MERSEN: STRONG GROWTH IN SALES AND RESULTS IN THE FIRST HALF OF 2017

- ROBUST ORGANIC GROWTH IN SALES OVER THE FIRST SIX MONTHS OF 2017 (+4.9%)
- CLEAR INCREASE IN OPERATING MARGIN BEFORE NON-RECURRING ITEMS: 8.9% VS 7.7% IN 2016)
- INCREASE OF MORE THAN 50% IN NET INCOME
- EXTENSION OF DEBT MATURITIES
- YEARLY GUIDANCE REVISED UPWARDS

PARIS, JULY 31, 2017 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its sales figures for the second quarter of 2017 and interim results for the period ended June 30, 2017.

"We are delighted with our results for the first half of 2017. The return to a high level of organic growth and a sharp increase in profitability reflect the efforts made by the Group for more than two years, and our revised guidance for the whole of 2017 is a clear indication of our confidence going forward. They are concrete proof of Mersen's enhanced efficiency through our new organization, of our operational performance and of the strides we have made in sales and development. I would like to warmly thank each and every employee for their contribution to this performance." said Luc Themelin, Chief Executive Officer of Mersen.

KEY FIGURES FOR H1 2017

(in €m)	H1 2017	H1 2016*	
Sales	412.0	387.2	*+6.4%*
Operating margin before non-recurring items	36.6	29.9	*+22.4%*
Current operating margin	*8.9%*	*7.7%*	
EBITDA	56.1	49.1	*+14.3%*
Net income	19.1	12.3	*+55.3%*
Cash generated by operating activities	15.8	28.5	
Net debt	197	223	

* To improve the comparison with industry peers, Mersen now recognizes the amortization of revalued intangible assets in operating income before non-recurring items. In addition, the high-power switches business sold in first-quarter 2017 has been classified under discontinued operations.

2017 SECOND-QUARTER SALES

Mersen reported consolidated sales of €209 million for the second quarter of 2017, up 4.9% at constant scope of consolidation and exchange rates compared with the same period in 2016. Including positive currency effects (+0.7%), mainly linked to the appreciation of the US dollar and the integration of the JV with Harbin Electric Carbon, sales grew 5.8%.

	Q2 2017	Q2 2016(2)	Total growth	Organic growth(1)
Advanced Materials	116.1	109.2	6.3%	5.2%
Electrical Power	92.5	87.9	5.1%	4.5%
Group total	**208.6**	**197.1**	**5.8%**	**4.9%**
Europe	67.9	68.9	-1.6%	-0.2%
Asia-Pacific	57.7	47.5	21.3%	20.0%
North America	74.4	70.3	5.9%	3.9%
Rest of the World	8.6	10.4	-16.8%	-22.7%
Group total	**208.6**	**197.1**	**5.8%**	**4.9%**

(1) At constant scope of consolidation and exchange rates (like-for-like).
(2) Adjusted for the high-power switches business sold in first-quarter 2017.

At constant scope of consolidation and exchange rates, sales in **Europe** were stable during the first half of 2017. Performance varied from one country to another, with operations in France underpinned by the aeronautics market, contrary to Germany where deliveries for the Siemens e-Highway project were not enough to offset low deliveries for the railway sector.

In **Asia**, the Group's continued outstanding performance led to growth of 20% over the second quarter. Performance in China, South Korea, India and Japan was also strong, with double-digit organic growth powered by the electronics, rail and renewable energies markets.

The Group is back on track to growth in **North America.** Demand from the process industries, oil and gas and chemicals markets grew, with electrical distribution also seeing an improvement at the end of the quarter.

2017 INTERIM SALES

Mersen recorded consolidated sales of €412 million in the first half of 2017, an organic increase of 4.9% compared with the same period last year.

	H1 2017	H1 2016(2)	Total growth	Organic growth(1)
Advanced Materials	227.2	210.5	7.9%	6.2%
Electrical Power	184.8	176.7	4.6%	3.2%
Group total	**412.0**	**387.2**	**6.4%**	**4.9%**
Europe	137.6	134.4	2.4%	3.8%
Asia-Pacific	110.8	91.8	20.7%	18.7%
North America	146.5	140.9	4.0%	1.1%
Rest of the World	17.1	20.1	-15.3%	-22.6%
Group total	**412.0**	**387.2**	**6.4%**	**4.9%**

(1) At constant scope of consolidation and exchange rates (like-for-like).
(2) Adjusted for the high-power switches business sold in first-quarter 2017.

