



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

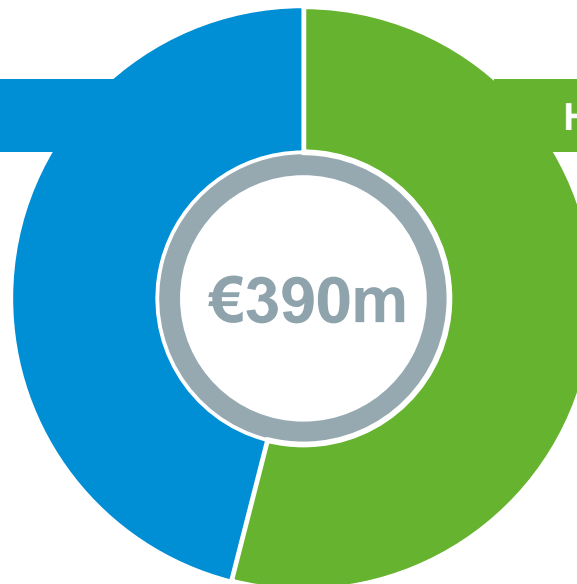
H1 Organic Growth | +0.9%

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

ADVANCED MATERIALS

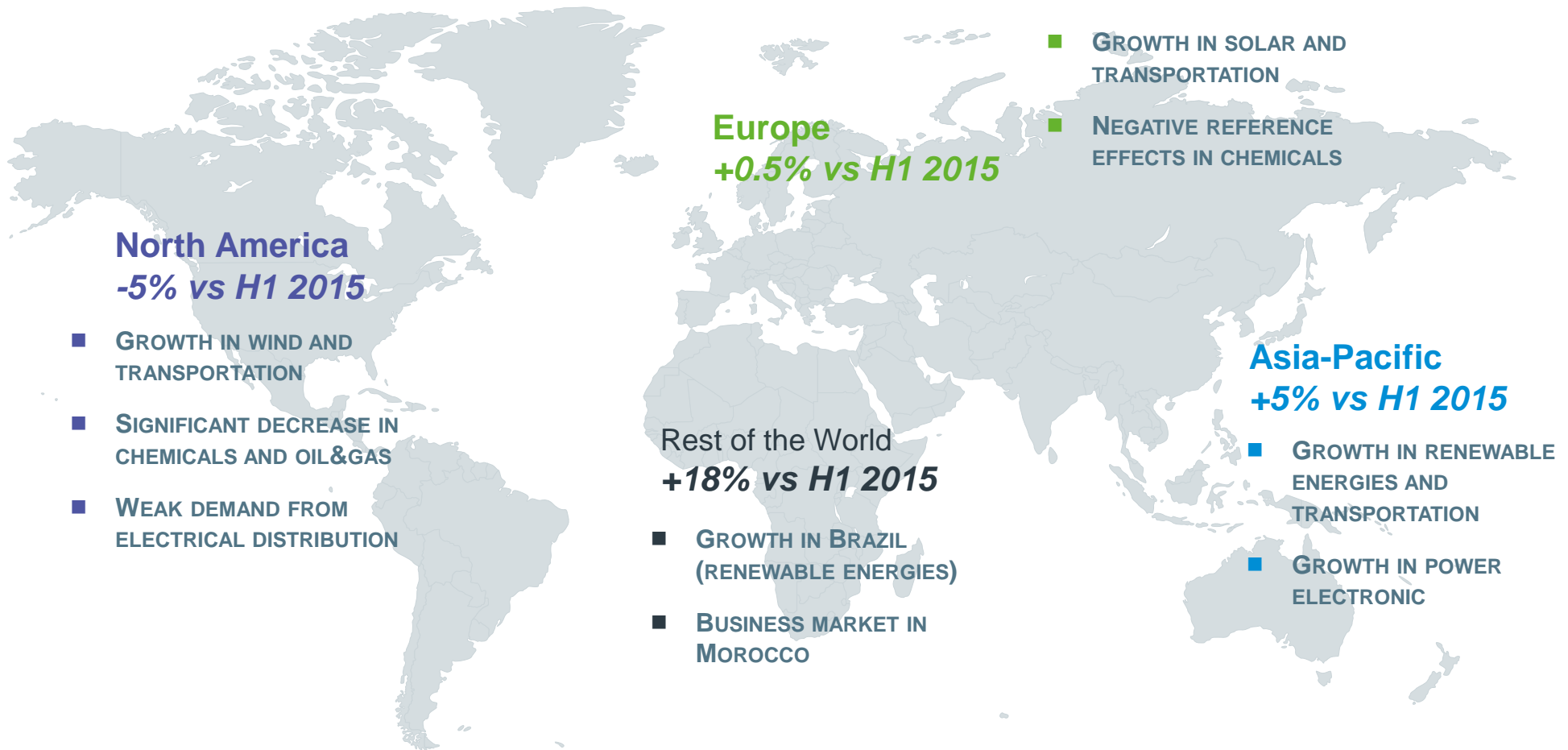
H1 Organic Growth | -0.3%

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

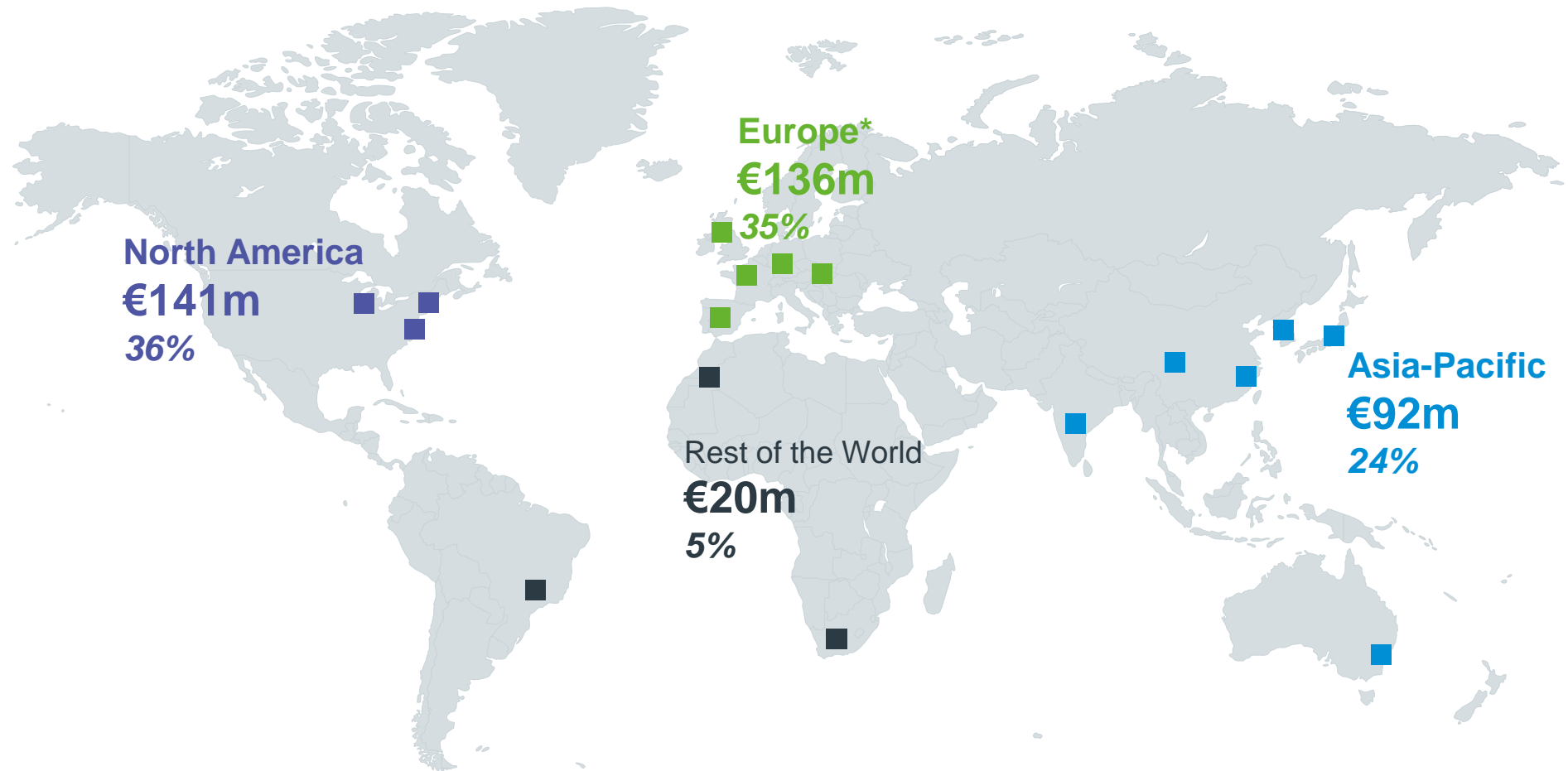


2016 Half-year sales figures

