MERSEN

Expertise, our source of energy

2020
Annual Results

AND 2021 PRIORITIES

2020: Good performance in an unprecedented year

Sales: €847m down 11% vs 2019, with broadly stable sustainable development markets

Operating margin before non-recurring items: 8.1% of sales

Free cash flow: €76m*
vs €60m in 2019, resulting in **record-low net debt**

Shareholder return:
Dividend of **€0.65/share**

* Cash-flow from operating activities after industrial capex

Targeted measures when needed: furlough and short-time working schemes, targeted restructuring

Continued strategic plans by segment: industrial optimization, investments

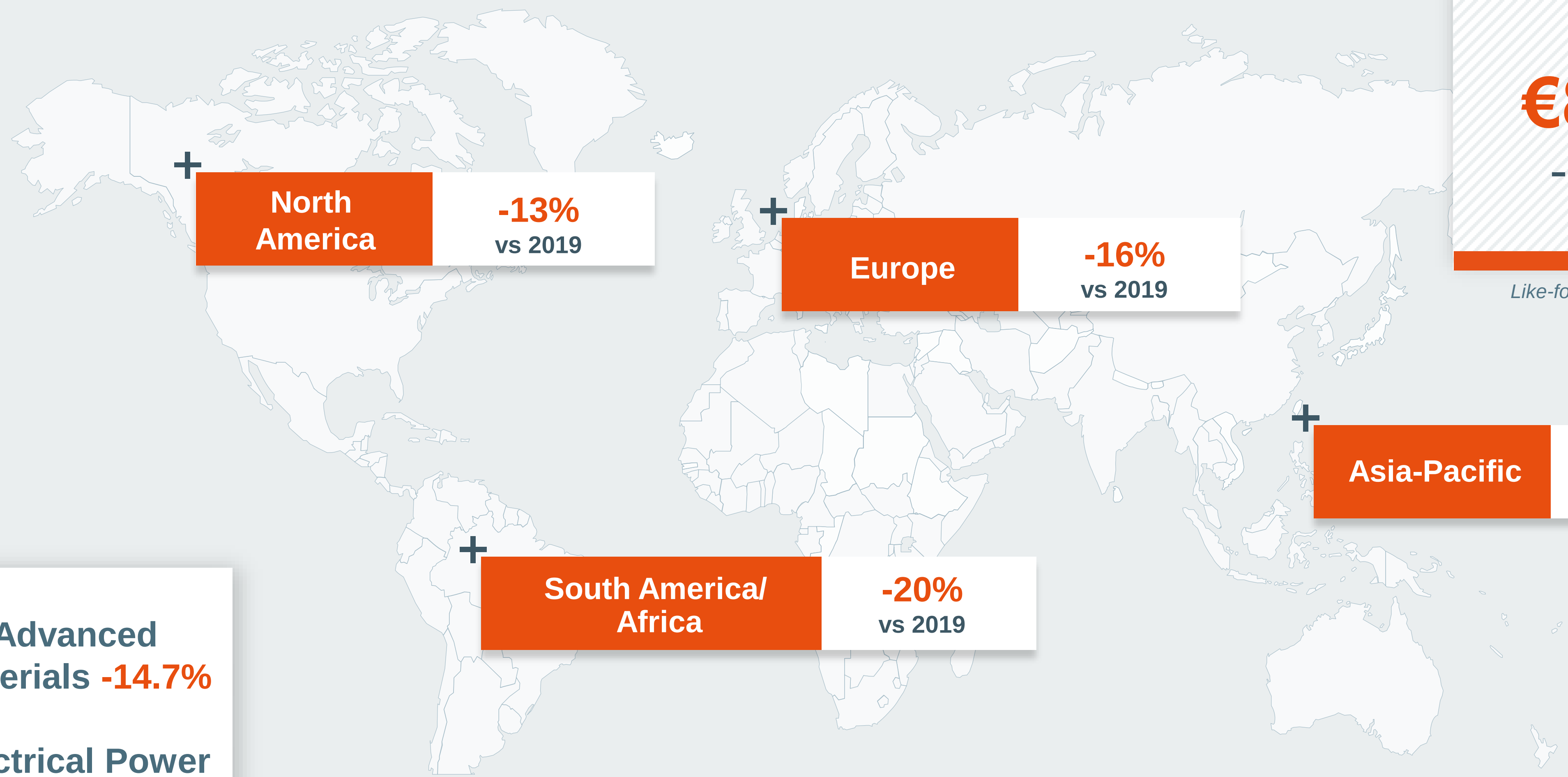
Committed teams:
even at the height of the crisis, **85%** of plants were operational
Motivated teams: **91%** proud to belong to the Group

01

2020 Results

Thomas Baumgartner

Contained decrease in 2020 sales



€847m
-11.4%
Like-for-like growth (as a %)

North America -13% vs 2019

Europe -16% vs 2019

Asia-Pacific -2% vs 2019

South America/ Africa -20% vs 2019

Advanced Materials -14.7%

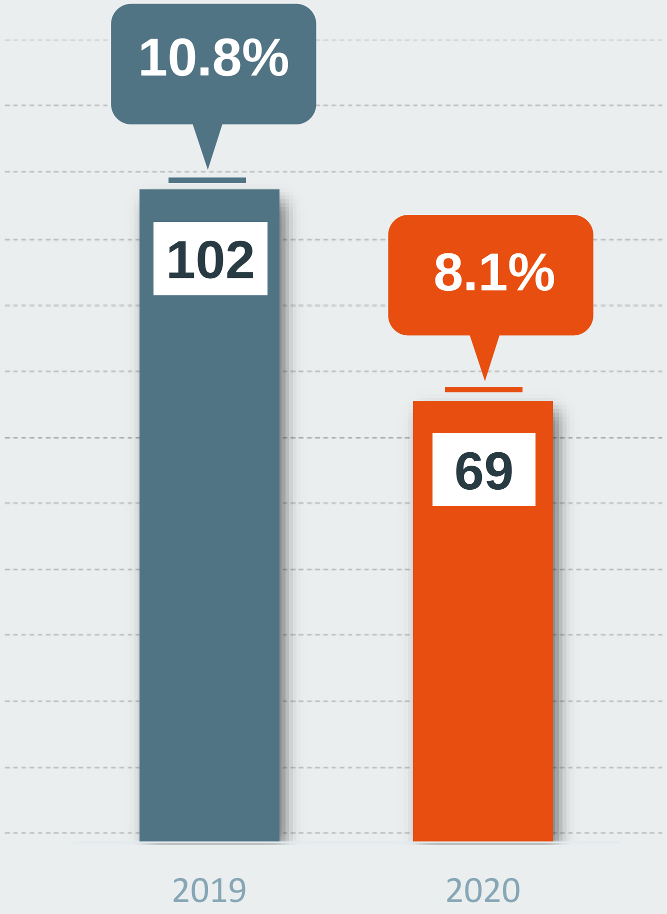
Electrical Power -7.1%

Like-for-like growth (as a %)

The Asia-Pacific region stands out, with 8% growth in China

Profitability held up well

Operating income before non-recurring items (€m)
Operating margin before non-recurring items (% of sales)



2019 operating margin before non-recurring items	**10.8%**
Volume/mix effects	-3.9
Net savings excluding additional costs linked to the health crisis	+1.4
Productivity gains	+1.1
Cost inflation	-1.1
Other	-0.2
2020 operating margin before non-recurring items	**8.1%**

