Expertise, our source of energy

REFERENCE DOCUMENT 2015

MERSEN

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This document is a free translation into English for convenience purposes only of the French reference document filed with the Autorité des Marchés Financiers on March 8, 2016.

General Overview of the Group

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Message from the Chairman of the Supervisory Board

2015 was a difficult year for Mersen, with a 2.3% fall in revenue and a reduction in the operating margin, which dropped to 7.5%. This is partly attributable to the sluggish environment, particularly with regard to the industrial environment and even more so as regards industrial investment. We also suffered in particular from the sharp fall in investment in chemistry, and when you exclude this sector the Group's revenue was slightly up (around 1%). Our graphite manufacturer competitors also suffered greatly, often more than us.

It should be emphasized that we made great progress in many sectors, such as renewable energies, electronics, and aeronautics. The successful completion of the Transform plan also deserves a mention. A great deal of work was undertaken to achieve this level of performance; confirmation that our products and technologies are performing at the highest level worldwide.

The economic outlook for 2016 is very similar to last year. This means we cannot rely on the environment to support our recovery. We need to find it in ourselves, by improving our performance over all the markets and segments in which we operate, and by seeking out new applications and opening up new markets.

The approach to industrial efficiency must be widespread and intense. Our efforts must focus on all areas in which performance is below standard, without exception. In those segments where we are already experiencing success, we must strive to be even better.

We also need an approach to commercial efficiency so that each sales opportunity is explored and converted into a sale wherever possible.

Innovation and technological developments must be intensified so that we can seek out new customers.

In 2016, the Group will benefit from a new organizational structure that should bring additional efficiency. It will also be able to rely on a strengthened management team, particularly with the recent arrival of Gilles Boisseau and Eric Guajioty.

On behalf of the Supervisory Board, I wish to thank the Executive Committee and all Group employees for their efforts in this particularly difficult environment.

The course of the share price over 2015 has been very disappointing and this has continued to worsen into the start of 2016, strongly reflecting both the uncertainty over the global economy in the financial markets and disappointment in Mersen's results. We hope that the share price will gradually take into account the Group's strategic value, its unique positioning, and its financial stability. We have therefore decided to propose a dividend to the Annual General Meeting that is identical to last year, i.e. €0.5 per share.

I would like to extend my thanks to our shareholders for their loyalty.

Hervé Couffin

Message from the Chairman of the Management Board

The year 2015 was characterized by an unfavorable economic environment, particularly in traditional industry and, more specifically, in industrial investment. For Mersen, this situation was reflected in sales of €772 million, an increase of more than 6% compared to the previous year, but down 2.2% on a like-for-like basis. However, the year confirmed the solid performance of our expanding markets – renewable energy, electronics and aeronautics.

Despite the business contraction, the Group delivered an EBITDA margin of 12.7% under challenging conditions, thanks in particular to the benefits of the operational excellence plans and, particularly, the Transform plan. This was completed at the end of December 2015, in line with the schedule, costs, and gains projected initially. This strong performance is due to the efforts of all the teams involved.

We ended the year with a solid financial position and an optimized debt profile. Our credit lines have maturity in excess of four years, which provides Mersen with the resources to implement its strategy. The Group remains focused on generating cash flow. Each manager within our organizations is working to meet this objective.

The economic environment in 2016 is likely to remain sluggish. However, the Group can rely on its expanding markets (particularly renewable energy and electronics), its ability to bring innovations to the market quickly, and its ability to seize opportunities in certain areas, to develop and offset the slowdown in traditional industries. We will also continue our search for targeted acquisitions to expand our offering and accelerate our development.

We will continue to improve industrial efficiency, aided in that effort by the new organization that we established in early 2016. This will allow us to optimize the use of our industrial equipment, while increasing efficiency with respect to our customers. We are also set to launch an ambitious operational efficiency plan to boost our productivity. In 2016, however, the plan's impact will be held back by further unfavorable price effects in the Materials segment.

I would like to express my thanks again to our teams for their commitment and hard work. Mersen is adapting to the current economic context by relying on its strengths and values.

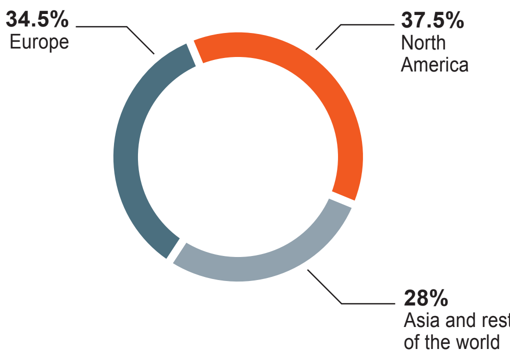
Luc Themelin

KEY FIGURES

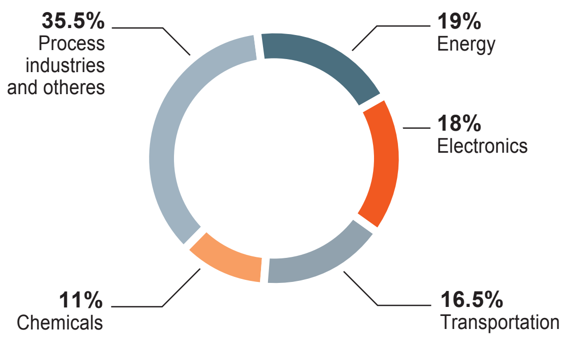
772€M	6,375	35
Sales	Employees	countries

2015 SALES

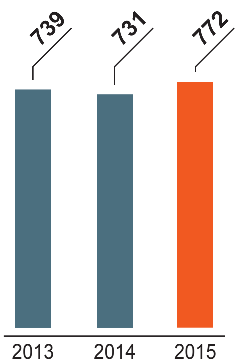
BY GEOGRAPHIC AREA



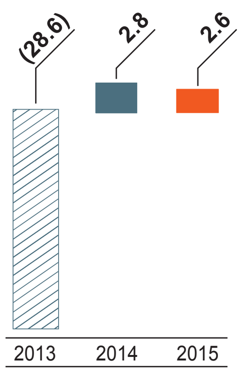
BY MARKET



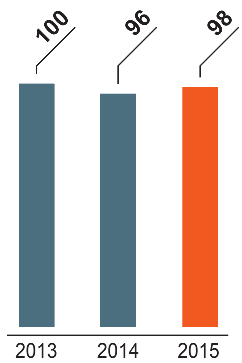
SALES (€M)



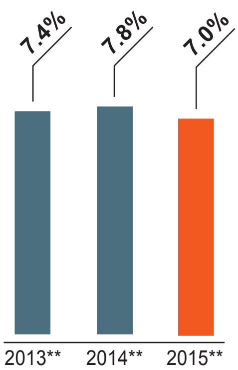
NET INCOME (€M)



EBITDA (€M)

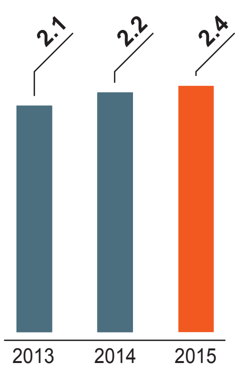


RETURN ON CAPITAL EMPLOYED* (IN %)



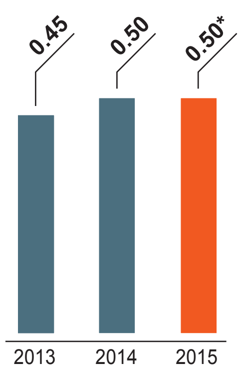
* Operating income before non-recurring items/average capital employed (net non-current assets including goodwill + WCR).
** Before one-off charges.

DEBT RATIO*



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

DIVIDEND PER SHARE (€)



* Subject to shareholders' approval.

The Group's profile

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

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

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

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

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

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

- **energy** (solar, wind, hydro and conventional), and in particular renewable energies providing access to new energy sources and complementing conventional sources of energy;
- **electronics,** providing solutions for the manufacture of semiconductors and for power conversion;
- **chemicals and pharmaceuticals,** to meet the need for plastics used in construction and the auto industry and a very diverse range of products, from paints and flavorings to agrochemicals and fertilizers, and at the request of the pharmaceutical industry;
- **transportation** (rail and aerospace), to meet the growing demand for travel among the world's population and for the shipment of goods;
- it also caters to the **process industries,** supporting their transition towards greater energy efficiency.

→ Evolution and creation of two segments encompassing five business units

On December 2, 2015, Mersen announced changes to its organizational structure based on the priorities set forth in its development strategy and concentrating on its key areas of expertise, innovation and growth markets.

Effective January 1, 2016, the Group's organizational structure is based on two new segments.

- The **Advanced Materials** segment brings together three businesses related to carbon materials – graphite specialties for high-temperature applications, anti-corrosion equipment designed primarily for chemicals, and power transmission technologies. This activity previously fell under the Electrical Components and Technologies segment.
- The **Electrical Power** segment brings together two businesses related to the electrical market – solutions for power management (power electronics), which has become a business apart, and electrical protection and control (primarily fuses, industrial fuse holders, and surge protection).

This reorganization, as well as the creation of a fifth business unit, will allow the two segments to optimize their industrial and human resources and align their businesses more effectively with the needs of their different end markets.

→ Ambition and Strategy

Mersen's ambition is to be a global industrial company that can sustain its development on behalf of its customers, employees, and shareholders.

The Group also relies on its international sales network to strengthen **its leadership positions** on each of its markets and, in particular, on its growth markets – renewable energy and electronics. To do this, we deploy a strategy of local relationships with the major industry players around the world, for which we develop tailored products. These relationships provide in-depth knowledge of the challenges facing those players and enable us to offer innovative solutions that rely on advanced technology.

In addition, the Group continues to pursue its policy of **targeted acquisitions** to consolidate its expertise or develop in certain geographic areas.

To deploy this strategy, Mersen implements a process of **operational excellence** throughout the world. This on-going improvement process is accompanied by a specific effort focusing on **cash generation**.

This corporate project relies on all of the Group's employees. To that end, we implement a skills development program, particularly in the area of managerial skills, and transmit worldwide the values that are the foundation of our identity.

The Group in 2015

A year of contrasts

The year was characterized by a momentum in our expanding markets (renewable energies, electronics and aeronautics), which partially offset the significant decline in the chemicals market. Overall, sales posted a slight organic contraction compared to the previous year.

Energy

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

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

The steep decline in cell and polysilicon prices over the past several years has made this energy more cost-efficient and brought it closer towards grid parity in a number of countries. The installation of solar panels thus continued worldwide and remained very brisk in 2015. Approximately 12 GW were installed in 2015 and installations worldwide reached 59 GW at 2015 year-end, an increase of 26% compared to 2014.

Mersen is a key partner for polysilicon manufacturers around the world and supports them in their new investments and development. The Group also supplies graphite components for crystallization furnaces to solar cell manufacturers. With regard to this application, these customers, primarily Chinese, have improved their manufacturing processes and thus helped to improve solar energy efficiency. In 2015, the solar market was characterized by pricing pressure, primarily in China, associated with the worldwide overcapacity in graphite production. Mersen performed well in this environment, thanks to its location and positioning with the main industry players, particularly with regard to the production of polysilicon, but thanks also to the quality of its technological solutions.

The Group also offers a full range of products and solutions for the conversion and distribution of photovoltaic energy (including bus bars and cooling devices) and for the protection of installations (circuit breakers, fuses and surge protection devices), which address the very specific risks inherent in this kind of electrical equipment and that require the expertise of specialists. In 2015, business was particularly robust in Asia (India, Japan, and Thailand). The range of surge protection devices, which was enhanced by the 2014 acquisition of Cirprotec, also enables the Group to position itself with panelbuilders that protect photovoltaic installations and that have a significant presence in this market.

In Europe, the continent's most powerful photovoltaic plant, located in the Bordeaux region, was unveiled on December 1, 2015, as scheduled. Mersen contributed to this success by delivering – on time – specially adapted electrical protection components.

Last, the Group anticipated the shift in demand on the electrical component market in the photovoltaic industry and was the first to market, early in the second half of 2015, a full range of protection components for 1500V DC applications (fuses, fuse holders, circuit breakers and surge protection devices).

In the **wind energy** segment, Mersen provides key solutions in many applications: energy conversion and distribution (laminated bus bars and cooling devices), electricity generation (slip-ring assemblies, brushes and brush holders), yaw motors and nacelles (signal transmission systems, brushes and brush holders) and electrical protection (fuses and surge protection devices). The Group also develops maintenance services to optimize wind energy production, including technical diagnostics, equipment verification, installation and replacement of components.

Installations continued to expand significantly in 2015. Capacity thus reached 428 GW at year-end 2015, compared to 370 GW at year-end 2014, i.e. growth of over 15%. In keeping with the market trend, Mersen's business grew significantly in 2015.

First, in 2015, Mersen benefited from the follow-up to the framework agreement signed with ABB in 2014 to supply slip rings, brush holders and graphite brushes designed specifically for ABB's new range of generators that use brush technology. The customer's satisfaction with the first orders placed in Europe, India and China led to extending the agreement to Brazil, where new orders were issued in 2015. This resulted in increased total sales in the region, despite Brazil's economic crisis.

The Austrian generator manufacturer, ELIN Motoren, also renewed its collaboration with the Group after a reopening of competition through an invitation to tender. ELIN Motoren supplies several thousand wind turbines around the world.

In the replacement segment, Mersen works with NextEra Energy, the world's largest manager of wind farms. Thanks to this close relationship, Mersen received major orders in 2015. In the United States, the Group also obtained approval from Vestas, the world's leading wind turbine manufacturer.

In China, where the world's largest number of wind turbines is located, Mersen is well positioned with the country's wind turbine manufacturers and with the transmission grid and energy distribution interconnection segment.

Mersen is also present in other segments of the renewable energies market, including hydro. The Group's products and solutions thus address both mature hydroelectric markets (Europe and North America) and new hydro projects in emerging countries (Brazil, India, China and Colombia). In 2015, the Group continued to develop in this segment, with growing business and significant orders in Scandinavia, particularly in Norway. Mersen's integrated offer includes brushes, brush-holders and dust aspiration systems, as well as on-site installation services.

Following on its 2014 successes in the area of PSP (Pumped Storage Power), the Group won the contract for the Tehri project in India, with Alstom. Mersen supplies large-diameter brush rockers designed in collaboration with the prime contractors' teams.

Business slowed in the **conventional energies** segment. The Group continues its sales of plug-and-play, easy-to-maintain, static excitation systems to thermal power plant manufacturers and operators.

Last, new opportunities are emerging for Mersen in the **energy storage** segment, which could be a source of strong growth in coming years. The segment is booming both in term of storing energy produced by alternative energy sources and electric vehicles, and the Group is beginning to receive orders for this segment from the United States and China, primarily for its laminated bus bars, as well as for its DC-rated fuses.

The entire energy market contributed 19% of Mersen's 2015 sales, compared to 18% in 2014.

Electronics

Mersen is active in two areas of the electronics market.

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

The Group is very well-positioned with the leading actors in this sector in terms of multiple technologies and at different phases of the semi-conductor manufacturing process, thanks to the development of high-performance processes and its materials, which meet very specific needs.

- MOCVD (Metal Organic Chemical Vapor Deposition): Mersen produces coated graphite supports for MOCVD, a corrosive chemical process that deposits thin layers at high temperatures, used in the production of high-performance LEDs. In 2015, the Group continued its major technological progress for the production of MOCVD supports. Thanks to the development of a specific grade and coatings, its high-precision machining, and its measurement and control techniques, Mersen is recognized as one of the best suppliers in the field and is gaining market share with the Chinese, Taiwanese and American leaders in the sector.
- Ion implantation: Mersen is the world leader in the manufacture of graphite components, particularly through its position as the preferred supplier for Applied Varian, which dominates in this technology. Ion implantation, which is used to locally modify the composition and physical properties of a substrate by introducing doping agents, is a technology of the future that operates thanks to a new generation of high-energy machines.
- Manufacture of compound semi-conductors: thanks to its high-performing thermal insulation solutions, Mersen is very well positioned with the main producers of silicon carbide monocrystals (SiC), such as Cree Research and SiCrystal. The latter are also involved in the production of other kinds of monocrystals, such as gallium arsenide and calcium fluoride, for which Mersen also received large orders in 2015. The development of these high-end semi-conductors is driven by the development of high-performance LEDs, power electronics, and optics.

Last, the Group's engineers continue to develop innovative solutions, on an ongoing basis, geared to new technologies, in partnership with the sector's main manufacturers.

With this high-end positioning, Mersen has continued to win market share. Sales on this segment thus continued to increase and remain very promising, in the order of 20% per year.

Mersen also provides custom-made **power electronics components** (sophisticated cooling, interconnection and protection systems) to equipment suppliers that can optimize the design of their power modules. These components are found primarily in speed drives for electric motors in industrial and service facilities, in transmission grid and energy distribution interconnections.

The specialized teams and the design capacity of the Group's engineers, combined with the range of components, including the bus bars acquired in 2012, help to strengthen Mersen's position as a key player in the power electronics market.

In 2015, investments in this market declined in Europe and the rest of the world, which had an overall impact on the Group's business.

Mersen continues its HVDC activities (technology used for the transport of high-voltage direct current over long distances) in China and Europe, thanks to its strong positioning in this very specific market.

The electronics market contributed 18% of Group sales in 2015, as in 2014.

Chemicals and Pharmaceuticals

Mersen is currently positioned to supply these markets with an extensive range of custom-made graphite and reactive metal equipment (including heat exchangers, columns, and reactors) that perform heat exchange and reaction functions and transfer highly corrosive and high-temperature fluids. In addition to individual pieces of equipment, Mersen offers turnkey solutions.

In 2015, business slowed considerably across all geographic areas. This situation is the result of overcapacity, particularly in Asia and the United States, after years of significant investment.

For Mersen, this overcapacity meant a slowdown in sales of new integrated equipment in connection with significant investments. Orders were driven primarily by replacement equipment and maintenance services, which the Group has strengthened over the last few years, thanks to its global positioning. The strongest activity in this segment was located in North and South America.

Mersen won a contract in the chlor-alkali market – one of its key markets – with a European vinyl industry specialist to supply a turnkey system for the synthesis of liquid hydrochloric acid. This order is related to ensuring that the chlor-alkali electrolysis systems comply with EU regulation.

Fertilizer continues to be a significant market for the Group, which manufactures graphite equipment used in producing phosphoric acid, an intermediate product in the fertilizer production process. In 2015, although the market grew in the Middle East and Africa, it slowed sharply in Asia, particularly in China. Mersen received orders for heat exchangers in Morocco, for example, from its long-time customer, OCP (Office Chérifien des Phosphates) and in China (Petrokimia Gresik). In 2015, we delivered graphite tube heat exchangers (Polytubes®) to the South Korean engineering firm, Hanwha Engineering & Construction, to supply a new phosphoric acid production unit in the Persian Gulf. This unit will be an integral part of the phosphate product industrial complex to be built in northern Saudi Arabia.

The Group also delivers heat exchangers and turnkey hydrochloric acid production systems for the isocyanate market (TDI/TMI), intermediates in the production of polyurethane foam used in the textile, construction, and automobile industries, among others. This segment, which has been robust in recent years with major capacity investments, now faces overcapacity. However, two orders for the Chinese firms Wanhua and SLIC were signed in 2015.

Mersen also received several large orders from the growing specialty chemicals sector (herbicides, food additives and paint).

Last, with regard to the pharmaceutical sector, which is quite healthy, we provide technological solutions that meet the purity requirements of processes, with a range of equipment using silicon carbide and reactive metals. This market has strong potential in Europe and the United States.

Sales in this market were also affected by the late 2014 decision to discontinue the carbon steel equipment activity and by the base effect of the end of invoicing the large Sabic contract in early 2015.

This sector contributed 11% of sales in 2015, compared to 13% in 2014.

Transportation

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

In 2015, the global rail market continued to expand by around 3% (despite a slowdown in Europe), depending on the market segment (rolling stock, infrastructure, maintenance and interoperability), and represented approximately €160 billion in volume. Network interoperability needs have grown by approximately 5%.

Subways and goods transportation showed the highest growth, in the order of 5 - 6%. Demand for high-speed trains has picked up after a slowdown that followed record equipment years in China, with growth of around 2%.

Western Europe remains the largest market in geographic terms, closely followed by Asia-Pacific and North America, which totaled nearly 65% of purchasing volumes in 2015. Investment in the Middle East-Africa regions is commencing, with no fewer than six subway lines under construction in Riyadh.

The slowdown in 2015 primarily affected Europe. The Group's activity was thus impacted in that area, where it holds strong positions. However, it remained brisk in China, driven both by continued growth in rail in the region and by new market share.

Mersen has a unique position in this market, linked to innovation and improvement of the Group's processes, enabling it to offer the highest-performing and most durable components. It is also the result of a unique long-standing positioning with the major rail manufacturers, in addition to our local commercial and industrial presence, particularly at a time when the ability to assemble products locally is becoming a commercial requirement.

This positioning also helped the Group win a series of orders to supply several international rail projects, such as the subway systems in Honolulu, Hawaii (United States) with AnsaldoBreda, Riyadh (Saudi Arabia) and Kochi (India) with Alstom, and to renew the suburban train system in South Africa. A contract for the Dubai subway system (United Arab Emirates) with Bombardier and Kinki Sharyo was also signed.

In China, benefiting from its collaboration since 2007 with the main Chinese operator, the Group received a large order for rail supply and distribution components to equip 112 high-speed trains that will run in the country. This involves one of the world's fastest generations of trains, with cruising speed of 380 km/hour.

Major projects in Europe include the order for pantograph strips for Trenitalia and the recyclable third-rail shoes for the Copenhagen subway.

Simultaneously, the Group continued to deploy its maintenance services. With this type of service, Mersen is able to demonstrate its expertise to its customers, while offering them the full breadth of its product range. In 2015, the Group thus renewed its partnership with the London Underground to maintain its trains for an additional four years; it will thus also become the Underground's supplier of brushes. In Turkey, the Group is working with the Ankara subway, providing products and services.

With 7% new planes every year, activity in the **air transportation** segment continued to grow in 2015. Mersen benefited from this growth while building its market share.

In this segment, Mersen provides extremely advanced components able to withstand extreme environments while also satisfying the industry's very demanding and strict requirements from a safety perspective. These components include refractories, carbon-carbon composite products for braking, seals, coolers and laminated bus bars for air conditioning systems, and carbon brushes for rotating electrical machinery (primarily starters and APUs[1]). The Group's solutions and materials are also used in the manufacturing processes for special alloy reactor blades.

The Group works with many leading industry subcontractors to the major aircraft manufacturers, including Airbus, Boeing, Bombardier and Embraer. In 2015, it continued its efforts to win approval for its products on new motors in order to be ready when they come onto the market.

In the **space** segment, Mersen supplies silicon carbide mirrors and structures for telescopes. Thanks to its unique properties, such as lightness and exceptional thermomechanical stability, silicon carbide (SiC) is particularly favored for space applications.

Fifteen space telescopes equipped with the Group's all-SiC components are already in space. Business was very brisk in 2015, with a record volume of orders. For example, the Group continued to receive subcontracting orders for Airbus Defence and Space for the Euclid, IASI-NG, Sentinel 2C and 2D projects. It will also produce the optic structure for the E-ELT (European Extremely Large Telescope), built by the European Southern Observatory (ESO). Thanks to its 39-meter main mirror, the telescope should contribute to significant progress in the field of astronomy.

The transportation market contributed 16.5% of Mersen's sales in 2015, compared to 16% in 2014.

Process industries and other markets

Process industries – oil and mineral extraction, iron and steel production, cement production, paper production and glassmaking – constitute the Group's original market. They are increasingly emphasizing energy efficiency through continuous process improvement and energy savings.

Mersen supplies this industry with its entire range of products: brushes, brush-holders, industrial fuses, cooling devices, laminated bus bars, surge protection devices, thermal insulation products, heat exchangers, and custom-made graphite components. The Group also provides services and maintenance solutions.

In terms of energy saving solutions, Mersen's solutions help to regulate and optimize the operation of high-power motors used in metallurgy and mineral extraction.

In 2015, activity was affected overall by a sluggish economic environment in all geographic areas:

(1) Auxiliary Power Units

In oil and gas extraction, the drop in business was extremely harsh, after years of major investment. The Group, which had profited significantly from the dynamism in this segment in previous years, particularly in the United States and Canada, was thus strongly affected by this slowdown.

Mersen is also active in mineral extraction, particularly in Australia and South Africa, which also suffered overall in 2015.

The Group is well-positioned in the electrical discharge machining market in Asia, Europe, and the United States, thanks to the specific grades of graphite for high-precision parts. Electrical discharge machining is a technique for manufacturing molds used in plastics processing, the auto industry, metallurgy and glassmaking, which require a tool made of high-quality, wear-resistant graphite. While the market was not particularly strong in 2015, Group sales continued to grow thanks to increasing market share facilitated by continuous improvement in its materials' performance and the efficiency of its distribution network.

Mersen is also expanding on related markets.

At the end of 2015, the Group signed a contract to supply mirrors for a new generation of revolutionary scanner. The use of silicon carbide has resulted in the design of a lighter and exceptionally accurate scan mechanism. These images are crucial for the supervision and documentation of a vast variety of high precision environment.

We generated 35.5% of our sales on this market in 2015, compared to 35% in 2014.

→ A balanced geographical presence

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

In 2015, the situation was mixed, depending on the region. In Europe, the 6% decline in sales compared to 2014 was primarily the result of the unfavorable situation in the chemicals market, with lower investments and the non-renewal of the Sabic contract. However, the Group posted significant growth in aeronautics and solar. In North America, the drop was limited to 3% and the decline in the chemicals, electricity distribution, and oil industry was largely offset by the strength of the electronics and wind markets. The situation in Asia improved gradually over the course of the year in China. India, Korea and Taiwan showed strong growth and the region thus posted sales equal to those of last year on a like-for-like basis. Last, in the rest of the world, Brazil and Morocco performed particularly well.

In 2015, Mersen generated 34.5% of its sales in Europe, 23% in Asia, 37.5% in North America and 5% in the rest of the world.

→ A culture of expertise and innovation

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

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

The Group's approach is part of a continuing program. In 2015, innovation focused on two principal areas, as in previous years:

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

The major innovations finalized in 2015 or still under development include:

- the development of new grades of graphite brushes without silver that can meet the performance requirements of wind generator manufacturers, while reducing costs significantly;
- the development of new large, silicon carbide-coated wafer substrates (or susceptors) that meet the extreme purity requirements of certain semi-conductor manufacturing processes;
- the development of electrical protection hybrid technologies for direct current applications (including energy storage, photovoltaic solar and rail traction), combining electronic circuit breaking and mechanical circuit breaking/blocking in the same product;
- silicon carbide mirrors, coated with an additional layer of silicon carbide, for laser optic applications enabling the development of a streamlined scanner.

Business activities at a glance

→ Materials (AMT)

- €283 million in sales.
- 36.5% of total sales.
- World no. 1(1) in graphite anticorrosion equipment.
- World no. 2(1) in high-temperature applications of isostatic graphite.

(1) Internal source

Product range and applications

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

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

Priorities

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

Main competitors

(in alphabetic order):

- Schunk – Isostatic graphite
- SGL Carbon – Isostatic graphite, anticorrosion systems
- Tokai Carbon – Isostatic graphite
- Toyo Tanso – Isostatic graphite

Main customers

(in alphabetic order):

- Airbus Defense & Space
- Applied Materials
- BASF
- Bayer
- Cree Research
- Jacobs
- OCP
- Safran
- Samsung
- Solvay
- Technip
- Wacker Chemie
- Yingli Green Energy

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

Electrical (ECT)

- €489 million in sales.
- 63.5% of total sales.
- World no. 1(1) in brushes and brush-holders for industrial electric motors.
- World no. 2(1) in industrial fuses.

(1) Internal source

Product range and applications

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

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

Priorities

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

Main competitors

(in alphabetic order):

- Aavid – cooling devices
- Dehn – surge protection devices
- Eaton/Bussmann – industrial fuses
- Lytron – cooling devices
- Methode – bus bars
- Morgan Advanced Materials – brushes, brush-holders, pantograph strips, etc.
- Phoenix Contact – surge protection devices
- Rogers – bus bars
- Schunk – brushes, brush-holders, pantograph strips, etc.

Main customers

(in alphabetic order):

- ABB
- Affiliated Distributors
- Alstom
- Arcelor Mittal
- Bombardier
- Gamesa
- GE Wind
- Hitachi
- Imark Group
- Holcim-Lafarge
- Mitsubishi
- Nawsa
- Rexel
- Rockwell Automation
- Safran
- Schneider
- Siemens
- Senvion
- Sonepar
- Thales
- Vestas
- Voith
- Weg

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

2

Introduction

The Group strives to act as a good corporate citizen in its **social, environmental** and **societal** environment.

Mersen's employees, their knowledge, and their expertise are central to achieving our economic goals. Developing our **human capital** is key to each of our development priorities and is essential to our growth.

The Group conducts its industrial activities to ensure that they have a minimum impact on the **environment**, while simultaneously stepping up our contribution to sustainable development, specifically to the development of renewable energies and energy efficiency.

Last, the Group respects the local and regional communities where it has a presence and seeks to ensure that its activities are a source of regional development.

Human Resources policy

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

→ HR plan

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

The Group undertakes to comply with the fundamental principles and rights of the ILO (International Labor Organization) in compliance with legislation in effect. These laws address fundamental issues of labor law, including freedom of association, the right to organize and collective bargaining, the abolition of all forms of forced and compulsory labor, the effective abolition of child labor, and the elimination of discrimination in respect of employment and occupation.

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

Forward human resources planning

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

Based on the Group's forward human resources planning process and consistent with the strategic planning process, each division prepares an annual forecast of the skills and expertise it will need in the medium term, in keeping with its priorities and those of the Group.

This analysis is consolidated at the Group level, based on Mersen's reference job framework. This framework, which is updated annually, identifies and describes, for each of the 10 support functions (sales and marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs), the 91 Group reference jobs that are common to all divisions. In late 2015, the business function was reviewed to take into account the organizational changes announced.

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

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

This guide is also a valuable hiring tool as it allows us to fine-tune the description of the skills sought.

Knowledge transmission

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

In France, the purpose of the action plan under the Contrat de Génération legislation, which was signed in September 2013 for a period of three years, is to promote the hiring of young people under open-ended employment contracts, while ensuring that senior employees' knowledge and skills are passed on. The Group intends to play an active role in pursuing this three-part objective through various commitments. The Group has thus committed, in France, to hire 30 employees under the age of 27 (under open-ended contracts) and 200 young people under apprenticeship or vocational training contracts by mid-2016. In addition, 80 internships for young people following a certification curriculum will be offered every year. An assessment of this action plan is presented annually to the Group committee.

Many facilities hire people on an internship or work-study basis to order to integrate young people and identify the strongest candidates. For example, Mersen Korea entered into an agreement with a government agency to hire people aged 19 to 34 as interns, as in the United Kingdom, where the Group hires and trains apprentices in the fields of mechanics and electricity. The facility also works with local middle schools to talk about the company and prepare young people for employment. In Morocco, Mersen has developed partnerships with local schools and institutions to integrate training into their curriculum that addresses the Group's specific industrial needs. The facility also offers 12-24 month-long internships to young people, who may be integrated at the end of the internship if their qualifications meet the company's criteria.

Simultaneously, given the challenges associated with training young people, the Group provides tailored guidance for those selected. A new assignment – mentor/advisor – has been created to welcome new hires into the company to provide this guidance.

FOCUS

Developing the hiring of young people

Mersen India has established an engineer training program in which young graduates receive 24 months of training at the company. During that time, the skills related to their duties are tested every six months. At the end of two years, the best trainees may be brought into the company definitively.

With regard to senior employees, in France the mentoring program introduced in the 2009 agreement, promoting the employment of seniors, continues under the 2013 action plan.

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

An "experience interview" may be held with each employee whose skills are judged to be essential and for all employees who may retire within two to five years. The objective is to review the individual's knowledge and key skills to ensure and prepare for their transmission. This interview also reviews the employee's position ahead of his/her retirement and/or the final part of his/her career to make sure it is as interesting and useful as possible. Managers are offered training to prepare for this interview.

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

FOCUS

Cross-training for knowledge transmission

Mersen has developed a cross-generational, cross-training system for machinists and operators in Canada. Under this system, more experienced workers train younger ones in traditional machining techniques, while the younger ones train their elders in new technologies.

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

FOCUS

Promoting the retention of senior employees

In an effort to retain the involvement and interest of senior employees in their position, some facilities have developed unique approaches. For example, Mersen's plant in St. Marys (United States) offers its oldest employees the opportunity to reduce their work hours in exchange for consulting with younger employees to transmit their knowledge and expertise. Following the same model, Mersen Boostec (France) established a program pairing an older and a younger employee. This process helps prepare for the future by facilitating knowledge transmission, while easing the older employee's workload.

Stimulating innovation

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

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

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

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

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

Exchanges with outside experts are also encouraged. For example, the Group entered into a partnership with French laboratories, productivity clusters, universities and engineering schools under a Unique Interministerial Fund (FUI) project. This collaborative project, FE²E (economically and environmentally efficient fuses), integrates these partners in areas of advanced research (including materials, electrical engineering and modelling). In the field of materials, the Group is collaborating on the FORCE[1] project, launched in 2014 to develop a low-cost carbon fiber sector in France. Working within a consortium comprised of French manufacturers and laboratories, Mersen is involved as a technical expert in this strategic project for the industry of the future, providing our knowledge of high-temperature processes and carbon materials used in the carbon fiber production chain. These collaborative projects reflect the Group's interest in and ability to meet significant technological and manufacturing challenges.

To better prepare for large-scale changes – both markets and customers – and to help guide the Group's R&D strategy and efforts, in December 2015 the Group announced that it would create a Division of Technology, Research, Innovation and Business Support. This function will report directly to the Chairman of the Supervisory Board.

Project management and cross-business coordination

The Group carries out various major, strategic projects, such as acquisitions, industrial adjustments, and major investments on an ongoing basis. Their complexity requires that we use a common project management method. This method, the Global Project Standard (GPS), allows the Group to complete these highly complex projects. A project group established in early 2015, which assembles operational employees from the various job categories and project management experts, revised both the methodology and training and deployment systems.

Thanks to the first e-learning training system, as many employees as possible can become familiar with the methodology's major principles. The training system was deployed between September and December 2015 with all of the Group's engineers and managers.

Starting in 2016, all new managers will be required to take this training. Additional, more comprehensive modules intended for the project teams will also be provided. Last, and because the Group seeks to embed the methodology within the teams, advisors have been designated in the units. Because they are very familiar with the method and have used it successfully on projects, they will be able to respond to project managers' requests and provide methodological support.

(1) Optimized and realistic economic carbon fiber.

Strengthen the quality of management

Faced with a changing, fast-moving world, Mersen is adapting and changing its management culture. The project to redefine the Group's managerial skills guide was launched in 2014. It was conducted on a participatory basis and involved both external and internal actors, with nearly 100 Mersen executives and managers interviewed worldwide. In Q1 2015, this collaborative effort produced the new Group Management reference, referred to as Open Manager. It addresses five major topics: Working with Everyone, Communicating and Making Sense, Motivating and Developing Employees, Building the Future, and Achieving and Raising Standards. Communications sessions and workshops were held throughout the year at all facilities to introduce and explain this new key approach to all Group executives and managers. Through these exchanges, we were also able to identify the needs of the guide's main users. From requests for training to additional tools, we will respond over time to provide maximum support for the deployment of the management strategy.

Going forward, the decision to assign an individual to a management position will be based on the new managerial skills identified. In the same vein, the Group thus made major changes to the regional management teams, for example, in England, Italy, Scandinavia and the United States. With regard to both these key positions and others (departments responsible for segments, units or product lines), the Group decided to increase the mix of internal promotion and external recruitment of high-skilled candidates.

Internally, the Group is providing additional support to its managers. Approximately 15 executives were assessed by a firm specializing in this new guide. Individual support plans were created, including, for example, coaching activities.

Recruitment, development and career planning

The **recruitment process for managers** has now been harmonized across all the Group's companies to make it as streamlined and professional as possible. With a heightened presence on social networks (LinkedIn, Viadeo and Xing), the Group is improving the visibility of its job postings and is thus increasing its appeal. The Group highlights the diversity, energy and collegiality of its teams worldwide on its Facebook page.

It is adapting its recruitment process to specific local contexts and to the problems that may arise in certain countries or certain jobs.

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

Mersen's global dimension provides employees with genuine career development opportunities. The Group has demonstrated its desire to encourage exchanges between its various divisions and geographical regions by prioritizing mobility and the international diversity of managers. Mersen's success is predicated on both a balanced **international mobility policy** and the development of local talent. The human dimension requires respect for and the recognition of local cultures and skills, wherever they may be. It facilitates a rapid response for customers and will help to power innovation and growth.

FOCUS

Recruiting key talent

To help improve the quality of the machinists hired, the Gennevilliers plant initiated a partnership with a temporary employment agency. After the agency preselects candidates, an assessment day is held, based on individual and group interviews and role-playing (individual vocational tests on machines). At the end of the day, a candidate may receive an open-ended job offer. This process is particularly appropriate for highly sought-after candidates and is based on an assessment of both technical (knowledge and know-how) and behavioral skills.

HR tools available to managers

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

In July, managers are asked to conduct a mid-year review, during which they may revise the objectives set at the start of the year, where necessary (change in the environment or other reasons).

Training in conducting annual reviews was held in several countries, from Asia to the Americas, including Europe. It is systematized every year with a training program implemented via the Mersen Academy's remote training platform.

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

Training

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

By expanding access to e-learning to its employees around the world since 2013, the Group underscores its investment in skills development and support as jobs change. The Mersen Academy, the new e-learning portal, allows employees to obtain both high-quality general training and tailored job-specific training. This also offers the Group an opportunity to focus on priority and strategic topics and to instill the Group's culture.

The training courses offered in 2015 were expanded, with more topics and sessions. At one-off events, such as Your Learning Journey, held during the summer of 2015, employees were invited to focus on their personal development and adopt an independent learning approach. A quarterly newsletter has been launched and has helped to create interest in this program. It encourages employees to participate in this skills development process. The Mersen Academy provides more than a training platform. It also offers a space in which knowledge can be shared and exchanged and serves as a new learning forum for geographically dispersed teams. An HR community – HR Connect - was launched on the platform in 2015 to promote ongoing exchange, particularly around best practices, among HR professionals worldwide.

The Group is also encouraging certification training, over the course of employees' working life, through sector-based joint qualification certificates (including metallurgy and chemicals) and degree training. Several dozen employees from all regions participate in e-learning training programs certified by Essec Executive Education or the Institute of Leadership and Management (ILM).

FOCUS

Developing employees' skills

At the Mersen plant in Juarez (Mexico), employees may obtain training to prepare for and obtain elementary and middle-school diplomas. A teacher certified by Mexico's national education system comes to the plant for two to three hours each day and helps those who volunteer for the training to prepare for their exams. This helps to identify new talented employees within the company, attract the best candidates, and encourage employees to advance within the Group. This program increases the teams' motivation, development and fulfillment, both personally and professionally.

Over the last six years, approximately 30-35 people have participated annually. Nearly 200 have already benefited from the program. In 2015, 17 employees obtained their diploma (six at the elementary school level and 11 at the middle-school level).

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

In all, the Group devoted 1% of its total payroll costs to training in 2015, i.e. an average of 13.1 hours of training per employee. The hours noted below do not include training via the Group's e-learning platform, Mersen Academy.

Training	2015[1]	2014[2]
Spending on training as a % of total payroll costs*		
Group total	1.1	1.0
• *o/w France*	*1.8*	*1.9*
Average number of hours per employee*		
Group total	13.7	10.4
• *o/w France*	*13.3*	*12.7*

(1) Scope consolidated within the HRIS and excluding the following facilities: Bazet (France), Rochester (USA), Terrassa (Spain).
(2) Scope consolidated within the HRIS and excluding the following facilities: Terrassa (Spain).

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

The Human Resources Information System has been operational since January 2012 and may now be found in around 30 countries. Its purpose is to deploy, within all Group entities in France and internationally, an information system that can optimize the oversight of human resources. The main objectives of this comprehensive HRIS tool, used internationally, are to:

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

This tool evolves continuously to provide regular, ongoing support to the Group's HR and managerial community.

Development of HR marketing

To attract the talented employees that the Group will need to underpin its future development, Mersen pursues a policy of building relationships with schools and universities in the main countries in which it is present (including France, the United States, China and Germany) to raise the profile of the Group and the jobs it offers among students. The Group regularly attends school events and student fairs in these countries and holds open days. In partnership with EM Lyon, it also involved European students in its efforts to revise its managerial skills guide.

In addition, it regularly hosts young people on internships or apprenticeship programs, especially in technical areas. Lastly, to increase the visibility and advantages of employment within the Group, Mersen's web site includes testimonials from employees who want to share their experience and describe their career path within the Group.

FOCUS

Building loyalty among the best employees

Mersen Tunisia stands out due to the low turnover rate of its operators, particularly compared to that of other companies in the region. This performance is largely due to an innovation introduced regarding the duration of contracts; that is, the employee is promised a permanent employment contract at the end of a two-year probationary period, during which he/she is trained and evaluated regularly.

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

Integration within the Group

The Group supports new hires during the crucial period of their integration by holding a made-to-measure program for them entitled "I Become Mersen".

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

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

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

Health & Safety

Mersen is exposed to the risks inherent in all industrial activities and the Group works tirelessly to protect its employees.[1]

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

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

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

This module presents and explains clear and understandable rules to all Group employees. Nine "Golden Safety Rules" are the foundation of the system. They address the main risks that may be encountered in our plants (traffic flow, posture, protective equipment, working on energy-powered systems, lifting operations, height work, confined spaces, risk situations and co-activities) and are posted at all facilities. A tenth rule – high storage – was added in January 2016.

A survey of potentially fatal risks was also conducted at all Group subsidiaries. In follow-up to that work, each Group facility held a training course in 2015 on fatal risks relevant to that site. More targeted training was provided to employees who work on more specific equipment or in more specific environments.

As part of building a safety culture, we also publish a monthly report of safety results, together with an analysis, and disseminate best practices. In 2015, 81% of the facilities held a safety day or week. Most Group managers also incorporate at least one safety objective in their annual targets.

These efforts are gradually bearing fruit. In 2015, the number of occupational accidents with lost time per million hours worked (TF1) fell to a historic low, down by more than 35% compared to 2014 and by 55% compared to 2013 (see table, page 31).

In occupational health, Mersen has embarked on a program to develop well-being in the workplace, which paved the way for the signature of an agreement by all the labor partners in France. This agreement aims to provide preventative solutions and remedial measures. In particular, it calls for all managers and employee representatives to be trained in the prevention of psycho-social risks, as well as for monitoring a number of indicators per plant (including staff turnover, absenteeism rates and the percentage of new projects taking psycho-social risks into account).

Many Group facilities prioritized improved ergonomics at workstations in 2015. To achieve those improvements, multidisciplinary working groups (composed of operators, managers, technical departments, occupational medicine, safety officers, and workplace health and safety committees) are being formed at the sites to identify risks and improve workstation design in production, administrative and technical departments. These processes are intended to reduce incapacity at work, occupational diseases, and absenteeism. As in the area of quality processes, their objective is to take action as early as possible to prevent risks.

BEST PRACTICE

Operators at the heart of workstation improvements

Based on the belief that operators are the workstation experts, the plant in Amiens, France relied on their experience and solicited their recommendations for improvements. Ergonomists and other specialized external consultants were asked to provide their expertise in terms of methods to analyze the projects and validate the operators' recommendations.

Facilities such as St. Mary's and Rochester (United States), Cabreuva (Brazil), and others in Korea, Colombia and India, evaluated the ergonomics of certain workstations. Investments were also made at French and United States facilities (respectively, Mersen Boostec, Amiens, Angers, Saint Bonnet de Mure and Pagny-sur-Moselle and Bay City and Newburyport) to modify certain handling equipment, thereby improving operators' safety and preventing occupational stress.

Osteopathy treatments were also offered during working hours at certain plants.

FOCUS

Osteopathy treatments for employee well-being

Since 2014, the plant in La Mure (France) has provided osteopathy treatments in partnership with the Institut Supérieur d'Ostéopathie of Lyon. These 45-minute treatments are offered quarterly on a voluntary basis. At year-end 2015, 41% of the workforce had benefited from the services.

The process helped to introduce this treatment – often little-known in the workplace - and make it available to everyone. During tailored treatments, practitioners and employees were able to engage in a serious dialogue. Every employee benefited, on an individualized basis, from practical advice on movements and postures based on his/her health status and workstation, taking any weaknesses into account. The employees who received these treatments now have a different understanding of the physical movements related to their work.

After a 2012 analysis of French employees' exposure to occupational stress factors, a three-year agreement to prevent such stress within the Mersen Group was signed on January 31, 2013, in anticipation of the implementation of legal requirements. Its goal is to retain Mersen employees for as long as possible and keep them healthy in the company by reducing co-exposure and improving workstation design when possible.

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

Mersen facilities around the world have taken significant steps to support employee health and have set up many initiatives, specifically including health and safety weeks. In 2015, 81% of the facilities held such an event.

These various measures, which take a resolutely long-term view, emphasize prevention. They contribute to maintaining a relatively low absenteeism rate within the Group, which continued to fall in 2014.

Absenteeism

As a percentage	2015(1)	2014(2)
Absenteeism rate	3.3%	3.3%*

(1) Scope consolidated within the HRIS and excluding facilities in Bazet (France), Gonzales, Oxnard, Rochester and Salem (USA).
(2) Scope consolidated within the HRIS and excluding facilities in Bogota (Colombia), Greenville and Rochester (United-States) Vantaa (Finland), El Paso (United States), Holytown (UK), and Kista (Sweden).

Diversity

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

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

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

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

While Mersen's corporate culture is strong, it is adapted in each country to fit in with the local culture and customs. The best way to achieve this integration is to give the management reins to local managers, which is the practice at nearly all of the Group's facilities. The Group's human dimension takes on its full meaning in this drive for a subtle balance between respecting its principles and values and embracing local customs and practices. Lastly, Mersen wants its management structures to reflect the diversity of its teams.

As a percentage	2015	2014
Plant managers/local nationality	91%	87%

Gender balance

Gender balance has been clearly identified and stated by Mersen as a priority area for improvement. Constant effort is required to integrate more women in all our business lines, including production. Many initiatives have been introduced in recent years, including hiring, career tracking, communication, awareness-raising among managers, remuneration, greater flexibility for parents in professional life, organizational modifications, and workstation improvements to reduce physical constraints to the extent possible, thus enabling female operators to work there.

In 2015, management and all of the union organizations renewed their commitment to gender equality in the workplace by signing a new agreement.

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

As a percentage	Dec. 31, 2015	Dec. 31, 2014
Women on corporate governance bodies	25%	21%

A women's network created in 2010, WiN: Women in Mersen, brings together male and female Group employees who want to work on a joint project to promote cooperation and mutual assistance, encouraging growth through greater diversity. The aim of the WiN network is to pool the potential capabilities of its members and to provide opportunities for meetings and analysis outside the scope of any hierarchical system. WiN also aims to become an international network within the Group that can take part in inter-company events and share experiences. Since 2014, female Group managers have participated in the women's entrepreneurship week held in the Rhône-Alpes region to promote women's participation among middle school, high school and university students. In collaboration with the Human Resources department, the WiN network at the Pagny facility offers regular training to women there to support their professional development and satisfaction.

Employment and integration of disabled workers

Going beyond its legal obligations, Mersen has strengthened its disability policy in connection with its policy to foster diversity. Accordingly, it set up a partnership in France with ARPEJEH, a non-profit organization supporting educational projects for disabled school-age and university students. It offers an opportunity to accommodate disabled people and introduce them to the business world. It helps to change the attitudes of Mersen's employees to disabilities, while encouraging creativity and open-mindedness.

The Group has undertaken other initiatives. In France, for example, Mersen Boostec offered a disabled operator the opportunity to obtain a degree (via work-study) over the course of a year so that he could be reclassified for a position as a Methods technician. Internationally, Mersen regularly hires severely-disabled employees in its manufacturing workshops in India and Mexico. Mersen Canada prepared a facilities access charter for its disabled employees and customers.

The Group also regularly subcontracts with sheltered work agencies in France (ESAT) and equivalent entities in other countries.

FOCUS

Proactive approach to hiring the disabled

Mersen India developed a partnership with the non-profit organization, EnAble India, to select disabled persons whose qualifications match the company's needs and to train Group employees on accommodating and working with disabled colleagues. Thanks to this initiative, seven severely-disabled operators now work in our Indian plants.

Labor dialogue

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

In 2015, Mersen continued to implement the Transform consolidation plan, launched in 2014, designed to improve the Group's competitiveness by optimizing its industrial facilities. This overall plan is intended to simplify the Group's industrial base, particularly in Europe.

Five of the European industrial facilities were concerned, either as the result of a shut-down (Cevins in France, Patrica in Italy, Portslade in Great Britain and Jestetten in Germany), with resources and volumes reassigned to other Group facilities, or of downsizing (Frankfurt in Germany). Much of the European production was transferred to French facilities. In the United States, the plan provided for the closure of the Oxnard (California) and Midland (Michigan) facilities and redeployment of their production. In Asia, the facility of Xianda was downsized.

In this context, the Group continued to implement the arrangements established in 2014, which were designed to prepare for possible psycho-social risks and support employees interested in initiating their own career planning process.

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

In accordance with its practices, throughout the consultative and information processes, the Mersen group sought to carry out this consolidation plan with a concern for healthy social dialogue.

Enable employees to share in the Group's success

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

The salary increase policy is defined by site and by country based on local criteria, specifically inflation. The average increase for basic salaries in 2015 was 3.6% compared to 2014.

Employee incentive and profit-sharing agreements take into account the Group's financial results, thus acknowledging the individual contribution made by each employee to the Company's performance. Beyond financial incentives, Mersen reaffirms its desire to involve employees in ongoing improvement through "technical" incentive payments, intended to reward improved performance, which reflects employees' work and contribution. The development of technical incentive payments is predicated on collective criteria, such as productivity and safety improvements, customer satisfaction linked to product and service quality, ability to meet deadlines, innovation and reductions in non-quality costs. In addition, financial incentive payments are linked to attainment of operating margin targets at the business unit and/or divisional level.

Managers' bonuses, regardless of location worldwide, are related to the cash flow from operations generated by their business unit and/or their division and to another collective objective (generally, the operating margin), as well as results obtained relative to their annual individual targets, particularly those related to safety, productivity and participation in value-creating projects. This policy ensures that a mix of the Group's values, strategic directions, and financial objectives are taken into account on a daily basis.

Ensure employees' social protection

Mersen is committed to ensuring that its employees obtain high-quality social protection with regard to health care and pensions.

In France, this is reflected in agreements negotiated to address employees' needs, in compliance with national regulations. Supplemental pension schemes, which complement the system required by law, illustrate the Group's sustained commitment to help every employee prepare for retirement. They also represent a major attraction for potential employees. They cover the entire employee population while taking into account their specific characteristics. The PERCO plan introduced in 2010 covers all the Group's employees in France. It provides for matching employer contributions that are highly advantageous for those employees whose ability to save is the most limited. Proposals were made in 2015 to improve this employer matching contribution scale, increase the number of days of leave that may be included in the PERCO, and simplify the system's procedures. The goal of these changes, which were addressed in a February 2015 labor/management agreement, is to encourage employees to save more in anticipation of retirement.

