

# MERSEN & YOU

Newsletter for Mersen shareholders

**No.31**

March 2014

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## Chairman's editorial

Dear Sir/Madam, Dear Shareholder,

**A**s you have seen, the economic environment remained very challenging in 2013. For Mersen, this tough backdrop is reflected in contrasting results across all geographies and segments. The situation improved over the course of the year however, with a more positive trend in the second half than in the first.

Despite the decline in business, Mersen succeeded in sustaining its EBITDA margin at 13.5% and in generating operating cash flow before capital expenditure of almost €90 million, illustrating its capacity for resilience and flexibility.

Nonetheless, the Group set aside provisions totaling €55 million for one-off charges (non-cash essentially) in the 2013 financial statements. While these once-off items significantly altered net income for the year, they had no im-

act on the Group's financial structure, which remains sound and robust.

In 2014, Mersen will embark on an in-depth program of transformation to adapt to changes in our markets. This global plan will deliver substantial improvements to operating performance, across all Group businesses and geographies. Mersen is moving towards leveraging new growth drivers in all its business segments and on all continents, by combining agility, innovation and the aim of excellence in our products and customer service. This is our driving ambition for the medium-term.



**Luc Themelin**  
Chairman

*of the Management Board*

Mersen is moving towards leveraging new growth drivers in all its business segments and on all continents.

KEY FIGURES  
2013

**€739**

million in sales  
-6% like for like  
vs 2012

**€100**

million in EBITDA,  
**i.e. 13.5%** of sales

**€86**

million in cash flow  
from operating activities  
before capital expenditures  
(continuing activities)

**merSen**

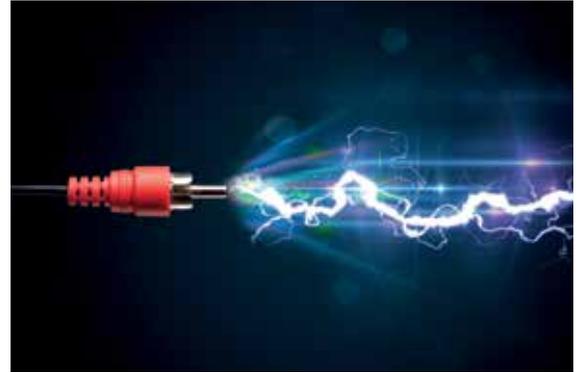
## THE BIG PICTURE

# At the forefront of power quality

Mersen acquired a majority stake in the Spanish company Ciprotec, thereby strengthening its expertise in the development of dedicated solutions related to power quality and safety issues.

The deal extends Mersen's coverage in order to address markets highly driven by safety and installation standards and deepens its footprint in a global market segment that offers attractive growth potential.

Surge protection devices (SPDs) provide protection against damaging transient overvoltages in electrical installations and equipment.



They are installed in electrical distribution networks to mitigate the growing problems associated with power quality by protecting increasingly sensitive and critical applications, in particular in industrial control and command systems or photovoltaic energy.

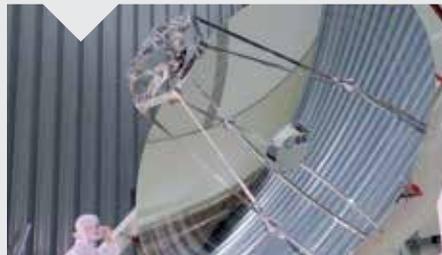
## SCAN EXPERTISE

### Silicon carbide

A global materials expert, Mersen has continuously expanded its range of materials and equipment for extreme environments.

The 2010 acquisition of Boostec\*, the silicon carbide (SiC) specialist, added its unparalleled ceramic expertise to the Group's exceptional range of materials. The unique properties of Boostec's materials are used in the production of ultra-light space telescopes with exceptional thermoelastic stability.

They also open the way for exciting diversification potential.



### HERSCHEL and GAIA

Launched in 2009 and 2013

Launched in 2013, the European Space Agency's Gaia satellite has a payload with 284 Boostec® silicon carbide components, including 10 rectangular mirrors and the ring securing structure. In 2009, Boostec designed and manufactured the world's largest spatial mirror to date, with a diameter of 3.5 meters, for the ESA's Herschel telescope.



### SENTINEL 2

Launch scheduled in 2014

Boostec is involved in the European Space Agency's Sentinel 2 mission, which is part of the Global Monitoring for Environment and Security (GMES) European program for earth observation. Astrium was awarded the project management contract to build the two satellites and their payload. Each of the satellites carries a telescope whose three mirrors, structure and sensor supports are all made from the Group's SiC material.

\* 15%-owned by Astrium

## MERSEN 101



### RESEARCH

#### Grant from the National Science Foundation

**A**t the end of 2013, Mersen was awarded a grant from the National Science Foundation (NSF), the US government agency responsible for providing financial support to scientific research.

The grant supports the research on the safety of photovoltaic installations, conducted by Mersen in partnership with Northeastern University (Boston, United States). The National Science Foundation grant recognizes the Group's ability to rise to major technological challenges, and to serve as liaison between industry and academia.

### CONTRACT

#### Siemens chooses Mersen to equip its wind turbines

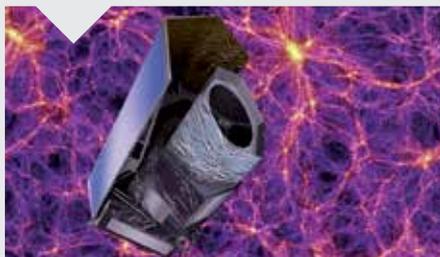
**M**ersen signed a contract with Siemens Wind Power in November 2013. The €2.4 million deal covers requirements for some 600 to 700 of Siemens' new generation wind turbines, representing a capacity of 2.1 GW. Mersen has a history of partnership with Siemens, thanks to its multi-product range. The Group's specialized power electronics teams, who cooperate closely with Siemens on developing high-performance products, were also key to winning the contract. This contract represents a further boost to Mersen's credentials as a key player in the power electronics market.



