

MERSEN & YOU

No. 37 — MARCH 2017

MERSEN'S LETTER TO SHAREHOLDERS

MESSAGE FROM THE CEO

Dear fellow shareholder,

The year 2016 was particularly decisive for Mersen, with the roll-out of a new organization leading, among other things, to the announcement of a competitiveness plan and changes in the management team. Consolidated sales and operating margin before non-recurring items were on a par with the prior year. The new organization has also enabled the Group to improve the efficiency of its sales and marketing process.



The year also saw the generation of especially strong cash flow, reflecting our optimized inventory management and disciplined capital expenditure. In turn, this enabled us to significantly reduce our debt and strengthen our already robust balance sheet.

In 2017, Mersen will further pursue its commitment to increasing industrial efficiency and driving continuous improvement. We also expect to take advantage of our new R&D strategy to shorten new product time-to-market cycles in the years ahead.

Despite geopolitical uncertainties, your company is confident that it will report growth in sales and operating margin before non-recurring items in 2017, by leveraging its expertise in its expanding markets, its ability to quickly bring innovations to market and the deployment of its competitiveness plan.

LUC THEMELIN,
Chief Executive Officer

KEY FIGURES FOR 2016

€764

MILLION IN SALES

€60

MILLION IN OPERATING
INCOME BEFORE
NON-RECURRING ITEMS

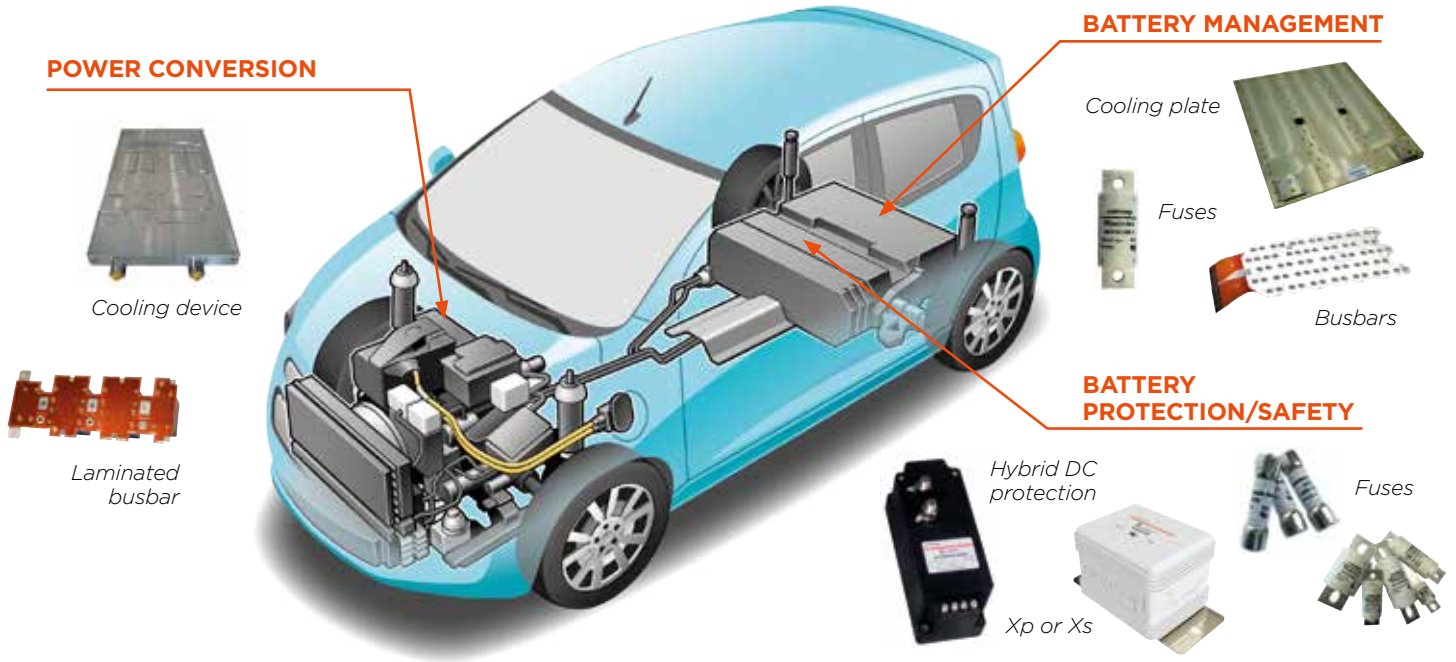
€0.50

DIVIDEND PER SHARE

THE BIG PICTURE

MERSEN IN ELECTRIC VEHICLES

Mersen supplies fuses, cooling devices, laminated busbars and other passive protection and connection components for EV batteries. It has also developed a particularly innovative product that addresses the need to protect high-power batteries in the event of a collision or electrical fault. This breakthrough technology offers the potential for very promising sales in the years ahead.



MARKET SCAN

TRANSPORTATION

The transportation market accounted for 17% of Mersen’s consolidated sales in 2016. Backed by its unmatched customer positioning, global footprint and innovations, Mersen is aiming to drive an average 5% a year increase in its transportation-related sales through 2020. Let’s take a closer look...



RAILWAY TRACTION SYSTEMS

Mersen offers rail industry manufacturers and operators electric current protection, collection, transmission and conversion solutions that improve the performance and reliability of their equipment.



