

MERSEN & YOU

No. 40 — SEPTEMBER 2018

MERSEN'S LETTER TO SHAREHOLDERS

MESSAGE FROM THE CEO

Dear fellow shareholder,

The first six months of 2018 marked another period of strong growth for your company.

Our results were very satisfactory, with a sharp increase in consolidated sales and double-digit organic growth thanks to our positioning in fast-growing markets and the commitment of our teams, and a significant improvement in margins led by the operational efficiency plan rolled out two years ago.

We also completed several acquisitions during the period which are presented here and which will notably strengthen our presence in power electronics, one of our core markets.

This positive trend is expected to last through the rest of the year, thanks to the Group's solid fundamentals and positioning in expanding markets.

I would like to congratulate all of our employees for their contribution to these strong results, and thank all of you for your steadfast confidence and loyalty.

LUC THEMELIN,
Chief Executive Officer



KEY FIGURES FIRST-HALF 2018 RESULTS

€430

MILLION IN SALES

€46

MILLION IN OPERATING
INCOME BEFORE
NON-RECURRING ITEMS

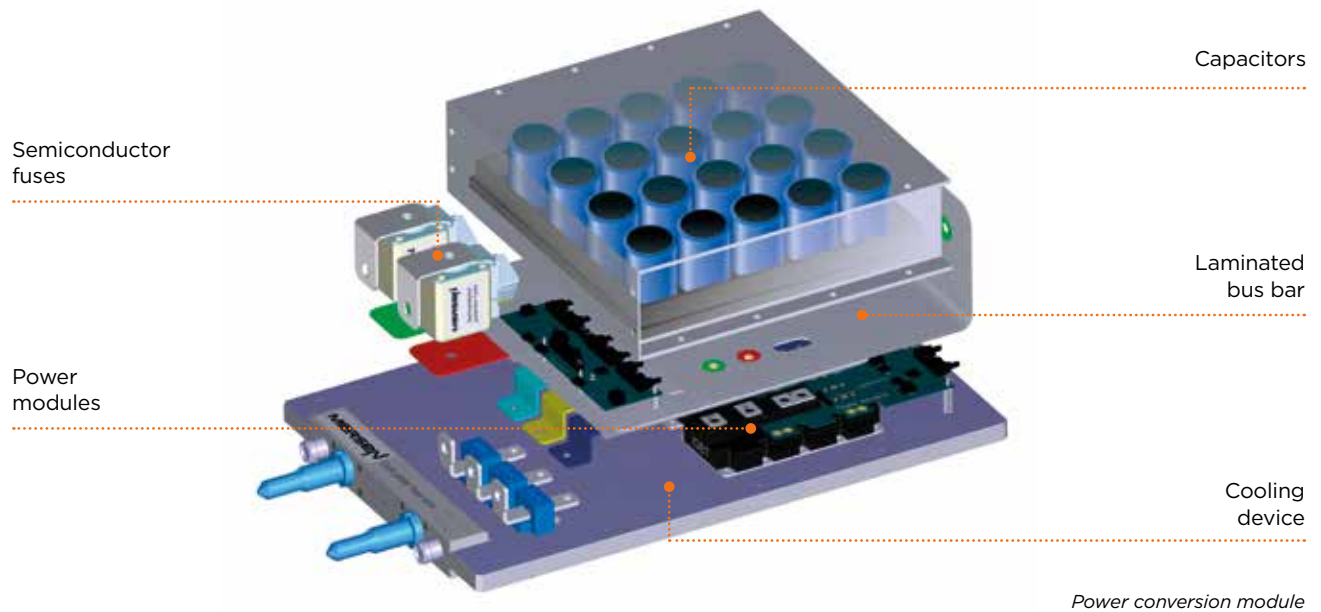
10.6%

OPERATING MARGIN
BEFORE NON-RECURRING
ITEMS

THE BIG PICTURE

MERSEN'S CAPACITOR SOLUTIONS

With the acquisition of FTCap, Mersen has added capacitors to its current range of high-speed fuses, cooling devices, laminated bus bars and other key components in the design of efficient, high-performance power electronics systems. By temporarily storing energy, capacitors help to smooth fluctuations in voltage and filter out noise. They play a critical role in ensuring high-quality current in solar, wind and other renewable power installations.



