EXCELLENT PERFORMANCE IN FIRST-HALF 2023,
WITH 18% ORGANIC GROWTH

2023 OBJECTIVES REVISED UPWARD

- RECORD HALF-YEAR SALES OF €608 MILLION, UP 18.3% ON AN ORGANIC BASIS VS. FIRST-HALF 2022
- OPERATING MARGIN BEFORE NON-RECURRING ITEMS UP 80 BASIS POINTS TO 11.3% OF SALES
- SIGNIFICANT 25% INCREASE IN NET INCOME ATTRIBUTABLE TO MERSEN SHAREHOLDERS
- SUCCESS OF THE €100 MILLION CAPITAL INCREASE
- FULL-YEAR GUIDANCE FOR 2023 REVISED UPWARD:
  - ORGANIC GROWTH OF BETWEEN 10% AND 12%
  - OPERATING MARGIN BEFORE NON-RECURRING ITEMS OF BETWEEN 11% AND 11.2% OF SALES

PARIS, JULY 27, 2023 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, today reported sales for the second quarter of 2023 and interim results for the period ended June 30, 2023.

Luc Themelin, Mersen's Chief Executive Officer, said: *"Mersen maintained its strong growth momentum in the first half of 2023, achieving a new half-year sales record and an improvement in operating margin. Thanks to this excellent performance, we have revised our full-year 2023 guidance upward. The first six months of the year also marked a turning point for Mersen, with the presentation of our 2027 plan and success of our capital increase. The Group's positioning in the semiconductor and electric vehicle markets and the signing of major contracts with ACC and Wolfspeed in early 2023 attest to the soundness of our strategy, which is taking Mersen to a new dimension."*

KEY FIRST-HALF FIGURES

In millions of euros	**H1 2023**	**H1 2022**
Sales	607.7	524.2
Operating income before non-recurring items	68.8	55.0
Operating margin before non-recurring items	***11.3%***	***10.5%***
EBITDA before non-recurring items	100.5	86.9
Net income attributable to Mersen shareholders	43.9	35.1
Leverage	**0.98**	**1.53**

BUSINESS REVIEW

SECOND-QUARTER 2023 SALES

Mersen reported sales of €306 million for the second quarter of 2023, representing sharp growth of 18.2% year-on-year at constant scope and exchange rates. Including the unfavorable currency effect due primarily to the depreciation of the US dollar and the Chinese renminbi, sales grew by 13.8%.

Price increases accounted for approximately 5% of quarterly growth.

In millions of euros	Q2 2023	Q2 2022	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	169.2	151.2	17.0%		-4.4%	11.9%
Electrical Power	136.8	117.7	19.8%		-3.0%	16.2%
Europe	101.9	90.0	15.9%		-2.3%	13.3%
Asia-Pacific	74.9	75.3	6.5%		-6.7%	-0.6%
North America	119.0	94.3	29.5%		-2.5%	26.3%
Rest of the World	10.2	9.4	16.9%		-7.1%	8.6%
Group	**305.9**	**268.9**	**18.2%**		**-3.8%**	**13.8%**

FIRST-HALF 2023 SALES

In the first half of 2023, Mersen's sales totaled €608 million, the highest level ever achieved by the Group. Organic growth was 18.3% year on year, 5% of which was attributable to price increases. Taking into account the unfavorable currency effect, sales grew by 15.9%.

In millions of euros	H1 2023	H1 2022	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	334.3	292.3	17.2%		-2.4%	14.4%
Electrical Power	273.4	232.0	19.5%		-1.4%	17.8%
Europe	203.3	178.4	16.1%		-1.8%	14.0%
Asia-Pacific	150.7	149.3	6.1%		-4.8%	1.0%
North America	234.2	178.5	30.6%		0.5%	31.2%
Rest of the World	19.4	18.1	11.8%		-4.0%	7.4%
Group	**607.7**	**524.2**	**18.3%**		**-2.0%**	**15.9%**

PERFORMANCE BY SEGMENT

Advanced Materials sales totaled €334 million in first-half 2023, an organic increase of 17.2%. Growth was particularly robust in the SiC semiconductor market. Aeronautics markets continued their recovery. The chemicals market was stable year on year. Lastly, as expected, the renewable energy market reported moderate growth compared with the very strong performance in first-half 2022.

