



2016 HALF-YEAR RESULTS

JULY 28, 2016



KEY HIGHLIGHTS FOR H1 2016

- **EFFECTIVENESS OF THE NEW ORGANIZATIONAL STRUCTURE AND OUR REALIGNED TEAM:**
 - Organic growth in H2 (+1.4%)
- **SUCCESSFUL IMPLEMENTATION OF THE OPERATIONAL EXCELLENCE PLAN:**
 - Operating margin before non recurring items at 7.8%, a significant improvement compared to H2 2015 (7.1%)
 - Strong generation of cash-flow
- **NO CHANGE TO FULL-YEAR GUIDANCE**

SLIGHT ORGANIC GROWTH IN H1 THANKS TO A SOUND ACTIVITY IN Q2

Organic growth H1	+0.2%
Organic growth Q2	+1.4%

ELECTRICAL POWER

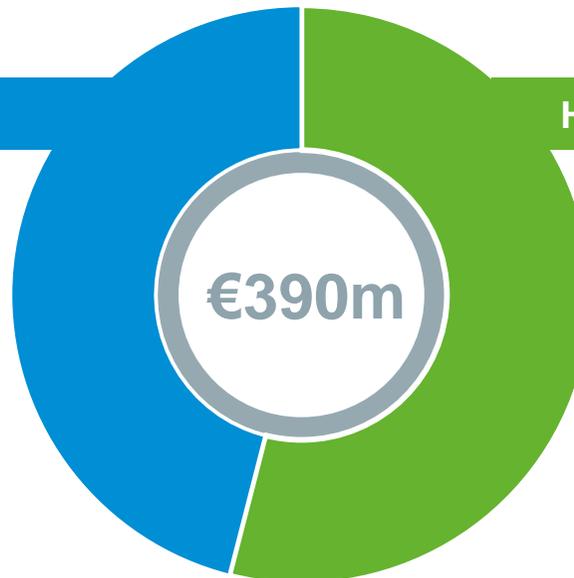
H1 Organic Growth | +0.9%

- STRONG GROWTH IN SOLAR (+36%) AND TRANSPORTATION (+14%) RAIL AND EV
- GROWTH IN POWER ELECTRONICS
- DECLINE IN PROCESS INDUSTRIES