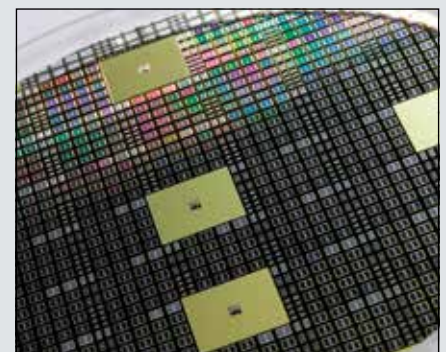
ACQUISITIONS SCAN

To strengthen its market positions and drive faster growth, Mersen is leading a targeted acquisitions strategy. By joining forces with highly skilled companies active in growth markets, the Group has a two-fold objective: to simultaneously broaden and extend our product portfolio, while expanding our geographic footprint. Five acquisitions involving close to 250 people have been completed since the beginning of the year.



CIRPROTEC

April: Mersen acquired all outstanding shares of Cirprotec in which it has had a 51% stake since 2014. The acquisition, which has already helped to drive strong growth in sales of power quality products and solutions over the past four years, is expected to give new momentum to the Group's expansion in the high-potential market for overvoltage and overcurrent protection products.



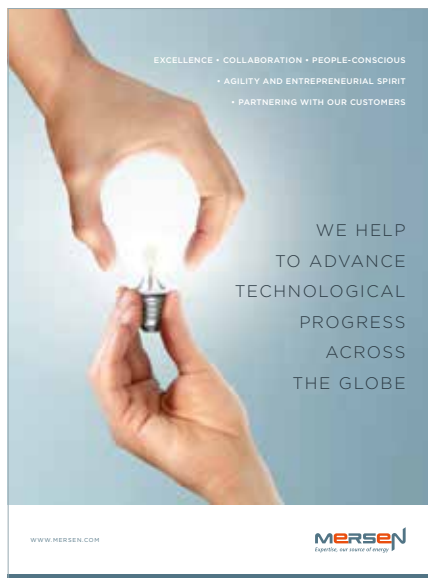
CALY TECHNOLOGIES

April: By acquiring a 49% stake in CALY Technologies, a Lyon-based start-up that engineers silicon carbide (SiC) semiconductor devices, Mersen has expanded its portfolio of over-current, surge protection and current limiting products and solutions, while enhancing its expertise in semiconductor technologies.

MERSEN 101

VALUES

Excellence is one of the five values* shared by employees across the Mersen Group that guide their day-to-day activities and behavior. Their commitment to excellence – be it in operations or in sales – has a direct impact on our efficiency and performance.



Operational excellence

One of our strategic pillars, Mersen’s operational excellence stems from a dynamic, ambitious process designed to engage every employee, team and unit in creating value for customers and continuously improving our performance. The Group’s excellence plan combines two closely-related drivers: disruptive transformation projects that introduce major changes in our processes, and continuous improvement in front-line performance.

Sales excellence

At once an attitude, a commitment and the result of a multitude of improvements every day, sales excellence at Mersen is achieved through continuous communication between the sales force and the product lines. All of our teams work with the same goal: to deliver value to our customers and help them to grow in their end-markets. There is no more powerful tool for capturing new market share than customer insight and a fine-grained understanding of their needs. Our broad geographic footprint, combined with the ability to respond quickly and effectively anywhere in the world, is another critical growth driver.

*Excellence, Collaboration, People-conscious, Agility & Entrepreneurial spirit and Partnering with our customers.



IDÉALEC

April: A world leader in laminated bus bars, Mersen broadened its customer portfolio, particularly in the energy and rail sectors, by acquiring Idéalec, a recognized designer and manufacturer of laminated bus bars with operations in France and China.



FTCAP

May: With the acquisition of FTCap, which designs and manufactures capacitors and other core power inverter components, Mersen has strengthened its position as the preferred global partner in power electronics by expanding its product line-up. Based in Germany and Switzerland, FTCap has more than 70 years of experience in the design and production of capacitors for a large number of industries.



LOUISVILLE GRAPHITE

July: Mersen acquired Louisville Graphite, a full-service company specialized in the design, manufacture, reconditioning and service of graphite heat exchangers and other graphite process equipment. The transaction has strengthened Mersen’s aftermarket business in North America, in a region that is home to a wide range of chemical and manufacturing companies.

