



2015 ANNUAL REPORT

MERSEN
IN MOTION





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CORPORATE PROFILE

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. Our expertise is structured around two business segments in which we hold positions as leader or co-leader in the global marketplace.

THE **ADVANCED MATERIALS** SEGMENT

brings together three businesses related to carbon materials.

N°1

WORLDWIDE IN GRAPHITE-BASED ANTI-CORROSION EQUIPMENT

N°1

WORLDWIDE IN BRUSHES AND BRUSH-HOLDERS FOR INDUSTRIAL ELECTRIC MOTORS

N°2

WORLDWIDE IN HIGH-TEMPERATURE ISOSTATIC GRAPHITE APPLICATIONS

THE **ELECTRICAL POWER** SEGMENT

comprises two businesses that serve the electrical power markets - solutions for power management (mainly for power electronics) and electrical protection and control.

N°1

WORLDWIDE IN THE SUPPLY OF PASSIVE POWER ELECTRONICS COMPONENTS

N°2

WORLDWIDE IN INDUSTRIAL FUSES

CHAIRMAN'S MESSAGE

MERSEN IN MOTION

How do you respond to a period of recession and major economic instability? While there's no magic bullet, there are approaches that are more productive and effective than others when it comes to finding and capturing growth. Often, you have to think outside the box and break old habits, which is what Mersen has been doing for the past two years.

Since the beginning, our Company's mission has been to deliver **high technological value products to customers** – who then incorporate them into their processes to improve efficiency and create value in their markets. Although the economic environment has become tougher and more complex over the decades, these fundamentals remain as valid as never before. By being innovative and setting high standards, Mersen has maintained its leadership positions as number one or two in each of its market segments.

However, while our results are still generally positive, that isn't enough. The economic environment is expected to remain sluggish over the next few years and while opportunities exist, we have to be ready to seize them. **In response, Mersen has taken an assertive, forward-looking approach.** We pragmatically analyzed our environment, decided to make sometimes difficult choices and laid the groundwork for a better future for the Company and its employees.

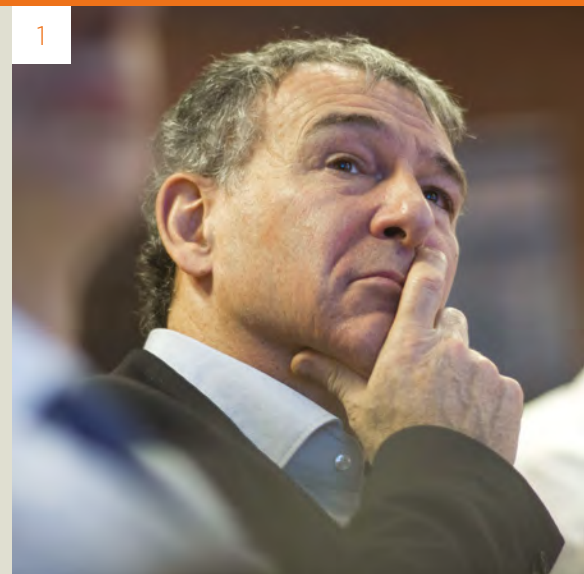
First, we **optimized our production base**, creating synergies among our plants and centers of excellence, while maintaining close customer relationships through appropriate geographic market coverage. Then we **rethought our organization** around two new business segments that are more aligned and efficient, and created two new positions to underpin our strategy. Lastly, we deployed **an ambitious operational excellence program** that is making us more responsive and competitive.

Over the medium term, these initiatives will enable Mersen to demonstrate improved competitiveness and **a strong commitment to growth.** We are especially confident in the future because in 2015 we continued to consolidate our presence in our expanding markets – aerospace, electronics and renewable energies. Most importantly, we created the conditions for a new dynamic in our corporate community, by strengthening our capabilities and reaffirming our values.

Today, our Company is more robust, more agile and better structured to address the demands of the market and its customers. This is enabling us to **respond innovatively to all types of demand** – supporting the growth in solar and wind power generation, safely storing industrial power, helping professional drones to fly, manufacturing curved screen smartphones and perfecting optical laser systems.

Wherever technologies are advancing and innovating, you'll find a little bit of Mersen.

1



LUC THEMELIN
Chairman

//
This new organization is enabling Mersen to demonstrate a strong commitment to growth.



MANAGEMENT BOARD

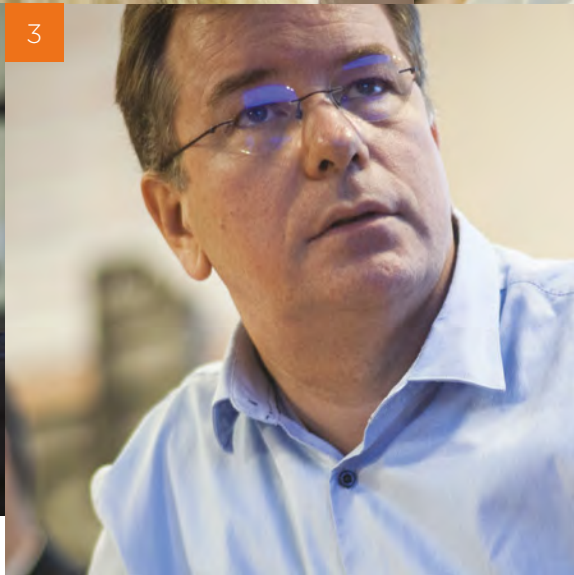
- 1 • **Luc Themelin** • *Chairman*
- 2 • **Thomas Baumgartner** • *Group Chief Financial Officer*

EXECUTIVE COMMITTEE

- 3 • **Gilles Boisseau** • *Group Vice President, Electrical Power*
- 4 • **Christophe Bommier** • *Group Vice President, Technology, Research, Innovation and business support*
- 5 • **Thomas Farkas** • *Group Vice President, Strategy and M&A*
- 6 • **Jean-Philippe Fournier** • *Group Vice President, Operational Excellence*
- 7 • **Eric Guajoty** • *Group Vice President, Advanced Materials*
- 8 • **Estelle Legrand** • *Group Vice President, Human Resources*
- 9 • **Didier Muller** • *Group Vice President, Asia and South America*

SUPERVISORY BOARD

- Hervé Couffin • *President*
 Henri-Dominique Petit • *Vice President*
 Isabelle Azemard
 Yann Chareton
 Catherine Delcroix
 Carolle Foissaud
 Dominique Gaillard
 Jean-Paul Jacamon
 Thierry Sommelet
 Marc Speeckaert
 Ulrike Steinhorst



RESULTS

A YEAR OF TRANSITION

While the promising markets continued to drive business growth in 2015, the economic environment as a whole was fairly lackluster and unfavorable during the year. For 2016, the new organization introduced in the wake of the Transform plan will begin to deliver its benefits and the Group can count on its diversified business base and assertively innovative approach to find new areas for growth.

