





Universal Registration Document

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This is a translation into English for convenience purposes only of the Universal Registration Document of the Company issued in French. It is available on Mersen website www.mersen.com/fr

1 GROUP PROFILE

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1. 2022: A RECORD YEAR

Mersen's sales rose above the symbolic €1 billion mark for the first time in its history in 2022, growing organically by more than 15% year on year to €1,115 million. This strong performance was driven by all geographies and both segments, illustrating the relevance of the Group's business model. It also reflects Mersen's positioning in highly buoyant renewable energy markets – where sales surpassed €150 million – and in semiconductors – with sales above €110 million. Sustainable development markets in general represented 56% of sales. The Group also benefited from dynamic process industries throughout the year, particularly in the United States.

In addition, the Group held up well in an inflationary environment, raising prices by 5% over the year as part of a policy of regular increases. Combined with productivity gains in the Group's plants, these higher prices helped offset component, raw material and wage inflation. And with general inflation accelerating in some countries, Mersen was particularly attentive to adjusting employees' compensation accordingly, granting exceptional bonuses and pay raises with an emphasis on the hardest-hit, lower-income employees.

Operating margin before non-recurring items came to 10.9% of sales for the year, up sharply on 2021 due to strong growth in volumes and prices. This profitability is well above the targets set at the beginning of the year. It was achieved while absorbing the costs associated with the start-up of the Columbia plant in the United States and the expansion of electric vehicle teams to respond to the many references received and serve market trends.

The year also saw a record level of capital expenditure, coming in at over €97 million, with a particular focus on meeting demand in the highly promising semiconductor and electric vehicle markets. The Group also pressed ahead with its strategic investment program at the Columbia plant in the United States, designed to increase graphite production capacities. In parallel, Mersen invested in the modernization of certain plants and its information system.

Given this high level of investment and a significant change in working capital requirement, net cash generated by operating activities after capital expenditure was lower than the prior year. Net debt was up by nearly €50 million compared with end-2021 as a result, but with no negative impact on the leverage ratio.

The Group's balance sheet therefore remained highly robust throughout the year. It even grew stronger, as Mersen refinanced its syndicated credit facility ahead of the July 2024 maturity, and significantly increased the amount of available financing against a backdrop of business growth and investments.

Lastly, the Group continued to deploy its CSR strategy, an integral part of its business model focused on profitable and responsible growth. It plotted out a new roadmap, defining the following CSR priorities for the 2022-2025 period: meeting the expectation of external stakeholders across the value chain, limiting the environmental impact of its operations, striving to help employees, communities and talent grow, and cultivating an ethics and compliance culture. Non-financial performance in 2022 was outstanding, reflecting the entire organization's commitment to responsible development. In particular, the Group increased the proportion of women engineers and managers to over 25%, achieved a 70% waste recycling rate and increased the share of renewable electricity by 20 percentage points to 68%.

In light of this excellent performance, the Board of Directors will ask shareholders at the Annual General Meeting to approve a cash dividend of €1.25 per share for 2022, in line with the Group's policy.

2. 2022 IN FIGURES



SALES

€1,115M

📈 +21% VS 2021



EARNINGS

€186M

EBITDA BEFORE
NON-RECURRING ITEMS

€122M

OPERATING INCOME BEFORE
NON-RECURRING ITEMS

€68M

NET INCOME



DIVIDEND PER SHARE

€1.25

Subject to shareholder approval
at the Annual General Meeting

BREAKDOWN BY MARKET

PROCESSES

33%



- Hot processes
- Metallurgy
- Glassmaking
- Die-Casting

ELECTRONICS

22%



- Si and SiC semiconductors
- Power electronics

ENERGIES

22%



- Solar
- Wind
- Hydro
- Conventional

TRANSPORTATION

13%



- Rail
- Aeronautics
- Aerospace
- Electric vehicles

CHEMICALS

10%



- Specialty chemicals
- Isocyanate
- Chlor-alkali
- Phosphoric acid

56%



SALES IN SUSTAINABLE DEVELOPMENT MARKETS

FINANCIAL STRUCTURE

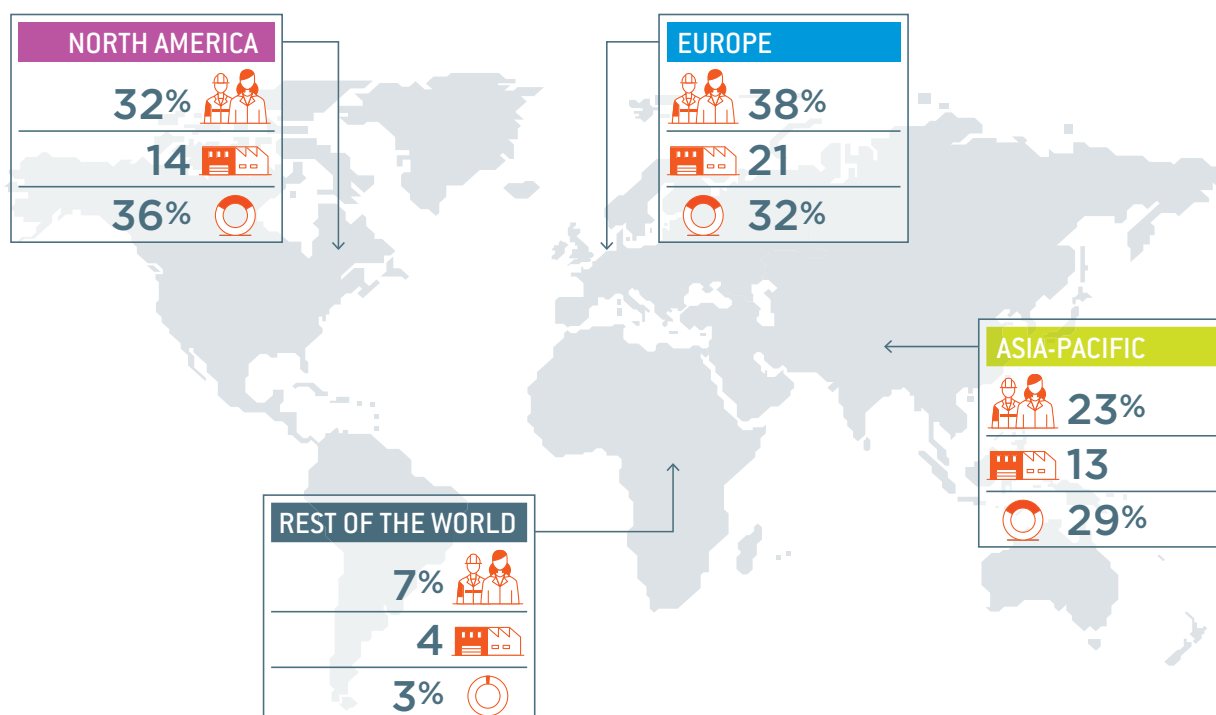
12.5%

RETURN ON CAPITAL
EMPLOYED

1.4

LEVERAGE

MERSEN WORLDWIDE

Number of
employeesNumber of
manufacturing sitesShare
of sales7,315
EMPLOYEES52
SITES WORLDWIDE
(incl. 125 employees)18
R&D CENTERS100%
OF SITE MANAGERS
RECRUITED LOCALLY

COMMITMENTS

MSCI
ESG RATINGS

CCC B BB BBB A AA AAA



3. BUSINESS MODEL

MISSION

- We provide manufacturers all over the world with **innovative solutions** to enhance the performance of their offer.



HUMAN CAPITAL



7,315
EMPLOYEES
in 34 countries

SOCIETAL CAPITAL



- CODE OF ETHICS
- PURCHASING CHARTER

100%
OF SITE MANAGERS
RECRUITED LOCALLY

OUR RESOURCES

INDUSTRIAL CAPITAL



52
MANUFACTURING SITES

€97M
IN CAPEX

INTELLECTUAL CAPITAL



18
R&D CENTERS

FINANCIAL CAPITAL



LEVERAGE
1.4

€310M
in fixed salaries

91%
of employees proud
to belong to the Group

€21M
in dividends paid

€12M
in income tax

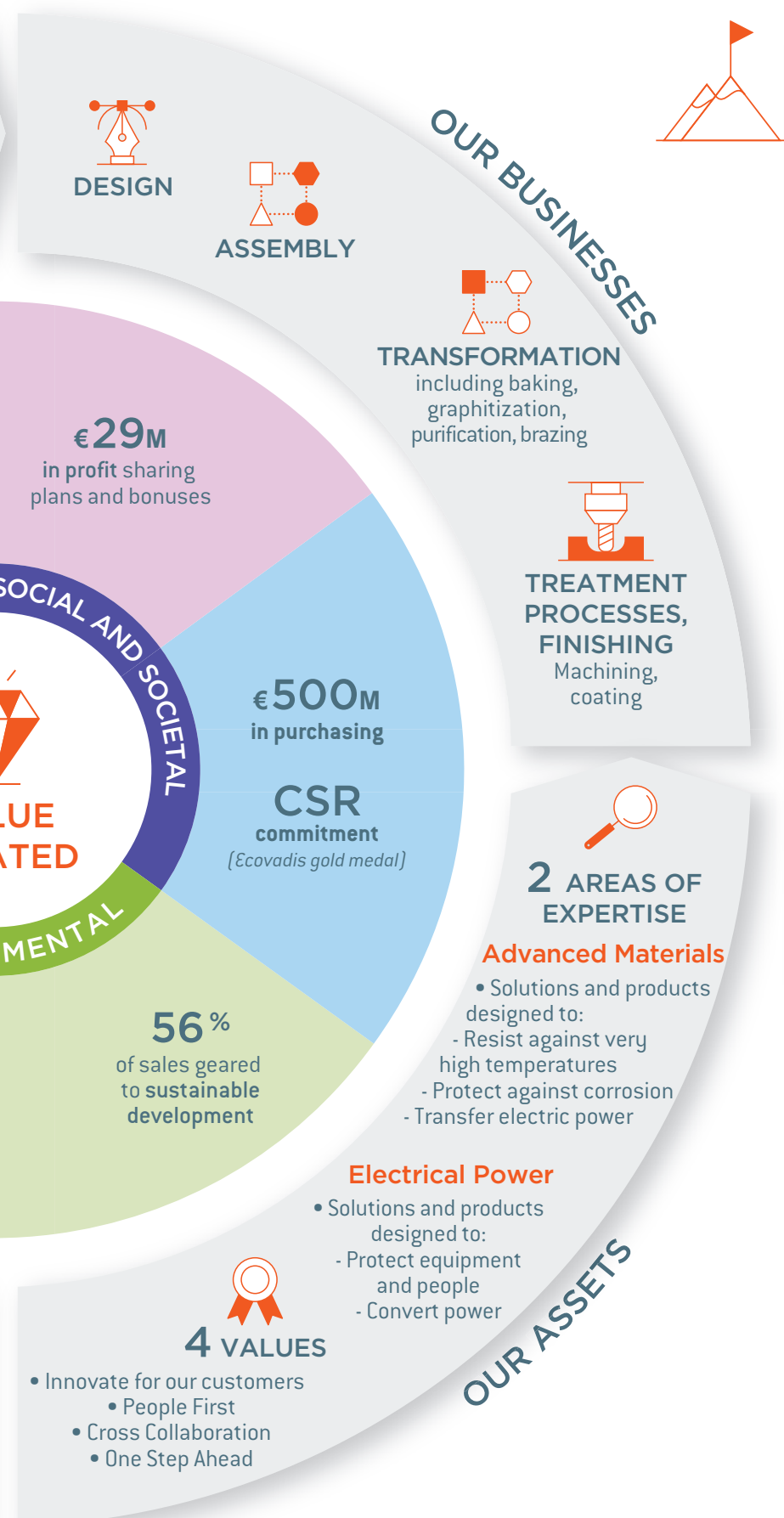
€7M
in interest paid
to banks

56%
of sites
certified
ISO 14001
(>125 p.)

70%
of waste
recycled

ECONOMIC
ENVIRON

VAL
CREA



OUR MID-TERM AMBITION

- Pursuing the **development of solutions** tailored to our customers' needs by relying on our high value-added expertise.
- Fostering growth in buoyant markets that contribute to sustainable development by offering innovative and sustainable solutions.
- Continuing to implement our competitiveness and performance program while taking a **socially responsible approach***.
- Optimizing **human capital development** by providing a motivating work environment.

* This approach is described in chapter 4.

4. ORIGINS OF THE GROUP

Mersen's roots lay in a technology that was about to play a decisive role in the coming electrical revolution: carbon arc rods. These would illuminate public spaces and large department stores from the 1870s.

Following on from lighting and arc lamps, electric motors gave the Group's founders opportunities to develop on an industrial scale. Electricity was being produced by dynamos in which the current was transmitted by sliding contacts in the form of small brushes made of carbon, another major market that would underpin Mersen's growth.

In addition, electrical networks also required distribution, control and protection equipment: Mersen rapidly became a leader in the electrical appliances industry.

The adventure began with two entrepreneurs, Maurice Lacombe and Fabius Henrion. Their companies - Le Carbone and the Compagnie Lorraine de Charbons - merged in 1937 to give rise to the Carbone Lorraine group. These two men are the true founders of Mersen.

5. VISION, MISSION AND VALUES

At Mersen, our vision, mission and values inspire the decisions and actions that drive our development.

Our ambition is to contribute to technological progress across the globe. We are convinced that our products and solutions are essential to progress and technological innovation, which gives the Group a role to play in improving the way we live and in protecting the environment and its resources.

To implement our vision and fulfill our purpose, the Group adheres to a set of strong values shared by all of its employees. In 2016, five values were defined and communicated. In 2022, the Executive Committee reviewed these values to bring them more in line with the results of internal surveys and changes in the Group and in the Company in general.

These values are reflected in 12 principles of conduct and action:

- Innovate for our customers: deep understanding of customers & markets, customer orientation, co-development;
- People first: health & safety, respect, people development;
- Cross collaboration: trust, open-mindedness, collective intelligence;
- One step ahead: continuous improvement, open to challenges, balanced achievement.

5.1. Group strategy

As a global expert in electrical power and advanced materials, Mersen is a key player in manufacturing industries around the world. Its strategy is anchored by four major pillars:

1. Pursuing the development of solutions tailored to our customers' needs by relying on our high value-added expertise

Mersen offers a wide range of products, services and solutions in our two areas of expertise – electrical power and advanced materials. To effectively address customers' specific needs, the Group draws on its network of 18 R&D centers located close to its customers across the world. This proximity gives Mersen unique insight into the challenges facing each player and enables the Group to offer custom-designed, innovative solutions backed by state-of-the-art technology. Mersen is also pursuing its policy of targeted acquisitions to provide its customers with an enhanced experience, consolidate its leadership positions and expand its operations in certain regions.

2. Fostering growth in buoyant sustainable development markets by offering innovative and sustainable solutions

Mersen works closely with major industry players around the world, leveraging its international sales and manufacturing network. It focuses its efforts on markets with significant medium-term growth potential that contribute to the sustainable development of the planet, including from solar energy to electronics, energy storage and electric vehicles.

3. Continuing to implement its competitiveness and performance program while taking a socially responsible approach

Mersen wants to gain in operational efficiency while promoting the security and safety of its plants and the people who work there and strengthening its ties with stakeholders in its host communities. The Group has implemented a global operational excellence initiative for all parts of the company, from operations through to sales, with special emphasis on improving health and safety in the workplace and reducing the environmental footprint of its sites.

4. Ensuring human capital development by building on Mersen's strong identity

Mersen promotes a culture where people are the bedrock of the Group and its development. It has built a robust, deep-rooted and attractive culture by offering employees genuine trust and accountability, and by respecting local cultures and fighting all forms of discrimination. Mersen is committed to helping its employees grow – while paying the utmost respect to human rights – and providing social protection for all.

5.2. Resources

Mersen works side-by-side with its customers all over the world. The Group draws on its production base of 52 manufacturing sites in approximately 34 countries, the majority of which are overseen by local managers to facilitate interaction with local stakeholders.

The Group leverages its knowledge of its customers' challenges to offer innovative products and solutions, which are sometimes developed jointly, and draws on its network of 18 R&D centers across the world. Its agile strategy and structure means it is able to stay ahead of market and environment trends and seamlessly adapt its products and services to changing needs.

Mersen's major strength is its 7,000-plus employees around the world who drive its development according to a strict code of ethics that guides all of the Group's activities and operations.

5.3. Innovation

Mersen's vision is to contribute to technological progress across the globe. Innovation is therefore inherent to Mersen, enabling the Group to offer its customers tailored solutions and become a major player in promising and fast-growing emerging markets.

5.3.1. R&D organization

Mersen's R&D organization is built on a lean central structure headed by the Group's Chief Technical Officer (CTO), who oversees the long-term vision and manages priorities in line with the company's strategy. Each activity splits its efforts between "everyday" innovations and very ambitious projects, in terms of both the challenges to be solved and the value of the developments in question for Mersen. Approximately 210 people work in R&D and Innovation Group-wide.

The Group devotes around 2% of its sales to research and development for products, materials and processes, and to technical sales efforts so as to constantly adapt its solutions or services to each customer's specific requirements. Most of this expenditure is financed internally.

The Group offers certain employees the option of professional careers focused primarily on the development of critical technical expertise for Mersen. Assembled in the Open Expert community, the role of these 140 experts and specialists is to ensure that the Group's internal scientific culture and know-how are leveraged and passed on. Often at the forefront of their respective fields, they are the force behind the collaborative work that Mersen shares with research institutes outside the Group with a view to driving its developments.

5.3.2. Partnerships to strengthen R&D

The Group relies on a network of partnerships and collaborations with external players such as universities and large national research centers, which play a key role in helping the company to develop core knowledge, without which the Group would be less efficient in delivering solutions to the increasingly complex problems which its customers need to solve.

The main partnerships cover the development of mathematical models to simulate complex phenomena such as "series" arc detection on DC distribution systems, and chemical vapor deposition (CVD) of silicon carbide.

5.3.3. The Innovation Challenge

The Innovation Challenge is designed to encourage and reward individual or collective initiatives that can contribute to the Group's growth or improve its performance. It is an annual event and culminates in two prizes:

- the "Growth +" prize rewards a team for putting forward a successful growth project whose execution is already contributing significantly to Mersen's sales growth;
- the "Best Creative" prize rewards the best innovative idea whose future implementation could make a lasting contribution to the growth or improvement of the Group's net income.

5.3.4. Eco-design

In 2021, Mersen strengthened its mastery of eco-design methodology. Going forward, electrical protection products across the entire range will be designed taking into account their environmental impact, during production, use and end-of-life recycling.

5.3.5. Main projects in progress

In 2022, Mersen developed laminated bus bar manufacturing processes compatible with mass production, which has become essential to meet the large volumes required by the growing electric vehicle market. This step forward led to the signing, in early 2023, of a contract with ACC (Automotive Cells Company) for the supply of smart laminated bus bars.

The partnership with Soitec launched in 2021 for the development of SiC wafers based on Soitec's smart-cut technology resulted in the successful production of several 6-inch wafers, with electrical and thermal properties meeting the specifications set at the beginning of the project. Major work is now underway to scale up to mass production while maintaining the same level of performance.

A final highlight involved the development of production processes for extruded graphite and "GRI" thermal insulation grades at the Columbia site. These two product lines respectively complement the isostatic graphite offering and the range of Calcarb-brand premium thermal insulation. Mersen already marketed equivalent materials that were purchased from third parties and resold. The switch to in-house production will ensure better control of supplies and business development.

5.4. Expertise

Since its beginnings at the end of the 19th century, Mersen has gradually transformed into an industrial group with recognized expertise in two key areas – Advanced Materials and Electrical Power – where it holds leadership positions or is the joint world leader. The Group primarily develops innovative solutions tailored to its customers' needs⁽¹⁾.

The Group's value chain is built on a series of key stages that apply to:

- bespoke product and solution design;
- supply of raw materials or components;
- manufacture, processing and/or assembly and machining;
- transformation processes, finishes and treatments;
- transportation, delivery, service, maintenance and repairs.

5.4.1. Advanced Materials segment (AM)

- Sales of €622 million.
- 56% of total sales.
- World no. 1⁽¹⁾⁽²⁾ in high-temperature isostatic graphite applications.
- World no. 1-2⁽²⁾ in graphite anticorrosion equipment.
- World no. 1-2⁽¹⁾⁽²⁾ in brushes and brush holders for industrial electric motors.

Product range and applications

In the Advanced Materials segment, the Group operates across the entire value chain, from the design and manufacture of materials (graphite, silicon carbide, carbon fiber insulation and carbon-carbon composites) to the design of final products in line with customer needs.

It offers a range of solutions and products designed to perform the following principal functions:

- Resistance against very high temperatures: Mersen's range includes isostatic graphite equipment, carbon-carbon composites, flexible and rigid insulating felt, and silicon carbide parts (for solar applications and semiconductors) and other refractory processes, and electrodes for electrical discharge machining, kiln linings. Since 2019 and the acquisition of the Columbia site (United States), the Group has also produced specialty extruded graphite.
- Protection against corrosion: this is provided by equipment using graphite, reactive metals, silicon carbide and fluorinated polymers (PTFE) for the chemical, pharmaceutical and metallurgy industries.
- Electric power transfer: the Group's range provides stable and constant generation, flow and transformation of electrical current in industrial environments (steel, mining, etc.), energy (power plants, hydropower plants, wind farms, etc.) and transportation (rail, aeronautics, space and maritime). This function is carried out with brushes, brush holders and power slip rings used in generators and motors, and with pantograph strips and collectors and third-rail shoe systems.

Main competitors (in alphabetic order):

- Helwig Carbon – USA – brushes, brush-holders and pantograph strips.
- Morgan Advanced Materials – UK – brushes, brush-holders and pantograph strips and flexible and insulating felt.
- Schunk – Germany – isostatic graphite transformation, brushes, brush-holders, pantograph strips and carbon-carbon composites.

(1) Some businesses are covered by the regulations on the control of exports of dual-use items and technology.

(2) Internal source: the Group operates in niche markets. It draws on its in-depth sector expertise and the financial and technical documentation published by its competitors to establish its market position.

- SGL Carbon – Germany – isostatic graphite, anticorrosion systems, extruded graphite and flexible and rigid insulating felt.
- Tokai Carbon – Japan – isostatic graphite and extruded graphite.
- Toyo Tanso – Japan – isostatic graphite, carbon-carbon composites.

5.4.2. Electrical Power segment (EP)

- Sales of €493 million.
- 44% of total sales.
- World no. 1⁽¹⁾ supplier of components for the power electronics market.
- World no. 2⁽¹⁾ in industrial fuses.
- World no. 2⁽¹⁾ in current collector devices.

Product range and applications

The Electrical Power segment offers a range of solutions and products designed to perform the following principal functions across the entire electrical chain:

- Equipment and people protection: prevent the destruction of industrial and commercial electrical equipment, ensure an uninterrupted power supply and help to stabilize the electrical network. This function is performed by overcurrent protection devices (such as industrial fuses) and by surge protection devices (to protect against damage from power surges).
- Power conversion: change the nature, voltage, intensity or frequency of the current to meet very diverse applications, such as motor speed variation, solar and wind energy conversion, electric vehicle propulsion and the management of battery-based systems (electric vehicle or stationary storage). To perform this function, Mersen designs cooling devices, laminated bus bars, capacitors and high-speed fuses that are integrated around power electronics components or in the architecture of battery packs.

In the rail sector, the Group complies with the International Railway Industry Standard (IRIS). For the electric vehicle market, some Group sites are certified to International Automotive Task Force (IATF) standards.

Competition

Mersen operates in cutting-edge markets where it holds leadership positions or is the joint world leader. Its competitors include several large international groups, as well as smaller regional players. None of its competitors cover all of Mersen's wide range of products. Specifically, Mersen is the only group with an offering for power electronics industry players that includes high-speed fuses, cooling devices, laminated bus bars and capacitors.

The Group's industrial fuse and surge protection device ranges stand out for their ability to offer a wide and thorough range of products that meet various regional standards (e.g., UL, IEC, BS and DIN) and are aligned with the needs of the majority of its distributor and OEM customers.

Main competitors (in alphabetic order)

- Boyd Corp – USA – cooling devices.
- Dehn – Germany – surge protection devices.
- Eaton – USA – industrial and electric vehicle fuses.
- ETI – Slovenia – industrial fuses.
- Littelfuse – USA – industrial fuses.
- Methode – USA – bus bars.
- Phoenix Contact – USA – surge protection devices.
- Rogers – USA – bus bars.
- Siba – Germany – industrial fuses.
- TDK Electronics – Japan – capacitors.
- Wabtec – USA – current collector and earth current return units for rail transportation.
- WDI – China – bus bars.

5.5. Markets

Our world's transformation continues to gather pace, driven by major trends like urbanization, digitalization and the reduction of energy use and its impact on the climate.

In the medium term, the solutions that Mersen brings to its markets (in particular, renewable energies, power electronics and semiconductor manufacturing, green transportation) mean the Group has a key role to play in developing tomorrow's world.

5.5.1. Energies

Mersen develops solutions for the world's principal energy sources and contributes to the energy transition by developing renewable energies across the globe.

In 2022, the global energy crisis accelerated the shift to renewable energies, resulting in strong growth in installed capacity, particularly in Europe.

Solar power

Photovoltaic technology is a major global energy source that is easy to install and cost competitive. New installations accelerated in 2022, under the pressure of the global energy crisis, to reach 260 GW⁽²⁾, a sharp increase over 2021 (173 GW⁽²⁾). Growth is expected to continue in the coming years, albeit at a slower pace.

Global installed capacity now totals close to 1,200 GW.

Mersen offers solutions for the entire photovoltaic industry:

- it is a key partner for leading polysilicon manufacturers around the world for which it develops graphite machined components (purified and sometimes coated), such as ultra-pure graphite electrodes used in the process for transforming silicon from a gaseous state into a solid;

(1) Internal source: the Group operates in niche markets. It draws on its in-depth sector expertise and the financial and technical documentation published by its competitors to establish its market position.

(2) Source: PV Magazine.

- it produces all the graphite and carbon fiber components for silicon ingot pulling which are needed to guarantee the purity of solar cells and to control the temperature of hot zones during crystallization (purified graphite heater, flexible felt insulation, carbon insulation, various composite parts, etc.). Mersen is particularly well positioned in Cz (czochralski) ingot pulling technology, which currently delivers the highest yield;
- it designs and produces isostatic graphite components of unrivalled size for the deposition of blue anti-reflective coating on the surface of solar panels (PECVD process);
- it offers a full range of solutions for the protection of photovoltaic panel installations (circuit breakers, fuses and surge protection devices);
- it delivers power electronics solutions for the conversion and distribution of solar energy (high-speed fuses, capacitors, cooling devices and laminated bus bars which can be used in an integrated architecture).

Mersen has customers across the value chain from polysilicon manufacturers such as Wacker Chemie and OCI and solar cell manufacturers such as Longi, Zhonghang or Jinko to power converter developers such as GE and TMEIC. Its range of solutions for the protection of photovoltaic installations is sold through electrical distributors such as Affiliated Distributors, Rexel and Sonepar, and directly to OEM customers.

Wind power

Installed on-shore and off-shore wind power capacity was estimated at more than 930 GW worldwide at the end of 2022 (825 GW worldwide at the end of 2021), making it a very attractive replacement market for Mersen. The number of projects increased significantly in 2022 under the pressure of the global energy crisis.

Mersen's range of solutions ensure safe and continuous wind power generation. They are primarily aimed at wind turbine generator manufacturers, but also at wind farm managers in the replacement market.

- The Group works with leading wind turbine generator manufacturers for which it supplies carbon brushes, brush holders and slip ring assemblies for current collection.
- It offers modular solutions which provide greater flexibility to wind turbine manufacturers and operators such as signal transmission systems, brushes and brush holders for yaw motors, and grounding systems.
- Its full range of fuses, fusegears, fuseholders and surge protection devices protect generators and controls.
- It delivers power electronics solutions for the conversion and distribution on the network of wind energy using high-speed fuses, capacitors, laminated bus bars and cooling devices for wind power electronics.

Mersen also develops maintenance services to optimize wind energy production, including technical diagnostics, equipment verification, installation and components replacement.

Its customers include wind turbine (Siemens-Gamesa, GE, Vestas, etc.) and generator (Indar and Siemens, etc.) developers, as well as wind farm managers (Nawsa) and power converter developers.

Energy storage

The energy storage market includes stationary batteries used primarily in renewable energy applications, and mobile batteries used to power electric vehicles (see Transportation market).

For stationary batteries, Mersen operates at several levels:

- it markets DC surge protection solutions for battery modules and laminated bus bars to connect battery cells;
- it markets a full range of DC surge protection solutions with fuse-based and hybrid devices, and high-power relays for battery racks and packs;
- its offering for battery containers includes high-speed DC protection fuses;
- Mersen also provides power conversion solutions such as high-speed fuses, capacitors, laminated bus bars and cooling devices. Mersen's solutions are needed to convert the battery's direct current (DC) to alternating current (AC).

Conventional energies

In conventional energies, Mersen supplies an entire range of products and solutions. In particular, the Group offers power transfer (brushes, slip ring assemblies, brush holders, and monitoring solutions) and turbine sealing (carbon and graphite joints and bearings) solutions and ensures safe and continuous power management (fuses, fusegears, cooling devices and bus bars).

5.5.2. Electronics

Mersen's technologies support the development of semiconductors for all digital applications. The Group also provides the power electronics needed for electric power conversion.

Si and compound semiconductor manufacturing

The semiconductor market is evolving rapidly. In addition to silicon-based semiconductors (microprocessors and memory) used in data networks and computers, demand for compound semiconductors is also on the rise. Their wide range of applications include LED lighting using a gallium nitride (GaN) based active layer and opto electronic components with an indium phosphide (InP) substrate.

In 2022, the semiconductor market showed strong growth in the first half of the year, before slowing down in the second half due to a decline in demand for cell phone and computer memory. Over the year as a whole, growth totaled around 4% ⁽¹⁾.

Mersen supplies high-grade, ultra-pure graphite for the manufacture of semiconductors. The quality of the graphite combined with Mersen's high-precision machining and coatings help to maximize the yield of the power semiconductor manufacturing process and are also well-adapted to the latest generations of components, which are increasingly miniaturized but need to handle increasingly high current and voltage requirements.

The Group meets the very specific needs of the following processes:

- metal organic chemical vapor deposition (MOCVD), or vapor-phase epitaxy, which is a corrosive chemical process that deposits thin layers at high temperatures and is notably used in the production of high-performance LEDs. Mersen produces coated graphite supports for this process;
- a series of processes applied to silicon and other substrates, such as atomic layer deposition (ALD), lithography, plasma etching and ion implantation. For example, ion implantation, which is used to locally modify the composition and physical properties of a substrate by introducing doping agents, is a technology that operates thanks to a new generation of high-energy machines. Mersen is the preferred supplier of Applied Materials, which is the world leader in this technology.

Mersen's customers include wafer developers and manufacturers and OEM machine manufacturers such as GlobalWafers, Siltronic, SK Siltron, Applied Materials, ASM International, LAM, Varian and Axcelys.

SiC semi-conductor manufacturing

Until recently, the market used silicon-based semiconductors for power components (IGBT, MOSFET, JFET, DIODE). Thanks to the recent efficiency gains in the silicon carbide (SiC) wafer manufacturing process, silicon carbide components are now used for many applications. These products are more powerful, efficient and compact.

The SiC semiconductor market is still limited, but growth is expected to be very strong, at around 30% to 40% per year over the next three to four years, in line with the development of electric vehicles and 5G telecommunications.

- Thanks to its unique expertise in providing rigid felt with guaranteed thermal homogeneity at 2,400°C, Mersen is very well positioned with the main producers of silicon carbide monocrystals. It also supplies graphite for the sublimation process used to make SiC monocrystals.

- Its customers include Wolfspeed (United States), II-VI (United States), SiCrystal (Germany), STMicro (France), SK Siltron (South Korea), Onsemi (United States), and SiCC (China).

In late 2021, Mersen signed a strategic technical partnership with Soitec, a world leader in the design and production of innovative semiconductor materials, to develop a new family of polycrystalline silicon carbide (p-SiC) substrates for the electric vehicle market. This development is aimed at optimizing SiC power components developed using Soitec's SmartSiC™ technology. Developments continued in 2022.

Power conversion

Power electronics convert electrical power into the energy form required for its intended use, for example direct current into alternating current. Power converters provide greater flexibility in the way that energy is used and greater efficiency in the way that it is managed, transported and distributed.

Each year, the power conversion market grows by an average of around 5% ⁽²⁾, depending on the power range, mainly led by demand for electric vehicles, rail traction systems, renewable energies and speed drives for electric motors in industrial facilities.

Mersen's custom-made offering for high-power applications helps equipment suppliers to optimize the design of their power converters (Samsung, Siemens, GE, Schneider Electric, Rockwell, etc.).

Mersen's specialized teams and design engineers, combined with an integrated offer of components, including laminated bus bars, capacitors, high-speed fuses and cooling devices, strengthen Mersen's position as a key player on the power electronics market.

5.5.3. Transportation

Mersen supports the growing mobility of people and goods around the world. With its solutions for the rail and electric vehicle markets, the Group contributes to the reduction of CO2 emissions.

Rail

Growth and transformation in the rail industry is being driven by global trends, such as globalization, urbanization and sustainable development. Following the pandemic (2020-2021) and resulting traffic restrictions, the market is starting up again, at a moderate pace, with projects to build new subway and tram lines.

(1) Source: WSTS.

(2) Mordor intelligence.

Mersen offers rail manufacturers and system operators solutions to enhance the performance and reliability of their equipment. The Group is a recognized player in this market due to its ability to meet all rail standards and certifications, and to offer innovative solutions. Its market success is also the result of unique long-standing positioning with major rail manufacturers in addition to a local commercial and industrial presence, especially now that orders are increasingly subject to the requirement that products be produced or assembled locally.

The Group's expertise also extends to rail infrastructure for urban and freight rolling stock. It develops solutions for:

- supplying energy to motors and auxiliary systems via power conversion systems thanks to its offering of cooling devices, capacitors, bus bars and high-speed fuses;
- distributing energy to motors thanks to current collector devices (pantograph strips or third rail shoes), brushes and brush holders.

Mersen works with all the major rail market players such as Alstom, Bombardier, Siemens, GE, CRRC, etc.

Aeronautics

Since 2020, the aeronautics market has been impacted by the health crisis and travel restrictions. This comes after several years of strong growth in commercial aviation. By 2022, the market was growing again, although it had not yet returned to its 2019 level.

Mersen's offer helps to enhance the reliability and efficiency of aircraft with solutions that offer reductions in weight, fuel consumption and total operating costs. Its range of products is designed to:

- optimize equipment, key components for auxiliary motors, air conditioning, electrical power generation and distribution systems;
- improve flight conditions through the use of wear-resistant composite materials and brushes and brush holders designed for aircraft pressure systems;
- reduce energy consumption thanks to optimal electronics cooling, low-inductance laminated bus bars, turbine blade positioning devices and components with lower friction rates.

The Group's materials and heat processing solutions are also used in manufacturing processes for superalloy reactor blades.

Mersen targets leading industry subcontractors for major aircraft manufacturers, such as Safran, Thales and Rolls Royce.

Electric vehicles

The electric vehicle (BEV, HEV or PHEV⁽¹⁾) market is thriving, with both the passenger vehicle, and industrial and commercial heavy vehicle segments enjoying robust growth. The market is expected to grow even faster in the future, particularly for vehicles with battery voltages above 400 V, which is Mersen's target market.

The Group's solutions are primarily aimed at the high-end BEV and industrial and commercial heavy vehicle markets:

- its offering for battery modules and packs includes high-speed fuses and bus bars;
- Mersen has developed a dedicated range of fuses to protect the electrical system supporting auxiliary functions;
- in addition to all the advantages associated with its high-speed fuses, capacitors and laminated bus bars, Mersen's electric vehicle stations are also equipped with surge protection devices, for overall optimal protection.

In 2021, Mersen announced a multi-year alliance with Autoliv to develop disconnection devices incorporating Autoliv's Safety Switch pyrotechnic technology and Mersen's fuse hybridization concept. These devices protect passengers by offering even greater efficiency in disconnecting high voltage batteries in the event of a shock or proven electrical faults. In early 2023, the Group announced a contract with ACC (Automotive Cells Company) to supply smart laminated bus bars for its new generation of durable and efficient batteries for the European electric vehicle market.

Mersen's customers include automobile manufacturers, first and second tier subcontractors and battery manufacturers. The market is gradually taking shape and could still experience significant change.

Space

Optical instruments for space exploration and ground-based observatories require precise and stable geometries that can withstand drastic changes in temperature, rapid acceleration and strong vibrations. Thanks to its unique properties, including lightness and exceptional thermomechanical stability, silicon carbide is widely used in space applications.

Mersen supplies silicon carbide mirrors and structures for telescopes, particularly for use by Airbus Defense and Space in its observation satellites (e.g., Herschel, Gaia and PeruSat), as well as by the French National Space Agency (CNES) in such missions as MicroCarb. Mersen was also chosen to manufacture the final mirror for the Extremely Large Telescope (ELT) project run by the European Southern Observatory (ESO). In 2021, it celebrated the launch of NASA's James-Webb telescope, having supplied equipment for the NIRSpect spectrograph developed by Airbus for the ESA.

(1) Plug-in Hybrid Electric Vehicle.

5.5.4. Corrosive chemicals

Tens of thousands of chemical products are present in our day-to-day environment – in PVC construction materials, in polyurethanes used in the automotive industry, in silicones for adhesives and in high-performance plastics used in new technologies. All these chemicals are produced according to procedures using corrosive substances in high-temperature environments.

Mersen has developed advanced materials and acquired expertise in industrial equipment to provide customized solutions suited to highly corrosive chemical processes.

The Group offers equipment designed to meet the most stringent production requirements, in particular for phosphoric acid, chlor-alkali, active pharmaceutical ingredients, isocyanates, acid and specialty chemicals.

Made from graphite, SiC or reactive metals, its customized solutions:

- perform heat exchange and reaction functions: heat exchangers;
- transfer highly corrosive and high-temperature fluids: columns, reactors, pressure vessels, piping, fittings and bellows.

In addition to individual items of equipment, Mersen offers turnkey systems that combine engineering, design, equipment manufacturing, project management and on-site commissioning of equipment.

Lastly, on the pharmaceutical market Mersen provides technological solutions that meet the purity requirements of processes, with a range of equipment using silicon carbide and noble metals.

Mersen's customers are the world's leading chemical manufacturers such as Arkema, Evonik, Grasim Industries and Novartis.

5.5.5. Process industries

Process industries is the Mersen group's original market. Mersen supplies process industries with a wide range of products and purpose-built solutions. It supports the changes occurring across all of these industries, in particular changes linked to energy efficiency.

These markets are highly dependent on the global economy and GDP growth. After a sharp slowdown in 2020, these markets benefited greatly from the rebound in activity in 2021, which continued in 2022.

Mersen's expertise covers the following areas:

- metallurgy with electrical solutions for foundries and furnaces, hot and cold rolling mills, galvanic lines and electrolysis systems;
- high-temperature furnaces with graphite refractories, thermal insulation and flexible graphite composite systems;
- sintering processes, which require the use of graphite refractory tools to withstand extreme pressure and temperature during processes;
- glass, including glass molding and handling. The Group has developed specific graphite grades to answer to market expectations;
- rubber and plastic with solutions designed for very specific operations (extrusion, injection, high temperatures, constant or variable speed, etc.);
- pulp and paper with high-performance electrical solutions (for pulping machines, winders, rollers, driers, etc.) and mechanical and sealing solutions (for pumps and other systems).

Mersen's customers are the world's leading manufacturers such as Arcelor Mittal, Owens Illinois, Saint-Gobain, International Paper and LafargeHolcim.