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



A LOCAL AND GLOBAL COVERAGE PROVIDING OPPORTUNITIES AND LIMITING RISKS

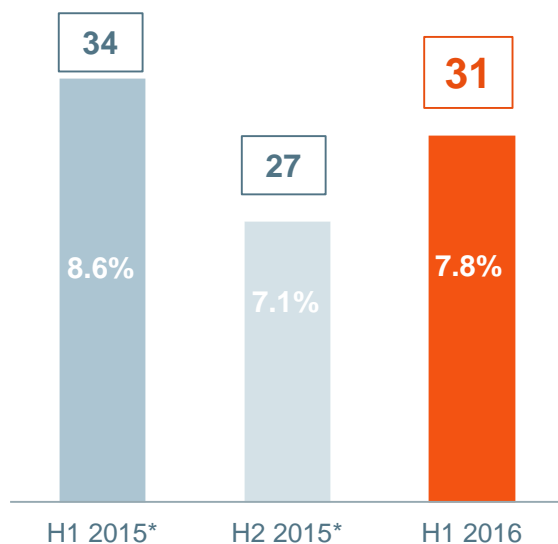


□ Main industrial sites

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

OPERATING MARGIN

In €m and % of sales



In %

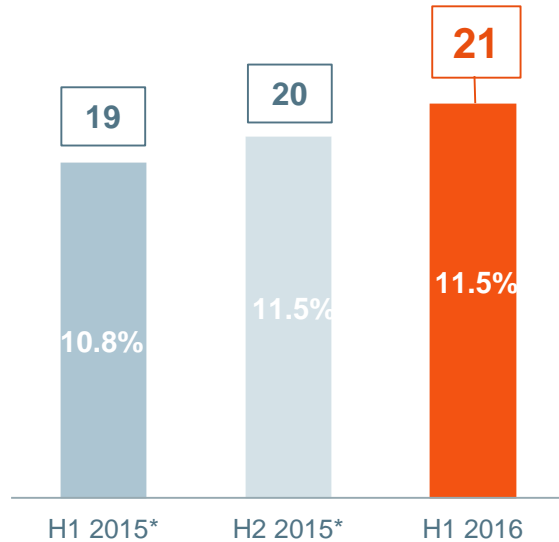
Current Operating Margin H1 2015*	8.6%
Volume / mix effects	-0.4%
Price effects	-0.7%
