MERSEN
FORMERLY CARBONE LORRAINE
First-half 2010 financial report

Group overview

Message from the Chairman of the Management Board

Dear Shareholder,

The economic environment in the first half of 2010 was much better than in 2009. Although our sales remained below 2008 levels, we achieved growth in all geographical zones and markets.

Asia was once again a significant growth driver. Growth was particularly firm in China, India and South Korea, where we have increased capacity in recent years to meet structural growth. This autumn, near Shanghai, we are about to complete the extension to our anticorrosion equipment plant, making it one of the Group's largest production sites. The current plant is at full capacity, and would not have been able to cope with demand in the solar, fertilizers, acetic acid, pharmaceuticals and nuclear businesses. Asia now accounts for almost a quarter of Group revenue.

Our renewable energies business grew further, particularly in the solar segment. The photovoltaic industry is undergoing rapid change. Most major producers of polysilicon are based in the West, while production of wafers (from which photovoltaic cells are made) is growing rapidly in China. To respond to this growth, we acquired a 60% stake in Yantai Zhifu Graphite, a leading Chinese producer of machined graphite components for producers of monocrystalline polysilicon. Another major issue in the photovoltaic industry is the need to increase yields. This involves reducing costs, while extending the life of consumables and increasing energy efficiency in what is a highly energy-intensive process. We are responding with innovative solutions, including large graphite blocks, graphite component coatings and insulation products. In the first half of 2010, we bought an 85% stake in Boostec, a leading producer of solid silicon carbide components. Boostec's products will be even more resilient when they are exposed to the most rigorous production processes. We also continued our investments in graphite in order to remain a leading player in the solar and electronics markets.

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At the same time we are exploring new markets related to sustainable development issues. In the first half of 2010, we made our first deliveries of equipment for a seawater desalination plant in Australia. These markets are promising, since an increasing number of countries are experiencing water shortages.

The change in our Group's profile has accelerated as we address growth markets such as those related to sustainable development issues including alternative energies, rail transport and energy efficiency, along with fertilizers, pharmaceuticals and electronics. As a result, we have recently changed our name: Carbone Lorraine has become Mersen. While maintaining our roots and our values, primarily those of expertise and innovation, we wanted the name change to convey our new profile to our shareholders, customers and employees. I am confident that the change will act as a catalyst within the Group, giving us fresh impetus and speeding up the change in our identity.

Although the growth outlook is bright, we remain focused on operational excellence with an EBITDA margin of nearly 15% in the first half of 2010, a 16% improvement compared to the previous year. We are maintaining improvements to our processes. We are continuing our supply-chain optimization program across the Group in order to tighten our grip on the working capital requirement and therefore improve cash flow, while also becoming more responsive and enhancing performance.

Naturally, we remain cautious about the future. The debt levels of certain governments and their austerity plans could limit the economic recovery. However, I am convinced that our development strategy and our position in Asia will make us better placed to respond to any economic situation and serve markets related to sustainable development issues, while meeting new challenges.

Ernest Totino
Chairman of the
Management Board

Business overview

Advanced Materials and Technologies

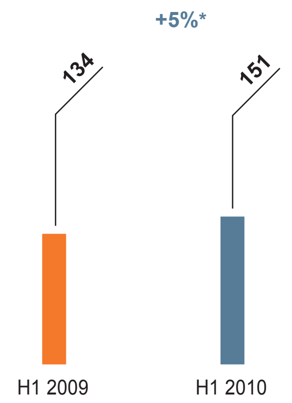
The **Advanced Materials and Technologies** division posted interim 2010 sales of €150.7 million, up 5% at constant scope and exchange rates compared with the year-earlier period. Unadjusted sales were up 12%, due in particular to positive currency effects and the integration of Lumpp, a French company specializing in industrial stirrers and mixers.

Sales growth was driven by strong momentum in the photovoltaic and electronics industries, and by the recovery in traditional markets. Sales were also boosted by initial billings relating to seawater desalination equipment.

EBITDA totaled €28.3 million, stable relative to the first half of 2009 and representing 18.8% of sales.

Operating income before non-recurring items was €16.6 million. This equaled 11% of sales, down around 2 points relative to the first half of 2009. Margin contraction was partly due to greater pressure on prices than last year in the current market environment.

Sales (€ m)



	H1 2009	H1 2010
EBITDA (M€)	**28.3**	**28.3**
EBITDA margin	**21.1%**	**18.8%**
Operating income before non-recurring items (M€)	**17.6**	**16.6**
Operating margin before non-recurring items	**13.0%**	**11%**

** at constant scope and exchange rates*

Electrical Components and Technologies

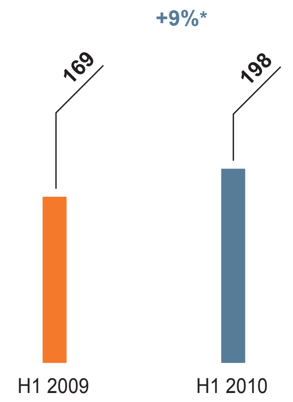
The **Electrical Components and Technologies** division posted interim 2010 sales of €197.4 million, up 9% at constant scope and exchange rates compared with the year-earlier period. Unadjusted sales were up 17%, due in particular to the integration of Chinese company Mingrong Electrical Protection, which makes fuses and fuse equipment, along with positive currency effects.

Sales grew in all geographical zones. Sales were buoyant in all markets and applications, particularly rail transport, electronics, energy and process industries, which had been badly affected in 2009. Business levels were boosted by an upturn in orders from leading electrical equipment distributors after their aggressive inventory reductions in 2009. Although OEM sales in the wind power segment were affected in Europe by the absence of any new investment, sales remained strong due to growth in spare parts.

EBITDA came in at €30.5 million, equal to 15.5% of sales. EBITDA rose by 33% because of a substantial rise in sales volumes, a positive product/client mix effect and the impact of past restructuring.

Operating income before non-recurring items was €24.8m. This represented 12.6% of sales, an increase of 2 points relative to the first half of 2009.

Sales (€ m)



	H1 2009	H1 2010
EBITDA (M€)	**22.9**	**30.5**
EBITDA margin	**13.6%**	**15.5%**
Operating income before non-recurring items (M€)	**17.9**	**24.8**
Operating margin before non-recurring items	**10.6%**	**12.6%**

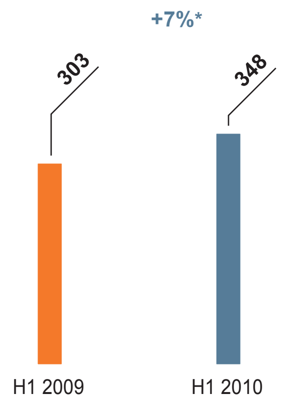
NET INCOME FOR THE PERIOD

Consolidated sales

Consolidated sales totaled €348.1 million in the first half of 2010. This represents unadjusted growth of 15%. Growth was 7% at constant scope and exchange rates, i.e. excluding positive currency effects and the integration of acquisitions (mainly Lumpp and Mingrong Electrical Protection).

First-half sales were boosted by an upturn in demand in traditional industrial markets, and by the Group's move into promising markets and high-growth regions. Sales in the renewable energies segment continued to rise, due in particular to photovoltaic applications. The situation was more mixed in wind power, where the spare parts market was buoyant but OEM sales were hit by the lack of new wind power investment in Europe. Sales were also strong in electronics and rail transport. Growth was strong in Asia, particularly in China and South Korea. Asia now accounts for 24% of the Group's consolidated sales.

Sales (€ m)



	H1 2009	H1 2010
EBITDA (M€)	**44.7**	**51.9**
EBITDA margin	**14.7%**	**14.9%**
Operating income before non-recurring items (M€)	**28.9**	**34.4**
Operating margin before non-recurring items	**9.5%**	**9.9%**

** at constant scope and exchange rates*

EBITDA and operating income

EBITDA totaled €51.9 million, equal to 14.9% of sales. This represents a 16% increase relative to the first half of 2009, driven by higher business volumes.

Operating income before non-recurring items was €34.4 million, equal to 9.9% of sales versus 9.5% in the year-earlier period.

IFRS operating income was €33 million after €1.0 million of net non-recurrent charges and €0.4 million of amortisation charges on intangible assets arising from acquisitions. In the first half of 2009, IFRS operating income was €27.6 million, including €1.3 million of non-recurrent charges.

Net income

Finance costs totaled €5.9 million, similar to the figure for the first half of 2009.

The tax rate was 32%.

Net income from discontinued activities totaled €1.1 million. This includes residual charges on the automobile and household electrical appliance brush business in April 2009.

Net income was €17.3 million versus €13.8 million in the first half of 2009.

Debt

At end-June 2010, net debt was €255.8 million, as opposed to €214.9 million at end-2009. Of this €40.9 million increase, €23 million was caused by the recent decline in the euro. Debt also rose because of acquisitions and the payment of a fine imposed by the European authorities in 2003 and confirmed on appeal in 2009.

Despite the increase in debt, the net debt/EBITDA ratio improved to 2.33x versus 2.52x at the end of 2009. The net debt-to-equity ratio was 54%, versus 50% at end-2009.

Cash generated by continuing operating activities during the first six months of 2010, before the change in the working capital requirement and investments, came to €49 million, compared with €44.1 million in the equivalent period of 2009.

The working capital requirement rose by €15.9 million due to faster business growth at the end of the period, which led to a substantial increase in trade receivables. The increase in inventories was limited to €3.7 million because of streamlining initiatives introduced in 2009 and maintained in 2010.

Capital expenditure excluding changes in the scope of consolidation totaled €12.3 million, as opposed to €32.5 million in the first half of 2009 (ongoing business). In 2009, the Group invested heavily to increase capacity in graphite production and finishing equipment.

The Group also continued its policy of targeted acquisitions in strategic markets. Cash flows due to the changes in the scope of consolidation (acquisition of Boostec and M. Schneider) led to €14.3 million of expenditure in the first half of 2010.

Debt at end-June 2010 was also affected by a €14.6 million payment to the European authorities. This followed the European Court of Justice's decision, taken in November 2009, to reject the Group's appeal and confirm the amount of the fine imposed in 2003. The remaining balance of the fine, in an equivalent amount, is due to be paid in September 2010.

Outlook

Sales in the first half of 2010 showed a recovery relative to the year-earlier period, which was affected by the global recession.