ADVANCED MATERIALS

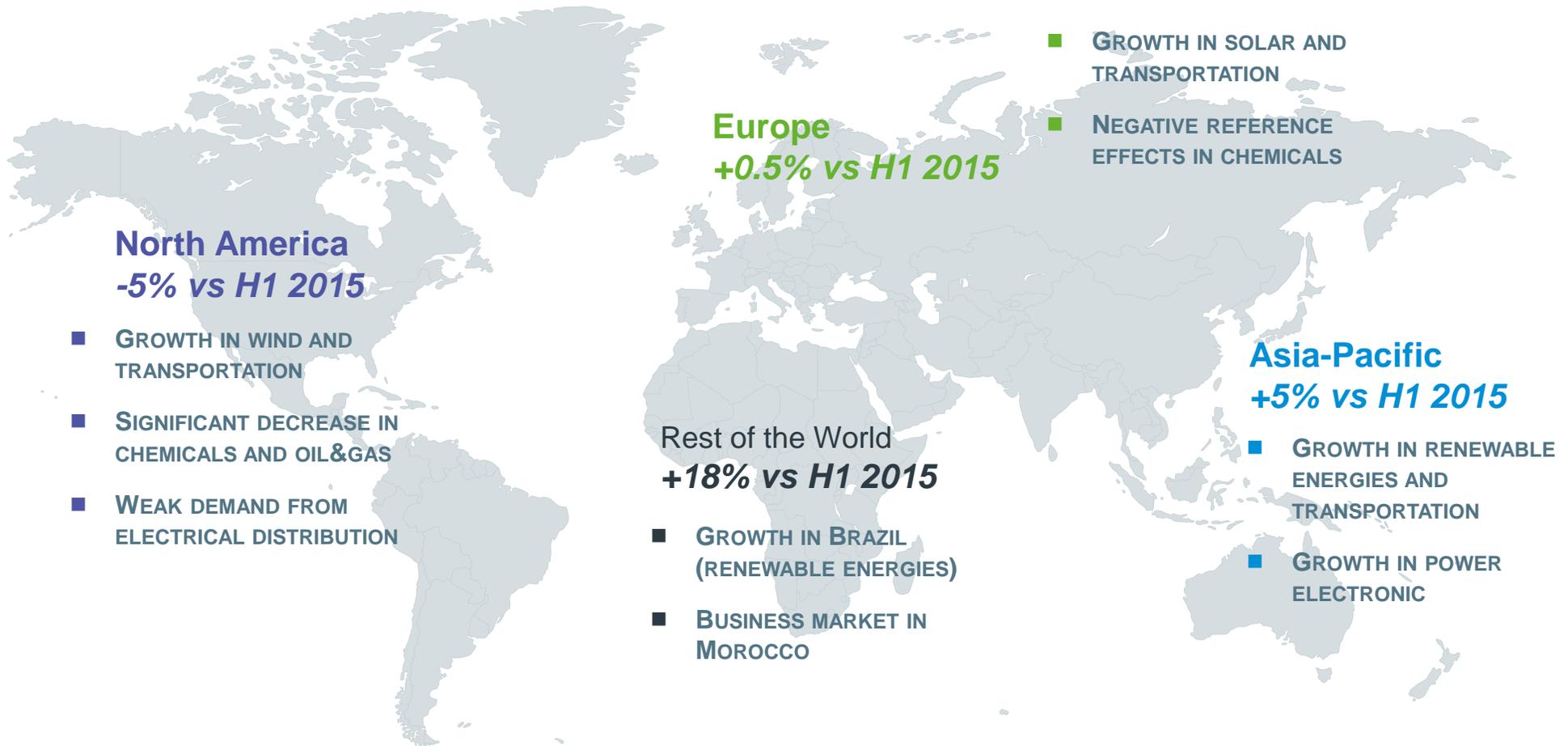
H1 Organic Growth | -0.3%

- STRONG GROWTH IN RENEWABLE ENERGIES +16%
- STRONG DECLINE IN CHEMICALS (-16%) BUT TO A MORE LIMITED EXTENT IN Q2
- PROCESS INDUSTRIES STABLE