5.6. Value creation

Mersen is convinced that its medium- and long-term development can only be achieved through a combination of business, financial and non-financial performance and through respect for all of its stakeholders – starting with customers, who have always played a central role in the Group's strategy.

Mersen therefore aims to approach its value creation model from several angles:

- social: for the benefit of Mersen's employees and their families;
- societal: through its contribution to host communities (using local suppliers, paying local taxes, supporting community initiatives, etc.);
- environmental: through its contribution to the development of environmentally responsible activities, such as renewable energies, electronics, energy efficiency and clean transportation;
- economic: for the benefit of its shareholders and financial partners.

6. MEDIUM-TERM PLAN

In March 2022, the Group announced an ambitious 2025 plan to reach sales of around €1.2 billion, an operating margin before non-recurring items of at least 11%, EBITDA margin representing at least 17.5% of sales and ROCE of at least 12%.

Mersen is now setting more ambitious medium-term objectives with 2027 as the new time horizon. These new goals stem from the outperformance achieved over the past two years (especially in renewable energies) and from accelerating demand in semiconductors and electric vehicles.

Four markets representing 27% of sales in 2022 (SiC semiconductors, Si semiconductors, electric vehicles and renewable energies) are expected to generate around 45% of consolidated sales in 2027, with average annual growth of more than 20%.

This momentum is being driven by the following:

- The Group has developed expertise in advanced materials that are essential to the **manufacturing process of silicon carbide semiconductors**. It is working with key players in the sector to support their growth, sometimes based around major multi-year contracts. Mersen is also continuing its strategic partnership with Soitec to develop a new range of substrates for the electric vehicle market.
- In the **silicon semiconductor** market, the Group is positioned on the most sophisticated stages of the manufacturing process (ALD, ion implant) and will reap the benefits of its major ongoing investments in this market.
- For several years, Mersen's growth strategy in the **electric vehicle** market has involved reinforcing its teams, qualifying its sites on the 3 continents to automotive standards and entering into partnerships with automotive stakeholders. More specifically, it has signed a first agreement with battery manufacturer ACC and will be focusing over the coming years on the battery protection market, with a complete range of fuses.
- The Group is a major supplier across the entire **solar photovoltaics** value chain. In 2022, it exceeded the €100 million sales target it had initially planned to achieve by 2025. The Group will limit its solar production capacity in China in order to balance its production base more effectively between its different local end-markets.

The Group will continue to leverage its extensive expertise, global leadership position, international footprint and historical relationships with leading players to drive its growth in other markets (rail, aeronautics, corrosive chemicals, heat treatment, glass, etc.), where it expects to achieve average annual organic growth of 3%.

The Group's performance over the period will benefit from the expected volume effect, which should absorb higher depreciation and amortization expenses. In addition, Mersen's positioning as a provider of customized high-tech solutions could give it the pricing power necessary to offset possible impacts of inflation.

The Group will deploy a targeted investment plan to support this growth, representing approximately €300 million for the 2023-2025 period, in addition to around €100 million for bolt-on acquisitions.

These investments will focus on boosting isostatic graphite and insulation felt production capacity, expanding four plants in Advanced Materials and enlarging three plants dedicated to fuses for electric vehicle market and one for busbars manufacturing in France.

These new projects will quickly begin producing a return on investment with projected ROCE of between 12.5% and 15.5% by 2027.

Thanks to this growth model and the momentum in sustainable markets, Mersen will reach a new dimension by 2027, with nearly 45% of its sales generated in the buoyant markets listed above. By 2027, the Group is aiming for:

- sales of around €1.7 billion;
- operating margin before non-recurring items of 12% of sales. This margin may vary by +/-50 basis points;
- recurring EBITDA margin of 19% of sales. This margin may vary by +/-50 basis points;
- ROCE of 13%, which may vary by +/-50 basis points.

7. TAXONOMY REPORTING

7.1. Regulatory environment

The European Union (EU) has issued Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment (known as the Taxonomy Regulation)⁽¹⁾. It requires companies to disclose key performance indicators for the 2022 financial year, indicating the share of their eligible and aligned sales, capital expenditure and operating expenditure derived from products and/or services associated with economic activities considered environmentally sustainable within the meaning of the Regulation and its delegated acts for the first two objectives, namely climate change mitigation and adaptation.

This Regulation has been supplemented by:

- the Climate Delegated Act of June 4, 2021 and its annexes⁽²⁾ supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation;
- Delegated Regulation 2021/2178 of the European Commission of July 6, 2021 and its annexes supplementing Regulation (EU) 2020/852 by specifying how to calculate the KPIs and the narrative information to be disclosed⁽³⁾;
- the proposals of the Technical Working Group in the March 2022 Platform on Sustainable Finance report;
- the Commission's Frequently Asked Questions (FAQ) or Commission Notice on the interpretation of certain legal provisions of the Delegated Regulation 2021/2178 published in December 2022 and the Climate Delegated Act of June 4, 2021.
- Note: This is the first notice on alignment. Thus, some information may change depending on the arbitrations and clarifications of the European Commission.

7.2. Definitions

7.2.1. Regulatory indicators

An economic activity is deemed eligible if it is explicitly described in Annexes I and II of the Taxonomy Regulation Climate Delegated Act of June 4, 2021⁽⁴⁾ and it has the potential to contribute substantially to one of the two climate objectives applicable for fiscal year 2022:

1. climate change mitigation;
2. climate change adaptation;
3. the sustainable use and protection of water and marine resources;
4. the transition to a circular economy;
5. pollution prevention and control;
6. the protection and restoration of biodiversity and ecosystems.

An activity is aligned when it meets all of the technical screening criteria, which are made up of specific conditions and performance thresholds required to demonstrate a substantial contribution to one of the six environmental objectives (SC – "Substantial Contribution" criteria), and does no significant harm to the other objectives (DNSH – "Do No Significant Harm") in compliance with the minimum safeguards (MS – "Minimum Safeguards") related to human rights, corruption, taxation and competition law.

(1) <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

(2) [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PL_COM:C\(2021\)2800&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PL_COM:C(2021)2800&from=EN)

(3) <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178&from=EN>

(4) Delegated Act of June 4, 2021 and its Annexes 1 and 2 on climate change mitigation and adaptation.

7.2.2. Indicators subject to voluntary reporting by Mersen

An economic activity has been defined as qualifying for the European Taxonomy (latest report from the Platform on Sustainable Finance) if, according to Mersen, it contributes to the environmental objectives as described in Articles 10-15 of Regulation (EU) 2020/852 of June 18, 2020. Pending the publication of the Delegated Acts in 2023, Mersen has referred to the list of activities proposed by the Technical Working Group in the March 2022 Platform on Sustainable Finance report, in connection with the following objectives:

3. the sustainable use and protection of water and marine resources;
4. the transition to a circular economy;
5. pollution prevention and control;
6. the protection and restoration of biodiversity and ecosystems.

Activities not defined in the European Taxonomy analysis framework or in the report of the Taxonomy Working Group (Platform on Sustainable Finance) are therefore excluded from that framework. This scope includes Mersen's activities whose correspondence with or contribution to the objectives of the Taxonomy could not be identified by the Group on the basis of the regulatory information as published at the date of consolidation of the 2022 financial statements.

In 2021, Mersen has determined that an economic activity may be considered eligible by virtue of voluntary reporting if, without being eligible or qualifying in the strict sense, it supplies an eligible market as defined in Annexes I and II of the Taxonomy Regulation Delegated Act of June 4, 2021.

7.2.3 Definitions of KPIs

The KPIs presented are calculated according to the same methodology as the information presented in the notes to the financial statements.

Sales:

Numerator: net sales of products or services associated with taxonomy-eligible economic activities

Denominator: net sales of products and services

Capex:

Numerator: Cash flows used in capital expenditure related to assets or processes that are associated with (i) taxonomy-eligible activities, or (ii) the purchase of output from taxonomy-eligible activities.

Denominator: All cash flows from the acquisition of property, plant and equipment and intangible assets (including those resulting from business combinations) before depreciation, amortization, revaluations and changes in fair value.

Opex:

Numerator: operating expenses related to assets or processes associated with (i) taxonomy-eligible activities, and direct non-capitalized costs relating to R&D, or (ii) individual measures promoting low-carbon activities or individual building renovation measures.

Denominator: direct non-capitalized costs relating to R&D, building renovation measures, short-term leases, and maintenance and repairs, as well as all other direct expenditure in connection with the daily maintenance of property, plant and equipment by the company or a third-party contractor that are necessary to ensure the continuous and effective operation of these assets.

7.3. Methodology

The financial information used for this preliminary analysis was sourced from the Group's information systems (capex monitoring, consolidation) after the closing of the annual financial statements. They have been jointly analyzed and monitored by local and central teams to ensure consistency with consolidated sales and capital expenditure in 2022, and reviewed by the Group's Finance, and Strategy and Development Departments.

7.3.1. Approach for sales

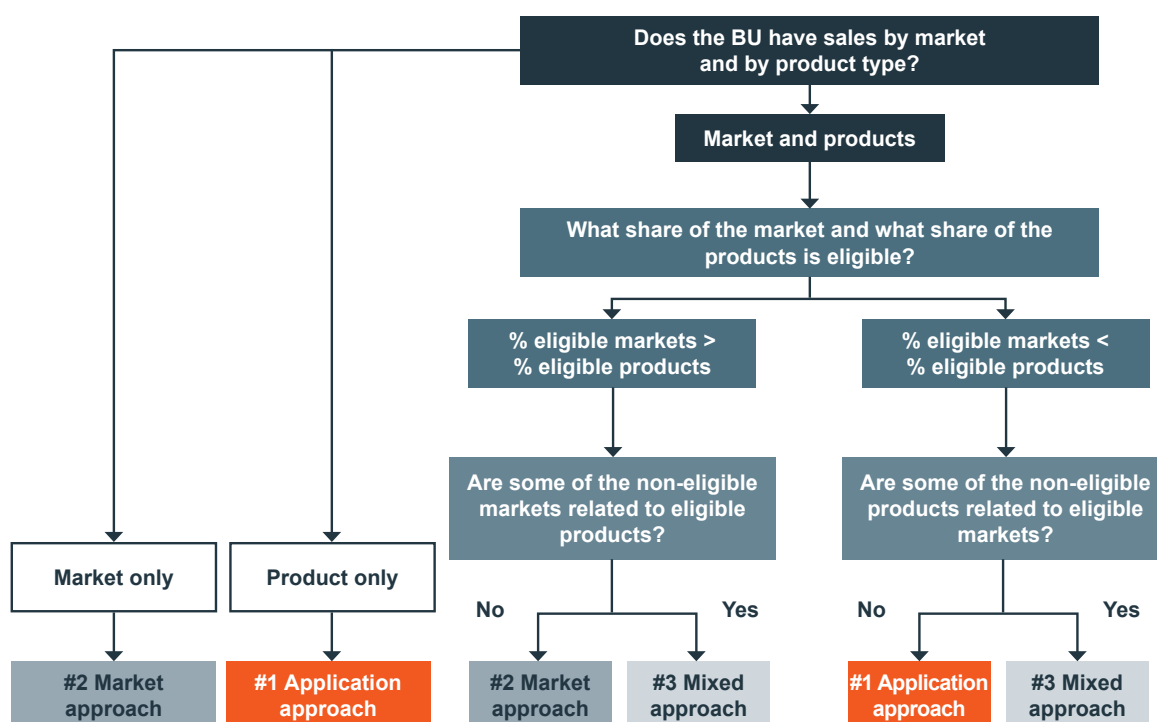
The Group's reporting frameworks allow for the segmentation of sales by business unit (BU), product, application and market.

The denominator follows the accounting definition and can be reconciled with the financial statements.

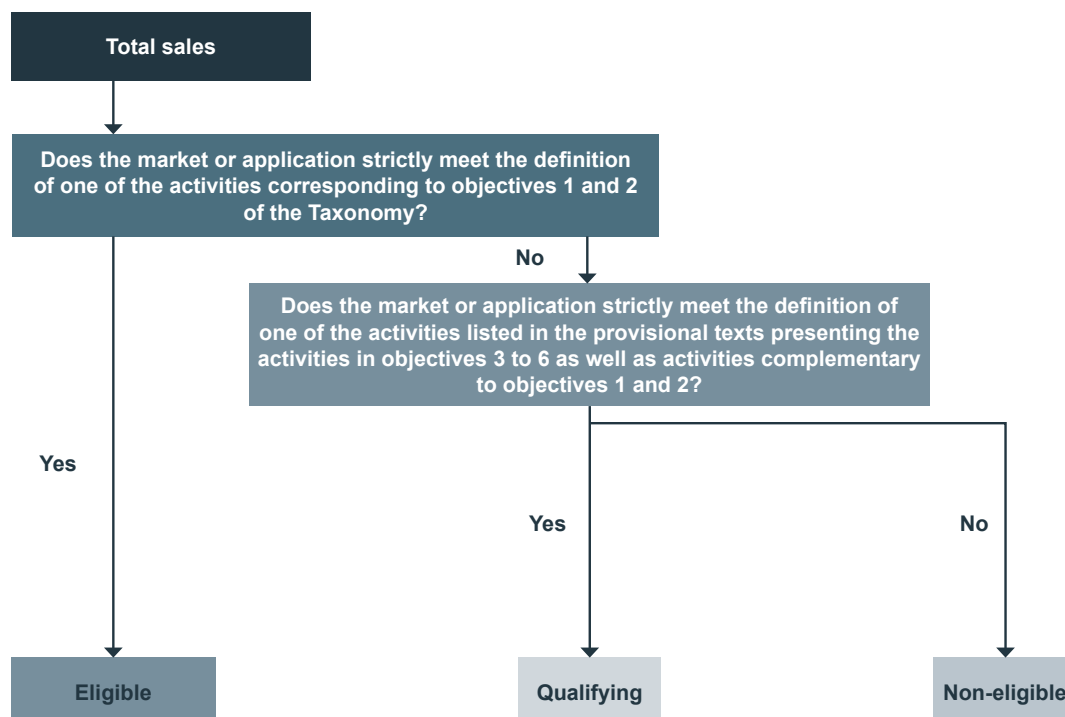
The application approach has been favored when the business unit has detailed information on the performance of its products as regards objectives 1 and 2 of the Taxonomy and when the market is not or is only marginally eligible.

The market approach has been adopted when the business unit does not have sufficient information about its products as regards the criteria of objectives 1 and 2 of the Taxonomy or when the product is not identified by the Taxonomy but can be included when the destination market corresponds to an activity included in the Taxonomy.

A mixed approach has been used when it is possible to include the activity by virtue of a market approach for a specific type of product, when the level of detail given by the business unit allowed it.



Characterization of activities



The «non-eligible» activities concern the Advanced Materials segment. These are mainly graphite parts for process industries (heat treatment, glass industry, metallurgy, etc.), for the production

of Si semiconductors or for conventional energies, silicon carbide parts for the aerospace industry, and reactive metal equipment for the chemical industry.

7.3.2. Approach for capex

The Mersen group has industrial operations in 34 countries, with 52 manufacturing sites. It has decided to focus its analysis on the main contributing sites, while ensuring that the selection is representative of all the Group's sites. The analysis therefore focused on 29 sites, representing 98% of the Group's total capex, distributed among the activities in a similar way to the Group's total capex.

Capex was considered eligible when associated with a taxonomy-eligible product.

Capex that cannot be qualified has been allocated in proportion to the site's sales. This methodology is different from the one used in 2021: in 2021, the Group allocated non-qualifying capex according to the eligibility percentage of the site's activity, using thresholds above/below which all capex qualified as eligible/non-eligible.

Special case of the Columbia site (USA):

In 2019, the Group acquired the Columbia site in the United States with the aim of:

- accessing complementary isostatic graphite manufacturing capabilities,
- insourcing the production of specialty extruded graphite, and
- with the acquisition of Americarb's insulation business in 2020, installing insulation felt manufacturing facilities.

To achieve these objectives, significant capital expenditure was and will continue to be necessary; it will position the site as a preeminent one for the Graphite Specialties business.

Capex linked directly to the insulation felt business was considered eligible as it was linked to an eligible product.

Capex for isostatic graphite manufacturing was classified eligible or qualifying when attached to an eligible market (solar) or a qualifying market (electric vehicles). The breakdown between the two categories was made on the basis of the sales of the business (Graphite Specialties Business Unit).

As extruded graphite is intended mainly for non-eligible markets, the related capex has been classified as non-eligible.

For capex intended for the manufacture of both types of graphite, the portion relating to isostatic graphite was identified in proportion to target sales at full capacity, before applying the same process.

7.3.3. Approach to alignment

An activity may qualify as "sustainable" if it contributes substantially to one of the six environmental objectives and does no significant harm to any of the other five objectives. An activity must also meet minimum safeguards to qualify as "sustainable" (aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights).

7.3.3.1. Substantial contribution criteria

The manufacture of renewable energy technologies (code 3.1) substantially contributes to the climate change mitigation objective by definition, i.e., for Mersen, products used in the manufacture of renewable energies (manufacture of solar cells), as well as components dedicated to renewable energies (photovoltaic solar power, hydraulic and wind energy).

The Group decided to limit its analysis of the alignment criteria to this scope.

All the DNSH and MS criteria have been reviewed under this scope. It covers 31 manufacturing sites (out of a total of 52) of the Group's two areas of expertise, located on three continents, based on 2021 sales.

In 2022, these activities represented more than €150 million, i.e., 14.2% of sales and nearly 50% of eligible sales. As the Group covers many markets with bespoke products, it will extend the analysis to the other eligible activities in the coming years (see outlook paragraph).

7.3.3.2. DNSH criteria*

An analysis of the DNSH criteria was conducted under the above-mentioned scope.

Climate change adaptation

In 2021, Mersen mapped the physical climate-related risks of its manufacturing sites with the highest asset values. Using the data from the Natural Hazards Edition of its insurer Munich Re and with the help of an external firm, the Group identified only four sites with a very high risk, all these sites being affected by flooding (see chapter 4 section 5.6 of this document).

In the context of the DNSH analysis, the Group considered that only the Juarez site in Mexico was concerned. With the help of the consulting firm EcoAct, the Group carried out a prospective analysis of the future exposure of this site to the 28 hazards defined in the Taxonomy over the period 2021 to 2040, based on the IPCC RCP 8.5 scenario (4 or 5 degrees Celsius global warming by 2100), compared with the reference scenario modeled for the period 1971 to 2000. This analysis was complemented by a vulnerability analysis.

* Do No Significant Harm.

Based on this work, it was concluded that the site could be at significant risk from high temperatures and at moderate risk from water stress. Particular attention should be given to the risk related to cold waves.

Faced with these known risks, the site has taken adjustment measures for some time now, such as insulating buildings or painting the walls in white to combat high temperatures and reusing the water from these processes for sanitary purposes to reduce its vulnerability to water stress. These measures significantly limit the risks.

In addition to these measures, other actions could be implemented that will be subject to a more detailed analysis in 2023.

Sustainable use and protection of water and marine resources

In 2021, Mersen mapped the water stress of its production sites, drawing on the global conservation atlas prepared by the World Resources Institute (see chapter 4 of this document). On this basis, only three sites contributing significantly to the selected alignment scope are identified in this mapping.

In 2021, the Group undertook to reduce its water consumption by 10% between 2018 and 2025 in line with its 2022-2025 CSR roadmap (see chapter 4 of this document).

Mersen reports annually on the water consumption of its manufacturing sites. In this context, it ensures compliance with local regulatory constraints on this issue. In 2022, there was no notification from the authorities.

Transition to a circular economy

The Group drew up a purchasing policy aimed at defining the practices to be implemented by the Group's purchasing community in order to encourage, in particular, recycled material alternatives whenever possible. In 2022, the Group identified a share of certain recycled materials in its purchases, focusing on copper, silver, aluminum and certain graphite raw materials.

In addition, the Group recycles internally some production residues from the graphite manufacturing process in various productions within the Group.

Finally, Mersen considers that the reduction of emissions of all kinds and waste reduction play an important role in the environmental impact reduction. The Group has set an ambitious target for increasing waste recycling (see 2022-2025 CSR roadmap). There is a target with associated action plans for each site.

Pollution prevention and control

To meet this criterion, Mersen relied on European directives and regulations. The Group has taken note of the FAQ published late on December 19, 2022, and will examine the possible impacts on the DNSH criterion for pollution in 2023.

The Group ensures that the use of hazardous substances is under its control, in particular by complying with regulations on the use of chemical substances. With regard to the RoHS directive, the Group ensures the monitoring and updating of the calculations and certificates and makes them available to European customer services. In addition, it actively works on the replacement of substances on the exemption list to renew product lines before the RoHS deadline.

The Group also complies with the REACH regulation and is organized to collect the necessary information from strategic suppliers. It identifies the presence of substances defined in the REACH regulation and establishes the regulatory documents.

These principles are detailed in chapter 4 of this document.

Protection and restoration of biodiversity and ecosystems

In 2021, Mersen identified its production sites and their proximity to protected areas in a biodiversity mapping (see chapter 4 of this document). On this basis, only three sites contributing significantly to the selected alignment scope are identified in this mapping.

The Group ensures that all its sites are in administrative compliance with local regulations. To this end, it conducts an annual survey of its site managers. In 2022, there was no notification from the authorities.

7.3.3.3. Minimum guarantee criteria (MS)

In 2020, Mersen prepared a strategic HR roadmap as described in chapter 4 of this document. It includes in particular its human rights policy. Chapter 4 also describes the Group's ethics and compliance culture and the measures taken to ensure that it is well understood and that there is an operational whistleblowing system. Finally, ethics and compliance refer to policies and codes covering anti-corruption, competition law and responsible taxation issues.

On the basis of the list of rights of the International Human Rights Charter (International Labor Organization), the Group has drawn up a map of risks relating to human rights violations, based on 13 interviews with human resources managers of sites representing the regions where the Group operates. As a result, specific areas of action were defined, mainly in the areas of pay equity, social protection and life balance, which will be subject to action plans in 2023.

Mersen has never been convicted for human rights violations.

7.4. Results

These results cover all activities included in the scope of Mersen's financial consolidation at December 31, 2022.

7.4.1. Sales

Activities eligible or qualifying account for 77% of the Mersen group's 2022 sales:

As a % of total sales	2022	2021
Eligible sales	29%	30%
Qualifying sales (see definition in section 7.2.2)	48%	12%
Voluntary eligible sales (see definition in section 7.2.2)	N/A	24%
	77%	66%

In 2022, certain activities were redefined by the working group of the Platform on Sustainable Finance (in particular manufacture of aircraft). Some activities were also clarified, resulting in their classification in the qualifying category (manufacture of electrical

and electronic equipment). As a result, the Group did not consider it necessary to continue the monitoring of eligible voluntary activities.

Activities eligible in respect of objective 1 (climate change mitigation) of the European Taxonomy as of December 31, 2022

NACE code ⁽¹⁾	Activity as described in the Delegated Act ⁽²⁾	Description of the activity	Mersen's corresponding activities Materials: activities in the Advanced Materials segment Power: activities in the Electrical Power segment
C25, C27 and C28	3.1 Manufacture of renewable energy technologies	Manufacture of renewable energy technologies, where renewable energy is defined in Article 2(1) of Directive (EU) 2018/2001.	Solar: • Materials: Manufacture of solar cells (graphite and insulation) • Power: Electrical protection of solar panels, Power conversion (PT&D) ⁽³⁾ Wind: • Materials: Generator brushes, Signal transfer • Power: Electrical protection, Power conversion (PT&D) ⁽³⁾ Hydro-power: • Materials: Generator brushes
C27.2 and E38.32	3.4 Manufacture of batteries	Manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage and other industrial applications. Manufacture of respective components (battery active materials, battery cells, casings and electronic components). Recycling of end-of-life batteries.	Energy storage: • Materials: Insulation felt for redox batteries, • Power: Electrical protection, Power conversion (PT&D) ⁽³⁾
C22, C25, C26, C27 and C28	3.6 Manufacture of other low carbon technologies	Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of this Annex.	• Materials: Heat exchangers, insulation materials (excluding solar), silicon carbide industrial scan mirrors, insulating felt for the manufacture of optical fibers • Power: Variable speed drive for industrial motors (power conversion)
D35.30	4.25 Production of heat/cool using waste heat	Construction and operation of facilities that produce heat/cool using waste heat.	• Materials: Eco&Flex synthesis units

(1) Statistical classification of economic activities in the European Community.

(2) Delegated Act of June 4, 2021 and its Annexes 1 and 2 on climate change mitigation and adaptation.

(3) Production, Transmission & Distribution.

Qualifying activities

NACE code ⁽¹⁾	Activity as described in the report of the platform on sustainable finance ⁽²⁾	Description of the activity	Mersen's corresponding activities Materials: activities in the Advanced Materials segment Power: activities in the Electrical Power segment
C26.1, C27.1, C27.2, C27.3 and C27.9	2.3 Manufacture of electrical and electronic equipment (related objective: transition for a circular economy)	Manufacture of electrical appliances.	- Materials: manufacture of SiC semiconductors, third rail sensors and pantograph strips - Power: Current transmission, power conversion, electrical protection – except for activities eligible via the market approach
C30.3	7.2 Manufacture of aircraft (related objective: climate change mitigation)	Manufacture, repair, maintenance, overhaul, refitting, design, reuse and upgrade of aircraft and aircraft parts and equipment.	- Materials: Brushes for auxiliary motors, graphite mechanical parts - Electrical: electrical protection and power conversion

(1) Statistical classification of economic activities in the European Community.

(2) Report of the Platform on Sustainable Finance of March 2022 presenting its recommendations on the technical criteria of the 4 other objectives of the taxonomy regulation.

Aligned activities

Economic activity	NACE Code	Total turnover	% of turnover	Substantial contribution						DNSH						Proportion of aligned turnover in year Y	Proportion of aligned turnover in year Y-1	Category (enabling activity)(*)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards			

A. Taxonomy-eligible activities

A.1. Environmentally sustainable activities (taxonomy-aligned)+

Manufacture of renewable energy technologies	C25, C27, C28	€159 m	14.2%	14.2%	0%	N/A	N/A	N/A	N/A	yes	yes	yes	yes	yes	yes	yes	14.2%	N/A	E	N/A
Turnover of environmentally sustainable activities (aligned) (A.1.)	N/A	€159 m	14.2%	14.2%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.2%	N/A	E	N/A

A.2. Taxonomy-eligible but environmentally unsustainable (non-aligned) activities

Manufacture of batteries	C27.2, E38.32																			
Other low carbon technologies	C22, C25, C26, C27, C28																			
Production of heat/cool using waste heat	D35.30																			
Turnover of taxonomy-eligible but environmentally unsustainable (non-aligned) activities (A.2.)	N/A	€165 m**	14.8%																	
TOTAL (A.1. + A.2.)	N/A	€324 m	29.1%														14.2%	N/A	E	N/A

B. Non-taxonomy eligible activities

Turnover of non-taxonomy eligible activities (B.)	N/A	€791 m	70.9%																	
TOTAL (A. + B.)	N/A	€1,115 m	100%																	

(*) An activity qualifies as enabling when it directly enables other activities to make a substantial contribution to one or more of the objectives referred to in the Taxonomy.

(**) Most of these revenues relate to the «Other low-carbon technologies» business.

Qualifying activities (48% of the Group's sales, see paragraph 7.4.1), currently treated as non-eligible, may become eligible as the regulation evolves.

7.4.2. Capex

Eligible and qualifying capex representing 64% of the capex analyzed (97% of the Group's total capex):

As a % of total sales	2022	2021
Eligible capex	27%	34%
Qualifying capex (see definition in section 7.2.2)	37%	4%
Voluntary eligible capex (see definition in section 7.2.2)		16%
TOTAL	64%	54%

Excluding the Columbia site in the United States (see section 7.3.2), the proportion of eligible and qualifying capex would be 73%.

Economic activity	NACE Code	Capex	% of capex	Substantial contribution					DNSH					Proportion of capex aligned in year Y	Proportion of capex aligned in year Y-1	Category (enabling activity)(*)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	

A. Taxonomy-eligible activities

A.1. Environmentally sustainable activities (taxonomy-aligned)

Manufacture of renewable energy technologies	C25, C27, C28	€13.6 m	13.3%	13.3%	0%	N/A	N/A	N/A	N/A	yes	yes	yes	yes	yes	yes	yes	13.3%	N/A	E	N/A
Capital expenditure of environmentally sustainable activities (aligned) (A.1.)	N/A	€13.6 m	13.3%	13.3%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13.3%	N/A	E	N/A

A.2. Taxonomy-eligible but environmentally unsustainable (non-aligned) activities

Manufacture of batteries	C27.2, E38.32																			
Other low carbon technologies	C22, C25, C26, C27, C28																			
Production of heat/cool using waste heat	D35.30																			
Capex of taxonomy-eligible but environmentally unsustainable (non-aligned) activities (A.2.)	N/A	€13.5 m**	13.3%																	
TOTAL (A.1. + A.2.)	N/A	€27 m	26.7%														13.3%	N/A	E	N/A

B. Non-taxonomy eligible activities

Capex of non-taxonomy eligible activities (B.)	N/A	€75 m	73.3%																	
TOTAL (A. + B.)	N/A	€102 m	100%																	

(*) An activity qualifies as enabling when it directly enables other activities to make a substantial contribution to one or more of the objectives referred to in the Taxonomy.

(**) Most of these revenues relate to the «Other low-carbon technologies» business.

7.4.3. Opex

Based on a number of sites representing approximately half of its opex, the Group has estimated the amount of the opex denominator to be analyzed with respect to the Taxonomy at between €55 million and €60 million. The Group considered this amount immaterial (total opex of €1,004 million).

Economic activity	NACE Code	Opex	% of opex	Substantial contribution							DNSH										Minimum safeguards	Proportion of opex aligned in year Y	Proportion of opex aligned in year Y-1	Category (enabling activity)(*)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems										
A. Taxonomy-eligible activities																									
A.1. Environmentally sustainable activities (taxonomy-aligned)																									
Manufacture of renewable energy technologies	C25, C27, C28	0**	0**	0**	0%	N/A	N/A	N/A	N/A	yes	yes	yes	yes	yes	yes	yes	yes	0**	N/A	E	N/A				
Opex of environmentally sustainable activities (aligned) (A.1.)	N/A	0**	0**	0**	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0**	N/A	E	N/A				
A.2. Taxonomy-eligible but environmentally unsustainable (non-aligned) activities																									
Manufacture of batteries	C27.2, E38.32																								
Other low carbon technologies	C22, C25, C26, C27, C28																								
Production of heat/cool using waste heat	D35.30																								
Opex for taxonomy-eligible but environmentally unsustainable (non-aligned) activities (A.2.)	N/A	0**	0**																						
TOTAL (A.1. + A.2.)	N/A	0**	0**																	0**	N/A	E	N/A		
B. Non-taxonomy eligible activities																									
Opex for non-taxonomy eligible activities (B.)	N/A	0**	0**																						
TOTAL (A. + B.)	N/A	0**	0**																						

(*) An activity qualifies as enabling when it directly enables other activities to make a substantial contribution to one or more of the objectives referred to in the Taxonomy.

(**) Insignificant amount

7.5. Outlook

In 2023, the Group will continue to analyze all alignment criteria for the Group's eligible activities. It will also pay particular attention to any changes in the regulation and its interpretation in the coming years.

It could progressively extend certain analyses to an even broader scope, in particular regarding the MS criteria and also for the DNSH criteria when relevant.

7.6. Reconciliation of Taxonomy sales and sales for sustainable development markets (see chapter 4)

For several years, the Group has been reporting on its sales linked to sustainable development markets. Such markets include:

- renewable energies;
- green transport: rail and electric vehicles,

- electronics for energy efficiency: manufacture of semiconductors (Si or SiC) and components for power electronics;
- certain process industries, in particular those related to heat treatment;
- the pharmaceutical market (API) and chlor-alkali electrolysis.

The Taxonomy Directive approach is different, but the underlying philosophy is the same.

Reconciliation between the two methods is shown in the table below.

Sustainable Development sales (Mersen definition)	Eligible	Qualifying	Non-eligible
Markets			
Solar power	■		
Wind power	■		
Hydro-power	■		
Storage	■		
Rail		■	
EV		■	
Si semiconductors			■
SiC semiconductors		■	
Applications/Market			
Power conversion	■		
Applications			
Insulation/Thermal treatment	■		
API	■		
Chlor-alkali (Eco&Flex)	■		
Other Mersen activities treated as eligible or qualifying under the Taxonomy			
Electrical protection*		■	
Heat exchangers**	■		
Aeronautics		■	

* Excluding products included in sustainable development markets as per Mersen's current classification.

** Products, maintenance and services for the chemical industry not included in sustainable development markets as per Mersen's current classification, Eco&Flex excepted.

■ Corresponding to activities included in both sustainable development contracts (Mersen definition) and eligible according to the taxonomy.

■ Corresponding to either sustainable development activities (Mersen definition) or eligible or admissible according to the taxonomy, but not both definitions.

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This corporate governance report was prepared by the Board of Directors in respect of the fiscal year ended December 31, 2022, in accordance with the provisions of Articles L.225-37, L.225-37-4 and L.22-10-8 to L.22-10-11 of the French Commercial Code (*Code de commerce*). Pursuant to these provisions, this report was submitted for the opinion of the Governance, Appointments and Remuneration Committee and the Audit and Accounts Committee, which met on March 8, 2023, and for the approval of the Board of Directors on March 14, 2023.

The corporate governance policy of Mersen ("the Company") is in line with the legislative and regulatory provisions applicable to listed companies in France, its Articles of Association (available online at www.mersen.com) and the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies dated January 2020 to which the Company refers (hereinafter "the AFEP-MEDEF Code"). The AFEP-MEDEF Code is available (in French) on the AFEP website (www.afep.com) and on the MEDEF website (www.medef.com).

1. ADMINISTRATIVE AND MANAGEMENT BODIES

1.1. The Board of Directors

The Company has been governed by a Board of Directors and an Executive Management team since the Annual General Meeting of May 11, 2016. It was previously governed by a two-tier structure with a Supervisory Board and a Management Board.

1.1.1. The Internal Rules of the Board of Directors

The Internal Rules represents the governance charter for the Board of Directors and also governs the relationships between Board members and the Company's Chief Executive Officer, in a spirit of cooperation notably intended to ensure fluid exchanges between the corporate bodies in the interest of shareholders.

It is intended to give the Board the means to implement best practices in corporate governance in line with the recommendations of the AFEP-MEDEF Code.

The Internal Rules were amended in 2022 as follows:

- the duties of the director responsible for CSR issues (see sections 1.1.2 and 1.1.3) were clarified;
- the policy on preventing the disclosure of inside information and insider status, which the members of the Board of Directors undertake to respect, is no longer described in an annex to the Internal Rules (Annex 1 has been deleted) but in the Code of Stock Market Ethics adopted by the Company in March 2022, which is available on the Company's website (www.mersen.com).

The Internal Rules has seven articles and one annex:

- Article 1 defines the composition of the Board of Directors in accordance with its diversity policy applied to its members, training of its members, and the concept of "independent" members;
- Article 2 relates to the role and duties of the Board of Directors and indicates the lists of decisions made by the Chief Executive Officer subject to the Board of Directors' authorization or prior opinion;
- Article 3 relates to the holding and the procedures of meetings of the Board of Directors (notices of meetings, participation, majority rules, minutes, and Board secretary);

- Article 4 covers the compensation and benefits paid to members of the Board of Directors (directors' compensation, compensation and benefits paid to the Chairman, and exceptional compensation and benefits);
- Article 5 covers the obligations applicable to members of the Board of Directors;
- Article 6 covers the assessment rules for the Board of Directors and its Committees;
- Article 7 governs the operating rules for the Committees set up by the Board of Directors.

Annex 1 refers to the selection procedure for independent directors (see section 1.1.5 below).

The Internal Rules of the Board of Directors can be downloaded from the Company's website at www.mersen.com, in the section Group/Corporate Governance.

1.1.2. Assignments and duties of the Board of Directors

The Board of Directors determines the Company's overall strategy, overseen by its Chairman in close collaboration with Executive Management. As part of this role, it examines and approves the Company's strategic plans and activities.

Under the Articles of Association, the Chairman of the Board of Directors is a natural person, appointed by the Board from among its members. The Chairman is responsible for convening the Board and directing its proceedings. The Chairman exercises their functions for the duration of their term of office as a director and may be re-elected. The Chairman is subject to the same age limit as the members of the Board of Directors and may, at any time, be dismissed by the Board of Directors. The vote of the Chairman does not act as the casting vote in the event of a tied vote.

The Chairman may delegate to another member of the Board their powers for organizing the Board's work, preparing Board meetings in advance and leading the discussions during Board meetings. In this capacity, Michel Crochon, an independent director, is responsible for leading discussions on strategic issues.

The Chairman and the director responsible for leading discussions on strategic issues may:

- receive from the Company any documents that they deem useful for carrying out their duties;
- hold meetings with the Chief Executive Officer (if the Chairman does not also hold the position of Chief Executive Officer) and any Deputy Chief Executive Officers, as well as with any other person they may consider it useful to meet with;
- request that any third parties of their choosing (specialists, advisors or statutory auditors) attend Board meetings;
- commission, at the Company's expense and subject to the budgets approved by the Board of Directors, any internal or external specialist studies or research that may help the Board in its discussions.

The Board's main duties are:

- review of the financial position, cash position and commitments of the Company and its subsidiaries; the Board also receives a monthly report on the Group's net sales and net income, and on the Group's financial position;
- annual review and approval of the budget;
- approval of the management report and the corporate governance report;
- review and approval of the parent company and consolidated financial statements;
- review of related-party agreements and annual assessment of routine agreements entered into on arm's length terms;
- prior authorization of related-party agreements and their annual review in order to ensure that they are in the Company's interests;
- appointment and removal of the Chief Executive Officer and setting of their compensation in accordance with the regulations;
- definition of the compensation policy for corporate officers;
- review and approval of the succession plan for executive corporate officers;
- co-optation of members of the Board of Directors;
- allocation of compensation among the members of the Board of Directors, setting of the Chairman's compensation in accordance with the conditions provided for by the regulations;
- prior consultation on the content of the interim financial information released to the market;
- authorizations relating to guarantees and endorsements;
- proposal of resolutions to be put to the Annual General Meeting;
- set-up of stock option and free share plans.

The Chief Executive Officer may not make decisions, unless previously authorized to do so by the Board, in the following areas:

- issues of securities conferring rights directly or indirectly to the Company's share capital;
- funding operations likely to substantially alter the Company's financing structure;
- investments or asset disposals (excluding shareholdings) in an amount of over €10 million;
- business acquisitions or acquisitions of stakes in any form, of which the individual price, or aggregate price for multiple stakeholdings within a single entity, exceeds €3 million, inclusive of any liabilities assumed;
- guarantees and deposits of any kind, other than those granted to guarantee subsidiaries' commitments, exceeding an amount set by the Board and valid for the period determined by the Board in its decision;
- strategic partnership agreements that are likely to have a substantial impact on the Company's business activities or financial results;
- major internal restructuring operations;
- major transactions that do not fall within the scope of the Company's announced strategy.

1.1.3. Promoting long-term value creation and addressing CSR challenges

In accordance with Article L.225-35 of the French Commercial Code, the Board of Directors endeavors to protect the interests of the Company and its shareholders while taking in particular into consideration the social and environmental challenges of the Company's activities.

The Board takes these issues into consideration for all stakeholders, including customers and suppliers, employees, partners and local territories. It believes that finding a sustainable balance between all of these interests is vital to the Group's long-term future and value creation.

The Board regularly reviews opportunities and risks in line with the strategy it has defined, such as financial, legal, operational, social and environmental risks, as well as the measures taken in response.

It ensures that measures to prevent and detect corruption and influence peddling are implemented.

The Audit and Accounts Committee and the Governance, Appointments and Remuneration Committee are also fully engaged on the various aspects of CSR (see section 1.1.9.2).