3 questions for...

THOMAS BAUMGARTNER
Chief Financial Officer



...

How would you describe 2015?

We enjoyed a number of major successes. For one, completing the Transform plan on-budget, on-time and on-target for the initially projected gains, so that now we have a more aligned, more competitive production base. For another, the strong growth in our promising markets, namely renewable energies, electronics and aerospace. They represent almost a quarter of our consolidated sales and are helping to drive our growth. But the general economic environment wasn't very favorable for Mersen this year, with a sharp slowdown in chemicals, persistent overcapacity in graphite and disappointing demand in the United States. Our margins narrowed somewhat and we had to book major non-recurring expenses.

Is Mersen still financially robust?

One of our strengths is the ability to adapt to every situation. In 2015, the lack of organic growth did not prevent us from generating high operating cash flow, which enabled us to finance the Transform plan and the acquisition of ASP. Our balance sheet is healthy, with less than 50% gearing, an average debt maturity of four years and diversified sources of financing. I also note that our EBITDA margin was close to 13%. A lot of manufacturers would like to enjoy that kind of performance.

“
**Excluding
chemicals, sales
rose by nearly
1% in 2015.**
”

What are the objectives for 2016?

The outlook varies by business. The promising markets will continue to expand, probably at the same pace as in 2015. On the other hand, the chemicals market is expected to remain depressed and the process industries will probably continue to be heavily impacted by the global economic situation. Plus pricing conditions will remain unfavorable. This is where our new organization is proving its worth. We're deploying an energetic sales plan and stepping up an operational excellence plan that should start to pay off in the second half. We expect sales to end the year on a par with 2015 at constant scope of consolidation and exchange rates, with an operating margin before non-recurring items of around 7.5%.

KEY FIGURES

€772 MILLION
IN SALES

UP 6%
AS REPORTED

DOWN 2%
ON AN ORGANIC BASIS

EBITDA
€98 MILLION
12.7% OF SALES

NET DEBT
€237 MILLION

GEARING **47%**

DIVIDEND
€0.50 PER SHARE

PAYOUT*
36%

**Before non-recurring items*

SALES BY MARKET

36% PROCESS
INDUSTRIES

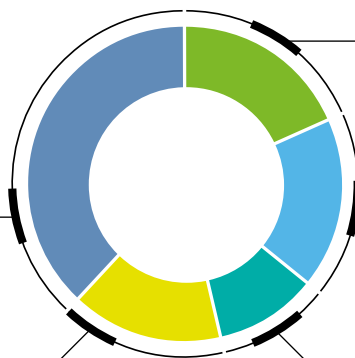
16% TRANSPORTATION

ENERGY **19%**

ELECTRONICS **18%**

CHEMICALS **11%**

As a % of total 2015 sales



SALES BY GEOGRAPHY

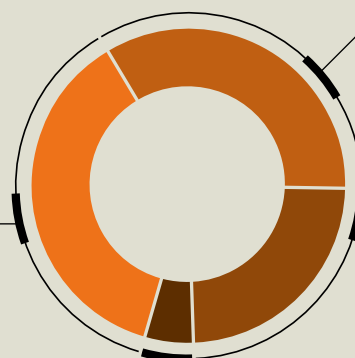
37% NORTH AMERICA

5% SOUTH AMERICA AND AFRICA

EUROPE **34%**

ASIA **24%**

As a % of total 2015 sales



2015

MARKET REVIEW



Energy

ENERGY STORAGE: consolidating our positions

Energy storage was the focus of particular attention in 2015. A potential wellspring of **strong growth in coming years**, the segment demands expertise and a dedicated approach, in particular for the storage of electricity generated from alternative sources. In 2015, Mersen received **several orders in the United States and China** in this booming market, for both our laminated busbars and our DC fuses. This helped to sustainably consolidate our positions in promising markets, by capitalizing on the quality and end-to-end availability of our products.



GLOBAL SOLAR
POWER GENERATION
CAPACITY
59 GW
(UP 26% ON 2014)



GLOBAL WIND
POWER GENERATION
CAPACITY
428 GW
(UP 15 % ON 2014)

SOLAR: 1500 VDC-ready

In the second half, Mersen introduced the market's **first comprehensive portfolio of protection components** for 1,500 VDC photovoltaic applications. Comprising fuses, fuseholders, disconnect switches and surge protective devices, the new solution has positioned us to meet the emerging electrical component needs of the worldwide photovoltaic industry. Transitioning solar panels to 1,500V direct current increases output while reducing the cost per kWh generated.



WIND: FRAMEWORK AGREEMENT WITH ABB EXTENDED

In 2014, Mersen signed a framework agreement with ABB, a global leader in power and automation technologies, covering the supply of slip-rings, brushholders and carbon brushes for ABB's **new range of wind turbine generators** employing brush technology. Based on the **positive customer response** to the initial orders in Europe, India and China, the agreement was extended in 2015 to Brazil, where new orders have already been booked.



