MERSEN: EXCELLENT PERFORMANCE IN FIRST-HALF 2021

- SALES OF €451 MILLION, UP 7% ON AN ORGANIC BASIS VERSUS H1 2020
- ACCELERATION OF GROWTH IN THE SECOND QUARTER, WITH SALES UP 15% VERSUS Q2 2020
- SALES IN SUSTAINABLE DEVELOPMENT MARKETS UP 11% VERSUS H1 2020
- OPERATING MARGIN BEFORE NON-RECURRING ITEMS UP 150 POINTS TO 9.6%
- CONFIRMATION OF RAISED GUIDANCE FOR FULL-YEAR 2021:
  - ORGANIC SALES GROWTH OF BETWEEN 6% AND 8%
  - OPERATING MARGIN BEFORE NON-RECURRING ITEMS OF BETWEEN 9.2% AND 9.6% OF SALES

PARIS, JULY 30, 2021 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its sales figures for the second quarter of 2021 and interim results for the period ended June 30, 2021.

Luc Themelin, Chief Executive Officer commented: *"Our remarkable performance for the first half of 2021 once again illustrates our very good strategic positioning, with strong growth in sustainable development markets, which now represent 56% of our sales. The Group also benefited from the rebound in process industries in North America and Europe. This momentum, combined with our heightened operational efficiency, also drove a sharp increase in our operating margin before non-recurring items. I would like to thank all our teams for what they have achieved in the face of such a challenging situation over the past 18 months. In view of the very brisk customer demand that we have experienced since the beginning of the year and confident in our solid positioning in high-growth markets such as solar power, semiconductors and electric vehicles, in early July we raised our full-year 2021 targets for sales and operating margin before non-recurring items."*

KEY FIRST-HALF FIGURES

In millions of euros	H1 2021	H1 2020
Sales	451	430
Operating income before non-recurring items	43.3	34.7
Operating margin before non-recurring items	***9.6%***	***8.1%***
EBITDA	71.0	61.9
Net income	27.1	17.8
Cash generated by operating activities	46.2	34.7
Net debt/EBITDA ratio	**1.4**	**2.0**

ACTIVITY

SECOND-QUARTER 2021 SALES

Mersen generated consolidated sales of €231 million in the second quarter of 2021, up by a sharp 14.5% on a like-for-like basis compared with the same period of 2020, which was heavily impacted by the Covid-19 crisis, particularly in Europe and North America. Taking into account the sales contribution of companies acquired in 2020 and 2021, and the negative currency effect, sales climbed almost 13% year on year.

In millions of euros	Q2 2021	Q2 2020	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	126.0	119.4	7.4%	0.4%	-2.2%	5.5%
Electrical Power	105.1	85.4	24.6%	2.3%	-3.1%	23.1%
Europe	83.4	69.6	17.2%	2.9%	-0.1%	19.9%
Asia-Pacific	66.4	64.9	3.9%	0.0%	-1.5%	2.4%
North America	72.4	64.7	18.8%	0.8%	-6.5%	11.8%
Rest of the World	8.9	5.6	55.8%	0.0%	-1.9%	57.4%
Group	**231.1**	**204.8**	**14.5%**	**1.2%**	**-2.6%**	**12.8%**

Europe recorded sales growth of more than 17% in the second quarter of 2021, led by the recovery of the process industries and strong momentum in the electric vehicle market. In **Asia**, sales rose almost 4% against second-quarter 2020 –despite the high increase already recorded in second-quarter 2020 – driven by the solar power and semiconductor markets. In **North America**, growth was particularly robust in the electrical distribution and electronics markets. Lastly, the sales increase posted by the **Rest of the world** segment was mainly due to a major delivery of heat exchangers for the chemicals industry in South America in June 2021.

FIRST-HALF 2021 SALES

Mersen's consolidated sales amounted to €451 million for the first six months of 2021, up 7% on an organic basis compared with first-half 2020. Including the negative currency effect and contributions from companies acquired in 2020 (GAB Neumann and Americarb) and early 2021 (Fusetech), year-on-year sales growth was 4.8%.

