



MERSEN: A SUSTAINABLE GROWTH TRAJECTORY

2017 RESULTS AND OUTLOOK

March 7, 2018

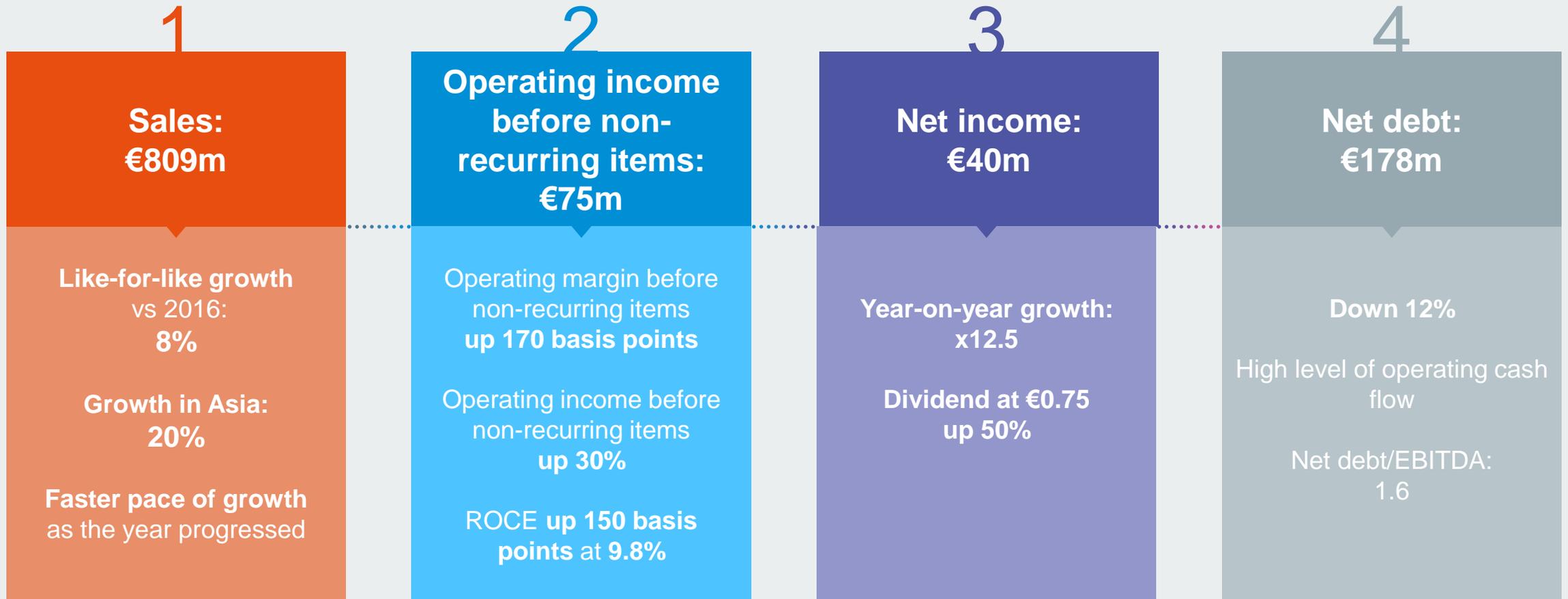


MERSEN: A SUSTAINABLE GROWTH TRAJECTORY

1

2017 RESULTS

2017: A YEAR OF GROWTH



A YEAR THAT SAW VERY STRONG GROWTH IN ASIA, AND GOOD PERFORMANCES IN EUROPE AND NORTH AMERICA

NORTH AMERICA

+5%

- Growth in electronics and process industries
- Stable performance overall for electrical distribution, with sales picking up in the course of the year

SOUTH AMERICA & AFRICA

-9%

- Adversely affected by Brazil's economic situation
- Unfavorable effects linked to large contracts booked in 2016

EUROPE

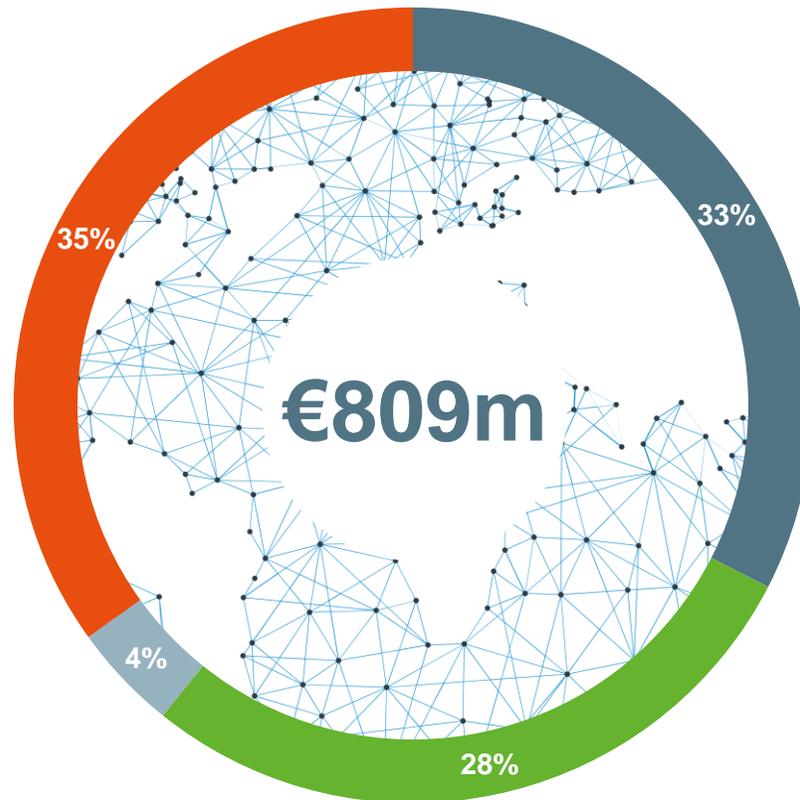
+5%

- Strong performance from the aeronautics and space sectors

ASIA

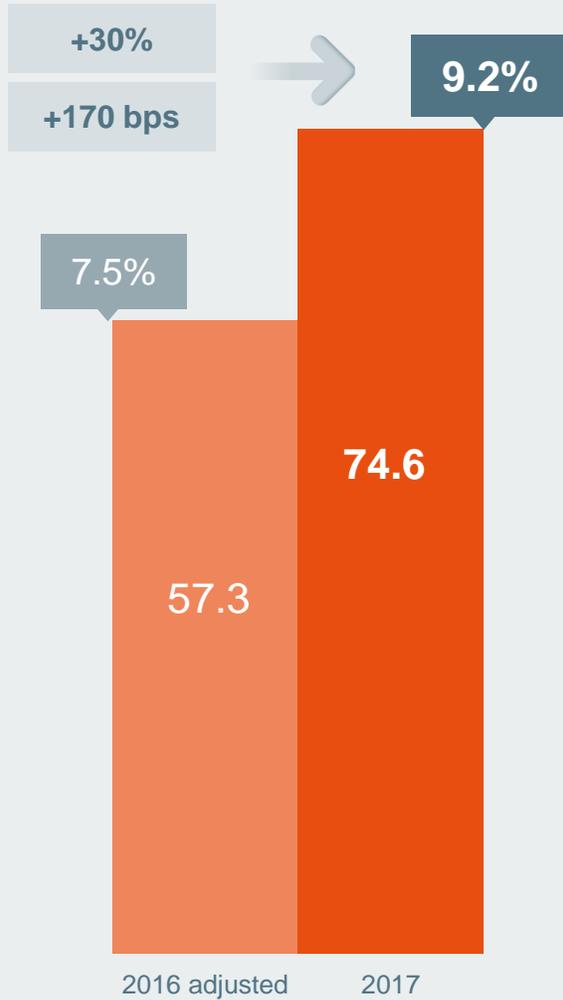
+20%

- Growth in renewable energies, electronics and process industries



2017 sales in €m - Like-for-like growth vs. 2016

SHARP INCREASE IN PROFITABILITY...

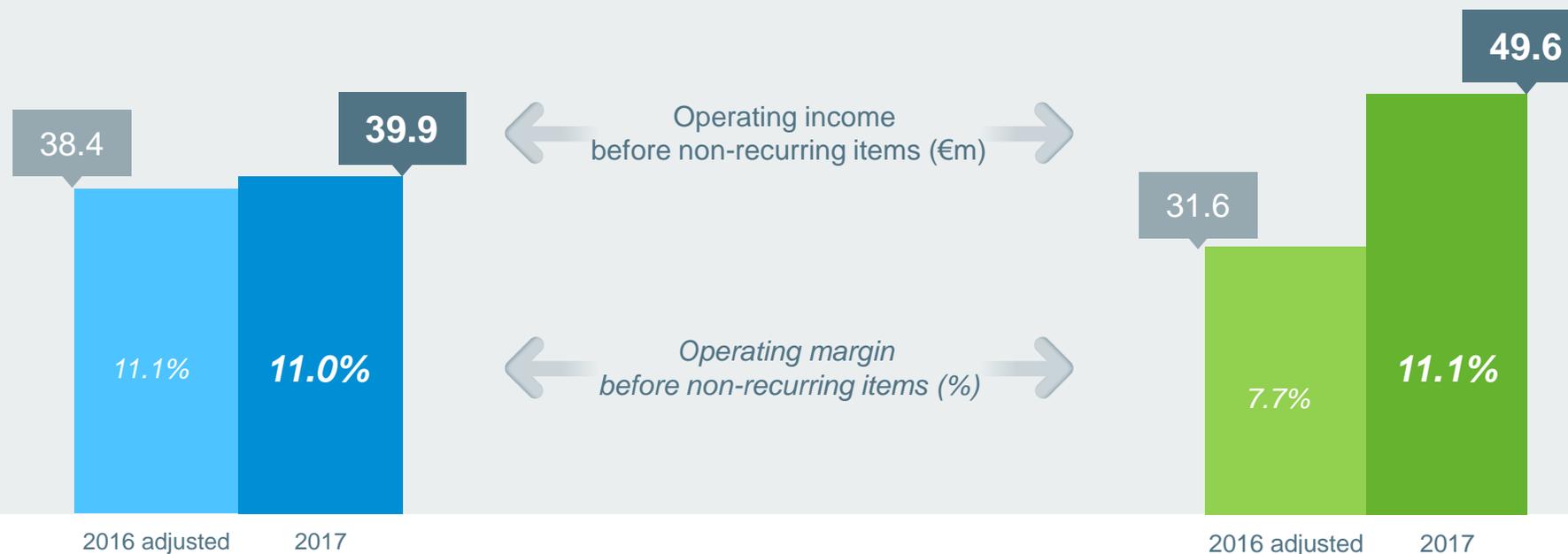


Adjusted 2016 operating margin before non-recurring items 7.5%

- Volume/mix effects +2.4%
- Price impact -0.2%
- Impact of competitiveness plans +2.0%
- Inflation (costs, raw materials) -1.7%
- Other (including bonuses) -0.8%

2017 operating margin before non-recurring items 9.2%

... THANKS TO THE AM SEGMENT'S SIGNIFICANT CONTRIBUTION...