On December 17, 2021, the Board decided to give greater importance to CSR challenges by appointing Magali Joëssel as director responsible for CSR issues. As part of her duties, Magali Joëssel ensures that the CSR challenges of the issues submitted to the Board for approval are included in the reports provided beforehand. She also makes sure that CSR issues are assigned the proper level of priority and, in particular, oversees implementation of the CSR roadmap defined by the Group's Executive Management (see chapter 4 of this Universal Registration Document).

Progress reports on the implementation of the CSR roadmap are the subject of regular presentations and discussions at meetings of the Board of Directors and Board Committees. In October 2022, for example, Jean-Philippe Fournier, Group Vice President, Operational Excellence, presented a progress report to the Board of Directors on the reduction of the Group's greenhouse gas emissions and the measures taken as part of the CSR roadmap.

Detailed information on the governance and implementation of the Group's CSR policy is presented in chapter 4 of this Universal Registration Document.

1.1.4. Promoting diversity in the Board of Directors and policy to increase the proportion of women in senior management positions

The Board of Directors pays close attention to diversity, particularly in terms of gender and expertise. It works to achieve balance in its composition and that of the Committees it establishes from among its members, by ensuring that its tasks and those of its Committees are carried out with the necessary independence and objectivity. In particular, it ensures that the composition of the Board allows for the balanced representation of men and women, different nationalities, ages, qualifications, professional experience and expertise.

Promoting diversity in the Board

Criterion	Objectives	Measures implemented and results obtained in 2022
Representation of men and women	Balanced representation of men and women on the Board and Committees	The legal provisions concerning gender parity are complied with, since the gender gap on the Board (excluding directors representing employees) does not exceed two directors (see table in section 1.1.8.1).
Nationalities and international profiles	Directors who are non-French citizens or with an international background and/or with international experience	One director is a German citizen. The majority of the directors have international experience. Experience and skills are described in section 1.1.8.3.
Age of Directors	Compliance with legal and statutory provisions Generational balance	The directors are between 37 to 71 years old with an average age of 60.
Qualifications, experience and expertise	Complementary skills and experiences of directors Directors' experience and expertise in relation to the Mersen group's businesses and strategy	The Board of Directors has formally described the expertise it deems necessary to carry out its duties. This expertise is regularly assessed by the Governance, Appointments and Remuneration Committee (see section 1.1.8.3).

Policy to increase the proportion of women in senior management positions

The Board supports and encourages management in its diversity policy. It notes the Group's exemplary position in terms of international diversity, as more than 100% of site managers are local, and endorses the Group's policy of increasing the percentage of women engineers and managers (see chapter 4 of this document).

At its meeting of March 10, 2021, the Board of Directors adopted an ambitious policy aimed at increasing the proportion of

women in senior management positions, in accordance with the recommendations of the AFEP-MEDEF Code. The Group has accordingly set the target of gradually raising this figure. The target is to have women represent 25% of senior management positions by 2025.

In its annual Corporate Governance Report, the Board of Directors reports on the progress made during the past year, including, where applicable, the reasons why targets were not met and the corrective measures taken.

The objectives set in 2021 and the results obtained in 2022 are presented below:

Objective	Measures implemented and results obtained in 2022
Increase the proportion of women in senior management positions from 19.7% at end-2020 to 25% by the end of 2025 Scope: Executive Committee, Management Committees of businesses and support functions	In 2022, the Group endeavored to develop its pool of internal female candidates (see chapter 4). As of December 31, 2022, based on the scope used and shown opposite, the proportion of women stood at 23.7% (22.6% in 2021).

1.1.5. Selection procedure of the members of the Board of Directors

As of the date of this Universal Registration Document, the Board of Directors comprised three categories of directors:

- directors elected by the Annual General Meeting on the proposal of major shareholders;

- one director representing employees appointed by the Group Committee, in accordance with the Articles of Association;
- independent directors.

For the election of independent directors, the Board of Directors adopted a selection procedure, which is appended to the Internal Rules and shown below.

Selection procedure for independent directors

Definition	Identification	Selection	Appointment
Definition by the Governance, Appointments and Remuneration Committee of the profile sought in light of the Board's requirements in terms of expertise and diversity	Identification of several candidates by the Governance, Appointments and Remuneration Committee with the help of a specialized consultant in accordance with market practices	The shortlisted candidates are interviewed by the members of the Governance, Appointments and Remuneration Committee, including the Chief Executive Officer where appropriate, each of whom establish a ranking according to the skills matrix. Opinions are then pooled and the Governance, Appointments and Remuneration Committee, after a discussion among its members, chooses the candidate to be recommended to the Board of Directors	The Board of Directors approves the final choice of the candidate and proposes their election to the shareholders at the Annual General Meeting

This procedure was implemented for the first time for the replacement of Ulrike Steinhorst, whose term of office is due to expire at the Combined General Meeting of May 16, 2023 (see section 1.1.8.2). It saw the Governance, Appointments and Remuneration Committee first establish a target profile and then identify suitable candidates with the help of a specialized consultant.

1.1.6. Training of the members of the Board of Directors

In accordance with the recommendations of the AFEP-MEDEF Code, directors who deem it necessary may benefit from additional training in the Company's specific characteristics, business segments, business sector and corporate social responsibility issues, with a focus on climate issues. These trainings are particularly intended for new Directors.

This training may take the form of visits to the Group's sites. In 2022, on the occasion of the 60th anniversary of Mersen Amiens, the Group's center of expertise in brushes for motors, a visit to this site was organized for the members of the Board of Directors.

Upon their appointment, Audit Committee members are given information about the Company's specific accounting, financial and operational requirements.

In addition, directors representing employees receive training on their role on the Board and must be given the necessary time to devote to their directorships.

1.1.7. Assessment of the Board of Directors' practices and procedures

An assessment of the Board of Directors is conducted each year to review its practices and procedures, ensure that Board discussions are well organized and structured, and measure the effective contribution of each director.

A formal assessment is conducted at least once every three years. It may either be performed under the guidance of the Governance, Appointments and Remuneration Committee or of an independent member of the Board, if necessary assisted by an outside consultant.

For 2022, the assessment was conducted with the help of a specialist consulting firm. It involved individual interviews with all of the directors, based on structured guidelines approved in advance by the Chairwoman of the Governance, Appointments and Remuneration Committee. The results of the assessment were reviewed by the Governance, Appointments and Remuneration Committee, and then presented and discussed at the Board of Directors' meeting of February 16, 2023.

The assessment found that Mersen's corporate governance was well balanced thanks to the good team formed by the Chairman and the Chief Executive Officer. Management's transparency with the Board of Directors, demonstrated at Board and Committee meetings, also emerged as a strength, creating an environment of trust that bred cooperation and collaboration. The Board Committees were found to perform well and coordinate effectively with the Board of Directors. And the directors responsible for strategic issues and CSR issues were deemed to lead discussions with professionalism within the Board, avoiding the burden of a dedicated committee.

Lastly, the directors were positive about the size of the Board, agreeing that it encouraged direct discussions. The directors' complementary experience, expertise and skills were also found to be sufficient to address all issues brought before the Board.

The main recommendations concerned (i) succession plans for directors and the Chief Executive Officer, which should be regularly reviewed by the Board; (ii) continued CSR and climate training for all directors; (iii) onboarding of new directors; and (iv) the importance of maintaining a good balanced between independent directors and Bpifrance representatives.

1.1.8. Composition of the Board of Directors

According to the Articles of Association, the Board of Directors comprises at least three members and at most 18 members, who are elected by the Annual General Meeting of shareholders on the recommendation of the Board of Directors. The Board of Directors elects a Chairman from among its members, a natural person, who is responsible for convening the Board and directing its proceedings. The Chairman exercises their functions for the duration of their term of office as a director and may be re-elected. One or two employee directors are also appointed in accordance with legal provisions. Pursuant to the Articles of Association, when the number of directors, calculated in accordance with Article L.225-27-1 II of the French Commercial Code, is less than or equal to eight, the Group Committee shall appoint a director representing employees. When this number is greater than eight, then a second director representing employees shall be appointed by the European Works Council. The directors representing employees are appointed for a period of four years ending on the date of the first meeting of the Group Committee or, where appropriate, of the European Works Council, following the date of the fourth anniversary of their appointment. The term of the director representing the employees may be renewed once.

The age limit applicable to the duties performed by any individual Board member and any permanent representative of a legal entity is set at 72 years; members who have reached this age during their term are deemed to have resigned at the close of the Ordinary General Meeting held after the date of the seventy-second birthday.

Furthermore, no individual person having passed the age of 70 years may be elected as a member of the Board of Directors if their election results in over one-third of the members of the Board of Directors having exceeded that age.

Board members are elected for a renewable term in office of four years, with the possibility of providing for a period of two or three years to be able to implement or maintain a staggered board or to take into account the abovementioned rules relating to the age limit. This results from an amendment to the Articles of Association approved by the Annual General Meeting of May 20, 2021 to allow for a better staggering of terms and to smooth out the replacement of directors.

1.1.8.1. Changes in the composition of the Board of Directors in 2022

The Annual General Meeting of May 19, 2022 approved the election of Bpifrance Participations as a director for a period of four years, to replace Isabelle Azemard, who could not stand for re-election due to the age limit for directors.

Bpifrance Participations is represented on the Board of Directors by Emmanuel Blot.

In addition, the Group Committee meeting of May 5, 2022 decided to renew the term of office of Pierre Creusy, the director representing employees, for a period of four years.

Summary of changes in the composition of the Board of Directors and the Committees in 2022

	Departure	Election (term of office)	Re-election (term of office)
The Board of Directors	Isabelle Azemard (as of May 19, 2022)	Bpifrance Participations (4 years), represented by Emmanuel Blot (as of May 19, 2022)	Pierre Creusy, representing employees, renewed on May 5, 2022 for 4 ans
Audit Committee	N/A	N/A	N/A
Governance, Appointments and Remuneration Committee	Isabelle Azemard	Emmanuel Blot, permanent representative of Bpifrance Participations	Pierre Creusy, representing employees, renewed on May 5, 2022 for 4 ans

Emmanuel Blot brings to the Board his financial expertise and extensive knowledge of the Mersen group, which he has worked on for over ten years (see detailed presentation of members of the Board of Directors).

At the date of this Universal Registration Document, the Board of Directors was composed of nine members, including one director representing employees:

Personal information					Position within the Board				Participation in a Committee	
	Age (at the 2023 AGM)	Gender	Nationality	Number of shares	Independence	Date of first election	Term ends	Length of service on the Board (years)	Governance, Audit Appointments and Remuneration	
Olivier Legrain <i>Chairman</i>	70	M	FR	1,770	X	05/18/2017	2025 AGM	6	X	
Bpifrance Participations <i>Director</i> Represented by Emmanuel Blot	37	M	FR	2,242,770		05/19/2022	2026 GM	1	X	
Pierre Creusy <i>Director</i> representing employees	60	M	FR	300		10/12/2017	Group Committee Post 05/05/2026	5	X	
Michel Crochon <i>Director</i> Responsible for leading discussions on strategic issues	71	M	FR	800	X	05/18/2017	2024 AGM	6	X	
Carolle Foissaud <i>Director</i>	56	F	FR	823	X	05/16/2013	2024 AGM	10	X	
Bpifrance Investissement <i>Director</i> Represented by Magali Joëssel Responsible for CSR issues*	49	F	FR	N/A (shares held by Bpifrance Participations)		10/30/2013	2023 AGM	9	X	
Ulrike Steinhorst <i>Director</i>	71	F	GER	815	X	05/16/2013	2023 AGM	10		X
Luc Themelin <i>Chief Executive Officer</i> <i>Director</i>	62	M	FR	46,612		05/20/2021	2025 AGM	2		
Denis Thiery <i>Director</i>	67	M	FR	800	X	05/17/2019	2023 AGM	4	x	x

* Since December 17, 2021.

■ Chair.

1.1.8.2. Changes in the composition of the Board of Directors in 2023

Three directorships are due to expire at the Combined General Meeting of May 16, 2023:

- the directorship of Ulrike Steinhorst: this directorship cannot be renewed due to the age limit of 70 years. The election of another director to replace Ulrike Steinhorst will be subject to approval by the Combined General Meeting of May 16, 2023;
- the directorship of Denis Thiery; his re-election or replacement will be proposed to the Combined General Meeting of May 16, 2023;
- the directorship of Bpifrance Investissement; its re-election or replacement will be proposed to the Combined General Meeting of May 16, 2023.

1.1.8.3. Profile, experience and expertise of directors

The Board of Directors and the Governance, Appointments and Remuneration Committee regularly assess the composition of the Board and its Committees, as well as the skills and experience that each director brings to the Board. They also identify how to achieve the best possible balance of directors' profiles, taking into account both international expertise and diversity – in terms of nationality, gender and experience.

The following table summarizes the main areas of expertise and experience of Board members.

	O. Legrain	E. Blot	P. Creusy	M. Crochon	C. Foissaud	M. Joëssel	U. Steinhorst	L. Themelin	D. Thiery
Executive Management	X			X	X			X	X
Innovation			X			X	X	X	
Strategy	X	X		X		X	X	X	X
Experience in Mersen's business activities	X	X	X	X				X	
Industrial expertise	X				X	X		X	
International/knowledge of a strategic geographic area for Mersen			X	X				X	X
Finance/risk management/knowledge of financial markets/M&A		X			X	X		X	X
Experience in listed companies	X	X		X			X	X	X
CSR (including human/social capital, environment/climate, governance)	X	X	X		X	X	X	X	

1.1.8.4. Detailed presentation of members of the Board of Directors

Olivier Legrain



Born 09/30/1952
French nationality
Term ends: 2025
Shares held: 1,770
Professional address:
Tour Trinity
1bis place de la Défense
92400 Courbevoie

Chairman of Mersen's Board of Directors – Member of the Governance, Appointments and Remuneration Committee

Biography – Professional experience

Olivier Legrain began his career with Rhône-Poulenc, where he held executive positions in several business units. He subsequently joined the Lafarge Group as a member of its Executive Committee, in charge of specialty materials and strategy. After organizing the sale of the Lafarge Group's stake in Materis, a group specializing in materials, he became Chairman of Materis until 2015.

Main activities exercised outside the Company

Olivier Legrain is now a therapist.

Current directorships

Directorships in listed companies other than Mersen: N/A

Directorships in non-listed companies

Director of Kiloutou

Director of Minafin

Director of Astrance

Member of the Governance Committee of Balas

Directorships that have expired in the past five years

Director of Parrot

Chairman of the Board of Parex

Member of the Supervisory Board of Amplegest

Bpifrance Investissement Represented by Emmanuel Blot



Born 07/06/1985
French nationality
Term ends: 2026
Shares held
by Bpifrance Participations:
2,242,770
Professional address:
27/31 avenue du Général Leclerc
94710 Maisons-Alfort cedex

Member of Mersen's Board of Directors – Member of the Governance, Appointments and Remuneration Committee

Biography – Professional experience

Emmanuel Blot started his career as a sell-side analyst in the capital goods sector, first at Bryan, Garnier & Co and then at Oddo BHF, covering industrial and aerospace companies. In 2012, he joined Fonds Stratégique d'Investissement, which became part of Bpifrance in 2013, and is currently Investment Director in the Large Cap division, with a focus on listed investments. He has been part of the team monitoring Mersen at Bpifrance for nearly ten years.

Main activities exercised outside the Company

Director in the Large Cap division of Bpifrance Participations

Current directorships in listed companies

Director of Constellium SE

Directorships outside the Group that have expired in the past five years

N/A

Pierre Creusy

Born 09/27/1962
French nationality
Term ends: 1st Group Committee
post 05/05/2026
Shares held: 300
Professional address:
15 rue Jacques de Vaucanson
69720 Saint-Bonnet-de-Mure

**Member of Mersen's Board of Directors representing employees –
Member of the Governance, Appointments and Remuneration Committee**
Biography – Professional experience

Pierre Creusy joined Mersen in 1986. After working in Korea, he held positions in production engineering and subsequently in product management before joining Mersen's Corporate Finance team as a financial controller. In 1999, he took on business responsibilities in Asia and then held the position of Director of Strategic Projects within the Electrical Power segment. He is now VP Industrial Performance and EHS for this segment.

Main activities exercised outside the Company

N/A

Current directorships

N/A

Directorships that have expired in the past five years

N/A

Michel Crochon

Born 10/14/1951
French nationality
Term ends: 2024
Shares held: 800
Professional address:
6 rue Alexandre Dumas
78110 Le Vesinet

**Member of Mersen's Board of Directors – Responsible for leading discussions
on strategic issues – Member of the Audit and Accounts Committee**
Biography – Professional experience

Michel Crochon has spent his entire career at Schneider Electric, where he accumulated years of experience in many different roles. In addition to managing departments and production plants, he has also worked in sales and marketing, held cross-functional roles and managed large units. He was a member of the Executive Committee for 12 consecutive years. During that time, he was Head of the Customers and Markets Division, and later Head of the Industry Business and the Energy and Infrastructure Business, before becoming Head of the Group's Corporate Strategy and Technology. Michel Crochon has experience in working abroad and facing cross-cultural challenges, having traveled and managed teams in a variety of countries. He spent three years in both China and Hong Kong.

Main activities exercised outside the Company

N/A

Current directorships

Directorships in listed companies other than Mersen: N/A

Other directorships: Director of SphéréaDirectorships that have expired in the past five years

N/A

Carolle Foissaud

Born 09/02/1966
French nationality
Term ends: 2024
Shares held: 823
Professional address:
Equans
49-51 rue Louis Blanc
92400 Courbevoie

Member of Mersen's Board of Directors – Member of the Audit and Accounts Committee
Biography – Professional experience

Carolle Foissaud has spent the bulk of her career with the Areva Group, primarily in operational positions within the Fuel and Reactors units and in management positions as Chair and Chief Executive Officer of STMI and its subsidiaries in the field of Cleanup and as Chair and Chief Executive Officer of TechnicAtome, which specializes in naval propulsion reactors and research reactors. She was also a member of the Areva Group's Executive Management Board. She then held the position of Chief Executive Officer of the Energy & Industry segment at Bouygues Energies & Services (2,500 employees) from September 2017 to June 2021. Since July 1, 2021, Carolle Foissaud has been Managing Director of EQUANS Specialties business, a €1.8 billion division with 8,600 employees in France and abroad.

Main activities exercised outside the Company

Managing Director of EQUANS Specialties business

Current directorships

Chair of the Orientation Committee of ENSTA

Directorships in listed companies other than Mersen

Director of GTT

Directorships that have expired in the past five years

Director of Ecole Navale and independent director of GFI

Bpifrance Investissement Represented by Magali Joëssel



Born 10/24/1973
French nationality
Term ends: 2023
Shares held by Bpifrance
Participations: 2,242,770
Professional address:
27/31 avenue du Général Leclerc
94710 Maisons-Alfort cedex

Member of Mersen's Board of Directors – Member of the Audit and Accounts Committee Responsible for CSR issues

Biography – Professional experience

Magali Joëssel began her career with the Inspectorate General of Finance at the French Ministry of Economic and Financial Affairs, before being named General Interest Investment Manager with Caisse des Dépôts et Consignations, where she was responsible for the deployment of investments and the development of new offers in the fields of renewable energy and energy efficiency. She joined Bpifrance when it was created in mid-2013 as Strategy Manager. Since 2015, Magali Joëssel has been heading an investment division dedicated to the development of new industrial activities in territories that work directly or indirectly in favor of the energy transition. Investment projects are subject to a multi-criteria environmental analysis (use of renewable energy; energy efficiency; GHG reduction; air pollution; water quality; resource consumption; waste reduction; impact on biodiversity) and a socio-economic analysis (improvement of the quality of life, jobs created or perpetuated, structuring of an industrial sector, innovation, impacts of the project on the ecosystem and the territorial economic dynamics).

Main activities exercised outside the Company

Since September 2014, Magali Joëssel has been in charge of the Industrial Project Companies (SPI) fund, which invests in the development of innovative industrial activities and projects.

Current directorships

Directorships in listed companies other than Mersen: Metabolic Explorer

Other directorships: Director of Yposkesi and RATP

Directorships that have expired in the past five years

Director of Naval Energies

Ulrike Steinhorst



Born 12/02/1951
German nationality
Term ends: 2023
Shares held: 815
Professional address:
3, Villa du Coteau
92140 Clamart

Member of Mersen's Board of Directors – Chairwoman of the Governance, Appointments and Remuneration Committee

Biography – Professional experience

Ulrike Steinhorst began her career in France at the Ministry of European Affairs. She joined EDF's International Division in 1990 before returning to Germany, where she joined the Degussa Group in 1999. She held several positions there, first in Germany and later in France, where she managed Degussa's French subsidiary. She joined EADS in 2007 as Chief of Staff to the CEO before becoming Head of Strategy, Planning and Finance at Airbus Group's Research Directorate in 2012.

Main activities exercised outside the Company

Chair of SASU Nuria Consultancy

Current directorships

Directorships in listed companies other than Mersen: Director of Valeo (CSR Coordinator) and Albioma (Chair of the Compensation, Appointments and Governance Committee)

Member of the Board of École des Mines Paris Tech and of the Franco-German Chamber of Commerce and Industry

Directorships that have expired in the past five years

Director of Institut des Maladies Génétiques IMAGINE and of the Industrial Innovation Fund (F2I)

Luc Themelin



Born 02/23/1961
French nationality
Term ends: 2025
Term as Chief Executive Officer ends: 2024
Shares held: 46,612
Professional address:
Tour Trinity
1bis place de la Défense
92400 Courbevoie

Chief Executive Officer and member of the Board of Directors of Mersen

Biography – Professional experience

Luc Themelin holds a Ph.D. in ceramic materials science. He began his career at Alliages Frittés Metafram, a subsidiary of the Pechiney Group, in 1988. He joined the Mersen group in 1993 as a Research and Development engineer. He was appointed Director of the Braking Division in 1998 and Director of the High Temperatures Division in 2004. He joined the Executive Committee in 2005, while continuing to manage the Braking Division and overseeing the High Temperatures Division. On July 1, 2008, Luc Themelin was appointed as Supervisor of the Electrical Applications division and a member of the Management Board in May 2009. Luc Themelin was appointed Chairman of the Management Board on August 24, 2011. His term of office as Chairman was renewed on May 16, 2013 for a period of four years. He was then appointed Chief Executive Officer on May 11, 2016. On May 14, 2020, the Board of Directors renewed its confidence in him and decided that his term of office as Chief Executive Officer would expire on the date of the Board of Directors meeting to be held immediately after the Annual General Meeting called to vote on the financial statements for the year ending December 31, 2023.

Main activities exercised outside the Company

N/A

Current directorships

Director of ITEN since February 7, 2023 (non listed)

Chairman and/or director of several subsidiaries that are controlled by the Company within the meaning of Article L.233-6 of the French Commercial Code. None of these companies are listed.

Directorships that have expired in the past five years

N/A

Denis Thiery

Born 06/26/1955
French nationality
Term ends: 2023
Shares held: 800
Professional address:
26 rue de St Germain
78112 Fourqueux

Member of Mersen's Board of Directors – Chairman of the Audit and Accounts Committee and member of the Governance, Appointments and Remuneration Committee
Biography – Professional experience

Denis Thiery worked at Wang France between 1984 and 1991, where he held various different posts, including Chief Financial Officer from 1989. From 1991 through 1997, he served as Chief Financial Officer and then Chief Executive Officer of Moorings, a world leader in pleasure boat charters based in the United States. He then joined the Neopost group as Group Chief Financial Officer in 1998 where he served as Group Chief Executive Officer from 2007 through 2018 and Chairman of the Board of Directors from January 2010 until July 2019.

Main activities exercised outside the Company

N/A

Current directorships

N/A

Directorships that have expired in the past five years

Chairman of Neopost/Quadiant (2019)

Chief Executive Officer of Neopost/Quadiant (2018)

In addition, Isabelle Azemard was a member of the Board of Directors and the Governance, Appointments and Remuneration Committee until the General Meeting of May 19, 2022.

To the Company's knowledge, at the date of this document, there were no benefits granted under any service agreements between corporate officers and the issuer or any of its subsidiaries.

1.1.8.5. Independence of Directors

To verify whether or not each member is independent, after being informed of the recommendations of the Governance, Appointments and Remuneration Committee, the Board reviews all the criteria recommended by the AFEP-MEDEF Code and set out in the Board's Internal Rules, which state that an independent member may not:

- be an employee or executive corporate officer of the Company or the Group, an employee, executive corporate officer or director of a company that the Company consolidates, of the parent company of the Company or of a company consolidated by that parent company;
- be an executive corporate officer of another company in which the Company holds, directly or indirectly, a directorship, or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having been in office within the past five years) is a director;
- be (or be directly or indirectly linked to) a customer, supplier, commercial banker, financial banker or adviser that is material to the Company or its Group, or for which the Company or its Group accounts for a significant part of its business;
- have close family ties to a corporate officer of the Company or its Group;
- be, or have been in the past five years, a statutory auditor for the Group's financial statements or for the financial statements of a Group company;
- have been a corporate officer of the Company for more than 12 years.

A non-executive corporate officer may not be regarded as independent if they receive variable compensation in cash or in shares or any other compensation related to the performance of the Company or the Group.

Directors representing major shareholders of the Company or its parent company may be considered independent if those shareholders do not control the company within the meaning of Article L.233-3 of the French Commercial Code. However, where the shareholder owns more than 10% of the capital or voting rights, the Board will systematically review the director's independence based on a report by the Governance, Appointments and Remuneration Committee, taking into account the Company's ownership structure and any potential conflict of interest.

A member who meets all the above criteria may nevertheless be deemed not independent by the Board of Directors due to their individual circumstances or the Company's circumstances regarding its shareholders or for any other reason. Conversely, the Board may consider that a member who does not meet all of the above criteria is nevertheless independent. The Board must be able to justify such cases based on the Company's specific circumstances and the individual circumstances of the Board member in question.

At its meeting of February 16, 2023, based on the recommendations of the Governance, Appointments and Remuneration Committee, the Board of Directors reviewed the situation of each director in light of the independence criteria. It ruled that the representatives of Bpifrance could not be regarded as independent due to the level of Bpifrance's holding in the Company's capital. The director representing employees and the Chief Executive Officer cannot be regarded as independent either.

	Non-independent directors				Independent directors				
	Bpifrance Participations, represented by E. Bot	Bpifrance, represented by M. Joëssel	P. Creusy*	L. Themelin	O. Legrain	M. Crochon	C. Foissaud	U. Steinhorst	D. Thiery
Employee or executive corporate officer of the Company in the past 5 years	X	X	Y	Y	X	X	X	X	X
Cross-directorships	X	X	X	X	X	X	X	X	X
Significant business relationships	X	X	X	X	X	X	X	X	X
Close family ties to a senior manager	X	X	X	X	X	X	X	X	X
Statutory Auditor of the Company in the past 5 years	X	X	X	X	X	X	X	X	X
Director of the Company for more than 12 years	X	X	X	X	X	X	X	X	X
Variable or performance-related compensation for non-executive corporate officers	X	X	X	N/A	X	X	X	X	X
Major shareholder	Y	Y	X	X	X	X	X	X	X

X = no; Y = yes

* Employee representative.

None of the independent directors have a business relationship with the Company.

At the date of this Universal Registration Document, the proportion of independent directors was 62.5%. In accordance with the recommendations of the AFEP-MEDEF Code, the director representing employees is not included in the calculation of this percentage. The proportion of independent directors is higher than that recommended by the AFEP-MEDEF Code, according to which independent directors should account for half the members of the Board in widely-held corporations without controlling shareholders.

1.1.8.6. No convictions or conflicts of interest, and other disclosures concerning members of the Board of Directors and Executive Management

To the Company's knowledge, at the date of this Universal Registration Document, the following was true of the members of the Board of Directors and Executive Management:

- there are no family ties between them;
- none of them has been convicted of fraud for at least the past five years;
- none of them has been involved in bankruptcy, receivership or liquidation proceedings or the placing of companies under administration as a result of having served as a member of an administrative, management or supervisory body for at least the past five years;
- no official complaint and/or public sanction has been issued by a statutory or regulatory authority (including designated professional bodies) against any of them for at least five years;

- no members have been prevented by a court from acting as a member of an administrative, management or supervisory body or from participating in a company's management or business operations for at least the past five years;
- no conflicts of interest have been identified between their private interests and/or other duties with respect to the Company;
- there are no arrangements or agreements between the main shareholders and customers, suppliers or other parties under which any one of them has been appointed as a member of the Board of Directors;
- there is no restriction to which one of them agreed concerning the sale of their interest in the Company's share capital, within a given timeframe, provided that:
 - each member of the Board of Directors (with the exception of the director representing employees) holds at least 800 shares of the Company, fully paid up and held in registered form,
 - stock options or free shares granted to the Chief Executive Officer are subject to minimum holding periods (see sections 2.3, 2.4 and 2.5).

As regards the prevention and management of conflicts of interest, Article 5 of the Internal Rules states that the directors "shall inform the Board of Directors of any actual or potential conflict of interest to which they may be exposed in particular when they are directly or indirectly involved in a regulated agreement submitted to the Board of Directors for authorization or assessment. Where this is the case, they shall abstain from taking part in any deliberations and any decisions relating to the matters concerned." No conflict of interest or potential conflict of interest was brought to the attention of the Board of Directors in 2022.

1.1.8.7. Compliance with the rules on multiple directorships

According to the Board of Directors' Internal Rules, the members of the Board of Directors undertake to devote the necessary time and attention to their duties. In this respect, in accordance with the recommendations of the AFEP-MEDEF Code, a director should not hold more than four other directorships in listed companies, including foreign corporations, outside the Group. In addition, the

French Commercial Code provides that no natural person may simultaneously hold more than five directorships in French joint stock corporations (sociétés anonymes) having their registered office in France. On the basis of the information provided by the directors, all the directors comply with the rules on multiple directorships.

1.1.9. Work of the Board of Directors and its Committees in 2022

The table below summarizes each Board member's attendance at Board and Committee meetings in 2022:

Members of the Board	Attendance at Board meetings	Attendance at Audit and Accounts Committee meetings	Attendance at Governance, Appointments and Remuneration Committee meetings
Isabelle Azemard*	100%	N/A	100%
Bpifrance Participations**	100%	N/A	100%
Bpifrance Investissement	100%	100%	N/A
Pierre Creusy	100%	N/A	100%
Michel Crochon	100%	100%	N/A
Carolle Foissaud	100%	100%	N/A
Olivier Legrain	100%	N/A	100%
Ulrike Steinhorst	100%	N/A	100%
Denis Thiery	100%	100%	100%
Luc Themelin	100%	N/A	N/A
Average	100%	100%	100%

* Until the AGM of May 19, 2022.

** Since the AGM of May 19, 2022.

1.1.9.1. Work of the Board

The Board of Directors met nine times in 2022, with an average attendance rate of 100%. In addition, at least once a year, an informal meeting is held without any executive corporate officers being present. As the meetings are informal, no minutes are drawn up.

During these meetings, the Board reviewed and/or made decisions concerning the following issues:

■ Group strategy and development

- approval of strategic plans, business plan and budget;
- discussions about strategic topics, in particular: the Group's competitive positioning, M&A projects, progress made in the electric vehicle market, developments on the SiC market, update on the start-up of the Columbia plant in the United States, review of the market and prospects in China, review of the Group's industrial footprint.

■ CSR policy

- review of the CSR roadmap;
- review and update on actions taken to control greenhouse gas emissions.

■ Group results

- regular reviews of the Group's business;
- approval of interim and annual financial statements, management forecasts and draft press releases on results and guidance.

■ Governance

- review of directors' independence;
- succession planning;
- approval of amendments to the Board's Internal Rules;
- assessment of routine agreements entered into on arm's length terms.

■ Compensation

- approval of the Chief Executive Officer's compensation (including setting targets for the current year and validating achievement levels for the previous year);
- approval of the compensation policy for the Chairman and members of the Board of Directors;
- approval of long-term incentive (LTI) plans.

■ Preparation of the Annual General Meeting

- approval of resolutions to be put to the Annual General Meeting.

■ Other

- setting of the annual amount for the authorization of guarantees and deposits issued by Mersen;
- analysis of the minutes of Board Committee meetings;
- approval of the refinancing of the syndicated loan.

1.1.9.2. Work performed by the Board of Directors' Committees

In its Internal Rules, the Board of Directors has defined the roles, responsibilities, and resources of its two Committees: the Audit and Accounts Committee and the Governance, Appointments and Remuneration Committee. As far as possible and depending on the applicable circumstances, all Board decisions that fall within the remit of a Committee must not be taken without prior discussion with the relevant Committee and may be made only after that Committee has issued its recommendations and proposals.

When performing its duties, each of the Committees may:

- receive from the Company any documents that it deems useful for carrying out its duties;
- hold meetings with the Chief Executive Officer (if the Chairman does not also hold the position of Chief Executive Officer) and any Deputy Chief Executive Officer(s), as well as with any other person it may consider it useful to meet with;
- request that any third parties of its choosing (specialists, advisors or statutory auditors) attend Committee meetings;
- commission, at the Company's expense and subject to the budgets approved by the Board of Directors, any internal or external specialist studies or research that may help the Board in its discussions.

The consultation of the Committees as described above may not serve to delegate the powers conferred upon the Board of Directors by law or in the Articles of Association or have the effect of reducing or restricting the Chief Executive Officer's powers. Each Committee meeting is reported to the next Board of Directors.

Audit and Accounts Committee

The Internal Rules of the Board of Directors state that the Audit and Accounts Committee must comprise at least three and at most six members. In accordance with the recommendations of the AFEP-MEDEF Code, it also stipulates that (i) at least two-thirds of the members of the Committee must be independent; (ii) no executive corporate officer may be a member; (iii) members are selected on account of their accounting or statutory audit expertise; and (iv) the appointment or reappointment of the Chair of the Audit and Accounts Committee, as proposed by the Governance, Appointments and Remuneration Committee, must be subject to a specific review by the Board.

At the date of this Universal Registration Document, the composition of the Audit and Accounts Committee was as follows:

- Chairman: Denis Thierry;
- Members: Carolle Foissaud, Bpifrance Investissement (represented by Magali Joëssel), Michel Crochon.

Given their training and professional experience (see section 1.1.8.3), the Committee members satisfy the aforementioned criteria. In addition, more than two-thirds of the members are independent and the executive corporate officer, Luc Themelin, is not a member of the Committee.

The Audit and Accounts Committee meets at least three times per year and whenever it deems necessary, and prior to meetings of the Board of Directors for which the agenda includes a review of an issue related to its area of expertise. The Committee meets approximately one week before the Board of Directors to review the annual financial statements. The Group's Chief Financial Officer is responsible for making the presentations. He reports at least once a year on the Group's risk exposure, including social and environmental risk. The Director of Risk and Compliance and the Director of Internal Audit attend these meetings at least once a year, as do the Director of Management Control and the Director of Treasury and Financing.

The role of the Audit and Accounts Committee is to:

- monitor the financial reporting process and, where applicable, make recommendations to ensure its integrity;
- monitor the effectiveness of internal control, risk management and, where applicable, internal audit systems, regarding procedures for preparing and processing financial and non-financial accounting information;
- review the financial statements and ensure the appropriateness and ongoing consistency of the accounting methods used to prepare the Company's consolidated and parent company financial statements; review the statutory audit of the parent company and consolidated financial statements by the Statutory Auditors;
- ensure compliance with the conditions for the Statutory Auditors' independence;
- make a recommendation on the Statutory Auditors nominated for appointment at the Annual General Meeting in accordance with Article L.823-19 3 of the French Commercial Code. The Committee's recommendations and preferences are brought to the attention of the Annual General Meeting asked to vote on the appointment of the Statutory Auditors;
- approve the provision of non-audit services, provided they are permitted by the regulations. The Committee will make its decision after analyzing the risks related to the independence of the Statutory Auditors and the safeguard measures applied.

The Committee met six times in 2022, with an attendance rate of 100%.

During these meetings, the Committee reviewed and/or made decisions concerning the following issues:

- review and validation of the Group's annual and interim results;
- review of the Universal Registration Document and approval of the corporate governance report;
- changes to accounting standards;
- review of compliance work, notably in relation to France's "Sapin II" law and the GDPR;
- review of the progress of the Buzit plan (upgrade of the Group's IT systems);
- review of risk mapping;
- approval of the refinancing of the syndicated loan for an amount of €320 million (versus €200 million previously);
- review of cybersecurity risks and the Group's cybersecurity policy;
- review of environmental risks;
- review of internal control and audits in 2022. Review and approval of the 2023 audit program;
- review of the independence of the Statutory Auditors; review of Statutory Auditors' fees for non-audit services; review of the charter applicable to non-audit services;
- review of routine agreements between Mersen and its non-wholly owned subsidiaries;
- discussions on increasing the auditors' fees in view of inflationary pressures;
- discussions on work related to the European Taxonomy;
- other matters, such as pensions, taxation and cash flow.

The Committee also met twice with the Statutory Auditors without management being present.

Governance, Appointments and Remuneration Committee

The Internal Rules of the Board of Directors state that the Governance, Appointments and Remuneration Committee must comprise at least three and at most six members, with a majority of independent members (not including the director representing employees), and meet at least twice a year and, no matter the circumstances, prior to the Board of Directors' meetings for which the agenda includes the review of an issue related to its area of expertise. In accordance with the recommendations of the AFEP-MEDEF Code, it also provides that the Committee (i) is chaired by an independent director; (ii) comprises a majority of independent members and a director representing employees; and (iii) does not include any executive corporate officer among its members.

At the date of this Universal Registration Document, the composition of the Governance, Appointments and Remuneration Committee was as follows:

- Chairwoman: Ulrike Steinhorst;
- Members: Emmanuel Blot, Olivier Legrain, Pierre Creusy, Denis Thiery.

The composition of the Governance, Appointments and Remuneration Committee complies with the Internal Rules and the recommendations of the AFEP-MEDEF Code, since a majority of the Committee's members are independent (three out of four) as the director representing employees is not taken into account in the calculation of the percentage of independent directors in line with Article 18.1 and 19.1 of the AFEP-MEDEF Code.

The role of the Governance, Appointments and Remuneration Committee is as follows:

■ Governance and appointments

- make proposals on the appointment, removal and re-appointment of the Chief Executive Officer, Chairman of the Board, Committee members and any Deputy Chief Executive Officer(s);
- give an opinion on proposed candidates for the above offices in terms of expertise, availability, suitability and complementarity with other members of the Board, taking into account the Board's diversity policy;
- conduct the selection process for new independent directors, following the procedure described in the table above; propose any changes to that procedure;
- prepare a succession plan for the executive corporate officers and make sure a succession plan is in place for members of the Executive Committee;
- be informed in advance about Executive Management's proposals to appoint or remove members of the Executive Committee;
- determine which Board members can be regarded as independent;
- review and assess the Company's corporate governance practices and, in particular, review and inform the Board about changes in the corporate governance rules to which the Company refers;
- periodically review the structure, composition, procedures and practices of the Board of Directors and make recommendations on potential changes;
- prepare the assessment of the Board of Directors provided for in its Internal Rules and make recommendations to the Board of Directors on its procedures and practices based on the outcome of the assessment;
- examine the proposals made by General Management with a view to determining the objectives for gender diversity within the management bodies.