FINANCIAL BRIEFING

STRONG GROWTH IN THE FIRST HALF

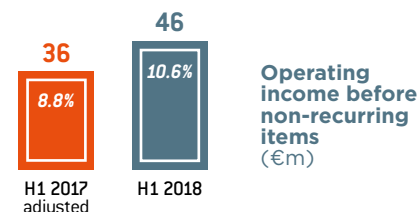
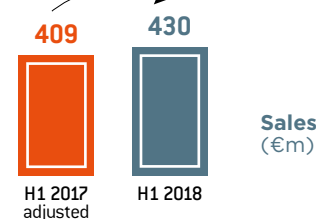
Consolidated sales amounted to €430 million in the first six months of 2018, a like-for-like increase of 11% compared with the same period last year. Including the negative impact of exchange rates and the first-time consolidation of Idéalec, reported growth came to 5.2%. Operating income before non-recurring items stood at €45.8 million, yielding an operating margin before non-recurring items of 10.6% that represented a sharp improvement from the 8.8% reported one year earlier. Net income for the period came in at €29.3 million, versus €19.1 million in first-half 2017. Net debt at June 30, 2018 stood at €205 million, up €27 million on the €178 million reported at December 31, 2017. It includes €13 million in acquisition costs, €7 million in share buybacks and €7 million

for specific investment projects. Despite these significant investments, the Group's financial structure remains robust, with a net debt-to-EBITDA ratio of 1.5 (versus 1.6 at December 31, 2017) and a net debt-to-equity ratio of 40%.

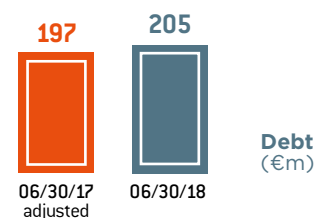
GUIDANCE REVISED UPWARDS

Mersen expects to deliver like-for-like sales growth of between 7% and 9% in 2018. The Group estimates the negative currency effect on full-year sales at between €25 million and €30 million, based on current exchange rates, and expects acquisitions to contribute close to 2% growth to sales for full-year 2018. The Group's operating margin before non-recurring items is therefore expected to amount to between 10.1% and 10.4%, including the impact of recent acquisitions.

Like-for-like growth +11%

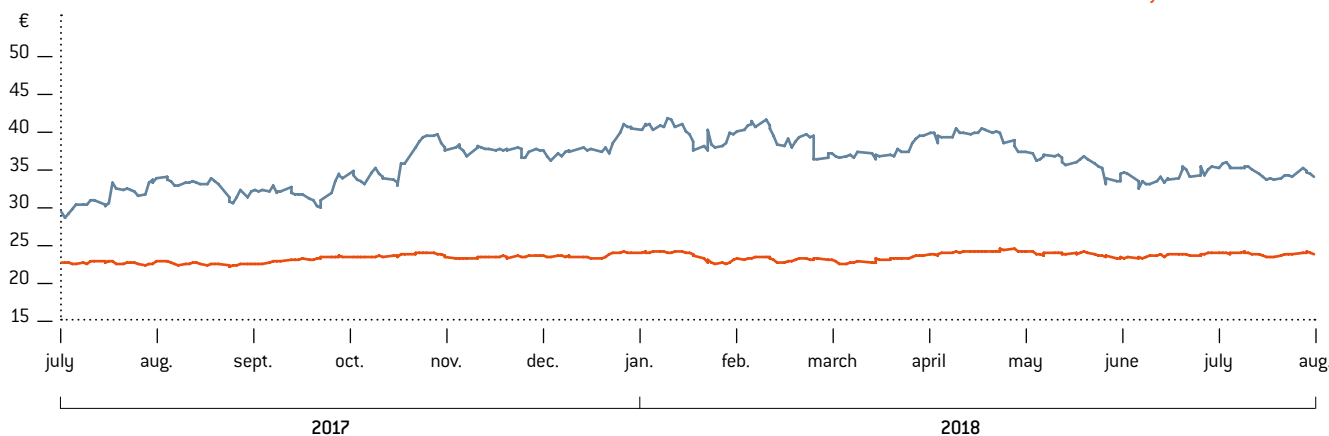


Operating margin before non-recurring items (% of sales)



SHARE PRICE PERFORMANCE

from July 1, 2017 to August 31, 2018



LISTING

Compartment B of Euronext Paris

CODE ISIN

FR0000039620
TICKER MRN

NUMBER OF SHARES

20,636,663
at June 30, 2018

SHARE PRICE

at June 30, 2018
€34.10

CONTACT

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DIARY DATES*

OCTOBER 24, 2018
(after markets close)

Third-quarter 2018 sales

JANUARY 30, 2019
(after markets close)

Fourth-quarter 2018 sales

MARCH 13, 2019
(before markets open)

2018 annual results

*Indicative dates

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