HALF-YEAR RESULTS

JULY 31, 2019
THOMAS BAUMGARTNER CFO

VERY STRONG PERFORMANCE IN H1 2019

Further improvement in sales and operating results

10TH CONSECUTIVE QUARTER OF ORGANIC GROWTH IN SALES

7TH CONSECUTIVE HALF-YEAR OF GROWTH IN OPERATING RESULTS BEFORE NON-RECURRING ITEMS
A GOOD HALF-YEAR 2019

SALES

Organic growth +6.5% vs H1 2018

Sales (€m)

H1 2018
H1 2019

SALES

Operating income before non-recurring items (€m)

H1 2018
H1 2019

OPERATING MARGIN BEFORE NON-RECURRING ITEMS

+30 pts before IFRS16 vs H1 2018

H1 2018
H1 2019

OPERATING CASH-FLOW

+10% before IFRS 16 vs H1 2018

H1 2018
H1 2019

Net cash-flow from operations (€m)
GROWTH IN ALL REGIONS

NORTH AMERICA
34.5%*

+10% vs H1 2018

EUROPE
34.5%*

+6% vs H1 2018

SOUTH AMERICA
AFRICA
4%*

+19% vs H1 2018

ASIA-PACIFIC
27% *

+2% vs H1 2018

H1 2018  142
H1 2019  167

H1 2018  147
H1 2019  167

H1 2018  125
H1 2019  130

€484m
+6.5%

* % of total sales
Like-for-like growth in H1 2019 (as a %)
## Rise in Profitability

### As a %

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2018 operating margin before non-recurring items</td>
<td>10.6%</td>
</tr>
<tr>
<td>Volume/mix effects</td>
<td>+0.8%</td>
</tr>
<tr>
<td>Price/raw materials net impact</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Impact of productivity</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Cost inflation</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Impact of exchange rates, change in scope and other</td>
<td>-0.9%</td>
</tr>
<tr>
<td><strong>Comparable H1 2019 operating margin before non-recurring items</strong>*</td>
<td>10.9%</td>
</tr>
<tr>
<td>IFRS 16 impact</td>
<td>+0.2%</td>
</tr>
<tr>
<td><strong>H1 2019 operating margin before non-recurring items</strong>*</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

Higher prices to offset the increase in the cost of raw materials: **net positive**

Cost inflation offset by productivity plans
Growth in margin driven by Advanced Materials

Steady performance in Electrical Power

- **Dilutive effect** of acquisitions on margin (-0.3 pt)
- **Negative volume/mix** effect
- **Price increases**

Operating income before non recurring items (%)

- **10% reported**
- **9.7% before IFRS 16**

Sales

- 2018: 190 (m€)
- 2019: 206 (m€)

Operating income before non recurring items

- 2018: 14 (m€)
- 2019: 20 (m€)

- **Positive volume** effect
- **Price increases higher** than the rise in raw materials costs

Operating margin before non recurring items (%)

- **10% reported**
- **9.7% before IFRS 16**

Sales

- 2018: 240 (m€)
- 2019: 278 (m€)

Operating income before non recurring items

- 2018: 34 (m€)
- 2019: 41 (m€)
## Strong Growth in Net Income

<table>
<thead>
<tr>
<th>In €m</th>
<th>H1 2018</th>
<th>H1 2019 before IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income before non-recurring items</td>
<td>45.8</td>
<td>52.6</td>
<td>53.6</td>
</tr>
<tr>
<td>Non-recurring income and expenses</td>
<td>(1.5)</td>
<td>(3.2)</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Net financial income</td>
<td>(4.7)</td>
<td>(4.7)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(10.3)</td>
<td>(10.7)</td>
<td>(10.6)</td>
</tr>
<tr>
<td>Net income</td>
<td>29.3</td>
<td>34.0</td>
<td>33.7</td>
</tr>
<tr>
<td>Attributable to owners of the parent</td>
<td>27.9</td>
<td>33.1</td>
<td>32.8</td>
</tr>
</tbody>
</table>

**Non-recurring expenses**
include restructuring charges, acquisition costs and provision for litigation

**Effective tax rate**
24% (vs 26% in H1 2018)
An improvement despite:

- **Increase in raw materials inventories** at the end of 2018 (paid in H1 2019)
- **Increase in late payment** at the end of June

**Increased operating cash-flow compared to H1 2018**

Operating cash-flow before capex, financial interest and acquisition

- H1 2018: 18
- H1 2019 before IFRS 16: 20
- H1 2019 reported: 26
**STRONG FINANCIAL STRUCTURE**

**NET DEBT/EBITDA**
- 1.6
- 39%

**NET DEBT/EQUITY**
- 1.5
- 41%

*in €m*

- **216** Dec. 2018
- **20** Operating cash-flow
- **21** Investments (including 19 Capex)
- **7** Acquisitions
- **4** Other including interests
- **228** June 2019

**NET DEBT/EBITDA**
- 1.5
- 41%
A SOLID BALANCE SHEET WITH DIVERSIFIED FINANCING

MATURITY PROFILE OF 5 YEARS*

- 2019-2020: €0
- 2021-2022: €40
- 2023-2024: €80
- >2025: €116

SOURCES OF FINANCING (including commercial paper)

- SSD 64%
- COMMERCIAL PAPER 7%
- OTHER 2%
- USPP 27%

UNDRAWN CONFIRMED CREDIT LINES

- €195m
  (taking into account the back-up line available in the commercial paper program)

