



factbook 2014



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In 2014, Mersen experienced a strong upturn in activity on its renewable energies and electronics markets, which partially offset the impact on the chemicals market of the termination of a major contract and weak demand. The Asia-Pacific region grew by nearly 4% and the situation in North America improved sharply at year-end. In Europe, several countries, including Germany and Italy, experienced significant growth, which partially offset the decline related to the end of the Sabic contract. The Group also continued its acquisition policy this year, successfully integrating the Spanish company, Cirprotec, in early 2014, which will contribute to the electrical segment's growth strategy. Mersen thus posted sales of €731 million, a limited decline compared to 2013.

Despite this slight business contraction and an economic climate that continues to prove difficult, the Group demonstrated its resilience and adaptability, with a current operating margin of 8.2% of sales, up slightly over the prior year. This is the result of our transformation process, illustrated, in particular, by the Transform plan. It has helped Mersen become more agile, closer to its markets and its customers, with increasingly innovative products and solutions.

Thanks to the involvement of the operating teams, Mersen also continued its drive to enhance cash management by generating operating cash flow before investments and non-recurring items of nearly €80 million over the period. This is a very robust performance in a context of industrial restructuring and anticipation of growth of sales. Net debt is virtually stable compared with last year because of the impact of the appreciation of the US dollar with regard to the euro, but financial ratios remained robust, which allowed the Group to renegotiate favorable terms for its syndicated loan.

Mersen's ambition has not changed. The 2015 economic climate remains unpredictable, but we expect a more favorable year than 2014. In that context, the Group will continue to bolster its efforts to create and innovate to increase its competitiveness, while continuing to implement the Transform plan. We will also continue our search for targeted acquisitions to expand our offering and accelerate our development.

We are preparing our company for the future by relying on our expertise, skills and ability to remain close to our markets. We are thus well-positioned to embark with confidence.

Luc Themelin  
Chairman of the Management Board

## 2014 HIGHLIGHTS

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### February

**Acquisition:** Mersen takes a majority stake in Cirprotec (Spain) and deepens its footprint in the power quality segment.

**New markets:** Mersen attends Photonics West in San Francisco (US), the number 1 laser and photonics event.

### March

**2013 full-year results:** Results in line with expectations, but exceptional charges booked.

### April

**Electrical power highlighted:** Mersen attends Hannover Fair Energy, the world's biggest industrial fair

**Change at the supervisory board:** Mrs. Isabelle Azemard appointed to the Supervisory Board, following Mrs. Jocelyne Canetti end of term of office.

### May

**Shareholder relations:** Mersen holds its Annual General Meeting of shareholders in Paris.

**A key player in the wind industry:** Mersen attends WindPower 2014 in Las Vegas (US).

### June

**Partnership:** Agreement with ABB on the supply of a complete range of products for its new generation of wind generators.

**Commitment to solar:** Mersen participates at the Solar Decathlon Europe edition held in Versailles (France).

**Process industries highlighted:** Mersen attends Die & Mould China event in Shanghai (China).

### July

**Financial:** Mersen successfully renegotiates its syndicated loan.

**Financials:** Mersen discloses its 2014 half-year results.

### September

**History:** Mersen celebrates the centenary of its Gennevilliers industrial plant.

**A key player in chemical industry:** Mersen awarded a large contract of graphite heat exchanger to equip a new phosphoric acid unit in the Persian Gulf.

### October

**Innovation:** Mersen to join the FORCE project to develop a cost-competitive carbon fiber sector in France.

**Power electronics for ITER:** Mersen awarded a contract of key components for the power converter for the world largest scientific experiment to prove the viability of fusion as an energy source.

**Recognition:** Mersen awarded the Special Jury award at the internal control innovation awards held by IFACI and EY.

**A key player in the rail transportation industry:** Mersen attends NT Expo in Sao Paulo (Brazil), the industry's premier event of rail in Latin America.

### December

**A key player in the solar market:** Mersen awarded electrical protection contract for Europe's largest solar farm.

**Investor Relations:** Mersen hosts a Capital Market Day on its Electrical Segment in Paris.

## CORPORATE DATA

Note:

Data for 2012 are restated to take into account the application of IAS19 revised

Data for 2012 and 2011 are presented in accordance with IFRS5, in light of the plan to divest or discontinue certain non-strategic businesses that are part of the Materials segment, as disclosed on February 14, 2013.

### Financial highlights

(in millions of euros except ratio)	2014	2013	2012	2011	2010	CAGR 10-14
<b>Consolidated sales</b>	731	739	811	816	741	-0%
<b>Operating income before non-recurring items</b>	59.7	59.8	77.6	106.5	77.6	-6%
<i>operating margin</i>	8.2%	8.1%	9.6%	13.0%	10.5%	
<b>EBITDA</b>	95.8	100	117.3	143.5	114.2	-4%
<i>EBITDA margin</i>	13.1%	13.5%	14.5%	17.6%	15.4%	
<b>Net income (Group share)</b>	2.1	(29.2)	6.5	56.9	38.4	
<b>Cash-Flow from operating activities <sup>(1)</sup></b>	79	86	109	68	98	
<b>Capex</b>	32	28	42	53	32	
<b>Net debt at year-end</b>	216	212	241	239	220	
<b>Net debt to equity ratio</b>	46%	45%	45%	44%	44%	
<b>Net debt to EBITDA ratio</b>	2.19	2.07	2.07	1.61	1.86	
<b>Return On Capital Employed <sup>(2)</sup></b>	7.8%	7.4%	9.1%	13.4%	10.4%	

(1) before Capex, continuing activities - before exceptional items in 2014

(2) Operating income before non recurring items and before tax/ Average Capital Employed

EBITDA resilience in depressed economic environment

Solid debt structure

- **Resilient EBITDA:** 14.8% of sales on average
  - High added value
  - Price resilience
  - Ability to adjust costs to level of sales
- **High level of cash-flow generation:**
  - Average annual cash-flow from operating activities 2010-2014: €88 million
  - Free cash-flow yield: 6.7% average 2010-2014

- **Significant reduction in Capex:**
  - End of significant capex period in 2012, especially in the material segment
  - No further large investments needed
- **Solid debt structure:**
  - Net debt/EBITDA: close to or below 2x on average since 2010 (bank covenant at 3.50)
- **Low level of ROCE but high leverage**
  - Low level in 2013 and 2014 due to low level of industrial capacity utilization in graphite (material segment)
  - High ROCE in the Electrical segment
  - No further large investments needed

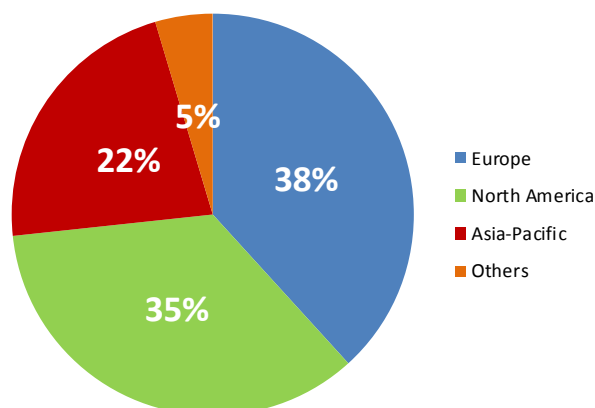
See appendix for comprehensive historical consolidated statements.

### Sales by geography

(in millions of euros)	2014	2013	2012	2011	2010	CAGR 10-14
<b>Consolidated sales</b>	731	739	811	816	741	-0%
Europe	280	282	284	300	281	-0%
North America	256	262	280	263	237	+2%
Asia-Pacific	161	157	206	213	179	-3%
Others	34	38	41	40	44	-6%

- **Asia was the growing region until 2012.** In 2014 and 2013, this region was affected by the decrease on the solar market compared to tremendous year in 2010 and 2011. Excluding solar, Asia grew by more than 6% between 2010 and 2014.
- North America showed growth over the period
- Europe remains stable.

Breakdown of 2014 sales



**Global footprint**

Mersen has developed an industrial and commercial network that allows it to build close relationships with leading industrial groups around the world.

In 2014, the Group has announced the launch of “Transform”, a global plan that sets out to optimize the Group’s operational efficiency by adapting its efforts in the most promising geographic areas, and by improving the Group’s flexibility in order to better match its economic environment.

Deployed over 2014 and 2015, this industrial optimization program involves transfers of production and a reduction in the number of sites, in Europe, in the United States and in China.

(in number of employees)	2014	2013	2012	2011	2010
<b>Total workforce</b>	<b>6,368</b>	<b>6,382</b>	<b>6,745</b>	<b>6,833</b>	<b>7,024</b>
Europe	2,301	2,300	2,437	2,453	2,494
North America	1,948	1,951	2,018	1,988	2,024
Asia-Pacific	1,569	1,645	1,804	1,894	1,949
Rest of the world*	550	486	486	498	557

\* Africa and South America

2014 figures include the first net impact of the Transform plan.

Mersen’s employees are located in about 35 countries around the world. This worldwide presence ensures a close relationship with customers, fosters collaboration at the very early stages of new projects and enables teams to respond rapidly to new developments.