The "Article 83" plan, which concerns all executives and equivalent grade staff in France, was introduced at the Group's French facilities in 2009. Since 2014, the contributions that fund this Article 83, which were limited to tranche B of compensation, were extended to tranche C at the employer's decision. In 2015, the management tools used for employee savings contributions were reviewed and tools offering a more attractive return were chosen.

In the US-based subsidiaries, executives hired before April 2011 benefited, until December 2015, from a defined benefit retirement plan fully paid by the company. Those who joined after April 2011 may participate in a company defined contribution retirement plan. Given the significant provisions required for the defined benefit retirement plan, in 2015 the Group transferred the employees concerned into the defined contribution plan. This reflects a major trend in recent years across the United States. In the interest of equity, the Group increased the company contribution rate for those categories of employees who are more affected by the reform. The reform, which began in spring 2015, will take effect on January 1, 2016.

In the same context, a similar reform was initiated by our Dutch subsidiary in fall 2014. Employees, whose retirement plan guaranteed them 70% of their last salary on the day of their departure, were offered a retirement plan that, while it is not a defined contribution plan, is based on a benefit calculated on the average of the salaries earned throughout their career. This reform took effect in 2015. In addition, employees hired starting in 2013 are offered an additional retirement plan, on a defined contribution basis, most of which is paid by the company. This plan also took effect in 2015.

Last, the Group created or strengthened social protection out of a concern for equity and to attract and retain talented employees in countries where such protections do not exist. Over the last three years, we thus established health coverage for all our employees in Brazil, China, and Tunisia. In fall 2015, specific coverage for executive managers at Mersen's China subsidiaries was added with the goal of retaining these key managers.

In 2015, two major changes were made to standardize the health and welfare systems that had coexisted within a single region. Ten supplemental welfare plans coexisted in France, based on employee status (management/non-management) or subsidiary. A general standardization effort was initiated in May 2015. In October 2015, a labor/management agreement was signed (by all union organizations) standardizing the welfare system for all employees, regardless of status, and applicable to all Mersen subsidiaries in France. This plan, which is handled by the same insurer responsible for the supplementary health coverage, will take effect in 2016. In the United States, the coexisting health plans were also standardized in 2015, simultaneously guaranteeing a level of coverage comparable to that in major American companies.

The Group wanted to improve its communications on the compensation policy within Mersen. On an experimental basis, an Individual Account Statement was implemented at Group headquarters in 2014, and extended to all employees at French facilities in 2015. The Statement compiles all the components of compensation, whether direct (salary, bonus, and premiums), differed (incentive and profit-sharing), or handled by the employer in the form of employer contributions (employer contributions to welfare benefits, such as retirement and mutual insurance and welfare systems).

Internal communications

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

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

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

Workforce and facilities

Mersen is a global group with 6,375 employees (at December 31, 2015) in approximately 35 countries.

Geographical analysis of the workforce (at December 31)

Country	2015	2015 (%)	2014	Difference
Europe	2,246	35.2	2,301	-55
• *o/w France*	*1,469*	*23.0*	*1,490*	*-21*
North America	1,937	30.4	1,948	-11
Asia-Pacific	1,657	26.0	1,569	+88
Rest of the world*	535	8.4	550	-15
TOTAL	**6,375**	**100.0%**	**6,368**	**+7**

**Africa and South America*

At comparable scope (that is, excluding the integration of the employees of the Chinese company, ASP), the workforce fell by 115 people. In Europe, the United States and China, the Transform plan resulted in workforce reductions at the facilities concerned and to hiring at receiving sites.

In 2015, 1,484 people were hired around the world, including on fixed-term contracts, and 433 were dismissed (scope consolidated within the HRIS).

Based on the reporting scope [1], women accounted for 36% and senior employees for 15% of the workforce, with no change compared to 2014.

	2015*	2014*
Group headcount		
• o/w women (as a %)	36%	36%
• o/w seniors aged 55 and over (as a %)	15%	15%

**Scope consolidated within the HRIS*

Age pyramid (at Dec. 31)*

Age brackets	Men	Women	Total
Under 25	5,0%	8,8%	**6,3 %**
25 to 29	11.0%	14.3%	**12.2%**
30 to 34	14.0%	14.3%	**14.1%**
35 to 39	14.2%	13.5%	**13.9%**
40 to 44	13.1%	12.1%	**12.8%**
45 to 49	13.8%	12.0%	**13.2%**
50 to 54	12.5%	11.8%	**12.2%**
55 to 57	6.7%	6.3%	**6.6%**
58 to 59	3.4%	3.2%	**3.3%**
Over 60	6.2%	3.7%	**5.3%**

** Scope consolidated within the HRIS*

The average age of Group employees is 41.2.

(1) Cf. page 40, at the end of the chapter.

Headcount broken down by category

Categories	Dec. 31, 2014	%	Dec. 31, 2014	%
Engineers and managers	1,231	19%	1,142	18%
Technicians and supervisors	994	16%	1,019	16 %
Employees	617	10%	630	10 %
Blue-collar workers	3,533	55%	3,577	56%
TOTAL	**6,375**	**100%**	**6,368**	**100%**

Geographical analysis of facilities (at December 31)

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

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

Country	2015	o/w facilities with more than 125 employees	2014
Europe	21	5	24
• *o/w France*	*9*	*4*	*9*
North America	13	4	14
Asia-Pacific	14	3	13
Rest of the world*	5	2	5
TOTAL	**53**	**14**	**56**

** Africa and South America*

In 2015, the Group acquired ASP, which has a sales network throughout China and a production facility in Guangzhou. In addition, under the Transform plan, six industrial facilities closed in 2014 and 2015 and their production was transferred to other existing facilities.

Outsourcing

The Group partially outsources the manufacture of its products. The value of outsourcing in 2015 totaled approximately €65 million, including labor subcontracting for assembly, machining and welding and for the manufacture of components such as metal, plastic and ceramic parts.

Social information concerning the Group's companies in France

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

Headcount at December 31

	2015	2014	2013
Workforce	1,469	1,490	1,484
• o/w fixed-term contracts	24	33	13

Recruitment

	2015	2014	2013
Recruitment	119	133	53
• o/w fixed-term contracts	19	48	17

Temporary workers

	2015	2014	2013
Average headcount	157	132	130
% of the headcount	11%	9%	9%

Overtime

	2015	2014	2013
Overtime	15,765	22,366	23,692
% of hours worked	0.7%	1.0%	0.9%

Absenteeism

	2015	2014	2013
Absenteeism rate	4.9%	5.3%	5.9%
• o/w illness	4.1%	4.1%	4.5%

Part-time work

	2015	2014	2013
Percentage of employees working part-time	5.4%	6.0%	5.8%

Disabled employees

	2015	2014	2013
Workers with a disability (as a%)	5.2%	4.7%	6.2%

Organization of working hours

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

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

Health and Safety policy

Mersen is committed to developing and consolidating a health and safety culture within the Group by relying on three main tools: **Accountability, Risk Analysis** and **Continuous Improvement**. The medium-term goal remains to achieve **Excellence** in health and safety.

→ Organization of the function

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

The function relies on a Group Safety Committee, composed of the member of the Executive Committee. It reports to the committee on a monthly basis. This close relationship allows it to be highly responsive and demonstrates senior management's unstinting commitment to health and safety. It also draws on a network of regional correspondents. Their role is to perform cross-audits in the region, conduct more detailed audits at underperforming units and implement the Group safety policy formulated by the Group Safety Committee. These correspondents are also responsible for reporting to the Group on local environmental and health and safety changes.

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

	2015	2014
Companies with a dedicated Health & Safety officer	83%	83%

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

→ 2015 Achievements

In 2015, the Health and Safety department, in collaboration with an external firm, assessed the Group's strengths and weaknesses in the area of safety. The purpose of this study was to verify that the units were making proper use of the tools set up in recent years and that these tools were adequate to ensure maximum safety across all of the Group's jobs and environments. It also sought to measure, through several visits, the level of involvement and safety culture.

It concluded that the tools are in place, overall, and that they meet the Group's needs. It also noted that the use and circulation of the tools to all levels of the organization could be improved further. Several proposals for improvement were offered to strengthen the clarity of the instructions and thus avoid the risk of misinterpretation.

Thanks to the study, progress was made on the following:

- Revising our Golden Rules to improve the clarity of the definitions;
- Creating a Safety Visit tool focused on fatal risks;
- Strengthening the instructions for sensitive equipment; and,
- Defining a Group standard tool to detect risks at each workstation.

The tools developed in recent years are now well-established:

- E-learning in different languages, thus reaching potentially 85% of the Group's population. Intended, on a priority basis, for new employees, many plants use the tool to strengthen training of employees already on the job;
- Reporting on potentially dangerous situations: the objective is to report potentially serious and dangerous events that have occurred in all of the Group's facilities but that have not caused an accident;
- "Near accident" reporting tool: this tool, which was launched in 2013, has helped to improve awareness of the working environment and avoid events that could have become accidents. In 2014, Group units reported approximately 1,200 potentially dangerous situations. An identical number was recorded in 2015, proving that the Group has adopted this working and early detection culture.

To verify that the various tools are set up and that the plants comply with the Group's safety policy, the Health and Safety department conducted 16 site safety audits in 2015. Sixteen site audits are also scheduled for 2016.

In addition, the number of safety visits (see "Best Practices" below) rose by 28% compared to 2014, reaching 3,445, or five visits per site and per month. The objectives were achieved overall and this method has helped to strengthen the safety culture on a daily basis.

BEST PRACTICE

Safety visits

Safety visits provide an opportunity to conduct a rapid safety audit of part of a production workshop or process. They are conducted by a supervisor in charge of a different sector, usually accompanied by a member of the management team or the health and safety committee. The visits help to detect anomalies or deficiencies and generate action plans, whose implementation is verified at the next audit.

	2015	2014	Change
Number of safety visits	3,445	2,687	+ 28%

Risk survey

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

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

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

Risk prevention

The Group continues its employee training in best practices in PAH protection (Polycyclic Aromatic Hydrocarbons) at the Group's main production facilities that face these risks. Some production now uses materials with lower PAH content. In addition, working groups were set up several years ago to ensure continuous improvement of the working environment and the protection of individuals.

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

Safety training and audit

An e-learning safety program was developed in 2013 and implemented in 2014. It is now part of the integration process. The objective is to enable all new hires to benefit from this training when they arrive at Mersen. It encourages dissemination of the safety message and serves as a reminder of its importance to the Group from the moment the employee first enters the company.

The safety audit program continued in 2015. Sixteen audits were conducted, including cross-audits organized by geographic area. The cross-audits are conducted by specially trained individuals. They help to promote experience-sharing and are instrumental in fostering a Group safety culture. The program's organization by geographic area also helps to strengthen exchanges among facilities of the same culture, promoting understanding and implementation of the solutions proposed.

Many sites hold a safety week every year. In addition to topics related to workplace safety, these events offer an opportunity to address issues such as food safety and the risk of household accidents, create awareness among employees, and instill the safety culture. In 2015, a safety week was held at 46 sites, or more than 80% of Group facilities representing 82% of the workforce.

FOCUS

Health and safety week in Tunisia

A health and safety week was held in October 2015 in MGhira, Tunisia. Organized around several workshops - screening for risks of hypertension and obesity, advice from a physician/nutritionist on planning a balanced meal, and, of course, behavioral safety - it also provided an opportunity to build awareness among employees about the Group's Safety Commitments and our Golden Rules, specifically via the e-learning module, Safety at Mersen. Practical exercises on evacuation and fire safety were also held.

In addition, Mersen continued its policy of making safety a priority by holding its annual Safety Excellence Awards. These awards are given to facilities with first-rate safety management combined with a very high level of safety performance. In 2015, a special award was given to the Holytown unit in Scotland, which has won this challenge for several years. The facility in Amiens, France earned the prize for excellence for the second year in a row for the safety culture it has established and the cooperation it has achieved from everyone at the facility. The Saint Bonnet de Mure (France), Xianda (China), and Cabreuva (Brazil) facilities received an incentive award.

→ Safety indicators

In 2015, the Group obtained the best results in its history.

86% of the Group facilities reached the end of the year without a lost-time occupational accident in 2015.

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

Thanks to ongoing efforts to strengthen the Group's safety culture and the adoption of additional tools, we achieved a TF1 rate of 1.24 lost-time accidents per million hours worked in 2015, the best rate the Group has ever achieved. It fell by more than 35% compared to 2014 and by 55% compared to 2013.

The Group has improved its performance by more than 60% over five years.

We asked our units to hold the fatal risks awareness program, launched in 2014, again. We also asked them to bolster employee training, particularly for new hires, through the e-learning safety program. This strong message, delivered as soon as an employee joins Mersen, is an important method for creating awareness of this safety culture among employees.

The Group also continued its incident risk detection program.

2015	2014	2013
1.2	2.0	2.7

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

The rate of accidents with and without lost time is 4.3 accidents per million hours worked. This figure also fell significantly, by 30% compared to 2014.

Strengthened equipment protection systems, lifting aids, and training (e-learning and awareness-raising regarding risks) have sharply reduced the number of accidents with and without lost time. The basic work involved in incident detection contributes significantly to improved performance and to a stronger Group safety culture. For the first time, the Group fell below 60 accidents, with and without lost time, for nearly 14 million hours worked.

Mersen has improved its performance by nearly 60% over five years.

2015	2014	2013
4.3	6.2	6.8

Number	2015	2014	2013
Number of occupational accidents with lost time concerning temporary staffing agency employees*	4	3	2

(*) For a total of 1,165,000 hours worked in 2015, 960,000 in 2014 and 728,000 in 2013.

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

The severity rate improved sharply compared to prior years, achieving a record for the Group.

Significant work was done in 2015 to create awareness of fatal risks. All employees were trained on these risks based on their work environment.

For several years, the Group has taken steps to protect all of the machines and equipment following the risk mapping and audits. We have also emphasized how important it is for employees to wear the safety equipment provided.

All of these measures have contributed to achieving a total of 0.047 days lost/1,000 hours worked – or 47 days for 1 million hours worked.

2015	2014	2013
0.047	0.18	0.12

→ Indicators/operations in France

Number	2015	2014
Number of employees suffering from an occupational disease*	12	9

(*) For a workforce of 1,469 in 2015 and 1,490 in 2014

Societal policy

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

Mersen has been a signatory of United Nations Global Compact since 2009, reflecting our commitment to make progress on 10 universal principles in order to build societies that are more stable and respectful of human rights and international standards in the areas of labor, the environment and the battle against corruption.

The Group's **Ethics Charter**, which is circulated internally and published on Mersen's web site, restates the collective and individual commitment of the Group and its employees. It particularly addresses the Group's relationships with its employees, customers, suppliers, competitors, shareholders, and surrounding ecosystem. The corporate and cross-audits carried out by the Group's internal audit function provide insight on a regular basis into whether these rules are applied properly. Over the last three years, 90% of Group companies were covered by an internal audit.

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

At the same time, concrete measures have been implemented to raise teams' awareness about a number of risks associated with unlawful practices. A training module focused on fraud-related risks (swindling, counterfeiting, etc.) was developed for Group managers. Since implementation, 120 managers have been trained worldwide.

→ Local initiatives

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

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

Local economic action

In France, competitiveness clusters bring together groups of companies and institutions in a clearly-identified regional area and on a targeted topic.

For example, Mersen Boostec, which is located in the Midi-Pyrénées region, belongs to the European ceramics cluster and the Aerospace Valley cluster. It works with the local PRIMES (power mechatronics and energy management innovation platform) platform. In the Angers region, Mersen belongs to the S2E2 (Smart Electricity Cluster) and MEDEE (motors and electrical devices for energy efficiency) clusters and works with the CDM, Réseaulia and Neopolia business networks (network bringing together industries in the Pays de la Loire region).

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

The Pagny-sur-Moselle facility renewed its relationship with the Semaine de l'Industrie (Industry Week) in 2015, hosting a group of 24 female students from the technical department at the Louis Vincent de Metz high school to introduce them to the positions available at the facility and to its expertise and products. This event helped to enhance the industry's image and ability to attract talented young candidates.

Similar initiatives are carried out worldwide; for example, at the Greenville (United States) plant, which works with the local Chamber of Commerce to provide training to unemployed youth.

Actions promoting employment, training and apprenticeship

With operations in approximately 35 countries, the Group works to develop relationships with local schools and universities. Thanks to these local connections, young people can learn more about our industry.

The Group is particularly involved in developing apprenticeships. In Austria, young Mersen apprentices participated in a campaign to promote industrial apprenticeships. They were taken on to be trained in metallurgy trades. This year, our plants in India hosted 20 apprentices and the Gennevilliers, France facility hosted 13. Partnerships were developed in Brazil with the national industrial training service (SENAI) and the social services for industry (SESI) organization. Students spend four hours/day at the company and receive priority for employment.

In France, the Pagny-sur-Moselle facility collaborates regularly with local schools and universities (including EEIGM, Ensic, ENIM, and Université Paul Verlaine). This may involve attending courses provided by employees and participation at job forums and conferences. It also includes regular offers of apprenticeships within the company.

In terms of training, the Group is involved in WindLab, a regional wind energy jobs training initiative in the Picardy region. This training offers jobseekers an opportunity to obtain a certificate that is essential for working in the booming wind energy sector.

Strong links have been established with engineering schools and universities, such as at Mersen Boostec (France), which participates in a program for doctoral candidates from throughout Europe (GraWIIToN); the Newburyport facility (United States), whose R&D department is associated with Northeastern University; the Toronto facility (Canada), which is involved in R&D with the Waterloo and McMaster universities; and, in Japan, where Mersen developed a partnership with the university in Nagaoka (Nagoya University of Technology).

Charitable contributions and volunteerism

Through the Group's entities, Mersen seeks to help organizations supporting projects that reflect our values and are consistent with our corporate mission or our challenges.

This year, the Pagny-sur-Moselle facility (France) sponsored a charitable project of the Vent d'Est organization, which sent four young people to Moldavia to help low-income populations.

In Spain, the Cirprotec facility participated in the charitable work of the Fondation Vincente Ferrer (FVF), involving efforts to combat malnutrition in the Kurnool region of India. Thanks to this initiative, an average of 952 people benefits from the program every month.

The Saint-Bonnet-de-Mure plant (France) supports the 4L Trophy™. This 6,000-km car race is both a daring adventure and a humanitarian project, as the students carry medical and school supplies in their 4L vehicle. In 2015, the two students on the Lyon team, who were also work-study interns at the facility, were sponsored to participate in that year's event.

In Germany, Mersen supported the founding of a recycling organization. This non-profit group organizes the collection and recycling of fuses throughout the country. Profits generated are invested in activities that support training, teaching and research in electrical engineering and in charitable activities. This year, contributions were directed to a fund supporting children and adolescents with serious illnesses.

In India, Mersen continues to support government initiatives to provide training (in embroidery, sewing and hairdressing) for employees' wives. In 2015, more than 40 women obtained this training, intended to lead to jobs that will provide additional income for the families.

At the same time, most of the sites make contributions to local associations and sponsor sports activities in which company employees participate, according to the rules defined in the Donation and Patronage policy.

Environmental approach

Mersen is involved in environmental issues on two levels: first, through its **position on sustainable development-related markets**; and, second, through its commitment to **environmentally responsible practices**. The Group pursues a collective and pragmatic approach involving all its employees, who are educated and receive training at every level of responsibility.

→ Helping to develop sustainable development industries

A significant share of Mersen's business is related to sustainable development industries, such as renewable energy, energy efficiency, and clean mass transit. In 2015, that sector represented approximately 35% of Mersen's sales.

Renewable energies

The solutions developed by the Group stimulate the growth of renewable energies.

Mersen supports the entire solar cell production process, from polysilicon to ingot pulling, and provides electrical protection for the panels. Our solutions optimize performance in terms of photovoltaic yield and energy efficiency. We are also the leading supplier for the wind energy sector, both in generator power distribution systems and yaw motors. The Group is also a key partner to the hydro-power segment, from turbine manufacturers to power plant operators.

The Group's solutions improve energy yield and optimize the service life of consumables. They also contribute to transporting the energy produced to the places where it is consumed.

Energy efficiency and energy saving

Mersen is positioned on markets whose growth is related to energy efficiency and the energy transition. Thanks to solutions such as furnace insulation and heat recovery systems, the Groups helps to reduce the production and consumption costs associated with its customers' manufacturing processes. We also supply components that are central to speed variation systems and thus optimize the yield of industrial facilities.

Our graphite-based solutions and high-performance materials are also critical to the manufacture of LEDs. Their widespread use for domestic lighting and their growing use for public lighting dramatically reduce energy consumption, while offering a particularly long service life.

Non-polluting transit

Mersen is helping to develop non-polluting urban and rail mass transit in response to the growing demand for mobility of people and goods. We provide equipment for rolling stock and infrastructure to enhance the reliability and performance of their electrical systems.

→ Environmentally-sound practices

Mersen undertakes to:

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

In 2015, Mersen continued its review of the implications of the Grenelle II legislation (law no. 2010-788 of July 12, 2010) on the national commitment to the environment. Audits and verifications performed in connection with this reporting gradually improve the reliability of the data reported.

Beyond the regulatory requirements, awareness-raising within the teams and sharing of best practices should help to reduce consumption and save energy at all of the Group's main sites.

Minimize environmental impacts

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

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

Comply with regulatory provisions

The Group monitors changes in the regulations so that it can take the relevant measures and plan ahead to find alternatives for certain products. To be able to ensure an uninterrupted supply chain, the Group must confirm that the supplier of a substance subject to approval meets all requirements.

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

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

The Group works with its suppliers to actively monitor the progress of work and the registration of certain strategic products purchased.

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

With regard to dangerous substances, Mersen is always very vigilant regarding the implementation of protection measures and a working group meets regularly to monitor their application and recommend changes. These measures seek to ensure the protection of employees and the environment. Strict instructions are implemented at the sites concerned to ensure the maximum protection of persons required to work with these substances, particularly with regard to wearing appropriate protective gear (including masks and suits). Second, investments were made in aspiration systems and machine enclosure systems, which reduced dust levels significantly. Lastly, gaseous effluents are collected and processed prior to discharge into the atmosphere.

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

The Group's main industrial facilities in France (Amiens, Angers, Bazet, Gennevilliers Pagny-sur-Moselle, Saint-Bonnet de Mure and Saint-Loup-de-Naud, that is, seven out of nine sites) fall under the French Classified Installations for the Protection of the Environment regime (ICPE). Based on the level of potential pollution, some of the products stored or processes used are subject to different requirements (declaration, registration or authorization), which the Group meets in compliance with the law.

Seeking out best practices

Sustainable use of resources

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

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

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

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

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

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

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

With regard to procurement and outsourcing, Mersen's policy takes environmental issues into account. For several years, the Group has been developing an "eco-sustainable-redesign to cost" approach. Based on a functional analysis of a product, this method is intended to replace or reduce the proportion of certain components or raw materials, substituting others that are more environmentally sound without affecting product functionality. After working, on a priority basis, on products for which the proportion of procurement represented a majority share of the price, the process is now being expanded to new products.

The Group also promotes the application of environmental criteria in the purchasing process, including giving priority to the use of recyclable materials, the widespread use of more eco-friendly packaging, and collaboration with local suppliers to reduce transportation costs and greenhouse gas emissions.

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

BEST PRACTICES

Optimizing the organization of procurement

La Mure facility (France) decided to streamline the deliveries of its materials procurement. Goods are now delivered to an intermediate grouped platform located in the closest metropolitan area and a shuttle makes weekly deliveries from the platform to the facility. This system limits greenhouse gas emissions, while limiting transportation costs (including fuel and high-altitude surtax).

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

Energy consumption

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

Waste management

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

- Recovery of waste related to industrial production: Mersen's production activities produce manufacturing residues that may be reused to produce other Group products or resold to third parties to be incorporated in other production processes. This is the case, for example, of graphite powder from graphite block drilling, which can be reused to manufacture graphite tubes or resold for reuse in steel production.
- Recycling of used products: Over the last several years, the Group has participated actively in efforts to recycle fuse waste by reusing large amounts of the metal content of used fuses. Similar initiatives are underway in brush manufacturing, with a recovery program introduced to collect used brushes from customers to recycle the reusable metal content.
- Emissions recovery: Certain facilities have set up systems to recover the heat generated by industrial activities. For example, this heat may be reinjected into the heating system or used as an energy source.

Land use and noise pollution

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

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

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

Measures to adapt to climate change

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

Environmental indicators

The scope of environmental reporting is identical to that of 2014 and includes 17 facilities.

However, following the implementation of the Transform plan, some of these facilities benefited from transfers of production during the year.

Environmental certifications and training

Half of the production facilities included in the reporting scope are currently certified ISO 14001, the environmental management system standard.

In 2015, environmental training increased, with 2,466 hours provided, compared to 2,373 in 2014. This represents an increase of nearly 4%, reflecting an understanding of the need to create awareness of this issue among employees.

ISO 14001 certifications	2015	2014
ISO 14001 certification rate	50%	50%
Training in environmental protection *(number of hours)*	2,466	2,373

FOCUS

Creating awareness of best environmental practices among employees

Every month throughout the year, the St. Mary's (United States) facility devotes a full day of training to safety and the environment.

Each employee at the plant whose birthday falls in that month must participate, thus ensuring that everyone receives the training.

Environmental provisions

In millions of euros	2015	2014
Amount of significant provisions for environmental risks	0.5	0.5

This amount is related to a risk of minor pollution noted in 2010, following the use, more than 20 years ago, of certain processes and products at a facility prior to the time that it joined the Group. Those processes and products are no longer used today.

Consumption of water and energy and CO_2 emissions

Electricity and gas consumption increased very slightly in 2015 (by 3.5%) because of increased activity at certain sites following the transfer of activity, while those facilities where production stopped were not included in the scope of monitoring. Consequently, CO_2 emissions also rose slightly (+2.5%).

In general, additional efforts were made to reduce energy consumption at the plants. These involve initiatives to increase employee awareness, as well as concrete measures. For example, in 2015, when the industrial facilities were renovated, several plants invested in more energy-efficient equipment, particularly thanks to systems that regulate energy consumption. Some of the plants also replaced their lighting systems with LEDs (light-emitting diodes), which are more energy-efficient.

Water consumption increased by 7% overall compared to 2014. However, this does not represent a particular issue for Mersen at any of its facilities because the Group's industrial activities require only limited quantities of water. Some processes, particularly cooling-related, use water in closed systems.

	Unit	2015*	2014*
Electricity	MWh	161,472	156,211
Gas	MWh	158,816	153,516
CO_2 emissions	Tons	101,325	98,930
Water	m^3	534,312	493,632

** The 2014 and 2015 data are not comparable. Under the Transform plan, certain production was transferred from facilities that are not included in the scope of reporting to facilities that are included, which explains the additional consumption in 2015.*

Consumption of raw materials and metals

Raw materials consumption rose slightly in 2015, in line with the development of sales within the environmental scope.

	Unit	2015*	2014*
Timber	Tons	1,584	1,575
Cardboard	Tons	818	779
Coke	Tons	5,962	5,552
Copper	Tons	1,346	1,273

** The 2014 and 2015 data are not comparable. Under the Transform plan, certain production was transferred from facilities that are not included in the scope of reporting to facilities that are included, which explains the additional consumption in 2015.*

Waste

In 2015, the consolidated data revealed a significant decline in hazardous industrial waste. The volume of this waste had been considerable in 2014 as a result of the special wastes generated by the dismantling operations in connection with the Transform plan.

With regard to recycling, the change overall is favorable - the percentage of wastes recycled waste reached more than 40%, compared to barely 30% one year ago. This is the result of increased efforts to manage wastes in a more environmentally-friendly manner.

For example, the Bay City facility (United States) increased the percentage of graphite recycled by 26% compared to 2014.

	Unit	2015	2014*
Hazardous industrial waste*	Tons	1,226	1637
Non-hazardous industrial waste	Tons	11,113	10919
Including recycling:			
Recycled timber	Tons	563	667
Recycled cardboard	Tons	312	292
Recycled ferrous metal	Tons	764	2021
Recycled artificial graphite	Tons	2,163	1928
Percentage of waste recycled:		40%	30%

** Data including special waste (including construction and dismantling) for certain facilities that have not yet established a process for identifying waste associated with this kind of unusual work.*

→ Local initiatives

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

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

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

Amiens, France

- Recovery of copper and graphite powder in collaboration with the facility's R&D;
- Creating awareness among employees of safety and environmental issues and encouraging best practices.

Gennevilliers, France

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

Pagny-sur-Moselle, France

- Investments to replace equipment with higher-yield, more energy-efficient systems (including transformers, compressors and lighting);
- Post-combustion energy recovery;
- Restoration of the plant's aspiration system to improve environmental protection;
- Replacement of the systems used to impregnate and dry graphite blocks by regulated systems that save energy;
- Development of LED lighting, which is more energy-efficient;
- Publication of monthly newsletters dedicated to safety and the environment to raise employee awareness of safety and environmental issues and promote best practices.

Saint-Bonnet-de-Mure, France

- Recovery and reuse of components from fuses found to be defective in testing;
- Development of a recovery system that captures rainwater for return to the groundwater;
- Installation of a treatment station for water polluted by a manufacturing process;
- Installation of heat recovery equipment;
- Gradual expansion of the use of LED lighting;
- Publication of an environmental bulletin to raise employees' awareness about safety and environmental issues and promote eco-friendly behavior.

Holytown, United Kingdom

- Replacement of lighting by LEDs;
- Replacement of furnace cooling pumps by more energy-efficient systems;
- Streamlining workloads to reduce work periods and electricity expenditures.

Bay City, United States

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

Greenville, United States

- Continuation of graphite recycling;
- Development of LED lighting, which is more energy-efficient;
- Maintenance of dust aspiration systems to ensure good air quality;

St Mary's, United States

- Implementation of a high-performance lighting system throughout the plant;
- Enhanced awareness-raising and training on spill risks.

Juarez, Mexico

- Replacement of office lighting by more energy-efficient LED;
- Ongoing efforts to raise employee awareness of sound environmental habits.

Sao Paulo, Brazil

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

Toronto, Canada

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

Chongqing, China

- Program to maintain and upgrade gas cleaning systems to improve their operating conditions;
- Training for all employees on new environmental protection legislation;
- Environmental emergency situation training campaign.

Xianda, China

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

Reporting program and methodology

Following publication of the Grenelle 2 legislation in France (law no. 2010-788 of July 12, 2010) instituting a nationwide commitment to the environment, Mersen stepped up its reporting program. As part of this drive, the Group consolidated its unique internal reporting framework formally defining and describing the processes and methods to be used to gather and report data in line with Article 225 of this law. A number of indicators[(1)] have been added to those traditionally monitored, while the scope of reporting has been extended to include a larger number of Group companies.

Scope of reporting

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

- Social and societal reporting: all companies except for those acquired less than a year ago[(2)].
- Environmental reporting: all companies whose production generated sales of more than €15 million at year n-1[(3)], excluding companies acquired less than a year ago. Every company that was included in the scope of reporting and whose production exceeded the threshold of €15 million remains within the scope of the environmental reporting, provided that its sales do not fall below €7.5 million. These thresholds thus restrict environmental reporting to companies' representative of the Group's business activities. In 2015, they accounted for more than 71% of total sales. However, in 2015 in the United States, given the gradual transfer of production over the course of the year from the Oxnard site to the Salem site under the Transform plan[(4)], the latter site could not be included in the scope of consolidation, although the consolidation threshold was reached.

In the coming years, Mersen will consider to gradually increase the representativeness of the environmental reporting scope.

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

Organization of the reporting and methodology

Indicator sheets

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

Reporting year

The data reported cover the period from January 1 to December 31, 2015.

(1) Table summarizing all the indicators tracked is provided at the end of the chapter.
(2) Only the workforce figures include all companies falling within the scope of financial consolidation.
(3) See page 37, «Environmental indicators» for more information.
(4) Plan designed to improve the Group's competitiveness by simplifying its industrial base.

Reporting process participants and their responsibilities

There are three levels of responsibility:

Corporate responsibility

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

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

Group companies' responsibility

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

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

External organization

The audit and verification were performed in 2015, based on 2014 data, by an independent third-party organization, in accordance with the implementing decree of April 24, 2012.

→ Information regarding the collection of social data

Social information is collected through an HR information system used in all the Group's consolidated companies, with the exception of a few entities that recently entered the scope of consolidation and are being incorporated gradually, based on an implementation schedule defined by the Group's senior management. Only the workforce indicator is available for the latter companies (scope not included in the human resources information system, HRIS), which represented less than 1% of the workforce in 2015.

The HRIS model chosen is based on monthly data collection, performed by the local teams. Once this data has been collected, it is archived in the system and cannot be changed. The Group thus cannot ensure the reliability of certain data that may be subject to minor subsequent modifications, Data on training hours are monitored simultaneously using Excel to offset the risk that the data extracted from the HRIS are not exhaustive. The local HR teams are regularly informed and trained in order to improve the quality of monthly reporting. As the social data are specific to local labor regulations, they are subject to enhanced controls at the Group level during consolidation to minimize any inconsistencies and ensure that the consolidated data are homogenous. Additional consistency controls were performed this year, particularly with regard to the absenteeism indicator. All discrepancies are investigated with the contributors responsible for reporting the data. In the event of failure to respond or a discrepancy observed that cannot be corrected, the scope concerned is removed from the scope of consolidation, and this scope is specified with regard to the data and in the summary table. The Group is working to strengthen these controls.

→ Information regarding certain indicators and specific definitions

Absenteeism

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

Accident with lost time

An accident resulting in time off work. An accident affecting several people is recognized as a single accident. Only the causative event is taken into account. The accidents taken into account are those considered to be directly work-related following investigation by the health and safety managers and for which the Group may be able to take preventive action. Certain events, such as non-work related conditions or commuting accidents, are excluded, even if the relevant authorities have declared them to be workplace accidents.

Agreement

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

Biodiversity

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

Workforce and distribution by gender, age and geographic area

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

Employees suffering from an occupational disease (operations in France)

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

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

Hiring

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

Training

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

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

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

They do not include training provided through the Group's e-learning platform, Mersen Academy.

Environmental protection training

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

Managers

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

Local nationality

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

Corporate governance bodies

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

Organization of working time and social Dialogue

Because these concepts vary significantly by country, this information is provided only for France.

Policy

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

Environmental, health and safety (EHS) manager

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

Disabled employees

As the Group has a presence in a large number of countries, it is subject to the various local laws. Accordingly, this information is provided only for France. This involves employees whose disability has been recognized by an organization or institution and under the conditions set by current French regulations.

Consumer safety

Mersen produces and sells components and equipment to its industrial customers in compliance with safety and quality requirements. In this regard, the Group's activity has no direct impact on the safety of the end consumer.

Senior employees

Employees over 55 years of age.

Overview of indicators

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

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
SCOPE				
Scope	-	Reporting program and methodology	3.5 to 3.11	40
SOCIAL INFORMATION				
EMPLOYMENT				
Total workforce broken down by gender	Quantitative	Standard	LA1	26
Total workforce broken down by age	Quantitative	Standard		26
Total workforce broken down by geographical area	Quantitative	Standard	LA1	27
Headcount broken down by category	Quantitative	Standard		27
Number of new hires	Quantitative	Standard	LA2	26
Number of dismissals	Quantitative	Standard	LA2	26
Compensation policy and their development	Qualitative	Standard		24
ORGANIZATION OF WORK				
Policy on the organization of working time	Qualitative	Restricted/France		28
Percentage of the workforce working part-time	Quantitative	Restricted/France(1)		28
Absenteeism rate	Quantitative	Restricted (93% of the Group's workforce)	LA7	23, 28
LABOR RELATIONS				
Structure of the labor dialog	Qualitative	Restricted/Europe	LA4	24
Collective bargaining agreements	Qualitative	Restricted/France	LA5	17, 23
HEALTH & SAFETY				
Safety policy	Qualitative	Standard	LA6 & LA8	29
List of occupational health and safety agreements	Qualitative	Restricted/France(1)	LA9	23
Number of safety visits	Quantitative	Standard		30
Frequency rate of occupational accidents with lost time (TF1)	Quantitative	Standard	LA7	31
Frequency rate of occupational accidents with and without lost time (TF2)	Quantitative	Standard	LA7	31
Severity rate (TFG) of occupational accidents	Quantitative	Standard	LA7	31
Number of occupational accidents with lost time concerning temporary staffing agency employees	Quantitative	Restricted/France(1)	LA7	31
Number of employees suffering from an occupational disease	Quantitative	Restricted/France(1)	LA7	31

(1) In the coming years, Mersen will work to gradually extend this scope to certain other Group entities when the indicator is relevant in the country in question, and when such extension is authorized by local law.

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
TRAINING POLICY				
Training policies implemented	Qualitative	Standard	LA11	20
Number of hours of training	Quantitative	Restricted (94% of the Group's workforce)	LA10	21
DIVERSITY AND EQUAL OPPORTUNITY				
Diversity policy	Qualitative	Standard	LA13 & EC5 & EC7	23
Percentage of women managers	Quantitative	Standard	LA13	23
Percentage of women on corporate governance bodies	Quantitative	Standard	LA13	23
Percentage of disabled employees in the workforce	Quantitative	Restricted/France	LA13	28
Percentage of senior employees in the workforce	Quantitative	Standard	LA13	26
Percentage of plant managers/ local nationality	Quantitative	Standard	EC7	23
PROMOTION OF AND COMPLIANCE WITH ILO CONVENTIONS (human rights)				
Conformity with the provisions of the ILO's key conventions	Qualitative	Standard	HR	32
ENVIRONMENTAL INFORMATION				
GENERAL ENVIRONMENTAL POLICY				
Organization of the company to take environmental concerns into account	Qualitative	Standard/Group policy	Managerial approach	34
ISO 14001 certification rate	Quantitative	Standard		37
Percentage of companies with a dedicated EHS manager	Quantitative	Standard		29
Number of hours of environmental protection training	Quantitative	Restricted (71% of the Group's workforce)		37
Resources dedicated to environmental risk prevention	Qualitative	Standard	EN30	34
Amount of significant provisions for environmental risks	Quantitative	Standard	EN28 & EC2	37
POLLUTION AND WASTE MANAGEMENT				
Recycled ferrous metal	Quantitative	Standard		38
Recycled artificial graphite	Quantitative	Standard		38
Non-hazardous industrial waste	Quantitative	Standard	EN22	38
Hazardous industrial waste	Quantitative	Standard	EN22	38
Measures to mitigate noise pollution and all other types of pollution specific to an activity	Qualitative	Standard		36

Article R. 225-105-1 of the French Commercial Code Grenelle 2 topics	Qualitative or quantitative information	Scope/Comments	GRI 3.1	Page
SUSTAINABLE USE OF RESOURCES				
Volume of water consumed	Quantitative	Standard	EN8	37
Electricity consumption	Quantitative	Standard	EN3 & 4	37
Gas consumption	Quantitative	Standard	EN3 & 4	37
Wood consumption	Quantitative	Standard	EN1	38
Cardboard consumption	Quantitative	Standard	EN1	38
Copper consumption	Quantitative	Standard	EN1	38
Coke consumption	Quantitative	Standard	EN1	38
Recycled timber	Quantitative	Standard	EN2	38
Measures to improve energy efficiency and use of renewable energy sources	Qualitative	Standard	EN6	38
Land use	Qualitative	Standard		36
CLIMATE CHANGE				
CO_2 emissions	Quantitative	Standard	EN16	37
Measures to adapt to climate change	Qualitative	Standard		36
BIODIVERSITY PROTECTION				
Measures taken to preserve and develop biodiversity	-	Standard	EN11 to 15, EN25	42
SOCIETAL INFORMATION				
REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE ACTIVITIES				
Local and regional impact of activities on employment and development	Qualitative	Standard	EC8 & EC9	32
RELATIONS WITH STAKEHOLDERS				
Dialogue with stakeholders	Qualitative	Standard	4.14 to 4.17	32
Support, partnership and sponsorship initiatives	Qualitative	Standard	EC1 & 4.11 to 4.13	32
OUTSOURCING AND SUPPLIERS				
Inclusion of social and environmental concerns in purchasing policy	Qualitative	Standard/Group policy	EC6 & HR2	32
FAIR OPERATING PRACTICES				
Measures implemented to prevent all forms of corruption	Qualitative	Standard/Group policy	SO2 to 4, SO7 & SO8	32
Percentage of companies covered by an internal audit in the past 3 years	Quantitative	Standard		32
Managers who have attended the anti-fraud training	Quantitative	Standard	SO3	32
Measures to protect consumer health and safety	Qualitative	Standard	PR1 & PR2	42
Other actions taken in support of human rights	Qualitative	Compliance brought about by implementation of the ethics charter	HR	32

** The concept of the "Standard" scope refers to the definition given in the section "Scope of reporting" at the end of this chapter. Where the scope is "Restricted", the restrictions are stipulated either in each reporting table or in the "Comments" column above.*

Report by the independent third party,

on the consolidated human resources, environmental and social information included in the management report for the year ended the 31th of December 2015

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1049[1] and member of the KPMG International network of the company's Statutory Auditor, we hereby present to you on the consolidated human resources, environmental and social information for the year ended the 31th of December 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code.

→ Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

→ Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

→ Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved five persons and was conducted between September 2015 and March 2016 during a five week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

(1) "whose scope is available at www.cofrac.fr"

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in chapter 2 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above – in particular the scope restriction on human resources information only reported on the French scope, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted twelve interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important(1):

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us(2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 22% of headcount and between 19% and 48% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

(1) Human resources quantitative information: Active headcount as at December 31, 2015 broken down by gender; Number of recruitments; Number of redundancies; Percentage of female managers; Absenteeism rate; Frequency rate of work accidents with lost days; Severity rate of work accidents with lost days; Number of training hours; Percentage of employees with disabilities.
Environmental quantitative information: Water consumption; Electricity consumption; Gas consumption; Copper consumption; Amount of hazardous and non-hazardous waste; Recycled part of waste.
Qualitative information: Occupational health and safety conditions; The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Action implemented against corruption; Consideration, in the relationship with suppliers of their environmental responsibility.
(2) Juarez (Mexico); St Marys (United States of America); Boonton (United States of America); Saint-Bonnet (France).

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Emphasis of matter

Without qualifying the above conclusion, we draw your attention to the following matters:

Regarding the reporting of human resources information, the methodological note "Details on the collection of human resources information" presented in Chapter 2 of the Management Report presents actions taken to strengthen internal controls over data on staff movements, absenteeism and hours of training. Additional controls were implemented by Mersen on these data this year. However, they must be strengthened to keep on improving the reliability of this information.

Paris-La Défense, March 8th, 2016

KPMG S.A.

Philippe Cherqui	Philippe Arnaud
Partner	Partner
	Climate Change and Sustainability Department

Corporate governance

3

Administrative, management and supervisory bodies

On May 19, 2009, Mersen opted for a governance structure composed of a Management Board and a Supervisory Board, with three specific committees. The Group refers to the AFEP-MEDEF 2010 corporate governance code for listed companies. More generally, the Group defines and strictly applies the most demanding rules in terms of transparency, quality of information, and balance of power.

→ Board practices

Operation of the Supervisory Board

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

Operation of the Management Board

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

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

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

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

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

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

In 2015, the Management Board was composed of four members: Luc Themelin (Chairman), Thomas Baumgartner, Christophe Bommier and Didier Muller. The term of Management Board Chairman Luc Themelin and the terms of the members of the Management Board were renewed for four years by decision of the Supervisory Board, taken on May 16, 2013. During 2015, the Committee met 11 times with an attendance rate of 100%.

At its September 30, 2015 meeting, the Supervisory Board unanimously approved a change in the composition of the Management Board as of January 1, 2016. The Management Board is currently composed of Luc Themelin, as Chairman, and Thomas Baumgartner, until the end of their respective terms. Christophe Bommier and Didier Muller resigned from their respective offices.

Executive Committee

An Executive Committee was established by the Management Board on October 14, 2011. It is responsible for managing the Mersen group's operational affairs and meets every month to review the Group's financial performance and decide on action plans in various areas (including human resources, IT, procurement, legal affairs, and development) in line with its strategic priorities. The Executive Committee ensures that the Group's organization functions properly and in this capacity it is heavily involved in forecasting the human resources required for the continued development of its business activities.

In addition to the **members of the Management Board (Luc Themelin and Thomas Baumgartner)**, the Executive Committee is composed of:

Gilles Boisseau
Group Vice President, Electrical Power

Christophe Bommier
Group Vice President, Technology, Research, Innovation and Business Support

Thomas Farkas
Group Vice President, Strategy and M&A

Jean-Philippe Fournier
Group Vice President, Operational Excellence

Eric Guajioty
Group Vice President, Advanced Materials

Estelle Legrand
Group Vice President, Human Resources

Didier Muller
Group Vice President, Asia & Latin America

→ Summary biographies of the Supervisory Board members

Isabelle Azemard

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

Yann Chareton

A graduate of the IEP in Paris and ESSEC, Yann Chareton also studied at the London School of Economics and the Università Commerciale Luigi Bocconi in Milan. In Italy, he was involved in transactions with the KOS, Lima, Bruni, Italmatch and Irca groups. In October 2005, he joined AXA Private Equity's Mid Cap LBO team (which became Ardian in 2013) where he is Director at the Milan office. Since Ardian is a shareholder in Mersen, Yann Chareton cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Hervé Couffin

A graduate of the École Polytechnique and a qualified Corps des Mines engineer, Hervé Couffin started his career working for the French industry ministry. He joined the Paribas group in 1983 as director responsible for principal investments. He became a member of the Executive Committee of Paribas Affaires Industrielles in 1993, then senior partner and member of the Executive Committee of PAI Partners until 2004. In 2005, he founded Callisto, a financial consulting firm that advises management teams in leveraged buy-outs. He is Callisto's Chairman and CEO. In addition, he is an independent director of several companies. In accordance with the opinion of the Appointments and Remuneration Committee, Hervé Couffin is considered as an independent member of the Supervisory Board.

Catherine Delcroix

Catherine Delcroix has a degree in marine engineering from the École Nationale Supérieure des Techniques Avancées, and has spent her career in engineering and industrial maintenance, primarily in the energy sector. She served as Managing Director for Energy of the CNIM group from 2002 to 2014 and was appointed Board member and corporate secretary of the Group in 2009. In accordance with the opinion of the Appointments and Remuneration Committee, Catherine Delcroix is considered as an independent member of the Supervisory Board.

Carolle Foissaud

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

Dominique Gaillard

A graduate of the Ecole Polytechnique, Ecole Nationale des Ponts et Chaussées, the IAE in Paris and the University of Berkeley, California (MSc), Dominique Gaillard began his career working for a Pechiney subsidiary as R&D director, then sales and marketing director (1988-1990). From 1990 to 1997, he worked at Charterhouse, during which time he arranged numerous development capital and LBO transactions. He joined AXA Private Equity (which became Ardian in 2013) in 1997 as head of LBOs. He is now Managing Director in charge of Direct Funds (development capital, small & mid cap LBOs, co-investment, and infrastructure). As a representative of Ardian France and advisor to the AXA Capital Fund LP, which is a Mersen shareholder, Dominique Gaillard cannot be regarded, in the opinion of the Appointments and Remuneration Committee, as an independent member of the Supervisory Board.

Jean-Paul Jacamon

Jean-Paul Jacamon is a graduate of the École polytechnique and of the École des Mines. After starting his career at the French Ministry of Industry and Datar, he joined Schneider Electric in 1981. He became Chairman and CEO of Spie-Trindel and Spie Enertrans and, in 1993, Senior Executive Vice-President of Spie Batignolles. In 1995, he was appointed CEO of the European Division and, in 1996, CEO. He served as Vice Chairman and Managing Director of Schneider Electric from 1999 to 2002. Since that time, he has served as a company director. In accordance with the opinion of the Appointments and Remuneration Committee, Jean-Paul Jacamon is considered as an independent member of the Supervisory Board.

Henri-Dominique Petit

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

Philippe Rollier (term ended February 2015)

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

Thierry Sommelet (permanent representative of Bpifrance Investissement)

A graduate of the Ecole Nationale des Ponts et Chaussées French engineering school, with an MBA from INSEAD, Thierry Sommelet began his career in the capital markets at Crédit Commercial de France in 1992 in Paris and, subsequently, in New York. After holding management positions in London and Paris, he joined the Caisse des Dépôts et Consignations in 2002 as Manager of Financial Arrangements in the Digital Investments and Holdings department. He moved to the Strategic Investment Fund when it was established in 2008 and has been, since 2015, Director, member of the executive committee at Bpifrance Investissement Mid & Large Cap. Since Bpifrance Investissement is a shareholder in Mersen, Thierry Sommelet cannot be regarded as an independent member of the Supervisory Board in the opinion of the Appointments and Remuneration Committee.

Marc Speeckaert

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

Ulrike Steinhorst

Ulrike Steinhorst began her career in France at the Ministry of European Affairs. She joined EDF's International Division in 1990 before returning to Germany, where she joined the Degussa group in 1999. She held several positions there, first in Germany and later in France, where she directed Degussa's French subsidiary. In 2007, she moved to EADS as Chief of Staff to the CEO. In 2012, she joined the Research Directorate of the Airbus Group, where she became Head of Strategy, Planning and Finance. Ulrike Steinhorst is a German lawyer and a graduate of Paris II – Panthéon University, HEC (EMBA) and the French Ecole Nationale d'Administration (International Cycle). Since 2011, she has been an independent director of Valeo. In accordance with the opinion of the Appointments and Remuneration Committee, Ulrike Steinhorst is considered as an independent member of the Supervisory Board.

Summary biographies of the Management Board members

Luc Themelin

Luc Themelin holds a Ph.D. in ceramic materials science. He began his career at Alliages Frittés Metafram, a subsidiary of the Pechiney group, in 1988. He joined the Mersen group in 1993 as a Research and Development engineer. He was appointed Director of the Braking Division in 1998 and Director of the High Temperatures Division in 2004. He joined the Executive Committee in 2005, while continuing to manage the Braking Division and overseeing the High Temperatures Division. On July 1, 2008, Luc Themelin was appointed as Supervisor of the Electrical Applications division and a member of the Management Board in May 2009. He was appointed as Chairman of the Management Board on August 24, 2011. His term in office as Chairman was renewed on May 16, 2013 for a period of four years.

Thomas Baumgartner

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

Christophe Bommier (term ended December 31, 2015)

Christophe Bommier began his career with Pechiney as an R&D engineer, before joining the Mersen group in 1989 where he rapidly rose through the ranks to become Vice President, Braking. In 1998, he moved to the United States where he took charge of the North American operations of the High Temperatures division, before being appointed Vice President, High Temperatures Asia in 2006. In 2010, he was appointed Global Vice President, High Temperatures. He was appointed as a member of the Management Board on August 24, 2011. His term in office was renewed on May 16, 2013 for a period of four years. On December 31, 2015, he resigned from his position as member of the Management Board. Christophe Bommier is a graduate of the Paris School of Physics and Chemistry.

Didier Muller (term ended December 31, 2015)

Didier Muller began his career in 1981 and held several sales positions. He joined the Mersen group in 1989, being given responsibility for various subsidiaries and divisions, predominantly in international markets. He directed the South America region before heading up the Electrical Applications Division in 2006. On August 24, 2011, he was appointed to the Management Board and in July 2012, he also took over management of the Chemical Engineering Division. His term in office as a member of the Management Board was renewed on May 16, 2013 for a period of four years. On December 31, 2015, he resigned from the Management Board. Didier Muller is a graduate of the Rouen ESC business school and holds a master's degree in economic science.

