

MERSEN & YOU

No. 42 – SEPTEMBER 2019

SHAREHOLDERS' LETTER

MESSAGE FROM THE CEO

DEAR FELLOW SHAREHOLDERS,

Following in the path of 2017 and 2018, 2019 was another year of very satisfactory interim growth, strengthening our belief that Mersen is well positioned in promising markets.



Our Group recorded significant like-for-like growth in all regions, especially in North America and Europe, and benefited from the contributions of new companies acquired last year. Profitability was also higher, boosted by a volume effect and increased prices in both of our two business segments. Today, our financial structure is as strong as ever.

We remain committed to the future, and have planned a series of ambitious investments in response to high demand in specific markets – the new silicon carbide semiconductors market in particular – which will equip electric vehicles in the future.

Our markets remain buoyant in the medium-term, prompting us to raise guidance on sales and maintain our forecast operating margin.

My sincere thanks go to you for your continued support, particularly during periods of uncertainty on the stock market, as was the case this August. I would also like to thank each and every member of the Group without whom none of this would be possible.

LUC THEMELIN,
Chief Executive Officer

KEY FIGURES FIRST-HALF 2019 RESULTS

€484m

IN SALES

€54m

IN OPERATING
INCOME BEFORE
NON-RECURRING ITEMS

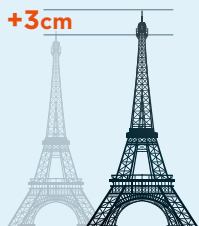
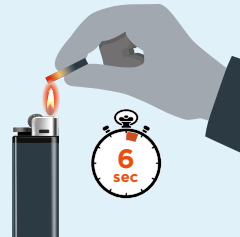
11.1%

OPERATING MARGIN
BEFORE NON-RECURRING
ITEMS

DID YOU KNOW?

SILICON CARBIDE QUALITIES

Mersen is specialized in developing innovative SiC-based products. Used for semiconductors, this **lightweight, rigid and stable ceramic is also virtually insensitive to temperature fluctuations, making it a much sought-after choice for optical instruments, particularly for space applications, due to its excellent thermoelastic stability.** Its properties also represent an opportunity for the Group to diversify into other markets including chemicals, pharmaceuticals and the laser industry.

<div style="text-align: center; margin-bottom: 10px;"></div> <h3 style="text-align: center;">Thermal expansion</h3> <p>Because it is made of iron, the Eiffel Tower can expand by 20 cm at 40°C versus its size at -10°C. If it were made of SiC, it would only expand by 3 cm.</p> 	<div style="text-align: center; margin-bottom: 10px;"></div> <h3 style="text-align: center;">Hardness</h3> <p>If it were made of metal, Captain America's shield would need to be 75 mm thick to protect him. If it were made of SiC, it would only take 15 mm to stop a bullet.</p> 	<div style="text-align: center; margin-bottom: 10px;"></div> <h3 style="text-align: center;">Thermal conductivity</h3> <p>It takes 22 seconds to heat a normal metal coin using a lighter. A coin made of SiC is burning hot in just six seconds.</p> 	<div style="text-align: center; margin-bottom: 10px;"></div> <h3 style="text-align: center;">Chemical resistance</h3> <p>Dissolving a cube of metal in acid only takes a few months. Dissolving a cube of SiC in acid would take thousands of years.</p> 
--	---	---	---

CSR SCAN

Mersen's commitments

In 2018, the Group defined **five priority commitments** as a basis for action plans with **quantitative objectives** to secure Mersen's **responsible and sustainable** development around the world.



Develop innovative products that contribute to the ecological transition

Mersen generates 50% of its sales in renewable energy and energy efficiency markets, from solar and wind power to green transportation, and invests in research into solutions that foster growth in green industries.



2021 Objective: Increase Mersen's sales in sustainable development markets to 55%.



Reduce the environmental impact of our industrial sites by recycling and recovering waste

Mersen is committed to managing the impact of its industrial operations, in compliance with local regulations. The Group has also implemented a policy to manage resources, emissions and waste on its sites.



2021 Objective: An additional 15 points of waste recovered or recycled.

MERSEN 360°

CONTRACT

A reliable partner for Alstom



Mersen was chosen by Alstom to equip Aptis, its new 100% electric bus.

Aptis is a game-changing mobility solution that Alstom intends first for the European market, which represents a potential of 7,000 units per year until 2025.

This latest achievement is another milestone in more than 20 years of successful collaboration between Mersen and the development teams at Alstom.

ACQUISITIONS


Strategic and modular acquisition in graphite production capacity

Mersen manufactures synthetic graphite, a material with outstanding properties and numerous industrial applications. In July, the Group acquired an industrial site in Columbia, Tennessee (United States) that has the graphite production resources it needs to respond to demand from a particularly buoyant market and to meet strategic capacity requirements in the coming years.



Improve and secure the social and environmental performance of our supplier base


The Group pays particular attention to its suppliers' practices and includes social and environmental criteria in its purchasing processes.

 **2021 Objective:** Evaluate the CSR practices of strategic suppliers.



Consolidate the culture of health and safety across the Group


Mersen has made health and safety a priority, implementing a health and safety management system at every site with associated training and awareness campaigns organized for all in-house and external staff.

 **2021 Objectives:** Increase safety inspections by 15%, and achieve an accident frequency rate of ≤ 1.4 and a severity rate of ≤ 60 .