## Share information

	2014	2013	2012	2011	2010
<b>Shares outstanding</b>	20,616,814	20,816,364	20,350,969	20,288,354	19,942,777
<b>Price per share</b>					
- <b>High</b>	27.88	27.14	29.00	42.81	35.38
- <b>Low</b>	17.50	16.44	18.00	21.17	23.21
- <b>Year-end</b>	20.12	25.19	21.09	23.35	21.17
<b>Trading volume</b> (daily average)	14,602	30,074	28,114	29,888	21,702
<b>Market capitalization</b> (YE in €m)	415	524	429	474	422
<b>Enterprise Value</b>	631	736	670	713	642
<b>EV/EBITDA</b>	6.6	7.4	5.7	5.0	5.6

Source: Euronext

	2014	2013	2012	2011	2010
<b>Earnings per share (€)</b>	0.10	(1.43)	0.28	2.83	1.94
<b>Earnings per share (€)</b> (continuing operations)	0.09	(1.24)	1.64	2.97	2.10
<b>Dividend per share (€)</b>	0.50	0.45	0.45	1.00	0.75
<b>Yield (based on YE share price)</b>	2.5%	1.8%	2.1%	4.3%	2.2%
<b>Pay-out ratio (on continuing activities)</b>	34%	36%	35%	35%	35%

Dividend policy:  
[30-40]% pay-out ratio

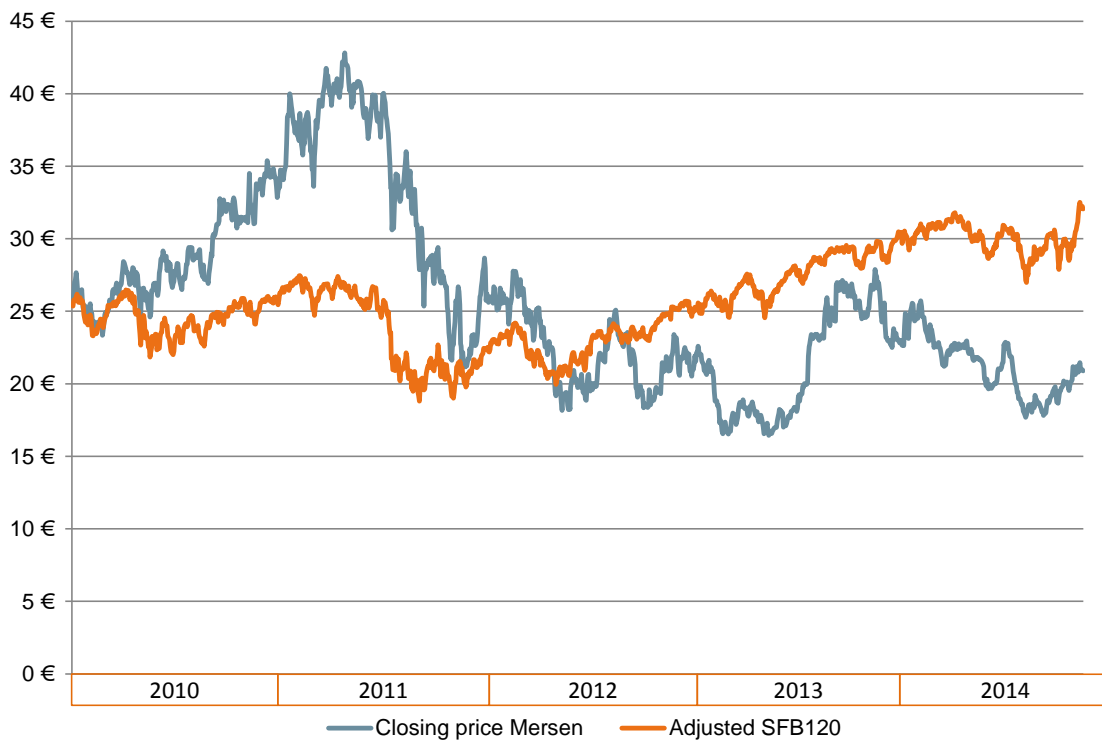
- A consistent **dividend policy**
  - An average pay-out ratio above or equal to 35% since 2009
  - For 2014, 2013 and 2012, the pay-out ratio is calculated before the impact of exceptional items.



## Share performance

Mersen's share price performance over the period has been largely influenced by the global macroeconomic crisis and by overcapacities in the graphite industry.

Performance compared with the SBF 120 index:



## Shareholding structure

	2014	2013	2012	2011	2010
ACF Investment	17.6%	17.4%	17.3%	17.4%	16.9%
FSI/CDC	15.4%	15.2%	15.4%	15.5%	10.4%
Sofina	8.1%	8.1%	8.0%	7.8%	7.6%
T-Rowe	5.0%				
Ameriprise Financial	0.0%	0.0%	0.6%	5.6%	8.2%
Mondrian	0.0%	0.0%	6.7%	6.4%	8.0%
Other French institutional investors	15.8%	14.9%	16.2%	14.4%	12.3%
Other international institutional investors	26.7%	28.2%	17.7%	14.0%	18.3%
Individuals*	10.9%	14.1%	17.9%	18.8%	18.1%
Treasury shares	0.5%	1.2%	0.2%	0.3%	0.1%

\* includes employees

- At December 31, 2014:
  - French institutional investors represented an aggregate 48.7% of shareholdings.
  - International institutional investors represented an aggregate 39.9% of shareholdings.

## BUSINESS SEGMENTS

Mersen provides technical and technology-based solutions to a large number of customers through its two areas of expertise: Materials and Electrical.

To maintain its expert edge, Mersen drives innovation in its two business segments through close cooperation with customers. This requires a detailed understanding of their challenges, environments and applications, and the ability to develop highly sophisticated products and develop unique components to meet the specific needs of the leading players in each of our markets.

At Mersen, innovation is backed by powerful resources. Knowledge and best practices are shared across our R&D teams, who are organized into specialized labs coordinated by a cross-divisional committee. The labs are equipped with state-of-the-art facilities, able to reproduce customer environments and conditions of use.

(in millions of euros)	2014	2013	2012	2011	2010	CAGR 10-14
<b>Total consolidated sales</b>	<b>731</b>	<b>739</b>	<b>811</b>	<b>816</b>	<b>741</b>	<b>-0%</b>
Materials	280	300	346	366	325	-4%
Electrical	451	439	464	450	416	+2%
Materials	38%	41%	43%	45%	44%	
Electrical	62%	59%	57%	55%	56%	

Materials segment growth has been affected by a sharp decline in solar since 2011 and a low-cycle in capex for the chemical industries in 2014.

Electrical segment posted a slight growth over the period mainly thanks to power electronics and wind energy market dynamics.

## Materials

Mersen offers a range of equipment based on carbon and high-performance materials – including graphite, reactive metals, C/C composite and silicon carbide- for extreme environments that require resistance to high-temperatures and corrosion.

Markets served include energy, electronics, chemicals & pharmaceutical, transportation and process industries.

Mersen ranks:

- N°1 worldwide in graphite-based anti-corrosion equipment.
- N°2 worldwide in high-temperature isostatic graphite applications.

Mersen's expansion strategy is mainly led by organic growth through selective investments tailored to demand, particularly in solar energy and electronics.

### Product and service portfolio:

Resistance to high temperatures:

- High temperature thermal insulation carbon felt
- Purified and coated graphite parts
- Sintered silicon carbide products
- Carbon/Carbon Composite products

Resistance to corrosion:

- Pressure vessels
- Columns
- Heat exchangers
- HCl Anticorrosion systems

### Competitive advantages:

- An integrated player (from semi products to finished goods) with a complete material offer
- Expertise in materials and manufacturing processes (graphite formulation, reactive materials brazing and soldering).
- In-depth understanding of customer applications.
- Co-development with customers.
- Global network of local units.

### Main facilities:

- Europe :
  - Gennevilliers (France): Graphite machining, coating and purification
  - Holytown (UK): Insulation felts
  - Pagny sur Moselle (France): Anti-corrosion equipment

- Asia
  - Chongqing (China): Graphite
  - Yantai (60% JV - China): Graphite machining
  - Xianda (Chine): Anti-corrosion equipment
- North-America
  - Bay City (USA): Graphite machining, coating and purification, silicon carbide
  - Greenville (USA): Graphite machining
  - Salem (USA): Anti-corrosion equipment
  - St Marys (USA): Graphite

### **Main competitors:**

- SGL Carbon – Graphite Specialties (Germany): Graphite and fluoropolymer equipment
- Toyo Tanso (Japan): Isostatic graphite
- Tokai Carbon – Fine Carbon (Japan): Isostatic graphite
- Schunk – Graphite (Germany)

### **Main changes in the scope of consolidation over the past five years:**

*(By date of consolidation or de-consolidation)*

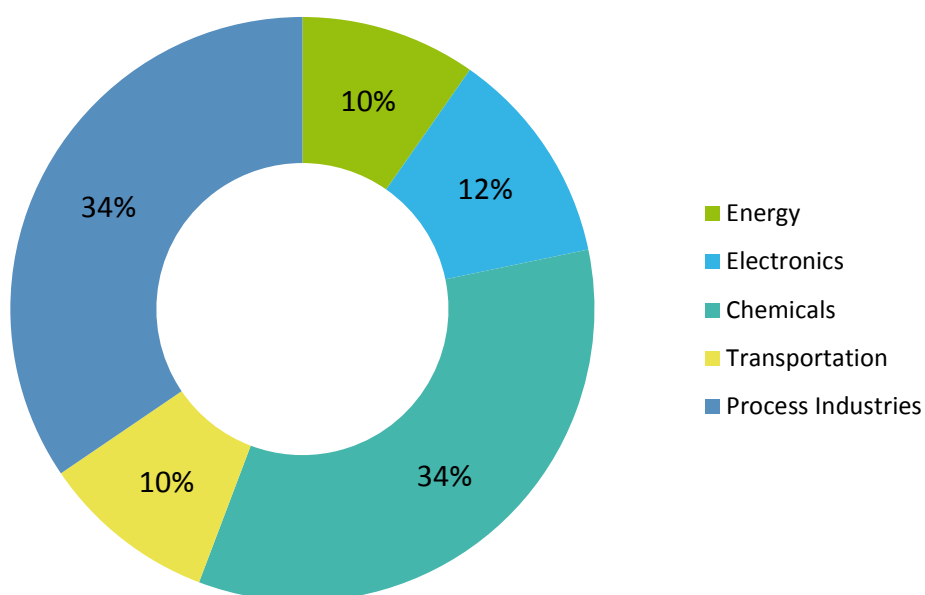
- 2010 :
  - January: Acquisition of an 85% interest in Boostec (France), designer and manufacturer of solid silicon carbide (SiC) components, particularly for large space and ground-based observation telescopes.
  - January: Acquisition of Lumpp (France), developer of industrial stirrers and mixers.
  - January: Acquisition of 2C Cellier (France), specialist in metallic equipment for nuclear power plants
  - November: Acquisition of a 60% interest in Yantai (China), specialist in the machining of graphite components used in the production of monocrystalline silicon for the solar photovoltaic industry.
- 2013 :
  - July-November: Withdrawal from metal boilermaking equipment for nuclear power stations, metal plate heat exchangers and mixers.