■ Compensation

- propose the compensation of the Chairman and Vice-Chairman of the Board of Directors and put forward to the Board of Directors recommended changes to the aggregate amount of compensation to be paid to the Board members and/or the allocation of such compensation, in order for the Board to then submit the proposed changes for shareholder approval at the Annual General Meeting;
- make recommendations to the Board about (i) the annual and multi-annual compensation of the Chief Executive Officer and any Deputy Chief Executive Officer(s); (ii) the rules for determining their variable compensation; and (iii) other items of compensation such as supplementary pension plans and benefits in kind;
- make recommendations on the compensation and benefits envisaged in the event of the removal from office or the termination of the term of office of the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers;
- be informed of the termination benefits proposed by the Chief Executive Officer upon the termination of the employment contract of a member of the Executive Committee, and give an opinion thereon to the Chairman of the Board of Directors;
- give advice on the policy for allocating stock options, performance shares or any other type of securities implemented by the Board of Directors for all categories of beneficiary and more particularly for the Chief Executive Officer and the members of the Company's Executive Committee, and make recommendations on the frequency and terms of allocation;
- be informed in advance about conditions and changes in the compensation of Executive Committee members.

In 2022, the Governance, Appointments and Remuneration Committee met four times during the year, with an attendance rate of 100%.

During these meetings, the Committee reviewed and/or made decisions concerning the following issues:

■ Compensation

- 2021 results and 2022 proposals for the fixed and variable compensation (annual and multi-year variable) of the Chief Executive Officer.

■ Governance and appointments

- appointment of an independent firm to assess the procedures and practices of the Board;
- review of directors' expertise;
- review of the attendance rate at Board and Committee meetings;
- review of the information published in the Universal Registration Document, in particular ex-post and ex-ante votes and pay ratios;
- preparation of the Annual General Meeting: review of governance information;
- assessment of the implementation of the policy to increase the proportion of women in senior management positions;
- assessment of the directors' independence;
- selection of a director to replace Ulrike Steinhorst, whose term of office is due to expire at the 2023 Combined General Meeting;
- succession planning for the Chief Executive Officer and members of the Executive Committee. Each year, the Committee reviews the succession plan drawn up by Executive Management and the Human Resources Department. They review the list of talent (both internal and external) that could be considered as potential successors to key executives, review the profiles of new hires and assess the performance of each individual. For external candidates, they rely on a specialized firm. They verify the quality and diversity of the pool of candidates selected and present the selected candidates to the Governance, Appointments and Remuneration Committee.

1.2. Executive Management

1.2.1. Chief Executive Officer

The Company is administered by a Chief Executive Officer, who performs their duties under the oversight of the Board of Directors. The Chief Executive Officer is eligible for reappointment. They may not be more than 65 years of age. When they reach the age limit, they are deemed to have resigned at the end of the Ordinary General Meeting called to vote on the financial statements for the year in which the age limit is reached. The Chief Executive Officer may be removed by the Board of Directors.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, within the limits of the corporate purpose and subject to the powers granted by law to the Board of Directors and to shareholders' meetings and subject to the limitations on powers described in section 1.1.2.

In dealings with third parties, the Company is bound even by acts of the Chief Executive Officer not falling within the corporate purpose, unless it can prove that the third party knew that the act fell outside the scope of the corporate purpose or that it could not fail to know this in view of the circumstances, with mere publication of the Articles of Association not counting as evidence thereof.

The Chief Executive Officer represents the Company in its dealings with third parties. Upon the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals – who need not be Board members – to assist the Chief Executive Officer. Those individuals then have the title of Deputy Chief Executive Officer.

Luc Themelin was appointed Chief Executive Officer on May 11, 2016. His term of office will expire on the date of the Board of Directors meeting to be held immediately after the Annual

General Meeting called to vote on the financial statements for the year ending December 31, 2023. He has also been a member of the Board of Directors since May 20, 2021. For a detailed presentation, see section 1.1.7.4 of this chapter.

The AFEP-MEDEF Code recommends that executive corporate officers not hold more than two other directorships in listed companies, including foreign companies, outside their group. Luc Themelin has no other directorship in another French or foreign listed company.

No Deputy Chief Executive Officer has been appointed by the Board of Directors.

1.2.2. Executive Committee

An Executive Committee was established by the Management Board on October 14, 2011 and maintained following the change in governance on May 11, 2016. It is responsible for managing the Mersen group's operational affairs and meets every month to review the Group's financial and non-financial performance and decide on action plans in various areas (including human resources, IT, procurement, legal affairs and development) in line with its strategic priorities. The Executive Committee ensures that the Group's organization runs smoothly. To this end, it is closely involved in forecasting the human resources required for the continued development of its business activities. It defines the Group's sustainable development roadmap and ensures that it is applied at all levels of the company.

The Executive Committee now has eight members, following the retirement of Didier Muller, formerly Group Vice President, Asia and Latin America, as of March 31, 2022.

At the date of this Universal Registration Document, the members of the Executive Committee were as follows:

Name	Position	Date of joining the Group
Thomas Baumgartner	Chief Financial Officer	1999
Gilles Boisseau	Executive Vice President, <i>Electrical Power</i>	2015
Christophe Bommier	Group Vice President, Technology, Research, Innovation and Business Support	1989
Thomas Farkas	Group Vice President, Strategy & Development	2006
Jean-Philippe Fournier	Group Vice President, Operational Excellence	2013
Eric Guajioty	Executive Vice President, <i>Advanced Materials</i>	2016
Estelle Legrand	Group Vice President, Human Resources	2009
Luc Themelin	Chief Executive Officer	1993

2. COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

2.1. Compensation policy for corporate officers

This compensation policy for corporate officers was drawn up by the Board of Directors in accordance with Article L.22-10-8 of the French Commercial Code. It is subject to approval by the Combined General Meeting of May 16, 2023.

At its meeting of March 14, 2023, the Board of Directors decided not to make any changes to the compensation policy for corporate officers. It therefore remains unchanged from the policy approved by the Combined General Meeting of May 19, 2022, subject to updated performance criteria for the annual variable compensation of the Chief Executive Officer.

2.1.1. General principles for determining the compensation policy for corporate officers

The compensation policy for corporate officers is determined by the Board of Directors on the recommendation of the Governance, Appointments and Remuneration Committee, taking into account the principles set out in the AFEP-MEDEF Code, which are as follows:

- **comprehensiveness:** the compensation determined through this process must be comprehensive. All the components of the compensation must be taken into account when determining the overall compensation level;
- **balance between the compensation components:** each component of the compensation must be clearly substantiated and correspond to the general interest of the company;
- **comparability:** the compensation must be assessed within the context of a business sector and the reference market. If the market is taken as a reference, it must not be the only one since the compensation of a corporate officer depends on the responsibilities assumed, the results achieved and the work performed. It may also depend on the nature of the tasks entrusted to the corporate officer or the specific situations;
- **consistency:** a corporate officer's compensation must be determined in a manner consistent with that of the other officers and employees of the company;
- **understandability of the rules:** the rules should be simple, stable and transparent. The performance criteria used must correspond to the company's objectives, and be demanding, explicit, and, to the greatest extent possible, long-lasting;
- **proportionality:** the determination of the compensation components must be well balanced and simultaneously take account of the company's general interest, market practices, the performance of the senior managers, and the other stakeholders in the company.

The Board of Directors ensures that the compensation policy is in line with market practices for comparable companies, is adapted to the company's strategy and context, and is intended to promote its medium- and long-term performance and competitiveness.

2.1.2. Compensation policy for the Chairman of the Board of Directors

The current compensation policy for the Chairman of the Board of Directors remains unchanged from the policy approved by the Combined General Meeting of May 19, 2022 (eleventh resolution) by a 99.8% majority.

The compensation of the Chairman of the Board of Directors comprises fixed annual compensation for his duties as Chairman, for a gross amount of €120,000, as well as compensation for his duties as a director, the payment of which is mostly conditional on attendance (see section 2.1.3).

The Chairman of the Board does not receive any cash-based or share-based variable compensation or any compensation related to the performance of either the Company or the Group.

2.1.3. Compensation policy for directors

The current compensation policy for directors remains unchanged from the policy approved by the Combined General Meeting of May 19, 2022 (thirteenth resolution) by a 99.9% majority.

It is determined as follows:

- a maximum compensation package of €305,000;
- rules for allocating compensation in accordance with the recommendations of the AFEP-MEDEF Code in this area, with a predominant portion contingent on attendance (two-thirds of total compensation for an attendance rate of 100%).
 - The annual compensation paid to each director comprises a fixed portion of €13,000. On top of this basic amount, directors receive additional compensation as follows:

Chair of the Audit and Accounts Committee	€11,000
Chair of the Governance, Appointments and Remuneration Committee	€9,000
Director responsible for strategic issues	€6,000
Director responsible for CSR issues	€6,000

- Each director also receives a variable portion of compensation based on their actual attendance at Board and Committee meetings, corresponding to €2,000 per meeting.

If the aggregate amount of compensation calculated by applying the above rules is higher than the compensation package of €305,000 (i.e., if more meetings are held than usual), then the compensation of each director will be reduced proportionately.

2.1.4. Compensation policy for the Chief Executive Officer

The current compensation policy for the Chief Executive Officer remains unchanged from the policy approved by the Combined General Meeting of May 19, 2022 (twelfth resolution) by a majority of 88.5%, subject to updated compensation criteria for his annual variable compensation.

2.1.4.1. Principles

The Board of Directors is responsible for setting and adjusting the compensation of the Chief Executive Officer based on recommendations made by the Governance, Appointments and Remuneration Committee. When carrying out its analyses and drawing up proposals for the Board, the Committee pays particular attention to respecting the recommendations in the AFEP-MEDEF Code. The Chief Executive Officer is not present during discussions on these matters.

The compensation policy for the Chief Executive Officer is in line with the Group's objective of growing its business responsibly and sustainably in order to ensure its longevity and profitable growth and futureproof the resources it needs for its expansion. The Board set this policy taking into account the Group's strategy as described in chapter 1 of this Universal Registration Document.

All of the components of the Chief Executive Officer's compensation and benefits are analyzed exhaustively every year on a component-by-component basis followed by an overall consistency review in order to achieve the best balance between fixed and variable, individual and collective, and short- and long-term compensation.

Benchmarking surveys are regularly carried out with the help of specialist consultants to position the Chief Executive Officer's compensation in relation to a panel of comparable companies, in light of Mersen's specific characteristics. The criteria used for selecting the panel members are based on business sector, sales, headcount, nationality and listing on a financial market. The companies of the panel are also all companies with a production activity and generate at least 30% of their sales outside France.

The Board of Directors has decided that the Chief Executive Officer's fixed compensation may only be revised at relatively long intervals, in accordance with the recommendations of the AFEP-MEDEF Code. However, it may be revised on an exceptional basis if there is a major change in his duties and responsibilities or if there is a significant gap between his compensation and the market benchmark. Any changes made to his fixed compensation as a result of these specific cases would be publicly disclosed along with the reasons for the changes.

Additionally, the Board of Directors reserves the right to exercise its discretionary power when setting the Chief Executive Officer's compensation, in compliance with the principles of the compensation policy approved in accordance with Article L.22-10-8 of the French Commercial Code, if specific circumstances arise that represent reasonable grounds for exceptionally adjusting (either upwards or downwards) one or

more of the criteria underlying his compensation components in order to ensure that the application of those criteria (as defined below) reflects the individual performance of the Chief Executive Officer and the performance of the Group as a whole. Any such adjustments would be made to the Chief Executive Officer's annual variable compensation by the Board of Directors, acting on the recommendation of the Governance, Appointments and Remuneration Committee, after the Board has duly justified its decision and provided the shareholders with a clear and precise explanation of its choice, it being specified that the adjusted amounts may not exceed the maximum amount originally approved for the Chief Executive Officer's annual variable compensation.

If there is a major change in circumstances affecting how the Group's financial data is calculated (particularly a change in accounting standards), the Board may set the components of the Chief Executive Officer's compensation package excluding any such exceptional external factors.

2.1.4.2. Overall structure of the compensation package

The compensation of the Chief Executive Officer comprises fixed compensation, annual variable compensation, multi-year compensation subject to performance conditions, and benefits. In accordance with the law, the payment of variable compensation awarded for a given year is contingent on the approval by the Ordinary General Meeting of the components of compensation paid or awarded to the Chief Executive Officer for that year (individual ex-post vote).

A severance payment upon the termination of his term of office, based on length of service and performance conditions, may also be agreed subject to the legal provisions and recommendations of the AFEP-MEDEF Code.

Fixed compensation

Fixed compensation may only be reviewed on a multi-annual basis. Having remained unchanged since January 2015, fixed compensation was reviewed in 2022, following a benchmarking survey by Mercer in late 2020.

An increase in the Chief Executive Officer's gross annual fixed compensation to €500,000, with effect from January 1, 2022, was approved by the Annual General Meeting of May 19, 2022 (ex-ante vote). This compensation remains unchanged for 2023.

Annual variable compensation

The Chief Executive Officer's annual variable compensation is contingent on performance conditions aligned with the Group's strategy. There is no minimum guaranteed amount.

The Board defines the specific financial criteria and individual criteria for setting the annual variable compensation.

The financial criteria represent 70% of the total. Under the principle of removing caps, these criteria can represent up to 120% of fixed compensation if objectives are exceeded (see table below).

They are based on the main financial indicators used by the Board to assess the Group's financial performance, in particular those reported in the Universal Registration Document, such as operating margin before non-recurring items, EBITDA before non-recurring items (in value) and net cash generated by operating activities (operating cash flow), as defined in the statement of cash flows.

These criteria were modified in 2021, after approval by the Combined General Meeting of May 20, 2021, in order to better reflect the Group's short-term performance and streamline objectives within the Group.

If there is a major change in circumstances affecting how the Group's financial data is calculated (particularly a change in accounting standards), the Board may set the components of the Chief Executive Officer's compensation package excluding any such exceptional external factors.

The individual criteria are defined by the Board of Directors in line with the Group's strategy. They are reviewed independently. At least one criterion must be based on a CSR objective. At its meeting of February 16, 2023, the Board of Directors set the following criteria for 2023 (weighting of each criterion is indicated in brackets):

- **Safety (20%):** the objective is based on three criteria:
 - the lost time injury rate (LTIR) must be less than or equal to 1.4 to reach 100% achievement (0% if more than or equal to 1.6),
 - the severity injury rate (SIR) must be less than or equal to 60 to reach 100% achievement (0% if more than or equal to 70),

The breakdown of targets and achievement rates are as follows:

Criterion	Target	Maximum
Operating margin before non-recurring items	30%	60%
Operating cash flow	20%	30%
EBITDA before non-recurring items	20%	30%
Non-financial criteria	30%	
TOTAL	100%	150%
<i>of which weighting of financial criteria</i>	<i>70%</i>	<i>120%</i>

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

The limits (target and maximum) are defined by the Board of Directors in line with the budget objectives. Achievement beyond the target rewards financial outperformance.

In addition, the Board of Directors reserves the right to exercise its discretionary power if specific circumstances arise as mentioned in the principles set out in section 2.1.4.1.

The payment of variable compensation awarded in respect of the previous year is contingent on the approval by the Ordinary General Meeting of the components of compensation and benefits in kind paid during the previous year or awarded for that year (individual ex-post vote).

Long-term variable compensation

As part of an overall strategy to motivate and retain the Chief Executive Officer over the long term, the Chief Executive Officer may be awarded long-term variable compensation contingent on meeting objectives related to the Group's medium- to long-term strategy.

Such compensation will take the form of stock options and/or free shares whose value (measured on an IFRS basis as at the date of the Board meeting that decides on the allocation) may not

- the number of management safety visits (MSV) must be greater than 6,500;

■ Environment (25%): the objective is based on three criteria:

- the waste recycling rate must be greater than or equal to 75% to reach 100% achievement (0% if less than or equal to 70%),
- in light of the sharp reduction in Scope 1 and 2 greenhouse gas emissions intensity in 2022, the Board decided to focus on analyzing Scope 3 emissions and defining ways to reduce them,
- the water consumption intensity must be less than 680 cu.m per million euros of sales to reach 100% achievement;

■ Succession plan (10%): the objective is to include potential succession candidates into the agenda of Board meetings and visits;

■ p-SiC project (25%): the objective is to complete the necessary investments for the wafer deliveries to Soitec and to implement the SiC PVT plan;

■ Electric vehicle market (20%): the objective is to finalize the dedicated EV organizational structure in Juarez and St Bonnet, and to enter into two new significant contracts.

exceed 30% of the Chief Executive Officer's entire compensation for the previous calendar year (fixed, maximum annual variable and long-term compensation measured based on the method used for the consolidated financial statements).

In addition, the Chief Executive Officer may not receive more than 10% of all stock options and free shares allocated each year, measured on an IFRS basis. These percentages are set by the Board of Directors based on market practices.

Free shares and/or stock options are subject to the achievement of performance objectives over a minimum period of three years. The performance conditions are based on a stock market criterion, one or two profitability criteria and a composite CSR criterion. One of the two or three criteria must be relative to the performance of other comparable companies (SBF 120, STOXX Europe 600 or other relevant, documented benchmarks).

The achievement of each of these criteria is assessed separately.

Benefits in kind

The Chief Executive Officer may be entitled to certain benefits in kind, such as the use of a company car, executive unemployment insurance, health and welfare insurance and a pension plan. He is also eligible for the staff incentive plans set up at company and/or Group level.

Exceptional compensation

No exceptional compensation may be paid.

Signing bonus

In order to facilitate the recruitment of an executive corporate officer from outside the Group, the Board of Directors may, on the recommendation of the Governance, Appointments and Remuneration Committee, grant a signing bonus. The amount of this bonus may not exceed the amount of the executive officer's compensation package in their previous job.

2.1.4.3. Compensation and benefits in the event of the termination of the Chief Executive Officer's term of office

Pension plan

Luc Themelin benefits from the "Mersen group defined benefit pension plan". The purpose of this plan, adopted in 1999, then amended in 2005, 2007 and 2013, is to enable Mersen to reward its Chief Executive Officer for his loyalty.

The rules state that:

- the beneficiary must effectively end their professional career with the member company at the age of 65 or from the age of 60;
- the beneficiary must first claim their state old-age pension;
- the beneficiary must have at least ten years of continuous service at the Mersen group;
- the beneficiary must have been a member of the Group's Executive Committee for at least three years during their career;
- the 2013 amendment confirms that the beneficiary will have to be classified at a rank equal to or higher than coefficient 880 of the classification of the collective bargaining agreement for the French chemicals industry.

Pension entitlements and the method for calculating the pension are based on the following rules:

- the reference base for the calculation of the pension is the end of career salary (ending salary – ES), made up of (i) the average annual gross salaries for the last three years of activity preceding retirement, and (ii) 50% of the maximum bonus;
- the calculation of the pension: R is the annual amount of the pension to which the beneficiary is entitled. It is based on service determined in accordance with the rules mentioned above, bearing in mind that the entitlements are full and final with 20 years of service:

Service	Calculation of the annual amount of the pension
10 years	10% x ES
15 years	15% x ES
20 years or more	20% x ES

To date, taking into account his service with the Péchiney Group, to which Mersen belonged, Luc Themelin has 34 years of service with the Mersen group, including 23 years as an employee. The potential future pension rights of Luc Themelin have therefore been capped for more than ten years and can no longer be increased.

Given his length of service with the Group, Luc Themelin shall receive a supplementary pension corresponding to 20% of the amount of his reference compensation.

This plan is an important tool in securing the loyalty of the Chief Executive Officer in that it entitles him to a pension at a similar rate to that of the rest of the company's employees. It does not represent an undue financial burden on the company. At December 31, 2022, the estimated amount of the annuity under the supplementary pension scheme paid to Luc Themelin was €161,000, before tax and social security contributions:

Data in euros	Ending salary	Annual pension
Basic salary (average of 3 years)	460,000	92,000
Maximum bonus (50% of 1.5 fixed)	345,000	69,000
Base	805,000	161,000

In December 2021, with the approval of the Board of Directors and after a favorable review by the Audit Committee and the Governance, Appointments and Remuneration Committee, the Company paid an amount of €2.5 million (excluding taxes and charges) into the collective insurance fund intended to finance the Company's defined benefit pension obligations in respect of the Chief Executive Officer. The early payment of a portion of the pension obligations to the Chief Executive Officer enables the Company to spread over time the disbursements related to these obligations. In the event of the Chief Executive Officer's early retirement resulting in the loss of these entitlements, the funds (after taxes) would be returned to the Company.

Non-compete and non-solicitation clause

Should his term of office as Chief Executive Officer end, and in return for signing a non-compete and non-solicitation undertaking for one year from the date on which his duties cease, Luc Themelin will receive a monthly payment equivalent to 50% of the gross fixed monthly compensation that he received immediately prior to the termination of his term of office, paid over the period. The Company may decide to forgo this non-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing Luc Themelin of its decision within a notice period of two months of the termination of his term of office.

The non-compete undertaking referred to above will cover all of the Group's business activities and will be applicable in all of the countries in which Mersen is active (whether it has a physical presence there or whether it operates from a base in another country). At the Company's discretion, the non-compete and non-solicitation undertaking will be laid down and structured as a non-compete agreement, if necessary.

No payment will be made once the Chief Executive Officer has claimed his pension benefits. In any event, no payment will be made after he reaches the age of 65.

Severance payment

Should the Mersen group terminate, in any manner and for whatever reason (barring gross or willful misconduct, retirement, enforced retirement, resignation or change of function within the Group), Luc Themelin's term of office as Chief Executive Officer (notably by dismissal, non-renewal of the term of office for whatever reason or elimination of office following the conversion or merger of the Company, except for a change in corporate governance leading to his appointment as Chairman of the Management Board of a limited company with a Supervisory Board and a Management Board), a lump sum payment will be made to Luc Themelin, calculated as stated below in the applicable performance conditions (the "Severance Payment"), when his departure is forced. The Severance Payment will exclude the payment of any other indemnity of any kind, including damages, except for the non-compete and non-solicitation indemnity.

Should the responsibilities and/or compensation of Luc Themelin be modified substantially following a take-over of the Company, and if as a result, he decides to leave the Company, he would be entitled to the same Severance Payment.

The amount of the Severance Payment is calculated as follows:

$$I = 0.5 \times R \times C$$

where

- I is the amount of the Severance Payment;
- R is the gross total compensation (basic compensation and annual variable compensation, excluding benefits in kind and incentives) paid to Luc Themelin for the 3 calendar years prior to termination, whether this compensation and benefits have been paid to him in respect of his duties as Chief Executive Officer or as an employee; and
- C is Luc Themelin's performance condition as measured in accordance with the criteria defined below.

Payment of the Severance Payment will be subject to the achievement of the performance condition under the following conditions:

- Performance rate (P):

P = the average percentage of Luc Themelin's annual variable compensation in the four calendar years preceding his departure (as Chief Executive Officer).

The percentage of annual variable compensation may vary from 0 to 112% of annual fixed compensation. The average performance rate P will be observed by the Board of Directors.

- Performance condition (C):

If $P \geq 100\%$, $C = 100\%$

If $P \geq 90\%$ and $< 100\%$, $C = 90\%$

If $P \geq 80\%$ and $< 90\%$, $C = 80\%$

If $P \geq 60\%$ and $< 80\%$, $C = 60\%$

If $P \geq 50\%$ and $< 60\%$, $C = 50\%$

If $P < 50\%$, no payment will be made.

The amount of any Severance Payment (I) that may be due upon termination of his term of office may not exceed 18 months of total gross compensation (fixed and annual variable). In addition to this Severance Payment, a non-compete indemnity may also be due and may not exceed six months of total gross compensation (fixed and annual variable), making a total of 24 months of total gross compensation (fixed and annual variable) for both payments.

Unemployment benefits

Luc Themelin is also eligible for basic executive unemployment benefits (Garantie Sociale des Chefs d'Entreprises, GSC) for up to 24 months. The annual cost of this benefit depends on the previous year's net taxable income of the party concerned and the length of the period over which the benefit is paid. The Company pays 40% of the contribution and Luc Themelin pays 60%. This arrangement includes a waiting period of 30 days of continuous unemployment.

Stock options – Performance shares

Should Luc Themelin's term of office as Chief Executive Officer be terminated in any manner and for any reason whatsoever (barring termination following the acquisition of control of the Company, retirement or enforced retirement), he will automatically lose his entitlement to all the stock options allocated to him prior to the end date of his term of office where the conditions of allocation (condition related to continued presence and performance conditions) have not been satisfied by the end date of his term of office. He will also automatically lose his entitlement to all the shares allocated to him, irrespective of whether they are subject to a performance condition, in accordance with the provisions of Articles L.225-197-1 to L.225-197-5, L.22-10-59 and L.22-10-60 of the French Commercial Code, prior to the end date of his term of office, where shares allocated have not vested by the end date of his term of office.

However, the Board of Directors reserves the right to decide, where appropriate, to maintain the benefit of the stock options and performance shares, reduced on a pro rata basis, and subject to achievement of the corresponding performance conditions. The Board is required to give reasons for its decision.

The benefit of the stock options and performance shares referred to above will be maintained, after reduction on a pro rata basis, should Luc Themelin's responsibilities and/or compensation be modified substantially following a change of control of the Company, should he decide to leave the Company as a result of such change, should his term of office be terminated following a change of control of the Company, or should he retire whether voluntarily or at the Company's initiative.

2.1.4.4. Changes in the organization of Executive Management

If the Board of Directors decides to appoint one or more Deputy Chief Executive Officers, the policy relating to the Chief Executive Officer's compensation package will also apply to the Deputy Chief Executive Officer(s), adapted as required. If the Board of Directors decides to combine the roles of Chairman and Chief Executive Officer, the policy relating to the Chief Executive Officer's compensation package will apply to the Chairman and Chief Executive Officer, adapted as required.

2.1.5. Summary of commitments given to corporate officers

	Employment contract	Supplementary pension plan	Compensation and benefits payable or likely to be payable owing to termination or change of office	Non-compete indemnity
Olivier Legrain Chairman of the Board of Directors since May 18, 2017	NO	NO	NO	NO
Luc Themelin Chief Executive Officer since May 11, 2016	NO	YES ⁽¹⁾	YES ⁽²⁾	YES

(1) Luc Themelin is eligible for a supplementary pension plan pursuant to his employment contract, the terms of which are described in section 2.1.4.3.

(2) Compensation and benefits payable or likely to be payable owing to termination or change of office are described in section 2.1.4.3.

2.2. Compensation paid to directors and corporate officers in 2022

2.2.1. Directors' compensation for 2022

The compensation for directors for 2022 was awarded in accordance with the compensation policy outlined in section 2.1.3 above and was paid in a single installment at the beginning of 2023. It should be noted that, in accordance with the Internal Rules of the Board of Directors, the director representing employees and

the Chief Executive Officer do not receive any compensation for their duties as directors. It is also specified that Magali Joëssel has indicated that she does not wish to receive any compensation for her role as director responsible for CSR issues (see section 1.1.3 of this chapter).

(In euros – gross amounts)	Amounts granted for 2022		Paid in 2022	Amounts granted for 2021	Paid in 2021
	Total	o/w fixed part			
Isabelle Azemard	15,951	4,620	34,884	34,884	29,315
Bpifrance Participations (represented by Emmanuel Blot)	20,875	7,655	-	-	-
Bpifrance Investissement (represented by Magali Joëssel)	40,604	12,276	33,302	33,302	32,099
Pierre Creusy (director representing employees)	-	-	-	-	-
Michel Crochon	46,269	12,276	37,953	37,953	36,194
Carolle Foissaud	40,604	12,276	28,558	28,558	29,315
Olivier Legrain*	36,827	12,276	34,884	34,884	27,923
Ulrike Steinhorst	45,325	12,276	42,326	42,326	34,474
Luc Themelin**	-	-	-	-	-
Denis Thiery	58,545	12,276	52,093	52,093	41,680
	305,000	85,929	264,000	264,000	231,000

* Excluding compensation for his duties as Chairman (see section 2.2.2 below).

** Luc Themelin was elected director on May 20, 2021 and does not receive any compensation in this capacity.

The amounts indicated above include the compensation and benefits in kind received by the directors from the Company and from its controlled companies within the meaning of Article

L.233-16 of the French Commercial Code. In accordance with Article L.225-45 of the French Commercial Code, this only concerns compensation for their duties as directors.

2.2.2. Compensation of the Chairman of the Board of Directors (Olivier Legrain) for 2022

The compensation of the Chairman of the Board of Directors for 2022 was granted in accordance with the compensation policy outlined in section 2.1.2 above.

(In euros – gross amounts)	2022	2021
Compensation granted in respect of the fiscal year (broken down below)	156,827	114,884
Value of multi-year variable compensation granted during the fiscal year	N/A	N/A
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares granted during the fiscal year	N/A	N/A
Value of other long-term incentive plans	N/A	N/A
TOTAL	156,827	114,884

(In euros – gross amounts)	2022		2021	
	Amounts granted for 2022	Amounts paid in 2022	Amounts granted for 2021	Amounts paid in 2021**
Directors' compensation*	36,827	34,884	34,884	27,923
Chairman's fixed compensation	120,000	120,000	80,000	70,000
TOTAL	156,827	154,884	114,884	97,923

* The compensation granted in respect of a given fiscal year is paid in the subsequent year.

** Taking into account the voluntary 12.5% reduction applied in the context of the Covid-19 health crisis.

The amounts indicated above include the compensation and benefits in kind received by the Chairman of the Board of Directors from the Company and, where applicable, from its controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

2.2.3. Compensation of the Chief Executive Officer (Luc Themelin) for 2022

The compensation of the Chief Executive Officer for 2022 was granted in accordance with the compensation policy outlined in section 2.1.4 above.

Summary of the compensation and benefits, options and shares granted to the Chief Executive Officer

	2022	2021
Compensation granted in respect of the fiscal year (broken down below)	1,214,080	1,083,680
Value of multi-year variable compensation granted during the fiscal year	N/A	N/A
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares granted during the fiscal year	306,306	297,332
Value of other long-term incentive plans	N/A	N/A
TOTAL	1,520,386	1,381,012

(in euros)	2022		2021	
	Amounts granted for 2022	Amounts paid in 2022	Amounts granted for 2021	Amounts paid in 2021
Fixed compensation	500,000	500,000	440,000	440,000
Annual variable compensation	660,000	589,600	589,600	249,040
Multi-year variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Incentives	20,568	20,568	20,568	5,193
Compensation for serving as a director	N/A	N/A	N/A	N/A
Benefits in kind*	33,512	33,512	33,512	33,512
TOTAL	1,214,080	1,143,680	1,083,680	727,745

* Benefits in kind include the use of a company car and contributions for executive unemployment benefits.

The amounts indicated above include the compensation and benefits in kind received by the Chief Executive Officer from the Company and, where applicable, from its controlled companies within the meaning of Article L.233-16 of the French Commercial Code. The Chief Executive Officer does not receive any compensation from these companies.

Annual fixed compensation

Luc Themelin's fixed compensation for 2022 was €500,000, gross.

Annual variable compensation

At its meeting of February 16, 2023, the Board of Directors carried out a performance assessment of Luc Themelin and set the overall performance at 132%, representing variable compensation of €660,000 for 2022, payable in 2023 contingent on the approval by the Combined General Meeting of May 16, 2023 of the compensation components paid to Luc Themelin in the previous year or granted in respect of that year (individual ex-post vote).

Objectives set	Unit	Min.	Target	Max.	Actual
Group operating margin before non-recurring items <i>Indicator value</i>	%	9.2	10.2	10.6	10.9
% of fixed compensation	%	0%	30%	60%	60%
Group operating cash flow <i>Indicator value</i>	€m	85	105	116	106
% of fixed compensation	%	0%	20%	30%	15%
Group EBITDA <i>Indicator value</i>	€m	152	164	170	186
% of fixed compensation	%	0%	20%	30%	30%
		0%	70%	120%	105%
Safety: improvement of safety indicators		0%		6%	3.6%
Environment: increase in the waste recycling rate, reduction in the intensity of CO ₂ emissions, reduction in water consumption		0%		6%	5.4%
Succession plan: ongoing review of internal and external candidates		0%		6%	6.0%
p-SiC project: plan for the provision of resources to ensure the deliveries requested under the partnership with Soitec		0%		6%	6.0%
Electric vehicle market: monitoring of key customer qualifications according to the business plan		0%		6%	6.0%
		0%		30%	27.0%
TOTAL AS A % OF FIXED COMPENSATION		0%	100%	150%	132%

Financial criteria:

The 2022 financial objectives were based on the Group's annual budget.

- **Operating margin before non-recurring items:** the proposed target was 10.2% of sales (100% achievement), a higher level than in 2021 (10.0%), which takes into account high inflation and geopolitical uncertainty. The Board of Directors also set a maximum target of 10.6%, which was high to ensure that the target remained ambitious. The objective was far exceeded, as the Group generated an operating margin before non-recurring items of 10.9%.
- **Operating cash flow:** The target was set at €105 million in 2022. The maximum target (€116 million) was set well above the budget, in line with the 2021 figure, despite the fact that the Group anticipated greater non-recurring cash expenditure than in 2021 and an increase in inventories due to market demand and the start-up of the Columbia plant. Achievement was slightly above the target limit, resulting in an achievement rate of 20%. However, following the recommendation of the Governance, Appointments and Remuneration Committee and the Chief Executive Officer, the Board of Directors adjusted reported cash flow for non-recurring expenses budgeted in 2022 but to be paid later (€5.2 million). The achievement rate was therefore lowered to 15%.

- **EBITDA before non-recurring items:** the target was €164 million and the maximum target was €170 million, representing a substantial 14% increase compared with 2021. The objective was far exceeded, as the Group generated EBITDA before non-recurring items of €186 million.

Non-financial criteria:

For 2022, the non-financial objectives were based on the following criteria:

- **Safety:** this criterion was based on three indicators: (i) the lost time injury rate (LTIR), which had to be less than 1.4 for 100% achievement, i.e., the lowest level ever achieved at Mersen. The lower limit was set at 1.6, representing 0% achievement. For 2022, the rate was 1.53, i.e., 35% achievement. The Board of Directors emphasizes that this target was highly ambitious, more so than the objective of less than 1.8 set by the Group in its 2022-2025 CSR roadmap. The Board noted the very significant improvement in this rate for temporary workers and sub-contractors; (ii) the severity injury rate (SIR), which had to be less than 60 for 100% achievement and 70 or greater for 0% achievement. In 2022, the rate was 66, i.e., 45% achievement; and (iii) the number of management safety visits, which had to be greater than 5,170 for 100% achievement. In 2022, there were 6,572 management safety visits, i.e., 100% achievement.

Taking all these factors into account, the overall achievement rate stood at 60%, i.e., a 3.6% contribution to the objectives out of a maximum 6%.

- **Environment:** based on the 2022-2025 CSR roadmap, the objective was to achieve a waste recycling rate greater than 66%, to achieve CO₂ emissions intensity of 168 tons per million euros of sales and to limit water consumption to 663,000 cu.m. The Board noted that two objectives had been far exceeded, with waste recycling at 70% and CO₂ emissions intensity at 123 tons per million euros of sales. Water consumption, however, increased in 2022 to 764,352 cu.m, amid strong business growth and after an unfavorable correction of prior years' data due to an error at a US site. The Board also noted a sharp drop in water consumption in relation to sales, down by 19% compared with 2018. In view of these factors, the Board of Directors set an achievement rate of 100% for the first two criteria and 70% for the last, i.e., a 5.4% contribution to the objectives out of a maximum 6%.
- **Succession plan:** this plan is necessary to ensure an effective transition to certain positions within five years. After a first recruitment was made in 2021, a second followed in 2022. The Board of Directors therefore considered the objective in line with expectations.

- **p-SiC project:** in late 2021, the Group entered into a strategic partnership with Soitec. The 2022 objective was to implement the resources to ensure the delivery of qualification wafers to Soitec, which took place. The investment plan for this project was also determined. The Board of Directors therefore considered that this objective was met.
- **Electric vehicles:** this is a strategic market for the Group and the subject of a monthly review in which the Chief Executive Officer participated. In 2022, the objective was to monitor key qualifications in line with the business plan. The Board considered that great progress had been made, with numerous qualifications and the realization of the significant contract with ACC, which the Group reported in early January 2023.

Overall, the Board of Directors considered that the large majority of the objectives had been met. The overall percentage of achievement of the non-financial objectives (90%) reflects this good performance.

Long-term compensation

In 2022, the Chief Executive Officer was granted 12,600 free shares, subject to the performance criteria described in section 2.4.3, representing 6.4% of the total number of shares granted under the three plans authorized by the Combined General Meeting of May 19, 2022.

Free shares granted during the year to each executive corporate officer

Beneficiary	No. and date of plan	Number of shares granted during the fiscal year	Value of shares according to the method used in the consolidated financial statements	Vesting date	Availability date	Performance conditions
Luc Themelin	2022 plan tranche 3	12,600	306,306	May 19, 2022	May 20, 2025	See section 2.4.3.

2.2.4. Pay ratio

In accordance with the provisions of Article 22-10-9 of the French Commercial Code and the recommendations of the AFEP-MEDEF Code, the Company discloses a pay ratio showing the difference between the compensation of executive corporate officers (Chairman and Chief Executive Officer) and the average and median salary of all employees of the French entities (excluding executive corporate officers) of the Company and its controlled companies within the meaning of Article L.233-16 of the French Commercial Code having their registered office in France. The scope includes 1,066 employees (46 employees for the Group's head office). It corresponds to all the French companies that formed part of the Group at end-2022.

In accordance with the AFEP-MEDEF guidelines on compensation multiples, only employees "continuously present" during a given year are included, i.e., the figures exclude the effects of hires and departures during that year.

The components of compensation taken into account, described below, are the gross components before social security contributions paid during the year:

- basic salary, regular or special bonuses, overtime and any other components of gross salary paid in year Y;
- variable compensation paid in year Y;
- accounting valuation of the LTI allocated in year Y;
- incentives and profit-sharing paid in year Y;
- benefits in kind (company car);
- directors' compensation (for the Chairman of the Board) for year Y.

This definition differs from the one presented in section 2.2.3.

PAY RATIO TABLE UNDER I. 6° AND 7° OF ARTICLE L.22-10-9 OF THE FRENCH COMMERCIAL CODE

Company performance Financial criteria – reported data		2022	2021	2020	2019	2018
Sales (€m)		1,115	923	847	950	879
Change (as a %)		20.8%	9.0%	-10.8%	8.1%	8.7%
Operating margin before non-recurring items (as a % of sales)		10.9	10.0	8.1	10.8	10.4
ROCE* (as a %)		12.5	10.8	7.8	11.3	11.8
Operating cash flow* (€m)		106	117	133	123	92
Change (as a %)		-9.4%	-12.0%	8.1%	33.7%	43.8%
CEO's compensation (€m)		1,449,986	1,025,077	781,763	1,133,762	1,063,437
Chairman's compensation (€m)		154,884	114,884	105,664	106,719	95,222
Change (as a %) in CEO's compensation		41%	31%	-31%	7%	7%
Change (as a %) in Chairman's compensation		35%	9%	-1%	12%	39%
Information on the scope of Group's head office		2022	2021	2020	2019	2018
Headquarters – Average		212,147	161,220	127,681	167,146	157,490
Headquarters – Median		121,131	95,173	93,847	80,113	85,246
Change (as a %) in average employee compensation		32%	26%	-24%	6%	9%
Change (as a %) in median employee compensation		27%	1%	17%	-6%	-17%
Chairman	Pay vs. average employee compensation	0.73	0.71	0.83	0.64	0.6
	Change (as a %) compared to previous year	3%	-14%	30%	6%	28%
	Pay vs. median employee compensation	1.28	1.21	1.13	1.33	1.12
	Change (as a %) compared to previous year	6%	7%	-15%	19%	67%
CEO	Pay vs. average employee compensation	6.83	6.36	6.12	6.78	6.75
	Change (as a %) compared to previous year	7%	4%	-10%	0%	-1%
	Pay vs. median employee compensation	11.97	10.77	8.33	14.15	12.47
	Change (as a %) compared to previous year	11%	29%	-41%	13%	29%
Information on extended scope (French site employees)		2022	2021	2020	2019	2018
France – Average		49,610	46,534	45,122	50,693	49,435
France – Median		39,025	35,567	32,769	34,398	33,868
Change (as a %) in average employee compensation		7%	26%	-24%	6%	9%
Change (as a %) in median employee compensation		10%	1%	17%	-6%	-17%
Chairman	Pay vs. average employee compensation	3.12	2.47	2.34	2.11	1.93
	Change (as a %) compared to previous year	26%	6%	11%	9%	35%
	Pay vs. median employee compensation	3.97	3.23	3.22	3.10	2.81
	Change (as a %) compared to previous year	23%	0%	4%	10%	54%
CEO	Pay vs. average employee compensation	29.23	22.03	17.33	22.37	21.51
	Change (as a %) compared to previous year	33%	27%	-23%	4%	4%
	Pay vs. median employee compensation	37.15	28.82	23.86	32.96	31.40
	Change (as a %) compared to previous year	29%	21%	-28%	5%	19%

* See glossary at the end of this document.

