

MERSEN & YOU

No. 36 - SEPTEMBER 2016

NEWSLETTER
FOR MERSEN
SHAREHOLDERS

EDITORIAL

Dear shareholder,

In the first half of the year, our sales totaled €390 million—a very small organic growth on the previous year.

Despite a still mixed environment, we were able to capitalize on the effectiveness of our new organization structure and our realigned teams. Trends in our expanding markets—renewable energies, electronics and transportation—continue to move in the right direction. Over the period, our operating margin before non-recurring items came to 7.8%, an improvement on the second half of 2015. We generated substantial cash flow through optimized management of our inventories and our capital expenditures.

These results represent the first stage in the Operational Excellence plan we unveiled in March. In September, we decided to step-up this plan to respond to the challenges we face in our various markets. This new step—and we are fully mindful of its social impact—is crucial to enable Mersen to take full advantage of the potential of its growth markets and to make the Group more solid.

All of our teams are working hard to accelerate implementation of our initiatives to boost our competitiveness so that we can reap the rewards over the coming periods.



LUC THEMELIN,
Chief Executive Officer

KEY FIGURES 1st HALF 2016

€390

MILLION IN SALES

€30.5

MILLION IN OPERATING
INCOME BEFORE
NON-RECURRING ITEMS

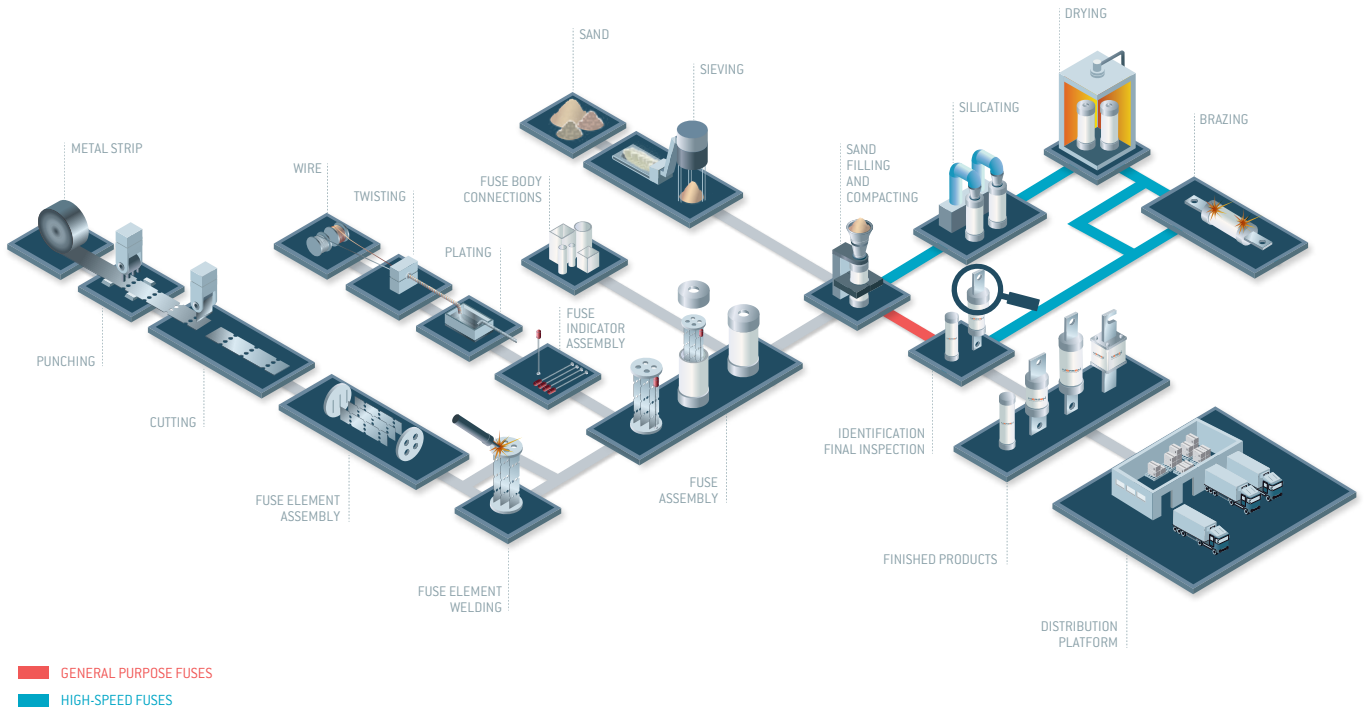
7.8%

OPERATING
MARGIN BEFORE
NON-RECURRING
ITEMS

THE BIG PICTURE

FUSE MANUFACTURING

Mersen is a world leader in the fuse-based protection of overvoltage in electrical circuits and installations. Through a broad product range in terms of standards and its unique global presence, the Group is present in all applications and across all markets. The diagram below shows how they are manufactured.