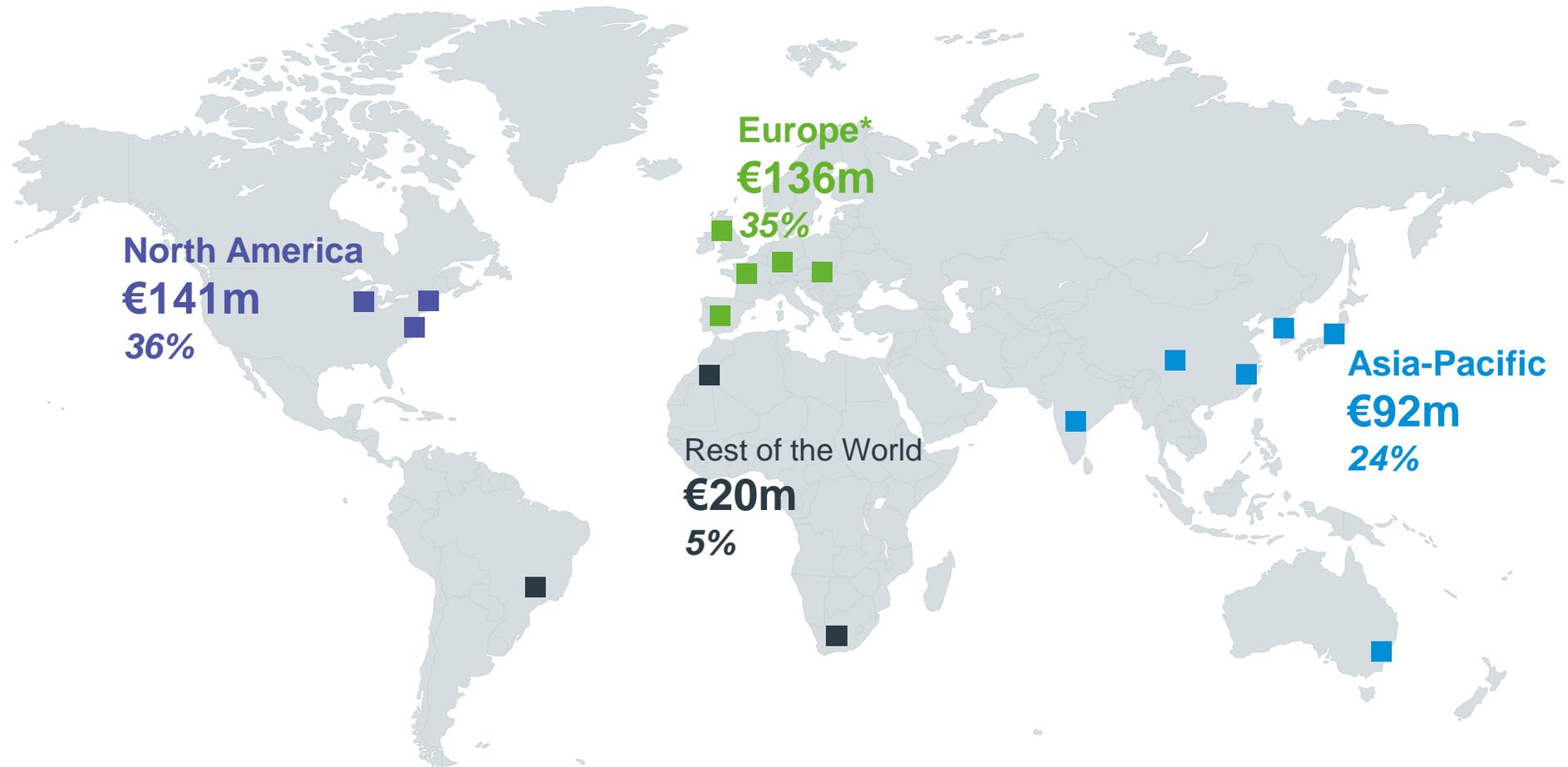


2016 Half-year sales figures

STRONG GROWTH IN ASIA, IMPROVEMENT IN EUROPE AND CHALLENGING INDUSTRIAL ENVIRONMENT IN THE US



A LOCAL AND GLOBAL COVERAGE PROVIDING OPPORTUNITIES AND LIMITING RISKS

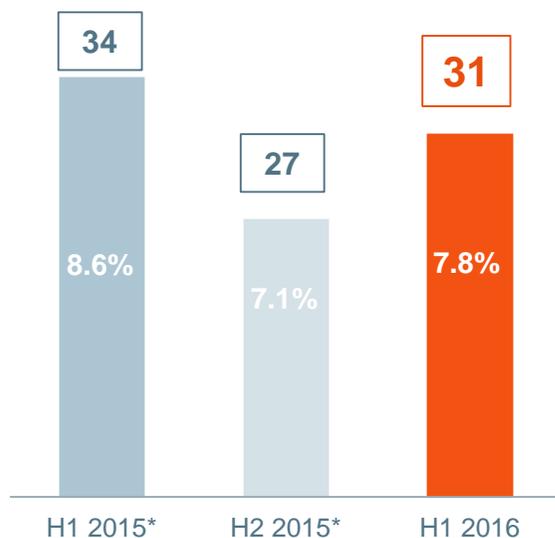


□ Main industrial sites

* The UK represents less than 3% of Group total sales

OPERATING MARGIN

In €m and % of sales



In %

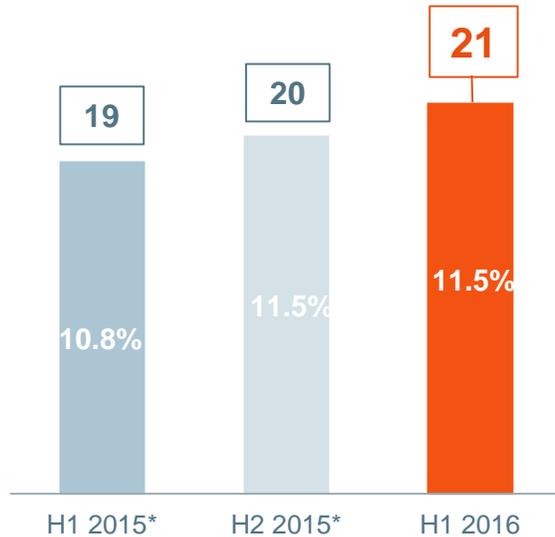
Current Operating Margin H1 2015*	8.6%
Volume / mix effects	-0.4%
Price effects	-0.7%
Competitiveness	+1.9%
Inflation and other	-1.6%
Current Operating Margin H1 2016*	7.8%

* Restated (cf press release)