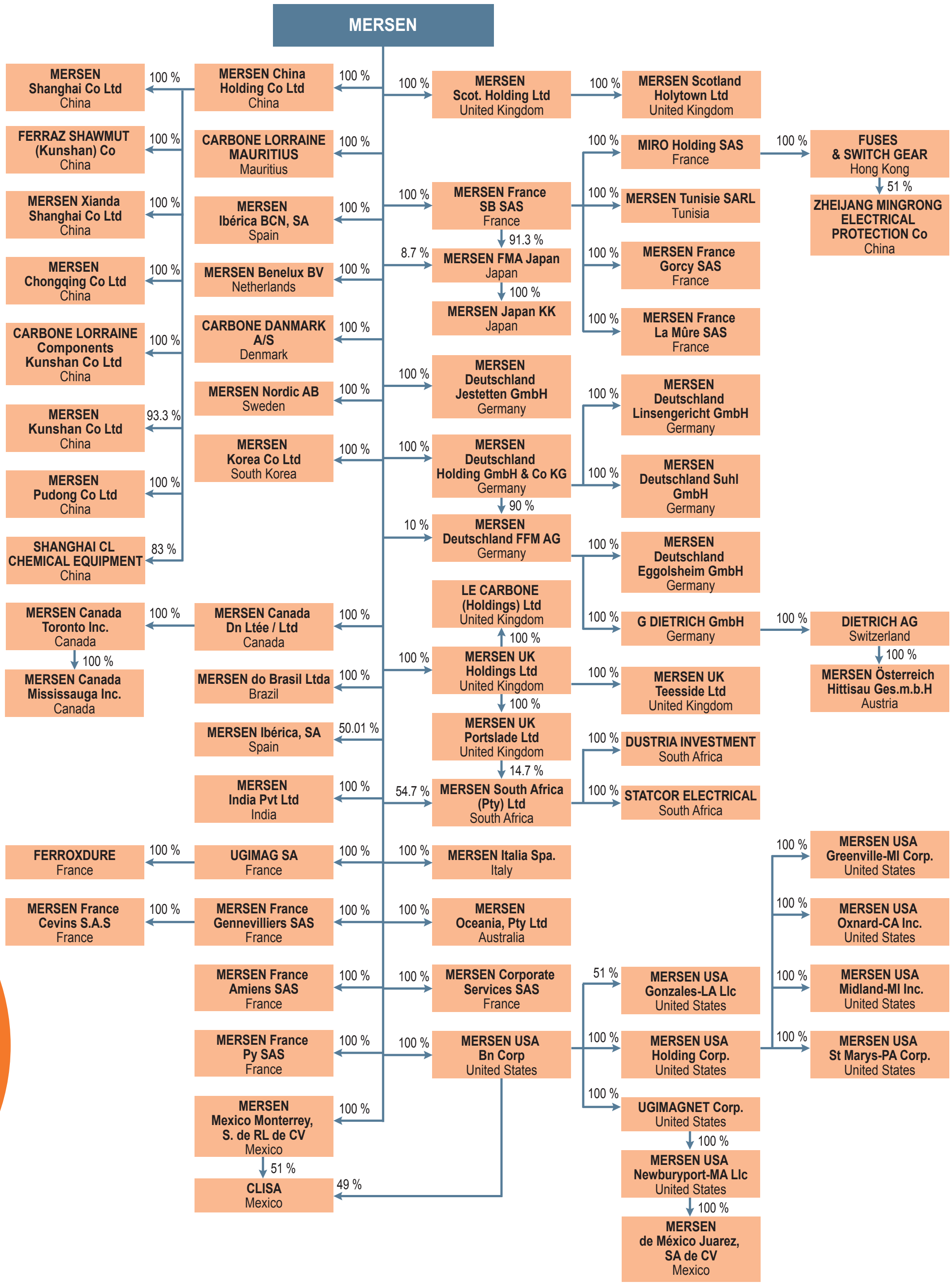
The Group benefited from its positions in buoyant markets and geographical regions. It was also boosted by an upturn in sales in traditional activities, which had been badly affected from the second quarter of 2009 onward.

Despite encouraging signs, Mersen remains wary of macroeconomic uncertainty that could have an adverse impact on the recovery.

The Group is maintaining its objective of achieving renewed organic growth and an increase in operating margin before non-recurring items in 2010.

Consolidated financial statements

Scope of consolidation at June 30, 2010



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LIST OF CONSOLIDATED COMPANIES

	Consolidation method FC: Full consolidation	% of voting rights held by the Group	% of share capital held by the Group
1. **MERSEN** (France)	FC	100	100
2. **MERSEN France Amiens S.A.S** (France)	FC	100	100
3. **MERSEN France Gennevilliers S.A.S** (France)	FC	100	100
4. **MERSEN France Py S.A.S** (France)	FC	100	100
5. **MERSEN Corporate Services S.A.S** (France)	FC	100	100
6. **MERSEN France SB S.A.S** (France)	FC	100	100
- MERSEN France La Mûre S.A.S	FC	100	100
7. **MIRO Holding France** (France)	FC	100	100
8. **MERSEN France Gorcy S.A.S** (France)	FC	100	100
9. **Ugimag SA** (France)	FC	100	100
10. **Ferroxdure** (France)	FC	100	100
11. **MERSEN France Cevins S.A.S** (France)	FC	100	100
12. **MERSEN Deutschland Holding GmbH & Co. KG** (Germany)	FC	100	100
- MERSEN Deutschland FFM AG	FC	100	100
- Belanova-Kalbach GmbH	FC	100	100
- Kalinova-Kalbach GmbH	FC	100	100
- MERSEN Deutschland Lisengericht GmbH	FC	100	100
- MERSEN Deutschland Suhl GmbH	FC	100	100
13. **MERSEN Deutschland** Eggolsheim GmbH (Germany)	FC	100	100
14. **G. Dietrich GmbH** (Germany)	FC	100	100
15. **Dietrich AG** (Switzerland)	FC	100	100
16. **MERSEN Össtereich Hittisau Ges.m.b.H.** (Austria)	FC	100	100
17. **MERSEN Deutschland Jestetten GmbH** (Germany)	FC	100	100
18. **MERSEN Ibérica S.A** (Spain)	FC	50	50
19. **MERSEN Ibérica BCN S.A** (Spain)	FC	100	100
20. **MERSEN UK Holdings Ltd.** (UK)	FC	100	100
- MERSEN UK Portslade Ltd.	FC	100	100
- Le Carbone (Holdings) Ltd	FC	100	100
- MERSEN UK Teeside Ltd.	FC	100	100
21. **MERSEN Scot. Holding Ltd.** (UK)	FC	100	100
22. **MERSEN Soctland Holytown Ltd.**(UK)	FC	100	100
23. **MERSEN Italia Spa.** (Italy)	FC	100	100
24. **MERSEN Benelux B.V** (Netherlands)	FC	100	100
25. **MERSEN Nordic AB** (Sweden)	FC	100	100
- Carbone Danmark	FC	100	100
26. **MERSEN Canada Dn Ltée / Ltd.** (Canada)	FC	100	100
27. **MERSEN Canada Mississauga Inc.** (Canada)	FC	100	100
28. **MERSEN Canada Toronto Inc.** (Canada)	FC	100	100

	Consolidation method FC: Full consolidation	% of voting rights held by the Group	% of share capital held by the Group
29. MERSEN USA Bn Corp. (USA)	FC	100	100
- MERSEN USA Gonzales-SA LLC	FC	51	51
- MERSEN USA Holding Corp.	FC	100	100
- Ugimagnet Corp.	FC	100	100
30. MERSEN USA St Marys-PA Corp. (USA)	FC	100	100
31. MERSEN USA Oxnard-CA Inc. (USA)	FC	100	100
32. MERSEN USA Midland-MI Inc. (USA)	FC	100	100
33. MERSEN USA Greenville-MI Corp. (USA)	FC	100	100
34. MERSEN USA Newburyport-MA LLC (USA)	FC	100	100
- MERSEN de México Juarez, S.A DE. C.V (Mexico)	FC	100	100
35. MERSEN México Monterrey, S de R.L. de C.V. (Mexico)	FC	100	100
- Carbone Lorraine Inmobiliaria SA	FC	100	100
36. MERSEN Oceania, Pty Ltd. (Australia)	FC	100	100
37. MERSEN FMA Japan KK (Japan)	FC	100	100
38. MERSEN Japan KK (Japan)	FC	100	100
39. MERSEN Korea Co. Ltd. (South Korea)	FC	100	100
40. MERSEN India Pvt. Ltd. (India)	FC	100	100
41. Carbone Lorraine Mauritius (Mauritius)	FC	100	100
42. MERSEN China holding Co. Ltd (China)	FC	100	100
43. MERSEN Pudong Co Ltd (China)	FC	100	100
44. MERSEN Chongqing Co Ltd (China)	FC	100	100
45. Carbone Lorraine Components Kunshan Co Ltd (China)	FC	100	100
46. MERSEN Kunshan Co Ltd (China)	FC	93	93
47. Shanghai Carbone Lorraine Chemical Equipment Cy Ltd (China)	FC	100	100
48. MERSEN Xianda Shanghai Co. Ltd (China)	FC	100	100
49. MERSEN Shanghai Co. Ltd (China)	FC	100	100
- Ferraz Shawmut (Kunshan) Company	FC	100	100
50. Zhejiang Mingrong Electrical Protection Company (China)	FC	51	51
51. MERSEN South Africa PTY Ltd (South Africa)	FC	69	69
- Statcor Electrical	FC	69	69
- Dustria Investment	FC	69	69
52. MERSEN do Brasil Ltda. (Brazil)	FC	100	100
53. MERSEN Tunisie SARL (Tunisia)	FC	100	100
54. FUSES & SWITCHGEAR (Hong Kong)	FC	100	100

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

CHANGES IN THE SCOPE OF CONSOLIDATION
OVER THE PAST TWO YEARS

The principal changes that affected the consolidated financial statements in 2009 and 2010 are presented below:

- 2009:
  - UK company Calcarb Limited, acquired in December 2008, joined the scope of consolidation with effect from January 1, 2009.
  - Carbone Lorraine Products de Mexico and Carbone Lorraine Inmobiliaria SA joined the scope of consolidation with effect from March 1, 2009.
- First-half 2010:
  - Lumpp, absorbed by Mersen France PY, joined the scope of consolidation with effect from January 1, 2010.
  - Fuses & Switchgear (parent company of Mingrong), Zhejiang Mingrong Electrical Protection, Mersen Shanghai Co. Ltd and Ferraz Shawmut Kunshan joined the scope of consolidation with effect from January 1, 2010.

Given the non-material nature of these changes in scope, the preparation of proforma financial statements was not justified.

→ Disposal of the automobile and household electrical appliance brush division

- At December 31, 2009:

The divestment was completed on May 1, 2009.

The Group’s 2009 financial statements take into account the disposal of this business (see note 5).

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	First half 2010	First half 2009
CONTINUING OPERATIONS			
Consolidated sales	**18**	**348.1**	**303.1**
Cost of sales		(239.5)	(211.5)
Gross income		**108.6**	**91.6**
Selling and marketing costs		(36.3)	(31.4)
Administrative and research costs		(36.7)	(29.9)
Other operating costs		(1.2)	(1.4)
Operating income before non-recurring items		**34.4**	**28.9**
Non-recurring expense	17	(3.9)	(1.3)
Non-recurring income	17	2.9	0.0
Amortization of revalued intangible assets		(0.4)	
Operating income	**18/20**	**33.0**	**27.6**
Finance costs		(5.9)	(5.7)
Finance costs, net		**(5.9)**	**(5.7)**
Income before tax		**27.1**	**21.9**
Current and deferred income tax	22	(8.7)	(6.2)
Net income from continuing operations		18.4	15.7
Net income from assets held for sale and discontinued operations	5	(1.1)	(1.9)
NET INCOME		**17.3**	**13.8**
Attributable to:			
- Mersen shareholders		16.7	13.3
- Minority interests		0.6	0.5
NET INCOME FOR THE PERIOD		**17.3**	**13.8**
Earnings per share	**23**		
Basic earnings per share *(€)*		0.85	0.86
Diluted earnings per share *(€)*		0.82	0.82
Earnings per share from continuing operations	**23**		
Basic earnings per share *(€)*		0.91	0.98
Diluted earnings per share *(€)*		0.88	0.94

SUMMARY COMPREHENSIVE INCOME STATEMENT

NET INCOME FOR THE PERIOD		**17.3**	**13.8**
Change in fair value of hedging instruments	21	(3.6)	3.0
Change in balance-sheet items arising from period-end exchange rates		38.7	(2.9)
Income tax recognized in shareholders' equity	21	1.1	(1.0)
INCOME AND EXPENSES DIRECTLY TAKEN TO EQUITY		**36.2**	**(0.9)**
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD		**53.5**	**12.9**
Attributable to:			
- Mersen shareholders		52.6	12.3
- Minority interests		0.9	0.6
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD		**53.5**	**12.9**

Statement of financial position

Assets

In millions of euros	Note	June 30, 2010	Dec. 31, 2009
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	6	259.1	231.3
- Other intangible assets	8	35.6	31.0
Property, plant and equipment			
- Land		28.8	32.1
- Buildings		51.1	47.8
Plant, equipment and other assets	8	170.1	146.2
- Assets in progress		35.8	37.6
Non-current financial assets			
- Investments	9	23.1	21.8
- Non-current derivatives		0.0	0.1
- Other financial assets	3/15	10.0	9.3
Non-current tax assets			
- Deferred tax assets	22	22.7	20.0
- Non-current tax assets		0.7	0.1
TOTAL NON-CURRENT ASSETS		**637.0**	**577.3**
CURRENT ASSETS			
- Inventories	10	162.4	138.5
- Trade receivables	11	129.1	92.0
- Other receivables		20.2	15.8
- Current tax assets		6.3	7.6
- Other current assets		1.3	1.7
- Current financial assets	15	4.5	6.0
- Current derivatives	3	0.5	0.5
- Available-for-sale financial assets	15	0.0	1.2
- Cash and cash equivalents	15	42.2	32.9
- Assets held for sale and discontinued operations	5	0.4	1.3
TOTAL CURRENT ASSETS		**366.9**	**297.5**
TOTAL ASSETS		**1,003.9**	**874.8**