TRANSIT SYSTEMS AND METROS

The Group supports urban transit system operators with a wide array of maintenance services, enabling it to showcase its expertise while offering its entire product range. For example, London Underground works with Mersen to maintain its trains.

MERSEN 101

CONTRACTS

Siemens Energy

In late 2016, Mersen received an order worth close to €7 million from Siemens Energy Management, for an HVDC project to develop electricity highways. Mersen will supply cooling devices to protect the integrated power modules in the Siemens HVDC technology converter station that will form the interconnector between the German and Belgian power grids (the ALEGrO project).

ACQUISITION

Harbin



In late 2016, Mersen formed a joint venture with Harbin Electric Carbon, a well-known supplier in the Chinese railway equipment market.

Harbin Electric Carbon has a nationwide sales network and a modern production facility in Harbin. Mersen will leverage Harbin's widely recognized brand, certified products and efficient manufacturing platform to step up the pace of its expansion, particularly in the rail market.

Brush for rail

BART

Bombardier has selected Mersen to supply cooling devices and laminated busbars to support the renovation of the Bay Area Rapid Transit (BART) system serving the greater San Francisco area. Mersen's production plants in the United States enabled Bombardier Transport to comply with the «Buy in America» clauses stipulating that all of the equipment had to be made in the United States.



AERONAUTICS

In the aeronautics segment, Mersen supplies highly technical components capable of withstanding extreme environments while meeting the industry's strict, highly demanding safety standards.

The new-generation aircraft designed to deliver greater productivity and performance require an increasing variety of technical components like the ones manufactured by Mersen.



SPACE

For the space industry, the Group supplies silicon carbide (SiC) mirrors and structures for telescope instruments. SiC is widely used in space applications on account of its unique properties, such as light weight and exceptional thermomechanical stability. Seventeen space telescopes equipped with our all-SiC components are already in space.



ELECTRIC VEHICLES

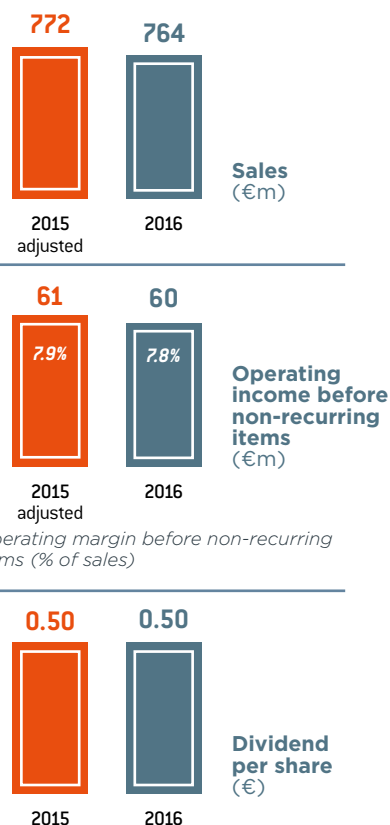
Positioned in the EV market with a portfolio of passive battery protection and connection components, Mersen has recently developed a special line dedicated to the protection of high-power batteries.