Competitiveness	+1.9%
Inflation and other	-1.6%
Current Operating Margin H1 2016*	7.8%

* Restated (cf press release)

INCREASE IN OPERATING RESULT VS H2 2015 FOR BOTH SEGMENTS

■ ELECTRICAL POWER

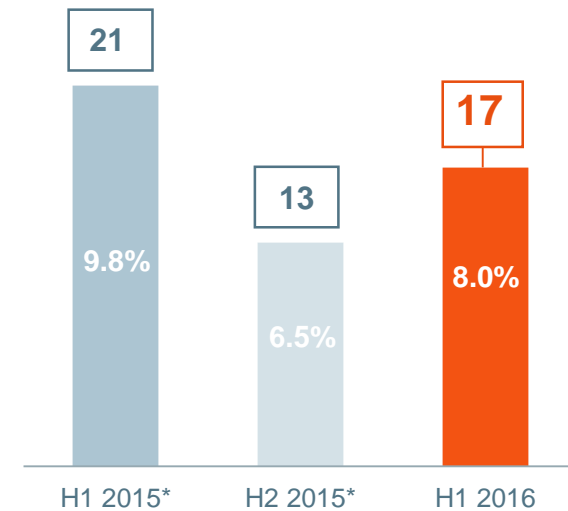
IN €M AND % OF SALES



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**

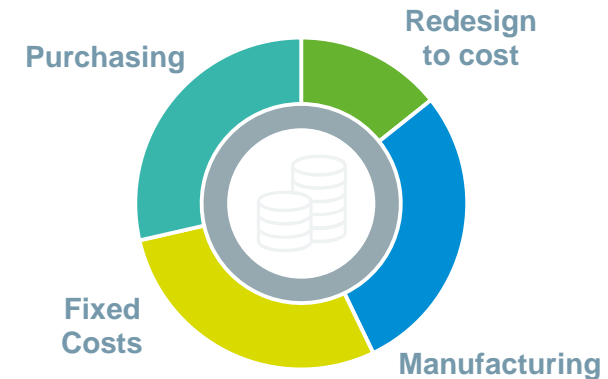
€30m in gross costs reduction **over 2/3 years**

