Expertise, our source of energy

2016 FIRST HALF FINANCIAL REPORT

MERSEN

2016 First half financial report

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

1 MANAGEMENT REPORT

CONSOLIDATED RESULTS

→ Sales

In the first half of 2016, Mersen recorded consolidated sales of €390 million, an organic increase of 0.2% compared to the same period last year.

	H1 2016	H1 2015**	Total growth	Organic growth*
Advanced Materials	210.5	217.3	-3.1%	-0.3%
Electrical Power	179.4	176.4	1.7%	0.9%
GROUP TOTAL	**389.9**	**393.7**	**-1.0%**	**0.2%**
Europe	136.2	136.6	-0.3%	0.5%
Asia-Pacific	92.5	87.4	5.8%	5.1%
North America	140.9	149.9	-6.0%	-4.9%
Rest of the world	20.3	19.8	3.1%	18.5%
GROUP TOTAL	**389.9**	**393.7**	**-1.0%**	**0.2%**

** On a like-for-like basis.*
*** The brazing technologies activity sold at the beginning of 2016 is classified as a discontinued activity*

Sales for the **Advanced Materials segment** totaled €211 million, representing a very slight decrease of 0.3% over the period. Excluding the chemicals market, organic growth was positive at close to 4%, thanks to the very solid performance of the solar and transportation markets.

Sales for the **Electrical Power segment** totaled €179 million for this half, up 0.9% on a like-for-like basis. Growth was particularly dynamic in solar, electronics and transportation. On the other hand, sales in the process industries fell slightly.

In **Europe**, the situation was mixed: Germany and France remained contracted, while significant growth was recorded in other countries, driven primarily by the rail transportation market. In **Asia**, China posted a very satisfactory performance, as did India and Japan. In the **North American region,** the chemicals and oil industry markets posted another decline, as did electrical distribution.

→ EBITDA and operating income before non-recurring items

In millions of euros	H1 2016	H1 2015*
Operating income before non-recurring items[1]	30.5	33.7
Depreciation and amortization	18.6	19.7
EBITDA	**49.1**	**53.4**
as a % of sales	*12.6%*	*13.6%*

**To enable better comparison with groups in its sector of activity, Mersen has decided to reclassify the financial portion of its employee benefit expense under financial items. In addition, the brazing technologies business sold at the beginning of 2016 was classified under discontinued operations.*

Operating income before non-recurring items[1] totaled €30.5 million, an operating margin of 7.8% of sales, down from the 1st half of 2015 (8.6% restated[2]) and up from the 2nd half of 2015 (7.1%).

Operating income before non-recurring items for the Advanced Materials segment was €16.8 million, an operating margin of 8.0% of sales, compared to 9.8% for the same period in 2015. This change reflects the negative impact on price, an unfavorable product mix, and cost inflation in a context of weak growth, which were partially offset by improvements in productivity. The margin rose, however, by 1.5 point compared to the 2nd half of 2015.

Operating income before non-recurring items in the Electrical Power segment amounted to €20.6 million. The current operating margin was 11.5% of sales, representing growth of 0.7% over the previous year. This change was driven by gains in productivity.

The Group's EBITDA[3] totaled €49.1 million (12.6% of sales).

In millions of euros	H1 2016	H1 2015*	*Change*
Sales	389.9	393.7	*-1.0%*
Gross margin	119.2	122.4	*-2.6%*
as a % of sales	*30.6%*	*31.1%*	
Selling and other expenses	(39.7)	(39.9)	*-0.1%*
G&A and R&D costs	(49.0)	(48.8)	*+0.1%*
Total fixed costs (excluding production)	(88.7)	(88.7)	*+0%*
Operating income before non-recurring items	**30.5**	**33.7**	***-9.5%***
as a % of sales	*7.8%*	*8.6%*	

** To enable better comparison with the groups in its sector, Mersen has decided to reclassify the financial portion of the expense for employee benefits as financial income or loss. In addition, the brazing technologies activity sold at the beginning of 2016 is classified as a discontinued activity.*

Gross margin was down 0.5%, primarily due to an unfavorable product mix and price effect on the Advanced Materials segment, which were partially offset by the productivity gains in the two segments.

Non-production fixed costs are in line with last year's level: R&D costs were up slightly while selling and administrative expenses were down because of efforts made on competitiveness.

(1) According to definition 2009.R.03 of the French National Accounting Board (CNC).

(2) To enable better comparison with groups in its sector of activity, Mersen has decided to reclassify the financial portion of its employee benefit expense under financial items.

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

Net income

Consolidated net income, Group share totaled €11.3 million compared to €16.1 million for the same period in 2015.

In millions of euros	H1 2016	H1 2015*
Operating income before non-recurring items	**30.5**	**33.7**
Non-recurring income and expense	(3.5)	(1.1)
Amortization and impairment of revalued intangible assets	(0.7)	(0.5)
Operating income	**26.3**	**32.1**
Financial costs	(6.0)	(6.5)
Income tax	(7.0)	(8.8)
Net income from continuing operations	**13.3**	**16.8**
Net income from assets held for sale/discontinued operations	(1.0)	(0.1)
Consolidated net income	**12.3**	**16.7**
Attributable to Mersen's shareholders	***11.3***	***16.1***

** To enable better comparison with the groups in its sector, Mersen has decided to reclassify the financial portion of the expense for employee benefits as financial income or loss. In addition, the brazing technologies activity sold at the beginning of 2016 is classified as a discontinued activity.*

The main items of the consolidated net income account may be analyzed as follows:

- Non-current items represent a charge of €3.5 million for this half, consisting primarily of restructuring costs related to the competitiveness plan. In 2015, non-current expenses essentially represented restructuring costs, partially offset by a gain from a real estate sale related to the Transform plan.
- Amortization on intangible assets was €–0.7 million, in line with the amount from previous six-month periods.
- Mersen's net financial loss was €-6.0 million in the first half of 2016, in line with the first half of 2015. Since January 1, 2016, the Group has classified the financial portion of the expense for employees benefits as financial income or loss. Average debt totaled €236 million for this half (€239 million in the 1st half of 2015).
- The tax expense was €7.0 million, representing an effective tax rate of 34%, identical to the previous year.
- The net loss from assets held for sale/discontinued operations was €1.0 million. It includes the result from the brazing technologies activity sold at the beginning of the year, and the impairment of a loan made in 2013 to the buyer of the nuclear boiler-making business.