SUPERVISORY BOARD

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Isabelle AZEMARD DoB: Feb. 27, 1952 Member of the Appointments and Remuneration Committee **Business address:** 3 bd Pershing - Paris	May 15, 2014		Annual General Meeting called to vote on the 2017 financial statements	800 (1) 0 (2)	**Director of:** AXA mutuelle IARD and mutuelle Vie, Latécoère***, Majencia
Bpifrance Investissement Represented by **Thierry SOMMELET** Member of the Audit and Accounts Committee **Business address:** 14 rue Le Peletier - Paris	October 30, 2013 (cooptation)		Annual General Meeting called to vote on the 2018 financial statements	2,242,770 (1) 0 (2)	**Member of the Supervisory Board or of the Board of Directors (permanent representative of Bpifrance):** Inside Secure**, Soitec**, Talend SAS. **Director:** Tyrol Acquisition 1 and 2 holdings, in its own name. **Chairman of the Supervisory Board:** Greenbureau SA

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

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Yann CHARETON DoB: Jan. 8, 1978 Member of the Audit and Accounts Committee **Business address:** Piazza San Fedele 2 - Milan	May 19, 2009	May 16, 2013	Annual General Meeting called to vote on the 2016 financial statements	920 (1) 0 (2)	**Member of the Board of Managers:** ACF I Investment **Chairman of the Board of Directors:** Italmatch Chemicals **Director:** BG Holding, Bruni Glass, Calimax 1 SA, Calimax 2 SA, Kos Spa, Lima Holding, Limacorporate, Mikrolux 1 SA, Mikrolux 2 SA, Mikrolux 3 SA, NHV Holding, PhotoTechLuxco 1 SA, PhotoTechLuxco 2 SA, Irca Srl, Irca Holding Spa, Essenze Italiane Srl
Hervé COUFFIN DoB: Oct. 26, 1951 Chairman of the Supervisory Board Member of the Audit and Accounts Committee and the Appointments and Remuneration Committee Chairman of the Strategy Committee Independent member** **Business address:** 12 place Victor Hugo - Paris	May 19, 2009	May 16, 2013	Annual General Meeting called to vote on the 2016 financial statements	26,667 (1) 13,000 (2)	**Chairman and Chief Executive Officer of:** CALLISTO **Managing Partner of:** HC Conseil **Director of:** ANTARGAZ, IPSEN*** **Member of the Supervisory Board:** Gerflor
Catherine DELCROIX DoB: Sept. 19, 1951 Member of the Audit and Accounts Committee Independent member** **Business address:** 25 rue Cino Del Duca - Paris	March 10, 2015 (cooptation)	May 19, 2015	Annual General Meeting called to vote on the 2018 financial statements	220 (1) 0 (2)	**Member of the Supervisory Board:** MNR Group
Carolle FOISSAUD DoB: Sep. 2, 1966 Member of the Audit and Accounts Committee Independent member** **Business address:** Route de St-Aubin - Villiers-le-Bacle	May 16, 2013		Annual General Meeting called to vote on the 2016 financial statements	823 (1) 0 (2)	**Director of:** GFI***

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

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Dominique GAILLARD DoB: Feb. 17, 1960 Member of the Appointments and Remuneration Committee and the Strategy Committee **Business address:** 20 place Vendôme – Paris	May 19, 2009	May 16, 2013	Annual General Meeting called to vote on the 2016 financial statements	790 (1) 0 (2)	**Member of the Management Board:** ACF I Investment Sarl **Chairman of the Board of Directors:** Ardian Italy Srl, Ardian Spain SL **Chairman of the Management Board:** Ardian France **Chairman of the Supervisory Board:** Ardian Germany GmbH **Vice-Chairman of the Supervisory Board:** Fives **CEO:** Ardian, Ardian Holding, APEP GmbH **CEO:** Ardian, Ardian Holding **Director:** Ardian Investment UK Limited, Ardian Investment Switzerland Holding AG, Penfret, SA, RPAX One SA **Member of the Supervisory Board:** Ardian US LLC, Novafives **Vice-president:** AXA CDP Co-Investment Fund LLC, AXA Co-Investment II LLC, AXA PE FS LLC **Director:** AXA CEE Management Ltd, AXA Co-Investment II Ltd
Jean-Paul JACAMON DoB: Aug. 5, 1947 Chairman of the Appointments and Remuneration Committee Member of the Strategy Committee Independent member** **Business address:** 11 boulevard de la Porte verte -Versailles	May 19, 2009	May 19, 2015	Annual General Meeting called to vote on the 2018 financial statements	818 (1) 3,200 (2)	**Director of:** TOKHEIM, NGE
Henri-Dominique PETIT DoB: Jul. 3, 1948 Vice-Chairman of the Supervisory Board Chairman of the Audit and Accounts Committee Member of the Appointments and Remuneration Committee Independent member** **Business address:** 1 bis avenue de Lowendal - Paris	May 19, 2009	May 19, 2015	Annual General Meeting called to vote on the 2018 financial statements	832 (1) 800 (2)	**Senior Advisor** to the European corporate finance house DC Advisory. **Member of the Supervisory Board of:** RG Groupe **Special Advisor** to Ipackchem

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

Members of the Supervisory Board	Date of first appointment to the Supervisory Board	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital*	Other positions held
Philippe ROLLIER DoB: Feb. 19, 1943 Member of the Audit and Accounts Committee and the Strategy Committee Independent member** **Business address:** 6 Square du Trocadéro - Paris	May 19, 2009	May 19, 2011	February 2015 (age limit)	534 (1) 5,000 (2)	**Director of:** SONOCO Products (USA) **Member of the Supervisory Board of:** Groupe Grégoire, Motul **Manager of:** Cybèle **Chairman and CEO of:** STANISLAS
Marc SPEECKAERT DoB: May 23, 1951 Member of the Strategy Committee **Business address:** 31 rue de l'Industrie 1040 Brussels - Belgium	May 19, 2009	May 19, 2015	Annual General Meeting called to vote on the 2018 financial statements	1,059 (1) 0 (2)	***Managing Director of:*** SOFINA **Director of:** SES (Luxembourg), Rapala (Finland), Petit-Forestier (France), Maison Chapoutier (France)
Ulrike STEINHORST DoB: Dec. 2, 1951 Member of the Appointments and Remunerations Committee **Business address:** 12 rue Pasteur - Suresnes	May 16, 2013		Annual General Meeting called to vote on the 2016 financial statements	120 (1) 0 (2)	**Member of the Board of Directors of:** Valeo***

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

MANAGEMENT BOARD

Members of the Management Board* Names	Date of first appointment	Most recent renewal date	End of term in office	Number of shares or BSAR stock warrants held conferring rights to Mersen's share capital	Other positions held
Luc THEMELIN DoB: Feb. 23, 1961 Chairman of the Management Board (since August 24, 2011)	May 19, 2009	May 16, 2013	May 16, 2017	9 747 (1) 4,000 (2)	Chairman and/or director of several Mersen group subsidiaries.
Thomas BAUMGARTNER DoB: Feb. 26, 1971	August 24, 2011	May 16, 2013	May 16, 2017	4 407(1) 600 (2)	Chairman and/or director of several Mersen group subsidiaries.
Christophe BOMMIER DoB: Sep. 24, 1960	August 24, 2011	May 16, 2013	December 31, 2015	16 069 (1) 3,500 (2)	Director of several Mersen group subsidiaries.
Didier MULLER DoB: June 26, 1958	August 24, 2011	May 16, 2013	December 31, 2015	864 (1) 0 (2)	Chairman and/or director of several Mersen group subsidiaries.

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

Conflicts of interest involving administrative and management bodies

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

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

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

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

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

The members of the Supervisory Board, Management Board and the Group's principal managers have undertaken to refrain from using or disclosing the privileged information that they hold for the purpose of buying or selling the Company's shares and not to carry out any transaction of this type during the black-out periods. For fiscal 2016, the black-out periods are:

- **January 14 – January 29, 2016 (included):** owing to the announcement of 2015 fourth-quarter sales on January 28, 2016
- **February 8 – March 9, 2016 (included):** owing to the announcing of the 2015 annual financial statements on March 9, 2016
- **April 13 – April 28, 2016 (included):** owing to the announcement of the 2016 first-quarter sales on April 27, 2016
- **June 29 – July 29, 2016 (included):** owing to the announcement of half-yearly sales on July 28, 2016
- **October 12 – October 27, 2016 (included):** owing to the announcement of the 2016 third-quarter sales on October 26, 2016

The black-out periods specified above are set notably in accordance with the AMF recommendations of November 3, 2010 (AMF recommendations no. 2010-07), which call for two black-out periods:

- a period of at least 30 calendar days prior to the publication of the annual, interim and, where appropriate, full quarterly financial statements; and
- a period of at least 15 calendar days prior to the publication of quarterly reports.

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

Service agreements providing for the grant of future benefits

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

Compensation and benefits in kind

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

→ Compensation of corporate officers: in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code

The aggregate amount of total compensation and benefits of any kind paid during fiscal 2015 to Mersen's corporate officers, namely the members of the Supervisory Board, the Chairman and Vice-Chairman of the Supervisory Board and the members of the Management Board, came to €2,043,763, broken down into:

- compensation payable to Management Board members as presented in the summary tables on the following pages;
- compensation paid to Supervisory Board members. Attendance fees for 2015 are paid in early 2016, divided among the members of the Supervisory Board. At its March 10, 2015 meeting, the Supervisory Board modified the rules for the payment of attendance fees so that a major portion of those fees are allotted based on attendance at meetings of the Board or of its committees. The rules are defined in detail in the Chairman's Report. They were allocated between the Supervisory Board members as follows:

Amounts due in respect of the financial year *(in €)*	**2015**	**2014**
Isabelle Azemard(1)	18,691	11,995
Bpifrance Investissement	27,873	23,339
Jocelyne Canetti(2)	NA	11,329
Yann Chareton	20,558	20,913
Hervé Couffin	26,417	26,103
Catherine Delcroix (3)	17,326	NA
Carolle Foissaud	21,252	21,490
Dominique Gaillard	25,605	25,874
Jean-Paul Jacamon	27,827	27,961
Henri-Dominique Petit	29,172	29,477
Philippe Rollier (4)	4,541	29,662
Marc Speeckaert	20,548	15,897
Ulrike Steinhorst	24,190	19,959
TOTAL	**264,000**	**264,000**

(1) Member of the Supervisory Board since May 15, 2014, replacing Jocelyne Canetti.
(2) Term in office expired on May 15, 2014
(3) Member of the Supervisory Board since March 10, 2015, replacing Philippe Rollier.
(4) Term in office expired in February 2015 (age limit)

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

On March 9, 2015, the Board revised the following compensation conditions for the Chairman of the Management Board for fiscal 2015:

- annual gross compensation of €440,000, plus incentive;
- a variable portion of between 0 and 100% maximum of the basic salary. The maximum threshold of 100% may be increased by a multiplying factor of up to 1.4 in the case of outperformance compared with the upper bound set for the calculation of the variable portion. The variable portion is composed of financial objectives for 70% (35% based on the Group's ROCE and 35% on operational cash flow) and personal objectives for 30%. The indicator used to calculate the ROCE is current operating income after taxes.

The 2015 financial objectives were based on the Group's annual budget. The threshold to achieve 100% of the financial objectives was set significantly higher than the budget.

The personal and financial objectives evaluated are reviewed every year by the Appointments and Remuneration Committee, based on the Group's strategic priorities. For 2015, the personal objectives focused primarily on the following: achievement of the Transform Plan, the Group's new organization starting on January 1, 2016, safety, and corporate communications.

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

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

The components of 2015 compensation described on pages 76 to 79 will be submitted for an advisory vote of the shareholders at the May 11, 2016 General Meeting.

Luc Themelin, Chairman of the Management Board

(in €)	2015	2014
Compensation and benefits payable in respect of the fiscal year (broken down below)(1)	597,742	714,742
Valuation of stock subscription options granted during the fiscal year(2)	0	110,400
Valuation of shares granted freely during the fiscal year(3)	122,482	0
TOTAL	**720,224**	**825,142**

(1) Compensation includes the incentive payment in respect of 2014 paid in 2015.
(2) Valuation corresponding to €3.68/stock subscription option. These options are subject to performance conditions
(3) Bonus preference shares subject to performance criteria are valued at €6.08 per share (French tax resident). This valuation was calculated assuming 100% achievement of performance criteria.

Thomas Baumgartner, Member of the Management Board

(in €)	2015	2014
Compensation and benefits payable in respect of the fiscal year (broken down below)(1)	246,765	283,653
Valuation of stock subscription options granted during the fiscal year(2)	0	66,240
Valuation of shares granted freely during the fiscal year(3)	72,284	0
TOTAL	**319,049**	**349,893**

(1) Compensation includes the incentive payment in respect of 2014 paid in 2015.
(2) Valuation corresponding to €3.68/stock subscription option. These options are subject to performance conditions.
(3) Bonus preference shares subject to performance criteria are valued at €6.08 per share (French tax resident). This valuation was calculated assuming 100% achievement of performance criteria.

Christophe Bommier, Member of the Management Board

(in €)	2015[(1)]	2014[(1)]
Compensation and benefits payable in respect of the fiscal year (broken down below)	265,891	243,131
Valuation of stock subscription options granted during the fiscal year[(2)]	0	66,240
Valuation of shares granted freely during the fiscal year[(3)]	75,524	0
TOTAL	**341,415**	**309,371**

(1) Compensation in US dollars converted into euros at the average annual rate (2014 = 1.3288. 2015 = 1.1096).
(2) Valuation corresponding to €3.68/stock subscription option. These options are subject to performance conditions.
(3) Bonus preference shares subject to performance criteria are valued at €6.36 per share (non-French tax resident). This valuation was calculated assuming 100% achievement of performance criteria.

Didier Muller, Member of the Management Board

(in €)	2015[(1)]	2014[(1)]
Compensation and benefits payable in respect of the fiscal year (broken down below)	305,881	259,015
Valuation of stock subscription options granted during the fiscal year[(2)]	0	66,240
Valuation of shares granted freely during the fiscal year[(3)]	75,524	0
TOTAL	**381,405**	**325,255**

(1) Compensation in US dollars converted into euros at the average annual rate (2014 = 1.3288. 2015 = 1.1096).
(2) Valuation corresponding to €3.68/stock subscription option. These options are subject to performance conditions.
(3) Bonus preference shares subject to performance criteria are valued at €6.36 per share (non-French tax resident). This valuation was calculated assuming 100% achievement of performance criteria.

SUMMARY OF THE COMPENSATION PAYABLE TO EACH MANAGEMENT BOARD MEMBER

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

	2015		2014	
(in €)	Amounts payable in respect of 2015	Amounts paid in 2015	Amounts payable in respect of 2014	Amounts paid in 2014
Fixed salary	440,000	440,000	400,000	400,000
Variable salary	117,404	282,746	282,746	268,700
Incentives	17,931	19,200	20,201	12,498
Benefits in kind	22,407	22,407	11,795	11,795
TOTAL	**597,742**	**764,353**	**714,742**	**692,993**

Note 1: The bonus is paid Year N +1.
Note 2: Benefits in kind include contributions towards the corporate executives' social guarantee, as well as a company car.

Thomas Baumgartner, Member of the Management Board

	2015		2014	
(in €)	Amounts payable in respect of 2015	Amounts paid in 2015	Amounts payable in respect of 2014	Amounts paid in 2014
Fixed salary	200,000	200,000	190,000	190,000
Variable salary	26,281	71,142	71,142	60,728
Incentive payments	10,438	15,838	16,839	8,888
Participation	5,840	1,492	1,466	4,395
Benefits in kind	4,206	4,206	4,206	4,206
TOTAL	**246,765**	**292,678**	**283,653**	**268,217**

Christophe Bommier, Member of the Management Board

(in €)	2015 (1)		2014 (1)	
	Amounts payable in respect of 2015	Amounts paid in 2015	Amounts payable in respect of 2014	Amounts paid in 2014
Fixed salary	238,651	238,651	191,902	191,902
Variable salary	24,482	57,385	47,918	33,122
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	2,758	2,758	3,311	3,311
TOTAL	**265,891**	**298,794**	**243,131**	**228,335**

(1) Compensation in US dollars converted into euros at the average annual rate (2014 = 1.3288. 2015 = 1.1096).

Didier Muller, Member of the Management Board

(in €)	2015 (1)		2014 (1)	
	Amounts payable in respect of 2015	Amounts paid in 2015	Amounts payable in respect of 2014	Amounts paid in 2014
Fixed salary	257,594	257,594	203,191	203,191
Variable salary	44,966	63,023	52,626	69,888
Incentives/Profit-sharing	0	0	0	0
Benefits in kind	3,321	3,321	3,198	3,198
TOTAL	**305,881**	**323,938**	**259,015**	**276,277**

(1) Compensation in US dollars converted into euros at the average annual rate (2014 = 1.3288. 2015 = 1.1096).

Hervé Couffin, Chairman of the Supervisory Board

(in €)	2015		2014	
	Amounts payable in respect of 2015	Amounts paid in 2015	Amounts payable in respect of 2014	Amounts paid in 2014
Fixed salary	80,000	80,000	80,000	80,000
Attendance fees	26,417	26,417	26,103	26,835
Benefits in kind	0	0	0	0
TOTAL	**106,417**	**106,417**	**106,103**	**106,835**

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

(in €)	2015		2014	
	Amounts payable in respect of 2015	Amounts paid in 2015	Amounts payable in respect of 2014	Amounts paid in 2014
Fixed salary	20,000	20,000	20,000	20,000
Attendance fees	29,172	29,172	29,477	29,821
Benefits in kind	0	0	0	0
TOTAL	**49,172**	**49,172**	**49,477**	**49,821**

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

Summary of commitments given to Management Board members

	Employment contract	Supplementary pension scheme	Compensation and benefits due or likely to be payable owing to the cessation or change in duties	Payment under a no-compete clause
Luc Themelin Chairman of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	NO	YES(1)	YES(2)	YES
Thomas Baumgartner Member of the Management Board Appointment of May 16, 2013, which expires on May 16, 2017	YES	NO	NO(3)	NO
Christophe Bommier Member of the Management Board Appointment of May 16, 2013, which expired on December 31, 2015	YES	NO	NO(3)	NO
Didier Muller Member of the Management Board Appointment of May 16, 2013, which expired on December 31, 2015	YES	NO	NO(3)	NO

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

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

Severance payment for Luc Themelin:

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

No-compete and non-solicitation clause

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

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

Termination of his term in office:

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

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

The Severance Payment is calculated as follows:

I = 0.5 x R x P

where

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

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

- Performance metric (P):

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

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

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

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

- Performance conditions:

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

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

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

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

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

Stock subscription options - Performance shares

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

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

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

Review of the agreement

On March 8, 2016, the Supervisory Board re-examined the agreement referred to above, in accordance with the order of July 31, 2014 and decided:

i) to confirm its continuation in its entirety in the interests of the Company, and

ii) based on the AFEP/MEDEF recommendations, to amend the rules regarding the obligating event giving rise to payment of the severance payment granted to the Chairman of the Management Board, as of 2016:

The section regarding the termination of a corporate officer is thus amended as follows (the rest is not changed):

"If the Mersen Group should terminate, in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement, enforced retirement, or resignation or change in corporate governance leading to appointment as Chief Executive Officer of a société anonyme with a Board of Directors), Luc Themelin's term in office as Chairman and member of the Management Board (specifically by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of duties following a conversion or merger, except for a change in corporate governance leading to his appointment as Chief Executive Officer of a société anonyme with a Board of Directors), a flat-rate payment will be made to Luc Themelin, calculated as stated below after determining the applicable performance conditions (the "Severance Payment"), ***when this departure is required and related to a change of control or strategy****."*

Compensation and benefits due in respect of 2015 to senior managers (Executive Committee) who are not corporate officers

(Gross amounts in euros)	2015
Basic salaries	632,500
Performance-related bonuses	180,360
Benefits in kind	15,456
TOTAL	**828,316**

Note 1: The bonus, varying between 0% and 40% of basic salary.
Note 2: Benefits in kind correspond to a company car.

Compensation and benefits paid to senior managers, including corporate officers

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

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

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

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

For the other members of the Management Board:

- Group-wide current operating margin objectives for 20 %,
- their division's current operating margin objective for 20%
- operating cash flow objectives for their division for 20%,
- certain individual objectives set at the beginning of the fiscal year for 40%.

For members of the Executive Committee:

- Group-wide current operating margin objectives for 30%,
- Group-wide operating cash flow objectives for 30%,
- certain individual objectives set at the beginning of the fiscal year for 40%.

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

Loans and guarantees granted to senior managers

None.

Employee incentive agreements

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

(in € thousands)	2015	2014	2013	2012	2011
Amounts allocated to employees	3,433	3,656	2,956	1,767	3,048
Number of beneficiaries	1,919	2,159	2,172	1,713	1,597

Employee profit-sharing

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

(in € thousands)	2015	2014	2013	2012	2011
Amounts allocated to employees	1,496	1,031	1,075	934	1,901
Number of beneficiaries	1,259	778	1,173	899	891

Corporate savings plan

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

Group savings Plan

At the Annual General Meeting on May 15, 2014, shareholders authorized the Management Board to increase the share capital, subject to the Supervisory Board's prior approval, on one or more occasions at its sole discretion, through the issue of shares in cash reserved for employees participating in the Group Savings Plan. These increases in capital entail the waiver of shareholders' preferential subscription rights. The nominal amount of the capital increases that may be carried out pursuant to this authorization may not exceed €400,000, i.e. approximately 1% of the Company's share capital. This authorization is valid for a period of 26 months. It replaces and supersedes the previous authorization granted by the General Meeting of May 23, 2012.

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

Stock subscription options

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

All the stock subscription plans are subject to performance conditions.

In 2015, 19,138 options were exercised.

The total number of stock subscription options still outstanding stands at 546,797, i.e. 2.6% of the share capital. Members of the Management Board have no options to purchase or to subscribe shares in subsidiaries of the Group.

Stock subscription options: previous grants

	2007 plan Tranche 11	2009 plan Tranche 12	2014 plan Tranche 13	Total
Date of Board of Directors/Management Board meeting	July 25, 2007	January 22, 2009	May 21, 2014	
Total number of shares available for subscription	177,876	366,582	150,000	694,458
- o/w corporate officers at December 31, 2015:			(1)	
Luc Themelin (not a corporate officer until May 19, 2009)	*10,780**	*32,345*	*30,000*	*73,125*
Thomas Baumgartner (not a corporate officer until August 24, 2011)	*4,797**	*9,704**	*18,000*	*32,501*
Christophe Bommier (not a corporate officer until August 24, 2011)	*4,797**	*12,938**	*18,000*	*35,735*
Didier Muller (not a corporate officer until August 24, 2011)	*4,797**	*12,938**	*18,000*	*35,735*
- o/w corporate officers at the allotment date, who have since left the Company	*26,950*	*53,908*	*18,000*	*98,858*
- o/w top 10 allottees	*77,885*	*140,163*	*150,000*	*368,048*
Subscription price	53.10	17.53	22.69	
Start of option exercise period	July 2011	February 2013	May 2016	
Expiration date	July 2017	February 2019	May 2021	
Total number of shares subscribed at Dec. 31, 2015	0	32,738	0	32,738
Options canceled by Dec. 31, 2015	91,532	5,391	18,000	114,923
- o/w canceled in 2015	*16,170*	*0*	*18,000*	*34,170*
OPTIONS THAT MAY STILL BE EXERCISED	**86,344**	**328,453**	**132,000**	**546,797**

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

Performance conditions and holding requirements attached to stock subscription plans

2007 plan:

Performance conditions:

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

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

Holding requirements: none

2009 plan:

Performance conditions:

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

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

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

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

The achievement of the performance objectives under this plan was determined based on the 2007 and 2011 financial statements. These calculations were audited by the statutory auditor.

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

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

Holding requirements:

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

2014 plan:

Performance conditions:

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

Criterion 1

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

Criterion 2

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

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

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

Stock subscription options: corporate officers

Options granted since January 1, 2015 to each corporate officer:

	Number of options granted	Exercise price	Valuation	Expiration date
- Chairman of the Management Board: Luc Themelin	0	-	-	-
- Member of the Management Board: Thomas Baumgartner	0	-	-	-
- Member of the Management Board: Christophe Bommier	0	-	-	-
- Member of the Management Board: Didier Muller	0	-	-	-

Options exercised since January 1, 2015 by each corporate officer:

	Number of options exercised	Plan number and date	Exercise price
- Chairman of the Management Board: Luc Themelin	0		-
- Member of the Management Board Thomas Baumgartner	0		-
- Member of the Management Board Christophe Bommier	0		-
- Member of the Management Board Didier Muller	7,938	2009 plan Tranche 12 Jan. 22, 2009	17.53

The Management Board agreed that its members may not participate in risk hedging transactions, either with regard to the subscription options or the shares from the exercise of the options.

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

	Number of options granted/exercised	Weighted average exercise price
Options granted since January 1, 2015 to the 10 employees who received the largest number	0	
Options exercised since January 1, 2015 by the 10 employees who received the largest number	200	17.53

Redeemable stock subscription and/or acquisition warrants (BSARs)

BSARs, or redeemable stock subscription warrants, were acquired by members of the Supervisory Board, directors, and certain managers of the Group against payment of the subscription price. The procedures are described in Chapter 4.

	2010 plan
Date of Board of Directors' meeting	July 15, 2010
Total number of shares available for subscription	103,331
- o/w corporate officers at the publication date:	
Luc Themelin (not a corporate officer until May 19, 2009)	*4,000*
Thomas Baumgartner (not a corporate officer until August 24, 2011)	*600*
Christophe Bommier (not a corporate officer until August 24, 2011)	*3,500*
Didier Muller (not a corporate officer until August 24, 2011)	*0*
- o/w corporate officers at the allotment date, who have since left the Company	*9,700*
- o/w top 10 allottees	*39,900*
Subscription price	1 2007 BSAR(1) + €1.5
Start of exercise period	7/17/2012
Expiration date	7/16/2017
Total number of shares subscribed at Dec. 31, 2015	103,331
BSARs canceled by Dec. 31, 2015	0
- o/w canceled in 2015	*0*
BSARS THAT MAY STILL BE EXERCISED	**103,331**

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

Bonus share allotments

At the May 19, 2015 General Meeting, the shareholders authorized the Management Board, subject to prior approval of the Supervisory Board, to award existing or new shares to employees, or to certain categories of employees, of the Company and those of affiliated companies, at no cost. The total number of shares that may be allotted accordingly may not exceed 84,273. This authorization provides that the Management Board determine the identity and categories of beneficiaries of the share allotments referred to, as well as the performance and share allotment conditions and criteria. This authorization is valid for 38 months.

At its July 9, 2015 meeting, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting, at no cost, an aggregate number of 65,000 Company shares to 88 Mersen group employees and managers pursuant to the related performance conditions; that is, a 2016 EBITDA(1) to sales ratio criterion or one based on change in the EBITDA(1) to sales ratio between 2014 and 2016, compared to a panel of comparable French companies (whichever is the more favorable).

19,273 shares were not allotted.

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

Bonus share allotments: previous grants

	2011 plan Tranche 5	2011 plan Tranche 6 (with performance conditions)	2012 plan Tranche 7 real-lotment (with performance conditions)	2014 plan* Tranche 8 (with perfor-mance conditions)	2015 plan* Tranche 9 (with perfor-mance conditions)	Total
Date of allotment decision	May 27, 2011	May 27, 2011	June 27, 2012	May 21, 2014	July 9, 2015	
Total number of shares allotted	60,000	140,000	20,000	50,000	65,000	335,000
- o/w corporate officers at the publication date:						
Luc Themelin (not a corporate officer until May 19, 2009)	*0*	*14,000*	*0*	*0*	*0*	*14,000*
Thomas Baumgartner (not a corporate officer until August 24, 2011)		*6,000 (1)*	*2,500*	*0*	*0*	*8,500*
Christophe Bommier (not a corporate officer until August 24, 2011)		*6,000 (1)*	*2,500*	*0*	*0*	*8,500*
Didier Muller (not a corporate officer until August 24, 2011)		*6,000 (1)*	*2,500*	*0*	*0*	*8,500*
- o/w corporate officers at the allotment date who have since left the Company	*0*	*20,000*	*2,500*	*0*	*0*	*22,500*
- o/w top 10 allottees	*8,000*	*48,800*	*10,000*	*14,000*	*11,000*	*91,800*
Share price at allotment date (€)	35.34	35.34	16.16	19.08 (French tax residents)(2)	18.71 (French tax residents)(3)	
Definitive allotment date (end of the vesting period)	May 27, 2015	May 27, 2015	May 27, 2016	May 21, 2016 (French tax residents)(4)	July 9, 2017 (French tax residents)(5)	
End of lock-up period	May 28, 2015(6)	May 28, 2015(6)	May 28, 2016(6)	May 22, 2018	July 10, 2019	
Allotments canceled at Dec. 31, 2015	4,200	96,632	12,200	600	0	113,632
o/w canceled in 2015	*200*	*0*	*0*	*600*	*0*	*800*
Number of shares vested definitively, not transferable	55,800	43,368		0	0	99,168
EQUITY AT DECEMBER 31, 2015	**0**	**0**	**7,800**	**49,400**	**65,000**	**122,200**

** Plans reserved for employees of the Group who are not members of the Management Board or the Executive Committee.*
(1) Shares allotted prior to the beneficiaries' appointment as a corporate officer.
(2) For beneficiaries who are non-French tax residents, the valuation is €18.89.
(3) For beneficiaries who are non-French tax residents, the valuation is €18.53.
(4) For beneficiaries who are not tax residents, the allotment date is May 21, 2018.
(5) For beneficiaries who are not tax residents, the allotment date is July 9, 2019.
(6) For French residents, there is a period of two additional years.
In 2015, 12,480 bonus shares became available for Management Board members.

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

2011 plan (tranche 6) and 2012 plan (tranche 7):

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

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

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

Criterion 1

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

Criterion 2

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

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

Until the end of their term in office or of their duties, Management Board members are obliged to hold in the form of Mersen shares the equivalent of 30% of the capital gain (net of tax, social security contributions and payroll charges due) arising on the definitive vesting date of these shares.

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

2014 plan (Tranche 8)

<u>Performance conditions:</u>

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

Criterion 1

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

Criterion 2

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

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

- 35% if the change in the EBITDA[1] to sales ratio between 2013 and 2015 is equal to the change in the average EBITDA[1] to sales ratio of the Panel of Companies over the same period.
- Between these two limits, the allotment percentage will be calculated on a straight-line basis
- 0% if the change in the EBITDA[1] to sales ratio between 2013 and 2015 is less than the change in the average EBITDA[1] to sales ratio of the Panel of Companies over the same period.

Holding requirements:

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

Performance conditions and holding requirements attached to bonus share plans allotted to the group's employees in 2015

2015 plan (Tranche 9)

Performance conditions:

The percentage of bonus shares allotted to each of the beneficiaries will be determined based on the most favorable of the following criteria. The calculations will be based on the Group's financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the Management Board at which these bonus shares are allotted, the Management Board may, after obtaining the opinion of the Appointments and Remuneration Committee and the approval of the Supervisory Board, adjust the financial statements for the impacts of these transactions to calculate the allotment percentages. The panel of comparable companies used to calculate criterion 2 was approved by the Supervisory Board on May 19, 2015, based on the recommendation of the Appointments and Remuneration Committee. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the sample those companies that have recorded manifestly wild or abnormal fluctuations over the period in their EBITDA[1] margin. This includes the following companies listed on Euronext Paris: Air Liquide, ArcelorMittal, Arkema, Essilor, Faiveley, Imerys, Ingenico, Lafarge, Legrand, LISI, Manitou, Nexans, Rexel, Saft, Saint-Gobain, SEB, Schneider, Somfy, ST Micro, Tarkett, Vicat and Zodiac. The companies withdrawn from the panel above may be replaced, where necessary, by other companies chosen by the Appointments and Remuneration Committee.

Criterion 1

- 100% if the 2016 EBITDA[1] to sales ratio is equal to or greater than 15.5%
- 30% if the 2016 EBITDA[1] to sales ratio is equal to 13.7%
- Between these two limits, the allotment percentage will be calculated on a straight-line basis
- 0% if the 2016 EBITDA[1] to sales ratio is less than 13.7%

Criterion 2

- 100% if the change in the EBITDA[1] to sales ratio between 2014 and 2016 is at least 10 percentage points higher than the change in the average EBITDA[1] to sales ratio of the Panel of Comparable Companies over the same period.
- 35% if the change in the EBITDA[1] to sales ratio between 2014 and 2016 is equal to the change in the average EBITDA[1] to sales ratio of the Panel of Comparable Companies over the same period.
- Between these two limits, the allotment percentage will be calculated on a straight-line basis
- 0% if the change in the EBITDA[1] to sales ratio between 2014 and 2016 is less than the change in the average EBITDA[1] to sales ratio of the "Panel of Comparable Companies" over the same period.

Holding requirements:

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

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

Bonus preference shares

At the May 19, 2015 General Meeting, the shareholders authorized the Management Board, subject to the prior approval of the Supervisory Board, to allot, on one or more occasions, except during a public offer for the Company shares, Company bonus preference shares granting the right of conversion into new or existing ordinary Company shares, to certain categories of employees and Management Board members, it being specified that the rights attached to the preference shares were established by the Articles of Association of the Company. The maximum number of ordinary shares that may result from the conversion of the preference shares may not exceed 129,872 shares, or 0.63% of the share capital of the Company. This authorization provides that the Management Board determine the criteria and conditions for allotting these preference shares, the identity of the beneficiaries, the number of preference shares allotted, and the performance conditions and criteria. This authorization is valid for 38 months.

At its July 9, 2015 meeting, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting, at no cost, 902 preference shares to members of the Management Board and managers of the Group, pursuant to the performance criteria related to the change in earnings per share between 2014 and 2016. This number corresponds to a maximum number of 99,220 ordinary shares, after conversion, or 0.5% of the Company's share capital.

The General Meeting of May 19, 2015 approved the creation of two categories of shares and amended the Articles of Association accordingly. Thus, the new Article 6 of the Articles of Association provides for two categories of shares. A shares are ordinary shares and B shares are preference shares issued pursuant to Article L.228-11 et seq. of the French Commercial Code.

A shares are freely negotiable. B shares are transferable under the terms and conditions set forth in Article 15 of the Articles of Association (Article 13).

At the end of the vesting period, each B share shall carry the right, in the ownership of the assets of the company and the sharing of the profits and the liquidation surplus, to a dividend, per B share, equal to 10% of the dividend per share allotted to A shares. All B shares shall carry the right, during the lifetime of the Company and in the event of liquidation, to an equal par value and, taking into account, where necessary, the date of entitlement, to payment of the same net amount, equal to 10% of any amount paid to each A share, for any allocation or redemption, pursuant to Section 1. (Rights attached to shares) of Article 15 of the Articles of Association.

B shares may be converted into ordinary shares at the end of the period set in the category B bonus share allotment plan, according to a conversion parity based on share price trends. The preference shares have the same rights as ordinary shares, except with regard to dividends.

At the end of the Holding Period for B shares (the "Holding Period") (the "Holding Period Expiry Date"), as set in the B share bonus allotment plan determining their allotment, each B shareholder may convert some or all of the B shares held into A shares, under the conditions set forth in Sections II. 4 to 5 of Article 15 of the Articles of Association.

At the end of the Holding Period, B shares are fully transferable between B shareholders. B shares may be converted into A shares during a 30-day period, according to the conditions in the plan and to a parity defined by the percentage difference between the initial Share Price and the final Share Price. A specific rule shall be defined if the end of the conversion period falls during a period restricting the sale or purchase of Company shares. The "Initial Share Price" is equal to the volume-weighted average of the opening prices of the A shares for the last 20 trading days prior to the Allotment Date. The "Final Share Price" is equal to the average opening prices of the A shares between the second anniversary of the Allotment Date (included) and the beginning of the Conversion Period during which the B shareholders will have requested the conversion to A shares (excluded). The Conversion Parity will be equal to:

- If the Final Share Price is less than 150% of the Initial Share Price (the "Maximum Final Share Price"): N= 10 + 300 (CF-CI) / CF

Where:

"N" is the number of A shares to which each B share is entitled, it being specified that in the case of a fraction (or quotient with decimal), the number of A shares allotted to a B shareholder will be rounded down to the lower unit; "CF" is the Final Share Price; "CI" is the Initial Share Price; and, "CFMax" is the Maximum Final Share Price.

- If the Final Share Price is greater than the Maximum Final Share Price: N= 10 + (CFMax × 100)/CF
- If the Final Share Price is less than the Initial Share Price: N= 10

In addition, if conversion takes place at the end of the periods set forth in Sections 4 to 5 of Article 15 II of the Articles of Association, B shares will be converted automatically into A shares.

Bonus preference shares: previous grants

	2015 plan			
	Preference shares	Minimum equivalent ordinary shares[1]	Maximum equivalent ordinary shares	Total equivalent total ordinary shares
Date of allotment decision	July 9, 2015			
Total number of shares available for subscription	902	9,020	90,200	99,220
- o/w corporate officers at December 31, 2015				
Luc Themelin	*183*	*1,830*	*18,300*	*20,130*
Thomas Baumgartner	*108*	*1,080*	*10,800*	*11,880*
Christophe Bommier	*108*	*1,080*	*10,800*	*11,880*
Didier Muller	*108*	*1,080*	*10,800*	*11,880*
- o/w corporate officers at the allotment date, who have since left the Company	*0*	*0*	*0*	*0*
- o/w top 10 allottees	*902*	*9,020*	*90,200*	*99,220*
Valuation of preference shares[1] on the allotment date *(in euros)*		17.73 (French tax residents)[2]	4.92 (French tax residents)[3]	
Definitive allotment date (end of the vesting period)		July 9, 2017 (French tax residents)[4]		
Date of transferability (automatic conversion of preference shares into ordinary shares)		July 9, 2019		
Allotments canceled at December 31, 2015	0			
- o/w canceled in 2015	*0*			
Number of shares vested definitively, not transferable	0			
BALANCE AT DECEMBER 31, 2015	**902**	**9,020**	**90,200**	**99,220**

(1) 10% of shares are not linked to share price trends and are thus automatically convertible into ordinary shares, subject to achievement of performance criteria regarding change in earnings per share.
(2) For beneficiaries who are non-French tax residents, the valuation is €18.53.
(3) For beneficiaries who are non-French tax residents, the valuation is €5.14.
(4) For non-French tax residents, there is a period of two additional years.

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

2015 plan:

Apart from the condition that the member must be present in the Group at the end of the acquisition period, performance conditions are attached for the calculation of the percentage of category B bonus shares allotted based on the two criteria defined below, whichever is more favorable. The calculations will be based on the Group's financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the Management Board at which these bonus shares are allotted, the Management Board may, after obtaining the opinion of the Appointments and Remuneration Committee and the approval of the Supervisory Board, adjust the financial statements for the calculation of the allotment percentages. The panel of comparable companies used to calculate criterion 2 was approved by the Supervisory Board on May 19, 2015, based on the recommendation of the Appointments and Remuneration Committee. For the purpose of calculating the allotment percentage, the Appointments and Remuneration Committee may withdraw from the panel those companies that have recorded manifestly wild or abnormal fluctuations over the period in their earnings per share. This includes the following companies listed on Euronext Paris: Air Liquide, ArcelorMittal, Arkema, Essilor, Faiveley, Imerys, Ingenico, Lafarge, Legrand, LISI, Manitou, Nexans, Rexel, Saft, Saint-Gobain, SEB, Schneider, Somfy, ST Micro, Tarkett, Vicat and Zodiac. The companies withdrawn from the panel above may be replaced, where necessary, by other companies chosen by the Appointments and Remuneration Committee.

Criterion 1

- 0% if the average of the 2015 and 2016 earnings per share (EPS) is less than 1.30
- 30% if the average of the 2015 and 2016 EPS is equal to 1.30
- 100% if the average of the 2015 and 2016 EPS is equal to or greater than 1.80

Criterion 2

- 0% if the growth if EPS (between the 2014 EPS and the average of the 2015 and 2016 EPS) is less than the average growth of EPS of the Panel of Companies
- 50% if the growth of EPS (between the 2014 EPS and the average of the 2015 and 2016 EPS) is equal to the average growth of the EPS of the Panel of Companies
- 100% if the growth of EPS (between the 2014 EPS and the average of the 2015 and 2016 EPSs) is 15% greater than the average growth of the EPSs of the Panel of Societies.

The achievement percentage is calculated between 50% and 100% by linear interpolation if the growth of EPS (between the 2014 EPS and the average of the 2015 and 2016 EPSs) is less than 15% greater than the average growth of the EPSs of the Panel of Companies.

The reference 2013 EPS is the EPS published by the Group, adjusted for exceptional charges of €55 million, including depreciation of deferred tax assets, recognized in the second half of 2013, i.e., an "adjusted 2013 EPS" of €1.27 rounded to €1.30.

The reference 2014 EPS is the EPS published by the Group, adjusted for exceptional charges related to the Transform Plan and the costs of settling a civil proceeding in Great Britain, or an adjusted 2014 EPS of €1.44.

Holding requirements:

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

Shares in the Company's capital held by senior managers

Number of shares held directly by members of the Supervisory Board and Management Board: 2,306,906 (of which 2,242,770 held by Bpifrance Investissement).

Number of shares held via the Mersen FCPE (corporate mutual fund) by Management Board members: 6,746.

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

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

Elements of compensation due or granted in respect of the fiscal year ended December 31, 2015 submitted to the advisory opinion of the shareholders

1 - Elements of compensation due or granted to Luc Themelin (Chairman of the Management Board) in respect of the fiscal year ended December 31, 2015

	Amounts or accounting valuation	Observations
Fixed salary	€440,000	Luc Themelin's 2015 fixed salary was increased by 10% in January 2015, after three years without change.
Annual variable salary (*amount due in respect of 2015 and paid in 2016*)	€117,404	The variable portion is between 0% and 100% of the fixed salary. The maximum threshold of 100% may be increased by a multiplying factor of up to 1.4 in the case of outperformance compared with the upper bound set for the calculation of the financial objectives of the variable portion. The variable portion is composed of financial objectives for 70% (35% based on the Group's ROCE, calculated on the basis of current operating income after taxes, and 35% on operational cash flow) and personal objectives for 30%. The 2015 financial objectives were based on the Group's annual budget. The threshold to achieve 100% of the financial objectives was set significantly higher than the budget. The personal and financial objectives evaluated are reviewed every year by the Appointments and Remuneration Committee, based on the Group's strategic priorities. The personal objectives for 2015 focused primarily on the following: achievement of the Transform Plan, the Group's new organization as of January 1, 2016, safety, and corporate communications. Details of the personal objectives are not made public for reasons of confidentiality. The variable salary for 2015 represents 27% of the fixed salary and is broken down as follows: the portion linked to the financial objectives was 43.5% based on the Group's operational cash flow and 0% based on the Group's ROCE. The portion linked to the personal objectives was 82%
Deferred variable salary	N/A	There is no deferred variable salary mechanism.
Multi-annual variable salary	N/A	There is no multi-annual variable salary mechanism.
Exceptional salary	N/A	No exceptional salary was paid or is due in respect of 2015.
Incentive payments	€17,931	

	Amounts or accounting valuation	Observations
Share options, performance shares or any other long-term element of compensation	Allotments (2015 Plan): 183 preference shares, which may correspond to a maximum of 20,130 ordinary shares Accounting valuation: €122,482	At the May 19, 2015 Combined General Meeting, Mersen shareholders authorized the Management Board to set up Mersen bonus preference share allotment plans for certain employees and corporate officers of the Company and those of affiliated companies. Pursuant to this resolution, at its July 9, 2015 meeting, the Management Board set the conditions for the bonus share allotment and designated the beneficiaries. Luc Themelin received 183 preference shares. These preference shares may be converted into ordinary shares at the end of two years, based at a conversion ratio based on share price trends. The terms and performance criteria required are described in detail on pages 66 to 75 of the reference document.
Attendance fees	N/A	Luc Themelin does not receive attendance fees.
Valuation of benefits of any kind	€22,407	In-kind benefits include the use of a company car and contributions paid to an external organization in respect of company executives' social guarantee.
Severance payment	€0 received	No amount is due in respect of 2015. At its May 16, 2013 meeting, the Supervisory Board decided, upon the renewal of Luc Themelin's term, to make the same payments to him as those that were made during his prior term in office. On March 8, 2016, the Supervisory Board re-examined the rules regarding the obligating event giving rise to payment of the severance payment granted to the Chairman of the Management Board and decided to limit them to a departure that is both required and related to a change of control or strategy. This new provision is valid as of 2016.
No-compete payment	€0 received	No amount is due in respect of 2015. At its May 16, 2013 meeting, the Supervisory Board decided, upon the renewal of Luc Themelin's term, to make the same no-compete payment to him as the one made during his prior term in office.
Supplementary pension scheme	€0 received	No amount is due in respect of 2015. Luc Themelin is eligible for a defined benefit supplementary pension scheme if he is present and ends his career in the Mersen group on the date on which he may claim his base Social Security pension. Under this scheme, Luc Themelin would receive a supplementary pension that would correspond to 20% of the amount of his average fixed salary for the last three years and 50% of his maximum variable salary.

2. Components of compensation due or granted to Thomas Baumgartner, Christophe Bommier, and Didier Muller, members of the Management Board, in respect of the fiscal year ended December 31, 2015

(components overall)	Amounts or accounting valuation	Observations
Fixed salary	€696,245	The 2015 fixed salary, expressed in euros, is lower compared to 2014 because the term of one member of the Management Board ended in 2014. The fixed salary of three members of the Management Board at December 31, 2015 increased compared to 2014, primarily because of the strengthening of the US dollar compared to the euro. Because two members are based in the United States, they receive their salary in US dollars.
Annual variable salary (amount due in respect of 2015 and paid in 2016)	€95,729	The variable portion of the members of the Management Board (other than its Chairman) is between 0% and 50% of the fixed salary. The maximum threshold of 50% may be increased by a multiplying factor of up to 1.4 in the case of outperformance, compared with the upper bound set for the calculation of the financial objectives of the variable portion. Thomas Baumgartner's variable portion is composed of financial objectives for 70% (35% based on the Group's ROCE, calculated on the basis of current operating income after taxes and 35% on operational cash flow) and personal objectives for 30%. Christophe Bommier's and Didier Muller's variable portion is based, for 60%, on financial objectives (20% on the Group's current operating margin, 20% on their division's current operating margin, and 20% on their division's operating cash flow), and 40% on personal objectives. The personal and financial objectives evaluated are reviewed every year by the Appointments and Remuneration Committee, based on the Group's strategic priorities. The 2015 financial goals were based on the annual budget. The threshold to achieve 100% of the financial objectives was set significantly higher than the budget. The personal objectives for 2015 focused primarily on the following: achievement of the Transform Plan and actual savings, an operational improvement plan for certain sites, compliance with the safety policy. Details of the personal objectives are not made public for reasons of confidentiality. The average rates of achievement of the objectives linked to the variable salary were as follows: - Thomas Baumgartner: 43.5% based on the Group's operational cash flow, 0% on the Group's ROCE, and 80% on the personal objectives; - Christophe Bommier: 0% based on the Group's operating margin, 0% on the division's operating margin, 5% on the division's operating cash flow and 77% on the personal objectives; - Didier Muller: 0% based on the Group's operating margin, 29% on the division's operating margin, 50% on the division's operating cash flow, and 81% on the personal objectives.

(components overall)	Amounts or accounting valuation	Observations
Deferred variable salary	N/A	There is no deferred variable salary mechanism.
Multi-annual variable salary	N/A	There is no multi-annual variable salary mechanism.
Exceptional salary	N/A	No exceptional salary was paid or is due in respect of 2015.
Incentives/Profit-sharing	€16,278	Didier Muller and Christophe Bommier have U.S. employment contracts and thus do not benefit from incentive or profit-sharing agreements.
Share options, performance shares or any other long-term element of compensation	Allotments (2015 Plan): 324 preference shares, which may correspond to a maximum of 35,640 ordinary shares Accounting valuation: €223,332	The May 19, 2015 Combined General Meeting of Mersen shareholders authorized the Management Board to set up bonus preference share allotment plans for certain employees and corporate officers of the Company and those of affiliated companies. Pursuant to this resolution, at its July 9, 2015 meeting, the Management Board set the conditions for the bonus share allotment and designated the beneficiaries. Thomas Baumgartner, Christophe Bommier and Didier Muller received 108 preference shares each. These preference shares may be converted into ordinary shares at the end of two years, based at a conversion ratio based on share price trends. The terms and performance criteria required are described in detail on pages 66 to 75 of the reference document.
Attendance fees	N/A	The members of the Management Board do not receive attendance fees.
Valuation of benefits of any kind	€10,285	In-kind benefits include the use of a company car and an annual medical examination.
No-compete payment	N/A	There is no commitment in respect of a no-compete payment.
Supplementary pension scheme	N/A	There are no commitments in respect of a supplementary pension scheme.

REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK AND ON INTERNAL CONTROL PROCEDURES

1. Legislative and regulatory environment

1.1 Legal provisions

In accordance with Article L. 225-68 sub-paragraph 7 of the French Commercial Code, the Chairman of the Supervisory Board reports on the composition, preparation and organization of the work of the Board and on the internal control and risk management procedures implemented by the Company. This report was prepared by the Chairman of the Supervisory Board in accordance with the provisions of Article L. 225-68 sub-paragraph 7 of the French Commercial Code in respect of the fiscal year ending December 31, 2015.

Article L.225-68 sub-paragraph 7 of the French Commercial Code also provides that: *"where a company refers voluntarily to a corporate governance code drafted by trade associations, the report [of the Chairman] … should also indicate the provisions that were excluded and the reasons for their exclusion. In addition, the Chairman should also indicate where the code may be consulted. The report [of the Chairman] is approved by the Supervisory Board and is made public. The report ... shall also set forth the specific procedures relating to shareholder participation in the Annual General Meeting or refer to the provisions of the articles of association that set forth these procedures."*

At the request of the Chairman of the Supervisory Board, this report was submitted for the opinion of the Audit and Accounts Committee on March 3, 2016, and for the approval of the Supervisory Board on March 8, 2016, in accordance with the aforementioned arrangements.

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

Pursuant to the law of July 3, 2008 enacting European directive 2006/46/EC of June 14, 2006 into French law, the Mersen group refers to the AFEP-MEDEF corporate governance code for listed companies (as revised in November 2015). Pursuant to Article L. 225-68 sub para. 7 of the French Commercial Code, the Chairman summarizes and provides details below concerning the recommendations of the AFEP-MEDEF Code. The Company failed to comply with the Code in 2015 in just one respect (trigger event for payment of a severance indemnity to the Chairman of the Management Board), and this situation was remedied through a decision made by the Supervisory Board on March 8, 2016 (see below).

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

In connection with the renewal of the term in office of the Chairman of the Management Board, Luc Themelin, the Supervisory Board decided on May 16, 2013, to renew, without change, the principle of a severance payment, subject specifically to performance criteria, if the Mersen group should terminate, in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement or enforced retirement), Luc Themelin's term in office as Chairman of the Management Board (notably by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of duties following the conversion or merger of the company, except for a change in corporate governance leading to the appointment of a Chief Executive Officer of a société anonyme with a Board of Directors). This severance payment would be payable in the case of enforced departure. It should be noted that Luc Themelin waived his employment contract and all benefits associated with it. This severance payment was approved by the Annual General Meeting of May 19, 2015.