INCREASE IN OPERATING RESULT VS H2 2015 FOR BOTH SEGMENTS

■ ELECTRICAL POWER

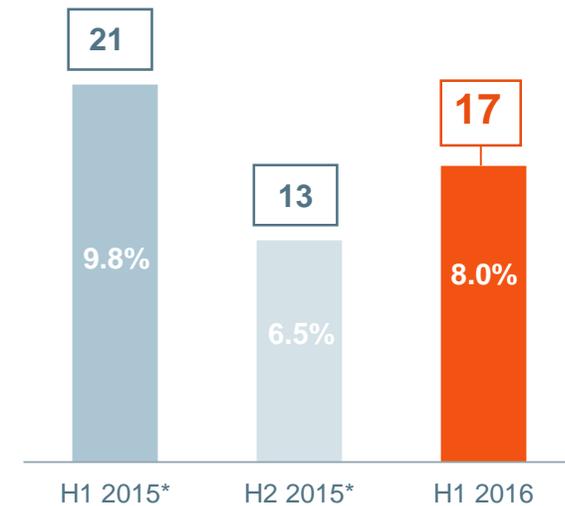
IN €M AND % OF SALES



Current
Operating
Result

■ ADVANCED MATERIALS

IN €M AND % OF SALES



> INCREASE IN MARGIN

H1 2016 vs H1 2015

- POSITIVE VOLUME/MIX EFFECTS
- NEGATIVE PRICE EFFECT IN THE US
- GAINS IN COMPETITIVENESS

> CHALLENGING CONDITIONS

H1 2016 vs H1 2015

- NEGATIVE VOLUME/MIX EFFECT
- NEGATIVE PRICE EFFECT IN GRAPHITE
- GAINS IN COMPETITIVENESS

* Restated (cf press release)

INCREASE COMPETITIVENESS

■ OPERATIONAL EXCELLENCE PLAN (PRESENTED IN MARCH 2016)

- Enhance **manufacturing processes**
- Save on **purchasing**
- Increase the **redesign to cost** approach
- Reduce certain items of **fixed costs**

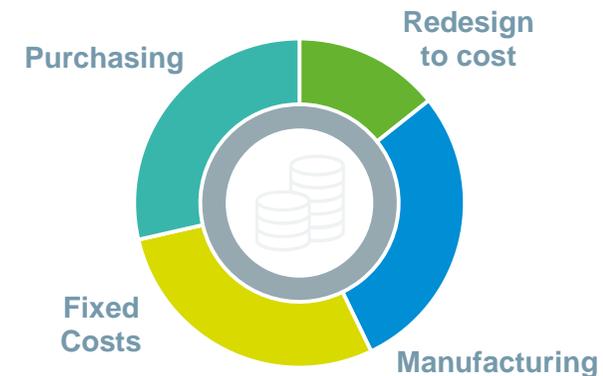
€30m in gross costs reduction **over 2/3 years**

■ ACHIEVED AT THE END OF JUNE 2016:

- Save on purchasing, productivity
- Gain of **€7m** (restructuring costs: €3.5m)

■ FULL-YEAR 2016

- Continued efforts on productivity, reduction of fixed costs
- Forecasted gain: **€15m**