## Key figures

(in millions of euros)	2014	2013	2012	2011	2010
<b>Total sales</b>	280	300	346	366	325
Operating income before non-recurring items	18.1	19.7	35.2	63.2	39.5
<i>As a % of sales</i>	6.5%	6.6%	10.1%	17.3%	12.2%
<b>EBITDA</b>	42.2	47.7	62.4	87.9	64.0
<i>As a % of sales</i>	15.1%	15.9%	18.0%	24.0%	19.7%

- **High EBITDA margin:** between 15% and 24%
- 2014 and 2013 Operating Margin affected by low level of sales
- **Margin driven mainly by volume**
- **Strong leverage on EBIT** (particularly considering the current low capacity utilization rate)
- **High cash generation** (strong EBITDA)

## Targeted markets (2014 sales breakdown)



## Electrical

Mersen offers components, systems and services that make electrical power safe, reliable and efficient for Original Equipment Manufacturers and their end users. These solutions are dedicated to three key applications:

- Signal & Power transfer for motors and generators
- Power Distribution & Control
- Power Electronics.

Markets served include energy, electronics, transportation and process industries.

Mersen ranks:

- N°1 worldwide in carbon brushes and brush-holders for industrial electric rotating machines
- N°2 worldwide supplier of industrial fuses and fusegears

The Electrical segment's strategy is based on maximizing mature products (such as fuses and fusegears, brushes and brush-holders) thanks to strong market shares and an optimized manufacturing model and on expanding growth products (such as power electronics components, windpower solutions and surge protection devices) through breakthrough innovations and bolt-on acquisitions.

### Product and service portfolio:

Signal and Power transfer for motors and generators:

- Carbon brushes and brush-holders
- Slip ring assemblies
- Signal transfer systems

Power Distribution & Control:

- Fuses & Fusegears
- Surge protection devices
- Current collection and switches for rail vehicles

Power Electronics:

- Cooling devices
- Laminated busbars
- Semi-conductor fuses

### Competitive advantages:

- Largest offer compliant with a variety of electrical standards.
- Efficient worldwide distribution and logistics network.
- Design capabilities and in-depth understanding of applications.

## Main facilities:

- Europe
  - Amiens (France): Brushes, brush-holders
  - Angers (France): Laminated busbars
  - St Bonnet de Mure (France): Fuses, fusegears, electronic systems, rail vehicles components
  - Hittisau (Austria): Slip ring assemblies, brush-holders
- Asia
  - Bangalore (India): Multiproduct facility (fuses, fusegears, brushes, ...)
  - Seoul (South Korea): Multiproduct facility
  - Shanghai (China): Multiproduct facility (cooling devices, laminated busbars, brushes,...)
  - Wenzhou (China): Fuses and fusegears
- Americas
  - Boonton (USA): Brushes
  - Newburyport (USA): Fuses & fusegears
  - Rochester (USA): Laminated busbars
  - Dorion (Canada): Brush-holders, slip ring assemblies
  - Toronto (Canada) : Cooling devices & High power switches
  - Sao Paulo (Brazil): Multiproduct facility (brushes, ...)
  - Juarez (Mexico): Fuses & fusegears
- Africa
  - Tunis (Tunisia): Fuses & fusegears
  - Johannesburg (South Africa): Multiproduct facility (brushes, ...)

## Main competitors:

- Morgan Advanced Materials (United Kingdom): Brushes, brush-holders, slip-ring assemblies, signal transfer systems, etc.
- Eaton/Cooper Industries (United States): Fuses (Bussmann)
- Schunk (Germany): Brushes, brush-holders, pantograph strips, etc.
- Rogers (USA) : Laminated busbars

Following Eaton's acquisition of Cooper Industries on November 30, 2012, Mersen became the single largest independent source of supply for fuses and fusegears.



## Main change in the scope of consolidation over the past five years:

*By date of consolidation or de-consolidation*

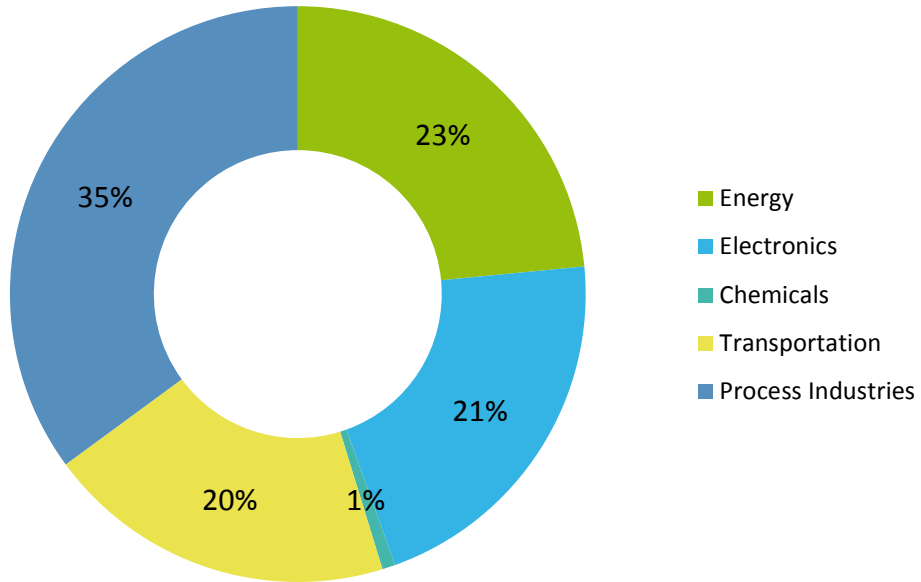
- 2010:
  - January: Acquisition of all outstanding shares in Zhejiang Mingrong Electrical Protection (MEP) (China).
  - May: Acquisition of M.Schneider (Germany), a top player in German DIN-standard fuses and fuseholders.
- 2012:
  - January: Acquisition of Eldre (USA), a world leader and pure player in laminated busbars.
- 2014:
  - February: Majority stake in Cirprotec (Spain), a specialist in lightning and overvoltage protection (SPD).

## Key figures

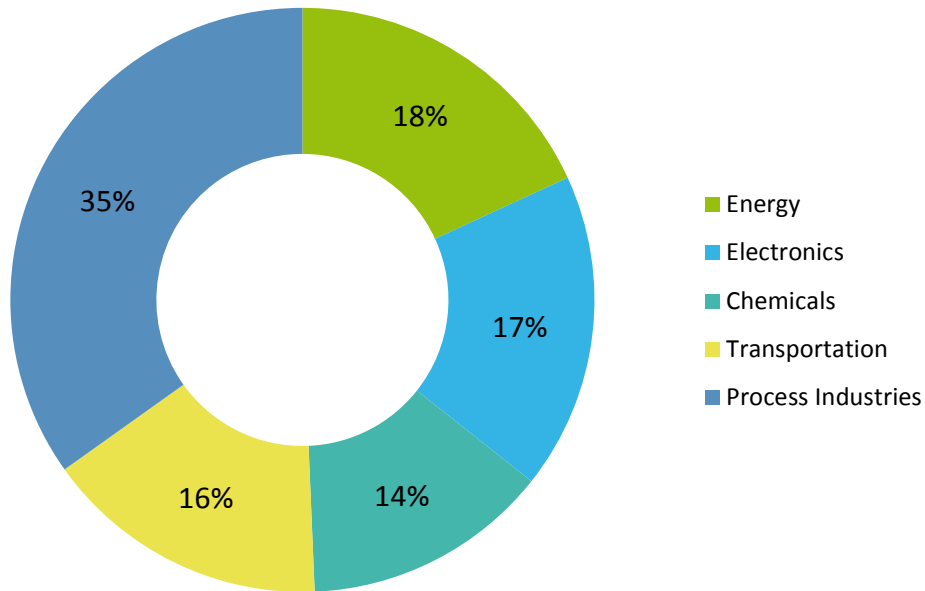
(in millions of euros)	2014	2013	2012	2011	2010
<b>Total sales</b>	451	439	464	450	416
Operating income before non-recurring items	55.4	51.0	54.0	57.3	51.6
<i>As a % of sales</i>	12.3%	11.6%	11.6%	12.7%	12.4%
<b>EBITDA</b>	67.1	62.9	66.1	69.5	63.7
<i>As a % of sales</i>	14.9%	14.3%	14.2%	15.4%	15.3%

- **High and stable EBITDA margin:** between 14% and 15.5%
- **Growth in sales and operating income** over the period including highly relative acquisitions.

**Targeted markets (2014 sales breakdown)**



## MAJOR MARKETS



2014 sales breakdown

### Energy

To support the fast-track development of alternative energies –a key solution to the combined challenges of unrelenting growth in energy demand, long-term depletion of cheap fossil fuel reserves and climate change – competitiveness-enhancing technological advances are crucial.

Mersen is developing new technological solutions that facilitate the use of renewable energies while enhancing their cost-effectiveness.

Mersen also provides a host of solutions for conventional energy installations. Certified by the leading turbo-generator manufacturers, our instruments and devices have made us a leading source of equipment for thermal power stations.

