PRESS RELEASE

MERSEN: REMARKABLE PERFORMANCE IN 2018

- LIKE-FOR-LIKE INCREASE IN SALES OF 10% FOR THE YEAR
- OPERATING MARGIN BEFORE NON-RECURRING ITEMS OF 10.4%, UP FROM 9.2% IN 2017
- INCREASE IN NET INCOME (+48%)
- PROPOSED DIVIDEND OF €0.95 PER SHARE FOR 2018, UP FROM €0.75 IN 2017
- OUTLOOK 2019: AN INCREASE IN LIKE-FOR-LIKE SALES GROWTH OF BETWEEN 2% AND 5% AND IN OPERATING MARGIN BEFORE NON-RECURRING ITEMS (BETWEEN 10.5% AND 10.7%).

PARIS, MARCH 13, 2019 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its consolidated results for the year ended December 31, 2018.

The Board of Directors met on March 12, 2019 and approved the audited 2018 financial statements.

KEY FIGURES IN 2018

	2018	2017
Consolidated sales (€m)	**878.5**	**809.2**
Current operating margin	10.4%	9.2%
Net income (€m)	**59.2**	**40.0**
ROCE	11.8%	9.8%
Net debt (€m)	**215**	**178**
Net debt/EBITDA ratio	1.6	1.6
Dividend per share (€)	**0.95**	**0.75**

Commenting on the Group’s results, Chief Executive Officer Luc Themelin said:

“Following on from 2017, 2018 was an excellent year for Mersen. All performance indicators were on green: like-for-like sales growth came in at 10%, our operating margin before non-recurring items registered strong growth reaching 10.4%, several strategic acquisitions were finalized and the Group launched new investment programs in preparation for future growth. These positive results have allowed us to offer our shareholders a significantly higher dividend of €0.95 per share, which reflects the Group’s robust dynamic and confidence in its opportunities.

Mersen is expecting continued growth in all of its key markets for 2019 and beyond, underpinned notably by our investment for the future.”

ACTIVITY, EBITDA AND OPERATING INCOME BEFORE NON-RECURRING ITEMS

Mersen generated consolidated sales of €879 million in 2018, representing strong like-for-like growth of nearly 10% year on year. Including the consolidation of Idealec and FTCAP (+2.1%) and a negative currency effect (-3%), sales grew by 8.6%.

EBITDA came in at €130.3 million, an increase of more than 14% compared with the prior year and accounting for 14.8% of sales.

Operating income before non-recurring items came to €91.6 million in 2018, resulting in an operating margin before non-recurring items of 10.4% which was 120 basis points higher than 2017.

Advanced Materials sales totaled €487 million in 2018, representing like-for-like growth of more than 12% over the year. All markets contributed to growth, particularly solar and electronics, notably silicon carbide (SiC) based solutions.

The Advanced Materials segment's operating margin before non-recurring items grew yet again, by a sharp 300 basis points on 2017 (14.1% vs. 11.1%). This improvement stems from very positive volume and price effects which more than made up for the negative impact of raw material prices. Savings generated by the competitiveness plan offset inflation comfortably.

Electrical Power sales came to €391 million in 2018, up by nearly 7% like-for-like. Activity was driven by strong business in the green transportation, rail and electric vehicle markets, with the segment also benefiting from the contributions of recently acquired companies, Idealec and FTCAP.

The Electrical Power segment's operating margin before non-recurring items stands at 10% of sales, versus 11% in 2017. Although the volume/mix effect is positive, raw material and wage inflation was not compensated by increase in prices. The Group also engaged additional resources to support development in energy storage and power electronics. In addition, the exchange rate and the FTCAP and Idealec acquisitions give rise to a temporary dilutive effect.

NET INCOME

Non-recurring income and expenses amounted to a negative €3.8 million and essentially comprising €1.6 million in costs linked to acquisitions, namely FTCAP and Idealec, and €2.2 million in other expenses, mostly tied to the competitiveness plan and to litigations.

Net financial expense amounted to €10.3 million in 2018. The year's average debt was up €10 million from 2017, increasing from €193 million to €203 million due to the Group's acquisitions and significant investment plan.

Net income tax expense totaled €18.3 million for the period, representing an effective tax rate of 24%, and a marked decrease on the 32% reported for 2017, with the Group benefiting from US tax reforms and the use of tax-loss carryforwards in some regions. This last factor aside, the effective tax rate would be 26%.

