

FACTBOOK

2012

MERSEN



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“As a **global expert** in materials and equipment for extreme environments and for the safety and reliability of electrical equipment, Mersen is focused on serving **expanding markets** and/or markets at the **leading edge of technological progress** such as energy, electronics, chemicals & pharmaceuticals, transportation and process industries. Key areas include renewable energies, especially solar and electronics-based solutions for energy efficiency.

Our aim is to strengthen the foundations of the Group’s **two areas of expertise** while maintaining a sharp business focus and commitment to excellence, to pursue expansion in **developing regions**, especially Asia, and **innovate** by working with customers who are leaders in their own industries in order to maximize long-term cash flow to increase **shareholder value**.

In 2012, the Group continued to implement its strategy, with renewable energies and electronics remaining our strategic markets given their **growth potential in the medium to long term**. Despite a very bleak economic situation in Europe and a sudden standstill in the solar energy market, our **global presence** remains a major advantage, and it enabled us to post a sales increase in Asia and North America, excluding the solar energy market.

Furthermore, the Group continued its drive to enhance its **cash management**, and it generated over € 100 million in cash from operating activities which was significantly better than in the previous year. Our ability to look and plan ahead helps to keep our **finances solid** and to continue investing in our high-potential strategic markets, capitalizing on our **technological lead**.

Meeting the needs of our customers is our top priority around the world. Our ability to innovate and the enthusiasm of our teams will help us to seize any opportunities arising to inject fresh impetus into the **Group’s expansion**.”

Luc Themelin
President of the Management Board

2012 HIGHLIGHTS

January

Enhanced position as a global partner for power electronics: Mersen acquires Eldre, a world leader in laminated busbars.

Key position in wind energies recognized: Mersen wins a contract with Siemens Energy for the North Sea green energies project.

March

Substantial improvement in 2011 performance: Mersen announces its 2011 full-year results.

April

Wind energy product range highlighted: Mersen attends Europe's premier wind energy event EWEA 2012 in Copenhagen.

Solutions for the specific requirements of offshore facilities: Mersen to supply components for the most powerful offshore wind turbines ever built.

A key player in solar market: Mersen attends Photon photovoltaic technology show in Stuttgart.

May

Service extension: Mersen wins a new contract with the operator of the London underground in time for the 2012 Olympic Games.

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

June

Ability to manage large projects recognized: Mersen is selected for a multi-million euro contract to supply critical equipment in reactive metals for the chemicals industry.

Product range for the chemicals industry highlighted: Mersen attends the Achema fair in Frankfurt.

July

Strengthened financial position: Average maturity of Mersen's committed credit lines extended.

Long history in Germany: Mersen celebrates 115 years of Franco-German success in Frankfurt.

August

Less favorable economic environment: Mersen discloses its 2012 half-year results.

September

Focus on investor relations: Mersen hosts a Capital Market Day on electronics in Paris.

October

Very long history in France: Mersen's Pagny-sur-Moselle (France) plant celebrates its 120th anniversary.

November

Contract for turnkey turn-key units: Mersen wins an order worth close to €7 million from AkzoNobel.

December

Human resources award: Mersen wins Well-Being in the Workplace award at the at the RH&M Paris conference devoted to human resources and management.

CORPORATE DATA

Note:

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.

Data for 2009, 2008 and 2007 are restated for the disposal of the Automotive and Household Electrical Appliance Brush division (effective May 1, 2009).

Financial highlights

(in millions of euros except ratio)	2012	2011	2010	2009	2008	2007	CAGR 07-12
Consolidated sales	811	816	741	587	662	614	+6%
Operating income before non-recurring items	76.2	106.5	77.6	50.9	83.0	72.4	+1%
operating margin	9.4%	13.0%	10.5%	8.7%	12.5%	11.8%	
EBITDA	116	143.5	114.2	82.3	108.0	93.6	+4%
EBITDA margin	14.3%	17.6%	15.4%	14.0%	16.3%	15.2%	
Net income (Group share)	5.6	56.9	38.4	14.6	29.1	15.4	-18%
Cash-Flow from operating activities ⁽¹⁾	109	68	98	116	66	64	+11%
Net debt at year-end	241	239	220	215	306	192	
Net debt to equity ratio	45%	44%	44%	50%	93%	62%	
Net debt to EBITDA ratio	2.07	1.61	1.86	2.52	2.73	2.07	
Return On Capital Employed ⁽²⁾	7.6%	13.5%	9.9%	6.3%	13.8%	13.0%	

(1) before Capex, continuing activities

(2) Operating income/ Average Capital Employed

EBITDA resilience in depressed economic environment

Solid debt structure

- **Sustained sales growth** over the period, even with the decision to divest or discontinue certain non-strategic businesses (announcement made on February 14, 2013), which led to the restatement of the 2011 and 2012 figures.
- **High EBITDA margin:** 17.6% in 2011 versus 16.3% in 2008

- **EBITDA resilience** in depressed economic environment (2009 and 2012): 14.15% of sales on average
- **Improvement in cash-flow generation:**
 - Average annual cash-flow from operating activities 2006-2007: €65 million
 - Average annual cash-flow from operating activities 2008-2012: €95 million
- **Solid debt structure:**
 - Net debt/EBITDA: close to or below 2x on average since 2010

See appendix for comprehensive historical consolidated statements.

Sales by geography

(in millions of euros)	2012	2011	2010	2009	2008	2007	CAGR 07-12
Consolidated sales	811	816	741	587	662	614	+6%
Europe	284	300	281	229	272	270	+1%
Asia-Pacific	206	213	179	129	127	106	+14%
North America	280	263	237	199	229	201	+7%
Others	41	40	44	30	34	37	+2%

	2012	2011	2010	2009	2008	2007
Europe	35%	37%	38%	39%	41%	44%
Asia-Pacific	25%	26%	24%	22%	19%	17%
North America	35%	32%	32%	34%	35%	33%
Others	5%	5%	6%	5%	5%	6%

Shift towards Asia

- **A strategic shift towards Asia:** from 17% of total sales in 2007 to 26%-25% in 2011-2012
- Position in North America maintained
- Europe remains a strategic market, despite a decreasing weight in Group's consolidated sales.


Global footprint

Note:

Workforce figures are restated in accordance with the financial statements to reflect disposals and the plan to divest or discontinue certain operations.

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

(in number of employees)	2012	2011	2010	2009	2008	2007
Total workforce	6,745	6,833	7,024	5,617	5,848	5,412
Europe and Maghreb	2,632	2,698	2,802	2,451	2,380	2,650
North America	2,018	1,988	2,024	1,682	2,043	1,878
Asia-Pacific	1,804	1,894	1,949	1,251	1,151	530
Rest of the world	291	253	249	233	274	354



Shift
towards
Asia

The Group's global workforce has grown by 25% over the period with significantly different trends depending on the region:

- **Strong growth in Asia:**
 - x2.4 since 2007
- Optimization and restructuring in Europe and in North-America to improve performance and efficiency

Mersen's employees are located in over 40 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

	2012	2011	2010	2009	2008	2007
Shares outstanding	20,350,969	20,288,354	19,942,777	19,645,409	14,297,213	14,280,735
Price per share						
- High	29.00	42.81	35.38	28.07	47.58	61.77
- Low	18.00	21.17	23.21	14.46	17.06	41.6
- Year-end	21.09	23.35	21.17	25.4	17.81	47.2
Trading volume (daily average)		29,888	21,702	48,776	102,458	64,774
Market capitalization (YE in €m)	429	474	422	499	255	674
Enterprise Value	670	713	642	714	561	866
EV/EBITDA	5.8	5.0	5.6	8.7	5.2	9.3