Liabilities and equity

In millions of euros	Note	June 30, 2010	Dec. 31, 2009
EQUITY			
- Share capital	12	39.3	39.3
- Premiums and retained earnings		424.0	420.5
- Net income for the period		16.7	14.6
- Cumulative translation adjustments		(15.4)	(53.8)
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS		**464.6**	**420.6**
- Minority interests		8.8	4.3
EQUITY		**473.4**	**424.9**
NON-CURRENT LIABILITIES			
- Non-current provisions	13	0.4	0.4
- Employee benefits	14	35.9	34.2
- Deferred tax liabilities	22	23.6	15.6
Borrowings	15	261.4	192.7
- Non-current derivatives	3	3.1	1.2
TOTAL NON-CURRENT LIABILITIES		**324.4**	**244.1**
CURRENT LIABILITIES			
- Trade payables		69.7	53.7
- Other payables		63.0	51.4
- Current provisions	13	1.5	0.6
- Current tax liabilities		3.1	2.0
- Other liabilities including dividends	13	24.8	33.6
- Other current financial liabilities	15	36.2	29.4
- Current derivatives		2.4	0.1
- Current advances	15	1.6	1.9
- Bank overdrafts	15	3.3	31.0
- Liabilities related to assets held for sale and discontinued operations	5	0.5	2.1
TOTAL CURRENT LIABILITIES		**206.1**	**205.8**
TOTAL LIABILITIES AND EQUITY		**1,003.9**	**874.8**

STATEMENT OF CHANGES IN EQUITY

In millions of euros	Attributable to Mersen's shareholders						
	Share capital	Premiums and retained earnings	Net income for the period	Translation adjustments	Total	Minority interests	Equity
EQUITY AT DECEMBER 31, 2008	**28.6**	**313.4**	**29.1**	**(49.9)**	**321.2**	**4.0**	**325.2**
Prior period net income		29.1	(29.1)		0.0		0.0
Net income for the period			13.3		13.3	0.5	13.8
Change in fair value of hedging derivatives, after tax		2.0			2.0		2.0
Translation adjustments				(3.0)	(3.0)	0.1	(2.9)
OTHER COMPREHENSIVE INCOME / (LOSS)	**0.0**	**2.0**	**0.0**	**(3.0)**	**(1.0)**	**0.1**	**(0.9)**
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**2.0**	**13.3**	**(3.0)**	**12.3**	**0.6**	**12.9**
Dividends paid		(8.9)			(8.9)	(0.1)	(9.0)
Issue of new shares	2.4	20.7			23.1		23.1
Treasury shares					0.0		0.0
Other items		3.4			3.4	3.9	7.3
EQUITY AT JUNE 30, 2009	**31.0**	**359.7**	**13.3**	**(52.9)**	**351.1**	**8.4**	**359.5**
EQUITY AT DECEMBER 31, 2009	**39.3**	**420.5**	**14.6**	**(53.8)**	**420.6**	**4.3**	**424.9**
Prior period net income		14.6	(14.6)		0.0		0.0
Net income for the period			16.7		16.7	0.6	17.3
Change in fair value of hedging derivatives, after tax		(2.5)			(2.5)		(2.5)
Translation adjustments				38.4	38.4	0.3	38.7
Other comprehensive income / (loss)	0.0	(2.5)	0.0	38.4	35.9	0.3	36.2
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**(2.5)**	**16.7**	**38.4**	**52.6**	**0.9**	**53.5**
Dividends not yet paid		(9.8)			(9.8)	(0.6)	(10.4)
Expenses relating to issue of new shares		(0.2)			(0.2)		(0.2)
Treasury shares		0.2			0.2		0.2
Other items (*)		1.2			1.2	4.2	5.4
EQUITY AT JUNE 30, 2009	**39.3**	**424.0**	**16.7**	**(15.4)**	**464.6**	**8.8**	**473.4**

(*) The change in minority interests concerns the entry of Zheijang Mingrong Electrical Protection into the scope of consolidation.

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	First half 2010	First half 2009
Income before tax	27.1	21.9
Depreciation and amortization	17.5	16.1
Additions to/(write-backs from) provisions	0.2	(0.7)
Finance costs, net	5.9	5.7
Capital gains/(losses) on asset disposals		(0.1)
Other movements	(1.7)	1.2
Cash generated by operating activities before change in the WCR	**49.0**	**44.1**
Change in the working capital requirement	(15.9)	14.9
Income tax paid	(1.9)	(3.3)
Net cash generated by continuing operations	**31.2**	**55.7**
Cash generated by discontinued operations	**(0.8)**	**(9.8)**
Net cash generated by operating activities	**30.4**	**45.9**
Investing activities		
Increase in intangible assets	(0.1)	(0.2)
Increase in property, plant and equipment	(12.2)	(26.8)
Increase in financial assets	(0.1)	(1.2)
Impact of changes in the scope of consolidation	(14.3)	1.9
Other changes in cash generated/(used) by investing activities	0.1	(4.3)
Cash generated/(used) by continuing investing activities	**(26.6)**	**(30.6)**
Cash generated/(used) by discontinued investing activities	**0.0**	2.7
Cash generated/(used) by investing activities	**(26.6)**	(27.9)
Cash generated/(used) by operating and investing activities	**3.8**	**18.0**
Extraordinary outflow of cash (EU fine)	**(14.6)**	
Proceeds from issue of new shares and other increases in equity	0.2	25.5
Net dividends paid to shareholders and minority interests	(0.5)	(0.1)
Interest payments	(5.5)	(5.2)
Change in debt (Note 15)	19.5	(20.7)
Cash generated/(used) by financing activities	**13.7**	**-0.5**
Change in cash	**2.9**	**17.5**
Cash at beginning of period (Note 15)	34.1	50.1
Cash at end of period (Note 15)	42.2	64.1
Impact of changes in the scope of consolidation	(2.7)	(0.7)
Impact of currency fluctuations	(2.5)	4.2
CHANGE IN CASH	**2.9**	**17.5**

Notes

3

Note 1 Statement of conformity

In accordance with EC regulation no. 1606/2002 of July 19, 2002, which applies to the consolidated financial statements of European companies listed on a regulated market, the consolidated financial statements of Mersen and its subsidiaries (hereinafter "the Group") have been prepared in accordance with IFRS (International Financial Reporting Standards), because the Group is listed in a European Union member state.

New standards and interpretations that are not yet being applied are set out in Note W.

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

The interim consolidated financial statements for the six months ended June 30, 2010 have been prepared in accordance with IAS 34 "Interim financial reporting". They do not contain all information required in the full annual financial statements, and must be read in conjunction with the Group's financial statements for the year ended December 31, 2009, available at www.mersen.com.

The summary consolidated interim financial statements at June 30, 2010 have been prepared using the recognition and measurement principles stated in the IFRSs adopted in the European Union at the same date.

Note 2 Accounting policies and principles of consolidation

With the exception of the points set out below, the accounting policies applied by the Group are identical to those used in the consolidated financial statements for the year ended December 31, 2009.

CHANGES IN ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

Recognition of business combinations

Since January 1, 2010, the Group has applied IFRS 3, "Business combinations" (2008) relating to the recognition of business combinations.

For acquisitions taking place from January 1, 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any investment previously held in the acquired company) plus the recognized amount of any non-controlling interest in the acquired company, less the net recognized amount (generally the fair value) of identifiable assets acquired and liabilities assumed. All of these items are measured at the acquisition date. If the difference is negative, a gain arising from the bargain purchase of the entity is immediately taken to income.

For each transaction, on the acquisition date, the Group decides whether to measure any non-controlling interest at fair value or at its share in the acquired company's identifiable net assets.

Acquisition expenses other than those related to the issue of debt or equity securities, which the Group bears as a result of a business combination, are recognized as expenses when incurred.

When share-based payment rights (replacement awards) must be given in exchange for the rights held by employees in the acquired company (acquired-company rights) and are attributable to past service, some or all of the replacement awards are included in the measurement of the consideration transferred for the business combination. To measure this amount, the Group compares the market-based value, at the acquisition date, of replacement awards and awards granted by the company acquired, and determines the proportion of services rendered on the date of the combination by comparison with future services to be rendered.

Note 4 describes the impact of business combinations recognized during the first half of 2010 on the financial statements.

Recognition of purchases of non-controlling interests

Since January 1, 2010, the Group has applied IAS 27 "Consolidated and separate financial statements" (2008) when recognizing purchases of non-controlling interests. The change in accounting method did not affect earnings per share during the period.

Since January 1, 2010, purchases of non-controlling interests have had to be recognized as transactions with owners acting as such. As a result, no goodwill is recognized. Previously, goodwill was recognized when a non-controlling interest was purchased, and equaled the excess cost of the additional investment over the carrying value of interests in net assets acquired at the transaction date.

The Group did not acquire any non-controlling interests during the period.

Accounting policies applicable to new events and transactions

Distributions to shareholders in kind

Since January 1, 2010, the Group has applied IFRIC 17 "Distributions of Non-cash Assets to Owners" when recognizing distributions to shareholders in kind. This new accounting policy has no impact on the Group's financial statements.

Basis of consolidation

The consolidated financial statements include those of the parent company and of all those companies in which the Group holds a controlling interest. Control is defined as the power to direct a company's financial and operational policies in order to derive benefit from its activities. Subsidiaries over which the Group directly or indirectly exerts sole control are fully consolidated.

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

Associated companies over which the Group has significant influence are accounted for under the equity method. Significant influence is assumed if the Group holds 20% or more of the company's voting rights. If necessary, subsidiaries' financial statements are adjusted to bring their accounting policies into line with those of the other companies in the scope of consolidation.

All intra-group transactions and balances have been eliminated.

The consolidated financial statements have been prepared in euros.

Seasonal variations affecting the Group's activities are limited. Both sales and purchases of supplies take place steadily 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 IAS 1 (revised) "Presentation of financial statements".

B1 Comprehensive income statement

Given customary practice and the nature of its business activities, the Group has opted to present its income statement using the functional expense format, in which costs are classified according to their function under cost of sales, selling, administrative, research and development costs.

The Group presents comprehensive income in two statements, i.e. an income statement and a separate statement comprising both net income and other items of comprehensive income.

B2 Statement of financial position

Assets and liabilities arising during the business cycle and those with a maturity of less than 12 months at the balance sheet date are classified as current. Other assets and liabilities are classified as non-current.

B3 Consolidated statement of cash flows

The Group prepares the consolidated statement of cash flows using the indirect method and as stipulated in IAS 7.

The indirect method consists of determining cash flows from operating activities whose net income or loss is adjusted for the effects of non-cash transactions and items arising from investing or financing activities.

B4 Operations, assets and liabilities held for sale

In accordance with IFRS 5, assets and liabilities that are immediately available for sale in their current state and the sale of which is highly probable are shown on the balance sheet under assets and liabilities held for sale. Where a group of assets is held for sale in a single transaction and where this group represents a distinct component of the entity (a significant and distinct business line or geographical region for which there is a single, coordinated plan to sell it, or a subsidiary acquired solely with a view to selling it), 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 non-current 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 income of groups that meet the definition of an activity held for sale or a discontinued activity is shown separately from the income of continuing operations, and their cash flows are presented on separate lines of the statement of cash flows.

C - Foreign currency translation

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

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

Except for cash, which is translated at the period-end rate, items on the statement of cash flows are translated at the average rate except when the average rate is not appropriate.

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

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

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

D - Foreign currency assets and liabilities

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

Transactions denominated in currencies other than the euro are recorded at the exchange rate on the transaction date. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any gains and losses arising from currency translation are taken to operating income for the period under foreign exchange gains and losses.

Translation gains and losses on financial instruments denominated in foreign currencies representing a hedge of a net investment in a foreign operation are recorded in equity under cumulative translation adjustments.

E - Hedging

Hedging transactions are recognized and measured in line with the principles laid down in IAS 32 and 39.