2020 EBITDA
€123m
14.5% of sales

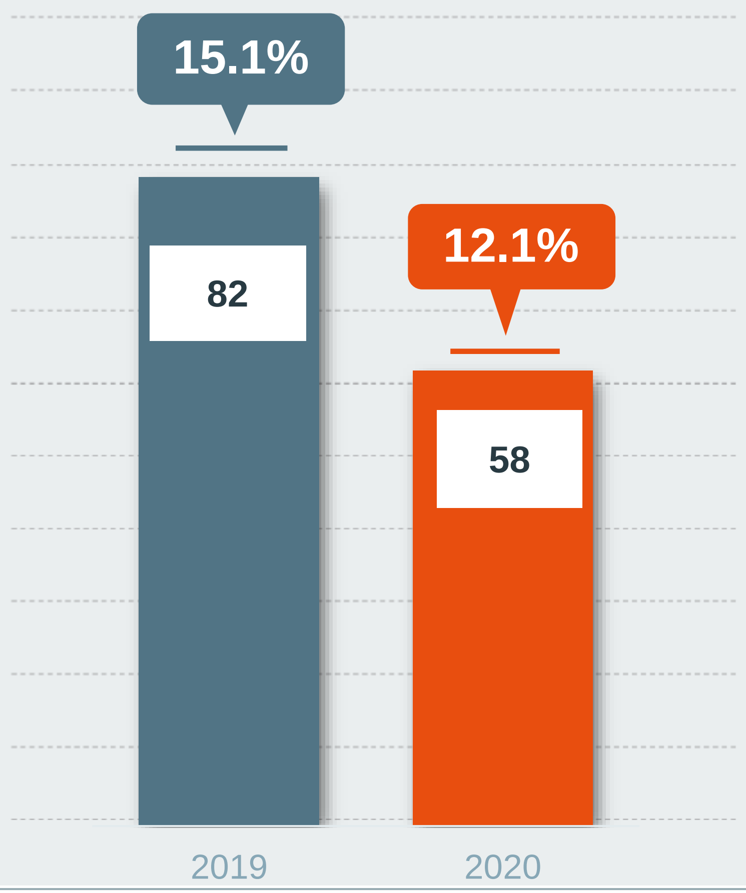
2019 EBITDA
€155m
16.3% of sales

MERSEN

Both segments contributed to the Group's resilience

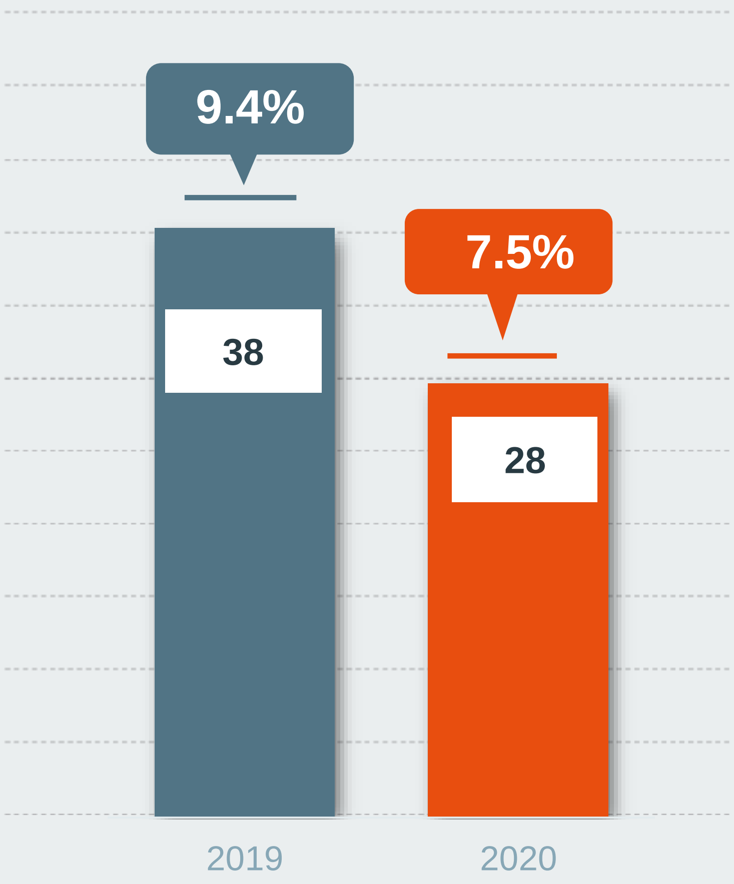
Operating income before non-recurring items (€m)
Operating margin before non-recurring items (% of sales)

Advanced Materials



- **Negative volume effect** – more significant in AM
- **Stable prices** in both segments
- **High cost flexibility** in both segments
- **Positive effect of the productivity plan** in EP segment

Electrical Power



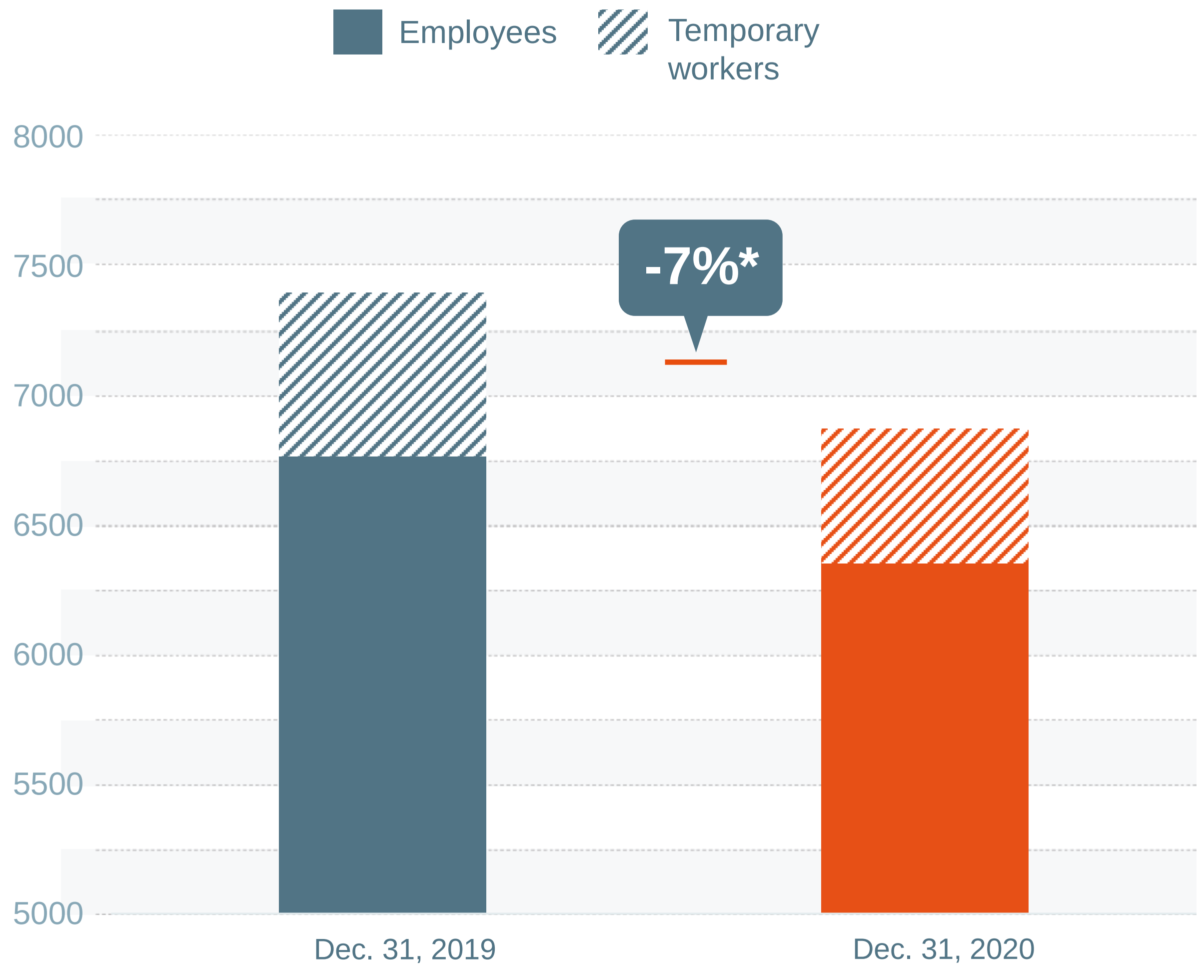
Net income impacted by non-recurring items

In €m	2019	2020
Operating income before non-recurring items	**102.2**	**68.6**
Non-recurring income and expenses	(11.3)	(51.4)
Financial income	(13.2)	(12.0)
Income tax	(17.9)	(14.0)
Net income	**59.8**	**(8.8)**
Attributable to owners of the parent	57.3	(12.0)

Non-recurring expenses
Restructuring costs: €17m
Impairment of under-used assets: €8m
Goodwill impairment for ACE: €17m
Litigation and acquisition costs: €8m

High effective tax rate
(2018 rate: 24% - 2019 rate: 23%)
Due to the recognition of non-deductible non-recurring expenses
Impairment losses on deferred tax assets: €4m

Adaptability in human resources in 2020



* At constant scope of consolidation (excluding GAB Neumann)

Flexibility through short-time working and furlough schemes (maximum 10% of employees at the height of the crisis)