ELECTRICAL POWER

2017 EBITDA MARGIN

Productivity gains
Negative mix effects
Neutral price effects

13.5%

ADVANCED MATERIALS

2017 EBITDA MARGIN

Productivity gains
Price increase during the year
Volume effect
(organic growth: +9.6%)

17.8%

... AND THE COMPETITIVENESS PLAN

	2016	2017	2018 <i>estimated</i>	TOTAL
Cost savings (€m)	16.5	16	[12-14]	>45
P&L impact before tax (€m)	(22)	(9)	(2)	(33)
Cash flow impact (€m)	(5)	(11)	(14)	(35)
<i>Including Capex</i>		(1)	(7)	(8)

Plan on schedule in terms of cost savings and P&L impact

Time lag for cash outflows
in 2018
(particularly capex and restructuring costs)

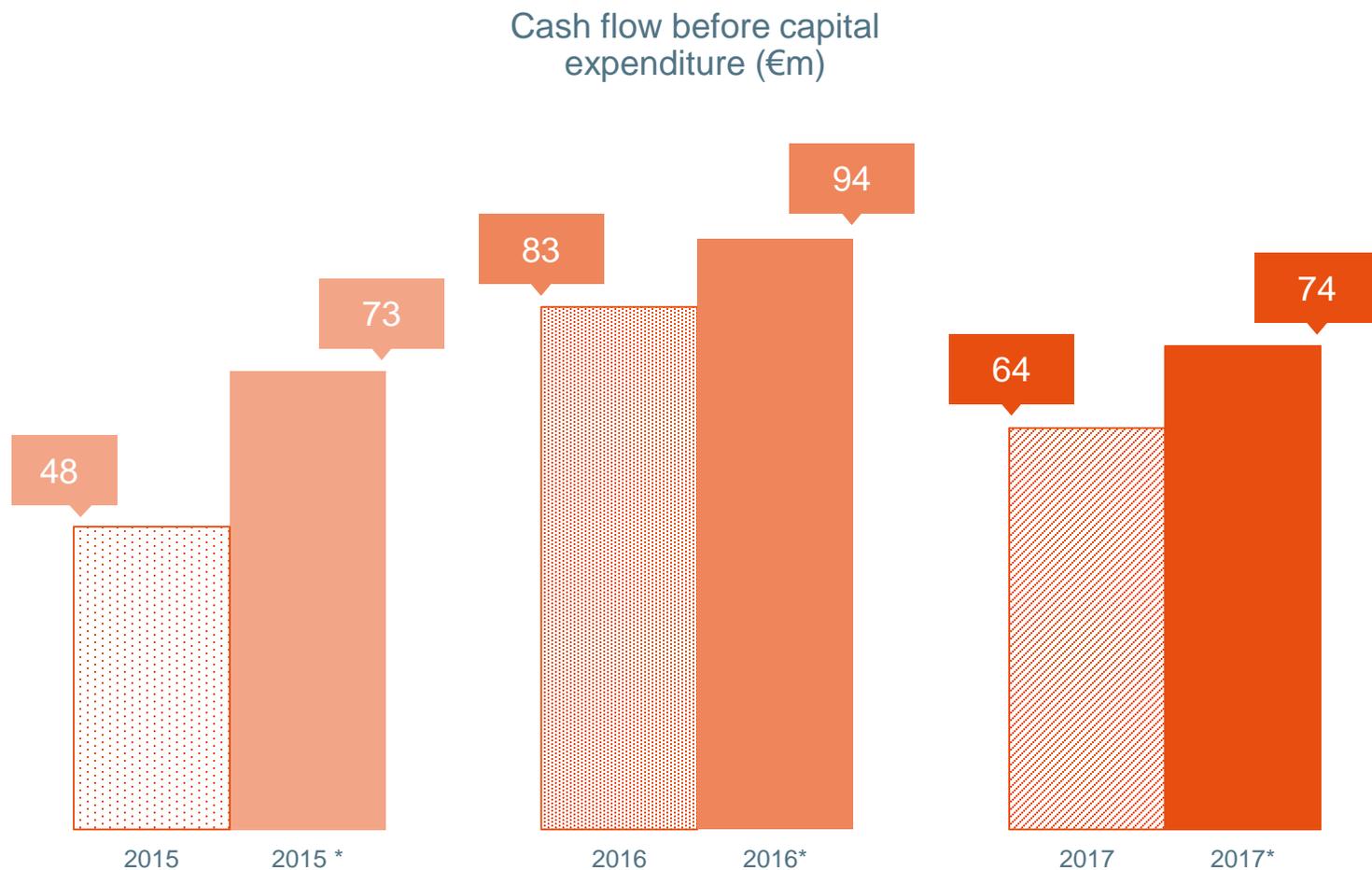
STRONG INCREASE IN NET INCOME

In €m	2016 adjusted	2017	
Operating income before non-recurring items	57.3	74.6	
Non-recurring income and expenses	(26.5)	(10.3)	
Net financial income/(costs)	(11.0)	(10.0)	
Income tax	(11.5)	(15.1)	
Net income from continuing operations	8.3	39.2	x5
Net income/(loss) on assets held for sale and discontinued operations	(5.1)	0.8	
Net income	3.2	40.0	x12.5
Attributable to owners of the parent	1.8	37.6	

Strong 12.5x increase in net income

- **Contained** non-recurring expenses (competitiveness plan)
- **Lower** financial expenses
- **Effective income tax rate: 32%** (excluding more than €2 million of impact of non-recurring items)

SOLID OPERATING CASH FLOW, WITH WCR/SALES RATIO STABLE AT 20%



High level of cash flow following a record high in 2016

Includes - in 2017 - USD5 million of exceptional contribution to US pension

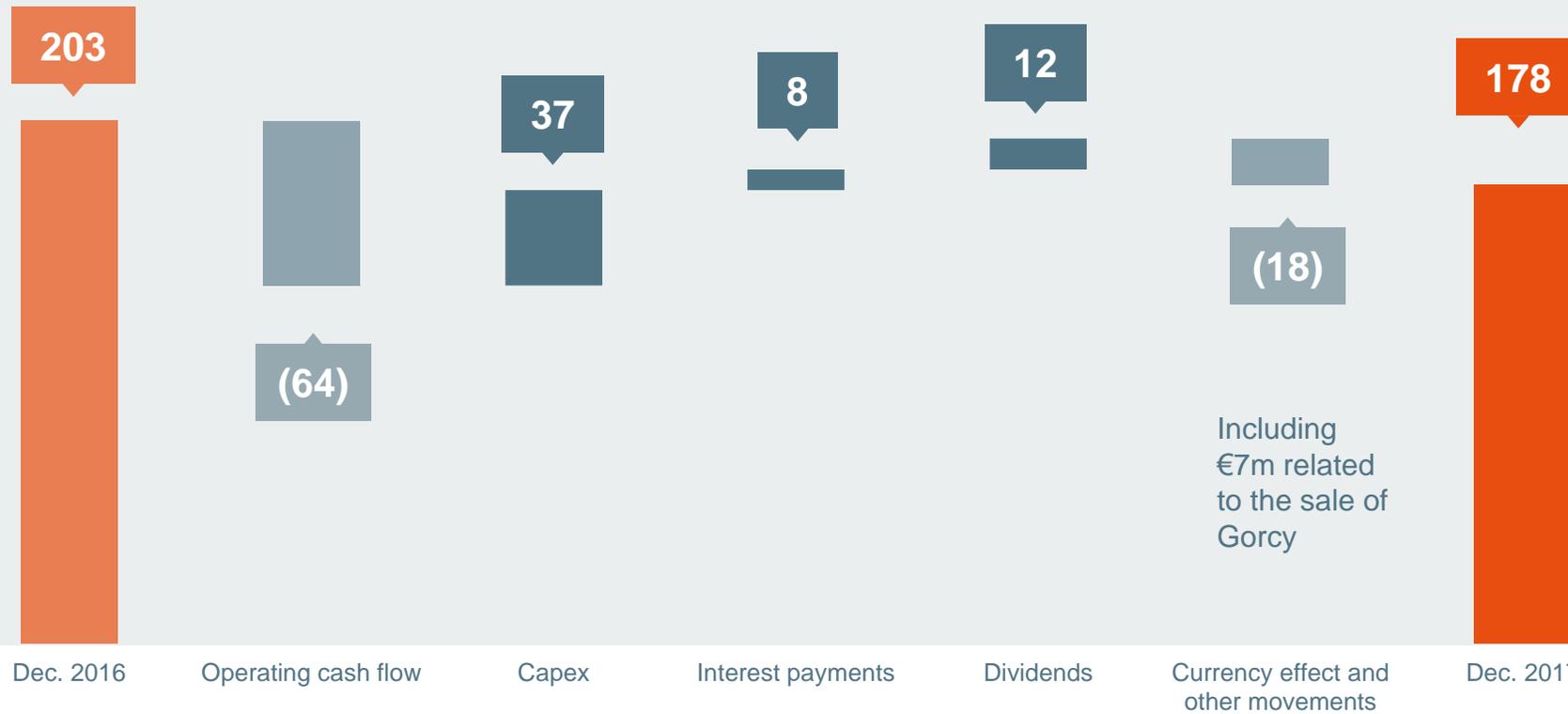
Increase in WCR in line with the high business volumes at the year-end

WCR/Sales ratio stable at **20%**

*Excluding (i) non-recurring cash flows (related to the Transform and competitiveness plans) and (ii) cash flows from discontinued operations.