E1 Currency and commodity hedges

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

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

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

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

E2 Interest rate hedging

Interest rate derivatives are stated at fair value on the balance sheet. Changes in their fair value are accounted for as follows:

- the ineffective portion of the derivative instrument is taken to income under the cost of debt;
- the effective portion of the derivative instrument is recognized as follows:
  - in equity for a derivative accounted for as a cash flow hedge (e.g. a swap turning a debt carrying a floating interest rate into a fixed-rate liability),
  - in income (cost of debt) for a derivative accounted for as a fair value hedge (e.g. a swap turning a fixed interest rate into a floating interest rate). This accounting treatment is offset by changes in the fair value of the hedged debt.

F - Intangible assets

The applicable standards are IAS 38 "Intangible assets", IAS 36 "Impairment of assets" and IFRS 3 "Business combinations".

In accordance with IAS 38 "Intangible assets", only items in respect of which future economic benefits are likely to flow to the Group and the cost of which may be reliably determined are accounted for as intangible assets.

The Group's intangible assets comprise primarily goodwill.

Other intangible assets (customer relationships, technology) with a finite life are accounted for at cost less accumulated amortization and impairment. Amortization is calculated on a straight-line basis over the estimated useful life of the relevant intangible asset.

F1 Goodwill

In accordance with IFRS 3, a subsidiary's assets, liabilities and contingent liabilities are stated at fair value at the acquisition date following a business combination. Minority interests are stated at their share of the fair value of assets, liabilities and contingent liabilities recognized. The difference between the acquisition cost of the subsidiary and the Group's share of its net assets stated at fair value is accounted for under goodwill.

Goodwill is allocated individually to the Group's cash generating units (CGUs). At June 30, 2010, the Group had 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 when evidence of impairment in the value of assets appears and at least once every year.

In accordance with IAS 36, the Group tests for impairment by:

- preparing cash flow projections after normalized tax based on the Strategic Plan of the relevant CGU;
- determining a value in use using a method comparable to any business valuation by discounting cash flows at the segment's weighted average cost of capital (WACC);

- comparing this value in use with the carrying amount of the relevant assets to determine whether or not an impairment loss needs to be recognized.

Value in use is determined based on free cash flow projections discounted over a period of five years and a terminal value. The discount rate used for these calculations is the weighted average cost of capital for each of the cash generating units (see Note 7).

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

Goodwill impairment losses are irreversible.

F2 Patents and licenses

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

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

F3 Development costs

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

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

F4 Intangible assets acquired through a business combination

Intangible assets also include technology, trademarks and customer relationships, which are valued at the time of the acquisition in accordance with IFRS 3 "Business combinations".

Excluding trademarks, all intangible assets can be and are amortized on a straight-line basis over their useful lives.

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 according to 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 useful life and thus their depreciation period are materially different.

The Group applies the straight-line method of depreciation according to the expected service life of the item.

The periods used are as follows:

- buildings: 20-50 years;
- fixtures and fittings: 10-15 years;
- plant and equipment: 3-10 years;
- vehicles: 3-5 years.

These depreciation periods, along with residual values, are reviewed and adjusted at each period-end. Changes are applied prospectively.

Investment grants are recognized at the outset as a deduction from the gross value of the non-current asset.

H - Leases

Under IAS 17, a lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset.

Where the criteria laid down in the standard are not met, the costs resulting from leases are charged to income for the period and the lease is considered as an operating lease.

Non-current assets used under a finance lease give rise to the recognition on the balance sheet of both an item of property, plant and equipment and an obligation to make future lease payments. A finance lease is recognized in an amount equal to the fair value of the leased asset, or the present value of minimum payments if lower. At the inception of the lease, the asset and the liability for the future lease payments are recognized in the balance sheet in the same amounts.

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. If the Group is not reasonably certain that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its 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 defined 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 with reference to the discounted future cash flows projected on the basis of economic assumptions and operating budgets drawn up by Mersen's senior management.

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

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

J - Financial assets and liabilities

Financial assets and liabilities are measured and recognized in line with IAS 39 "Financial instruments: Recognition and Measurement", with IAS 32 "Financial Instruments: Presentation" and with IFRS 7 "Financial Instruments: Disclosures".

Financial assets comprise investments available for sale, investments held to maturity, financial assets for trading, margin deposits paid, derivatives held as assets, loans, receivables, and cash and cash equivalents.

When first measured, all financial assets and liabilities not carried at fair value are measured at fair value taking into account transaction costs.

On subsequent measurements, 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 they are subject to a fair-value hedge (see Note E2), borrowings and other financial liabilities are stated at amortized cost 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 their fair value. In the rare instances in which their fair value cannot be obtained, they are stated at cost.

Where there is objective evidence of impairment (financial difficulties, deterioration in performance without any growth prospects, local economic situation, etc.), any significant and long-term impairment losses are recognized in income.

These impairment losses are irreversible and are not written back.

The principal activity of the unconsolidated subsidiaries is the distribution of products manufactured by the Group's consolidated companies.

Subsidiaries that, considered alone and on an aggregate basis, are not material are not included in the scope of consolidation.

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

Equity: the difference between the value of the securities and net equity exceeds 1% of the Group's equity in the previous year;

Debt: the amount of non-Group debt exceeds €5 million;

Sales to third parties: the entity's sales less intra-Group sales represent more than 1% of Group sales in the previous year;

Net income: net income exceeds €0.5 million.

The materiality of unconsolidated subsidiaries is reassessed at the end of each period.

J2 Other non-current financial assets

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

K - Share capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issue of ordinary shares or equity 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 representing future economic benefits to the third party.

This obligation may be legal, regulatory or contractual. It may also result from Group practice or from public commitments that have created a legitimate expectation among the third parties concerned that the Group 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 execution of a detailed plan has commenced prior to the balance sheet date.

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

M - Inventories

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

Cost corresponds to acquisition or production cost.

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

N - Consolidated sales

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

A product is recognized in sales 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 the determination of fair value, this is reflected by discounting future payments.

The amount of revenue from the sale of goods and equipment is usually recognized when there is a formal agreement with the customer stipulating that risks have been transferred, the amount of revenue can be measured reliably and it is likely that the economic benefits arising from the transaction will flow to the Group. With agreements providing for formal acceptance of the goods, equipment or services received by the customer, recognition of the revenue is normally deferred until the date of acceptance.

Income from ancillary activities is recorded under the appropriate heading of the income statement, i.e. other revenues, financial income, or as a deduction from expenses of the same type (selling, general, administrative or research).

O - Employee benefits

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

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

These actuarial calculations are based on various estimates:

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

Actuarial gains and losses comprise the cumulative impact of:

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

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

The Group has opted to use the following method:

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

O1 Recognition of post-employment benefit obligations

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

- on the face of the balance sheet

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

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

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

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

O2 Recognition of unrecognized past service cost

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

P - Non-recurring income and expenses

Non-recurring items correspond to income and expenses not arising during the Group's day-to-day operations. This item recognizes the impact of major events that may distort operational performance, and does not include any operational and recurring expense.

Non-recurring income and expenses include the following items:

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

Q - Operating income

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

Investment grants are shown as a deduction from costs to which the grant relates.

R - Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Temporary differences are differences between the carrying amount of an asset or liability on the balance sheet and its tax base, which give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group discloses deferred taxes on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognized on the balance sheet where it is more likely than 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 for the balance sheet, i.e. using the tax rate that is expected to be applied in the fiscal year in which the asset will be realized or the liability settled, based on tax rates (and tax laws) adopted or virtually adopted at the balance sheet date, taking into account future tax rate increases or decreases.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the entity expects at the balance sheet date to recover or to settle the carrying amount of these assets and liabilities.

S - Segment reporting

IFRS 8 "Operating Segments" 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 regularly reviewed 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.

Internal reporting provided to the chief operating decision maker, the Management Board and the Supervisory Board corresponds to the managerial organization of the Mersen Group, which is based on the following business segmentation:

- **Advanced Materials and Technologies:** equipment made of graphite and other high-performance materials, used in extreme industrial environments.
- **Electrical Components and Technologies:** systems and components that protect and enhance the performance of electrical equipment.

In accordance with IFRS 8, the Group identifies and presents its operating segments on the basis of information disclosed 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 on the exercise price, the probability of the conditions attached to exercise of the options being met, the life of the options, the current price of the underlying shares, the anticipated volatility of the share price, expected dividends and the risk-free interest rate over the life of the option. This value is recognized in staff costs on a straight-line basis over the vesting period, with a direct equivalent entry in equity for plans settled in equity and in liabilities to employees for plans settled in cash.

V - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or assessments be made, particularly in relation to the calculation of provisions and impairment testing. These assumptions, estimates or assessments are prepared on the basis of the information available and the position at the balance sheet date. These estimates and assumptions are made based on past experience and various other factors. The current backdrop of a severe downturn in the economic and financial environment has made it hard to assess the business outlook. It is conceivable that actual figures will subsequently prove to differ from the estimates and assumptions adopted.

Actual events occurring after the balance sheet date may differ from the assumptions, estimates or assessments used.

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

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

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

The estimates and underlying assumptions are reviewed continuously. The effect of changes in accounting estimates is recognized during the period of the change if it affects only this period or during the period of the change and subsequent periods, if the latter are also affected by the change.

Note 5 relates to net assets held for sale and discontinued operations. The impairment in these assets has been calculated by comparing the net carrying amount of these assets and liabilities with a best estimate of their realizable value.

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 process of collecting 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 according to consistent and documented methods.

W – New standards and interpretations not yet applied

The following new standards and amendments to standards and interpretations were not in force at June 30, 2010 and were not applied in the preparation of the consolidated financial statements:

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", which has not yet been adopted by the European Community, but should be applicable from January 1, 2012. This interpretation will have no impact on the Group's financial statements.

Note 3 Financial risk management

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

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

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

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

Information on capital management is provided in Note 12.

Liquidity risk

Mersen has €435.6 million of confirmed credit facilities and borrowings, with an average maturity of 3.1 years. At end-June 2010, 64% of these facilities were used.

Mersen has four major financing agreements:

- A USD350 million loan arranged in July 2008 with a maturity of five years, syndicated with an international pool of banks.

  The interest rates on the syndicated loan are the interbank rate for the relevant currency when drawings are made plus a fixed credit margin.
- A CNY500 million loan arranged in September 2008, of which CNY350 million has a maturity of three years and CNY150 million has a maturity of one year, syndicated with an international pool of banks and intended to finance the Mersen group's operations in China. In September 2009, the CNY150 million loan was renewed for a 1-year period.
- A €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) finalized in November 2007 and repayable in one-third installments between 2012 and 2014, giving it an average initial time to maturity of six years. The interest rate paid is 3-month Euribor plus a fixed margin. This margin is negative owing to the sale of the warrants.
- A USD85 million private bond placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million tranche with a final maturity of 12 years. The average initial time to maturity of the private placement was around eight years because it is repayable in installments. Interest is paid at a fixed rate to investors.

Breakdown of confirmed credit facilities and borrowings by maturity

in millions of euros	Amount	Drawn down at June 30, 2010	Draw-down rate at June 30, 2010	Maturities: less than 1 year	Maturities: between 1 and 5 years	Maturities: over 5 years
Group syndicated loan	285.2	134.7	47%	0.0	285.2	0.0
Confirmed credit facilities, China	60.1	53.1	88%	18.0	42.1	0.0
US private placements	39.0	39.0	100%	10.8	28.2	0.0
OBSAARs	39.4	39.4	100%	0.0	39.4	0.0
Confirmed credit facilities, UK	7.8	7.8	93%	4.0	1.3	2.5
Other	4.1	4.1	100%	0.3	3.8	0.0
TOTAL	435.6	278.1	64%	AVERAGE TIME TO MATURITY (YEARS) = 3.1		

Interest-rate risk

The interest-rate risk management policy is approved by the Group's Management Board based on the proposals submitted by Mersen's finance department, and consists of establishing positions from time to time depending on the direction of interest rates.

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

Mersen Scotland Holytown, when it was acquired by Mersen, had an interest-rate swap with a nominal amount of GBP4 million, arranged on January 15, 2008 to fix the interest rate on part of its confirmed medium-term debt. Under this swap, the Company receives interest payable to the lender and pays 5.38%. The swap has the same term and amortization profile as the debt. At June 30, 2010, the nominal amount was GBP3.4 million.