On March 8, 2016, the Supervisory Board re-examined the rules regarding the obligating event giving rise to payment of the severance payment granted to the Chairman of the Management Board and decided to limit them to a departure that is both required and related to a change of control or strategy. This new provision is valid as of 2016.

2. Procedures conducted in the preparation of this report

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

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

Disclosures about items likely to have an impact in the event of a public offer are provided in Chapter 4 of this Reference Document, "General Legal and Financial Information."

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

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

3.1 Operation of the Supervisory Board:

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

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

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

The Supervisory Board's internal charter: The Supervisory Board adopted its internal charter on July 23, 2009.

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

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

The internal charter has been amended on four occasions. It was amended three times in 2011; for the first time, following the publication of the AMF report on the Audit and Accounts Committee; for a second time, concerning the rules for calculating attendance fees; and, for a third time, to alter the role of the Strategy Committee. The internal charter was revised again on March 10, 2015 to take into account the new recommendations of the AFEP-MEDEF Code, specifically with regard to the greater significance of the variable portion in defining the compensation of the Board members. This revision provided an opportunity to specify certain points regarding the independence criteria of the members of the Board and, last, to add an article on the annual self-assessment procedures for the Board addressing its functioning, in order to formalize current practice.

The internal charter has six articles:

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

- Article 5 covers the self-assessment rules for the Supervisory Board; and,
- Article 6 governs the operating rules for the Committees set up by the Supervisory Board.

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

As part of its annual self-assessment, the Supervisory Board also evaluates each of the three committees.

3.2 Composition of the Supervisory Board

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

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

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

At December 31, 2015, the Supervisory Board was composed of 11 members.

Board

Chairman of the Supervisory Board: Hervé Couffin.

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

Members of the Supervisory Board:

- Isabelle Azemard;
- Bpifrance Investissement, represented by Thierry Sommelet;
- Yann Chareton;
- Catherine Delcroix;[1]
- Carolle Foissaud;
- Dominique Gaillard;
- Jean-Paul Jacamon;
- Marc Speeckaert;
- Ulrike Steinhorst.

The independent members are: Hervé Couffin, Catherine Delcroix, Carolle Foissaud, Jean-Paul Jacamon, Henri-Dominique Petit, and Ulrike Steinhorst. To confirm that each of its members is independent, the Board considers all the criteria proposed by the AFEP-MEDEF code. However, it should be noted that the criterion regarding the terms of concurrent corporate offices was not considered, as no member of the Board or the Executive Committee held his/her position prior to 2009. The risk of proximity of the Board members and Management for too long thus does not exist.

3.3 Work performed by the Supervisory Board

The Supervisory Board met eight times in 2015, with an average attendance rate of 95%.

During these meetings, the Supervisory Board reviewed and/or made decisions concerning the following issues:

- **January 28, 2015:** Review of an initial estimate of the 2014 results. Review and approval of the 2015 budget. Review of the Group's human resources policy. Update on acquisition projects. Review of regulated agreements and renewal of authorizations relating to guarantees and endorsements.
- **March 10, 2015:** Review and approval of the company's consolidated financial statements for the fiscal year ended on December 31, 2014. Approval of the proposed allocation of income, draft of the financial press release and the report of the Chairman on the work of the Supervisory Board and internal controls. Approval of the management projections. Approval of the 2015 draft guidance proposed by the Management Board. Update on activity at production facilities in France and the contribution of the products developed within the last five years. Approval of draft resolutions to submit to the Annual General Meeting of the shareholders. Approval of the 2014 variable compensation and setting the rules for calculating 2015 compensation for the members of the Management Board. Review of the independence of the members of the Supervisory Board. Based on the recommendation of the Appointments and Remuneration Committee, cooptation of Catherine Delcroix as member of the Supervisory Board. Review of the composition of the Board's committees. Revision of the Board's internal charter.
- **May 19, 2015:** Analysis of the performance of an activity. Approval of a proposed acquisition in the surge protection sector in China. Approval of the 2015 performance bonus share and preference share allotment plans. Review of the conclusions of the self-assessment mission on the functioning of the Supervisory Board, conducted by Ulrike Steinhorst.
- **July 9, 2015:** Review of the Group's 2015-2019 strategic plans and activities.
- **July 30, 2015:** Approval of the interim company and consolidated financial statements at June 30, 2015. Approval of the management projections. Review of the financial press release on the financial statements. Update on the proposed acquisitions. Approval of the proposed relocation of the headquarters within the same commune.
- **September 30, 2015:** Discussion of changes in the composition of the Management Board as of 2016. Update on an activity. Update on proposed sales and acquisitions. Update on the Transform and operational excellence plans.
- **October 23, 2015:** Approval of the revision of the 2015 guidance proposed by the Management Board and review of the financial press release on Q3 2015 sales.

(1) Catherine Delcroix was coopted at the Board meeting of March 10, 2015, replacing Philippe Rollier, who reached the age limit specified in the Company's Articles of Association. The appointment of Catherine Delcroix was put to a vote of the shareholders at the Ordinary Annual General Meeting of May 19, 2015, who approved her appointment. With this appointment, 36% of Board members were women as of year-end 2015.

- **December 10, 2015:** 2015 balance sheet and highlights. Initial items of the 2016 budget. Presentation of a proposed acquisition. Approval of a joint venture in China.

3.4 Work performed by the Supervisory Board's three committees

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

When performing its duties, each of the Committees may:

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

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

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

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

Audit and Accounts Committee:

The internal charter of the Supervisory Board states that the Audit and Accounts Committee comprises at least three and at most six members, including a majority of independent members. The internal charter also stipulates that members of the Audit and Accounts Committee are selected on account of their expertise in accounting and financial matters. Given their training and professional experience, the Committee members satisfy this competency criterion. The Audit and Accounts Committee meets at least three times per year and whenever it deems necessary, and in advance of Supervisory Board meetings for which the agenda includes a review of an issue related to its area of expertise. The Committee meets approximately one week before the Supervisory Board to review the annual financial statements. The Group's Financial Director is responsible for making the presentations. The Director of Risk, Internal Audit and Safety attends these meetings at least annually.

At December 31, 2015, the Audit and Accounts Committee had six members appointed from among the members of the Supervisory Board, four of whom are independent: Yann Chareton, Hervé Couffin, Catherine Delcroix (as of June 2, 2015), Carolle Foissaud, Henri-Dominique Petit and Thierry Sommelet. Henri-Dominique Petit acts as Chairman of the Committee.

During 2015, the Committee met five times with an attendance rate of 97%.

- **January 22, 2015:** Review of an initial estimate of the 2014 results. Information received from the Management Board regarding the impairment tests on the Group's CGUs. Update on developments regarding late customer payments. Review of action plans implemented as part of the Group's risk mapping.
- **March 5, 2015:** Discussion of the process for renewing the terms of the Statutory Auditors. Review, in the presence of the Statutory Auditors, of the proposed 2014 annual financial statements. Presentation of the audit assignment by the Statutory Auditors. Discussion with the Statutory Auditors, without the presence of the management team members, concerning the financial statements and their audit findings.
- **June 2, 2015:** Progress report on the cash initiative project, now incorporated into the operational excellence program. Update on the accounting impact of a proposed new Group organization. Update on the situation regarding the retirement schemes in Great Britain and the United States, particularly on proposed changes to the scheme in the United States. Review of the Group's IT systems' policy.
- **July 29, 2015:** Review, in the presence of the Statutory Auditors, of the draft interim financial statements for the six months ending June 30, 2015, as well as the draft interim report. Presentation by the Statutory Auditors on their audit assignment. Discussion, without the presence of the management team members, concerning the financial statements and their audit findings.
- **December 2, 2015:** Presentation of the results of the internal audits conducted in 2015 and validation of the audit schedule proposed for 2016. Review and approval of the annual revision of the risk mapping and update on the implementation of the action plans as defined in the 2014 mapping. Review of certain accounting items in connection with the preparation of the 2015 financial statements. Update on the financial aspects of the Transform project. Update on the accounting and financial aspects of the Group's reorganization project.

Appointments and Remuneration Committee:

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

At December 31, 2015, the Committee had six members appointed from among the Supervisory Board, four of whom are independent: Isabelle Azemard, Hervé Couffin, Dominique Gaillard, Jean-Paul Jacamon, Henri-Dominique Petit and Ulrike Steinhorst. Jean-Paul Jacamon acts as Chairman of the Committee.

During this period, the Appointments and Compensation Committee met on four occasions with an attendance rate of 83%.

- **February 17, 2015:** Validation of the 2014 bonus amounts granted to the members of the Management Board. Proposal for setting the rules determining the 2015 bonuses for the members of the Management Board and the Executive Committee. Proposal to change the fixed and/or variable part of the compensation of certain members of the Management Board. Review of the 2015 long-term incentives, particularly a preference share plan for the Executive Committee. Results of the study on the competitiveness of managers' compensation. Update on the organization.
- **March 9, 2015:** Favorable opinion on the 2015 long-term incentive plan proposals. Favorable opinion on the cooptation of Catherine Delcroix as member of the Supervisory Board. Proposal to submit to the next Annual General Meeting the renewal of the expiring terms of four members of the Supervisory Board. Opinion on the independence of the members of the Supervisory Board.
- **September 28, 2015:** Update on the Group's bonus policy. Favorable opinion on a possible modification of the composition of the Management Board as of 2016. Update on the candidates chosen for a position to be filled in connection with the new organization.
- **November 26, 2015:** Review of the reorganization of the Group scheduled for January 1, 2016. Presentation of the communications plan regarding the new organization. Presentation of the conclusions of the skills assessments conducted by an external firm for certain senior managers.

Strategy Committee:

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

At December 31, 2015, the Committee had six members appointed from among the members of the Supervisory Board, three of whom are independent: Hervé Couffin, Dominique Gaillard, Jean-Paul Jacamon, Thierry Sommelet, Marc Speeckaert and Ulrike Steinhorst. Hervé Couffin acts as Chairman of the Committee.

During 2015, the Strategy Committee met three times with an attendance rate of 83%.

- **April 1, 2015:** Presentation of the carbon and synthetic graphite businesses and the corresponding competitive environment. Discussion of an acquisition opportunity.
- **May 18, 2015:** Update on the acquisition opportunity raised at the previous Committee meeting.
- **November 19, 2015:** Presentation of adjacent business sectors and potential targets for the Group. Review of a proposed joint venture opportunity in China. Information on competitors.

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

At its March 10, 2015 meeting, the Supervisory Board modified the rules for the payment of attendance fees to its members to comply with the relevant recommendations of the AFEP-MEDEF Code.

Consequently, the Board's internal charter was revised to formalize the new rules.

With regard to the total overall attendance fees authorized:

- Two-thirds are allocated based on membership on the Supervisory Board; it being specified that of this two-thirds, 45% is reserved for membership, strictly speaking, of the Board and is divided equally among the members, and 55% is reserved, on a pro rata basis, for actual participation of the members at Board meetings.
- One-third is allocated based on membership of a specialized committee; it being specified that one-third shall be distributed based on the same breakdown between membership and actual presence, and that this one-third shall be distributed as follows: 13.3% for the Audit and Accounts Committee, 10% for the Appointments and Remuneration Committee, and 10% for the Strategy Committee.
- Last, the compensation of each Committee Chairman is equal to 1.5 times a member's compensation, both for membership and actual attendance.

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

The compensation and benefits paid to the Chairman and members of the Management Board are approved by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee. When considering the compensation and benefits paid to the Chairman and members of the Management Board, the Appointments and Remuneration Committee meets without them being in attendance.

As of 2015, the fixed portion of the compensation paid to Management Board members is reviewed only on a multi-annual basis, in accordance with the AFEP-MEDEF Code. The bonus system for the Chairman and members of the Management Board is based on the following achievements:

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

- for 35%, related to the Group's ROCE objectives (calculated on the basis of current operating income after taxes) for the fiscal year;

- for 35%, related to the Group's operating cash flow generation targets;
- for 30%, related to certain individual objectives set at the beginning of the year by the Supervisory Board.

For the other members of the Management Board:

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

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

→ 5. Principal internal control procedures for the Mersen group

5.1 Definition of internal control

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

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

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

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

5.2 General principles of internal control

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

5.2.1 Internal control organization

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

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

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

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

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

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

5.2.2 Risk management

The Group has introduced a principle of annual updates to its Group risk mapping survey. It also reviews the mapping survey more extensively every three years. The last in-depth review was conducted in 2014.

Risks are classified into the following four categories:

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

For each category, the potential risks are ranked by their impact and probability of occurrence and by the level of control provided by the control framework in place.

A review of the action plans is presented annually to the Audit and Accounts Committee and quarterly to the Group's Executive Committee. In 2015, all of the action plans presented complied with the agenda noted at the start of the year. Based on the progress on implementing these plans and trends in the global economy, the mapping survey was updated and validated by the Audit and Accounts Committee. Following this exercise, the Risk, Internal Audit and Safety Department defined or redefined its action plans in keeping with the actions already undertaken. The aim of these plans is to reduce the impact and/or occurrence of each risk. They are also intended to ensure that the measures currently in place effectively help to mitigate the potential risk.

In 2014, the Group also developed a mapping of the risks specific to an activity. The action plan defined was monitored at the level of the activity.

The risk management policy is described in Chapter 5 of this document.

5.2.3 Control activity

Mersen has circulated an internal control handbook to all its subsidiaries. This document is available on Mersen's Intranet site. It encompasses all the basic internal control procedures applicable to every Group unit. The manual is interactive and includes links to the Group's best practices. It covers the following points:

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

Aside from the corporate audits conducted by the internal audit department, the Group has conducted cross-audits for several years to strength the internal control framework. After adequate training, these audits are performed by the Group's operational and functional staff from each major geographical area (Asia, Europe and America).

The cross-audit program is determined by the Group's Risk and Internal Audit department. These audits help not only to check on internal control fundamentals every year, but also to ensure that action plans drawn up in the previous year have actually been implemented. They also make it possible to more easily integrate companies that are acquired and, thus, to gradually bring them to the required level of internal control.

This program provides for an exchange of best practices and helps to instill the internal control culture as widely as possible.

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

5.2.4 Internal control oversight

Internal audit department

The Group's internal audit department is responsible for overseeing proper implementation of the internal control handbook and for leading the Group's internal control program. It also coordinates the networks and organization of corporate and cross-audits right across the Group. It submits its findings to the Audit and Accounts Committee on a regular basis, as well as to the Statutory Auditors. The Executive Committee receives a monthly update on the Group's Internal Control news.

This department performed 14 assignments in 2015 to:

- analyze the effectiveness of internal control and verify proper application of the action plans implemented following the audits conducted in previous years at 12 production plants.
- ensure effective implementation of action plans at a unit that was audited in the previous year and at which internal control was not deemed to be satisfactory.
- assess the degree of internal control of the Group's Treasury function. This assessment was conducted by an external firm that specializes in treasury functions.

The internal audit department always uses a specialized external firm to ensure the quality and independence of the audit program and to facilitate continuous improvement.

For nearly 10 years, the units audited have sent in a self-assessment of their internal control system in advance of the internal audit department's review. These evaluations, reviewed by the internal audit function, help to correct certain differences in assessments and to enhance the culture of internal control within the units.

Information systems security

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

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

An IT Systems Security manager was appointed in 2013. This person reports functionally to the Risk, Audit and Safety Department. His or her role is to:

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

The IT Systems Security manager performed 19 site audits in 2015, both on site and remotely.

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

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

Management control and strategic planning

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

At the start of each year, the Management Board and the Executive Committee decide on the key initiatives to be implemented to achieve the goals set. They receive a periodic status report on and analysis of these action plans.

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

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

Human resources procedures

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

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

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

Sustainable development

Mersen has long pursued a responsible approach in environmental, economic and social affairs. Aside from the economic aspects related to the Group's business development, it also strives to promote social and environmental progress.

This commitment is described in greater detail in the "Sustainable Development" section of the reference document. With the help of an external firm, the Group established a reporting framework for sustainable development indicators that complies with the Grenelle 2 regulation. The framework was disseminated to all units. This reporting is accredited by the certifying organization.

Operational excellence procedures

- The goal of the Operational Excellence Department is to improve the Group's operational performance by introducing tools for analysis and continuous improvement at the Group's sites. It also seeks to develop a lean culture within all of the Group's units.
- It relies on certain operational indicators, such as service level, non-quality level, safety, and inventory turnover. These indicators are monitored at all Group sites. It implements and verifies implementation of the cost reduction plan at all sites to improve competitiveness. The projects are recorded in the budget and are reviewed periodically. Their financial contribution is evaluated in terms of materials, direct and indirect labor, fixed production costs, and overheads.

→ 6. Accounting and financial internal control

6.1 General organization

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

6.2 Preparation of accounting and financial information

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

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

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

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

6.3 Treasury and financing

The Treasury and Financing department manages the Group's treasury on a centralized basis. To control risks, the Group has procedures in place specifically to manage exchange, raw materials, and customer risks, the issuance of guarantees and the management of cash pooling and netting processes.

The Group has pursued a major drive to develop its cash management culture, mainly at manager level. Every year, new Group managers receive training on cash awareness, which was set up in 2013 via the e-learning tool. This awareness contributes to the development of cash culture within the company.

→ 7. Approach adopted in 2015 and 2016 action plan for internal control

The following specific initiatives were initiated in 2015 to tighten up internal control:

- End of the self-assessment of the central functions with the consolidation, human resources and legal departments. These assessments did not point to major failings in terms of internal control;
- Resumption of anti-fraud trainings;
- Launch of an internal control awareness e-learning project for managers.

In 2015, the internal audit department conducted audits based on a program approved by the Audit and Accounts Committee. Sixteen site audits, including one control audit and one corporate audit, were performed (Treasury department). Two audits scheduled for 2015 could not be conducted because of the implementation of the Transform plan. One audit was postponed to 2016.

The conclusions of the risk mapping update were presented to the Management Board and then to the Audit and Accounts Committee, along with a follow-up on the action plan decided in 2014. The Audit and Accounts Committee was also informed of the organization of the internal control tasks, in line with the recommendations of the 8th European Directive.

The various audits conducted during 2015 did not reveal any significant internal control failings or deficiencies.

The Group assessed the operation of its internal control in light of the new COSO 2013 directives. No major shortcoming was identified in relation to this new directive. Several minor adjustments were made in 2014.

As part of the evaluation of accounting and financial internal control vis-à-vis the AMF's framework, the Group continued to implement initiatives, in France and abroad, to raise awareness among Group managers and financial managers of the risks of fraud (including swindling and forgery.). The Group experienced several fraud attempts in 2015, which were unsuccessful, thanks in particular to these awareness-raising efforts.

Progress on the action plan for the IT Systems Security risk mapping was presented to the Executive Committee. This mapping was updated in 2015 after the actions were taken and new risks were identified. An audit program was established. The program makes it possible to conduct tests remotely to verify that the infrastructure complies with the Group's rules.

Looking ahead to 2016, the following projects are set to be launched by the Risk, Internal Audit and Safety department:

- Finalize the internal control awareness e-training for managers;
- Resume the continuous monitoring of data;
- Reinforce cross-audits in certain geographic areas;
- Conduct more targeted audits to assess compliance with Group procedures and, specifically, the acquisition procedure.

Report of the Statutory Auditors,

drawn up pursuant to Article L.225-235 of the French Commercial Code, on the report of the Chairman of the Supervisory Board of Mersen S.A. Year ended on December 31, 2015

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Mersen SA, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company, in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2015.

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

It is our responsibility to:

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

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

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

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

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

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

Other disclosures

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

The Statutory Auditors

Paris La Défense, March 8, 2016	Neuilly-sur-Seine, March 8, 2016
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	Laurent Odobez
Partner	*Partner*

Special report of the Statutory Auditor on related party transactions

Annual General Meeting to approve the financial statements for the fiscal year ended on December 31, 2015

To the Shareholders,

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

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

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

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

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

Related-party transactions authorized during the past fiscal year

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

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

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

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

With Luc Themelin, Chairman of the Management Board

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

No-compete and non-solicitation clause

- Type and motive: in the event of the termination of his term in office as Chairman and Member of the Management Board and, in return for his no-compete and non-solicitation undertaking, Luc Themelin will receive monthly indemnity payment for a one-year period from the cessation date of his duties. The Company may decide to forgo this no-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing Luc Themelin of its decision within a notice period of two months with effect from termination of the term in office.
- Specific arrangements: the amount of the indemnity payment to be paid to Luc Themelin in return for the no-compete and non-solicitation undertaking will be equal to 50% of the final monthly gross fixed compensation and benefits that he received immediately prior to termination of his term in office.

On March 8, 2016, the Supervisory Board re-examined the transaction referred to above, in accordance with the provisions of the order of July 31, 2014, and confirmed its continuation in the interests of the Company.

Severance package for an officer/legal representative

- Type and motive:

  On March 8, 2016, the Supervisory Board re-examined the agreement referred to above, in accordance with the order of July 31, 2014. Based on the AFEP/MEDEF recommendations, it amended the rules regarding the obligating event giving rise to payment of the severance payment granted to the Chairman of the Management Board, as of 2016:

  The section regarding the termination of a corporate officer is thus amended as follows (the rest is not changed):

  “If the Mersen Group should terminate, in any manner and for any reason whatsoever (barring gross or willful misconduct, retirement, enforced retirement, or resignation or change in corporate governance leading to appointment as Chief Executive Officer of a société anonyme with a Board of Directors), Luc Themelin’s term in office as Chairman and member of the Management Board (specifically by dismissal, non-renewal of the term in office for any reason whatsoever or the elimination of duties following a conversion or merger, except for a change in corporate governance leading to his appointment as Chief Executive Officer of a société anonyme with a Board of Directors), a flat-rate payment will be made to Luc Themelin, calculated as stated below after determining the applicable performance conditions (the “Severance Payment”), when this departure is required and related to a change of control or strategy.”
- Specific arrangements: the flat-rate payment consists of at most 0.5 times the total gross compensation paid to Luc Themelin during the 36-month period preceding termination (including the variable payments made in respect of the fiscal year in progress at the termination date) irrespective of whether these compensation and benefits were paid to him in his capacity as Chairman of the Management Board or as an employee and subject to the attainment of performance criteria, defined as objectives for his target bonuses.

On March 8, 2016, the Supervisory Board re-examined the transaction referred to above, in accordance with the provisions of the order of July 31, 2014, and confirmed its continuation in the interests of the Company.

Stock subscription options - Performance shares

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

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

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

The Statutory Auditors

Paris La Défense, March 8, 2016	Neuilly-sur-Seine, March 8, 2016
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	Laurent Odobez
Partner	*Partner*

GENERAL LEGAL AND FINANCIAL INFORMATION

4

General information about the Company

Corporate name and headquarters

Mersen
Tour EQHO
2 avenue Gambetta
CS 10077
F-92066 La Défense Cedex

Form, nationality and law

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

Incorporation and corporate life

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

Corporate purpose (Article 3 of the Articles of Association)

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

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

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

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

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

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

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

Trade and Companies Register Code

RCS NANTERRE B 572 060 333 - APE CODE: 7010Z.

Access to the Company's corporate documents

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

Thomas Baumgartner
Group Vice President, Finance and Administration
Mersen
Tour EQHO
2 avenue Gambetta
F-92400 Courbevoie La Défense 5
Tel.: + 33 (0) 1 46 91 54 19

Fiscal year

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

Statutory distribution of income (Article 27 of the Articles of Association)

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

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

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

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

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

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

The balance is then divided among the shareholders without distinction.

The Ordinary General Meeting called to approve the financial statements for the fiscal year has the option of granting each shareholder the choice between receiving all or part of the dividend or interim dividend in cash or in shares, based on the terms and conditions and procedures set forth by current laws and regulations.

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

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

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

Notice of meetings - Admission

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

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

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

The holders of registered shares may attend the General Meeting if their shares were recorded in the accounts five days before the meeting date.

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

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

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

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

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

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

Pursuant to the Company's Articles of Association, shareholders are obliged to disclose, to the Company, whenever the threshold of 1% or above of share capital or voting rights is crossed, within five days of trading of the securities, independent of their delivery. If a disclosure does not meet the terms and conditions above, the share exceeding the fraction that should have been disclosed shall be stripped of voting rights at any Shareholders' Meeting that may be held until the expiration of a period of two years following the date on which proper notification is made, at the request, during the Meeting, of one or more shareholders holding at least 1% of the capital or voting rights.

In addition to the above disclosure obligation, any crossing of share ownership thresholds, as provided by law, must be disclosed.

→ Trading by the Company in its own shares

At the Combined General Meeting of May 19, 2015, the Company was authorized to trade in its own shares on the stock exchange in accordance with Article L. 225-209 *et seq.* of the French Commercial Code, in order to:

- enhance trading in and the liquidity of the Company's shares, by engaging the services of an investment service provider under a liquidity agreement in accordance with the AMAFI charter;
- allot or transfer shares to Group employees and/or Management Board members under the company investment plan and under the terms and conditions set forth in articles L. 225-197-1 to L. 225-197-3, and allot shares (specifically, bonus shares or share purchase options) pursuant to the provisions of European Regulation no. 2273/2003 of December 22, 2003;
- allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;
- purchase them for holding purposes and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cancel shares through a reduction in the share capital in accordance with the French Commercial Code.

The maximum purchase price was set at €40 per share. This price is set subject to adjustments related to any transactions affecting the Company's share capital. Based on the maximum purchase price set above and the number of shares making up the capital at the date of the authorization, the aggregate maximum amount of the purchases may not exceed €82,467,240.

This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2015. A new authorization concerning stock repurchases will be submitted for shareholders' approval at the Combined General Meeting on May 11, 2016.

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

As of May 19, 2015, with the exception of repurchases under the liquidity agreement, the Company acquired 57,800 shares to be allotted at a later date to employees under existing bonus share allotment plans, and 55,200 shares to be cancelled through a reduction in the share capital in accordance with the French Commercial Code.

In March 2005, the Company signed a liquidity agreement with Exane-BNP Paribas conforming to the AMAFI charter. This liquidity agreement is renewed each year by tacit approval. At December 31, 2015, 49,453 shares were held under this liquidity agreement.

→ Double voting rights

To account for the entry into force of Act No. 2014-384 of March 29, 2014, the Company submitted a resolution to the May 19, 2015 Extraordinary General Meeting to eliminate double voting rights so that shareholders could discuss and decide on this issue.

The resolution was rejected. Double voting rights are now attached to all shares that fulfill both of the following conditions: i) have been held in registered form for at least two years, and ii) are fully paid up.

Categories of shares (articles 6, 13 and 15 of the Articles of Association)

The General Meeting of May 19, 2015 approved the creation of two categories of shares and amended the Articles of Association accordingly. Thus, the new Article 6 of the Articles of Association provides for two categories of shares. A shares are ordinary shares and B shares are preference shares issued pursuant to Article L.228-11 *et seq.* of the French Commercial Code.

A shares are freely negotiable (Article 13). B shares are transferable under the terms and conditions set forth in Article 15 of the Articles of Association.

At the end of the vesting period, each B share shall confer the right, in the ownership of the assets of the company and the sharing of the profits and the liquidation surplus, to a dividend, per B share, equal to 10% of the dividend per share allotted to A shares. All B shares shall confer the right, during the lifetime of the Company and in the event of liquidation, with an equal par value and, taking into account, where necessary, the date of entitlement, to payment of the same net amount, equal to 10% of any amount paid to each A share, for any allocation or redemption, pursuant to Section I (Rights attached to shares) of Article 15 of the Articles of Association.

B shares may be converted into ordinary shares at the end of the period established in the category B bonus share allotment plan, according to a conversion parity based on share price trends. The maximum number of ordinary shares that may be issued upon conversion of B shares is 129,872; this number does not take into account any adjustments made to protect the rights of the beneficiaries, in accordance with legal and regulatory provisions and, where necessary, contractual stipulations.

At the end of the Holding Period for B shares (the "Holding Period" – the "Holding Period Expiry Date"), as set forth in the B share bonus allotment plan determining their allotment, each B shareholder may convert some or all of the B shares held into A shares, under the terms and conditions set forth in Sections II 4 to 5 of Article 15 of the Articles of Association.

At the end of the Holding Period, B shares are fully transferable between B shareholders. B shares may be converted into A shares during a 30-day period, according to the terms and conditions in the plan and to a parity defined by the percentage difference between the initial Share Price and the final Share Price. A specific rule shall be defined if the end of the conversion period falls during a period restricting the sale or purchase of Company shares. The "Initial Share Price" is equal to the volume-weighted average of the opening prices of the A shares for the last 20 trading days prior to the Allotment Date. The "Final Share Price" is equal to the average opening prices of the A shares between the second anniversary of the Allotment Date (included) and the beginning of the Conversion Period during which the B shareholders requested the conversion to A shares (excluded). The Conversion Parity will be equal to:

- If the Final Share Price is less than 150% of the Initial Share Price (the "Maximum Final Share Price of CFMax"): N= 10 + 300 (CF-CI) / CF
- If the Final Share Price is greater than the Maximum Final Share Price: N= 10 + (CFMax × 100)/CF
- If the Final Share Price is less than the Initial Share Price: N= 10

Where:

"N" is the number of A shares to which each B share is entitled, it being specified that in the case of a fraction, the number of A shares allotted to a B shareholder will be rounded down to the lower unit; "CF" is the Final Share Price; "CI" is the Initial Share Price; and, "CFMax" is the Maximum Final Share Price.

In addition, if conversion takes place at the end of the periods set forth in Sections 4 to 5 of Article 15 II of the Articles of Association, the B shares will be converted automatically into A shares.

General information about the share capital

Conditions

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

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

At December 31, 2015, the share capital amounted to €41,384,108, divided into 20,692,054 shares, each with a par value of €2, broken down into 20,691,152 ordinary shares and 902 preference shares.

Authorizations to carry out a capital increase

Combined General Meeting of May 20, 2010

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

The Annual General Meeting delegated powers to the Management Board, which may opt to sub-delegate these under the terms of law and the regulations, to increase the share capital through the issuance on a single occasion of redeemable stock subscription and/or acquisition warrants (the "2010 BSARs"). The 2010 BSARs were offered exclusively to the holders of the 2007 BSARs in exchange for securities tendered to the Company under a simplified exchange offer, referred to below, with waiver of the shareholders' preferential subscription right to shares to be issued following the exercise of the 2010 BSARs. The holders of the 2007 BSARs are the holders of the Company's redeemable stock subscription and/or acquisition warrants issued on November 22, 2007 and which were the subject of a prospectus approved by the Autorité des Marchés Financiers (AMF) under approval no. 07-350 dated October 9, 2007.

The maximum nominal amount of the capital increases to be carried out pursuant to this delegation of powers was set at €246,240, representing a total maximum number of 123,120 shares with a par value of €2; this amount does not take into account additional shares that may be issued to protect the rights of the holders of the 2010 BSARs. Shares issued through a 2010 BSAR will be done so at a price that may not be less than 150% of the average closing price of Mersen shares on the Eurolist market (compartment B) of Euronext Paris SA over the 40 trading days preceding the Management Board meeting deciding the conditions of issuance of the 2010 BSARs.

At its meeting on May 20, 2010, the Management Board laid down the terms, conditions and characteristics of a simplified public exchange offer for all the 2007 BSARs in issue in return for 2010 BSARs with an exercise price of €40.50. The 2010 BSARs have been transferable since July 16, 2012 and their expiration date was extended to July 16, 2017.

At its meeting on July 15, 2010, the Management Board, based on the results of the offer as communicated by the Autorité des Marchés Financiers (Information bulletin 210C0631), formally noted that the definitive number of 2007 BSARs tendered was 113,771 and decided to issue 103,331 2010 BSARs. None of the 2010 BSARs has been transferred to date.

Combined General Meeting of May 19, 2011

Bonus share allotments

At the General Meeting, the shareholders authorized the Management Board to allot existing or new shares to employees, or to certain categories of employees, of the Company and those of affiliated companies, at no cost. The total number of shares that may be allotted accordingly may not exceed 140,000. Under this authorization, the Management Board will determine the identity and categories of the beneficiaries of the share allotments referred to, as well as the performance and share allotment conditions and criteria. This authorization is valid for 38 months.

At its May 28, 2015 meeting, the Management Board noted that it had decided, with the approval of the Supervisory Board, to use this authorization to allot 140,000 shares, at no cost, under the related plan, with performance conditions, and that it had set the achievement percentage for the performance conditions at 39%. By decision of July 9, 2015, the four-year vesting period provided in the plan having reached its expiration, the Management Board carried out the definitive allotment of an aggregate number of 43,368 of the Company's shares, acquired for this purpose, to Mersen group employees and managers.

Combined General Meeting of May 15, 2014

Increases in the capital with preferential subscription rights for shareholders

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

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

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

Bonus share allotments

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

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

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

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

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

Capital increase reserved for employees participating in the Group Investment Plan

Shareholders authorized the Management Board to increase the share capital, subject to the Supervisory Board's prior approval, on one or more occasions at its sole discretion, through the issue of shares in cash reserved for employees participating in the Group Investment Plan. These increases in capital entail the waiver of shareholders' preferential subscription rights. The nominal amount of the capital increases that may be carried out pursuant to this authorization may not exceed €400,000, i.e. approximately 1% of the Company's share capital. This authorization is valid for a period of 26 months. It replaces and supersedes the previous authorization granted by the General Meeting of May 23, 2012. To date, the Company has not used this authorization.

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

Combined General Meeting of May 19, 2015

Bonus share allotments

At the General Meeting, the shareholders authorized the Management Board, subject to the prior approval of the Supervisory Board, to allot existing or new Company shares to employees, or to certain categories of employees, of the Company and those of affiliated companies, at no cost. The total number of shares that may be allotted accordingly may not exceed 84,273. This authorization provides that the Management Board determine the identity and categories of beneficiaries of the share allotments referred to, as well as the performance and share allotment conditions and criteria. This authorization is valid for 38 months.

At its July 9, 2015 meeting, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by allotting, at no cost, an aggregate number of 65,000 Company shares to 88 Mersen group employees and managers pursuant to the related performance conditions; that is, a 2016 EBITDA(1) to sales ratio criterion or one based on change in the EBITDA(1) to sales ratio between 2014 and 2016, compared to a panel of comparable French companies (whichever is the more favorable).

19,273 shares were not allotted.

Authorization granted to the Management Board to award new bonus preference shares to be issued by the Company, with waiver of shareholders' preferential subscription rights

At the General Meeting, the shareholders authorized the Management Board, subject to the prior approval of the Supervisory Board, to allot, on one or more occasions, except during a public offer for the shares of the Company, Company bonus preference shares conferring the right to convert them into new or existing ordinary Company shares, to certain categories of employees and Management Board members, it being specified that the rights attached to the preference shares were established by the Articles of Association of the Company. The maximum number of ordinary shares that may result from the conversion of the preference shares may not exceed 129,872 shares, or 0.63% of the share capital of the Company. This authorization provides that the Management Board will determine the criteria and conditions for allotting these preference shares, the identity of the beneficiaries, the number of preference shares allotted, and the performance conditions and criteria. This authorization is valid for 38 months.

At its July 9, 2015 meeting, the Management Board decided, with the approval of the Supervisory Board, to make use of this authorization by awarding, at no cost, 902 preference shares to Management Board members and managers of the Group. This number corresponds to a maximum number of 99,220 ordinary shares after conversion. The definitive allotment of preference shares is subject to performance conditions associated with the achievement of earnings per share (EPS) criteria or change in the EPS compared to that of comparable companies.

Approval to create a category of preference shares and amend the Articles of Association accordingly

The General Meeting amended Article 6 of the Articles of Association to create two categories of shares, A shares, which are ordinary shares, and B shares, which are preference shares issued pursuant to Article L.228-11 *et seq.* of the French Commercial Code.

The General Meeting amended Article 11 of the Articles of Association, specifying that fully-paid A shares may be held in registered or bearer form, at the shareholder's discretion. Fully-paid B shares are registered.

The General Meeting amended Article 13 of the Articles of Association, specifying that A shares are freely negotiable. B shares are transferable under the conditions set forth in Article 15.

The General Meeting amended Article 15 of the Articles of Association to define:

I) a) the rights attached to A and B shares (participation in meetings, voting on resolutions, right to communication, subscription and allotment rights in the event of a share increase), and b) for A shares, rules for participating in the sharing of profits, liquidation bonus, etc.

II) the specific rights and restrictions attached to B shares and, specifically, the rules for participating in the sharing of profits, liquidation bonus, etc., the protection period, and the rules for converting B shares into A shares based on share price trends.

The total maximum number of A shares that may result from the conversion of the B shares may not exceed 129,872; this number does not take into account any adjustments made to protect, in accordance with legal and regulatory provisions and, where necessary, contractual stipulations, the rights of B share beneficiaries.

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

The Annual General Meeting delegated powers to the Management Board to decide to issue, on one or more occasions, and subject to the prior approval of the Supervisory Board, called to approve based on a positive prior and compliant opinion of a committee comprising three independent members specially appointed by the Supervisory Board to this end, warrants enabling their holders to subscribe on preferential terms the Company's shares and their allotment free of charge to all the Company's shareholders with this status prior to the expiry of the public offer. The total nominal amount of the capital increase resulting from the exercise of these subscription warrants may not exceed 25% of the nominal amount of the share capital. This authorization states that the Management Board will have to report, at the time of the issue, on the circumstances and reasons why it believes that the offer is not in the interests of the shareholders and justify the issuance of the warrants, as well as the financial and legal terms of the warrants. They will automatically become null and void when the offer and any rival offer fail, become null and void or are withdrawn. The delegation of powers to the Management Board is valid for any issue of stock subscription warrants as part of a public offer filed within a period of eighteen months. This authorization replaces and supersedes the previous authorization granted by the General Meeting of May 15, 2014. To date, the Company has not used this authorization to date.

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

SUMMARY OF CHANGES IN THE SHARE CAPITAL

Dates	Description of the transaction	Share capital following the transaction	Share premium *(in €)*	Total number of shares after the transaction
07/02/2010	Issue of 294,921 new shares, each with a par value of €2, as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	39,880,660	6,370,293	19,940,330
01/27/2011	Issue of 2,447 shares, each with a par value of €2, as a result of the exercise of stock subscription options by employees	39,885,554	43,263	19,942,777
03/01/2011	Issue of 20,164 shares, each with a par value of €2, through the grant of bonus shares	39,925,882	707,756 unavailable reserves	19,962,941
07/07/2011	Issue of 294,894 shares, each with a par value of €2, resulting from the payment of the dividend in shares	40,515,670	10,005,753	20,257,835
11/24/2011	Issue of 25,130 shares, each with a par value of €2, as a result of the capital increase reserved for employees	40,565,930	623,475	20,282,965
12/02/2011	Additional issue of 1,450 shares, each with a par value of €2, as a result of the capital increase reserved for employees	40,568,830	35,974	20,284,415
01/25/2012	Issue of 3,939 new shares, each with a par value of €2, through the exercise of subscription options in 2011	40,576,708	69,641	20,288,354
07/02/2012	Issue of 62,615 new shares, each with a par value of €2, as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	40,701,938	62,615	20,350,969
01/22/2013	Issue of 49,588 shares, each with a par value of €2, through the grant of bonus shares	40,801,114	988,289 unavailable reserves	20,400,557
07/02/2013	Issue of 402,057 new shares, each with a par value of €2, as a result of the capital increase resulting from the right to elect to receive payment of the dividend in shares	41,605,228	5,419,728	20,802,614
11/21/2013	Issue of 600 shares, each with a par value of €2, through the grant of bonus shares	41,606,428	14,484 unavailable reserves	20,803,214
01/27/2014	Issue of 13,150 new shares, each with a par value of €2, through the exercise of subscription options in 2013	41,632,728	204,220	20,816,364
05/22/2014	Cancellation of 200,000 shares, each with a par value of €2	41,232,728	3,094,000	20,616,364
01/27/2015	Issue of 450 new shares, each with a par value of €2, through the exercise of subscription options in 2014	41,233,628	6,988.50	20,616,814
05/27/2015	Issue of 55,200 actions each with a par value of €2, by incorporating, accordingly, reserves drawn from the "general reserve" account	41,344,028	NA	20,672,014
07/09/2015	Issue of 902 category B shares, each with a par value of €2	41,345,832		20,672,916
01/27/2016	Issue of 19,138 new shares, each with a par value of €2, through the exercise of subscription options in 2015	41,384,108	297,213	20,692,054
01/27/2016	Cancellation of 55,200 treasury shares, each with a par value of €2	41,273,708	827,115	20,636,854

Voting right certificates

None.

Investment certificates

None.

Shares pledged

None.

Shareholders' agreement

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

Securities conferring rights to the share capital

The stock options still to be exercised at December 31, 2015 (after taking into account cancellations) would make it possible to issue 546,797 new shares, each with a par value of €2.

The BSAR warrants that may be exercised at December 31, 2015 entitle their holders to acquire a total of 103,331 new shares, each with a par value of €2.

The number of bonus shares that could be allotted definitively, including by converting category B shares into ordinary shares, is 221,420 new shares, each with par value of €2, representing 1.08% of current capital.

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

Based on the number of stock subscription options, BSAR warrants that may be exercised by BSAR grantees, and the shares that may be definitively granted, the maximum dilution would be 4.2%.

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

Ownership of the share capital

At December 31, 2015, the Company's share capital stood at €41,384,108, divided into 20,692,054 shares, including 20,691,152 category A shares, which are ordinary shares, and 902 category B shares, which are preference shares, each with par value of €2.

The number of voting rights stood at 20,583,141 at December 31, 2015.

As the General Meeting of May 19, 2015 rejected the resolution to eliminate double voting rights, the double voting right is attached to all shares that fulfill both of the following conditions: i) have been held in registered form for at least two years, and ii) are fully paid up. Double voting rights will be recorded as of April 4, 2016, in accordance with legal provisions.

At December 31, 2015, 49,453 shares representing 0.23% of the share capital were held by the Company pursuant to the liquidity agreement entered into with Exane BNP Paribas. On January 27, 2016, the Company cancelled 55,200 treasury shares that it held at December 31, 2015, and recorded the capital increase following the exercise of 19,138 share subscription options during fiscal 2015. In addition, during fiscal 2015, the Company acquired 57,800 shares to be allotted at a later date to employees under existing bonus share allotment plans.

At January 27, 2016, 55,200 treasury shares held by the Company at December 31, 2015 were cancelled.

At December 31, 2015, 902 preference shares (corresponding to 99,220 ordinary shares after conversion) were allotted. The number of ordinary shares that may result from the conversion of preference shares and that remain to be allotted to members of the Management Board and managers of the Company totals 30,652 ordinary shares.

The number of stock subscription options granted to members of the Management Board and still outstanding stood at 116,593 taking into account the canceled options.

The number of bonus shares that may be allotted definitively to members of the Management Board totals 138,720.

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

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

STOCK REPURCHASE PROGRAM

Liquidity agreement

Since February 21, 2005, the Company has entrusted Exane-BNP Paribas (independent services provider) with implementing a liquidity agreement in accordance with the AMAFI's charter approved by the Autorité des Marchés Financiers for an automatically renewable period of one year. The funds and shares made available pursuant to this agreement and credited to the liquidity account on February 25, 2005 comprised €2,200,000 and no shares.

At December 31, 2015, the following funds and shares appeared in the liquidity account:

- 49,453 equities
- 552,324 euros.

Trading in its own securities by the Company until January 31, 2016

Number of treasury shares held by the company at December 31, 2014	**97,005**
Number of shares purchased in December 2015	113,000
Number of shares canceled in 2015	0
Number of shares purchased under the liquidity agreement	125,283
Number of shares sold under the liquidity agreement	129,370
Number of treasury shares held by the company at December 31, 2015	**108,913**

Number of shares purchased in 2016	65,000
Number of shares cancelled on January 27, 2016	55,200
Number of treasury shares held by the company at January 31, 2016	**118,713**

The Company did not use any derivatives.

	Total gross cash flows		**Open interest on the filing date of the document**					
	Futures	**Sales/ Transfers**	**Open interest, buy side**			**Open interest, sell side**		
			Calls purchased	**Puts sold**	**Forward purchases**	**Calls sold**	**Puts purchased**	**Forward sales**
Number of instruments (2015)	113,000							
Average maximum life			None	None	None	None	None	None
Average transaction price	17,011							
Average exercise price			None	None	None	None	None	None
Carrying amount of the portfolio	1,922,784							
Market value of the portfolio (at 31.12.2015)	1,921,000							

Description of the stock repurchase program submitted for shareholders' approval at the Combined General Meeting of May 11, 2016

Prepared in accordance with Article 241-1 *et seq.* of the General Regulation of the Autorité des Marchés Financiers, Article L225-209 *et seq.* of the French Commercial Code, and EC Regulation 2273/2003 of December 22, 2003, which entered into force on October 13, 2004, this information memorandum is intended to present the objectives, terms and conditions for the renewal of the stock repurchase program, as well as its expected impact on the Company's shareholders.

1 - Summary of the principal characteristics of the transaction

- Shares concerned: Mersen's ordinary shares, admitted for trading on Euronext Paris, Compartment B (ISIN code: FR0000039620).
- Maximum percentage of the capital authorized for repurchase by shareholders at the General Meeting: 10 %.
- Maximum acquisition price per share: 30 euros.
- Duration of the program: This authorization is valid until the General Meeting called to vote on the financial statements for fiscal 2016. In no case whatsoever will this authorization remain valid for more than 18 months.

2 - Objectives of the program

- Enhance trading in or the liquidity of the Company's shares by engaging the services of an investment service provider, acting independently, under a liquidity agreement in accordance with the AMAFI charter;
- Allot or transfer shares to employees under the employee profit-sharing plan or the implementation of any employee savings plan under the conditions provided by law, specifically Article L.3332-1 *et seq.* of the French Labor Code, by transfer of shares previously acquired by the Company under this resolution or providing a free grant of shares in respect of a contribution in shares by the Company's employer contribution and/or in replacement of the discount;
- Allot shares under the conditions set forth in Articles L225-197-1 to L225-197-3;
- Implement any share purchase option plans of the Company pursuant to the provisions of Article L.225-177 *et seq.* of the French Commercial Code or any similar plan;
- allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;
- Purchase for holding purposes and subsequently remit as part of an exchange offer or in consideration for any acquisitions;
- Cancel shares through a reduction in the share capital in accordance with the French Commercial Code.

This program is also intended to allow the implementation of any market practice that may, in the future, be allowed by the AMF and, more generally, any transaction permitted by applicable law. In this scenario, the Company will notify its shareholders by press release.

3 – Legal framework

This program is compliant with the provisions of Article L. 225-209 *et seq.* of the French Commercial Code and with EC Regulation n° 2273/2003 of December 22, 2003 implementing the "Market Abuse" Directive 2003/6/CE of January 28, 2003, which became effective on October 13, 2004. It will be submitted to the approval of the shareholders at the Combined General Meeting of May 11, 2016, deliberating in accordance with quorum and majority voting requirements for Ordinary General Meetings. The corresponding resolution to be proposed by the Management Board is worded as follows:

Resolution on the share repurchase program

The General Meeting, deliberating in accordance with quorum and majority voting requirements for Ordinary General Meetings, authorizes the Management Board, with the option to sub-delegate under the conditions set forth in the law and the Articles of Association, under the conditions set forth in Article L225-209 *et seq.* of the French Commercial Code and with EC Regulation 2273/2003 of December 22, 2003, to acquire, on one or more occasions and by any means, a number of the Company's shares representing up to 10% of the shares comprising the Company's share capital, or for information purposes, on the date of this General Meeting, a maximum of 2,063,685 shares, it being specified that (i) the number of shares acquired by the Company to be held and used subsequently in payment or exchange in connection with an acquisition may not exceed 5% of the share capital, and (ii) that when the shares are redeemed to encourage liquidity under the conditions defined by the general regulation of the AMF, the number of shares taken into account to calculate the 10% limit set forth above corresponds to the number of shares purchased, minus the number of shares resold during the duration of the authorization.

The General Meeting resolves that purchases of the Company's shares may be made to:

- enhance trading in and the liquidity of the Company's shares by engaging the services of an investment service provider, acting independently, under a liquidity agreement in accordance with the AMAFI charter;
- allot or transfer shares to employees under the employee profit-sharing plan or the implementation of any employee savings plan under the conditions provided by law, specifically Article L.3332-1 *et seq.* of the French Labor Code, by transfer of shares previously acquired by the Company under this resolution or providing a free grant of these shares by way of Company contribution and/or in replacement of the discount;
- allot shares under the conditions set forth in Articles L225-197-1 to L225-197-3;
- implement any share purchase option plan of the Company pursuant to the provisions of Article L.225-177 *et seq.* of the French Commercial Code or any similar plan;
- allot shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital;
- purchase them for holding purposes and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cancel shares through a reduction in the share capital in accordance with the French Commercial Code.

This program is also intended to allow the implementation of any market practice that may, in the future, be allowed by the AMF and, more generally, any transaction permitted by applicable law. In this scenario, the Company will notify its shareholders by press release.

The maximum purchase price is set at €30 per share, excluding acquisition expenses. This price is set subject to adjustments related to any transactions affecting the Company's share capital. In view of the maximum purchase price set, the aggregate amount of share purchases may not exceed €61,910,550.

These shares may be purchased, allotted or transferred at any time (except during a public offer for the shares of the Company) and paid by any means, on and off the market, including by acquisition or transfer of blocks of shares, and specifically pursuant to a liquidity agreement entered into by the Company with an investment service provider.

The General Meeting grants full powers to the Management Board, with the option of sub-delegating them under the conditions provided by the law and the Articles of Association, to decide and implement this authorization, to set, if necessary, the terms and determine the procedures for carrying out this purchase program and, specifically, to place all stock market orders, enter into any agreements, allocate or reallocate the shares acquired to the objectives pursued in accordance with applicable law and regulations, set the terms and conditions for safeguarding, where appropriate, the rights of holders of securities or options, in accordance with law and regulations and, where necessary, the contractual stipulations, make all disclosures to the AMF and any other authority with jurisdiction and all other formalities and, in general, take all steps necessary to apply this authorization.

This authorization cancels, as of this date, where necessary, the unused portion of any delegation granted previously to the Management Board by the Combined General Meeting of May 19, 2015.

4 - Procedures

Maximum percentage of the share capital to be acquired and maximum amount payable by Mersen

Mersen will have the option of acquiring up to 10% of the share capital at the date of the General Meeting, i.e. 2,063,685 shares. The Company reserves the right to use the entire authorization. Accordingly, the maximum amount that Mersen may pay, assuming that it acquires shares at the maximum price set by the General Meeting, i.e. €30 per share, would be €61,910,550.

The Company's discretionary reserves, as stated under liabilities in the most recent annual financial statements prepared and certified at December 31, 2015, amounted to €282,676,803. Pursuant to law, the amount of the stock repurchase program may not exceed this figure until the fiscal 2015 financial statements are prepared.

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

Conditions governing repurchases

These shares may be purchased, allotted or transferred at any time (except during a public offer for the shares of the Company) and paid by any means, on and off the market, including by acquisition or transfer of blocks of shares, and specifically under a liquidity agreement entered into by the Company with an investment service provider.

Duration of the program

These stock repurchases may take place only after the approval of the corresponding resolution to be presented to the Combined General Meeting of May 11, 2016 and until the date of the General Meeting convened to approve the financial statements for 2016. In no case whatsoever will this authorization remain valid for more than 18 months.

Financing of the share repurchase program

Stock repurchases will be financed using the Company's cash funds or using debt finance. The Company will adjust its credit lines to cover these stock repurchases.