Electronics

High-performance LEDs: a full array of Mersen solutions

Driven by booming demand in recent years, the high-performance LED market continued to expand in 2015. Mersen is actively working with the industry leaders in the United States and Asia, and **gained new market share** during the year, in particular thanks to its proficiency in components for the metal organic chemical vapor deposition (MOCVD) process. This chemical process, which involves depositing thin layers of atoms in a corrosive, high-temperature environment, represents 20 to 25% of an LED's total production cost and requires ultra-pure, increasingly high performance solutions. **Recognized as one of the market's best suppliers**, Mersen has developed a special grade of graphite for these applications.

At the same time, our expertise in compound semiconductor fabrication processes is continuing to broaden our market opportunities. The leading producers of silicon carbide (SiC) single crystals like Cree Research and SiCrystal rely on the **high performance of Mersen thermal insulation solutions** to optimize their processes.



25%

GROWTH IN
SALES IN THE
SEMICONDUCTOR
MANUFACTURING
SEGMENT

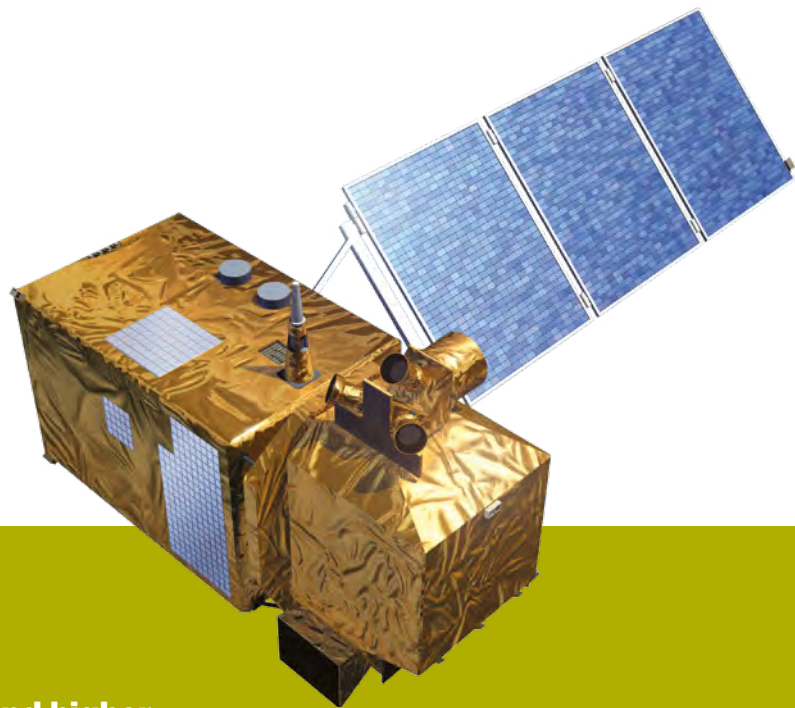
HVDC: solutions to limit heat loss

Mersen cooling devices for power semiconductors used in high-voltage direct current (HVDC) applications **had a very successful year** in 2015. These power electronics are used to convert electricity first from the alternating current generated at the power plant to the direct current transmitted via high-voltage lines to the local grid, and then back to alternating current for use in homes and businesses. Mersen offers a wide array of cooling devices to protect these electronic transistors from overheating. In 2015, they were supplied to RXPE and Xuji in China and to South Korea-based Dawonsys for the ITER project **to ensure high-quality power conversion in their installations**.



40,000

COOLING DEVICES
DELIVERED
IN 2015



Transportation



15
MERSEN-EQUIPPED
TELESCOPES
IN SPACE

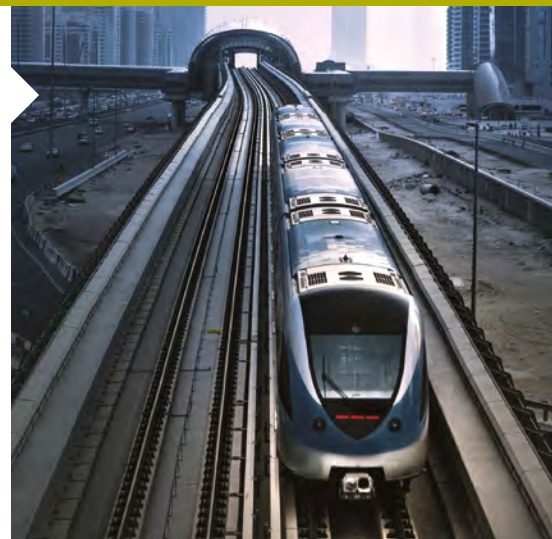
SPACE: higher and higher

With already more than **15 Mersen-equipped space telescopes** in orbit, our expertise in sintered silicon carbide – a ceramic whose rigidity, low density and resistance to high temperatures make it ideal for use in space environments – continues to be widely acclaimed across the industry. This helped to lift **order intake to record levels** in 2015, with Airbus Defence and Space selecting us as a subcontractor on its Euclid, IASI-NG and Sentinel-2C and 2D projects.



RAILWAYS: on a roll around the world

Confirming its status as the industry's go-to partner, Mersen booked an increasing variety of orders from leading railway manufacturers in 2015, to equip such **international rail system projects** as the Honolulu, Riyadh, Kochi and Dubai metros, the renovation of suburban rail lines in South Africa and high-speed trains in China.



AERONAUTICS: starring at the Paris Air Show

In June 2015, Mersen exhibited at the 51st Paris Air Show, presenting its solutions and materials capable of meeting the aeronautics industry's highest standards of **efficiency, weight savings and performance in extreme temperatures and operating environments**. In particular, Mersen engineered the cooling devices and busbars used for the power electronics and batteries on board the Boeing 787, the most electric airliner ever designed.

SALES UP

20%

IN
AERONAUTICS



Chemicals & Pharmaceuticals

CHLOR-ALKALI: a turn-key solution for the vinyl industry

Ahead of the 2018 ban on mercury-based electrolysis technologies in the European Union, chemical manufacturers continued to **convert their legacy installations** in 2015 to bring their chlor-alkali electrolysis systems into compliance. As part of this process, a contract was signed during the year with a European vinyl producer to supply a turnkey **liquid hydrochloric acid production system**. Mersen systems considerably improve an installation's energy efficiency.