Develop human capital

Mersen has made sweeping changes to its management culture since 2017 to strengthen the expertise and collective capabilities of its teams and encourage employee autonomy. The Group also aims to foster diversity and the integration of an increasing number of women in all roles.

 **2021 Objective:** Train 100% of managers in the Open Manager program.
2022 Objective: Employ a workforce in which 25% to 30% of managers and executives are women.

FINANCIAL BRIEFING*

Sales for Mersen amounted to €484 million in the first six months of 2019, up 6.5% like for like on the same period last year and up 12.4% taking into account exchange rates and the consolidation of companies acquired in 2018. In Europe, growth is particularly robust in the electronics and chemicals markets. In Asia, both the chemicals and electronics markets are very brisk, and growth in North America is led by the electronics and process industries markets.

EBITDA for first-half 2019 totaled €72.5 million (15% of sales), up nearly 13% year on year. Operating income before non-recurring items came to €52.6 million, yielding an operation margin before non-recurring items of 10.9% of sales, as against the 10.6% reported for the first half of 2018.

The growth in the Group's EBITDA and operating income before non-recurring items is primarily due to the volume of business and increase in sales prices.

Net income for the period increased almost 18% to €34.0 million versus €29.3 million for the first six months of 2018.

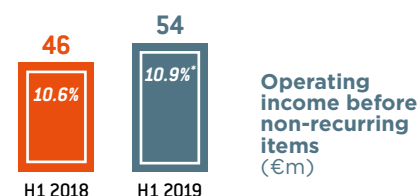
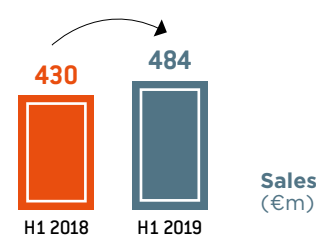
Operating activities generated some €20 million in cash flow, an improvement of nearly €2 million on the same period in 2018.

Net debt at June 30, 2019 stood at €228 million and the Group's financial structure remained robust, with a net debt-to-EBITDA ratio of 1.5.

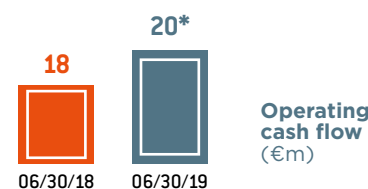
In view of its good first-half results, Mersen now expects like-for-like sales growth to come in at between 4% and 5% (versus the previously published guidance of between 2% and 5%). The Group is standing by its forecast of an operating margin before non-recurring items of between 10.5% and 10.7% for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

* To allow for a clearer comparison with 2018, these comments do not factor in the application of IFRS 16.

Like-for-like growth (+6.5%)



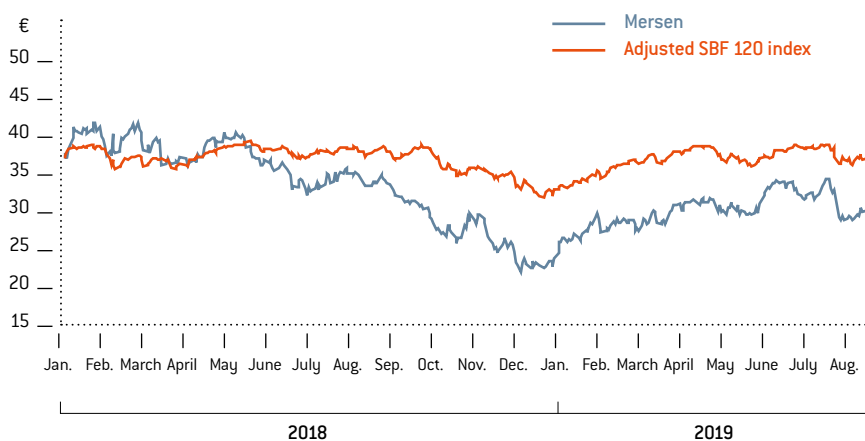
(% of sales)
*11.1% after IFRS 16



*€26 million after IFRS 16

SHARE PRICE PERFORMANCE

from January 1, 2018 to August 30, 2019



ABOUT IFRS 16

The Group has applied IFRS 16, under which all leases will be recognized on the balance sheet, for the first time with effect from January 1, 2019. Cars and forklift trucks mainly account for the highest number of leases whereas offices, plants and warehouses constitute those with the highest value.

The impacts of IFRS 16 are limited and do not affect the Group's financial flexibility. The application had a €1 million impact on operating income before non-recurring items at June 30, 2019, representing 0.2% of operating margin before non-recurring items. Additional information is available in the first-half financial report available on the Group's website.

LISTING

Compartment B of Euronext Paris

CODE ISIN

FR0000039620
TICKER MRN

NUMBER OF SHARES

20,833,945
at June 30, 2019

SHARE PRICE

at June 30, 2019
€33.75

CONTACT

For further information about Mersen, please contact us:
Tel.: +33 (0)1 46 91 54 49
E-mail: dri@mersen.com
www.mersen.com

Document published by Mersen, Financial Communication department.
Director of publication: Véronique Boca.
Design and production: La Machine à Ecrire.
Photo credits: Patrick Lazic, Getty Images,
Photo courtesy: Alstom, Fotolia, Shutterstock.

DIARY DATES*

October 29, 2019 after close of trading Third-quarter 2019 sales	December 5, 2019 Shareholders' meeting in Grenoble	January 30, 2020 after close of trading Fourth-quarter 2019 sales	March 11, 2020 before close of trading 2019 Annual Results
--	---	---	--

* Indicative dates