Source: Euronext

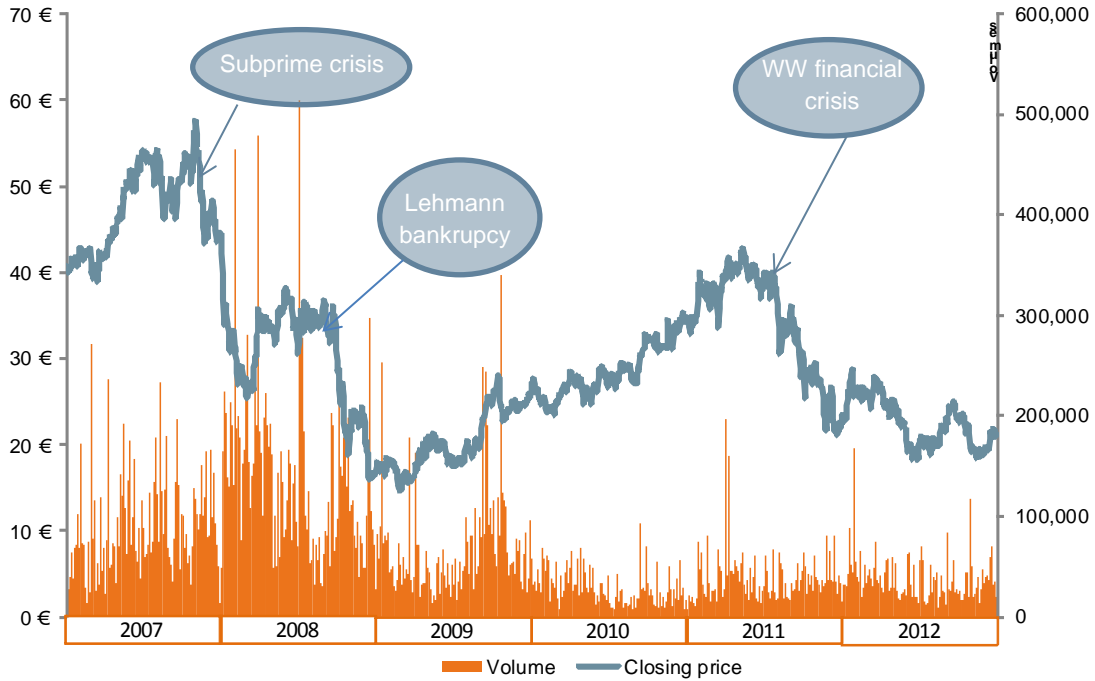
	2012	2011	2010	2009	2008	2007
Earnings per share (€)	0.28	2.83	1.94	0.89	2.05	1.08
Earnings per share (€) (continuing operations)	1.64	2.97	2.10	1.55	3.95	2.73
Dividend per share (€)	0.45	1.00	0.75	0.50	0.62	0.85
Yield (based on YE share price)	2.1%	4.3%	2.2%	2.0%	3.5%	1.8%
Pay-out ratio (on continuing activities)	35%	35%	35%	38%	16%	31%



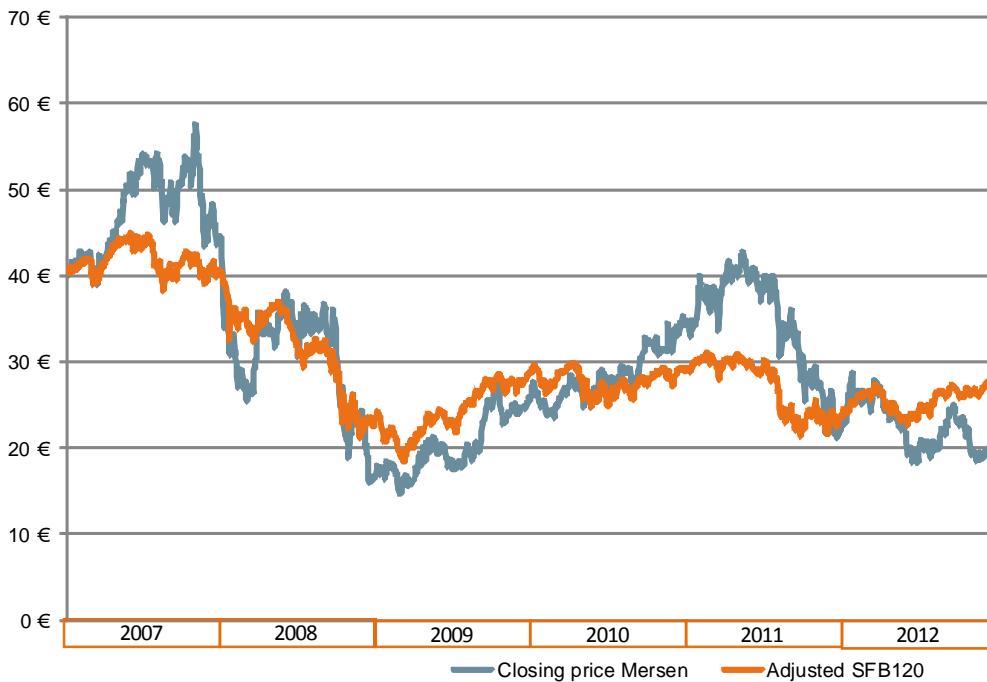
- **A significant increase in earnings per share** despite substantial capital increase in 2009:
 - X 2.6 between 2007 and 2011
- A consistent **dividend policy**
 - An average pay-out ratio above or equal to 35% since 2009
 - For 2012, the pay-out ratio is calculated before the impact of impairment losses (20M€) linked to the disposal plan.

Share performance

Mersen's share price performance over the period has been largely influenced by the global macroeconomic crisis.



Performance compared with the SBF 120 index:



Shareholding structure

	2012	2011	2010	2009	2008	2007
ACF Investment	17.3%	17.4%	16.9%	16.4%	20.7%	
Ameriprise Financial	0.6%	5.6%	8.2%	7.5%	6.0%	7.8%
FSI/CDC	15.4%	15.5%	10.4%	9.4%	6.5%	4.7%
Fidelity International						4.1%
Mondrian	6.7%	6.4%	8.0%	6.9%	6.4%	
Sofina	8.0%	7.8%	7.6%	7.2%	6.9%	
Other French institutional investors	16.2%	14.4%	12.3%	12.7%	8.5%	20.5%
Other international institutional investors	17.7%	14.0%	18.3%	17.1%	15.2%	32.7%
Individuals*	17.9%	18.8%	18.1%	22.5%	29.5%	28.5%
Treasury shares	0.2%	0.3%	0.1%	0.2%	0.4%	0.3%

* includes employees

- At December 31, 2012:
 - French institutional investors represented an aggregate 49% of shareholdings.
 - International institutional investors represented an aggregate 33% 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.

(in millions of euros)	2012	2011	2010	2009	2008	2007	CAGR 07-12
Total consolidated sales	811	816	741	587	662	614	+6%
Materials	346	366	325	256	278	263	+6%
Electrical	464	450	416	331	384	351	+6%
Materials	43%	45%	44%	44%	42%	43%	
Electrical	57%	55%	56%	56%	58%	57%	

Note : Data for 2009, 2008 and 2007 are restated for the disposal of the Automotive and Household Electrical Appliance Brush division (effective May 1, 2009), which was originally in the Electrical segment.

Both segments contributed to growth



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.

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:

- No1 worldwide for the manufacture of graphite anticorrosion equipment for the chemicals and pharmaceuticals industries.
- No2 worldwide manufacturer of finished products based on isostatic graphite

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:

- Expertise in materials and manufacturing processes (graphite formulation, reactive materials brazing and soldering).
- In-depth understanding of customer applications.
- Co-development with customers.
- Products made to customer specifications.
- Global network of local units.

Main facilities:

- Europe :
 - Gennevilliers (France): Graphite machining
 - 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, silicon carbide
 - Greenville (USA): Graphite machining
 - Oxnard (USA): Anti-corrosion equipment
 - Salem (USA): Anti-corrosion equipment
 - St Marys (USA): Graphite

Main competitors:

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

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

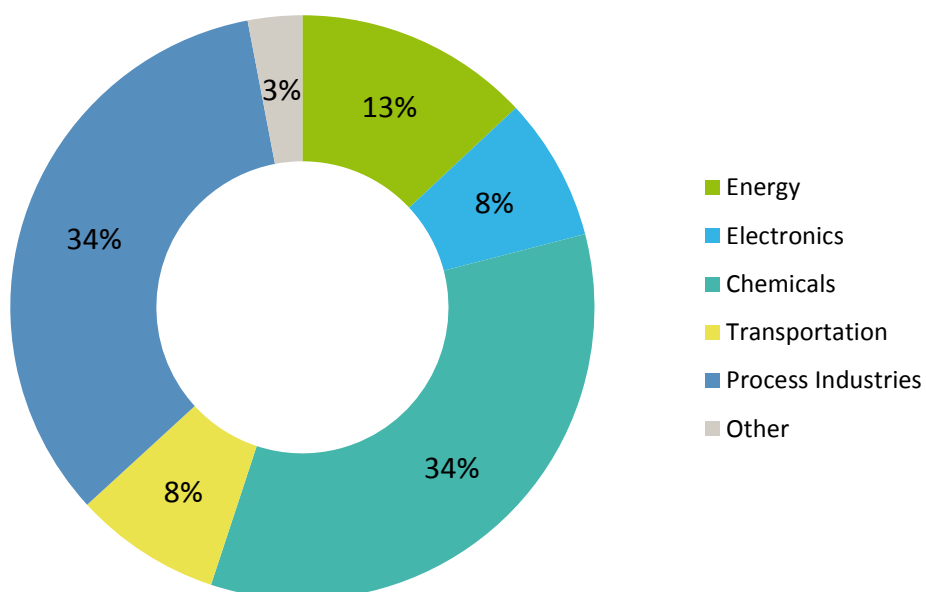
(By date of consolidation or de-consolidation)

- 2008:
 - January: Acquisition of Xianda (China), manufacturer of advanced technology equipment in steel and stainless steel for the chemicals and pharmaceuticals markets.
 - May: Sale of the Rail and Motorcycle Braking business to Faiveley Group
- 2009:
 - January: Acquisition of Calcarb (UK), manufacturer of rigid graphite felt that provides sophisticated insulation in very high-temperature furnaces
- 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 :
 - February: Announced withdrawal from metal boilermaking equipment for nuclear power stations, metal plate heat exchangers and mixers.

