Guarantees and endorsements	0.0	0.0	0.0
Other commitments received	2.5	2.8	0.5
TOTAL	2.5	2.8	0.5
Commitments given			
Collateralized debts and commitments	0.0	0.0	0.0
Market guarantees	15.4	15.0	20.3
Payment guarantee on acquisitions	0.0	0.0	0.0
Other guarantees	24.0	24.8	38.1
Other commitments given	8.4	7.5	6.4
TOTAL	47.8	47.3	64.8

The above table summarizes the Group's commitments and contingencies.

Nature

The largest item, which amounted to €24.0 million, comprises other guarantees, which include a €16 million guarantee covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements.

Maturity

Commitments and contingencies with a maturity of over one year amounted to €27.2 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.

Internal 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 accounts consolidation procedure.

As far as the Company is aware, no material commitments or contingencies under the accounting standards in force have been omitted.

B - Title retention clause

None

C – Individual Right to Training

In France, employees have an individual right to training. No provisions are set aside to cover these rights because the Group does not have the requisite information to assess them reliably.

Note 26 Subsequent events

Following the decision made at the Annual General Meeting of May 19, 2011, allowing shareholders to opt for payment of dividends in new shares and the Management Board's decision on July 7 in the light of shareholders' decision to reinvest 13,953,960 rights in new shares, the Group completed a €10.5 million capital increase (294,894 new shares) in July 2011 and will make a cash payment of €4.5 million in respect of the dividend.

At its meeting on August 24, 2011, the Supervisory Board decided to terminate Ernest Totino's duties as Chairman and Member of the Management Board. The Supervisory Board named Luc Themelin (who was already a member) as the new Chairman of the Management Board and appointed new members with immediate effect.

The Management Board now also comprises Thomas Baumgartner (Group Vice President, Finance and Administration), Christophe Bommier (Group Vice President, High Temperatures), Didier Muller (Group Vice President, Electrical Applications) and Marc Vinet (Group Vice President, Electrical Protection).

The related party disclosures presented in Note 24-2 (compensation paid to key management personnel) apply through to the termination of Mr Totino's duties. The Supervisory Board will examine the consequences of the changes in the structure of the Group's executive bodies in terms of compensation and other benefits at a forthcoming meeting.

Note 27 Approval of the financial statements

The Group's consolidated financial statements for the six months to June 30, 2011 were approved by the Management Board at its meeting on August 30, 2011.



STATUTORY AUDITORS' REPORT ON THE 2011 INTERIM FINANCIAL INFORMATION

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Mersen SA for the period from January 1, 2011 to June 30, 2011,
- the verification of the information contained in the interim management report.

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

→ I - Conclusion on the financial statements

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

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

→ II - Specific verification

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

Paris La Défense Neuilly-sur-Seine, August 30, 2011

The Statutory auditors

KPMG Audit ID

Deloitte & Associés

Catherine Porta
Partner

Joël Assayah
Partner



4



STATEMENT OF THE OFFICER

I certify that, to the best of my knowledge, these summary interim 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 attached interim business report presents a faithful picture of the major events that occurred during the six months of the interim period and their impact on the financial statements, the principal transactions between related parties, as well as a description of the principal risks and principal uncertainties concerning the remaining six months of the financial year.

Paris, August 30, 2011

Luc Themelin
Chairman of the Managing Board



5



Immeuble La Fayette
2, place des Vosges
92400 Courbevoie La Défense 5
France