Mersen - March 11, 2015

Full-year 2014 results

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Thomas Baumgartner

2014 results

OVERVIEW OF 2014

Organic sales growth excluding chemicals

- Small contraction compared with 2013

Light increase in operating margin before non-recurring items, as expected

- Operating margin before non-recurring items at 8.2% (8.1% in 2013)

Execution of the Transform plan

- Roll-out on schedule
- First savings in 2014
- Non-recurring expenses recognized

Finances in good shape

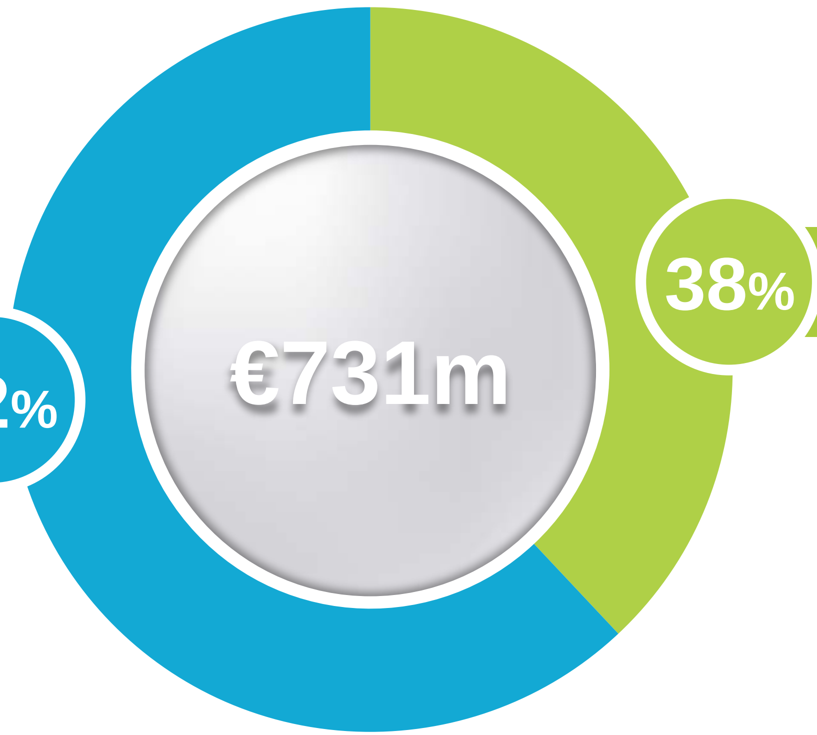
- Net debt/EBITDA ratio of 2.2x
- Refinancing of the syndicated loan on improved terms (July)

2014 SALES

down 1.5% lfl

up 2% lfl excl. chemicals

vs. 2013



ELECTRICAL SEGMENT
up 2% vs. 2013 lfl

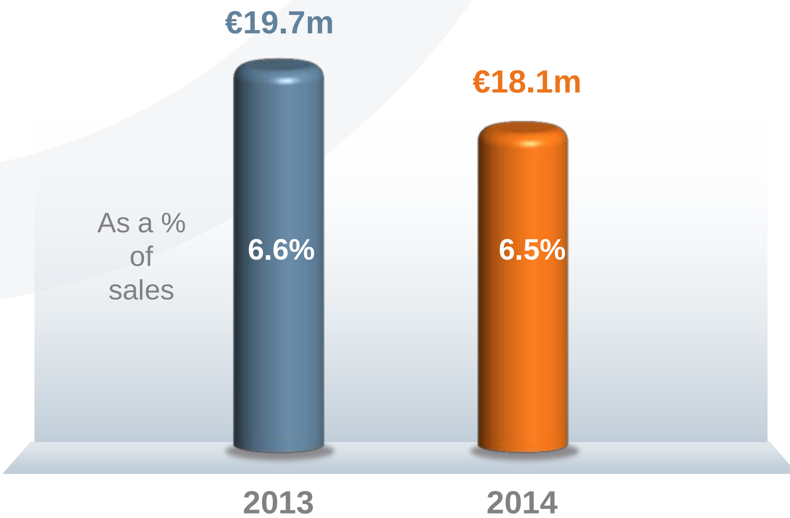
- Expansion in energy sector, especially wind energy
- Growth in power electronics
- Small contraction in transportation and process industries