15%

OF CHEMICALS
SALES DERIVED FROM
**MAINTENANCE
SERVICES**

HIGH-PURITY PROCESSES: broadening our portfolio of solutions

In the still expanding pharmaceuticals market, processes have to meet increasingly strict purity standards. Our range of **equipment based on silicon carbide and reactive metals** helped to clinch a number of contracts in Europe and North America.



REPLACEMENT & MAINTENANCE: building on long-term trust

While the chemical and pharmaceutical industries are heavy users of advanced technologies to **optimize their production processes**, most of this equipment demands high-precision support over time. Already specialized in equipment retrofits and upgrades, Mersen has expanded its maintenance services in recent years. These two aspects of customer service enjoyed strong sales in 2015, with customers demonstrating their confidence with a **large number of orders in North America, South America and other regions**.





Process industries

ELECTRICAL DISCHARGE MACHINING: still number one

A wide variety of metal molds are made using electrical discharge machining. Alongside the traditional automobile, toy and appliance industries, **smartphone manufacturing** is also benefiting from Mersen expertise. In particular, Samsung is using our isostatic graphite to produce the molds for the Galaxy line's high-precision plastic parts. In addition, it took our teams more than three years of hard work to find the extremely fine-grained graphite needed to **produce the curved glass** for the Galaxy Edge screens.



STEELMAKING GLASSMAKING MOLDING



SCANNERS: a revolution is coming

In 2015, Mersen signed a €1.9-million contract to supply laser mirrors for a **new generation of revolutionary scanners**. **Designed in partnership**, the lighter and exceptionally accurate scan mechanism leverages all of the unique mechanical properties of silicon carbide. Our high-speed mirrors enable the scanners to rapidly output the 3D images that are critical for surveillance applications and for a wide variety of topographic surveys.



ENERGY PERFORMANCE: the heart of sustainable development

Mersen's expertise is helping to address all of the challenges raised by the energy transition in such process industries as **metalworking, mold-making, glassmaking, oil, gas and mining, cement-making, steelmaking and papermaking**. In 2015, the precise alignment of our solutions, the performance of our materials, and the end-to-end capabilities of our services portfolio enabled a wide range of customers to improve their processes and drive substantial energy savings.



A GROUP
IN MOTION

VISION

MERSEN IN MOTION

2015 was a year of transition for Mersen.

In a firm commitment to widening our lead in promising markets and improving our competitiveness, we are also formulating a new outlook for the future and deploying the synergies needed to drive growth. This is nurturing a unifying sense of co-destiny that will secure the future of our business for many years to come.



LUC THEMELIN
Chairman



*Mersen has
the means to be
a leader in all
its markets.*



—

Since the launch of the Transform plan in 2014, Mersen has stepped up the transformation of its manufacturing base. What spurred you to action?

The economic environment has been tight for just over four years now. And it's continuing to shift in sometimes unpredictable ways, and with very sharp differences among industries and geographies. In China, for example, growth is cooling, but Mersen has extensive operations there and is still gaining market share. In Europe, growth hasn't come back but the region is still home to a few of our largest technological customers. In addition, certain highly cyclical industries are currently bottoming out. Following the solar industry in 2012, we've seen it happening to the chemical industry over the past two years, to the steel and aluminum industry over the past twelve months, and now to the oil and gas industry. In other words, this is creating a complex, varied, ever-changing environment that demands outstanding agility and responsiveness if we want to keep supporting our customers with the same level of excellence.

—

How is this change playing out in the field?

We've optimized our production base by rethinking the role and organization of our plants around the world. Our geographic coverage is one of our major competitive advantages, but we felt the time was right to clearly allocate the roles among our production plants and our centers of R&D and excellence. This is making us more efficient and responsive in every market.

—

And internally?

Our operations have been reorganized around two segments: Advanced Materials, which brings together three businesses related to carbon materials, and Electrical Power, which comprises two businesses active in electricity markets. Two new positions have also been created: the cross-functional Technology, Research, Innovation & Business Support position and a Sales & Marketing position for Asia, a region that is critical for our growth and where we are delivering excellent results.



To be more competitive, we have to be more efficient.



Is this an evolution or a revolution for Mersen?

It's an evolution. Strong, fast and ambitious, but an evolution nonetheless. The new organization is designed to make every level more consistent and seamless, while clearly setting us apart from the competition. Our fundamentals remain the same: customer service, proficiency in our jobs, a commitment to innovation, respect for people and confidence in our teams. But to be more aggressive, more competitive, and to pursue our sales growth in high-potential regions, we have to be more efficient.

The economic environment is complex, but there are a lot of opportunities for a multi-specialist like Mersen.

Absolutely. We have the capabilities to position ourselves in promising segments, the ones that are driving growth in our markets. I'm thinking, for example, of renewable energies, electronics or aerospace. Our objective is to gain market share everywhere - in Southeast Asia, Africa and the Middle East, where we are still not very active; in Germany, Italy and the UK, where we have a lot of room for growth; and in North America where we're performing well but need to watch out for the competition.

How are you going to meet your objectives?

Innovation will be one of our main drivers. We have to anticipate emerging customer needs and bring products to market more quickly. To do so, we're going to leverage both the skills of our internal experts and the technological expertise of our customers. We're still reviewing growth opportunities in strategically related businesses, so as to offer customers the broadest possible array of solutions. And naturally, we need to become more efficient and competitive. That's why we've rolled out an ambitious operational excellence program that is beginning to deliver results.

All this must represent a big cultural change for you...

We're still guided by our corporate DNA, but we're upgrading it to align it with our vision of being a leader in all our markets. Our primary strength is our people. Their expertise and engagement are what moves us forward. Mersen certainly has a glorious heritage, and everything is now in place to ensure that our future is just as brilliant and innovative.



Our customers expect us to deliver innovative solutions, responsively and in close alignment with their needs.



