MERSEN: STRONG GROWTH IN SALES AND RESULTS IN THE FIRST HALF OF 2018

- ROBUST LIKE-FOR-LIKE GROWTH IN SALES FOR THE FIRST SIX MONTHS (+11%)
- STRONG INCREASE IN OPERATING MARGIN BEFORE NON-RECURRING ITEMS: 10.6% VS 8.8% IN H1 2017[1]
- INCREASE OF MORE THAN 50% IN NET INCOME
- FULL-YEAR GUIDANCE RAISED

PARIS, JULY 30, 2018 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its sales figures for the second quarter of 2018 and interim results for the period ended June 30, 2018.

"Our results for first-half 2018 are very satisfactory. Our positioning in fast-growing markets and the commitment of our teams has driven a sharp increase in our consolidated sales and double-digit organic growth, and the operational efficiency plan set in place two years ago has led to a significant improvement in our margins. We have also undertaken several acquisitions in recent months that strengthen our position in power electronics, one of our core markets. I would like to warmly thank each and every employee for their contribution to this performance," said Luc Themelin, Chief Executive Officer of Mersen.

FIRST-HALF FINANCIAL HIGHLIGHTS[1]

In millions of euros	H1 2018	H1 2017 restated[1]	*Change*
Consolidated sales	430	409	*+5.2%*
Operating income before non-recurring items	45.8	36.0	*+27.2%*
Operating margin before non-recurring items	***10.6%***	***8.8%***	*+180 bp*
EBITDA	64.4	54.8	+17.5%
Net income	29.3	19.1	*+53.4%*
Net cash generated by operating activities	17.9	15.2	*+17.8%*
Net debt	205	197	
Net debt-to-EBITDA ratio	1.5	1.8	

1 See glossary and appendix

2018 SECOND-QUARTER SALES

Mersen reported consolidated sales of €222 million for the second quarter of 2018, up 10.9% at constant scope of consolidation and exchange rates on the same period in 2017. Growth was balanced between the two business segments. Including the consolidation of Idealec (+0.6%) and a negative currency effect (-4.5%) primarily linked to the depreciation of the US dollar, sales grew by 7% as reported.

In millions of euros	Q2 2018	Q2 2017 restated[1]	Like-for-like growth[1]	Scope effect	Currency effect	Reported growth
Advanced Materials	124.1	116.1	11.4%		-4.5%	6.9%
Electrical Power	97.6	91.2	10.3%	0.6%	-3.8%	7.1%
Europe	73.9	67.1	9.7%	0.6%	-0.2%	10.1%
Asia-Pacific	66.2	57.3	19.4%		-3.8%	15.6%
North America	72.2	74.3	4.4%		-7.2%	-2.8%
Rest of the World	9.4	8.6	19.1%		-10.0%	9.1%
Group	**221.7**	**207.3**	**10.9%**	**0.6%**	**-4.5%**	**7.0%**

In **Europe**, the Group performed very well in both business segments, with particularly strong growth in France, Germany and Italy, thanks to the renewable energies, rail and process industries markets.

Asia recorded another significant increase of more than 19% in sales. Growth in China was led by the solar, rail and chemicals markets, and sales also rose in the region's other countries thanks to the electronics, rail and process industries markets.

Growth in **North America**, growth was lower than in the first quarter due to a base effect in the chemicals market, but sales improved in the electrical distribution market and remained very buoyant in electronics.

[1] See glossary and appendix

2018 FIRST-HALF SALES

Consolidated sales for Mersen amounted to €430 million in the first six months of 2018, a like-for-like increase of 11% compared with the same period last year. Including the negative impact of exchange rates for approximately €23 million and the effect of the first-time consolidation of Idealec, reported growth amounted to 5.2%.

In millions of euros	H1 2018	H1 2017 restated[1]	Like-for-like growth[1]	Scope effect	Currency effect	Reported growth
Advanced Materials	240.1	227.2	11.7%		-6.0%	5.7%
Electrical Power	190.2	182.3	10.2%	0.3%	-6.0%	4.3%
Europe	146.9	135.9	8.5%	0.3%	-0.7%	8.1%
Asia-Pacific	124.7	110.3	19.2%		-6.1%	13.1%
North America	141.8	146.3	7.4%		-10.5%	-3.1%
Rest of the World	16.9	17.0	9.3%		-10.0%	-0.7%
Group	**430.3**	**409.5**	**11.0%**	**0.3%**	**-6.1%**	**5.2%**

Sales in the **Advanced Materials** segment rose by 11.7% like-for-like to €240 million, led by strong growth in the solar, electronics, aeronautics and process industries markets.