In June 2009, the Group purchased a swap covering an aggregate amount of €39 million to turn the interest payable on OBSAARs into a fixed rate. Under this swap, the Company receives interest payable to the lender and pays 2.815%. The swap has the same term and amortization profile as the OBSAARs.

In late 2009, taking the view that interest rates were low on a historical comparison, Mersen decided to fix part of its finance costs. As a result, in December 2009, the Group arranged two interest-rate swaps with nominal amounts of USD30 million and GBP20 million in order to fix the interest rates on part of its confirmed medium-term debt. Under these swaps, the Company receives interest payable to the lender and pays 1.175% for the USD swap and 1.58% for the GBP swap.

				Maturities		
In millions of euros	Amount in euros	Interest rate received	Interest rate paid	less than 1 year	between 1 and 5 years	over 5 years
EUR swap	39.0	3-month EUR Libor - margin	2.815%	0.0	39.0	0.0
USD swap	24.4	1-month USD Libor + margin	1.175%	0.0	24.4	0.0
GBP swap	24.5	1-month GBP Libor + margin	1.58%	0.0	24.5	0.0
GBP swap	4.1	1-month GBP Libor + margin	5.38%	0.2	1.6	2.3

In millions of euros	
Interest-rate swap	**MTM***
Assets	0.0
Liabilities and equity	(3.1)

** Marked-to-market = adjusted to market value.*

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals for which purchase volumes are significant (around €10 million in full-year) for the Mersen group. Different hedging techniques, such as index-linking of purchase prices, index-linking of selling prices and bank hedging, may 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 80% of copper price exposure and 70% of silver price exposure can be covered through bank hedging.

At end-June 2010, with regard to 2010 quantities, around 15% of hedgeable silver tonnages and around 40% of hedgeable copper tonnages were actually hedged.

Impact of commodity hedging

In millions of euros	Balance-sheet impact at end-June 2010	H1 2010 income statement impact
Copper	0.0	0.1
Silver	0.0	0.1

Exchange-rate risk

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 inter-company and external risks, it consists of entering into forward currency purchases with prime lending institutions.

The Group's usual business policy is to hedge currency risks as soon as orders are taken or to hedge an annual budget. The main currency risk derives from intra-Group sales transactions.

The Group's usual policy is to arrange borrowings in local currencies, except in special circumstances. Borrowings in foreign currencies arranged by the parent company match loans made in the same currencies to its subsidiaries.

For consolidation purposes, the income statement and statements of cash flows of foreign subsidiaries are translated into euros at the average exchange rate for the relevant period, while balance sheet items are translated at the period-end rate. The impact of this currency translation may be material. The principal effect derives from the impact of fluctuations in the US dollar exchange rate on the Group's equity and debt.

The Group's operating income before non-recurring items is exposed to exchange rate fluctuations principally through the translation of earnings recorded by companies whose local currency is not the euro. The principal exposure is to the US dollar. A 10% decline in the value of the US dollar compared with the average recorded from January to June 2010 would have had a translation impact of -€1.7 million on the Group's operating income before non-recurring items.

Except in special and non-material cases, hedging is centralized by the parent company. It is carried out under strictly defined procedures. Hedges are valued as described below.

Recognition at end-June 2010 of currency transactions

MTM* *(in millions of euros)*		**First half 2010**
Marked-to-market value of currency hedges	Equity	(1.2)
	Other financial components of operating income	(0.6)

** Marked-to-market = adjusted to market value.*

Future cash flows on currency transactions recognized at end-June 2010

CURRENCY TRANSACTIONS *(in millions of euros)*	**MTM**	**Expected cash flows**
Assets	0.4	0.4
Liabilities	(2.3)	(2.3)

Currency hedges are adjusted as a function of the underlyings, and so there is no timing difference between their maturities.

Exchange rates involving the group's main currencies

	JPY	**USD**	**KRW**	**GBP**	**CNY**
Average rate between 01/01/2009 and 06/30/2009(1)	127.20	1.3328	1796.58	0.8939	9.1028
Closing rate at 12/31/2009(2)	133.16	1.4406	1666.97	0.8881	9.8350
Average rate between 01/01/2010 and 06/30/2010(1)	121.49	1.3268	1532.27	0.8700	9.0678
Closing rate at 06/30/2010(2)	108.79	1.2271	1499.59	0.8175	8.3215

(1) Exchange rates used to translate the statement of cash flows and income statement.
(2) Exchange rates used to translate the balance sheet.

Credit risk

In 2003, the Group set up an insurance program with commercial credit insurer Coface covering its principal companies in the USA and France against the risk of non-payment for financial or political reasons. Coverage varies between 0 and 90% of invoiced amounts from customer to customer.

In 2009, the program was extended to Germany, the UK and China (domestic customers).

Amendments were made to the contracts covering French receivables ceded in 2009, granting rights to the factoring agent.

Note 4 Business combinations

Business combinations recognized in 2010

Zhejiang Mingrong Electrical Protection

In July 2008, Mersen took control of Zhejiang Mingrong Electrical Protection, a Chinese company that is a leading player in the market for fuses and fuse equipment.

The purchase price and the goodwill arising from the deal are supported by the synergies that the acquisition will generate, and by:

- Mersen's stronger position in the Chinese market for fuses and fuse equipment.
- The boost to the Group's global commercial presence due to the good fit between Mersen and Zhejiang Mingrong Electrical Protection's product ranges.

This acquisition of a 51% stake fits with Mersen's profitable growth strategy, which includes strengthening positions in Asia and asserting its leadership in its markets.

The allocation of the purchase price has been completed. Identified intangible assets were valued at €4.1 million, mainly consisting of customer relationships.

Lumpp

In September 2009, Mersen acquired Lumpp, a French company with a recognized presence in the chemicals market, and more specifically industrial stirrers and mixers.

The purchase price and the goodwill arising from the deal are supported by the synergies that the acquisition will generate, and by:

- the good fit with Mersen's anticorrosion products, allowing stirrers to be added to its reactor product range, resulting in a comprehensive solution and strengthening the Group's leading position in the phosphoric acid and acetic acid markets;
- the Group's stronger position in North Africa, the Middle East and China in terms of its technical sales network, particularly with respect to phosphoric acid producers.

The acquisition forms part of the Group's profitable growth strategy, which includes strengthening its leading positions in buoyant markets.

The fair value of the assets and liabilities arising from this acquisition is currently being measured. The initial allocation of goodwill could not be completed by the financial statement preparation date, but will be worked out by the end of the year.

The net assets acquired in these transactions, and the resulting goodwill, are set out below:

In millions of euros	Net assets at acquisition date	Fair value adjustments	Allocation of the purchase price	Fair value of net assets
Non-current assets	3.0	0.0	4.1	7.1
Other assets	5.5	0.0	0.0	5.5
Non-current liabilities	(0.4)	(0.1)	0.0	(0.5)
Current liabilities	(5.2)	0.0	0.0	(5.2)
Net assets	**2.9**	**(0.1)**	**4.1**	**6.9**
Goodwill				7.7
TOTAL ACQUISITIONS				**14.6**
Including:				
- Acquisition price paid in cash				14.6

Note 5 Divested automobile and household electrical appliance brush division

On May 1, 2009, the Group completed the sale of its automobile and household electrical appliance brush division.

In accordance with accounting standards, the assets and liabilities held for sale and discontinued operations were shown on a separate line of the Group's balance sheet.

The 2009 and 2010 financial statements of the assets held for sale and discontinued operations include temporarily maintained operations closely linked to the disposal and due to be discontinued.

IFRS 5 balance sheet of operations sold or discontinued

ASSETS

In millions of euros	Total at June 30, 2010	Total at Dec. 31, 2009
Plant, equipment and other assets		0.7
- Inventories		0.1
- Trade receivables	0.4	0.5
Assets held for sale and discontinued operations	**0.4**	**1.3**

LIABILITIES

In millions of euros	Total at June 30, 2010	Total at Dec. 31, 2009
- Non-current provisions		
- Employee benefits	0.3	0.4
- Trade payables		0.1
- Other payables		1.6
- Other liabilities	0.2	
Liabilities related to assets held for sale and discontinued operations	**0.5**	**2.1**
Net assets in process of being sold or discontinued operations	**(0.1)**	**(0.8)**

IFRS 5 income statement for operations sold or discontinued

In millions of euros	First half 2010	First half 2009
Sales	0.9	16.4
Cost of sales	(1.1)	(18.4)
Gross income	**(0.2)**	**(2.0)**
Selling and marketing costs	(0.1)	(1.3)
Administrative and research costs	(0.4)	(2.3)
Other operating costs	(0.2)	(0.1)
Operating income before non-recurring items	**(0.9)**	**(5.7)**
Non-recurring income and expense	(0.2)	(2.3)
Disposal / impairment losses		(2.4)
Operating income	**(1.1)**	**(10.4)**
Finance costs, net		0.0
Income before tax	**(1.1)**	**(10.4)**
Current and deferred income tax		8.5
Net income from assets sold and discontinued operations	**(1.1)**	**(1.9)**
Earnings per share from assets sold and discontinued operations:		
- Basic earnings per share *(€)*	(0.06)	(0.12)
- Diluted earnings per share *(€)*	(0.05)	(0.12)

Note 6 Goodwill

In millions of euros	June 30, 2010	Dec 31, 2009
Net value at start of period	231.3	181.2
Acquisitions	0.9	62.1
Other movements	6.8	(10.4)
Translation adjustments	20.1	(1.6)
Net value at end of period	259.1	231.3
Gross value at end of period	259.1	231.3
Cumulative impairment losses at end of period	**0.0**	**0.0**

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

	Dec 31, 2009	Movements in 2010			June 30, 2010
In millions of euros	Net value	Acquisition	Other movements	Translation adjustments	Net value
Anticorrosion equipment	62	0.9		7.8	70.7
High-temperature applications	85.4		0.0	3.4	88.8
Electrical applications	12.3			0.7	13.0
Electrical protection	71.6		6.8	8.2	86.6
TOTAL	**231.3**	**0.9**	**6.8**	**20.1**	**259.1**

“Acquisitions” relate to the goodwill of Lumpp.

The €6.8 million of other movements relate to the goodwill of Mingrong, acquired in July 2008.

Note 7 Asset impairment tests

Impairment tests were conducted for each of the cash-generating units when the balance sheet at December 31, 2009 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 2010 budget and projections for the following four fiscal years;
- an after-tax discount rate of 8% on all CGUs. There are no material factors requiring different discount rates to be used for each CGU;
- a perpetual growth rate of 4% for the Anticorrosion Equipment CGU, 2% for the Electrical Applications CGU and 3% for the other CGUs. These perpetual growth rates have been maintained. According to the assessment carried out in late 2009, the economic situation did not justify changing the long-term outlooks for the Group’s markets, products and services;
- a normalized tax rate of 34%.

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

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

No evidence of impairment was identified. However, the deterioration in the economic environment has created a source of uncertainty affecting the preparation of the cash flow projections used and the valuations obtained.

Sensitivity to the discount rate was calculated so that recoverable value is equal to carrying value. The resulting discount rates are:

- around 15.6% for the Electrical Protection and Electrical Applications CGUs.
- around 13.7% for the High-Temperature Applications and Anticorrosion Equipment CGUs.

Note 8 Property, plant and equipment and intangible assets

The €3.6 million increase in intangible assets mainly relates to the final allocation of the Mingrong purchase price (€4.1 million), with customer relationships being valued at €3.4 million.

