Mersen: 2012 full-year results

Paris, March 20, 2013 - Mersen (Euronext FR0000039620 – MRN), a global expert in materials and equipment for extreme environments and for the safety and reliability of electrical equipment, has today reported its full-year results for 2012.

Mersen's Supervisory Board met on March 19, 2013 and reviewed the audited 2012 financial statements. The Management Board met on the same day to approve them.

2012 key figures

Reported sales (€811 million) in line with the 2011 level (down 8.8% on a like-for-like basis)

EBITDA[1] of €116 million, representing 14.3% of sales

Operating income before non-recurring items of €76.3 million or 9.4% of sales in line with expectations

Net income attributable to Mersen's shareholders (€5.6 million) impacted by impairment losses arising from the plan to dispose of non-core businesses

Dividend of €0.45 per share proposed, representing a payout ratio (excluding impairment losses arising from the disposal plan) in line with the 2011 level (35%)

High level of cash flow from operating activities[2] (€109 million, up €41 million compared with 2011)

Net debt of €241 million, representing a solid net debt to EBITDA ratio of 2.1x[3].

Highlights of 2012

Integration of Eldre bolstering the Group's position in power electronics

Execution of adaptation plans in response the economic conditions

Decision to dispose of unprofitable non-core businesses

Refinancing of the syndicated loan strengthening the Group's finances

[1] Operating income before non-recurring items + depreciation and amortization
[2] Continuing operations before capital expenditures
[3] Ratio calculated using the covenant method for the USD350 million syndicated loan

Luc Themelin, the Chairman of the Management Board, commented:

"*2012 was marked by a complex and very mixed environment. While the Group achieved commercial success in the chemicals, aerospace and process industries, Europe's economy was particularly sluggish, and the solar energy market contracted. Against this backdrop, Mersen took measures to adjust its production and its organization. During 2013, we will continue this drive to strengthen the Group's competitiveness. I am confident in our ability to seize any opportunities arising and strengthen our leadership positions in our business segments.*"

Sales and operating margin before non-recurring items

The Group's consolidated **sales** totaled €810.7 million. They declined 8.8% on a like-for-like basis compared with the pro forma 2011 figure*. On a reported basis, the decline came to just 0.7%, owing to the contribution made by Eldre, which was consolidated from the beginning of the year, and positive currency effects.

EBITDA[4] totaled €116.0 million, representing 14.3% of sales, compared with 17.6% in 2011 on a pro forma basis*.

The Group's **operating income before non-recurring items**[5] came to €76.3 million in 2012, representing an operating margin of 9.4% of sales, down 3.7 points compared with the pro forma 2011 figure*.

Sales in the **Advanced Materials and Technologies** (AMT) segment posted an organic contraction of 11.3% during the year owing to the slowdown in the solar energy market. Excluding solar energy, the Group posted organic growth of 7.2% thanks to billings on major chemicals contracts and healthy performance in process industries and aerospace transportation.

The AMT segment's EBITDA totaled €62.5 million. This represented 18.0% of the segment's sales, down 6 points compared with 2011. This decline was primarily attributable to the business contraction. Another contributing factor was the unfavorable product mix, with strong sales of lower-margin chemicals and, to a lesser extent, price cuts towards the end of the year. These factors were partially offset by savings measures launched in 2012. Operating income before non-recurring items totaled €35.2 million, representing an operating margin of 10.1% of sales.

Sales recorded by the **Electrical Components and Technologies** (ECT) segment came to €464 million in 2012, up 3.2% compared with 2011 thanks to the contribution made by Eldre, which was acquired in early 2012. On a like-for-like basis, the segment's sales contracted by 6.7%. The decline was felt across all markets and electronics in particular.

The ECT segment generated EBITDA of €66.1 million, representing 14.2% of sales compared with 15.4% in 2011. In spite of the top-line contraction, this healthy resilience was largely attributable to the savings plans introduced. Operating income before non-recurring items totaled €54.0 million, representing an operating margin before non-recurring items of 11.6% of sales.

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[4] Operating income before non-recurring items + depreciation and amortization

[5] Based on the definition laid down in CNC regulation 2009.R.03.