7% reduction in the number of employees and temporary workers

Targeted adaptation plan

Strong downturn in the aeronautics and chemicals markets

Continued **review of operational efficiency** in the Electrical Power segment

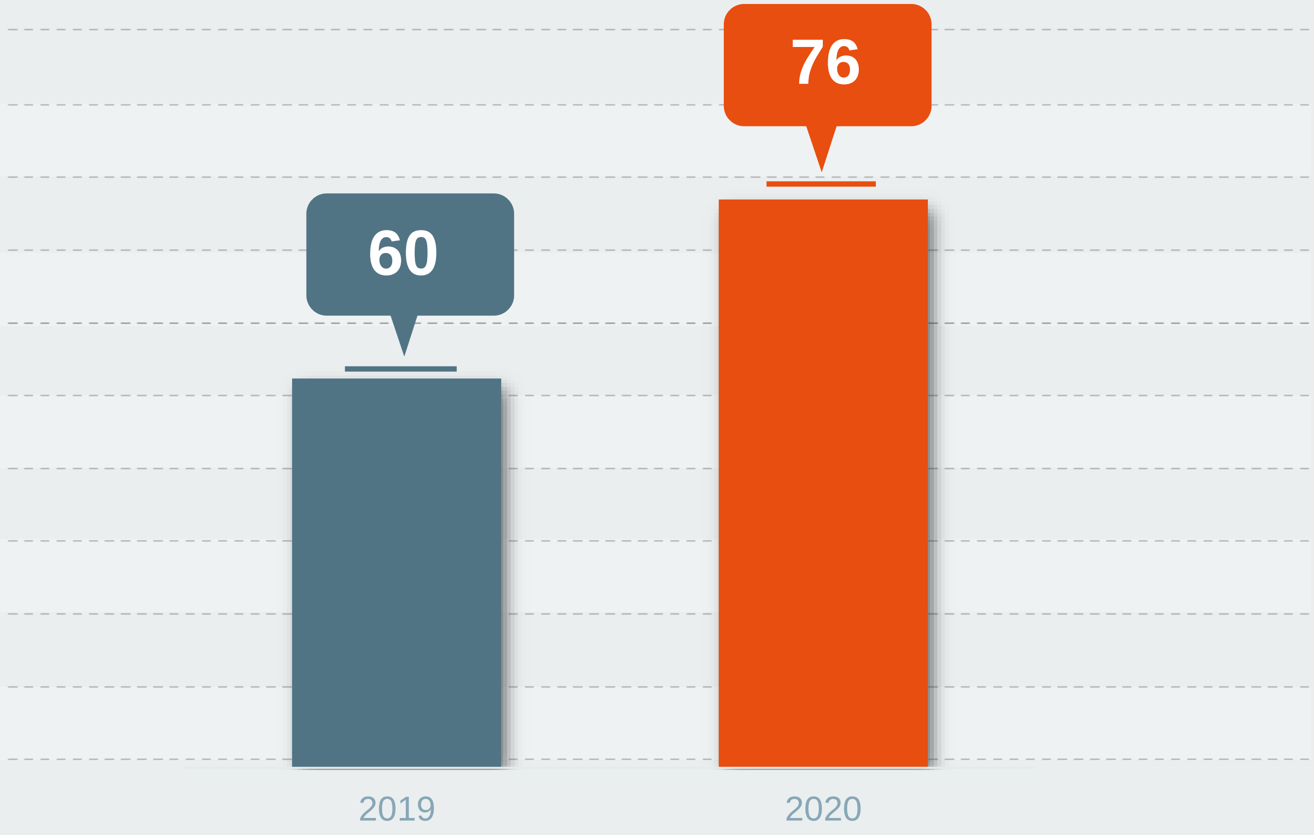
Impact on P&L

€ millions	**2020**	**2021**	**2022**	*Total*
Adaptation plan	**17**	**5**		*22*
Total expected savings based on 2019 cost structure		**10**	**16**	*16/y*
Cash-out of adaptation plan	**5**	**17**		*22*

Solid generation of operating free cash flow

FCF in €m

Free operating cash flow after capital expenditure



Cash flow conversion*
103%
(79% in 2019)

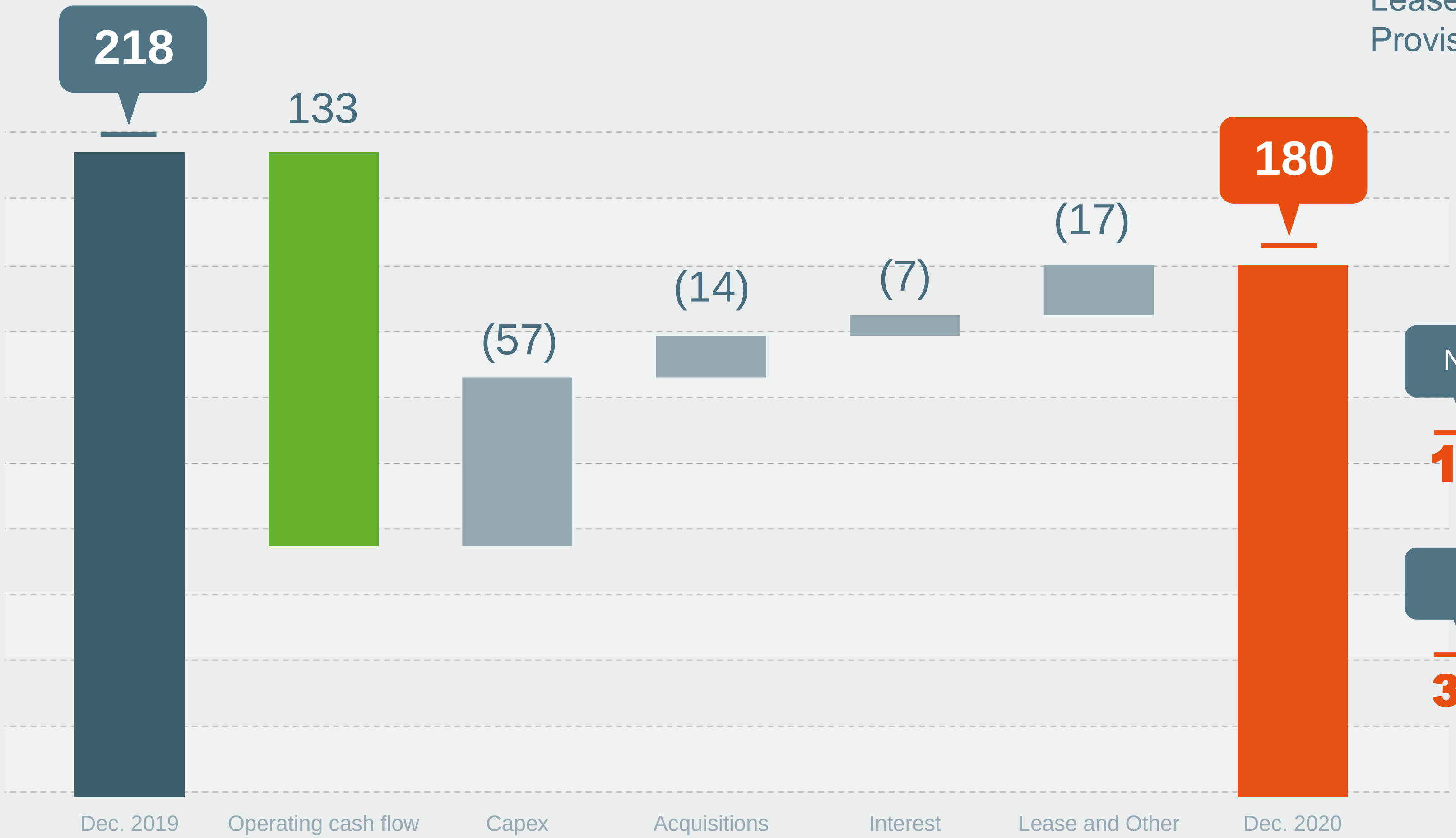
Funding for capex
€57m

WCR 20.5% of sales
(22% in 2019)