The pay ratio was introduced in 2019. The components of this compensation are identical to those used to establish the ratio. In addition, annual changes are calculated on the basis of samples that change from one year to the next. While only those employees who were present throughout the year in question are used to calculate the ratio, the sample used in a given year is liable to change in subsequent years. Therefore, the changes observed from one year to the next reflect, in addition to the different samples, the inclusion of such items as the accounting valuation of LTIs allocated. This type of data is inherently highly variable, as it is largely based on the share price at the time the shares are allocated and on the criteria used to assess the actual value of the shares allocated.

The compensation of the corporate officers increased significantly in 2022, by 41% and 58% respectively, due to the increase in their fixed compensation, which had previously not been changed since 2015 (2011 for the Chairman).

The sharp increase in the pay ratio in comparison to the average and median compensation of all employees of the French entities is also explained by the sharp increase in the Chief Executive Officer's annual variable compensation, in line with the Group's very strong performance. This increase is less significant for Mersen SA employees than for the Group's other French companies, because a very large proportion of Mersen SA employees receive annual variable compensation.

2.3. Free preference shares (2018 plan)

2.3.1. Overview

Preference shares are shares of a specific category, allocated for free subject to presence and performance conditions (the "Performance Shares"). They can be converted into a number of ordinary shares, said number depending on the increase in the share price (on average, over a predetermined period) in relation to the share price expected at the outset. Preference shares thereby incentivize certain senior managers by giving them a long-term stake in the growth of the share price and the collective achievement of certain financial criteria.

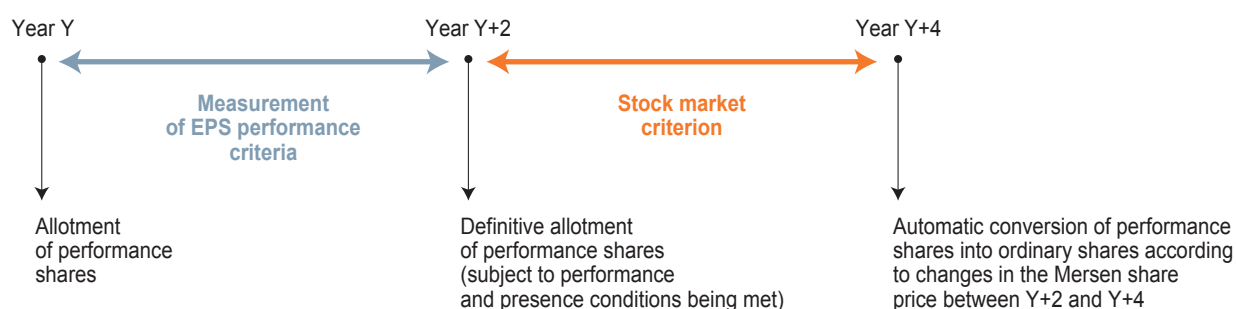
Four plans were set up between 2015 and 2018, leading to the creation of four categories of shares (B to E). The Board of Directors has decided not to renew these Preference Share plans as they are too complex and lack clarity for certain investors.

B, C, D and E Preference Shares were fully converted into ordinary shares in 2019, 2020, 2021 and 2022, respectively.

Main characteristics of the Preference Share plans

- Beneficiaries: Executive Committee and the Vice-Presidents of the five business segments.
- Shares of a specific category convertible into ordinary shares under the terms of the plan and the Company's Articles of Association.
- Vesting period: two years for beneficiaries who are French tax residents and four years for beneficiaries who are not French tax residents.
- Subject to performance conditions based on:
 - (i) a target two-year EPS or (ii) two-year EPS growth relative to a panel of French industrial groups;
 - improvement in average share price over two years relative to an initial share price (except for a proportion of 10%);
 - continued presence in the Company at the end of the vesting period.

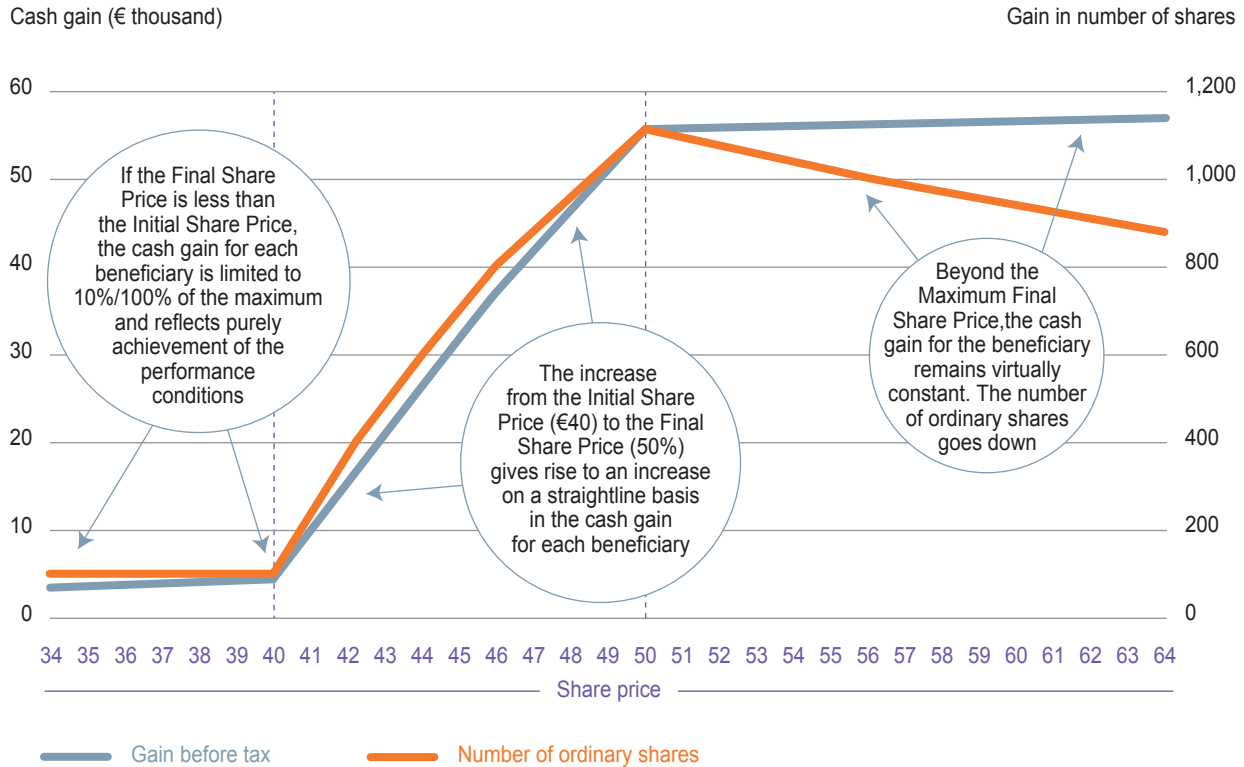
Timetable for Preference Shares (for beneficiaries who are French tax residents)



- The number of ordinary shares ultimately obtained depends on growth in the average share price over two years ("Final Share Price") relative to the initial share price ("Initial Share Price" = average of the last twenty quoted prices at the time of allocation), if and only if the performance conditions are achieved, based on the following formula:
 - if the Final Share Price is less than the Initial Share Price, the number of ordinary shares obtained is equal to 10/110% of the maximum number of shares;
 - if the Final Share Price is more than the Initial Share Price, beneficiaries will receive a number of ordinary shares which, if sold, would give them a cash gain increasing on a straight-line basis with the Final Share Price, up to a maximum price ("Maximum Final Share Price"), beyond which the cash gain remains virtually constant.

Example

The graph below summarizes the potential gains (in euros and in shares) for a beneficiary receiving ten preference shares at an initial share price of €40.



Performance conditions (principles)

The Board of Directors decided on the following principles to set the performance conditions for the 2016 to 2018 Preference Share plans:

- the performance condition is based on earnings per share (EPS), adjusted for certain non-recurring expenses or income (net of tax) with a significant impact on the Group's results. The Board decided to eliminate these non-recurring items in order to measure the Company's intrinsic performance;
- the target EPS for obtaining 100% is demanding, in keeping with the internal objectives of the Group's strategic plans in a stable or improving economic environment;
- given the Group's dependence on the economic environment, an alternative EPS criterion has been put in place. The principle is to reward beneficiaries if the Group has not achieved its internal EPS targets due to a deterioration in the economic environment but has outperformed or comfortably outperformed a sample of French industrial companies. This relative performance is measured by reference to the change in EPS over the relevant period;
- the calculations are based on the Group's financial statements. However, in the event of abnormal positive or negative variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the Management Board or Board of Directors at which the free shares are allocated, the Group's results may be adjusted after analysis by the Governance

and Remuneration Committee and with the agreement of the Board of Directors (or the Supervisory Board). Similarly, the Governance and Remuneration Committee may withdraw from the sample any companies that have recorded manifestly wild or abnormal fluctuations in EPS over the period.

In the event of a Change Of Control occurring before the performance condition can be observed, the performance condition shall be deemed to have been fully satisfied, thus entitling the holder to delivery of all the Preference Shares at the end of the Vesting Period.

Holding requirements

The holding period is set at two years from the end of the vesting period for beneficiaries who are French residents. No holding obligations and holding periods will be imposed at the end of the vesting period for beneficiaries who are not French tax residents.

The Board of Directors decided that the executive corporate officers had to hold 30% of the Preference Shares allocated to them and 30% of the ordinary shares resulting from the conversion of Preference Shares, in registered form, throughout their term of office.

No hedging

In accordance with the AFEP-MEDEF Code, the Chief Executive Officer has formally undertaken not to engage in hedging. To the best of the Company's knowledge, no hedging instruments have been put in place.

Other characteristics of the Preference Share plans

Preference Shares confer the same rights as ordinary shares, except that they pay a lower dividend.

At the end of the holding period, each holder of Preference Shares is entitled to:

- transfer all or part of their Preference Shares; or
- convert them into ordinary shares under the conditions set forth in Article 15 of the Company's Articles of Association. Preference Shares may be converted into ordinary shares during a 30-day period, according to the terms and conditions in the plan based and to a parity defined by the percentage difference between the Initial Share Price and the Final Share Price. A specific rule shall be defined if the end of the conversion period falls during a period restricting the sale or purchase of Company shares. The Initial Share Price is equal to the volume-weighted average of the opening prices of the ordinary shares for the last 20 trading days prior to the allocation date.

The Final Share Price is equal to the average opening prices of the ordinary shares between the second anniversary of the allocation date (inclusive) and the beginning of the conversion period during which the holders of Preference Shares requested the conversion to ordinary shares.

The Maximum Final Share Price is set such that the cash gain that would be made by the beneficiaries by selling the ordinary shares obtained upon conversion of the Preference Shares would be more or less constant.

If the shares have not been converted at the end of the periods set forth in Article 15 of the Articles of Association, the Preference Shares will be converted automatically into ordinary shares.

2.3.2. 2018 plan

In keeping with previous plans (see Principles described in section 2.3.1), at its meeting of May 17, 2018, the Board of Directors decided to set up a preference share plan for members of the Executive Committee (including the Chief Executive Officer) and the Vice Presidents of the five business lines. The principles for this plan differ from previous plans, in particular to take account of the very significant improvement in share price between 2016 and 2018:

- Given the very favorable trend in share price from May 18, 2017 to May 17, 2018 (+57%), the maximum number of ordinary shares was reduced by about 22% compared to the authorization given by the shareholders and compared to the 2017 plan.
- The Board of Directors reduced the Maximum Final Share Price to 120% of the Initial Share Price (compared with 150% for the 2016 and 2017 plans). The reason behind this decision was to take into account the very favorable trend in share price (+229% between May 17, 2016 and May 17, 2018), while maintaining an incentivizing target for the beneficiaries and in the interest of investors.
- Furthermore, at his request, the Chief Executive Officer was allocated the same maximum equivalent number of preference shares as the Executive Committee members, i.e., 77.

2.3.2.1. Summary

	Preference shares	Minimum equivalent ordinary shares ⁽¹⁾	Maximum additional equivalent ordinary shares	Maximum total equivalent ordinary shares
Date of allocation decision	May 17, 2018			
Total number of shares available for subscription	940	9,400	94,000	103,400
- o/w corporate officers: Luc Themelin	77	770	7,700	8,470
- o/w top ten recipients	736	7,360	73,600	80,960
Initial Share Price (in €)	39.27			
Maximum Final Share Price (in €)	47.12			
Value of preference shares on the allocation date (in €)	33.53 (French tax residents) ⁽²⁾		12.41 (French tax residents) ⁽³⁾	
End of vesting period	May 17, 2020 (French tax residents) May 17, 2022 (non-French tax residents)			
Date of transferability and start of conversion period	May 17, 2022			
Allocation canceled at Dec. 31, 2022	0			
Number of shares vested, non-transferable	940	9,400	0	9,400
BALANCE AT DECEMBER 31, 2022	0	0	0	0

(1) 10% of preference shares are not linked to share price trends and are thus automatically convertible into ordinary shares, subject to the achievement of performance criteria regarding changes in earnings per share.

(2) For beneficiaries who are non-French tax residents, the value is €12.41.

(3) For beneficiaries who are non-French tax residents, the value is €12.97.

2.3.2.2. Description

At the Combined General Meeting of May 17, 2018, the shareholders authorized the Board of Directors to allocate free preference shares (E shares) convertible into a maximum of 103,400 ordinary shares (i.e., 0.5% of the share capital). At its meeting of May 17, 2018, the Board of Directors made use of this authorization and allocated 940 free preference shares to members of the Executive Committee (including the Chief Executive Officer) and senior managers of the Group. This number corresponds to a maximum of 103,400 ordinary shares after conversion.

2.3.2.3. Performance conditions (targets)

The performance conditions were validated by the Board of Directors after review by the Governance, Appointments and Remuneration Committee in compliance with the principles set out in section 2.4.1. The percentage of E shares that will vest depends on the two criteria defined below, whichever is the more favorable.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1	If average 2018/2019 EPS is more than or equal to 2.2.	Percentage achievement calculated on a straight-line basis if average 2018/2019 EPS is between 1.88 and 2.2.	If average 2018/2019 EPS is equal to 1.88	If average 2018/2019 EPS is less than 1.88
Achievement rate	100%	50% to 100%	50%	0%
CRITERION 2	If Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is more than 15 pts higher than the Panel of Companies' average EPS growth.	Percentage achievement calculated on a straight-line basis if Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is less than 15 pts higher than the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is equal to the Panel of Companies' average EPS growth.	If Mersen's EPS growth (between 2017 EPS and average 2018/2019 EPS) is less than the Panel of Companies' average EPS growth.

The adjusted 2017 EPS is the 2017 EPS published by the Group, adjusted for non-recurring expenses, or 1.88.

The calculation of the percentages would be based on Mersen's published consolidated financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions occurring after allocation, the Board of Directors may, after obtaining the option of the Governance and Remuneration Committee, adjust the financial statements for these exceptional items when calculating the allocation percentages.

The "Panel of Companies" used to calculate criterion 2 was approved by the Board of Directors on May 18, 2017, based on the recommendation of the Governance, Appointments and Remuneration Committee. It comprises international industrial groups listed in France and its composition has not changed since the previous plan (see the list of companies in section 2.4.2.3).

For the purpose of calculating the allocation percentage, the Governance, Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild or abnormal fluctuations in EPS over the period.

2.3.2.4. Performance conditions (results)

The performance conditions were fully met.

		% allocation in respect of criterion 1	% allocation in respect of criterion 2
CRITERION 1	Average adjusted 2018/2019 EPS achieved	2.76	100%
CRITERION 2	Criterion 1 having been fully met, the calculation was not carried out for criterion 2		

2.3.2.5. Conversion terms

The Initial Share Price is equal to the volume-weighted average of the opening prices of the A shares for the last 20 trading days prior to the allocation date.

The Final Share Price is equal to the average opening prices of the A shares between the second anniversary of the allocation date (included) and the beginning of the conversion period during which the E shareholders requested the conversion to A shares (excluded).

The conversion parity will be equal to:

- if the Final Share Price is less than 120% of the Initial Share Price (the "Maximum Final Share Price"): $N = 10 + 600 (CF - CI) / CF$.

Where:

- "N" is the number of A shares to which each E share is entitled, it being specified that in the case of a fraction (or decimal quotient), the number of A shares allocated to a E shareholder will be rounded down to the lower unit; "CF" is the Final Share Price; "CI" is the Initial Share Price; and, "CFMax" is the Maximum Final Share Price;

- if the Final Share Price is greater than the Maximum Final Share Price: $N = 10 + (CF_{Max} \times 100) / CF$;
- if the Final Share Price is less than the Initial Share Price: $N = 10$.

Results

Due to the fall in the share price, the conversion rate is 9% (i.e., the minimum guaranteed amount).

The period to convert category E preference shares into ordinary shares started on May 17, 2022. At the end of the conversion periods stipulated in Article 15 of the Articles of Association, all category E shares were converted into ordinary shares.

Following this conversion, the Company's share capital solely comprises ordinary shares. The Company's Articles of Association have been amended accordingly.

2.4. Free performance shares (executives programs)

The three free share plans for executives that had not yet reached the end of the vesting period are those awarded under the authorizations granted by the Annual General Meeting in 2019, 2021 and 2022. In 2020, in view of the economic climate stemming from the health crisis, the Board of Directors decided that no free share plans would be submitted to shareholders for approval.

No hedging

In accordance with the AFEP-MEDEF Code, the Chief Executive Officer has formally undertaken not to engage in hedging. To the best of the Company's knowledge, no hedging instruments have been put in place.

Holding requirements for the Chief Executive Officer

The Chief Executive Officer is required to retain 30% of the shares vested under each plan until he holds an amount of Company shares at least equivalent to one years' fixed salary (gross).

2.4.1. 2019 plan

In 2019, upon authorization of the Annual General Meeting (fifteenth resolution), the Board of Directors adopted a plan covering the members of the Executive Committee, including the Chief Executive Officer and the Vice-Presidents of the Group's five business lines, i.e., a total of 14 people. The objective of the plan is to incentivize the senior executives by giving them a long-term stake in the growth of the share price, an increase in the Group's profitability and improvement in non-financial indicators.

Description of the 2019 free share plan

Duration of continued presence and performance conditions

- Duration of 3 years.
- Subject to achieving the performance conditions, Luc Themelin may still be eligible for free shares on a pro rata basis should his term of office be terminated.

Performance conditions

- Each criterion is independent.
- The stock market criterion is assessed based on an external benchmark (growth in the STOXX Europe 600 index).
- The financial criterion is operating income before non-recurring items per share.
- Composite CSR criterion (each sub-criterion is independent) in line with the Group's CSR commitments described in the 2018 Reference Document.

Total number of free shares and portion allocated to the Chief Executive Officer

A maximum of 63,000 free shares may be allocated under the plan. This number cannot be compared with previous years given the change to the plan structure.

The portion allocated to the Chief Executive Officer may not exceed 10% of the total number of shares allocated under all the plans (executives and other employees) approved in 2019 (see sections 2.4.2 and 2.5.1.1).

A total of 8,850 free shares were granted to the Chief Executive Officer, representing 6.2% of the total number of shares granted under the two plans authorized by the Annual General Meeting of May 17, 2019.

Principles for setting the performance conditions

The Board of Directors decided on the following principles to set the performance conditions for the performance share plans reserved for executives, issued in 2019: subject to achieving the continued presence conditions, the shares will vest, where applicable partially, according to the following criteria approved by the Board of Directors on the recommendation of the Governance and Remuneration Committee:

■ Stock market criterion (33%)

Growth in the Mersen share price ("G") will be compared to that of the STOXX Europe 600 index (Industrial goods and services) or to the SBF 120 index if the STOXX Europe 600 index is no longer available ("the Index"). Growth in the share price will be compared over three years, starting from the first working day of the month of the May 17, 2019 Combined General Meeting, i.e., from May 2, 2019 to April 29, 2022.

The percentage achievement will be calculated as follows:

	Achievement
G < index growth	0%
G = index growth	50%
G ≥ 10 percentage points above index growth	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

■ Profitability criterion (34%)

Profitability will be measured based on operating income before non-recurring items per share. The principles applied by the Board of Directors include (i) measuring performance over a period of three years, i.e., 2019, 2020, 2021; (ii) making share allocations conditional, at minimum, on maintaining operating income before non recurring items per share at the level published in 2018 (€4.41); and (iii) setting tight limits "in line" with internal medium-term objectives.

	Achievement
Operating income before non-recurring items per share < €4.41	0%
Operating income before non-recurring items per share = €4.41	30%
Operating income before non-recurring items per share ≥ €xxx	100%

The upper limit will be disclosed ex-post.

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

■ Quantifiable CSR objectives (33%) made up of four independent criteria with the same weighting (8.5% each).

- Lost time injury rate (LTIR) in the Group in December 2021 for employees, temporary staff and sub-contractors.

The Board of Directors has decided to take into account the low level already achieved due to a policy that has been in place for several years. In 2018, Mersen had an LTIR indicator of 1.5, outperforming peer industrial groups.

The 100% achievement rate corresponds to the objectives that the Group has set for 2021 (see chapter 4 of this document), i.e., an LTIR less than or equal to 1.4.

	Achievement
LTIR ≥ 1.7	0%
LTIR = 1.69	30%
LTIR = 1.49	80%
LTIR ≤ 1.4	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Severity injury rate (SIR) of accidents in the Group in December 2021 for employees, temporary staff and sub-contractors.

The Board of Directors has decided to take into account the low level already achieved due to a policy that has been in place for several years. In 2018, Mersen had an SIR indicator of 71, outperforming peer industrial groups.

The 100% achievement rate corresponds to the objectives set by the Group for 2021 (see chapter 4 of this document), i.e., an SIR less than or equal to 60.

	Achievement
SIR > 80	0%
SIR = 80	30%
SIR = 70	80%
SIR ≤ 60	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Human capital development: Percentage of women engineers and managers in the Group in December 2021.

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2018 (approximately 94% of Group employees). Acquisitions made after December 2018 will be excluded from the calculation of this criterion.

The Group has set itself the objective of reaching a ratio between 25% and 30% by 2022 (see chapter 4 of this document).

As this criterion will be measured for the purpose of the free share plan in December 2021, i.e., a year earlier than the Group's objective, the achievement rates have been adapted. The lower limit (0% achievement) corresponds to the percentage of women engineers and managers in December 2018.

Percentage of women engineers and managers	Achievement
< 20%	0%
= 22.5%	70%
> 25%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations.

This criterion will be measured in 2021 based on the environmental reporting scope. The Group has set itself the objective of increasing the percentage of waste recycled or recovered by 15 percentage points from 41% in 2018 to 56% in 2021 (see chapter 4 of this document).

The 100% achievement rate corresponds to the objective set for 2021. The lower limit (0% achievement) corresponds to the percentage reported in 2018.

Percentage of waste recycled or recovered	Achievement
< 42%	0%
= 50%	50%
≥ 56%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

Results

Based on the performance recorded, 28.4% of allocated shares vested, resulting in 16,752 new shares being issued to beneficiaries.

Criterion	Achievement	Achievement rate
Stock market criterion	-12.2%	0%
Profitability criterion	4.2	0%
LTIR criterion	1.62	47.5%
SIR criterion	47	100%
Diversity criterion	24.7%	96.8%
Waste recycling criterion	63%	100%

The Group's performance during the plan period was affected by the Covid crisis.

2.4.2. 2021 plan

In 2021, the Board of Directors adopted a plan covering the members of the Executive Committee, including the Chief Executive Officer and the Vice-Presidents of the Group's five business lines, i.e., a total of 14 people. The objective of the plan is to incentivize the senior executives by giving them a long-term stake in the growth of the share price, an increase in the Group's profitability and improvement in non-financial indicators. This plan was granted in accordance with the authorization given under the twenty-first resolution of the Annual General Meeting of May 20, 2021.

Description of the 2021 free share plan

Duration of continued presence and performance conditions

- Duration of 3 years.
- Subject to achieving the performance conditions, Luc Themelin may be eligible for free shares on a pro rata basis should his term of office be terminated.

Performance conditions

- Each criterion is independent.
- The stock market criterion is assessed based on an external benchmark (growth in the STOXX Europe 600 index).

- The financial criterion linked to profitability is based on (i) the rate of return on capital employed and (ii) the rise in operating income before non-recurring items per share.
- Composite CSR criterion (each sub-criterion is independent) in line with the Group's CSR commitments described in the 2018 Reference Document.

Total number of free shares and portion allocated to the Chief Executive Officer

A maximum of 84,000 free shares may be allocated under the plan. Under the previous 2019 plan, that number was 63,000.

The portion allocated to the Chief Executive Officer may not exceed 10% of the total number of free shares allocated under this plan and the two other plans approved subject to the authorization of the Annual General Meeting of May 20, 2021 (see section 2.6.2).

A total of 12,600 free shares were granted to the Chief Executive Officer, representing 6.5% of the total number of shares granted under the three plans authorized by the Annual General Meeting of May 20, 2021.

Principles for setting the performance conditions

Subject to achieving the continued presence conditions, the shares will vest, where applicable partially, according to the following criteria approved by the Board of Directors on the recommendation of the Governance and Remuneration Committee:

■ Stock market criterion (33%)

Growth in the Mersen share price ("G") will be compared to that of the STOXX Europe 600 index (Industrial goods and services) or to the SBF 120 index if the STOXX Europe 600 index is no longer available ("the Index"). Growth in the share price will be compared over three years, starting from the first working day of the month of the 2021 Annual General Meeting, i.e., from May 2, 2021 to April 30, 2024.

The percentage achievement will be calculated as follows:

	Achievement
G < index growth	0%
G = index growth	50%
G ≥ 10 percentage points above index growth	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

■ Profitability criterion (34%)

Profitability will be measured based on operating income before non-recurring items per share and return on capital employed (ROCE – calculated as the ratio of operating income before non-recurring items to average weighted capital employed, excluding right-of-use assets). These two criteria will be measured over the average of 2021, 2022 and 2023. Each indicator will count independently for 17% (the outperformance or underperformance of one of the indicators will have no effect on the other financial criterion). The lower limit is equal to the Group's 2020 performance. The upper limit will be disclosed ex-post.

Operating income before non-recurring items per share	Achievement
Operating income before non-recurring items per share < €3.30	0%
Operating income before non-recurring items per share = €3.30	30%
Operating income before non-recurring items per share ≥ €xxx	100%

ROCE	Achievement
ROCE < 7.8%	0%
ROCE = 7.8%	30%
ROCE ≥ xxx	100%

■ **CSR objectives (33%) made up of three independent criteria with the same weighting (11% each)**

- Human capital development: Percentage of women engineers and managers in the Group in December 2023.

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2020 (approximately 99% of Group employees). Acquisitions made after December 2020 will be excluded from the calculation of this criterion.

Percentage of women engineers and managers	Achievement
< 24%	0%
= 27%	70%
> 30%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations.

This criterion will be measured in 2023 based on the environmental reporting scope.

Percentage of waste recycled or recovered	Achievement
< 60% of waste recycled in comparison with the total amount of waste produced	0%
≥ 60% of waste recycled in comparison with the total amount of waste produced	30%
≥ 70% of waste recycled in comparison with the total amount of waste produced	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Reduction in greenhouse gas emissions intensity of our production sites.

This criterion will be measured in 2023 based on the environmental reporting scope, which includes all the sites.

Reduction in CO ₂ emissions	Achievement
< 5% reduction in emissions intensity	0%
≥ 5% reduction in emissions intensity	30%
≥ 10% reduction in emissions intensity	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

Results

The results will not be known until 2024.

2.4.3. 2022 plan

In 2022, the Board of Directors adopted a plan covering the members of the Executive Committee, including the Chief Executive Officer and the Vice-Presidents of the Group's five business lines, i.e., a total of 14 people. The objective of the plan is to incentivize the senior executives by giving them a long-term stake in the growth of the share price, an increase in the Group's profitability and improvement in non-financial indicators. This plan was granted in accordance with the authorization given under the thirty-first resolution of the Annual General Meeting of May 19, 2022.

Description of the 2022 free share plan

Duration of continued presence and performance conditions

- Duration of 3 years.
- Subject to achieving the performance conditions, Luc Themelin may be eligible for free shares on a pro rata basis should his term of office be terminated.

Performance conditions

- Each criterion is independent.
- The stock market criterion is assessed based on an external benchmark (growth in the STOXX Europe 600 index).
- The financial criterion linked to profitability is based on (i) the rate of return on capital employed and (ii) the rise in operating income before non-recurring items per share.
- Composite CSR criterion (each sub-criterion is independent) in line with the Group's CSR commitments described in the 2018 Reference Document.

Total number of free shares and portion allocated to the Chief Executive Officer

A maximum of 84,000 free shares may be allocated under the plan.

The portion allocated to the Chief Executive Officer may not exceed 10% of the total number of free shares allocated under this plan and the two other plans approved subject to the authorization of the Annual General Meeting of May 19, 2022 (see section 2.5.2).

A total of 12,600 free shares were granted to the Chief Executive Officer, representing 6.4% of the total number of shares granted under the three plans authorized by the Annual General Meeting of May 19, 2022.

Principles for setting the performance conditions

Subject to achieving the continued presence conditions, the shares will vest, where applicable partially, according to the following criteria approved by the Board of Directors on the recommendation of the Governance and Remuneration Committee:

■ Stock market criterion (33%)

Growth in the Mersen share price ("G") will be compared to that of the STOXX Europe 600 index (Industrial goods and services) or to the SBF 120 index if the STOXX Europe 600 index is no longer available ("the Index"). Growth in the share price will be compared over three years, starting from the first working day of the month of the 2022 Annual General Meeting, i.e., from May 2, 2022 to April 30, 2025.

The percentage achievement will be calculated as follows:

	Achievement
G < index growth	0%
G = index growth	50%
G ≥ 7 percentage points above index growth	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

■ Profitability criterion (34%)

Profitability will be measured based on operating income before non-recurring items per share and return on capital employed (ROCE – calculated as the ratio of operating income before non-recurring items to average weighted capital employed, excluding right-of-use assets). These two criteria will be measured over the average of 2022, 2023 and 2024. Each indicator will count independently for 17% (the outperformance or underperformance of one of the indicators will have no effect on the other financial criterion).

Operating income before non-recurring items per share	Achievement
Operating income before non-recurring items per share < €4.45	0%
Operating income before non-recurring items per share = €4.45	30%
Operating income before non-recurring items per share ≥ €xxx	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis. The upper limit will be disclosed ex-post.

ROCE	Achievement
ROCE < 10.4%	0%
ROCE = 10.4%	30%
ROCE ≥ xxx	100%

The upper limit will be disclosed ex-post.

■ CSR objectives (33%) made up of four independent criteria with the same weighting (8.25% each)

- Human capital development: Percentage of women engineers and managers in the Group in December 2024.

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2020 (approximately 99% of Group employees). Acquisitions made after December 2021 will be excluded from the calculation of this criterion.

Percentage of women engineers and managers	Achievement
< 24.4%	0%
= 26%	80%
> 28%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations.

This criterion will be measured in 2024 based on the environmental reporting scope.

Percentage of waste recycled or recovered	Achievement
< 63% of waste recycled in comparison with the total amount of waste produced	0%
≥ 63% of waste recycled in comparison with the total amount of waste produced	30%
≥ 72.5% of waste recycled in comparison with the total amount of waste produced	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Reduction in greenhouse gas emissions intensity of our production sites.

This criterion will be measured in 2024 based on the environmental reporting scope, which includes all the sites.

Reduction in CO ₂ emissions	Achievement
< 13% reduction in emissions intensity	0%
≥ 15% reduction in emissions intensity	30%
≥ 17% reduction in emissions intensity	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Reduction in water consumption at our production sites

This criterion will be measured in 2024 based on the 2021 environmental reporting scope, which includes all the sites.

Reduction in water consumption	Achievement
672,000 cu.m	0%
≤ 672,000 cu.m	30%
≤ 637,000 cu.m	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

Results

The achievement will not be known until 2025.

2.4.4. Free shares for executives: previous allocations

	2019 plan	2021 plan	2022 plan	
	With performance conditions			
	Tranche 1	Tranche 2	Tranche 3	Total
Date of allocation decision	May 17, 2019	May 20, 2021	May 19, 2022	
<i>Total number of shares allocated</i>	59,000	84,000	84,000	227,000
- o/w corporate officers: (Luc Themelin)	8,850	12,600	12,600	34,050
- o/w top ten recipients	47,200	67,200	67,200	181,600
Share price at allocation date	20.86	23.59	24.31	
End of vesting period	May 17, 2022	May 20, 2024	May 19, 2025	
End of holding period	May 18, 2022	May 21, 2024	May 20, 2025	
Allocation canceled at Dec. 31, 2022	42,248	0	0	42,248
<i>o/w canceled in 2022</i>	42,248	0	0	42,248
Number of shares vested and transferable	16,752	0	0	16,752
BALANCE AT DECEMBER 31, 2022	0	84,000	84,000	168,000

2.5. Free shares (non-executives program)

There are four free share plans for non-executives that have not yet reach their vesting date: the two 2021 plans and two plans approved in 2022. There was no free share plan in 2020.

2.5.1. 2019 and 2021 plans

The Board of Directors decided on the following principles to set the performance conditions for the 2019 and 2021 performance share plans:

- the performance condition is based on the EBITDA margin and an additional criterion based on growth in like-for-like sales;
- the target EBITDA margin and, for the 2019 plan, the target sales for obtaining 100% are demanding and in keeping with the internal objectives of the Group's strategic plans in a stable or improving economic environment.

Given the Group's dependence on the economic environment, an alternative criterion has been put in place. The principle is to reward beneficiaries if the Group has not achieved its internal targets due to a deterioration in the economic environment but has outperformed or comfortably outperformed a panel of French industrial companies. This relative performance is measured by reference to the change in average EBITDA margin over the relevant period.

The calculations are based on the Group's financial statements. However, in the event of abnormal positive or negative variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) occurring after the meeting of the relevant body at which the free share plans were allocated, the results of the Group or panel may be adjusted after analysis by the Governance and Remuneration Committee (now the Governance, Appointments and Remuneration Committee, or GARC) and with the agreement

of the Board of Directors. In the same spirit, the Governance, Appointments and Remuneration Committee may withdraw from the panel any companies that have recorded manifestly wild or abnormal fluctuations in EBITDA margin over the period.

2.5.1.1. 2019 plan

The Combined General Meeting of May 17, 2019 granted two authorizations to the Board of Directors to allocate existing or new shares at no cost to employees, or certain categories of employees, and/or corporate officers of the Company or those of affiliated companies.

The total number of shares that might be thus allocated might not exceed 84,000, representing around 0.4% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization granted by the Combined General Meeting of May 17, 2018. This authorization was valid for 38 months.

At its meeting of May 17, 2019 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 84,000 free shares to 200 employees and managers of the Mersen group. The performance conditions for each plan are described below.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

Performance conditions

Free shares may only be allocated to the beneficiary at the end of the three-year vesting period – on May 17, 2022 – if the performance conditions defined below are met.

The percentage of free shares allocated to each of the beneficiaries is thus determined based on the most favorable amount of the following two criteria, bearing in mind that criteria 1-A and 1-B are independent and that each accounts for 50% of the achievement rate.

The Group would like to be able to allocate free shares to certain employees who are not senior executives if (a) criteria 1 and 2 are not achievable due to unfavorable economic conditions, but (ii) the Group performs better than its peers. For the sake of comparison, the impacts relating to the application of IFRS 16 are restated when calculating EBITDA margins. The Board of Directors may adjust (favorably or not) the EBITDA margins of exceptional components or remove from the panel certain companies whose EBITDA margins show abnormal fluctuations during the period.

Achievement rate	100%	30% to 100%	30%	0%
CRITERION 1-A	If the average 2019-2021 EBITDA ⁽¹⁾ margin is more than or equal to 15.5%.	Allocation percentage calculated on a straight-line basis.	If the average 2019-2021 EBITDA ⁽¹⁾ margin is more than or equal to 14.9%.	If the average 2019-2021 EBITDA ⁽¹⁾ margin is less than 14.9%.
50%				
CRITERION 1-B	Change in like-for-like sales (average over the 3 years from 2019 to 2021) is more than or equal to 4%.	Allocation percentage calculated on a straight-line basis.	Change in like-for-like sales (average over the 3 years from 2019 to 2021) is more than or equal to 2%.	Change in like-for-like sales (average over the 3 years from 2019 to 2021) is less than 2%.
50%				
Achievement rate	100%	35% to 100%	35%	0%
CRITERION 2	If the change in EBITDA ⁽¹⁾ margin between 2018 and the 2019-2021 average is more than 5 pts higher than the change in the Panel of Comparable Companies' average EBITDA ⁽¹⁾ margin.	Allocation percentage calculated on a straight-line basis.	If the change in EBITDA ⁽¹⁾ margin between 2018 and the 2019-2021 average is equal to the change in the Panel of Comparable Companies' average EBITDA ⁽¹⁾ margin.	If the change in EBITDA ⁽¹⁾ margin between 2018 and the 2019-2021 average is less than the change in the Panel of Comparable Companies' average EBITDA ⁽¹⁾ margin.

(1) EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.

Criteria calculation method

The calculations will be based on Mersen's published financial statements. However, in the event of abnormal variations during the period or of significant exceptional transactions (specifically, change of scope by acquisitions or disposals) or a change in the accounting standards having an impact on EBITDA or sales occurring after May 17, 2019, the Board of Directors may, after obtaining the opinion of the Governance and Remuneration Committee (now the Governance, Appointments and Remuneration Committee), adjust the financial statements for these effects when calculating the allocation percentages.

The "Panel of Comparable Companies" used to calculate criterion 2 was approved by the Board of Directors on May 17, 2019, on the recommendation of the Governance and Remuneration Committee.

The Panel of Comparable Companies, unchanged compared with the 2018 plan, comprises the following companies: Arkema, SA des ciments Vicat, STMicroelectronics NV, SEB, Manitou BF, Nexans, Rexel, Ingenico, Essilor International, Air Liquide, Imerys, Schneider Electric, ArcelorMittal, Saint-Gobain, Tarkett, Lisi, Somfy and Legrand.

For the purpose of calculating the allocation percentage, the Governance, Appointments and Remuneration Committee may withdraw from the sample companies that have recorded manifestly wild or abnormal fluctuations in their EBITDA margin over the period.

Results

As neither the absolute nor relative performance criteria were met, all the shares allocated were canceled.

2.5.1.2. 2021 plans

The Combined General Meeting of May 20, 2021 granted two authorizations to the Board of Directors to allocate existing or new shares at no cost to employees, or certain categories of employees, and those of affiliated companies (twentieth and twenty-second resolutions).

Performance-based plan

The Combined General Meeting of May 20, 2021 voted the twentieth resolution authorizing the Board of Directors to set up a performance-based free share plan. The total number of shares that might be thus allocated might not exceed 100,800, representing around 0.5% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization (valid for 38 months) granted by the Combined General Meeting of May 17, 2018.