CASH AND DEBT

Condensed statement of cash flows

In millions of euros	H1 2016	H1 2015
Cash generated by operating activities before change in the WCR	38.3	37.5
Change in the working capital requirement	(5.3)	(24.8)
Change in tax expense	(3.8)	(10.8)
Cash generated by discontinued operations	(0.7)	0.4
Net cash generated by operating activities	**28.5**	**2.3**
Capital expenditures	(12.9)	(17.0)
Net cash generated by operating activities after industrial expenditures	**15.6**	**(14.7)**
Impact of changes in the scope of consolidation	(0.7)	
Other	4.3	(0.1)
Net cash generated/(used) by operating and investing activities	**19.2**	**(14.8)**
Interest payments	(4.6)	(4.9)
Increase in share capital and other	(2.2)	0.2
Net cash flow before the change in debt	**12.4**	**(19.5)**

During this half, operating activities generated cash flow of nearly €29 million, a sharp increase over last year, which included substantial outflows related to the Transform plan. This cash flow included a change of €5.3 million in the working capital requirement, a clear improvement over the previous year, despite the increase in sales, thanks particularly to optimized inventory management. Another factor contributing to this improvement was the low level of tax paid, as certain payments in the United States were made in advance in 2015.

Capital Expenditures amounted to €12.9 million, down slightly from last year, as certain expenditures were deferred to the 2nd half.

As a result, cash flow from operating and investment activities represents an inflow of €19.2 million, versus an outlay of €14.8 million in the 1st half of 2015.

The Group also bought back its own shares for more than €2 million during the period for cancellation.

Balance sheet

Net debt at June 30, 2016 was €222.5 million, compared to €236.5 at year-end 2015. It includes a positive foreign exchange impact of €5 million.

The Group's financial structure is strong: the net debt/EBITDA ratio (leverage) was 2.23* (versus 2.33** at year-end 2015), and the net debt/equity ratio (gearing) was 46%* versus 47%* at year-end 2015.

	June 30, 2015	December 31, 2015
Total net debt *(in millions of euros)*	222	236
Net debt / equity*	46%	47%
Net debt/EBITDA*	2.2	2.3

** Ratio calculated using bank covenants on Mersen confirmed financing*

*** Pro forma calculation including the financial costs of the pension commitments.*

Outlook for 2016

The Group is confirming its targets for 2016, published on March 9 when the 2015 results were presented, i.e., sales for 2016 similar to those in 2015 on a like-for-like basis, and a current operating margin of around 7.5% of sales.

2 CONSOLIDATED FINANCIAL STATEMENTS

CHANGES IN THE SCOPE OF CONSOLIDATIONN

OVER THE PAST TWO YEARS

The principal changes in the scope of consolidation that impacted the consolidated financial statements in 2015 and the first half of 2016 are as follows:

- in 2015, Mersen increased its stake in the share capital of Boostec by 10%, bringing its control to 95%. Mersen China Holding Co Ltd completed the acquisition of 100% of the shares of the Chinese company Shanghai ASP Lightning Protective Technology Co Ltd, which was consolidated in December 2015.
- in the first half of 2016, there was no change in the scope of consolidation.

Given the insignificant nature of these consolidation changes, there is no justification for preparing pro forma accounts.

Assets held for sale:

Astrolite in the United States

In December 2015, the Group decided to sell the Astrolite business, which specializes in brazing technologies. This decision followed up on the series of sales in 2013 intended to refocus the Advanced Materials segment on its core business lines.

Non-core businesses in the Advanced Materials segment (activities included in the former 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 in the last ten years.

These businesses are presented in accordance with IFRS 5 and fiscal 2015 has been restated.

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	June 30, 2016	June 30, 2015 restated*
CONTINUING OPERATIONS			
Consolidated sales	13	389.9	393.7
Cost of sales		(270.7)	(271.3)
Total gross income		**119.2**	**122.4**
Costs of marketing and sales		(38.5)	(38.7)
Administrative and research costs		(49.0)	(48.8)
Other operating costs		(1.2)	(1.2)
Operating income before non-recurring items	**13**	**30.5**	**33.7**
Non-recurring charges	12	(5.7)	(4.5)
Non-recurring income	12	2.2	3.4
Amortization of revalued intangible assets		(0.7)	(0.5)
Operating income	**13**	**26.3**	**32.1**
Financial expense		(6.0)	(6.5)
Financial income		0.0	0.0
Cost of financing Financial costs		**(6.0)**	**(6.5)**
Income before tax and non-recurring items		**20.3**	**25.6**
Current and deferred income tax	15	(7.0)	(8.8)
Net income from continuing operations		**13.3**	**16.8**
Net income from operations held for sale or discontinued operations	4	(1.0)	(0.1)
NET INCOME		**12.3**	**16.7**
Attributable to:			
- Group equity holders		11.3	16.1
- Minority interests		1.0	0.6
NET INCOME FOR THE YEAR		**12.3**	**16.7**
Earnings per share	**16**		
Basic earnings per share *(€)*		0.56	0.78
Diluted earnings per share *(€)*		0.53	0.76
Earnings per share from continuing operations			
Basic earnings per share *(€)*		0.61	0.78
Diluted earnings per share *(€)*		0.58	0.76
Earnings per share from assets held for sale and discontinued operations	4		
Basic earnings per share *(€)*		(0.05)	0.00
Diluted earnings per share *(€)*		(0.05)	0.00

** The income statements and the statement of cash flow at June 2015 are restated following the classification of Astrolite under IFRS 5 as "activities held for sale/discontinued" (see Changes in the scope of consolidation) and the reclassification of net financial interest on employee benefits as "financial income or loss" (see Note 2 Changes in presentation of the 2016 statements).*

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	June 30, 2016	June 30, 2015 restated
NET INCOME FOR THE YEAR	**12.3**	**16.7**
Items that will not be subsequently reclassified in income		
Revaluations of the net liabilities (assets) for defined benefits	(13.8)	9.8
Tax expense / income on revaluations of net liabilities (assets) for defined benefits	4.4	(3.1)
	(9.4)	**6.7**
Items that may subsequently be reclassified in income		
Change in fair value of hedging instruments	0.4	0.0
Change in assets and liabilities at year-end exchange rate	(5.9)	23.7
Tax expense / income on the change in fair value of hedging instruments	(0.2)	0.0
	(5.7)	**23.7**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY	**(15.1)**	**30.4**
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**(2.8)**	**47.1**
Attributable to:		
- Group equity holders	(3.5)	46.0
- Minority interests	0.7	1.1
TOTAL INCOME AND EXPENSE RECOGNIZED DURING THE PERIOD	**(2.8)**	**47.1**