MATERIALS SEGMENT
down 6.6% vs. 2013 lfl

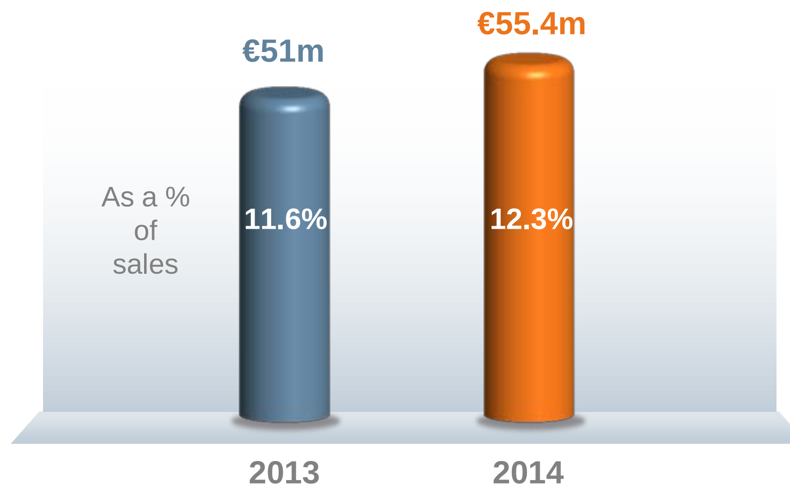
- Weak sales in chemicals
- Unfavorable base of comparison (Sabic contract)
- Small dip in process industries
- Growth in solar energy and electronics

OPERATING MARGIN TRENDS BY SEGMENT

Materials segment



Electrical segment



Persistently challenging conditions

- **Mixed volume effects**
  - Higher graphite volumes
  - Hefty decline in anticorrosion
- **Negative price effects in graphite**
- **Lower depreciation and first savings of Transform**

Margin improvement

- **Positive volume effects**
- **Pricing power (higher prices)**
- **Positive raw materials effect**

EXPANSION IN THE OPERATING MARGIN BEFORE NON-RECURRING ITEMS

As a %

2013 operating margin before non-recurring items	**8.1%**
Volume/mix effects	-0.1%
Price effects	-0.3%
Impact of Transform plan	+0.4%
Other	+0.1%
2014 operating margin before non-recurring items	**8.2%**

- **Negative volume effects, positive mix effect**
- **Prices: lower in graphite, higher in Electrical segment**
- **First savings of Transform plan**
- **Lower depreciation and amortization**

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NET INCOME AFFECTED BY EXPENSES RELATED TO THE TRANSFORM PLAN

(€ m)	2014	2013
Operating income before non-recurring items	**59.7**	**59.8**
% of sales	8.2%	8.1%
Non-recurring income and expense	**(37.0)**	(49.3)
Amortization of intangible assets	(1.0)	(1.2)
Net finance income/(costs)	(9.9)	(11.0)
Income tax	(9.1)	(23.1)
Income/(loss) on assets held for sale and discontinued operations	0.1	(3.8)
Net income	**2.8**	**(28.6)**
Net income attributable to equity holders of the parent	**2.1**	**(29.2)**

- **Non-recurring income and expense:** Chiefly provisions and impairment losses, Transform plan and settlement of the civil suit in the United Kingdom
- **Net finance costs:** Decrease in average net debt
- **Effective tax rate:** 33% (restated for non-recurring items)