5 - Breakdown by objectives of treasury shares held at December 31, 2015 and January 27, 2016 (excluding liquidity agreement)

Objective	Number of treasury shares and percentage of capital
Grant or transfer of shares to Group employees and/or Management Board members under the company investment plans and the allotment of shares, specifically, allotment of bonus shares or share purchase options	57,800 0.3 %
Allotment of shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital	0 0%
Purchase for holding purposes and subsequent remit as part of an exchange offer or in consideration for any acquisitions	0 0%
Cancellation of shares through a reduction in the share capital in accordance with the French Commercial Code: cancellation on January 27, 2016	55,200 0.3 %

6 - Persons responsible for the information memorandum

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

Shareholders

Share ownership thresholds crossed

January 20, 2015: Otus Capital Management announced that it had exceeded the 1% statutory threshold of share capital and voting rights.

March 17, 2015: Sterling Strategic Investment SA announced that it had dropped below the 2% statutory threshold of share capital and voting rights and now holds 356,652 shares, representing 1.73 % of the share capital.

April 10, 2015: Sterling Strategic Investment SA announced that it had dropped below the 1% statutory threshold of share capital and voting rights and now holds 187,606 shares and voting rights, representing 0.91% of the share capital.

April 15, 2015: FRR (Fonds de Réserve pour les Retraites) announced that it had exceeded the 1% statutory threshold of share capital and voting rights and now holds 206,342 shares and voting rights, representing 1% of the share capital.

May 18, 2015: BNP Paribas Investment Partners, announced, on behalf of third parties and for all the shares held by the portfolio that it manages, that it had exceeded the 3% statutory threshold of share capital and voting rights and now holds 616,919 shares and voting rights, representing 2.99% of the share capital.

June 10, 2015: Dimensional Funds Advisors announced, on behalf of third parties and for all the shares held by the portfolio that it manages, that it had exceeded the 2% statutory threshold of share capital and voting rights and now holds 413,128 shares and voting rights, representing 2.00% of the share capital.

June 11, 2015: Dimensional Funds Advisors announced, on behalf of third parties and for all the shares held by the portfolio that it manages, that it had exceeded the 2% statutory threshold of share capital and voting rights and now holds 412,528 shares and voting rights, representing 2.00% of the share capital.

July 2, 2015: FRR (Fonds de Réserve pour les Retraites) announced that it had dropped below the 1% statutory threshold of share capital and voting rights and held 206,342 shares and voting rights, representing 0.99% of the share capital.

October 7, 2015: Jousse Morillon Investissement announced that it had exceeded the 1% statutory threshold of share capital and voting rights and holds 206,800 shares and voting rights, representing 1% of the share capital.

January 26, 2016: T-Rowe Price announced that it had dropped below the 5% statutory threshold of share capital and voting rights and now holds 1,030,147 shares and voting rights, representing 4.98% of the share capital.

February 4, 2016: Jousse Morillon Investissement announced that it had exceeded the 2% statutory threshold of share capital and voting rights and holds 413,898 share capital and voting rights and now holds 2.00% of the share capital.

CHANGES IN OWNERSHIP OF THE SHARE CAPITAL

	Dec. 31, 2015			Dec. 31, 2014			Dec. 31, 2013		
Shareholders	Number of shares	% of the share capital	% of voting rights	Number of shares	% of the share capital	% of voting rights	Number of shares	% of the share capital	% of voting rights
Free float, o/w									
French institutional investors	9,882,443	47.8%	48.0%	10,049,543	48.7%	49.0%	9,890,443	47.5%	48.0%
International institutional investors	7,859,263	38.0%	38.2%	8,223,915	39.9%	40.1%	7,556,498	36.3%	36.8%
Individual shareholders	2,664,546	12.9%	12.9%	2,081,865	10.1%	10.1%	2,927,910	14.0%	14.2%
Employee shareholders	176,889	0.8%	0.9%	164,486	0.8%	0.8%	200,896	1.0%	1.0%
Treasury shares	108,913	0.5%		97,005	0.5%		240,617	1.2%	
TOTAL	**20,692,054**	100%		**20,616,814**	**100%**		**20,816,364**	**100,0%**	

Members of the Management Board and Supervisory Board hold 2,306,906 shares (of which 2,242,770 are held by Bpifrance) and Management Board members hold 6,746 shares via the Mersen FCPE (corporate mutual funds), representing a total of 11.2% of the share capital; excluding Bpifrance, their interest stands at 0.3% of the share capital. The Company held a total of 108,913 of its own shares at December 31, 2015, of which 49,453 under a liquidity agreement complying with the AMAFI charter.

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

	Shares*	% capital	Theoretical voting rights*	% of theoretical voting rights	Voting rights that may be exercised at the AGM	% of voting rights that may be exercised at the AGM
ACF I Investment (Ardian)	3,624,304	17.5%	3,624,304	17.6%	3,624,304	16.0%
Bpifrance Investment	2,242,770	10.8%	2,242,770	10.9%	2,242,770	9.9%
Caisse des Dépôts et Consignations	922,269	4.5%	922,269	4.5%	922,269	4.1%
Sub-total	**3,165,039**	**15.3%**	**3,165,039**	**15.4%**	**3,165,039**	**14.0%**
Sofina	1,679,852	8.1%	1,679,852	8.1%	3,359,704	14.8%

** At December 31, 2015.*

To the best of the Company's knowledge, no other shareholders hold over 5% of the Company's share capital and voting rights.

No shareholders' agreement is in place.

As a result of the stock options granted under the 2007, 2009 and 2014 plans still outstanding at December 31, 2015, 546,797 new shares (following the adjustment after the capital increase carried out in October 2009) may potentially be issued. The information concerning Mersen's stock subscription options is presented in Chapter 3 of this reference document.

The number of BSAR warrants outstanding at December 31, 2015, entitle their holders to acquire 103,331 new shares, each with a par value of €2.

The total number of bonus shares that may be allotted definitively, including by conversion of category B shares into ordinary shares, stands at 221,420 new shares, each with par value of €2.

Dividend

	Nbr of shares at year-end	Earnings per share *(in €)*	Share price *(€)*			Overall yield based on year-end share price
		Dividend	High	Low	Last	
2010	19,942,777	0.75	35.38	23.21	34.30	2.2%
2011	20,288,354	1.00	42.81	21.17	23.35	4.3%
2012	20,350,969	0.45	28.67	18.16	21.09	2.1%
2013	20,816,364	0.45	27.14	16.44	25.19	1.8%
2014	20,616,814	0.50	27.90	17.50	20.12	2.5%
2015	20,692,054	0.50	25.80	16.53	17.00	2.9%

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

With respect to fiscal 2015, the 3rd Resolution of the Combined General Meeting of May 11, 2016 provides for payment of a dividend of €0.50 per share, subject to shareholders' approval at that Meeting.

Financial rating

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

Mersen and the stock market

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

→ Share price performance

Until the middle of the year, the share price outperformed the CAC40 index. On July 24, Mersen shares had risen by 23%, while the CAC40 index rose by 18%.

Unfavorable changes in the business and the results announced in July, followed by the adjustments of its full-year sales targets and operating income in late October, had a significant impact on the share price, while the stock market crisis in China and concerns about the economic environment in Asia affected global financial marketplaces overall.

Mersen shares thus fell 13% over the year, while the CAC40 index rose by 12%.

Share-related data

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

Share price (1)

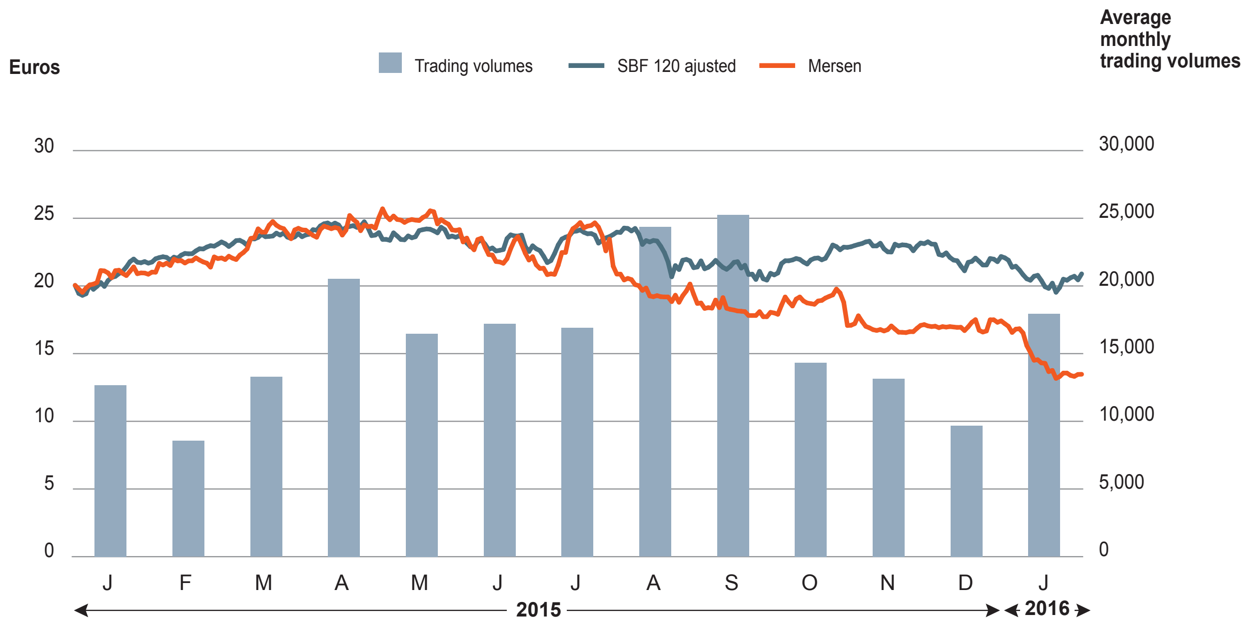
- at December 31, 2015: 17.00 euros.
- 2015 high: 25.80 euros.
- 2015 low: 16.53 euros.

(1) *At the market close.*

Trading

- Average 2015 monthly trading volume: 342,282 (average 2014 monthly trading volume: 312,178).
- Average daily trading volume in 2015: 16,044 (Average daily trading volume in 2014: 14,691).

→ Share price performance and trading volumes



Source: Euronext.

Market data

Action Mersen	Number of shares traded	Capital traded on a monthly basis[(a)] *(in millions of euros)*	Average daily number of shares traded	Share price High *(in €)*	Share price Low *(in €)*	Share price Average *(in €)*
2014						
January	633,227	16.47	28,783	27.88	23.20	26.02
February	325,590	7.51	14,800	23.88	22.51	23.06
March	424,239	10.27	20,202	25.63	22.52	24.21
April	301,351	7.27	15,068	25.85	22.80	24.13
May	378,829	8.38	18,039	23.15	21.10	22.11
June	306,973	6.25	14,618	23.01	21.91	22.56
July	150,303	3.29	6,535	23.25	21.10	21.87
August	228,545	4.61	10,883	21.20	19.50	20.15
September	241,033	5.19	10,956	23.08	18.60	21.52
October	277,197	5.11	12,052	19.55	17.50	18.45
November	194,959	3.60	9,748	19.52	17.63	18.49
December	284,897	5.56	13,537	20.36	18.63	19.53
2015						
January	266,182	5.56	12,675	21.60	19.50	20.68
February	171,267	3.79	8,563	22.20	20.80	21.78
March	292,293	7.08	13,286	24.89	21.75	23.57
April	410,676	9.10	20,534	25.41	23.35	24.35
May	329,255	8.20	16,463	26.45	23.55	25.09
June	377,977	8.30	17,181	24.65	21.41	22.96
July	388,945	8.60	16,911	24.84	20.70	22.93
August	511,341	10.31	24,350	21.50	18.56	19.74
September	555,397	10.02	25,245	20.45	17.57	18.31
October	315,251	5.38	14,330	19.94	16.20	18.73
November	275,954	4.70	13,141	18.09	16.51	16.89
December	212,844	3.62	9,675	17.80	16.35	17.04
2016						
January	358 682	2.98	17 934	17.15	12.96	14.44

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

(Share price in €)	January 2016	2015	2014
At end of period	13.41	17.00	20.12
Number of shares at end of period	20,636,854	20,692,054	20,616,364
Market capitalization at end of period *(in millions of euros)*	277	351	415
Average daily number of shares traded	17,934	16,044	14,691

Dividend per share

(In euros)	2015	2014	2013	2012	2011
	0.50	0.50	0.45	0.45	1.00

A confidence-based relationship with shareholders

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

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

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

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

Key events in the 2015 investor relations calendar

Sales reports

Fourth-quarter 2014 sales - January 29

First-quarter 2015 sales - April 28

Second-quarter 2015 sales - July 31

Third-quarter 2015 sales - October 28

Earnings reports

Full-year 2014 results - March 11

Interim 2015 results - July 31

Meetings for institutional investors

In Europe and North America - throughout the year

Meetings for individual shareholders

Bordeaux – June 28

Annual General Meeting

Paris - May 19

Key events in the 2016 investor relations calendar

Sales reports

Fourth-quarter 2015 sales - January 28

First-quarter 2016 sales - April 27

Second-quarter 2016 sales - July 28

Third-quarter 2016 sales - October 26

Earnings reports

Full-year 2015 results - March 9

Interim 2016 results - July 28

Meetings for institutional investors

In Europe and North America - throughout the year

Meetings for individual shareholders

In France – throughout the year

Annual General Meeting

Paris - May 11

Officer responsible for information

Thomas Baumgartner

Group Vice President, Finance and Administration

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Management report

5

Introduction

The year 2015 was characterized by a sluggish economic environment, particularly with regard to industry and especially with regard to industrial investment. For Mersen, this situation was reflected in sales of €772[1] million, down 2.2% compared to the prior year on a like-for-like basis, but up by nearly 1% excluding chemicals, a sector that was particularly hard hit by the sharp decline in investment. However, the year confirmed the solid performance of our expanding markets – renewable energy, electronics and aeronautics.

Despite the business contraction, the Group delivered an EBITDA margin of 12.7% under challenging conditions, thanks to the benefits of the operational excellence plans and in particular the Transform plan. The latter was completed at the end of December 2015, in line with the schedule, costs, and gains projected initially.

In this context, Mersen maintained a solid structure in terms of its balance sheet, with a net debt/EBITDA ratio of 2.4 and a net debt/equity ratio of 47%, after payment of exceptional flows [2] of €30 million.

In addition, we made changes to our internal organization at the beginning of 2016 and reorganized our two segments to take our strategic priorities into account and thus accelerate our development. The report below is based on the organization in effect during 2015; that is, before the change was implemented.

Consolidated results

In 2015, the Group decided to sell a non-core business in welding technologies. The 2015 financial statements thus show this business on a separate line of the Group's consolidated income statement and balance sheet - "asset held for sale" - in line with IFRS 5.

Sales

Mersen's 2015 consolidated sales totaled €772[1] million, a 6.4% increase compared to the prior year (adjusted[3]) with a currency effect of €63.5 million. On a like-for-like basis, sales contracted by 2.2% compared to the prior year. Excluding the chemicals market, organic growth was close to 1%.

	2015	2014 adjusted[3]	total growth	organic growth*	2014
Materials	283.3	275.2	3.0%	-6.4%	280.0
Electrical	488.9	450.9	8.4%	0.4%	450.9
GROUP TOTAL	**772.2**	**726.1**	**6.4%**	**-2.2%**	**730.9**
Europe	265.0	278.7	-4.9%	-6.2%	279.5
Asia-Pacific	178.9	160.5	11.4%	0.1%	161.3
North America	288.3	253.1	13.9%	-2.7%	256.3
Rest of the world	40.0	33.8	18.4%	25.3%	33.8
GROUP TOTAL	**772.2**	**726.1**	**6.4%**	**-2.2%**	**730.9**

** On a like-for-like basis.*

(1) On January 28, 2016, the Group reported sales of €777 million. This figure included the contribution of a welding technologies business treated as an asset held for sale in accordance with IFRS 5.
(2) Transform plan, restructurings and ASP acquisition
(3) IFRS 5

Materials segment sales amounted to €283 million, an organic contraction of 6.4% for the period. This decline was related primarily to the situation in the chemicals market. Excluding this market, organic growth was positive for this segment, at more than 1%, thanks to the solid performance of the aeronautics and electronics markets, which offset the decline in sales in process industries.

Sales for the **Electrical segment** totaled €489 million for the year, up 0.4% on a like-for-like basis. The energy market was strong, particularly in wind and solar. Sales in rail transportation and process industries remained stable, while electronics posted a slight decline because of a limited number of new projects.

In **Europe**, the fall in sales compared to 2014 is attributable primarily to the unfavorable situation in the chemicals market, with lower investments and the non-renewal of the Sabic contract. However, the Group posted significant growth in aeronautics and solar.

In **Asia**, the situation improved gradually in China over the year. India, Korea, and Taiwan showed strong growth.

The **American** electronic and wind markets performed well. However, the chemicals and electrical distribution markets contracted, similar to the oil industry in the United States and Canada.

EBITDA and operating income before non-recurring items

In millions of euros	2015	2014 adjusted[1]	2014
Operating income before non-recurring items	**58.1**	**59.6**	**59.7**
As a % of sales	*7.5%*	*8.2%*	*8.2%*
Depreciation and amortization	39.9	36.1	36.1
EBITDA	**98.0**	**95.7**	**95.8**
As a % of sales	*12.7%*	*13.2%*	*13.1%*

Ebitda[1] totaled €98 million, up 2.4% compared to the 2014 adjusted[2], representing 12.7% of sales.

Group operating income before non-recurring items[3] totaled €58.1 million in 2015, for an operating margin of 7.5% of sales, compared to 8.2% in 2014. The difference is attributable to negative volume and mix effects and unfavorable price effects in the Materials segment, offset in part by the benefits of the Transform plan. Increased depreciation in 2015 is related to a currency effect.

The operating margin for the Electrical segment (ECT) was in line with last year's (12.3%). This is attributable primarily to a positive volume effect and the benefits of the Transform plans and other savings plans, which are offset by a negative product mix.

The operating margin before non-recurring items for the Materials segment (AMT) declined compared to the prior year (4% vs 6.5%) based on a combination of factors: the significant decline in anticorrosion system volumes, price pressures on graphite and, on the other hand, the beneficial effects of the Transform plan.

In millions of euros	2015	2014 adjusted	*Change*	2014
Sales	772.2	726.1	+6.3%	730.9
Gross margin	231.7	221.6	+4.6%	222.4
as a % of sales	*30.0%*	*30.5%*		30.4%
Sales and other costs	(77.1)	(72.9)	+5.8%	(73.4)
G&A and R&D costs	(96.5)	(89.1)	+8.3%	(89.3)
Operating income before non-recurring items	**58.1**	**59.6**		**59.7**
as a % of sales	*7.5%*	*8.2%*		*8.2%*

The gross margin was close to the 2014 level. Productivity efforts offset the effects of price declines in the materials segment, as well as a product mix effect that was less favorable than in 2014.

On a like-for-like basis, sales and other costs and G&A and R&D costs were in line with 2014.

(1) Operating income before non-recurring items + depreciation and amortization
(2) IFRS 5
(3) Based on the definition laid down in CNC regulation 2009.R.03.

Net income

Net income totaled €2.6 million, compared with the adjusted 2014 figure of €2.8 million. This income figure includes, in 2014 as in 2015, the non-recurring charges related primarily to the Transform plan and to impairments.

In millions of euros	2015	2014 adjusted	2014
Operating income before non-recurring items	**58.1**	**59.6**	**59.7**
Non-recurring income and expense	(21.6)	(37.0)	(37.0)
Amortization and impairment of revalued intangible assets	(1.1)	(1.0)	(1.0)
Operating income	**35.4**	**21.6**	**21.7**
Financial income	(10.0)	(9.9)	(9.9)
Income tax	(19.1)	(9.1)	(9.1)
Net income from continuing operations	**6.3**	**2.6**	**2.7**
Net income from assets held for sale and discontinued operations	(3.7)	0.2	0.1
Net income	**2.6**	**2.8**	**2.8**
Attributable to Mersen's shareholders	**1.3**	**2.1**	**2.1**
Non-controlling interests	(1.3)	(0.7)	(0.7)

Non-recurring income and expense showed a loss of €21.6 million. This includes:

- €16.8 million in impairment of tangible and intangible assets, related primarily to the low level of activity in the chemicals market, the underuse of certain graphite production equipment, and abandoned projects.
- €5.6 million in restructuring costs, of which €3 million for the Transform plan.

In 2014, those costs totaled €37 million, related primarily to the Transform plan and the final settlement of the civil lawsuit in the United Kingdom.

Mersen's net finance cost stood at €10 million in 2015, in line with 2014. Excluding currency effects, average 2015 debt was close to that of 2014 (€232 million compared to an average 2014 debt of €226 million).

The tax expense totaled €19.1 million and includes €4.5 million in impairments of deferred tax assets. The effective tax rate, calculated based on income restated to take into account non-deductible and non-activated expenses and impairment of deferred tax assets, was 33%, equivalent to that of prior years.

Income from assets held for sale stood at a loss of €3.7 million and includes income from the welding technologies business, which is being disposed of, and an estimate of the capital loss on disposal.

The change in minority interests' results is related primarily to Cirprotec. Mersen has held a 51% stake in the company since February 2014.

Dividend

The Supervisory Board proposed payment of a €0.50 per share dividend at the Annual General Meeting of the shareholders, which is in line with the amount paid last year. The distribution will thus total approximately €10 million, representing 36% of net income from continuing operations, adjusted for exceptional charges (€22.1 million related to Transform and impairments).

(1) IFRS 5

CASH AND DEBT

Condensed statement of cash flows

In millions of euros	2015	2014 adjusted
Cash generated by operating activities before change in the WCR	70.0	77.3
Change in working capital requirement	(5.5)	1.7
Change in tax expense	(16.3)	(13.3)
Net cash generated by continuing operating activities	**48.2**	**65.7**
Net cash generated by operating activities excluding exceptional items*	***73.0***	***79.0***
Cash generated by discontinued operations	(1.4)	(0.7)
Net cash generated by operating activities	**46.8**	**65**
Capital expenditures	(34.2)	(32.0)
Net cash generated by operating activities after capital expenditures	**12.6**	**33**
Change in scope (acquisitions)	(5.7)	(8.6)
Disposals of non-current assets and other	2.3	(0.7)
Net cash generated/(used) by operating and investing activities	**9.2**	**23.7**
Interest payments	(9.5)	(9.3)
Dividends paid	(10.5)	(10.0)
Increase in share capital and other	(1.8)	(1.1)
Net cash flow before the change in debt	**(12.6)**	**3.3**

** Non-recurring items: Transform plan and conclusion of the civil lawsuit in the United Kingdom in 2014; restructuring (including Transform) in 2015.*

The Group generated net cash from continuing operating activities of €48.2 million. This figure is €73 million excluding the year's exceptional flows (restructurings, including the Transform plan), i.e. a decline of approximately €6 million compared to 2014. This change is attributable to an increase in WCR related to unfavorable seasonal fluctuations in accounts payable and to early tax payments made in 2015 in the United States.

Capital expenditure totaled €34.2 million, nearly €3 million of which is related to the Transform plan. Sixty percent is for the Materials segment. The investment policy is presented in this chapter.

Overall, the 2015 Transform plan cash flows totaled €19.3 million, including €3 million in investments, €20 million in restructuring expenses, and €4 million in proceeds from real estate disposals.

The changes in scope involve the ASP acquisition. In 2014, they involved the acquisition of a majority interest in Cirprotec and the final earn-out payment related to the 2011 purchase of the Mingrong Electrical Protection minority interests.

Net cash for 2015 thus stood at -€12.6 million, compared to €3.3 million in 2013.

→ Balance sheet

Net debt at year-end 2015 stood at €236.5 million, compared to €216 million at year-end 2014. On a like-for-like basis, the debt would be €226.6.

This takes into account nearly €30 million in exceptional outlays associated with acquisitions and the Transform plan.

The Group maintained a strong financial structure, with ratios close to the prior year: the net debt/EBITDA ratio (leverage) was 2.39* and the net debt/equity ratio (gearing) was 47%.*

	December 31, 2015	December 31, 2014
Total net debt *(in millions of euros)*	236.5	216.0
Net debt/equity*	0.47	0.46
Net debt/EBITDA*	2.39	2.19

International Operations outside France

The Group is present on all continents. The international positioning of the Group's manufacturing facilities keeps it in close contact with its customers and allows them to be highly responsive on their markets. In addition, it protects Mersen from the impact of currency fluctuations on its competitiveness.

In 2015, around 58% of the Group's capital expenditures were devoted to international markets. This concerned primarily the replacement and modernization of industrial equipment.

In 2015, the Group derived 91% of its sales from outside France (i.e. sales generated by foreign companies excluding those realized in France and exports by French companies).

The sales contributed by the Group's subsidiaries outside France came to €645 million, down 0.7% compared with 2014 on a like-for-like basis.

Sales in the Asia-Pacific region totaled 23% of Group consolidated sales in 2015, 34.5% in Europe, 37.5% in North America and 5% in the rest of the world (South America, Africa and the Middle East).

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

Investment policy

In 2015, capital expenditures in continuing operations amounted to €34.2 million, of which €3 million at Transform plan receiving sites. With the projects launched in 2014 continuing, the Group invested in the sites involved in the Transform plan. It also invested in its skills in the area of silicon carbide.

Acquisitions totaled €5.7 million in 2015, involving 100% of the shares in the Chinese company ASP at year-end 2015. Disposals totaled €4.1 million and include the sale of land and buildings in the United Kingdom and Italy under the Transform plan.

In 2014, capital expenditures totaled €32 million and involved primarily industrial equipment in China and the United States.

In 2014, the Group had also initiated investments in the flexible felt market in the United Kingdom and in projects related to the Transform plan in Europe and the United States.

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

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

	Continuing operations	
In millions of euros	**2015**	**2014**
Increase in property, plant and equipment	(33.2)	(31.6)
Change in fixed asset suppliers	(1.0)	(0.4)
CAPITAL EXPENDITURES	**(34.2)**	**(32.0)**
Increase in intangible assets	(3.8)	(2.7)
Increase in financial assets	0.0	(1.1)
Other changes in investment flows (excl. fixed asset suppliers)	1.9	1.8
SUB-TOTAL	**(36.1)**	**(34.0)**
Investments linked to acquisitions	(5.7)	(8.6)
Investments linked to asset disposals	4.1	0.0
TOTAL	**(37.7)**	**(42.6)**

Financing policy

A Group policy has been defined for financing, which is coordinated by the Finance and Administration department.

The Group possesses confirmed credit lines, which have not been drawn down in their entirety.

Most of the Group's borrowings have been arranged by Mersen. Cash pooling systems in Europe, the United States and China help to optimize use of all the credit lines.

In 2011, the Group finalized a USD 100 million private placement with a final maturity in 2021 to extend the duration of its debt and diversify its sources of financing.

In 2012, the Group refinanced its syndicated loan due to expire in July 2013, replacing it with a new five-year syndicated loan and bilateral loans.

In 2013, the Group refinanced its syndicated loan in China due to expire in September 2014, replacing it with a new five-year syndicated loan and bilateral loans.

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

All the details concerning borrowings are presented in Note 15 to the consolidated financial statements.

Relations between the parent company and its subsidiaries

Mersen is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 93 consolidated and unconsolidated companies in 33 countries.

The Group's largest manufacturing facilities are located in France, the United States, China, Germany and Mexico.

The Group's Executive Committee runs its operational affairs. In certain cases, Executive Committee members (including Management Board members) may be directors or officers in companies belonging to their segment.

Parent company results

Parent company's financial position in the preceding financial year

The sales and other revenues recorded by the parent company, Mersen SA, amounted to €10.8 million. These revenues derived from Mersen SA's activities as a holding company, namely the management of investments in subsidiaries and affiliates, Group financing and invoicing for various services, plus fees for the use of the trademark and other associated intangibles.

The parent company's operating loss, which reflects the holding company's operating costs and trademark royalties, stood at -€4.2 million.

Financial income amounted to at €16.7 million, compared to €30.7 million in 2014. This takes into account, in 2015, €20.1 million in impairment on investments (primarily in China). In 2014, the result did not include any substantial impairment on investments.

The parent company's income before tax and non-recurring items came to €12.5 million. The exceptional loss stood at -€0.4 million, compared to net income of €3.5 million in 2014, related to an indemnity and re-invoicing of the cost of class actions to various Group entities.

The parent company recorded a tax benefit of €2.2 million. This was the result of the tax paid by the French subsidiaries consolidated for tax purposes.

Taking all these items into account, the parent company posted net income of €14.3 million, compared to €30.6 million in 2014.

Information about payment terms for the parent company's suppliers

The standard terms of payment for suppliers are 45 days end of month.

In accordance with Article D. 441-4 of the French Commercial Code, the maturity schedule for trade payables at December 31, 2015 comprised €0.2 million in amounts payable within less than 30 days and €0.3 million in amounts payable between 30 and 60 days. At December 31, 2014, the amounts payable within less than 30 days stood at €0.3 million and amounts payable between 30 and 60 days at €0.4 million.

Research and development policy

The Group's research and development activities principally consist in developing materials, manufacturing processes, products and systems with dual objective of:

- safeguarding the Group's profitable growth by developing an innovative and made-to-measure range of solutions catering to the needs of our strategic markets; and
- cutting manufacturing costs.

The Group devotes around 3% of its sales to research and development concerning the refinement of products, materials and processes and technical sales efforts with a view to adapting its solutions or services constantly to each customer's specific requirements.

Most of this expenditure is financed internally.

The Group's approach is part of a continuing program: during 2015, as in prior years, innovation focused on two principal areas:

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

The major innovations finalized in 2015 or still under development include:

- the development of new grades of graphite brushes without silver that can meet the performance requirements of wind generator manufacturers, while reducing costs significantly;
- the development of new silicon carbide-coated wafer substrates (or susceptors) that meet the extreme purity requirements of certain semi-conductor manufacturing processes ;
- the development of hybrid electric protection technologies for direct current applications (including energy storage, photovoltaic solar and rail traction), combining electronic circuit breaking and mechanical circuit breaking/blocking in the same product; and,
- silicon carbide mirrors, coated with an additional layer of silicon carbide, for laser optic applications enabling the development of a streamlined scanner.

Risk management

The report of the Chairman of the Supervisory Board, presented in Chapter 3 of this reference document, describes the risk management organization and procedures established within the Group.

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

→ Risks related to the market environment and the Group's business activities

Industrial risks

The Group may face certain industrial risks that could have an impact on its business activities or the safety of its employees. However, these risks are spread, in general, over several production facilities, geographic regions and different processes. To minimize these risks, the Group takes action related to:

- the preparation and regular review of industrial risk mapping,
- the preparation and regular review of procedures regarding equipment or processes that could be dangerous, for example, given the temperatures reached during production,
- the preparation of a Business Continuity Plan for certain facilities and/or certain strategic equipment,
- regular safety audits.

In addition, inspections by the Group's insurance experts assess the level of fire prevention and protection at the Group's main manufacturing facilities in France and in other countries.

Risks related to dependence on certain production facilities

Some of the group's facilities manufacture items used by other group facilities. If certain facilities or processes are interrupted for an extended period, this could affect the profitability of the group or of a business activity. The Group limits part of this risk by ensuring the availability of duplicate critical equipment and/or by preparing business continuity plans. These plans must make it possible, in the event of a major problem, to operate at a reduced level while trying to return, as quickly as possible, to the level of production sought.

Only the Group's major sites – approximately 15 – have a business continuity plan.

Environmental risks

Like any industry player, the Group must comply with many environmental laws and regulations in the countries in which it conducts its business activities. These laws expose the Group's operating companies to liability risks and significant costs (for example, liability for current or past business activities or related to assets disposed of). To minimize these risks, the Group takes actions related primarily to:

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

Regulations dealing with best available technology on graphite manufacturing have been published. However, their application date has not yet been disclosed. Mersen will monitor this issue particularly closely in 2016 and will assess the potential impact of this regulation on future investments in order to comply with the new regulation. Implementation of this regulation will be staggered over several years, in accordance with the provisions.

The Group's environmental policy is described in Chapter 2 of this reference document.

Risks related to the capital-intense nature of certain business activities

Some of the Group's business sectors, specifically graphite for High Temperature applications (Materials division), may be exposed to consequences related to their capital-intense nature, such as a decline in profitability in the event of a drop in demand (due to significant depreciation) or lower prices in the event of global over-capacity in this business area.

Risks related to the economic environment

The Group may be affected by an unfavorable economic environment in a geographic region or business sector. Changes in sales may have a major impact on results, particularly in the event of a business contraction over several half-year periods. Since the end of 2013, therefore, the Group has been confronted with a significant decline in the chemicals market.

However, this risk is limited thanks to the diversity of the Group's markets and the geographic regions in which it operates. It has also demonstrated its ability to implement major cost containment plans to address these situations. Finally, in 2014 and 2015 it deployed an industrial rationalization plan entitled «Transform» with the aim, in particular, of being more flexible in the face of economic uncertainties, particularly in Europe and at certain sites producing for the chemicals market.

Risks related to the competitive situation

Mersen is active in competitive markets. Depending on the business sector, this competition may come from companies larger than Mersen or from small-scale local players. It is thus difficult for the Group to guarantee that it will be able to maintain or increase its market share in markets where it is already active or to penetrate new markets. In the future, the Group may face new competitors in low-cost countries. Certain local companies, particularly in China, are capable of competing with Mersen in some products and applications. This competition is currently limited to specific applications on the Chinese market.

However, Mersen's presence in several business sectors and several geographic regions, with competitors that differ, in general, by sector and/or geographic region, and its focus on high value-added products tend to limit these risks.

Information system risks

The information system security function continued to implement a series of measures aimed at safeguarding the integrity, availability and confidentiality of the Group's information systems.

In 2015 and in addition to the systems already in place, the following actions were taken:

- Extension of the industrial systems' IT security policy;
- Implementation of a system to detect possible intrusions into our networks; and,
- Change to the policy for integrating new acquisitions into the IT systems in order to take better account of security.

A system enables business units to conduct a self-assessment of their compliance with the Group's standards and help improve information systems security. This tool will be supplemented by an online IT systems security training, developed in 2015, for site IT managers.

In 2016, the 2012 risk mapping will be reviewed, taking a business-oriented approach.

However, the Group cannot dismiss the possibility of a system failure (equipment or software), human error or computer virus that could harm the Group's reputation or the quality of its service.

Raw materials risks

The Group relies on certain raw materials, particularly those used in the formulation of graphite. To limit the risks related to raw materials and secure purchases of the most sensitive materials over the long term, Mersen continues its research program into identifying alternative procurement sources in the event that it has to contend with a supplier with a dominant market position.

From a more global perspective, the purchasing teams continued to achieve concrete results from their collaboration with technical teams on redesign to cost and strategic sourcing projects in order to enhance performance of suppliers with a view to:

- securing more competitive purchasing prices and industrialization solutions;
- planning ahead for the possible replacement of products purchased that are not deemed to comply with the REACH regulations;
- helping to reduce consumption of energy and raw materials used in the manufacture of finished products.

In addition, to protect against price increases, exposure to certain raw materials was hedged using either derivative products or purchase commitments from suppliers.

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

Risks related to export controls on dual-use goods

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

Since 2003, the Group has adopted a commercial credit insurance program with Coface, which is described in Note 3 to the consolidated financial statements. However, the program does not include all Mersen's subsidiaries and Coface can refuse to ensure certain exposure.

The Group is also exposed to risks of customer complaints regarding defective products or, for certain business activities such as anticorrosion equipment characterized by project-based sales, to late penalties. The diversity of customers and activities limits the financial impact of this risk on the Group's earnings and financial position. In addition, some of these risks are partially covered by insurance.

Risks related to dependence on customers or commercial litigation

The Group's customers are very diverse. On a Group-wide basis, this diversity helps limit the risk of dependence on a single customer. In 2015, no single customer represented more than 5% of consolidated sales.

However, in certain countries, one customer may represent a large share of the business of a specific manufacturing facility. The loss of that customer could have significant impact on a local level.

PROPORTION OF SALES DERIVING FROM THE GROUP'S PRINCIPAL CUSTOMERS

	2015		2014	
In millions of euros	Sales	% of sales	Sales	% of sales
With the Group's leading customer	28.1	3.6%	28.2	3.9%
With the Group's top 5 customers	93.6	12.1%	85.3	11.7%
With the Group's top 10 customers	138.4	17.9%	129.8	17.8%

Risks related to acquisitions or restructuring

The Group has followed a strategy of targeted acquisitions for several years. Any acquisition where the price, including any liabilities assumed, exceeds €3 million must be authorized by the Supervisory Board at the proposal of the Management Board.

Every acquisition includes certain risks of inadequate evaluation of certain factors or of integration problems that may affect the results of the Group or of a business activity. To limit this risk, the Group follows complete due diligence procedures (including environmental, legal, financial, industrial and human resources) as well as integration rules. In many cases, it also retains the management of the target company to facilitate integration.

Risks associated with acquisitions may lead indirectly to a risk on the valuation of goodwill. The Group has substantial goodwill related to past acquisitions. The amount of goodwill recognized on the balance sheet totals €288 million. Note 6 to the consolidated financial statements describes this goodwill in detail.

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

The Group regularly conducts industrial and commercial reorganizations that may result in risks of labor conflict, loss of expertise or loss of sales. These risks may be heightened during the operational implementation of the Transform plan. The Group limits these risks by setting up dedicated project groups, carefully identifying risks and taking steps to reduce the risks identified.

Risks of impairment in the Anticorrosion Equipment CGU

The Group posted an impairment of €10 million on its Anticorrosion Equipment business, whose main outlet is the chemicals market.

The valuation of the net assets was thus written down to be equal to the expected cash flow, discounted based on the cost of capital and growth rate assumptions established at year-end 2015.

Any unfavorable change in these parameters would result in additional impairment. The sensitivity tests are presented in Note 7 to the appendix to the consolidated financial statements.

The business is also very dependent on the environment in the chemicals market, particularly with regard to investments in that industry. The Group believes that the business has reached the bottom of the cycle and that it should increase gradually starting in 2017. An extension of the bottom of the cycle could also have an unfavorable impact on the valuation of the Anticorrosion Equipment business and require additional impairments.

Risks related to innovation and R&D

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

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

Geopolitical risks

The Group carries out a significant share of its commercial and industrial activities in emerging countries that have recently experienced or are at risk of experiencing periods of political and economic instability. In 2015, sales outside Europe, North America, Japan and South Korea represented 16% of consolidated sales, of which 57% are derived from China. The Group is thus exposed to certain risks that could affect its profitability in certain geographic areas.

Specifically, the Group has a manufacturing facility in Argentina, a country considered to be at high risk according to the Coface classification. Although this unconsolidated subsidiary represents a potential risk, it is a very modest one given its size, as its sales totaled €2.1 million in 2015.

With facilities in more than 33 countries, the Group is exposed, generally, to the risk of regulatory change (tax, legal or other) that may affect its profitability or its ability to generate financial flows to the parent company.

Human and social risks

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

To guard against this risk, the Group has adopted procedures, programs and actions intended to maintain employee loyalty and develop employee skills to support the Group's growth as far as possible (see Chapter 2 of this reference document).

In addition, when restructuring measures liable to have an impact on the workforce are contemplated, the solutions envisaged are studied in conjunction with the unions and employee representatives in accordance with legal provisions. Appropriate measures are taken to reassign affected employees to new positions within or outside the Group. However, the Group cannot dismiss the possibility of labor conflicts or legal action by employees that may have negative impacts on the Group's financial position, results or image.

Risks related to internal control failings and risk of fraud

Given the Group's international presence, its administrative, financial, and operational processes are managed in diverse legal and regulatory environments, with a sensitivity to internal control and risk management that differs from one entity to another. In this context, the Group cannot dismiss the possibility of internal control failings, fraud or the failure to comply with local regulations, which may have significant impacts on the Group's financial position and/or harm its image.

To limit this risk, Mersen regularly reviews its internal control procedures, carries out activities to increase awareness, and performs audits of subsidiaries. This process is described in greater detail in the report of the Chairman of the Supervisory Board, found in Chapter 3 of this document.

→ Financial risks

Currency risks

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

Interest-rate risk

Interest-rate risks are addressed in the "Interest-rate risks" section of Note 3 to the consolidated financial statements.

Raw material risks

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

Counterparty risks

All hedging transactions are entered into with prime financial institutions. The Group has no material investment securities and is not exposed to counterparty risks on such securities.

In addition, the Group holds swaps covering a nominal amount of €36.2 million, but does not believe that it is exposed to counterparty risk because its positions are marked to market (mark-to-market valuation of -€0.6 million).

In terms of credit risk, the Group set up an insurance program with commercial credit insurer Coface covering its principal companies in the US, Western Europe and China (domestic customers) against the risk of non-payment for financial or political reasons.

Coverage may vary, by customer, between 0 and 95% of invoiced amounts.

Liquidity risks

The Group conducted a specific review of its liquidity risk and believes that it will be able to honor its forthcoming repayments.

Liquidity risks are addressed in the “Liquidity risks” section of Note 3 to the consolidated financial statements.

Credit risks

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

Equity risks

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

At December 31, 2015, the Group held 108,913 treasury shares worth approximately €1.9 million. At the same date, the Group had not subscribed any shares in listed companies.

→ Tax and customs risks

The Group undergoes regular tax and customs audits by the tax/customs authorities in the countries in which it operates. In the past, the tax reassessments issued after tax/customs audits were for non-material amounts.

In June 2013, Mersen do Brasil, a wholly-owned subsidiary of Mersen SA, was informed of a customs audit covering the period January 2008 – December 2012. Customs officials issued a notice of reassessment (principal and interest) in the amount of 9.5 million Brazilian reals, or approximately €2.2 million at the exchange rate on December 31, 2015. The Group has filed a challenge.

In 2014, Mersen Italia SpA, a wholly-owned subsidiary of Mersen SA, was informed of a tax audit covering 2011. Italian tax officials issued a notice of reassessment (corporate tax and VAT) in the amount of €450,000. Mersen Italia SpA challenged most of the reassessment. On December 14, 2015, the Court of First Instance limited the amounts due from Mersen Italia SpA to €23,500, an amount provided for in the financial statements.

→ Legal risks

Dependence of the Company

The Mersen group is not dependent on any patent, license or supply contract that may have a material adverse effect on its business activities or profitability.

Litigation

None of the legal proceedings referred to below led to provisions being set aside, as the Group is not in a position as things stand to assess the financial risk.

Civil proceedings in Canada

The civil proceeding initiated during 2004 in Canada by certain customers against the main Canadian manufacturers of graphite brushes, including Mersen Toronto, a Canadian subsidiary of Mersen, is still in progress and there have been no new developments since 2007. To recap, this lawsuit was instigated following the fine of CAD 1 million that Morgan Crucible Ltd was ordered to pay in July 2004 for anti-trust practices in the field of graphite brushes for traction applications during the 1995-1998 period. To recap, the Canadian judge ruled in February 2007 that only Canadian urban transportation companies could join the proceedings in progress. The risk for Mersen Toronto is still not material.

Administrative proceedings in France

In 2013, SNCF commenced two legal actions against Morgan, SGL, Schunk and Mersen respectively in the Paris Administrative Court and in the Paris Commercial Court. SNCF is attempting to secure redress for losses that it allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. In 2014, the Paris Administrative Court rejected all the claims lodged by SNCF, which appealed the decision. The Paris Commercial Court accepted jurisdiction for the SNCF proceedings. Mersen rejects all of the allegations and demands put forward by the SNCF.

Since 1999, the Group has developed a worldwide compliance program to provide training for and raise awareness among operational and commercial managers about competition legislation. This worldwide compliance program remains in place. It was updated again in June 2010 following the change in the Group’s name and corporate identity. Highly stringent internal control measures and external audits ensure that competition legislation is scrupulously complied with in all the countries in which the Group does business.

Legal proceedings in France (accident at the Gennevilliers plant on April 7, 2010)

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress, with no significant developments in 2015.

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

There are no other governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Group is aware, during the previous 12 months which may have, or have had in the recent past material adverse effects on the Group's business activities, financial position or results of operations.

→ Insurance

The Group's insurance policy is determined by the Management Board. To protect the Group's future, the levels of coverage are set based on the Group's loss record and an assessment of the risks incurred by each Group subsidiary. With loss experience remaining under control in 2014, the Group's insurance programs remained stable in 2015. The slight worsening of Group loss experience in civil liability in 2014 led to an upward revision for 2015. The continuation of the risk prevention policy helped to maintain the coverage levels and all premiums.

The Group has arranged worldwide insurance programs (handled, in certain countries, through local policies) with prime insurance companies to cover its main property/business interruption, civil liability, environmental, civil aviation and transport risks. These worldwide programs provide all the Group's subsidiaries with cover and restrictions tailored to their needs. No captive policies have been arranged.

The Group's civil liability (operations, before and after delivery) and environmental insurance programs notably cover bodily injury, damage to tangible and intangible property, site clearance and rebuilding costs, withdrawal costs, damage to property entrusted with the Group and pollution abatement costs, subject to the usual deductibles, exclusions and restrictions. The program comprises a master policy in France and local policies in certain countries. The total premiums paid by the Mersen group during fiscal 2015 in respect of its civil liability, environmental and civil aviation insurance program came to €801,000.

The Group's property/business interruption insurance program notably covers bodily injury and physical damage, as well as losses caused by the interruption of business at the Group's main plants as a result of any sudden and accidental events (such as fire, storm, explosion, electrical damage, theft, etc.), subject to the usual deductibles, exclusions and restrictions. The program comprises a master policy and local policies in certain countries. It provides a contractual restriction per event (property/business interruption combined) of €100 million with sub-restrictions for certain events, such as storms, natural disasters or certain specific guarantees, such as machine failures and IT and electrical risks. The total premiums paid by the Mersen group during fiscal 2015 in respect of this insurance program came to €996,922.

Under the Group's transport insurance program, Mersen and its subsidiaries are protected by a worldwide policy that provides a guarantee of up to €5 million per shipment for all the Group's goods shipments, irrespective of the means of transportation used. Mersen's premium for fiscal 2015 totaled €100,000.

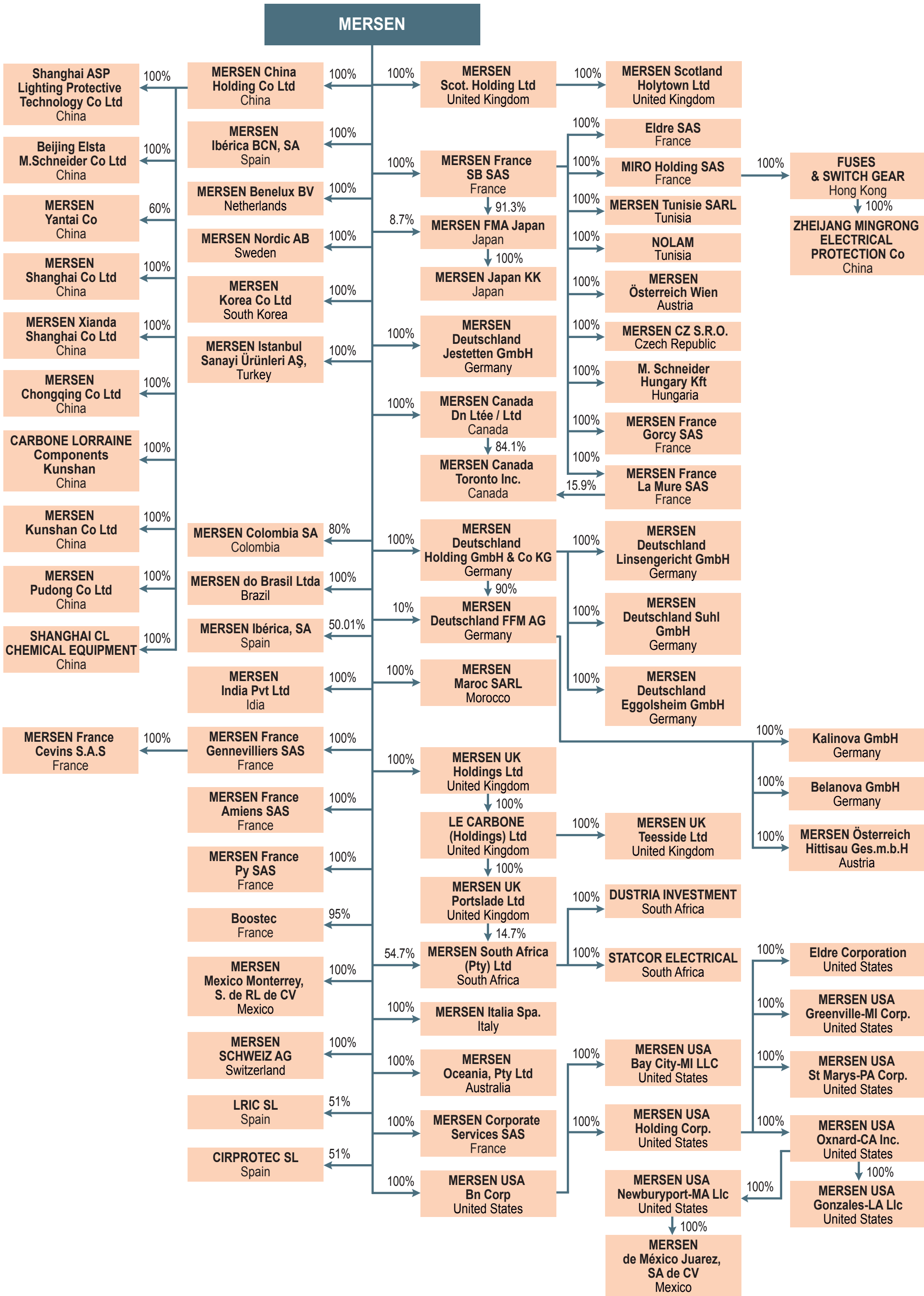
OUTLOOK

The economic environment is likely to remain sluggish in 2016, especially in process industries and chemicals. Even so, the Group's sales should continue to expand in its growth markets—renewable energies, aerospace and electronics. Amid these mixed conditions, Mersen intends to further enhance its competitiveness by launching a new operational excellence plan to deliver €30 million in savings over the next two to three years. The initial benefits are expected from 2016. The impact of these measures may be curbed to some extent in 2016 by a persistently unfavorable pricing environment in the Materials segment. Taking all these factors into account, 2016 sales on a like-for-like basis are likely to be of the same order of magnitude as in 2015 and operating margin before non-recurring items around 7.5% of sales. Operating cash flow is expected to be well above that recorded in 2015, when it was reduced by the cash costs associated with the Transform plan.