Statement of financial position

Assets

In millions of euros	Note	June 30, 2016	Dec 31, 2015
NON-CURRENT ASSETS			
Intangible fixed assets	5 and 6		
- *Goodwill*		284.3	287.9
- Other intangible assets		35.4	35.8
Property, plant and equipment	5 and 6		
- Land		30.7	29.3
- Buildings		74.0	75.3
- Plant, equipment and other assets		160.5	169.2
- Assets in progress		17.9	23.0
Non-current financial assets			
- Investments		2.3	2.5
- Non-current derivatives			
- Other financial assets		3.3	4.0
Non-current tax assets			
- Deferred tax assets	15	43.3	36.8
- Non-current portion of current tax assets		5.8	5.8
TOTAL NON-CURRENT ASSETS		**657.5**	**669.6**
CURRENT ASSETS			
- Inventories		164.8	168.2
- Trade receivables		134.9	119.0
- Other receivables		19.5	14.6
- Current portion of current tax liabilities		1.7	7.6
- Other current assets			
- Current financial assets	10	10.9	16.5
- Current derivatives		0.3	0.4
- Cash and cash equivalents	10	22.3	22.4
- Assets held for sale and discontinued operations	4	0.0	0.8
TOTAL CURRENT ASSETS		**354.4**	**349.5**
TOTAL ASSETS		**1,011.9**	**1,019.1**

Liabilities and shareholders' equity

In millions of euros	Note	June 30, 2016	Dec 31, 2015
SHAREHOLDERS' EQUITY			
- Share capital	7	41.3	41.4
- Retained earnings		402.5	422.3
- Net income for the year		11.3	1.3
- Cumulative translation adjustments		6.1	11.7
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		**461.2**	**476.7**
- Non-controlling interests		14.0	13.3
SHAREHOLDERS' EQUITY		**475.2**	**490.0**
NON-CURRENT LIABILITIES			
- Non-current provisions	8	1.3	2.2
- Employee benefits	9	89.4	76.5
- Deferred tax liabilities	15	27.1	29.9
- Long and medium-term borrowings	10	157.5	211.1
- Non-current derivatives		0.5	0.5
TOTAL NON-CURRENT LIABILITIES		**275.8**	**320.2**
CURRENT LIABILITIES			
- Trade payables		62.9	56.3
- Other payables		74.8	68.7
- Current provisions	8	6.6	10.4
- Current portion of current tax liabilities		4.7	3.0
- Other liabilities		11.3	2.3
- Other current financial liabilities	10	61.7	10.9
- Current derivatives		1.7	2.1
- Current advances	10	1.6	0.6
- Bank overdrafts	10	34.9	52.8
- Liabilities related to assets held for sale and discontinued operations	4	0.7	1.8
TOTAL CURRENT LIABILITIES		**260.9**	**208.9**
TOTAL EQUITY AND LIABILITIES		**1,011.9**	**1,019.1**

Change in equity

In millions of euros	Attributable to Mersen's shareholders: Share capital	Premiums and retained earnings	Net income	Translation adjustment	Total	Non-controlling interests	Equity
EQUITY AT JANUARY 1, 2015	**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 period			16.1		16.1	0.6	16.7
Revaluations of net liabilities (assets) for defined benefits after taxes		6.7			6.7		6.7
Translation adjustment				23.2	23.2	0.5	23.7
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**6.7**	**0.0**	**23.2**	**29.9**	**0.5**	**30.4**
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**6.7**	**16.1**	**23.2**	**46.0**	**1.1**	**47.1**
Dividends paid		(10.3)			(10.3)	(0.2)	(10.5)
Capital increase	0.2	0.3			0.5		0.5
Treasury shares - Stock options - Bonus shares		0.5			0.5		0.5
EQUITY AT JUNE 30, 2015	**41.4**	**422.9**	**16.1**	**11.5**	**491.9**	**12.6**	**504.5**
EQUITY AT DECEMBER 31, 2015	**41.4**	**422.3**	**1.3**	**11.7**	**476.7**	**13.3**	**490.0**
Prior period net income		1.3	(1.3)		0.0		0.0
Net income for the period			11.3		11.3	1.0	12.3
Change in fair value of hedging derivatives, net of taxes		0.2			0.2		0.2
Revaluations of the net liabilities (assets) for defined benefits after taxes		(9.4)			(9.4)		(9.4)
Translation adjustment				(5.6)	(5.6)	(0.3)	(5.9)
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**(9.2)**	**0.0**	**(5.6)**	**(14.8)**	**(0.3)**	**(15.1)**
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**(9.2)**	**11.3**	**(5.6)**	**(3.5)**	**0.7**	**(2.8)**
Dividends paid		(10.3)			(10.3)		(10.3)
Treasury shares		(1.2)			(1.2)		(1.2)
Capital reduction	(0.1)	(0.8)			(0.9)		(0.9)
Stock options and Bonus shares		(0.1)			(0.1)		(0.1)
Other		0.5			0.5		0.5
EQUITY AT JUNE 30, 2016	**41.3**	**402.5**	**11.3**	**6.1**	**461.2**	**14.0**	**475.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	June 30, 2016	June 30, 2015 restated*
Income before tax	20.3	25.6
Depreciation and amortization	18.6	19.7
Additions to/(reversals from) provisions	(5.3)	(12.0)
Financial costs	6.0	6.5
Capital gains/(losses) on asset disposals	(2.2)	(3.6)
Other	0.9	1.3
Operating cash flow before change in the WCR	**38.3**	**37.5**
Change in the working capital requirement	(5.3)	(24.8)
Income tax paid	(3.8)	(10.8)
Net cash generated by continuing operating activities	**29.2**	**1.9**
Cash generated by discontinued operations	**(0.7)**	**0.4**
Net cash generated by operating activities	**28.5**	**2.3**
Investing activities		
Intangible assets	(1.0)	(2.2)
Property, plant and equipment	(14.3)	(18.5)
Decreases (increases) in fixed asset suppliers	1.4	1.5
Financial assets		0.0
Changes in the scope of consolidation	(0.7)	0.0
Other changes in net cash flow generated/(used) by investing activities	2.4	2.0
Cash generated/(used) by investing activities from continuing operations	**(12.2)**	**(17.2)**
Cash generated/(used) by investment activities from discontinued operations	2.9	0.1
Cash generated/(used) by investing activities	**(9.3)**	**(17.1)**
Cash generated/(used) by operating and investing activities	**19.2**	**(14.8)**
Proceeds/(loss) from capital increase/decrease and other changes in equity	(2.2)	0.4
Net dividends paid to shareholders and non-controlling interests		(0.2)
Interest payments	(4.6)	(4.9)
Change in debt	(12.4)	1.4
Cash generated/(used) by financing activities	**(19.2)**	**(3.3)**
Change in cash	**0.0**	**(18.1)**
Cash at beginning of fiscal year (Note 10)	22.4	37.6
Cash at end of fiscal year (Note 10)	22.3	21.2
Changes in the scope of consolidation		0.0
Impact of currency fluctuations	0.1	(1.7)
CHANGE IN CASH	**0.0**	**(18.1)**