In millions of euros	Intangible assets	Land	Buildings	Plant, equipment and other	Other	Total property, plant and equipment
Net value at January 1, 2009	**8.2**	**30.9**	**39.2**	**135.8**	**29.1**	**235.0**
Acquisitions	2.0	0.1	3.4	6.6	17.2	27.3
Retirements and disposals	(1.5)			(0.1)		(0.1)
Depreciation and amortization	(0.5)	0.1	(0.2)	(15.8)		(15.9)
Translation adjustments	(0.1)	0.2	0.3	0.7		1.2
Changes in the scope of consolidation		0.6	5.2	11.7	1.1	18.6
Assets held for sale / discontinued operations				(0.7)		(0.7)
Other movements	8.9		2.0	4.1	(6.3)	(0.2)
Net value at June 30, 2009	**17.0**	**31.9**	**49.9**	**142.3**	**41.1**	**265.2**
Gross value at June 30, 2009	38.8	32.4	95.6	355.5	41.1	524.6
Total depreciation and amortization at June 30, 2009	(21.8)	(0.5)	(45.7)	(213.2)		(259.4)
Total impairment losses at June 30, 2009						0.0
Net value at December 31, 2009	**31.0**	**32.1**	**47.8**	**146.2**	**37.6**	**263.7**
Gross value at December 31, 2009	54.0	32.9	95.0	362.2	37.6	527.7
Total depreciation and amortization at December 31, 2009	(23.0)	(0.8)	(47.2)	(216.0)		(264.0)
Total impairment losses at December 31, 2009						0.0
Net value at January 1, 2010	**31.0**	**32.1**	**47.8**	**146.2**	**37.6**	**263.7**
Acquisitions	0.4		0.1	6.3	6.0	12.4
Disposals		(4.6)	(0.3)	(0.3)		(5.2)
Depreciation and amortization	(0.5)		2.3	(19.3)		(17.0)
Translation adjustments	1.0	1.1	5.5	16.7	3.9	27.2
Changes in the scope of consolidation	0.1			3.8	0.3	4.1
Other movements	3.6	0.2	(4.3)	16.7	(12.0)	0.6
NET VALUE AT JUNE 30, 2010	**35.6**	**28.8**	**51.1**	**170.1**	**35.8**	**285.8**
GROSS VALUE AT JUNE 30, 2010	**59.0**	**29.4**	**97.5**	**422.8**	**35.8**	**585.5**
TOTAL DEPRECIATION AND AMORTIZATION AT JUNE 30, 2010	**(23.4)**	**(0.6)**	**(46.4)**	**(252.7)**		**(299.7)**
TOTAL IMPAIRMENT LOSSES AT JUNE 30, 2010						**0.0**

Note 9 Investments

At the end of the period, the unconsolidated shareholdings held by consolidated companies had the following gross value:

In millions of euros	June 30, 2010	Dec. 31, 2009
Gross value	31.9	30.6
Impairment losses	(8.8)	(8.8)
CARRYING AMOUNT	**23.1**	**21.8**

Changes in investments relate to the entry into the scope of consolidation of Fuses & Switchgear, the parent company of Mingrong Electrical Protection, Mersen Shanghai Co Ltd, Ferraz Shawmut Kunshan and Lumpp (reducing the balance of investments) and the acquisitions of M. Schneider and Boostec (increasing the balance of investments).

Impairment losses recognized on investments at June 30, 2010 mainly concern Turkey, Argentina, Singapore and Greece.

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

In millions of euros Company name	% held	Gross value	Net carrying amount
M. Schneider	100	11.3	11.3
Boostec	85	5.3	5.3
Mersen Istanbul Sanayi Urulenri A.S. (Turkey)	100	5.0	1.0
Mersen Argentina SA (Argentina)	100	3.7	0.8
Mersen France Gresy S.A.S.	100	1.7	1.7
Fusetech	50	1.3	1.3
Carbone Lorraine Holding (Singapore)	100	1.1	0.1
Nortroll (Norway)	34	0.8	0.5
Mersen Hellas SA	100	0.6	0.1
Mersen Chile Ltd.	100	0.2	0.2
GMI Metaullics (USA)	25	0.2	0.2
Mersen Maroc S.A.R.L.	100	0.2	0.2
Mersen Colombia S.A.	80	0.1	0.1
Le Carbone Materials KK	49	0.1	0.1
Investments in other companies		0.3	0.2
TOTAL		**31.9**	**23.1**

Note 10 Inventories

In millions of euros	June 30, 2010	Dec. 31, 2009
Raw materials and other supplies	80.6	64.2
Work in progress	55.4	51.8
Finished goods	33.9	31.9
Carrying amount of inventories	169.9	147.9
Impairment losses	(7.5)	(9.4)
NET CARRYING AMOUNT OF INVENTORIES	**162.4**	**138.5**

Inventories increased by €24.0 million in the first half of 2010, with an increase of €7.5 million attributable to changes in the scope of consolidation and an increase of €11.9 million due to currency effects. On a like-for-like basis, inventories grew by 3.1% to €4.6 million.

Note 11 Trade receivables

In millions of euros	June 30, 2010	Dec. 31, 2009
Gross trade receivables	132.3	95.1
Impairment losses	(3.2)	(3.1)
TRADE RECEIVABLES	129.1	92.0

Net trade receivables increased by €37.1 million in the first half of 2010, with an increase of €5.4 million attributable to changes in the scope of consolidation and a €10.2 million increase to currency effects. On a like-for-like basis, trade receivables grew by 21% to €21.5 million.

Changes in impairment losses on trade receivables were as follows:

In millions of euros	June 30, 2010	Dec. 31, 2009
Impairment losses at January 1	(3.1)	(3.4)
Additions / write-backs during the year	(0.1)	0.3
IMPAIRMENT LOSSES AT DECEMBER 31	(3.2)	(3.1)

Provisions on trade receivables are assessed on a customer-by-customer basis by each entity taking into account recovery proceedings underway.

Note 12 Share capital

12.1 Composition of share capital

Number of shares (unless otherwise stated)	Ordinary shares
Number of shares at January 1, 2010	19,645,409
Issue of new shares *(in millions of euros)*	0.0
Number of shares at June 30, 2010	19,645,409
Number of shares in issue and fully paid-up	19,645,409
Number of shares in issue and not fully paid-up	0
Par value of shares *(euros)*	2
Entity’s shares held by itself or by its subsidiaries and associates	34,661

Capital management

At June 30, 2010, Mersen’s share capital amounted to €39,290,818, divided into 19,645,409 shares each with a nominal value of €2. The number of voting rights stood at 19,610,748, since shares held in treasury do not carry voting rights. There are no double voting rights.

To the best of our knowledge, ownership of the capital is as follows:

French institutional investors:	38.5%
Institutional investors from other countries:	38.8%
Individual shareholders:	21.1%
Employees:	1.4%
Treasury shares:	0.2%

At June 30, 2010, 34,661 shares or 0.18% of the share capital was held under a liquidity agreement approved by the Autorité des Marchés Financiers and entrusted to investment services provider Exane.

At June 30, 2010 the Group’s employees owned 273,095 shares, representing 1.39% of the share capital, plus 589,051 stock options that, if exercised in full, would represent 3% of the current share capital. The stock option plans set up by the Group are based on a strike 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.

The Group has also implemented a policy of allotting bonus shares to secure the loyalty of its young managers. The allottees of the bonus shares are not the same as the beneficiaries of the stock options. Take-up of these shares is contingent upon their presence within the Group at the end of the vesting period. At June 30, 2010, a total of 73,418 bonus shares (taking cancellations into account), representing 0.37% of the current share capital, had been allotted.

In the Company's May 20, 2010 AGM, shareholders passed the fourth resolution, under which all shareholders can opt to receive their full dividend entitlement in newly issued shares in the Company. On May 20, 2010, the Management Board set the price for new shares at €23.60. On July 2, 2010, the Management Board noted that at the end of the option period, 13,740,074 rights were reinvested in new shares, and decided to issue 294,921 new shares with par value of €2 each.

The Group has not carried out any share buybacks program to date.

The Group did not alter its capital management policy in the first half of 2010.

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

No shares carry double voting rights.

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

12.2 Reserves

A tax receivable of €3.2 million relating to a request for dividend withholding tax rebates has been recognized in equity. The risks related to this receivable have been transferred without recourse to a bank through the issue of contingent-payment debt securities. As a result, the related assets and liabilities were deconsolidated in the first half of 2009.

Note 13 Provisions, contingent liabilities and miscellaneous liabilities

Provisions totaled €1.9 million at June 30, 2010 (€1m at end-December 2009), comprising full provisions for restructuring and litigation.

Miscellaneous liabilities (€24.8 million at June 30, 2010) mainly consisted of the following:

- The balance of the European fine yet to be paid (€12.2 million of principal and €2.1 million of interest). The European Court of Justice, in a decision on November 12, 2009, rejected Mersen's appeal and confirmed the amount of the fine imposed by the European Commission in 2003 (€43 million). A partial payment of €20 million was made in 2005.

  As a result, the relevant provision was written back at December 31, 2009 and the balance reclassified as miscellaneous liabilities.

  The Group paid €14.6 million in March 2010, including €2.2 million of interest.
- Dividends not yet paid to shareholders, totaling €9.8 million. Following the shareholders' decision in the May 20 AGM, where they were given the option to receive dividends in the form of new shares, and the decision taken by the Management Board on July 2 noting the option selected by shareholders to reinvest 13,740,074 rights in new shares, a €7 million capital increase (involving the issue of 294,921 new shares) will be recorded in July 2010 and the Group will pay cash dividends totaling €2.8 million.

No other material contingent liabilities were identified at end-June 2010.

Note 14 Employee benefits

The Mersen Group's principal pension plans are defined-benefit plans and are located in the US (36% of obligations), the UK (25% of obligations), France (14% of obligations) and Germany (11% of obligations).

The Group's obligations were measured at December 31, 2009 with the assistance of independent actuaries in accordance with IAS 19. Obligations, coverage assets and the charge recognized at June 30, 2010 were calculated by projecting forward the valuation at December 31, 2009.

The rates used for the principal countries are summarized below:

2009	Discount rate	Return on plan assets	Average rate of salary increases	Inflation rate
France	4.75%	4.0%/4.25%	2.5%	2.0%
Germany	4.75%	Not applicable	2.5%	2.0%
USA	5.75%	5.25%/6.25%	Not applicable	Not applicable
United Kingdom	5.75%	6.75%	3.75%	3.5%

Reconciliation between assets and liabilities recognized

In millions of euros	June 30, 2010	Dec 31, 2009
Actuarial obligation	110.3	98.8
Fair value of plan assets	(55.3)	(47.4)
Unrecognized actuarial gains and losses	(17.3)	(15.3)
Unrecognized past service cost (rights not vested)	(1.8)	(1.9)
NET AMOUNT RECOGNIZED	35.9	34.2

Breakdown of the Group's obligations at June 30, 2010 by geographical area

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Total at June 30, 2010
Actuarial obligation	16.0	12.7	36.4	29.0	16.2	110.3
Fair value of plan assets	(0.4)		(20.3)	(25.2)	(9.4)	(55.3)
Unrecognized actuarial gains and losses	(1.4)	(0.1)	(9.2)	(3.7)	(2.9)	(17.3)
Unrecognized past service cost (rights not vested)	(1.5)		(0.3)			(1.8)
NET AMOUNT RECOGNIZED	12.7	12.6	6.6	0.1	3.9	35.9

Movements in the Group's obligations

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2009	16.5	12.9	29.0	26.0	14.4	98.8
Payments	(1.4)	(0.5)	(0.4)	(0.2)	(0.6)	(3.1)
Expense charged to income	0.8	0.3	1.9	0.9	0.8	4.7
Translation adjustment			5.9	2.3	1.8	10.0
Actuarial gains and losses					(0.2)	(0.2)
Other movements	0.1					0.1
JUNE 30, 2010	16.0	12.7	36.4	29.0	16.2	110.3

Change in plan assets

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2009	0.7		16.4	22.4	7.9	47.4
Return on plan assets			0.8	0.8	0.2	1.8
Employer contribution	1.2	0.5	0.3		0.2	2.2
Employee contribution						0.0
Payment of benefits	(1.0)	(0.5)				(1.5)
Translation adjustment			2.8	2.0	1.1	5.9
Other movements	(0.5)					(0.5)
JUNE 30, 2010	0.4	0.0	20.3	25.2	9.4	55.3

The charge recognized at June 30, 2010 in respect of these plans was €3.4 million, compared with €3.3 million in 2009, and broke down as follows:

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Total at June 30, 2010	Total at June 30, 2009
Current service cost	0.5	0.0	1.1	0.1	0.4	2.1	1.8
Interest cost	0.3	0.3	0.9	0.7	0.4	2.6	2.5
Expected return on plan assets	0.0	0.0	(0.8)	(0.8)	(0.2)	(1.8)	(1.3)
Amortization of actuarial gains and losses	0.0	0.0	0.3	0.0	0.1	0.4	0.5
Other movements	0.1	0.0	0.0	0.0	0.0	0.1	(0.2)
TOTAL CHARGE FOR THE PERIOD	0.9	0.3	1.5	(0.0)	0.7	3.4	3.3

Note 15 Net debt

Analysis of total net debt at June 30, 2010

In millions of euros	June 30, 2010	Dec. 31, 2009
Borrowings	261.4	192.7
Current financial liabilities	36.2	29.4
Current advances	1.6	1.9
Bank overdrafts	3.3	31.0
Total gross debt	302.5	255.0
CURRENT FINANCIAL ASSETS	(4.5)	(6.0)
Trading financial assets	0.0	(1.2)
Cash and cash equivalents	(42.2)	(32.9)
TOTAL NET DEBT	255.8	214.9

Total consolidated net debt at June 30, 2010 was €255.8 million versus €214.9 million at year-end 2009.