Sales in sustainable development markets advanced 11% in first-half 2021, driven by electronics, renewable energies and electric vehicles. In the Group's other markets, organic growth reached 4%.

In millions of euros	H1 2021	H1 2020	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	248.4	248.2	2.3%	0.9%	-3.0%	0.1%
Electrical Power	202.5	181.8	13.4%	2.1%	-3.7%	11.4%
Europe	162.7	149.0	6.4%	3.2%	-0.4%	9.1%
Asia-Pacific	131.5	125.9	6.6%	0.1%	-2.1%	4.4%
North America	140.6	142.2	5.7%	0.7%	-7.0%	-1.1%
Rest of the World	16.1	12.9	33.0%	0.5%	-6.7%	24.6%
Group	**450.9**	**430.0**	**7.0%**	**1.4%**	**-3.3%**	**4.8%**

PERFORMANCE BY SEGMENT

Advanced Materials sales totaled €248 million in the first half of 2021, representing organic growth of 2.3%. Growth was particularly robust in semiconductor markets, particularly for silicon carbide semiconductors. The renewable energies market also remained buoyant, and process industries reported a sales recovery. Conversely, sales generated in the chemicals and aeronautics markets retreated further year on year.

In the **Electrical Power** segment, first-half sales totaled €203 million, up by more than 13% year on year on an organic basis. The process industries market saw brisk growth, propelled by electrical distribution in the United States. The power electronics market also recorded a sharp sales rise, as did electric vehicles.

PERFORMANCE BY REGION

In **Europe**, the situation improved significantly in the second quarter, which fueled sales growth of over 6% for the six months as a whole. The highest-growth sector was process industries. The aeronautics market remained at a low point during the period, with sales deteriorating against the first half of 2020, as the impacts of the Covid-19 crisis only affected this market as from the second quarter last year.

In **Asia**, growth was spurred by China's excellent sales performance in the solar power and electronics markets, following on from an already steep sales rise in first-half 2020. India also posted high growth, taking into account the low comparable base with 2020, when the country was hit hard by the Covid crisis.

In **North America**, electrical distribution – and therefore process industries – delivered especially strong sales performances.

EBITDA AND OPERATING INCOME BEFORE NON-RECURRING ITEMS

Operating income before non-recurring items came to €43.3 million, resulting in an operating margin before non-recurring items of 9.6% (a 150-basis point increase compared with first-half 2020).

The year-on-year increase was largely due to higher volumes and the effects of the adaptation plans announced in October 2020. Price increases have been introduced during the period to pass on the rising costs of certain raw materials (especially in the Electrical Power segment), but this did not fully offset them over the half. On the other hand, productivity gains offset cost inflation, particularly for salaries.

In addition, the Group's furlough schemes came to an end at all sites, except two in France. Conversely, the Group did make certain savings as a result of the Covid-19 restrictions (notably relating to travel costs and trade fairs) through the entire six-month period (compared with four months in 2020). The net impact was additional costs of €1 million compared to first-half 2020.

EBITDA stood at €71.0 million and represented 15.7% of sales compared with 14.4% in the same period of 2020.

Advanced Materials segment

Operating income before non-recurring items for the Advanced Materials segment was €33.7 million, resulting in an operating margin of 13.6% compared with 12.8% for the same period in 2020. This year-on-year increase was mainly due to a slightly favorable volume effect and the positive impact of the business adaptation plan.

EBITDA for the segment totaled €52.3 million, representing 21.1% of sales compared with 20.2% in the same period of 2020.

Electrical Power segment

In the Electrical Power segment, operating income before non-recurring items amounted to €18.9 million, representing an operating margin before non-recurring items of 9.3%, up 310 basis points on first-half 2020. This segment was boosted by a significant positive volume effect, a favorable product mix and the impacts of the business adaptation plan. Rises in raw material costs were partly offset by higher selling prices.

EBITDA for the Electrical Power segment was €27.1 million and represented 13.4% of sales compared with 10.6% in the same period of 2020.

NET INCOME

Net income rose by more than 50% to €27.1 million from €17.8 million in the first half of 2020.

Non-recurring items represented a net expense of €1.6 million in first-half 2021 and corresponded to start-up costs for the Columbia site in the USA. Restructuring costs related to the business adaptation plan were partly offset by income resulting from the favorable outcome of legal disputes.