NET DEBT SCALED BACK SIGNIFICANTLY

In €m



NET DEBT/EBITDA

2.1

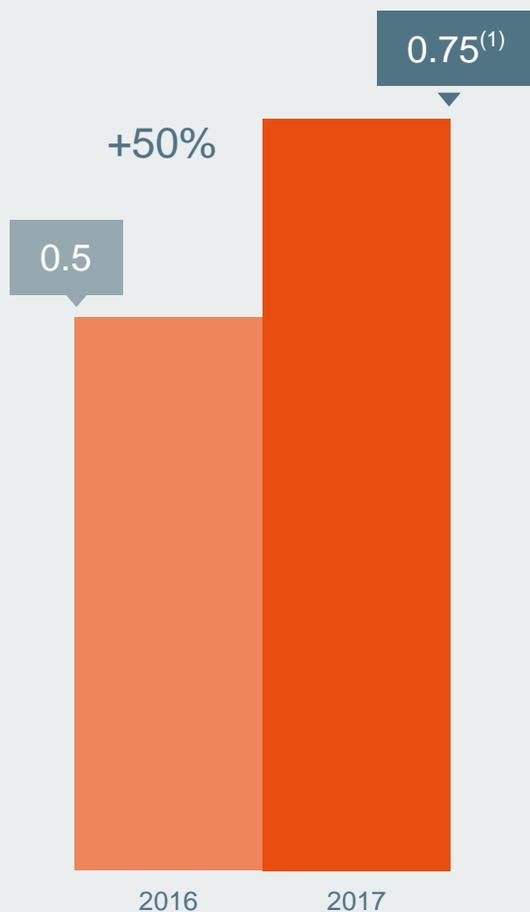
NET DEBT/
EQUITY

41%

1.6

37%

RECOMMENDED DIVIDEND OF €0.75 PER SHARE



PAY-OUT RATIO
EXCL. NON-RECURRING ITEMS⁽²⁾

38%

TOTAL DIVIDEND
PAYOUT

€15m

- (1) Subject to shareholder approval at the Annual General Meeting
- (2) Net income from continuing operations excluding the effect of the competitiveness plan and tax impact of non-recurring items



MERSEN: A SUSTAINABLE GROWTH TRAJECTORY

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PROFITABLE GROWTH DRIVERS

MERSEN: AN EFFICIENT GROUP AND LEADER IN ITS MARKETS

SHARED BUSINESS MODEL

Small production batches, leader in niche markets, high cash generation

SHARED END-MARKETS

leveraging the Group's expertise and resources

SHARED MANUFACTURING SITES AND SALES NETWORK

Resource allocation

R&D

Cross fertilization, Central coordination

LEAN

Operational excellence
Business processes
Project-based organization

ELECTRICAL POWER



ELECTRICAL PROTECTION & CONTROL

World's no. 2 in industrial fuses



SOLUTIONS FOR POWER MANAGEMENT

World's no. 2 in passive components for power electronics



ANTICORROSION EQUIPMENT

World's no. 1-2 in graphite equipment



GRAPHITE SPECIALTIES

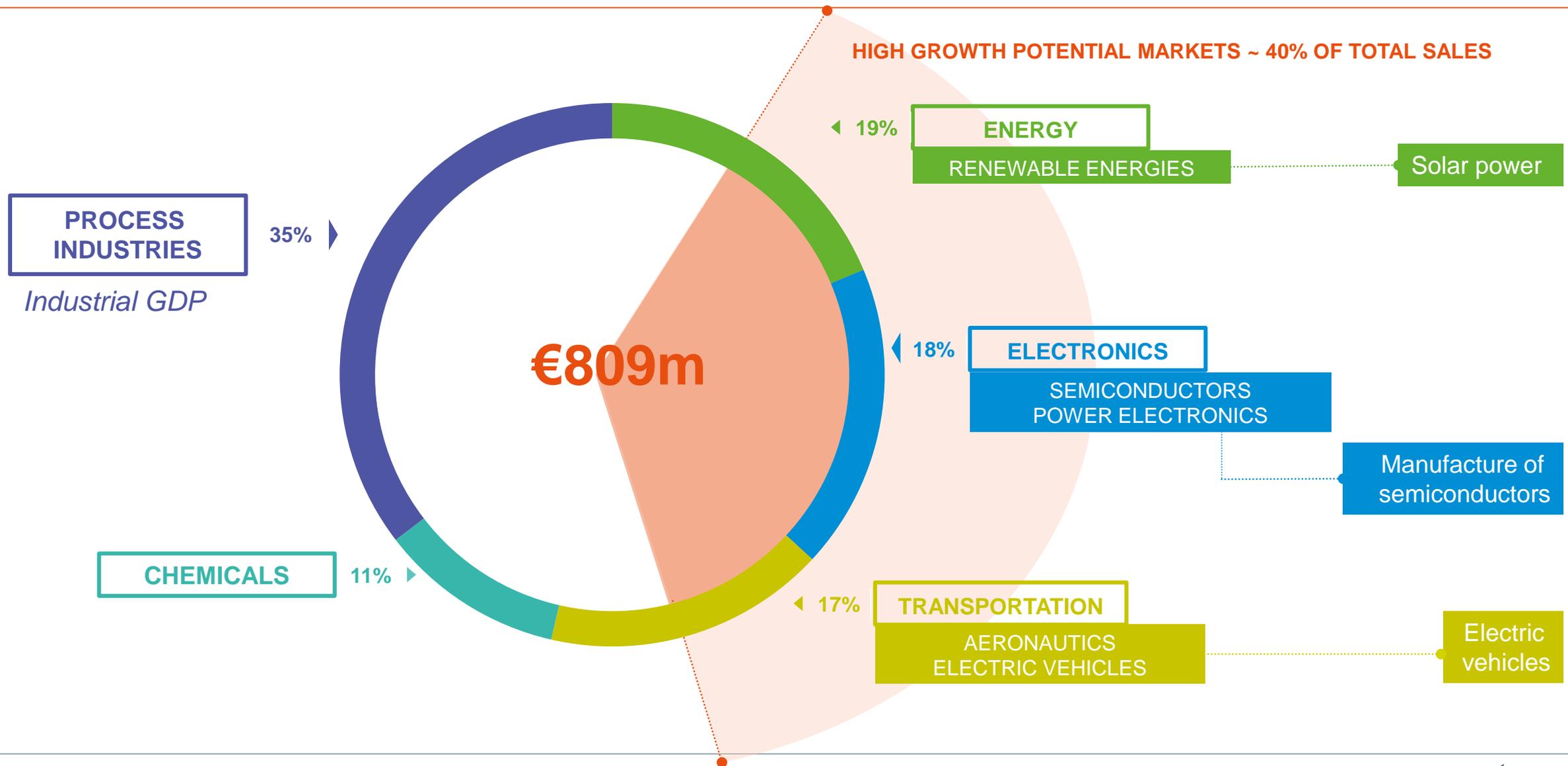
World's no. 1-2 in high-temperature applications



POWER TRANSFER TECHNOLOGIES

World's no. 1-2 in brushes for industrial motors

MARKETS WITH HIGH GROWTH POTENTIAL



DRIVEN BY FAVORABLE UNDERLYING MARKET TRENDS

ENERGY

RENEWABLE ENERGIES

Solar and wind power
Battery-based energy storage
(solar power, electricity grid)

ELECTRONICS

ENERGY EFFICIENCY DIGITIZATION

Reducing energy consumption
Converting electrical power
(speed drives)
LED lighting

Calculation and storage power
Electronics/semiconductors

TRANSPORTATION

URBANIZATION MOBILITY ELECTRIFICATION

Electric vehicles
(including eBuses and eTrucks)

Batteries for electric vehicles

Aeronautics

Public transportation
(tramways, subways)