Our objective is to gain market share everywhere.



INNOVATION

LEADING THE MARKET

Our new organization includes a Technology, Research, Innovation & Business Support position tasked with tracking market trends and ensuring that resources are in place to meet emerging customer needs. This offers a compelling competitive advantage, backed by our proficiency in leading-edge technologies.

questions for...

CHRISTOPHE BOMMIER

Group Vice President, Technology, Research, Innovation and business support



What is the role of the new corporate position that you're leading?

It's a cross-functional position that supports all of our segments and business units. Our Group has always had a culture of research and innovation that impels us to constantly push back the envelope in our products, our services and our customer support. But the business environment has changed in recent years. On the one hand, the market is very competitive and demands even more responsiveness, and on the other, our Group is growing, integrating new capabilities and expanding its geographic footprint. So my role is to ensure that all of our energies are focused on the right issues, to avoid spreading ourselves too thin and to optimize time-to-market for our innovations.

How do you plan to work with the various business segments and subsidiaries?

My first responsibility is to support the R&D and marketing teams on a daily basis, working with them on their strategic objectives and ensuring that they have the resources they need to successfully complete our flagship projects on time. The idea is to create passageways and facilitate dialogue across the organization, and avoid having everyone work in their own little corner on the same issues. My other task is obviously to track market trends. We have to be able to identify and foresee the emerging technologies of tomorrow. This requires taking a more scientific approach to our business.



We have to be innovation optimizers and facilitators in all of our promising markets.



What are you going to focus on first?

Mersen has already obtained phenomenal results thanks to its incremental improvements. I'm thinking, for example, of the success of our wind turbine brushes, our new grade of graphite for LEDs and our advances in electrical protection. We're going to continue in this direction because each segment and each business unit has its reasons for innovating. They might want to bring new products to market in response to new usage patterns, or reduce costs without diminishing the quality of a product or service, or lower the weight or shrink the size of our solutions.





12 R&D CENTERS

4 USA

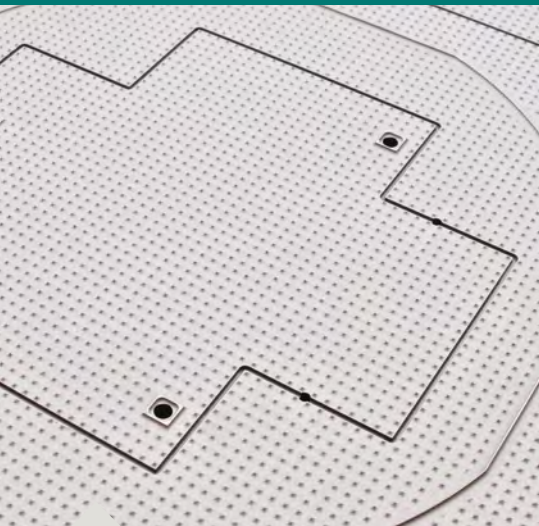
7 EUROPE

1 ASIA



THE **INNOVATION** CONTEST

Every year, Mersen organizes an innovation contest to enable everyone to spotlight their most exciting initiatives during the year. The event not only allows teams to explain their approach and illustrate it with actual customer success stories, it also encourages the sharing of ideas and best practices across the organization and stimulates fresh thinking and new collaborative projects. In 2015, the contest honored three innovations. The Creativity Prize went to an electronic switch designed to replace 1,600 manual switches in the CERN Large Hadron Collider, the Growth+ Prize was won by the silver-free carbon brush for wind turbines, and the Support Tool Prize was awarded to a 3D engineering system compiling three applications in one to design all the engineering phases in the development of anti-corrosion systems.



RENEWABLE ENERGIES & ELECTRONICS

MERSEN LEADING THE WAY IN R&D

In its two main growth markets, Mersen takes special care to offer customers innovative solutions. For the wind power industry, we designed silver-free brushes that considerably reduce total cost of ownership without sacrificing performance. In the photovoltaic industry, we're focusing on making customer processes more efficient, especially in the case of polysilicon manufacturers. Lastly, in the electronics industry, we're designing silicon carbide-coated materials that are perfectly aligned with the strict requirements of the semiconductor industry.

10

**DISRUPTIVE
INNOVATION
PROJECTS**

PROJECTS OFFERING MULTIPLE OPPORTUNITIES AND BENEFITS

In both our business segments, R&D teams are working on more than 140 projects, most of which concern incremental or adjacent innovations that do not radically change the product but mainly correspond to customer-specific developments. In addition, we are working on ten disruptive innovation projects that will pave the way to new markets or new technologies. This is the case, for example, of the continuous flow reactors for the pharmaceuticals industry. This new concept, developed in collaboration with Corning, delivers a genuine technological breakthrough by reducing the number of production stages and improving chemical reactions in safer, more compact production facilities. The alliance with Corning was formed in 2011 and the first prototypes were brought to market in 2013, generating their initial sales for Mersen.



EXPANSION

SUSTAINED GROWTH IN PROMISING MARKETS

A global mindset has been deeply anchored in Mersen’s corporate DNA since the beginning. Today, we have operations in 35 countries and are committed to responding locally to customer needs and concerns. By reorganizing, broadening and deepening our geographic coverage, we can now design products with the same superior quality in every country.