At its meeting of May 20, 2021 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 100,800 free shares to 194 employees and managers of the Mersen group. The performance conditions for the plan are described below.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

Performance conditions

Free shares may only be allocated to the beneficiary at the end of the vesting period (May 20, 2024) if the performance conditions defined below are met.

Therefore, the percentage of free shares allocated to each of the beneficiaries will be determined based on the two criteria below; each criterion is independent (any outperformance in relation to a criterion cannot offset the result of another criterion) and counts as part of the overall achievement, expressed as a percentage as set out below:

■ A financial criterion (67%)

■ This criterion is made up of two independent sub-criteria with the same weighting:

- Criterion 1a: average organic growth in sales over 2021/2022/2023
- Criterion 1b: average of the EBITDA margin between 2021 and 2023

or (the most favorable criterion is used)

- Criterion 2: growth in the Group's EBITDA margin between 2020 and the 2021-2023 average compared to the average growth in the EBITDA margin of a panel of companies determined when the plan is set up.

These criteria will be disclosed ex-post.

■ CSR objectives (33%) made up of three independent criteria with the same weighting (11% each)

- Human capital development: Percentage of women engineers and managers in the Group in December 2023.

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2020 (approximately 99% of Group employees). Acquisitions made after December 2020 will be excluded from the calculation of this criterion.

Percentage of women engineers and managers	Achievement
< 24%	0%
= 27%	70%
> 30%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations.

This criterion will be measured in 2023 based on the environmental reporting scope.

Percentage of waste recycled or recovered	Achievement
< 60% of waste recycled in comparison with the total amount of waste produced	0%
≥ 60% of waste recycled in comparison with the total amount of waste produced	30%
≥ 70% of waste recycled in comparison with the total amount of waste produced	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Reduction in greenhouse gas emissions intensity of our production sites.

This criterion will be measured in 2023 based on the environmental reporting scope.

Reduction in CO ₂ emissions	Achievement
< 5% reduction in emissions intensity	0%
≥ 5% reduction in emissions intensity	30%
≥ 10% reduction in emissions intensity	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

Plan without performance conditions

The Combined General Meeting of May 20, 2021 voted the twenty-second resolution authorizing the Board of Directors to set up a Mersen Free Share Plan without performance conditions for certain employees identified as high-potential managers or managers with expertise in strategic sectors. The total number of shares that might be thus allocated might not exceed 12,000, representing less than 0.1% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization granted by the Combined General Meeting of May 17, 2018. This authorization was valid for 38 months.

At its meeting of May 20, 2021 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 11,350 free shares to 40 employees and managers of the Mersen group in 2021.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

2.5.2. 2022 plans

The Combined General Meeting of May 19, 2022 granted two authorizations to the Board of Directors to allocate existing or new shares at no cost to employees, or certain categories of employees, and those of affiliated companies (thirtieth and thirty-second resolutions).

2.5.2.1. Performance-based plan

The Combined General Meeting of May 19, 2022 voted the thirtieth resolution authorizing the Board of Directors to set up a performance-based free share plan. The total number of shares that might be thus allocated might not exceed 100,800, representing around 0.5% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization (valid for 38 months) granted by the Combined General Meeting of May 17, 2019.

At its meeting of May 19, 2022 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 98,600 free shares to 202 employees and managers of the Mersen group. The performance conditions for the plan are described below.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

Performance conditions

Free shares may only be allocated to the beneficiary at the end of the vesting period (May 19, 2025) if the performance conditions defined below are met.

Therefore, the percentage of free shares allocated to each of the beneficiaries will be determined based on the two criteria below; each criterion is independent (any outperformance in relation to a criterion cannot offset the result of another criterion) and counts as part of the overall achievement, expressed as a percentage as set out below:

■ A financial criterion (67%)

■ This criterion is made up of two independent sub-criteria with the same weighting:

- Criterion 1a: average organic growth in sales over 2022/2023/2024
- Criterion 1b: average of the EBITDA margin between 2022 and 2024

or (the most favorable criterion is used)

- Criterion 2: growth in the Group's EBITDA margin between 2021 and the 2022-2024 average compared to the average growth in the EBITDA margin of a panel of companies determined when the plan is set up.

These criteria will be disclosed ex-post.

■ CSR objectives (33%) made up of three independent criteria with the same weighting (11% each)

- Human capital development: Percentage of women engineers and managers in the Group in December 2023

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2020 (approximately 99% of Group employees). Acquisitions made after December 2020 will be excluded from the calculation of this criterion.

Percentage of women engineers and managers	Achievement
< 24%	0%
= 27%	70%
> 30%	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Environmental footprint of our sites: Percentage of waste recycled in comparison with the total amount of waste generated by the Group's operations.

This criterion will be measured in 2023 based on the environmental reporting scope.

Percentage of waste recycled or recovered	Achievement
< 60% of waste recycled in comparison with the total amount of waste produced	0%
≥ 60% of waste recycled in comparison with the total amount of waste produced	30%
≥ 70% of waste recycled in comparison with the total amount of waste produced	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

- Reduction in greenhouse gas emissions intensity of our production sites.

This criterion will be measured in 2023 based on the environmental reporting scope.

Reduction in CO ₂ emissions	Achievement
< 5% reduction in emissions intensity	0%
≥ 5% reduction in emissions intensity	30%
≥ 10% reduction in emissions intensity	100%

Achievement rates between the lower and upper limits will be calculated on a straight-line basis.

2.5.2.2. Plan without performance conditions

The Combined General Meeting of May 19, 2022 voted the thirty-second resolution authorizing the Board of Directors to set up a Mersen Free Share Plan without performance conditions for certain employees identified as high-potential managers or managers with expertise in strategic sectors. The total number of shares that might be thus allocated might not exceed 12,000, representing less than 0.1% of the share capital on the day of the Meeting.

This authorization provided that the Board of Directors would determine the identity and categories of the beneficiaries of the share allocation referred to, as well as the performance and share allocation conditions and criteria. This authorization invalidated the previous authorization granted by the Combined General Meeting of May 17, 2019. This authorization was valid for 38 months.

At its meeting of May 19, 2022 the Board of Directors made use of this authorization and empowered the Chief Executive Officer to implement the performance-based free share plan and the allocation of said shares.

The Chief Executive Officer implemented this authorization by allocating 12,000 free shares to 46 employees and managers of the Mersen group in 2022.

Neither the Chief Executive Officer nor any member of the Executive Committee was a beneficiary of this plan.

2.5.3. Free shares for non-executives: previous allocations

	2019 plan	2021 plan	2021 plan	2022 plan	2022 plan	
Performance conditions	Yes	Yes	No	Yes	No	
	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Total
Date of allocation decision	May 17, 2019	May 20, 2021	May 20, 2021	May 19, 2022	May 19, 2022	
Total number of shares allocated	84,000	100,800	12,000	100,800	12,000	309,600
- o/w corporate officers: (Luc Themelin)	-	-	-	-	-	-
- o/w top ten recipients	10,100	13,250	4,600	11,200	3,850	43,000
Share price at allocation date	24.29	27.33	27.33	27.97	27.97	
End of vesting period	May 17, 2022	May 20, 2024	May 20, 2024	May 19, 2025	May 19, 2025	
End of holding period	May 18, 2022	May 21, 2024	May 21, 2024	May 20, 2025	May 20, 2025	
Allocation canceled at Dec. 31, 2022	84,000	-	-	-	-	84,000
o/w canceled in 2022	84,000	-	-	-	-	84,000
Number of shares vested and transferable	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	0	100,800	12,000	100,800	12,000	225,600

2.6. Summary of the allocations of free shares to executive corporate officers

Free shares that vested to each executive corporate officer in 2022						
Beneficiary	No. and date of plan	Number of shares allocated during the fiscal year	Value of shares according to the method used in the consolidated financial statements	Vesting date	Availability date	Performance conditions
Luc Themelin	2019 plan	2,514	306,306	05/17/2022	05/18/2022	28.4%

Free shares that became available for each executive corporate officer in 2022			
Beneficiary	No. and date of plan	Number of shares that became available during the fiscal year	Conditions
Luc Themelin Chief Executive Officer	2018 preference share plan	770 ordinary shares resulting from the conversion of E shares (preference shares converted into ordinary shares: 9% of the maximum possible on the basis of a stock market criterion)	

As described in sections 2.1.2 and 2.2.2, the Chairman of the Board of Directors does not receive free shares.

2.7. Components of compensation paid or granted to Luc Themelin (Chief Executive Officer) in respect of the fiscal year ended December 31, 2022 submitted to a vote by the Combined General Meeting of May 16, 2023

	Amount paid in 2022	Amount granted in 2022 (or fair value of shares)	Observations
Fixed compensation	€500,000	€500,000	Amount increased in 2022. The fixed compensation had not been changed since 2015.
Annual variable compensation	€589,600	€660,000 (to be paid subject to the condition precedent of the AGM vote)	The variable portion is between 0% and 100% of the fixed compensation and may be increased in the event of outperformance to up to 150% of the fixed compensation. Outperformance may increase the operating margin before non-recurring items criterion to up to 200% in the event that the budget objective is exceeded. For the other two financial criteria, outperformance may be up to 150% for the Group's operating cash flow and EBITDA before non-recurring items compared to the maximum targets approved by the Board. The variable portion is composed of financial objectives for 70% (30% based on the Group's operating margin before non-recurring items, 20% based on the Group's operating cash flow and 20% based on EBITDA before non-recurring items). In the event of outperformance, these three financial objectives may be increased to a maximum of 60%, 30% and 30% respectively, i.e., a total of 120%. Individual objectives account for 30%. The financial and non-financial objectives are reviewed every year by the Governance, Appointments and Remuneration Committee, based on the Group's strategic priorities. The non-financial objectives are determined as follows: • Safety: this criterion was based on three indicators: (i) the lost time injury rate (LTIR), which had to be less than 1.4 for 100% achievement, i.e., the lowest level ever achieved at Mersen. The lower limit was set at 1.6, representing 0% achievement. For 2022, the rate was 1.53, i.e., 35% achievement; (ii) the severity injury rate (SIR), which had to be less than 60 for 100% achievement and 70 or greater for 0% achievement. In 2022, the rate was 66, i.e., 45% achievement; and (iii) the number of management safety visits, which had to be greater than 5,170 for 100% achievement. In 2022, there were 6,572 management safety visits, i.e., 100% achievement. Taking all these factors into account, the overall achievement rate stood at 60%, i.e., a 3.6% contribution to the objectives out of a maximum 6%. • Environment: the objective was to achieve a waste recycling rate greater than 66%, to achieve CO₂ emissions intensity of 168 tons per million euros of sales and to limit water consumption to 663,000 cu.m. The Board noted that two objectives had been far exceeded, with waste recycling at 70% and CO₂ emissions intensity at 123 tons per million euros of sales. Water consumption, however, increased in 2022 to 764,352 cu.m, amid strong business growth and after an unfavorable correction of prior years' data due to an error at a US site. In view of these factors, the Board of Directors set an achievement rate of 100% for the first two criteria and 70% for the last, i.e., a 5.4% contribution to the objectives out of a maximum 6%. • Succession plan: the objective is to ensure an effective transition in certain positions within five years. After a first recruitment was made in 2021, a second followed in 2022. The Board of Directors therefore considered the objective in line with expectations. • p-SiC project: the objective was to implement the resources to ensure the delivery of qualification wafers to Soitec, which took place. The investment plan for this project was also determined. The Board of Directors therefore considered that this objective was met. • Electric vehicles: the objective was to monitor key qualifications in line with the business plan. The Board considered that great progress had been made, with numerous qualifications and the realization of the significant contract with ACC, which the Group reported in early January 2023.

	Amount paid in 2022	Amount granted in 2022 (or fair value of shares)	Observations
			The variable compensation for 2022 represents 132% of the fixed compensation (due) and breaks down as follows: the portion linked to financial objectives amounted to 60% of the Group's operating margin before non-recurring items, 15% of operating cash flow and 30% of EBITDA before non-recurring items. The proportion linked to non-financial objectives, taking into account the weightings applied to each criterion, amounted to 27%.
Deferred variable compensation	N/A	N/A	There is no deferred variable compensation mechanism.
Multi-annual variable compensation	N/A	N/A	There is no multi-annual variable compensation mechanism.
Exceptional compensation	N/A	N/A	No exceptional compensation was granted for 2022.
Incentives	€20,568	€20,568	The amount of incentives is capped.
Stock options, performance shares or any other long-term item of compensation	€77,808	€306,306	Luc Themelin was granted 12,600 performance shares. 2,514 shares vested to him on May 17, 2022 (at a share price of €30.95) under the 2019 performance share plan.
Directors' compensation	N/A	N/A	Luc Themelin does not receive any compensation as a director.
Benefits in kind	€33,510	€33,510	Benefits in kind include the use of a company car, an annual medical examination and contributions paid to an external organization in respect of executive unemployment insurance.
Severance payment	€0	€0	No amount is due in respect of 2022. By a decision dated March 7, 2017, the Board of Directors decided that the benefits to which Luc Themelin is entitled will be maintained should his term as Chief Executive Officer end.
Non-compete indemnity	€0	€0	No amount is due in respect of 2022. At its May 11, 2016 meeting, the Board of Directors decided that Luc Themelin would be entitled to the same non-compete payment as that allocated to him for his previous term of office.
Supplementary pension plan	€0	€0	No amount is due in respect of 2022. Luc Themelin is eligible for a defined benefit supplementary pension plan if he is present and ends his career with the Mersen group on the date on which he can claim his French state social security pension. Under this scheme, Luc Themelin would receive a supplementary pension, based on length of service and calculated on the average of all basic salaries over the past three years' employment leading up to retirement, plus 50% of the maximum bonus amount. His pension shall not exceed 20% of the sum of these two items. The percentage is capped, given Luc Themelin's length of service (34 years). The theoretical calculation of the annuity paid to Luc Themelin would amount to €161,000, before tax and social charges.
Compensation, indemnities or benefits for taking up office	N/A	N/A	
Components of compensation and benefits in kind in respect of his term of office as Chief Executive Officer pursuant to agreements entered into with the Company, any company controlled by the Company, any company that controls the Company or any other company under the same control as the Company	N/A	N/A	
Other components of compensation allocated in respect of his term of office as Chief Executive Officer	N/A	N/A	

2.8. Components of compensation paid or granted to Olivier Legrain (Chairman of the Board) in respect of the fiscal year ended December 31, 2022 submitted to a vote by the Combined General Meeting of May 16, 2023

<i>(in euros – gross amount)</i>	Amount paid in 2022	Amount granted in 2022	Observations on the amounts allocated
Fixed compensation	€120,000	€120,000	Amount increased in 2022. The fixed compensation had not been changed since 2010. The compensation granted for a given year is paid monthly in the year.
Directors' compensation	€36,827	€34,884	The compensation granted for a given year is paid at the beginning of the subsequent year.
Benefits in kind	N/A	N/A	

3. OTHER DISCLOSURES

3.1. Items likely to have an impact in the event of a public offer

Pursuant to Article L.22-10-11 of the French Commercial Code, we hereby inform you of the following points which are likely to have an impact in the event of a public offer:

- the capital structure as well as any direct or indirect shareholdings of which the company is aware and all related information are described in chapter 5 of this Universal Registration Document;
- the Articles of Association do not provide for any restrictions to the exercise of voting rights, except for the request to strip shares of voting rights that may be made by one or more shareholders holding at least 1% of the share capital or voting rights if a shareholder fails to declare having crossed the threshold of 1% (Article 11 ter of the Articles of Association) (see chapter 5, section 1.8);
- no agreement provisions have been brought to the Company's attention pursuant to Article L.233-11 of the French Commercial Code;
- in regard to special control rights that may be attached to shares, it is specified that double voting rights are attached to fully paid-up shares that have been held in registered form for at least two years (see chapter 5, section 2.6);
- there are no restrictions on the transfer of shares;
- as far as the company is aware, no agreements or other commitments have been signed between shareholders;
- voting rights attached to Mersen shares held by employees via the Mersen FCPE (corporate mutual fund) shall be exercised by a representative appointed by the FCPE's supervisory board to represent the employees at the Annual General Meeting;
- the rules for appointing and removing members of the Board of Directors shall be those provided for by the law and by the Articles of Association. The director representing employees shall be appointed by the Group Committee (Article 17 of the Articles of Association);
- as regards the powers of the Board of Directors, current delegations and authorizations are described in chapter 5 of the Universal Registration Document (share buyback program and table summarizing delegations and authorizations regarding increases to share capital), it being understood that the authorization to buy back shares and the various financial authorizations and delegations are suspended during a public offer for the Company's shares;
- amendments to the company's Articles of Association shall be made in accordance with legal and regulatory provisions;
- financial contracts entered into by the company may be amended or terminated in the event of a change of control of the company. Certain business contracts may also be affected;
- certain Group activities are subject to export controls governing dual-use items and technologies as well as to the US International Traffic in Arms Regulations (ITAR);
- certain Group activities are subject to controls governing sensitive technologies in France (Security and Defense);
- the agreements providing for compensation in the event of termination of the Chief Executive Officer's duties are described in section 2.1.4.3 of this chapter. There are no special agreements in place that provide for compensation for members of the Board or employees in the event of their resignation or dismissal without fair cause or if their term of employment is ended due to a public tender or exchange offer.

3.2. Agreements within the meaning of Articles L.225-38 and L.225-39 of the French Commercial Code and agreements entered into between (i) a corporate officer or a shareholder with more than 10% of the voting rights and (ii) a controlled company within the meaning of Article L.233-3 of the French Commercial Code

“Related-party agreements” are the agreements entered into directly or through an intermediary between the Company and a corporate officer, a shareholder holding over 10% of the voting rights, or another company if one of the Company’s corporate officers is the sole proprietor, unlimited partner, legal manager, director or, generally, an executive officer of such company.

They are subject to the prior authorization of the Board of Directors and the approval of the Annual General Meeting, with the exception of agreements between Mersen and Group companies that are directly or indirectly wholly owned by Mersen, and routine agreements entered into on arm’s length terms. Pursuant to Article L.225-39 of the French Commercial Code, these two categories of agreements are expressly exempt from the specific related-party agreements procedure (prior authorization of the Board of Directors, statement in the Statutory Auditors’ special report and approval by the Annual General Meeting).

3.2.1. Procedure for identifying related-party agreements and reviewing routine agreements entered into on arm’s length terms

Pursuant to Article L.22-10-12 of the French Commercial Code, the Board of Directors approved an internal procedure for identifying related-party agreements and reviewing routine agreements entered into on arm’s length terms. This procedure is applied before any agreement that could qualify as a related-party agreement is signed, as well as prior to any amendments, renewals or terminations of such agreements. It is used to assess whether an agreement relates to routine operations and has been entered into on arm’s length terms, in which case it is not a related-party agreement under French law. This procedure also makes it possible to regularly review whether agreements relating to routine operations entered into on arm’s length terms meet those conditions.

This procedure was defined by the Board of Directors on December 19, 2019. It is available on the Company’s website.

3.2.2. Implementation of the procedure in 2022

In accordance with the procedure described in the previous section, the Company’s Finance and Legal Departments conduct a review of draft agreements to determine whether they are subject to the abovementioned authorization procedure, and then, every year, they review routine agreement entered into on arm’s length terms to ensure that they meet these conditions.

In 2022, based on this work, it was found that:

- there were no new or ongoing related-party agreements. Since 2019, the agreements relating to compensation, indemnities and benefits payable to executive corporate officers have no longer been governed by the procedure concerning related-party agreements; they are now subject to the “Say on Pay” procedure;
- there were no routine agreements entered into on arm’s length terms that no longer met these conditions.

An assessment of routine agreements entered into on arm’s length terms by the Company with its non-wholly owned subsidiaries was provided to the Audit and Accounts Committee. At its meeting of January 19, 2023, the Audit and Accounts Committee confirmed the relevance of the criteria used to assess these agreements.

In addition, the Company entered into a loan agreement with Bpifrance in 2022. At the above-mentioned meeting, the Audit and Accounts Committee reviewed the terms of the loan and concluded that it was a routine agreement entered into on arm’s length terms.

At its meeting of January 25, 2023, the Board of Directors noted these conclusions and the absence of any new or ongoing agreements requiring authorization or ratification.

The Company further states that no related-party agreements were entered into between the 2022 year-end and the date of this Universal Registration Document.

3.2.3. Agreements entered into between (i) a corporate officer or a shareholder with more than 10% of the voting rights and (ii) a controlled company within the meaning of Article L.233-3 of the French Commercial Code

None

STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS YEAR ENDED DECEMBER 31, 2022

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Mersen,

In our capacity as Statutory Auditors of Mersen, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements.

Agreements to be submitted for the approval of the Annual General Meeting

We were not informed of any agreement authorized and entered into during the year to be submitted for the approval of the Annual General Meeting pursuant to the provisions of Article L.225-38 of the French Commercial Code.

Agreements already approved by the Annual General Meeting

We were not informed of any agreement already approved by the Annual General Meeting which remained in force during the year.

Paris-La Défense, March 21, 2023

The Statutory Auditors

KPMG S.A.
Catherine Porta

ERNST & YOUNG Audit
Pierre Bourgeois

3

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*For the definitions, please refer to the glossaries at the end of the document.
Unless otherwise stated, amounts are expressed in millions of euros and rounded
to the nearest decimal place. Rounding may lead to non-material differences
between the reported totals and the sum of the rounded amounts.*

1. INTRODUCTION

In 2022, Mersen's sales rose above the symbolic €1 billion mark for the first time in its history, thanks to very strong growth momentum in its two segments and in all its geographies. Full-year sales increased by more than 15% on an organic basis, notably driven by the Group's positioning in buoyant renewable energy markets – where sales surpassed €150 million – and in semiconductors – with sales above €110 million. Process industries also remained dynamic, in line with the growth observed from the start of the year.

Overall, sustainable development markets represented 56% of Group sales.

Mersen continued its policy of price increases to cover energy, raw material and wage inflation. These price increases represented approximately 5% of its annual sales in 2022. The Group also pressed ahead with its operational excellence plans. These measures, together with strong volume growth, enabled the Group to deliver a significant year-on-year improvement in its profitability in 2022, while absorbing the costs associated with the start-up of the Columbia plant in the United States and the expansion of its electric vehicle teams.

Mersen continued its investment program in 2022 to enable it to anticipate the needs of and meet strong future demand in highly promising markets, such as semiconductors and electric vehicles. In parallel, it invested in the modernization of certain plants and its information system. It also pressed ahead with its strategic investment program in the Columbia plant in the United States.

During the year it refinanced its syndicated credit facility ahead of its July 2024 maturity. At the same time, the Group chose to increase the amount of available financing (from €200 million to €320 million) against a backdrop of business growth.

Lastly, Mersen continued to deploy its CSR strategy, an integral part of its business model focused on profitable and responsible growth. The Group has improved its external sustainability ratings and established a new CSR roadmap that sets out its priorities for 2022-2025.

2. CONSOLIDATED SALES

Mersen reported sales of €1,115 million for full-year 2022, up 15.2% on an organic basis versus 2021. Approximately 5% of this growth was attributable to price increases. Including the favorable currency effect due primarily to the appreciation of the US dollar and the Chinese renminbi, sales grew by 20.8%.

<i>(In millions of euros)</i>	FY 2022	FY 2021	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	621.8	507.4	17.1%		4.6%	22.5%
Electrical Power	493.1	415.4	12.9%		5.1%	18.7%
Europe	356.5	317.3	13.9%		-1.4%	12.4%
Asia-Pacific	320.2	276.2	10.8%		4.7%	15.9%
North America	399.2	298.3	20.2%		11.4%	33.8%
Rest of the world	39.0	31.1	17.1%		7.0%	25.3%
GROUP	1,114.8	922.8	15.2%		4.8%	20.8%

2.1. By segment

Advanced Materials sales totaled €621.8 million, up 17.1% on an organic basis compared with 2021. Renewable energy markets (solar and wind) saw vigorous growth, generating Group sales of over €150 million in the year. The semiconductors market also enjoyed good momentum, buoyed by demand for silicon carbide (SiC) power semiconductors for electric vehicles, and represented over €110 million in sales in 2022. Growth was also significant for process industries. After a stable first half of the year, chemicals sales accelerated sharply in the second half, leading the business to growth for the year as a whole. The rail and aeronautics markets also expanded compared to the comparative prior-year period, when growth had remained weak.

Electrical Power sales came to €493.1 million for the year, representing organic year-on-year growth of 12.9%. Sales to the US electrical distribution market were particularly robust. And it was a busy year for the electric vehicle market, in terms of prototyping and qualification testing, with sales totaling €20 million for the full year versus €16 million in 2021.

2.2. By geographic area

Europe recorded solid growth in most countries and in both segments, thanks to the semiconductor and renewable energy markets, notably wind power. The region as a whole benefited from higher prices. France delivered a particularly dynamic performance, driven by aeronautics and chemicals.

In Asia, growth was supported by the renewable energy and semiconductor markets. Very strong growth in the Chinese solar

market offset lower business volumes in chemicals, rail and the electrical equipment market. India also reported growth, led by the wind and rail markets in particular.

In North America, momentum was very brisk in both segments and in a large number of markets, including renewable energies, green transportation and semiconductors. Electrical distribution also recorded solid growth, fueled in part by higher prices.

2.3. By end market

Sustainable development markets (including renewable energies, electronics and green transportation) represented 56% of total sales ⁽¹⁾ in 2022, as in 2021.

	Breakdown in 2022	Trend 2022-2021	Main contributing markets
Energy	22%	++	solar, wind
Electronics	22%	+	semiconductor manufacturing and power electronics
Transportation	13%	++	rail, aeronautics, electric vehicles
Chemicals	10%	+	chlor-alkali, active pharmaceutical ingredients (APIs), etc.
Process industries	33%	++	heat treatment, metallurgy, mold, glass, etc.
	100.0%	15.2%	

++: [+10%; +20%]

+: [+5%; +10%]

(1) This definition does not replace those used in the EU Taxonomy Regulation and Delegated Acts.

3. RESULTS

3.1. EBITDA and operating income before non-recurring items

(In millions of euros)	2022	2021
EBITDA before non-recurring items	186.4	148.8
As a % of sales	16.7%	16.1%
Depreciation and amortization	(64.8)	(56.2)
Operating income before non-recurring items	121.6	92.6
As a % of sales	10.9%	10.0%

Group EBITDA before non-recurring items was 25% higher year on year, at €186.4 million. EBITDA margin stood at 16.7%, up 60 basis points on 2021.

This improvement is largely driven by positive volume and mix effects. Productivity gains and price increases helped offset the higher cost of raw materials, energy and labor. EBITDA margin before non-recurring items includes production start-up costs at the Columbia site in the United States, R&D expenses related to the Soitec project, and costs related to the creation of a dedicated EV team, even though sales in this market are still limited.

Depreciation and amortization increased by €8.6 million due to the major investment program the Group has been implementing since 2018. Annual investments averaged nearly €70 million between 2018 and 2022 compared with approximately €33 million between 2015 and 2017.

Operating income before non-recurring items came to €121.6 million, an increase of 31.4% on 2021, while the operating margin before non-recurring items widened 90 basis points to 10.9%.

The operating margin before non-recurring items for the Advanced Materials segment was 15.8%, up sharply once again from 14.4% in 2021 and 12.1% in 2020. The volume/mix effect was particularly significant, representing nearly 4 points of growth. Price increases and productivity gains more than offset inflation in raw material, energy and labor costs. However, higher depreciation and amortization expense and start-up costs for the Columbia plant had a negative impact of 3 points.

Operating margin before non-recurring items for the Electrical Power segment was stable year on year, at 9.0% (9.1% in 2021). The positive volume/mix effect offset the costs of setting up the electric vehicle team and the increase in depreciation and amortization expense. Price increases and productivity gains offset most of the impact of higher raw material and labor costs.

In millions of euros	2022	2021	Change
Consolidated sales	1,114.8	922.8	+20.8%
Gross income	348.0	289.8	+20.1%
as a % of sales	31.2%	31.4%	
Selling, marketing and other operating expenses	(84.5)	(77.2)	+9.5%
Administrative and research expenses	(140.4)	(118.6)	+18.3%
Amortization of revalued intangible assets	(1.5)	(1.4)	
Operating income before non-recurring items	121.6	92.6	+31.4%
as a % of sales	10.9%	10.0%	

Gross income was broadly stable year on year, representing 31.2% of sales.

As in previous years, the Group continued to invest in the development of new products, as reflected in the significant increase in R&D costs (+30%).

Selling and administrative expenses and other operating expenses rose by more than 9.5%.

Overall, payroll expenses amounted to € 339.6 million, an increase of nearly 10% compared with 2021 (€296.3 million) excluding currency effect. Higher payroll expenses reflect the increase in headcount (up 5% between end-2021 and end-2022) and in wages and salaries to keep step with inflation in a large number of countries (up 5% on average for the Group) and bonuses.

3.2. Net income

Net income attributable to owners of the parent came in at €67.7 million in 2022, an increase of more than 24% compared with 2021.

<i>In millions of euros</i>	2022	2021
Operating income before non-recurring items	121.6	92.6
Non-recurring income and expenses	(11.4)	(4.9)
Operating income	110.2	87.7
Net financial expense	(12.9)	(10.7)
Current and deferred income tax	(23.0)	(18.6)
Net income	74.3	58.4
Attributable to owners of the parent	67.7	54.4
Attributable to non-controlling interests	6.7	4.0

Non-recurring income and expenses for the year mainly include:

- asset impairment losses totaling €15.4 million, notably relating to assets held for sale (€2.2 million) and to goodwill allocated to the Anticorrosion Equipment CGU in the Advanced Materials segment (€11.4 million). This CGU is mainly positioned in the chemicals market, the outlook for which remains unchanged from 2021. However, the Group increased the weighted average cost of capital used in its impairment tests due to the rise in equity risk premiums and interest rates, giving rise to the aforementioned non-cash impairment losses;
- capital gains on the disposal of real estate assets in Germany and the Czech Republic for a total of €3.5 million;
- provisions for litigation and other expenses representing a net amount of €0.5 million, including €3.2 million in reversals of provisions for litigation and €2.7 million in non-recurring expenses in connection with the disposal, relocation or closure of sites.

In 2021, the net non-recurring expense of €4.9 million related mainly to administrative expenses for the Columbia plant in the United States ahead of production start-up, and to commercial and tax disputes.

Net financial expense was €12.9 million, an increase compared to 2021 due to the unfavorable impacts of hyperinflation in Turkey and the appreciation of the US dollar over the period.

Income tax expense was €23.0 million, corresponding to an effective tax rate of 24% (21% excluding the impact of impairment charged against assets of the Anticorrosion Equipment CGU), in line with the tax expense recognized in 2021 (24%).

Income from non-controlling interests essentially included Mersen Yantai (China) and Mersen Galaxy (China), in which Mersen holds a 60% stake.

4. CASH FLOW

4.1. Condensed statement of cash flows

<i>(In millions of euros)</i>	2022	2021
Cash generated by/(used in) operating activities before change in WCR	180.8	138.4
Change in working capital requirement (WCR)	(63.2)	(5.9)
Income tax paid	(12.1)	(15.7)
Net cash generated by/(used in) operating activities	105.5	116.8
Capital expenditure	(97.4)	(78.6)
Disposals of assets and other	10.1	(0.3)
Net cash generated by/(used in) operating activities after capital expenditure, net of disposals	18.3	37.9
Investments in intangible and financial assets	(6.5)	(5.5)
Changes in scope of consolidation	(2.6)	(9.4)
Net cash generated by/(used in) operating and investing activities	9.2	22.9

The Group generated strong cash flow from operating activities despite a negative change in working capital requirement of €63.2 million. The change came amid robust business growth, which in turn led to an increase in inventories and trade receivables. The Group increased its raw material and component inventories to secure its supply chain, and also built up significant inventories at its Columbia plant to manage the production start-up. Working

capital requirement represented 20.7% of sales versus 19.4% of sales in 2021. This percentage includes a significant amount of provisioned, unpaid bonuses in both 2022 and 2021.

Income tax paid represented an outlay of €12.1 million, down sharply from 2021, as the Group benefited from special tax depreciation allowances in the United States linked to investments made at its Columbia site.

4.2. Investments

Capital expenditure net of assets disposals and other cashflows amounted to €87.3 million in 2022 and included €10.1 million in proceeds from disposals of assets and other (of which €8.7 million relating to disposals of assets in Germany). Investments in tangible assets amounted to €97.2 million, a record high for the Group and above the amount anticipated at the start of the year in view of the strong outlook in certain Group markets. The Advanced Materials segment accounted for 80% of these investments.

Over 30% of these investments concerned the maintenance, upkeep and modernization of plants and equipment.

The other main investment projects were as follows:

- further step-up in industrial operations at the Columbia plant in the US, with the start-up of the extruded and isostatic graphite production line;
- relocation and expansion of the site in South Korea;
- projects to improve the environment and safety of our plants.

France accounted for 20% of total investments, over half of which concerned maintenance and projects to improve plant environment (e.g., NTT in Amiens – New Thermal Treatment) and safety. Investments for growth markets related mainly to the partnership with Soitec.

Investments in intangible assets related to the plan to digitize and modernize information systems which began in 2020.

The Mersen group's capital expenditure amounted to €78.6 million in 2021, 82% of which was linked to investments outside France. The Advanced Materials segment accounted for 78% of this expenditure and included the installation of the Americarb flexible felt production lines, the start-up of the extruded graphite production line at the Columbia site in the US, and the increase in felt production capacity at the Holytown plant in Scotland to keep pace with the growing SiC semiconductor market. The Group also continued to invest in plant environment improvement and safety. Investments in acquisitions concerned the purchase from Hager of the remaining share capital of Fusetech (Hungary) and in-kind contributions of equipment for Mersen Galaxy (joint venture in China).

According to the Group's internal procedure, authorization from the Board of Directors is required for any investment larger than €10 million and any acquisition of more than €3 million.

(In millions of euros)	2022	2021
Investments in property, plant and equipment	(97.2)	(87.2)
Change in fixed asset suppliers	(0.2)	8.5
Disposals of assets and other	10.1	(0.3)
Capital expenditure, net of disposals	(87.3)	(78.9)
Investments in intangible assets	(6.2)	(5.5)
Financial investments	(0.3)	0.0
Changes in scope of consolidation	(2.6)	(9.4)
TOTAL	(96.3)	(93.9)

5. STATEMENT OF FINANCIAL POSITION

5.1. Financing policy

The Mersen group has defined a financing policy, which is coordinated by the Finance and Administration Department. The Group has committed credit lines, which have not been drawn down in their entirety.

Most of the Group's financing has been arranged by Mersen SA. Cash pooling systems in Europe, the United States and China help to optimize use of all the credit lines.

In 2016, the Group set up an NEU CP commercial paper program of up to €200 million in order to diversify its sources of financing.

In 2019, the Group finalized a German private placement (*Schuldschein*) for €130 million, reduced to €115 million in 2022 following an early partial redemption. The notes have a final maturity of 2026 and were issued to extend the overall maturity of the Group's debt. The Group also refinanced its syndicated loan in China, which matured in 2021, with bilateral credit facilities including RMB 120 million maturing in 2024 and RMB 50 million maturing in 2025 after activation of an extension option in 2021.

In 2020, the Group set up an NEU CP commercial paper program of up to €200 million in order to diversify its sources of financing.

In 2021, the Group set up a US private placement (USPP) of USD 60 million maturing in 2031 and €30 million maturing in 2028, payable on maturity, in order to extend the maturity of its debt and diversify its funding sources.

In 2022, the Group refinanced its €200 million syndicated facility ahead of its July 2024 maturity with a new €320 million five-year multi-currency syndicated loan maturing in 2027. This new facility includes options to extend the maturity to 2029 subject to the banks' approval, and margins will be linked to ESG indicators as from December 2023. The Group also set up a €20 million five-year bilateral loan with Bpifrance, repayable in equal installments.

All the details concerning financing are presented in Note 15 to the consolidated financial statements.

5.2. Net debt

Net debt at end-2022 stood at €240.6 million, higher than at the end of 2021 (€193.2 million). Net cash flow from operating activities generated by the Group in the year enabled it to fund its acquisition and investment programs. It paid out dividends totaling €20.7 million and completed share buybacks for €5.6 million.

The Group's financial structure remained solid in 2022, with a leverage ratio of 1.36x and a 33% gearing ratio.

	Dec. 31, 2022	Dec. 31, 2021
Gearing ratio	0.33	0.30
Leverage ratio	1.36	1.42

The Group is in compliance with all its financial covenants.

5.3 ROCE

The Group recorded return on capital employed (ROCE) of 12.5% ⁽¹⁾ in 2022. This metric is calculated as follows:

	Average of the last three half-year periods	Dec. 31, 2022	June 30, 2022	Dec. 31, 2021
Goodwill	270.8	262.0	280.9	269.5
Other intangible assets	40.7	42.7	40.6	38.8
Land	32.0	29.0	33.9	33.2
Buildings	91.8	100.3	91.3	83.8
Machinery, equipment and other tangible assets	223.4	241.8	220.2	208.2
Assets in progress	80.4	77.3	84.9	79.2
Equity interests	2.1	2.2	2.0	2.0
Other financial assets	3.9	3.7	3.9	4.0
Long-term portion of current tax assets	8.8	10.0	7.1	9.5
Inventories	261.4	283.2	282.7	218.2
Trade receivables	162.3	167.4	176.0	143.6
Contract assets	5.9	2.4	8.9	6.2
Other operating receivables	27.7	24.6	31.2	27.4
Short-term portion of current tax assets	2.4	2.0	2.3	2.7
Current derivatives	3.7	6.9	2.1	2.3
CAPITAL EMPLOYED – ASSETS (A)	1,217.4	1,255.6	1,268.0	1,128.6
Trade payables	79.4	86.6	84.3	67.1
Contract liabilities	29.6	30.5	29.9	28.5
Other operating payables	116.2	117.6	118.2	112.8
Short-term portion of current tax liabilities	6.3	8.9	5.5	4.6
Miscellaneous liabilities	13.5	5.9	27.4	7.3
Current derivatives	2.1	2.1	3.0	1.3
CAPITAL EMPLOYED – LIABILITIES (B)	247.1	251.5	268.3	221.5
CAPITAL EMPLOYED – (C) = (A) – (B)	970.3	1,004.1	999.7	907.1
OPERATING INCOME BEFORE NON-RECURRING ITEMS (D)	121.6			
ROCE = (D) / (C)	12.5%			

6. SIGNIFICANT CHANGE IN FINANCIAL PERFORMANCE OR FINANCIAL POSITION

Significant events occurring between the end of the 2022 financial year and the date on which this Universal Registration Document was filed are described in Note 28 to the consolidated financial statements for the year ended December 31, 2022 and concern events occurring before March 14, 2023, the date on which the financial statements will be adopted by the Board of Directors.

As of the date of this Universal Registration Document, the Company is not aware of any significant change in the Group's financial performance or financial position that occurred between December 31, 2022 and the date of this Universal Registration Document.

⁽¹⁾ In 2022, Mersen changed the method used to calculate ROCE to make it easier to understand. The metric is now based on the rolling average of the last three half-year periods, as opposed to the average of the last five quarters as before. The calculation result is identical for 2021.

7. TARGET 2023

Given current market momentum, the Group expects:

- continued strong demand in the SiC semiconductor market;
 - growth in the electric vehicle market;
 - moderate growth in the solar market, as the Group voluntarily opted to limit its production capacity in China for this segment;
- limited growth in the rail market, due to the still limited number of projects in Asia;
- a continuing rebound in aeronautics, which should be near 2019 levels;
 - moderate growth in the chemicals market;
 - growth depending on macro-economic trends for process industries.

To keep pace with accelerating customer demand in the electric vehicle and semiconductor markets, and as part of its new 2027 plan, the Group will ramp up its investments in 2023. More specifically, it will continue to increase graphite production capacity at the Columbia site (United States), invest in high-performance

automated production lines to meet demand from ACC, and launch an ambitious plant expansion and new equipment program to serve the SiC semiconductor market.