All told, net income totaled €59.2 million, an increase of 48% on the €40 million for 2017.

Income from non-controlling interests primarily comprises that of Yantai (China), in which Mersen holds a 60% stake. Net income attributable to Group equity holders stood at €56.5 million.

CASH AND DEBT

Operating activities generated close to €92 million in net cash flow during the year, versus €64 million in 2017. This included €7 million in litigation and restructuring costs (competitiveness plan) and a working capital expense of more than €21 million resulting from the strong increase in operating activity. The working capital requirement accounted for 21% of Mersen's consolidated sales, compared to 20% in 2017.

Capital expenditure stood at €58 million, €5 million of which was tied to the competitiveness plan. This expenditure mainly corresponded to investments in the Advanced Materials segment, to increase material capacity for graphite, carbon fiber flexible felts and silicon carbide, for the solar, electronic and laser mirror markets.

The Group therefore generated €33 million in free cash flow before financial interests and acquisitions, a 21% increase on the €27 million reported in 2017.

Cash flows linked to acquisitions (€31 million) correspond to the year's acquisitions as follows: FTCAP, Idealec, and LGI in addition to the repurchase of Cirprotec's non-controlling interests. This does not account for the anticipated earn-outs (approximately €7 million) that are recognized in net debt and not yet having been paid.

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The Group also repurchased 200,000 shares to support the accelerated book building organized by Ardian and Sofina on March 15, 2018 and 45,200 shares in December 2018, totaling €8 million, to cover employee bonus share plans.

Net debt at year-end 2018 stood at €215.5 million, up €37.4 million on the €178.1 million reported at December 31, 2017.

FINANCIAL STRUCTURE

The Group maintains a solid financial structure with key ratios close to last year: leverage (debt/EBITDA) was 1.59 and gearing (debt/equity) amounted to 39%.

DIVIDEND

The Board of Directors will propose a dividend payment of €0.95 per share at the General Meeting of Shareholders on May 17 (a 27% increase compared to €0.75 last year). This would represent a payout of approximately €20 million and 35% of net income attributable to Group equity holders.

OUTLOOK FOR 2019

Mersen looks forward to positive medium-term trends in its growth markets, especially:

- Renewable energies market should remain upbeat in the medium term. However, in early 2019, Mersen will need to deal with a high basis of comparison in the solar market.
- Growth in Electronics market should be driven by the silicon carbide (SiC) semiconductor market.
- In the energy storage market, Mersen is continuing to develop its battery protection systems for which a significant growth may be expected from 2021-2022.
- The chemicals market should see moderate growth, while process industries will continue to be driven by major economies trend, likely less buoyant than in 2018.

In the current macroeconomic climate, the Group will draw on its strong foundations to continue developing in its leading markets and achieve new growth in 2019.

Mersen consolidated sales should increase on a like-for-like basis between 2% and 5%, and another 2% following the acquisitions made in 2018. The Group is targeting an operating margin before non-recurring items of between 10.5% and 10.7% for the year.[1]

The Group is expected to spend between €60 million and €70 million in 2019 on maintaining its capex program to tackle the post-2019 demand. More than 40% will be set aside for growth, in particular in the SiC semiconductor, electric vehicle, solar and laser mirror markets.

[1] Excluding the impact of IFRS 16

SIMPLIFIED CONSOLIDATED INCOME STATEMENT

In millions of euros	**2018**	**2017**
Consolidated sales	878.5	809.2
Gross margin	285.1	256.0
Selling, marketing and other expenses	(82.1)	(79.6)
Administrative and research costs	(110.2)	(100.6)
Amortization of revalued intangible assets	(1.2)	(1.2)
Operating income before non-recurring items	**91.6**	**74.6**
As a % of sales	*10.4%*	*9.2%*
Non-recurring income and expenses	(3.8)	(10.3)
Operating income	87.8	64.3
Net financial income	(10.3)	(10.0)
Current and deferred taxes	(18.3)	(15.1)
Net income/(loss) from assets held for sale	0.0	0.8
Net income for the period	**59.2**	**40.0**
- Net income attributable to Group equity holders	56.5	37.6