NORTH AMERICA



14 FACILITIES, OF WHICH 4 WITH OVER 125 EMPLOYEES

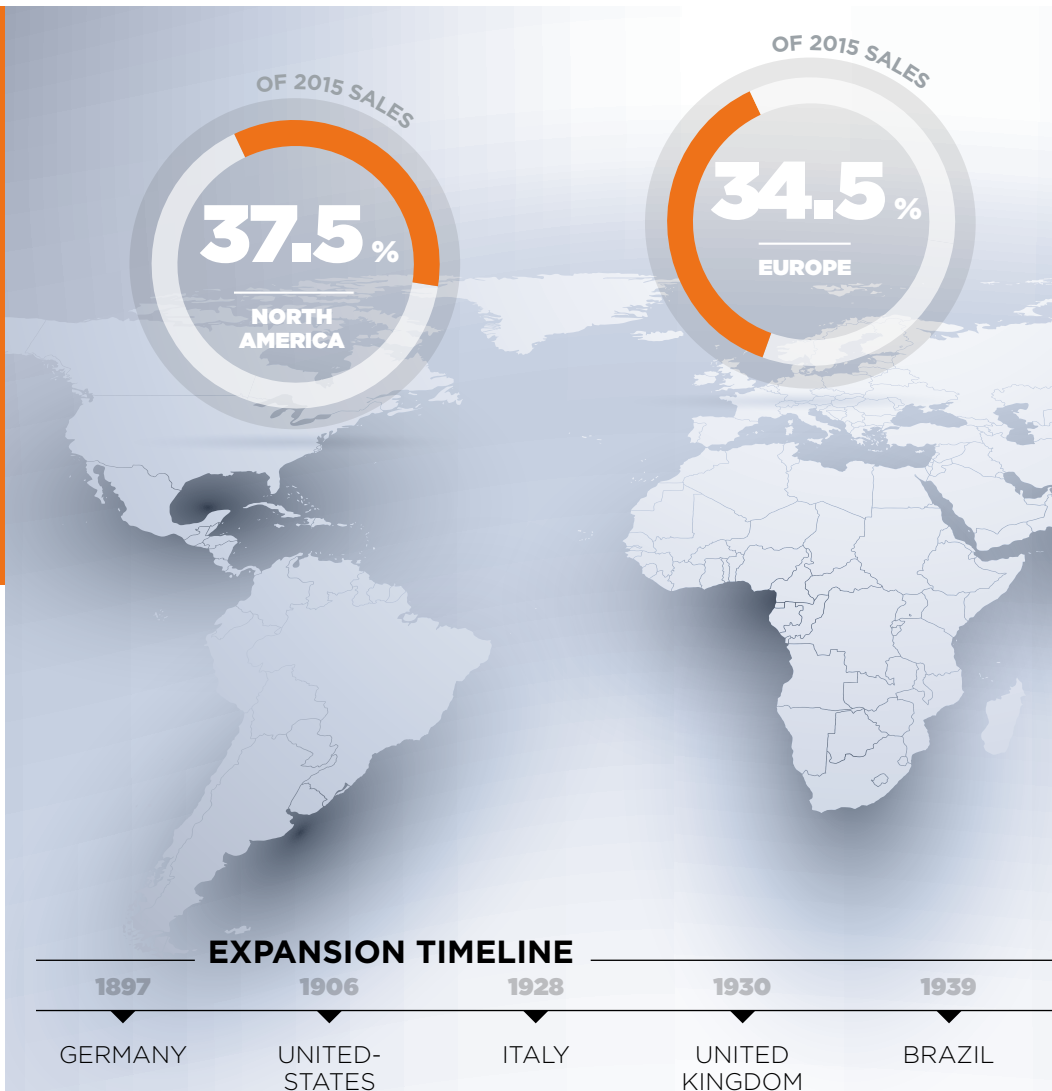
1,950 EMPLOYEES

SOUTH AMERICA AFRICA



5 FACILITIES, OF WHICH 2 WITH OVER 125 EMPLOYEES

450 EMPLOYEES



questions for...

DIDIER MULLER

Group Vice President, Asia and South America



...
What are Mersen's strengths in the global marketplace?

Our history is profoundly steeped in an international vision. More than a century ago, we understood the need to be close to our customers all around the world. We have a real culture of local support, which can be felt in our project management practices. We're capable of taking a holistic approach and managing the same order in 35 countries if need be. Another one of our strengths is our decentralized management organization. Plant and office managers are empowered to listen to their customers and take the initiative when necessary.

How is this being demonstrated?

We're capable of delivering significant growth in every country in targeted markets. In Brazil, our presence in specialty markets like renewable energy has helped to drive growth of 12%, thanks to our triple expertise in wind, solar and hydro power. Even in China, where the economy is slowing, our local presence enabled us to maintain a slight growth in 2015. We're one of the few foreign manufacturers with local operations,

we equip 40% of Chinese wind turbine generators and we are also well positioned to capture the growth in railway projects.

What is your growth potential in the coming years?

In Asia as well as Latin America, we can still expand by gaining new market share. In Asia, our objective is for the region to account for more than 30% of our revenue stream in the medium term. Even if growth slows in China, there's major potential in India, South Korea and Japan. We're also thinking about entering the Indonesian market to extend our coverage of the region's southeast. But we're also looking at what's happening in Latin America, even though the environment is not very favorable right now. Each time, our method is the same. We identify promising segments and deploy the right response at the local level.



“
Mersen's decentralized management supports our remarkable agility and responsiveness in every country.
”

ASIA PACIFIC



13 FACILITIES, OF WHICH 3 WITH OVER 125 EMPLOYEES

1,570 EMPLOYEES

EUROPE



24 FACILITIES, OF WHICH 4 WITH OVER 125 EMPLOYEES

2,300 EMPLOYEES

1958 1981 1986 1997 2000

SPAIN JAPAN KOREA INDIA CHINA

ACQUISITIONS

EXPANDING AND STRENGTHENING OUR CAPABILITIES

To strengthen its positions in developing markets, Mersen has been pursuing an active strategy of targeted acquisitions for the past ten years. Each new alliance further enhances our approach to business with a dual objective: broaden and extend the product offering and expand our geographic footprint.



All of the companies that we've joined forces with over the past ten years tend to be small, local organizations with in-depth expertise in promising markets. Each of them has enriched our global portfolio, and together they are driving faster growth in our core competencies, while opening up new business opportunities in promising markets. Above all, we're committed to integrating them seamlessly into our community, so that the technical and business synergies can be quickly developed. We have to be responsive to fulfill the expectations of our customers.



