

MERSEN & YOU

Newsletter for Mersen shareholders

No.34

September 2015

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Dear Sir/Madam, Dear Shareholder,

Our Group's coverage of a wide range of industrial markets around the world is one of its strengths. Sales rose 9% in the first six months of 2015 to €396 million, benefiting from the stronger dollar and resilient growth markets (renewable energies, electronics). The economic environment remained sluggish, however, in particular in Chemicals and more generally in the United States and China in the second quarter. Against this backdrop, sales fell slightly, excluding currency effects.

Our Group's coverage of a wide range of industrial markets around the world is one of its strengths.

We were pleased with our profitability in the first half of the year: operating income rose 13% and we reported first-half net income of close to €17 million compared with breakeven last year. The Transform industrial optimization plan is on schedule: seven of the eight projects launched have now been finalized and

are already helping to improve margins. Mersen also signed an agreement for the acquisition of ASP, a Chinese leader in the buoyant power quality market, as part of the electrical segment's strategy to expand its presence in this market. This was a relatively small deal but one that complements our acquisition of a majority stake in Cirprotec in early 2014.

I would like to thank you for your confidence in the Group and for your continued loyalty. Along with the management teams, we remain focused on doing our best to satisfy our shareholders, customers, employees and all stakeholders.

Luc Themelin
*Chairman
of the Management Board*



KEY FIGURES
H1 2015

€396

million in sales

€32.5

million in operating
income

8.2%

operating margin before
non-recurring items

merSEN

THE BIG PICTURE

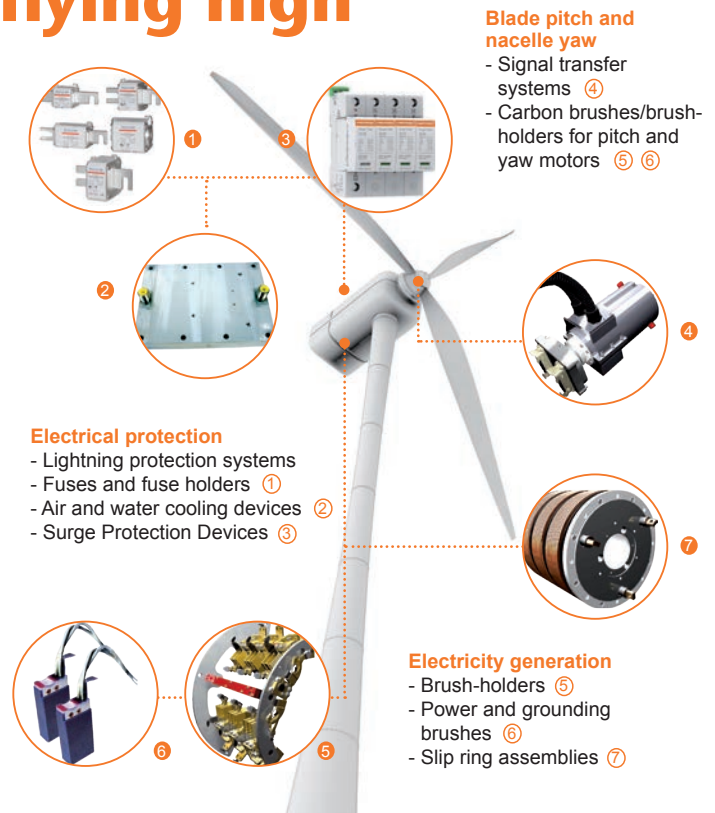
Wind power: Mersen is flying high

Since the commissioning of the first wind turbine in Europe in the 1970s, the wind power industry has developed considerably. Worldwide installed capacity has risen by an average of 25% each year since 2000 and the global installed base stood at 280,000 wind turbines at end-2014.

Mersen has been present on the wind power market since the early 2000s and has become a leading supplier to the industry. In 2014, the Group reported a 17% year-on-year increase in sales in the sector to €35 million. Mersen's expertise encompasses every stage of a wind turbine's life cycle, from manufacture to operation.