Key figures

(in millions of euros)	2012	2011	2010	2009	2008	2007
Total sales	346	366	325	256	278	263
Operating income before non-recurring items	35.2	63.2	39.5	28.5	45.7	44.6
<i>As a % of sales</i>	10.1%	17.3%	12.2%	11.1%	16.4%	17.0%
EBITDA	62.4	87.9	64.0	49.7	60.3	56.7
<i>As a % of sales</i>	18.0%	24.0%	19.7%	19.4%	21.7%	21.6%

Targeted markets (2012 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:

- No1 worldwide for the manufacture of carbon brushes and brush-holders for electrical rotating machines
- No1 independent worldwide for the manufacture of industrial fuses and fusegears
- No1 worldwide for its bundle offer of critical components for power electronics (semi-conductors fuses, high-end cooling devices, laminated busbars)

The Electrical segment's expansion strategy is driven by acquisitions to round out the product range and market coverage and to establish the business as a partner of choice in growing markets.

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
 - Jestetten (Germany): Signal transfer, brush-holders
 - Patrica (Italy): Multiproduct facility
- 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 Crucible – AM&T (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:

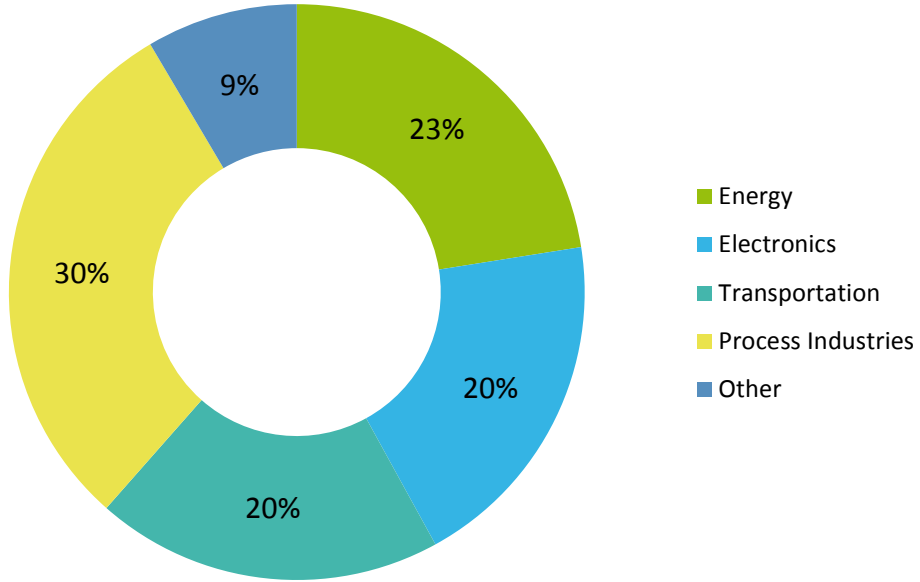
By date of consolidation or de-consolidation

- 2008:
 - June: Acquisition of a 51% interest in Zhejiang Mingrong Electrical Protection (MEP - China), one the leaders in the Chinese fuse and fusegear market.
 - August: Acquisition of R Theta Thermal Solutions (Canada), a specialist in air cooling for power electronics in North America.
- 2009:
 - May: Sale of the Automotive and Household Electrical Appliance Brush division
- 2010 :
 - January: Acquisition of all outstanding shares in Zhejiang Mingrong Electrical Protection (MEP) (China) (see above).
 - 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.

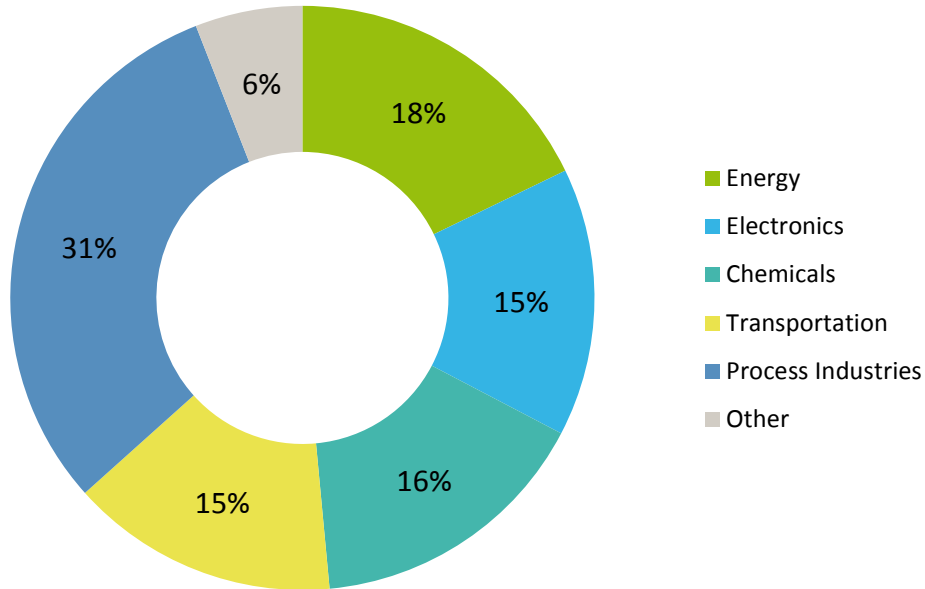
Key figures

(in millions of euros)	2012	2011	2010	2009	2008	2007
Total sales	464	450	416	331	384	351
Operating income before non-recurring items	54.0	57.3	51.6	35.7	53.4	43.6
<i>As a % of sales</i>	11.6%	12.7%	12.4%	10.8%	13.9%	12.4%
EBITDA	66.1	69.5	63.7	45.7	62.6	52.8
<i>As a % of sales</i>	14.2%	15.4%	15.3%	13.8%	16.3%	15.0%

Targeted markets (2012 sales breakdown)



MAJOR MARKETS



2012 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.

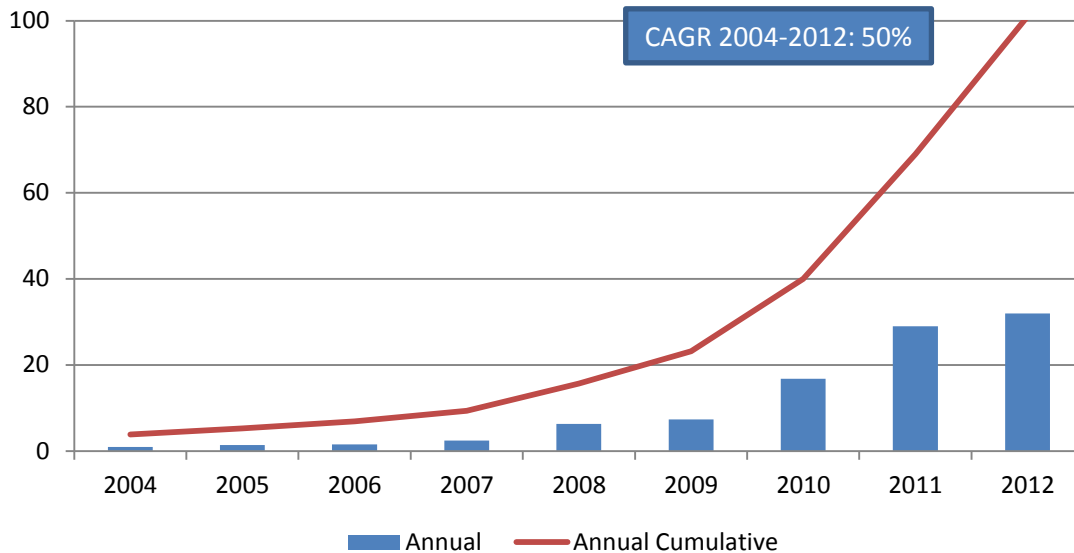
Mersen also provides a host of solutions for conventional energy installations. Certified by the leading turbo-generator manufacturers, our instruments and devices have made us a leading source of equipment for thermal power stations.