In the **Electrical Power** segment, first-half sales exceeded €190 million, up 10.2% like-for-like. The increase was driven by renewable energies, process industries and, to a lesser extent, electrical distribution.

In **Europe**, growth was robust in both business segments in the transportation and process industries markets. In **Asia**, the Group recorded strong like-for-like growth in first-half sales of more than 19%. China and South Korea were particularly dynamic thanks notably to the solar, electronics, chemicals and process industries markets. The changes announced by the Chinese government to slow expansion of some of the country's solar power projects had no impact on Mersen's results in the first half of the year, and the Group does not expect any significant impact in the second half, given that its graphite capacity can be used in other markets. Growth in **North America** was led by sales to electrical distribution, electronics and process industries customers.

2018 FIRST-HALF RESULTS

Operating income before non-recurring items came to €45.8 million, yielding an operating margin of 10.6% that represented a sharp improvement on the first half of 2017 (8.8% restated).

Operating income before non-recurring items for the Advanced Materials segment was €33.9 million, resulting in an operating margin of 14.1% of sales, compared to 11.1% for the same period in 2017. The improvement was attributable to a favorable volume effect, productivity gains and an increase in prices that was greater than the increase in raw materials costs.

Operating income before non-recurring items from the Electrical Power segment stood at €19.3 million, resulting in an operating margin before non-recurring items of 10.2%, in line with the 10.1% reported for first-half 2017. The segment's performance reflects the favorable impact of productivity gains and the unfavorable impact of exchange rates, and higher payroll and raw materials costs. Recent price increases are expected to partly offset this rise in costs in the second half of the year.

Consolidated EBITDA totaled €64.4 million (15% of sales), up close to 18% year-on-year.

Non-recurring income and expense amounted to an expense of €1.5 million and corresponded to restructuring costs related to the competitiveness plans announced in 2016 and to acquisition costs. Net financial expense came to €4.7 million in first-half 2018, down from the previous year thanks primarily to a favorable currency effect. Income tax expense totaled €10.3 million for the period, representing an effective tax rate of 26%, versus 33% in first-half 2017, with the Group benefiting from US tax reforms.

Net income for the first half of 2018 came in at €29.3 million, versus €19.1 million for the same period one year earlier.

CASH AND DEBT AT JUNE 30, 2018

Operating activities generated nearly €18 million in net cash flow in the first half of 2018. This figure takes into account an unfavorable change in working capital requirement (WCR) of €40 million, driven by strong growth in sales and a seasonal effect. The working capital to sales ratio stood at 22.6%, up 1.7 points over the prior-year period, due notably to contracts that are in progress in the chemicals market.

Capital expenditure amounted to €19.6 million, up sharply from first-half 2017, as expected. Of that amount, one-third is related to specific growth projects, such as the increase in graphite production capacity.

As a result, cash flow from operating and investing activities represented an outflow of €1.7 million, compared to an inflow of €2.9 million in the first half of 2017.

FINANCIAL STRUCTURE AT JUNE 30, 2018

Net debt at June 30, 2018 stood at €205 million, up €27 million on the €178 million reported at December 31, 2017. It includes €13 million in acquisition costs, of which €8 million in cash outlays and €5 million in debt (corresponding primarily to a potential earn-out payment), €7 million in share buybacks and €7 million for specific growth projects.

Despite these significant investments, the Group's financial structure remained robust, with a net debt-to-EBITDA ratio[1] of 1.5 versus 1.6 at December 31, 2017. The net debt-to-equity ratio[1] stood at 40%.

SUBSEQUENT EVENTS

In early July, Mersen completed the acquisition of **FTCap**, which specializes in the development and production of capacitors. The transaction will enable the Group to broaden its current range of key components for the development of efficient, high-performance power electronics systems. The company employs some 200 people and generated revenues of close to €20 million in 2017. FTCap will be consolidated in Mersen's financial statements from July 1, 2018. As a result, the Group's net debt will increase by around €23 million, prior to any adjustment in working capital requirement.

OUTLOOK FOR 2018

In light of the results achieved in the first half and the high basis of comparison for the second half, Mersen is now expecting like-for-like growth[2] in sales of between 7% and 9% (versus the previously published guidance of between 3% and 6%). The Group estimates the negative currency effect on full-year sales at between €25 million and €30 million, based on current exchange rates, and expects acquisitions to contribute close to 2% growth to sales for full-year 2018.