** The income statements and the statement of cash flow at June 2015 are restated following the classification of Astrolite under IFRS 5 as "activities held for sale/discontinued" (see Changes in the scope of consolidation) and the reclassification of net financial interest on employee benefits as "financial income or loss" (see Note 2 Changes in presentation of the 2016 statements).*

Notes

Notes to the consolidated 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, and because it is listed in a country of the European Union, the consolidated financial statements of Mersen and its subsidiaries (hereinafter the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) ***(International Financial Reporting Standards)***.

The mandatory standards and interpretations at January 1, 2016 are presented in Note 2.

The options adopted by the Group are stated in Note 2 of the 2015 annual consolidated financial statements.

The interim consolidated financial statements for the period ended June 30, 2016, were prepared in accordance with IAS IAS 34 – Interim Financial Reporting. They do not include all the information required for full annual financial statements, and must be read together with the Group's financial statements for the year ended December 31, 2015, available at www.mersen.com. They do include, however, a selection of notes explaining the major events and transactions for a better understanding of the changes that have occurred in the financial position and performance of the Group since the last annual consolidated financial statements for the year ended December 31, 2015.

These consolidated financial statements were approved by the Board of Directors on July 28, 2016.

Note 2 Accounting policies and principles of consolidation

The accounting methods described in the principles and methods presented in the 2015 Reference Document have been applied consistently throughout the periods covered by the consolidated financial statements and across all the Group's reporting units.

Use of judgments and estimates

In preparing these interim financial statements, the management exercised judgments, used estimates and made assumptions that affected the implementation of accounting policies and on the amounts of the assets and liabilities, income and expenses. Actual values may differ from estimated values.

Critical judgments exercised by the management in order to apply the Group's accounting methods and the main sources of uncertainty for estimates were the same as those affecting the consolidated financial statements for the year ended December 31, 2015.

Changes in presentation for 2016

Reorganization of the Group into two new segments

On December 2, 2015, Mersen announced changes to its organizational structure to take into account the priorities set forth in its development strategy, with increased concentration on its key areas of expertise, on innovation and on its growth markets.

As from January 1, 2016, the Group's structure has been organized around two new segments.

- The Advanced Materials segment now groups together three businesses around carbon materials: graphite specialties for high-temperature applications, anti-corrosion equipment mainly used in the chemicals sector, and current transmission technologies. This latter activity was previously part of the Electrical Components and Technologies segment.
- The Electrical Power segment groups together two businesses related to the electrical market – solutions for power management (power electronics), which has become a separate business; and electrical protection and control (mainly fuses, industrial fuse holders, and surge protection).

This reorganization, as well as the creation of a fifth business unit, will enable their industrial and human resources to be streamlined and their businesses to be aligned more effectively with the needs of their different end markets.

Previously, the Group was organized into two segments: Advanced Material and Technologies (equipment in graphite and other high-performance materials for use in extreme industrial environments) and Electrical Components and Technologies (systems and components contributing to the performance and safety of electrical equipment).

There are now five Cash Generating Units (CGU) (versus four previously) and they are as follows:

- included in the Advanced Materials segment:
  - the Electrical Application CGU now becomes Power Transfer Technologies;
  - the High Temperature CGU becomes Graphite Specialties;
  - the Anti-Corrosion Equipment CGU becomes Anti-Corrosion Equipment.
- the Electrical Power segment is divided into two CGUs:
  - Solutions for Power Management;
  - Electrical Power and Control.

Reclassification of the “net financial interest” item in the expense for employees benefits as “financial income or loss”

To enable better comparison with the competitors in its sector, the Group has decided to reclassify the financial portion of the expense for employee benefits as financial income or loss. “Net financial interest” consists of the interest expense net of the return expected from hedging assets. This was previously included in Operating income before non-recurring items.

Over fiscal 2015, net financial interest totaled €2.5 million and was €1.3 million at the end of June 2015. At June 30, 2016, this net financial interest was €1 million.

The 2015 information is restated for these items.

Note 3 Business combination

At June 30, 2016, the Goodwill of the Chinese company ASP, acquired in December 2015, was in the process of allocation.

The balance of the purchase price was paid during this half year.

The allocation will be completed by December 2016.

Note 4 Activities held for sale or discontinued

Astrolite

The decision was made at year-end 2015 to sell the Astrolite operations of Mersen USA Oxnard-CA Inc. in the United States. Astrolite, which specializes in brazing technologies, was sold in early 2016.

Income was €0.1 million in the 1st half of 2015 and was a loss of €-0.6 million at June 30, 2016, primarily related to the adjustment in the sale price compared to the estimates made at December 31, 2015.

Businesses in the Advanced Materials segment (activities included in the former Advanced Materials and Technologies segment)

The operations of Mersen Grésy France and the Brignais site (Mersen France PY) were sold in late November 2013.

For the 1st half of 2015, the loss amounted to €-0.2 million.

At June 30, 2016, the loss totaled €-0.4 million (impairment of the seller’s loan granted to the buyer, a loan lodged with the company acquired, now in receivership)

As required by the standard, assets and liabilities held for sale or discontinued operations are presented on a separate line of the Group’s balance sheet.