SOLID CASH FLOW FROM OPERATING ACTIVITIES BEFORE CAPITAL EXPENDITURES*

Cash flow in € m

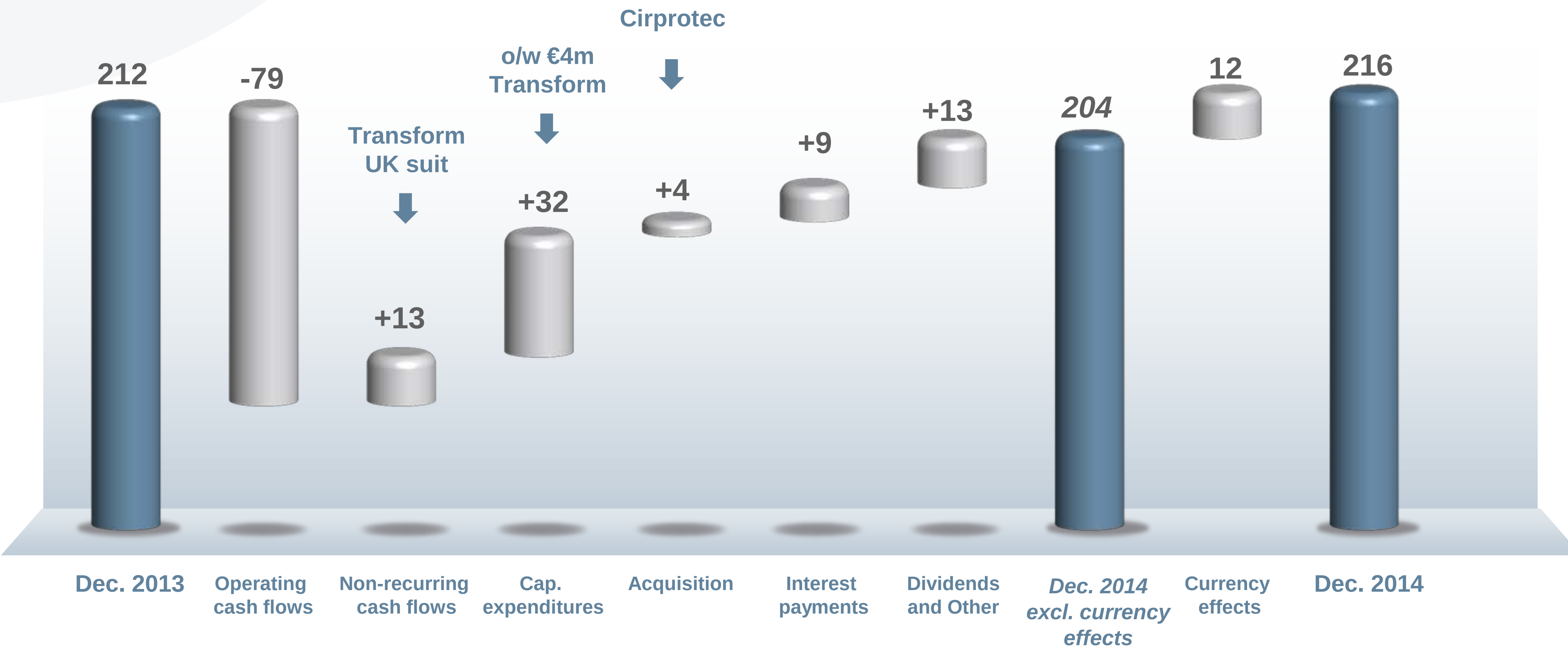
- **Small decline in cash flow compared with 2013:**
  - Small reduction in WCR despite the Transform plan (inventories) and expectations of sales growth
  - Steep decline in WCR during 2013 derived from the contraction in sales

* Excluding non-recurring items (Transform plan and settlement of the UK civil suit = €13m)

REDUCTION IN NET DEBT AT CONSTANT EXCHANGE RATES

(€ m)