The Group's operating margin before non-recurring items is therefore expected to amount to between 10.1% and 10.4% (versus the previously published guidance of between 9.6% and 10.1%), including the impact of recent acquisitions.

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

[2] See glossary and appendix.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

In millions of euros	**H1 2018**	**H1 2017 restated**
Consolidated revenue	430.3	409.5
Total gross income	141.0	129.2
Selling, marketing and other expenses	(41.0)	(41.5)
Administrative and research expenses	(53.6)	(51.1)
Amortization of goodwill	(0.6)	(0.6)
Operating income before non-recurring items	**45.8**	**36.0**
As a % of sales	*10.6%*	*8.8%*
Non-recurring expenses	(1.5)	(2.0)
Operating income	44.3	34.0
Financial income	(4.7)	(5.4)
Current and deferred income tax	(10.3)	(9.3)
Net income from assets held for sale		(0.2)
Net income for the period	**29.3**	**19.1**
- Net income attributable to Group equity holders	27.9	18.1

SEGMENT ANALYSIS EXCLUDING UNALLOCATED EXPENSES

In millions of euros	Advanced Materials (AM)		Electrical Power (EP)	
	H1 2018	**H1 2017 restated**	**H1 2018**	**H1 2017 restated**
Revenue	240.1	227.2	190.2	182.3
EBITDA[2]	48.0	39.7	23.8	23.1
As a % of sales	*20.0%*	*17.5%*	*12.5%*	*12.7%*
Operating income before non-recurring items	33.9	25.1	19.3	18.5
As a % of sales	*14.1%*	*11.1%*	*10.2%*	*10.1%*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of euros	June 30, 2018	Dec.31, 2017
Non-current assets	612.7	605.9
Inventories	182.9	158.8
Trade and other receivables	162.6	140.8
Other assets	0.8	5.1
TOTAL	**959.0**	**910.6**
Equity	491.0	484.0
Provisions	12.3	13.2
Employee benefits	63.1	68.3
Trade and other payables	144.6	140.7
Other current liabilities	43.2	26.3
Net debt	204.8	178.1
TOTAL	**959.0**	**910.6**

CONDENSED CONSOLIDATED STATEMENT OF CASH-FLOW

In millions of euros	**H1 2018**	**H1 2017 restated**
Operating cash flow before change in WCR	61.5	46.6
Change in working capital requirement	(40.9)	(23.8)
Income tax paid	(2.5)	(6.8)
Net cash generated by continuing operating activities	18.1	16.0
Cash generated by discontinued operations	(0.2)	(0.8)
Net cash generated by operating activities	17.9	15.2
Capital expenditure [1]	(19.6)	(12.3)
Operating cash flow after capex	(1.7)	2.9
Acquisitions	(7.9)	0
Other	(0.9)	0.2
Cash generated by/(used in) operating and investing activities	(10.5)	3.1

[1] *Property, plant and equipment and fixed assets suppliers*

These interim consolidated financial statements were approved for issue by the Board of Directors on July 30, 2018.

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

FINANCIAL CALENDAR

Third-quarter 2018 sales: October 24, 2018, 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 6,400 employees working across 35 countries, recorded sales of €809 million in 2017.

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 and the impact of IFRS 15.

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-to-equity ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.

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

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

APPENDIX

1 - H1 and Q2 2017 restated

First-half and second-quarter 2017 sales have been restated to reflect the disposal of the high power switch and contactor business in October 2017.

In millions of euros	Q2 2017	H1 2017
Advanced Materials		
Electrical Power	(1.3)	(2.5)
Europe	(0.8)	(1.7)
Asia-Pacific	(0.4)	(0.5)
North America	(0.1)	(0.2)
Rest of the World		(0.1)
Group	**(1.3)**	**(2.5)**

2 - Working capital to sales ratio

In millions of euros	H1 2018	2017	H1 2017
Inventories	183	159	155
Trade receivables	142	123	135
Other operating receivables	21	17	19
Trade payables	(68)	(60)	(62)
Other operating payables	(76)	(81)	(76)
Change in working capital requirement	**202**	**158**	**171**
Consolidated sales (last quarter x 4)	887	806	829
Working capital to sales ratio	**22.6%**	**19.6%**	**20.9%**