Statement of financial position of assets held for sale and discontinued operations

ASSETS

In millions of euros	June 30, 2016	Dec. 31, 2015
- Trade receivables	0.0	0.8
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0.0**	**0.8**

LIABILITIES

In millions of euros	June 30, 2016	Dec. 31, 2015
- Non-current provisions		1.8
- Current provisions	0.7	
LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0.7**	**1.8**
NET ASSETS IN PROCESS OF BEING SOLD OR DISCONTINUED OPERATIONS	**(0.7)**	**(1.0)**

Income statement for assets held for sale and discontinued operations

In millions of euros	June 30, 2016	June 30, 2015 restated
Sales	0.6	2.6
Cost of sales	(0.8)	(2.4)
Total gross income	**(0.2)**	**0.2**
Costs of marketing and sales	(0.1)	(0.3)
Administrative and research costs	0.0	(0.1)
Other operating expenses	0.0	0.0
Operating income before non-recurring items	**(0.3)**	**(0.2)**
Non-recurring income and expense	(0.5)	0.0
Impairment losses/Gains (losses) on sale	(0.4)	0.2
Operating income	**(1.2)**	**0.0**
Financial costs	0.0	0.0
Income before tax and non-recurring items	**(1.2)**	**0.0**
Current and deferred income tax	0.2	(0.1)
Net income from assets held for sale/discontinued operations	**(1.0)**	**(0.1)**
Earnings per share from assets held for sale and discontinued operations:		
- Basic earnings per share *(€)*	(0.05)	0.00
- Diluted earnings per share *(€)*	(0.05)	0.00

Note 5 Intangible assets and property, plant and equipment

Goodwill totaled €284.3 million at June 30, 2016, down €3.6 million compared to December 31, 2015 because of the change in currency foreign exchange rates.

The decrease of €13.7 million drop in property, plant and equipment is also related to the change in foreign exchange rates and includes €14.3 million in capital expenditure.

Note 6 Asset impairment tests

1. Goodwill

Under IAS 36, tests were carried out on the basis of the value in use determined using the discounted cash flow method.

The impairment tests conducted at the end of fiscal 2015 revealed an impairment of €10 million for the Anti-corrosion Equipment CGU, recognized at December 31, 2015, and explained by the sharp decline in business in 2015 and an order book at year-end 2015 that did not predict a rebound in business before 2017.

Given the impairment recognized in 2015, the result of the test on the Anti-corrosion Equipment CGU remains particularly sensitive to the assumptions used. Moreover, the Anti-corrosion Equipment and Graphite Specialties businesses continued to record relatively low levels of operating income from continuing operations. As a result of these unfavorable factors, the Group conducted an update of the impairment test on these two CGUs on June 30, 2016.

The assumptions used were the same as those used at December 31, on the basis of cash flow re-estimated for 2016 and the next four years, which includes an update of expected activity.

These tests do not affect the value of the goodwill relating to these CGUs.

As indicated in Note 2, the Electrical Protection CGU was split into two CGUs, increasing the number of the Group's CGUs to five.

An impairment test was not conducted for the Power Transfer Technologies CGU and the Electrical Power segment's two CGUs, because there was no evidence of impairment during the six-month period ending June 30, 2016.

The tests will be performed again at the 2016 financial year-end.

2. Specific assets

The events and the outlook at June 30 have no impact on the impairment losses of €27.5 million recognized at December 31, 2015.

Note 7 Equity

Number of shares (unless stated otherwise)	**Ordinary shares**
Number of shares at January 1, 2016	20,692,054
Capital increase/reduction *(in millions of euros)*	-0.1
Number of shares at June 30, 2016	20,636,854
Number of shares in issue and fully paid-up during the period	0
Number of treasury shares canceled or sold	55,200
Number of shares in issue and not fully paid-up	0
Par value of the share *(€)*	2
Entity's shares held by itself or by its subsidiaries and associates	319,563

Equity management

At June 30, 2016 the Company's share capital was €41,273,708, comprising 20,636,854 shares each with a par value of €2 and all belonging to the same class.

The Group reduced its equity capital by canceling 55,200 shares.

In theory, there were 22,677,808 voting rights, since treasury shares do not carry voting rights. Since April 3, 2016, a double voting right has been attached to all shares that fulfill both of the following conditions: i) being held in registered form for at least two years; and ii) being fully paid up.

To the best of the Company's knowledge, its ownership structure at June 30, 2016 was as follows:

- French institutional investors: 54%
- International institutional investors: 30%
- Individual shareholders: 13.5%
- Employee shareholders: 1%
- Treasury shares: 1.5%

Since January 1, 2016, certain shareholders have reported crossing the following disclosure thresholds:

- January 26, 2016: T-Rowe Price announced that it had fallen below the statutory threshold of 5% of the share capital and voting rights and now holds 1,030,147 shares and voting rights, namely 4.98% of the share capital.
- February 4, 2016: Jousse Morillon Investissement announced that it had exceeded the statutory threshold of 2% of the share capital and voting rights and now holds 413,898 shares and voting rights, namely 2.00% of the share capital.
- February 22, 2016: BNP Paribas Investment Partners announced that it had fallen below the statutory threshold of 2% of the equity capital and voting rights and now holds 410,825 shares and voting rights, namely 1.99% of the equity capital.
- March 8, 2016: BNP Paribas Investment Partners announced that it had fallen below the statutory threshold of 1% of the share capital and voting rights and now holds 186,934 shares, namely 0.90% of the share capital.
- March 14, 2016: Otus Capital Management announced that it had fallen below the statutory threshold of 1% of the share capital.
- March 30, 2016: Nobel announced that it had exceeded the statutory threshold of 1% of the share capital and voting rights and now holds 211,232 shares and voting rights, namely 1.02% of the share capital.
- May 4, 2016: Nobel announced that it had exceeded the statutory threshold of 2% of the share capital and now holds 421,070 shares, namely 2.04% of the share capital and 1.86% of the voting rights.
- May 12, 2016: Dimensional Fund Advisors LP announced that it had fallen below the threshold of 2% of the voting rights following an increase in the total number of Mersen's voting rights and holds 421,875 shares, namely 2.04% of the share capital and 1.86% of the voting rights.
- May 26, 2016: La Caisse des Dépôts et Consignations (including Bpifrance Participations) announced that it had fallen below the threshold of 15% of the voting rights following an increase in the total number of Mersen's voting rights and directly or indirectly holds 3,165,039 shares, namely 15.33% of the share capital and 13.95% of the voting rights.
- May 26, 2016: Bpifrance Participations announced that it had fallen below the threshold of 10% of the voting rights following an increase in the total number of Mersen's voting rights and holds 2,242,770 shares, namely 10.87% of the share capital and 9.89% of the voting rights.
- June 29, 2016: Teleios Capital Partners LLC announced that it had exceeded the statutory threshold of 1% of the share capital and holds 214,452 shares, namely 1.04% of the share capital.

