Developing the best technologies for the industries of the future
Mersen in a nutshell

- A sustainable, growing and **profitable** company (€950m sales in 2019)
- An **industrial** company with a human scale (6,500 employees around the world)
  - An energy to **innovate** for 130 years (16 R&D centers)
- A company attentive to meet and anticipate **customer demands** for their mission-critical needs
  - (presence in **35 countries**)
- A business respectful of **ethics** and **environment**.
  - (50%+ of sales in sustainable development markets)
What makes Mersen unique?

Expertise
- Advanced Materials
- Electrical Power
- Efficient innovation

Competitive differentiation
- High barriers of entry (graphite formulation, norms and regulations)
- Customized products (>65%)
- Global footprint

Positioned on attractive markets
- Sustainable development markets (Renewable energies, Electronics and green Transportation)
- Highly buoyant markets: SiC semicon, EV

Excellence to drive cash-flow
- Solid balance sheet and cash generation
  - High gross margin
  - Lean culture deployment
- CSR commitments for overall improvement

#1 or 2 on each activity with c. 15-30% market share
Advanced Materials: High value-added customized solutions relying on a unique materials expertise

**ANTICORROSION EQUIPMENT**
N° 1-2 Worldwide

- Engineering systems
- Columns, reactors and pressure vessels
- Heat exchangers

**GRAPHITE SPECIALTIES**
N° 1-2 Worldwide

- Laser galvo scanning mirrors in Sintered SiC
- Wafers carrier in ultra pure graphite for Semicon
- Ultra pure graphite electrodes for polysilicon production
- Carbon insulation for high temperature furnaces

**POWER TRANSFER TECHNOLOGIES**
N° 1-2 Worldwide

- Brushes and brush holders
- Slip-rings
- Total Monitoring & DustCollector
- Lubricating sticks & applicators for wheel/rail contact

**Competitors**

- SGL Carbon (Ger)
- SGL Carbon (Ger), Tokai Carbon (Jp), Toyo Tanso (Jp), Schunk (Ger)
- Morgan Advanced Materials (UK), Schunk (Ger)
Electrical Power: A unique portfolio serving two key applications

**ELECTRICAL PROTECTION**

N°2 Worldwide in industrial fuses

- Fuses and fuse holders
- Surge protection devices

Coverage of all standards worldwide: UL, IEC, DIN, etc.

**Competitors:** Eaton (US), Littelfuse (US)

**POWER CONVERSION**

N°2 Worldwide (components)

- Fuses for semiconductors
- Busbars
- Cooling devices
- Capacitors

Only customized offering of bundled passive components on the market

**Competitors:** Eaton (US), Rogers (US), Methode (US), Lytron (US), Cornell Dubilier (US), Panasonic (Jp)
A global footprint to maximize customer intimacy

Present in all large industrial countries with dedicated plan per business unit
Multi-activities plants in other countries (20% of total sales)

Situation as of December 2019

North America
14 sites

Europe
24 sites

Asia Pacific
13 sites

South America/Africa
5 sites

90% of plant managers are local
For prestigious and exacting customers

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Industries</td>
<td>34%</td>
<td>Saint-Gobain, ArcelorMittal, Air Liquide, Wesco, Belmont, Prysmian Group</td>
</tr>
<tr>
<td>Chemicals</td>
<td>12%</td>
<td>Arkema, Applied Materials, GE, Bayer, Aditya Birla, Glasim</td>
</tr>
<tr>
<td>Transportation</td>
<td>17%</td>
<td>Alstom, Bombardier, ABB, CRRC, Yara, Airbus, Thales, TMEIC, GlobalWafers</td>
</tr>
<tr>
<td>Electronics</td>
<td>20%</td>
<td>Siemens, Wacker, Applied Materials, Siemens, Vestas, Siemens, LG Innotek, GlobalWafers</td>
</tr>
<tr>
<td>Energy</td>
<td>17%</td>
<td>Siemens, Vestas, Siemens, LG Innotek, GlobalWafers</td>
</tr>
</tbody>
</table>

> 65% customized products

Replacement market
65% of sales

Largest client
~3% of sales

Longstanding ties
Strong position in sustainable development markets, key drivers for the future

SALES IN €M

Sustainable development Markets > 50%
2016-2019 CAGR +10%

Other markets
2016-2019 CAGR +6%
A longstanding CSR strategy, …

History

Focus on H&S and Human Capital

Strong governance

2010

Set-up of a global CSR reporting

Formalization of longstanding practices

ESG governance improvements

2018

Improved Group’s governance

CSR Materiality matrix

CSR roadmap and mid-term targets

What’s next?

