MERSEN: EXCELLENT PERFORMANCE IN THE FIRST HALF OF 2019

- STRONG 12% GROWTH IN SALES IN THE FIRST SIX MONTHS (+6.5% LIKE-FOR-LIKE)
- INCREASE IN OPERATING MARGIN BEFORE NON-RECURRING ITEMS: 11.1%[1] VS. 10.6% IN H1 2018
- FULL-YEAR GUIDANCE RAISED

PARIS, JULY 30, 2019 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its sales figures for the second quarter of 2019 and interim results for the period ended June 30, 2019.

« Following on from 2017 and 2018, 2019 was another year of very satisfactory interim growth for Mersen, with a significant increase in sales and rise in profitability prompting us to raise our guidance for the full 12 months. The Group's commitments for the future include a series of ambitious investments in response to high demand in specific markets, making our strategic acquisition of the Columbia site in the United States that gives us additional graphite production capacity a perfect fit. My sincere thanks go to each and every member of the Group without whom none of this would be possible" said Luc Themelin, Chief Executive Officer of Mersen.

FIRST-HALF FINANCIAL HIGHLIGHTS[2]

(in € million)	H1 2019	H1 2019 before IFRS16	H1 2018	*H1 2019 before IFRS16 vs H1 2018*
Consolidated sales	484	484	430	*+12%*
Operating income before non-recurring items	53.6	52.6	45.8	*+15%*
Operating margin before non-recurring items	***11.1%***	***10.9%***	***10.6%***	
EBITDA	79.0	72.5	64.4	*+13%*
Net income	33.7	34.0	29.3	*+18%*
Net cash generated by operating activities	26.2	19.7	17.9	*+8%*
Net financial debt	228	228	205	
Net financial debt-to-EBITDA ratio	1.5	1.5	1.5	

[1] 10.9% before IFRS16

[2] See glossary

2019 SECOND-QUARTER SALES

Mersen reported consolidated sales of €243 million for the second quarter of 2019, up nearly 5% at constant scope of consolidation and exchange rates on the same period in 2018. Including the companies acquired or formed in 2018 and a favorable currency effect linked primarily to the appreciation of the US dollar, sales grew by close to 10% as reported.

in € million	Q2 2019	Q2 2018	Like-for-like growth	Scope effect	Currency effect	Reported growth
Advanced Materials	138.9	124.1	9.8%	0.8%	1.2%	11.9%
Electrical Power	104.3	97.6	-1.6%	6.2%	2.4%	6.9%
Europe	83.0	73.9	5.2%	7.6%	-0.5%	12.3%
Asia-Pacific	66.7	66.2	-1.3%	1.4%	0.6%	0.7%
North America	83.0	72.2	8.6%	0.6%	5.4%	15.0%
Rest of the World	10.5	9.4	13.4%	0.5%	-1.1%	12.4%
Group	**243.2**	**221.7**	**4.8%**	**3.2%**	**1.7%**	**9.7%**

In **Europe**, growth was supported by the chemicals and semiconductor markets despite the slowdown in the power electronics market, particularly in Germany. In **Asia**, growth was weaker than in previous quarters, with lower invoicing in China in the chemicals market while the solar market is expected to regain ground in the second half of the year. Lastly, growth in **North America** continues to be driven by the electronics and process industries markets.

2019 FIRST-HALF SALES

Consolidated sales for Mersen amounted to €484 million in the first six months of 2019, a like-for-like increase of 6.5% compared with the same period last year. Including the currency effect and the impact of consolidating the companies acquired or formed in 2018, year-on-year sales growth came to 12.4%.

in € million	H1 2019	H1 2018	Like-for-like growth	Scope effect	Currency effect	Reported growth
Advanced Materials	278.1	240.1	13.1%	0.8%	1.7%	15.8%
Electrical Power	205.6	190.2	-1.7%	7.0%	2.8%	8.1%
Europe	167.0	146.9	5.8%	8.4%	-0.5%	13.6%
Asia-Pacific	130.3	124.7	1.6%	1.4%	1.5%	4.6%
North America	166.7	141.8	10.0%	0.7%	6.3%	17.6%
Rest of the World	19.7	16.9	19.2%	0.6%	-2.8%	16.5%
Group	**483.7**	**430.3**	**6.5%**	**3.5%**	**2.2%**	**12.4%**

