Paris, August 30, 2012

Mersen 2012 First-Half Results

Significant events of first-half 2012

- Difficult economic environment in Europe
- Sustained demand in North America and Asia, respectively up 7% and 15% on a like-for-like basis excluding solar
- Lower sales in the solar market, but excess inventories of solar panels in the process of being absorbed thanks to high installation rates
- Healthy order backlog in China; significant contract with Sabic
- Syndicated credit facility refinanced in July, extending the average maturity of debt to five years.

First-half 2012 financial highlights

- Sales up 2% as reported (down 6% like-for-like)
- Operating income before non-recurring items of €44.4 million, representing 10.4% of sales
- €40 million in net cash from operating activities before capex
- Net debt/Ebitda[1]: 1.98x[2] Net debt/Equity: 46%

The consolidated financial statements for the six months ended June 30, 2012 have been reviewed by the Supervisory Board and approved by the Management Board on August 29, 2012 after the auditors had performed their limited review.

[1] Earnings before interest, tax, depreciation and amortization
[2] Ratio calculated by the method specified in the covenants clauses of the loan documentation for the USD 100 million US private placement notes issue carried out in November 2011 and the new syndicated credit facility obtained in July 2012.

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Luc Themelin, Chairman of the Management Board, commented:

"After an outstanding 2011, this year began in a less favorable economic environment, particularly in Europe. We also had to contend with a temporary decline in sales to the solar market linked to excess inventories of solar cells in China. Despite this environment and the resulting fall-off in business volumes, our operating margin remained at a healthy 10.4%. This performance confirms our Group's resilience in the face of a downturn and its ability to adapt to changing conditions. Net cash from operating activities was also high, at €40 million.

We don't expect economic conditions to be more favorable for the Group in the second half of the year. However, based on recent market data, orders from photovoltaic cell manufacturers should pick up before year-end, as solar panels are still being installed at a sustained pace around the world, enabling to absorb these manufacturers' excess inventories. Looking beyond 2012, trends should be more positive, not only in the solar market as I've just mentioned but also in the electronics market, with more projects coming on stream in some sectors, and in the chemicals market where we already have a significant order backlog.

Sales and operating margin before non-recurring items

Consolidated **sales** for first-half 2012 amounted to €427.1 million. The 1.8% increase over the year earlier period was attributable to the first-time consolidation of Eldre and the favorable currency effect. On a like-for-like basis, sales were down 6%. Excluding solar, sales were up 2% with a sustained demand in North America (up 7%) and Asia (up 15%).

Ebitda[3] declined by 12% to €64.2 million from €73.1 million in first-half 2011, representing 15.0% of sales versus 17.4%. The margin erosion was due to lower business volumes and an unfavorable product mix, the combined effects of which were nevertheless partially offset by the €8 million overall impact of a productivity and cost containment plan.

Operating income before non-recurring items[4] came to €44.4 million. Operating margin before non-recurring items stood at 10.4% of sales, down 2.5 points on first-half 2011 but up 0.5 points on the same period of 2010.

The **Advanced Materials and Technologies (AMT)** division generated sales of €184.3 million, down 7.9% like-for-like on first-half 2011. The decline was due to a fall-off in sales in the solar market, as Chinese photovoltaic cell manufacturers faced excess inventories, and also reflected a very high basis of comparison. **Like-for-like growth in the division's other markets stood at 9.6%.** Demand from the process industries was strong, mainly in the United States and Asia, leading the Group to refocus its graphite production capacity. Business volumes were also higher in the aeronautic and chemicals-pharmaceuticals markets.

AMT reported Ebitda of €35.8 million, representing 19.4% of the division's sales. Its operating income before non-recurring items came to €22.1 million, representing 12.0% of sales versus 15.9% in first-half 2011. Operating margin was weakened by lower business volumes and an unfavorable product mix, with sales sharply down in the high margin solar market and up in the chemicals-pharmaceuticals market where margins are lower.

Sales by the **Electrical Components and Technologies (ECT)** division amounted to €242.8 million in first-half 2012, down 4.3% like-for-like compared with the year earlier period. The downtrend steepened in the second quarter and was particularly marked in Europe's troubled macro-economic environment. While

[3] Earnings before interest, tax, depreciation and amortization

[4] As defined in the recommendation of the French national accounting board (CNC) no. 2009.R.03.

conditions were challenging in the process industry, rail transportation and power electronics markets, demand remained strong in the windpower and air transportation markets.

ECT ended the period with Ebitda of €35.1 million, representing 14.5% of the division's sales. Its operating income before non-recurring items amounted to €29.2 million, representing 12.0% of sales versus 13.6% in first-half 2011, a decline that was due to lower business volumes.

Net income

Net income for first-half 2012 came in at €22.9 million compared with €32.9 million for the same period of 2011. Non-recurring items represented a net expense of €2.4 million and concerned restructuring plans and business acquisition costs. Net finance costs for the period amounted to €6.6 million, while income tax expense stood at €11.7 million, representing an effective tax rate of 33% in line with the 2011 rate.

Cash and debt

Net cash from operating activities before income tax payments and the change in working capital requirement amounted to €61.2 million in first-half 2012 compared with €72.3 million in the year-earlier period. The business downturn led to a lower **change in the working capital requirement** compared to the year earlier period (-€7.8 million versus -€38.0 million). Action plans to improve the Group's cash position were pursued during the period.
Capital expenditure stood at €14.7 million and mainly concerned maintenance expenditure.
As a result, **free cash flow** – corresponding to net cash from operating activities after capital expenditure – improved considerably, representing a positive €25 million versus a negative €4 million in first-half 2011.