The Group will also continue to strengthen its dedicated electric vehicle teams to handle the gradual scaling up of component production (fuses and busbars), albeit with limited sales in 2023.

Energy and labor costs are expected to increase significantly, but should be partially offset by price increases and the continued deployment of the Group's operational excellence plans.

Moreover, as the Group accelerates its investment program, depreciation and amortization will increase significantly.

Consequently, in 2023, the Group is aiming for:

- organic growth of between 5% and 10%;
- operating margin before non-recurring items of between 10.5% and 11% of sales;
- capital expenditure of between €150 million and €200 million.

8. DIVIDEND

At the Annual General Meeting to be held on May 16, 2023, the Board of Directors will recommend the payment of a €1.25 cash dividend per share. This would represent a total payout of around

€26 million, corresponding to 33% of net income attributable to Mersen shareholders restated from impairment of goodwill, in line with Group policy.

9. INTERNAL CONTROL

9.1. Definition of internal control

At Mersen, internal control is a process implemented by all employees, under the leadership of the Executive Committee, to run the Group rigorously and effectively.

Mersen's internal control aims to achieve the following objectives:

- compliance with the policies defined by the Group, and with the legislation and regulations in force;
- smooth operation of internal processes and notably those helping to protect its assets;
- prevention of fraud and errors;
- accurate and complete financial information.

Mersen's definition of internal control is similar to that used in the international framework laid down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), whose conclusions were published in 1992 in the United States and are available at www.coso.org. The COSO framework, which was revised in 2013, advocates the extension of internal controls to non-financial functions, as well as careful monitoring of the work by the Audit and Accounts Committee. Mersen evaluated its current organization with regard to this framework. The review showed that all Mersen group internal control practices comply with the framework. However, the current control system cannot provide absolute assurance that all risks are completely eliminated. The Group also takes into account the reference framework published by the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) governing the general principles of internal control.

9.2. Internal control participants

With a manufacturing base spanning 34 countries on five continents, the Mersen group monitors the effectiveness of its internal control framework by means of the following:

9.2.1. Board of Directors and Audit and Accounts Committee

From a corporate governance perspective, Mersen has opted for an organization guaranteeing separation and balance between powers. The executive and management powers exercised by the Chief Executive Officer, supported by the Executive Committee, are kept clearly separate from the control duties exercised by the Board of Directors.

As part of its control duties, Mersen's Board of Directors has set up an Audit and Accounts Committee; the composition, number of meetings and main duties of which are described in the "Corporate governance" section. It supervises internal control and is notably responsible for:

- monitoring the process used to prepare financial information by assessing the financial documents published by the Company and ensuring that a sufficiently well organized process exists for the preparation of this information;
- reviewing the financial statements and ensuring the appropriateness and ongoing consistency of the accounting methods used to prepare the financial statements;

- ensuring the efficiency of the internal control and risk management systems by:
 - validating the annual internal audit program and ensuring that the efficiency of internal control systems is monitored and that the recommendations made by the Statutory Auditors and internal audit teams are implemented,
 - monitoring progress on work in the management of financial, legal, operational, social and environmental risk and the related measures taken;
- overseeing the audit of the annual and consolidated financial statements by the Statutory Auditors;
- ensuring that the Statutory Auditors are independent.

Internal audit work is presented to the Audit and Accounts Committee once a year.

9.2.2. Executive Committee

Mersen's Executive Committee oversees the Group's internal control. The composition, operation, powers and responsibilities of the Executive Committee are described in chapter 2 of this document.

9.2.3. Internal Control and Audit Department

Responsibilities

The Group's Internal Control and Audit Department is responsible for overseeing proper implementation of the internal control handbook and for leading the Group's internal control program. It also coordinates the networks and organization of corporate and cross audits across the Group.

Its main responsibilities are:

- analyzing the effectiveness of internal control and verifying the proper application of the action plans implemented following the audits conducted at certain sites in previous years;
- ensuring the effective implementation of action plans at the units that were audited in the previous year and at which internal control was not deemed to be satisfactory.

Governance

The Internal Control and Audit Department always uses a specialized external firm to ensure the quality and independence of the audit program and to facilitate continuous improvement. In some cases, a consulting firm may also be appointed to perform audits requiring specific expertise.

The Internal Control and Audit Department reports to the Risk, Audit and Compliance Department and presents its work to the Audit and Accounts Committee and the Statutory Auditors. The Executive Committee also receives regular updates on the Group's internal control activities.

Prior to an audit by the Internal Control and Audit Department, sites perform a self-assessment of their internal control system. These assessments are reviewed by the internal audit team to help correct certain differences in judgment and to enhance the culture of internal control within the units.

Internal control handbook

Mersen has circulated an internal control handbook to all of its subsidiaries. This document is available on Mersen's Intranet site. It encompasses all the basic internal control procedures applicable to every Group unit. The handbook is interactive and includes links to examples of best practices within the Group. It covers the following points:

- a description of the background, objectives and resources used in internal control; a description of the internal control organization and reference to the internal control framework adopted by the Group (COSO);
- the definition of Risk and the measurement of the "weight" of a risk that the risk mapping tool describes;
- a list of all the fundamental internal controls to be implemented to ensure the efficient operation of the main business processes, including:
 - sales/customers,
 - purchases/suppliers,
 - logistics,
 - human resources management,

- investments/fixed assets,
- quality,
- information systems,
- tax,
- custom risks;
- the fundamental internal controls to be implemented to ensure the reliability of the accounting and reporting systems and financial statements with regard to the following objectives:
 - safeguarding assets,
 - compiling an exhaustive record of accounting transactions,
 - making sure transactions are accurately reflected,
 - complying with the dates on which transactions are recorded,
 - correctly valuing assets and liabilities,
 - confidentiality.
- Since 2019, a specific follow-up process has been in place for all compliance measures. As part of its control program, the Internal Control and Audit Department performs tests to ensure that the ethics and compliance policy is effectively implemented and respected. Careful consideration is given to the following matters:
 - compliance with embargoes;
 - export controls and compliance with OFAC regulations;
 - gifts, invitations and donations;
 - ethics and anti-corruption training;
 - conflicts of interest.
- Specific controls will be performed in 2023 to ensure compliance with the Group's environmental policy.

Cross audits

Aside from the corporate audits conducted by the Internal Control and Audit Department, the Group has conducted cross audits for many years in order to strengthen the internal control systems and culture. After adequate training, these audits are performed by the Group's operational and functional staff from each major geographical area (Asia, Europe and America).

The cross audit program is determined by the Group's Internal Control and Audit Department. These audits help to check on internal control fundamentals every year, as well as to ensure that action plans drawn up during previous audits have actually been implemented. They also make it possible to more easily integrate companies that are acquired and gradually bring them to the required level of internal control.

This program provides for an exchange of best practices and helps to instill the internal control culture as widely as possible.

Aside from the action plans and tools described in this report, each year the Group requires that all plant managers provide a formal written statement affirming that the main points of internal control are applied properly at their plant.

Within the Group's subsidiaries, each site manager is responsible for implementing the internal control policy defined by the Group.

9.2.4. Support functions

9.2.4.1. Information Systems Department

The Information Systems Department is responsible for overseeing information systems security, specifically:

- ensuring the security of the IT systems and protecting data confidentiality;
- ensuring the security of IT infrastructure and applications to ensure business continuity.

In addition, the Group is currently deploying the BuZIT project, which aims to centralize most infrastructure and use a Group Core Model in the subsidiaries. This new Core Model uses unified tools, data, directories and processes to enable better monitoring of information systems and rapid software updates.

An Information Systems Security Manager reports functionally to the Risk, Audit and Compliance Department. Their role is to:

- verify that the information systems security policy is implemented properly;
- lead the information systems' network of correspondents on all aspects of security;
- propose analysis and improvement tools for optimum control of the existing systems;
- develop an information systems security culture.

The Information Systems Security Department audited 30 sites in 2022.

The Information Systems Security Manager regularly meets with members of the Risk and Compliance Department, the Chief Financial Officer and the Group Chief Information Officer to review the security of the Group's information systems. In addition, an update on cybersecurity is presented once a year to the Audit and Accounts Committee.

9.2.4.2. Management control and strategic planning

A Strategic Plan determining the priorities for coming years, a quantified business plan and production plans are prepared every year and presented to the Board of Directors.

The budgeting process is carried out once a year. The budget is submitted to the Executive Committee for approval and then ratified by the Board of Directors.

Forecasts for the Group's activity and its main financial aggregates for the current year are defined every quarter. This process allows adjustments to be made for trend reversals and helps to speed up the decision-making process for any remedial measures required.

9.2.4.3. Human Resources Department

Internal control of human resources management is structured around the following aspects:

- management reviews providing a regular update on all the Group's managers to enhance their career opportunities and identify the Group's key men and women;
- annual individual reviews that enable unit managers to assess the performance of their employees and set targets for the following year together with them;
- forward planning of human resources, notably succession planning for senior managers;
- monthly updates presented by the Human Resources Department to the Executive Committee.

Lastly, individual and/or collective performance-related bonuses are calculated using clearly defined rules.

9.2.4.4. Operational Excellence Department

The Operational Excellence Department is tasked with improving the Group's operational performance by introducing tools for analysis and continuous improvement at the Group's sites. It also seeks to develop a "lean" culture within all of the Group's units.

It relies on certain operational indicators, such as service level, non-quality level, safety and inventory turnover, which are monitored at all Group sites. It implements and verifies the implementation of the plan in place at all sites for improving competitiveness. These projects, which are included in the budget, are reviewed at regular intervals and their financial contribution is assessed monthly.

The Operational Excellence Department is also responsible for executing the environmental component of the CSR roadmap.

9.2.4.5. Risk and Compliance Department

The Risk and Compliance Department is tasked with (i) identifying and assessing any risks of non-compliance with laws or regulations that would damage the image, culture or financial stability of the Group; (ii) implementing appropriate procedures and processes to minimize such risks; (iii) informing and raising the awareness of Group employees of the main risks; and (iv) managing the ethics hotline (see chapter 4 of this document).

It reports functionally to the Chief Executive Officer and the Compliance Committee.

Compliance controls have been strengthened during internal audits.

Other specific committees have also been set up, covering, for example, insider information (the MAR Committee), health, safety and the environment (the HSE Committee), and diversity.

9.3. Accounting and financial internal control

9.3.1. General organization

The Group's Finance and Administration Department is responsible for accounting and financial internal control. Its role is to produce and ensure the quality of the financial statements and management accounts, with the support of each business' Finance Department, which in turn liaise with the Finance Department of each site. This organization allows targets to be set and accounting and financial information to be collected and analyzed at different levels of the organization.

9.3.2. Preparation of accounting and financial information

The Finance and Administration Department has prepared and distributed a handbook of accounting and consolidation principles to all subsidiaries. This handbook contains the accounting principles applicable to every Group unit, as well as a description of the process for closing the accounts. It also contains the timetable for the various accounting closes, as well as a list of the information to be reported as part of the consolidation procedure. It lays down the rules that need to be followed by the consolidated sub-groups. This document is available on Mersen's intranet site.

The handbook is updated in line with external changes in accounting standards in close collaboration with the Statutory Auditors, who validate the changes made with the Group's Finance and Administration Department.

Each Group entity produces monthly accounts and a standardized consolidation package by the deadline set by the Group. When this data is reported using Group-wide consolidation software, consistency checks are applied at each stage of the data gathering and processing process. The purpose of these checks is to:

- ensure the Group's standards are correctly applied;
- ensure that intra-group transactions are correctly validated and eliminated;
- ensure that consolidation adjustments are made.

9.3.3. Treasury and financing

The Treasury and Financing Department manages the Group's treasury on a centralized basis. To control risks, the Group has procedures in place specifically to manage exchange rate, commodity and customer risks, the issuance of guarantees, and the management of cash pooling and netting processes.

The Group has pursued a major drive to develop its cash management culture, mainly at manager level.

During years in which the department is not audited by an external firm, it must use a Group tool to carry out a self-assessment of its various procedures. This self-assessment is controlled by the Group's Internal Audit Department.

9.4. Approach adopted in 2022 and 2023 action plan for internal control

A total of 29 audits were carried out in 2022. This number was significantly higher than in previous years to make up for the delays caused by the health crisis.

The results of the audits were good overall and the level of internal control was stable.

Only four entities did not meet Group standards: two sites (in Germany and the United States) because it was their first audit after their acquisition, and two sites (in Turkey and the United States) due to organization and management issues.

In 2022, the Internal Control and Audit Department also rolled out a financial control procedure for small sites, linked to training on audit investigation methods given in 2021. The aim of this review of financial performance and risks is to remotely detect inconsistencies or areas of risk that might not be detected by external audits. These controls concerned three sites.

In addition, new controls on compliance with environmental regulations were implemented on a trial basis during certain audits.

Lastly, follow-up reporting on post-audit action plans was replaced by more interactive discussions.

In 2023, the Internal Control and Audit Department has set itself the goal of finalizing the update of the internal control handbook (the current version dates from 2017), with the support of a specialized firm. This review will also be an opportunity to update how audits are carried out, in terms of duration, number of auditors and scope of processes audited.

A site IT audit is planned for the second half of the year, in connection with the rollout of the new Core Model.

A new fraud awareness program will also be deployed within the Group.

Lastly, cross-functional audits covering financial, environmental, human resources and other issues may also be scheduled.

10. RISK FACTORS

10.1. Governance and risk reporting

Since 2001, Mersen has mapped the Group's risks, summarizing them in relation to their materiality, the probability of their occurrence and the related risk management measures. The risk mapping is updated each year, approved by the Group's Executive Committee and presented to the Audit and Accounts Committee, which draws up a summary for the Board of Directors. Every three years, the Group reviews this mapping in greater depth based on interviews with Group managers and directors, and with the support of an outside firm. Each risk is monitored by a member of the Executive Committee. This organization illustrates the Group's close involvement in risk management. The Risk Management Department presents an interim review of all action plans to the Executive Committee.

The risk mapping was updated as planned in 2022, resulting in a few adjustments when compared to the 2021 mapping. These adjustments are presented below.

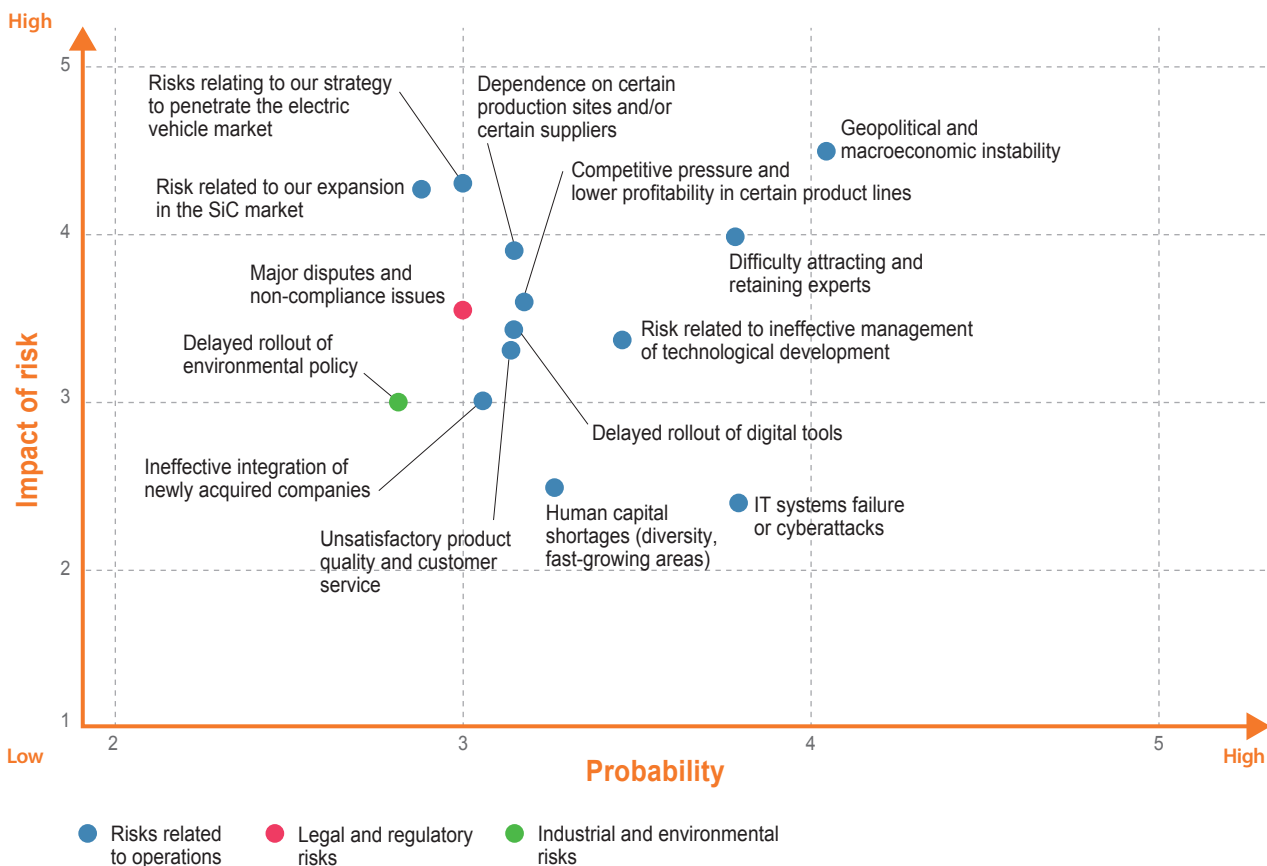
In accordance with Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, known as "Prospectus 3", and the ESMA Guidelines published in October 2019, the risks within each category are managed in order of

priority. They are ranked in descending order of importance, as of the date of this document, according to their negative impact and the probability of their occurrence, after taking into account the risk management measures implemented by the Company. The risk factors that the Company deems to be most material at the reporting date are indicated by an asterisk (*). Some themes have been grouped together to be able to clearly visualize the issues involved. For each risk, the description below includes the measures implemented to limit the probability of its occurrence and/or to mitigate its impact.

The risks presented below are, as of the date of this Universal Registration Document, those which the Group believes could have a material adverse effect on its business, results, prospects or reputation. The list of these risks is not exhaustive, however, and other risks, unknown or deemed to have a minor impact as at the date of this document, could arise and have an adverse effect on the Group's business.

Mersen Group deploys preventive measures adapted to each type of risk and has taken out a number of insurance policies to limit its risk exposure (see section 10 "Insurance" below).

10.2. Risk map



PRIORITIZATION OF RISKS AND CHANGES VERSUS 2021

		Trend vs. 2021	
		Probability	Impact
Risks related to operations	Geopolitical and macroeconomic instability*	+	
	Difficulty attracting and retaining experts*	+	
	Risks relating to our strategy to penetrate the electric vehicle market*	-	++
	Risk related to our expansion in the SiC market*	new	
	Dependence on certain production sites and/or certain suppliers	+	+
	Risk related to ineffective management of technological development		
	Competitive pressure and lower profitability in certain product lines	+	+
	Delayed rollout of digital tools		
	IT systems failure and cyberattacks		
	Unsatisfactory product quality and customer service		
	Ineffective integration of newly acquired companies		
	Human capital shortages (diversity, fast-growing areas)	-	
Industrial and environmental risks	Delayed rollout of environmental policy		-
Legal and regulatory risks	Major disputes and non-compliance issues		-

+: increase in risk

-: decrease in risk

MAIN CHANGES IN THE RISK MAP VERSUS 2021

Increasing risks (in terms of impact and/or probability)

- **Geopolitical and macroeconomic instability:** 2022 witnessed increased global economic and geopolitical tensions: conflict in Ukraine, fraught relations between China and Taiwan, the energy crisis, higher inflation and interest rates. There is a higher risk of geopolitical and macroeconomic instability than at the end of 2021.
- **Difficulty attracting and retaining experts:** the end of the health crisis coupled with inflation have created pressure in the job market across many sectors and/or skill categories, implying an increased probability that this risk will occur.
- **Risks relating to our strategy to penetrate the electric vehicle market:** the impact of this risk is greater than in 2021 due to (i) the increase in capital investment and resources earmarked for this activity and (ii) Mersen's first production in the very near future to equip light vehicle platforms.
- **Dependence on certain production sites and/or certain suppliers:** this risk has been reassessed upwards mainly because of inflation which is potentially more difficult to control for components or materials with single (or virtually single) sources. The persistence of geopolitical tensions (China, Russia/Ukraine, etc.) may also have negative repercussions on the supply chain (i.e., on our supplies or on the supplies of our suppliers).
- **Competitive pressure and lower profitability in certain product lines:** the Group's sales from solar energy and electricity distribution were much higher in 2022 than in 2021. As the profitability of these businesses is higher than average Group profitability, a slowdown in these markets could have a disproportionate impact. Moreover, geopolitical tensions between China and the United States are more likely than at the end of 2021, with potential impacts on the solar business which is dependent on Chinese customers.

Decreasing risks (in terms of impact and/or probability)

- **Risks relating to our strategy to penetrate the electric vehicle market:** the Group has stepped up its EV activity this year with the creation of a dedicated structure and the strengthening of its legal teams. Two of the Group's production sites have obtained IATF certification, which limits risk probability.
- **Human capital shortages (diversity, fast-growing areas):** the probability of occurrence of this risk has been revised downwards in view of the numerous recruitment campaigns being conducted in expanding markets and businesses and the growing number of female engineers and managers despite pressure in the labor market.
- **Delayed rollout of environmental policy:** the formal drafting of an environmental policy and objectives, the Group's capital investment and action plans in various geographies and/or production sites are all factors that limit the potential impact of this risk when compared to 2021.
- **Major disputes and non-compliance issues:** the rollout of prevention and non-compliance awareness-raising initiatives together with the resolution of litigation are factors that limit the estimated impact of these risks when compared to 2021.

Moreover, certain risks have been grouped together or renamed and are not directly comparable with the 2021 risk map. Lastly, the risk mapping process has highlighted a new risk concerning our developments in the SiC market. This same risk was present in the 2021 map under "Ineffective management of technological disruptions and developments". In view of the significant developments in the SiC semiconductor market, the Group wished to separate this risk in order to track it more effectively.

10.3. Risks related to operations

The risk factors that the Company deems to be most material at the reporting date are indicated by an asterisk (*).

10.3.1. Geopolitical and macroeconomic instability*

Description of risk

The Group conducts business in 34 countries worldwide and serves many different end-markets. The international scope of the Group's business exposes it to the direct and indirect consequences of geopolitical or macroeconomic developments or crises such as trade conflicts, embargoes, changing customs regulations, armed conflicts, health crises and epidemics or pandemics. It is therefore exposed to the geopolitical situation of certain countries and regions, in Mexico and Tunisia, for instance, where it has large plants for the Electrical Power segment, and in Asia, where it has nine manufacturing sites in China and generates around 30% of its total sales.

The Group is also exposed to industrial GDP growth rates, particularly for process industries (which account for roughly 33% of its total sales) and/or in some countries, including the United States, China, Germany and France, which together account for more than 88% of its total sales.

The Group is also sensitive to inflation, especially wage inflation (salaries represent approximately 30% of Group sales) and inflation on raw materials and components. Although energy costs represent only about 5% of Group sales, they may impact the profitability and competitiveness of certain businesses in the Advanced Materials segment in Europe if the recent increase persists into the future.

The Russia-Ukraine conflict may indirectly affect the Group's business, particularly in the form of higher energy prices and/or the dependence of some of our suppliers on these countries. However, the Group does not generate significant sales in this region.

If tensions between China and the United States were to deteriorate, this could have a negative impact on our operations in China, particularly solar cell manufacturing.

Continued uncertainty around the health situation could also potentially affect some geographic regions more than others and therefore either increase or reduce the Group's macroeconomic risk depending on the region concerned.

Lastly, although most sites have a local production model, some produce semi-products or components used by plants located in other countries. These intra-group transactions are sensitive to trade barriers in view of today's increasingly protectionist geopolitical context.

The potential negative impacts for the Group are:

- a sales decline stemming from a global recession, or at least a stoppage of certain capital expenditure projects, which could significantly impact profitability as several Group activities are sensitive to volume effects;

- in the event of a threat of international sanctions against a country, it may become difficult to continue operating some businesses with high technological content in countries such as China. This would have an unfavorable effect on Group sales, profitability and share price;
- a sharp drop in Mersen's share price, as the Group is still perceived as cyclical and dependent on the economic environment;
- in the event of persistent inflation, margins may be eroded if the Group is unable to pass on this inflation in its selling prices. Wage inflation may also lead to labor unrest that could impact business if the Group is unable to grant the wage increases expected by employees;
- major restructuring costs or impairment losses in the event of a prolonged economic downturn;
- to a lesser extent, lower profitability due to higher customs duties if the economic environment prevents increases in these duties from being passed on in selling prices.

Risk management

The Group operates in forward-looking growth markets, particularly in sustainable development markets, which account for around 56% of consolidated sales (see chapter 4 of this document). This is helping it to reduce its dependence on process industries, which are more sensitive to changes in the economic environment.

The Group has put procedures in place to regularly assess the need for price increases and their impact on the profitability of its various businesses. Mersen's high market share, the technological component of its products and its close customer relationships are factors that make it easier to pass on inflation in selling prices.

The gradual rollout of benefit policies throughout the Group (e.g., profit sharing, minimum vacation entitlement, top-up pensions and supplementary healthcare programs, or guaranteed minimum death benefits) may help mitigate inflation-related labor unrest.

The diversity of the Group's markets as well as its geographical presence gave enabled it to show good resilience to both the health crisis and the international crisis related to the Russia-Ukraine conflict thanks to its diverse markets and geographic footprint.

In 2020 and 2021, to reduce the impact of the recession caused by the health crisis, the Group put in place measures enabling it to effectively adapt its cost structure and speed up industrial reorganization projects.

Since 2021, the Group has been trading carefully in sensitive geographies such as China, limiting both its capital investment and new acquisitions in this country. However, although the Group factors geopolitical tensions into its investment decisions, it does not rule out capital investments or acquisitions in risky geographies on a case-by-case basis if the investments were particularly relevant to its strategy.

The Group has a solid financial structure and substantial liquidity in the form of cash and undrawn credit facilities, which would see it through in the event of an isolated decline in activity (see chapter 6 of this document).

10.3.2. Difficulty attracting and retaining experts*

Description of risk

Mersen operates in highly technical and complex markets. Managing the expertise required for these markets, which can be very specific and specialized, is crucial if Mersen is to remain a global leader in its field. The Group's business model therefore draws on this expertise as well as Mersen's century-long experience. Mersen also needs to be able to manage and develop the new expertise brought into the Group through acquisitions.

To remain competitive, continue to grow over the long term and rise to future challenges, Mersen has to attract a wide range of talent, including experts. Its ability to attract these experts is key to its success. Its expertise could wane over time if it does not have a proper talent management strategy.

The Group is complex in terms of its size, and the diversity of its products, markets and geographic footprint. To effectively manage this complexity, it needs talented people with a varied range of expert skills and in-depth knowledge of the Group, its customers and its manufacturing facilities. Knowledge transfer and the replacement of experts about to reach the end of their careers are vital for Mersen's future. As of December 31, 2022, Group employees over 55 years of age represented 18% of total Group headcount.

Retaining and attracting talent and experts could become more challenging if the tight labor market experienced since early 2022 were to continue.

The potential negative impacts on the Group of the loss of experts are as follows:

- loss of key expertise that could affect the Group's ability to meet customers' requirements, which would limit its growth potential and/or existing sales;
- less control over manufacturing processes, which could lead to (i) additional costs, which would reduce the Group's competitiveness for some products, (ii) product quality problems that could affect relations with major customers, and (iii) safety or environmental problems arising from complex processes;
- poor strategic decisions due to insufficient knowledge of the Group's expertise and processes, its culture or its markets.

Risk management

The Group has created a dedicated organizational structure to manage this risk, including:

- setting up an expert community, with a specific policy for succession planning, retaining and sharing expertise, and enhancing talent retention measures;
- creating an expert committee to pool knowledge and motivate the Group's experts;
- systematically putting in place succession plans for major sites and management committees (including the Group Executive Committee);
- putting in place a career management policy, particularly for experts and young talent;

- rolling out specific communication and "employer brand" measures to develop and promote the Group's reputation among job candidates and therefore attract new talent;
- broadening long-term incentive plans to include experts and high-potential employees.

10.3.3. Risks relating to our strategy to penetrate the electric vehicle market*

Description of risk

For Mersen, the electric vehicle market represents an important growth driver in an automotive sector that is complex and demanding in terms of both risks and opportunities. This is a new and highly demanding market for the Group, both in terms of product quality and reliability and supply chain responsiveness.

The Group has been pursuing technical and commercial developments in this field for several years. A large number of people with extensive experience in the automotive sector have reinforced the Group's skillset. Mersen is now entering a key production phase and is beginning to win major contracts that require capital investment and additional recruitment.

In 2022, the Group achieved sales of 20 million euros in this market. Between 2022 and 2027, the Group forecasts average annual growth of over 40% thanks to its two product lines, fuses and bus bars. It will invest in an automated workshop for the manufacture of busbars in France and will continue the qualification of its fuses sites.

The Group cannot guarantee that it will be able to meet the demands of this market, particularly in terms of price or quality and/or expected product technical specifications. Its technical positioning (e.g., in fuses or bus bars), production facilities or supply chain may not meet the expectations of sector-based players (especially in terms of flexibility and responsiveness). Penetrating this market may require more of the Group's resources and time than anticipated.

The potential negative impacts for the Group are:

- restriction of the Group's development potential in this market compared to Group forecasts, with a highly unfavorable impact on Group sales;
- volumes that are well below expectations, resulting in unfavorable impacts on Group margins;
- more intense price pressure in this market, which could squeeze the Group's profit margins over the long term;
- heightened risks of customer disputes (non-compliance, delivery delays, product recalls, etc.).

Risk management

This Group has set up a dedicated internal "Electric Vehicles Committee" chaired by the Group CEO and tasked with (i) tracking developments in this market and Mersen's technical and commercial positioning, (ii) identifying the risks associated with this market and drawing up appropriate action plans, and (iii) drawing up a formal strategy for the market.

The Group has continued to strengthen its dedicated electric vehicle teams in order to enhance automotive culture throughout the Group. It has also obtained IATF certification for a second site – Angers in France – following certification of its Juarez site in Mexico in 2021. A product line with a dedicated organization has been set up to better structure the activity and improve the Group's visibility in this area.

The establishment of partnerships with specialists in the automotive sector helps to reduce risk and enables the Group to make faster progress in acquiring an automotive culture. This is particularly true of the multi-year alliance with Autoliv to develop devices that will improve vehicle safety. The contract signed with ACC in early 2022 also enables the Group to showcase a quality benchmark in the battery market.

The Group's positioning in the electric vehicle market is regularly presented to the Board of Directors.

10.3.4. Risks related to our expansion in the SiC market*

Description of risk

A new type of "SiC semiconductor" is being adopted in certain markets such as the electric vehicle market.

The SiC semiconductor market is growing rapidly and this growth is set to accelerate further to keep pace with developments in the electric vehicle market over the next few years. Manufacturing technology for these semiconductors is complex, constantly changing and requires high quality materials, notably insulating felt and graphite (produced by Mersen), with technical features that can also change very quickly.

In 2022, the Group generated 52 million euros in revenues in this market and began to invest in order to meet the rapidly growing demand. In March 2023, it announced that it had signed a major contract with Wolfspeed that will lead to industrial investments of 120 MUSD. It has also entered into a partnership with Soitec to develop an alternative technology (known as p-SiC) which will require significant investment from 2023. All of these investments, whether for the expansion of existing plants or the acquisition of new equipment, could exceed 200 million euros by 2027. The expected average annual growth in sales over the period 2022-2027 would be more than 30%. However, the Group may fail to position its products (in terms of technical features or costs) to meet customer expectations within a sufficiently short timeframe, thereby limiting its ability to benefit from market growth and/or resulting in slack capacity.

In this nascent market, balancing supply and demand may prove complex. On the supply side, Mersen may experience delays in deploying certain capital investment projects, which would limit the Group's ability to meet demand and benefit from market growth. On the demand side, forecast customer activity may turn out to be behind schedule or lower than expected as it is contingent on the take-up rate of SiC semiconductors in electric vehicles and on the growth in electric vehicle sales. Consequently, the Group may not achieve its objectives or expected success in this market.

The potential negative impacts for the Group are:

- unfavorable impact on Group sales, return on investment and profitability in the event of poor product positioning or failure to produce within the required timeframe;
- loss of customer market share in the event of delays in the Group's capital investment projects with a knock-on effect on Group sales and earnings;
- too much capital investment in relation to demand, dragging down margins and return on Group investments for a number of years;
- no Group presence with a major – or emerging – player in the SiC market, limiting the Group's development in this market;
- unfavorable impact on share price if the Group does not achieve its objectives in this market.

Risk management

The Group has strong technical expertise in the materials used in the SiC semiconductor market and maintains this edge through its sustained technology watch.

The Group is also careful to guard against excessive capital investment by negotiating multi-year contracts with certain players in the semiconductor market, enabling it to partially guarantee its forecast sales and respond more effectively to demand.

The SiC semiconductor market together with related commercial and technical developments are tracked on a month-by-month basis by the Chief Executive Officer and monitored regularly by the Board of Directors.

10.3.5. Dependence on certain production sites and/or certain suppliers

Description of risk

When the Advanced Materials segment manufactures graphite products, it first prepares the raw material and then makes graphite blocks, which are subsequently processed and machined. The manufacture of these blocks, and some of the processing operations involved, require heavy and/or complex machines that cannot be easily installed in more than a certain number of sites. The production sites for these blocks are based in China and the United States. Complex transformation sites are also located in those countries, as well as in South Korea, Germany and France. In addition, there are unique production sites in France and the United Kingdom.

Some products manufactured by the Electrical Power segment require a large amount of labor to produce high volumes at a reasonable cost. The segment's facilities for making those products are therefore concentrated in a small number of plants in China and Mexico. This means that the Group is highly dependent on those plants for the manufacture of certain products. There may also be unique production sites and skills centers in the United States, France or Germany. Any event that impacts a key production site or distribution center, resulting in a one-off or longer shutdown of one of these sites, could have a significant adverse effect on Group business.

On a general note, intra-group transactions account for approximately 28% of total billing.

There are some suppliers on which the Group may be dependent. In such a case, any significant delays in deliveries of components or raw materials could cause temporary stoppages or delays in production, which could lead to customer dissatisfaction and/or late delivery penalties. Although no single supplier represents more than 2% of the Group's total purchases, one supplier may be significantly important for a major Group plant.

For almost all strategic suppliers of raw materials and components there is at least a second source. However, if the main supplier has a significant shortage, the second source may not always be able to make up the difference quickly and at a similar cost.

Some suppliers were purchasing part of their raw materials in the region affected by the Russia-Ukraine conflict. Given the scarcity of these materials, their purchase prices have increased significantly and are likely to rise further. However, the Group has diversified its sources of supply.

The global economic and political environment may jeopardize this supply dependence even further. The increased scarcity of materials and energy could also potentially impact certain product lines.

The potential negative impacts for the Group are:

- direct and indirect losses of volume (production stoppages at other Group sites) with consequent losses in sales and profitability in the event of a major plant shutdown over a long period;
- several days of stoppages at certain plants or distribution centers in the Electrical Power segment could lead to a loss of customers;
- for some sites in the Advanced Materials segment, manufacturing delays could lead to substantial late delivery penalties;
- high costs if certain facilities and/or equipment have to be rebuilt or restarted following an accident or other incident at a production site;
- unfavorable impact on Group margins due to a significant increase in the cost of certain components or raw materials for which the Group is unable to find alternative suppliers.

Risk management

Business continuity plans have been drawn up for some sites. Alternative production solutions were also tested during the Covid-19 crisis.

Action plans are being deployed that limit the Group's dependence on certain component suppliers (for the Electrical Power segment) or materials suppliers (for the Advanced Materials segment) by growing the number of suppliers or bringing certain production processes in-house. For example, the decision to buy the Columbia plant was partly motivated by a desire to take extruded graphite production back in-house.

An external solution could also be used in some cases, such as outsourcing certain processes or purchasing parts from other companies.

10.3.6. Risk related to ineffective management of technological development

Description of risk

Mersen designs bespoke products tailored to its customers' specific technical requirements, in terms of both use and performance. In a number of its strategic markets, such as electronics, solar power and electric vehicles, customer requirements change quickly and often. The Group therefore has to constantly monitor changes in technology so it can anticipate new market trends and more effectively meet its customers' future needs.

It cannot be ruled out that alternative technologies will emerge, for instance in relation to manufacturing procedures for solar panels or silicon carbide semiconductors, whose production requires a large quantity of graphite. The partnership with Soitec on p-SiC is a good illustration of this.

The Group may be unable to develop or improve products in line with the latest technological developments within a timeframe and on terms that are satisfactory to its customers.

Technological developments in more traditional products and markets may be more or less favorable for Mersen. For example, the use of brushless motors could increase to the detriment of brushed motors, or a change in electrical standards could impact the market for the Electrical Power segment.

Lastly, Mersen operates in markets where product offerings are becoming increasingly comprehensive and integrated and distribution methods are becoming more varied (particularly thanks to e-commerce). Mersen has to factor in these trends and adapt its offerings accordingly, mainly in its Electrical Power segment.

The potential negative impacts for the Group are:

- a possible prolonged decrease in sales if the Group is unable to respond to technological developments in a market or standard, or if a new technology emerges in which Mersen does not have the required expertise;
- loss of market share in strategic sectors, which could impact the Group's future growth rate;
- significant capital expenditure to adapt to market requirements and/or specific customer needs.

Risk management

A technology watch has been set up to help the Group anticipate new market trends. Synergies between R&D and sales teams have been reviewed and strengthened by the corporate R&D Department. Capital expenditure and/or R&D budgets have been increased for markets and/or applications with high technological content and/or fast-paced change. In addition, steps have been taken to forge even closer ties with strategic customers.

The Group's R&D Department has strengthened its simulation tools, developed partnerships with universities and worked with the businesses to significantly improve the digitization of the customer offer.

Committees (which include the CEO) have been set up for the SiC and EV markets to track technological developments, the players involved and market dynamics. The strategy adopted for certain product ranges has been reviewed in order to propose a broader and more comprehensive offering, notably by developing connected products. At the same time, the Group has invested in digital in order to track market developments.

Furthermore, it is pursuing an acquisition policy with a focus on gaining key expertise, to further help prevent this risk. It is closely monitoring competitors' reorganization projects in order to study potential opportunities for consolidation, particularly in the Electrical Power segment.

10.3.7. Competitive pressure and lower profitability in certain product lines

Description of risk

The Group's profitability is dependent on certain product ranges. For example, in the Electrical Power segment, profitability for the fuses range is much higher in North America than in other regions. And in the Advanced Materials segment, Graphite Specialties has a much higher profitability level than the Group's other activities, but at the same time is dependent on the use of graphite production capacity, particularly due to its capital intensive nature. Generally speaking, Group profitability is higher in North America and Asia (including China).

Fierce competition – especially from Chinese firms – in certain developing markets could also eventually erode Mersen's position in these markets. Moreover, a mismatch between supply and demand in graphite applications and/or a significant decline in sales in the Electrical Power segment in North America could have an unfavorable impact on the Group's business and profitability.

The potential negative impacts on the Group are:

- loss of market share and adverse effect on Group sales;
- erosion of the Group's overall profitability;
- having to adapt the cost structure to lower profitability levels, which could lead to significant restructuring costs;
- having to recognize impairment losses on certain under-used assets, especially if there is a persistent imbalance between supply and demand.

Risk management

In the past, the Group has put in place measures that would enable it to swiftly and effectively adapt its cost structure to market changes.