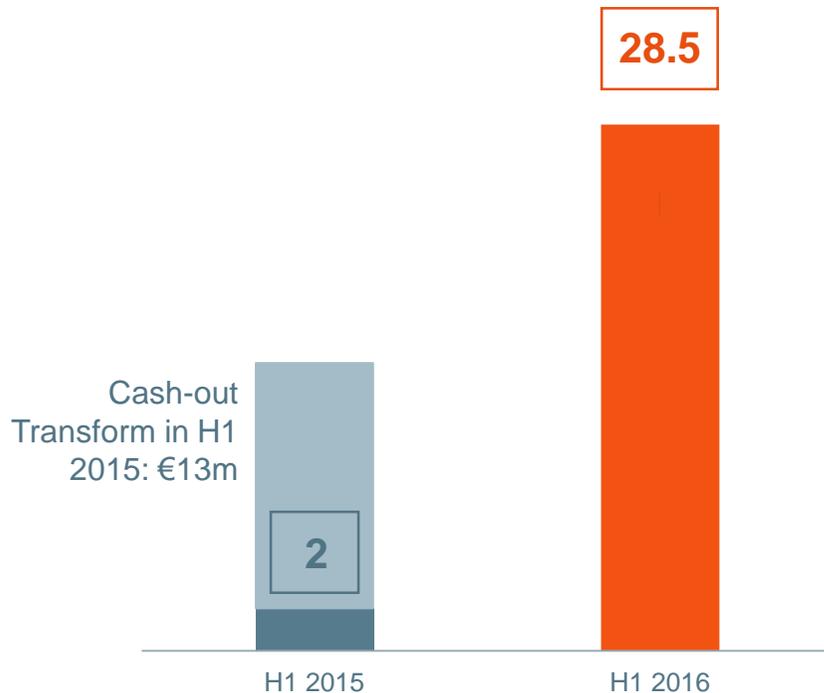


NET RESULTS

€ million	H1 2016	H1 2015 restated	
Operating Income before non-recurring items	30.5	33.7	
In % of sales	7.8%	8.6%	
Non recurring income and expenses	(3.5)	(1.1)	Mainly restructuring costs
Amortization of intangible assets	(0.7)	(0.5)	
Net Finance income	(6.0)	(6.5)	
Income tax	(7.0)	(8.8)	Effective tax rate 34%
Net income from continuing operations	13.3	16.8	
Net income/(loss) on assets held for sales and discontinued operations	(1.0)	(0.1)	
Net income	12.3	16.7	
Net income attributable to equity holders of the parent	11.3	16.1	

STRONG CASH-FLOW FROM OPERATING ACTIVITIES

■ CASH-FLOW BEFORE CAPITAL EXPENDITURE IN €M



■ STRONG IMPROVEMENT IN CASH-FLOW BEFORE CAPITAL EXPENDITURE:

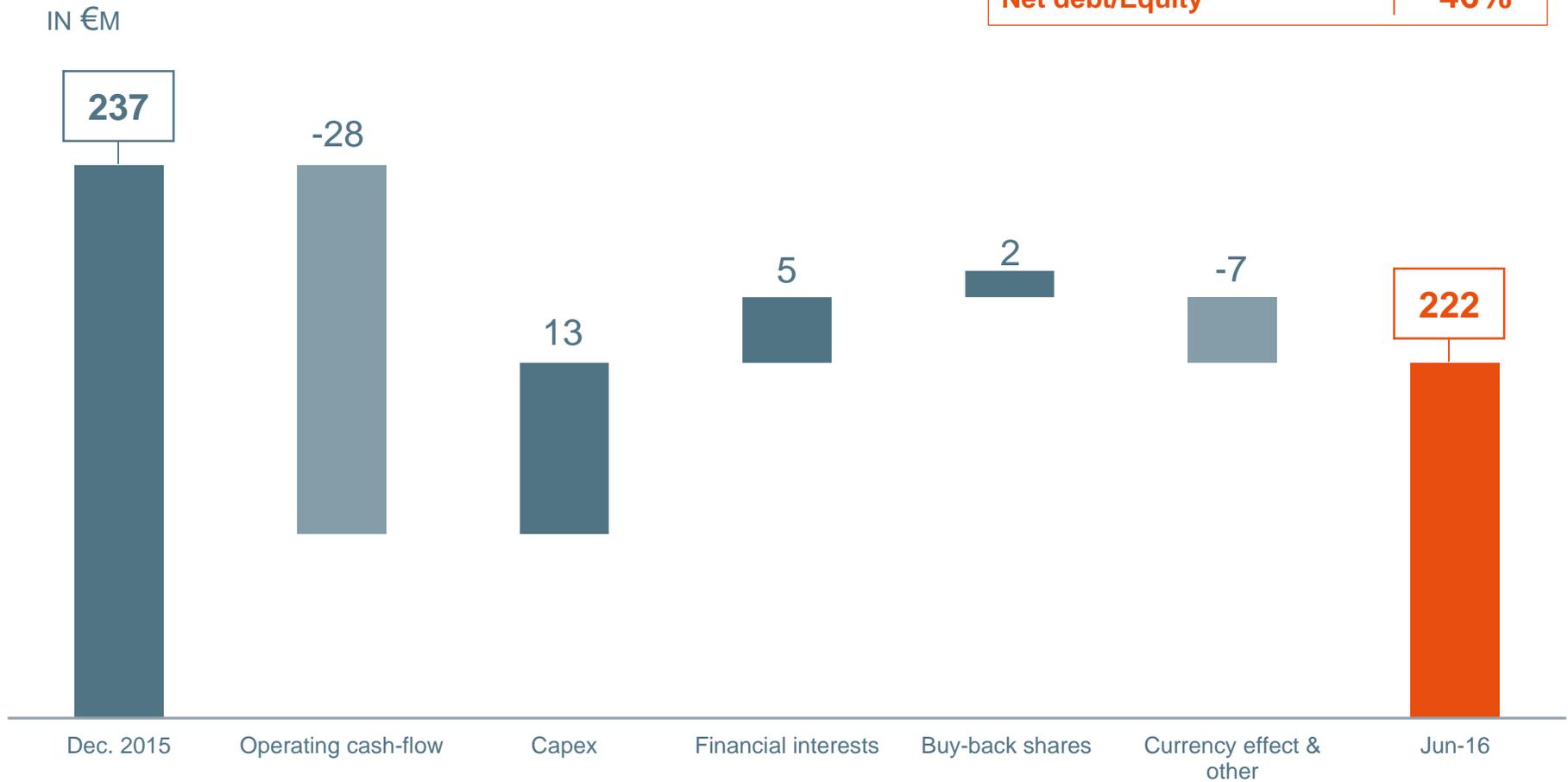
- Optimized management of inventories
- Low level of tax paid