Sales for the **Advanced Materials** segment totaled €278 million, up 15.8% on first-half 2018 as reported or 13.1% like for like. This performance was led by strong growth in the electronics, aeronautics, chemicals and process industries markets, whereas sales in the renewable energies market retreated during the period, as expected.

In the **Electrical Power** segment, sales came to €206 million, up 8.1% thanks to the contribution of companies acquired in 2018. On a like-for-like basis, sales for this segment edged down 1.7%. The main growth markets during the period were transportation, and to a lesser extent, process industries. The power electronics market, however, had fewer projects than in the first six months of 2018.

In **Europe**, growth was particularly robust for Advanced Materials, fueled by the electronics and chemicals markets. Italy, Spain and the Nordic countries saw especially strong momentum during the period. The chemicals and electronics markets were also buoyant in **Asia**, but topline performance in China decreased year on year, due to lower sales in the solar market. Growth in **North America** was boosted by sales in the electronics and process industries markets.

The Group adopted IFRS 16 "Leases" as from January 1, 2019, using the modified retrospective approach. The comments below refer to the figures before the impact of applying IFRS 16. The condensed consolidated financial statements including both reported data and data before the application of IFRS 16 are presented in pages 7 and 8 of this document.

2019 FIRST-HALF RESULTS

Operating income before non-recurring items came to €52.6 million, yielding an operation margin of 10.9% of sales (up on the 10.6% figure reported for the first half of 2018).

Operating income before non-recurring items for the Advanced Materials segment was €41.0 million, resulting in an operating margin of 14.7% compared to 14.1% for the same period of 2018. This improvement stemmed mainly from a favorable volume effect and an increase in selling prices that more than offset the impacts of higher raw materials costs and customs tariffs.

In the Electrical Power segment, operating income before non-recurring items increased by 3% year on year from €19.3 million to €19.9 million, representing 9.7% of sales against 10.2% in first-half 2018. This segment's performance was hampered during the period by a 0.3-point dilutive impact from acquisitions (FTCap and Idealec) and a negative volume/mix effect. Conversely, higher selling prices had a positive effect.

Consolidated EBITDA for first-half 2019 totaled €72.5 million (15% of sales), up nearly 13% year on year.

Non-recurring income and expense represented a net expense of €3.2 million, including restructuring costs, acquisition costs, and other costs mainly provisions for litigation.

Mersen's net financial expense came to €4.7 million in the first half of 2019, in line with the first-half 2018 figure. The impact of the €30 million increase in the Group's average debt was offset by lower-than-expected earnout payments to shareholders of acquired companies (recognized under debt at December 31, 2018).

Income tax expense totaled €10.7 million for the period, representing an effective tax rate of 24%, slightly lower than the 26% rate for first-half 2018.

Net income advanced by close to 18% to €34.0 million from €29.3 million in first-half 2018.

CASH AND DEBT AT JUNE 30, 2019

Operating activities generated nearly €20 million in net cash flow in the first half of 2019, an improvement of €2 million compared to last year. This figure takes into account an increase in working capital requirement (WCR) of €46 million, primarily driven by strong sales growth and a seasonal effect. The working capital to sales ratio stood at 24.7%, up 2 points on first-half 2018 as a result of an increase in back-up inventories of raw materials and delays in customer payments observed towards the end of the period.

Capital expenditure totaled €19.0 million in the first six months of 2019. Two thirds of this total related to the Advanced Materials segment, particularly the Group's specific growth projects such as increasing its capacity for the silicon carbide (SiC) semiconductor market.