Of the €302.5 million of total gross debt, €278.1 million related to the use of confirmed credit and borrowings, and the remainder was mainly related to the use of unconfirmed facilities including bank overdrafts.

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

In millions of euros	June 30, 2010	June 30, 2009
Prior year debt (December 31	**214.9**	**305.9**
Cash generated/(used) by recurring operating and investing activities after tax	(19.3)	(23.4)
Cash used by restructurings	0.4	0.2
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	14.3	(1.9)
Non-operating cash flows*		0.0
Cash generated by the operating and investing activities of continuing operations	**(4.6)**	**(25.1)**
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	**0.8**	**7.1**
Extraordinary outflow of cash (EU fine)	14.3	
Proceeds from issue of new shares and other increases in equity	(0.2)	(25.5)
Dividends paid	0.5	0.1
Interest payments	5.5	5.2
Translation adjustment and other	22.7	0.9
Changes in the scope of consolidation	1.0	7.8
Other movements	0.6	
DEBT AT PERIOD-END	**255.8**	**276.4**

Financial covenants at June 30, 2010

In connection with its various confirmed borrowings, both by the Group and its Chinese operations, Mersen has to comply with a number of obligations, which are customary with this type of lending arrangement. Should it fail to comply with some of these obligations, the banks or investors (for the US private placements) may oblige Mersen to repay the relevant borrowings ahead of schedule. Under 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* (consolidated financial statements)

In millions of euros	Net debt/EBITDA	Net debt/equity	EBITDA/ net interest expense
Covenant ratios			
Group syndicated loan	< 3.35	< 1.3	-
US private placement	< 3.35	< 1.3	> 3
OBSAAR bond issue	-	< 1.35	-
Syndicated loan, China		< 1.35	
Actual ratios at June 30, 2010			
Group syndicated loan	2.33	0.54	
US private placement	2.33	0.54	9.71
OBSAAR bond issue		0.55	
Syndicated loan, China		0.54	
Actual ratios at December 31, 2009			
Group syndicated loan	2.52	0.50	
US private placement	2.52	0.50	8.07
OBSAAR bond issue		0.52	
Syndicated loan, China		0.50	

** 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 as EBITDA reported for the first six months of the year multiplied by two.*

At June 30, 2010, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Breakdown by currency of drawings on credit facilities and confirmed borrowings, including the current portion, at June 30, 2010

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

In millions of euros	Total	< 1 year	> 1 year and < 5 years	> 5 years
Borrowings in USD	88.7	0.0	88.7	0.0
Borrowings in EUR	76.5	0.3	76.2	0.0
Borrowings in GBP	59.8	4.0	53.3	2.5
Borrowings in CNY	53.1	11.0	42.1	
TOTAL	**278.1**	**15.3**	**260.3**	**2.5**
Amortization of issuance costs at the EIR*	- 1.3			
Fair value of interest-rate derivatives	1.5			
TOTAL	**278.3**			

** Effective interest rate*

Of the €260.3 million in debt due to mature in between one and five years' time, €174.4 million had a maturity of over three years at June 30, 2010.

Analysis of total net debt at June 30, 2010

By currency	%
EUR	22.8
USD	32.2
CNY	18.9
GBP	22.6
Other	3.5

By interest rate	%
Fixed	51.2
Floating	48.8

In millions of euros	Total	o/w maturity < 5 years	o/w maturity > 5 years
Debt	302.5	300.0	2.5
Financial assets	(46.7)	(46.7)	-
Net position before hedging	**255.8**	**253.3**	**2.5**
Fixed-rate hedge	131.0	128.5	2.5
Net position after hedging	**124.8**	**124.8**	**-**

Assuming Mersen's debt and exchange rates remain unchanged at their June 30, 2010 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

The following tables show the fair value of assets and liabilities, as well as their carrying amount on the balance sheet:

At June 30, 2010		Accounting categories						
Balance sheet accounts and instrument categories	Note	Assets held at fair value through P&L	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total net value of the category on the balance sheet	Fair value of the category
Unlisted investments	9			23.1			23.1	23.1
Other non-current financial assets and derivatives held as assets	3/15				10.0		10.0	10.0
Non-current financial assets		**0.0**	**0.0**	**23.1**	**10.0**	**0.0**	**33.1**	**33.1**
Trade receivables	**11**				**129.1**		**129.1**	**129.1**
Current financial assets	15			4.5			4.5	4.5
Other assets				1.3			1.3	1.3
Available-for-sale financial assets	15			0.0			0.0	0.0
Current financial assets		**0.0**	**0.0**	**5.8**	**0.0**	**0.0**	**5.8**	**5.8**
Cash and cash equivalents	**15**	**42.2**					**42.2**	**42.2**
Bank borrowings	15					(261.4)	(261.4)	(261.4)
Current advances	15					(1.6)	(1.6)	(1.6)
Bank overdrafts	15					(3.3)	(3.3)	(3.3)
Current financial liabilities	15					(36.2)	(36.2)	(36.2)
Borrowings	**15**	**0.0**	**0.0**	**0.0**	**0.0**	**(302.5)**	**(302.5)**	**(302.5)**
Trade payables						**(69.7)**	**(69.7)**	**(69.7)**
Carrying amount per category		**42.2**	**0.0**	**28.9**	**139.1**	**(372.2)**	**(162.0)**	**(162.0)**

Classification of financial instruments measured at fair value by method of determining fair value

	Fair value of the category on June 30, 2010	Quoted price Level 1	Internal model with observable parameters Level 2	Internal model with non-observable parameters Level 3
Investments (see Note 2-J1)	23.1			23.1
Derivatives (assets)	2.4		2.4	
Available-for-sale financial assets	0			
Cash	42.2	42.2		
Derivatives (liabilities)	-7.4		-7.4	

Dec. 31, 2009		Accounting categories						
Balance sheet accounts and instrument categories	Note	Assets held at fair value through P&L	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost	Total net value of the category on the balance sheet	Fair value of the category
Unlisted investments	9			21.8			21.8	21.8
Other non-current financial assets and derivatives held as assets	3/15				9.4		9.4	9.4
Non-current financial assets		**0.0**	**0.0**	**21.8**	**9.4**	**0.0**	**31.2**	**31.2**
Trade receivables	**11**				**92.0**		**92.0**	**92.0**
Current financial assets	15				6.0		6.0	6.0
Other assets					1.7		1.7	1.7
Available-for-sale financial assets	15			1.2			1.2	1.2
Current financial assets		**0.0**	**0.0**	**1.2**	**7.7**	**0.0**	**8.9**	**8.9**
Cash and cash equivalents	**15**	**32.9**					**32.9**	**32.9**
Bank borrowings	15					(192.7)	(192.7)	(192.7)
Current advances	15					(1.9)	(1.9)	(1.9)
Bank overdrafts	15					(31.0)	(31.0)	(31.0)
Current financial liabilities	15					(29.4)	(29.4)	(29.4)
Borrowings		**0.0**	**0.0**	**0.0**	**0.0**	**(255.0)**	**(255.0)**	**(255.0)**
Trade payables						**(53.7)**	**(53.7)**	**(53.7)**
Carrying amount per category		**32.9**	**0.0**	**23.0**	**109.1**	**(308.7)**	**(143.7)**	**(143.7)**

Note 17 Other non-recurring income and expense

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

In millions of euros	First half 2010	First half 2009
Real estate sales	2.9	
Prior earnings of newly consolidated entities and acquisition expenses	(1.2)	
Furnace incident and shutdown	(1.0)	
Transfers/restructuring	(0.6)	(0.2)
EU fine and US civil lawsuits		(0.6)
Other	(1.1)	(0.5)
TOTAL	**(1.0)**	**(1.3)**

In the first half of 2010, non-recurring income and expense resulted in net expense of €1.0 million. Expenses mainly consisted of costs relating to the Gennevilliers furnace incident and the shutdown of identical furnaces elsewhere in the Group; acquisition-related charges (prior earnings and acquisition expenses); and expenses relating to the change in company name. These charges were partly offset by sales of real estate in Brazil and Evreux, France.

In the first half of 2009, non-recurring income and expense resulted in net expense of €1.3 million. This included €0.6 million of costs relating to ongoing disputes with the European Community and civil lawsuits in the United States.

Note 18 Segment reporting

Operating income

In millions of euros	Advanced Materials and Technologies (AMT)		Electrical Components and Technologies (ECT)		Total for continuing operations	
Sales	**First half 2010**	**First half 2009**	**First half 2010**	**First half 2009**	**First half 2010**	**First half 2009**
Sales to third parties	150.7	134.2	197.4	168.9	348.1	303.1
Breakdown of sales	43.3%	44.3%	56.7%	55.7%	100.0%	100.0%
Segment operating income before non-recurring items	**16.6**	**17.6**	**24.8**	**17.9**	**41.4**	**35.5**
Segment operating margin before non-recurring items*	11.0%	13.0%	12.6%	10.6%	11.9%	11.7%
Segment non-recurring income and expenses	0.3	(0.5)	(0.2)	(0.9)	0.1	(1.4)
Amortization of revalued intangible assets	(0.3)		(0.1)		(0.4)	0.0
Segment operating income	**16.6**	**17.1**	**24.5**	**17.0**	**41.1**	**34.1**
Segment operating margin*	11.0%	12.7%	12.4%	10.1%		
EBITDA margin [1]	18.8%	21.1%	15.5%	13.6%		
Unallocated current costs					(7.0)	(6.6)
Unallocated non-current costs					(1.1)	0.1
Operating income from continuing operations					**33.0**	**27.6**
Operating margin from continuing operations					9.5%	9.1%
Finance costs, net					(5.9)	(5.7)
Current and deferred income tax					(8.7)	(6.2)
Net income from continuing operations					**18.4**	**15.7**

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

Breakdown of depreciation and amortization recognized by segment

In millions of euros	First half 2010				First half 2009			
	AMT	ECT	Unallocated	Total	AMT	ECT	Unallocated	Total
TOTAL	**(11.7)**	**(5.7)**	**(0.1)**	**(17.5)**	**(10.7)**	**(5.0)**	**(0.1)**	**(15.8)**

SEGMENT ASSETS

In millions of euros	AMT	ECT	TOTAL	Intra-Group transactions eliminated	Total at June 30, 2010
Non-current assets, net (excluding investments)	390.5	200	590.5		590.5
Inventories, net	87.1	75.3	162.4		162.4
Trade receivables	84.6	92.6	177.2	(48.1)	129.1
Other receivables	16.3	9.7	26	(5.8)	20.2
TOTAL SEGMENT ASSETS	**578.5**	**377.6**	**956.1**	**(53.9)**	**902.2**
TOTAL UNALLOCATED ASSETS					**101.7**
TOTAL					**1003.9**

SEGMENT LIABILITIES

In millions of euros	AMT	ECT	TOTAL	Intra-Group transactions eliminated	Total at June 30, 2010
Trade payables	59.0	58.8	117.8	(48.1)	69.7
Other payables and other liabilities	45.5	48.1	93.6	(5.8)	87.8
Non-current and current provisions	1.1	0.8	1.9		1.9
Employee benefits	11.4	24.5	35.9		35.9
TOTAL SEGMENT LIABILITIES	117.0	132.2	249.2	(53.9)	195.3
TOTAL UNALLOCATED LIABILITIES					335.2
TOTAL					530.5

Note 19 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement indemnities) came to €112 million in the first half of 2010 compared with €99.7 million in the first half of 2009.