*Restatement of the 2011 financial statements to exclude the businesses to be sold or discontinued

Net income from continuing operations

Net income from continuing operations totaled €34.0 million during the fiscal year, compared with €62.4 million in 2011. **Non-recurring income and expense** showed a loss of €11.3 million owing chiefly to the recognition of restructuring costs linked to the adaptation plans. **Net financial expense** totaled €13.0 million in 2012, up €3 million compared with 2011, owing to the €20 million increase in average debt during the year and the rise in the Group's average borrowing rates with the significant extension in the maturity of its debt. Lastly, **income tax expense** totaled €17.1 million over the year. This represented an effective tax rate of 33%, which is similar to the 2011 rate.

Assets held for sale and discontinued operations

The net loss from assets held for sale and discontinued operations came to €27.7 million, compared with €2.7 million in 2011. This mainly reflected the €25.4 million charge linked to the plan to withdraw from metal boilermaking equipment for the nuclear power market, metal plate heat exchangers, and stirrers and mixers, and discontinuation of activities for the nuclear power market at Xianda's facility in China. This charge comprised a €20 million impairment loss, plus the €5.4 million net loss (excluding disposals) posted by the business activities in 2012.

Net income

Accordingly, net income came to €6.3 million. Net income attributable to Mersen's shareholders came to €5.6 million, down from €56.9 million in 2011.

Cash and debt

Cash flow generated by operating activities before tax and the change in the WCR came to €103.8 million in 2012, compared with €135.4 million in 2011.
The **working capital requirement** was reduced by €28 million owing to the business contraction and continued implementation of action plans to reduce inventories.
Capital expenditures totaled €42.2 million, with the bulk devoted to finalization of the plan to roll out new graphite production capacity launched in 2011 and implementation of dedicated new equipment for SiC coatings for electronics applications.
Accordingly, **net cash flow** from operating activities generated by continuing operations posted a significant increase to €108.9 million from €68.0 million in 2011.

Net debt at year-end 2012 came to €241 million, stable compared with the 2011 level of €239 million. This change reflects the impact of the Eldre acquisition and payment of the majority of the 2011 dividend in cash.

Financial structure

The Group's finances remained solid. Its net debt to EBITDA ratio stood at 2.07x[6] compared with 1.61x[6] at year-end 2011. The net debt to equity ratio came to 45%[6], the same level as its year-end 2011 level (44%).

Dividend

At the forthcoming AGM on May 16, the Supervisory Board is set to propose payment of a **dividend** of €0.45 per share. This would represent a payout ratio of 35% of the Group's net income before the impact of impairment losses linked to the disposal plan. Shareholders will be given the option of electing for payment of the dividend in shares.

Outlook

As in 2012, the Group will face a mixed economic environment in 2013.

Mersen aims to generate 2013 sales comparable with 2012 level on a like-for-like basis. The Group anticipates a tough start to the year, in line with the second half of 2012, with a top-line recovery during the second half of 2013.

As previously announced, Mersen will continue to roll out its adaptation plan during the year to reduce its cost base by some €10 million, but it will have to contend with pricing pressures and an unfavorable product mix in the AMT segment. Accordingly, Mersen aims to achieve an EBITDA margin of around 14% of sales and an operating margin before non-recurring items of around 9% over the full year.

In addition, Mersen will continue to implement its plans to improve the logistics chain and its cash management and anticipates a significant decrease in capital expenditures compared with 2012.

In the medium term, the Group will continue to leverage the strengths of its teams, its expertise and the relationships it has built with its customers to strengthen its positions and step up the pace of its development.