PROCESS INDUSTRIES

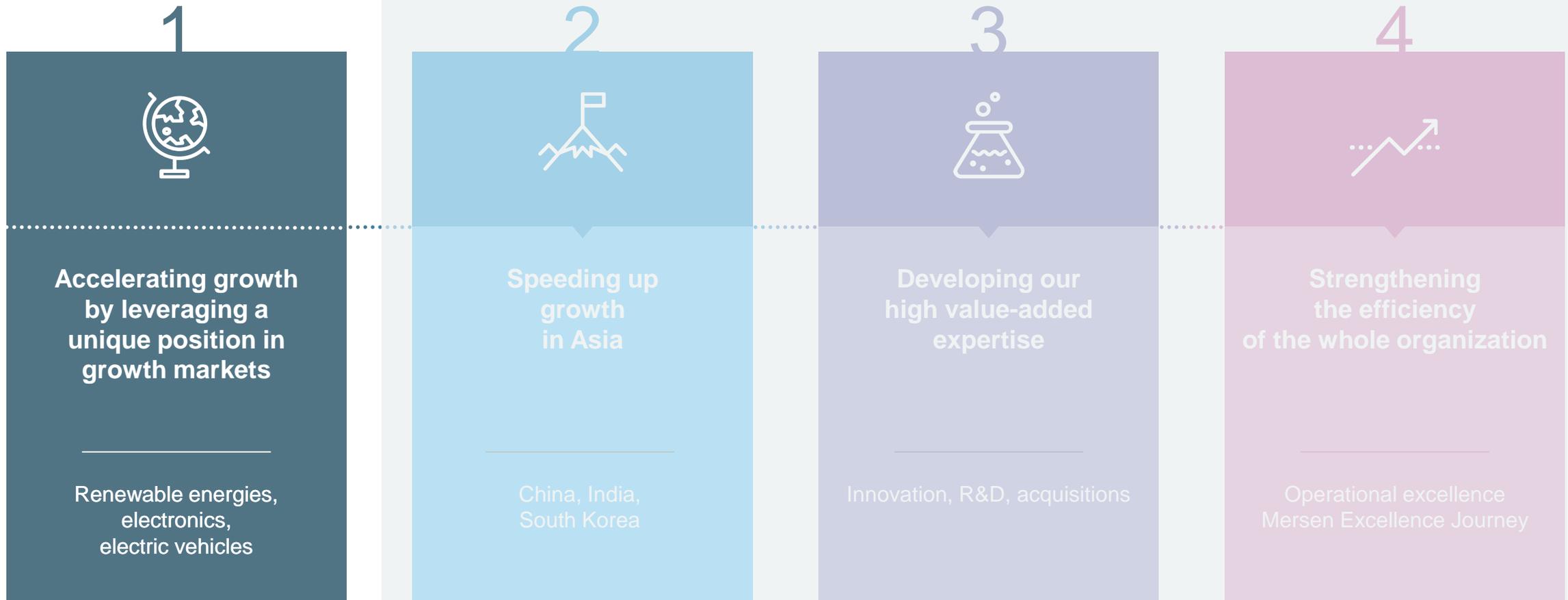
INDUSTRIALIZATION

General growth
for process industries
in Asia

MERSEN'S PROFITABLE GROWTH DRIVERS IN THE MEDIUM TERM



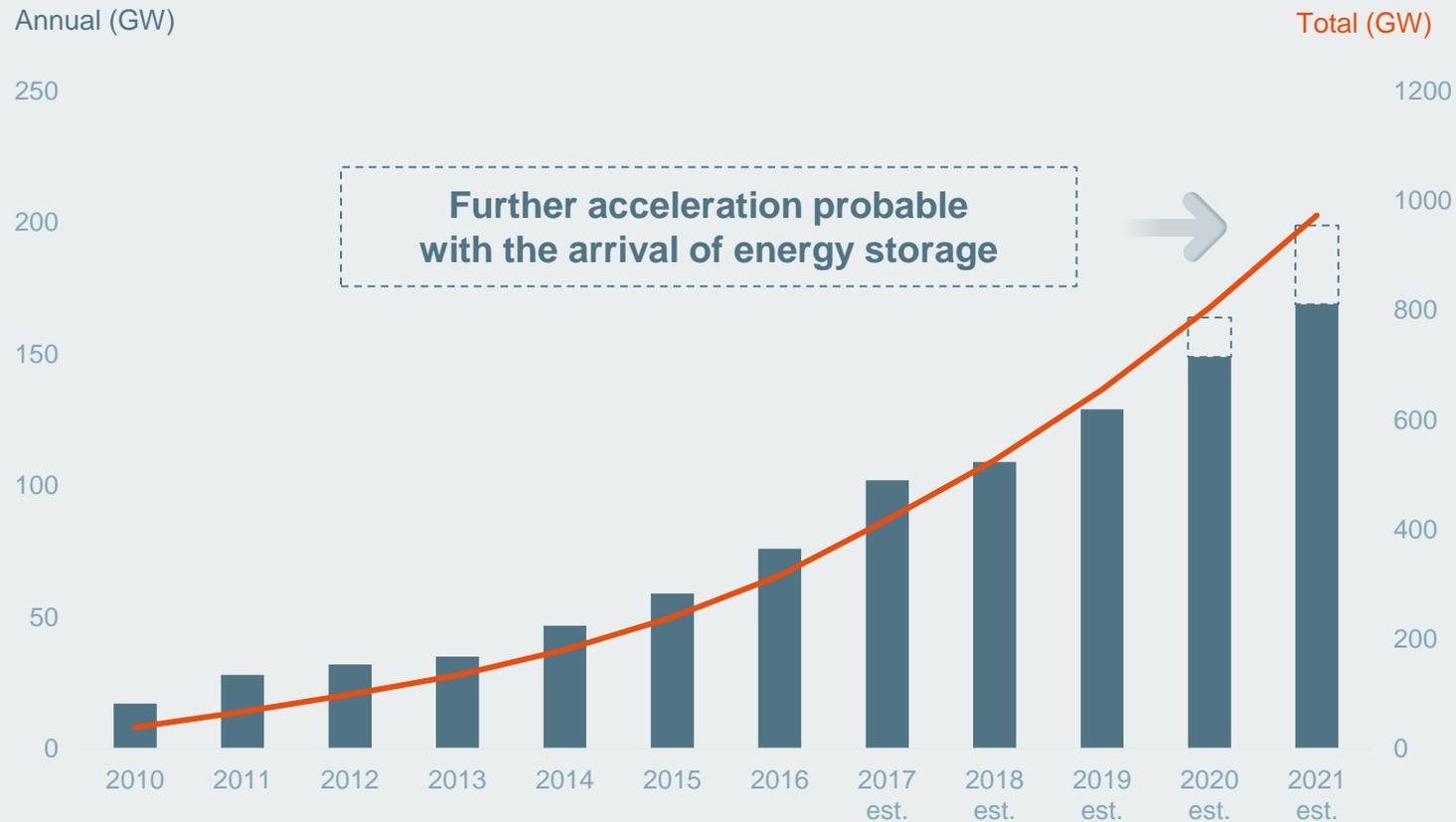
MERSEN'S PROFITABLE GROWTH DRIVERS IN THE MEDIUM TERM



SOLAR POWER: MAJOR POTENTIAL FOR THE LONG TERM



INSTALLATIONS PROGRESSING AT A VERY BRISK PACE



Source: IHS Markit

THE LOWEST ENERGY PRODUCTION COST



-20%
3x cheaper

vs natural gas

than nuclear energy

Source: Lazard's 2017 Levelized Cost of Energy Analysis

MERSEN'S STRENGTHS IN THE SOLAR POWER MARKET



Polysilicon production



Graphite anticorrosion systems for HCl synthesis

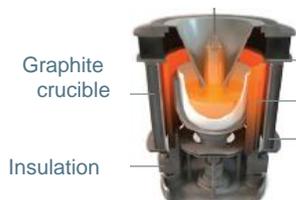


Insulation



Graphite electrodes

Ingots production



Graphite crucible

Insulation

Graphite machining
Graphite resistance
Furnace cladding

Electrical protection



Fuses and fuse holders



Surge protection



Smart switches

Energy conversion



Bus bars

Fuses for semiconductors

Cooling solutions

WACKER

HSC

OCI

GCL

LONGI 隆基

Jinko Solar

中环光伏
ZHONGHUN SOLAR

TOSHIBA

TMEIC
We drive industry

SAMSUNG

PRESENCE IN ASIA (70% of customer base)

FORMULATION of graphite applications

EXPERTISE in increasingly large parts

PRODUCTION CAPACITY (no. 1 worldwide)

GLOBAL PRESENCE (local market of panel builders)

RELATIONS with energy conversion OEMs

COMPREHENSIVE PROTECTION OFFERING for solar power

INNOVATIVE PRODUCTS for a market of the future: battery-based energy storage

MERSEN'S STRENGTHS IN THE SOLAR POWER MARKET



1 MEETING MARKET DEMAND FOR GRAPHITE

Production capacity/% usage rate



- **FURNACES IN CHONGQING BROUGHT BACK ON STREAM**
- **GREATER FINISHING CAPACITIES IN CHINA**
- **OPTIMIZATION OF THE UTILIZED CAPACITY RATE**

2 CAPTURING LOCAL SOLAR PANEL PROTECTION MARKETS

- ROLLING OUT **A DEDICATED OFFERING** FOR SOLAR POWER
- DEVELOPING **PARTNERSHIPS** WITH ENERGY CONVERSION OEMs
- **LOCAL** PRODUCTION, NOTABLY IN INDIA AND CHINA

THE ELECTRONICS MARKET DRIVEN BY 2 MAIN FACTORS



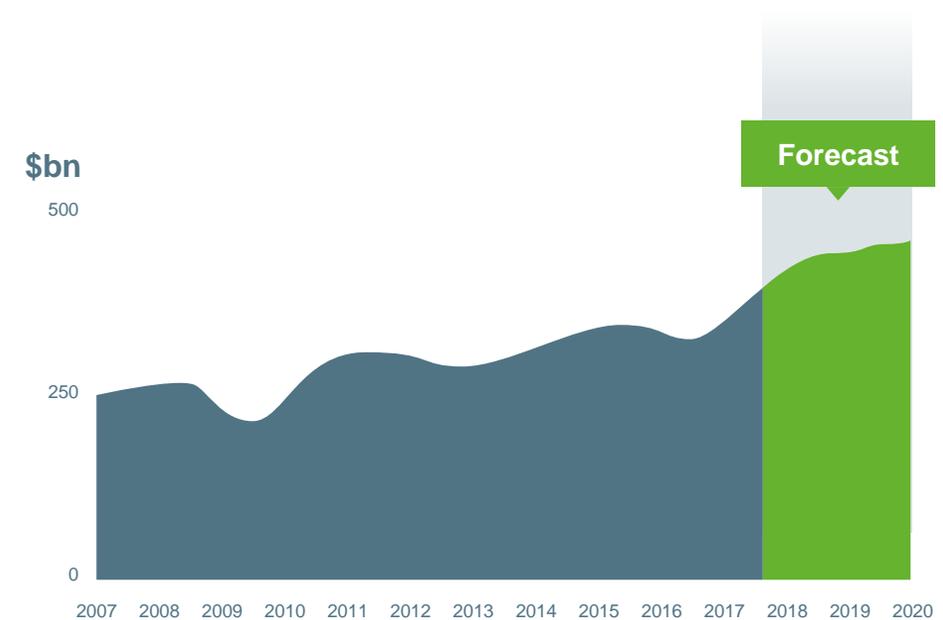
Growing digitization

Big data, mobility, Smartphone, IoT, Artificial intelligence



Energy savings and power conversion

GLOBAL SEMICONDUCTORS MARKET



Source: WSTS

+20%
in 2017

+8%
in 2018 (estimate)