Electrical Power sales totaled €273 million in the first half, up by 19.5% on an organic basis. The process industries market saw solid growth, driven by electrical distribution in the United States and Europe. Sales for electric vehicles also rose steadily.

PERFORMANCE BY REGION

In **Europe**, organic growth was 16.1%, driven by the good performance of the Electrical Power segment in France and Germany. In the Advanced Materials segment, aeronautics experienced robust growth, as did SiC semiconductors.

In **Asia**, Group sales rose by 6.1% compared with the prior year. Momentum was strong in the chemicals market. In solar, as expected, growth was more modest after a record performance in 2022, while sales in the Electrical Power segment decreased in a less favorable economic environment in China.

Lastly, sales in **North America** rose by 30.6%, with good momentum in both segments. Electrical distribution continued to deliver solid growth, fueled by prices and volumes. As expected, the semiconductor market was very buoyant, especially for SiC power semiconductors.

EBITDA BEFORE NON-RECURRING ITEMS AND OPERATING INCOME BEFORE NON-RECURRING ITEMS

EBITDA before non-recurring items grew by nearly 16% year-on-year to €100.5 million, representing 16.5% of sales, in line with first-half 2022 (16.6%).

Depreciation and amortization amounted to €32 million, stable compared with first-half 2022 despite higher capital expenditure due to planned commissioning over the coming half-year periods.

Group operating income before non-recurring items totaled €68.8 million in first-half 2023, resulting in an operating margin before non-recurring items of 11.3% of sales, up 80 basis points versus first-half 2022.

The year-on-year increase was largely due to greater volumes and a high capacity utilization rate. Price increases and productivity plans during the period helped offset the higher cost of raw materials, energy and wages. These results also take into account additional costs related to the Group's growth projects, the ramp-up of the Columbia site, the Soitec partnership and the electric vehicle teams.

Advanced Materials segment

EBITDA before non-recurring items for the Advanced Materials segment was €72.3 million, representing 21.6% of sales versus 22.6% in first-half 2022.

Operating income before non-recurring items for the segment amounted to €50.4 million, resulting in an operating margin before non-recurring items of 15.1% of sales, in line with the same period in 2022. The favorable volume effect and price increases offset the higher cost of raw materials, energy and labor, as well as the cost of ramping up production at the Columbia site (United States) and the expense for the project with Soitec (SiC semiconductors).

Electrical Power segment

EBITDA before non-recurring items for the Electrical Power segment was €38.4 million, representing 14.1% of sales versus 13.1% in first-half 2022.

Segment operating income before non-recurring items amounted to €29.4 million, compared with €21.2 million in first-half 2022. This represents an operating margin before non-recurring items of 10.7% of sales, versus 9.1% in first-half 2022. The segment benefited from a favorable volume effect in the period. Price increases more than offset higher raw material and labor costs. The segment also continued to build up its dedicated team for the electric vehicle market over the period.

NET INCOME

Net income attributable to Mersen shareholders rose by more than 25% to €43.9 million in first-half 2023, from €35.1 million in first-half 2022.

Net financial expense was €9 million, an increase from first-half 2022, due primarily to the steep rise in interest rates on variable-rate borrowings (30% of gross debt).

The income tax expense was €13.6 million, corresponding to an effective tax rate of 22.8%, in line with 2022 (22.1%).

Net income attributable to non-controlling interests (€2.2 million) essentially relates to Mersen Yantai (China) and Mersen Galaxy (China), in which Mersen holds a 60% stake.

CASH FLOW

The Group generated net cash from operating activities of €39.2 million, higher than the €5.3 million reported in first-half 2022, despite a €44.6 million negative change in working capital requirement amid robust business growth. The WCR ratio stood at 23% of sales, considerably lower than at June 30, 2022 thanks to an increase in prepayments on contracts in the SiC semiconductor market. Inventories were intentionally high, to ensure a smooth start to deliveries as part of long-term contracts, particularly in the fields of semiconductors and electric vehicles, and more generally to secure certain supplies. In addition, the Group paid out substantial bonuses in the period for the very good performance achieved in 2022.

Income tax paid represented an outlay of €15.4 million, up sharply year-on-year, as the Group benefited from accelerated tax depreciation in the United States in 2022 in connection with investments made at its Columbia site and, to a lesser extent, special payment terms in China related to the health crisis. The increase in tax paid also reflects earnings growth.