Solar

A) A fast growing industry

Over the last decade, photovoltaic technology has demonstrated the potential to become a major source of power generation worldwide, enjoying continuous, robust growth even during times of financial and economic crisis. At the end of 2012, more than 101 GW were installed globally, offering annual generation capacity of 124 TWh. New yearly installations over the 2004-2012 period achieved a CAGR of 50%, reflecting the rapid expansion of the market.

In terms of cumulative global installed capacity, Europe still leads the way with more than two-thirds of the installed base as of 2012. Next comes Japan (7.5 GW est.) followed by the United States (7.4 GW est.) and China (7.1 GW est.) with significant installations in 2012 (approximately 3 GW and 4 GW respectively). Several countries in large sunbelt regions like Africa, the Middle East, Southeast Asia and Latin America are poised to start their development.

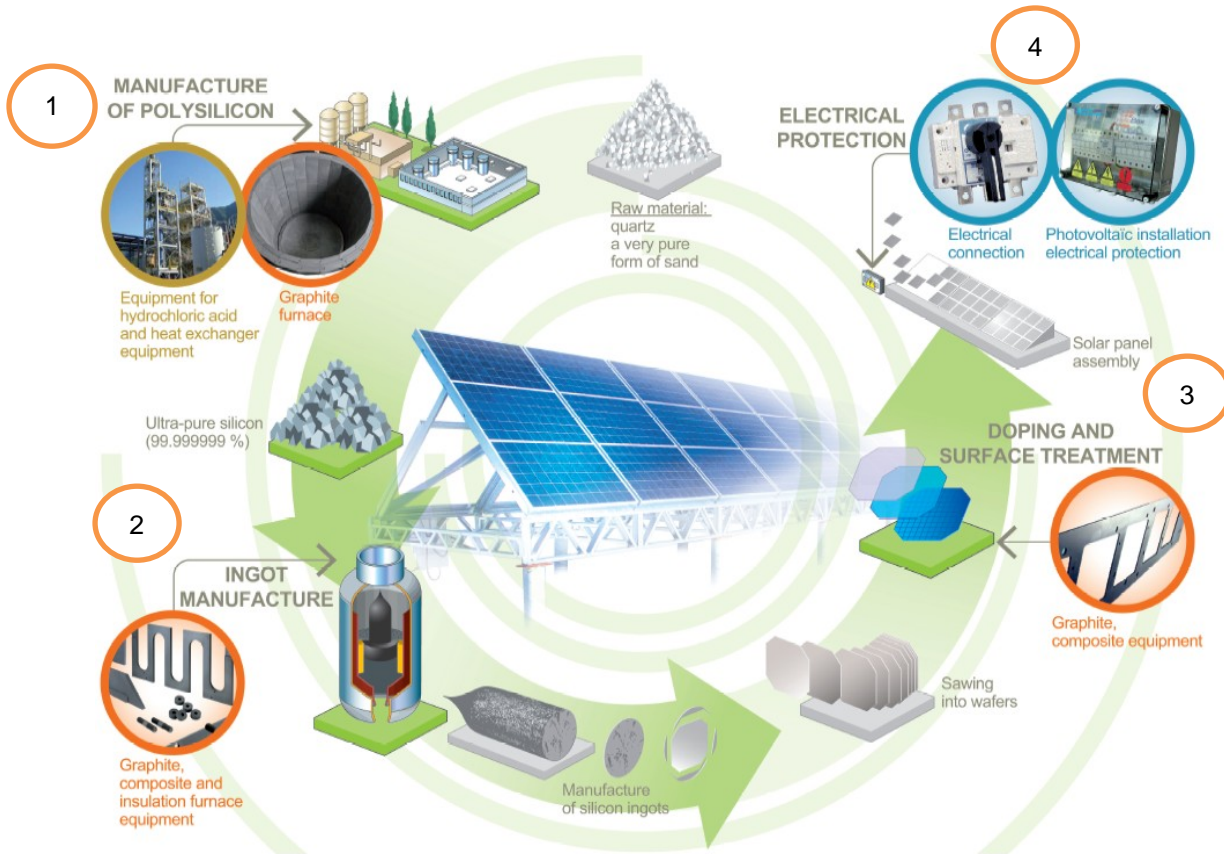


Source Epia (European Photovoltaic Industry Association) - Global Market Outlook – May 2012
 2012 estimates: Solarbuzz January 2013

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
- MEMC
- Wacker

Ingot/Cell manufacturers

- Longi
- Trinasolar
- Yingli Solar

Furnace manufacturers

- GT Advanced Technologies

Installation of solar panels

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

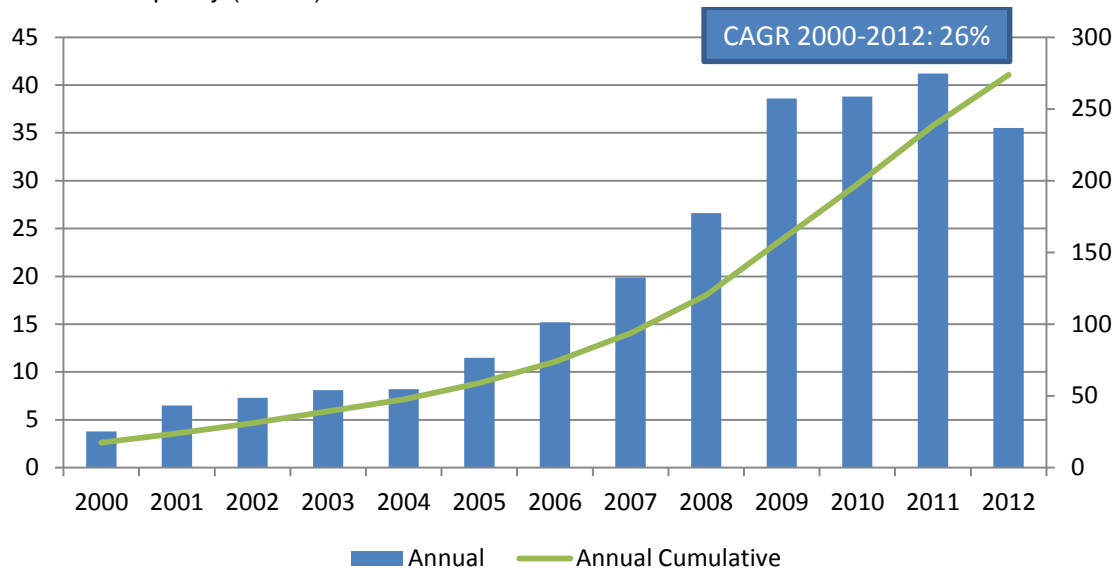
Wind

A) A still 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.

Over the past decade, the market has grown by an average 26% a year.

