

**SHORT PRESENTATION OF THE COMPANY'S AND
MERSEN GROUP FINANCIAL SITUATION**

Introduction

Highly unfavorable economic conditions in Europe and a challenging, but temporary situation in the solar energy market prevailed during 2012. Despite this environment, Mersen reported 2012 sales close to the level recorded in 2011. On a like-for-like basis, the top line sank by 8.8%, but was almost stable adjusted for sales in the solar energy market.

The Group's performance was boosted by growth in the aerospace and conventional energy markets. Mersen also enjoyed an excellent year in the chemicals and pharmaceuticals sector. Conversely, it was a disappointing year in the renewable energies market. The Group's solar energy sales halved compared with their 2011 level owing to temporary factors, including steep cutbacks in the production of solar cells after a year of overproduction and massive equipment purchases in 2011, and anti-dumping measures introduced in the United States and Europe targeting these manufacturers. Nonetheless, solar panel installations continued apace right around the world during 2012, totaling 32 GW, ahead of the 2011 level of 27 GW.

In spite of the business contraction and a hefty contribution made by low-margin chemicals business, the Group delivered an EBITDA margin of 14.3% and an operating margin before non-recurring items of 9.4% of sales. This margin level was achieved through cost-cutting efforts right across the Group introduced from mid-2012. Mersen also decided to divest certain product lines in the Advanced Materials and Technologies segment. Firstly, it intends to sell its nuclear power activities, as their development prospects were severely compromised by the Fukushima disaster. Secondly, it believes that it has neither the critical mass nor the key success factors in plate heat exchangers, stirrers and mixers required to develop these products sustainably and profitably. These decisions dragged down net income for the year, but will make the Group more competitive in the future. Furthermore, Mersen continued its drive to enhance its cash management, and it generated over €100 million in cash from operating activities before capital expenditures, which was significantly better than in the previous year. This strong performance enabled the Group to keep on investing in markets with the greatest potential.

Sales

In 2012, Mersen's consolidated sales came to €810.7 million, down 8.8% on a like-for-like basis compared with the adjusted 2011 figure. On a reported basis, the decline came to 0.7%, owing to the contribution made by Eldre, which was consolidated from the beginning of the year, and positive currency effects.

Chemicals fared very well during the year, with sales moving up 9% like-for-like. Sales to process industries increased, too, but to a lesser extent, while the transportation and conventional energy markets experienced a modest decline. Conversely, solar energy sales sank by over 50% (€48 million in 2012 compared with €110 million in 2011). Trends in electronics markets slowed as a result of cutbacks in investment spending and the low level of business of semiconductor manufacturers. Excluding solar energy, business in Asia and North America grew on a like-for-like basis. Only Europe posted a contraction owing to the region's economic situation.

Sales in the Advanced Materials and Technologies segment posted an organic contraction of 11.3% during the year owing to the slowdown in the solar energy market. Excluding solar energy (organic growth of 7.2%), the Group was boosted by high billings on some large chemicals contracts and the firm performance of process industries and the air transportation market. Sales in the Electrical Components and Technologies segment rose 3.2% on the back of the full-year contribution made by Eldre, a company 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.

EBITDA and operating income before non-recurring items

EBITDA¹ came to €116.0 million or 14.3% of sales. The Group's operating income before non-recurring items² came to €76.3 million in 2012, representing an operating margin of 9.4% of sales, down more than 3 points compared with 2011. The Advanced Materials and Technologies segment was mainly concerned, as it experienced a major business contraction, a negative product mix effect, with strong sales of lower-margin chemicals sales and, to a lesser extent, price reductions towards the end of the year. These factors were offset in part by savings measures. The profitability of the Electrical Components and Technologies segment fell back by one point. In spite of the top-line contraction, this healthy resilience was largely attributable to the savings plans introduced.

Net finance income/costs

Mersen recorded a net finance cost of €13.0 million in 2012, which was higher than in 2011, owing to the €30 million increase in average debt over the year compared with 2011 average debt and the rise in the Group's borrowing rates as a result of the US private placement with an average maturity of 9 years.