In first-half 2023, capital expenditures totaled €61.7 million, in the context of the Group's medium-term growth plan. Almost 55% of the assets will be used for capacity increases as part of the Group's medium-term plan, including the expansion of materials finishing plants and the extension of a plant in France serving the electric vehicle market. 23% of this amount concerned the maintenance, upkeep and modernization of plants and equipment. The remaining amount concerns other growth projects and projects aimed at improving safety and the environment at Group sites.

Investments in intangible assets are primarily related to the plan to digitize and modernize information systems and represented €4.8 million.

CAPITAL INCREASE

On May 5, 2023, the Group announced that it had successfully completed a capital increase with preferential subscription rights for an amount of approximately €100 million. The capital increase is designed to finance Mersen's 2027 growth plan and complement cash generated by the Group and undrawn credit facilities.

FINANCIAL STRUCTURE

Net debt at June 30, 2023 stood at €189 million, down sharply compared with December 31, 2022 (€241 million), primarily reflecting the capital increase (net of costs) of €96 million completed in May 2023 and, conversely, the significant increase in capital expenditure as part of the Group's growth plan.

The Group improved its financial structure over the period, with leverage of 0.98x (versus 1.36x at December 31, 2022) and gearing of 23% (versus 33% at December 31, 2022). No significant repayment milestones are expected before 2026.

The Group's return on capital employed (ROCE) stood at 13.3% in first-half 2023, compared with 12.5% in 2022, in a favorable context of very significant utilization of existing production capacity.

2023 OBJECTIVES

On the strength of its first-half 2023 results, the Group has revised its objectives upward and now expects for full-year 2023:

- organic growth of between 10% and 12% (versus 5% and 10% previously);
- operating margin before non-recurring items of between 11% and 11.2% of sales (versus between 10.5% and 11% previously);
- capital expenditure of between €150 million and €200 million (unchanged).

These new objectives are based on the assumption of an equivalent or slightly deteriorated economic environment at the end of the year versus the current situation. The slower sales growth expected in the second half is mainly attributable to a high comparable base (growth in the second half of 2022 was much higher than in the first half). The margin objective also takes into account additional costs in the electric vehicle sector and greater depreciation due to equipment commissioning, which were already anticipated in the medium-term plan. Conversely, production ramp-up at the Columbia site (United States) is expected to boost the facility's profitability.

2027 MEDIUM-TERM PLAN

The Group confirms the objectives of the medium-term plan presented in March 2023, i.e. by 2027, the Group is aiming for:

- sales of around €1.7 billion;
- operating margin before non-recurring items of 12% of sales. This margin may vary by +/-50 basis points;
- EBITDA margin before non-recurring items of 19% of sales. This margin may vary by +/-50 basis points;
- ROCE of 13%, which may vary by +/-50 basis points.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

In millions of euros	**H1 2023**	**H1 2022**
Sales	607.7	524.2
Gross income	195.0	163.7
Selling, marketing and other operating expenses	(44.0)	(40.5)
Administrative and research expenses	(81.6)	(67.4)
Amortization of revalued intangible assets	(0.6)	(0.7)
Operating income before non-recurring items	**68.8**	**55.0**
as a % of sales	*11.3%*	*10.5%*
Non-recurring income and expenses	(0.1)	(0.7)
Operating income	**68.8**	**54.2**
Net financial expense	(9.0)	(5.3)
Current and deferred income tax	(13.6)	(10.8)
Net income	**46.1**	**38.2**
- Attributable to Mersen shareholders	43.9	35.1