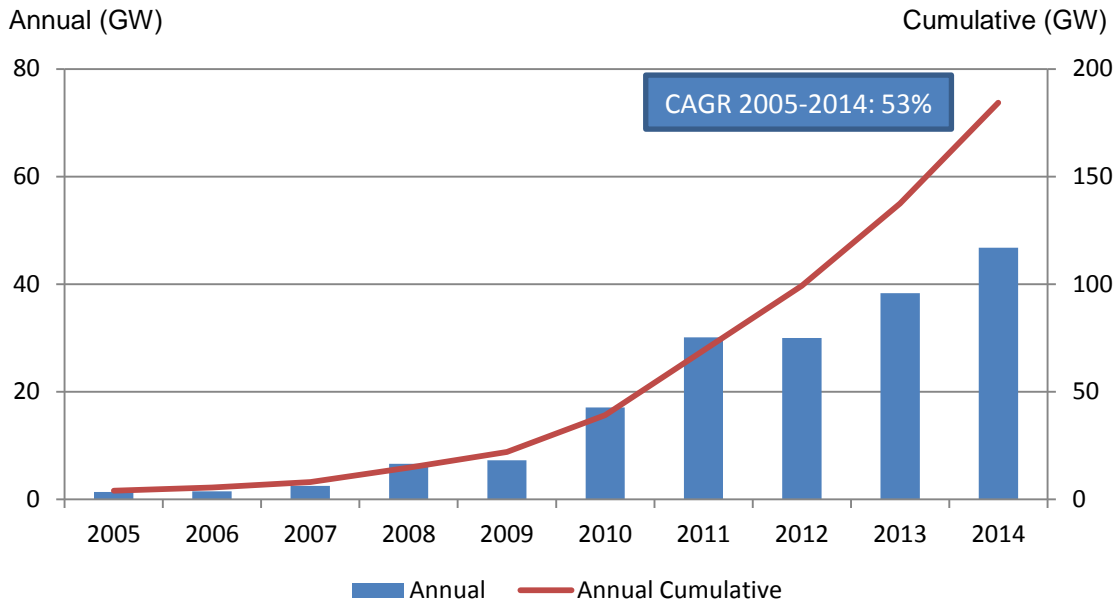
### Solar

#### A) Thus, an established industry

After a decade, photovoltaic technology has demonstrated its ability to become a major source of power generation worldwide. At the end of 2014, more than 180 GW were installed globally: Europe still leads the way with 50-60% of the installed base. Next come Asia-Pacific with close to 30% and North-America with 10%. Several countries in large sunbelt regions like Africa, the Middle East, Southeast Asia and Latin America are starting their development. New installations in 2014 reached

47GW, an increase of 15% compared to 2013 with China taking the lead as the number 1 country for new installations (13.3GW est.) followed by Japan (8GW est.) and the United-States (6.2 GW est.).

In terms of cumulative global installed capacity,



Source Epia (European Photovoltaic Industry Association) - Global Market Outlook 2013-2017  
2014: Mersen's estimates

## B - A broad offering across the value chain

Mersen is active across the complex solar cell manufacturing process and is helping to make the industry more competitive:

- Manufacture of polysilicon (1): Complex graphite components (potentially SiC coated) and equipment that can withstand extremely demanding environments during the transformation of quartz into polysilicon rods.
- Ingot production (2): Furnace linings, machined graphite parts, furnace insulation.
- Doping and surface treatments (3): Graphite and composite material equipment.
- Power connection of solar panels (4): Fuses, fusegears, electronic systems, surge protection devices, combiner boxes.
- Power electronics (solar inverters for grid connection) (4): Cooling devices, laminated busbars, fuses



## C – A large customer portfolio

Mersen serves hundreds of customers around the world, among them (in alphabetical order).

### Polysilicon manufacturers

- GCL
- Hemlock
- OCI Korea
- SunEdison
- Wacker Chemie

### Ingot/Cell manufacturers

- Longi
- REC Solar
- Trinasolar
- Yingli Solar

### Furnace manufacturers

- GT Advanced Technologies

### Installation of solar panels

- Shoals, Tenesol, Juwi (turn-key installers)
- SMA, Power One, Omron (inverters)

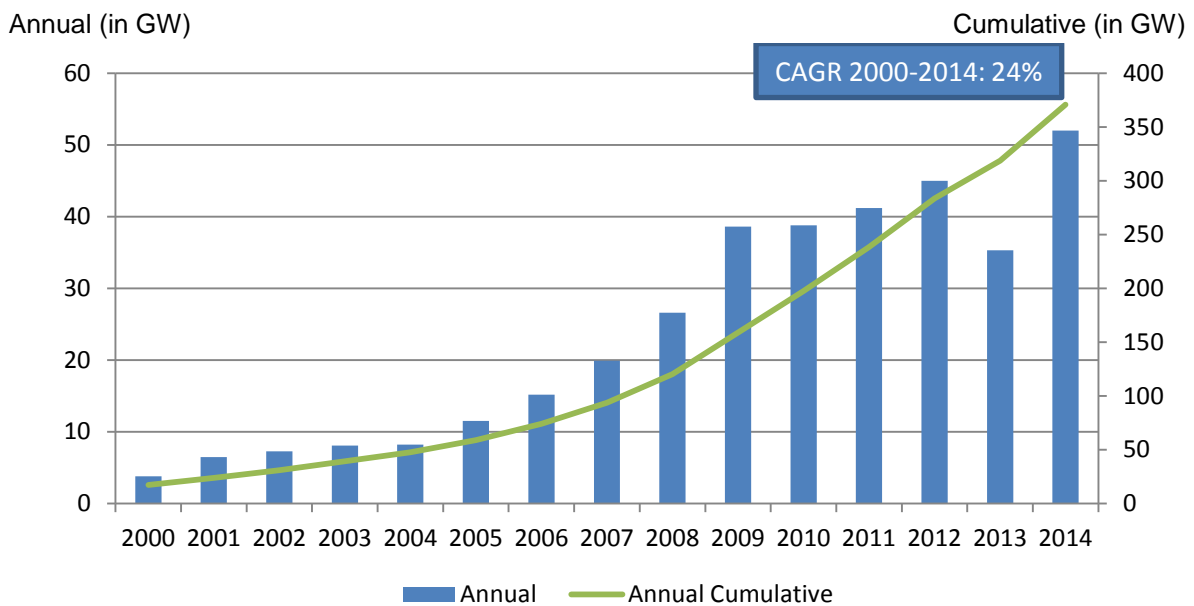
## Wind

### A) A growing market

Rising environmental awareness among the general population and national governments combined with international political will, a favorable legislative and regulatory environment and continuous technological improvements have played a major role in the wind market's expansion.

Since 2000, the market has grown by an average 24% a year. After a sound 2012 year boosted by the US anticipation of the end of government subsidies, 2013 showed a decline in annual installation. In 2014, installations were again at a record level (52 GW) thanks to China (23 GW), the United-States, Brazil and Canada.

As far as installed base is concerned, the market has reached a record level of 370 GW at the end of 2014. This means a highly attractive replacement market where Mersen has strong positions, especially in the United States.



Source: GWEC (Global World Energy Council) - Global Wind Statistics  
 2014: Mersen's estimates

### B) Solutions to enhance efficiency, reliability and safety

Mersen is a benchmark supplier to the windpower industry, serving both the OEM and replacement markets. Our lineup of solutions and services helps our customers to enhance their efficiency, reliability and safety:

- Blade orientation (1): Signal transmission systems to enhance efficiency of output of windpower, brush and brush-holders for power transfer
- Power generation (2): Slip ring assemblies, brushes and brush-holders for power transfer

- Power distribution (3): Fuses, fusegears
- Power electronics (inverters for grid connection) : Cooling devices, laminated busbars, fuses
- Maintenance and other services



## C) High quality customers

Mersen serves a number of customers around the world, among them (in alphabetical order):

- ABB
- Danfoss
- General Electric
- Gamesa
- Goldwind
- Hitachi
- NAWSA
- Siemens
- Sinovel
- Suzlon
- Vestas

## Conventional Energies

Conventional energies include oil, natural gas and coal/peat.

### A) Coal: A growing market in the BRIC regions

According to World Coal Association statistics, coal provides around 30.1% of global primary energy needs and generates over 40% of the world's electricity. In 2013, China was by far the world top producer with about 45% of the worldwide production. India was number 3 with 8% of total production.

### B) An offer focused on power generation and power conversion

Mersen's solutions for conventional energies focus primarily on power generation and power conversion. Solutions are tested for optimum performance in variable loads and environmental conditions, helping customers to reduce maintenance costs. Mersen has the expertise to reengineer existing solutions and create maintenance tools to improve performance.

- Power generation: Brushes and brushholders for power transfer, brush gear housing (complete metal boxes, designed according to the brushgear specification and air flow calculation), slip-rings.
- Power conversion: Fuses and other components.
- Maintenance and other services.

### C) A diversified customer base

Mersen serves both motor and generator manufacturers and distribution system operators, among them (in alphabetical order):

Motor and generator manufacturers

- ABB
- Alstom
- Electrosila
- General Electric
- Siemens

Distribution system operators

- EDF



## Hydropower

### A) The largest source of renewable energy

Hydropower refers to electrical energy generated by turbines that are driven by flowing water in rivers or lakes, with or without man-made dams forming reservoirs.

Hydropower is currently the world's largest source of renewable electricity. About 20% of the world's electricity is currently generated from hydropower with China, Canada and Brazil leading in installed capacity respectively.

### B) A complete lineup for hydro generator performance

Mersen offers the hydroelectric industry a broad range of tailored services, as well as reliable electrical, mechanical and sealing solutions. These include:

- Brush and brush holders for generators
- Slip rings
- Carbon dust collection systems
- Services

### C – A large customer portfolio

Mersen works with hydroelectric power utilities and their critical OEM suppliers, among them (in alphabetical order):

#### Hydroelectrical power utilities

- EDF
- Enel Green Power
- Hydroelectric Power Corporation of India
- Iberdrola
- Three Gorge Corporation
- US Bureau of reclamation

#### Generator OEM

- Alstom
- Andritz
- BHEL
- Electrosila
- Jeumont
- Koncar
- Voith Hydro

## Electronics

The shift from fossil fuels to renewable energies and the pressing need to enhance energy efficiency are spurring the development of power electronics and low energy consumption electronic components.