MERSEN'S STRENGTHS IN THE ELECTRONICS MARKET



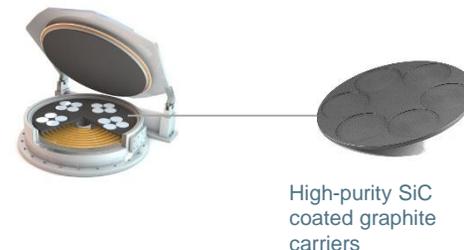
Ingot production



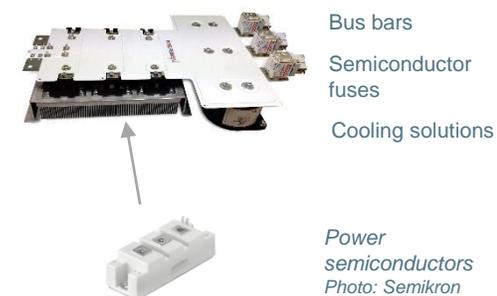
Wafer manufacturing



Epitaxy



Energy conversion



Bus bars
Semiconductor fuses
Cooling solutions

Power semiconductors
Photo: Semikron



PRESENCE IN THE UNITED STATES for the OEM market (semiconductors)

PRESENCE IN ASIA for the replacement parts market (emicon fab. in Taiwan and South Korea)

UNIQUE CAPACITY to partner the technological breakthroughs made by semiconductor machine manufacturers

UNIQUE OFFERING
of passive components
for OEMs

DESIGN CAPACITY
for OEMs

MERSEN'S CHALLENGES IN THE ELECTRONICS MARKET



PREPARING TO CAPITALIZE ON THE MOVE TO CHINESE PRODUCTION

Chinese government's plan to develop the semiconductor industry

Develop our high-tech manufacturing base

Draw on our production experience in the solar sector

CREATING NEW PRODUCTION CAPACITY IN ASIA

Power electronics and electrical protection in India for Western OEMs

Protection of fuses/batteries in China

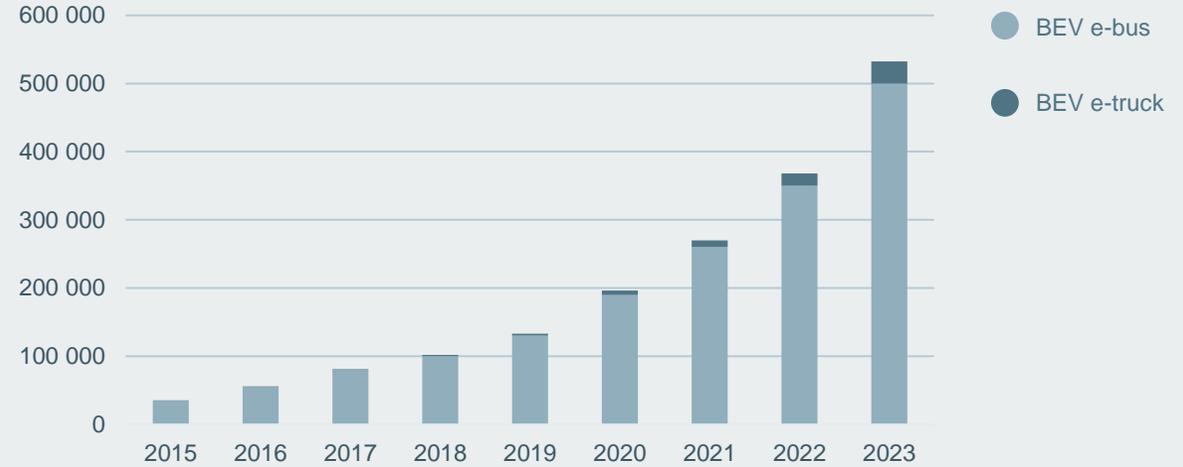
Extension of our power electronics capacity in China

Extension of our capacity for the semiconductors market in South Korea

ELECTRIC VEHICLES: A HIGH-END MARKET OF THE FUTURE



PASSENGER CARS



BUSES, TRUCKS & OTHER INDUSTRIAL VEHICLES



BEV: Battery Electric Vehicles

MERSEN'S STRENGTHS IN THE ELECTRIC VEHICLES MARKET



PASSENGER VEHICLES

High-voltage circuit protection (>600V)

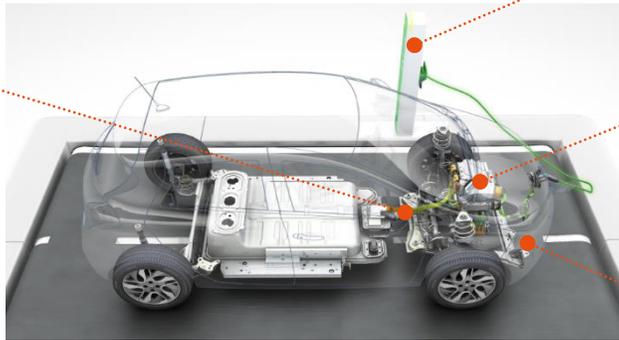


Illustration courtesy of Renault™

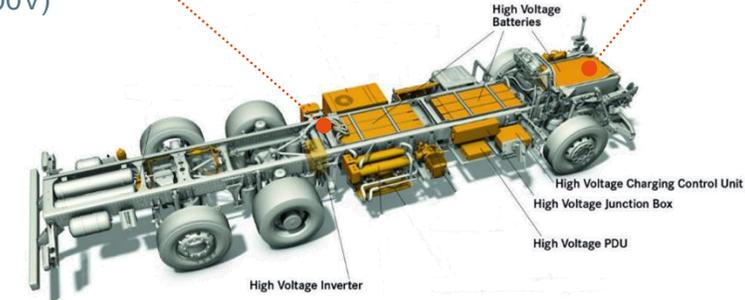
Charging station protection

Electric motor protection (>600-1,000V)

Auxiliary protection (12-48V)

HEAVY GOODS VEHICLES

Electric motor protection (>600-1,000V)



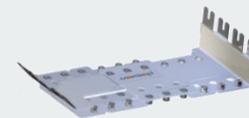
Energy conversion

High Voltage Batteries

High Voltage Charging Control Unit
High Voltage Junction Box

High Voltage PDU

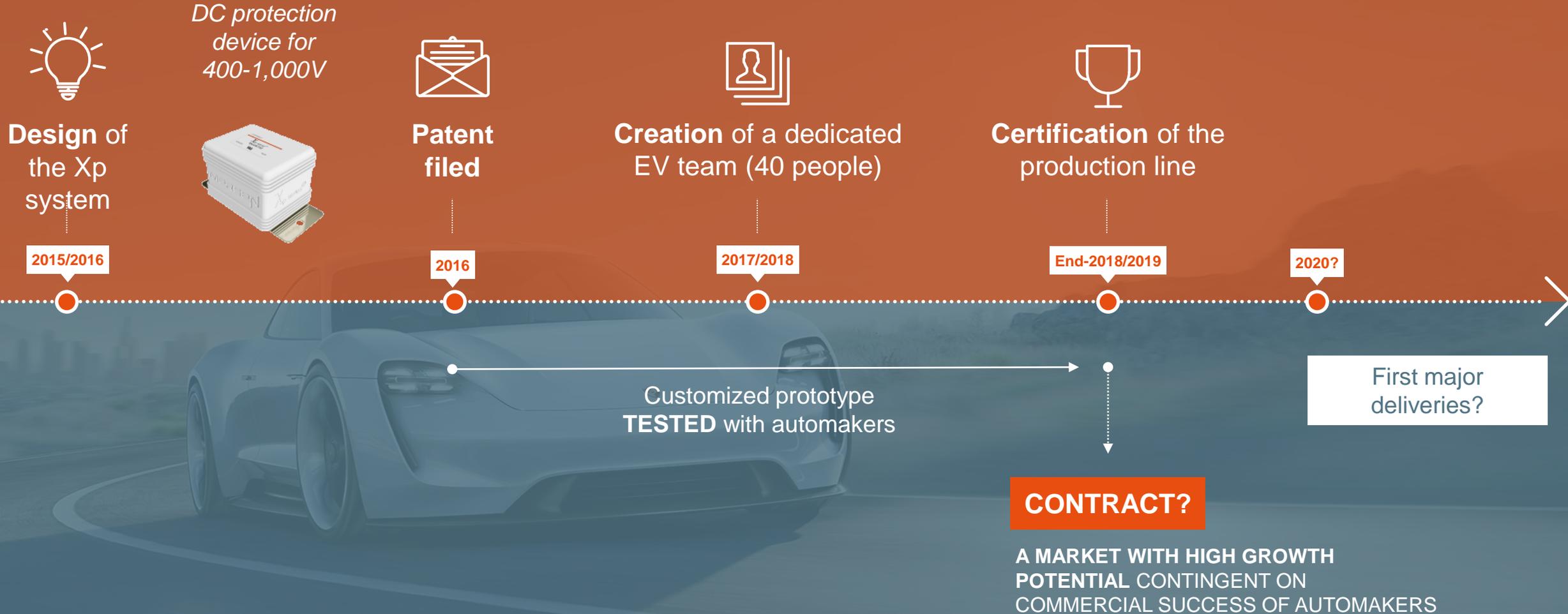
High Voltage Inverter



A major challenge: **safety** for **high-end** passenger vehicles (>600-1,000V)