Net debt/EBITDA	2.2
Net debt/equity	46%



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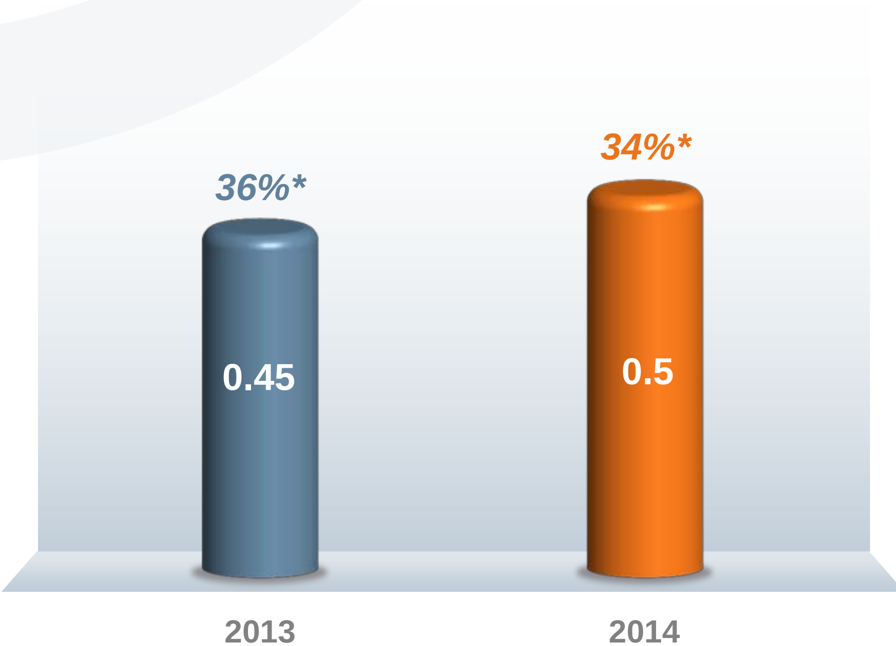
PROPOSED DIVIDEND

Dividend in €
Pay-out ratio as a % of net income



*** Payout ratio excl. non-recurring items:**
2013: Impairments and provisions
2014: Transform plan and settlement of UK civil suit

- **Increase of 11% in the dividend compared with 2013**
- **Payout ratio maintained excluding non-recurring items**

Luc Themelin

Medium-term strategy

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2014 RESULTS COMMENSURATE WITH OUR MEDIUM-TERM STRATEGY

- Growth in our “strategic” markets
- Vibrant growth in our core countries

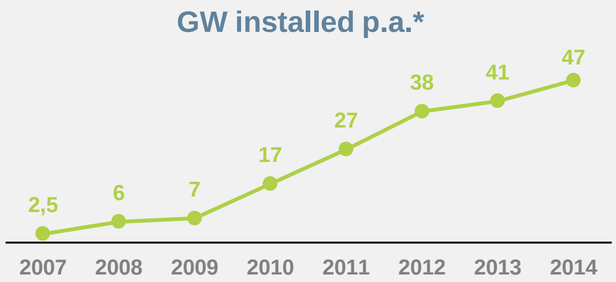
- Resilience amid inauspicious economic conditions

- Solid cash flow from operating activities

GROWTH IN OUR "STRATEGIC" MARKETS: RENEWABLE ENERGIES

Solar energy: Sales up 26% (2014 vs. 2013)

