press release

Mersen: Full-year 2014 results

- Slight increase in the operating margin before non-recurring items
- Successful roll-out of the *Transform* plan
- Strong cash flow before non-recurring items
- Increase in proposed dividend: +11%
- Sales and margins expected to grow in 2015

Paris, March 11, 2015 - Mersen (Euronext FR0000039620 – MRN), a global expert in electrical specialties and graphite-based materials, has today released its full-year 2014 results.

Mersen's Supervisory Board met on March 10, 2015 and reviewed the audited 2014 financial statements. The Management Board met later the same day to approve them.

2014 key figures

	2014	2013
Sales (€ m)	730.9	738.8
Operating margin before non-recurring items	8.2%	8.1%
Net income (€ m)	2.8	(28.6)
Net debt to EBITDA ratio (as a % of EBITDA)	2.2	2.1
Dividend	€0.5	€0.45

2014 Highlights

- Successful launch of the *Transform* industrial efficiency plan
- Acquisition of a majority stake in Cirprotec, a specialist in power quality
- Syndicated loan refinanced on favorable terms

- During the year, Mersen's industrial and technological expertise was recognized in several flagship projects:
  - Participation in the ITER project (international cooperation in the industry sector) supplying key power electronics components
  - Framework agreement with ABB for its new range of wind turbine generators
  - Electrical protection for the largest solar farm in Europe
  - Contract to supply graphite heat exchangers for a plant in the Persian Gulf

Outlook

In 2015, the Group expects to record sales growth on a like-for-like basis of 0 to 4%, with the second part of the year being stronger than the first. The operating margin before non-recurring items is also expected to improve tangibly in 2015, with the Group targeting between 8.6% and 9.4% of sales.

Luc Themelin, Chairman of the Management Board, commented:

"The Group's strategy of using its global leadership as a platform for expansion in buoyant markets, such as renewable energies and electronics, and building on its strong international presence proved its worth in 2014. Despite an adverse environment in certain geographical regions and markets, the pillars of our strategy showed just how strong they are. The Group also demonstrated its resilience and adaptability by achieving an operating margin before non-recurring items of 8.2% of sales, which was higher than in the previous year. Thanks to our ability to adapt–illustrated in particular by the Transform plan–Mersen is now a more agile Group, more closely attuned to its market and customers, with a range of increasingly innovative products and solutions.

Mersen's long-term goal remains the same–sales of close to €1 billion in 2018, with an operating margin before non-recurring items of 12% of sales in favorable economic conditions. The economic environment in 2015 remains relatively hard to predict. Within this context, the Group will relentlessly pursue innovation to achieve greater differentiation. Finalization of the Transform plan will help to make Mersen more flexible and competitive. We will also continue to pursue bolt-on acquisitions to enhance our offering and accelerate the pace of our development."

Sales, operating income and EBITDA

The Group's consolidated **sales** totaled €730.9 million. They declined by 1.1% on the previous year and by 1.5% on a like-for-like basis. Currency effects had a negative impact of €7.4 million over the full year, with appreciation in the US dollar at the end of year partially offsetting the strength of the euro early in the year. Cirprotec's full-year contribution totaled €10.4 million. The Group achieved organic growth of 2% on 2013, excluding the chemicals market in which performance suffered from comparison base with the Sabic contract and from weak demand.

EBITDA[1] came to €95.8 million or 13.1% of sales, down from 13.5% in 2013.

The Group's **operating income before non-recurring items**[2] came to €59.7 million in 2014, representing an operating margin before non-recurring items of 8.2% of sales, an improvement on 2013.

Sales in the **Materials** (AMT) segment recorded an organic contraction of 6.6% owing in particular to the non-recurring nature of the Sabic contract and the halt of sales of stainless-steel equipment announced last October. Process industries, which closely track trends of the economic environment, were also weaker. Conversely, business in the electronics market expanded rapidly thanks to the strength of the LED segment. Lastly, solar energy sales rose by over 25% compared with the previous year.

The Materials segment's operating margin before non-recurring items remained at the same level as in the previous year (6.5% vs. 6.6%). Even so, this margin stability masked contrasting trends: volumes declined in anticorrosion systems (in particular with Sabic) and pricing pressures were evident in graphite, while volumes grew in graphite for high value-added applications, depreciations were reduced and the initial benefits of the *Transform* plan were felt.

Sales in the **Electrical** (ECS) segment advanced by 2.0% on a like-for-like basis. The energy market delivered the strongest growth, powered by the wind energy market in particular. The electronics market also expanded, with the impetus coming from numerous power electronics projects. In the transportation market, business was bolstered by rail projects in Asia and continued deliveries to major aerospace contractors. Meanwhile, process industries recorded a small decline.

The Electrical segment's operating margin before non-recurring items improved to 12.3% from 11.6% in the previous year. This firm performance came on the back of volume growth combined with healthy pricing trends and also a favorable raw materials effect.

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[1] Operating income before non-recurring items + depreciation and amortization
[2] Based on the definition laid down in CNC regulation 2009.R.03.

Net income

Non-recurring charges totaled €37 million in 2014. These mainly consisted of charges related to the *Transform* plan and the cost of settling the civil suit in the United Kingdom.

Mersen's net **finance costs** totaled €9.9 million in 2014–a decline on their 2013 level. This decrease stemmed from the €10 million decline in average debt over the year compared with 2013 and the positive effect of renegotiating the terms of the syndicated loan in the middle of the year.

Income tax expense came to €9.1 million, representing an effective tax rate of 33% restated for exceptional items (chiefly the *Transform* plan, with some of its costs not being deductible for tax purposes), on a par with the level recorded in previous years.