¹ *Operating income before non-recurring items + depreciation and amortization.*

² *Based on the definition laid down in CNC regulation 2009.R.03.*

Operating Income and Group net income from continuing operations

The operating income before tax came to €51.1 million. The income tax expense totaled €17.1 million over the year, which represented an effective tax rate of 33%, in line with 2011. Net income from continuing operations totaled €58.7 million compared with €42.9 million in 2010. Net income attributable to Mersen's shareholders totaled €5.6 million, compared with €56.9 million in 2011, taking into account activities held for sale and discontinued operations.

Income from 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. It reflected the combined impact of a €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. Of this charge, €20 million represented an impairment loss, plus a €5.4 million net loss (excluding divestiture) posted by the business activities in 2012. It also reflected a €2.3 million charge related to the "brushes for automobiles and household appliance" business (sold on May 1, 2009) deriving chiefly from a settlement bringing a class-action lawsuit in the United Kingdom to a definitive end.

Cash flows and Debt

The net cash generated during the fiscal year was higher than in 2011 in spite of the impact of the Eldre acquisition (€28.8 million) and payment of the dividend in cash (€19.4 million compared with €5.2 million in 2011). This improvement was chiefly attributable to a clear reduction in the WCR.

Capital expenditures came to €42.2 million, with 75% focused on the Advanced Materials and Technologies segment. Such expenditures mainly focused on projects related to zones or key businesses like Asia or electronics.

Net debt at year-end 2012 stood at €241.5 million, which was almost on a par with that recorded at year-end 2011 (€239.5 million). The change includes the impact of the acquisition of Eldre and payment of the majority of the dividend in cash.

The Group's finances remain in good shape. Its net debt to EBITDA ratio stood at 2.07x*, down from 1.61x* at year-end 2011, while the net debt to equity ratio came to 45%*, compared with 44% at year-end 2011.

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Total net debt <i>(in millions of euros)</i>	241.5	239.5	220.1	214.9	305.9
Net debt/equity*	0.45	0.44	0.44	0.50	0.93
Net debt/EBITDA*	2.07	1.61	1.86	2.52	2.73

Parent company's financial position

The sales and other revenues recorded by the parent company, Mersen SA, amounted to €3.9 million. These revenues derived from Mersen SA's activities as a holding company, namely the management of investments in subsidiaries and affiliates, Group financing and various other services. The parent company's operating loss, which reflects the holding company's operating costs, stood at €3.3 million. Its net finance income totaled €13.2 million, compared with €32.1 million in 2011. This decline was attributable to impairment losses on investments and provisions for liabilities owing to the plan to withdraw from metal boilermaking equipment for the nuclear power market, metal plate heat exchangers, and stirrers and mixers, and the discontinuation of Xianda's activities for the nuclear power market at Xianda in China. The parent company's income before tax and non-recurring items came to €9.9 million. The parent company posted an exceptional loss of €1.0 million, compared with a gain of €0.4 million in fiscal 2011. The parent company recorded a tax benefit of €1.7 million. This was the result of the tax paid by the French subsidiaries consolidated for tax purposes. Taking all these items into account, the parent company posted net income of €10.6 million, up from €29.8 million in 2011. The decrease of the net income stems mainly from depreciations and amortizations connected to the projects of transfers as described in the results of activities held for sale and discontinued operations.

International

The Group had a presence on five continents. The international footprint of the Group's manufacturing facilities keeps it in close contact with its customers and allows them to be highly responsive to latest trends in its markets. In addition, it protects Mersen from the impact of currency fluctuations on its competitiveness.

In 2012, around 80% of the Group's capital expenditures were devoted to international markets. In particular, the Group continues to increase its graphite machining capacity in Asia and North America in anticipation of further expansion in the solar energy, electronics and process industry markets.

In 2012, the Group derived 91% of its sales from outside France (i.e. sales generated by foreign companies excluding those realized in France and exports by French companies).

The sales contributed by the Group's consolidated subsidiaries outside France came to €649 million, down 10% compared with 2011 on a like-for-like basis.

* Ratio calculated using the method specified for the USD350 million syndicated loan.

Recent trend and outlook for 2013

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.