Installed wind capacity (in GW)

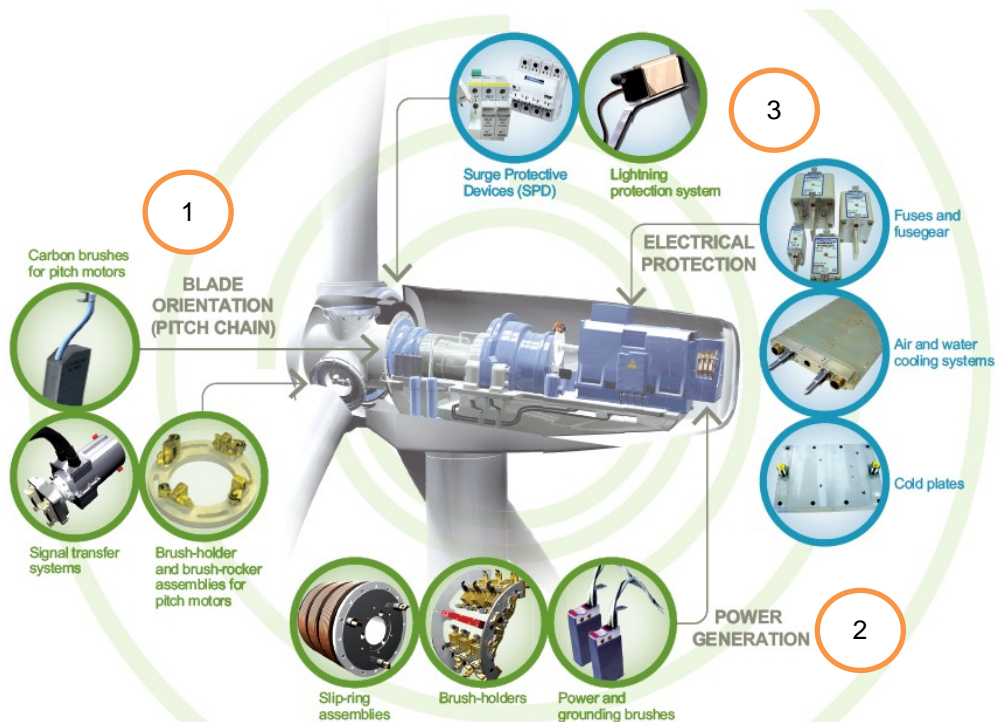


Source: GWEC (Global Wind Energy Council)- Global Wind Statistics – 07/02/2012
2012: Mersen's estimates

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):

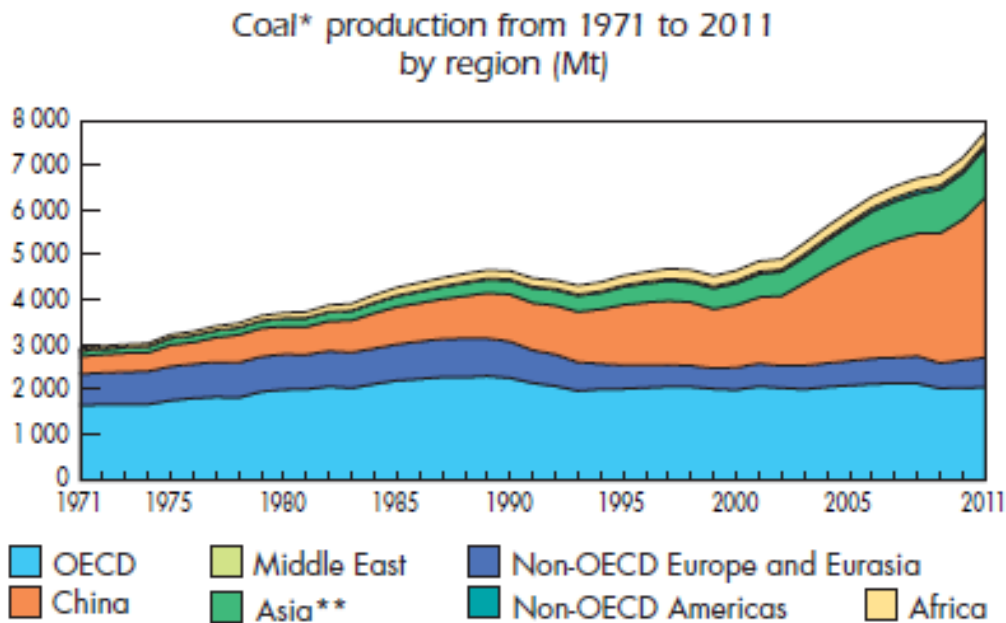
- Enercon
- General Electric
- Gamesa
- Goldwind
- Hitachi
- REpower
- Siemens
- Sinovel
- Vestas

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 serves approximately 30% of global primary energy needs and generates 42% of the world's electricity. In 2011 coal was the fastest growing energy source outside renewables, with China leading the top producers.



Source: IEA, Key World Energy Statistics 2012

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. China is the leading hydropower producer, followed by Brazil, Canada, the United States, and Russia.

As of today, hydropower has the potential to produce around 3,000 terawatt-hours.

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
- Iberdrola
- Three Gorge Corporation
- Hydroelectric Power Corporation of India

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.

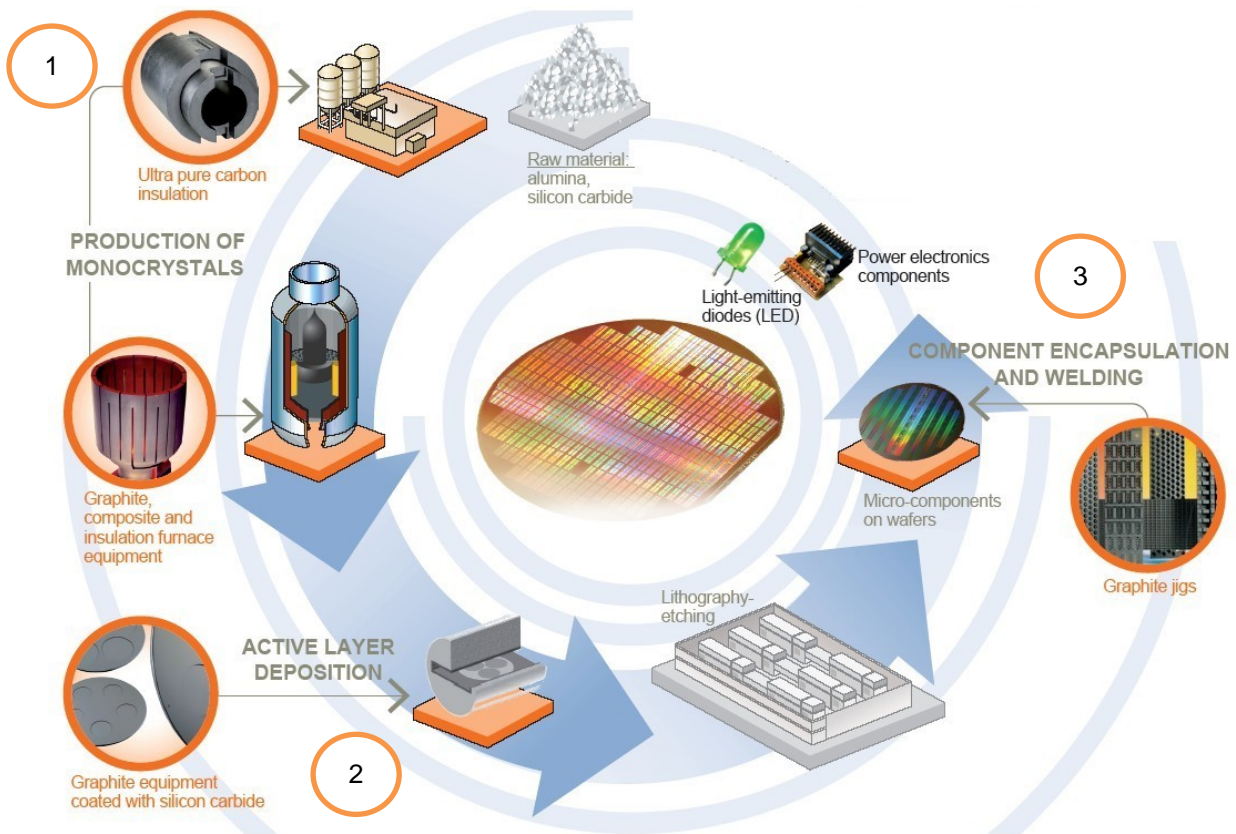
- Data networks, with data storage, computing power, cloud computing and optical fiber.
- Energy efficiency, with low-energy lighting (LEDs), power grids and speed drives.