Treasury shares:

53,398 shares, namely 0.26% of the share capital, was held by the Company at June 30, 2016 under the liquidity agreement entered into with Exane-BNP-Paribas.

In addition, between January 1 and June 30, 2016 the Company purchased 155,200 shares to be granted to employees at a later date under existing bonus share allotment plans.

Stock subscription options, Bonus shares and Preference shares:

At June 30, 2016, the Group's employees held 208,481 shares, namely 1% of the share capital, plus 526,997 stock subscription options which, if exercised in full, would represent 2.5% 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, several years ago, the Group introduced a policy of awarding bonus shares. The final allocation of the shares is contingent upon the beneficiaries' presence on the Group's payroll at the end of the vesting period. Awards to members of management and to employees considered by management to have made a significant contribution to the Company's performance are subject to performance conditions. Conversely, the management 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 June 30, 2016 the number of bonus shares likely to be allotted definitively was 148,000 new shares, representing 0.7% of the current share capital. This includes 83,800 bonus shares awarded, with performance conditions, as part of the plan approved at the Annual General Meeting of May 11, 2016.

Since May 2015, the Group has also introduced two plans for the awarding of performance-based preference shares granting the right to convert them into ordinary shares to certain categories of employees and corporate officers, mostly members of the Executive Committee. At June 30, 2016 the maximum number of ordinary shares likely to result from conversion of the awarded preference shares is 219,530, namely 1.06% of the equity capital. This includes 129,000 shares as part of the plan approved at the Annual General Meeting of May 11, 2016.

The stock subscription options granted to the corporate officers Luc Themelin and Thomas Baumgartner (until May 11, 2016) and not yet exercised were 105,626 after taking canceled options into account.

The number of bonus shares set to be awarded in corporate officers is 0, after taking canceled awards into account.

A net gain of €0.1 million was recognized in respect of share-based payments during the 1st half of 2016, comprising:

- a charge of €-0.7 million relating to existing plans; and
- a gain of €0.8 million, since the Group expects that the performance criteria required for the vesting of shares under the 2014 bonus share plans and stock option plans will not be fully met.

A charge of €0.6 million was recognized at 30 June 2015.

Under external rules or regulations, neither the Company nor its subsidiaries are subject to specific equity capital constraints.

Note 8 Provisions, contingent liabilities and other liabilities

Provisions amounted to €7.9 million at June 30, 2016 (€12.6 million at end December 2015), down €4.7 million primarily as a result of the use of provisions booked as part of the Transform plan.

Legal proceedings

Civil proceedings in Canada

The civil proceedings 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.

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 connection with brushes for electric motors and products for mechanical applications. In the first half of 2014, the Paris Administrative Court rejected all the claims lodged by SNCF, which appealed the decision. The appeal proceedings are currently in progress. The Paris Commercial Court accepted jurisdiction for the SNCF proceedings. The proceedings before the Commercial Court are currently in progress. Mersen rejects all the allegations and claims submitted 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. Very 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 inprogress, with no significant developments in 2016.

No other governmental, legal or arbitration proceedings (including all proceedings of which the Group is aware) exist that are pending or threatened against it which have had, or in the recent past may have had, a material adverse effect on the Group's business activities, financial position or results of operations.

Based on available information, no provision (other than legal costs) has been made for any of the ongoing litigation described above.

No other material contingent liabilities were identified at end June 2016.

The sundry liabilities (€11.3 million at June 30, 2016) include the dividends of €10.3 million to be paid pursuant to the Annual General Meeting of May 11, 2016, as well as debts on property, plant and equipment.

Note 9 Employee benefits

The Mersen Group's principal pension plans are defined benefit plans and are located in the US (46% of commitments), the UK (22% of commitments), France (12% of commitments) and Germany (9% of commitments).

The Group's commitments 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 wage increase	Discount 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%

In light of the fall in discount rates at 30 June 2016, the Group revalued its actuarial liability using the sensitivities calculated by the actuaries at December 31, 2015.

The discount rates used to measure the liability at June 30, 2016 were as follows:

- France and Germany 1.05% (down 0.85 points)
- USA 3.65% (down 0.75 points)
- UK 2.75% (down 0.95 points)

The actuarial liability was thus increased by €13.8 million.

The Group took into account the revaluation of assets in the UK and the United States since the year-end 2015 for a total of €5.2 million.

Reconciliation between assets and liabilities recognized

	June 30, 2016	Dec 31, 2015
Actuarial obligation	201.3	186.2
Fair value of plan assets	(112.1)	(109.9)
PROVISION BEFORE THE LIMIT ON ASSETS	**89.2**	**76.3**
Surplus management reserve	0.2	0.2
PROVISION AFTER THE LIMIT ON ASSETS	**89.4**	**76.5**

The expense recognized at June 30, 2016 for these plans was €3.3 million, compared to €4.9 million in 2015.

The net financial interest included in this expense is recognized as "financial income". See Note 2.

Note 10 Net debt

Mersen has available confirmed credit lines of €353 million, of which 46% was utilized at end-June 2016.

Mersen's principal financing agreements are as follows:

- A multi-currency syndicated bank loan, arranged 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. Interest is paid at the People's Bank of China's rate, without a spread, fixed when drawdowns are made.
- Bilateral banking loans arranged in September 2013 amounting to RMB 325 million, repayable until 2018 and intended to finance the Mersen Group's operations in China. The amount remaining due at June 30, 2016 was RMB 160.45 million.
- A private placement of USD100 million 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 repayment. The investor will receive a fixed rate of interest.

During the first half of 2016, as part of its policy to diversify its funding sources, Mersen launched a €220 million commercial paper issuance program, of which €52.5 million had been utilized at June 30, 2016 with maturities of less than one year.