Accordingly, **net income** totaled €2.8 million. Net income attributable to equity holders of the parent came to €2.1 million.

Cash and debt

The Group generated **net cash** from continuing operating activities of €65.8 million. The figure came to €79.1 million excluding non-recurring cash flows during the year (*Transform* plan and final settlement of the civil suit in the United Kingdom), representing a decline of around €7 million on 2013. The working capital requirement declined slightly in 2014 despite the roll-out of the *Transform* plan, which has led to a temporary increase in inventories, and expectations of sales growth at certain businesses. In 2013, it had fallen substantially against the backdrop of a business contraction.
Capital expenditures came to €32.0 million, with around €3.5 million attributable to the *Transform* plan. Of the €8.6 million in changes in the scope of consolidation, €4.1 million derived from the acquisition of a majority shareholding in Cirprotec and a final earn-out payment arising from the buyout of minority investors in Mingrong Electrical Protection.

For 2014 as a whole, net cash flow after dividend and interest payments came to €3.3 million, down from €22.3 million in 2013.

Net debt at year-end 2014 totaled €216.0 million, compared with €212 million at year-end 2013. This takes into account close to €20 million in non-recurring outflows deriving mainly from acquisitions and restructuring.
At constant exchange rates, debt amounted to €204 million, down €12 million.

Financial structure

The Group's financial structure remained in good shape, with the net debt to EBITDA ratio at 2.19x[3] and the net debt to equity ratio at 46%[3], identical to the levels recorded in 2013.

At December 31, 2014, Mersen had over €360 million in confirmed credit facilities, of which it had drawn down 65%. The average maturity of the financing is 4.9 years.

Dividend

At the Annual General Meeting on May 19, the Supervisory Board will propose a **dividend** of €0.5 per share, representing an increase of 11% compared with 2013. This would lead to a payout ratio of 34% of the Group's net income prior to the impact of non-recurring items.

Outlook for 2015

In 2015, the Group will focus its efforts on its growth drivers–particularly the renewable energies and electronics markets–and its operational efficiency drivers, while continuing to roll out the *Transform* plan. On this basis, the Group expects to record sales growth on a like-for-like basis of 0 to 4% in 2015, depending on the economic environment, with the second part of the year likely to be stronger than the first. Performance in the first part of the year will suffer from comparison with the Sabic contract and the halt of sales of stainless-steel equipment. The operating margin before non-recurring items is also expected to improve tangibly in 2015, with the Group targeting a range of between 8.6% and 9.4% of sales. The positive effects of the *Transform* plan may be offset to some extent by a persistently weak graphite pricing environment.

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

Simplified consolidated income statement

In € million	Dec. 31, 2014	Dec. 31, 2013
Sales	730.9	738.8
Gross income	222.4	213.4
Selling costs & other	(73.4)	(72.4)
Administrative & research costs	(89.3)	(81.2)
Operating income before non-recurring items	**59.7**	**59.8**
in % of sales	*8.2%*	*8.1%*
EBITDA	**95.8**	**100.0**
in % of sales	*13.1%*	*13.5%*
Non-recurring income and expense	(37.0)	(49.3)
Amortization of revalued intangible assets	(1.0)	(1.2)
Operating income	**21.7**	**9.3**
Financial costs	(9.9)	(11.0)
Current and deferred income tax	(9.1)	(23.1)
Net income from assets held for sale	0.1	(3.8)
Net income from the year	**2.8**	**(28.6)**
- Attributable to Mersen's shareholders	2.1	(29.2)

Segmental analysis excluding corporate expenses

In € million	Materials (AMT)		Electrical (ECT)	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Sales	**280.0**	**300.3**	**450.9**	**438.5**
EBITDA	42.2	47.7	67.1	62.8
in % of sales	*15.1%*	*15.9%*	*14.9%*	*14.3%*
Operating income before non-recurring items	18.1	19.7	55.4	51.0
in % of sales	*6.5%*	*6.6%*	*12.3%*	*11.6%*

Simplified balance-sheet

In € million	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	653.8	610.7
Inventories	162.4	154.3
Trade and other receivables	131.8	121.5
Other assets	4.8	16.3
TOTAL	**952.8**	**902.8**
Liabilities and equity	466.9	452.8
Provisions	23.4	13.6
Employee benefits	89.6	66.5
Trade and other payables	126.1	118.0
Other liabilities	30.8	39.9
Net debt	216.0	212.0
TOTAL	**952.8**	**902.8**

Simplified statement of cash-flow

In € million	Dec. 31, 2014	Dec. 31, 2013
Operating cash-flow before change in WCR	77.4	90.1
Change in WCR	1.7	13.9
Income tax paid	(13.3)	(17.7)
Net cash generated by continuing operating activities	65.8	86.3
*Net cash generated by operating activities excluding exceptional items**	*79.1*	*86.3*
Cash generated by discontinued operations	(0.8)	(8.6)
Operating cash-flow	**65.0**	**77.7**
Capital expenditure	(32.0)	(27.8)
Operating cash-flow after capex	33.0	49.9
Change in scope (acquisitions)	(8.6)	(3.2)
Disposal on fixed assets and other	(0.7)	(6.6)
Net cash generated/(used) by operating and investing activities	23.7	40.1
Increase in the share capital and other	(1.1)	(3.4)
Dividends paid	(10.0)	(3.7)
Interest payments	(9.3)	(10.7)
Net cash flow before the change in debt	**3.3**	**22.3**

*Transform and settlement of civil law suit in the UK

The reference document is available for download from the Mersen website

Financial calendar

2015 Q1 sales: April, 28 2015 *after market closing*

About Mersen

Global expert in electrical specialties and graphite-based materials, 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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