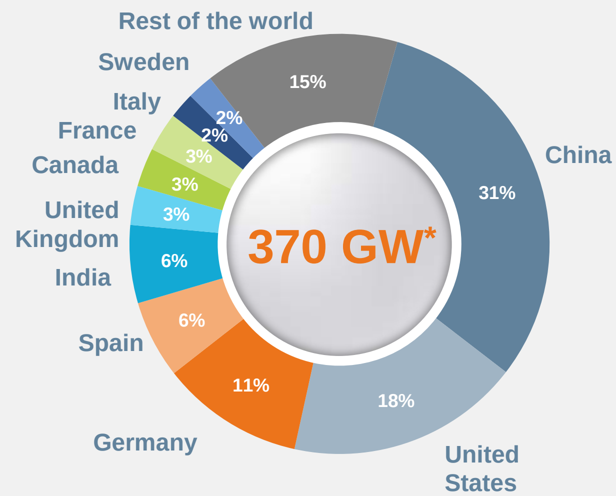
- Established market/Subsidiary organized effectively/Profitable technology
- **Steady increase** in GW installed p.a
- China (**28%**), Japan (**17%**), United States (**13%**) leading the field in terms of new facilities in 2014 (and 2013)
- Decentralized **energy generation** (residential installations)
- Mersen **present** right across the value chain



*Source: EPIA and 2014 Mersen

Wind energy: Sales up 17% (2014 vs. 2013)

- Highly attractive **replacement market**: 550,000 wind turbines installed worldwide by 2023
- Maintenance **cycle**: 12-18 months
- **Mersen – a leading player** in North America and with major OEMs



*Source: Total WWFA installed base in 2014

Growth in our "strategic" markets: Electronics

Sales up 6.5% (2014 vs. 2013)

Power electronics

- Market **expanding by more than 6%** p.a. on average over the long term
- **New business won** by Mersen
  - With OEMs
  - New entrants in Asia
- Factors driving **the power conversion market**
  - Renewable energies (solar, wind energy)
  - Mobility (rail traction, electric vehicles)
  - Energy efficiency (speed controllers)

