**Paris, March 15, 2012**

# Substantial improvement in 2011 performance:
# Operating margin before non-recurring items of 12.5%
# Net income up 50%

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**2011 key figures**

Organic sales growth of 11%, which lifted 2011 sales to €830 million

Record operating income before non-recurring items of €103.5 million, representing 12.5% of sales

Strong growth in net income (up 50%) and in net income from continuing operations (up 37%)

Dividend of €1 per share proposed, up 33% compared with last year

Significant rise in the return on capital employed[1] (up 3 points)

Net debt of €239 million leading to a sound net debt/EBITDA ratio[2] of 1.6[3].

**Highlights of 2011**

Strong growth in sales to solar energy and electronics markets

Acquisition of Eldre underpinning the Group's position in power electronics

Increased graphite production capacity

Balance sheet strengthened through a USD100 million private placement

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Mersen's Supervisory Board met on March 14, 2012 and reviewed the audited 2011 financial statements. The Management Board met on the same day to approve them.

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

"*The pertinence of Mersen's strategy was amply demonstrated during 2011 by the substantial advances in its business and profitability indicators. In addition, the Group achieved some strategic successes during the year, such as acquiring Eldre, which has strengthened our position as a supplier to the power*

[1] ROCE: Operating income/average capital employed
[2] Operating income before non-recurring items + depreciation and amortization
[3] Ratio calculated using the covenant method for the USD350 million syndicated loan

*electronics industry, and the integration of Yantaï, which has enabled the Group to consolidate its positions with the leading Chinese solar cell manufacturers directly.*

*Looking ahead towards 2012, uncertainties surrounding the global economy are restricting our visibility. As we announced in January, the Group anticipates a moderate decline in sales at the beginning of the year (on a like-for-like basis) compared to the very high levels recorded in 2011. For the rest of the year, and over the medium term, barring a substantial change in economic conditions, trends are likely to be more favourable, especially in its two expanding markets, solar energy and electronics. I am confident in Mersen's ability to innovate and seize opportunities in order to accelerate its growth and its development in new markets."*

**Sales and operating margin before non-recurring items**

The Group's **consolidated sales** totaled €829.6 million. They increased by 11.9% on a reported basis and by 10.7% on a like-for-like basis, in line with the guidance provided by the Group.

**EBITDA**[4] totaled €104.7 million or 17.0% of sales, which represented a 23% increase compared with 2010.

The Group's **operating income before non-recurring items**[5] came to €103.5 million in 2011, representing an increase of 33% on 2010. The operating margin before non-recurring items stood at 12.5% of sales, in line with the Group's guidance, up 2 points by comparison with 2010.

The Advanced Materials and Technologies segment's profitability improved sharply. It remained at a high level in Electrical Components and Technologies after a tangible improvement in 2010.

The **Advanced Materials and Technologies** segment generated sales of €379.6 million, representing organic growth of 15.2%, which was stronger than the level posted in 2010. Growth was strong in the segment's main markets, i.e. **solar energy, process industries** and **chemicals/pharmaceuticals.** Sales growth slowed considerably towards the end of the year owing chiefly to high temperature equipment for the solar industry as a result of a very high base of comparison and slacker demand from solar cell manufacturers, as they had built up surplus inventories.

EBITDA in this segment came to €85 million, up 33% compared with 2010. This represented 22.4% of the segment's sales. Operating income before non-recurring items totaled €60 million, representing an operating margin of 15.9% of sales. This improvement flowed from higher business volumes, firmer pricing trends and a highly positive contribution from Yantai, a company acquired in late 2010.

The sales recorded by the **Electrical Components and Technologies** segment totaled €450 million in 2011, representing organic growth of 7.2% over the full year. In **electronics** and **transportation**, growth was significant across all geographical regions. In the **energy** market, wind energy sales were again boosted by the momentum of the replacement market in Europe and North America. Lastly, growth in **process industries** was relatively weak over the year as a whole, with a slowdown during the second half, particularly in Europe.