FINANCIAL BRIEFING

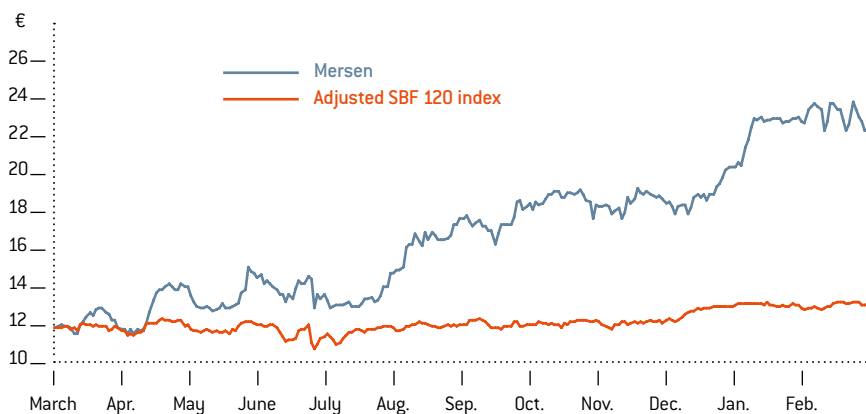
2016 ANNUAL RESULTS

At €764 million, consolidated 2016 sales were in line with the 2015 figure, in a fairly unfavorable economic environment, especially in North America. Consolidated operating income before non-recurring items came to €59.9 million, representing an operating margin before non-recurring items of 7.8%, on a par with the 7.9% achieved in 2015 adjusted, and exceeding forecasts. The competitiveness plans had a significant impact, which helped to offset the price/mix effect and inflation. The second half of the year saw a particularly encouraging upturn, with a year-on-year improvement in the operating margin before non-recurring items. Net income ended the year at €3.2 million, an increase of 23% compared with 2015. Operating activities generated more than €83 million in cash flow in 2016,

a sharp improvement on the prior year led by the steep reduction in inventory. This high cash flow enabled a substantial reduction in debt, which helped to further strengthen the Group's robust balance sheet, with a net debt/EBITDA ratio of 2.1 at year-end. In 2017, Mersen is expected to further expand its business in its different growth markets in order to recapture growth, backed by its new organization. It should also benefit from a stabilized chemicals market. The Group will also continue to deploy its operational excellence plan, which will lower the cost structure and drive competitiveness in Group plants. As a result, the Group expects to see year-on-year organic sales growth of between 0% and 2% in 2017, with a 50 to 100 basis point improvement in operating margin before non-recurring items.



SHARE PRICE PERFORMANCE
from March 1, 2016 to February 28, 2017



ANNUAL GENERAL MEETING

You are cordially invited to attend your company's Annual General Meeting, which will be held in French at 10:00 am on Thursday, May 18, 2017 at **Tour Eqho - 2, avenue Gambetta - 92400 Courbevoie - La Défense 5 (France)**.

This invitation does not in any way replace the legal procedures you must take to be able to vote at the Meeting.

Please contact your custodian bank or broker for further details.

For further information, please call or email the Mersen Investor Relations Department, as indicated below.

LISTING

Compartment B of Euronext Paris

ISIN CODE

FR0000039620
TICKER MRN

NUMBER OF SHARES

20,471,854
AT DEC. 31, 2016

SHARE PRICE

AT DEC. 31, 2016
€ 20.32

DIARY DATES*

APRIL 26, 2017
after market close
First-quarter 2017 sales

MAY 18, 2017
Annual General Meeting

JULY 31, 2017
after market close
First-half 2017 results

*Indicative dates

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