MARKET SCAN

POWER ELECTRONICS

Today, more than 80% of the energy produced is converted, its form being changed to suit the desired use. The process takes place in a power converter, the main active item of which is a power semiconductor.

Mersen develops bespoke passive components (fuses, coolers, busbars) available independently or as part of an integrated architecture ensuring the protection and reliability of converters. Following are some of the main applications.



Integrated power conversion module



RENEWABLE ENERGIES

Converters play a key role at photovoltaic or wind power facilities, converting the electrical energy produced to alternative current, adapted to the transmission network.

MERSEN 101

CONTRACT

Mersen heads to the stars with MicroCarb

Mersen is pursuing its space adventure with a new order for the production of the optical instrument for the MicroCarb satellite. The objective of the MicroCarb satellite, presented on the fringe of COP21, is to map the sources and sinks of the main greenhouse gas, CO₂, on a planetary scale. Mersen will supply the structure and the mirrors of the optical instrument. Mersen's silicon carbide will help to provide measurements to an exceptionally high degree of precision.

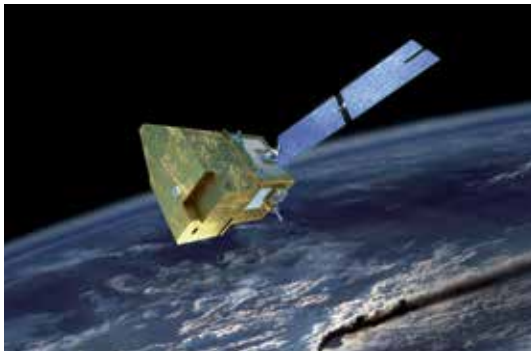


Illustration of the MicroCarb satellite
CNES/ill./Sattler Oliver, 2015

CONTRACT

All aboard the Hyperloop



A visionary project launched by entrepreneur Elon Musk, Hyperloop aims to revolutionize transportation through the development of the world's fastest land transport.

Mersen has joined forces with the Canadian start-up TransPod

to design the world's leading hyperloop system. The Group is tasked with developing innovative cooling solutions to protect the power conversion equipment that enables the capsule to attain speeds of over 1,000 km/h in a vacuum tube.

GOVERNANCE

Changes at Mersen

Since the Annual General Meeting of May 11, 2016, Mersen has been led by a Board of Directors together with the Executive Management. The new framework strengthens collaborative efforts between the two entities and improves Group oversight. The simplified organization structure also boosts Mersen's responsiveness in today's increasingly complex economic environment.



ENERGY TRANSMISSION

High-voltage direct current (HVDC) technology is used to convey energy from its place of production to its place of consumption via a direct-current high-voltage line. The technology requires an AC-DC conversion at each extremity.



ENERGY STORAGE

Produced energy - and particularly renewable energy or energy for electric vehicles - needs to be stored for consumption at the required time. This is why we use batteries, which charge when electricity is produced and discharge when the user needs that electricity. The energy then needs to be converted to be used.



RAIL TRACTION

Energy is fed to trains, metros and trams via a third rail or catenary. The energy then needs to be converted to power the auxiliary motors.

FINANCIAL BRIEFING

FIRST-HALF 2016 RESULTS

Mersen posted first-half consolidated sales of €390 million, up 0.2% year on year on an organic basis. Group operating income before non-recurring items came to €30.5 million, for an operating margin before non-recurring items of 7.8%, up sharply on second-half 2015 (7.1%) and down on first-half 2015 (8.6%). The decrease was attributable to negative volume and mix effects and an unfavorable impact on prices, which was partially offset by significant productivity gains.