CO₂ emission reduction target, and more to come

… demonstrated by recognized commitments

ISS Quality Score

We support

UN Global Compact

CDP Discloser 2020

MSCI ESG Ratings

BBB

2020 EcoVadis Silver

- Governance: 2
- Environment: 3
- Social: 3
Acquisitions to speed up growth

**SHAPE THE FUTURE**
by acquiring production capacity

**ACCELERATE EXPANSION**
in sustainable development markets

**STRENGTHEN EXPERTISE**
and accelerate innovation

**DEVELOP A SERVICES BUSINESS**
for the chemicals industry

- COLUMBIA AGM ITALY AMERICARB
- MERSEN GALAXY CIRPROTEC MERSEN HATAN
- FTCAP IDEALEC CALY TECHNOLOGIES
- LGI GAB NEUMANN
Four years of development and transformation strengthened Mersen

**SALES (€m)**

<table>
<thead>
<tr>
<th>2016 (restated)</th>
<th>2019 (published)</th>
</tr>
</thead>
<tbody>
<tr>
<td>759</td>
<td>950</td>
</tr>
</tbody>
</table>

**OPERATING INCOME BEFORE NON-RECURRING ITEMS (€m)**

<table>
<thead>
<tr>
<th>2016 (restated)</th>
<th>2019 (published)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>102</td>
</tr>
</tbody>
</table>

**FREE CASH FLOW* (€m)**

<table>
<thead>
<tr>
<th>2016 (restated)</th>
<th>2019 (published)</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>60</td>
</tr>
</tbody>
</table>

**FINANCIAL LEVERAGE (x EBITDA)**

<table>
<thead>
<tr>
<th>2016 (restated)</th>
<th>2019 (published)</th>
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</thead>
<tbody>
<tr>
<td>2.1x</td>
<td>1.5x</td>
</tr>
</tbody>
</table>

**2016-2019 CAGR**

- **SALES (€m)**: 2016-2019 CAGR +8%
- **OPERATING INCOME BEFORE NON-RECURRING ITEMS (€m)**: 2016-2019 CAGR +19%
- **FREE CASH FLOW* (€m)**: 2016-2019 CAGR +6%
- **FINANCIAL LEVERAGE (x EBITDA)**: 2016-2019 CAGR -0.6x

*Operating cash flow after capital expenditure
2020
9-months Business Performance & FY Guidance
The Covid-19 impact was particularly significant in April and May – Slight rebound in Q3

Sales in €m

<table>
<thead>
<tr>
<th>Sales in €m</th>
<th>Q1</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>€225m</td>
<td></td>
<td>-9%</td>
<td>-23%</td>
<td>-23%</td>
<td></td>
</tr>
<tr>
<td>€205m</td>
<td></td>
<td>-23%</td>
<td>-23%</td>
<td>-6%</td>
<td>-10%</td>
</tr>
<tr>
<td>€208m</td>
<td></td>
<td>-6%</td>
<td>-6%</td>
<td>-10%</td>
<td></td>
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</tbody>
</table>

Negative organic growth (%)
Mersen’s 9 months 2020 Sales by geography: Asia stands out

€638m -12.2%

-14% vs 9m 2019
North America

-17% vs 9m 2019
Europe

-20% vs 9m 2019
South America / Africa

-3% vs 9m 2019
Asia Pacific

Organic growth (in %)
Sustainable development markets are showing more resilience

Sales in €m

Organic growth

Q1 2020 Q2 2020 Q3 2020

Major Sustainable development sales
Highly buoyant markets requiring on-going investment

- **SiC semicon:**
  - Investments underway in Europe for flexible and rigid insulating felt solutions to meet demand in Europe and Asia.
  - Local production of felts for the semiconductor manufacturers in the US (Americarb)

- **Electric Vehicles:** technical qualification process underway with car manufacturers

Continued implementation of the industrial strategy for the long term

- Center of excellence in Columbia in order to position the Group for the long term on graphite
- Gradual ramp-up
A contrasted picture calling for targeted actions (2)

Adaptation to structural decline: aeronautics, chemicals markets
- Restructuration on sites highly dependent on these markets

Addressing the current context
- Furlough measures when needed

Ongoing review of the industrial efficiency
- New modern plant in China for fuses
- Capacitors business line regrouped in Germany
- Efficiency measures, globally
2020 guidance