Breakdown by maturity of confirmed credit lines and borrowings

In millions of euros	Amount	Utilized at June 30, 2016	Rate of utilization at June 30, 2016	Maturities less than 1 year	 between 1 and 5 years	 over 5 years
Group syndicated loan	220.0	53.4	24%	0.0	220.0	0.0
Confirmed credit lines, China	48.9	25.6	52%	6.4	42.5	0.0
2011 US private placement	82.3	82.3	100%	0.0	37.3	45.0
Other	2.2	2.2	100%	0.3	1.4	0.5
TOTAL	**353.4**	**163.5**	**46%**	**6.7**	**301.2**	**45.5**

Structure of total net debt

In millions of euros	June 30, 2016	Dec. 31, 2015
Long- and medium-term borrowings	157.5	211.1
Current financial liabilities (a)	61.7	10.9
Current advances	1.6	0.6
Bank overdrafts	34.9	52.8
TOTAL GROSS DEBT	**255.7**	**275.4**
Current financial assets	**(10.9)**	**(16.5)**
Cash and cash equivalents	(22.3)	(22.4)
Cash	**(22.3)**	**(22.4)**
TOTAL NET DEBT	**222.5**	**236.5**

(a) including €52.5 million utilized under the commercial paper program, which may, at maturity, be replaced by drawdowns against the Group Syndicated Loan

Total consolidated net debt at end June 2016 was €222.5 million, versus €236.5 million at end 2015.

Of the €255.7 million in total gross debt, €163.5 million comes from utilization of confirmed credit lines and borrowings, €52.5 million comes from utilization of the new commercial paper program, with most of the undrawn balance tied to utilization of non-confirmed lines (bank overdrafts and other facilities).

Financial covenants at June 30, 2016

Under its various confirmed borrowings at Group level and in China, Mersen must comply with a number of obligations, which are customary in these types of agreement. Should it fail to honor certain of these obligations, the banks (or the investors in the case of the US private placements) may oblige Mersen to repay the relevant borrowings before maturity. Under the cross-default clauses, the accelerated repayment of one significant loan may result in the Group being obliged to repay other loans 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
Covenant ratios			
Syndicated loan	< 3.50	< 1.3	-
2011 US private placement	< 3.50	< 1.3	> 3
Confirmed credit lines, China	< 3.50	< 1.3	
Ratios recorded at June 30, 2016			
Syndicated loan	2.23	0.46	-
2011 US private placement	2.23	0.46	8.79
Confirmed credit lines, China	2.23	0.46	-
Ratios recorded at Dec. 31, 2015			
Syndicated loan	2.33 [b]	0.47	-
2011 US private placement	2.33 [b]	0.47	8.34 [b]
Confirmed credit lines, China	2.33 [b]	0.47	-

(a) Method for calculating the 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, the net debt has to be recalculated at the average EUR/USD exchange rate for the period if there is a difference of more than 5% between the average exchange rate and the closing rate. To calculate the covenants at June 30, by convention the EBITDA or gross operating income is deemed to be the EBITDA reported for the first six months of the year multiplied by two.
(b) Pro forma calculation including the financial costs of the pension commitments.

At June 30, 2016, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Note 11 Financial instruments

The following tables show the fair value of the financial assets and liabilities and their carrying amount on the balance sheet, as well as their ranking in the fair value hierarchy of instruments recognized at fair value:

Classification of financial instruments measured using the fair value method of calculation

June 30, 2016	Carrying amount							Fair value			
Balance sheet sections and types of instrument	Note	Assets and liabilities measured at fair value	Assets held to maturity	Assets available for sale	Loans and receivables	Liabilities at amortized cost	Total carrying amount on the balance sheet for the category	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at their fair value											
Unlisted investment securities				2.3			2.3			2.3	2.3
Derivatives held as current and non-current assets		0.3					0.3		0.3		0.3
		0.3	**0.0**	**2.3**	**0.0**	**0.0**	**2.6**	**0.0**	**0.3**	**2.3**	**2.6**
Financial assets not measured at their fair value											
Current and non-current financial assets	10				14.2		14.2				
Trade receivables					134.9		134.9				
Cash and cash equivalents	10				22.3		22.3				
		0.0	**0.0**	**0.0**	**171.4**	**0.0**	**171.4**				
Financial liabilities measured at their fair value											
Derivatives held as non-current and current liabilities		(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	10					(157.5)	(157.5)		(154.6)		
Current advances	10					(1.6)	(1.6)				
Bank overdrafts	10					(34.9)	(34.9)				
Current financial liabilities	10					(61.7)	(61.7)				
Trade payables						(62.9)	(62.9)				
		0.0	**0.0**	**0.0**	**0.0**	**(318.6)**	**(318.6)**				
Carrying amount by class		**(1.9)**	**0.0**	**2.3**	**171.4**	**(318.6)**	**(146.8)**				

December 31, 2015		Carrying amount						Fair value			
Balance sheet sections and types of instrument	Note	Assets and liabilities measured at fair value	Assets held to maturity	Assets available for sale	Loans and receivables	Liabilities at amortized cost	**Total carrying amount on the balance sheet for the category**	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
Financial assets measured at their fair value											
Unlisted investment securities				2.5			2.5			2.5	2.5
Derivatives held as current and non-current assets		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	10				20.5		20.5				
Trade receivables					119.0		119.0				
Cash and cash equivalents	10				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		(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	10					(211.1)	(211.1)		(210.9)		
Current advances	10					(0.6)	(0.6)				
Bank overdrafts	10					(52.8)	(52.8)				
Current financial liabilities	10					(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)**				

Financial risk management:

Credit risk

The Group has available a commercial credit insurance program with COFACE that covers its principal Chinese, Korean, US and Western European companies against the risk of non-payment for financial or political reasons. This policy covers 95% of the amount of receivables invoiced.

Interest rate, foreign exchange and commodities risk

No material change in the management of interest rate, foreign exchange and commodities risks has been noted since closing of the financial statements at December 31, 2015.

Note 12 Other non-recurring income and expense

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

In millions of euros	June 30, 2016	June 30, 2015
Restructuring costs	(3.5)	(0.7)
Transform plan	0.9	0.3
Other	(0.9)	(0.7)
TOTAL	**(3.5)**	**(1.1)**

At end June 2016, non-recurring income and expenses totaled €3.5 million, and included mainly:

- restructuring costs of €3.5 million relating mainly to competitiveness plans and to expenses related to the withdrawal of a product range in the Electrical Power segment,
- the sale of land and buildings as part of the Transform Plan, resulting in a net gain of residual costs of €0.9 million,
- €0.9 million of other income and expenses.

