Mersen: 2013 half-year results

Paris, August 29, 2013 – Mersen (Euronext FR0000039620 – MRN), a global expert in materials and equipment for extreme environments and for the safety and reliability of electrical equipment, today published its 2013 half-year results.

The financial statements for the first half of 2013 have been reviewed by Mersen's Supervisory Board and approved by the Management Board on August 28, 2013.

Significant events of first-half 2013

- Lackluster economic conditions, particularly in Europe
- Sluggish solar energy market
- Effectiveness of adaptation plans
- Divestiture of the Grésy-sur-Aix plant

Key figures for first-half 2013

- Sales in line with those of H2 2012 on a like-for-like basis, down 9.1% compared with H1 2012
- Operating income before non-recurring items of €30.6m, representing 8.1% of sales
- €23.2m in net cash from operating activities before capital expenditure[1]
- Net debt/EBITDA:[2] 2.3[3]. Net debt/equity: 47%

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[1] Continuing operations
[2] Earnings before interest, tax, depreciation and amortization
[3] According to the calculation used for the US$100m private placements issued in November 2011 and to the new syndicated credit facility subscribed in July 2012

"Business volume for the first half of the year was in line with the second half of 2012 and down compared with the first half of 2012. In this unfavorable environment, Mersen was able to limit the impact of declining sales on its current operating margin, which stood at 8.1%. This was possible thanks to the results of the adaptation plans, which exceeded the targets set.

For the second half of the year, we do not anticipate any significant improvement in the economic climate. We are continuing our cost control efforts. In the medium term, the Group is expected to benefit from an upturn, particularly in the energy and electronics markets with more major projects coming on stream. This recovery will have a significant impact on the Group's results and cash flow, thanks to an improved cost base and more limited investment requirements," stated Luc Themelin, Chairman of Mersen's Management Board.

Sales and operating margin before non-recurring items

Consolidated **sales** for first-half 2013 amounted to €377.0 million, on a par with the level posted for the second half of 2012 and down 9.1%, like-for-like compared with first-half 2012. However, the situation improved during the period, with sales in the second quarter up 2.1% over the first quarter on a like-for-like basis.

EBITDA[4] declined by 23% to €51.0 million from €66.5 million in first-half 2012, representing 13.5% of sales versus 15.9%. This gap was due to lower business volume, to a lesser extent an unfavorable product mix, and price pressure in a division of the Materials segment. The combined effects were nevertheless partially offset by the adaptation plans which led to a net cost reduction of €8 million in the first half of the year, higher than the figure expected by the Group at the start of the year.

The Group's operating income before non-recurring items[5] amounted to €30.6 million. Operating margin before non-recurring items was 8.1% of sales, down 3.1 points compared with the first half of 2012.

Sales for the **Materials segment** amounted to €153.6 million, an organic decrease of 12.6% for first-half. This decline was due to the slowdown in the solar energy market and in particular a drop in deliveries to polysilicon manufacturers. Excluding solar energy, the decline was limited to 2.1%. Deliveries to the chemicals market remained at a high level and aerospace business increased, driven by faster delivery rates.

EBITDA generated by the Materials segment amounted to €26.0 million, i.e. 16.9% of the segment's sales. Operating income before non-recurring items was €11.8 million, representing an operating margin of 7.7% of sales, versus 11.2% for the same period in 2012. This decline was attributable to a lower business volume and pressure on graphite prices in some regions. However, it was partially offset by the positive effects of the adaptation plans.

Sales for the **Electrical segment** amounted to €223.4 million at June 30, 2013, down 6.6% on a like-for-like basis. In Europe, this decline mainly affected the process industries. Sales to the rail sector were unchanged compared with the same period last year, while sales to the wind energy market were down as a result of the non-renewal of one-time contracts for original wind farm equipment.

EBITDA generated by the Electrical segment was €30.9 million representing 13.9% of sales. Operating income before non-recurring items stood at €25.0 million. Operating margin before non-recurring items was 11.2% of sales, down slightly over the 2012 level of 12.1%, due to lower business volume offset by the adaptation plans.

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

[5] As defined in Recommendation 2009.R.03 of the French National Accounting Board (CNC)

Net income

Net income attributable to Group equity holders came in at €11.5 million, versus €23.0 million for the same period in 2012.

Non-recurring income and expenses resulted in a net charge of €4.4 million, mainly for restructuring costs related to the adaptation plans. Mersen's net finance costs totaled €5.6 million in the first half of 2013, lower than that for the same period in 2012 due to a drop in average net debt of €18 million at constant exchange rates. The tax charge was €6.3 million for the first half, giving an effective tax rate of 31% (versus 33% in the first half of 2012).

Net loss from operations sold or discontinued amounted to €1.7 million. This includes for first-half 2013 the contribution from activities relating to metal plate heat exchangers and mixers, as well as to metal boilermaking equipment for the nuclear power market. The plan to sell these activities was announced in February 2013.

Cash and debt

Cash flows from operating activities before income tax and change in working capital requirements from continuing operations amounted to €47.0 million in the first half of the year, compared with €62.9 million for the first half of 2012.

Working capital requirements increased by €12.1 million for the period (versus an increase of €5.3 million during first-half 2012). This change was related to the increase in trade receivables linked to the SABIC contract's temporary negative cash flow impact as well as to seasonal sales fluctuations. Inventory levels were down.