* Operating cash flow before capex/EBITDA

Significant reduction in **net debt**

Not including
Lease liabilities: €47m
Provisions for pension obligations: €72m

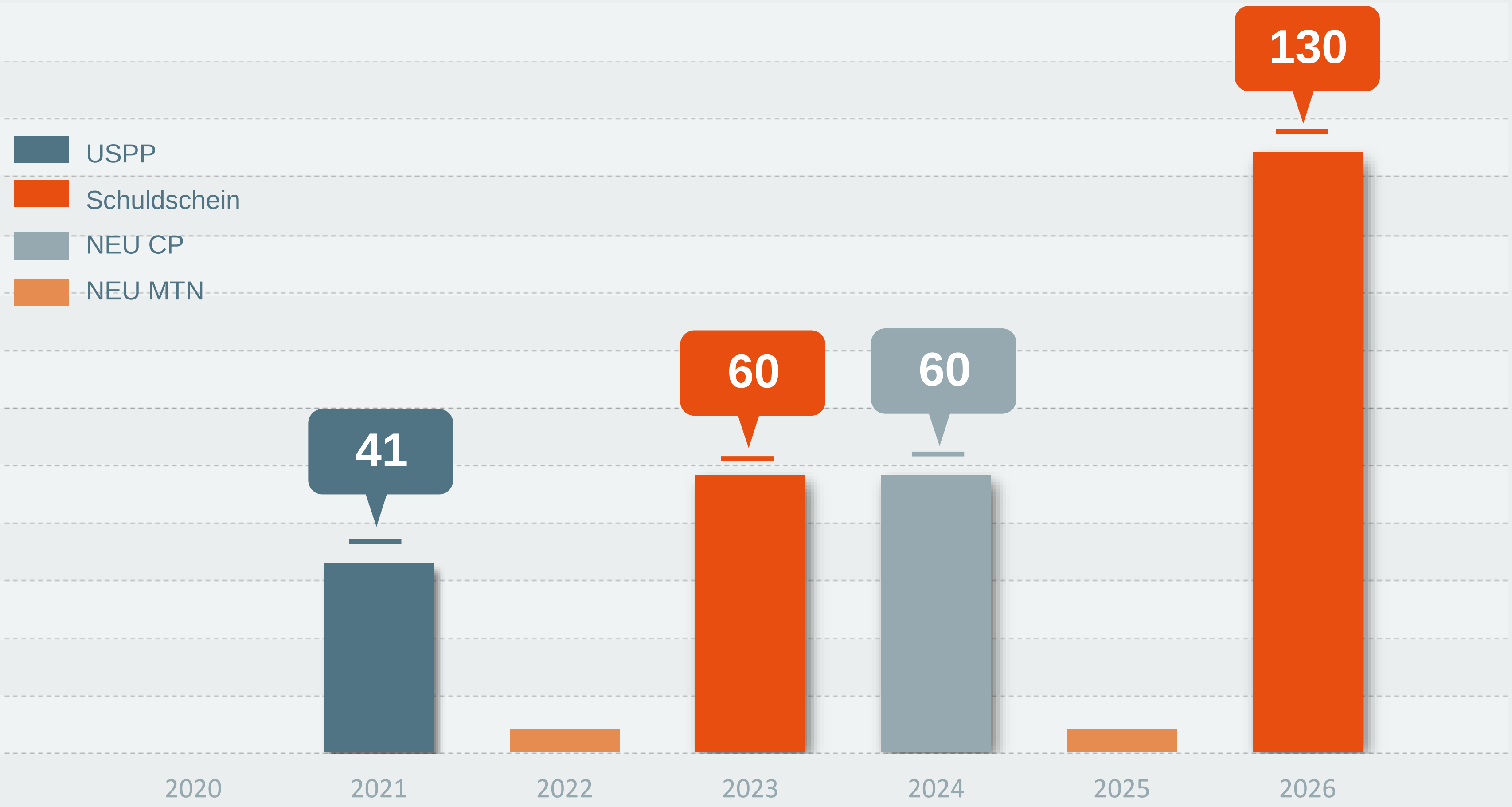


Net debt/EBITDA
1.65

Net debt/Equity
33%

A solid balance sheet with liquidity to cover repayments for the next few years

DRAWN CREDIT LINES
AT DECEMBER 31, 2020 IN €M



UNDRAWN CREDIT LINES
€160M

CASH AVAILABLE
€110M

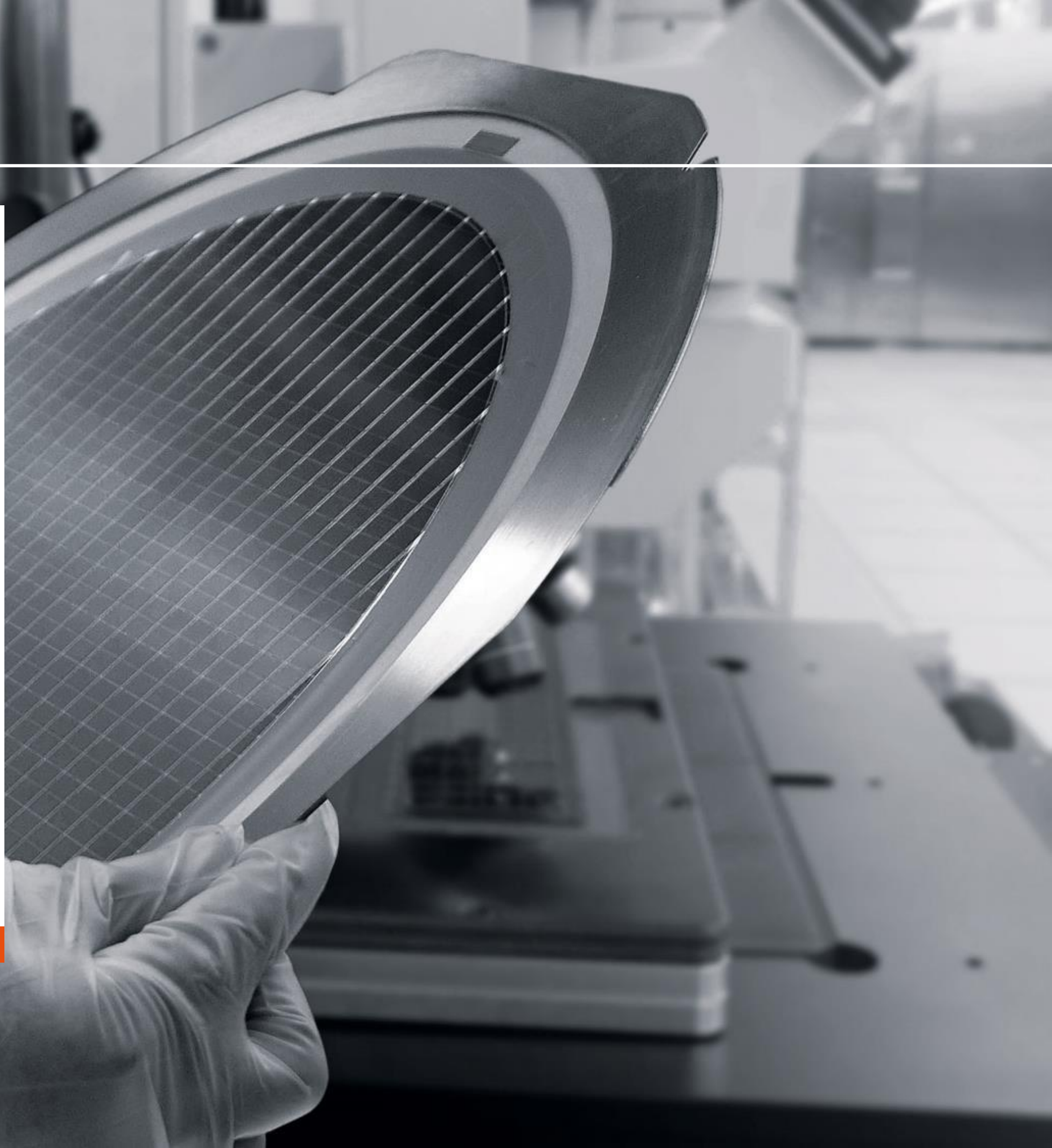
MATURITY
4 YEARS

NEU CP: Negotiable European Commercial Paper

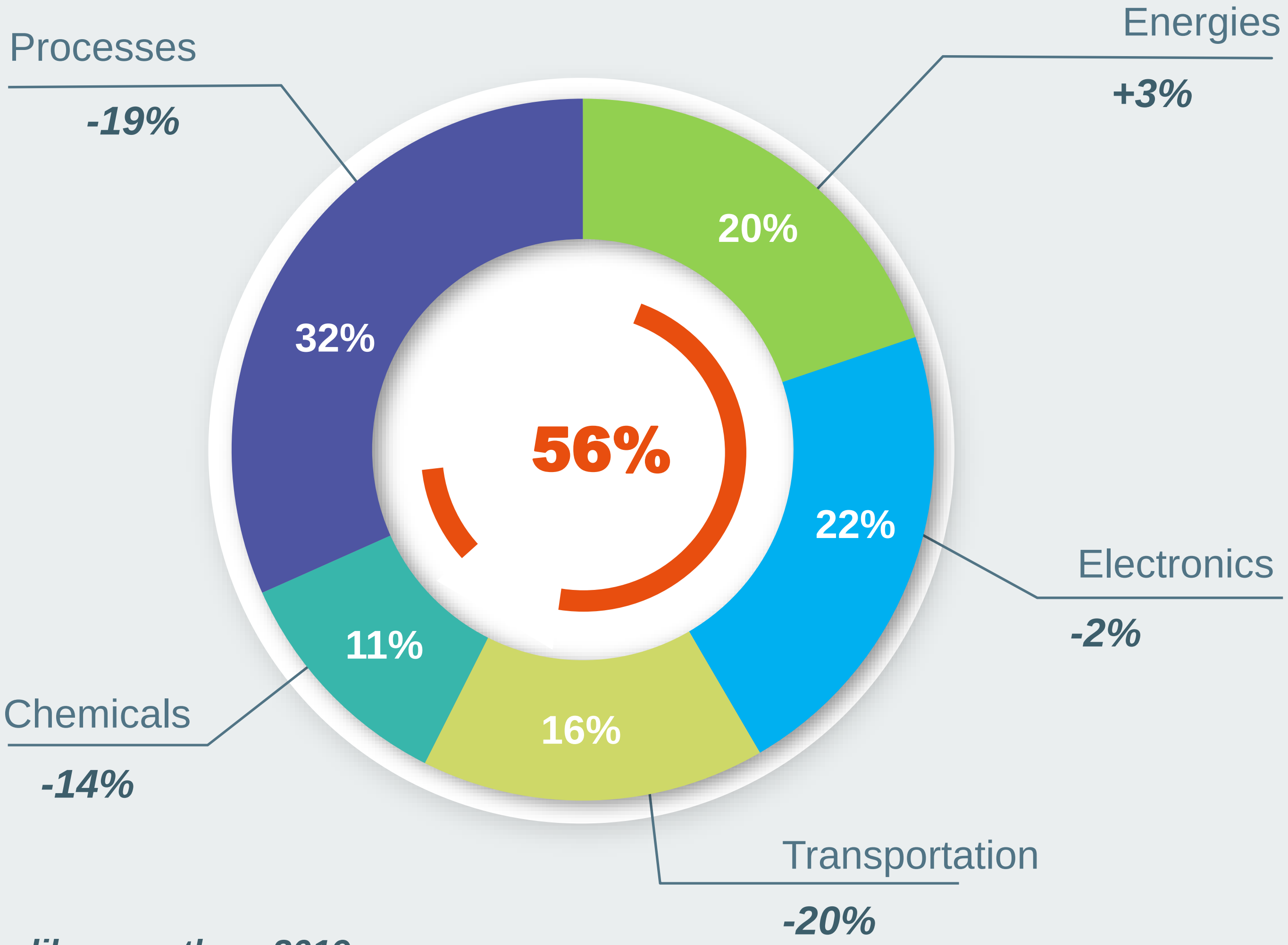
02

2021 priorities and outlook

Luc Themelin



Positioned on buoyant sustainable development markets



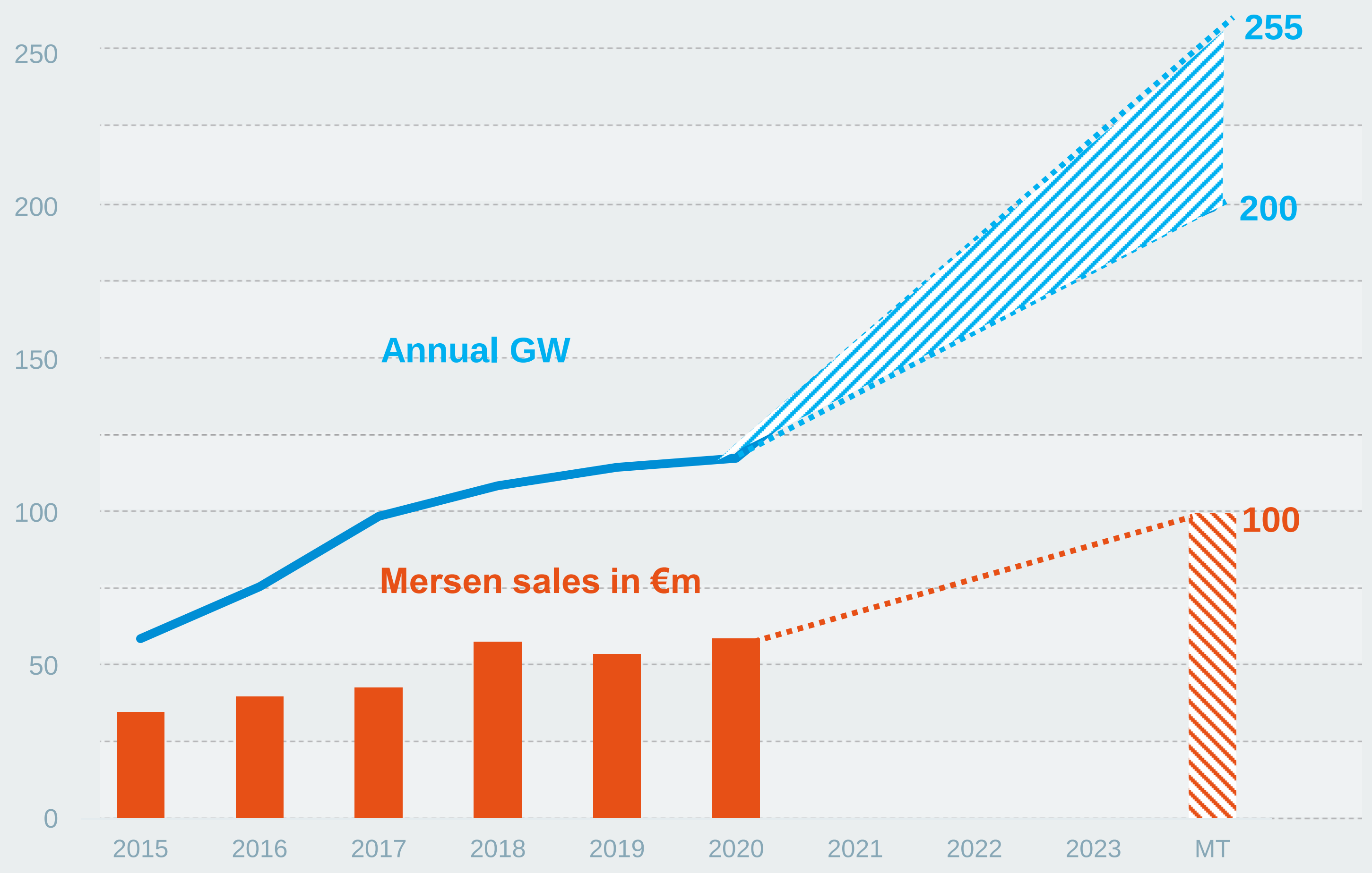
Like-for-like growth vs 2019

56% of sales for sustainable development markets
Stable sales in 2020 vs 2019

... offering growth opportunities in the short and medium-term

		2020	2021	2022-2023 trend
Energy	+ Solar power	↗ ↗	↗ ↗	↗ ↗
	+ Wind power	→	→	→ ↗
	Conventional energy	↘	→	→
Electronics	+ Manufacture of SiC semi-conductors	→	↗ ↗	↗ ↗
	+ Manufacture of Si semi-conductors	↘	→ ↗	→ ↗
	Power electronics	↘	→ ↗	↗
Transportation	+ Rail	↘	→	↗
	Aeronautics	↘ ↘ ↘ ↘	↘ ↘	→
	+ Electric vehicles	→	→	↗ ↗
Chemicals	Corrosive chemicals	↘ ↘	→	→
Processes	Process industries	↘ ↘ ↘	↗ ? ↗ ↗	↗

Solar: significant potential for Mersen by focusing on premium offer



Sources: IHS, Solar Power Europe October 2020

Expected market growth of **15% per year on average**

Developing technology: **Increase in size of cells (from 152 mm to 210 mm)**

Mersen's positioning on a comprehensive **premium offer**

Isostatic graphite, insulation, C/C composite
Electrical protection for high-power industrial facilities

