press release

Mersen: 2015 half-year results

- Revenue up 9.4%; weaker-than-expected second quarter
- Growth in operating income before non-recurring items of 13%
- Sharp rise in net income

Paris, July 31, 2015 - Mersen (Euronext FR0000039620 - MRN), a global expert in electrical specialties and graphite-based materials, today reported revenue for the second quarter and interim results for the period ended June 30, 2015.

Key figures: H1 2015

	H1 2015	H1 2014[1]
Sales (in millions of euros)	396.3	362.1
Operating margin before non-recurring items	8.2%	7.9%
Net income (in millions of euros)	16.7	(0.2)
Net debt/EBITDA	2.3	2.2 (Dec. 31, 2014)

"I am pleased with the growth in the operating margin before non-recurring items and the sharp rise in net income in the first half, despite a weaker-than-expected second quarter in North America in electrical distribution and the oil industry, and the slowdown in China. Revenue for 2015 should be up sharply compared with 2014 as the Group's global exposure will help it benefit from the higher dollar. In that environment, and given the favorable trends in our growth markets and the positive effects of the Transform plan, revenue on a like-for-like basis should be in line with 2014 and our operating margin before non-recurring items should be around 8.6%."," said Luc Themelin, Chairman of Mersen's Management Board.

[1] Restated for IFRIC 21: Mersen has applied the accounting standard IFRIC 21 since January 1, 2015. No full-year impact. See note 2 to the 2015 interim financial statements for details on restatements at June 30, 2015

Highlights: H1 2015

- Conclusion of an agreement for the acquisition[2] of ASP, a Chinese leader in the buoyant power quality segment, with revenue of €6 million. This deal is in line with the electrical segment's growth strategy in this market. It follows the acquisition of a majority stake in Cirprotec, in the same segment, in early 2014.
- Continued roll-out of the "Transform" lean manufacturing plan within the fixed budget and deadlines. Completion of seven of eight projects launched by the Group in the first half of 2014, leading to the closure of three sites in Europe and two in the U.S., and the downsizing of one site in Europe and another in China.

Second-quarter 2015 sales

Second-quarter 2015 sales was up 10.2% compared with the second quarter of 2014, but down 1.3% at comparable exchange rates. Excluding the chemicals business, the Group posted growth for the quarter of more than 1% on a like-for-like basis.

	Q2 2015	Q2 2014	Total growth	Organic growth*
Materials segment	75.2	67.8	10.9%	-2.4%
Electrical segment	125.4	114.2	9.7%	-0.6%
Group total	**200.6**	**182.0**	**10.2%**	**-1.3%**
Europe	69.2	69.5	-0.5%	-2.3%
Asia-Pacific	44.8	40.8	9.8%	-4.5%
North America	76.4	63.2	20.8%	-1.0%
Rest of the world	10.2	8.5	20.5%	22.6%
Group total	**200.6**	**182.0**	**10.2%**	**-1.3%**

* On a like-for-like basis.

The overall trend in **Europe** was more favorable in the second quarter than in the first quarter, especially in Germany.

Excluding the discontinuation of the carbon steel equipment business, **Asia** remained stable, with solid performances in India, Korea and Taiwan. The Japanese market was down, impacted by high invoices in the previous year, and China was sluggish.

In the **Americas**, business was disappointing in the U.S., mainly affected by electrical distribution and the oil industry, while markets grew in Canada and Mexico.

[2] Acquisition pending the approval of the Chinese authorities

First half 2015 sales

In the first half of 2015, Mersen's consolidated sales totaled €396.3 million, up 9.4% year-on-year. On a like-for-like basis, sales were down 1.4% compared with the first half of 2014. Excluding the chemicals business, organic growth was nearly 2% this half-year, thanks to the solid performance of other markets.

	H1 2015	H1 2014	Total growth	Organic growth*
Materials segment	149.6	139.5	7.2%	-5.1%
Electrical segment	246.7	222.6	10.8%	0.9%
Group total	**396.3**	**362.1**	**9.4%**	**-1.4%**
Europe	137.1	143.0	-4.1%	-6.1%
Asia-Pacific	87.9	79.3	10.8%	-3.0%
North America	151.5	123.2	23.0%	2.0%
Rest of the world	19.8	16.6	19.0%	17.7%
Group total	**396.3**	**362.1**	**9.4%**	**-1.4%**

* On a like-for-like basis.