SECTOR BREAKDOWN

in millions of euros	Advanced Materials (AM)		Electrical Power (EP)		Group incl. Holding company costs	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Sales	487.1	446.6	391.4	362.6	878.5	809.2
EBITDA	97.7	79.5	48.7	49.1	130.3	114.1
As a % of sales	*20.1%*	*17.9%*	*12.5%*	*13.6%*	*14.8%*	*14.1%*
Operating income before non-recurring items	68.9	49.6	39	39.9	91.6	74.6
As a % of sales	*14.1%*	*11.1%*	*10.0%*	*11.0%*	*10.4%*	*9.2%*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of euros	**2018**	**2017**
Non-current assets	652.3	605.9
Inventories	198.6	158.8
Trade and other receivables	177.2	140.8
Other assets	6.5	5.1
TOTAL	**1,034.6**	**910.6**
Equity	528.1	484.0
Provisions	9.3	13.2
Employee benefits	64.6	68.3
Trade and operating payables	184.2	140.7
Other liabilities	32.9	26.3
Net debt	215.5	178.1
TOTAL	**1,034.6**	**910.6**

CONSOLIDATED CASH FLOW STATEMENT

in millions of euros	**2018**	**2017**
Cash generated by operating activities before change in WCR	123.2	94.3
Change in working capital requirement	(21.5)	(14.5)
Income tax paid	(10.0)	(15.4)
Net cash generated by continuing operating activities	**91.7**	**64.4**
Cash used in discontinued operating activities	(0.4)	(0.2)
Net cash generated by operating activities	91.3	64.2
Capital expenditure	(58.0)	(36.7)
Cash generated by operating activities after capital expenditure	33.3	27.5
Change in scope (acquisitions)	(30.8)	0.0
Intangible investments and disposals of fixed assets	(1.8)	5.0
Cash generated by operating and investing activities	0.7	32.5

The 2018 Reference Document can be downloaded from the Mersen website (www.mersen.com) and has been filed with the French Financial Markets Authority (Autorité des Marchés Financiers, AMF).
The results will be presented in a webcast accessible from the Group's website.

FINANCIAL CALENDAR

First quarter 2019 sales: April 24, 2019 after market close.

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 IS LISTED ON EURONEXT PARIS – COMPARTMENT B

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GLOSSARY

Average capital employed: weighted average capital employed for the last five quarters (in order to limit the effects of foreign exchange changes at end of period versus average).

Capital employed: sum of property, plant and equipment and intangible assets, working capital requirement and receivables net of current tax and net derivatives.

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

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

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

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

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.

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

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

Payout: ratio of dividend per share proposed for the year to Group net income per share for the year, calculated based on the number of ordinary shares excluding treasury shares at December 31 of the current year.

Restated payout: ratio of dividend per share proposed for the year to Group net income per share for the year, restated for non-recurring items, calculated based on the number of ordinary shares excluding treasury shares at December 31 of the current year.

ROCE (Return On Capital Employed): ratio of recurring operating income to average weighted capital employed.

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.

APPENDIX

1 - Working Capital Requirement to sales ratio

in € million	2018	2017
Inventories	199	159
Trade receivables	146	123
Other operating receivables	20	17
Contract assets	11	
Trade payables	-72	-60
Other operating payables	-84	-81
Contracts liabilities	-28	
Change in working capital requirement	**192**	**158**
Sales (4 x fourth quarter)	901	806
WCR as a % of sales	**21%**	**20%**

2- ROCE

(in € million)	2018	2017
Operating income before non-recurring items	**91.6**	74.6
Average capital employed	**775**	760
ROCE	**11.8%**	9.8%

3 - Impact of applying IFRS 16 at January 1, 2019.

Lease recognition will change on January 1, 2019. Under the new standard, all leases will be recognized on the balance sheet.

The numerical majority of Mersen's leases correspond to vehicles and forklift trucks, but buildings (offices, factories and warehouses) represent the most monetary value.

The estimated impacts at January 1, 2019 are the following: a positive impact of between €2 million and €3 million on operating result before non-recurring items and between €10 and €11 million on EBITDA; almost zero effect on net income, and a €40 million increase in debt (financial lease liabilities) offset by an asset of approximately the same amount. Applying IFRS 16 will not affect Mersen's financial flexibility as the impact on the debt ratio was low and canceled out in the calculation of banking covenants.