THOMAS FARKAS
Group Vice President, Strategy and M&A

LIGHTNING PROTECTION

AFTER EUROPE, MERSEN STRENGTHENS ITS POSITIONS IN ASIA

Surge protection devices are governed by IEC standards in both Europe and Asia. In 2014, the acquisition of a majority stake in Cirprotec in Spain gave us access to a portfolio of IEC-standard products for the European market. In 2015, the acquisition of ASP, a leading Chinese producer of surge protection devices, strengthened that strategy by enabling the product line's deployment in Asia. Widely recognized in China, the ASP brand enjoys a number of competitive advantages, including an efficient industrial hub, a nationwide sales network and a production facility in Guangzhou.





13

ACQUISITIONS
IN 10 YEARS,
OF WHICH
4 IN CHINA

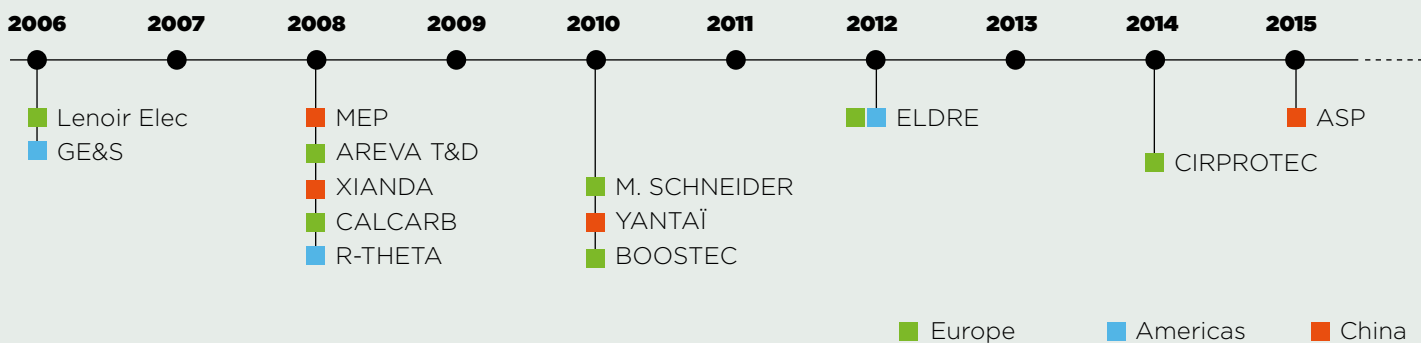
«WE BECOME MERSEN»

A SMOOTH INTEGRATION PROCESS

To strengthen the sense of co-destiny among people who are joining our corporate community, the «We Become Mersen» induction program has been developed. Because each acquisition is a complex operation, the integration of new employees is carefully prepared in advance and supported so that everyone finds his or her place in the new organization. The program addresses the people, employee relations and cultural aspects of an amalgamation, in ways that quickly relieve the tensions and concerns that inevitably arise in such processes. More than just technological capabilities, we want to integrate expertise, which is always provided by people. So we have to make sure that they are always inspired to give their best.

INTERLOCKING EXPERTISE, MARKET SHARE GAINS

OVER THE PAST 10 YEARS, MERSEN HAS STRENGTHENED ITS EXPERTISE BY JOINING FORCES WITH RECOGNIZED SPECIALISTS.



Broader presence in surge protection devices	Key components for power electronics	Consolidated positions in mature segments	Stronger production base in China	Additional materials expertise
ASP CIRPROTEC	ELDRE R-THETA	M. SCHNEIDER MEP AREVA T&D GE&S Lenoir Elec	YANTAÏ XIANDA	BOOSTEC CALCARB

PERFORMANCE

AN AGILE ORGANIZATION THAT LISTENS TO CUSTOMERS

To further improve our manufacturing performance and customer satisfaction by leveraging the power of people, the operational excellence program has been underway for two years, with positive outcomes in plant organization and management, as well as in our project management process.

questions for...

JEAN-PHILIPPE FOURNIER
Group Vice President, Operational Excellence



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What were the first decisions made as part of the new operational excellence program?

We chose to align our organization to make it more agile, responsive and efficient. Our objective is get every employee fully engaged in improving performance and creating value for the customer. For that, we had to rethink our production base. We also introduced a certain number of indicators for our three strategic objectives – quality, safety and customer service. We set priorities, identified ten priority plants that required dedicated support and allocated resources to deploy this lean transformation on the shopfloor.

How did customers respond to these decisions?

We very quickly reassured customers who were concerned that we might become less responsive. Yes, we did close some facilities in Europe and the United States, but we also systematically maintained our local technical and sales teams. Mersen now has an optimized global production base to support our customers' projects. More than ever, a local presence is one of our core competitive advantages.

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Every employee is fully engaged in improving performance and creating value for our customers.

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Would you say that this is a real cultural turning point for Mersen?

Over its 120 years in business, Mersen has seen a lot of change. Our organization was already fairly agile, and the plants had already been remodeled in recent years. We just wanted to step up the pace to get quick wins and then restructure ourselves over the longer term. In addition, the alignment of the production facilities comprised a major continuous improvement program for our teams, based on the principle that employees know better than anyone what adds value for the customer. That's why we wanted to get everyone engaged in the change process. In the end, we successfully moved things forward while protecting our people and avoiding any impact on customer projects already underway.



SAFETY

A RECORD PERFORMANCE

The sustained improvement in our safety culture, as well as the deployment of additional tools (golden rules, safety visits, health and safety weeks, e-learning programs, etc.) helped to reduce the **total recordable injury rate to 1.24 lost-time accidents per million hours worked** in 2015. This is the best performance ever reported Group-wide.

ENGAGEMENT

MEETINGS TO STREAMLINE PROCESSES

Introduced in 2015, the daily team meeting has become a high point in the workday at Mersen plants. Facilitated by section leaders, the meetings enable participants to identify any problems encountered the day before, discuss current projects and, most importantly, hash out solutions together. The exchange of ideas and experience gets every team member involved and encourages everyone to take a proactive approach. The system is included in the operating indicators tracked by the plants and performance reviews take into consideration the number of issues identified and resolved.