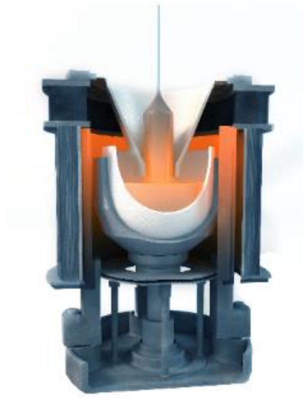
Mersen's expertise applied to premium solar power

ADVANCED MATERIALS SEGMENT

Graphite anticorrosion systems for HCl synthesis

CVD reactors

Graphite electrodes



1,400°C CZ processes

Polysilicon manufacturing	Monocrystalline silicon ingot manufacturing

75% of business

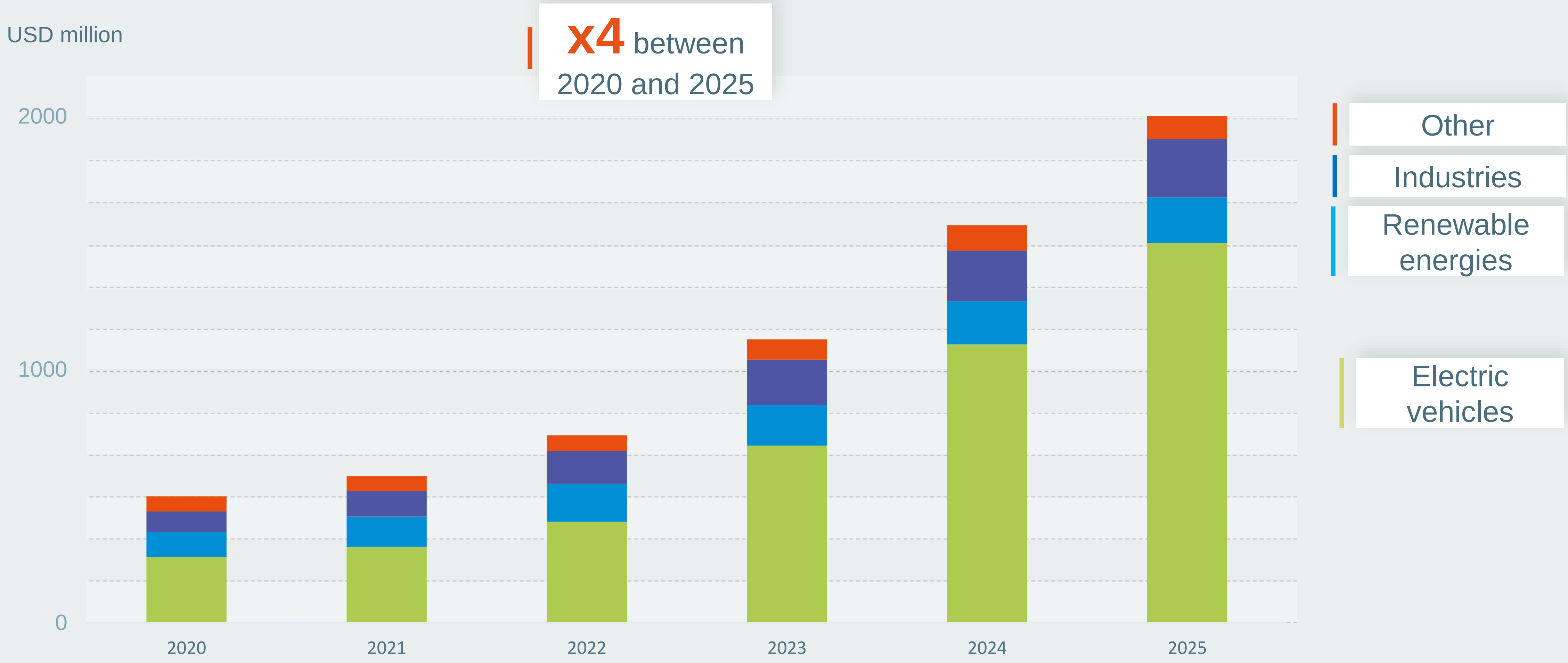
ELECTRICAL POWER SEGMENT

Solar panel protection	Energy storage and conversion

25% of business

2020
SALES
€60M

Growth of the SiC semiconductors market is set to accelerate in line with EV market growth



Source: Yole

Mersen's expertise in SiC semiconductors

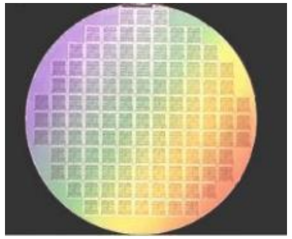
ADVANCED MATERIALS SEGMENT

GRAPHITE, INSULATION FOR FURNACES

Crystal growth

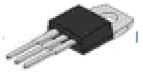
CREE, II-VI, SiCrystal AG, ST

GRAPHITE WAFER CARRIER

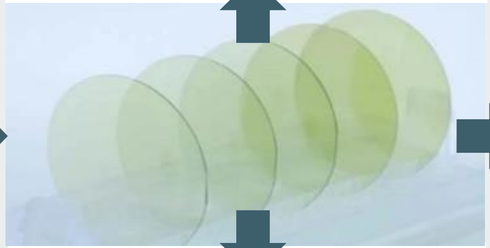


Epitaxy
Ion implantation
Annealing

ST, Infineon, Wolfspeed



Diode, transistor



Power module

Infineon, SEMIKRON innovation + service, Wolfspeed, ST, Fuji, Mitsubishi, ROHM

ELECTRICAL POWER SEGMENT

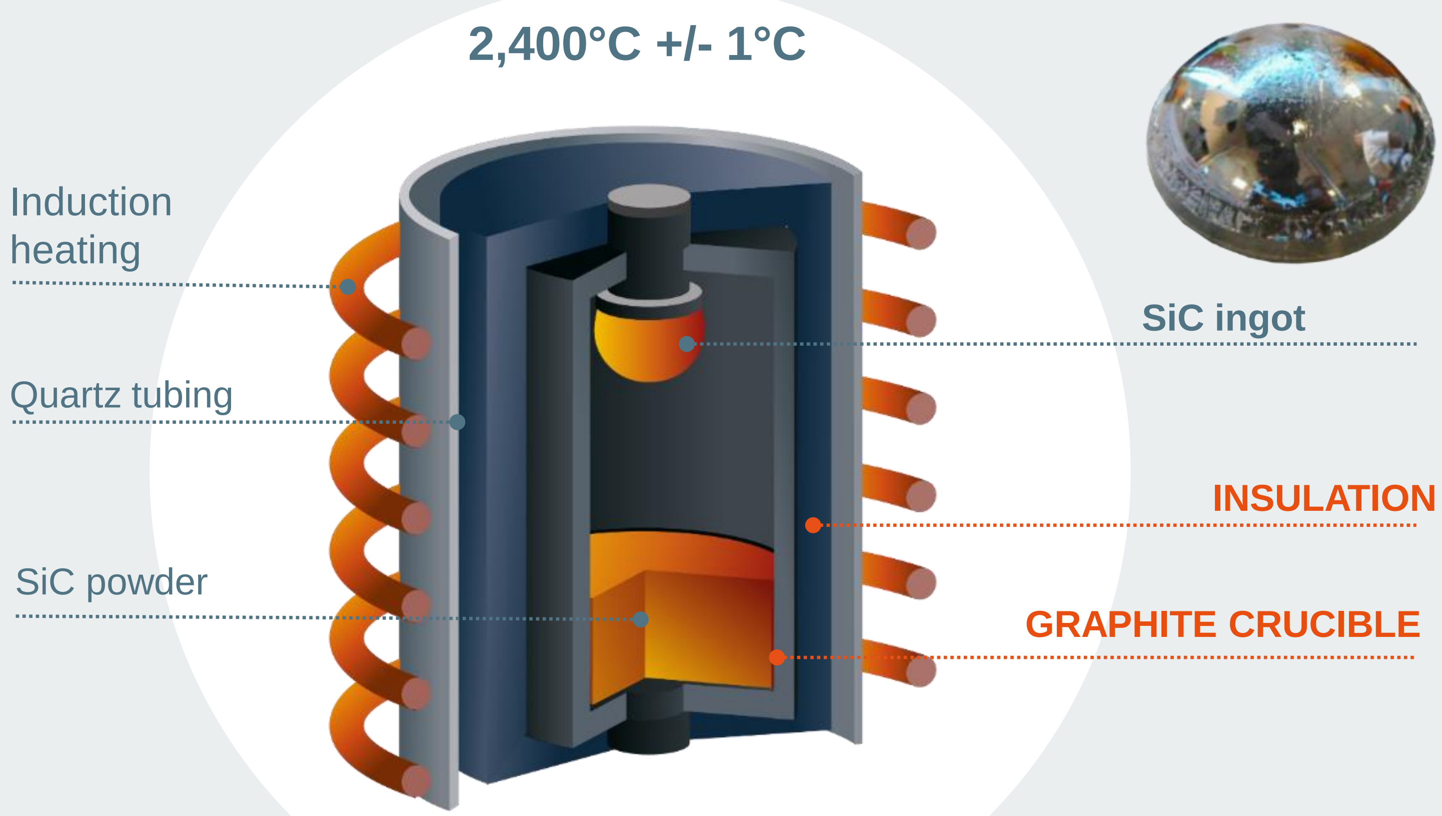
COMPONENTS FOR INVERTERS

Inverter

ALSTOM, Rockwell Automation, BOSCH, TMEiC, ABB, Danfoss, SIEMENS

End markets

Graphite and insulation determine the quality of silicon carbide wafers and therefore the cost of semiconductors