- Organic decrease of sales for the full year: between -12% and -14%

- Operating margin before non recurring items: between 7% and 8%

- €55m of non-recurring costs (of which €30m are non cash)
  - €20 m are linked to social costs and other (expected gains: €16 million on a FY basis)
  - €20 m depreciation of goodwill + €10m depreciation of other assets
  - €5m already booked in H1 2020

- Capex: €[55-60]m + €[15-20]m for Columbia
Strong financial leverage and solid balance-sheet

Confirmed credit lines drawn down at Sept 30, 2020 in €m

€140m undrawn credit lines
€90m cash available

Net debt / EBITDA
1.5

Net debt / Equity
37%

Confirmed credit lines drawn down at Sept 30, 2020 in €m

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021 Nov</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
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<tbody>
<tr>
<td>Nov</td>
<td>45</td>
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<td>2022</td>
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<td>2025</td>
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<td>2026</td>
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</table>

* Including €40m for NeUCP backup

Net debt:
- Dec. 2019: 218 in €m
- Sept 2020: 218 in €m

Net debt / EBITDA: 1.5
Net debt / Equity: 37%

Confirmed credit lines drawn down:
- Syndicated loan
- USPP
- Schuldschein

- €140m undrawn credit lines
- €90m cash available
An emblematic growth driver
Mersen in the EV market: across all the value chain

Manufacturing of SiC devices

Advanced Materials expertise

Protection of the battery

Electrical Power expertise
Why SiC devices?

Performance
Superior high-temperature, high-frequency, and high-voltage performance

Drivers
Energy saving, size reduction, system integration and improved reliability

End-markets
EV, Energy storage, Renewable energies (Solar, Wind), Data center, Telecom 5G, drives motors, Marine, ...
SiC devices: a global market for wafers and components
Mersen solutions for SiC cristal growth, a highly demanding process

2,400°C +/- 2°C

- Induction coil
- Quartz tubing
- SiC
- INSULATION
- GRAPHITE CRUCIBLE
- Reservoir of SiC powder

GRAPHITE COMPONENTS
- Crucible

RIGID FELT HIGH-TECH INSULATION

SiC ingot

2019 Sales: € 30m
EV market: a mix of traditional players and new comers from battery makers to car manufacturers
Mersen solutions in EV/HEV applications

- **BATTERY MODULE**
  - Module fuse
  - Cooling plate
  - Monitoring Busbar

- **BATTERY PACK / BDU**
  - Main fuse
  - Hybrid pyro-fuse
  - OR

- **JUNCTION BOX / BDU**
  - Auxiliary fuse

- **INVERTER /PDU**
  - Capacitors
  - Cooling
  - Busbar

- **CHARGING STATION**
  - SPD
  - Fuse
  - Cooling
  - Busbar

- **2019 Sales: € 15m**
  - (Heavy cars mainly)

PDU: Power Distribution Unit
BDU: Battery Disconnect Unit
SPD: Surge Protection Device
Manufacturing strategy: building a local presence for a global reach
A longstanding CSR strategy
High quality board and management team

**ROBUST GOVERNANCE STRUCTURE**
- Abides by the AFEP-MEDEF’s code of corporate governance
- Dual structure
  - Chairman of the Board
  - CEO
  - Strategy discussed at board level
- 2 specialized committees (Audit & Accounts, Governance & Remuneration) chaired by independent directors
- 8 members
  - 2 representatives of BPI
  - 1 employees’ representative
  - 71% INDEPENDENT
  - 57% FEMALE

**EXPERIENCE AND SKILLS**
- **Independent members**
  - **O.Legrain** (chairman of the board): Previous executive with global listed companies
    - Strategy, Shareholder expertise, industrial expertise, experience in Materials market,
  - **Denis Thiery** (chairman of the Audit and Account committee): Previous CEO/CFO with global listed company
  - **Ulrike Steinhorst** (chairman of Governance, Nomination & Remuneration committee):
    - Experience with global entities-working abroad
    - Strategy, Experience in industrial markets, Industrial expertise, CSR
  - **Michel Crochon**, Experience with global companies, working abroad:
    - Strategy, experience in electrical markets, industrial expertise
  - **Carolle Foissaud**: Experience with global companies:
    - experience in industrial markets, Industrial expertise

**MANAGEMENT TEAM**
- A diversity of characters and profiles
  - 45% have more than 20 years experience at Mersen.
  - 25% have less than 5 years experience at Mersen
  - 2 based in the US