A **wide product range** for **high-power** electric motors (800-1,000V)

KEY DATES IN THE ELECTRIC VEHICLE MARKET



MERSEN'S PROFITABLE GROWTH DRIVERS IN THE MEDIUM TERM



1



Accelerating growth
by leveraging a
unique position in
growth markets

Renewable energies,
electronics,
electric vehicles

2



Speeding up
growth
In Asia

China, India,
South Korea

3



Developing our
high value-added
expertise

Innovation, R&D, acquisitions

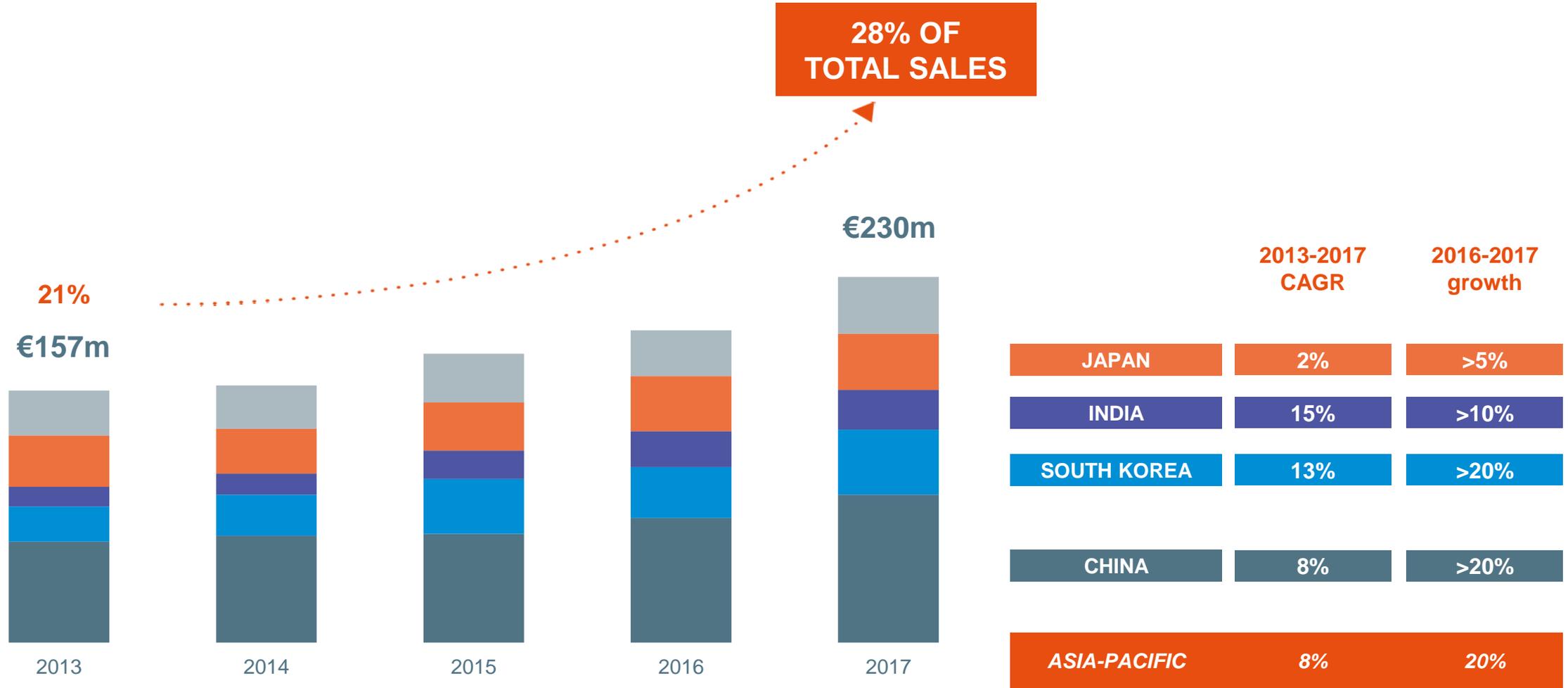
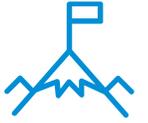
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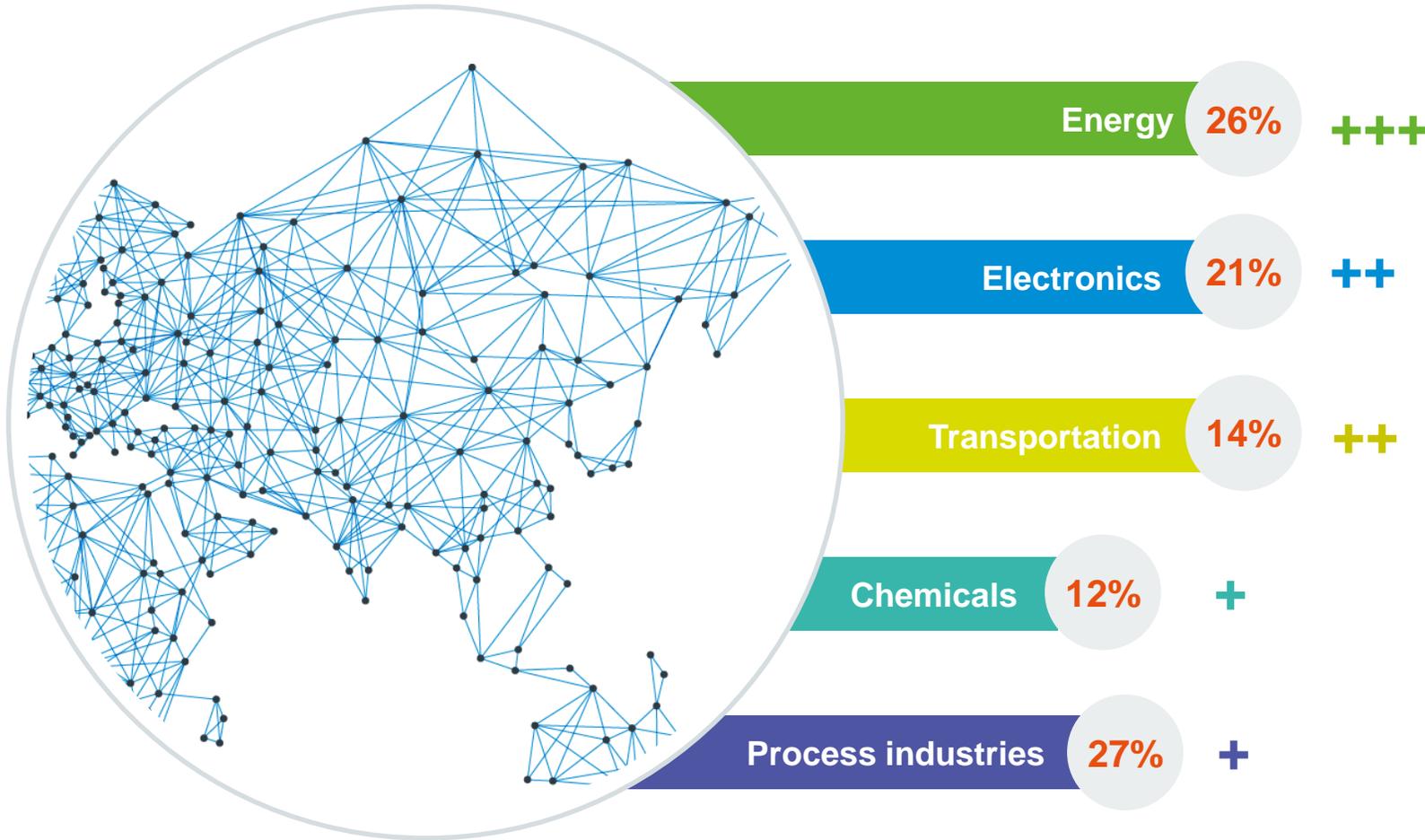
Enhancing the efficiency
of the whole organization

Operational excellence
Mersen Excellence Journey

ASIA: A MAJOR GROWTH REGION, WITH AN ACCELERATION IN 2017



ASIA: A FAST GROWING REGION WHERE MOST OF OUR GROWTH MARKETS ARE LOCATED



2017 SALES BY MARKET

CHINA



中国铁建



中环光伏

ZHONGHUAN SOLAR



LONGi 隆基

SOUTH KOREA



LG Siltron



INDIA



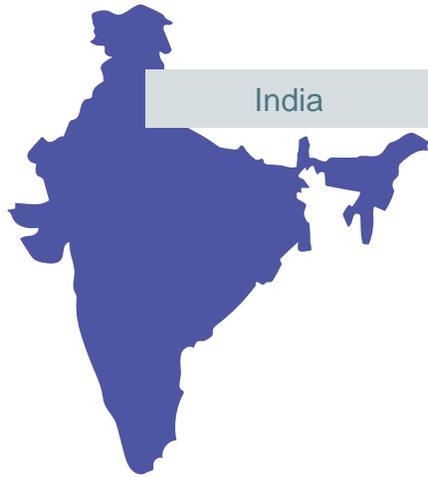
JAPAN



HIFI • VIDEO • COMPUTING

Leading Innovation >>>

READY TO CAPTURE FUTURE GROWTH...