2020 SALES

€30M

Unique position in the sophisticated and intricate SiC manufacturing process

Key products for ingot **quality** (and therefore process efficiency):

- Purity of graphite
- Insulation properties

Expertise through long-standing ties with pioneers in the industry for over 20 years

High-performance industrial system in which we continue to invest

- Investments in Europe from 2019 to 2021: €12m
- Investments in Americas (Americarb + Columbia): €6m

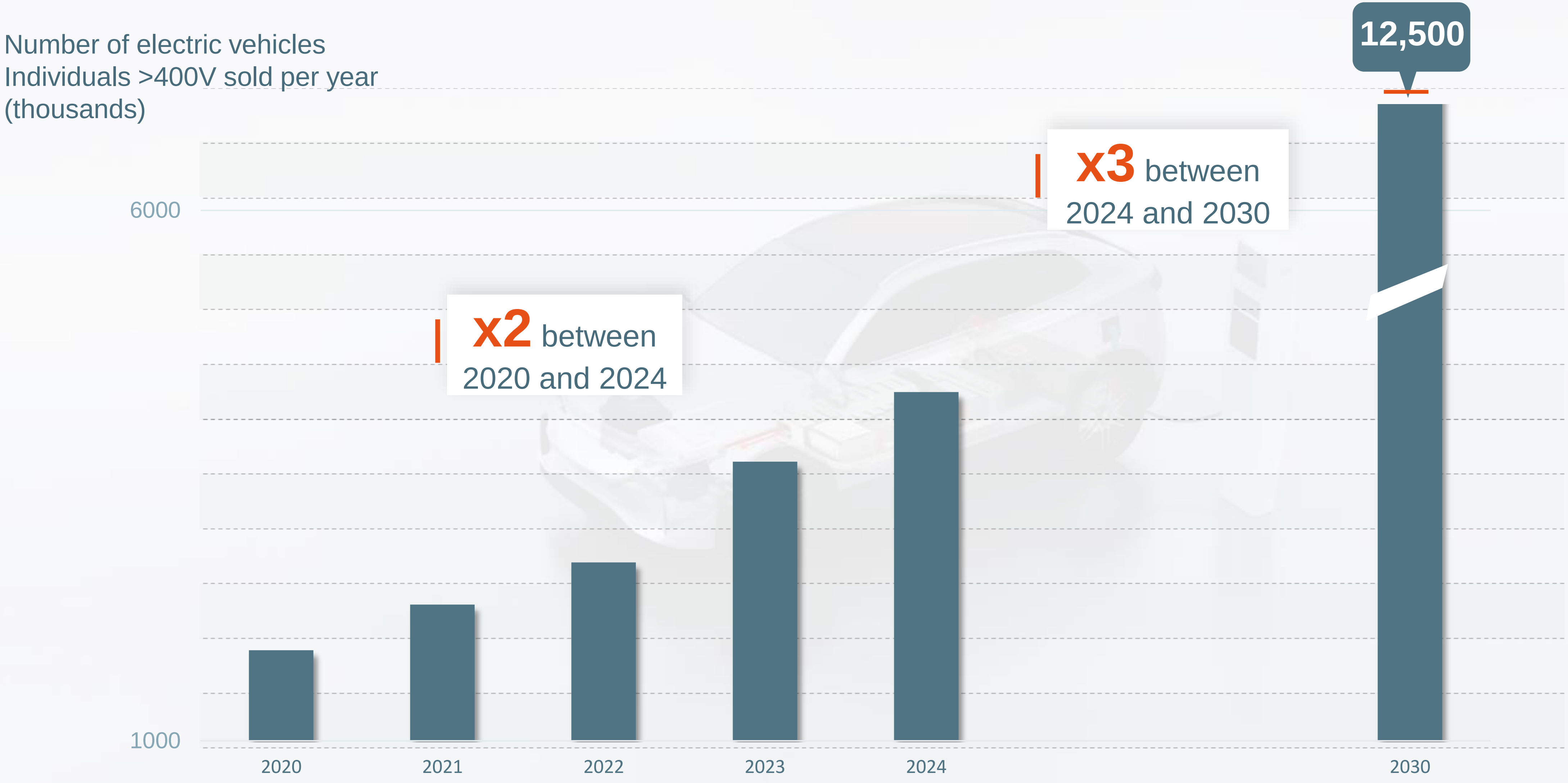
Present across all geographies, close to industry players

- Long-standing leaders
- New entrants (China, 5G)
- Startups, universities, etc.

MID TERM ANNUAL SALES

€50-60M

Electric vehicles: Market growth is accelerating



Source: Mersen estimates

Mersen's offering for EV/HEV applications

BATTERY MODULE

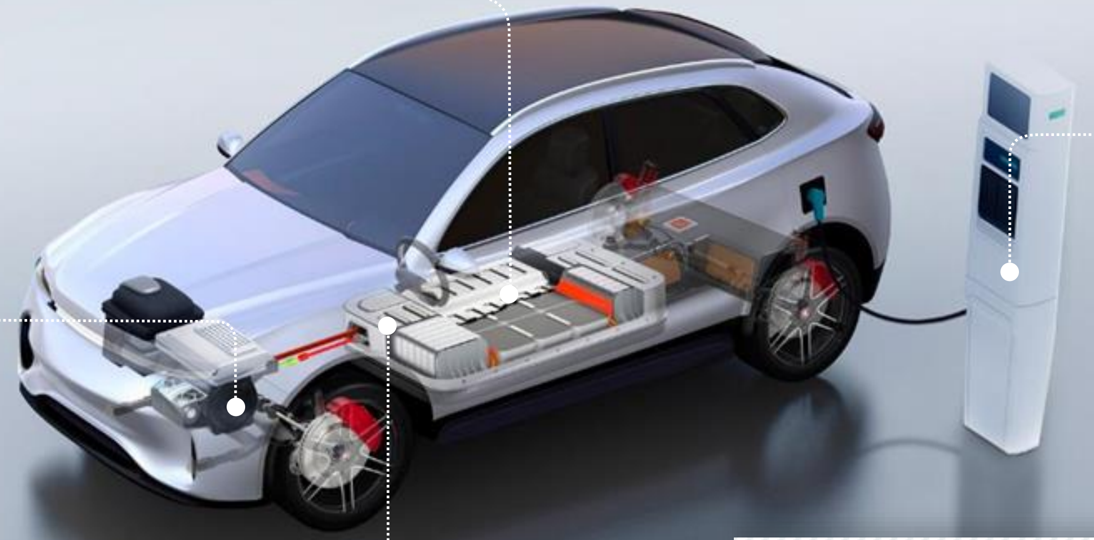
M-fuse
Fuse
Monitoring busbar

INVERTER

Capacitors
Busbar

ELECTRICAL PROTECTION OF VEHICLES

EVpack-fuse
Main fuse
Hybrid fuse
Auxiliary fuse



RAPID CHARGING STATION 50kW-100kW

SPD
Fuse
Busbar

2020
SALES
€15M

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Mersen is successfully adapting to this new market and these new customers

RELATIONS WITH

- Traditional car manufacturers
- New entrants
- Tier-one suppliers for manufacturers
- Battery manufacturers

FIRST CONTRACT WON

- Marquardt
- Contract over the duration of the platform (5 to 7 years)
- Production launch: 2022

TECHNICAL INNOVATION

- Strategic partnership on Hybrid fuse
- Target: EV>800V

GLOBAL PRESENCE

- Eventually, 3 dedicated plants in 3 key regions
- Dedicated teams
- Certified sites