The Group reported a net financial expense of €5.6 million for the first half of 2021, lower than the first-half 2020 figure, thanks to scaling back average gross debt by around €30 million.

Income tax expense amounted to €9.0 million for the period, representing an effective tax rate of 25%, unchanged from the rate for the first half of 2020.

CASH FLOW

The Group's cash flow generation was high in the first half of 2021, with operating activities generating over €46 million in cash during the period. This figure includes €5 million in outflows for the business adaptation plan. It also takes into account a €7 million increase in working capital requirement, mainly reflecting the Group's higher sales volumes. The working capital-to-sales ratio stood at 20%, considerably lower than at June 30, 2020, when it was abnormally high due to Mersen building up inventories in the first half of 2020 in the context of health crisis.

Capital expenditure amounted to €28.0 million in first-half 2021. Over 70% of this total related to the Advanced Materials segment, notably specific expansion projects launched by the Group, such as the start-up of the Columbia site in the United States and the increase in manufacturing capacity for the solar power and semiconductor markets. Capital spending will be higher in the second half of the year.

The €7 million outflow related to changes in the scope of consolidation chiefly corresponds to the acquisition of the Hager group's stake in Fusetech, based in Kaposvar in Hungary.

DEBT AND FINANCIAL STRUCTURE

At June 30, 2021, Mersen's net debt stood at €184 million, slightly higher than at end-December 2020. Lease liabilities totaled €46 million and net pension obligations were €60 million, €12 million lower than at December 31, 2020 due to the increase in long-term interest rates and good performances for plan assets.

Following a US private placement (USPP) set up in May 2021 (the funds of which will be made available in October 2021), the average maturity of the Group's debt will be extended to six years. The Group has a solid financial structure, with €210 million in undrawn credit facilities and €81 million in available cash at end-June 2021.

The Group has no major debt drawn maturities to be met before 2026, and the debt that does mature before then can be refinanced by the new USPP.

ADAPTATION PLAN AND COVID-19 IMPACTS

As announced in October 2020, the Group has put in place an adaptation plan aimed at (i) safeguarding the competitiveness of Advanced Materials sites directly impacted by the sales slumps in the aeronautics and chemicals markets and (ii) reinforcing operating efficiency in the Electrical Power segment.

Part of this plan was launched in the first half of 2021, which led to savings of approximately €4 million and €5 million in cash costs. As expected, the savings arising from the plan will be €10 million for 2021 and €16 million calculated on a full 12-month basis. The cash costs will be €10 million for 2021 and €7 million in 2022, compared to €17 million in 2021 as originally planned.

In addition, the Group still benefited from savings in the first half of 2021 related to Covid-19 restrictions (notably for costs concerning travel and trade shows) compared with pre-crisis levels. In 2022, assuming that business returns to a more normal situation, the return of travel and marketing costs will be mostly offset by the expected savings from the adaptation plan.

OUTLOOK

As announced in the press release dated July 8, 2021, in view of the trends observed in the first half of the year, the Group has raised its guidance for full-year 2021 and now expects:

- Organic sales growth of between 6% and 8% (versus 2% and 6% previously).
- Operating margin before non-recurring items of between 9.2% and 9.6% of sales (versus 8% and 8.8% previously).

CONDENSED CONSOLIDATED INCOME STATEMENT

In millions of euros	**H1 2021**	**H1 2020**
Consolidated sales	450.9	430
Gross income	140.4	130.4
Selling, marketing and other expenses	(38.7)	(38.5)
Administrative and research expenses	(57.7)	(56.5)
Goodwill amortization	(0.7)	(0.7)
Operating income before non-recurring items	**43.3**	**34.7**
As a % of sales	*9.6%*	*8.1%*
Net non-recurring expense	(1.6)	(4.9)
Operating income	41.7	29.8
Net financial expense	(5.6)	(6.1)
Current and deferred taxes	(9.0)	(5.9)
Net income for the period	**27.1**	**17.8**
- Net income attributable to Group equity holders	25.5	16.3