Net debt at June 30, 2012 represented €255.2 million, up slightly from €239.5 million at December 31, 2011. The increase takes into account the early-2012 acquisition of Eldre, for approximately €30 million.

Financial position

The Group remains in a sound financial position, with a net debt to Ebitda ratio of 1.98[5] at June 30, 2012 versus 1.66 at December 31, 2011 and a net debt to equity ratio of 46%[5] versus 44% at end-2011.

[5] Ratio calculated by the method specified in the covenants clauses of the loan documentation for the USD 100 million US private placement notes issue carried out in November 2011 and the new syndicated credit facility obtained in July 2012.

Dividend

At the Annual General Meeting, shareholders decided to set the dividend at €1 per share and to offer a dividend reinvestment option. In early July, dividends totaling €19 million were paid in cash and 62,615 new shares were issued in lieu of dividends, leading to a €1.3 million capital increase.

Subsequent events

In July, Mersen obtained bank lines of credit for a total of €215 million to replace the **syndicated credit facility** that was due to expire in July 2013.
They comprise a syndicated facility with two five-year tranches of €100 million and USD 75 million respectively, repayable at maturity, and bilateral lines of credit totaling €55 million with an average maturity of four years.
The initial average spread on these lines is Euribor/Libor +115 bps. It will be revised based on the Group's net debt/Ebitda ratio. The average maturity of the drawn down amounts is now close to five years.

2012 outlook

The economic environment is expected to remain fairly unfavorable in the second half of the year. However, the solar market should pick up during the fourth quarter, although there has not yet been any sign of a significant rebound in the order flow.
Deliveries to the chemicals market look set to remain high, leading to a less favorable product-mix than in 2011 although the effect will be partly offset by on-going implementation of productivity and cost containment plans.
Looking further ahead, the Group will remain focused on its strategy and will maintain business momentum by leveraging its buoyant solar and electronics markets, along with its robust order backlog in the chemicals market.

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Condensed Consolidated Income Statement

In millions of euros	*June 30, 2012*	*June 30, 2011*
Consolidated sales	**427.1**	**419.4**
Gross margin	129.2	134.3
Selling, marketing and other costs	(40.6)	(40.7)
Administrative and R&D costs	(44.2)	(39.4)
Operating income before non-recurring items	**44.4**	**54.2**
% of Sales	*10.4%*	*12.9%*
Non recurring income and expenses, net	(2.4)	(2.0)
Amortization of revalued intangible assets	(0.4)	(0.4)
Operating income	**41.6**	**51.8**
Net finance costs	(6.6)	(4.8)
Current and deferred income tax	(11.7)	(15.7)
Net income from continuing operations	**23.3**	**31.3**
Net (loss)/income from assets held for sale or discontinued operations	(0.4)	1.6
Net income for the period	**22.9**	**32.9**
EBITDA	**64.2**	**73.1**
% of Sales	*15.0%*	*17.4%*

Segment analysis excluding corporate expenses

	Advanced Materials and Technologies		Electrical Components and Technologies	
In millions of euros	*June 30, 2012*	*June 30, 2011*	*June 30, 2012*	*June 30, 2011*
Sales	**184.3**	**189.4**	**242.8**	**230.0**
EBITDA	35.8	42.6	35.1	37.7
% of Sales	19.4%	22.5%	14.5%	16.4%
Operating income before non-recurring items	**22.1**	**30.2**	**29.2**	**31.3**
% of Sales	12.0%	15.9%	12.0%	13.6%

Condensed Consolidated Statement of Financial Position

In millions of euros	*June 30, 2012*	*Dec. 31, 2011*
Non-current assets	684.3	651.5
Inventories	198.5	188.7
Trade and other receivables	165.8	148.7
Other assets	3.4	5.1
TOTAL	**1,052.0**	**994.0**

In millions of euros	*June 30, 2012*	*Dec. 31, 2011*
Equity	553.7	542.9
Provisions	3.3	5.5
Employee benefits	37.3	35.6
Trade and other payables	142.4	131.8
Other liabilities	60.1	38.7
Net Debt	255.2	239.5
TOTAL	**1,052.0**	**994.0**

Condensed Consolidated Statement of Changes in Equity

In millions of euros	*June 30, 2012*	*June 30, 2011*
Net cash from operating activities before change in WCR	61.2	72.3
Change in working capital requirement	(7.8)	(38.0)
Income tax paid	(13.7)	(16.3)
Net cash from discontinued operations		(0.2)
Net cash from operating activities	**39.7**	**17.8**
Capital expenditure	(14.7)	(21.5)
Net cash from continuing operations after capital expenditure	25.0	(3.7)
Impact of changes in the scope of consolidation	(26.9)	0.9
Disposals of non-current assets and other	(0.7)	3.1
Net cash from/(used by) operating and investing activities	**(2.6)**	**0.3**

Paris, August 30, 2012

The interim financial report is available for download from the Mersen website

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Diary dates

Third-quarter 2012 sales: October 24, 2012 (after market closing)

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.

The Group is listed on NYSE Euronext Paris – Compartment B

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