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 Materials
- GT Advanced Technologies
- Veeco

Power Electronics

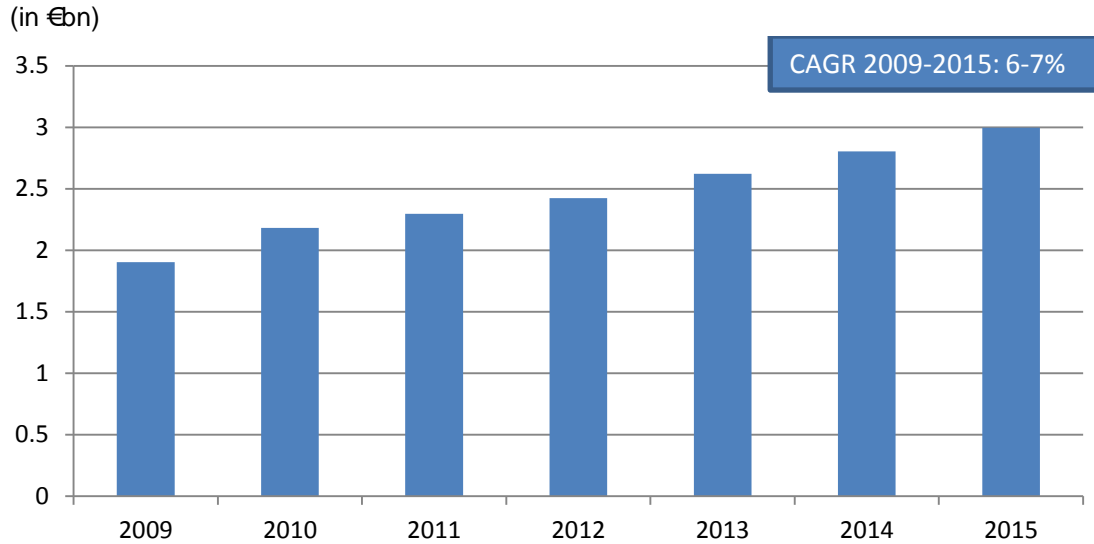
The basic function of power electronics is to convert electrical power as efficiently as possible. This means providing the appropriate energy for each application and converting energy with the best possible performance between input and output, at the right cost to achieve the expected benefit.

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.



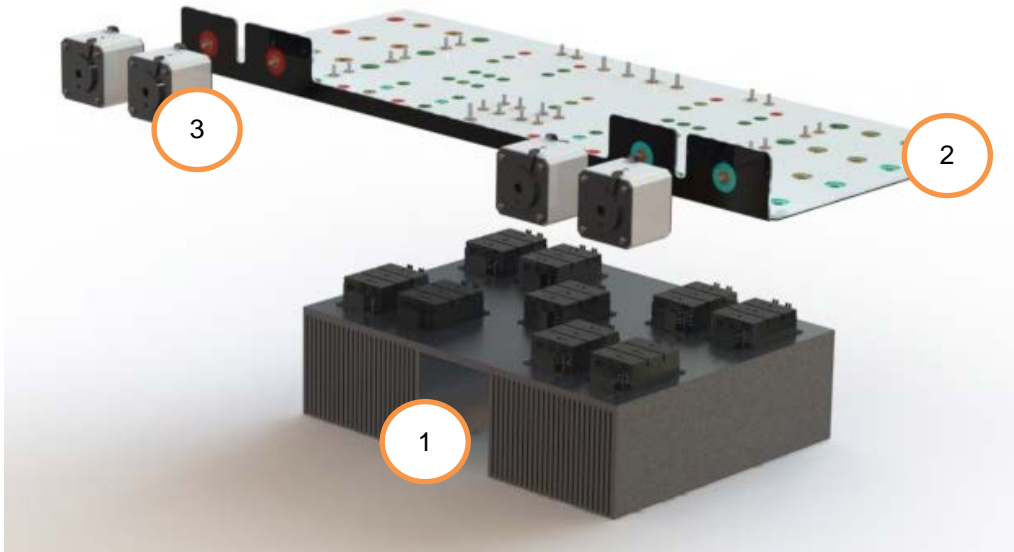
Key components for power inverters

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

B) A unique bundle offer

Mersen’s unique 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.



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

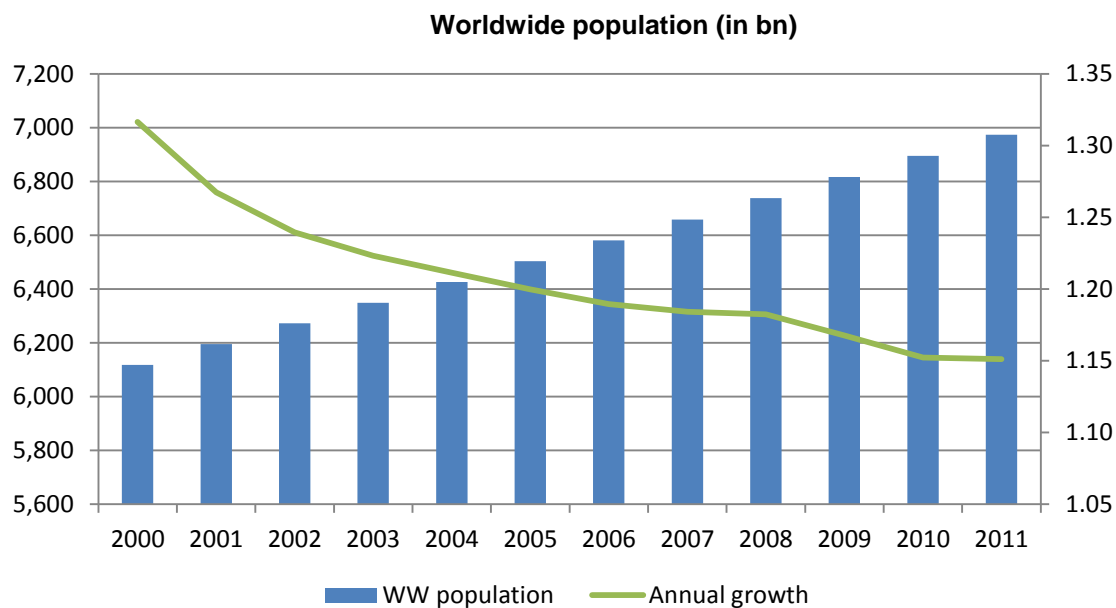
Note: customers in the Energy and Transportation markets are listed in the relevant sections.

Chemicals & Pharmaceuticals

Chemicals are everywhere in our lives, from the fertilizers needed to meet the global challenge of food production to ever more popular fast-moving consumer goods. As life expectancies lengthen, the pharmaceuticals industry is also facing new healthcare needs and challenges.

A) A very large market with key end-drivers

A large part of this market is driven by the size of the world's population, which has increased significantly over the past decade.



Source: the World Bank – web site

Inorganic chemicals

The inorganic chemicals market, focused essentially on the production of gas, pigments, acids and all products obtained by electrolysis, is driven mainly by worldwide population growth. Among inorganic chemicals, target areas include:

- Fertilizers
- Bromine
- Chlorine and caustic soda
- Gas production

Organic chemicals

Organic chemicals - essentially petrochemicals, chemical intermediates and plastics-based materials - are a very demanding market. Among organic chemicals, target areas in construction, automotive and consumer goods include:

- PVC (Polyvinyl chloride)
- Epichlorhydrin – Epoxy resin
- Organic silicones
- Acetic acid
- TDI (Toluene Diisocyanate) /MDI (Methylene diphenyl Diisocyanate)
- Rayon fiber

Fine chemicals and specialty chemicals

This industry produces pure chemical substances notably for active pharmaceutical ingredients and specialty chemicals used in highly specialized applications. Examples include:

- API (Active Pharmaceutical Ingredients)
- Paints, perfumes, pet food
- Agrochemicals (herbicide, fungicide, etc.)

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.

C) Main customers

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

Inorganic chemicals

- Chem One
- Dow Chemicals
- OCP

Organic chemicals

- BASF
- Bayer
- Célanèse
- Dow Corning
- Reliance
- Sabic

Fine chemicals and specialty chemicals

- Evonik
- Glaxo
- Monsanto
- Novartis
- Pfizer

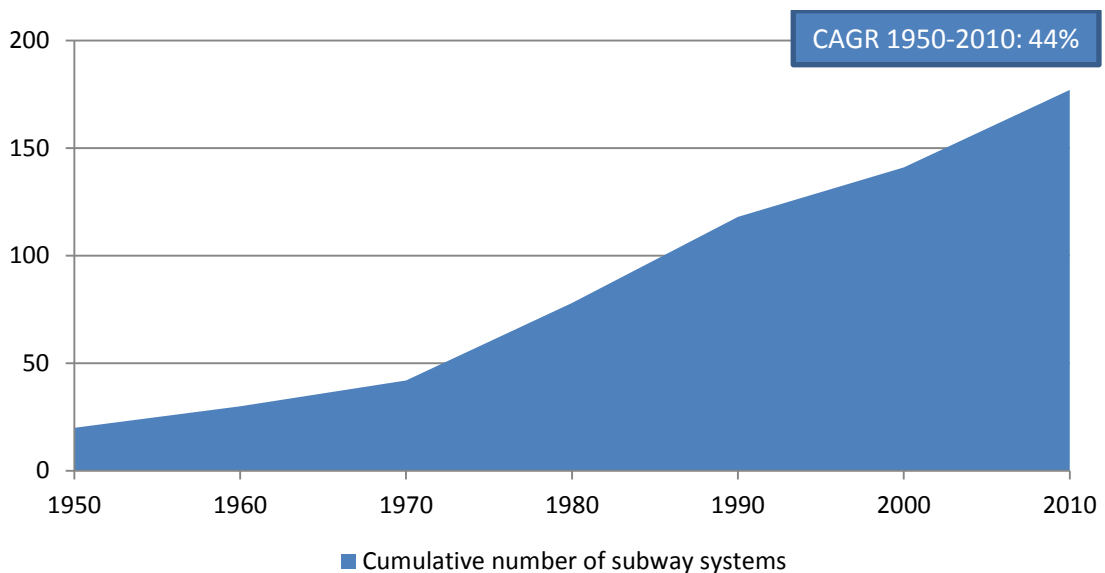
Transportation

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 close to 44%.

