

MERSEN & YOU

Newsletter for Mersen shareholders

No.33

March 2015

CONTENTS

The Big Picture

Mersen's place in the electrical value chain

Customer Scan

Mersen 101

Financial Briefing

Chairman's Editorial

Dear Sir/Madam, Dear Shareholder,

The year 2014 reaffirmed the key points of the Group's strategy: to build on its global leadership, in growth markets such as renewable energies and electronics and draw on its strong international footprint. Despite a challenging environment in certain regions and markets, the basis of our strategy proved solid. The Group also showed great resilience and adaptability, posting an operating margin before non-recurring items of 8.2% of sales, up on last year. Thanks to the efforts of the operational teams, Mersen also continued to make progress in terms of cash generation. That is why the Supervisory Board and Management Board decided to propose a higher dividend than last year. This is our way of thanking you for staying with us despite a poor stock performance in 2014.

Mersen's medium-term goal remains unchanged. In 2015, we will continue to innovate to enhance those strengths that set us apart. The completion of the *Transform* plan will allow the Group to increase its flexibility and competitiveness. We will also push forward with our strategy of targeted acquisitions in order to broaden our offering and speed up our growth. We are preparing the company for the future, building on its expertise and its closeness to its markets. We have every reason to look to 2015 with confidence.



Luc Themelin
Chairman
of the Management Board

We are preparing the company for the future, building on its expertise and its closeness to its markets.

KEY FIGURES
2014

€731

million in sales

8.2%

operating margin before non-recurring items

€79

million in cash flow before capital expenditures

Excluding exceptional items

merSEN

THE BIG PICTURE





Mersen's place in the electrical value chain

Mersen supports its customers throughout the electrical value chain. It has expertise in three key areas:

- **Power supply**, namely systems that transfer electrical current to equipment. This is the job of the carbon brushes, brush-holders and slip-rings used in generators and engines, or of current collection systems for the rail sector designed by Mersen.
- **Electrical protection**. This is about preventing the destruction of electrical equipment and ensuring the uninterrupted supply of high-quality current. It is the job of fuses, and their related accessories, to combat short circuits, and of surge protection devices to protect against the damage caused by surges such as lightning.
- **Power conversion**, namely the modification of the nature (alternating / continuous) of voltage, of the intensity or frequency of current to meet the needs of very diverse applications such as the variation of engine speed or the transformation of solar or wind energy. This is the job of power electronic components surrounded by the cooling devices, bus bars and fuses specially designed by Mersen.

Mersen's electrical segment represents around 60% of the Group. It is underpinned by a range of growth drivers such as the worldwide increase in electricity consumption, the switching of certain applications such as transportation to electricity, not to mention the need to optimise the energy efficiency of electrical installations.

A PRESENCE THROUGHOUT THE ELECTRICAL VALUE CHAIN

	Electricity production	Electricity transmission	Electricity distribution	Electricity use
				
Power supply				
Electrical protection				
Power conversion		HVDC (High Voltage Direct Current)*		

* Technology used to transport electricity

CUSTOMER SCAN

Recognized as much for its relevant approach as for the quality of its products, the Group capitalises on its technical innovations and on its thorough understanding of customer issues to meet new challenges and win new markets. In 2014, our teams addressed cutting edge technical challenges, always with the same goal: to specifically address the needs of our customers. Examples...



MTU CERTIFICATION FOR THE NEW A320

After a decade of successful collaboration and first-class certifications, the German engine manufacturer MTU Aéro Engines has once more recognized Mersen's expertise in high temperature components for aero engines. This certification was accompanied by the signing of a contract for the new A320 programme. These parts must meet particularly demanding specifications in terms of resistance to temperature and wear and tear: Mersen is only one of two suppliers worldwide able to produce material of this quality.



200,000 UNITS FOR THE LARGEST EUROPEAN PHOTOVOLTAIC PLANT

Mersen is involved in the construction of the largest photovoltaic plant in Europe, which will come on stream in October 2015 in Cestas, near Bordeaux, covering an area of 250 hectares. Clemessy, an Eiffage subsidiary, which is responsible for connecting up the farm, placed an order with the Group for the electrical protection components specially designed for photovoltaic application: low-voltage switches, surge protection system, fuses and fuse holders, namely a total of over 200,000 units from the Helioprotection® ranges.

MERSEN 101

EVENT

“Rencontres de l’industrie compétitive”* conference

Luc Themelin, the Group’s Chairman, participated last February in the “Rencontres de l’industrie compétitive” conference, organized by Les EchosEvents to discuss the steps required to restore growth. Alongside business leaders facing the same challenges, and on the topic of “Can innovation save French industry?”, he talked about Mersen’s innovation strategy designed to enhance its competitiveness.



*Competitive industry meetings

GOVERNANCE

The Supervisory Board is changing

At the upcoming Annual General Meeting of the shareholders, Mersen’s Supervisory Board will ask shareholders to appoint Catherine Delcroix as an independent director of the Supervisory Board. She will replace Philippe Rollier who has reached the upper age limit specified in the Group’s articles of association. Catherine Delcroix was Head of the Energy Business Unit at the CNIM industrial group from 2003 to 2014. She was also its General Secretary and was a member of the Management Board.