The €12 million cash outflow for acquisitions mainly corresponds to the acquisition of the Columbia site in the United States as well as additional price related to the buyout of non-controlling interests in Cirportec (already recognized in debt at December 31, 2018).

Net cash flow for the period, after interest paid and share buybacks, represented a negative €16.4 million (versus a negative €21.7 million in first-half 2018).

FINANCIAL STRUCTURE AT JUNE 30, 2019

Net debt stood at €228 million at June 30, 2019, up €13 million on the €215 million reported at December 31, 2018. The end-June 2019 figure includes the following impacts: (i) €7 million related to acquisitions, principally the purchase of the Columbia site in the United States, and (ii) €21 million in capital expenditure, including €2 million in capitalized R&D costs related to the EV project.

The Group's financial structure remains robust, with a net debt-to-EBITDA ratio[1] of 1.5 (1.6 at December 31, 2018). The net debt-to-equity ratio[1] was 41%.

IMPACT OF APPLYING IFRS16 STANDARD

Since January 1, 2019, lease recognition has changed. Under the new standard, all leases will be recognized on the balance sheet[2]. The numerical majority of Mersen's leases correspond to vehicles and forklift trucks, but buildings (offices, factories and warehouses) represent the most monetary value.

Impacts of applying IFRS 16 are presented in this document, on pages 7 and 8. They are limited and are not affecting Mersen's financial flexibility.

1 Ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.

2 Contracts above 5,000 euros and/or more than 1 year

OUTLOOK FOR 2019

The Group does not expect to see any substantial changes in its markets in the medium term compared to the information communicated at the beginning of the year.

For 2019:

- The solar market should recover in the second half of the year compared with the first half.
- Growth in the electronics market should be driven by SiC semiconductors, whereas the silicon semiconductor segment is expected to decline.
- Chemicals market growth is likely to be moderate for the year as a whole, reflecting a lower level of sales in the second half following a high level of invoicing in the first six months due to the phasing of projects.
- Process industries should follow the same trends as the world's major economies.

In view of its good first-half results, Mersen now expects like-for-like sales growth to come in between 4% and 5% (versus the previously published guidance of between 2% and 5%). The Group is standing by its forecast of operating margin before non-recurring items ranging between 10.5% and 10.7% for the year (before the impact of applying IFRS 16).

The Group's capex program should amount to between €65 million and €75 million (compared with the initial guidance of €60 million to €70 million). This reflects the announcement on July 8, 2019 that the Group intends to spend additional capital expenditure for the commissioning at the Columbia site in the United States.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

In millions of euros	**H1 2019**	**H1 2019** before IFRS16	**H1 2018**
Consolidated revenue	483.7	483.7	430.3
Total gross income	152.7	152.1	141
Selling, marketing and other expenses	-41.0	-41.1	-41
Administrative and research expenses	-57.4	-57.7	-53.6
Amortization of goodwill	-0.7	-0.7	-0.6
Operating income before non-recurring items	**53.6**	**52.6**	**45.8**
As a % of sales	*11.1%*	*10.9%*	*10.6%*
Non-recurring expenses	-3.2	-3.2	-1.5
Operating income	**50.4**	**49.4**	**44.3**
Financial income	-6.1	-4.7	-4.7
Current and deferred income tax	-10.6	-10.7	-10.3
Net income for the period	**33.7**	**34.0**	**29.3**
- Net income attributable to Group equity holders	32.8	33.6	27.9