Sales in the **Advanced Materials** segment rose by 6.2% like-for-like over the period to €227 million, led by the strong growth in the electronics, aeronautics, chemicals and process industries markets.

In the **Electrical Power** segment, first-half sales totaled €185 million, up 3.2% like-for-like. The increase was driven by gains in the process industries and power electronics markets, whereas electrical distribution continued to lag.

In **Europe**, growth was significant for both segments across the aeronautics, power electronics and chemicals markets. The Group also reported a strong organic growth of close to 19% in **Asia**. Business was especially dynamic in China, South Korea and India, bolstered by the wind power, electronics and process industries markets. Performance in **North America** improved late in the period in the electrical distribution market, and regional sales edged up slightly overall, supported by the process industries, electronics and chemicals markets. The decline in **Rest of the World** sales reflects an unfavorable basis of comparison relating to chemicals contracts in Morocco and the deteriorating economic situation in Brazil.

2017 H1 RESULTS

Operating income before non-recurring items[1] came to €36.6 million, yielding an operating margin of 8.9% that represented a sharp improvement from the adjusted 7.7%[2] reported in first-half 2016.

Operating income before non-recurring items for the Advanced Materials segment amounted to €25.1 million or 11.1% of sales, compared with 7.9%[2] for the same period in 2016. The improvement was attributable to higher volumes and significant productivity gains.

Operating income before non-recurring items from the Electrical Power segment stood at €19.1 million, resulting in an operating margin before non-recurring items of 10.3%, down from 11.5%[2] in first-half 2016. The segment was impacted by unfavorable mix effects and, to a lesser extent, pricing pressure, while the benefits of the competitiveness plan were limited in the first half.

Consolidated EBITDA[3] totaled €56.1 million (13.6% of sales), up more than 14% year-on-year.

Non-recurring income and expenses represented a net charge of €2.0 million and primarily correspond to restructuring costs stemming from the competitiveness plans announced in 2016. Net finance expense for the first half amounted to €5.4 million, down from the year before following a decline in average debt. Income tax expense totaled €9.5 million for the period, representing an effective tax rate of 33% versus 34% in 2016.

Net income for the first half of 2017 came in at €19.1 million, versus €12.3 million for the same period one year earlier.

CASH AND DEBT AT JUNE 30, 2017

Operating activities generated nearly €16 million in net cash flow in the first half of 2017, despite almost €8 million in non-recurring cash outlays, primarily linked to the competitiveness plans. Net cash flow also incorporated the €24 million increase in working capital requirement resulting from the strong growth in sales.

Capital expenditure stood at €12.3 million, on a par with first-half 2016.

As a result, cash flow from operating and investing activities represented an inflow of €3.7 million. It stood at €19.2 million one year earlier with the Group benefiting from the extensive measures deployed to reduce inventory amid slower growth.

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[1] According to definition 2009.R.03 of the French National Accounting Board (CNC).

[2] To improve the comparison with industry peers, Mersen now recognizes the amortization of revalued intangible assets in operating income before non-recurring items.

[3] Operating income before non-recurring items, depreciation and amortization.

FINANCIAL STRUCTURE AT JUNE 30, 2017

Net debt at June 30, 2017 stood at €197 million, down €6 million from the €203 million reported at December 31, 2016. Excluding the favorable currency effect, net debt was in line with the year-end figure in 2016 and a significant €23 million less than at June 30, 2016.

Mersen's balance sheet remains robust, with a net debt-to-EBITDA ratio of 1.8,[1] versus 2.1[1] at year-end 2016. The net debt-to-equity ratio stood at 42%.[1]

CONTEXT / ENVIRONMENT

In light of the recent increase in carbon material costs and more marginal increase in energy costs, the Group has decided to raise the prices on its specialty graphite products for the high-temperature and anticorrosion applications by between 8% and 10%. The increase will apply to future orders.

