2016 PERFORMANCE IN LINE WITH OBJECTIVES

- 7.8% OPERATING MARGIN BEFORE NON-RECURRING ITEMS
- GROWTH IN NET INCOME, AFTER NON-RECURRING COSTS OF IMPROVING COMPETITIVENESS
- HIGH CASH FLOW DRIVING A SIGNIFICANT REDUCTION IN DEBT
- RECOMMENDED 2016 DIVIDEND OF €0.50 A SHARE
- OUTLOOK FOR 2017: GROWTH IN SALES AND CURRENT OPERATING MARGIN

PARIS, MARCH 8, 2017 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its consolidated results for the year ended December 31, 2016.

The Board of Directors met on March 7, 2017 and approved the audited 2016 financial statements.

2016 KEY FIGURES

	2016	2015 adjusted[1]
Sales (€m)	**763.6**	**767.6**
Operating margin before non-recurring items	7.8%	7.9%
Net income (€m)	**3.2**	**2.6**
Net debt (€m)	**203**	**236**
Net debt/equity ratio	41%	47%
Dividend per share (€)	**0.5**	**0.5**

SIGNIFICANT EVENTS OF THE YEAR

- Successful deployment of the new market-aligned organization.
- Sales stabilized in an unfavorable economic environment; chemicals market has bottomed out
- Remarkable performance in the expanding markets – renewable energies, electronics and transportation.
- Faster deployment of the competitiveness plan to improve the Group's positioning in certain product lines.
- Ongoing active management of the scope of activity, with the creation of a joint venture with Harbin Electric Carbon in China to serve the Chinese railway market, and the disposal of the high-power switches business.

[1] Since early 2016, the financial portion of employee benefits expense has been recognized in financial items. In addition, the high-power switches business has been accounted for under assets held for sale.

In commenting on the results, Chief Executive Officer Luc Themelin said:

"In a relatively unfavorable environment, particularly in the chemicals market in the first half of the year, Mersen has reported 2016 sales and operating income before non-recurring items that are satisfactory and on a par with the 2015 figures.

As expected, the year saw robust gains in our expanding markets – renewable energies, electronics and transportation – and strong business growth in Asia. In particular, the Group improved its sales effectiveness, with the support of the new organization set up at the beginning of the year.

In this context, operating margin before non-recurring items ended the year at 7.8%, thanks to the gains from the competitiveness plan announced in early 2016. The gains generated by the plan were more significant toward the end of the year, enabling Mersen to achieve a strong year-on-year improvement in margins during the second half.

For 2017, the Group expects to see an increase in sales and current operating margin for the year, driven by its expanding markets, its ability to bring innovations quickly to market and the faster deployment of its competitiveness plan. I am confident that the Group will make favorable progress in the coming years, in terms of both growth and profitability, thanks to the dedication and determination of all our employees."

SALES, OPERATING INCOME AND EBITDA

At €764 million, Mersen's consolidated 2016 sales were in line with the 2015 figure. Reported sales included a €6 million positive scope effect from the early-year acquisition of ASP in China and an €8 million negative currency effect, primarily from the decline in the British pound, Chinese yuan and Canadian dollar against the euro.

EBITDA[2] stood at €96.7 million, representing 12.7 % of sales.

Consolidated operating income before non-recurring items[3] 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[4] and the 7.8% delivered in first-half 2016.

Sales in the Advanced Materials segment totaled €412 million for the year, in line with 2015 on a like-for-like basis. This reflected the decline in sales to the chemicals industry in the first half, which was offset by a strong performance in the renewable energies, aerospace and electronics markets.

Advanced Materials operating margin before non-recurring items edged back to 7.8% from 8.2% in 2015,[4] as the positive impact of productivity gains was dampened by the first-half decline in sales of anti-corrosion systems for the chemicals industry and pricing pressure in the graphite market. Note, however, that the margin rebounded as the months went by, widening by 1.1 points year-on-year in the second half.

Sales in the Electrical Power segment ended the year at €352 million, down very slightly on a like-for-like basis. Demand remained strong in the renewable energy and electric vehicle markets, but weakened in the process industries, in particular due to the downturn in the oil and gas and electrical distribution in North America.

Electrical Power operating margin before non-recurring items rose to 11.5% from 11.3% the year before[4] as productivity gains overcame the negative price/mix effect and cost inflation.

NET INCOME

Non-recurring charges totaled €26.5 million for the year, comprising €22.3 million in competitiveness plan costs and €4.2 million in other expenses, of which €2.6 million in respect to claims.

Net **finance costs** stood at €11 million, lower than in 2015[4] thanks to the -€15million decline in average debt over the year and the use of the Commercial Paper Program put in place in 2016.

[2] Operating income before non-recurring items + depreciation and amortization

[3] As defined in recommendation 2009.R.03 of the French national accounting board (CNC)

[4] 2015 adjusted

At €11.9 million, **income tax expense** was down sharply from the 2015 figure (€19.1 million). It included €5.7 million in impairment losses on deferred tax assets stemming from the costs of the operational excellence plan in France and China. Excluding this non-recurring item, the effective tax rate stood at 30%.

Net income from continuing operations came to €9.3 million, an increase of more than 40% compared with 2015[5].

The **net loss from assets held for sale**, in an amount of €6.1 million, consisted primarily of a loss on disposal from the high-power switches business, whose disposal was completed on March 3, 2017.

As a result, **net income** ended the year at €3.2 million, versus €2.6 million in 2015.[5]

CASH AND DEBT

Operating activities generated more than €83 million in cash flow in 2016, a sharp improvement on the prior year, which was impacted by the major outlays committed to implement the Transform plan. In 2016, cash outflows related to the competitiveness plans amounted to €10.8 million. Working capital requirement declined by a sharp €23.7 million over the year, a clear improvement over 2015 that was led by the extensive action plans aimed at optimizing inventory levels.