CONSOLIDATED FINANCIAL STATEMENTS

6

Scope of consolidation at December 31, 2015



List of consolidated companies

	Method of consolidation FC: Full Consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
1. **MERSEN** (France)	FC	100	100
2. **MERSEN France Amiens SAS** (France)	FC	100	100
3. **MERSEN France Gennevilliers SAS** (France)	FC	100	100
- MERSEN France Cevins SAS (France)	FC	100	100
4. **MERSEN France Py SAS** (France)	FC	100	100
5. **MERSEN Corporate Services SAS** (France)	FC	100	100
6. **MERSEN France SB SAS** (France)	FC	100	100
- MERSEN France La Mure SAS (France)	FC	100	100
- Eldre SAS (France)	FC	100	100
- MERSEN Österreich Wien GmbH (Austria)	FC	100	100
- MERSEN CZ SRO (Czech Republic)	FC	100	100
- M. Schneider Hungaria Kft (Hungary)	FC	100	100
- MERSEN Tunisie SARL (Tunisia)	FC	100	100
- NOLAM Tunisie SARL (Tunisia)	FC	100	100
- MIRO Holding SAS (France)	FC	100	100
- FUSES & SWITCHGEAR (Hong Kong)	FC	100	100
- Zhejiang Mingrong Electrical Protection Company (China)	FC	100	100
- MERSEN FMA Japan KK (Japan)	FC	100	100
- MERSEN Japan KK (Japan)	FC	100	100
- MERSEN France Gorcy SAS (France)	FC	100	100
7. **Boostec** (France)	FC	95	95
8. **MERSEN Deutschland Holding GmbH & Co. KG** (Germany)	FC	100	100
- MERSEN Deutschland FFM AG (Germany)	FC	100	100
- Belanova-Kalbach GmbH (Germany)	FC	100	100
- Kalinova-Kalbach GmbH (Germany)	FC	100	100
- MERSEN Österreich Hittisau GmbH (Austria)	FC	100	100
- MERSEN Deutschland Lisengericht GmbH (Germany)	FC	100	100
- MERSEN Deutschland Suhl GmbH (Germany)	FC	100	100
- MERSEN Deutschland Eggolsheim GmbH (Germany)	FC	100	100
9. **MERSEN Deutschland Jestetten GmbH** (Germany)	FC	100	100
10. **MERSEN Ibérica SA** (Spain)	FC	50	50
11. **MERSEN Ibérica BCN SA** (Spain)	FC	100	100
12. **Cirprotec S.L.** (Spain)	FC	51	51
13. **LRIC S.L.** (Spain)	FC	51	51
14. **MERSEN UK Holdings Ltd.** (Great Britain)	FC	100	100
- Le Carbone (Holdings) Ltd. (Great Britain)	FC	100	100
- MERSEN UK Portslade Ltd. (Great Britain)	FC	100	100
- MERSEN UK Teeside Ltd. (Great Britain)	FC	100	100

	Method of consolidation FC: Full Consolidation	% of voting rights held by the Group	% of the share capital owned by the Group
15. MERSEN Scotland Holding Ltd. (Great Britain)	FC	100	100
- MERSEN Scotland Holytown Ltd. (Great Britain)	FC	100	100
16. MERSEN Italia Spa. (Italy)	FC	100	100
17. MERSEN Benelux B.V (Netherlands)	FC	100	100
18. MERSEN Nordic AB (Sweden)	FC	100	100
19. MERSEN Schweiz AG (Switzerland)	FC	100	100
20. MERSEN Canada Dn Ltée/Ltd. (Canada)	FC	100	100
- MERSEN Canada Toronto Inc. (Canada)	FC	100	100
21. MERSEN USA Bn Corp. (United States)	FC	100	100
- MERSEN USA Holding Corp. (United States)	FC	100	100
- MERSEN USA Greenville-MI Corp. (United States)	FC	100	100
- MERSEN USA St Marys-PA Corp. (United States)	FC	100	100
- MERSEN USA Bay City-MI Llc. (United States)	FC	100	100
- MERSEN USA Oxnard-CA Inc. (United States)	FC	100	100
- MERSEN USA Newburyport MA LLC (United States)	FC	100	100
- MERSEN de México Juarez, S.A DE. C.V (Mexico)	FC	100	100
- MERSEN USA Gonzales LA LLC (United States)	FC	100	100
-Eldre Corporation (United States)	FC	100	100
22. MERSEN México Monterrey, S de R.L. de C.V. (Mexico)	FC	100	100
23. MERSEN Oceania, Pty Ltd. (Australia)	FC	100	100
24. MERSEN Korea Co. Ltd (South Korea)	FC	100	100
25. MERSEN India Pvt. Ltd (India)	FC	100	100
26. MERSEN China Holding Co. Ltd (China)	FC	100	100
- MERSEN Pudong Co. Ltd (China)	FC	100	100
- MERSEN Chongqing Co. Ltd (China)	FC	100	100
- Carbone Lorraine Components Kunshan Co. Ltd (China)	FC	100	100
- MERSEN Kunshan Co. Ltd (China)	FC	100	100
- Shanghai Carbone Lorraine Chemical Equipment Co. Ltd (China)	FC	100	100
- MERSEN Xianda Shanghai Co. Ltd (China)	FC	100	100
- MERSEN Shanghai Co. Ltd (China)	FC	100	100
- MERSEN Yantai Co. (China)	FC	60	60
- Beijing Elsta M.Schneider Co. Ltd (China)	FC	100	100
- Shanghai ASP (Chine)	FC	100	100
27. MERSEN South Africa Pty Ltd (South Africa)	FC	69	69
- Statcor Electrical (South Africa)	FC	69	69
- Dustria Investment (South Africa)	FC	69	69
28. MERSEN do Brasil Ltda. (Brazil)	FC	100	100
29. MERSEN Istanbul Sanayi Ürünleri (Turkey)	FC	100	100
30. MERSEN Colombia SA (Colombia)	FC	80	80
31. MERSEN Maroc SARL (Morocco)	FC	100	100

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

Changes in the scope of consolidation over the past two years

The principal changes in the scope of consolidation that affected the consolidated financial statements in 2014 and 2015 are presented below:

- During 2014, the Spanish sister companies Cirprotec SL and Lric SL, of which the Group acquired 51%, were consolidated retroactively from January 1, 2014.
- During 2015, Mersen increased its stake in the share capital of Boostec by 10%, bringing its control to 95%. Mersen China Holding Co Ltd completed in December 2015, the acquisition of 100% of the shares of the Chinese company Shanghai ASP Lightning Protective Technology Co Ltd, which was consolidated in December 2015.

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

Assets held for sale:

Astrolite in the United States

In December 2015, the Group decided to sell the Astrolite operation, which specializes in brazing technologies. This decision followed on the series of sales in 2013 intended to refocus the Advanced Materials and Technologies segment on its core businesses. (See below)

Non-core businesses in the Advanced Materials and Technologies segment

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

Both businesses were sold in the second half of 2013.

These businesses are presented in accordance with IFRS 5. 2014 Consolidated Income Statement and Statement of cash-flows are presented on an adjusted basis.

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	Dec. 31, 2015	Dec. 31, 2014 adjusted
CONTINUING OPERATIONS			
Consolidated sales	18	772.2	726.1
Cost of sales		(540.5)	(504.5)
Total gross income		**231.7**	**221.6**
Selling and marketing costs		(74.7)	(70.8)
Administrative and research costs		(96.5)	(89.1)
Other operating costs		(2.4)	(2.1)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**58.1**	**59.6**
Non-recurring charges	17	(32.9)	(37.0)
Non-recurring income	17	11.3	0.0
Amortization of revalued intangible assets		(1.1)	(1.0)
OPERATING INCOME	**18/20**	**35.4**	**21.6**
Financial expense		(10.0)	(9.9)
Financial income			
Financial costs	21	**(10.0)**	**(9.9)**
Income before tax and non-recurring items		**25.4**	**11.7**
Current and deferred income tax	22	(19.1)	(9.1)
Net income from continuing operations		**6.3**	**2.6**
Net income from operations held for sale or discontinued operations	5	(3.7)	0.2
NET INCOME FOR THE YEAR		**2.6**	**2.8**
Attributable to:			
- Group equity holders		1.3	2.1
- Minority interests		1.3	0.7
NET INCOME FOR THE YEAR		**2.6**	2.8
Earnings per share	**23**		
Basic earnings per share *(€)*		0.07	0.10
Diluted earnings per share *(€)*		0.06	0.10
Earnings per share from continuing operations	**23**		
Basic earnings per share *(€)*		0.24	0.09
Diluted earnings per share *(€)*		0.24	0.08
Earnings per share from assets held for sale and discontinued operations	**23**		
Basic earnings per share *(€)*		(0.18)	0.01
Diluted earnings per share *(€)*		(0.17)	0.01

Condensed statement of comprehensive income

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
NET INCOME FOR THE YEAR	**2.6**	**2.8**
Items that will not be subsequently reclassified in income		
Revaluation of net liabilities (assets) for defined benefits	8.9	(17.4)
Tax expense/income on revaluation of net liabilities (assets) for defined benefits	(1.8)	6.0
	7.1	(11.4)
Items likely to be subsequently reclassified in income		
Change in fair value of hedging derivatives	0.1	(1.7)
Change in assets and liabilities at year-end exchange rate	23.8	32.2
Tax expense/income on change in fair value of hedging derivatives	(0.1)	0.6
	23.8	31.1
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	**30.9**	**19.7**
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**33.5**	**22.5**
Attributable to:		
- Group equity holders	32.0	21.3
- Minority interests	1.5	1.2
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**33.5**	**22.5**

Consolidated statement of financial position

ASSETS

In millions of euros	Note	Dec. 31, 2015	Dec. 31, 2014
NON-CURRENT ASSETS			
Intangible fixed assets			
- Goodwill	6	287.9	281.5
- Other intangible assets	8	35.8	34.4
Property, plant and equipment	8		
- Land		29.3	29.4
- Buildings		75.3	67.0
- Plant, equipment and other assets		169.2	169.3
- Assets in progress		23.0	24.3
Non-current financial assets			
- Investments	9	2.5	2.5
- Other financial assets		4.0	4.0
Non-current tax assets			
- Deferred tax assets	22	36.8	36.4
- Non-current portion of current tax assets		5.8	5.0
TOTAL NON-CURRENT ASSETS		**669.6**	**653.8**
CURRENT ASSETS			
- Inventories	10	168.2	162.4
- Trade receivables	11	119.0	115.9
- Other receivables		14.6	15.9
- Current portion of current tax liabilities		7.6	4.4
- Current financial assets	15	16.5	12.1
- Current derivatives	3	0.4	0.8
- Cash and cash equivalents	15	22.4	37.6
- Assets held for sale and discontinued operations	5	0.8	0.4
TOTAL CURRENT ASSETS		**349.5**	**349.5**
TOTAL ASSETS		**1,019.1**	**1,003.3**

LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros	Note	Dec. 31, 2015	Dec. 31, 2014
SHAREHOLDERS' EQUITY			
- Share capital	12	41.4	41.2
- Retained earnings		422.3	423.6
- Net income for the year		1.3	2.1
- Cumulative translation adjustments		11.7	(11.7)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		**476.7**	**455.2**
- Non-controlling interests		13.3	11.7
SHAREHOLDERS' EQUITY		**490.0**	**466.9**
NON-CURRENT LIABILITIES			
- Non-current provisions	13	2.2	3.8
- Employee benefits	14	76.5	89.6
- Deferred tax liabilities	22	29.9	19.3
- Long and medium-term borrowings	15	211.1	228.9
- Non-current derivatives	3	0.5	0.7
TOTAL NON-CURRENT LIABILITIES		**320.2**	**342.3**
CURRENT LIABILITIES			
- Trade payables		56.3	60.6
- Other payables		68.7	65.5
- Current provisions	13	10.4	19.6
- Current portion of current tax liabilities		3.0	4.9
- Other liabilities	13	2.3	3.1
- Other current financial liabilities		10.9	6.5
- Current derivatives	3	2.1	1.5
- Current advances	15	0.6	0.4
- Bank overdrafts	15	52.8	29.9
- Liabilities related to assets held for sale and disc. op.	5	1.8	2.1
TOTAL CURRENT LIABILITIES		**208.9**	**194.1**
TOTAL EQUITY AND LIABILITIES		**1,019.1**	**1,003.3**

Statement of changes in equity

In millions of euros	Attributable to Mersen's shareholders						
	Share capital	Premiums and retained earnings	Net income for the year	Cumulative translation adjustment	Total	Non-controlling interests	Equity
OPENING EQUITY AT JANUARY 1, 2014	**41.6**	**473.8**	**(29.2)**	**(43.4)**	**442.8**	**10.0**	**452.8**
Prior period net income		(29.2)	29.2		0.0		0.0
Net income for the year			2.1		2.1	0.7	2.8
Change in fair value of hedging derivatives, net of taxes		(1.1)			(1.1)		(1.1)
Revaluation of net liabilities (assets) for defined benefits after tax		(11.4)			(11.4)		(11.4)
Cumulative translation adjustment				31.7	31.7	0.5	32.2
Total other comprehensive income	**0.0**	**(12.5)**	**0.0**	**31.7**	**19.2**	**0.5**	**19.7**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**(12.5)**	**2.1**	**31.7**	**21.3**	**1.2**	**22.5**
Dividends paid		(9.3)			(9.3)	(0.7)	(10.0)
Issue of new shares	(0.4)	(0.6)			(1.0)		(1.0)
Expenses on issue of new shares					0.0		0.0
Treasury shares - Stock options - Bonus shares		1.3			1.3		1.3
Other items		0.1			0.1	1.2	1.3
EQUITY AT DECEMBER 31, 2014	**41.2**	**423.6**	**2.1**	**(11.7)**	**455.2**	**11.7**	**466.9**
Prior period net income		2.1	(2.1)		0.0		0.0
Net income for the year			1.3		1.3	1.3	2.6
Change in fair value of hedging derivatives, net of taxes		0.0			0.0		0.0
Revaluation of net liabilities (assets) for defined benefits after tax		7.1			7.1		7.1
Cumulative translation adjustment				23.6	23.6	0.2	23.8
Total other comprehensive income	**0.0**	**7.1**	**0.0**	**23.6**	**30.7**	**0.2**	**30.9**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**7.1**	**1.3**	**23.6**	**32.0**	**1.5**	**33.5**
Dividends paid		(10.3)			(10.3)	(0.2)	(10.5)
Treasury shares		(1.8)			(1.8)		(1.8)
Increase in share capital	0.2	0.3			0.5		0.5
Stock options and bonus shares		1.1			1.1		1.1
Other items		0.2		(0.2)	0.0	0.3	0.3
EQUITY AT DECEMBER 31, 2015	**41.4**	**422.3**	**1.3**	**11.7**	**476.7**	**13.3**	**490.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	Dec. 31, 2015	Dec. 31, 2014 Adjusted
Income before tax	25.4	11.7
Depreciation and amortization	39.9	36.1
Additions to/(reversals from) provisions	(8.7)	15.1
Financial costs	10.0	9.9
Capital gains/(losses) on asset disposals	1.3	2.6
Other	2.1	1.9
Cash generated by operating activities before change in the WCR	**70.0**	**77.3**
Change in the working capital requirement	(5.5)	1.7
Income tax paid	(16.3)	(13.3)
Net cash generated by continuing operating activities	**48.2**	**65.7**
Cash generated by discontinued operations	**(1.4)**	**(0.7)**
NET CASH GENERATED BY OPERATING ACTIVITIES	**46.8**	**65.0**
Investing activities		
Intangible fixed assets	(3.8)	(2.7)
Property, plant and equipment	(33.2)	(31.6)
Decreases/(increases) in fixed asset suppliers	(1.0)	(0.4)
Financial assets		(1.1)
Impact of changes in the scope of consolidation	(5.7)	(8.6)
Other changes in cash flow from/(used by) investing activities	6.0	1.8
Cash generated/(used) by investing activities from continuing operations	**(37.7)**	**(42.6)**
Cash generated/(used) by investing activities from discontinued operations	**0.1**	**1.3**
CASH GENERATED/(USED) BY INVESTING ACTIVITIES	**(37.6)**	**(41.3)**
CASH GENERATED/(USED) BY OPERATING AND INVESTING ACTIVITIES	**9.2**	**23.7**
Proceeds/(loss) from capital increase/decrease and other changes in equity	(1.8)	(1.1)
Net dividends paid to shareholders and minority interests	(10.5)	(10.0)
Interest payments	(9.5)	(9.3)
Change in debt	(4.2)	14.8
CASH GENERATED/(USED) BY FINANCING ACTIVITIES	**(26.0)**	**(5.6)**
Change in cash	**(16.8)**	**18.1**
Cash at beginning of fiscal year (Note 15)	37.6	20.2
Cash at end of fiscal year (Note 15)	22.4	37.6
Impact of changes in the scope of consolidation		0.0
Impact of currency fluctuations	(1.6)	0.7
CHANGE IN CASH	**(16.8)**	**18.1**

Notes to the consolidated financial statements

Summary of the notes to the financial statements

Note 1 Statement of conformity

In accordance with EC regulation no. 1606/2002 of July 19, 2002, which applies to the consolidated financial statements of European companies listed on a regulated market, the consolidated financial statements of Mersen and its subsidiaries (hereinafter “the Group”) have been prepared in accordance with IFRS **(International Financial Reporting Standards),** because the Group is listed in a European Union member state.

The mandatory standards and interpretations at January 1, 2015 are presented in Note 2. The new standards and interpretations not yet applied as of 2015 are presented in Note 2-W. The standards and interpretations not yet applied appear in Note 2-X.

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

The consolidated financial statements at December 31, 2015 have been prepared using the recognition and measurement principles stated in the IFRSs adopted for use in the European Union at the same date. They have also been prepared in line with the presentation and financial reporting rules applicable to annual financial statements, as defined in the General Regulation of the Autorité des Marchés Financiers (AMF, the French market regulator).

For comparison purposes, the consolidated financial statements for the fiscal year to December 31, 2015 include data for fiscal 2014 given using the same accounting rules.

The accounting principles stated from Note 2 onwards have been used to prepare the comparative figures and the annual financial statements for 2015.

Note 2 Principles and methods

A - Scope and method of consolidation

The consolidated financial statements include those of the parent company and of all those companies in which the Group holds a controlling interest.

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

All intra-Group transactions and balances have been eliminated.

The consolidated financial statements have been prepared in euros.

The Group’s business activities do not experience significant seasonal fluctuations. Both sales and purchases are spread evenly throughout the year.

B - Presentation of the financial statements

The Mersen group prepares its financial statements in line with the accounting principles laid down in the revised IAS 1 - Presentation of financial statements.

B1 - Statement of comprehensive income

Given customary practice and the nature of its business activities, the Group has opted for the by function of expense format of the income statement, which consists in classifying costs according to their function under cost of sales, selling, administrative, research and development costs.

The Group presents comprehensive income in two statements consisting of an income statement and a separate statement showing income and other comprehensive income.

B2 - Consolidated statement of financial position

Assets and liabilities arising during the business cycle and those with a maturity of less than 12 months at the reporting date are classified as current. All other assets and liabilities are classified as non-current.

B3 - Statement of cash flows

The Group prepares the consolidated statement of cash flows using the indirect method and as stipulated in IAS 7.

The indirect method consists in determining cash flows from operating activities for which net income or loss is adjusted for the effects of non-cash transactions and items arising from investing or financing activities.

B4 - Assets and liabilities held for sale and discontinued operations

In accordance with IFRS 5, assets and liabilities that are immediately available for sale in their current state and the sale of which is highly probable are shown in the statement of financial position under assets and liabilities held for sale. Where a group of assets is held for sale in a single transaction and the group of assets represents a distinct component of the entity (business line or principal and distinct geographical region covered by a single and coordinated disposal plan or a subsidiary acquired solely for resale), the group of assets and corresponding liabilities is considered as a whole. The disposal must take place in the year following this presentation of the asset or group of assets.

The non-current assets or group of assets held for sale are stated at the lower of their carrying amount and fair value net of disposal costs. Non-current assets appearing on the balance sheet as held for sale are no longer depreciated once they are presented as such.

The results recorded by groups of assets meeting the definition of a business held for sale or discontinued operation are presented by separating out their results from continuing operations, and their cash flows are presented separately on the cash flow statement.

C - Foreign currency translation

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

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

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

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

Translation differences arising on assets and liabilities are recorded separately in equity under cumulative translation adjustments. They comprise:

- The impact of changes in exchange rates on assets and liabilities;
- The difference between net income calculated at the average exchange rate and net income calculated at the year-end exchange rate.

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

D - Foreign currency assets and liabilities

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

Transactions denominated in currencies other than the euro are translated at the exchange rate ruling at the transaction date. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any gains and losses arising from currency translation are taken to operating income for the period under foreign exchange gains and losses.

Translation gains and losses on financial instruments denominated in foreign currencies representing a hedge of a net investment in a foreign operation are recorded in equity under cumulative translation adjustments.

E - Hedges

Hedging transactions are recognized and measured in line with the principles laid down in IAS 32 and 39.

E1 - Currency and commodity hedges

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

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

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

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

E2 - Interest-rate hedging

Interest rate derivatives are stated at fair value in the statement of financial position. Changes in their fair value are accounted for as follows:

- The ineffective portion of the derivative instrument is taken to income under the cost of debt;
- The effective portion of the derivative instrument is recognized as follows:
  - In equity for a derivative accounted for as a cash flow hedge (e.g. a swap turning a debt carrying a floating interest rate into a fixed-rate liability),
  - In income (cost of debt) in the case of a derivative accounted for as a fair value hedge (e.g. a swap turning a fixed interest rate into a floating interest rate). This accounting treatment is offset by changes in the fair value of the hedged debt.

F – Intangible assets

The applicable standards are IAS 38 - Intangible assets, IAS 36 - Impairment of assets and IFRS 3 - Business combinations.

In accordance with IAS 38 - Intangible assets, only items in respect of which future economic benefits are likely to flow to the Group and the cost of which may be reliably determined are accounted for as intangible assets.

The Group's intangible assets primarily comprise goodwill.

Other intangible assets (customer relationships, technology) with a finite life are accounted for at cost less accumulated amortization and impairment. Amortization is expensed as incurred on a straight-line basis over the estimated useful life of the relevant intangible asset.

F1 - Goodwill

In line with the revised IFRS 3, upon a business combination, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any equity interest previously held in the acquiree), plus the amount of any non-controlling interest in the acquiree, less the net amount (generally the fair value) of the identifiable assets acquired and the liabilities assumed, with all these amounts being measured at the acquisition date. If the difference above is negative, the resulting gain is recognized as a bargain purchase in income.

On a transaction by transaction basis, the Group may choose to measure at the acquisition date any non-controlling interest either at fair value or at the NCI's proportionate share of the net assets of the acquiree.

For business combinations between January 1, 2004 and January 1, 2010:

Goodwill represents the excess amount of the acquisition cost over the Group's share in the amounts recognized (generally at fair value) in respect of the assets, liabilities and contingent liabilities.

Goodwill is allocated individually to the Group's cash generating units (CGUs). The Group has defined the following four CGUs:

- Electrical Applications;
- Electrical Protection;
- High-Temperature Applications;
- Anticorrosion Equipment.

In accordance with IFRS 3 - Business combinations, goodwill is not amortized. It undergoes an impairment test whenever evidence of impairment in the value of assets appears and at least once every year.

In accordance with IAS 36, the Group tests for impairment by:

- Preparing cash flow projections after normalized tax based on the Strategic Plan of the relevant CGU;
- Determining a value in use using a method comparable to any business valuation by discounting cash flows at the Group's weighted average cost of capital (WACC);
- Comparing this value in use with the carrying amount of the relevant assets to determine whether or not an impairment loss needs to be recognized.

Value in use is determined based on free cash flow projections discounted over a period of five years and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each of the cash generating units (see Note 7).

Goodwill impairment losses are irreversible.

F2 - Patents and licenses

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

Software is amortized on a straight line basis over its useful life, which may not exceed 5 years.

F3 - Development costs

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

- The entity has the intent and the financial and technical ability to see the development project through to completion;
- It is probable that the expected future economic benefits that are attributable to the development will flow to the entity;
- The cost of the asset can be measured reliably; and
- The manner in which the intangible asset will generate probable future economic benefits.

Research and development costs that do not meet the aforementioned criteria are expensed as incurred. Capitalized development costs meeting the criteria laid down in the new accounting standards are recognized as an asset in the statement of financial position. They are amortized on a straight line basis over their useful life, which does not generally exceed 3 years.

F4 - Intangible assets acquired in connection with a business combination

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

Amortization is recognized on a straight-line basis over the estimated useful life of the relevant intangible assets other than goodwill, once they are ready for operational use. The estimated useful lives applied for the period in question and the comparative period were as follows for the acquisitions completed:

- Brands with a finite useful life: up to 30 years
- Patents and technologies: up to 30 years
- Customer relationships: up to 30 years

The Group studies external and internal factors associated with the asset based on the criteria laid down in the standard when establishing whether an intangible asset has a finite or infinite useful life.

G – Property, plant and equipment

In accordance with IAS 16 - Property, plant and equipment, only items whose cost may be determined reliably and in respect of which future economic benefits are likely to flow to the Group are accounted for as property, plant and equipment.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses, except for land, which was revalued at the IFRS transition date.

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are included in the cost of the asset.

Depreciation is calculated based on the rate of consumption of the expected economic benefits per item based on acquisition cost, less, where appropriate, residual value.

The various components of an item of property, plant and equipment are recognized separately where their estimated useful life and thus their depreciation period are materially different.

The Group applies the straight-line method of depreciation according to the expected service life of the item.

The periods used are as follows:

- construction: 20 to 50 years;
- fixtures and fittings:10 to 15 years;
- plant and equipment: 3 to 10 years; and,
- vehicles: 3 to 5 years.

These depreciation periods, as well as the residual values, are reviewed and adjusted at the end of each fiscal year. These changes are applied prospectively.

Investment grants are recognized at the outset as a deduction from the gross value of the non-current asset.

H - Leases

Under IAS 17, a lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset.

Where the criteria laid down in the standard are not met, the costs resulting from leases are charged to income for the period and the lease is considered as an operating lease.

Non-current assets used under a finance lease give rise to the recognition of both an item of property, plant and equipment and an obligation to make future lease payments. Leases are recognized at the lower of the fair value of the leased property and the present value of minimum payments. At the commencement of the lease term, the asset and relevant liability of the same value corresponding to the future payments under the lease are recognized in the statement of financial position.

Lease payments are broken down into a finance charge and the repayment of the outstanding debt. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The capitalized asset is depreciated over the useful life adopted by the Group for non-current assets of the same type. Where the Group is not reasonably certain that the lessee will take ownership of the asset at the end of the lease, the asset is depreciated in full over the shorter of the term of the lease and the useful life.

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

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

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

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

The recoverable amount of assets is usually determined based on their value in use. Value in use is defined as the expected future economic benefits from their use and from their sale. It is assessed notably by reference to the discounted future cash flows projected based on economic assumptions and operating budgets drawn up by the Mersen group's senior management.

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

J - Financial assets and liabilities

Financial assets and liabilities are measured and recognized in line with IAS 39 - Financial instruments: Recognition and Measurement, IAS 32 - Financial Instruments: Disclosure and Presentation, and IFRS 7 - Disclosures.

Financial assets comprise investments available for sale, investments held to maturity, trading assets, margin deposits paid, derivatives held as assets, loans, receivables, and cash and cash equivalents.

Upon their initial measurement, all assets and liabilities not stated at fair value are measured at fair value taking transaction costs into account.

Subsequently, loans and receivables are recognized at amortized cost.

Financial liabilities comprise borrowings, other financing and bank overdrafts, derivatives held as liabilities, margin deposits received in relation to derivatives and other liabilities.

Except where covered by a fair value hedge (see E2), borrowings and other financial liabilities are stated at amortized cost calculated using the effective interest rate (EIR). For example, lending fees are deducted from the initial amount of the debt, then added back period by period according to the calculation of the EIR, with the amounts added back being recognized in income.

Current assets include operating receivables measured at amortized cost, with impairment losses being recognized where the carrying amount exceeds the recoverable amount.

J1 - Investments

Investments in unconsolidated subsidiaries are non-current financial assets classified in the available-for-sale category. They are stated at fair value. In the rare instances in which their fair value cannot be obtained, they are stated at cost.

Where there is objective evidence of impairment (financial difficulties, deterioration in performance without any growth prospects, local economic situation, etc.), any significant and long-term impairment losses are recognized in income.

These impairment losses are irreversible and are not written back.

The principal activity of the unconsolidated subsidiaries is the distribution of products manufactured by the Group's consolidated companies.

Subsidiaries that are not material considered alone or on an aggregate basis are not included in the scope of consolidation.

J2 - Other non-current financial assets

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

K - Capital

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

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

L - Provisions

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

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

The estimated amount shown in provisions represents the outflow of resources that the Group will have to incur to extinguish its obligation. Where this amount cannot be measured reliably, no provision is recorded. In this instance, information is disclosed in the notes to the financial statements.

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

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

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

M - Inventories

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

Cost comprises acquisition or production cost.

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

The only indirect costs taken into account in the measurement of work in progress and finished goods are production-related expenses.

No interest costs are capitalized.

N - Consolidated sales

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

On a subsidiary basis, the Group executes construction contracts via several subsidiaries. If the outcome of a construction contract can be estimated reliably, revenues are recognized in income in proportion to the stage of completion of contract activity. The contract costs are expensed as incurred, except where they represent an asset linked to future contract activity.

A sale is recognized when the entity transfers to the buyer the risks and rewards incidental to ownership.

A sale is measured at the fair value of the consideration received or receivable. Where payment is deferred, leading to a significant impact on determination of fair value, this is reflected by discounting future payments.

The amount of revenue from the sale of goods and equipment is usually recognized when there is a formal agreement with the customer stipulating that risks have been transferred, the amount of revenue can be measured reliably and it is likely that the economic benefits arising from the transaction will flow to the Group. With agreements providing for formal acceptance of the goods, equipment or services received by the customer, recognition of the revenue is normally deferred until the date of acceptance.

Income from ancillary activities is recorded under the appropriate heading of the income statement, i.e. other revenues, financial income, or as a deduction from (selling, general, administrative or research) expenses of the same type.

O - Employee benefits

Post-employment benefit obligations granted by the Group vary based on legal obligations and the policy of each subsidiary in this regard. They include defined contribution plans and defined benefit plans.

With regard to defined contribution plans, the Group's obligations are limited to the payment of periodic contributions to outside organizations that handle administrative and financial management. Expenses charged with respect to these plans correspond to the contributions paid during the reference period.

A defined benefit plan is a post-employment benefit plan distinct from a defined contribution plan. The Group's obligation in connection with defined benefit plans is measured separately for each plan by estimating future benefits earned by employees in exchange for services rendered during the present period and prior periods and discounting that amount to determine its present value. This value is then reduced by the fair value of the plan assets to determine the net benefit liability (asset). The Group determines the net interest expense (income) on the defined benefit net liability (asset) for the period by applying the discount rate used at the beginning of the fiscal year to measure the obligation to the net benefit liability (asset).

The discount rate is determined by the Group with the help of an independent expert and takes market practices into account.

These calculations are performed every year by a qualified accountant using the projected unit credit method. When the calculation of the net obligation results in an asset for the Group, the corresponding amount recognized may not exceed the present value of any economic benefit available in the form of future refunds or reductions in future plan contributions. All minimum funding requirements applicable to Group plans are taken into account to calculate the present value of economic benefits. An economic benefit is available for the Group if it can be realized during the life of the plan or on the settlement dates for plan liabilities.

Net liabilities (assets) remeasured for defined benefits include actuarial gains and losses, the return on plan assets (excluding amounts taken into account to calculate net interest on net liabilities (assets)) and changes in the asset ceiling (excluding amounts taken into account in the calculation of net interest on net benefit liabilities (assets), as applicable) The Group then recognizes them immediately under other comprehensive income and all other expenses related to defined benefit plans are recognized in the income statement for employee benefits.

When adjustments are made to plan benefits, the impact associated with past services rendered by employees is immediately recognized in profit or loss at the time of the adjustment. In the case of plan curtailment, the corresponding gain or loss is also recognized in the income statement on the curtailment date.

The Group recognizes gains and losses from the settlement of a defined benefit plan at the time of the settlement. Gains or losses arising from a settlement equal the difference between the present value of the obligation for the defined benefit settled determined on the settlement date, and the consideration for the settlement, including total plan assets transferred and all payments made directly by the Group in connection with the settlement.

P - Non-recurring income and expense

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

Non-recurring income and expenses include the following items:

- material non-recurring gains and losses on disposal of: property, plant and equipment, intangible assets, investments, other financial assets and other assets;
- Impairment losses recognized on investments, loans, goodwill and other assets;
- Certain types of provisions;
- reorganization and restructuring costs.
- costs linked to acquisitions in connection with business combinations.

Q – Operating income

Operating income is shown before net finance costs, taxes and non-controlling interests.

Investment grants are shown as a deduction from costs to which the grant relates.

R – Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Temporary differences are differences between the carrying amount of an asset or liability in the consolidated financial statements and its tax base, which give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group discloses deferred taxes separately from other assets and liabilities. Deferred tax assets are recognized where it is more likely than unlikely that they will be recovered in subsequent years. Deferred tax assets and liabilities are not discounted.

When assessing the Group's ability to recover these assets, the following items in particular are taken into consideration:

- Projections of its future taxable income;
- Its taxable income in previous years.

Deferred tax assets and liabilities are stated using the liability method, i.e. using the tax rate that is expected to be applied in the fiscal year in which the asset will be realized or the liability settled, based on tax rates (and tax laws) enacted or substantively enacted at the reporting date, taking into account future tax rate increases or decreases.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the entity expects at the reporting date to recover or to settle the carrying amount of these assets and liabilities.

S – Segment reporting

IFRS 8 on segment reporting defines an operating segment as a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

The internal reporting provided to the chief operating decision maker, i.e. the Management Board, and to the Supervisory Board, reflects the management structure of the Mersen group, which is based on the following segmentation:

Advanced Materials and Technologies: graphite equipment and other high-performance materials dedicated to extreme industrial environments.

Electrical Components and Technologies: systems and components contributing to the performance and safety of electrical equipment.

Pursuant to IFRS 8, the Group identifies and presents operating segments based on the information provided internally to the Management Board.

T - Earnings per share

Basic and diluted earnings per share are shown both for total net income and net income from continuing operations.

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the period.

For the calculation of diluted earnings per share, net income attributable to holders of ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

U - Equity-linked benefits granted to employees

In accordance with IFRS 2 - Share-based payment, stock purchase and subscription options and offerings reserved for employees related to shares in the Group are recognized at fair value at the grant date.

The value of stock purchase and subscription options depends notably on the exercise price, the probability of the conditions attached to exercise of the options being met, the life of the options, current price of the underlying shares, anticipated volatility of the share price, expected dividends and risk-free interest rate over the life of the option. This value is recognized in staff costs on a straight-line basis over the vesting period of the rights with a direct equivalent entry in equity for plans settled in equity and in liabilities to employees for plans settled in cash.

V - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or assessments be made, particularly in relation to the calculation of provisions and impairment testing. These assumptions, estimates or assessments are prepared on the basis of the information available and the position at the reporting date. These estimates and assumptions are made based on past experience and various other factors. The current backdrop of a severe downturn in the economic and financial environment has made it harder to assess the business outlook. It is conceivable that actual figures will subsequently differ from the estimates and assumptions adopted.

Actual events occurring after the reporting date may differ from the assumptions, estimates or assessments used.

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

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

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

The estimates and underlying assumptions are reviewed continuously. The effect of changes in accounting estimates is recognized during the period of the change if it affects only this period or during the period of the change and subsequent periods, if the latter are also affected by the change.

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

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

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

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

W - New standards applied as of fiscal year 2015

IFRIC 21 - Levies

The Group applied the IFRIC 21 Levies interpretation for the first time in 2015. The Group continues its activities in several countries in which it is subject to government levies. Following the adoption of IFRIC 21, the Group reviewed the date of recognition primarily of property taxes, but also other local taxes, for which the obligating event, as provided by tax legislation, occurs on January 1. Application of IFRIC 21 had no significant impact on the accounts at December 31, 2015 and December 31,2014.

X - New standards and interpretations not yet applied

There were no new standards other than IFRIC 21, amendments to standards, or interpretations relevant to the Group voted by the European Union at December 31 applicable to annual periods starting on or after January 1, 2015.

Note 3 Financial risk management

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

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

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

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

Capital management is presented in Note 12.

Liquidity risk

Mersen has at its disposal credit lines and confirmed borrowings representing a total amount of €360 million with an average maturity of 4.0 years, of which 60% was drawn down at December 31, 2015.

Mersen's principal financing agreements are as follows:

- A multi-currency syndicated bank loan established in July 2012 and amended in July 2014. The amount is €220 million and it has a five-year maturity, repayable in full in 2019.
- A RMB 200 million loan arranged in September 2013, with a maturity of five years, syndicated with an international pool of banks, intended to finance the Mersen group's operations in China. The interest rate paid is the PBoC without a credit margin when drawdowns are made.
- Bilateral loans arranged in September 2013 amounting to RMB 325 million, redeemable in 2018 and intended to finance the Mersen group's operations in China.
- A USD100 million private placement negotiated in November 2011 with a US investor, comprising one USD50 million tranche with a maturity of 10 years and one €37.2 million tranche with a maturity of 8 years, with all principal repayable on maturity. The investor will receive a fixed rate of interest.

Breakdown by maturity of credit lines and confirmed borrowings

(In millions of euros)	Amount	Drawdown at Dec. 31, 2015	Rate of use Dec. 31, 2015	Maturities less than 1 year	from 1 to 5 years	more than 5 years
Group syndicated loan	220.0	101.4	46%	0.0	220.0	0.0
Confirmed credit lines, China	54.4	30.4	56%	6.7	47.7	0.0
2011 US private placements	83.2	83.2	100%	0.0	37.3	45.9
Other	2.6	2.6	100%	0.4	1.5	0.8
TOTAL	**360.2**	**217.6**	**60%**	**AVERAGE MATURITY = 4.02 YEARS**		

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

(In millions of euros) DRAWDOWNS	Drawn down at Dec. 31, 2015	Expected cash flows	Maturities 1-6 months	6-12 months	More than 1 year
Group syndicated loan	101.4	101.6	101.6	0.0	0.0
Confirmed credit lines, China	30.4	32.5	8.3	3.9	20.3
2011 US private placements	83.2	103.3	2.0	2.0	99.4
Other	2.6	3.6	0.2	0.2	3.2
TOTAL	**217.6**	**240.9**	**112.0**	**6.0**	**122.9**

Interest-rate risk

The interest-rate risk management policy is approved by the Group's Management Board based on the proposals submitted by Mersen's finance department and consists in establishing positions from time to time taking into account variations in interest rates.

When it was acquired by Mersen, Mersen Scotland Holytown had an interest rate swap with a nominal amount of GBP4 million that was arranged on January 15, 2008 to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under this swap, the Company receives interest due to the lender and pays a fixed rate of 5.38%. The repayment and duration profile of the swap match those of the debt. At December 31, 2015, the nominal amount stood at GBP1.9 million.

The 2011 US private placements carry a fixed rate of interest, with an average coupon of 4.7%.

In September 2012, Mersen arranged two interest rate swaps with nominal amounts of €20 million and GBP10 million in order to convert the interest on part of its confirmed debt into a fixed rate. Under these swaps, the Company receives the interest due to the lender and pays a fixed rate of 0.6575% for the euro swap and 0.86% for the sterling swap.

(In millions of euros)	Amount	Interest rate received	Interest rate paid	Maturities less than 1 year	From 1 to 5 years	more than 5 years
EUR swap	20.0	Euribor 3 months	0.6575%	20.0	0.0	0.0
GBP swap	13.6	Libor GBP 3 months	0.86%	13.6	0.0	0.0
GBP swap	2.6	Libor GBP 1 months	5.38%	0.4	1.4	0.8

(In millions of euros) *SWAP*	MTM (a)	Expected cash flows	Maturities less than 1 year	From 1 to 5 years	more than 5 years
Assets	0.0	0.0	0.0	0.0	0.0
Liabilities and shareholders' equity	(0.6)	(0.7)	(0.3)	(0.3)	0.0

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

Sensitivity analysis of the fair value of fixed-income instruments

The Group has not recognized any fixed-income financial assets or liabilities at fair value through profit or loss or designated any derivatives (interest rate swaps) as fair value hedges. Accordingly, a change in interest rates at the reporting date, would not have had any impact on the income statement.

A 50 basis point fluctuation in interest rates would have triggered a change in other comprehensive income of €0.2 million (2014: 0.4 million)

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for a significant volume of purchases (around €20 million) for the Mersen group. Different hedging techniques, such as index-linking of purchase prices, index-linking of selling prices and bank hedging, can be applied.

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

Around 54% of copper price exposure and 75% of silver price exposure can be covered in centralized fashion through bank hedging.

At December 31, 2015, with regard to 2016 quantities, 25% of the hedgeable copper tonnages and 26% of hedgeable silver tonnages were actually hedged.

An increase or decrease in the price of copper and silver, such as stated below, relative to the closing exchange rate at December 31, 2015, would have led to an increase/(decrease) in other comprehensive income and operating income by the amounts stated below as a result of the commodity hedges.

	Copper		Silver	
Impact *(In millions of euros)* **at December 31, 2015**	**Other items of comprehensive income**	**Gains or losses recognized in operating income***	**Other items of comprehensive income**	**Gains or losses recognized in operating income**
Increase of 5%	0.1	0.0	0.1	0.0
Decrease of 5%	(0.1)	0.0	(0.1)	0.0

Recognition at year-end 2015 of commodity hedges

MTM[(a)] *(stated in millions of euros)*	**Impact on 2015 other comprehensive income**	**Impact on 2015 income**
MTM of copper and silver hedges	(0.2)	0.0

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

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

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

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

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

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
Average exchange rate from Jan. 1, 2014 through Dec. 31, 2014	140.38	1.3288	1 399.03	0.8064	8.1882
Closing exchange rate at Dec. 31, 2014(b)	145.23	1.2141	1 324.80	0.7789	7.5358
Average exchange rate from Jan. 1, 2015 through Dec. 31, 2015	134.29	1.1096	1255.74	0.7260	6.9730
Closing exchange rate at Dec. 31, 2015(b)	131.07	1.0887	1280.78	0.7340	7.0608

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

The currency risk management policy is approved by the Group's Management Board based on proposals submitted by the finance department.

Based on a complete inventory of internal and external risks, it consists in entering into forward currency purchases with prime lending institutions.

The Group's usual business policy is to hedge currency risks as soon as orders are taken or to hedge an annual budget. The main currency risk derives from intra-Group sales transactions.

The Group's usual policy is to arrange borrowings in local currencies, except in special circumstances. Borrowings in foreign currencies arranged by the parent company match loans made in the same currencies to its subsidiaries.

For consolidation purposes, the income statement and statements of cash flows of foreign subsidiaries are translated into euros at the average exchange rate for the relevant period, while assets and liabilities are translated at the rate prevailing at the end of each reporting period. The impact of this currency translation may be material. The principal effect derives from the impact of fluctuations in the US dollar exchange rate on the Group's equity and debt.

The Group's operating income before non-recurring items is exposed to exchange rate fluctuations principally through the translation of earnings recorded by companies whose local currency is not the euro. The principal exposure is to the US dollar. A 10% decline in the value of the US dollar compared with the average recorded from January to December 2015 would have had a translation impact of negative €3.1 million on the Group's current operating income. Conversely, this 10% decline in the US dollar compared with the 2015 closing exchange rate would have had a translation impact of negative €5.6 million on the Group's net debt at December 31, 2015.

Except in special cases, hedging is centralized by the parent company. It is carried out under strictly defined procedures. Hedges are valued as described below.

EUR/foreign currency risks

Risks *(stated in millions of euros)(a)*	JPY	USD	KRW	GBP	RMB
Sale of foreign currencies	7.3	19.8	3.3	12.6	5.3
Purchase of foreign currencies	(1.8)	(12.0)	(0.2)	(8.4)	(9.3)
Potential 2015 exposure	5.5	7.8	3.1	4.2	(4.0)
Hedges at December 31, 15	(3.7)	(5.0)	(1.1)	(3.3)	1.7
Net position	1.8	2.8	2.0	0.9	(2.3)
Impact in euros of a 5% fall in the euro(b)	0.09	0.15	0.10	0.05	(0.12)

(a) Excluding potential anticorrosion equipment business that is hedged when an order is placed.
(b) Sensitivities were calculated based on exchange rates at December 31, 2015.

USD/foreign currency risks

Risks *(stated in millions of US dollars)(a)*	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	4.5	12.2	0.0	14.7	21.0
Purchases of foreign currencies	(0.0)	(1.5)	(10.6)	(27.8)	(25.2)
Potential 2015 exposure	4.5	10.7	(10.6)	(13.1)	(4.2)
Hedges at December 31, 15	(3.5)	(1.6)	7.9	3.9	3.7
Net position	1.0	9.1	(2.7)	(9.2)	(0.5)
Impact in USD dollars of a 5% fall in the USD(b)	0.05	0.48	(0.14)	(0.49)	(0.02)

(a) Excluding potential anticorrosion equipment business that is hedged when an order is placed.
(b) Sensitivities were calculated based on exchange rates at December 31, 2015.

Recognition at year-end 2015 of currency transactions

MTM[(a)] *(stated in millions of euros)*		Dec. 31, 2015
Marked-to-market value of currency hedges	Other comprehensive income	(0.6)
	Other financial components of operating income	(0.8)

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

An increase or decrease in the euro, such as stated below, relative to the USD, GBP and JPY at December 31, 2015, would have led to an increase/(decrease) in other comprehensive income and operating income by the amounts stated below as a result of the currency hedges.

Impact at Dec. 31, 2015 *(in millions of euros)*	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
	Other comprehensive Income	Gains or losses recognized in operating income*	Other comprehensive Income	Gains or losses recognized in operating income*
USD (change of 5%)	0.08	0.12	(0.09)	(0.13)
JPY (change of 5%)	0.01	0.01	(0.01)	(0.01)
RMB (change of 5%)	(0.06)	(0.08)	0.06	0,08

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

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

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

Future impact on income of currency transactions recognized at December 31, 2015

(Stated in millions of euros) CURRENCY	Marked-to-market of currency derivatives in other comprehensive income	Impact on income	
		less than 6 months	over 6 months
Assets	0.3	0.1	0.2
Liabilities and shareholders' equity	(0.9)	(0.3)	(0.6)

Future cash flows on currency transactions recognized at December 31, 2015

CURRENCY *(in millions of euros)*	MTM	Expected cash flows
Assets	0.4	0.4
Liabilities and shareholders' equity	(1.8)	(1.8)

Currency hedges are adjusted as a function of the underlyings, and so there is no timing difference between their maturities.

Credit risk

The Group set up an insurance program in 2003 with commercial credit insurer COFACE covering its principal companies in the US and France against the risk of non-payment for financial or political reasons. Coverage may vary, by customer, between 0% and 95% of invoiced amounts.

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

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

During fiscal 2014 and 2015, the Group continued its programs of selling receivables due from various French subsidiaries, which gave rise to €13.0 million in receivables sold at December 31, 2015 compared to €11.6 million at December 31, 2014 (excluding discontinued operations). Supplemental agreements to the policies covering the French receivables transferred during 2009 were signed in favor of the factor.

Assets derecognized with continuing application: the security deposit concerning the programs of selling receivables stands at €1.3 million.

Note 4 Business combinations during fiscal 2015

In December 2015, the Group took control of Shanghai ASP Lightning Protective Technology Co Ltd, one of the leading Chinese companies specialized in surge protection.

This 100% acquisition is part of the growth strategy of Mersen's electrical segment in this market. The purchase price and the goodwill are based on the synergies generated by this combination, specifically:

- the support for Mersen from the ASP brand, well-known in China,
- the strengthening of a high-performing industrial platform in Asia, which is adopting primarily the IEC technology already deployed in Europe.

As the acquisition was concluded at year-end, ASP did not contribute to the Group's fiscal 2015 earnings.

ASP's one-year contribution to sales should total €6 million.

The fair value of asset and liabilities of this acquisition is currently being assessed and the initial allocation of goodwill will be carried out before the 2016 annual closing.

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

In millions of euros	Net assets at acquisition date	Fair value adjustments	Allocation of the acquisition price	Fair value of net assets
Non-current assets	0.6	0.0	0.0	0.6
Current assets	4.5	0.0	0.0	4.5
Non-current liabilities	0.0	0.0	0.0	0.0
Current liabilities	(2.5)	0.0	0.0	(2.5)
Net assets	**2.6**	**0.0**	**0.0**	**2.6**
Goodwill				**5.0**
Minority interests				0.0
Consideration transferred				**7.6**

Note 5 Assets held for sale and discontinued operations

Astrolite

The decision was made at year-end 2015 to sell the Astrolite operation of Mersen USA Oxnard-CA Inc. in the United States. Astrolite specializes in welding technologies. This is a non-core business in the Advanced Materials and Technologies segment.

Income totaled €0.2 million in 2014 and -€3.5 million in 2015 after recognizing the €3.6 million goodwill impairment loss of this business.

Businesses in the Advanced Materials and Technologies segment

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

For 2014, income totaled €2.4 million.

For 2015, income totaled -€0.2 million.

In 2014, net income from assets held for sale or discontinued operations included an earn-out payment of €2.5 million related to the disposal in 2009 of the automotive and household electrical appliance business.

Statement of financial position of assets held for sale and discontinued operations

ASSETS

In millions of euros	12/31/2015	12/31/2014
- Trade receivables	0.8	0.2
- Other receivables		0.2
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0.8**	**0.4**

EQUITY AND LIABILITIES

In millions of euros	12/31/2015	12/31/2014
- Non-current provisions	1.8	1.7
- Trade payables	0	0.3
- Other payables		0.1
LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**1.8**	**2.1**
NET ASSETS IN PROCESS OF BEING SOLD OR DISCONTINUED OPERATIONS	**(1.0)**	**(1.7)**

Income statement for assets held for sale and discontinued operations

In millions of euros	Dec. 31, 2015	Dec. 31, 2014 adjusted
Sales	4.9	4.8
Cost of sales	(4.5)	(4.0)
Total gross income	**0.4**	**0.8**
Selling and marketing costs	(0.6)	(0.6)
Administrative and research costs	(0.2)	(0.2)
Other operating costs	0.0	(0.1)
Operating income before non-recurring items	**(0.4)**	**(0.1)**
Non-recurring income and expense	0.0	(2.2)
Impairment losses/Gains (losses) on sale	(3.2)	3.5
Operating income	**(3.6)**	**1.2**
Financial costs	0.0	0.0
Income before tax and non-recurring items	**(3.6)**	**1.2**
Current and deferred income tax	(0.1)	(1.0)
Net income from assets held for sale/discontinued operations	**(3.7)**	**0.2**
Earnings per share from assets held for sale and discontinued operations		
- Basic earnings per share *(€)*	(0.18)	0.01
- Diluted earnings per share *(€)*	(0.17)	0.01

Note 6 Goodwill

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Carrying amount at end of period	281.5	263.0
Acquisitions	5.0	3.8
Other movements	(10.0)	(2.6)
Disc. op. and assets held for sale	(3.6)	0.0
Cumulative translation adjustments	15.0	17.3
Carrying amount at end of period	287.9	281.5
Gross value at end of period	287.9	281.5
Total impairment losses at end of period	**(10.0)**	**0.0**

A breakdown by Cash-Generating Unit is shown in the following table:

	Dec. 31, 2014	Movements during 2015				Dec. 31, 2015
In millions of euros	Carrying amount	Acquisitions	Other	Disc. op. and assets held for sale	Cumulative translation adjustment	Carrying amount
Anticorrosion Equipment	64.6		(10.0)	(3.6)	6.0	57.0
High-Temperature Applications	93.9		(0.8)		2.2	95.3
Electrical Applications	11.9		0.8		(0.4)	12.3
Electrical Protection	111.1	5.0			7.2	123.3
TOTAL	**281.5**	**5.0**	**(10.0)**	**(3.6)**	**15.0**	**287.9**

Other movements of €10 million involve the Anticorrosion Equipment CGU impairment (cf. note 7).