MID-TERM ANNUAL SALES

€40-70M

Columbia, additional capacity to serve our growth markets

2019

June 28, 2019

Closing
Cash-out
USD 7m

2020

Return of facilities
to working order

First batch
extruded graphite

July 2020

Acquisition Americarb Insulation

Cash-out
USD 6m

2021

Transfer and Startup
GRI insulation line (Americarb)

Production launch
Extruded graphite

2022 and beyond

Insulation for **solar and semiconductor** markets, heat processing

Extruded graphite (internal sales) for process industries

Potential additional capacity for **isostatic graphite** (**semiconductors, solar,** process industries)

CAPEX	2019	2020	2021	2022 and beyond
	€5m	**€15m**	**€15m-€20m**	**€5m-€10m** (2022)

Continued industrial optimization

HEALTH AND SAFETY: THE PRIORITY

- Accident frequency rate: 1.54 (medium-term target <1.4)
- Severity rate: 64 (medium-term target <60)

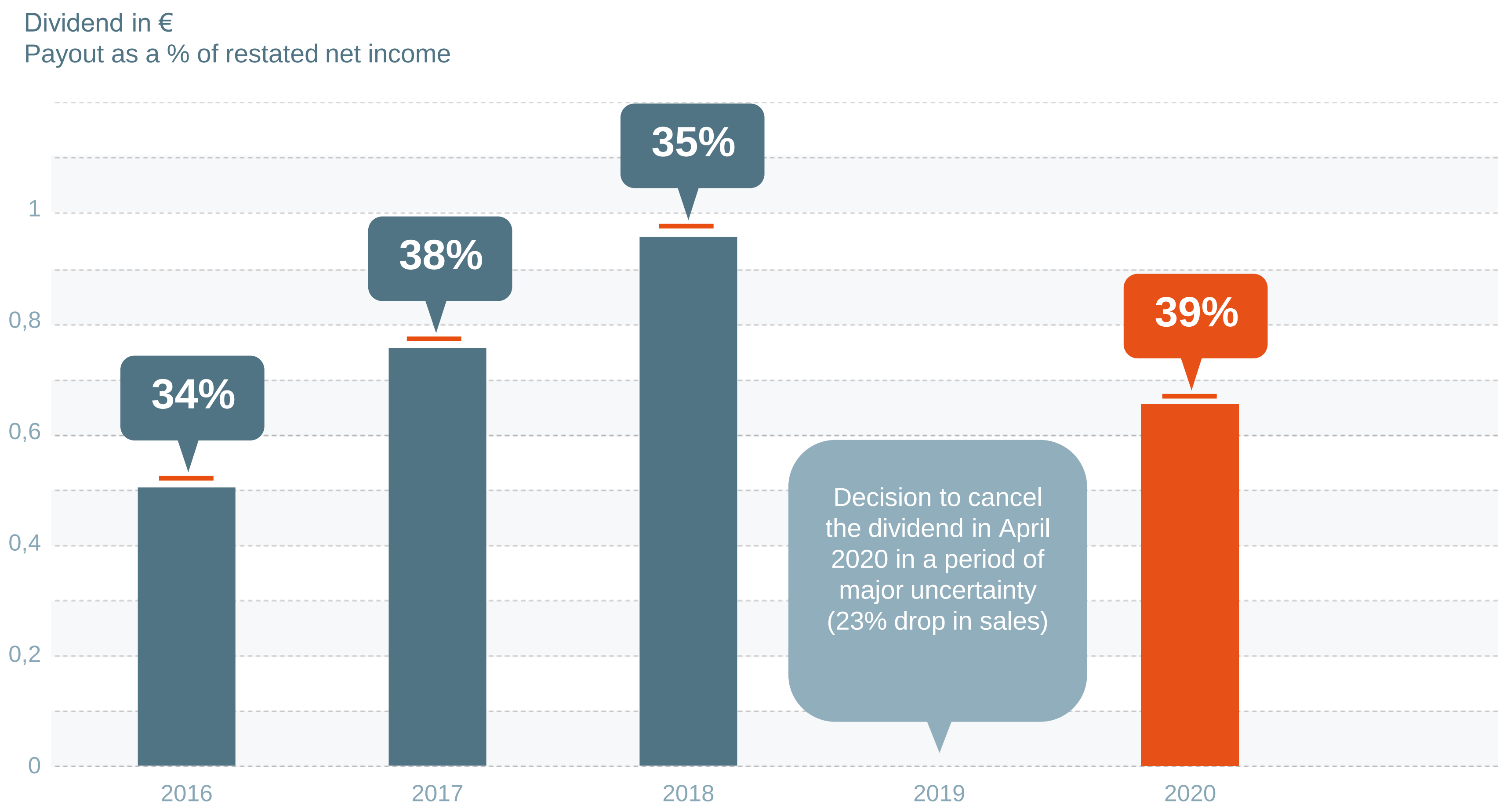
OPTIMIZATION OF INDUSTRIAL SITES

- Enhanced manufacturing efficiency on Europe’s electric fuse market (Fusetech)
- Modernization of two plants in China (fuses, graphite for semiconductor market)
- Large digital projects and MES (Manufacturing Execution System)

REDUCED ENVIRONMENTAL FOOTPRINT

- Target to reduce GHG emissions intensity by 20% by 2025
- Increase in waste recycling rate (60% in 2020 vs 46% in 2018)

Shareholder return:
return to dividend payment: €0.65 per share



DIVIDEND POLICY

Payout of between 30% and 40% of Group net income restated for non-recurring items

Operational priorities and outlook for 2021

Attentive to signs of recovery, especially in Europe and the United States

And subject to no major deterioration of public health conditions.

We continue to seize **growth opportunities**:
Solar, semiconductors, EV – by investing when necessary

Like-for-like sales growth of between 2% and 6%

We are accelerating our **response plans** to optimize our cost structure and boost our **industrial productivity**

Operating margin before non-recurring items of between 8% and 8.8%
Capex between €70m and €80m

03

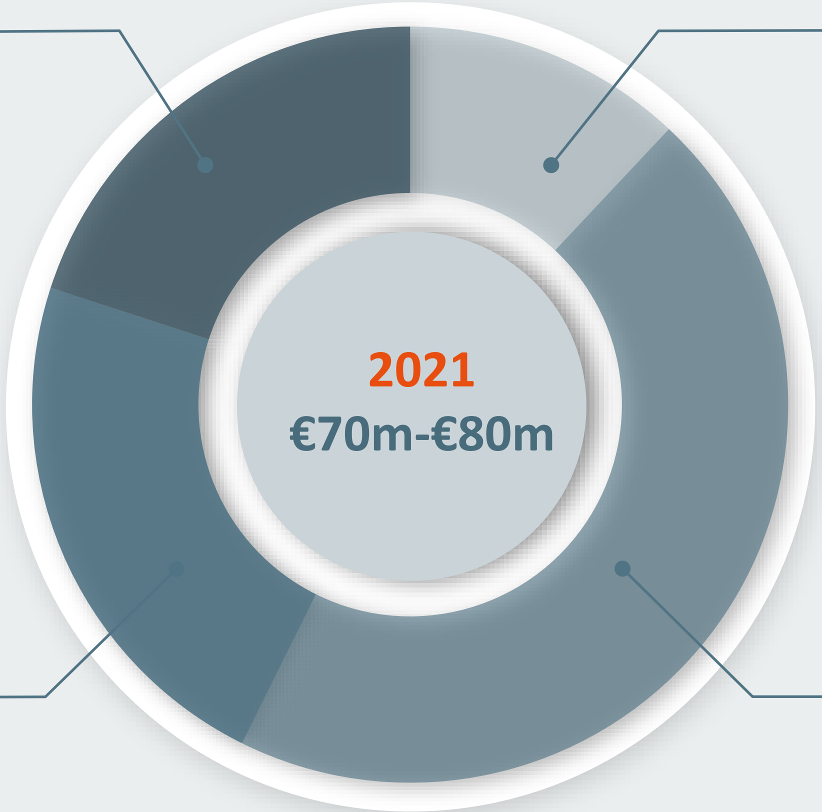
Appendix

Investing to **build the future**

Columbia

Environment

Reduce GHG emissions intensity
Improve processes
St Bonnet solar power plants



Maintenance and Productivity

Including IT projects

Growth

Electric vehicles
Solar: Galaxy extension (China)
Semiconductors: Expansion into South Korea & India