SEGMENT ANALYSIS

	Advanced Materials		Electrical Power		**Group**	
In millions of euros	**H1 2023**	**H1 2022**	**H1 2023**	**H1 2022**	**H1 2023**	**H1 2022**
Sales	334.3	292.3	273.4	232.0	607.7	524.2
EBITDA before non-recurring items	72.3	66.1	38.4	30.4	100.5	86.9
as a % of sales	*21.6%*	*22.6%*	*14.1%*	*13.1%*	*16.5%*	*16.6%*
Operating income before non-recurring items	50.4	44.1	29.4	21.2	68.8	55.0
as a % of sales	*15.1%*	*15.1%*	*10.7%*	*9.1%*	*11.3%*	*10.5%*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2023	Dec. 31, 2022
Non-current assets	824.0	791.9
Right-of-use assets	51.1	53.5
Inventories	316.9	283.2
Trade and other receivables	217.6	194.5
Other assets	15.7	16.5
TOTAL	**1,425.3**	**1,339.6**
Equity	783.6	694.0
Provisions	11.6	15.3
Employee benefit obligations	40.3	38.6
Trade and operating payables	254.2	234.7
Other liabilities	92.3	60.9
Lease liabilities	53.9	55.4
Net debt	189.4	240.6
TOTAL	**1,425.3**	**1,339.6**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	H1 2023	H1 2022
Cash generated by operating activities before change in working capital requirement	99.2	82.0
Change in working capital requirement	(44.6)	(70.6)
Income tax paid	(15.4)	(6.1)
Net cash generated by operating activities	**39.2**	**5.3**
Capital expenditure	(61.7)	(33.5)
Disposals of assets and other	0.9	0.3
Net cash used in operating activities after capital expenditure, net of disposals	**(21.6)**	**(27.9)**
Investments in intangible and financial assets	(4.8)	(3.0)
Changes in scope of consolidation	0.0	(1.1)
Net cash used in operating and investing activities	**(26.4)**	**(32.0)**

These interim consolidated financial statements were approved for issue by the Board of Directors on July 27, 2023.

The Group's results for first-half 2023 will be presented on July 28, 2023 at 10:00 a.m. CET in a webcast and conference call (link here). The half-year report and results presentation will be available on the corporate website at http://www.mersen.com.

FINANCIAL CALENDAR

Third-quarter 2023 sales: October 25, 2023, after the markets close

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ABOUT MERSEN

Mersen is a **global expert in electrical power and advanced materials** for high-tech industries. With more than 50 industrial sites and 18 R&D centers in 34 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's teams have focused tirelessly on innovation** to accompany its clients and meet their needs. Be it in solar power, electronics, electric vehicles, aerospace or other sectors, wherever technology is progressing, you will always find a bit of Mersen. We work to constantly contribute to progress, striving daily to improve people's lives and protect the planet. This **corporate commitment** has been recognized by external rating agencies, EcoVadis (Gold Medal) and MSCI (AA rating).

MERSEN IS PART OF THE SBF 120 INDEX (EURONEXT PARIS – COMPARTMENT B)

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GLOSSARY

Average capital employed: Average capital employed for the last three half-year periods.

Capital expenditure: Investments in property, plant and equipment.

EBITDA before non-recurring items: Operating income before non-recurring items, depreciation and amortization.

Gearing: Covenant net debt divided by equity.

Leverage: Covenant net debt divided by covenant EBITDA.

Net debt: Sum of long- and medium-term borrowings, current financial liabilities and bank overdrafts, less current financial assets, cash and cash equivalents.

Organic growth: Calculated by comparing sales for the year with sales for the previous year, restated at the current year's exchange rate, excluding the impact of acquisitions and disposals.

EBITDA margin before non-recurring items: EBITDA before non-recurring items divided by sales.

ROCE: Return on capital employed: operating income before non-recurring items for the last 12 months divided by average capital employed.

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

WCR: Working capital requirement: sum of trade receivables, inventories, contract assets and other operating receivables, less trade payables, contract liabilities and other operating payables.

WCR ratio: Working capital requirement divided by sales for the last quarter multiplied by four.

APPENDIX

1 - Working capital to sales ratio

	June 30, 2023	Dec. 31, 2022	June 30, 2022
Inventories	317	283	283
Trade receivables	185	167	176
Other operating receivables	29	25	31
Contract assets	4	2	9
Trade payables	(95)	(87)	(84)
Other operating payables	(110)	(118)	(118)
Contract liabilities	(49)	(30)	(30)
Working capital requirement	**280**	**243**	**267**
Sales (last quarter x 4)	1,224	1,174	1,076
WCR as a % of sales	**22.9%**	**20.7%**	**24.8%**

2 - ROCE

	June 30, 2023	Dec. 31, 2022
Operating income before non-recurring items of the last 12 months	135,5	121,6
Capital Employed	1 015,8	970,3
ROCE	**13,3%**	**12,5%**