[6] Ratio calculated using the covenant method for the USD350 million syndicated loan

Simplified consolidated income statement

In € million	Dec. 31, 2012	Dec. 31, 2011 Pro-forma	Dec. 31, 2011
Sales	810.7	816.2	829.6
Gross income	242.1	263.1	264.4
Selling costs & other	(79.3)	(77.1)	(80.5)
Administrative & research costs	(86.5)	(79.5)	(80.4)
Operating income before non recurring items	**76.3**	**106.5**	**103.5**
in % of sales	*9.4%*	*13.1%*	*12.5%*
Non-recurring income and expense	(11.3)	(3.5)	(4.2)
Amortization of revalued intangible assets	(0.9)	(0.9)	(0.9)
Operating income	64.1	102.1	98.4
Financial costs	(13.0)	(10.2)	(10.2)
Current and deferred income tax	(17.1)	(29.5)	(29.5)
Net income from continuing operations	34.0	62.4	58.7
Net income from assets held for sale	(27.7)	(2.7)	1.0
NET INCOME FROM THE YEAR	**6.3**	**59.7**	**59.7**
EBITDA	**116.0**	**143.5**	**140.7**
in % of sales	*14.3%*	*17.6%*	*17.0%*

Segmental analysis excluding corporate expenses

	Advanced Materials & Technologies		Electrical Components & Technologies	
In € million	Dec. 31, 2012	Dec. 31, 2011 Pro-forma	Dec. 31, 2012	Dec. 31, 2011 Pro-forma
Sales	**346.3**	**366.2**	**464.4**	**450.0**
EBITDA	62.5	87.9	66.1	69.5
in % of sales	18.0%	24.0%	14.2%	15.4%
Operating income before non recurring items	35.2	63.2	54.0	57.3
in % of sales	10.1%	17.3%	11.6%	12.7%

Simplified balance-sheet

In € million	Dec. 31, 2012	Dec. 31, 2011
Non-current assets	664.6	651.5
Inventories	173.6	188.7
Trade and other receivables	126.7	148.7
Other assets	14.9	5.1
TOTAL	**979.8**	**994.0**

In € million	Dec. 31, 2012	Dec. 31, 2011
Liabilities and equity	527.6	542.9
Provisions	3.3	5.5
Employee benefits	36.2	35.6
Trade and other payables	119.2	131.8
Other liabilities	52.0	38.7
Net debt	241.5	239.5
TOTAL	**979.8**	**994.0**

Simplified statement of cash-flow

In € million	Dec. 31, 2012	Dec. 31, 2011 Pro-forma	Dec. 31, 2011
Operating cash-flow before change in WCR	103.8	135.4	131.5
Change in WCR	27.7	(35.6)	(36.8)
Income tax paid	(22.6)	(31.8)	(31.8)
Net cash generated by continuing operating activities	**108.9**	**68.0**	**62.9**
Cash generated by discontinued operations	(7.1)	(5.5)	(0.4)
Operating cash-flow	101.8	62.5	62.5
Capital expenditure	(42.2)	(52.7)	(53.3)
Operating cash-flow after capex	59.6	9.8	9.2
Change in scope (acquisitions)	(30.0)	(9.5)	(9.5)
Property disposal and others	1.5	7.9	7.9
Cash generated/(used) by investing activities from discontinued activities	(0.6)	(0.6)	
Cash-flow used by investing activities	**(71.3)**	**(54.9)**	**(54.9)**
Cash generated by operating and investing activities	**30.5**	**7.6**	**7.6**

The reference document is available for download from the Mersen website

Financial calendar

2013 Q1 sales: April, 29 2013 (after market)

About Mersen

A Global expert in materials and solutions for extreme environments as well as in the safety and reliability of electrical equipment, Mersen designs innovative solutions to address its clients' specific needs to enable them to optimize their manufacturing process in sectors such as energy, transportation, electronics, chemical, pharmaceutical and process industries.

With around 7,000 employees in over 40 countries, Mersen achieved consolidated sales of c.€830 million in 2012.

The Group is listed on NYSE Euronext Paris – Compartment B

Visit our website www.mersen.com

Analyst and Investor Contact
Véronique Boca
VP Financial Communication
Mersen
Tel: + 33 (0)1 46 91 54 40
Email: dri@mersen.com

Press Contact
Nicolas Jehly / Guillaume Granier
FTI Consulting Strategic Communications
Tel: +33 (0)1 47 03 68 10
Email: nicolas.jehly@fticonsulting.com / guillaume.granier@fticonsulting.com

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