From microprocessors to LEDs, new applications are constantly being found for semiconductors. Mersen is active in both the upstream and downstream segments of the electronics market:

- Upstream, we equip the world's leading semiconductor manufacturers with ultra-pure graphite components that help ensure optimal efficiency in their fabrication processes and high quality of their products.
- Downstream, we contribute to energy efficiency with bundled power electronics solutions combining busbars, fuses and cooling devices.

### Components for semiconductor manufacturers

#### A – Significant market growth in the past and for the future

In past decades, growth in the electronics market was mainly driven by widespread demand for computers, which use silicon-based semiconductors.

Today, the market is being led by:

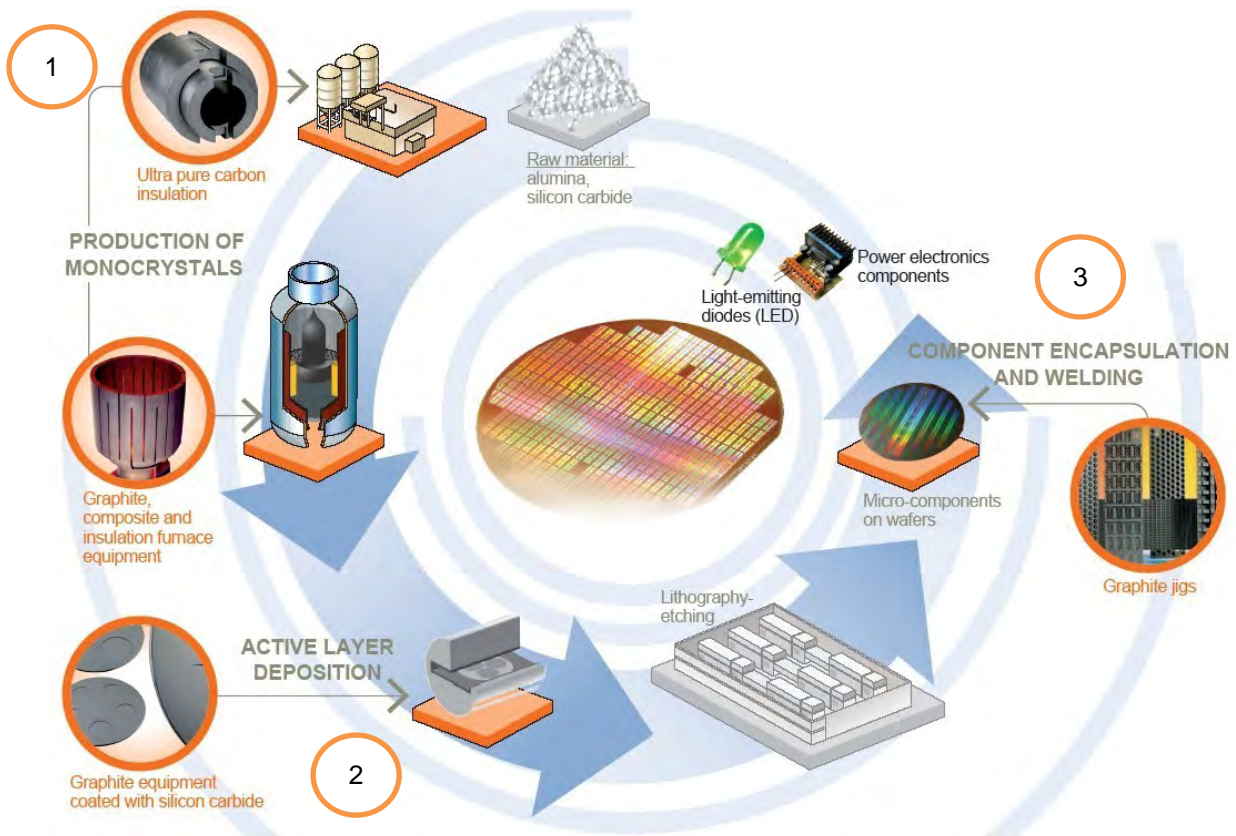
- Mobile communications, with flat screens, smartphones, tablets and wireless connectivity.
- Data networks, with data storage, computing power, cloud computing and optical fiber.
- Energy efficiency, with low-energy lighting (LEDs), power grids and speed drives.

More and more, these applications require non-silicon-based semiconductors, with an increasing need for power, efficiency and miniaturization.

#### B – Increasingly sophisticated graphite products for new substrates

Mersen is active across the semiconductor manufacturing process and is helping to make the industry more efficient.

- Production of monocrystals (1): Complex graphite components (heaters, crucibles...), furnace linings and ultra-pure carbon insulation equipment that can withstand high temperatures during the monocrystal growth process.
- Active layer deposition (2): Ultra-pure graphite wafer carriers (potentially SiC coated) to handle high-temperature and corrosive treatments.
- Component encapsulation and welding (3): High precision graphite and composite machined jigs resistant to oxidation and abrasion.



### C) Main customers

Mersen serves a number of component manufacturers and OEMs around the world, among them (in alphabetic order):

Component manufacturers:

- Cree
- Infineon
- Samsung
- STMicroelectronics

OEMs

- Aixtron
- Applied Varian
- GT Advanced Technologies
- Veeco

### Power Electronics

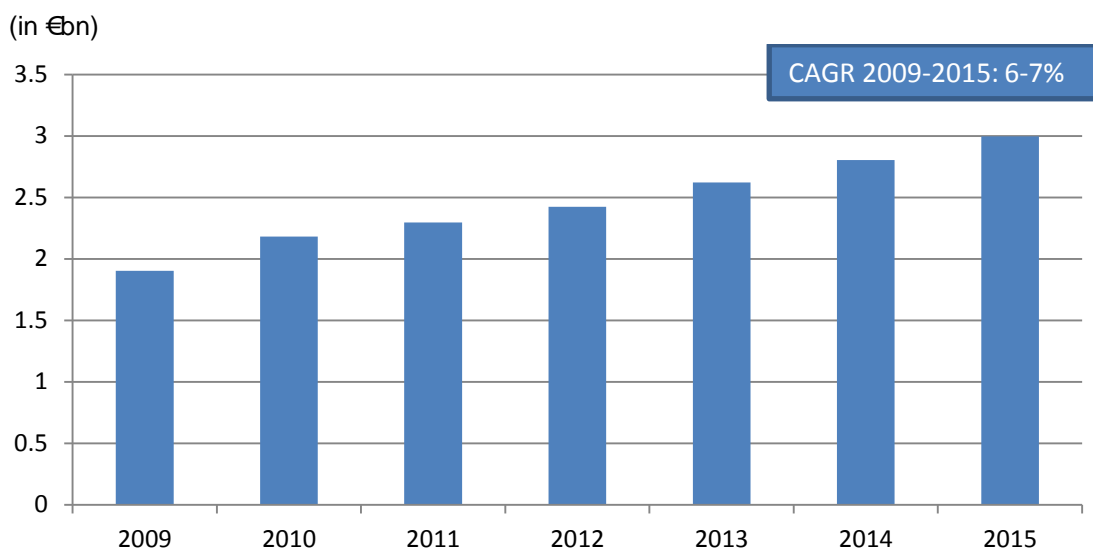
The basic function of power electronics is to convert electrical power as efficiently as possible. This means providing the appropriate energy for each application and converting energy with the best possible performance between input and output, at the right cost to achieve the expected benefit.

Although the need for energy is widespread, Mersen focuses solely on high-end applications.

In the energy and transportation markets, for example, power conversion is required at the generation (from solar, wind, and other energy source) to grid stage and at the grid (or battery) to consumer stage (for transportation). Power conversion is also crucial in a large number of industries and in the IT sector.

## A) Components for power electronics: A significant, growing market

Demand for the conversion of energy is growing, driven by energy efficiency requirements, the need to reduce total cost of ownership, weight, and other factors.



### Key components for power inverters

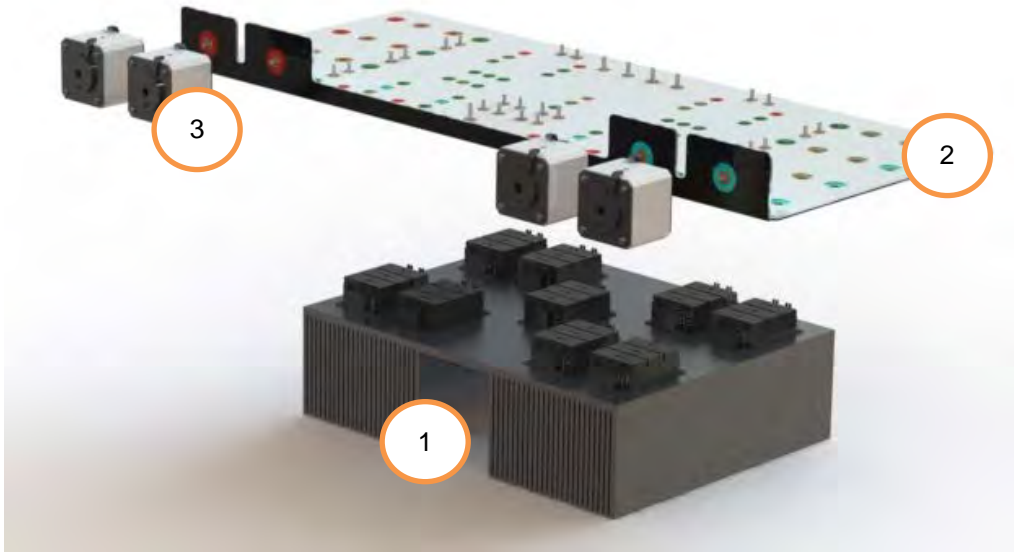
Source: Mersen and Yole (2011) – Excluding EV/ HEV forecasts

## B) A unique bundle offer

Mersen's bundle offer gives it a superior ability to target the market. The offer comprises:

- 1- Cooling devices to reduce calories and increase semiconductor lifespan.
- 2- Laminated busbars to facilitate electrical connection, transfer electric current and reduce frequency noise.
- 3- Fuses to protect semiconductors from overvoltage and overcurrent.