SEGMENT ANALYSIS EXCLUDING HOLDING COMPANY COSTS

In millions of euros	Advanced Materials (AM)		Electrical Power (EP)	
	H1 2021	**H1 2020**	**H1 2021**	**H1 2020**
Sales	248.4	248.2	202.5	181.8
EBITDA	52.3	50.2	27.1	19.3
As a % of sales	*21.1%*	*20.2%*	*13.4%*	*10.6%*
Operating income before non-recurring items	33.7	31.7	18.9	11.3
As a % of sales	*13.6%*	*12.8%*	*9.3%*	*6.2%*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of euros	June 30, 2021	Dec. 31, 2020
Non-current assets	697	670
Right-of-use assets	45	46
Inventories	197	181
Trade and other receivables	182	156
Other assets	5	4
TOTAL	**1,126**	**1,058**
Equity	573	534
Provisions	23	27
Employee benefits	60	72
Trade and operating payables	194	167
Other liabilities	47	32
Lease liabilities	46	47
Net debt	184	180
TOTAL	**1,126**	**1,058**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	**H1 2021**	**H1 2020**
Cash generated by operating activities before change in working capital requirement	64	59
Change in working capital requirement	(7)	(21)
Income tax paid	(11)	(4)
Cash generated by operating activities	**46**	**35**
Capital expenditure	(28)	(24)
Cash generated by operating activities after capital expenditure	**18**	**11**
Changes in scope of consolidation and acquisitions	(7)	(7)
Lease payments	(7)	(6)
Interest payments	(4)	(4)
Other cash flows (incl. share repurchase)	(1)	(5)
Net cash flow before financing operations	**(2)**	**(12)**

These interim consolidated financial statements were approved for issue by the Board of Directors on July 29, 2021.

The Group's results for first-half 2021 will be presented on July 30, 2021 at 10:00 a.m. CET in a webcast with a conference call (link here). The half-year report and results presentation will be then available from the corporate website at www.mersen.com.

FINANCIAL CALENDAR

Third-quarter 2021 sales: October 27, 2021, after the markets close.

ABOUT MERSEN

Mersen is a **global expert in electrical specialties and advanced materials** for high-tech industries. With more than 50 industrial sites and 16 R&D centers in 35 countries around the world, Mersen develops **custom-built solutions** and delivers key products for clients in order to meet the new technological challenges shaping tomorrow's world. **For over 130 years, Mersen has focused tirelessly on innovation** to accompany its clients and meet their needs. Be it in wind power, solar power, electronics, electric vehicles, aeronautics, space or countless other sectors, wherever technology is progressing, you will always find a bit of Mersen.

The "Mersen IR" app, which is specially designed for investors, is available for both iOS and Android devices and can be downloaded from Apple's App Store or Google Play on your smartphone or tablet.

You can also scan the QR code below:

MERSEN IS LISTED ON EURONEXT PARIS – COMPARTMENT B

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GLOSSARY

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

Scope effect: contribution from companies acquired in the year in relation to sales for the year.

- In February 2020, the Group finalized the acquisition of GAB Neumann, a specialist in the design, manufacture and sale of graphite and silicon carbide (SiC) heat exchangers for the chemicals market. GAB Neumann has been consolidated since March 1, 2020.
- The acquisition of the insulation business of Americarb, a long-standing player in carbon fiber insulation, was completed during the summer of 2020. Americarb has been consolidated since September 1, 2020.
- Mersen acquired the Hager group's stake in Fusetech, a manufacturer of industrial fuses based in Kaposvar, Hungary. Fusetech has been consolidated since January 1, 2021.

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 financial 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.

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

Capital expenditure: property, plant and equipment and fixed asset suppliers.

APPENDIX

1 – Working capital ratio

In millions of euros	H1 2021	2020	H1 2020
Inventories	197	181	217
Trade receivables	149	128	142
Other operating receivables	26	21	26
Contract assets	7	7	9
Trade payables	(70)	(56)	(61)
Other operating payables	(101)	(88)	(86)
Contract liabilities	(23)	(24)	(21)
Working capital requirement	**185**	**170**	**226**
Consolidated sales (quarter x 4)	924	836	820
WCR as a % of sales	**20%**	**21%**	**28%**