■ CAPITAL EXPENDITURE

- €13m vs €17m in H1 2015 (including Transform)
- Some project delayed to H2

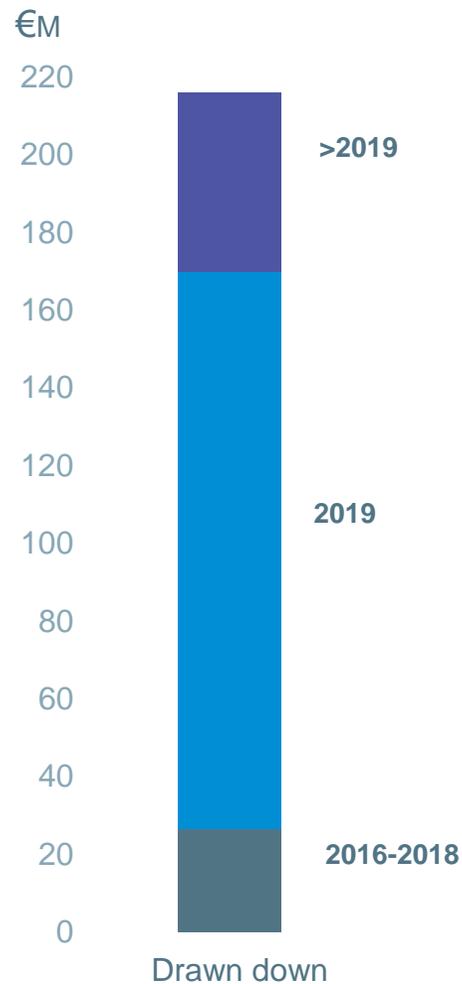
REDUCTION IN NET DEBT

Net debt/EBITDA	2.2
Net debt/Equity	46%



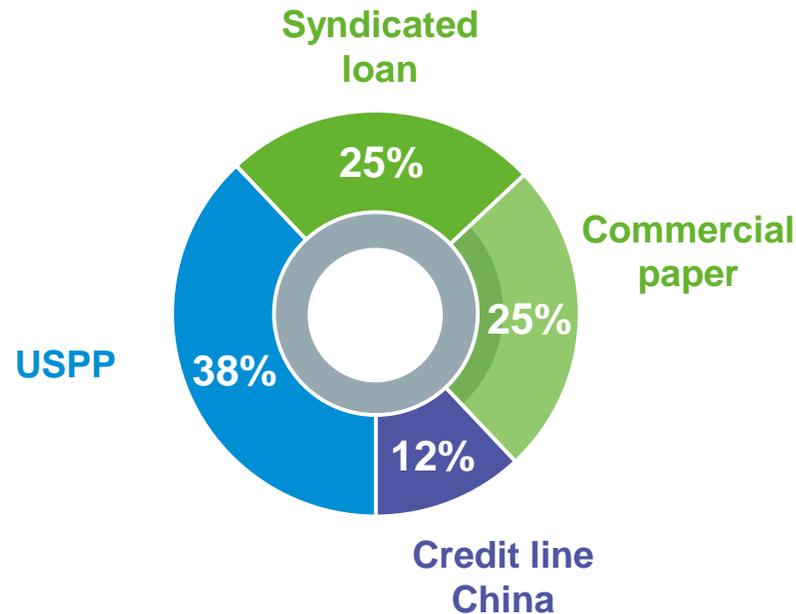
ROBUST BALANCE SHEET WITH DIVERSIFIED FINANCING

MATURITY



SOURCES OF FINANCING

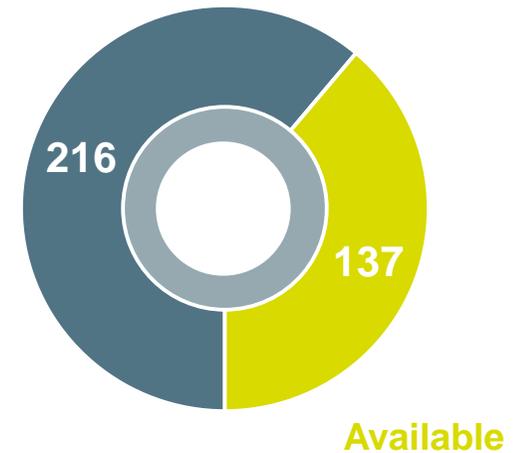
(CONFIRMED LINES AND COMMERCIAL PAPER)



COMMITTED CREDIT LINES*

(IN €M)

Drawn down



* Excluding confirmed lines as back-up for commercial paper program

2016 OUTLOOK

> ASSUMPTIONS FOR H2:



- Growth in renewable energies and transportation
- No recovery in chemicals
- Persistently unfavorable pricing environment