The acquisition corresponds to the consolidation of ASP, the only pending allocation.

Note 7 Asset impairment tests

Impairment tests for cash-generating units

Impairment tests were conducted for each of the cash-generating units when the statement of financial position at December 31, 2015 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 2016 budget and projections for the following four fiscal years.
- The weighted average cost of capital used to discount future cash flows took into account the calculation of the Group's beta (obtained from analysts) and of the risk-free rate (via Bloomberg). Given these parameters, a market risk premium, and a size premium, the average cost of share capital after tax used as a rate to discount future flows was set at 7.4% (compared to 7.7% in 2014). This discount rate was applied to all CGUs. There was no significant evidence suggesting that different discount rates should be applied to the individual CGUs;
- Perpetual growth rate of 2% for the Electrical Applications CGU, 2.5% for the Anticorrosion Equipment CGU, and 3% for the Electrical Protection and High Temperatures CGUs. The growth rates applied to the CGUs reflect business trends in their markets, i.e. renewable energies for Electrical Applications, High Temperatures and Anticorrosion Equipment and, more specifically, electronics for Electrical Protection, transportation for Electrical Applications and High Temperatures, transport for Electrical Applications and shale gas, and chemicals/pharmaceuticals for Anticorrosion Equipment.
- A normalized tax rate of 34%.

For the Electrical Applications, Electrical Protection, and High Temperatures CGUs

No impairment loss was recognized.

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 23% for the Electrical Applications CGU;
- Around 15% for the Electrical Protection CGU;
- approximately 9% for the High Temperatures CGU

A sensitivity test was performed by decreasing in the first instance the perpetual growth rate by 1 point and in the second instance by increasing the after-tax discount rate by 1 point compared with the estimate used for each of the CGUs. A sensitivity test was also performed based on a 1-point decline in the earnings ratio (EBITDA) of the terminal value.

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

For the Anticorrosion Equipment CGU

- The Group updated the provisional data used to conduct the impairment test. All of these parameters led to recognition of an impairment loss of €10 million, recorded in non-recurring expenses in the 2015 consolidated financial statements. This loss is attributable to the sharp decline in business in 2015 and a 2015 year-end order backlog indicating that business will not recover before 2017. In addition, the perpetual growth rate has fallen by 3% to 2.5%, which takes into account the expected drop in the shale gas marketThe business continues to depend on the number and pace of contracts registered in amounts that are significantly greater than those in the Group's other CGUs (Cf. Risk note on page 125 of this document).
- After recognition of the impairment of the Anticorrosion Equipment CGU, the recoverable amount is equal to the carrying value. Consequently, any unfavorable change in the weighted average cost of capital, the perpetual growth rate, or the earnings ratio (Ebitda), expected over the entire business plan, would result in an additional impairment.
- The following sensitivities were calculated: an additional point on the weighted average cost of capital would result in additional impairment of €18 million. One point less on the earnings ratio (Ebitda) would have a negative impact of €11 million and one point less on the perpetual growth rate would mean additional depreciation of €14 million.

Impairment test on specific assets

In 2014:

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

In 2015:

The Group reviewed the recoverable amount of its assets. This analysis led to recognition of an additional impairment of €3.4 million on specific industrial tools.

Note 8 Property, plant and equipment and intangible assets

In millions of euros	Intangible fixed assets	Land	Buildings	Plant, equipment and other	Assets in progress	Total property, plant and equipment	TOTAL
Carrying amount at January 1, 2014	**32.9**	**28.6**	**61.9**	**161.8**	**21.9**	**274.2**	**307.1**
Acquisitions of non-current assets	2.7		2.1	9.1	20.4	31.6	34.3
Retirements and disposals			(0.2)	(2.9)		(3.1)	(3.1)
Depreciation and amortization	(2.6)		(3.7)	(30.8)		(34.5)	(37.1)
Cumulative translation adjustments	1.0	0.8	5.4	13.1	2.1	21.4	22.4
Impact of changes in the scope of consolidation	0.2			0.7		0.7	0.9
Assets held for sale and discontinued operations						0.0	0.0
Other movements	0.2		1.5	18.3	(20.1)	(0.3)	(0.1)
Carrying amount at Dec. 31, 2014	**34.4**	**29.4**	**67.0**	**169.3**	**24.3**	**290.0**	**324.4**
Gross value at Dec. 31, 2014	79.0	31.6	131.7	552.1	24.3	739.7	818.7
Total depreciation and amortization at Dec. 31, 2014	(36.7)	(1.0)	(64.7)	(369.0)		(434.7)	(471.4)
Total impairment losses at Dec. 31, 2014	(7.9)	(1.2)		(13.8)		(15.0)	(22.9)
Carrying amount at January 1, 2015	**34.4**	**29.4**	**67.0**	**169.3**	**24.3**	**290.0**	**324.4**
Acquisitions of non-current assets	3.8	0.1	7.1	11.6	14.4	33.2	37.0
Retirements and disposals/impairment	(1.1)	(0.4)	(0.5)	(4.1)		(5.0)	(6.1)
Depreciation and amortization	(2.7)		(5.3)	(33.0)		(38.3)	(41.0)
Cumulative translation adjustments	0.9	0.4	4.4	10.3	1.7	16.8	17.7
Impact of changes in the scope of consolidation	0.3			0.3		0.3	0.6
Assets held for sale and discontinued operations						0.0	0.0
Other movements	0.2	(0.2)	2.6	14.8	(17.4)	(0.2)	0.0
Carrying amount at Dec. 31, 2015	**35.8**	**29.3**	**75.3**	**169.2**	**23.0**	**296.8**	**332.6**
Gross value at Dec. 31, 2015	**84.3**	**31.8**	**146.7**	**582.9**	**23.0**	**784.4**	**868.7**
Total depreciation and amortization at Dec. 31, 2015	**(39.5)**	**(1.3)**	**(71.4)**	**(396.5)**		**(469.2)**	**(508.7)**
Total impairment losses at Dec. 31, 2015	**(9.0)**	**(1.2)**		**(17.2)**		**(18.4)**	**(27.4)**

Impairments losses involve assets depreciated in accordance with IAS 36 (cf. note 7 Asset impairment).

Spending on research (or for the research phase of an internal project) is expensed as incurred.

An intangible asset is recognized in respect of development costs resulting from the development (or the development phase of an internal project) if and only if the Group can demonstrate that the developments satisfy the criteria in the standard.

At December 31, 2015, development expenses identified by the Group for the period that satisfy these criteria are non-material.

Note 9 Investments

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

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Gross value	8.0	8.0
Impairment losses	(5.5)	(5.5)
CARRYING AMOUNT	**2.5**	**2.5**

The impairment losses recognized on investments at December 31, 2015 primarily affected investments in Hungary, Russia and Argentina. The main investments are as follows:

Company name	% held	Gross value	Carrying amount
Fusetech (Hungary)	50%	2.3	1.1
Mersen Argentina	100%	3.7	0.8
Mersen Russia	100%	1.2	0.0
GMI (United States)	25%	0.2	0.2
Mersen Chile Ltd	100%	0.2	0.1
Investments in other companies		0.4	0.3
TOTAL		**8.0**	**2.5**

Note 10 Inventories

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Raw materials and other supplies	90.5	87.1
Work in progress	50.2	49.4
Finished goods	43.2	41.5
Carrying amount of inventories	**183.9**	**178.0**
Impairment losses	(15.7)	(15.6)
CARRYING AMOUNT OF INVENTORIES	**168.2**	**162.4**

Net inventories increased by €5.8 million at December 31, 2015, of which €0.5 million was attributable to changes in the scope of consolidation, €6.8 million to currency effects, and- €0.9 to the classification of Astrolite as an asset held for sale. On a like-for-like basis, inventories fell by €0.6 million (-0.4%).

Note 11 Trade receivables

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Gross trade receivables	145.7	149.7
Customer advances	(20.9)	(26.7)
Impairment losses	(5.8)	(7.1)
NET TRADE RECEIVABLES	**119.0**	**115,9**

Net trade receivables increased by €3.1 million at December 31, 2015, of which €2.2 million is related to the consolidation of ASP, €4.5 million is attributable to currency effects, -€0.9 million follows the classification of Astrolite as a discontinued activity, and -€0.3 million follows other reclassifications. On a like-for-like basis, trade receivables fell by -€2.4 million, or -2.1%. A factoring agreement was set up in 2009 covering the sale of trade receivables of our main French subsidiaries.

The agreement (see Note 3) stipulates a maximum outstanding balance of €20 million. At December 31, .2015, the outstanding amount was €13.0 million, compared to €11.6 at December 31, 2014.

At December 31, 2015, late payments accounted for 18% of trade receivables before customer advances, compared to 14% at December 31, 2014.

Overdue trade receivables broke down as follows at December 31:

In millions of euros	Dec. 31, 2015		Dec. 31, 2014	
	Gross	Impairment	Gross	Impairment
Receivables not yet due	115.9	(0.7)	122.8	(0.3)
Receivables 0-30 days past due	11.7	(0.1)	12.0	(0.7)
Receivables 31-120 days past due	12.0	(0.6)	9.4	(1.4)
Receivables 121 days to 1 year past due	3.1	(1.8)	2.6	(1.6)
Receivables more than 1 year past due	3.0	(2.6)	2.9	(3.1)
NET TRADE RECEIVABLES	**145.7**	**(5.8)**	**149.7**	**(7.1)**

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

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Impairment losses at January 1	(7.1)	(7.3)
Allowance/reversal during the fiscal year	1.3	0.2
IMPAIRMENT LOSSES AT DECEMBER 31	**(5.8)**	**(7.1)**

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

Note 12 Equity

Number of shares (unless stated otherwise)	**Ordinary shares**
Number of shares at January 1, 2015	20,616,814
Capital increase/reduction *(in millions of euros)*	0.2
Number of shares at December 31, 2015	20,692,054
Number of shares in issue and fully paid-up during the period	75,240
Number of cancelled treasury shares	0
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	162,550

Capital management

The Company's share capital at December 31, 2015 amounted to €41,384,108, comprising 20,692,054 shares each with a par value of €2 and all belonging to the same class. The number of voting rights stood at 20,583,141, since shares held in treasury do not carry voting rights.

To the best of the Company's knowledge, its ownership structure at December 31, 2015 was as follows:

- French institutional investors: 47.8%
- International institutional investors: 38.0%
- Individual shareholders: 12.9%
- Employee shareholders: 0.8%
- Treasury shares: 0.5%

Since January 1, 2015, certain shareholders have reported crossing the following disclosure thresholds:

- January 20, 2015: Otus Capital Management announced that it had exceeded the 1% statutory threshold of share capital and voting rights.
- March 17, 2015: Sterling Strategic Investment SA announced that it had dropped below the 2% statutory threshold of share capital and voting rights and now holds 356,652 shares, representing 1.73% of the share capital.
- April 10, 2015: Sterling Strategic Investment SA announced that it had dropped below the 1% statutory threshold of share capital and voting rights and now holds 187,606 shares and voting rights, representing 0.91% of the share capital.
- April 15, 2015: FRR (Fonds de Réserve pour les Retraites) announced that it had exceeded the 1% statutory threshold of share capital and voting rights and now holds 206,342 shares and voting rights, representing 1% of the share capital.
- May 18, 2015: BNP Paribas Investment Partners announced, on behalf of third parties and for all the shares held by the portfolio that it manages, that it had exceeded the 3% statutory threshold of share capital and voting rights and now holds 616,919 shares and voting rights, representing 2.99% of the share capital.
- June 10, 2015: Dimensional Funds Advisors announced, on behalf of third parties and for all the shares held by the portfolio that it manages, that it had exceeded the 2% statutory threshold of share capital and voting rights and now holds 413,128 shares and voting rights, representing 2% of the share capital.
- June 11, 2015: Dimensional Funds Advisors announced, on behalf of third parties and for all the shares held by the portfolio that it manages, that it had exceeded the 2% statutory threshold of share capital and voting rights and now holds 413,528 shares and voting rights, representing 2% of the share capital.
- July 2, 2015: FRR (Fonds de Réserve pour les Retraites) announced that it had dropped below the 1% statutory threshold of share capital and voting rights and now holds 206,342 shares and voting rights, representing 0.99% of the share capital.
- October 7, 2015: Jousse Morillon Investissement announced that it had exceeded the 1% statutory threshold of share capital and voting rights and holds 206,800 shares and voting rights, representing 1% of the share capital.
- January 26, 2016: T-Rowe Price announced that it had dropped below the 5% statutory threshold of share capital and voting rights and now holds 1,030,147 shares and voting rights, representing 4.98% of the share capital.
- February 4, 2016: Jousse Morillon Investissement announced that it had exceeded the 2% statutory threshold of share capital and voting rights and holds 413,898 share capital and voting rights and now holds 2.00% of the share capital.

At December 31, 2015, 49,453 shares representing 0.24% of the share capital were held by the Company pursuant to the liquidity agreement entered into with Exane BNP Paribas.

In addition, it purchased 57,800 shares to be granted to employees at a later date under existing bonus share allotment plans.

At December 31, 2015, the Group's employees owned 176,889 shares representing 0.85% of the share capital, plus 546,797 stock subscription options that, if exercised in full, would represent 2.64% of the current share capital. The stock option plans set up by the Group are based on an exercise price determined without any discount, since exercise of the options is subject to conditions linked to the Group's future performance. Using this method, the Group ensures that the interests of its managers are aligned with those of its shareholders.

In addition, the Group implemented a policy of awarding bonus shares. Definitive allotment of the shares is contingent upon beneficiaries' presence on the Group's payroll at the end of the vesting period. Allotments to Management Board members and employees considered by the Management Board to make a significant contribution to the Company's performance are subject to performance conditions. Conversely, the Management Board did not want to set performance conditions for employees who, by the nature of their jobs, contribute less directly to the Company's performance. At December 31, 2015, the number of bonus shares likely to be allotted definitively stands at 122,200 new shares, representing 0.59% of the current share capital.

The Group has set up a bonus share and stock-option award plan voted at the General Meeting of May 19, 2015 for a total of 65,000 bonus shares options. The plan is subject to performance conditions.

The Group also set up a preference share allotment plan, voted at the General Meeting of May 19, 2015 for a total of 902 preference shares (corresponding to 99,220 actions ordinary shares after conversion). The plan is subject to performance conditions.

In its third resolution, the Company's General Meeting of May 19, 2015 decided to distribute a dividend of €0.50 per share euro per share in cash.

The number of stock subscription options granted to members of the Management Board and still outstanding stood at 116,593 taking into account the canceled options.

The number of bonus shares set to be granted definitively to members of the Management Board stands at 138,720 taking into account canceled allotments.

The number of ordinary shares that may result from the conversion of preference shares and that remain to be allotted to members of the Management Board and managers of the Company totals 30,652 ordinary shares.

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

As of April 3, 2016, the double voting right is attached to all shares that fulfill both of the following conditions: i) be held in registered form for at least two years, and ii) be fully paid up.

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

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

Characteristics/Assumptions	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments	2014 plans Stock subscription options	2014 plan Bonus share allotments	2015 plan Performance bonus shares	2015 plan Performance bonus shares
Allotment date	05/27/2011	05/27/2011	06/27/2012	05/21/2014	05/21/2014	07/09/2015	07/10/2015
Availability date	05/27/2015	05/27/2015	06/27/2016	05/21/2016	05/21/2016/ 05/21/2018	07/09/2017/ 07/09/2019	07/09/2017/ 07/09/2020
Expiration date	05/27/2015 (1)	05/27/2015 (1)	06/27/2016 (1)	05/21/2021	05/22/2018	07/10/2019	07/10/2020
Adjusted exercise price *(€)*	N/A	N/A	N/A	€22.69	€0.00	€0.00	€0.00
Adjusted share price at allotment date	€39.06	€39.06	€18.22	€21.30	€21.30	€20.89	€20.89
Estimated life *(number of years)*	4	4	4	4.5	4	4	4
Volatility	35.20%	35.20%	36.50%	31.00%	31.00%	25.90%	25.90%
Dividend per share *(as a% of share price)*	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%
Risk-free interest rate	N/A	N/A	N/A	0.64%	N/A	N/A	N/A
Exercise period *(number of years)*	4	4	4	5	2 / 4	2 / 4	2 / 4
Lock-up period *(number of years)*	0	0	0	2	2 / 0	2 / 0	2 / 0
Adjusted number of options/share allotments	140,000	60,000	20,000	150,000	31,400/ 18,600	34,900/ 30,100	75,460 / 23,760
Estimated annual cancellation rate at the closing	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
% of shares/options vested following satisfaction of the performance condition	39.00%	N/A	39.00%	100%	100%	100%	100%
Estimated number of options at end of vesting period	43,368	55,800	7,606	129,375	44,260	56,769	87,933
Valuation of options/shares	€35.34	€35.34	€16.16	€3.68	€19.08/ €18.89	€18.71/ €18.53	€17.73 / €18.53
Valuation as a% of the share price at grant	90.50%	90.50%	88.70%	17.30%	89.60%/ 88.70%	89.60% / 88.70%	84.90%/ 88.70%

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

An expense of €1.2 million was recognized in the income statement in respect of share-based payments, versus €1.3 million at December 31, 2014.

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

Note 13 Provisions, contingent liabilities and other liabilities

(In millions of euros)	Dec. 31, 2015 Non-current	Dec. 31, 2015 Current	Dec. 31, 2014 Non-current	Dec. 31, 2014 Current
- provision for restructuring	0.5	5.5	1.2	14.4
- provision for litigation	0.8	1.3	0.9	3.3
- other provisions	0.9	3.6	1.7	1.9
TOTAL	2.2	10.4	3.8	19.6

Recurring and non-recurring	Dec. 31, 2014	Provisions set aside/ reversals	Uses	Other	Cumulative translation adjustment	Dec. 31, 2015
- provision for restructuring	15.6	0.3	(13.5)	3.4	0.2	6.0
- provision for litigation	4.2	1.1	(0.6)	(2.9)	0.3	2.1
- other provisions	3.6	1.7	(0.7)	(0.1)		4.5
TOTAL	23.4	3.1	(14.8)	0.4	0.5	12.6

Provisions totaled €12.6 million at December 31, 2015 (€23.4 million at December 31, 2014), down €10.8 million related primarily to payments of provisions for restructuring under the Transform plan.

Civil proceedings

Legal proceedings

Civil proceedings in Canada

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

Administrative proceedings in France

In 2013, SNCF commenced two legal actions against Morgan, SGL, Schunk and Mersen respectively in the Paris Administrative Court and in the Paris Commercial Court. SNCF is attempting to secure redress for losses that they allegedly suffered following practices penalized in December 2003 by the European Commission in brushes for electric motors and products for mechanical applications. In 2014, the Paris Administrative Court rejected all the claims lodged by SNCF, which appealed the decision. The Paris Commercial Court accepted jurisdiction for the SNCF proceedings. Mersen rejects all of the allegations and demands put forward by the SNCF.

Since 1999, the Group has developed a worldwide compliance program to provide training for and raise the awareness of operational and commercial managers about competition legislation. This worldwide compliance program remains in place. It was updated again in June 2010 following the change in the Group's name and corporate identity. Highly stringent internal control measures and external audits ensure that competition legislation is scrupulously complied with in all the countries in which the Group does business.

Legal proceedings in France (accident at the Gennevilliers plant on April 7, 2010)

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress, with no significant developments in 2015.

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

There are no other governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Group is aware, during the previous 12 months which may have, or have had in the recent past material adverse effects on the Group's business activities, financial position or results of operations.

Tax and customs proceedings:

The Group undergoes regular tax and customs audits by the tax/customs authorities in the countries in which it operates. In the past, the tax reassessments issued after tax/customs audits were for non-material amounts.

In June 2013, Mersen do Brasil, a wholly-owned subsidiary of Mersen SA, was informed of a customs audit covering the period January 2008 – December 2012. Customs officials issued a notice of reassessment (principal and interest) in the amount of 9.5 million Brazilian reals, or approximately €2.2 million at the exchange rate on December 31, 2015. The Group filed a challenge.

In 2014, Mersen Italia SpA, a wholly-owned subsidiary of Mersen SA, underwent a tax audit covering 2011. Italian tax officials issued a notice of reassessment (corporate tax and VAT) in the amount of €450,000. Mersen Italia SpA challenged most of the reassessment. On December 14, 2015, the Court of First Instance limited the sum that Mersen Italia SpA had to pay to €23,500, an amount provided for in the financial statements.

Other liabilities (€2.3 million at December 31, 2015) chiefly comprise liabilities related to property, plant and equipment.

No other material contingent liabilities were identified at December 31, 2015.

Note 14 Employee benefits

Under defined contribution plans, the Group is under no obligation to make additional payments on top of the contributions already paid into a fund if the latter does not have sufficient assets to pay out the benefits corresponding to the service provided by employees during the period in progress or during future periods. For these plans, contributions are expensed as incurred.

The Mersen group's principal pension plans are defined benefit plans and are located in the US (45% of obligations), the UK (23% of obligations), France (12% of obligations) and Germany (9% of obligations).

There are two pension plans in the United States:

- The "hourly plan," for shop floor employees
- The "salaried plan," for office employees and closed to new entrants in 2011 because it was replaced by a defined contribution plan This plan was closed entirely in 2015, with the beneficiaries' rights frozen, leading to a gain of €8.1 million recognized in non-recurring income. The employees are now covered by the defined contribution plan.

These two plans are funded by contributions calculated on the value of the obligation and paid based on a funding plan over seven years. The fund's coverage ratio by assets measured in accordance with local standards is 97% for the salaried plan and 94% for the hourly plan.

There is a pension plan in the United Kingdom that was closed to new entrants in 2006. The level of funding on the debt, calculated in accordance with local rules and based on conservative assumptions, is 97%. Contributions are paid based on a schedule established with the trustees.

These pension funds constitute entities that are legally distinct from the Group. The funds' administrative bodies are composed of employee representatives, retirees and independent directors. They are legally required to act in the best interest of the plan's participants and are responsible for certain fund policies (including the investment, contribution and indexing policies).

In France, the defined benefit plans involve primarily lump-sum retirement payments and long-service awards. These plans are not funded.

There are two pension plans in Germany that are closed to new entrants and are not funded.

The Group's obligations were measured at December 31, 2015, with the assistance of independent actuaries and in accordance with IAS 19. The rates used for the main countries are summarized below:

2015	Discount rate	Average rate of salary increases	Inflation rate
France	1.90%	Between 2.0% and 6.25%	1.9%
Germany	1.90%	2.5%	1.9%
United States	4.40%	Not applicable	Not applicable
United Kingdom	3.70%	2.4%	2.4%/3.4%

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

Mortality assumptions are based on published statistics and mortality tables.

Reconciliation between assets and liabilities recognized

	Dec. 31, 2015	Dec. 31, 2014
Actuarial obligation	186.2	188.4
Fair value of plan assets	(109.9)	(99.0)
PROVISION BEFORE THE LIMIT ON ASSETS	76.3	89.4
Surplus management reserve	0.2	0.2
PROVISION AFTER THE LIMIT ON ASSETS	76.5	89.6

Breakdown of the Group's obligations at December 31 by geographical area

	France	Germany	United States	United Kingdom	Rest of the world	Total at Dec. 31, 2015
Actuarial obligation	22.6	16.3	83.6	42.1	21.6	186.2
Fair value of plan assets	(0.2)	0.0	(53.8)	(43.2)	(12.5)	(109.7)
NET AMOUNT RECOGNIZED	22.4	16.3	29.8	(1.1)	9.1	76.5

Movements in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
Dec. 31, 2014	**25.5**	**17.2**	**81.7**	**40.5**	**23.5**	**188.4**
Payments made	(0.9)	(0.9)	(2.9)	(1.5)	(2.6)	(8.8)
Expense charged to income	1.4	0.9	(0.3)	1.6	1.8	5.4
Translation adjustment			9.1	2.5	(0.5)	11.1
Actuarial gains and losses	(3.4)	(0.9)	(4.0)	(1.0)	(0.6)	(9.9)
Other movements						0.0
DEC. 31, 2015	22.6	16.3	83.6	42.1	21.6	186.2

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
Dec. 31, 2014	**0.2**	**0.0**	**47.7**	**38.4**	**12.5**	**98.8**
Return on plan assets			2.2	1.5	0.4	4.1
Employer contribution			3.9	0.7	0.7	5.3
Employee contribution					0.1	0.1
Payment of benefits			(2.9)	(1.5)	(0.5)	(4.9)
Actuarial gains and losses			(2.5)	1.8	(0.3)	(1.0)
Translation adjustment			5.5	2.3	(0.5)	7.3
Other movements			(0.1)		0.1	0.0
DEC. 31, 2015	**0.2**	**0.0**	**53.8**	**43.2**	**12.5**	**109.7**

The plan assets cover primarily the United States plans (48% of total plan assets, with 52% invested in equities and 48% in bonds) and the United Kingdom plans (39% of total plan assets, with 36% invested in equities, 60% in government bonds and 4% in real estate and cash).

The charge recognized at December 31, 2015 in respect of these plans was €1.3 million, compared with €8.2 million in 2014, which breaks down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	31 Dec. 2015	31 Dec. 2014
Current service cost	1.3	0.6	3.6	0.1	1.2	6.8	5.1
Interest cost	0.4	0.3	3.6	1.5	0.8	6.6	6.1
Expected return on plan assets			(2.1)	(1.5)	(0.5)	(4.1)	(3.7)
Administrative costs			0.5			0.5	0.4
Plan amendment			(8.1)		(0.1)	(8.2)	
Other movements	(0.3)					(0.3)	0.3
TOTAL CHARGE FOR THE PERIOD	**1.4**	**0.9**	**(2.5)**	**0.1**	**1.4**	**1.3**	**8.2**

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

	France	Germany	United States	United Kingdom	Rest of the world	31 Dec. 2015	31 Dec. 2014
Adjustments linked to changes in demographic assumptions	(0.1)		(1.2)			(1.3)	5.5
Adjustments linked to changes in financial assumptions	(1.2)	(0.7)	(3.1)	(1.4)	(0.7)	(7.1)	19.9
Experience adjustments to obligations	(2.1)	(0.2)	0.3	0.4	0.1	(1.5)	(2.3)
Experience adjustments to plan assets			2.5	(1.8)	0.3	1.0	(5.7)
ACTUARIAL GAINS AND LOSSES	**(3.4)**	**(0.9)**	**(1.5)**	**(2.8)**	**(0.3)**	**(8.9)**	**17.4**

Sensitivity analysis

An increase of 0.50 points in discount rates would lead to a reduction of €12.9 million in the estimated actuarial obligation.

An increase of 0.5 points in the inflation rate would lead to a €3.7 million increase in debt.

The breakdown of these sensitivities by country is presented in the table below.

Impact on the obligation in the case of	0.5% increase in the discount rate	0.5% increase in the inflation rate
France	(1.2)	0.0
Germany	(1.0)	0.9
United Kingdom	(3.5)	2.2
United States	(5.8)	0.0
Rest of the world	(1.4)	0.6
TOTAL	**(12.9)**	**3.7**

Note 15 Net debt

Analysis of total net debt at Dec. 31, 2015

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Long- and medium-term borrowings	211.1	228.9
Current financial liabilities	10.9	6.5
Current advances	0.6	0.4
Bank overdrafts	52.8	29.9
TOTAL GROSS DEBT	**275.4**	**265.7**
Current financial assets	**(16.5)**	**(12.1)**
Cash and cash equivalents	(22.4)	(37.6)
Cash	**(22.4)**	**(37.6)**
TOTAL NET DEBT	**236.5**	**216.0**

Total consolidated net debt at December 31, 2015 rose to €236.5 million from €216.0 million at year-end 2014.

Of the €275.4 million in total gross debt, €217.6 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).

Net debt/equity

(In millions of euros)	Dec. 31, 2015	Dec. 31, 2014
Total net debt	236.5	216.0
Net debt/equity	0.47	0.46

(a) Calculated using the covenant method

Net debt amounted to 47% of equity at December 31, 2015, compared with 46% at December 31, 2014.

Reconciliation between changes in net debt shown in the statement of financial position and in the statement of cash flows

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Prior year debt	**216.0**	**212.0**
Cash generated/(used) by operating and investing activities after tax	(41.0)	(47.7)
Cash used by restructurings and litigation (*)	24.8	15.9
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	5.7	8.6
Cash generated by the operating and investing activities of continuing operations	**(10.5)**	**(23.2)**
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	1.3	(0.5)
Increase/decrease in capital	1.8	1.1
Dividends paid	10.5	10.0
Interest payments	9.5	9.3
Translation adjustments and other	10.3	12.1
Impact of changes in the scope of consolidation	(0.2)	0.6
Other changes	(2.2)	(5.4)
DEBT AT YEAR-END	**236.5**	**216.0**

(*) o/w the Transform plan: €19.7 million in 2015 and €7.3 million in 2014

Financial covenants at December 31, 2015

In connection with its various confirmed borrowings at Group level and in China, Mersen must comply with a number of obligations, which are customary with this type of lending arrangement. Should it fail to comply with some of these obligations, the banks or investors (for the US private placements) may oblige Mersen to repay the relevant borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant borrowing may oblige the Group to repay other borrowings immediately.

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

Financial covenants[a] (consolidated financial statements)

(In millions of euros)	Net debt/ EBITDA	Net debt/ equity	EBITDA/ net interest expense
Covenant ratios			
Confirmed credit lines, Group	< 3.50	< 1.3	-
2011 US private placement	< 3.50	< 1.3	> 3
Confirmed credit lines, China	< 3.50	< 1.3	
Actual ratios at Dec. 31, 2015			
Group syndicated loan	2.39	0.47	-
2011 US private placement	2.39	0.47	10.30
Confirmed credit lines, China	2.39	0.47	-
Actual ratios at Dec. 31, 2014			
Group syndicated loan	2.19	0.46	-
2003 US private placement	2.11	0.46	10.74
2011 US private placement	2.19	0.46	10.32
Confirmed credit lines, China		0.46	-
Actual ratios at Dec. 31, 2013			
Confirmed credit lines, Group	2.07	0.45	-
2003 US private placement	2.01	0.45	9.56
2011 US private placement	2.07	0.45	9.30
Confirmed credit lines, China		0.45	

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

At December 31, 2015, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Breakdown by currency of the drawdowns on credit lines and confirmed long- and medium-term borrowings including the short-term portion at December 31, 2015

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

(In millions of euros)	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Borrowings in USD	61.5	15.6	0.0	45.9
Borrowings in EUR	97.3	60.0	37.3	0.0
Borrowings in GBP	28.4	26.1	1.5	0.8
Borrowings in RMB	30.4	11.0	19.4	0.0
TOTAL	**217.6**	**112.7**	**58.1**	**46.7**
Amortization of issuance costs at the EIR[(a)]	(1.0)			
Fair value of interest-rate derivatives	0.0			
TOTAL	**216.6**			

(a) Effective interest rate.

Of the €58.1 million in debt due to mature in between one and five years' time, €8.7 million had a maturity of less than two years at December 31, 2015.

Analysis of total net debt at December 31, 2015

(By currency)	%
EUR	55.1
USD	26.1
GBP	11.8
RMB	7.3
Other [(a)]	-0.3

(a) Net financial surplus on other currencies.

(By interest rate)	%
Fixed	50.0
Floating	50.0

(In millions of euros)	Total	Maturity < 5 years	Maturity > 5 years
Debt	275.5	228.8	46.7
Financial assets	(38.9)	(38.9)	0.0
Net position before hedging	**236.6**	**189.9**	**46.7**
Fixed-rate debt	119.4	72.7	46.7
Net position after hedging	**117.2**	**117.2**	**0.0**

Assuming Mersen's debt and exchange rates remain unchanged at their December 31, 2014 level and taking into account the swaps held in the portfolio, an increase of 100 basis points in floating interest rates would increase the Group's annual interest costs by around €1.2 million.

Note 16 Fair value of financial instruments

Fair value hierarchy

The table below analyzes the financial assets and liabilities measured at their fair value on a recurring basis. The levels are defined as follows:

- Level 1: there are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: fair value measured using inputs other than the quoted prices included in Level 1, which are observable for the asset or the liability, directly or indirectly. The Group determines the fair value of Level 2 for debt instruments by using the cash flow discounting technique, based on contractual cash flows and a market discount rate. The fair value of Level 2 for over-the-counter financial derivative instruments is based on brokers' quoted prices. The Group ensures that these quoted prices are reasonable by discounting estimated future cash flow, using market interest rates that would be applied to similar instruments on the measurement date.
- Level 3: unobservable data regarding the asset or liability. Fair value is determined by applying the discounted cash flow method.

12/31/2015		Carrying value						Fair value			
Asset and liability accounts and instrument categories	Note	Assets/ liabilities designated as at fair value	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total carrying amount of the category	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at their fair value											
Unlisted investment securities	9			2.5			2.5			2.5	2.5
Derivatives held as current and non-current assets	3	0.4					0.4		0.4		0.4
		0.4	**0.0**	**2.5**	**0.0**	**0.0**	**2.9**	**0.0**	**0.4**	**2.5**	**2.9**
Financial assets not measured at their fair value											
Current and non-current financial assets	15				20.5		20.5				
Trade receivables	11				119.0		119.0				
Cash and cash equivalents	15				22.4		22.4				
		0.0	**0.0**	**0.0**	**161.9**	**0.0**	**161.9**				
Financial liabilities measured at their fair value											
Derivatives held as non-current and current liabilities	3	(2.6)					(2.6)		(2.6)		(2.6)
		(2.6)	**0.0**	**0.0**	**0.0**	**0.0**	**(2.6)**	**0.0**	**(2.6)**	**0.0**	**(2.6)**
Financial assets not measured at their fair value											
Bank borrowings	15					(211.1)	(211.1)		(210.9)		
Current advances	15					(0.6)	(0.6)				
Bank overdrafts	15					(52.8)	(52.8)				
Current financial liabilities	15					(10.9)	(10.9)				
Trade payables						(56.3)	(56.3)				
		0.0	**0.0**	**0.0**	**0.0**	**(331.7)**	**(331.7)**				
Carrying amount by class		**(2.2)**	**0.0**	**2.5**	**161.9**	**(331.7)**	**(169.5)**				

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

For financial derivative instruments (foreign exchange forward contracts and interest rate swaps): the market comparable measurement technique is used. Fair value is based on brokers' quoted prices. Similar contracts are negotiated on an active market and their price reflects transactions that include similar instruments.

Note 17 Other non-recurring income and expense

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

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Goodwill *impairment*	(10.0)	
Impairment of other assets	(6.8)	(0.3)
Litigation and other gains and expenses	0.8	(6.4)
Transform plan	(3.0)	(27.6)
Restructuring costs	(2.6)	(2.7)
TOTAL	**(21.6)**	**(37.0)**

At December 31, 2015, non-recurring income and expenses stood at €21.6 million and included primarily:

- Goodwill impairment related to the impairment of the Anticorrosion Equipment CGU impairment for €10 million (cf. note 7)
  - impairment of property, plant, and equipment and of intangible assets in the amount of €6.8 million related primarily to the underuse of certain graphite production equipment, and abandoned projects
- Litigation and other gains and expenses (net income of €0.8 million), which involve:
  - provisions for litigation (€2.1 million),
  - a provision for risk related to import taxes in Asia (€1.8 million),
  - expenses and other charges (€3.2 million),
  - gain of €8.1 million for the amendment to the pension plan following the freeze of the salaried plan in the United States (cf. note 14)
- costs related to the last phase of the Transform plan €3 million), and,
- other restructuring costs (€2.6 million).

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

- expenses related to the Transform project and totaling €27.6 million,
- litigation and other expenses for €6.4 million, including primarily the cost associated with resolving the Deutsche Bahn litigation (cf. note 13), and,
- restructuring (€2.7 million).

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

Note 18 Segment reporting

Operating income

In millions of euros	Advanced Materials and Technologies (AMT)			Electrical Components and Technologies (ECT)		Total for continuing operations		
	Dec. 31, 2015	Dec. 31, 2014 adjusted	Dec. 31, 2014 published	Dec. 31, 2015	Dec. 31, 2014 published	Dec. 31, 2015	Dec. 31, 2014 adjusted	31. Dec. 2014 published
Sales to third parties	283.3	275.2	280.0	488.9	450.9	772.2	726.1	730.9
Breakdown of sales	36.7%	38.3%	38.3%	63.3%	61.7%	100.0%	100.0%	100.0%
Segment operating income before non-recurring items	**11.3**	**18.0**	**18.1**	**60.0**	**55.4**	**71.3**	**73.4**	**73.5**
Recurring unallocated costs						(13.2)	(13.8)	(13.8)
Segment operating margin before non-recurring items*	**4.0%**	**6.5%**	**6.5%**	**12.3%**	**12.3%**			
Recurring operating income from continuing operations						58.1	59.6	59.7
Operating margin from continuing operations before non-recurring items						7.5%	8.2%	8.2%
Segment non-recurring income and expense	(17.4)	(15.5)	(15.5)	(3.2)	(15.1)	(20.6)	(30.6)	(30.6)
Amortization of revalued intangible assets	(0.5)	(0.4)	(0.4)	(0.6)	(0.6)	(1.1)	(1.0)	(1.0)
Segment operating income	**(6.6)**	**2.1**	**2.2**	**56.2**	**39.7**	**49.6**	**41.8**	**41.9**
Segment operating margin*	-2.3%	0.8%	0.8%	11.5%	8.8%			
EBITDA margin (1)	13.4%	15.3%	15.1%	14.9%	14.9%			
Non-recurring unallocated costs						(1.0)	(6.4)	(6.4)
Operating income from continuing operations						**35.4**	**21.6**	**21.7**
Operating margin from continuing operations						4.6%	3.0%	3.0%
Financial costs						(10.0)	(9.9)	(9.9)
Current and deferred income tax						(19.1)	(9.1)	(9.1)
Net income from continuing operations						**6.3**	**2.6**	**2.7**

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

Breakdown of sales and sales trends by geographical area

In millions of euros	Dec. 31, 2015	%	Dec. 31, 2014 adjusted	%
France	67.6	8.7%	67	9.2%
Rest of Europe	197.4	25.6%	211.7	29.1%
North America	288.3	37.3%	253.1	35.0%
Asia	178.9	23.2%	160.5	22.1%
Rest of the world	40.0	5.2%	33.8	4.6%
TOTAL	**772.2**	**100.0%**	**726.1**	**100.0%**

No single customer accounts for over 10% of the Group's sales. The number one customer accounted for 3.6% of the Group's sales.

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

Segment assets

In millions of euros	AMT	ECT	Dec. 31, 2015
Non-current assets, net (excluding investments)	385.7	241.3	627.0
Inventories	91.5	76.7	168.2
Trade receivables	45.7	73.3	119.0
Other receivables	5.5	9.1	14.6
TOTAL SEGMENT ASSETS	**528.4**	**400.4**	**928.8**
Deferred tax assets			36.8
Non-current portion of current tax assets			5.8
Current portion of current tax liabilities			7.6
Other current assets			0
Current financial assets			16.5
Current derivatives			0.4
Financial assets			0
Cash and cash equivalents			22.4
Assets held for sale and discontinued operations			0.8
TOTAL UNALLOCATED ASSETS			**90.3**
TOTAL			**1,019.1**

Segment liabilities

In millions of euros	AMT	ECT	Dec. 31, 2015
Trade payables	23.1	33.2	56.3
Other payables and other liabilities	26.3	44.7	71.0
Non-current and current provisions	7.8	4.8	12.6
Employee benefits	31.4	45.1	76.5
TOTAL SEGMENT LIABILITIES	**88.6**	**127.8**	**216.4**
Deferred tax liabilities			29.9
Long and medium-term borrowings			211.1
Non-current derivatives			0.5
Current portion of current tax liabilities			3.0
Other current financial liabilities			10.9
Current derivatives			2.1
Current advances			0.6
Bank overdrafts			52.8
Liabilities related to assets held for sale and disc. op.			1.8
TOTAL UNALLOCATED LIABILITIES			**312.7**
TOTAL			**529.1**

Note 19 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement compensation) came to €251.4 million in 2015 compared with €241.5 million in 2014.

On a like-for-like basis, payroll costs, including those related to temporary staff, fell by 2.3%.

Headcount of consolidated companies at end of period by geographical area

Geographical area	Dec. 31, 2015	%	Dec. 31, 2014	%
France	1,472	23%	1,490	23%
Rest of Europe	777	12%	814	13%
North America (+ Mexico)	1,937	30%	1,948	30%
Asia	1,654	26%	1,566	25%
Rest of the world	535	9%	550	9%
TOTAL	**6,375**	**100%**	**6,368**	**100%**

The headcount fell by 7 persons and 122 persons entered the Group after the acquisition of ASP.

On a like-for-like basis, the headcount fell by 115 persons: 34 in Asia, 37 in Europe (excluding France), 18 in France, 15 in the rest of the world and 11 in North America.

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

Categories	Dec. 31, 2015	%	Dec. 31, 2014	%
Engineers and managers	1,231	19%	1,142	18%
Technicians and supervisors	994	16%	1,019	16%
Employees	617	10%	630	10%
Blue-collar workers	3,533	55%	3,577	56%
TOTAL	**6,375**	**100%**	**6,368**	**100%**

Note 20 Operating income

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

In millions of euros	Dec. 31, 2015	Dec. 31, 2014 adjusted	Dec. 31, 2014 published
Product sales	744.4	699.8	704.6
Trading sales	27.8	26.3	26.3
TOTAL SALES	**772.2**	**726.1**	**730.9**
Other operating revenues	6.5	7.7	7.7
Cost of trading sales	(19.5)	(18.4)	(18.4)
Raw material costs	(194.6)	(176.7)	(179.7)
Costs on other operating revenues	(2.4)	(1.5)	(1.5)
Manufacturing costs	(143.7)	(137.1)	(137.5)
Salaries, incentives and profit-sharing	(251.4)	(240.7)	(241.5)
Other expenses	(69.0))	(67.6)	(68.1)
Financial components of operating income	(4.7)	(3.9)	(3.9)
Depreciation and amortization	(39.9)	(36.1)	(36.1)
Impairment losses and provisions	(16.8)	(27.6)	(27.6)
Gains/(losses) on asset disposals	(1.3)	(2.6)	(2.6)
OPERATING INCOME	**35.4**	**21.6**	**21.7**

Impairment losses are specified in note 7 and provisions in note 13.

Note 21 Financial income and costs

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Amortization of bond issuance expenses	(0.5)	(0.5)
Interest paid on debt	(8.8)	(8.6)
Short-term financial expense		
Commission on debt	(0.7)	(0.8)
Ineffective portion of interest-rate hedges		
Interest income from bank deposits		
NET FINANCE COSTS	**(10.0)**	**(9.9)**

The net finance cost shown above includes the following items from assets and liabilities that are not shown at fair value through the income statement:

Total interest income from financial assets	0.0	0.0
Total interest income from financial liabilities	(10.0)	(9.9)
Net finance costs	**(10.0)**	**(9.9)**

Recognized directly in equity *In millions of euros*	Dec. 31, 2015	Dec. 31, 2014
Change in fair value of currency hedges	(0.6)	(1.2)
Change in fair value of interest rate hedges	0.2	0.0
Change in fair value of commodity hedges	0.5	(0.5)
Impact on changes recognized in equity	(0.1)	0.6
Net finance costs recognized directly in equity, net of tax	**0.0**	**(1.1)**

Note 22 Taxes

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Current income tax	(13.2)	(15.9)
Deferred income tax	(5.6)	7.1
Withholding tax	(0.3)	(0.3)
Total tax expense	**(19.1)**	**(9.1)**

The Group has:

- One consolidated tax group in France;
- One consolidated tax group in the United States;
- Two consolidated tax groups in Germany;
- One consolidated tax group in the United Kingdom (group relief).

The tax rate on the Group's continuing operations (excluding impairments of goodwill and other assets and excluding impairments of deferred tax assets on non-tax deductible and/or non-capitalizable losses) was 33% in 2015, identical to 2014.

Analysis of income tax expense

In millions of euros	Dec. 31, 2015
Net income	**2.6**
Net income from assets held for sale/discontinued operations	(3.7)
Net income from continuing operations	**6.3**
Income tax expense/(benefit) on continuing operations	(19.1)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(19.1)**
TAXABLE INCOME	**25.4**
Current tax rate in France	34.43%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(8.7)
Difference between income tax rate in France and other jurisdictions	0.1
Transactions qualifying for a reduced rate of taxation	
Permanent timing differences	(4.9)
Impact of limiting deferred tax assets	(5.9)
Other	0.3
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	**(19.1)**

The permanent differences take into account primarily non-deductible exceptional charges.

The impact of limiting deferred tax assets (€5.9 million) includes impairments of the net deferred tax asset position on losses, specifically in France, the United States, and China.

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets	36.8	36.4
Deferred tax liabilities	(29.9)	(19.3)
Net position	**6.9**	**17.1**

Deferred tax movements during fiscal 2015 were as follows:

*In millions of euros**	Dec. 31, 2014	Net income for the year	Other comprehensive income	Other	Cumulative translation adjustment	Dec. 31, 2015
Employee benefit obligations	25.9	(2.9)	(1.8)		1.5	22.7
Depreciation of non-current assets	(38.3)	(1.3)		0.1	(3.3)	(42.8)
Tax-regulated provisions	(1.9)	0.5		(0.1)		(1.5)
Impact of tax losses	25.9	3.3			0.3	29.5
Impairment losses	(0.4)	(0.2)		(0.1)		(0.7)
Other	5.9	(5.0)	(0.1)	(0.6)	(0.5)	(0.3)
DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION – NET POSITION	**17.1**	**(5.6)**	**(1.9)**	**(0.7)**	**(2.0)**	**6.9**

Deferred tax assets were recognized based on their recoverability. France and Germany were the main countries affected.

Given the short-term outlook on certain markets and geographic regions and consistent with local tax rules and/or market practices, certain tax losses were not capitalized as deferred taxes. The bulk of these losses derived primarily from France (€59.9 million), China (€29 million) and Brazil (€5 million).

Note 23 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	Dec. 31, 2015	Dec. 31, 2014 adjusted
Numerator: net income used to compute basic earnings per share (net income for the period in millions of euros)	1.3	2.1
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,529,504	20,519,809
Adjustment for dilutive potential ordinary shares: unexercised options	768,215	757,273
Weighted average number of ordinary shares used to compute diluted earnings per share	21,297,719	21,277,082
Basic earnings per share *(€)*	0.07	0.10
Diluted earnings per share *(€)*	0.06	0.10

Continuing operations	Dec. 31, 2015	Dec. 31, 2014 adjusted
Numerator: net income used to compute basic earnings per share (net income for the period in millions of euros)	5.0	1.9
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,529,504	20,519,809
Adjustment for dilutive potential ordinary shares: unexercised options	768,215	757,273
Weighted average number of ordinary shares used to compute diluted earnings per share	21,297,719	21,277,082
Basic earnings per share *(€)*	0.24	0.09
Diluted earnings per share *(€)*	0.24	0.08

By adjusting net earnings:

- for impairment of goodwill, assets and taxes, income from assets held for sale and expenses related to the Transform plan in 2015,
- for expenses related to the Transform plan and the Deutsche Bahn litigation in 2014,

earnings per share for 2015 and 2014 would stand at:

Continuing operations and assets held for sale	Dec. 31, 2015	Dec. 31, 2014 adjusted
Basic earnings per share *(€)*	1.32	1.44
Diluted earnings per share *(€)*	1.27	1.39
Continuing operations		
Basic earnings per share *(€)*	1.32	1.43
Diluted earnings per share *(€)*	1.27	1.38

Note 24 Dividends

The General Meeting of the Shareholders of May 19, 2015 decided to distribute a dividend of €0.5 euro per share for fiscal 2014. In July 2015, the Group paid out cash dividends totaling €10.3 million.

The dividend proposed in respect of fiscal 2015 stands at €0.50 per share, representing an aggregate amount of €10.3 million.

Note 25 Leases

1 - Finance leases

Carrying amount by asset category

(In millions of euros)	Dec. 31, 2015	Dec. 31, 2014
Buildings	0	0

2 - The Group is the lessee (operating lease)

Schedule of minimum payments

(In millions of euros)	Total at Dec. 31, 2015	< 1 year	> 1 year	five years or more
Minimum payments	37.4	7.1	30.3	9.7

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 reduction in minimum payments by comparison with December 31, 2014 (€40.3 million) derived mainly from the industrial reorganization resulting from the Transform plan.

Note 26 Related party disclosures

Mersen SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 93 consolidated and unconsolidated companies in 33 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries

Group sales to unconsolidated subsidiaries amounted to €4.5 million in 2015 (€3.4 million in fiscal 2014).

At December 31, 2015, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) were less than €0.1 million (identical to those of 2014).

The amounts receivable by the Group from its unconsolidated subsidiaries came to €1.4 million at December 31, 2015, while amounts payable stood at €0.2 million.

At December 31, 2015, shareholders' advances made to unconsolidated subsidiaries by Mersen totaled €0.1 million (non-material in fiscal 2014).

2 - Compensation and benefits paid to key management personnel (Management Board, including the Chairman of the Management Board)

(In millions of euros)	Dec. 31, 2015	Dec. 31, 2014
Salaries, bonuses, benefits in kind(2)	1.7	1.7
Top-up pension plan payments(1)	0.2	0.2
Other long-term employee benefits		
TOTAL	**1.9**	**1.9**

(1) By contract, the Chairman of the Management Board is entitled to the benefit of a top-up pension plan, defined as follows: provided that the relevant person is still employed by the Group upon his/her retirement, this regime guarantees ta op-up pension income of 10-20%, depending on length of service, of the basic reference salary during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. The actuarial obligation was assessed at December 31, 2015 at €3.5 million (€3 million at December 31, 2014)

(2) Excluding Marc Vinet's severance pay of €316,000 in 2014.

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

Should his appointment be terminated, the Chairman of the Management Board will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him in respect of the 36-month period preceding termination, subject to the attainment of performance criteria. He will also receive a monthly no-compete payment equal to 50% of his last gross fixed monthly compensation, payable over 12 months.

In addition, the following share-based payments were granted to the four current members of the Management Board (including the Chairman of the Management Board):

- Stock options: 177,096 stock subscription options were granted to the Management Board in 2007, 2009, and 2014:

	2007 plan Tranche 11
Date of Board of Directors' meeting	July 25, 2007
Total number of shares allotted	25,171
Subscription price	53.10
Start of option exercise period	July 2011
Expiration date	July 2017

	2009 plan Tranche 12
Date of Board of Directors' meeting	Jan. 22, 2009
Total number of shares allotted	67,925
Subscription price	17.53
Start of option exercise period	February 2013
Expiration date	February 2019

	2014 plan Tranche 13
Date of Board of Directors' meeting	May 21, 2014
Total number of shares allotted	84,000
Subscription price	22.69
Start of option exercise period	May 2016
Expiration date	May 2021

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

	2011 plan Tranche 6
Date of Board of Directors' meeting	May 27, 2011
Total number of shares allotted	32,000
Reference price at the allotment date	35.34
Definitive allotment date (end of the vesting period)	May 27, 2015
End of lock-up period	May 28, 2015

	2012 plan Tranche 7 (reallotment)
Date of Board of Directors' meeting	June 27, 2012
Total number of shares allotted	7,500
Reference price at the allotment date	35.34
Definitive allotment date (end of the vesting period)	May 27, 2015
End of lock-up period	May 28, 2015

The 2011 plan is subject to performance conditions.

No bonus shares were allotted to Management Board members in respect of the 2008, 2009, and 2014 and 2015 plans.