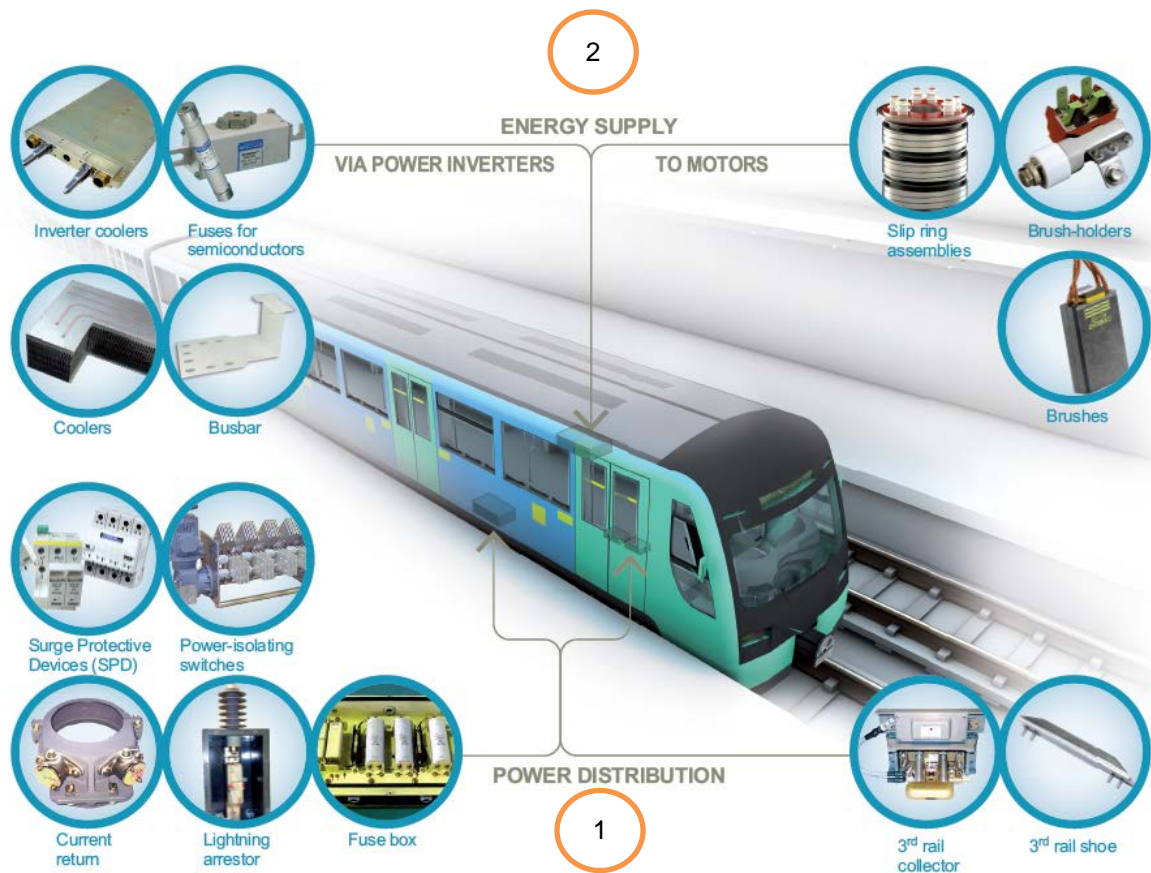


Source: *metrobits.org* – web site

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
- Vale

Railway operators

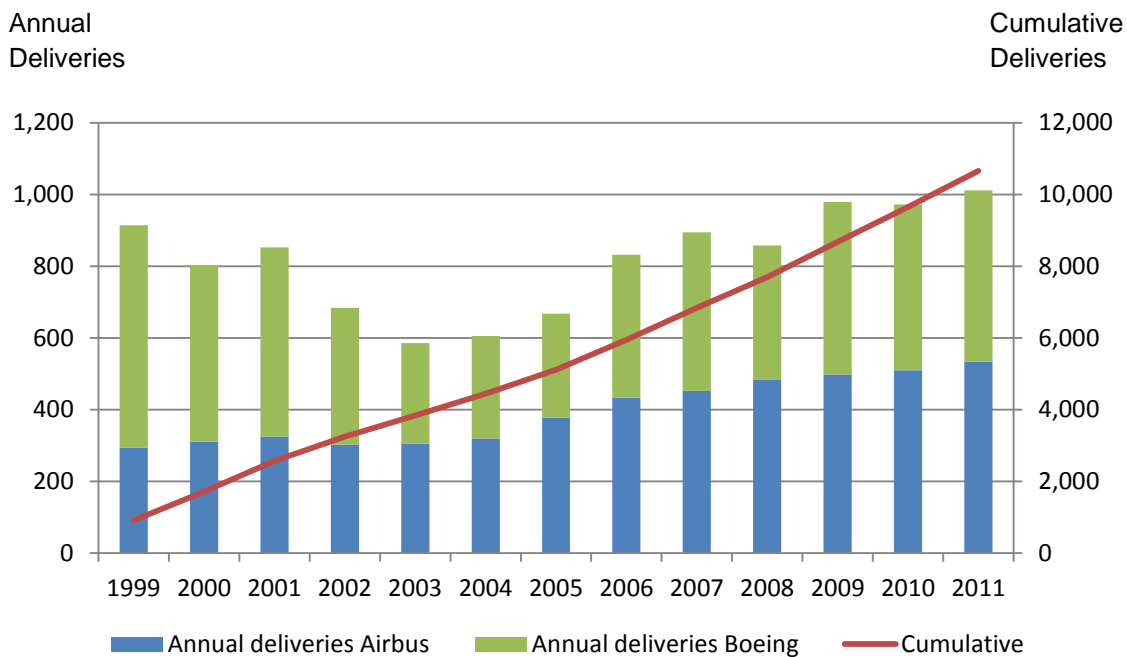
- Indian Railways
- London Underground
- NYCTA
- SNCF

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 nonferrous 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

Consolidated income statement

Consolidated statement of financial position

Consolidated statement of cash-flows

Consolidated sales by quarter

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.

Data for 2009, 2008 and 2007 are restated for the disposal of the Automotive and Household Electrical Appliance Brush division (effective May 1, 2009).

