

MERSEN & YOU

No. 35 - MARCH 2016

NEWSLETTER
FOR MERSEN
SHAREHOLDERS

CHAIRMAN'S EDITORIAL

Dear Shareholders

The economic environment was not very supportive in 2015, particularly in traditional industry. Trends in capital spending were even worse. For Mersen, this translated into sales of €772 million, up over 6% on the previous year, but down 2.2% on a like-for-like basis. That said, our expanding markets—renewable energies, electronics and aerospace—continued to perform very well. Despite the business contraction, we achieved an EBITDA margin of 12.7% in tough conditions, thanks largely to the benefits brought by the Transform plan. And our finances ended the year in good shape, with an optimized debt profile.



The economic environment is expected to remain sluggish in 2016. We can draw strength from our expanding markets, our rapid time-to-market for innovations and our ability to seize opportunities to grow and mitigate the impact of the slowdown in traditional industries. We will also continue our operational efficiency drive, which will be facilitated by the new organization we introduced at the beginning of the year.

With a clear focus on our strengths and values, we are taking action to adapt to the current economic conditions.

LUC THEMELIN

Chairman of the Management Board

KEY FIGURES 2015

€772

MILLION IN SALES

€98

MILLION IN EBITDA

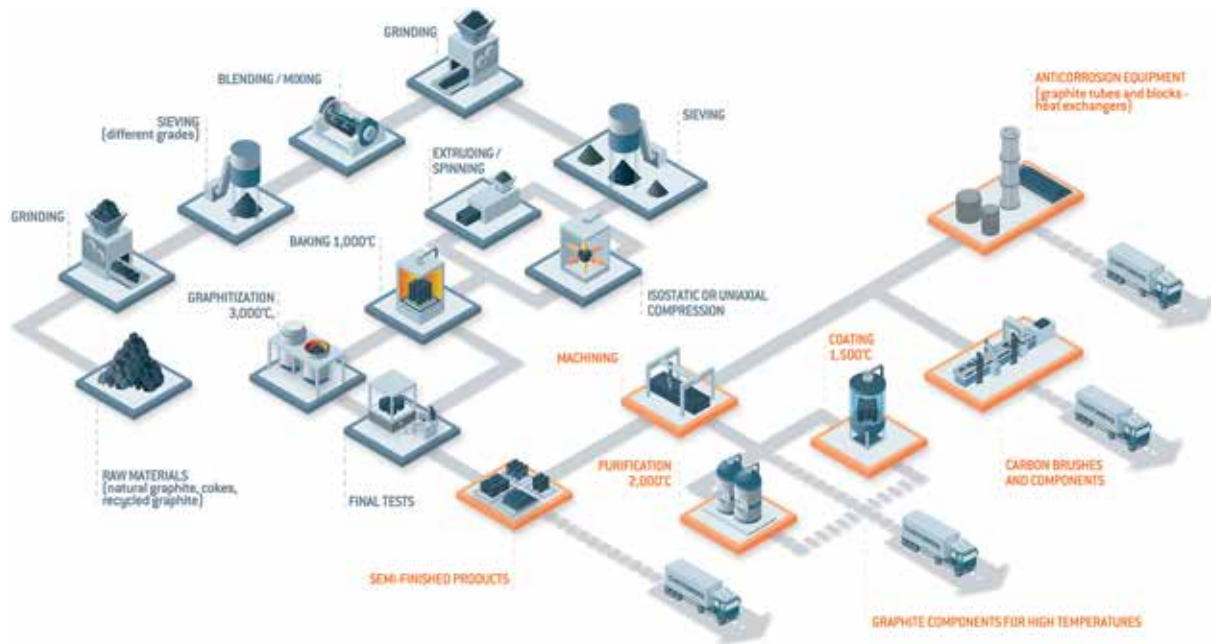
€0.50

DIVIDEND PER SHARE

THE BIG PICTURE

FROM GRAPHITE MANUFACTURING TO FINISHED PRODUCTS

From the outset, Mersen has manufactured products in synthetic graphite and derivatives of this material, and its exceptional properties are harnessed for a broad range of industrial applications.



SAFETY SCAN

The safety of its employees is of paramount importance to Mersen. In 2015, the Group recorded its best-ever safety performance – 1.24 lost-time accidents per million hours worked. This achievement reflected its bold strategy, backed up by highly suitable messages and tools that have been rolled out across the Group over several years. Best practices include the following points:



SPREAD THE SAFETY MINDSET

A safety **e-learning** program has been developed. Including it in the induction process helps to get the safety message across and emphasizes its importance for the Group to employees from the moment they first arrive. It is also used by various sites to enhance the training of existing staff. In addition, the monthly **Safety Gazette** provides an update on the latest safety indicators, while putting best practices in the spotlight.



STEP UP SAFETY VISITS

Safety visits are rapid audits of part of a production workshop or process. They are carried out by the management team from another part of the Group, together with a senior manager. They can spot **anomalies or shortcomings**, which are then addressed through action plans, with a review in the following audit.

In 2015, an **average of five safety visits took place per month** at each of the Group's sites, which represented an increase of 28% on 2014.

MERSEN 101

EVENT



Our headquarters on the move

Mersen's headquarters recently moved into the Tour Eqho, 2 avenue Gambetta at La Défense in Paris.

We will be delighted to see you in the tower's auditorium at the forthcoming General Meeting of the Shareholders on May 11.

CONTRACTS

Success in the Chinese rail sector

After working closely with China's leading rail operator for nearly eight years, Mersen has won a contract to supply equipment for 112 CRH3 high-speed trains that will run in China. They belong to one of the most rapid generations of trains in the world, operating at a cruising speed of 380 km/h.