EBITDA in this segment came to €69.5 million, representing 15.4% of sales. Operating income before non-recurring items stood at €57 million. The operating margin before non-recurring items worked out at 12.7% of

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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.

sales, slightly above its 2010 level, owing to a positive volume effect, mitigated by higher commodity prices during the second half.

## Net income

**Net income** for fiscal 2011 came to €59.7 million, up from €39.8 million in 2010, which represented a rise of 50%. **Non-recurring income and expense** came to -€4.2 million, primarily consisting of the cost of reorganizing the M.Schneider facility in Germany. **Net finance costs** totaled €10.2 million in 2011, in line with the level recorded in 2010 (€10.8 million). Lastly, **income tax expense** totaled €29.5 million over the year, which represented an effective tax rate of 33% (32% in 2010).

## Cash and debt

Cash generated by operating activities before tax and the change in the WCR came to €131.5 million in 2011, compared with €111.0 million in 2010.

The **working capital requirement** grew owing to a rise in inventories during a period of high activity and a significant chemicals order backlog at the end of the year. Even so, inventories were being run down towards the end of the year, and the positive impact on the WCR will show up in 2012 given payment terms. Late payments, in China in particular, also drove up the WCR.

**Income tax paid** increased significantly (€32 million compared with €10 million in 2010) as all the tax loss carryforwards in North America had been used up.

**Capital expenditures** totaled €53.3 million, primarily reflecting the increase in isostatic graphite production capacity to meet demand for the solar energy, electronics and process industries markets.

Accordingly, the **net cash** generated during the year was lower than the very strong cash flows posted by the Group in 2010.

**Net debt** at year-end 2011 came to €239.5 million, slightly above the year-end 2010 level of €220.1 million. This increase reflects in particular the buy-out of minority interests in Mingrong Electrical Protection and a limited negative currency effect owing to the appreciation in the US dollar towards the end of the period.

## Financial structure

The Group's finances improved further, with the net debt to EBITDA ratio working out at 1.61[6] compared with 1.86[6] at year-end 2010. The net debt to equity ratio came to 44%[6], roughly in line with its year-end 2010 level. In early December, the Group arranged a USD100 million private placement with an average maturity of nine years, which gave it close to €500 million in committed credit lines at December 31, 2011, of which around 50% had been drawn down. It also extended the average maturity of lines drawn down to over four years.

## Dividend

At the Annual General Meeting on May 23, the Supervisory Board will propose a **dividend** of €1 per share, representing an increase of 33% compared with the previous year. This would lead to a pay-out ratio of 35% of the Group's net income[7]. Shareholders will be given the option of electing for payment of the dividend in the Company's shares, just as in previous years.

## Outlook

Visibility on 2012 remains limited. As previously announced, the Group anticipates, during the first part of the year, a moderate decline in sales (on a like-for-like basis) compared to the very good level in 2011. This decline would be principally due to the decrease in activity in the solar energy market pending the absorption of solar cell inventories in China, and also to the unfavourable macroeconomic environment in Europe. During the second half, the Group is expected to reap the benefit of firmer conditions in the solar energy market and of higher deliveries to the chemicals sector. For 2012 as a whole, the product mix is unlikely to be as supportive as in 2011, but the Group will benefit from the impact of the spending caps already introduced and the ramped-up measures to enhance cash management. The Group is thus starting out in 2012 confidently and will continue to execute its growth strategy in expanding markets, while remaining attentive and responsive to fluctuations in the global economic environment.
For the medium term, the Group is very confident on the performance it can expect from its competitive position and the solid partnerships it has built with its main customers.