The Group works alongside wind generator and turbine manufacturers to develop parts that are central to a wind turbine's operation, from **blade pitch and nacelle yaw** to **energy distribution** to **electrical protection**. These parts must be able to withstand the extreme conditions to which these massive pieces of equipment are exposed, including vibrations, temperature fluctuations, humidity and altitude. These products are supplied as original equipment and as spare parts.

Mersen is also one of the few market players to offer specific services for wind energy production performance and optimization.



TRADE SHOW SCAN

Each year, the Group meets its customers and partners around the world at different industry trade shows. There are about 100 shows a year where Mersen can present its developments and expertise and find out about the latest innovations in its strategic markets.

Spotlight on five leading trade shows Mersen attended in 2015.



INTERNATIONAL PARIS AIR SHOW (LE BOURGET - FRANCE)

2,300 exhibitors, 48 countries

A long-standing partner to the leading sub-contractors of the world's major aircraft manufacturers, Mersen was there at the Paris Air Show with solutions and materials conform to the highest standards in the aviation industry. For example, Mersen designs cooling devices and busbars for the power electronics of the Boeing 787, the "most electrical" aircraft in history.



ACHEMA (FRANKFURT - GERMANY)

4,000 exhibitors, 50 countries

Held every three years in Frankfurt, ACHEMA is the international forum for process industry professionals. A long-time attendee, Mersen presented its comprehensive range of solutions for high-temperature applications and its industrial and anti-corrosion materials and equipment developed with its thermal design and process engineering expertise.

MERSEN 101

AWARDS

Mersen wins prize at Finance Leaders Awards

Last April the Group received the Gold Award for Best Finance Department in the Industry category at the Finance Leaders Awards, organized by the Leaders League group, publisher of *Décideurs* magazine. Of the 160 companies in competition, Mersen's Finance Department was recognized for its creativity and long-term excellence in supporting Mersen's shift toward the most suitable model.



EVENT

Operational Excellence Conference

At the end of March, Mersen was invited to speak at the 7th Operational Excellence Conference held in Paris and organized by Marcus Evans. This gave the Group the opportunity to present the strategy it is rolling out at every level of the company to promote a culture of excellence that strikes a balance between reducing costs, improving product and service quality and growing sustainably, with the ongoing objective of further enhancing Mersen's competitiveness.

ACQUISITION

Mersen strengthens its position in the buoyant power quality segment

In June the Group announced that it had signed an agreement for the acquisition of ASP, a Chinese leader in overvoltage protection. This deal follows the acquisition of a majority stake in Cirprotect (Spain) in February 2014, which provided the Group with expertise in IEC standards. Mersen will now build on the recognized ASP brand in China and on an efficient industrial platform to roll out across the Asian region, most of which is adopting the IEC technology already in use in Europe.



HANNOVER MESSE (HANOVER - GERMANY)

8,000 exhibitors, 140 countries

At the world's largest industrial trade show last spring, Mersen once again demonstrated its capacity for innovation by presenting new ranges of power components—including industrial fuses, lightning arresters and power switches—that are less bulky and offer improved energy efficiency.



AWEA WINDPOWER (ORLANDO - UNITED STATES)

50 countries

At WindPower 2015, the US energy secretary reiterated the objective of continuing to develop wind energy in the United States, which represents already 18% of the global installed base. This was a positive sign for sector professionals such as Mersen, which celebrated its 75th year of operations in the United States and showcased its wind energy solutions and services at its stand.

PCIM
EUROPE

Nuremberg, 19 – 21 May 2015

PCIM EUROPE-ASIA (NUREMBERG - GERMANY) (SHANGHAI - CHINA)

550 exhibitors, 35 countries

An architect of integrated solutions for power electronics, Mersen attended this year's leading power electronics trade show in May and June. Power electronics, whose job is to convert energy, is used in Mersen's target markets with high growth potential, such as energy (solar, wind), transportation and electronics (speed drives, converters).

FINANCIAL BRIEFING

First-half 2015 results

In H1 2015, Mersen reported 9.4% year-on-year growth in consolidated sales to €396.3 million. On a like-for-like basis, they were down 1.4% from H1 2014 due to an unfavorable basis of comparison in the chemicals market and a disappointing second quarter for electrical distribution in the United States and in China. Excluding the chemicals market, organic growth was close to 2% in H1, thanks to growth in the energy, aeronautics and semiconductor markets.