- Caution due to global economic environment (US, Brexit)
- Continuation of competitiveness plans

No change in FY guidance

Like-for like sales of the same order of magnitude as in 2015
Operating margin before non-recurring items around 7.5%

OVER THE MEDIUM TERM, A POWERFUL AMBITION OF GROWTH BOTH IN SALES AND PROFITABILITY

MERSEN'S STRENGTHS

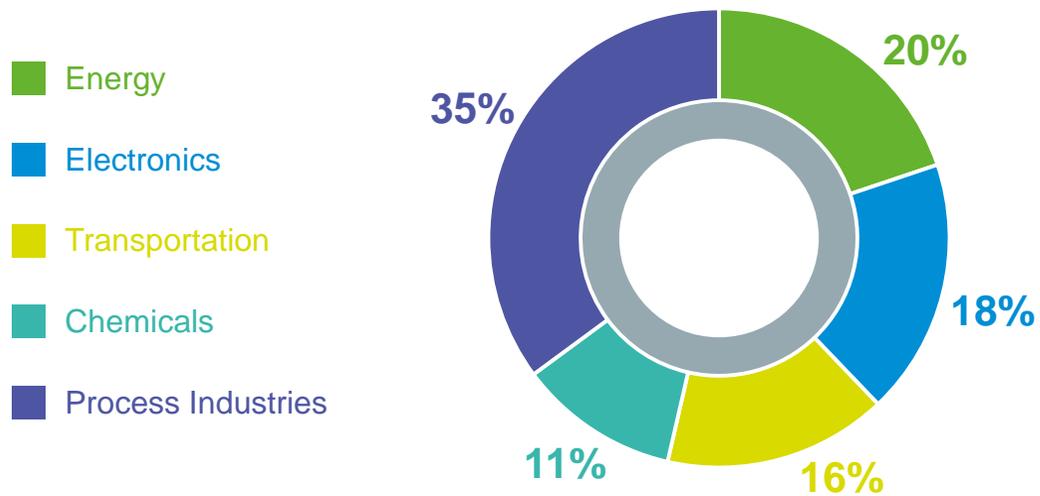
- **MARKET AND GEOGRAPHIES DIVERSIFICATION** ENABLE MERSEN TO COMPENSATE AN UNFAVORABLE ECONOMIC ENVIRONMENT
- **VIBRANT EXPANDING MARKETS**
- **AMBITIOUS COMPETITIVENESS PLAN** TO CAPTURE EXPANDING MARKETS
- **ABILITY TO ADAPT QUICKLY**



APPENDIX

■ SALES BY END-MARKETS

H1 2016 SALES BY END-MARKETS



in % of H1 2016 sales