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

[7] Continuing operations

Paris, March 15, 2012

### *Simplified consolidated income statement*

| *In € million* | 31-déc-11 | 31-déc-10 |
|---|---|---|
| Sales | 829.6 | 741.2 |
| Gross income | 264.4 | 231.1 |
| Selling costs & other | (80.5) | (79.0) |
| Administrative & research costs | (80.4) | (74.5) |
| Operating income before non recurring items | 103.5 | 77.6 |
| *in % of sales* | *12.5%* | *10.5%* |
| Non-recurring income and expense | (4.2) | (3.1) |
| Amortization of revalued intangible assets | (0.9) | (0.9) |
| Operating income | 98.4 | 73.6 |
| Financial costs | (10.2) | (10.8) |
| Current and deferred income tax | (29.5) | (19.9) |
| Net income from continuing operations | 58.7 | 42.9 |
| Net income from assets held for sale | 1.0 | (3.1) |
| **NET INCOME FROM THE YEAR** | **59.7** | **39.8** |
| | | |
| EBITDA | 140.7 | 114.2 |
| *in % of sales* | *17.0%* | *15.4%* |

### *Segmental analysis excluding corporate expenses*

| | Advanced Materials & Technologies | | Electrical Components & Technologies | |
|---|---|---|---|---|
| *In € million* | 2011 | 2010 | 2011 | 2010 |
| **Sales** | **379.6** | **324.8** | **450.0** | **416.4** |
| EBITDA | 85.0 | 63.9 | 69.5 | 63.6 |
| *in % of sales* | *22.4%* | *19.7%* | *15.4%* | *15.3%* |
| Operating income before non recurring items | 60.2 | 39.5 | 57.3 | 51.6 |
| *in % of sales* | *15.9%* | *12.2%* | *12.7%* | *12.4%* |

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### *Simplified balance-sheet*

| *In € million* | 31-déc-2011 | 31-déc-2010 |
|---|---|---|
| Non-current assets | 651.5 | 627.6 |
| Inventories | 188.7 | 168.0 |
| Trade and other receivables | 148.7 | 135.5 |
| Other assets | 5.1 | 5.4 |
| **TOTAL** | **994.0** | **936.5** |

| *In € million* | 31-déc-2011 | 31-déc-2010 |
|---|---|---|
| Liabilities and equity | 542.9 | 493.7 |
| Provisions | 5.5 | 4.6 |
| Employee benefits | 35.6 | 36.7 |
| Trade and other payables | 131.8 | 138.4 |
| Other liabilities | 38.7 | 43.0 |
| Net debt | 239.5 | 220.1 |
| **TOTAL** | **994.0** | **936.5** |

### *Simplified statement of cash-flow*

| *In € million* | 31-déc-11 | 31-déc-10 |
|---|---|---|
| Operating cash-flow before change in WCR | 131.5 | 111.0 |
| Change in WCR | (36.8) | (2.6) |
| Income tax paid | (31.8) | (10.0) |
| Cash generated by discontinued operations | (0.4) | (0.9) |
| **Operating cash-flow** | **62.5** | **97.5** |
| Capital expenditures | (53.3) | (31.5) |
| Operating cash-flow after capex | 9.2 | 66.0 |
| Change in scope | (9.5) | (16.7) |
| Property disposal and others | 7.9 | 2.6 |
| **Cash-flow used by investing activities** | **(54.9)** | **(45.6)** |
| **Cash generated by operating and investing activities** | **7.6** | **51.9** |

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*The reference document is available for download from the Mersen website*

**Next publication**

2012 Q1 sales: April, 25 2012 (after market)

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**About Mersen**

Mersen, a global expert in materials and equipment for extreme environments and for the safety and reliability of electrical equipment, develops innovative solutions geared to the needs of its customers in order to optimize their industrial performance in expanding segments, such as energy, transportation, electronics, chemicals/pharmaceuticals and process industries.

***The Group is listed in Compartment B of NYSE Euronext Paris***

**Visit our web site at www.mersen.com**

**Contact for investors and analysts**
Véronique Boca
*Directeur de la communication financière*
Mersen
Tél. + 33 (0)1 46 91 54 19
Email : dri@mersen.com

**Press contact**
Vilizara Lazarova

Publicis Consultants
Tél. +33 (0)1 44 82 46 34
Email : vilizara.lazarova@consultants.publicis.fr

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