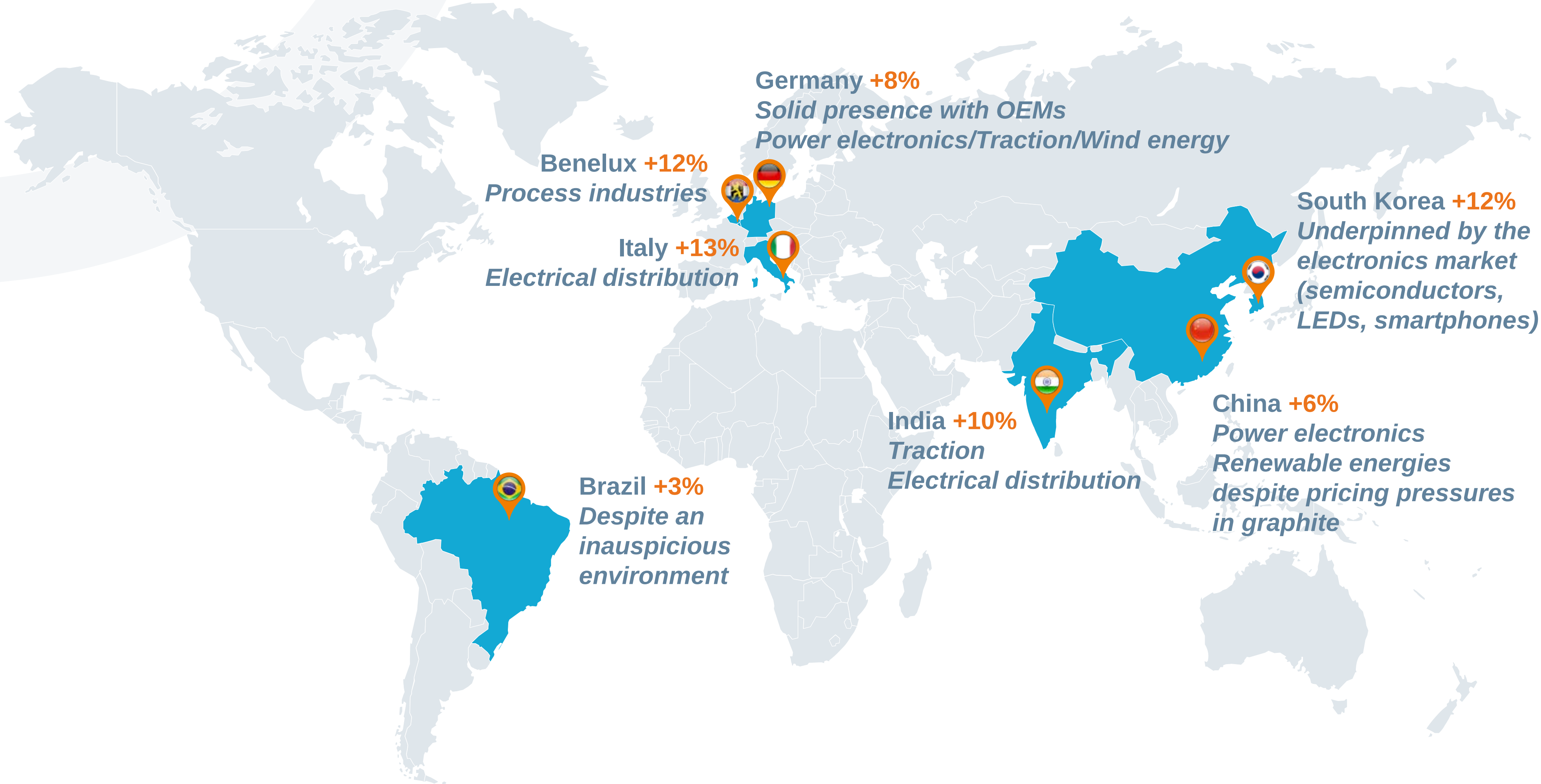
Semiconductors and LEDs

- Market **experiencing strong growth**

Manufacture of semiconductors

End market: LED (public lighting systems)

VIBRANT SALES GROWTH IN OUR CORE COUNTRIES



N.B. sales organic growth 2014 vs 2013

ADAPTABILITY

Active management of the business portfolio in chemicals	Large-scale industrial program (Transform plan) 2014-2015	Constant adjustments to production
- Sale of 2 businesses in 2012 (mixers and stirrers, boilermaking equipment for nuclear plants) - Decision to shut down the carbon-steel equipment business in China in 2014	- Efficiency improvements at facilities serving the chemicals sector: closure of a site in the US, shutdown of the carbon-steel equipment business (China) - Streamlining of production facilities in Europe: closure of 3 plants (France, Italy, United Kingdom), 1 planned by the end of the year, 1 to be downsized - Streamlining measures in the United States: Closure of a plant in the Materials segment	- Transfer from the United States to Mexico (Electrical segment) - 2013 - Combination of logistics platforms in Europe - 2015

TRANSFORM SAVINGS ANTICIPATED

(BASED ON 2013 BUSINESS LEVELS)