Mersen, which will supply rail power supply and distribution components, was chosen for its ability to design and manufacture equipment meeting specific constraints, which include operating at high speed over long distances without stopping.

APPOINTMENT

Eric Guajoty joins Mersen

In late 2015, Mersen announced it was introducing a new organization better accommodating the priorities of its expansion strategy. Advanced Materials and Electrical Power are the two internally consistent new segments in the new structure, and these are backed up by the creation of positions dedicated to innovation and Asia. At this occasion, Eric Guajoty has joined the Group as Head of the Advanced Materials segment. He will also serve on the Executive Committee. After beginning his career with Pechiney, he moved to SGL Carbon and then the Linde Group.



ORGANIZE HEALTH & SAFETY WEEKS

One of Mersen's safety rituals is to hold a **major health and safety-related event** every year. The event may take various forms, but the goal is always the same: cover five themes in fields including hygiene, health, safety, industrial risks, emergencies, environment, ergonomics, prevention and diet. External specialists in these fields, such as trainers, doctors, ergonomics specialists, firemen and police officers, may be brought in.



PROMOTE THE GOLDEN RULES

Ten safety rules have been laid down for all Group employees to follow. They cover the main risks that may be encountered in our plants (traffic, postures, protective equipment, use of power systems, lifting operations, working at heights, confined spaces, high-risk situations, joint activities, storage at heights) and are **displayed at all sites**.



REWARD THE BEST PERFORMANCES

Every year Mersen bestows its **Safety Excellence Awards** on facilities with first-rate safety management combined with a very high level of safety performance. These commendations are a reward for the efforts made locally with the backing of all employees. In 2015, sites in Europe, South America and China received the awards.

FINANCIAL BRIEFING

2015 ANNUAL RESULTS

Mersen posted full-year consolidated sales of €772 million, up 6.4% compared with 2014. On a like-for-like basis, the top line contracted by 2.2% compared with the previous year. Excluding the chemicals market, organic growth ran at close to 1%.

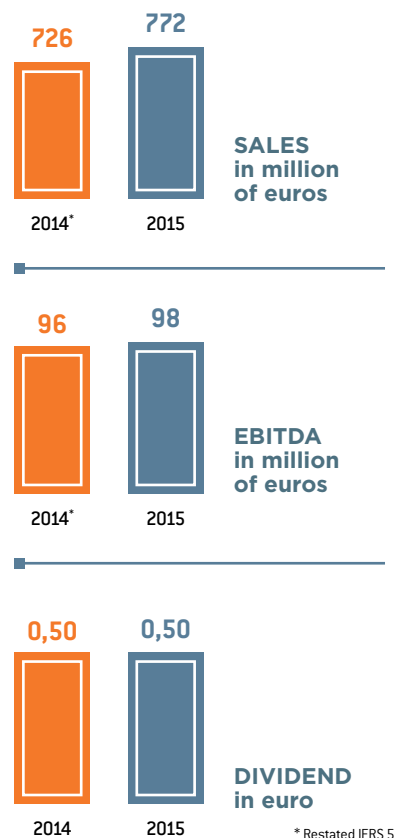
EBITDA came to €98 million, up 2.4% compared with the restated 2014 figure. This represented 12.7% of the Group's sales. Mersen's operating income before non-recurring items came to €58.1 million in 2015, representing 7.5% of sales, compared with 8.2% in 2014. The shortfall was attributable to negative volume and mix effects and unfavorable price effects in the Materials segment, offset partly by the benefits of the Transform plan.

The Group's 2015 net income was €2.6 million - as forecast, roughly the same level as in 2014.

Net debt came to €236 million, which included €10 million in currency effects and close to €30 million in non-recurring outflows mainly linked to the Transform plan. Finances remain in good shape, including a net debt/EBITDA ratio of 2.4x.

OUTLOOK

Amid the sluggish economic conditions prevailing in 2016, Mersen intends to increase its efficiency by launching a new operational excellence plan. The impact of these measures in 2016 may be curbed to some extent by a persistently unfavorable pricing environment in the Materials segment. Overall, sales for the year are likely to be of the same order of magnitude as in 2015 on a like-for-like basis, with the operating margin before non-recurring items at around 7.5% of sales.



WHAT DO YOU NEED TO KNOW ABOUT THE LOI ECKERT* ?

Every year, Mersen has to draw up a list of inactive accounts held in directly registered form. These are accounts in which after a five-year period (or 12-month period where the account holder has passed away): no transactions have taken place (the receipt of dividends does not suffice to make an account active);

- whose holder, legal representative or any other person authorized by the holder, has not used the account in any way.
- Where no activity is recorded, Mersen must inform the account holders or their relevant heirs and beneficiaries of the implications of the enactment of the law on their assets should they fail to use the account in any way. If after ten years of inactivity (or three years in the event of the

holder's death), the account has remained inactive, it will be considered as unclaimed. Mersen will then have to sell the shares and transfer the proceeds of the sale to Caisse des Dépôts et Consignations.

What do you need to do if you hold your shares in direct registered form?

Simply log on to the Planetshare platform (<https://planetshares.bnpparibas.com/>) to identify yourself as being active. For further information, please contact the Mersen's shareholders department on +33 (0)1 46 91 54 49.

* French law relating to inactive bank accounts and unclaimed life insurance policies

LISTING

Compartment B of Euronext Paris

ISIN CODE

FR0000039620
TICKER MRN

NUMBER OF SHARES

20,636,854
AT DEC. 31, 2015

SHARE PRICE

AT DEC. 31, 2015
€17.00

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DIARY DATES*

APRIL 27, 2016
after the market close
First-quarter sales

MAY 11, 2016
General Meeting of the Shareholders

JULY 28, 2016
after the market close
Interim 2016 results

*Indicative schedule