Capital expenditure amounted to €29.5 million, down from €34.2 million in 2015, with the Advanced Materials segment accounting for 73% of the total.

As a result, **net cash flow before the change in debt** came to a positive €37.7 million, compared with a negative €12.6 million in 2015.

Net debt ended the year at €202.8 million, versus €236.5 million at December 31, 2015.

BALANCE SHEET

The Group's balance sheet remains very robust, with ratios that improved over the year, down to 2.1[6] for net debt to EBITDA and to 41% for net debt to equity.[6]

At December 31, 2016, Mersen had around €400 million in confirmed financing, of which 41% had been used. The average maturity of the used lines has been extended to five years following the private placement of €60 million in Schuldschein loans issued in November 2016.

[5] 2015 adjusted

[6] Ratios calculated based on confirmed financing (bank facilities and US private placement).

DIVIDEND

The Board of Directors will recommend shareholders to approve the payment of a dividend of €0.50 a share at the next Annual General Meeting on May 18. This would represent a payout of 34% of net income from continuing operations before non-recurring items and related tax.

OUTLOOK

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. The costs associated with the plan have, for the most part, already been booked in the 2016 financial statements and will result in an amount of €25 million being paid out in 2017.

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.

SIMPLIFIED CONSOLIDATED INCOME STATEMENT

in € million	2016	2015 adjusted[7]
Sales	763.6	767.6
Gross income	232.6	232.4
Selling costs & other	(77.6)	(76.1)
Administrative & R&D costs	(95.1)	(95.4)
Operating income before non-recurring items	**59.9**	**60.9**
in % of sales	*7.8%*	*7.9%*
EBITDA	**96.7**	**100.5**
in % of sales	*12.7%*	*13.1%*
Non-recurring income and expense	(26.5)	(21.6)
Amortization of revalued intangible assets	(1.2)	(1.1)
Operating income	32.2	38.2
Financial income	(11.0)	(12.5)
Current and deferred income tax	(11.9)	(19.1)
Net income from continuing operations	**9.3**	**6.6**
Net income from assets held for sale	(6.1)	(4.0)
Net income from the year	**3.2**	**2.6**
- Attributable to Mersen's shareholders	1.8	1.3

[7] Since early 2016, the financial portion of employee benefits expense has been recognized in financial items. In addition, the high-power switches business has been accounted for under assets held for sale.

SEGMENTAL ANALYSIS EXCLUDING CORPORATE EXPENSES

In € million	Advanced Materials (AM)		Electrical Power (EP)	
	2016	2015 adjusted[8]	2016	2015 adjusted[8]
Sales	411.8	419.5	351.8	348.1
EBITDA	60.2	65.7	48.8	47.6
in % of sales	14.6%	15.7%	13.9%	13.7%
Operating income before non-recurring items	32.1	34.5	40.6	39.5
in % of sales	7.8%	8.2%	11.5%	11.3%

SIMPLIFIED BALANCE-SHEET

in € million	Dec 31, 2016	Dec 31,2015
Non-current assets	666.1	669.6
Inventories	152.6	168.2
Trade and other receivables	138.7	133.6
Other assets	7.1	8.4
TOTAL	**964.5**	**979.8**
Liabilities and Equity	492.6	490.0
Provisions	21.7	12.6
Employee benefits	73.9	76.5
Trade and other payables	137.9	125.0
Other liabilities	35.6	39.2
Net debt	202.8	236.5
TOTAL	**964.5**	**979.8**

[8] Since early 2016, the financial portion of employee benefits expense has been recognized in financial items. In addition, the high-power switches business has been accounted for under assets held for sale.

SIMPLIFIED STATEMENT OF CASH-FLOW

in € million	2016	2015 adjusted[9]
Operating cash-flow before change in WCR	73.8	70.0
Change in WCR	23.7	(5.5)
Income tax paid	(14.3)	(16.3)
Net cash generated by continuing operating activities	83.2	48.2
*Net cash generated by operating activities excluding restructuring**	*94.0*	*73.0*
Cash generated by discontinued operations	(2.7)	(1.4)
Operating cash-flow	80.5	46.8
Capital Expenditure	(29.5)	(34.2)
Operating cash-flow after capex	51.0	12.6
Change in scope (acquisitions)	(0.7)	(5.7)
Disposal of fixed assets and other	7.2	2.3
Net cash generated/(used) by operating and investing activities	57.5	9.2
Increase in share capital and other	(8.2)	(9.5)
Dividends paid	(10.5)	(10.5)
Interest payments	(1.1)	(1.8)
Net cash-flow before change in debt	37.7	(12.6)

* *Calculation of the Net cash generated by operating activities excluding restructuring:*

in € million	2016	2015 adjusted[9]
Net cash generated by continuing operating activities	83.2	48.2
Net cash generated by restructuring	(10.8)	(24.8)
Net operating income before restructuring	*94.0*	*73.0*

[9] Since early 2016, the financial portion of employee benefits expense has been recognized in financial items. In addition, the high-power switches business has been accounted for under assets held for sale.

The reference document is available for download on Mersen's website.

NEXT REPORTING DATES

First-quarter 2017 sales: April 26, 2017 after the market close.

ABOUT MERSEN

Global expert in electrical power and advanced materials, Mersen designs innovative solutions to address its clients' specific needs to enable them to optimize their manufacturing performance in sectors such as energy, electronics, transportation, chemicals&pharmaceuticals and process industries.

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