Sales for the **Materials** segment revenue totaled €149.6 million, an organic contraction of 5.1% for the half-year. The decline was primarily related to the situation in the chemical industry market. Excluding this market, organic growth was positive for the segment, at over 4%, and especially strong in the solar, aeronautics and electronics businesses.

Sales for the **Electrical segment** totaled €246.7 million at end-June 2015, up 0.9% on a like-for-like basis. The energy business was particularly strong, more specifically in wind power. Sales in the rail transportation and process industries were stable, while electronics posted a slight decrease.

In **Europe**, half of the decline in revenue was attributable to the impact of the expired Sabic contract. The chemicals business remained lackluster but the Group posted significant growth in aeronautics.

In **Asia**, the situation was mixed. India, Korea and Taiwan grew rapidly while China's performance slowed. Excluding the discontinuation of the carbon steel equipment business, the region grew by 1.5% over the period.

In the **Americas**, growth slowed in the second quarter mainly due to reduced activity with the electrical distribution and oil industries. In contrast, the electronics and wind businesses were buoyant.

First half 2015 results

Group operating income before non-recurring items[3] amounted to €32.5 million, up 13% compared with June 2014. The operating margin before non-recurring items was 8.2% of revenue, up compared with the first half of 2014 (7.9%, restated for IFRIC 21).

Operating income before non-recurring items for the Materials segment came to €8.8 million, representing an operating margin of 5.9% of revenue, versus 6.4% for the same period in 2014 (restated for IFRIC 21). This change is explained by reduced volumes in the chemicals business and lower prices, which were partially offset by the effects of the Transform plan.

The electrical segment operating income before non-recurring items was €30.3 million. The operating margin before non-recurring items was 12.3% of revenue, an increase of 0.3 points compared with last year (restated for IFRIC 21), due to a volume effect and the impact of the Transform plan.

Group EBITDA[4] amounted to €52.2 million (13.2% of revenue) up 12.5% compared with June 2014. The EBITDA margins for both segments were 14.8% of revenue.

Net income attributable to Group equity holders for the period amounted to €16.7 million, up sharply compared with June 2014 (-€0.2 million euros).

Non-recurring income and expenses amounted to €1.1 million and mostly consisted of restructuring costs. Mersen's net financial expense totaled €5.2 million in the first half of 2015, unchanged from the same period in 2014. The tax charge was €8.8 million for the half-year, giving an effective tax rate of 34%, comparable to that of last year (adjusted for the impact of the Transform plan).

Financial position at June 30, 2015

Net debt at June 30, 2015 stood at €245 million, versus €216 million at the end of 2014. It includes €15 million in net payments related to the Transform plan and a negative exchange rate effect of €10 million. Excluding these effects, debt was almost unchanged from end-December 2014.

The Group has a sound financial position: the net debt-to-EBITDA ratio was 2.33[5] in 2015, versus 2.19 at the end of 2014. The net debt-to-equity ratio came to 48% versus 46% at the end of 2014.

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[3] Based on definition 2009.R.03 of the French National Accounting Board (CNC)

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

[5] Ratio calculated using the covenant method for Mersen's confirmed credit lines

Cash and debt at June 30, 2015

Excluding the impact of the Transform plan, operating activities generated **cash flow** of €15.6 million in the first half of 2015, an increase of over €3 million compared with 2014 (€12.3 million). This includes a change in WCR of €24.2 million, mainly related to higher accounts receivables attributable to seasonal revenue fluctuations. Inventories also grew slightly, in line with higher demand forecasts for the second half of the year.

Excluding Transform, **capital expenditure** totaled €14.7 million, in line with forecasts.

Transform plan cash flows amounted to €14.9 million, consisting of €12.7 million in payments related to restructuring (mainly severance costs), €2.3 million in industrial capex on receiving sites and €0.6 million in WCR (transition inventory), partly offset by €0.7 million from a property disposal.