India

PRODUCTION FACILITIES	1
WORKFORCE	250
2013-2017 CAGR	+15%

Future growth drivers: transportation, renewable energies, chemicals



China

PRODUCTION FACILITIES	9
WORKFORCE	1,300
2013-2017 CAGR	+8%

Future growth drivers: transportation, renewable energies, process industries

South Korea

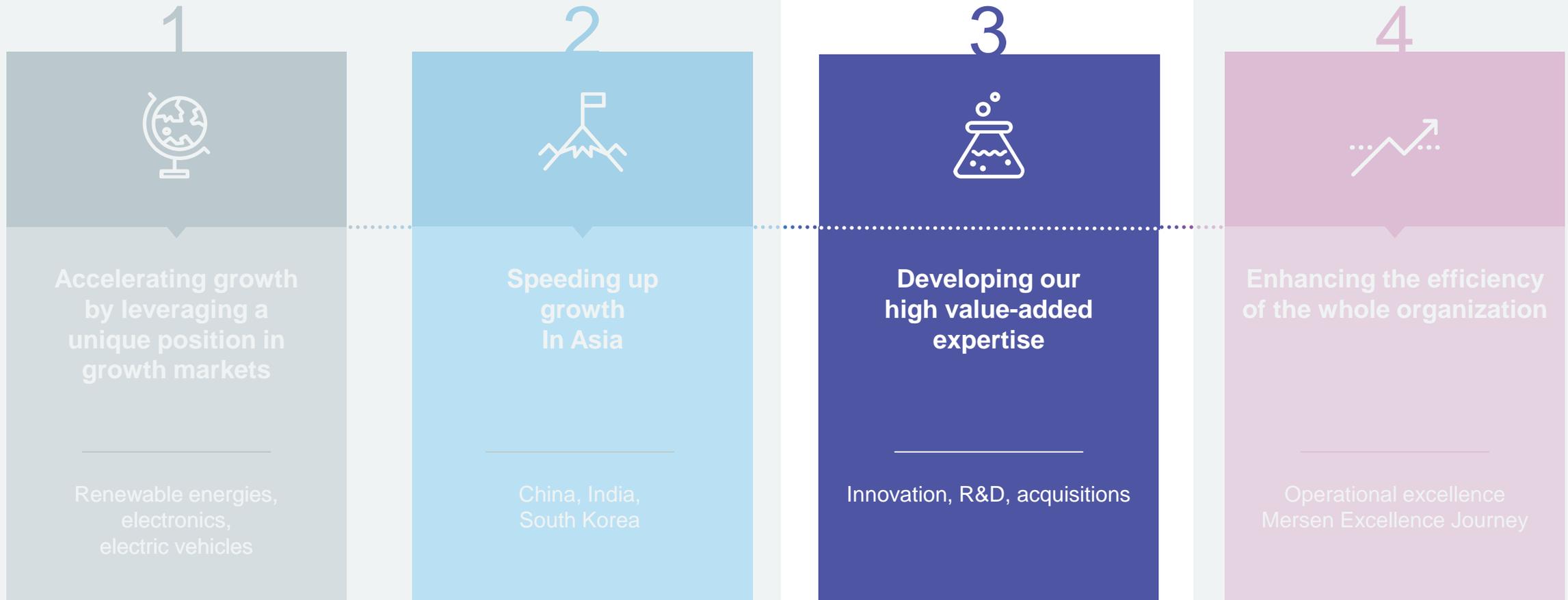


PRODUCTION FACILITIES	1
WORKFORCE	100
2013-2017 CAGR	+13%

Future growth drivers: electronics, energy storage, power electronics

...BY STRENGTHENING OUR PRODUCTION CAPACITY

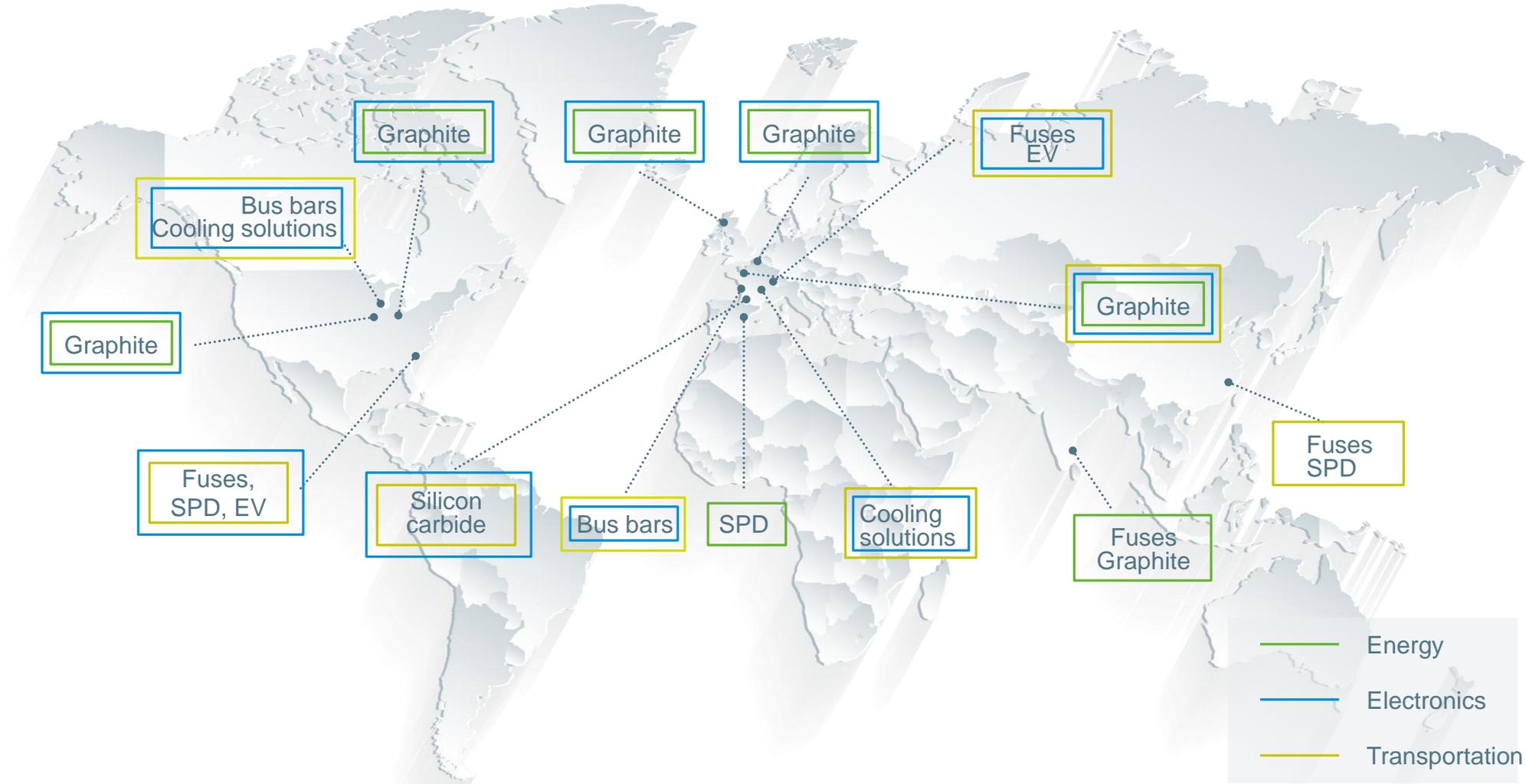
MERSEN'S PROFITABLE GROWTH DRIVERS IN THE MEDIUM TERM



TIGHTENING THE R&D FOCUS IN OUR GROWTH MARKETS



- 15 R&D centers
- 160 people
- Centralized management
- Partnerships with customers
- Partnerships with universities/research centers



MERSEN PARTNERS ITS CUSTOMERS' CRITICAL DEVELOPMENTS



CUSTOMER

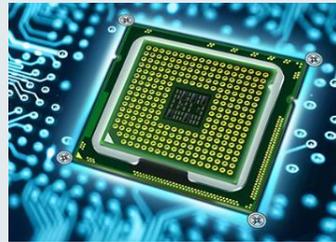


**NEW TECHNOLOGY FOR
MANUFACTURING
SEMICONDUCTORS**

CONTEXT

Increasing the storage capacity of
semiconductors

Need for a fast and effective
manufacturing process



CHALLENGES FOR MERSEN

Developing a very large carrier
(>1m) that is geometrically
perfect and SiC coated

Keeping up with volumes



GOALS

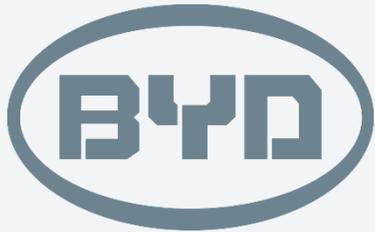
Investments in SiC coating,
purification and shape control
processes