SUBSEQUENT EVENTS

In July 2017, Mersen received and accepted a firm offer from a French manufacturer to acquire, subject to conditions precedent, its switch and contactor business, based at the plant in Gorcy, France. The business will therefore be accounted for as an asset held for sale in the 2017 financial statements. The impact on these statements will not be material. In 2016, the business generated nearly €6 million in sales, with a higher operating margin before non-recurring items than the Electrical Power segment as a whole.

The Group also extended the maturities of its multi-currency syndicated loan from July 2019 to July 2022, raising the average maturity of its financing to 5.1 years from 3.4 years previously. The extension also enabled the Group to take advantage of a positive credit market environment to improve its financing terms and conditions.

OUTLOOK FOR 2017

As announced in the press release of July 19, 2017 Mersen has revised its forecasts for 2017 upwards: today, the Group now expects organic growth to come in at between 3% and 5% as against 0% to 2% previously, and is looking forward to growth in its operating margin before non-recurring items of between 80 and 130 basis points compared with 50 to 100 basis points previously.

[1] Ratio calculated using covenants method on Mersen confirmed financing

CONDENSED CONSOLIDATED INCOME STATEMENT

In millions of euros	H1 2017	H1 2016[1]
Consolidated revenue	412.0	387.2
Total gross income	130.4	118.9
Selling, marketing and other costs	(41.5)	(39.6)
Administrative and research costs	(51.7)	(48.7)
Amortization of revalued intangible assets	(0.6)	(0.7)
Operating income before non-recurring items	**36.6**	**29.9**
As a % of sales	*8.9%*	*7.7%*
Non-recurring income and expenses, net	(2.0)	(3.5)
Operating income	34.6	26.4
Financial income	(5.4)	(6.0)
Current and deferred income tax	(9.5)	(7.0)
Net income from continuing operations	(0.6)	(1.1)
Net (loss) / income from assets held for sale or discontinued operations	**19.1**	**12.3**
- Net income attributable to Group equity holders	18.1	11.3

[1]*restated*

SEGMENT ANALYSIS EXCLUDING UNALLOCATED EXPENSES

In millions of euros	*Advanced Materials* (AM)		*Electrical Power* (EP)	
	H1 2017	H1 2016[1]	H1 2017	H1 2016[1]
Revenue	227.2	210.5	184.8	176.7
EBITDA[2]	39.7	30.9	23.8	24.9
As a % of sales	*17.5%*	*14.7%*	*12.9%*	*14.1%*
Operating income before non-recurring items	25.1	16.5	19.1	20.3
As a % of sales	*11.1%*	*7.9%*	*10.3%*	*11.5%*

[1] *Restated*

[2] *Operating income before non-recurring items + depreciation and amortization*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of euros	June 30, 2017	Dec. 31, 2016
Non-current assets	630.8	666.1
Inventories	155.4	152.6
Trade and other receivables	154.0	138.7
Other assets	7.6	7.1
TOTAL	**947.8**	**964.5**
Equity	478.5	492.6
Provisions	16.5	21.7
Employee benefits	71.5	73.9
Trade and other payables	138.3	137.9
Other current liabilities	45.9	35.6
Net debt	197.2	202.8
TOTAL	**947.8**	**964.5**

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT

In millions of euros	**H1 2017**	**H1 2016**[1]
Operating cash flow before change in WCR	47.2	38.3
Change in working capital requirement	(23.8)	(5.3)
Income tax paid	(6.8)	(3.8)
Net cash generated by continuing operating activities	16.6	29.2
Cash generated by discontinued operations	(0.8)	(0.7)
Net cash generated by operating activities	15.8	28.5
Capital expenditure [2]	(12.3)	(12.9)
Operating cash-flow after capex	3.5	15.6
Changes in the scope of consolidation (acquisitions)	0	(0.7)
Disposal of fixed assets and other	0.2	4.3
Cash generated/(used) by operating and investing activities	3.7	19.2

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

Mersen's first half 2017 financial statements were approved by the Board of Directors on July 28, 2017.

The half year report and presentation are available on the website at www.mersen.com.

FINANCIAL CALENDAR

Q3 2017 revenue: October 25, 2017 after close of trading.

ABOUT MERSEN

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 6,100 employees working across 35 countries, recorded sales of €764 million in 2016.

MERSEN IS LISTED ON EURONEXT PARIS – COMPARTMENT B

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