### METOP-SG

Launch scheduled for 2020

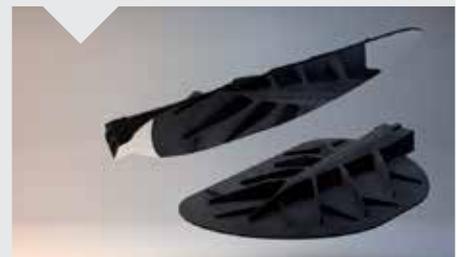
The METOP-SG meteorological satellite program is run jointly by the ESA and European Organization for the Exploitation of Meteorological Satellites (EUMETSAT). The payload of each of the three satellites will include a new-generation atmospheric probe, the IASI-NG, an Infrared Atmospheric Sounding Interferometer engineered to deliver ultra-high performance measurement capability. Boostec's silicon carbide technology plays a key role in the project, for which they will supply two ultra-light telescopes, along with a scan mirror and two deflecting mirrors.



### EUCLID

Launch scheduled for 2020

The Euclid space telescope currently under development by the European Space Agency is designed to explore the mysteries of the universe's dark matter and dark energy. Boostec's technology will once again be called on for this ambitious project, having been selected for the design and manufacture of the structure and the mirrors for the large silicon carbide (SiC) telescope.



### DIVERSIFICATION

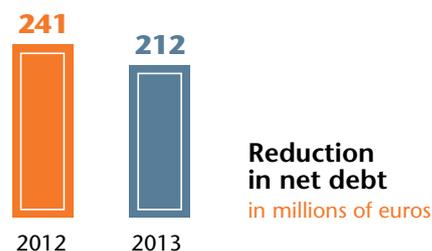
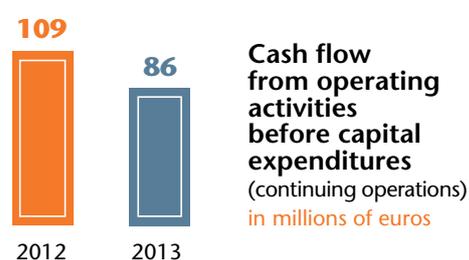
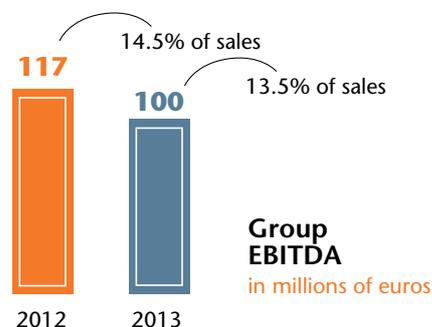
Mersen has successfully diversified its silicon carbide expertise beyond space applications and into other sectors. In the pharmaceutical market it is developing all SiC heat exchangers and has teamed up with Corning to design continuous-flow reactors. The Group also produces scan mirrors for the optical, laser and radar industries (photo).

## FINANCIAL BRIEFING

### An operating result that illustrates the Group's resilience in a difficult environment

In 2013, business proved difficult for Mersen in certain markets, particularly in Europe. On a comparable basis, the Group recorded a 6% year-on-year decline in revenue to €739 million in 2013. Nonetheless, the impacts of a slowdown in business in some sectors was partially offset. Mersen proved resilient and posted an EBITDA margin of 13.5%, building on our presence in diversified markets and our global presence in proximity to major industries worldwide. In fact, our presence on diversified markets, our global reach, and close relationships with the key industrial actors throughout the world, as well as the rapid cost-cutting measures, have allowed us to withstand

this difficult environment, sustaining an EBITDA margin of 13.5%. We have also generated substantial cash flow, in line with our objectives, which contributed to the reduction of the net debt. The Group recognized substantial one-off charges in 2013, primarily related to depreciation. While these once-off items significantly alter net income for the year, they have no impact on the Group's financial structure, which remains sound. As a result, Mersen's Management Board and Supervisory Board will propose a dividend of €0.45 per share for the approval of the Annual General Meeting, unchanged from last year.



#### OUTLOOK

The Group should see slightly higher sales on a like-for-like basis in 2014 with a second half more favorable than the first. The operating margin before non-recurring items should also show a slight improvement. Mersen is launching in 2014 its "Transform" plan, which seeks to optimize the Group's operational efficiency to better respond to its economic environment. Given a return to a more favorable economic climate, Mersen, therefore transformed and focused on growth, has the ambition to achieve sales close to €1 billion in five years. With this level of momentum, the Group could exceed an operating margin before non-recurring items of 12% of sales before the end of this period.

#### Share price performance over a 12-month period\*



\* From March 15, 2013 to March 14, 2014

NYSE Euronext data

Listing	ISIN code	Ticker	Number of shares
Compartment B of NYSE Euronext Paris	FR0000039620	MRN	20,816,364

#### DIARY DATES\*

**April 29, 2014**  
after the market closes  
First-quarter 2014 sales

**May 15, 2014**  
Shareholder's Annual meeting,  
Paris

**July 31, 2014**  
after the market closes  
Second-quarter sales  
and 2014 half-year results

**October 29, 2014**  
after the market closes  
Third-quarter 2014 sales

\* Indicative schedule

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