Consolidated income statement

(in millions of euros)	2012	2011	2010	2009	2008	2007
Consolidated sales	810.7	816.2	741.2	587.3	661.9	614.1
Gross margin	242.1	263.1	231.1	174.8	216.2	197.3
<i>As a % of sales</i>	29.9%	32.2%	31.2%	29.8%	32.7%	32.1%
Selling and marketing costs	(76.7)	(72.4)	(73.6)	(60.3)	(64.7)	(62.1)
Administrative and research costs	(86.5)	(79.5)	(74.5)	(61.3)	(66.3)	(60.5)
Other operating costs	(2.6)	(4.7)	(5.4)	(2.3)	(2.2)	(2.3)
Operating income before non-recurring items	76.3	106.5	77.6	50.9	83.0	72.4
<i>As a % of sales</i>	9.4%	13.0%	10.5%	8.7%	12.5%	11.8%
Non-recurring income/(charge)	(12.2)	(4.4)	(3.0)	(5.3)	10.3	(6.4)
Operating income	64.1	102.1	73.6	45.6	93.3	66.0
Net finance income/(costs)	(13.0)	(10.2)	(10.8)	(10.4)	(12.1)	(11.3)
Income before tax and non-recurring items	51.1	91.9	62.8	35.2	81.2	54.7
Current and deferred income tax	(17.1)	(29.5)	(19.9)	(9.5)	(24.2)	(15.0)
Net income from assets held for sale or discontinued operations	(27.7)	(2.7)	(3.1)	(10.8)	(27.2)	(23.4)
Net income for the year	6.3	59.7	39.8	14.9	29.8	16.3
- Group share	5.6	56.9	38.4	14.6	29.1	15.4
- Minority interests	0.7	2.8	1.4	0.3	0.7	0.9

Consolidated statement of financial position

In millions of euros	2012	2011	2010	2009	2008	2007
NON-CURRENT ASSETS						
Intangible assets						
- Goodwill	269.7	264	260.8	231.3	181.2	164.9
- Other intangible assets	40.1	40	37.1	31	8.2	4.6
Property, plant and equipment						
- Land	29.4	28.5	29.5	32.1	30.9	31.8
- Buildings	62.7	58.6	51.1	47.8	39.2	34
- Plant, equipment and other assets	189.4	189.5	172.5	146.2	135.8	119.4
- Assets in progress	30.3	29.6	34.1	37.6	29.1	22
Non-current financial assets						
- Investments	3.3	4.9	6.2	21.8	69.1	8.1
- Non-current derivatives				0	2.8	0
- Other financial assets	7	8.6	9.7	9.4	23.8	27.7
Non-current tax assets						
- Deferred tax assets	29	25.7	25.5	20	10.3	21.6
- Non-current portion of current tax assets	3.7	2.1	1.1	0.1		1.3
TOTAL NON-CURRENT ASSETS	664.6	651.5	627.6	577.3	530.4	435.4
CURRENT ASSETS						
- Inventories	173.6	188.7	168	138.5	165.9	150.5
- Trade receivables	112.3	128	117.7	92	121	128.7
- Other receivables	14.4	20.7	17.8	15.8	29.1	21.2
- Current portion of current tax assets	7.6	4.6	4.3	7.6	10.4	3.9
- Other current assets			0.4	1.7	9.5	
- Current financial assets	7	5.3	4.6	6	0.5	3
- Current derivatives	1.7	0.5	0.7	0.5	2	2.1
- Financial assets			0.3	1.2	3.2	2.8
- Cash and cash equivalents	21.4	52.2	48.3	32.9	46.8	23.6
- Assets held for sale and discontinued operations	5.6		0	1.3	24.1	
TOTAL CURRENT ASSETS	343.6	400	362.1	297.5	412.5	335.8
TOTAL ASSETS	1,008.2	1,051.5	989.7	874.8	942.9	771.2

In millions of euros	2012	2011	2010	2009	2008	2007
EQUITY						
- Share capital	40.7	40.6	39.9	39.3	28.6	28.6
- Premiums and retained earnings	496.6	455.8	432.2	420.5	313.4	309.3
- Net income for the year	5.6	56.9	38.4	14.6	29.1	15.4
- Cumulative translation adjustments	-25.8	-20.8	-29.7	-53.8	-49.9	-50.4
EQUITY ATTRIBUTABLE TO MERSEN'S SHAREHOLDERS	517.1	532.5	480.8	420.6	321.2	302.9
- Non-controlling interests	10.5	10.4	12.9	4.3	4	4.1
EQUITY	527.6	542.9	493.7	424.9	325.2	307
Non-current liabilities						
- Non-current provisions	0.7	0.5	0.5	0.4	43.2	45.7
- Employee benefits	36.2	35.6	36.7	34.2	34.9	40.7
- Deferred tax liabilities	29	24.8	22.4	15.6	6.1	3.1
- Borrowings	234.3	261.7	227.1	192.7	297.6	176.4
- Non-current derivatives	1.9	2.1	1.5	1.2	0.5	0.8
TOTAL NON-CURRENT LIABILITIES	302.1	324.7	288.2	244.1	382.3	266.7
CURRENT LIABILITIES						
- Trade payables	60.5	64	71.6	53.7	72	71.7
- Other payables	58.7	67.8	66.8	51.4	64.3	56.5
- Current provisions	2.6	5	4.1	0.6	3	1.5
- Current portion of current tax liabilities	6.8	5.5	8.4	2	4.4	4.3
- Other liabilities	2.1	5.1	8.6	33.6	14	15.7
- Other current financial liabilities	10.3	5.3	35	29.4	39.2	21.7
- Current derivatives	0.7	1.2	2.1	0.1	3.9	3
- Current advances			4.3	1.9	1.3	1.9
- Bank overdrafts	25.3	30	6.9	31	18.3	21.2
- Liabilities related to assets held for sale and disc. continued operations	11.5		0	2.1	15	
TOTAL CURRENT LIABILITIES	178.5	183.9	207.8	205.8	235.4	197.5
TOTAL LIABILITIES AND EQUITY	1,008.2	1,051.5	989.7	874.8	942.9	771.2

Consolidated statement of cash-flows

In millions of euros	2012	2011	2010	2009	2008	2007
Income before tax	51.1	91.9	62.8	35.2	81.2	54.7
Depreciation and amortization	39.7	37.0	36.6	31.4	25.1	20.9
Additions to/(write-backs from) provisions	(0.3)	(0.8)	0.3	(3.9)	(5.2)	(3.9)
Net finance income/(costs)	13.0	10.2	10.8	10.4	12.1	11.3
Capital gains/(losses) on asset disposals	(1.2)	1.3		2.3	0.3	0.7
Other	1.5	(4.2)	0.5	1.8	(10.6)	4.8
Cash generated by operating activities before change in WCR	103.8	135.4	111.0	77.2	102.9	88.5
Change in the working capital requirement	27.7	(35.6)	(2.6)	43.1	(24.2)	(12.1)
Income tax paid	(22.6)	(31.8)	(10.0)	(4.8)	(13.1)	(12.4)
Net cash generated by continuing operations	108.9	68.0	98.4	115.5	65.6	64.0
Cash generated by discontinued operations	(7.1)	(5.5)	(0.9)	(20.2)	(5.2)	(2.7)
Net cash generated by operating activities	101.8	62.5	97.5	95.3	60.4	61.3
Investing activities						
Intangible assets	(0.8)	(0.2)	(0.2)	(0.9)	(0.5)	(0.6)
Property, plant and equipment	(41.5)	(47.6)	(36.3)	(42.5)	(57.0)	(62.3)
Financial assets	0.4		(1.2)	(0.5)	(0.3)	(2.9)
Impact of changes in the scope of consolidation	(28.5)	(9.5)	(16.7)	(24.5)	(73.4)	(15.3)
Other changes in cash generated/(used) by investing activities	(0.3)	3.0	8.8	(5.9)	(4.6)	9.7
Cash generated/(used) by investing activities from continuing operations	(70.7)	(54.3)	(45.6)	(74.3)	(135.8)	(71.4)
Cash generated/(used) by investing activities from discontinued operations	(0.6)	(0.6)		2.2	(1.5)	(3.1)
Cash generated/(used) by investing activities	(71.3)	(54.9)	(45.6)	(72.1)	(137.3)	(74.5)
Cash generated/(used) by operating and investing activities	30.5	7.6	51.9	23.2	(76.9)	(13.2)
Non-recurring cash outflow (EU fine)			(29.1)			
Proceeds from issue of new shares and other increases in equity		(0.2)	0.3	87.6	(0.5)	11.8
Net dividends paid to shareholders and minority interests	(19.4)	(5.2)	(3.5)	(2.5)	(12.8)	(12.6)
Interest payments	(12.3)	(9.8)	(9.6)	(10.5)	(9.1)	(11.2)
Change in debt (Note 15)	(30.7)	10.0	1.1	(111.0)	138.6	30.0
Cash generated/(used) by financing activities	(62.4)	(5.2)	(11.7)	(36.4)	116.2	18.0
Change in cash	(31.9)	2.4	11.1	(13.2)	39.3	4.8
Cash at beginning of fiscal year	52.2	48.6	34.1	50.1	26.4	21.2
Cash at end of fiscal year	21.4	52.2	48.6	34.1	50.1	26.4
Impact of changes in the scope of consolidation		(0.4)	(1.6)	(1.5)	1.0	(0.4)
Impact of currency fluctuations	(1.1)	(0.8)	(1.8)	4.3	14.6	
Change in cash	(31.9)	2.4	11.1	(13.2)	39.3	4.8



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