At June 30, 2015, non-recurring income and expenses stood at €1.1 million, and mainly included:

- additional expenses relating to the Transform Plan, mainly project management, site renovation and relocation costs;
- a capital gain on the sale of a building in the United Kingdom as part of the Transform Plan.

Note 13 Segment reporting

Segment information is presented according to the new segments, as described in Note 2.

The 2015 information has been restated to reflect changes in the presentation given in Note 2 and the disposal of the Astrolite business.

In millions of euros	Advanced Materials (AM)			Electrical Power (EP)			Total for continuing operations		
	June 30, 2016	June 30, 2015 restated	June 30, 2015 new organization	June 30, 2016	June 30, 2015 restated	June 30, 2015 new organization	June 30, 2016	June 30, 2015 restated	June 30, 2015 published
Sales to third parties	210.5	217.3	219.9	179.4	176.4	176.4	389.9	393.7	396.3
Breakdown of sales	54.0%	55.2%	55.5%	46.0%	44.8%	44.5%	100.0%	100.0%	100.0%
Segment operating income before non-recurring items	**16.8**	**21.3**	**20.6**	**20.6**	**19.0**	**18.5**	**37.4**	**40.3**	**39.1**
Recurring unallocated costs							(6.9)	(6.6)	(6.6)
Segment operating margin before non-recurring items*	8.0%	9.8%	9.4%	11.5%	10.8%	10.5%			
Recurring operating income from continuing operations							30.5	33.7	32.5
Operating margin from continuing operations before non-recurring items							7.8%	8.6%	8.2%
Segment non-recurring income and expense	(1.3)	(0.7)	(0.7)	(2.1)	(0.5)	(0.5)	(3.4)	(1.2)	(1.2)
Amortization of revalued intangible assets	(0.3)	(0.2)	(0.2)	(0.4)	(0.3)	(0.3)	(0.7)	(0.5)	(0.5)
Segment operating income	**15.2**	**20.4**	**19.7**	**18.1**	**18.2**	**17.7**	**33.3**	**38.6**	**37.4**
Segment operating margin*	7.2%	9.4%	9.0%	10.1%	10.3%	10.0%			
EBITDA margin (1)	14.7%	16.9%	16.4%	13.9%	13.1%	12.8%	12.6%	13.6%	13.2%
Non-recurring unallocated costs							(0.1)	0.1	0.1
Operating income from continuing operations							**26.3**	**32.1**	**30.9**
Operating margin from continuing operations							6.7%	8.2%	7.8%
Financial costs							(6.0)	(6.5)	(5.2)
Current and deferred income tax							(7.0)	(8.8)	(8.8)
Net income from continuing operations							**13.3**	**16.8**	**16.9**

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

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

Note 14 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pensions and severance pay) totaled €127 million in the first half of 2016 compared to €131.1 million in 2015.

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

Geographic area	June 30, 2016	%	June 30, 2015	%
France	1,438	23%	1,478	23%
Rest of Europe	758	12%	788	12%
North America (+ Mexico)	1,891	31%	2,031	32%
Asia	1,612	26%	1,537	24%
Rest of the world	492	8%	541	9%
TOTAL	**6,191**	**100%**	**6,375**	**100%**

As a result of the acquisition of ASP, 122 employees have been added to the payroll in December 2015

On a like-for-like basis, the headcount fell by 306 persons.

Note 15 Income tax

In millions of euros	June 30, 2016	June 30, 2015
Current income tax	(10.8)	(10.0)
Deferred income tax	4.2	1.4
Withholding tax	(0.4)	(0.2)
TOTAL TAX EXPENSE	**(7.0)**	**(8.8)**

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 effective tax rate was 34%. The tax rate at end 2015 (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%.

Note 16 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	June 30, 2016	June 30, 2015 restated	June 30, 2015
Numerator: net income used to compute basic earnings per share *(net income for the period in millions of euros)*	11.3	16.1	16.1
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,317,291	20,640,824	20,640,824
Adjustment for dilutive ordinary shares: unexercised options	894,527	603,995	603,995
Weighted average number of ordinary shares used to compute diluted earnings per share	21,211,818	21,244,819	21,244,819
Basic earnings per share *(€)*	0.56	0.78	0.78
Diluted earnings per share *(€)*	0.53	0.76	0.76

Continuing operations	June 30, 2016	June 30, 2015 restated	June 30, 2015
Numerator: net income used to compute basic earnings per share *(net income for the period in millions of euros)*	12.3	16.2	16.3
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,317,291	20,640,824	20,640,824
Adjustment for dilutive ordinary shares: unexercised options	894,527	603,995	603,995
Weighted average number of ordinary shares used to compute diluted earnings per share	21,211,818	21,244,819	21,244,819
Basic earnings per share *(€)*	0.61	0.78	0.79
Diluted earnings per share *(€)*	0.58	0.76	0.77

Note 17 Dividends

The Annual General Meeting of the shareholders of May 11, 2016 decided to distribute a dividend of €0.50 per share for fiscal 2015 (identical to the dividend per share paid for fiscal 2014). In July 2016 the Group paid out dividends in cash in the amount of €10.3 million.

Note 18 Off balance sheet commitments

At June 30, 2016 there were no material changes to commitments compared to December 31, 2015.

Note 19 Subsequent events

None.

4 STATUTORY AUDITORS' REPORT ON THE 2016 INTERIM FINANCIAL INFORMATION

January 1 to June 30, 2016

To the Shareholders,

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

- the review of the accompanying condensed consolidated interim financial statements of Mersen SA for the period from January 1, 2015 to June 30, 2015;
- the verification of the information contained in the interim management report.

The Board of Directors was responsible for preparing these condensed consolidated interim financial statements. Our role is to express a conclusion on these financial statements based on our limited review.

→ I – Conclusion on the financial statements

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

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

→ II – Specific verification

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

Paris La Défense, July 28, 2016
KPMG Audit ID

Philippe Cherqui
Partner

Neuilly-sur-Seine, July 28, 2016
Deloitte & Associés

Laurent Odobez
Partner

5 Statement of the Officer

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

Paris, July 28, 2016

Luc Themelin

Chief Executive Officer

MERSEN
TOUR EQHO
2, AVENUE GAMBETTA
CS 10077
F-92066 LA DÉFENSE CEDEX
FRANCE

Expertise, our source of energy

GLOBAL EXPERT
IN ELECTRICAL SPECIALTIES
& GRAPHITE-BASED MATERIALS

WWW.MERSEN.COM