Capital expenditure amounted to €12.1 million, around 60% of which was related to the Materials segment. This was down sharply compared with 2012 for which most capital expenditure was recorded in the second half of the year.

As a result, **net cash-flow from continuing operations after capital expenditure** generated during the first half of the year amounted to €11.1 million versus €29.2 million in the first half of 2012.

Net cash from discontinued operations was - €6.4 million.

Net debt at June 30, 2013 was €242.8 million, on a par with the level posted at the end of 2012 (€241.5 million).

Financial position

The Group is in a sound financial position: net debt/EBITDA leverage was 2.3[6] versus 2.1 at the end of 2012. The net debt to equity ratio was 47%[5] versus 45% at the end of 2012.

Dividend

At the Annual General Meeting, shareholders decided to set the dividend at €0.45 per share and to offer an option of payment in shares. In early July, dividends totaling €2.8 million were paid in cash in respect of 2012 and 402,057 new shares were issued in lieu of dividends, leading to a capital increase of €6.2 million (nominal value and share premium).

Subsequent events

On July 8, 2013, Mersen announced the sale of its Grésy-sur-Aix plant to the Nawi Group, specialists in boilermaking equipment for the nuclear power industry.

Outlook

The Group confirms its forecasts for 2013, as reported at the end of July, namely:

- a decline in sales of around 5% on a like-for-like basis
- EBITDA margin between 13% and 13.5%
- operating margin before non-recurring items between 8% and 8.5%

In addition, the cash-flow from operating activities generated by the Group in the second half will be higher than in the first half.

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[6] According to the calculation used for the US$100m private placements issued in November 2011 and to the new syndicated credit facility subscribed in July 2012

Condensed Consolidated Income Statement

(In millions of euros)	*June 30, 2013*	*June 30, 2012**
Consolidated sales	**377.0**	**419.3**
Total gross margin	110.5	129.2
Selling, marketing and other costs	(38.2)	(39.0)
Administrative and research costs	(41.7)	(43.3)
Operating income before non-recurring items	**30.6**	**46.9**
% of Sales	*8.1%*	*11.2%*
Non recurring income and expenses, net	(4.4)	(2.3)
Amortization of revalued intangible assets	(0.6)	(0.4)
Operating income	**25.6**	**44.2**
Net finance costs	(5.6)	(6.6)
Current and deferred income tax	(6.3)	(11.9)
Net income from continuing operations	**13.7**	**25.7**
Net (loss)/income from assets held for sale or discontinued operations	**(1.7)**	**(2.3)**
Net income for the period	**12.0**	**23.3**
Net income attributable to Group equity holders	***11.5***	***23.0***
EBITDA	**51.0**	**66.5**
% of Sales	*13.5%*	*15.9%*

* Restated data to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell at the end of 2012 a number of unprofitable assets of the Materials segment (IFRS 5).

Segment analysis excluding corporate expenses

	Materials (AMT)		Electrical (ECT)	
(In millions of euros)	*June 30, 2013*	*June 30, 2012**	*June 30, 2013*	*June 30, 2012**
Sales	**153.6**	**176.5**	**223.4**	**242.8**
EBITDA	26.0	37.4	30.9	35.3
% of Sales	*16.9%*	*21.2%*	*13.9%*	*14.6%*
Operating income before non-recurring items	**11.8**	**23.9**	**25.0**	**29.5**
% of Sales	*7.7%*	*13.6%*	*11.2%*	*12.1%*

* Restated data to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell at the end of 2012 a number of unprofitable assets of the Materials segment (IFRS 5).

Condensed Consolidated Statement of Financial Position

(In millions of euros)	*June 30, 2013*	*Dec. 31, 2012**
Non-current assets	659.0	667.8
Inventories	171.6	173.6
Trade and other receivables	142.4	126.7
Other assets	20.4	14.9
TOTAL	**993.4**	**983.0**
Equity	503.7	499.2
Provisions	4.3	3.3
Employee benefits	65.5	77.1
Trade and other payables	119.9	119.2
Other liabilities	57.2	42.7
Net Debt	242.8	241.5
TOTAL	**993.4**	**983.0**

* Restated data to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell at the end of 2012 a number of unprofitable assets of the Materials segment (IFRS 5).

Condensed Consolidated Cash-Flow Statement

(In millions of euros)	*June 30, 2013*	*June 30, 2012**
Net cash from operating activities before change in WCR	47.0	62.9
Change in working capital	(12.1)	(5.3)
Income tax paid	(11.7)	(13.7)
Net cash from continuing operations	**23.2**	**43.9**
Capital expenditure	(12.1)	(14.7)
Net cash from continuing operations after capital expenditure	**11.1**	**29.2**
Net cash from discontinued operations	(6.4)	(4.2)
Impact of changes in the scope of consolidation	0.7	(26.9)
Disposals of non-current assets and other	0.4	(0.7)
Net cash from/(used by) operating and investing activities	**5.8**	**(2.6)**

* Restated data to take account of the application of the revised IAS 19 (Employee benefits) and the decision to sell a number of unprofitable assets of the Materials segment (IFRS 5).

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Financial calendar

Q3 sales: October 29, 2013 after market close

About Mersen

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 6,600 employees in over 40 countries, Mersen achieved consolidated sales of €811 million in 2012.

The Group is listed on NYSE Euronext Paris – Compartment B

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