- 2 based in the US
Ethics and compliance

- **Governance**
  - Chief Compliance Officer reporting to the Audit & Account committee
  - Quarterly Ethics & Compliance committee
  - Whistleblowing system (global and local – France, China, USA)

- **Training programs**
  - Ethics: for all employees
  - Anti-corruption: for the positions especially concerned

- **Compliance is part of the review of internal control.**
Human Capital

- Governance
  - HR roadmap presented to the CGNR committee

- Training programs & skills
  - Mersen Academy
  - Open Manager

- Diversity
  - Local management
  - Gender balance

- A new values and engagement survey launched

- Part of LTI criteria for senior managers

Mid-term targets set in 2018
25% to 30% female Managers & professionals by 2022
Health and Safety

- Governance
  - Monthly HSE committee
  - Safety Council
  - Health and safety management system
  - Network of health & safety managers on site
  - Committed managers (One of the bonus criteria is health & Safety)

- Training and shared best practices for all employees

- Part of LTI criteria for senior managers

![Lost-time Injury rate](image)

Mid-term targets set in 2018

- Increase the number of Management Safety visits by 15% between 2018 and 2021
- Attain a Lost-time Injury rate of less or equal to 1.4 in 2021
- Attain a Severity Injury rate of less than or equal to 60 in 2021
Environment

- Governance
  - Monthly HSE committee
  - Presentation to the committees of the Board
  - Environmental management system
  - Network of environmental managers on site

- Training and shared best practices and initiatives

- Part of LTI criteria for senior managers

**Industrial plants**

- **55**
- incl. **15** with more than 125 employees

**ISO14001 certified**

**Mid-term targets set in 2018**

+15 points of recycled waste ratio by 2021
Managing our suppliers

- Governance
  - 1 Supplier supervisor by segment
  - Reporting to the CSR committee

- Implementation of a corruption risk assessment process

- Commitment to Conflict minerals control

Mersen purchasing charter finalized in 2019
CSR questionnaire available in our SRM solution

Available in 5 languages
(French, English, Chinese, German, Spanish)

Mid-term targets set in 2018
Assess the sustainable performance of strategic suppliers
(making at least 80% of the value of material purchased)
H1 2020: A largely negative volume effect partly offset by cost flexibilization

Current Operating result in €m

- **H1 2019:** 11.1%
- **H1 2020:** 8.1%

### H1 2020 Current Operating Margin

<table>
<thead>
<tr>
<th>Impact</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume effect</td>
<td>-5.3</td>
</tr>
<tr>
<td>Cost flexibilization</td>
<td>+1.3</td>
</tr>
<tr>
<td>Impact of productivity</td>
<td>+1.4</td>
</tr>
<tr>
<td>Cost inflation</td>
<td>-1.1</td>
</tr>
<tr>
<td>Impact of exchange rates, scope and other</td>
<td>+0.7</td>
</tr>
</tbody>
</table>

Price effect slightly positive  
No mix effect  
Stable raw material prices

H1 2019: 11.1%  
H1 2020: 8.1%
### H1 2020: Higher cash flow generation than in H1 2019, in spite of the context

#### Operating cash flow after Capex

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cash Flow</th>
<th>Capex</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2019</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>H1 2020</td>
<td>35</td>
<td>24</td>
</tr>
</tbody>
</table>

#### Key Points

- **Operating Cash Flow after Capex**: Higher in H1 2020 than in H1 2019, despite the context.
- **Capex contained**: Slowdown of some projects due to the context. Continuation of the Columbia project (€9m).
- **WCR: 28% of sales*: Safety stock build-up, stable customer delays, increase in trade receivables (seasonality).

* Unfavourable calculation as it is based on 2nd quarter sales.

#### Seasonality always unfavourable in the first half of the year

- **Safety stock build-up**
- **Stable customer delays**
- **Increase in trade receivables (seasonality)**
Shareholding structure as of Dec. 2019

**SHAREHOLDER STRUCTURE AT DEC 31, 2019**

- **BPI - CDC 15%**
- **FRENCH INVESTORS 31%**
- **INDIVIDUALS & EMPLOYEES 13%**
- **OTHER INVESTORS 40%**

**CORPORATE GOVERNANCE STRUCTURE**

- **Abides by the AFEP-MEDEF’s code of corporate governance**
- **Dual structure**
  - (Chairman of the Board, CEO)
- **2 specialized committees**
  - (Audit & Accounts, Governance & Remuneration)
- **8 members**
  - 2 representatives of BPI
  - 1 employees representative
  - 71% INDEPENDENT
  - 57% FEMALE