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LEAN MANAGERS TO LEAD THE TRANSFORMATION

Lean management consists in eliminating waste in every task involved in an organization's administrative and production processes. It encompasses tools, a culture and principles informed by such concepts as employee engagement, the resolution of problems close to where they arise and a constant focus on the customers' needs.

CUSTOMER SATISFACTION

CONCLUSIVE RESULTS

Restructuring the production base promptly delivered a number of benefits. For example, customers have been pleased with the products whose manufacturing was re-localized to the Gennevilliers plant. The facility is one of our centers of excellence, dedicated to specialty graphite solutions for aerospace and solar power applications. Year after year, we have considerably reduced delivery times for our customers and improved fulfillment rates. We are committed to cutting time-to-delivery at each stage in the design and production phases by getting every employee involved. This is how we ensure the satisfaction of our customers, who expect us to provide efficient, competitive solutions that are delivered on time.

BUY-IN

A CULTURE OF PERFORMANCE SHARED BY ALL

A people-focused enterprise, Mersen knows that its strength is derived from the unique expertise of the men and women in its teams. In 2015, the deployment of the new management guidelines and standards was supported with a special program, which also offered an opportunity to reaffirm our core values.

questions for...

ESTELLE LEGRAND
Group Vice President, Human Resources



How would you define Mersen's management culture?

Despite our growth over the years, we've kept our management local and close to the front lines, with a flat organization between the shopfloor and the management. This means that our employee relations and interactions are fairly direct. Mersen is a company that has always been people-focused, because we believe that empowering people and recognizing their initiative will maintain our forward momentum. Not only does this enable everyone to feel personally involved in corporate strategy, it's also the best way to meet the needs of our customers with innovative solutions.

In 2015, we rethought our management guidelines and standards. What was the main idea guiding that process?

Mersen has changed a lot in recent years as we gradually acquired a large number of companies and entered many new territories. Inter-cultural relations have become more commonplace and complex, both among employees and with our customers, so we needed to instill a management culture capable of addressing our growth challenges and objectives. We are a technology company, where expertise is essential, but a good engineer is not necessarily a good manager. So we wanted to diversify the backgrounds, by introducing a management career track alongside the expert track. Everyone needs to follow the right path and work in the best interests of the organization as a whole.



Trust-based relations with employees are central at Mersen. We attach just as much importance to our employees as we do to our customers, which is why our teams are able to give their utmost.



Are Group values applied in the same way everywhere around the world?

Of course. Our values are universal and non-negotiable. We have defined five that inspire and shape our work every day: excellence; partnering with our customers; agility and entrepreneurial spirit; collaboration; and a people-conscious approach. In every country, these values form the core of our hiring process. Everyone has to embrace them, even if that sometimes means taking approaches that are fairly different from local practices. This is what creates the Mersen spirit and keeps us moving forward together.



OPEN MANAGER

SETTING THE COURSE WITH A HANDBOOK AND WORKSHOPS

In 2015, the «Open Manager» handbook of management guidelines and standards was published, with input from a collaborative working group. This new flagship system has been structured around five main issues: Collaborating with everyone; Communicating and giving meaning; Motivating and developing people; Shaping the future; Getting things done and raising standards. Throughout the year, communication seminars and workshops were conducted in all the plants and offices to inform employees about the new system. These face-to-face discussions enabled people who would be the handbook's primary users to express their needs, for example, for training or additional resources.



E-LEARNING

TRAINING EMPLOYEES VIRTUALLY

Launched in 2013, our Mersen Academy e-learning platform enables every employee to access superior quality content and acquire the training needed for any job, all year round. This virtual university has been especially popular in Asia, with every employee in China attending at least six hours of online training during the year. The system was also used in 2015 to train engineers and managers in using the new management guidelines and standards – a process that only took three months to deploy.

SKILLS TRANSFER

SHOPFLOOR SCHOOLS AND PARTNERSHIPS

As the baby-boomer generation transitions to retirement, Mersen is carefully managing the transfer of technical expertise directly in the manufacturing plants. In-house schools have been set up in certain plants, led by employees or outside trainers. With each arrival or change in job or workstation, sessions are organized to ensure the smooth, seamless transfer of knowledge.



ENVIRONMENT

A REAL-WORLD APPROACH

Mersen's environmental commitment is manifested in its operations by a constant search for best practices and unceasing vigilance in every aspect of the business. To comply with legislation and standards, we are engaged in a virtuous cycle of practical improvements.

ECO-DESIGN

DESIGNING ENVIRONMENTAL STEWARDSHIP INTO NEW PRODUCTS

With eco-design, a product's environmental impact is addressed across the lifecycle, with more eco-friendly raw materials, fewer assembly steps, lower waste volumes and an optimized supply chain all helping to attenuate it at every stage, from design to end-of-life disposal. Our research and development teams have been trained in these techniques for designing environmental impact reduction targets into the new product development process. We are also deploying an eco-sustainable redesign-to-cost process that analyzes a product's functions so as to replace or reduce the proportion of certain components or raw materials by others that are more environmentally sensitive, while retaining the same functionalities.



RAISING EMPLOYEE AWARENESS

DEDICATED INITIATIVES IN EVERY PLANT AND EVERY BUSINESS

To raise employee awareness and train people in good eco-friendly practices, every plant in Europe, Africa, Americas and Asia has deployed a range of purpose-designed initiatives, including dedicated training days, information meetings, newsletters and monthly bulletins. In addition, employees responded enthusiastically to the environmental emergency training campaigns organized in Tunisia during the year.



WASTE MANAGEMENT

RECOVERING AND REUSING END-OF-LIFE PRODUCTS

All of our production facilities have deployed initiatives to reduce the impact of their operations on the environment. In one example, process waste is recovered and is either reused to make other Group products or sold to partner manufacturers for use in their processes. Mersen is also working on the recycling and reuse of end-of-life products through its «fuse waste» process or by implementing brush recovery systems for certain customers.



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*We wish to
warmly thank
all those who
have assisted in
the production of
this document.*
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O-communication





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