AWARDS

Mersen recognized

Mersen won the 2014 special jury award for innovation in «internal control» awarded by IFACI (French institute for audit and internal control), in partnership with EY. This award recognises the Group’s global approach to internal auditing, in particular the roll-out of analysis and training tools or indeed the involvement of internal control in operational issues.

The Group was also applauded by the financial community, which awarded it 3rd prize in the category «Best Investor Relations in Sustainable Development».



RECORD SIZE EXCHANGERS FOR THE PERSIAN GULF

Mersen is involved in the construction of the new phosphoric acid manufacturing unit, which will begin operating in the Persian Gulf in 2016. The South-Korean engineering firm Hanwha Engineering & Construction, the prime contractor, ordered 13 graphite tube heat exchangers, each comprised of 920 5.5 metre long seamless tubes. In addition to its unrivalled ability to offer tubes of up to 6 metres, the challenge for Mersen is delivering 13 exchangers in one year.



A LITTLE BIT OF MERSEN IN SMARTPHONES

For the past decade, the Group has been supplying the isostatic graphite required for the process of manufacturing the moulds for the plastic parts of the Samsung Galaxy smartphone range. In 2014, a new milestone was reached with the launch of Galaxy Note Edge and its curved screen. To achieve this technical feat, Mersen spent over three years working on finding the extremely fine graphite grain required to manufacture quality curved glass.



ITER

The goal of the ITER (International Thermonuclear Experimental Reactor) project is to build the largest experimental fusion energy facility in the world in Cadarache, France. Mersen won a contract of close to €2 million to deliver key components intended for the reactor’s power converters.

FINANCIAL BRIEFING

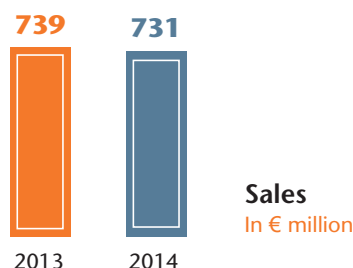
2014 results that reaffirm the Group's strategy

On a like-for-like basis, the Group recorded a 1.5% year-on-year decline in sales to €731 million in 2014. Excluding the chemicals market, sales were up 2%. The operating margin before non-recurring items rose, as expected, to 8.2% of sales.

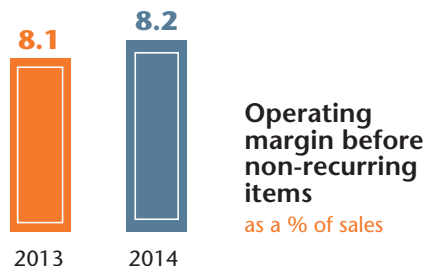
The *Transform* industrial adjustment plan, announced in 2014, was successfully rolled out and will be completed in 2015. The Group's net income thus rose to €2.8 million this year compared with a loss of €28.6 million last year.

We also generated substantial cash flow before exceptional items, enabling the Group to maintain a healthy balance sheet. Net debt stood at €216 million, close to the level at the end of last year, even though it includes exceptional items (Transform plan, acquisition of Cirprotec) and negative exchange rate effects.

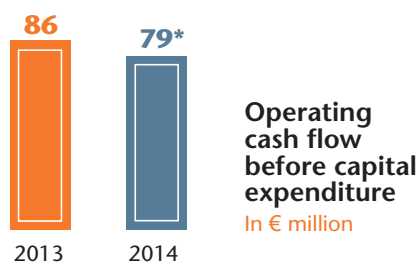
The Management Board and the Supervisory Board thus decided to propose to the Annual General Meeting an 11% increase in the dividend to €0.50 per share.



2013 2014



2013 2014



* Excluding exceptional items (Transform and settlement of a civil suit in the UK)

OUTLOOK 2015

In 2015, the Group will focus on its growth drivers – in particular the renewable energy and electronics markets - and its operational efficiency drivers while continuing to roll out the *Transform* plan.

On this basis, the Group expects to record sales growth on a like-for-like basis of 0 to 4% in 2015.

The operating margin before non-recurring items is also expected to improve tangibly in 2015, with the Group targeting a range of between 8.6% and 9.4% of sales.

SUPPORTING OUR SHAREHOLDERS

Planetshare simplifies the management of your shares

Registered shareholders can now manage their Mersen shares online using the new Planetshare app from BNP Paribas. Accessible 24/7, this platform allows you to track your portfolio in real-time or place orders online.

For further information, please contact the Mersen shareholders relations department at +33 (0)1 46 91 54 49.



DIARY DATES*

28 April 2015
after Stock
Market close
Q1 Sales

19 May 2015
Annual General
Meeting

31 July 2015
after Stock
Market close
Q2 Sales and
Half-Yearly Results

* Indicative calendar

CONTACTS

**For further information
about Mersen,
please contact us:**

Tél.: +33 (0)1 46 91 54 19
Email: dri@mersen.com

Listing	ISIN code	Ticker	Number of shares
Compartiment B Euronext Paris	FR0000039620	MRN	20,616,814