The Group's operating income rose 13% to €32.5 million, representing 8.2% of sales compared with 7.9% in H1 2014*. EBITDA was €52.2 million for a margin of 13.2%.

Net income was also up sharply, reaching nearly €17 million compared with virtually zero income last year.

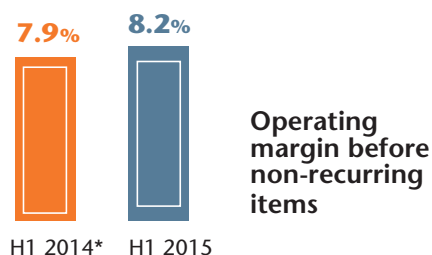
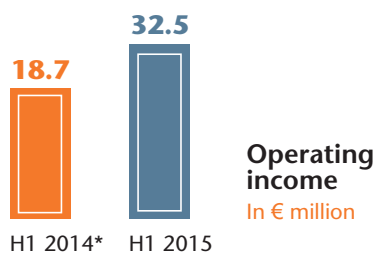
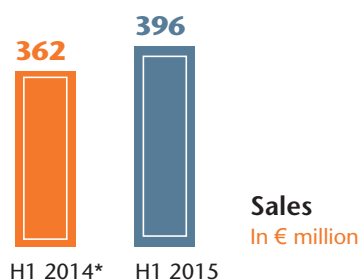
Net debt was €245 million: this takes into account negative exchange rate effects (€10 million) and capital expenditures

for the Transform plan (€15 million, in line with our forecasts). The Group's balance sheet remains sound with a net debt/EBITDA ratio of 2.3.

Outlook

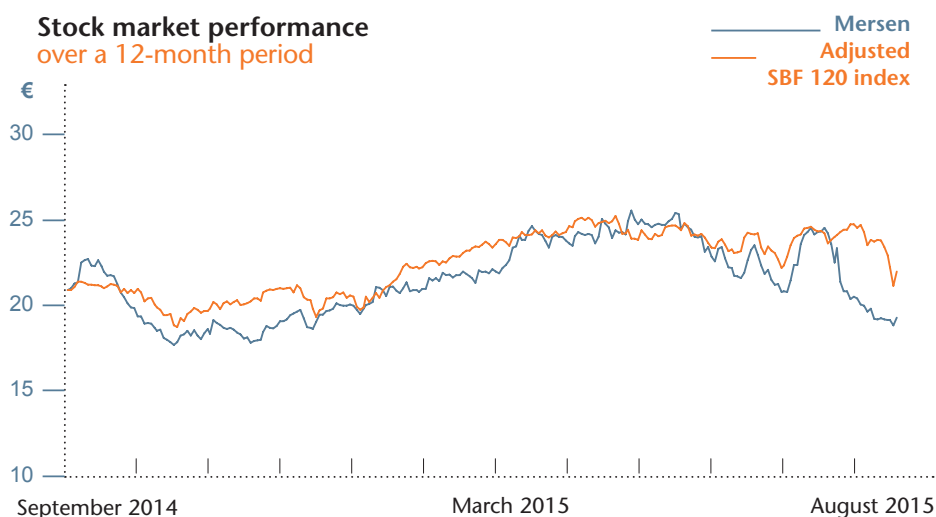
Mersen anticipates a stronger second half, especially due to its solid positioning in the buoyant renewable energies and electronics markets.

The Group nevertheless has 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 is now targeting basically flat organic growth and operating margin before non-recurring items of around 8.6%. In addition, the Group will generate higher operating cash flow in the second half of the year than in the first.



* restated for IFRIC 21

Stock market performance over a 12-month period



DIARY DATES*

October 28, 2015
after Stock Market close
Q3 sales

January 28, 2016
after Stock Market close
Q4 sales

March 9, 2016
Full-year 2015 results

* Indicative calendar

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Listing	ISIN code	Ticker	Number of shares
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