Furthermore, the strong interaction among these 3 components makes this offer unique and position Mersen as a key partner in the power conversion market.



## C) Main customers

Mersen serves a number of customers around the world in different end-markets. It also supplies semiconductor manufacturers. The list includes (in alphabetical order):

### Industry and IT market

- ABB
- Eaton
- Fuji Electric
- Schneider

### Semiconductor manufacturers

- Infineon
- Mitsubishi Electric
- Semikron
- Toshiba

Note: customers in the Energy and Transportation markets are listed in the relevant sections.

## Corrosive Chemicals

The corrosive chemicals industry is a very demanding market requiring the most advanced materials and process skills.

Tens of thousands of chemical products are present in our day-to-day environment—in PVC construction materials, in polyurethanes used in the automotive industry, in silicones for adhesive labels, and in the high-performance plastics used in new technologies.

All of these chemicals are produced according to procedures using corrosive substances in high-temperature environments.

### A) A very large market with key end-drivers

Mersen offers equipment designed to meet the most stringent production requirements:

#### *Phosphoric acid*

Used primarily in the production of phosphate-based fertilizers, phosphoric acid is itself extracted from phosphate, a mineral found in natural deposits. This mineral is highly sought-after because the phosphorus that it contains carries the energy produced through photosynthesis in plants. As a result, phosphate-based fertilizers play a key role in enhancing farm productivity.

#### *Chlor-alkali*

The chlor alkali process is an industrial process for the electrolysis of sodium chloride. It is the technology used to produce chlorine and sodium hydroxide (caustic soda), which are commodity chemicals required by industry.

#### *Active pharmaceutical ingredients (API)*

API are the main substances in medicines giving them their therapeutic properties. Medicines contain one or more active ingredients associated with one or more excipients. There are three main stages to the pharmaceutical manufacturing process: production of active ingredients, their transformation into medicines and packaging. APIs are produced in high value-added product batches.

#### *Specialty chemicals*

The specialty chemicals industry synthesizes a very diverse range of products, from paints and flavorings to agrochemicals (plant health products). Unlike commodity chemicals where large volumes are produced in a continuous process, specialty chemicals are produced in small high-value-added batches in a reaction vessel. Synthesis reactions may be produced in a severely corrosive environment requiring corrosion-resistant equipment.

#### *Isocyanates*

Isocyanates are primarily used in the manufacture of polyurethane foam for applications including the construction and automotive industries. Isocyanates are produced in highly acidic and corrosive

environments at high temperatures. Sulphuric acid is recovered for concentration during the toluene nitration stage.

### *Acid recovery and concentration*

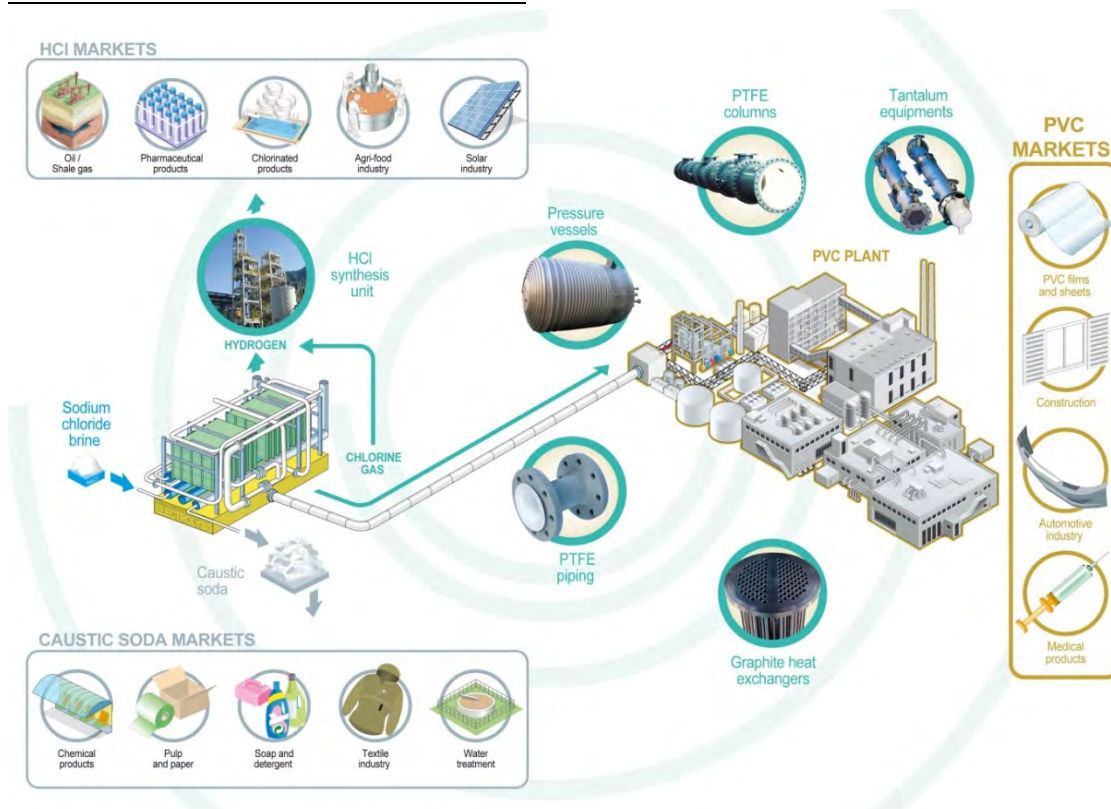
The recovery, regeneration and concentration of acids are important steps in numerous processes in the chemical industry. These acids, which are highly corrosive, may be sulphuric, hydrochloric or nitric acid. The processes of recovering, concentrating or purifying these mineral acids require equipment made of anticorrosion materials.

### B) Mersen's offering

As the world leader in anticorrosion industrial equipment, Mersen has strong expertise in chemical processes, thermal and mechanical design, corrosion and materials, welding and manufacturing processes. Its lineup includes:

- An extensive range of customized equipment (heat exchangers, columns, reactors, etc.) based on graphite and reactive metals (tantalum, zirconium, etc.) to process, mix and store highly corrosive and hot fluids, especially for fertilizers and pharmaceuticals.
- Pre-assembled systems combining synthesis units, columns and heat exchangers in a turnkey package to facilitate customer project management.

### Mersen in the chlor-alkali to PVC industries:



## C) Main customers

Mersen serves a number of customers around the world, including (in alphabetical order):

### Phosphoric Acid

- Foskor
- Hubei Yihua
- Ma'aden
- OCP

### Chlor-Alkali

- Akzo Nobel
- Kem One
- Oman Chlorine
- Sumitomo
- Union Chlorine

### Active pharmaceutical ingredients

- Glaxo
- Lanxess
- Merck
- Novartis
- Pfizer
- Roche
- Teva

### Specialty chemicals

- BASF
- Bayer
- DSM
- Evonik
- Monsanto

### Isocyanate

- Bordsochem
- Yantai Wanhua

### Acid recovery and concentration

- Noram
- Plinke
- QVF



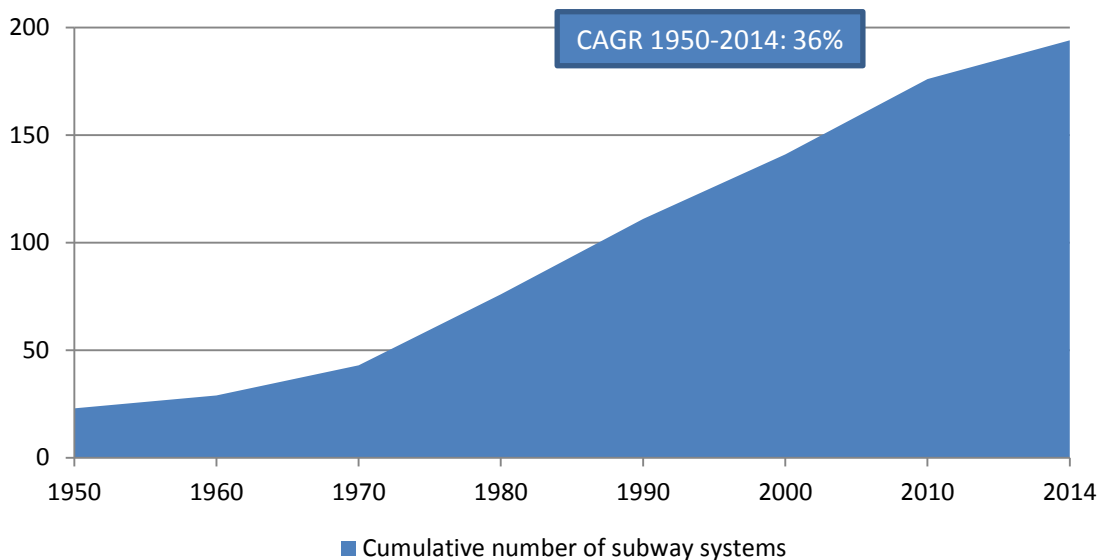
## Transportation

### Rail

Demand for urban transit systems is on the rise in the world's major cities. At the same time, high-speed transportation needs for intercity travel are also growing strongly. Rail represents one of the only viable long-term options, particularly in emerging markets.

#### A) Market

Since 1950, the number of subway systems has increased significantly for an annual growth rate of 36%.