Consequently, **cash flow from operations and investments** represented a net outflow of €14.8 million this half-year, versus €3.8 million in the first half of 2014.

Outlook

Mersen anticipates a stronger second half, especially due to its solid positioning in the buoyant renewable energy and electronics markets. The Group had to consider slower-than-expected activity in the United States and China in the second quarter. Mersen will continue its efforts to improve productivity and operational efficiency, and now targets around flat organic growth and an operating margin before non-recurring items at around 8.6%. The Group had previously communicated organic growth targets of 0% to 4% and an operating margin before non-recurring items of between 8.6% and 9.4%.

In addition, in the second half of the year, the Group will generate a higher operating cash flow than in the first half.

Condensed consolidated income statement

In millions of euros	*June 30, 2015*	*June 30, 2014**
Consolidated revenue	**396.3**	**362.1**
Total gross income	122.3	111.7
Selling, marketing and other costs	-40.6	-36.8
Administrative and research costs	-49.2	-46.2
Operating income before non-recurring items	**32.5**	**28.7**
As a % of sales	*8.2%*	*7.9%*
Non-recurring income and expenses, net	-1.1	-22.7
Amortization of revalued intangible assets	-0.5	-0.5
Operating income	**30.9**	**5.5**
Financial income	-5.2	-5.2
Current and deferred income tax	-8.8	-2.3
Net income from continuing operations	**16.9**	**-2.0**
Net (loss) / income from assets held for sale or discontinued operations	-0.2	1.8
Net income for the period	**16.7**	**-0.2**
Net income attributable to Group equity holders	***16.1***	***-0.5***
EBITDA	**52.2**	**46.4**
As a % of sales	*13.2%*	*12.8%*

* Restated for IFRIC 21

Segment analysis excluding unallocated expenses

	Materials (AMT)		Electrical (ECT)	
In millions of euros	*June 30, 2015*	*June 30, 2014**	*June 30, 2015*	*June 30, 2014**
Revenue	**149.6**	**139.5**	**246.7**	**222.6**
EBITDA	22.1	20.7	36.6	32.6
As a % of sales	*14.8%*	*14.9%*	*14.8%*	*14.6%*
Operating income before non-recurring items	**8.8**	**8.9**	**30.3**	**26.8**
As a % of sales	*5.9%*	*6.4%*	*12.3%*	*12.0%*

* Restated for IFRIC 21

Condensed consolidated statement of financial position

In millions of euros	*June 30, 2015*	*Dec. 31, 2014*
Non-current assets	686.9	653.8
Inventories	174.1	162.4
Trade and other receivables	153.7	131.8
Other assets	8.9	4.8
TOTAL	**1 023.6**	**952.8**
Equity	504.5	466.9
Provisions	13.1	23.4
Employee benefits	84.1	89.6
Trade and other payables	126.5	126.1
Other current liabilities	49.9	30.8
Net debt	245.5	216
TOTAL	**1 023.6**	**952.8**

Condensed consolidated statement of cash flows

In millions of euros	*June 30, 2015*	*June 30, 2014**
Excluding Transform:		
Operating cash flow before change in WCR	50.3	41.9
Change in working capital requirement	-24.2	-22.1
Income tax paid	-10.8	-7.6
Cash generated by discontinued operations	0.3	0.1
Net cash generated by operating activities	**15.6**	**12.3**
Capital expenditure	-14.7	-11.3
Operating cash-flow after capex	**0.9**	**1**
Changes in the scope of consolidation		-4.1
Other	-0.8	-0.7
Transform plan cash flows	**-14.9**	
Cash generated/(used) by operating and investing activities	**-14.7**	**-3.8**

* Restated for IFRIC 21

Mersen's first half 2015 financial statements were reviewed by the Supervisory Board on July 30, 2015. They were approved by the Management Board on the same day.

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

Financial calendar

Q3 2015 revenue: October 28, 2015 after close of trading.

About Mersen

Global expert in electrical specialties and graphite-based materials, Mersen designs innovative solutions to address its clients' specific needs to enable them to optimize their manufacturing process in sectors such as energy, transportation, electronics, chemical, pharmaceutical and process industries.

The Group is listed on NYSE Euronext Paris – Compartment B

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