2014:	2015:	2016:
40 bps	110 bps	150 bps

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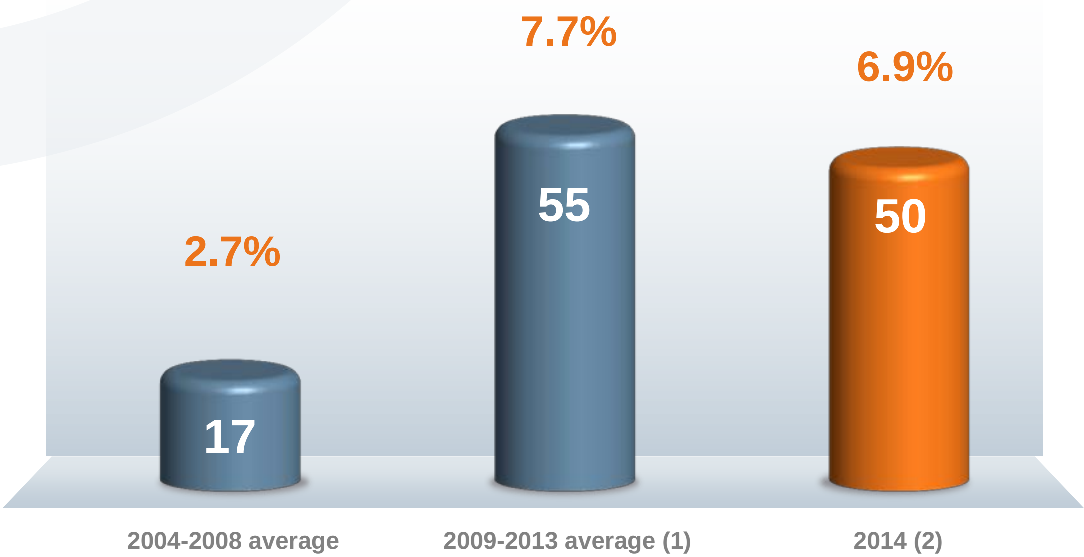
SOLID CASH FLOW PROFILE

Free cash flow yield as a %
Free cash flow in € m



FCF yield: Free cash flow/sales

Free cash flow: Cash flow from operating activities - Capital expenditure

Action plan

- Constant improvement of the WCR
- Lean manufacturing approach by plant
- Effects of the Transform plan
- Caps on capex

(1) Continuing operations
(2) Excluding non-recurring items (incl. Transform capex)

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ROADMAP OUT TO 2018

	2014		2018
Sales	€731m	Acquisitions/Innovation/ Markets	~€1bn
Operating margin before non-recurring items	8.2%	Volume effect/Productivity/ Transform plan	12%
ROCE	8%		[12-14%]

INNOVATION, A GROWTH BOOSTER

	Number of projects in progress
Incremental innovations › New grades of graphite › New fusegear and current transmission ranges	50 to 70
Innovation in adjacent fields › Dedicated busbars for wind turbine generators › Heat exchangers for pharmaceutical processes › Surge protection devices for public lighting › Mirrors for the optics industry	20 to 30
Disruptive innovation › Continuous flow reactors › Safety and monitoring of photovoltaic facilities	10 to 15

Does not list everything

CONTINUED PURSUIT OF ACQUISITION STRATEGY

Two deals completed most recently by Mersen

Eldre, world leader in busbars

- **Rationale for the acquisition:**
  - Extend the product range into an expanding area
  - Tap into a key area of expertise right at the start of the power converter design stage
  - Expand this business in Asia
- **Acquisition completed in late 2011: valuation of 7.4x EBITDA**

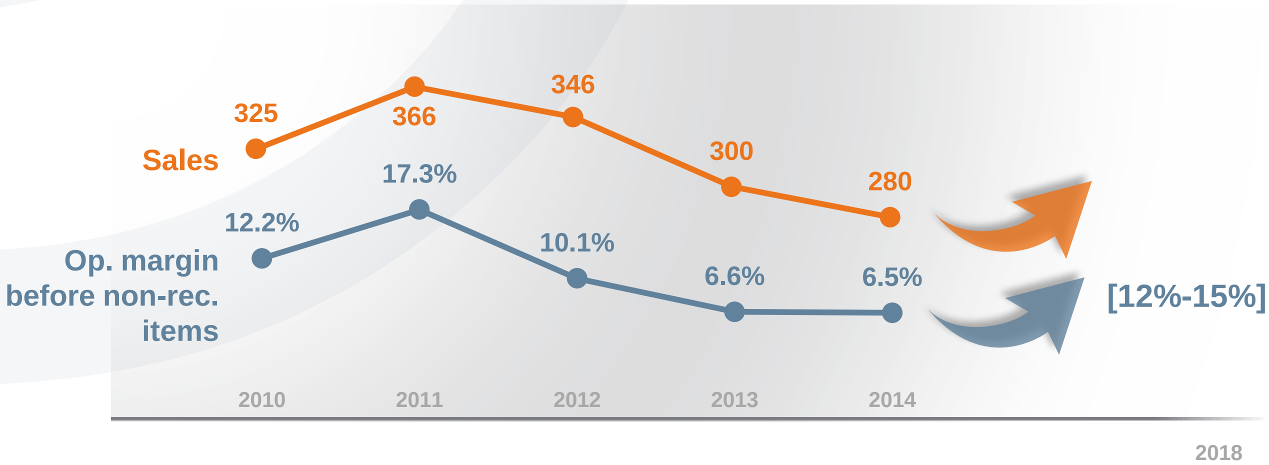
Cirprotec world leader in IEC surge protection