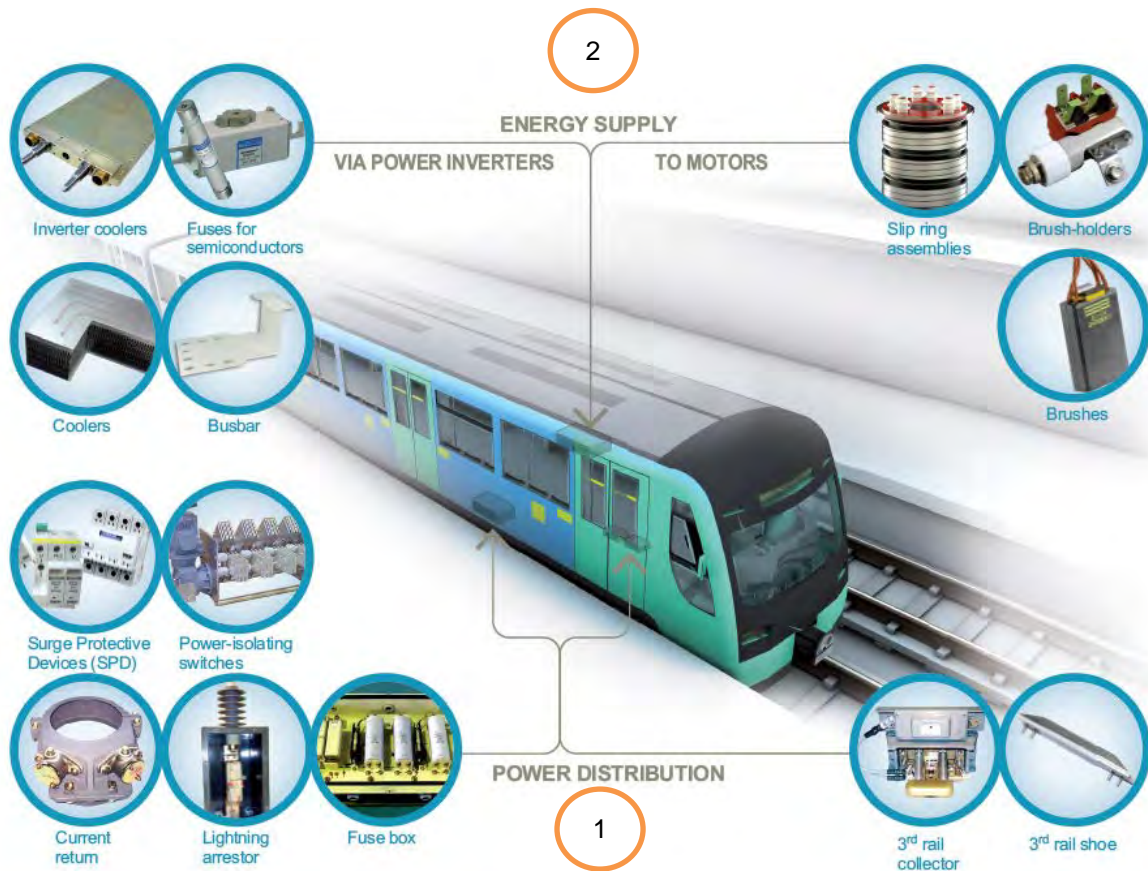
Source: *metrobits.org* – web site

As of today, 195 subway systems are listed across the world, with several dozen projects under construction, especially in Asia.

#### B) Solutions for both infrastructure and rolling stock

Mersen's solutions are used in both rail infrastructure and rolling stock to enhance efficiency, reliability and safety. Services and solutions include:

- Power distribution (1):
  - Current collectors and 3rd rail shoes
  - Fuses and SPDs (Surge Protective Devices) for overcurrent and surge protection
  - Power isolating switches and lightning arrestors for disconnection and safety
  - Current return for bearings protection
- Energy supply (2):
  - Brushes, brush-holders and slip ring assemblies for motors
  - Coolers, laminated busbars and fuses for semiconductors for power inverters



### C) Main customers

Mersen serves a number of railway traction system manufacturers and railway operators around the world, among them (in alphabetic order):

#### Railway traction system manufacturers

- Alstom
- Bombardier
- Hitachi
- Kawasaki
- Rotem
- Siemens
- Sifang
- Vale

#### Railway operators

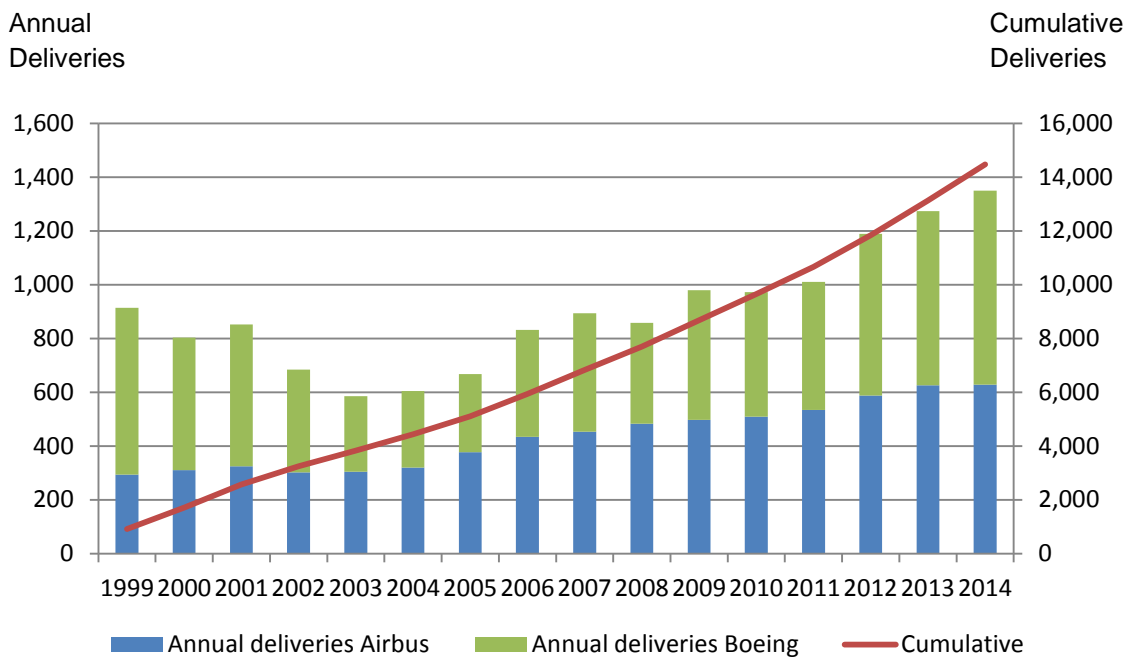
- China Railways Corporation
- Indian Railways
- London Underground
- NYCTA
- SNCF

## Aeronautics

Over the last several years, growing passenger traffic and fleet renewal have led to an increase in demand for aircraft, as can be seen in the number of deliveries in the chart below.

The A380 was the first aircraft (A/C) to use more power electronics technology. This trend will continue as can be seen in the more electric aircraft (MEA) and more electric engine (MEE) concepts.

### A) A growing market since 2003



Source: Airbus and Boeing (web sites)

### B) New opportunities in a mature market

Mersen is a leading partner for the aerospace and aeronautic industries, where reliable components and materials are required to handle extreme environmental conditions and meet strict safety specifications.

Its offer consists of:

Products resistant to extreme temperature and abrasion

- Refractory components
- C/C products for brakes

Reliable components to meet stringent safety requirements

- Sealing components and materials
- Aerospace mechanical components
- Cooling for power electronics
- Carbon brushes for electrical rotating machines

In the area of aerospace propulsion, Mersen's materials and solutions are also essential in the production of key components such as turbo-reactor turbine blades made from special alloys:

- EDM (Electrical Discharge Machining)
- Metal processing

### C) Serving the major industry players

Mersen serves the major industry players around the world, among them (in alphabetical order):

- Airbus
- Boeing
- Bombardier
- Thales

## Process industries

Mersen is active in the process industries through both its materials and electrical business segments.

### A) Expertise from the materials segment

The materials segment brings its expertise in environments that require resistance to high-temperatures or corrosion or when high conductivity is needed:

#### Resistance to high temperatures

- Graphite parts for the glass industry
- Graphite for continuous casting of non-ferrous metals

#### Anti-corrosion

- Coke oven gas treatment
- Hydrometallurgy (including for rare earths)
- Oil & gas extraction processes (in particular shale gas)
- Surface treatment for metallurgy
- Water and wastewater treatment

#### Electrical conductivity

- Graphite parts for EDM (Electrical Discharge Machining), a manufacturing process used in the molding industry in which a desired shape is obtained using electrical discharges between two electrodes.

### B) Expertise from the electrical segment

The electrical segment contributes to the safety and performance of electrical installations and power electronics, making Mersen a key partner in a large number of industries.

We leverage the full range of our electrical product portfolio to serve these markets.

#### Signal & power transfer for motors and generators:

- Carbon brushes and brush-holders
- Slip ring assemblies
- Signal transfer systems

#### Power distribution and control:

- Fuses & Fusegears
- Surge protection devices
- High power switches and contactors

### Power electronics:

- Cooling devices
- Laminated busbars
- Semi-conductor fuses
- Surge protection devices

### Markets served include:

- Metallurgy: Electrical solutions for foundries and furnaces, hot and cold rolling mills and galvanic lines.
- Cement: Electrical solutions for DC motors, asynchronous motors with wound rotors in the processes of raw material extraction, crushing, grinding, cooking, cooling, etc.
- Rubber and plastics industry: Solutions designed for very specific operations (extrusion, injection, hot working, constant or variable speed, etc.)
- Mining: Solutions designed for the optimal performance of power shovels, draglines, loaders, dump trucks, underground equipment, etc.
- Pulp and paper industry: High-performance electrical solutions (for pulping machines, winders, rollers, driers, etc.), and mechanical and sealing solutions (for pumps and other systems)
- Assembly manufacturing: Optimized solutions and services for electrical rotating machines and power and signal transfer.

## **APPENDICES**

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### **Consolidated income statement**

### **Consolidated statement of financial position**

### **Consolidated statement of cash-flows**

Data for 2012 are restated to take into account the application of IAS19.

Data for 2012 and 2011 are presented in accordance with IFRS5, in light of the plan to divest or discontinue certain non-strategic businesses that are part of the materials segment, as disclosed on February 14, 2013.