**Future potential
> €10m**

MERSEN PARTNERS ITS CUSTOMERS' CRITICAL DEVELOPMENTS



CUSTOMER



BATTERY PROTECTION FOR ELECTRIC BUSES

CONTEXT

Electrical protection for buses
600-1,000V

Extreme electrical and
mechanical solicitation conditions

**Need to adapt the
manufacturing range for fuses**



CHALLENGES FOR MERSEN

Adapting and optimizing an
existing industrial product for the
EV market

Providing production capacity in
China



GOALS

Serving the EV market in China
– particularly e-buses and
e-trucks

Building relations with new
customers

**First sales in 2015
Potential in the Chinese
and Western markets**

MERSEN PARTNERS ITS CUSTOMERS' CRITICAL DEVELOPMENTS



CUSTOMER

SAMSUNG

**SHAPING GLASS FOR
SMARTPHONES**

CONTEXT

Design of a new style of cell phone with a curved glass screen

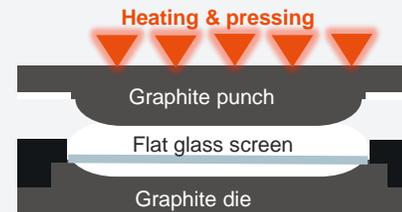
Need for glass with a perfect finish



CHALLENGES FOR MERSEN

Developing a specific graphite grade adapted to shaping hot glass

Highly innovative graphite grade



GOALS

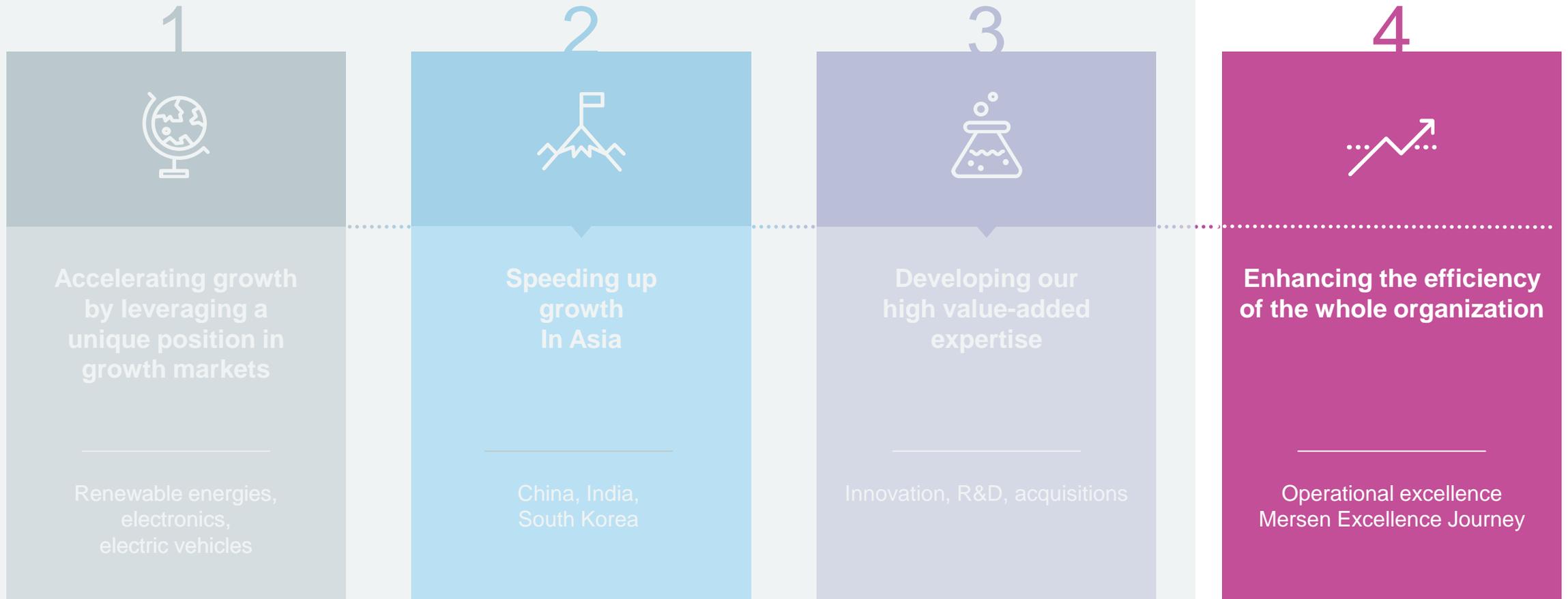
Ensuring a product lifespan adapted to the production rhythm and related costs

Production in the USA (St Marys)
Finishing in South Korea
Deliveries to South Korea, China and Vietnam

**First sales
in 2015**

And now, developing the processes needed for new versions with 2 curved sides

MERSEN'S PROFITABLE GROWTH DRIVERS IN THE MEDIUM TERM



MAJOR IMPROVEMENTS IN RECENT YEARS...



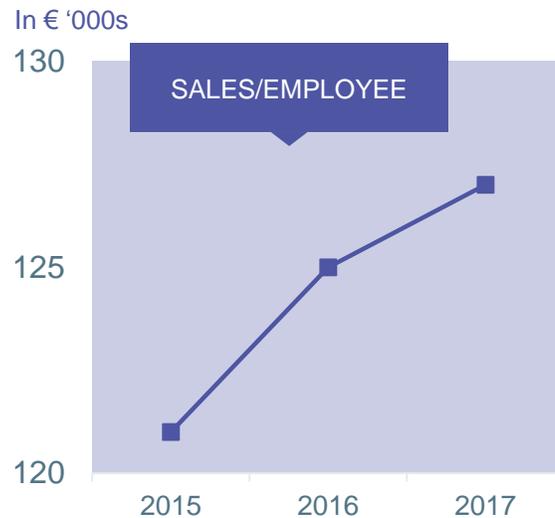
SIMPLIFICATION
of manufacturing organization
structures (mainly in Europe)

REORGANIZATION
of the Group
(5 BUs, CTO, Asia)

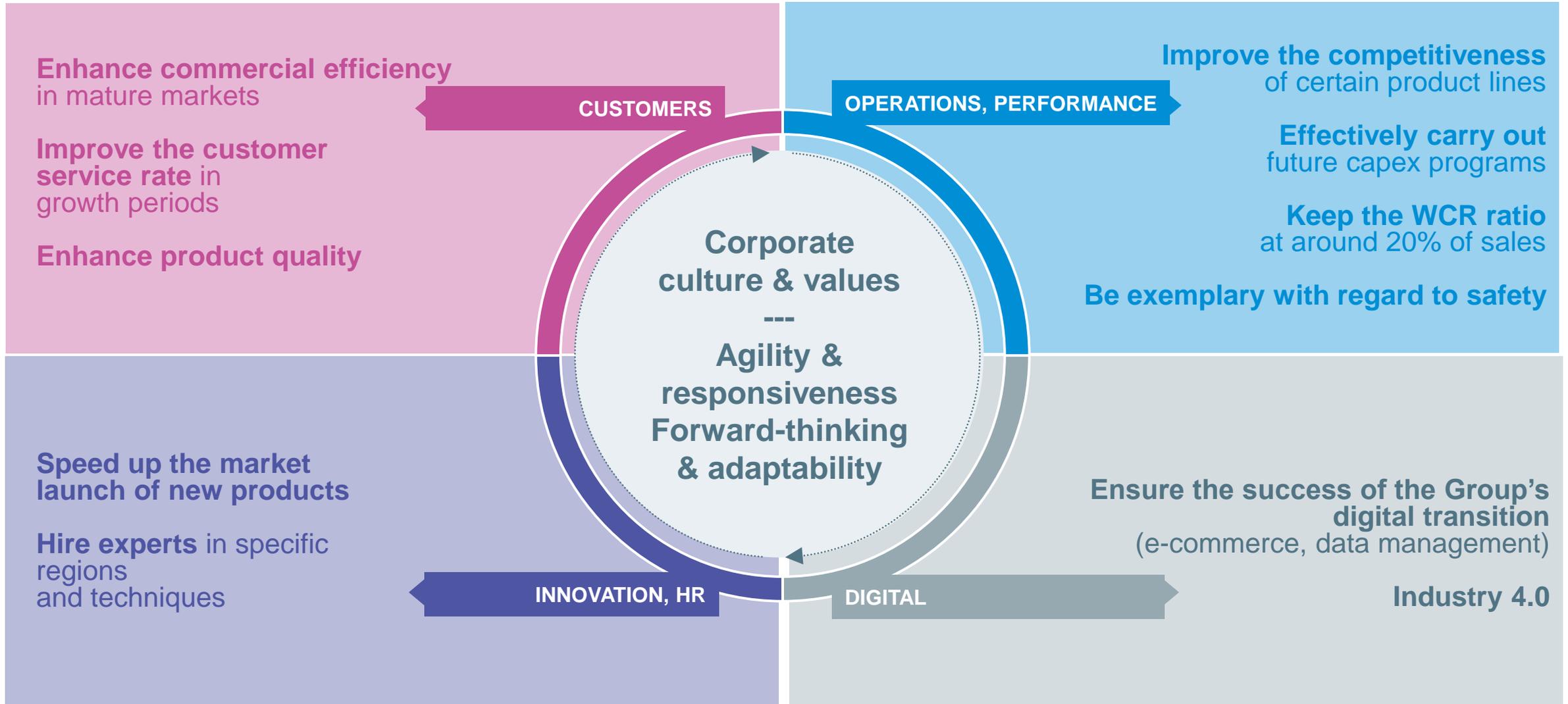
**GLOBAL
COMPETITIVENESS PLAN**

**THE
MERSEN
EXCELLENCE
JOURNEY**
Sales, R&D, HR, IT

**...THAT ARE
YIELDING
RESULTS**



THAT WILL CONTINUE WITH MERSEN EXCELLENCE JOURNEY



MERSEN: A SUSTAINABLE GROWTH TRAJECTORY

3

2018: ANOTHER YEAR OF GROWTH

2018: ANOTHER YEAR OF GROWTH

FAVORABLE OUTLOOK IN OUR GROWTH MARKETS

Solar power

Electronics

Aeronautics

PRICE INCREASE IN ADVANCED MATERIALS SEGMENT

A KEY YEAR FOR ELECTRIC VEHICLES

ADDITIONAL CAPEX TO PREPARE FOR 2019

Solar power, Asia +€10m

Electric vehicles (R&D) +€5m

US TAX REFORM

Effective income tax rate for
the Group **28% vs 33%**

2018: ANOTHER YEAR OF GROWTH

2018

**LIKE-FOR-LIKE GROWTH*
VS 2017**

Between 3 and 6%

**OPERATING MARGIN
BEFORE NON-RECURRING ITEMS**

**Between 9.6 and
10.1% of sales
(vs 9.2 % in 2017)**

* Excluding the currency effect and impact of changes in scope of consolidation



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