- **Rationale for the acquisition:**
  - Bolster the Electrical segment's positions in an expanding area
  - Harness synergies by leveraging our network in Asia and Europe
- **Acquisition of a majority shareholding completed in early 2014: valuation of 7x EBITDA**

Our targets

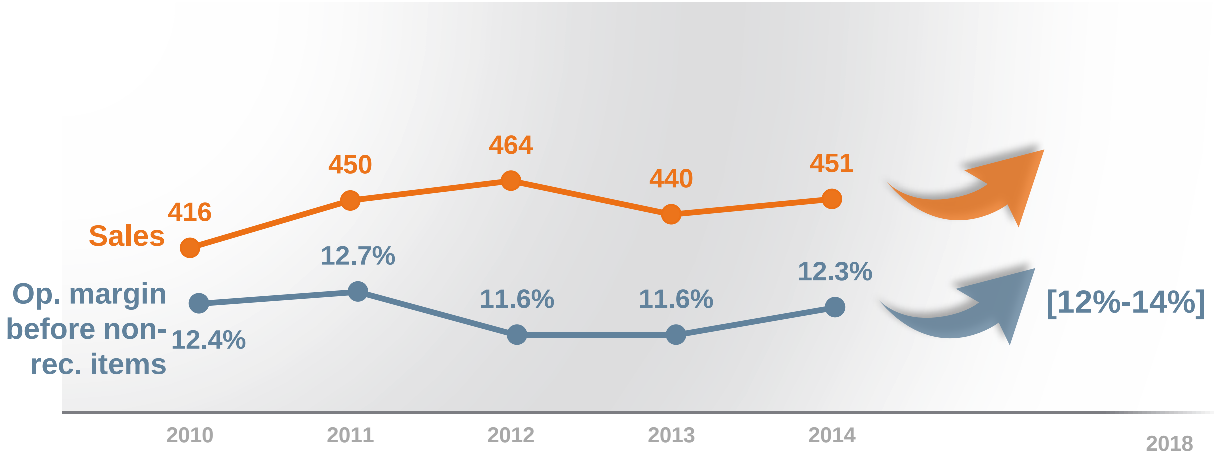
- **Bolt-on acquisitions** predominantly in the Electrical segment
- **Expanding** product ranges
- **Complement** our existing offering with strong **Expertise**
- **Geographical** consolidation

2 COMPLEMENTARY SEGMENTS: AN OPTIMIZED PROFILE FOR THE GROUP

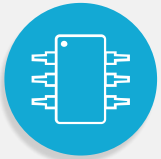


Materials segment

- Substantial leverage effect



Electrical segment



- Margins stable at a high level

2015 OBJECTIVES

Backdrop

- Buoyant top-line performance in North America and Asia
- Upbeat renewable energies and electronics markets
- No recovery in chemicals – first-half performance up against a high base of comparison
- Unfavorable pricing environment in graphite

Organic sales growth

Between 0% and 4%

Operating margin

Between 8.6% and 9.4% of sales

Appendix

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TRANSFORM PLAN'S IMPACT

P&L before tax		Cash*	
2014	2015	2014	2015
-28	<-2	-10	<~-20
< -30			

* Including capital expenditures and disposals of buildings