- Figures at June, 30 2019

Fixed rates for 59% of the total

* For credit lines drawn down
COMMITTED TO THE FUTURE

Luc Themelin
CEO

Capex program for growing markets

Columbia
A strategic acquisition

Progress made in Electric Vehicle

Growth potential for the medium term confirmed with 2019 guidance raised
A PROGRAM OF INVESTMENTS IN 2019 TO UNDERPIN MID-TERM GROWTH

€65-75m

ENVIRONMENT CAPEX

MAINTENANCE CAPEX

DIGITAL CAPEX

GROWTH CAPEX

Laser Scan

SIC Semi-Conductors

EV

Power Electronics

Solar
COLUMBIA MEETS SEVERAL STRATEGIC GOALS FOR Mersen

LIMITED INITIAL INVESTMENT GIVEN THE QUALITY OF THE ASSETS

✔ A gradual ramp up in line with market dynamics

✔ Access to complementary isostatic graphite production capacity for a much lower cost than building a new factory

✔ Repatriation within the Group of the production of specialty extruded graphite which is currently purchased from outside suppliers and is used for process industries, heat exchangers and drill bits for oil and gas

✔ Securing supply and benefiting from the associated margins
COLUMBIA: AN EXCELLENT OPPORTUNITY FOR MERSEN

Isostatic graphite production capacity not utilized

Isostatic graphite production capacity utilized

Columbia: additional production capacity of graphite

12,000 t
COLUMBIA: A NEW INDUSTRIAL BASE FOR THE FUTURE

- **Closing**: Cash-out 7 MUSD
- **June 28, 2019**: Commisioning
- **End of 2019**: Production start
- **End of 2020**: Production start
- **End of 2021**: Decision for additional capex

- **CAPEX**
  - June 28, 2019: €5m
  - End of 2019: ~€10-15m
  - End of 2020: .....
FURTHER PROGRESS IN EV

FOR HEAVY VEHICLES
Power conversion
- Cooling devices
- Bus bars

Battery management
- Fuses
- Cooling devices
- Bus bars

Battery protection
- Fuses

FOR HIGH-END PASSENGER CARS
Battery management
- Fuses
- Bus bars

Battery protection
- DC hybrid Protection
- Selected by a leading manufacturer
NO CHANGE IN THE MID-TERM MARKET PERSPECTIVES

Renewable energies
Semi-conductors
Electric Vehicles

H2 2019

Expected recovery in the solar market
Lower growth in chemicals (strong H1)
Limited growth in SiC semicon (full production capacity) that does not offset slowdown in Si semicon
**2019 OUTLOOK: FY GUIDANCE RAISED**

**ORGANIC* GROWTH in SALES VS 2018**

**OPERATING MARGIN BEFORE NON-RECURRING ITEMS**

**CAPEX**

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**INITIAL GUIDANCE**
- between 2 and 5%

**CURRENT GUIDANCE**
- between 4 and 5%

**GUIDANCE (BEFORE POSITIVE IMPACT OF IFRS16)**
- between 10.5 et 10.7%

**INITIAL GUIDANCE**
- between €60m and €70m

**CURRENT GUIDANCE**
- between €65m and €75m (o.w. €5m for Columbia)

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* Excluding foreign change and scope effects
UNTAPPED MID-TERM GROWTH POTENTIAL

GROWING MARKETS
- Renewables
- Electronics
- EV and Aeronautics

EXCELLENCE PROGRAM
- Commercial efficiency
- Competitiveness
- Innovation

STRENGTHS
- Leader: #1 or #2 in our markets
- > 65% customized products
- Expertise: high barriers to entry

GLOBAL OPERATIONS
- Customer proximity
- Access to local markets
APPENDIX

- IFRS 16 IMPACT
# Main Impacts of IFRS16 Standard Application

## Operating Income Before Non-Recurring Items

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>52.6</td>
<td>+1.0</td>
<td>53.6</td>
</tr>
<tr>
<td>Non-Recurring Items</td>
<td>53.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Financial Income

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial income</td>
<td>(4.7)</td>
<td>-1.4</td>
<td>(6.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(4.7)</td>
<td></td>
<td>(6.1)</td>
</tr>
</tbody>
</table>

## Net Income

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
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</thead>
<tbody>
<tr>
<td>Net income</td>
<td>34.0</td>
<td>-0.4</td>
<td>33.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34.0</td>
<td></td>
<td>33.6</td>
</tr>
</tbody>
</table>

## Depreciation

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>19.9</td>
<td>+5.5</td>
<td>25.8</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19.9</td>
<td></td>
<td>25.8</td>
</tr>
</tbody>
</table>

## EBITDA

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>72.5</td>
<td>+6.5</td>
<td>79.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72.5</td>
<td></td>
<td>79.0</td>
</tr>
</tbody>
</table>

## Lease Liabilities

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease liabilities</td>
<td>+45</td>
<td></td>
<td>45</td>
</tr>
</tbody>
</table>

## Rights of Use

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Before IFRS 16</th>
<th>IFRS 16</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights of use</td>
<td>+45</td>
<td></td>
<td>45</td>
</tr>
</tbody>
</table>

## Impact Breakdown

- **Depreciation of lease liabilities**: IFRS 16 introduces a new requirement for companies to recognize lease liabilities on their balance sheet. This leads to an increase in lease liabilities and a corresponding decrease in income, as shown by the increase in depreciation expense and the decrease in net income.

- **Interest charge**: The interest charge increases due to the new lease liability and related financing costs.

- **Rental expenses**: These are the expenses related to the use of leased assets, which remain the same in both IFRS 16 and H1 2019.

- **Depreciation expense**: This increases due to the recognition of lease assets on the balance sheet, leading to accelerated depreciation.

- **EBITDA**: Despite the increase in expenses due to IFRS 16, the EBITDA remains stable due to the overall increase in operating income before non-recurring items.