- Bonus preference shares: table of past allotments to the Management Board below:

	2015 plan
Date of Board of Directors' meeting	July 8, 2015
Total number of preference shares allotted	902
Equivalent in number of ordinary shares after conversion subject to achievement of performance criteria	9,020
Equivalent in number of ordinary shares after conversion	90,200
Reference price at the allotment date	
Ordinary shares subject to achievement of performance criteria	17.73
Ordinary shares	4.92
Definitive allotment date (end of the vesting period)	July 9, 2017 (French tax residents)[1]
End of lock-up period	July 9, 2019

(1) For beneficiaries who are non-French tax residents, an additional two-year period applies.

Note 27 Commitments and contingencies

A - Financial commitments and liabilities

(In millions of euros)	Dec. 31, 2015	Dec. 31, 2014
Commitments received		
Guarantees and endorsements	0.0	0.0
Other commitments received	0.0	0.0
TOTAL	**0.0**	**0.0**
Commitments given		
Collateralized debts and commitments	0.0	0.0
Market guarantees	21.3	22.0
Payment guarantee on acquisitions	0.0	0.0
Other guarantees	22.2	20.2
Other commitments given	3.2	2.2
TOTAL	**46.7**	**44.4**

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

Nature

The "other guarantees" item, which amounted to €22.2 million, notably includes an €18 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 €30.8 million. They include the €18 million guarantee linked to the cash pooling system, which remains in force for as long as the cash pooling agreements are in place. Market guarantees generally last for less than one year, except for a few market guarantees, the duration of which does not exceed three years.

Control

Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to commitments and contingencies without obtaining the prior approval of the Group's Finance department and, where appropriate, of the Management Board. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the account consolidation procedure.

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

B - Title retention clause

None

Note 28 Subsequent events

None

Note 29 Approval of the financial statements

The Group's consolidated financial statements for the fiscal year to December 31, 2015 were approved by the Management Board at its meeting on March 8, 2016.

Report of the Statutory Auditor on the consolidated financial statements

Fiscal year ended on December 31, 2015

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended on December 31, 2015, on:

- the audit of the consolidated financial statements of Mersen SA, as attached hereto;
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

→ Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made, and the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements for the fiscal year give a true and fair view of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, in accordance with IFRSs as adopted for use in the European Union.

→ Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements at December 31, 2015, were prepared in the environment described in Note 2-V of the notes to the consolidated financial statements ("Use of estimates" section), making it fairly hard to assess the future outlook. Against this backdrop, in accordance with the provisions of Article L. 823-9 of the French Commercial Code (Code de Commerce), we conducted our own assessments, which we are bringing to your attention.

Measurement of property, plant and equipment and of intangible assets

As disclosed in Notes 2.F.1 and 2.I to the consolidated financial statements, the Group performs goodwill impairment tests systematically at each balance sheet date and also assesses whether there is evidence of impairment in property, plant and equipment, and in intangible assets. We have examined the method used to implement these impairments test as well as the estimated cash flows and the assumptions made. We have also verified that Notes 6 and 7 to the consolidated financial statements provide appropriate disclosures.

Employee benefits

Note 2.O describes the accounting policy used to evaluate pension and other related obligations. These obligations were evaluated by external actuaries. Our procedures consisted in examining the data used and the assumptions made, and verifying that Note 14 to the consolidated financial statements provides appropriate disclosures.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

→ Specific verification

In accordance with professional standards applicable in France, we also conducted the specific verifications provided for by law of the information disclosed in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, March 8, 2016,
KPMG Audit ID

Philippe Cherqui
Partner

Neuilly-sur-Seine, March 8, 2016
Deloitte & Associés

Laurent Odobez
Partner

Parent company financial statements

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Income statement

(in € thousands)	2015	2014
OPERATING REVENUES (1)		
Revenues		
Other revenues	1,364	1,896
TOTAL SALES	**1,364**	**1,896**
Operating subsidies	0	0
Reversals of operating provisions	815	5
Transferred operating costs	(296)	1,718
Other income	8,912	8,380
TOTAL 1	**10,795**	**11,999**
OPERATING EXPENSES (2)		
Other purchases	16	15
External charges	12,499	13,600
Taxes other than income tax	317	367
Wages and salaries	1,077	1,078
Social security charges	358	404
Depreciation, amortization and charges to provisions:		
- against fixed assets: depreciation and amortization	15	18
- for liabilities and charges: charges to provisions	379	1 298
Other expenses	364	364
TOTAL 2	**15,025**	**17,144**
OPERATING INCOME (TOTAL 1 - 2)	**(4,230)**	**(5,145)**

(in € thousands)	2015	2014
FINANCIAL INCOME (3)		
Income from participating interests	40,728	33,133
Other income from fixed assets	124	115
Other interest and related income	2,537	3,435
Reversals of depreciation, amortization and charges to provisions	33	710
Foreign exchange gains	5,356	4,820
TOTAL 3	**48,778**	**42,213**
FINANCIAL EXPENSE (4)		
Depreciation, amortization and charges to provisions	20,506	1,056
Interest and related expenses	6,899	6,545
Foreign exchange losses	4,662	3,922
TOTAL 4	**32,067**	**11,523**
NET FINANCIAL INCOME (3 - 4)	**16,711**	**30,690**
INCOME BEFORE TAX AND NON-RECURRING ITEMS	**12,481**	**25,545**
EXCEPTIONAL INCOME		
Management transactions	176	1,217
Capital transactions	1,270	2,697
Reversals of provisions and transferred costs	211	1,503
TOTAL 5	**1,657**	**5,417**
EXCEPTIONAL CHARGES		
Management transactions	515	1,643
Capital transactions	1,069	282
Depreciation, amortization and charges to provisions	426	41
TOTAL 6	**2,010**	**1,966**
NET EXCEPTIONAL INCOME (TOTAL 5 - 6)	**(353)**	**3,451**
INCOME TAX	**(2,168)**	**(1,608)**
NET INCOME FOR THE YEAR	**14,296**	**30,604**
TOTAL INCOME	**61,230**	**59,629**
TOTAL EXPENSES	**46,934**	**29,025**

Balance sheet

ASSETS

(in € thousands)	Dec. 31, 2015 Gross	Dec. 31, 2015 Depreciation and amortization	Dec. 31, 2015 Net	Dec. 31, 2014 Net
FIXED ASSETS				
Intangible fixed assets				
Concessions, patents, licenses, brands	8,596	8,596	0	0
SUB-TOTAL	**8,596**	**8,596**	**0**	**0**
Property, plant and equipment				
Other	430	368	62	75
Property, plant and equipment in progress	39		39	0
Advances and down payments	32		32	0
SUB-TOTAL	**501**	**368**	**133**	**75**
Financial fixed assets [a]				
Participating interests	500,956	68,060	432,896	424,360
Loans and advances to participating interests	128,987		128,987	122,441
Other fixed assets	5		5	5
Other	5,240	681	4,559	3,780
SUB-TOTAL	**635,188**	**68,741**	**566,447**	**550,586**
TOTAL A	**644,285**	**77,705**	**566,580**	**550,661**
CURRENT ASSETS				
Advances and down payments paid on orders [b]	0		0	0
Trade receivables and related accounts [b]	1,301		1,301	7,867
Other [b]	51,170	706	50,464	42,491
Investment securities	985		985	811
Cash and cash equivalents	499		499	317
ACCRUALS				
Prepaid expenses [b]	548		548	184
TOTAL B	**54,503**	**706**	**53,797**	**51,670**
Deferred costs D	804		804	1,165
Foreign currency translation losses E	11,162		11,162	5,071
TOTAL (A+B+C+D+E)	**710,754**	**78,411**	**632,343**	**608,567**

(a) Due in less than one year: 4,390
(b) Due in over one year: 5,347

LIABILITIES AND SHAREHOLDERS' EQUITY

(in € thousands)	Dec. 31, 2015	Dec. 31, 2014
SHAREHOLDERS' EQUITY		
Share capital	41,384	41,234
Issue premium	211,490	211,192
Merger premium	8,252	8,252
Revaluation reserve	3,252	3,252
Unavailable reserves	5,177	3,973
Statutory reserve	4,158	4,158
Other reserves	62,935	43,251
Retained earnings	35	714
Net income for the year	14,296	30,604
Tax-regulated provisions	160	135
TOTAL A	**351,139**	**346,765**
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for liabilities	120	120
Provisions for charges	3,424	3,672
TOTAL B	**3,544**	**3,792**
FINANCIAL LIABILITIES (a)		
Bond issues	2,329	2,329
Borrowings from credit institutions (b)	30,086	10,227
Other borrowings	184,985	189,290
Trade payables and related accounts	532	745
Tax and social security liabilities	1,974	2,066
Amounts due on fixed assets	19	0
Other financial liabilities	46,341	47,160
ACCRUALS		
Prepaid income	0	18
TOTAL C	**266,266**	**251,835**
Foreign exchange translation gains D	11,394	6,175
TOTAL (A+B+C+D)	**632,343**	**608,567**

(a) Due in over one year: 188,025 due in less than one year: 78,242
(b) Including current bank loans and overdrafts: 29,482

Notes to the balance sheet and income statement

Summary of the notes to the financial statements

Note 1 Accounting principles and methods

The financial statements of Mersen SA for fiscal year 2015 have been prepared in accordance with the provisions of French law, in particular Regulation no. 2014-03 of June 5, 2014 of the Autorité des Normes Comptables (French accounting standards authority), approved by ministerial order of September 8, 2014 on the official French chart of accounts.

The principal accounting methods used are as follows:

A - Share issuance costs

Share issuance costs are set off in full against share issue premiums.

B - Intangible fixed assets and property, plant and equipment

Fixed assets are stated at acquisition or production cost.

They are depreciated or amortized over their estimated useful life.

Differences between depreciation for tax and accounting purposes are recognized under accelerated depreciation and recorded under exceptional expenses, with a corresponding adjustment to tax-regulated provisions under liabilities on the balance sheet.

Generally speaking, the following useful lives are adopted:

- software and other intangible fixed assets: 5 years
- fixtures and fittings: 10 years
- office equipment and furniture: 5 years or 10 years

Where there is evidence of impairment, an impairment test is conducted comparing the net book value of the intangible fixed asset or of the item of property, plant and equipment with its current value. Where this current value has fallen below net book value, an impairment loss is recognized to bring the net book value into line with its current value. No such impairment losses were recognized during the fiscal year.

C - Participating interests and other fixed assets

Gross value comprises the contribution value or acquisition cost of the asset. An impairment loss may be recognized where the book value of an asset exceeds its value in use, with the latter notably determined by reference to the share of the equity, development prospects and sales recorded by the subsidiary. The Company's development prospects are assessed based on past experience and various factors. The current backdrop of a significant deterioration in the economic and financial environment makes it hard to assess the future outlook. It is therefore possible that future performance may well differ from the estimates used to assess the value of the securities portfolio.

Expenses related to the acquisition of participating interests and other fixed assets are included in the cost of securities.

Impairment losses and reversals of impairment in investments, as well as provisions related to participating interests, are recorded under financial items. When participating interests are sold, the reversals of impairment on them are recognized under exceptional items so as not to unbalance net financial income and exceptional items.

D - Current assets - receivables

Doubtful receivables are written down to reflect the probable loss.

E - Foreign currency transactions

At the balance sheet date, foreign currency assets and liabilities are stated at the official exchange rate at December 31. A corresponding adjustment is recorded under foreign currency translation gains or losses.

Unrealized currency gains or losses do not affect net income. This said, a provision is set aside to cover the risk arising from unhedged unrealized foreign currency losses related to these foreign currencies.

F - Provisions for liabilities and charges

Provisions for liabilities and charges are set aside to cover litigation, disputes, guarantee and risk-related commitments arising during the normal course of the Company's business and likely to give rise to an outflow of resources.

Accordingly, provisions were set aside to cover all significant risks that the situation or events known at December 31, 2015 rendered likely to occur.

G - Costs deferred over several periods

Bond issuance costs are allocated over the estimated average life of the relevant borrowing.

H - Pension obligations and retirement indemnities

Top-up pension obligations under "closed" defined benefit plans covering part of the workforce are recognized in the form of a provision. Obligations to still active employees are recorded under provisions for liabilities and charges. Obligations to retired employees are transferred to a deferred cost account.

A provision for charges is set aside to cover the Company's commitment arising from top-up pension obligations specifically related to the Group's senior managers.

Retirement indemnities and long-service awards payable under collective bargaining agreements are recognized under provisions for liabilities and charges.

Retirement indemnities and long-service awards are calculated on an annual basis by independent actuaries in accordance with the provisions of the collective bargaining agreement for the French chemicals industry and the CNC recommendation issued on April 1, 2003. The projected unit credit method is used for this purpose. It takes into account using actuarial assumptions the employee's probable future length of service, level of salary costs, life expectancy and the rate of staff turnover. The obligation is discounted at an appropriate discount rate. The obligation is partially funded through payments to an external organization under a collective life insurance policy, the assets of which are stated at fair value.

Retirement indemnities are recognized using the corridor method.

The principal assumptions used in this calculation are as follows:

- future salary costs are calculated based on current salaries including an annual rate of salary increases of 2.00% and additional age-related increases;
- changes in actuarial assumptions are taken into account only where they fall outside the corridor and are amortized over the expected average remaining working lives of the plan members;
- discounting to present value at a rate of 1.65%;
- an average cost ratio of 40% to 45%;
- staff turnover calculated by age bracket;
- return on plan assets: 1.65%;
- mortality table used: TGHF05.

I - Stock repurchases

The stock repurchased by Mersen under the liquidity agreement entered into with a financial institution is shown under other fixed assets, in line with French accounting regulations.

An impairment loss in these shares is recognized when the cost of acquiring the stock exceeds the average share price during the final month of the fiscal year.

Any shares repurchased in order to be cancelled in the future are also recognized under fixed assets for their acquisition value.

When these repurchased shares are sold under a liquidity agreement, gains and losses are recognized under exceptional items.

The Company may also repurchase treasury shares on the market in order to grant them to certain employees. These are recorded as investment securities at their acquisition value, in accordance with French law.

J - Exceptional items

The Company has adopted the official French chart of accounts. Exceptional items encompass items not arising during the normal course of the Company's business. Accordingly, exceptional items comprise the book value of and proceeds from the disposal of fixed assets, accelerated tax depreciation and exceptional fixed asset write-downs, non-recurring indemnities, fines and penalties, as well as expenses related to these non-recurring events.

K - Stock subscription options and bonus share allotments

The Company has put in place stock option and bonus share allotment plans for certain of its employees.

When stock subscription options are exercised by beneficiaries, the new shares are issued and accounted for in the same manner as a conventional issue of shares. The share premium is equal to the difference between the subscription price paid by the employee and the increase in the share capital.

When bonus shares are allotted to beneficiaries, the new shares are issued and accounted for in the same manner as an increase in capital through the capitalization of reserves. The par value of the shares is added to the share capital account, and the surplus is recorded under unavailable reserves.

The Company may also repurchase treasury shares on the market. In this case, a provision for expenses is recorded when this is likely to give rise to an outflow of resources for the Company and is equal to the loss expected upon allotment of the securities to the employees affected by the plan.

Note 2 Analysis and commentary

Income statement

Sales and other revenues

Revenues (€1,364 thousand) primarily derive from services billed in France and abroad. Other revenues (€8,912 thousand) relate primarily to royalties from trademarks and intangibles.

Operating income

The operating loss of €4,230 thousand reflects the holding company's operating costs and costs of the trademark and intangibles.

Financial costs

The positive financial result of €16,711 thousand dropped sharply compared to the €30,690 thousand result in the previous financial year. This is primarily attributable to the significant impairment of subsidiaries' investments.

Exceptional items

The exceptional loss was €353 thousand.

Income tax

The Company recorded a 2015 income tax benefit of €2,168 thousand resulting from the consolidation of Mersen and its French subsidiaries for tax purposes.

Balance sheet

In addition to the notes shown below, the following comments apply:

Financial assets

The increase in net value of €15,861 thousand results mainly from a €28,600 thousand capital increase for certain subsidiaries partially offset by impairment on investments of €20,064 thousand.

Debt

The Company's total net debt at December 31, 2015 was stable compared to 2014.

(in € thousands)	Dec. 31, 2014	Dec. 31, 2014
Bank overdrafts	29,482	9,857
Bond issue	2,329	2,329
Other borrowings	184,578	188,867
Other financial liabilities [(a)]	45,768	46,019
Total debt	**262,157**	**247,072**
Cash and cash equivalents	(1,484)	(1,128)
Other receivables [(b)]	(42,479)	(35,708)
Marketable securities, cash and cash equivalents	**(43,963)**	**(36,836)**
Loans to subsidiaries	**(128,706)**	**(121,995)**
Other financial fixed assets	**(4,542)**	**(3,745)**
Net debt	84,946	84,496
o/w: - due in over one year	57,671	64,176
- due in less than one year	27,275	20,320

(a) Financial advances received recognized under "Other financial liabilities".
(b) Financial advances made recognized under "Other receivables".

Note 3 Fixed assets

(in € thousands)	FIXED ASSETS				DEPRECIATION, AMORTIZATION & CHARGES TO PROVISIONS			
Accounts	Gross value at beginning of period	Increases	Decreases	Gross value at end of period	Total at beginning of period	Increases	Decreases	Total at end of period
Intangible fixed assets								
Start-up costs	0	0	0	0	0	0	0	0
Concessions, patents, licenses, brands, processes, rights	8,596	0	0	8,596	8,596	0	0	8,596
Assets in progress	0	0	0	0	0	0	0	0
TOTAL 1	**8,596**	**0**	**0**	**8,596**	**8,596**	**0**	**0**	**8,596**
Property, plant and equipment								
Buildings and technical installations	0	0	0	0	0	0	0	0
Other property, plant and equipment	428	2	0	430	353	15	0	368
Assets in progress	0	41	2	39	0	0	0	0
Advances and down payments	0	32	0	32	0	0	0	0
TOTAL 2	**428**	**75**	**2**	**501**	**353**	**15**	**0**	**368**
Financial assets								
Participating interests	472,356	28,600	0	500,956	47,996	20,064	0	68,060
Loans and advances to participating interests	122,441	41,389	34,843	128,987	0	0	0	0
Other fixed assets	5	0	0	5	0	0	0	0
Other financial fixed assets	4,413	5,407	4,580	5,240	633	81	33	681
TOTAL 3	**599,215**	**75,396**	**39,423**	**635,188**	**48,629**	**20,145**	**33**	**68,741**
TOTAL	**608,239**	**75,471**	**39,425**	**644,285**	**57,578**	**20,160**	**33**	**77,705**

Note 4 Provisions

(in € thousands) Accounts	Amount at beginning of period	Charges	Reversals of provisions used	Reversals of provisions not used	Amount at end of period
Tax-regulated provisions					
Accelerated tax depreciation	134	26	0	0	160
TOTAL 1	**134**	**26**	**0**	**0**	**160**
Provisions for liabilities and charges					
Retirement indemnities	97	0	0	1	96
Long-service awards	8	0	3	0	5
Senior manager pensions	1,255	379	0	0	1,634
Professional fees	1,000	0	211	0	789
Risk related to liability guarantee	500	0	0	0	500
Mersen shares for AGA	811	0	811	0	0
Risk related to CL PI	26	0	0	0	26
Risk related to Mersen RUS	94	0	0	0	94
TOTAL 2	**3,791**	**379**	**1,025**	**14**	**3,144**
Provisions for impairment(a)					
Mersen China Holding participating interest	8,000	10,000	0	0	18,000
Mersen France SB participating interest	0	5,000	0	0	5,000
Mersen Deutschland Holding KG participating interest	9,724	5,064	0	0	14,788
Other participating interests	30,271	0	0	0	30,271
in shares held in treasury	33	81	33	0	81
Créances obligataires	600	0	0	0	600
TOTAL 3	**48,628**	**20,145**	**33**	**0**	**68,740**
TOTAL	**52,553**	**20,550**	**1,058**	**1**	**72,044**

Note 5 Maturity schedule of assets and liabilities

(in € thousands) Amounts due to the Group	Gross balance sheet value	Due in one year or less	Due in over one year
Loans and advances to participating interests	128,987	281	128,706
Other financial fixed assets	5,240	4,110	1,130
Trade receivables	1,301	1,301	0
Other receivables	51,170	45,823	5,347
Prepaid expenses	548	548	0
TOTAL	**187,246**	**52,063**	**135,183**

(in € thousands) Amounts payable by the Group	Gross balance sheet value	Due in one year or less	Due in over one year	Over five years ahead
Bond issue	2,329	0	0	2,329
Borrowings from credit institutions	30,086	30,086	0	0
Other borrowings	184,985	407	138,652	45,926
Trade payables and related accounts	532	532	0	0
Tax and social security liabilities	1,974	856	396	722
Amounts due on fixed assets	19	19	0	0
Other financial liabilities	46,341	46,341	0	0
TOTAL	**266,266**	**78,241**	**139,048**	**48,977**

Note 6 Information about related parties

The amounts shown in the columns below are taken from the balance sheet and income statement items referred to in the left-hand column.

(in € thousands) Balance sheet or income statement item	Amount for related parties at least 50%-owned	Amount for participating interests (less than 50%-owned)
Loans and advances to participating interests	128,987	0
Trade receivables	1,301	0
Other receivables	42,663	61
Cash and cash equivalents	427	0
Trade payables	220	0
Other financial liabilities	46,016	0
Financial expense	20,385	0
Financial income	43,178	8

Note 7 Revaluation reserve

(in € thousands)	
Revaluation reserves	
At beginning of period	3,252
Reversed during period	0
At end of period	3,252

Note 8 Accrued income and expenses

(in € thousands)		
1. Amount of accrued income included in the balance sheet items below		
Loans and advances to participating interests		280
Other financial fixed assets		16
Other receivables		245
Amounts due on fixed assets		9
Cash and cash equivalents		426
TOTAL		**976**
2. Amount of accrued expenses included in the balance sheet items below		
Borrowings from credit institutions		604
Other borrowings		407
Trade payables and related accounts		269
Tax and social security liabilities		1,868
Other financial liabilities		324
TOTAL		**3,472**
3. Amount of prepaid income and expenses	**Expenses**	**Income**
Operating items	548	0
Financial items	0	0
TOTAL	**548**	**0**
4. Costs deferred over several periods		
Bond issuance expenses at Jan. 1, 2015	1,165	
2015 amortization of bond issuance costs	(361)	
TOTAL	**804**	

Note 9 Share capital

Share capital

The share capital is made up of 20,692,054 fully paid-up shares each with a par value of €2.

In 2015, 19,138 shares arose from the exercise of stock options granted to certain employees, 55,200 shares arose from bonus share allotments. 902 free preference shares were also issued. After conversion, these shares will entitle their holders to 99,220 new or existing ordinary shares in the Company.

In November 2007, the Company completed the issue of a €40 million bond comprising 1,000 bonds convertible into new and/or exchangeable for existing shares through the attached warrants ("OBSAAR" bonds) with a nominal unit value of €40,000. Each bond carries 114 BSAR warrants, representing a total of 114,000 warrants sold to the Group's senior managers, which could ultimately lead to the issuance of a maximum of 123,120 shares (owing to the change in the exchange ratio linked to the capital increases completed in 2009), i.e. around 0.63% of the Company's share capital and voting rights. The sale of the warrants to the Group's senior executives has made for a significant reduction in the interest rates on the bond.

On May 21, 2010, a simplified exchange offer was launched for the BSAR warrants issued in 2007. Under the offer, the 2007 BSAR warrants could be tendered in exchange for 2010 BSAR warrants (redeemable warrants entitling holders to subscribe new and/or acquire existing shares).

2007 BSAR holders were able to choose between the following two alternatives when tendering their 2007 BSAR warrants:

- Exchange option: five 2007 BSAR warrants in return for two 2010 BSAR warrants;
- Combination option: one 2007 BSAR warrant plus a cash payment of €1.50 in return for one 2010 BSAR.

At its meeting on July 15, 2010, the Management Board formally noted based on the results of this offer that the final number of 2007 BSAR warrants tendered stood at 113,771. These BSAR warrants were automatically canceled. Given this outcome and the decisions made by the 2007 BSAR holders, the Management Board decided at the same meeting to issue 103,331 2010 BSAR warrants. They mature on July 16, 2017.

Stock subscription options and bonus share allotments

After approval by the Supervisory Board, the Board of Directors decided to offer Group managers, on a regular basis, the opportunity to subscribe stock subscription options, subject to achieving specific earnings targets, or bonus shares, provided that they remain with the Group for a certain period of time.

Three stock option plans were awarded on July 25, 2007, February 11, 2009, and May 21, 2014. The employee categories benefiting from these options are to be determined by the Management Board each time that it makes use of the authorization.

Five bonus share allotment plans were set up on May 27, 2011, June 27, 2012, May 21, 2014 and July 9, 2015.

A free preference share plan was awarded on July 9, 2015.

The bonus share allotment plans and exercise of the stock options plans have been fulfilled primarily through the issuance of new shares. As a result, no expenses or liabilities were recognized during the fiscal year in respect of these plans.

When the shares are repurchased on the market, a provision for expenses is recorded when this is likely to give rise to an outflow of resources to the employee, in the amount corresponding to the loss expected for the Company.

The characteristics of the stock options plans are as follows:

Characteristics/Assumptions	2007 plan Stock options	2009 plan Stock options	2014 plan Stock options
Allotment date	07/25/2007	02/11/2009	05/21/2014
Availability date	07/25/2011	02/11/2013	05/21/2016
Expiration date	07/25/2017	02/11/2019	05/21/2021
Adjusted exercise price *(€)*	53.10	17.53	22.69
Adjusted share price at allotment date *(€)*	52.35	17.95	21.30
Estimated life *(number of years)*	5.5	8	4.5
Volatility	30.9%	38.1%	31.0%
Dividend per share *(as a % of share price)*	1.9	2.5	3.0
Risk-free interest rate	4.44%	3.26%	0.64%
Exercise period *(number of years)*	4	4	5
Lock-up period *(number of years)*	0	0	2
Adjusted number of options/share allotments	177,876	366,582	150,000
Estimated annual cancellation rate at year-end 2004			
Estimated annual cancellation rate at year-end 2005			
Estimated annual cancellation rate at year-end 2006			
Estimated annual cancellation rate at year-end 2007	End of the plan		
Estimated annual cancellation rate at year-end 2008	End of the plan		
Estimated annual cancellation rate at year-end 2009	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2010	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2011	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2012	End of the plan	7.0%	
Estimated annual cancellation rate at year-end 2013	End of the plan	End of the plan	
Estimated annual cancellation rate at year-end 2014	End of the plan	End of the plan	5.0%
Estimated annual cancellation rate at year-end 2015	End of the plan	End of the plan	5.0%
% of shares/options vested following satisfaction of the performance condition[(a)]	60	100	100
Estimate of the number of options/shares ultimately vested in 2005			
Estimate of the number of options/shares ultimately vested in 2006			
Estimate of the number of options/shares ultimately vested in 2007	155,321		
Estimate of the number of options/shares ultimately vested in 2008	155,321		
Estimate of the number of options/shares ultimately vested in 2009	167,442	274,222	
Estimate of the number of options/shares ultimately vested in 2010	172,892	314,391	
Estimate of the number of options/shares ultimately vested in 2011	104,616	338,055	
Estimate of the number of options/shares ultimately vested in 2012	104,616	361,191	
Estimate of the number of options/shares ultimately vested in 2013	104,616	361,191	
Estimate of the number of options/shares ultimately vested in 2014	104,616	361,191	142,505
Estimate of the number of options/shares ultimately vested in 2015	86,342	361,191	129,375
Valuation of options/shares *(€)*	15.58	6.11	3.68
Valuation as a% of the share price at grant	29.8%	34.1%	17.3%

(a) The definitive performance condition applicable to the 2007 stock option plan was 60% satisfied in the end rather than the 100% satisfaction rate expected previously and 100% satisfied for the 2009 and 2014 stock option plan.

The characteristics of the bonus share allotment plans were as follows:

Characteristics/Assumptions	2011 plan Bonus share allotments	2011 plan Bonus share allotments	2012 plan Bonus share allotments
Allotment date	05/27/2011	05/27/2011	06/27/2012
Availability date	05/27/2015	05/27/2015	06/27/2016
Expiration date*	05/27/2015	05/27/2015	06/27/2016
Adjusted exercise price *(€)*	0.00	0.00	0.00
Adjusted share price at allotment date *(€)*	39.06	39.06	18.22
Estimated life *(number of years)*	4	4	4
Volatility	35.2%	35.2%	36.5%
Dividend per share *(as a % of share price)*	2.5	2.5	3.0
Risk-free interest rate	N/A	N/A	N/A
Exercise period *(number of years)*	4	4	4
Lock-up period *(number of years)*	0	0	0
Number of options/shares allotted	140,000	60,000	20,000
Estimated annual cancellation rate at year-end 2011	5,0%	5,0%	N/A
Estimated annual cancellation rate at year-end 2012	5,0%	5,0%	5,0%
Estimated annual cancellation rate at year-end 2013	5,0%	5,0%	5,0%
Estimated annual cancellation rate at year-end 2014	5,0%	5,0%	5,0%
% of shares/options vested following satisfaction of the performance condition	39	N/A	39
Estimate of the number of options/shares vested in 2011	100,779	49,382	N/A
Estimate of the number of options/shares vested in 2012	106,095	51,986	16,724
Estimate of the number of options/shares vested in 2013	36,220	52,115	6,161
Estimate of the number of options/shares vested in 2014	16,568	54,856	2,818
Estimate of the number of options/shares vested in 2015	16,914	55,800	2,966
Valuation of options/shares *(€)*	35.34	35.34	16.16
Valuation as a % of the share price at grant	90,5%	90,5%	88,7%

* *Expiration of availability date*

Characteristics/Assumptions	2014 plan Bonus share allotments	2015 plan Bonus share allotments
Allotment date	05/21/2014	07/09/2015
Availability date	05/21/2016-05/21/2018	07/09/2017-07/09/2019
Expiration date*	05/22/2018	07/10/2019
Adjusted exercise price *(€)*	0.00	0.00
Adjusted share price at allotment date *(€)*	21.30	20.89
Estimated life *(number of years)*	4	4
Volatility	31,0%	25,9%
Dividend per share *(as a % of share price)*	3.0	3.0
Risk-free interest rate	N/A	N/A
Exercise period *(number of years)*	2 - 4	2 - 4
Lock-up period *(number of years)*	2 - 0	2 - 0
Number of options/shares allotted	50,000	65,000
Estimated annual cancellation rate at year-end 2014	5,0%	N/A
Estimated annual cancellation rate at year-end 2015	5,0%	5,0%
% of shares/options vested following satisfaction of the performance condition[(a)]	100	100
Estimate of the number of options/shares ultimately vested in 2014	44,876	N/A
Estimate of the number of options/shares ultimately vested in 2015	44 260	56,769
Valuation of options/shares *(€)*	19.08 – 18.89	18.71 – 18.53
Valuation as a% of the share price at grant	89,6% - 88,7%	89,6% - 88,7%

* *Expiration of the availability date*
(a) *The provisional performance condition for the 2014 and 2015 bonus share allotment plan is 100%.*

Characteristics/Assumptions	2015 plan Preference share allotments
Allotment date	07/09/2015
Availability date	07/09/2017 – 07/09/2019
Expiration date*	07/10/2019
Adjusted exercise price *(€)*	0.00
Adjusted share price at allotment date *(€)*	20.89
Estimated life *(number of years)*	4
Volatility	25.9%
Dividend per share *(as a % of share price)*	3.0
Risk-free interest rate	N/A
Exercise period *(number of years)*	2-4
Lock-up period *(number of years)*	2-0
Adjusted number of preference share allotments	902
Adjusted number of ordinary share allotments	99.220
Estimated annual cancellation rate at year-end 2015	5.0%
% of shares/options vested following satisfaction of the performance condition[a]	100
Estimate of the number of ordinary shares ultimately vested in 2015	87,933
Valuation of guaranteed ordinary shares *(€)*	17.73 – 18.53
Valuation of non-guaranteed ordinary shares *(€)* [b]	4.92 – 5.14
Valuation as a % of the guaranteed ordinary share price at grant	84,9% - 88,7%
Valuation as a % of the non-guaranteed ordinary share price at grant	23,6% - 24,6%

(a) The provisional performance condition for the 2015 free preference share allotment plan is 100%.
(b) The non-guaranteed shares are subject to performance conditions

Statement of changes in equity

(in € thousands)	
Opening equity at January 1, 2015	**346,765**
Net income for the year	14,296
Change in tax-regulated provisions	25
Issue of new shares	336
Dividend payment	(10,283)
Closing equity at December 31, 2015	**351,139**

Note 10 Commitments

Commitments and contingencies

(in € thousands)	
Commitments given	
Guarantee for euro cash pooling arrangement	18,000
Guarantee for the syndicated and bilateral loans to Chinese companies	58,544
Counter guarantee given to Mersen Deutschland Holding on guarantees	3,000
Counter guarantee given to Mersen USA BN on guarantees	9,000
Security deposit paid to Ganton covering the Mersen USA Newburyport subsidiary	2,296
Sabic contract guarantee covering Mersen USA Bn corp.	1,883
Rental guarantee covering Mersen Hittisau building	4,948
Leases for Mersen SA building lettings	4,662
Other guarantees and deposits	1,873
TOTAL	**104,206**
Commitments received	**0**
TOTAL	**104,206**

Other reciprocal commitments

(in € thousands)	
Reciprocal commitments given	
Currency hedges	17,912
Commodity hedges	239
TOTAL	**18,151**
Reciprocal commitments received	
Currency hedges	20,242
Commodity hedges	239
TOTAL	**20,481**

Employee benefits

Retirement indemnities, long-service awards and defined-benefit top-up pension plans

(in € thousands)	
Present value of plan obligations at December 31, 2014	4,923
Mathematical value of plan assets	(128)
Unrecognized actuarial gains and losses	(1,843)
TOTAL	**2,952**

Other commitments related to financial instruments

(in € thousands)	
Fair value of financial instruments at December 31, 2014	
Interest rate swaps	(157)
TOTAL	**(157)**

Note 11 Leases

The Company did not hold any finance leases in progress at December 31, 2015.

Note 12 Executive compensation

The compensation and benefits paid to members of the Management and Supervisory Boards directly by the Company or indirectly by certain subsidiaries came to €2,044 thousand during 2015.

Net top-up pension obligations in respect of senior managers came to €3,467 thousand.

Note 13 Average headcount

	Salaried employees	Seconded employees
Executives	3	0
Supervisors and technicians	2	0
TOTAL	5	0

Note 14 Analysis of tax expense

(in € thousands)	Income before tax	Tax payable
Current	12,481	0
Exceptional	(353)	0
Tax benefit received from subsidiaries consolidated for tax purposes		2,168

Increase and decrease in future tax liability

(in € thousands)	Beginning of period	Change during period	End of period
Accelerated tax depreciation	(1)	0	(1)
Provision for GPC pension obligations	855	110	965
Top-up pension provision	256	(4)	252
Provision for senior manager pension obligations	1,255	379	1,634
Retirement indemnities	98	(2)	96
Accrued expense, social solidarity contribution	19	(19)	0
Paid vacation	16	1	17
Class action professional fees	789	(211)	789
Bond loan depreciation	600	0	600
Tax base or future tax credit (significant items)	4 098	254	4 352
Group French tax deficit	95,037	10,774	105,811
Total	99,135	11,028	110,163
Future short-term tax rate adopted	38.00%		34.43%
Future long-term tax rate adopted	34.43%		34.43%
Amount of future tax receivable	34,132		37,929

Note 15 Tax consolidation

As of January 1, 2013, Mersen forms a consolidated tax group as defined in Article 223 A et seq. of the French General Tax Code. This tax group chiefly comprises Mersen France SB, Mersen France La Mure, Mersen France Gennevilliers, Mersen France Amiens, Mersen France PY and Mersen Corporate Services.

Tax expense is calculated for each subsidiary every year as if the company were not a member of the tax group. This tax expense thus takes into account the losses recorded by the subsidiary during the period for which it has belonged to the tax group, which it can offset pursuant to ordinary law.

No arrangements have been made for repayment of tax to a loss-making subsidiary based on each subsidiary's current situation. In addition, no compensation is provided for should a loss-making subsidiary leave the group.

The tax benefit recorded by the parent company primarily reflects tax payments made by subsidiaries in profit less the tax liability payable by the tax group to the tax administration.

Subsidiaries are jointly and severally liable for payment of their tax to the French treasury, should Mersen default on payment.

Note 16 Foreign currency translation

(in € thousands)	Amounts	O/w difference offset by hedges or by global currency position	Other
On financial fixed assets	0	0	
On miscellaneous borrowings	11,162	11,162	
TOTAL	**11,162**	**11,162**	
On financial fixed assets	11,162	11,162	
On receivables	1		1
On miscellaneous borrowings	231		231
TOTAL	**11,394**	**11,162**	**232**

Note 17 Treasury shares

Under the liquidity agreement established with Exane BNP, the Company held 49,550 treasury shares at December 31, 2015 in addition to 57,800 treasury shares repurchased for bonus allotment to employees and 55,200 treasury shares to be cancelled.

Note 18 Information about exceptional items

Exceptional income

(in € thousands)	
Management transactions	
Rebilling of professional fees and expenses	176
SUB-TOTAL	**176**
Capital transactions	
Mersen shares for AGA	811
Gains on the sale of treasury shares	252
Cost cancellation Mersen Grésy	207
SUB-TOTAL	**1,270**
Reversals of class action professional fees	211
SUB-TOTAL	**211**
TOTAL	**1,657**

Exceptional charges

(in € thousands)	
Management transactions	
Class action professional fees and expenses	210
Other fees on exceptional items	101
GPC pensions for non-active workers	204
SUB-TOTAL	**515**
Capital transactions	
Losses on the sale of treasury shares	1,069
SUB-TOTAL	**1,069**
Allowance for accelerated tax depreciation	26
La Fayette building refurbishment costs	400
SUB-TOTAL	**426**
TOTAL	**2,010**

Note 19 Information about risk factors

The financial risk management policy is approved by the Management Board based on proposals submitted by the finance department. Currency and commodity hedging transactions are carried out subject to strictly defined procedures.

Liquidity risk

The Company has signed the following major borrowing agreements:

A multi-currency syndicated bank loan arranged in July 2012 and amended in July 2014 for €220 million with a five-year maturity, repayable in full in July 2019.

A USD100 million private placement was negotiated in November 2011 with a US investor, comprising one USD50 million tranche with a final maturity of 10 years and one USD37.2 million tranche with a final maturity of 8 years, both with a bullet structure. The investor will receive a fixed rate of interest.

Interest-rate risk

The interest-rate risk management policy consists in establishing positions from time to time as a function of the direction of interest rates.

Since the Company considered that interest rates are at low levels by historic standards, it decided to fix part of its cost of debt.

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

In September 2012, Mersen arranged two interest rate swaps with nominal amounts of €20 million and GBP10 million in order to convert the interest on part of its confirmed medium-term debt into a fixed rate. Under these swaps, the Company receives the interest due to the lender and pays a fixed rate of 0.6575% for the euro swap and 0.86% for the sterling swap.

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for the largest purchases.

The commodity price risk management policy currently consists in arranging forward commodity purchases with prime banking institutions. These are passed on symmetrically to the subsidiaries involved in commodity purchasing.

Currency risk

The currency risk management policy consists, based on a complete inventory of inter-company and external risks, in arranging forward currency purchases with prime banking institutions.

Except in special cases, the hedges arranged with banks are centralized with the parent company and passed on symmetrically to the relevant subsidiaries to hedge trading flows based either on specific orders or on annual budgets.

The Company does not specifically hedge its net foreign assets.

Note 20 Consolidation

Mersen is fully consolidated by the Mersen group.

LIST OF SUBSIDIARIES AND SHAREHOLDINGS

(in € thousands) **Detailed information (gross book value exceeding 1% of the share capital)**	**Share capital**	**Shareholders' equity excluding the share capital**	**% of share capital owned**	**Carrying amount in Mersen's books**		**Dividends received by the Company**	**Loans and advances, net**	**Guarantees and sureties given**
				Gross	**Net**			
Mersen France SB SAS	40,936	(5,673)	100	49,589	44,589		40,000	
Mersen France Amiens SAS	22,477	5,874	100	25,402	25,402	1,000		
Mersen France Gennevilliers SAS	14,482	(4,526)	100	23,896	23,896			
Mersen Corporate Services SAS (France)	3,574	743	100	3,646	3,646	615		
Mersen France PY SAS	10,321	(2,019)	100	31,321	23,274			
Mersen Boostec (France)	3,243	5,089	95.07	11,792	11,792			20
Mersen Deutschland FFM AG (Germany)	10,021	15,983	10	1,635	1,635			
Mersen Deutschland Holding GmbH & Co. KG (Germany)	28,700	(12,297)	100	28,700	13,912		414	3,000
Mersen Argentina SA (Argentina)	87	475	97.99	962	807			
Mersen Oceania Pty Ltd (Australia)	738	2,654	100	702	702	1,315		
Mersen do Brasil Ltda (Brazil)	9,348	(6,258)	100	25,172	11,025			
Mersen Canada Dn Ltee/Ltd (Canada)	1,277	10,083	100	1,322	1,322	759		
Mersen China Holding Co Ltd (China)	127,037	(60,518)	100	101,422	83,422			
Mersen Korea Co. Ltd (South Korea)	3,809	8,808	100	12,060	11,540	772		
Cirprotec (Spain)	1,000	2,847	51	5,143	5,143			
Mersen Ibérica SA (Spain)	2,404	3,633	50.02	680	680	176		
Mersen Ibérica Bcn SA (Spain)	2,043	2,035	100	2,396	2,396	136		
Mersen USA Bn Corp. (United States)	62,676	160,710	100	68,926	68,926	26,796	61,541	10,883
Mersen UK Holdings Ltd (United Kingdom)	8,485	(525)	100	903	903		4,087	
Mersen Scot. Holding Ltd (United Kingdom)	85,695	(1,450)	100	70,731	70,731		18,598	
Mersen India Pvt Ltd (India)	2,740	5,722	100	8,739	8,521			
Mersen Italia Spa (Italy)	5,500	1,880	100	11,590	10,090			
Mersen Fma Japan KK (Japan)	382	8,997	8.70	2,977	917	128		
Mersen Maroc SARL (Morocco)	1,206	(592)	100	1,186	1,186			
Mersen Mexico Monterrey S. de R.L. de C.V. (Mexico)	1,514	288	100	1,149	1,149	746		1,324
Mersen South Africa Pty Ltd (RSA)	62	514	54.77	813	813			
Mersen Rus (Russia)	582	(817)	100	1,200	0			
Mersen Nordic AB (Sweden)	218	2,426	100	551	551	530		
Mersen Istanbul Sanayi Urunleri AS (Turkey)	899	1,050	100	5,016	2,907	597		
Aggregate information (regarding other subsidiaries and participating interests)								
Subsidiaries (at least 50%-owned)								
in France				138	60			
outside France				980	778	417		
Shareholdings (10% to 50%-owned)								
outside France				216	180	9		
Other shareholdings (less than 10%-owned)				**0**	**0**			
TOTAL				**500,955**	**432,895**	**33,996**	**124,640**	**15,227**

Note: Information on sales and income has been omitted intentionally because of the serious harm that could result from its release in a highly-competitive international environment.

Report of the Statutory Auditors on the financial statements Fiscal year ended on December 31, 2015

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended on December 31, 2015, on:

- the audit of the financial statements of Mersen SA, as attached hereto;
- the justification of our assessments;
- the specific verifications and disclosures required by law.

The financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made, and the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the results of operations for the year ended and of the Company's financial position and its assets and liabilities as of the end of this fiscal year, in accordance with the accounting principles generally accepted in France.

Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

The Company assesses on an annual basis the carrying amount of its participating interests and other fixed assets using the method described in Note 1 to the financial statements on accounting principles and methods. We conducted the assessment of the approach adopted by the Company, which is described in the notes to the financial statements, based on the information available, and conducted tests of how these methods are applied on a test basis.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

Specific verifications and disclosures

We also performed the specific verifications required by law in accordance with the professional standards applicable in France.

We have no matters to report concerning the fair presentation and conformity with the financial statements of the information disclosed in the Management Board's management report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

With regard to the disclosures provided in accordance with the provisions of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers and on the commitments given to them, we verified their consistency with the financial statements and with the figures used to prepare these financial statements and, where appropriate, with the data gathered by the Company from companies controlling the Company or controlled by it. Based on these procedures, we certify the accuracy and fair presentation of this information.

In accordance with the law, we verified that the management report contains the appropriate disclosures of the identity of the holders of the share capital and voting rights.

The Statutory Auditors

Paris La Défense, March 8, 2016	Neuilly-sur-Seine, March 8, 2016
KPMG Audit ID	Deloitte & Associés
Philippe Cherqui	Laurent Odobez
Partner	*Partner*

Five-year financial summary

	2015	2014	2013	2012	2011
1. Share capital at year-end					
Capital *(€ 000s)*	41,384	41,234	41,633	40,702	40,577
Number of shares outstanding	20,692,054	20,616,834	20,816,364	20,350,969	20,288,354
Par value of shares *(€)*	2	2	2	2	2
2. Overall result of operations *(€ 000s)*					
Income before tax, depreciation, amortization, charges to provisions and employee profit-sharing [a]	32,395	29,191	9,801	21,739	(61,808)
Income tax	(2,168)	(1,608)	(1,500)	(1,724)	(1,887)
Employee profit-sharing	0	0	0	0	0
Net income after tax, depreciation, amortization and charges to provisions	14,296	30,604	1,762	10,649	29,810
Total earnings paid out [b]	10,317	10,308	9,259	9,136	20,234
3. Overall result of operations per share *(€)*					
Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions [a]	1.67	1.49	0.54	1.15	(2.95)
Net income after tax, depreciation, amortization and provisions	0.69	1.48	0.08	0.52	1.47
Dividend paid on each share	0.50	0.50	0.45	0.45	1.00
4. Employees					
Average headcount	5	5	5	5	5
Total payroll costs *(€ 000s)*	1,077	1,078	954	1,040	2,072
Amount paid for welfare benefits *(€ 000s)*	358	404	371	334	627

(a) In 2011, income before tax, employee profit-sharing, depreciation, amortization and charges to provisions was negative because it reflected a non-recurring charge of €83,666 thousand for internal corporate restructuring. This charge was offset by the reversal of a provision for an equivalent amount, which is not included in the calculation of this income or earnings per share.

(b) In January 2016 reduction in the number of securities for 55,200 shares

Additional information

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Documents available to the public

→ Documents available for download from the Company's web site: www.mersen.com/en

The web site provides in-depth information about Mersen's products and markets, together with all the regulated information required, in line with the European Directive on Transparency.

Available documents notably include:

- This reference document as filed with the Autorité des Marchés Financiers;
- The 2015 interim report;
- Financial press releases,
- Financial presentations.

→ List of information published or made public in 2015

Pursuant to Article 222-7 of the General Regulation of the Autorité des Marchés Financiers, the following list sets forth the information made public by Mersen in 2015.

Press Releases

01.29.2015: 2014 sales

03.10.2015: Catherine Delcroix appointed to the Supervisory Board

03.11.2015: Publication of the 2014 Reference Document

03.11.2015: Full-year 2014 results

03.31.2015: New contract related to electrolysis systems' compliance with EU regulations

04.08.2015: Mersen participates in Google's "Little Box Challenge" to design a revolutionary power inverter

04.17.2015: Leaders de la Finance awards: Mersen's Finance Department wins gold

04.27.2015: Gilles Boisseau appointed as Group Vice-President, Electrical Protection division

04.28.2015: First-quarter 2015 sales

06.04.2015: Multiple commercial successes in the rail sector

06.11.2015: Mersen participates in the Bourget trade fair

06.24.2015: Mersen acquires ASP

07.31.2015: Half-year 2015 results

09.14.2015 Mersen chosen for the "Des Usines et des Hommes" photography exhibition

10.28.2015: Third-quarter 2015 sales

12.02.2015: Mersen adapts its organizational structure

12.07.2015: Rail contract in China

Presentations

03.11.2015: Presentation of full-year 2014 results to the financial markets.

07.31.2015: Presentation of half-year 2015 results to the financial markets.

Information included by reference

The following information is included by reference in this annual report:

Fiscal 2014

The following information is included in annual report no. D-15-0123, submitted to the Autorité des Marchés Financiers on March 10, 2015:

- the consolidated financial statements for fiscal 2014 prepared in accordance with the IFRSs in force in 2014, together with the Statutory Auditors' reports on the consolidated financial statements, pages 121 to 175;
- the annual financial statements for 2014, together with the Statutory Auditors' reports on the annual financial statements, pages 178 to 201;
- the 2014 management report, pages 106 to 120.

Fiscal 2013

Included in annual report no. D-14-0118 submitted to the Autorité des Marchés Financiers on March 5, 2014 are:

- the consolidated financial statements for fiscal 2013 prepared in accordance with the IFRSs in force in 2013, together with the Statutory Auditors' reports on the consolidated financial statements, pages 110 to 170;
- the annual financial statements for 2013, together with the Statutory Auditors' reports on the annual financial statements, pages 172 to 194;
- the 2013 management report, pages 93 to 108.

Officer responsible for the reference document

Luc Themelin, Chairman of the Management Board

Mersen
Tour Eqho, 2 avenue Gambetta
F-92066 Paris La Défense
Tel.: + 33 (0)1 46 91 54 19

Statement by the officer

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, these financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, and that the management report on pages 113 to 128 presents a faithful picture of the business trends, earnings and financial position of the Company and of all the entities included in the consolidation, as well as a description of the principal risks and uncertainties they are facing.

The consolidated accounts regarding the fiscal year ending December 31, 2015, presented in this document, were addressed in a report by the auditors, which appears on pages 183 and 184.

I obtained an end-of-assignment letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit ID, stating that they have completed their verification of the information related to the financial position and financial statements provided in the annual report, and read through this entire report.

Luc Themelin

Auditors and fees

Statutory Auditors

Deloitte & Associés

185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Date of first term: 1986

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Represented by Laurent Odobez

KPMG Audit ID

Tour Eqho – 2 avenue Gambetta
F-92066 Paris La Défense

Date of first term: 2004

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Represented by Philippe Cherqui

Alternate Auditors

BEAS

195, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

Date of first term: 2004

Date of last renewal: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

KPMG Audit IS

Tour Eqho – 2 avenue Gambetta
F-92066 Paris La Défense

Date of first term: 2010

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2015)

Fees paid to the Statutory Auditors and members of their networks by the Group

	2015				2014			
	Deloitte		KPMG		Deloitte		KPMG	
(in € thousands)	Amount	%	Amount	%	Montant	%	Montant	%
Audit								
Statutory audit, certification, review of the individual and consolidated financial statements	1,015	90%	818	70%	983	89%	851	75%
Other accessory and audit assignments	72	6%	108	9%	59	5%	131	12%
SUB-TOTAL	**1,087**	**96%**	**926**	**79%**	**1,042**	**94%**	**982**	**87%**
Other services, etc.								
Legal, tax law, labor law	40	4%	196	17%	23	2%	112	10%
Other	5	0%	49	4%	47	4%	38	3%
SUB-TOTAL	**45**	**4%**	**245**	**21%**	**70**	**6%**	**150**	**13%**
TOTAL	**1,132**	**100%**	**1,171**	**100%**	**1,112**	**100%**	**1,132**	**100%**

Expertise, our source of energy

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