## Consolidated income statement

(in millions of euros)	2014	2013	2012	2011	2010
<b>Consolidated sales</b>	<b>730.9</b>	<b>738.8</b>	<b>810.7</b>	<b>816.2</b>	<b>741.2</b>
Gross margin	222.4	213.4	243.4	263.1	231.1
<i>As a % of sales</i>	30.4%	28.9%	30.0%	32.2%	31.2%
Selling and marketing costs	(71.3)	(72.7)	(76.7)	(72.4)	(73.6)
Administrative and research costs	(89.3)	(81.2)	(86.5)	(79.5)	(74.5)
Other operating costs	(2.1)	0.3	(2.6)	(4.7)	(5.4)
<b>Operating income before non-recurring items</b>	<b>59.7</b>	<b>59.8</b>	<b>77.6</b>	<b>106.5</b>	<b>77.6</b>
<i>As a % of sales</i>	8.2%	8.1%	9.6%	13.0%	10.5%
Non-recurring income/(charge)	(38.0)	(50.5)	(12.2)	(4.4)	(3.0)
Operating income	21.7	9.3	65.4	102.1	73.6
Net finance income/(costs)	(9.9)	(11.0)	(13.0)	(10.2)	(10.8)
Income before tax	11.8	(1.7)	52.4	91.9	62.8
Current and deferred income tax	(9.1)	(23.1)	(17.5)	(29.5)	(19.9)
Net income from assets held for sale or discontinued operations	0.1	(3.8)	(27.7)	(2.7)	(3.1)
<b>Net income for the year</b>	<b>2.8</b>	<b>(28.6)</b>	<b>7.2</b>	<b>59.7</b>	<b>39.8</b>
<b>- Group share</b>	<b>2.1</b>	<b>(29.2)</b>	<b>6.5</b>	<b>56.9</b>	<b>38.4</b>
- Minority interests	0.7	0.6	0.7	2.8	1.4



## Consolidated statement of financial position

In millions of euros	2014	2013	2012	2011	2010
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
- Goodwill	281.5	263	269.7	264	260.8
- Other intangible assets	34.4	32.9	40.1	40	37.1
<b>Property, plant and equipment</b>					
- Land	29.4	28.6	29.4	28.5	29.5
- Buildings	67	61.9	62.7	58.6	51.1
- Plant, equipment and other assets	169.3	161.8	189.4	189.5	172.5
- Assets in progress	24.3	21.9	30.3	29.6	34.1
<b>Non-current financial assets</b>					
- Investments	2.5	1.4	3.3	4.9	6.2
- Other financial assets	4	5.4	7	8.6	9.7
<b>Non-current tax assets</b>					
- Deferred tax assets	36.4	28.1	32.2	25.7	25.5
- Non-current portion of current tax assets	5	5.7	3.7	2.1	1.1
<b>TOTAL NON-CURRENT ASSETS</b>	<b>653.8</b>	<b>610.7</b>	<b>667.8</b>	<b>651.5</b>	<b>627.6</b>
<b>CURRENT ASSETS</b>					
- Inventories	162.4	154.3	173.6	188.7	168
- Trade receivables	115.9	108	112.3	128	117.7
- Other receivables	15.9	13.5	14.4	20.7	17.8
- Current portion of current tax assets	4.4	13.3	7.6	4.6	4.3
- Other current assets					0.4
- Current financial assets	12.1	8.4	7	5.3	4.6
- Current derivatives	0.8	1.8	1.7	0.5	0.7
- Financial assets					0.3
- Cash and cash equivalents	37.6	20.2	21.4	52.2	48.3
- Assets held for sale and discontinued operations	0.4	2.4	5.6		0
<b>TOTAL CURRENT ASSETS</b>	<b>349.5</b>	<b>321.9</b>	<b>343.6</b>	<b>400</b>	<b>362.1</b>
<b>TOTAL ASSETS</b>	<b>1003.3</b>	<b>932.6</b>	<b>1011.4</b>	<b>1051.5</b>	<b>989.7</b>

In millions of euros	2014	2013	2012	2011	2010
<b>EQUITY</b>					
- Share capital	41.2	41.6	40.7	40.6	39.9
- Premiums and retained earnings	423.6	473.8	467.3	455.8	432.2
- Net income for the year	2.1	(29.2)	6.5	56.9	38.4
- Cumulative translation adjustments	(11.7)	(43.4)	(25.8)	(20.8)	(29.7)
<b>EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS</b>	<b>455.2</b>	<b>442.8</b>	<b>488.7</b>	<b>532.5</b>	<b>480.8</b>
- Non-controlling interests	11.7	10	10.5	10.4	12.9
<b>EQUITY</b>	<b>466.9</b>	<b>452.8</b>	<b>499.2</b>	<b>542.9</b>	<b>493.7</b>
<b>Non-current liabilities</b>					
- Non-current provisions	3.8	8.5	0.7	0.5	0.5
- Employee benefits	89.6	66.5	77.1	35.6	36.7
- Deferred tax liabilities	19.3	22.1	19.7	24.8	22.4
- Borrowings	228.9	190	234.3	261.7	227.1
- Non-current derivatives	0.7	0.6	1.9	2.1	1.5
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>342.3</b>	<b>287.7</b>	<b>333.7</b>	<b>324.7</b>	<b>288.2</b>
<b>CURRENT LIABILITIES</b>					
- Trade payables	60.6	58.9	60.5	64	71.6
- Other payables	65.5	59.1	58.7	67.8	66.8
- Current provisions	19.6	5.1	2.6	5	4.1
- Current portion of current tax liabilities	4.9	12.2	6.8	5.5	8.4
- Other liabilities	3.1	2.7	2.1	5.1	8.6
- Other current financial liabilities	6.5	11.5	10.3	5.3	35
- Current derivatives	1.5	0.6	0.7	1.2	2.1
- Current advances	0.4	0.3			4.3
- Bank overdrafts	29.9	38.8	25.3	30	6.9
- Liabilities related to assets held for sale and disc.ontinued operations	2.1	2.9	11.5		0
<b>TOTAL CURRENT LIABILITIES</b>	<b>194.1</b>	<b>192.1</b>	<b>178.5</b>	<b>183.9</b>	<b>207.8</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,003.3</b>	<b>932.6</b>	<b>1,011.4</b>	<b>1,051.5</b>	<b>989.7</b>

## Consolidated statement of cash-flows

In millions of euros	2014	2013	2012	2011	2010
Income before tax	11.8	(1.7)	52.4	91.9	62.8
Depreciation and amortization	36.1	40.2	39.7	37.0	36.6
Additions to/(write-backs from) provisions	15.1	39.0	(1.6)	(0.8)	0.3
Net finance income/(costs)	9.9	11.0	13.0	10.2	10.8
Capital gains/(losses) on asset disposals	2.6	1.9	(1.2)	1.3	
Other	1.9	(0.3)	1.5	(4.2)	0.5
<b>Cash generated by operating activities before change in WCR</b>	<b>77.4</b>	<b>90.1</b>	<b>103.8</b>	<b>135.4</b>	<b>111.0</b>
Change in the working capital requirement	1.7	13.9	27.7	(35.6)	(2.6)
Income tax paid	(13.3)	(17.7)	(22.6)	(31.8)	(10.0)
<b>Net cash generated by continuing operations</b>	<b>65.8</b>	<b>86.3</b>	<b>108.9</b>	<b>68.0</b>	<b>98.4</b>
Cash generated by discontinued operations	(0.8)	(8.6)	(7.1)	(5.5)	(0.9)
<b>Net cash generated by operating activities</b>	<b>65.0</b>	<b>77.7</b>	<b>101.8</b>	<b>62.5</b>	<b>97.5</b>
<b>Investing activities:</b>					
Intangible assets	(2.7)	(1.3)	(0.8)	(0.2)	(0.2)
Property, plant and equipment	(31.6)	(26.8)	(41.5)	(47.6)	(36.3)
Financial assets	(1.1)	(0.1)	0.4		(1.2)
Impact of changes in the scope of consolidation	(8.6)	(2.6)	(28.5)	(9.5)	(16.7)
Other changes in cash generated/(used) by investing activities	1.4	(1.0)	(0.3)	3.0	8.8
<b>Cash generated/(used) by investing activities from continuing operations</b>	<b>(42.6)</b>	<b>(31.8)</b>	<b>(70.7)</b>	<b>(54.3)</b>	<b>(45.6)</b>
Cash generated/(used) by investing activities from discontinued operations	1.3	(5.8)	(0.6)	(0.6)	
<b>Cash generated/(used) by investing activities</b>	<b>(41.3)</b>	<b>(37.6)</b>	<b>(71.3)</b>	<b>(54.9)</b>	<b>(45.6)</b>
<b>Cash generated/(used) by operating and investing activities</b>	<b>23.7</b>	<b>40.1</b>	<b>30.5</b>	<b>7.6</b>	<b>51.9</b>
Non-recurring cash outflow (EU fine)					(29.1)
Proceeds from issue of new shares and other increases in equity	(1.1)	(3.4)		(0.2)	0.3
Net dividends paid to shareholders and minority interests	(10.0)	(3.7)	(19.4)	(5.2)	(3.5)
Interest payments	(9.3)	(10.7)	(12.3)	(9.8)	(9.6)
Change in debt	14.8	(23.3)	(30.7)	10.0	1.1
<b>Cash generated/(used) by financing activities</b>	<b>(5.6)</b>	<b>(41.1)</b>	<b>(62.4)</b>	<b>(5.2)</b>	<b>(11.7)</b>
<b>Change in cash</b>	<b>18.1</b>	<b>(1.0)</b>	<b>(31.9)</b>	<b>2.4</b>	<b>11.1</b>
Cash at beginning of fiscal year	20.2	21.4	52.2	48.6	34.1
Cash at end of fiscal year	37.6	20.2	21.4	52.2	48.6
Impact of changes in the scope of consolidation				(0.4)	(1.6)
Impact of currency fluctuations	0.7	0.2	(1.1)	(0.8)	(1.8)
<b>Change in cash</b>	<b>18.1</b>	<b>(1.0)</b>	<b>(31.9)</b>	<b>2.4</b>	<b>11.1</b>



Immeuble La Fayette  
2, place des Vosges  
92400 Courbevoie La Défense 5  
France