SEGMENT ANALYSIS EXCLUDING UNALLOCATED EXPENSES

In millions of euros	Advanced Materials (AM)			Electrical Power (EP)		
	H1 2019	**H1 2019** before IFRS16	**H1 2018**	**H1 2019**	**H1 2019** before IFRS16	**H1 2018**
Revenue	278.1	278.1	240.1	205.6	205.6	190.2
EBITDA	59.2	55.8	48	27.5	24.9	23.8
As a % of sales	*21.3%*	*20.1%*	*20.0%*	*13.4%*	*12.1%*	*12.5%*
Operating income before non-recurring items	41.6	41	33.9	20.3	19.9	19.3
As a % of sales	*15.0%*	*14.7%*	*14.1%*	*10.0%*	*9.7%*	*10.2%*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of euros	**June 30, 2019**	**June 30, 2019** before IFRS 16	**Dec. 31 2018**
Non-current assets	672	672	652
Rights of use	45		
Inventories	218	218	199
Trade and other receivables	199	199	177
Other assets	4	4	7
TOTAL	**1,138**	**1,093**	**1,035**
Equity	536	536	528
Provisions	14	14	9
Employee benefits	78	78	65
Lease liabilities	45		
Trade and other payables	179	179	184
Other current liabilities	58	58	33
Net debt	228	228	216
TOTAL	**1,138**	**1,093**	**1,035**

CONDENSED CONSOLIDATED STATEMENT OF CASH-FLOW

In millions of euros	**H1 2019**	**H1 2019** before IFRS 16	**H1 2018**
Operating cash flow before change in WCR	77.5	71.0	61.5
Change in working capital requirement	-46	-46	-40.9
Income tax paid	-5.3	-5.3	-2.5
Net cash generated by continuing operating activities	**26.2**	**19.7**	**18.1**
Cash generated by discontinued operations	0	0	-0.2
Net cash generated by operating activities	**26.2**	**19.7**	**17.9**
Capital expenditure	-19	-19	-19.6
Operating cash flow after capex	**7.2**	**0.7**	**-1.7**
Acquisitions	-12	-12	-7.9
Other (R&D costs capitalized)	-1.9	-1.9	-0.9
Cash generated by/(used in) operating and investing activities	**-6.7**	**-13.2**	**-10.5**
Other (incl. interest payment, lease payment and stock repurchase)	-9.7	-3.2	-11.2
Cash flow	**-16.4**	**-16.4**	**-21.7**

These interim consolidated financial statements were approved for issue by the Board of Directors on July 30, 2019.

The half-year report and presentation are available from the corporate website at www.mersen.com.

FINANCIAL CALENDAR

Third-quarter 2019 sales: October 29, 2019, after close of trading.

ABOUT MERSEN

A global expert in electrical power and advanced materials, Mersen designs innovative solutions to address its clients' specific needs to enable them to optimize their manufacturing performance in sectors such as energy, electronics, transportation, chemicals & pharmaceuticals and process industries.

Mersen, with its 6,900 employees working across 35 countries, recorded sales of €878 million in 2018.

MERSEN IS LISTED ON EURONEXT PARIS – COMPARTMENT B

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GLOSSARY

Like-for-like growth: determined by comparing sales for the year with sales for the previous year, restated at the current year's exchange rate, excluding acquisitions and/or disposals.

Operating income before non-recurring items: as defined in Recommendation 2009.R.03 of the French national accounting board (CNC).

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.

Free cash flow: net cash generated by operating activities after capital expenditure.

Net debt: gross financial debt net of cash and cash equivalents and current financial assets.

Leverage: net debt-to-EBITDA ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.

Gearing: net debt/equity ratio calculated using the banking covenant method for Mersen's confirmed financing.

WCR (working capital requirement): sum of trade receivables and related accounts, inventories, other current receivables less trade payables and related accounts.

WCR ratio: ratio of working capital requirement to sales for the last quarter, multiplied by four.

Capital Expenditure: Property, plant and equipment and fixed assets suppliers

APPENDIX

1 – WCR calculation (% of sales)

In millions of euros	**H1 2019**	**2018**	**H1 2018**
Inventories	218	199	183
Trade receivables	164	146	142
Other operating receivables	26	20	21
Contract assets	9	11	
Trade payables	-72	-72	-68
Other operating payables	-82	-84	-76
Contract liabilities	-25	-28	
Change in Working Capital Requirements	**238**	**192**	**202**
Sales (4 x 4th quarter)	967	901	887
WCR in % of Sales	**24.7%**	**21.3%**	**22.6%**