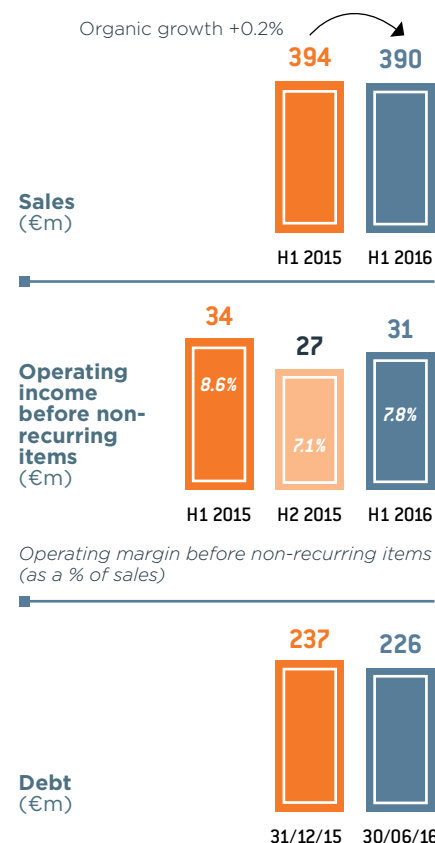
Including non-recurring items, financial interest and tax expenses, net income for the period amounted to €12.3 million, compared with €16.7 million last year. Operating activities generated a cash flow of

close to €29 million in the first half of the year, a significant improvement on last year, which took account of substantial outflows stemming from the Transform plan.

Consequently, net debt at June 30, 2016 (€222 million) was down €15 million on end-2015 (€237 million). The Group's balance sheet remains sound with a net debt/EBIT-DA ratio of 2.2.

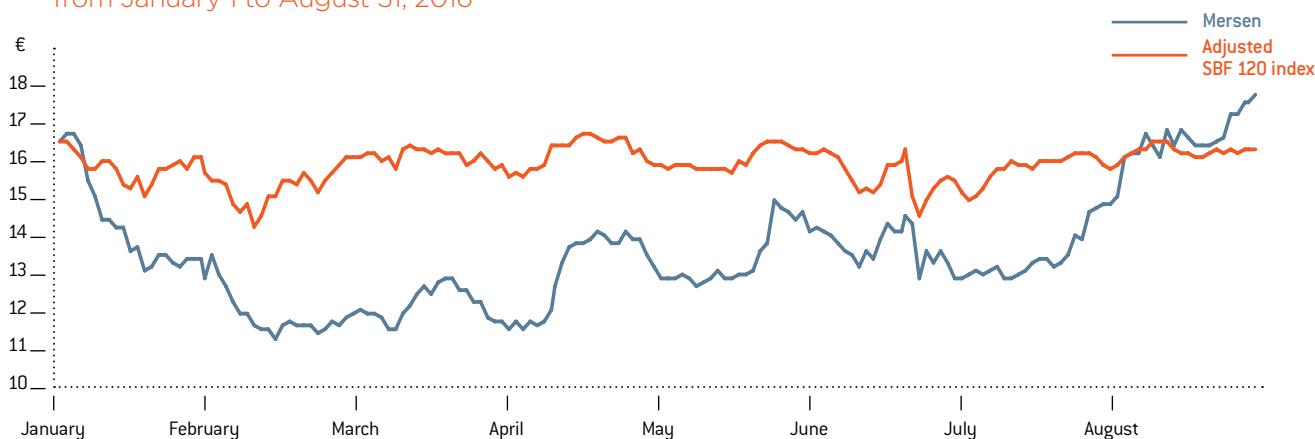
OUTLOOK

The Group is confirming its objectives for 2016 as disclosed on March 9 at the 2015 results presentation, namely annual sales equivalent to those of 2015 on a like-for-like basis and an operating margin of 7.5% before non-recurring items.



SHARE PRICE PERFORMANCE

from January 1 to August 31, 2016



LISTING

Compartment B of Euronext Paris

ISIN CODE

FR0000039620
TICKER MRN

NUMBER OF SHARES

20 636 854
AT JUNE. 30, 2016

SHARE PRICE

AT JUNE. 30, 2016
€13.59

CONTACT

For further information about Mersen, please contact us:
Tel.: +33 (0)1 46 91 54 19
E-mail: dri@mersen.com
www.mersen.com

DIARY DATES*

OCTOBER 26, 2016
after market closing
Third-quarter sales

JANUARY 26, 2017
after market closing
Fourth-quarter sales

MARCH 8, 2017
before market opening
Full-year 2016 results

* Indicative schedule

Document published by Mersen, Financial Communications department.
Director of publication: Véronique Boca.
Design and production: La Machine à Ecrire.
Photo credits: Thomas Gogny, Fotolia.