■ 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**



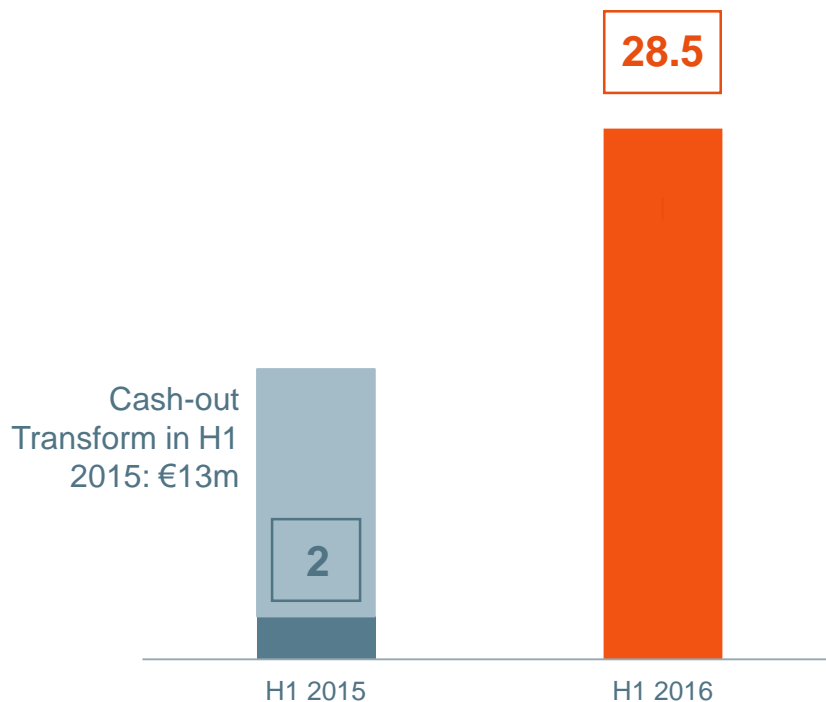
NET RESULTS

€ 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)
Amortization of intangible assets	(0.7)	(0.5)
Net Finance income	(6.0)	(6.5)
Income tax	(7.0)	(8.8)
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

■ Mainly restructuring costs
■ Effective tax rate 34%

STRONG CASH-FLOW FROM OPERATING ACTIVITIES

■ CASH-FLOW BEFORE CAPITAL EXPENDITURE IN €M



■ STRONG IMPROVEMENT IN CASH-FLOW BEFORE CAPITAL EXPENDITURE:

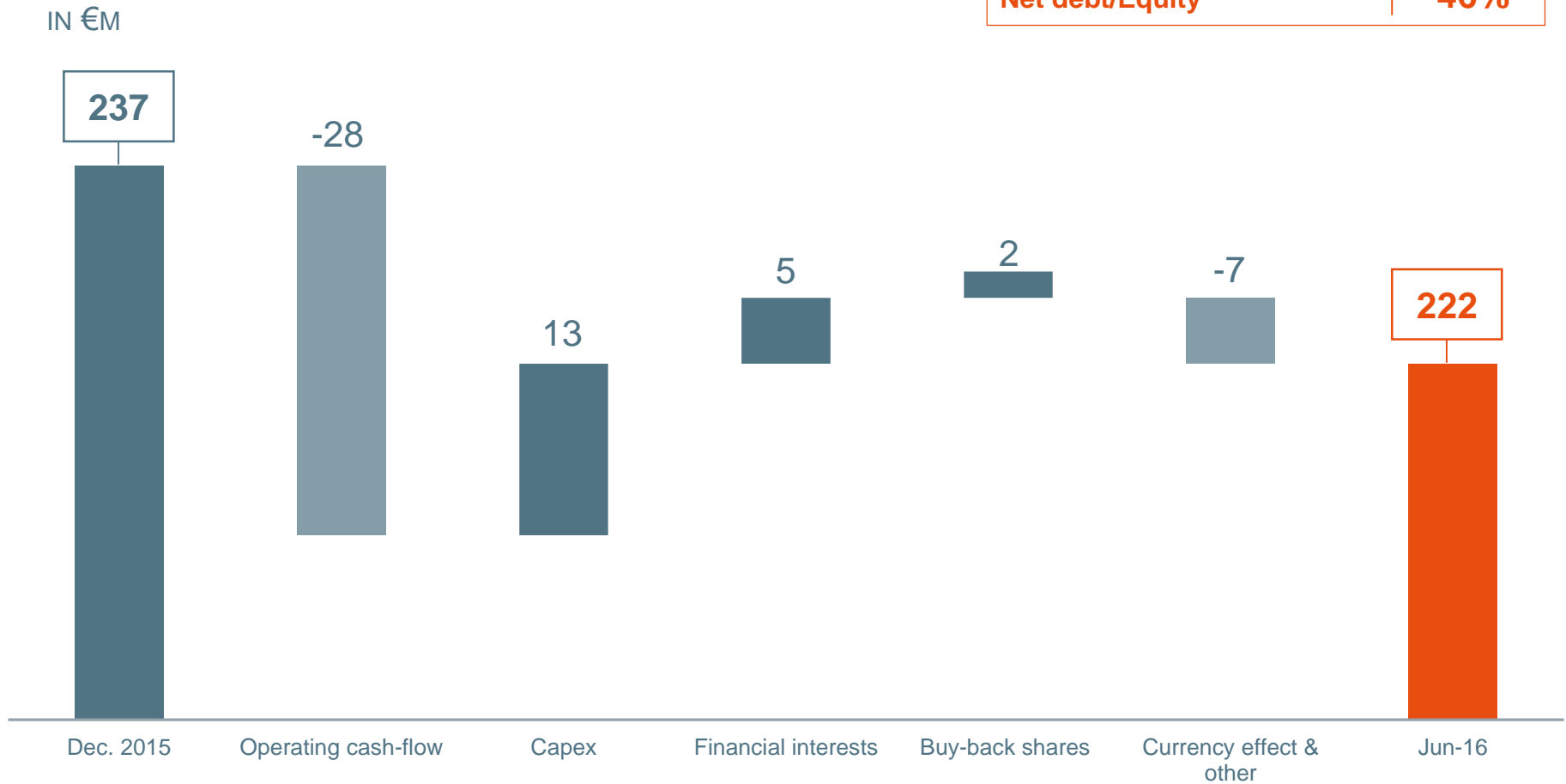
- Optimized management of inventories
- Low level of tax paid