On a like-for-like basis, staff costs increased by 8%.

Breakdown of the consolidated average headcount by geographical area

Geographical area	June 30, 2010	%	Dec. 31, 2009	%
France	1,434	22%	1,399	25%
Rest of Europe (+ Tunisia)	1,067	17%	1,052	19%
North America (+ Mexico)	1,784	28%	1,682	30%
Asia	1944	29%	1251	22%
Rest of the world	228	4%	233	4%
TOTAL	6,457	100%	5,617	100%

At comparable scope, the average headcount increased by 210 employees.

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	2010	2009
Product sales	336.8	293.1
Trading sales	11.3	10.0
TOTAL SALES	**348.1**	**303.1**
Other operating revenues	3.3	3.0
Cost of trading sales	(7.9)	(7.0)
Raw material costs	(89.8)	(78.6)
Costs on other operating revenues	(1.3)	(0.8)
Manufacturing costs	(58.2)	(50.7)
Salary costs	(109.3)	(98.4)
Employee incentives and profit-sharing	(2.7)	(1.3)
Other expenses	(30.2)	(24.6)
Financial components of operating income	(1.5)	(1.1)
Depreciation and amortization	(17.5)	(15.8)
Income from sales of non-current assets		(0.2)
OPERATING INCOME	**33.0**	**27.6**

Note 21 Financial income and costs

In millions of euros	First half 2010	First half 2009
Amortization of bond issuance expenses	(0.2)	(0.2)
Interest paid on debt	(5.7)	(5.5)
Short-term financial expense	0.0	(0.1)
Interest income from bank deposits	0.0	0.1
Finance costs, net	**(5.9)**	**(5.7)**

The net finance costs stated above include the following items resulting from assets and liabilities not measured at fair value through profit and loss:

Total interest expense on financial liabilities	(5.9)	(5.8)
Total interest income on financial assets	0.0	0.1
Finance costs, net	**(5.9)**	**(5.7)**

Recognized directly in equity *In millions of euros*	First half 2010	First half 2009
Change in fair value of currency hedges	(1.7)	0.7
Change in fair value of interest-rate hedges	(1.9)	0.1
Change in fair value of commodity hedges	0.0	2.2
Tax on changes recognized in equity	1.1	(1.0)
Net finance costs recognized directly in equity, net of tax	**(2.5)**	**2.0**

Note 22 Income tax

In millions of euros	First half 2010	First half 2009
Current income tax	(4.2)	(8.5)
Deferred income tax	(4.4)	2.4
Withholding tax	(0.1)	(0.1)
TOTAL TAX EXPENSE	**(8.7)**	**(6.2)**

The Group has:

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

The Group's effective tax rate on continuing operations came to 32% in the first half of 2010 compared with 27% in fiscal 2009.

Analysis of income tax expense

In millions of euros	First half 2010
NET INCOME FROM CONTINUING OPERATIONS	**18.4**
Income tax expense/(benefit) on continuing operations	(8.7)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**(8.7)**
TAXABLE INCOME	**27.1**
Current tax rate in France	34.4%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(9.3)
Difference between income tax rate in France and other jurisdictions	(0.1)
Permanent timing differences	(2.0)
Impact of limiting deferred tax assets	0.3
Other items	2.4
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	**(8.7)**

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

In millions of euros	June 30, 2010	Dec. 31, 2009
Deferred tax assets	22.7	20.0
Deferred tax liabilities	(23.6)	(15.6)
Net position	**(0.9)**	**4.4**

Deferred tax movements in the first half of 2010 were as follows:

*In millions of euros**	Dec. 31, 2009	Net income for the period	Other	Translation adjustment	June 30, 2010
Employee benefit obligations	7.4	(0.9)	0.3	0.4	7.2
Provisions for restructuring				(0.1)	(0.1)
Depreciation of non-current assets	(17.0)	0.3		(2.9)	(19.6)
Tax-regulated provisions	(3.3)	(0.2)	0.1		(3.4)
Impact of tax losses	23.3	(4.3)	2.7	(0.4)	21.3
Impairment losses	(0.2)	(0.1)	0.9	(0.6)	0.0
Other items	(5.8)	0.8	(2.1)	0.8	(6.3)
DEFERRED TAX ON THE BALANCE SHEET - NET POSITION	**4.4**	**(4.4)**	**1.9**	**(2.8)**	**(0.9)**

** (liability) / asset.*

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

Note 23 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	First half 2010	First half 2009
Numerator: Net income used to compute basic earnings per share (net income for the period).	16.7	13.3
Denominator: Weighted average number of ordinary shares used to compute basic earnings per share	19,610,748	15,439,115
Adjustment for dilutive potential ordinary shares: unexercised options	662,469	732,801
Weighted average number of ordinary shares used to compute diluted earnings per share	20,273,217	16,171,916
Basic earnings per share *(€)*	0.85	0.86
Diluted earnings per share *(€)*	0.82	0.82

Continuing operations	First half 2010	First half 2009
Numerator: Net income used to compute basic earnings per share (net income for the period).	17.8	15.2
Denominator: Weighted average number of ordinary shares used to compute basic earnings per share	19,610,748	15,439,115
Adjustment for dilutive potential ordinary shares: unexercised options	662,469	732,801
Weighted average number of ordinary shares used to compute diluted earnings per share	20,273,217	16,171,916
Basic earnings per share *(€)*	0.91	0.98
Diluted earnings per share *(€)*	0.88	0.94

Note 24 Dividends

Shareholders in the AGM approved a dividend of €0.50 per share in respect of fiscal 2009, representing an aggregate amount of €9.8 million. Following the shareholders' decision in the May 20 AGM, where they were given the option to receive dividends in the form of new shares, and the decision taken by the Management Board on July 2 noting the option selected by shareholders to reinvest 13,740,074 rights in new shares, a €7 million capital increase (involving the issue of 294,921 new shares) will be recorded in July 2010 and the Group will pay cash dividends totaling €2.8 million.

Note 25 Leases

1 - Finance leases

Carrying amount by asset category

In millions of euros	June 30, 2010	Dec. 31, 2009
Buildings	0	0

2 - Leases where the Group is the lessee (operating leases)

Schedule of minimum payments

In millions of euros	Total at June 30, 2010	< 1 year	> 1 year	o/w five years or more
Minimum payments	61.9	5.7	20.6	35.6

Minimum payments represent the amount of certain future property lease payments up until the expiration of the lease prior to any renewals. The leases do not contain any clause restricting debt or on dividend payments.

The increase in minimum payments by comparison with December 31, 2009 (€41.2 million) mainly concerns future lease payments relating to the extension of Mersen Xianda Shanghai's plant in China.

Note 26 Related party disclosures

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 belongs to the Mersen group, which encompasses 101 consolidated and unconsolidated companies in 38 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries and associates.

Group sales to unconsolidated subsidiaries amounted to €3.5 million in the first half of 2010, compared with €7.0 million in the first half of 2009.

In the first half of 2010, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0.2 million (2009: €0.1 million).

The amounts receivable by the Group from its unconsolidated subsidiaries came to €1.3 million at June 30, 2010, while amounts payable came to €0 million.

Advances made to unconsolidated subsidiaries by Mersen amounted to €2.5 million at June 30, 2010 (2009: zero).

2 - Disclosure of compensation paid to key management personnel (Executive Committee, including the Chairman of the Management Board)

In millions of euros	First half 2010	First half 2009
Salaries, bonuses, benefits in kind and directors' fees	0.7	1.0
Top-up pension plan payments(1)	0.1	0.3
Other long-term employee benefits	0.0	0.0
TOTAL(2)	**0.8**	**1.3**

(1) The members of the Executive Committee qualify for top-up pension payments, defined as follows:
Provided that the relevant person is still employed by the Group upon retirement, the regime guarantees top-up pension income of 10-20% of the basic reference salary depending on length of service during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus.
Actuarial obligations were measured at €1.3 million at June 30, 2010, compared with €2 million at December 31, 2009.

(2) The reduction in overall compensation between 2009 and 2010 was mainly due to the retirement of two Executive Committee members.

Members of the Executive Committee do not qualify for any other long-term employee benefits.

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

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

- stock options: 198,000 stock options were granted to the Executive Committee members (including the Chairman of the Management Board) in 2007 and 2009:

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

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

- bonus share allotments: see the table of previous allotments to the Executive Committee (including the Chairman of the Management Board) below.

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

No bonus shares were allotted to Executive Committee members under the 2008 plan.

Note 27 Commitments and contingencies

A - Financial commitments and liabilities

In millions of euros	June 30, 2010	Dec. 31, 2009	June 30, 2009
Commitments received			
Guarantees and endorsements	0.0	0.2	0.2
Other commitments received	0.4	0.6	1.3
TOTAL	**0.5**	**0.8**	**1.4**
Commitments given			
Collateralized debts and commitments	0.0	0.3	0.3
Market guarantees	20.3	20.5	18.7
Payment guarantee on acquisition	0.0	0.0	0.0
Other guarantees	38.1	50.1	49.4
Other commitments given	6.4	8.1	3.1
TOTAL	**64.8**	**79.0**	**71.5**

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

Nature

The largest item totaling €38.1 million relates to other guarantees, which include a €14.4 million guarantee (initially €43 million) given to the European Commission as a result of the fine handed down during 2003 by the European Commission. From this guarantee was deducted downpayments, followed by actual payments made after the failure of the appeal to the European Court of Justice (€14.5 million in March 2010). The balance of the guarantee corresponds to the remaining payment due in September 2010. This line item also includes a guarantee of €16 million covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements.

Maturity

Commitments and contingencies with a maturity of over 1 year amounted to €28.7 million. They include the €16 million linked to the cash pooling system, which remains in force for as long as the cash pooling agreements are in place. Market guarantees generally last for less than one year, except for a few market guarantees whose duration does not exceed three years. The €14.5 million guarantee given to the European Commission expires in December 2010.

Control

Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to commitments and contingencies without obtaining the prior approval of the Group's finance department and, where appropriate, of the Management Board. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the accounts consolidation procedure.

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

C - Individual Right to Training

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

Note 28 Subsequent events

None

Note 29 Approval of the financial statements

The Group's interim consolidated financial statements for the six months ended June 30, 2010 were approved by the Management Board at its meeting on August 27, 2010.

Statutory auditors' report on financial reporting for the first half of 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and with article L.451-1-2 III of the Code Monétaire et Financier, we have:

- carried out a limited review of the summary consolidated financial statements of Mersen S.A. (formerly Le Carbone Lorraine S.A.) for the six-month period from January 1, 2010 to June 30, 2010 as enclosed with this report;
- examined information provided in the interim activity report.

The Management Board was responsible for the preparation of these summary first-half consolidated financial statements in a context, described in note 2-V to the financial statements ("Use of Estimates" section), in which there were some difficulties in gauging future prospects. This context already existed at December 31, 2009. Our responsibility is to express our conclusion on these financial statements based on our limited review.

I - Conclusion on the financial statements

We conducted our limited review in accordance with the prevailing standards of the profession in France. A limited review consists mainly of holding discussions with senior managers in charge of accounting and finance, and carrying out analysis work. This work is less extensive than that required by an audit according to the prevailing standards of the profession in France. As a result, a limited review provides a moderate level of assurance, i.e. a lower level of assurance than that provided by an audit, that the financial statements as a whole are free of material misstatement.

On the basis of our limited review, we have not seen any material misstatements that would make the summary interim consolidated financial statements non-compliant with IAS 34 "Interim financial reporting" as adopted by the European Union.

Without prejudice to the above conclusion, we would draw your attention to Note 2 "Accounting policies and principles of consolidation", which lists new texts published by IASB, application of which was mandatory at January 1, 2010.

II - Specific verification

We also examined comments contained in the interim activity report on the summary interim consolidated financial statements on which we carried out our limited review. We are satisfied that the information is fairly stated and agrees with the summary interim consolidated financial statements.

Paris La Défense Neuilly-sur-Seine, August 27, 2010

The Statutory auditors

KPMG Audit ID	Deloitte & Associés
Catherine Porta	Joël Assayah
Partner	*Partner*

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Statement of the officer

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

Paris, August 27, 2010

Ernest Totino

Chairman of the Managing Board

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