■ CAPITAL EXPENDITURE

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

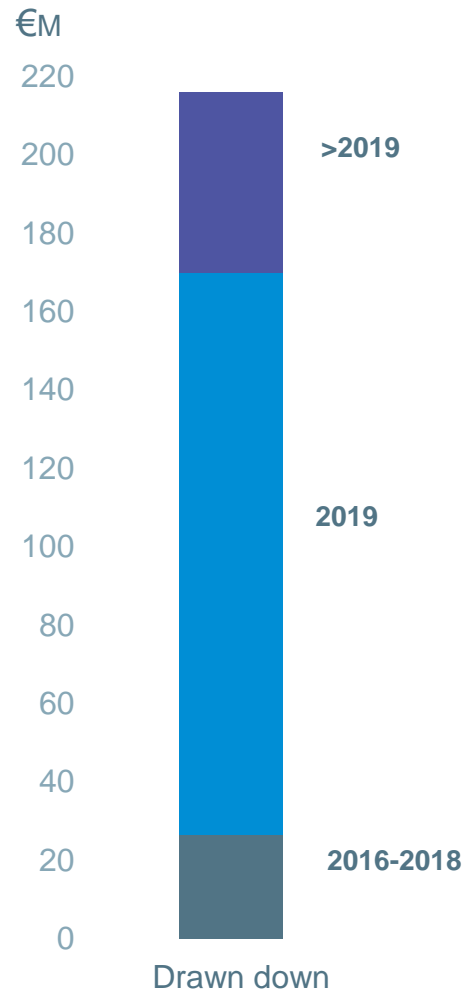
REDUCTION IN NET DEBT

Net debt/EBITDA	2.2
Net debt/Equity	46%



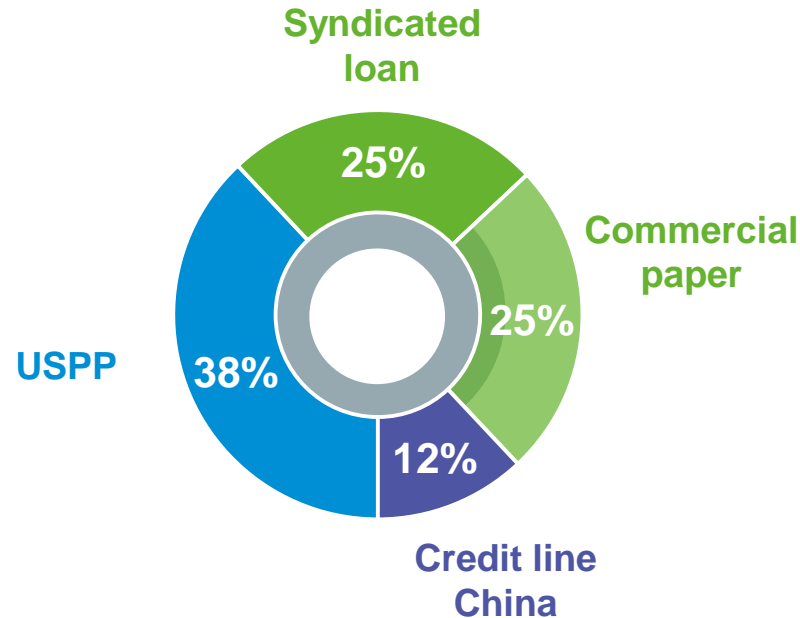
ROBUST BALANCE SHEET WITH DIVERSIFIED FINANCING

MATURITY



SOURCES OF FINANCING

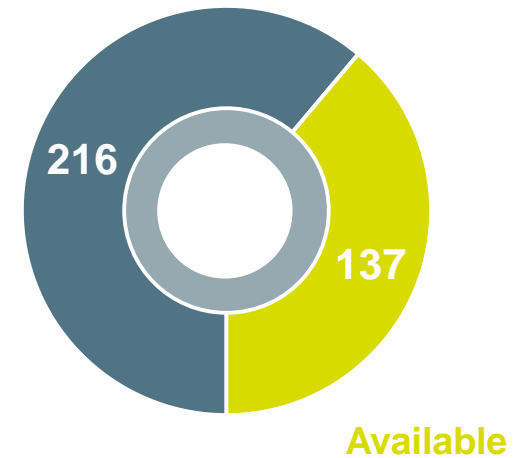
(CONFIRMED LINES AND COMMERCIAL PAPER)



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

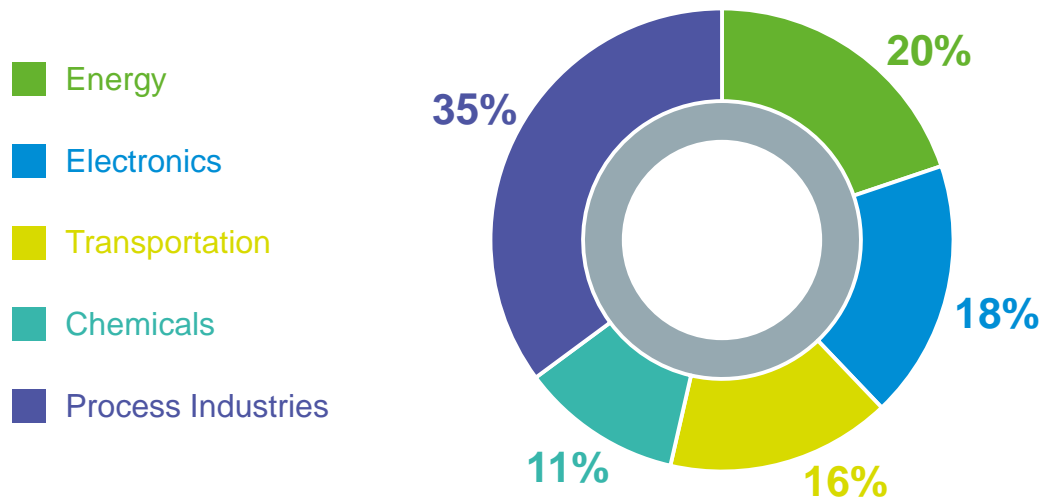
- **MARKET AND GEOGRAPHIES DIVERSIFICATION** ENABLE MERSEN TO COMPENSATE AN UNFAVORABLE ECONOMIC ENVIRONMENT
- **VIBRANT EXPANDING MARKETS**
- **AMBITIOUS COMPETITIVENESS PLAN** TO CAPTURE EXPANDING MARKETS
- **ABILITY TO ADAPT QUICKLY**



APPENDIX

■ SALES BY END-MARKETS

H1 2016 SALES BY END-MARKETS



in % of H1 2016 sales