The Group has also developed an in-house Sales Excellence program to enhance its commercial efficiency and gain market share in the most profitable segments.

The Group strives to limit the cycle-volume effect of its Graphite Specialties segment by positioning itself in growth markets with strong dynamics, such as solar and electronics. Moreover, certain types of equipment are used for several markets (process industries, aeronautics, etc.).

Lastly, in the Electrical Power segment, it has launched action plans aimed at improving profitability for its lower profit-contributing product lines. It has also implemented an industrial reorganization plan, primarily in Europe.

10.3.8. Delayed rollout of digital tools

Description of risk

A growing part of the Group's activity involves the development of e-commerce and tools to assist in the implementation of technical solutions using Mersen products. This is particularly important for standard fuse products and solutions (Electrical Power segment). This digital turn must be taken in order to continue to provide our customers with a wide and comprehensive offer. The implementation of this type of tool should also allow us to expand more widely in countries not yet covered.

The potential negative impacts on the Group are:

- loss of sales opportunity;
- loss of market share if the Group should fall behind our competitors;
- impact on the Group's image and its ability to innovate.

Risk management

A study carried out in 2021 was used to draw up a digital roadmap backed by significant investment. In 2022, the Group continued to follow this roadmap by rolling out the ep.connect extranet tool to enable its European customers to access and cross-check data relating to their orders. In addition, the Group joined ETIM, the international classification standard for technical products, to make it easier to exchange data with our customers.

10.3.9. IT systems failure and cyberattacks

Description of risk

All of the Group's management, planning and invoicing systems are dependent on IT. The reliability and availability of the Group's IT systems are determining factors for meeting customer deadlines, and are indispensable for certain activities such as electricity distribution.

In addition, some equipment that is essential for the Group's business and/or is potentially dangerous is controlled via software.

Lastly, certain confidential data, notably relating to plans (both the Group's and its customers'), product offers and personal data are stored on servers.

The potential negative impacts for the Group are:

- a stoppage of important equipment, which could temporarily affect production and therefore make it impossible for the Group to deliver one or possibly many order(s), which in turn could impact its profitability and potentially its future relations with some customers;
- theft of confidential data, which could lead to penalties and/or legal disputes and could harm the Group's image;
- an accident due to the loss of control of dangerous equipment.

Risk management

The Group has an overall IT security policy, which is regularly presented to the Audit and Accounts Committee. This policy is updated regularly to ensure the information system remains efficient and synchronized at Group level.

A specific IT risk map has been in place for several years and internal audits are performed to verify that the relevant rules and procedures are respected. Mandatory training and awareness-raising sessions are also organized to enhance the Group's cyber-risk culture. Moreover, Mersen uses external service providers to assess the effectiveness of some of the Group's risk strategies. IT governance projects have been redefined and the IT teams have been strengthened in order to manage IT risks more effectively, especially cybersecurity risks.

The deployment of centralized tools provides more effective control over updates and compliance with security guidelines.

In addition, the Group will launch a study to assess the risks of industrial equipment stoppages and, if necessary, propose isolating them in a dedicated network.

10.3.10. Unsatisfactory product quality and customer service

Description of risk

Mersen is a recognized expert and leader in two main areas: advanced materials and electrical specialties. It mainly develops innovative customized solutions of a quality that its customers have come to expect. Certain products may fail to meet customer specifications or deadlines.

In addition, for several years now, Mersen has been developing an offer for the new electric vehicle market. This is a very demanding market in terms of product quality and supply chain reliability and responsiveness. It may require more of the Group's resources and time than anticipated (see section 9.3.3).

The potential negative impacts on the Group are:

- dissatisfied customers and loss of markets;
- possibility of major legal disputes (product recall, delayed deliveries that could result in stoppages at our customers' sites, late penalty fees) (see section 9.5.1);
- damage to the Group's image;
- potentially significant financial consequences.

Risk management

Several years ago, the Group put in place an Operational Excellence Department that has in turn devised a continuous improvement program based around five objectives: safety, quality, logistics, cost and team commitment. This is rounded out by quality management and dispute prevention tools.

The Group has also strengthened its teams with specialists in the automotive field, particularly in terms of quality, and a legal expert.

10.3.11. Ineffective integration of newly acquired companies

Description of risk

The Group has carried out numerous acquisitions in recent years. In 2019, the Group acquired a manufacturing facility in Columbia, USA, which has given it additional production capacity for isostatic and extruded graphite. The acquisition required a significant amount of capital expenditure to get the plant back up and running. At the same time, the Group had to master the process for manufacturing high-quality extruded graphite. This complex, strategic project for the Group, covering several years, requires significant resources.

Most acquired companies are small, family-owned businesses with strong local expertise. The success of these acquisitions hinges largely on effective integration, from a technical, commercial and, above all, human resources perspective. The Group is pursuing this acquisition policy to consolidate its position in certain businesses or geographies.

However, the Group may encounter the following difficulties that impact forecast synergies and performance:

- issues not identified during due diligence may result in substantial unexpected costs, delays or other financial and operational difficulties, as well as unforeseen legal problems such as larger-than-expected liabilities;
- difficulties integrating acquired entities or businesses (particularly HR problems) or poorly managed transfers of activities or plants;
- difficulties recruiting or retaining the expertise required for the transition, breach of non-compete clauses or disputes with the acquired companies;
- the technologies acquired may prove to be less effective than expected or process engineering conducted by the Group may prove to be more complex and/or longer and costlier than anticipated.

The potential negative impacts on the Group if one or several major projects were to fail are:

- adverse impacts on sales or expected profitability;
- the need for additional financial investments or costs in order to bring acquired companies or assets up to the required standards;
- the expected benefits of future acquisitions may not be achieved within the expected timeframe or at the expected levels.

Risk management

Due diligences (covering operational, IT, legal, environmental and financial issues) are performed for all acquisitions and a tailored integration plan is drawn up and regularly monitored by the members of the Executive Committee. They must also be approved by the Board of Directors.

The process of monitoring key people during the acquisition process is fully operational.

Post-acquisition reviews are regularly conducted to measure any variances and the integration plan is adjusted if necessary. A post-acquisition review was submitted to the Board of Directors in 2022.

10.3.12. Human capital shortages (diversity, fast-growing areas)

Description of risk

The Group's international scope as well as the diversity of its products, markets and applications require significant resources and means that the Group cannot always provide as it is smaller than other major multinational corporations.

Some regions, such as Asia, are rapidly changing, and require constant adaptation due to the emergence of new markets, customers and competitors. Consequently, the Group has made many capital expenditure outlays and carried out a large number of industrial reorganizations and acquisitions. This high level of activity can lead to temporary shortfalls in human capital or additional human capital requirements that cannot always be satisfied at competitive rates.

The Group and its subsidiaries also need to deal with the increasing complexity of labor, environmental and tax regulations. The increasingly demanding requirements for documentation and formal processes for compliance purposes have created large volumes of additional work, especially for support functions such as finance, HR and IT. Some smaller sites may find it difficult to have effective regulatory watch processes in their particular country.

The Group must also continue to make progress in terms of diversity, especially gender diversity, and notably in the engineers and managers category where women only account for 25.3% of the workforce and 23.7% of the members of management bodies. Although the Group has implemented a diversity policy and has

made tangible progress, if the proportion of women managers and members of the Group's management bodies rises too slowly, this could harm the Group's image and appeal.

The potential negative impacts for the Group are:

- loss of competitive position and market share if the Group is unable to adapt quickly enough to specific changes in its markets or customers;
- sanctions and liability in the event of (involuntary) non-compliance with regulations could be prejudicial for the Group;
- negative effect on the Group's image and/or appeal due to a lack of diversity;
- Slowdown of on-going projects.

Risk management

- Expansion and consolidation of its existing network of regional liaison officers (for HR, finance and audits) who provide support to local sites.
- Development of the employer brand to enhance the Group's attractiveness.
- Process of provisional management of jobs and resources.
- The Group has had a gender diversity policy in place for several years now, particularly covering engineers and managers, and has made it one of Mersen's key CSR priorities.
- Inclusion of diversity criteria in the Group's recruitment policy.
- Certain support functions (compliance, legal affairs, environmental affairs, etc.) have been strengthened over the past few years to deal with the growth in regulations.

10.4. Industrial and environmental risks

Description of risk

The Group was founded over 130 years ago and has a strong industrial heritage, partly built up thanks to acquisitions. Consequently, some of the practices formerly used by the Group, particularly by acquired companies, may have had an adverse impact on the environment, primarily regarding soil pollution. Furthermore, some Group plants – particularly in the Advanced Materials segment – are subject to fast-changing and increasingly strict regulations, particularly in terms of emissions. Lastly, the manufacturing processes of the Advanced Materials segment use energy, mainly electricity, which leads to indirect CO2 emissions (see chapter 4 of this document).

The negative impacts of this risk if several events were to occur simultaneously are:

- costs incurred for researching less energy-hungry production processes, especially if certain regulations change;
- non-renewal or suspension of an operating license, which could lead to a partial or total production stoppage at a major plant while awaiting an alternative solution;
- costs related to cleaning up land at a former site and/or to third-party claims or disputes;
- compliance costs of facilities.
- Group's reputational damage.

Risk management

The Group has implemented numerous measures to mitigate the risks described above. In particular, it:

- has put in place the centralized monitoring of operating permits;
- has put in place a procedure whereby the Executive Committee regularly monitors changes in the main standards that apply to the Group in order to effectively anticipate any required capital expenditure;
- has appointed local environmental officers;
- has introduced the monitoring of regulatory compliance and depollution work;
- has set up a system for regularly monitoring waste, with measures implemented to ensure better recycling at all of its manufacturing sites;
- systematically carries out environmental due diligence reviews for acquisitions of manufacturing sites;
- adopts and disseminates formal Group environmental objectives and integrates these objectives into the management team's bonus.

10.5. Legal and regulatory risks

10.5.1. Major disputes

Description of risk

Mersen operates in complex and technically demanding markets. The products that the Group delivers are key elements for the operation and/or safety of our customers' products and services, notably in the chemicals, transportation and energy industries. Claims may potentially be made against the Group for alleged quality problems and/or for failing to meet delivery deadlines (such claims are frequent in the chemicals and automotive industries). These risks have a tendency to rise due to the more litigious nature of relations with certain key customers and the Group's expansion in new businesses and international markets with differing legal systems. This international positioning, combined with the fact that Mersen sells products that can be used for both civil and military purposes, exposes it to sanctions by or disputes with government agencies, especially tax and customs authorities.

The potential impacts for the Group are:

- administrative sanctions imposed by a government, which could potentially restrict or prohibit the Group's access to certain markets and harm its reputation;
- potentially high costs, especially in the event of product recalls or serial defects on products;
- a deterioration in commercial relations with certain customers, with an ensuing loss of sales (although the Group's largest customer only represents approximately 4% of its total sales).

Risk management

Prevention of customer disputes

Since the end of the 1990s, the Group has had a quality program in place to ensure the quality of its products meets its customers' requirements. It also has an Operational Excellence Department, set up in 2015, to improve the monitoring and quality of its products.

The Group's Legal Department draws up contractual policy and assists the sales and technical teams in negotiating contracts and managing claims, thus ensuring better prevention of disputes with customers. The Group has also taken out a civil liability insurance policy to limit the financial consequences of such disputes (see paragraph on Insurance below).

Prevention of regulatory breaches

The Group is committed to raising awareness and training its employees in regulatory compliance to prevent the risk of breaches. Mandatory training is provided to all employees on the Group's Code of Ethics, which includes a section on regulatory compliance. Employees who are particularly exposed must also undergo specific training on anti-corruption rules and competition law. In terms of export controls and embargoes, procedures have been implemented within the Group and awareness-raising sessions are regularly provided to the staff concerned.

Disputes are periodically assessed and the Group makes provisions in accordance with applicable accounting principles to cover risks that it is able to reliably assess (see Note 13 to the consolidated financial statements).

11. INSURANCE

The Mersen group has negotiated international insurance policies applicable in certain countries via local policies to cover its main risks. These insurance policies are underwritten by leading insurance companies.

To protect the Group's future, the levels of coverage are set based on an assessment of the risks incurred by the Group. Coverage, limits and deductibles are adapted to the needs of the Group and all of its subsidiaries. They are reviewed each year, taking into account the Group's activities and projects. They are also subject to change depending on the terms available in the insurance market.

The Mersen group does not have any captive policies.

Its main policies are as follows:

11.1. Civil liability insurance

The professional third party liability insurance program (operations, pre- and post-delivery) covers in particular – subject to the usual deductibles, exclusions and limits on coverage – bodily harm, physical and economic loss, disassembly/reassembly costs, collection costs, damage to goods in third party storage and decontamination costs. The international program comprises a main policy in France and local policies in certain countries.

11.2. Environmental liability insurance

The purpose of the environmental liability insurance policy is to cover, subject to the usual deductibles, exclusions and limits on coverage, the financial consequences for the Group resulting from bodily injury, property damage and consequential loss suffered by third parties in the event of pollution or environmental damage caused by the activities of the Group and its subsidiaries.

11.3. Property/Business interruption insurance

The Group's property/business interruption insurance program notably covers – subject to the usual deductibles, exclusions and limits on coverage – bodily injury and physical damage, as well as losses caused by the interruption of business at the Group's main plants as a result of any sudden and accidental events (such as fire, storm, explosion, electrical damage, theft, etc.). The program comprises a master policy and local policies in certain countries. It provides an overall contractual restriction per event (property/business interruption combined) with sub-restrictions for certain events, such as storms, natural disasters or certain specific guarantees, such as machine failures and IT and electrical risks.

11.4. Transportation insurance

Under the Group's transportation insurance program, Mersen and its subsidiaries are protected by a worldwide policy that covers all of the Group's goods shipments, irrespective of the means of transportation used.

12. RELATIONS BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES

Mersen is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Mersen SA belongs to the Mersen group, which encompasses 91 consolidated and unconsolidated companies in 34 countries. The Group's largest manufacturing sites are located in France, the United States, China and Mexico.

The Group's Executive Committee runs its operational affairs. The members of the Executive Committee sometimes act as corporate officers or directors at the companies linked to their activity.

13. PARENT COMPANY RESULTS

13.1. Parent company's financial position in the preceding financial year

The parent company, Mersen SA, generated sales and other income of €34.4 million in 2022. These revenues are derived from Mersen SA's activities as a holding company, namely the management of investments in subsidiaries and affiliates, Group financing and invoicing for various services, plus fees for the use of the trademark and other associated intangibles.

The parent company's operating items, which correspond to the holding company's operating costs and trademark fees, represented €1.8 million.

Net financial income came to €19.0 million, compared with net income of €16.2 million in 2021, mainly comprising €29.9 million in dividends from subsidiaries, compared with €24.6 million in 2021,

and impairment of equity interests in the amount of €14.1 million, compared with €8 million in 2021.

Net income before tax and non-recurring items came to €20.7 million. Non-recurring items represented net income of €0.3 million versus net income of €0.4 million in 2021.

The Company recorded a €1.9 million income tax benefit, mainly reflecting the tax savings achieved for profit-making French subsidiaries that are part of the tax consolidation group.

After taking these items into account, net income came to €23.0 million versus €16.6 million in 2021.

13.2. Information about payment terms for the parent company's suppliers

Invoices received and issued at fiscal year-end (table from part I of Article D. 441-4 of the French Commercial Code)

(In € thousands)	Trade payables: invoices received not settled and overdue at the balance sheet date						Trade receivables: invoices issued not settled and overdue at the balance sheet date					
	At due date	1 - 30 days	31 - 60 days	61 - 90 days	91 days +	Total 1 day or more	At due date	1 - 30 days	31 - 60 days	61 - 90 days	91 days +	Total 1 day or more
(A) Late payment tranches												
Number of invoices	2	2	4	1	2	9	102		2		38	40
Total amount of invoices concerned incl. VAT	2	1	67	(1)	N/S	67	1,475		85		170	255
% of total amount of purchases for the year, incl. VAT	N/S	N/S	1.02%	N/S	N/S	1.01%						
% of sales for the year, incl. VAT							4.53%		0.26%		0.52%	0.78%
(B) Invoices excluded from (A) in respect of disputed or unrecognized debts and/or receivables												
Number of invoices excluded												
Total amount of invoices excluding VAT												
(C) Reference payment terms used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Terms of payment used to calculate late payment	Legal terms: 45 days end of month, unless contractual terms are shorter						Contractual terms: 30 days end of month for French and other European customers, 60 days end of month for the rest of the world					

4

NON-FINANCIAL INFORMATION

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1. RESPONSIBLE GROWTH AND DEVELOPMENT

1.1. CSR: deeply embedded in the Mersen culture

Mersen's CSR culture has emerged from many years of commitment to ethical and responsible development at a time when CSR was neither regulated nor prized by companies.

The Group has always placed its human capital at the heart of its business, demonstrating a clear desire for each employee to make the most of their expertise and reach their full potential and for each country where the Group is active to grow its business while still respecting the local culture by drawing on the strength of the Group's fundamentals in human resources, health and safety and ethics.

Mersen is also committed to reducing its environmental footprint. For nearly 15 years, it has run a number of initiatives to that end. The Group demonstrates its commitment through its significant involvement in leading sustainable markets such as wind and solar energy, semiconductors, clean transportation and energy efficiency, and by inculcating good environmental practices across its facilities, capitalizing on the performance, quality and efficiency of its products.

1.2. Corporate Social Responsibility policy: an integral part of the Group's strategy

1.2.1. Our value-creation model

Information on the company and its value-creation model, its markets and its positioning, as well as its competitive and regulatory/legislative environment, is provided in chapter 1 of this document. Further information on risk factors is provided in the management report in chapter 3 and the corporate governance report in chapter 2.

The overall approach involves identifying the societal, social and environmental challenges and risks specific to the Group, and addressing them through policies and targets.

Implementing this strategy involves all of the Group's subsidiaries and entities, with a view to involving all of the employees and stakeholders of its activities. The Executive Committee's role as driving force is applied within each facility, with the site manager tasked with ensuring that these issues are dealt with as effectively, collectively and pertinently as possible, in a manner consistent with the broader framework.

1.2.2. Mersen's Corporate Social Responsibility policy

The Group's CSR policy is an integral part of its business model, informing its model of profitable and responsible growth.

Our overall CSR approach forms the very foundation of an openly responsible and sustainable business.

Mersen reaches the Global Compact Advanced level

Mersen joined the United Nations Global Compact in 2009 and adheres to its 10 Principles in areas related to human rights, social rights, the environment and the fight against corruption.

Its ongoing commitment to the Global Compact and its initiatives has resulted in Mersen reaching the Global Compact Advanced level. This category comprises companies that meet the highest standards of reporting on CSR progress.

Only about 11% of companies worldwide have received this distinction.

1.3. Governance and implementation of the CSR policy

The CSR strategy is an integral part of the Group's strategy. It is implemented under the responsibility of the Board of Directors, which reviews it every year. On December 17, 2021, the Board decided to give greater importance to CSR challenges by appointing Magali Joëssel as director responsible for CSR issues. As part of her duties, Magali Joëssel ensures that CSR issues are assigned the proper level of priority and, in particular, oversees implementation of the CSR roadmap defined by the Group's Executive Management.

Progress reports on the implementation of the CSR roadmap are the subject of regular presentations and discussions at meetings of the Board of Directors and Board Committees. In October 2022, for example, Jean-Philippe Fournier, Group Vice President, Operational Excellence, presented a progress report to the Board of Directors on the reduction of the Group's greenhouse gas emissions and the measures taken as part of the CSR roadmap.

Specific meetings of the Audit and Accounts Committee are devoted to CSR risks; the Governance, Appointments and Remuneration Committee takes the same approach to compensation and governance issues.

The Group's Executive Committee supports the CSR strategy and oversees its implementation. To that end, it calls on several bodies:

- the CSR Committee, a body combining Executive Management and the Human Resources, Operational Excellence, Financial Communication and Compliance Departments, which meets quarterly to oversee and monitor progress on ongoing initiatives and to coordinate the implementation of cross-functional initiatives;
- the HSE (Health, Safety and Environment) Committee, which meets monthly to oversee all initiatives and indicators relating to health, safety and the environment. It comprises Executive Management, the Human Resources Department, the Operational Excellence Department and the heads of both of the Group's segments;
- the Compliance Committee, which meets quarterly to ensure that action plans are properly implemented and to analyze actions needed in the event of an ethics and/or compliance alert. It comprises Executive Management, the Finance Department, the Human Resources Department and the Compliance Officer;
- the Diversity Committee, which meets approximately four times a year. It comprises the Human Resources Department, the Internal Communications Department and three members of the Executive Committee. Its role is to monitor progress on the Group's commitment, make proposals, define priority actions and implement them, and foster the sharing of best practices.

The approach is also implemented through a suite of committees and working groups established to oversee programs combining general and specific objectives, without closing the door to local initiatives.



1.4. CSR and Group compensation

Since 2015, a safety criterion has been included in the Chief Executive Officer's annual variable compensation.

In 2022, the variable compensation package was structured as follows:

Yearly bonus

- 40% of the variable portion of the non-financial criteria underlying the **Chief Executive Officer's** compensation is subject to a CSR performance assessment (for 2022: improvement of safety indicators, reduction of CO₂ emissions linked to the Group's activities, increase in the waste recycling rate, reduction in water consumption);

- the non-financial objectives underlying the variable portion of the compensation of **top management** (Executive Committee members, business unit vice presidents) includes a composite CSR performance criterion representing 25%.

Long-term incentive plans

- 33% of the criteria of long-term incentive plans for all members of top management and managers are dependent on quantifiable CSR performance (four criteria: percentage of women engineers and managers, percentage of waste recycled, reduction in water consumption, reduction of CO₂ emission intensity).

1.5. Improvement in the Group's CSR ratings

Mersen's social responsibility performance is regularly assessed by various rating agencies, using a variety of methods and criteria. These assessments contribute to the identification and analysis of areas for improvement.

- Mersen once again had its non-financial performance assessed by EcoVadis in 2022. The company received a score of 72 (versus 67 in 2021) and confirmed its "Gold" status, ranking among the top 3% of companies in its sector;



- in October 2022, Mersen received an "AA" rating in the MSCI rankings, an improvement on the 2021 rating ("A");



- in 2022, the Group obtained a "C" rating in the annual assessment of transparency and leadership on climate issues and water security conducted by global environmental body CDP. Mersen was one of the 18,700 companies assessed globally, underscoring the Group's commitment to contributing to the transition to a more environmentally friendly economy.

1.6. Application of the European Green Taxonomy to the Mersen group's activities for 2022

The Group presents the methodology of the European Green Taxonomy and the outcomes of its application in chapter 1 of this document.

2. MAIN NON-FINANCIAL RISKS AND OPPORTUNITIES

2.1. Methodology

In 2021, to update the CSR risk and opportunity map, the CSR Committee revised the previously established list of 16 challenges to reflect the emergence of new trends and provide comparison with a benchmark of companies operating in the same or a similar sector put together by an external firm.

The same firm conducted qualitative interviews with internal and external stakeholders to assess the various challenges based on the principle of double materiality, i.e., by evaluating the risks weighing on Mersen and the risks that Mersen places on its stakeholders. The analysis also served to identify the challenges whose materiality will increase most over time.

The matrix was not changed in 2022.

2.2. Materiality matrix

This process resulted in the inclusion of a new challenge, "Business continuity", in the risk map in 2021 on account of the global pandemic. Other risk definitions were fine-tuned to sharpen their relevance. Lastly, the "Ecological footprint of our products" challenge was broken down into three new challenges: "Pollution and discharges", "Waste prevention, recycling and recovery" and "Energy consumption and climate change".

However, the "CSR Governance", "Mersen Culture" and "Impact of transportation" challenges were not included, although the third one has now been integrated into the "Responsible supply chain" challenge.

A total of 17 challenges were presented and evaluated.

Risks are expressed as challenges, a concept spanning both risks in the strict sense and opportunities. In the matrix below, risks are presented at their face value, i.e., without taking into account measures taken by Mersen to address them.

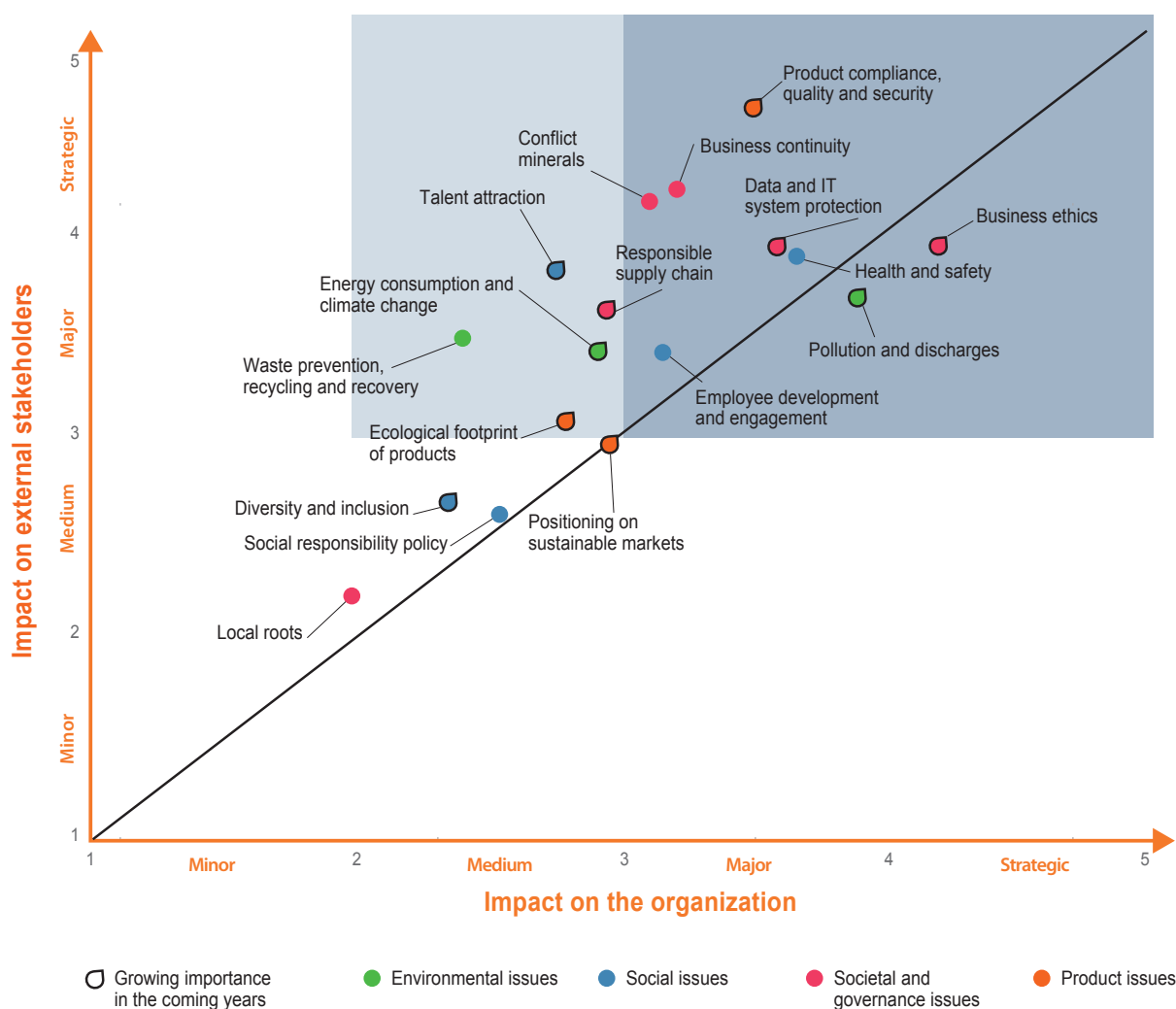
The dark gray area is for high-risk challenges, i.e., those perceived as being material or strategic both internally and for external stakeholders.

The light gray area groups together opportunities, i.e., challenges perceived as material or strategic for external stakeholders, but as moderate internally.

The blue line at the top indicates the perception of the greater materiality of the challenge for external stakeholders.

4 NON-FINANCIAL INFORMATION

Main non-financial risks and opportunities



This process resulted in the identification of 13 risks and opportunities. They are addressed in this chapter, broken down into the four following themes:

- Responsible partner;
- Limiting our environmental impact;
- Developing human capital;
- Ethics and compliance culture.

2.3. Description

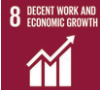
Theme	Challenge	Pages
Responsible partner	Responsible management of the sourcing of metals with potentially negative social and/or environmental impacts, particularly conflict minerals.	116
	Integration of environmental and social criteria in the purchase of products and services.	116
Limiting our environmental impact	Reduction of energy consumption, decarbonization, implementation of measures to mitigate climate change and adapt to its impact.	122
	Reduction of waste production, adoption of sorting and recovery through recycling or reuse measures.	125
	Pollution and discharges into the air, water and ground with a serious impact on the environment.	126
	Compliance with international regulations, particularly on hazardous/chemical substances.	126
	Reduction of the ecological impacts of products over the entire life cycle: reduction in the use of resources during production, eco-design, energy-saving products, etc.	124
	Preservation of business continuity in the event of exceptional climatic or health events requiring a reorganization of activities, and which may constrain international trade.	130
	Gender parity throughout the organization, local recruitment, policies in favor of disabled people and juniors/seniors, fight against all types of discrimination.	140
Developing human capital	Training and promotion policy to ensure the development of internal skills and the appropriation of the company's values by employees.	145
	Ability of the company to attract the talent essential to its operations.	134
	Working conditions guaranteeing the safety of employees and service providers.	152
	Prevention of accident risks, including psychosocial risks, both at Group level and by entity depending on their activities.	152
Ethics and compliance culture	Group ethical rules and their appropriation by partners, including corruption, fraud, competition rules.	156
	Data protection, compliance with personal data regulations, and computer system security.	159, 160

2.4. Mersen's contribution to the United Nations Sustainable Development Goals

In September 2015, 193 United Nations Member States adopted 17 Sustainable Development Goals (SDG) with a view to ending extreme poverty, protecting the planet and ensuring prosperity for all as part of a new global agenda.

Mersen supports the SDGs and has identified policies and practices within its operations that make a direct or indirect contribution to their achievement.

The Group focuses specifically on making a genuine contribution to the 12 SDGs listed below:

Theme	SDG
Responsible partner 	 
Limiting our environmental impact 	    
Developing human capital 	    
Ethics and compliance culture 	

2.5. 2022-2025 roadmap*

Drawing on the process and results of the materiality analysis presented above, the Group has plotted out a new roadmap defining its CSR priorities for the 2022-2025 period.

The performance indicators and timeframes for each objective are presented in the following sections. A summary setting out the contribution to the United Nations Sustainable Development Goals to which they contribute is presented below:



* Compared with 2021 figures unless otherwise stated.

3. 2022 REVIEW OF THE 2022-2025 ROADMAP

Priority commitments	Ambition	2025 target (unless otherwise stated)	2022 achievements
Responsible partner	Integrate environmental and social criteria in the purchase of products and services	- Assess 100% of our strategic suppliers in 2022 - Conduct audits or visits to suppliers based on their CSR rating	100% of supplier CSR self-assessments completed
Limit the environmental impact of our sites	Decarbonize and mitigate the impact of climate change	- Reduce GHG emission intensity by 20% versus 2018 - Increase the share of waste recycled to 75% - Reduce water consumption by 10% versus 2018	GHG emission intensity: -38% Waste recycling rate: 70% Water consumption: +2%
Develop human capital	Promote equal opportunity and diversity	25% of women engineers and managers by 2022 25% of women in senior management positions - Increase the number of employees with disabilities 2-fold	25.3% 23.7% 174 (x1.3)
	Promote a social responsibility policy for all	- Provide social protection with a universal indemnity in the event of death in service - Standardize profit-sharing schemes - Adopt a minimum amount of paid leave in all countries	98% of employees covered 43% of employees
	Develop and consolidate the health and safety culture within the Group	- Keep LTIR* ≤1.8 and SIR* ≤60 - Increase the number of management safety visits (MSV) by 20%	Minimum threshold set at 15 days LTIR*: 1.53 SIR*: 66 MSV*: +6,524% (+32%)
Develop of a culture of ethics and compliance	Develop and consolidate the health and safety culture within the Group	- Compulsory ethics training every 2 years for new hires - Compulsory cybersecurity training (for employees with a PC)	93% of employees 90% of targeted employees

* See glossary at the end of the document.

4. RESPONSIBLE PARTNER

With more than 50 sites in 34 countries, Mersen is an international company with a significant local footprint. The Group conducts its business according to ambitious responsible development values and goals. It is committed to improving its social and environmental practices in order to bring responsibly developed products to market.

This applies not only to its own internal practices, but also to those of its regular suppliers.

Purchasing is sourced from a wide range of suppliers with which the Group seeks to build quality relationships and amounts to approximately €500 million, or 50% of sales.

4.1. Strategy and policy

4.1.1. Purchasing Policy

The Group's Purchasing Policy, which is available in five languages (Chinese, English, French, German and Spanish), sets out guidelines for purchasing and supplies. It is underpinned by the following commitments:

- having suppliers commit to a Purchasing Charter;
- analyzing CSR risks and implementing contingency plans;
- managing the supplier base and supply chain to mitigate the Group's environmental impact and taking action to reduce greenhouse gas emissions from the products and services it purchase.

It is available on the Group's intranet.

4.1.2. Purchasing Charter

The Purchasing Charter for a Sustainable Supply Chain, which is available in five languages (Chinese, English, French, German and Spanish), formalizes relations with suppliers and sets the standard for virtuous collaboration.

The framework states the Group's requirements and promotes the implementation of best practices – including on social and environmental issues. It reaffirms Mersen's commitment to preventing slavery and protecting children's rights throughout the Group's supply chain.

The charter is circulated to regular suppliers who are asked to sign it. It is available on the Group's website.

4.1.3. External guidelines

The Group analyzes and reports its CSR impacts based on the guidelines of the Global Reporting Initiative (GRI).

4.2. Purchasing function – governance and organization

4.2.1. Organization and governance

Mersen's Purchasing function is structured by segment, purchasing category and region, covering the entire global scope. Key Category Managers (KCMs) are responsible for a set of strategic product categories organized by key account, while local purchasing is managed by purchasing teams at Mersen sites worldwide.

The Purchasing function consists of around 100 people, mainly working in the various businesses.

Developing a responsible supply chain is one of the purchasing teams' objectives and is taken into account when calculating the annual bonuses of eligible employees.

The segment Heads of Purchasing are responsible for overseeing, implementing and updating the Group's Purchasing Policy. They report to the segment Executive Vice Presidents, who are members of the Group's Executive Committee and propose an evaluation and action plans to General Management twice a year.

The Purchasing function is covered by the internal audit program. It is also audited by third parties for quality certification purposes (IATF, ISO 9001, IRIS, EN9100).

4.2.2. Training

To encourage CSR issues to be taken into account, a dedicated training module has been developed for the purchasing community. It has been available on the Mersen Academy e-learning platform since 2020. Some 50 people took the training in 2021 and another 14 in 2022.

4.2.3. Supplier Relationship Management - SRM tool

The Group has developed a supplier relationship management (SRM) tool, B2Mersen, to communicate with suppliers and manage them more effectively.

4.3. Responsible purchasing approach

4.3.1. Supplier CSR commitments

The Group's Purchasing Charter for a Sustainable Supply Chain is systematically sent out to all new suppliers, who are asked to sign it as a proof of their commitment.

In 2019, the Group also finalized a CSR questionnaire with a detailed self-assessment grid to help suppliers better integrate CSR and Compliance into their practices and measure their performance. It includes items bearing on CSR policy and related practices, ethical risks, non-discrimination, safety policy and environmental policy.

The self-assessment questionnaire has been completed by 400 strategic suppliers, representing 80% of the bill of materials (BOM). This objective is part of the Group's CSR roadmap.

4.3.2. Supplier mapping, action plans and progress monitoring

The self-assessments have made it possible to assign "Supplier CSR" ratings, with results and the related improvement plans monitored in the B2Mersen SRM.

The average rating in 2022 was 54/100.

Suppliers with a rating lower than 25 will be audited in order to define improvement plans and monitor their implementation, in collaboration with Mersen teams.

Suppliers with a rating higher than 25, but lower than 50, will be inspected on site, which may lead to a more in-depth audit.

The Group has committed to performing these audits and inspections by 2025 (2022-2025 CSR roadmap).

4.3.3. CSR risk and compliance management

Third-party corruption risk assessment

The Group has established a procedure to assess third-party corruption risk, including suppliers, using an internal database. All new third parties are now assessed on the basis of a risk table, with high-risk third parties subject to more in-depth scrutiny.

In 2022, specific assessments were conducted for 12 suppliers (out of a total of 86 third-party assessments) and the findings did not reveal any particular corruption risks.

Compliance with conflict minerals regulations

The systemic extraction and trade of certain natural resources such as tin, tantalum, tungsten and gold (often referred to as "conflict materials") can lead to serious human rights violations and abuses.

Pursuant to European Regulation (EU) 2017/821 on conflict minerals and the equivalent US legislation (section 1502 of the Dodd Frank Act), the Group is strengthening its processes to track conflict minerals throughout the supply chain in order to identify and assess supply risks related to minerals from conflict-affected areas. Moreover, the Group's Purchasing Charter sets out the commitments that suppliers have to make concerning the sourcing of tantalum, tin, tungsten and gold (and any other substances that could be added to the list of conflict minerals in the future) used in products they supply to the Group.

Conflict Minerals Reporting Templates (CMRTs) are available on Mersen's website. Corrective measures may be put in place if necessary. Approximately 95 suppliers are required to update their statement of compliance annually.

4.3.4. Supply chain environmental footprint reduction

Recyclability of key raw materials

Mersen's Purchasing Policy defines the practices to be implemented by the Group's purchasing community in order to encourage, in particular, recycled material alternatives whenever possible. In 2022, the Group identified the proportion of certain recycled materials in its purchases, focusing on copper (25% of the copper purchased comes from recycling channels). This approach will be continued in the coming years by integrating in particular silver, aluminum, steel and some graphite raw materials.

Local supply chain

The Group strives to select suppliers located as close as possible to its production facilities when feasible. It believes that this is the case for more than 80% of its purchases in the Europe, North America, China and India regions.

Greener vehicles

Whenever possible, the Group favors the use of electric or hybrid vehicles. In 2022, it issued a call for tenders for material-handling equipment with a view to replacing 95% of its internal combustion engine machinery with electric alternatives by 2025.

80% of the Group's purchases are made with partners located in the same geographical region as the purchasing site.

4.4. Revenues in sustainable development markets

Mersen operates in highly innovative sectors including renewable energies, energy efficiency and clean transportation and, for this reason, **invests in finding ways to help the green industry bloom.**

Mersen's solutions contribute to the progress made in photovoltaic solar energy, and to the manufacture of wind turbine generators. The Group also works with hydro generator manufacturers, and helps to **improve the performance and reliability of the equipment and infrastructure** of new forms of urban mass transit and electric vehicles.

In 2022, the Group generated 56% of its sales in sustainable development markets, as defined in its 2018-2021 roadmap. That definition does not replace those used in the EU Taxonomy Regulation and Delegated Acts presented in chapter 1 of this document.

4.4.1. Renewable energies

For many years, Mersen has been working alongside the leading manufacturers in the renewable energy sector. In addition to providing high-performance and sustainable solutions, we help get the energy produced to the customers.

Solar: Mersen supports the entire solar cell production process, from polysilicon manufacturing to silicon ingot pulling, and provides electrical protection for the panels. Our solutions optimize performance in terms of photovoltaic yield and energy efficiency.

Wind: Mersen is the leading supplier of the wind power sector, both in generator power distribution systems and yaw motors.

Hydroelectric power: Mersen is the preferred partner for customers across the hydroelectric industry, from turbine manufacturers to power plant operators.

Energy storage: Mersen offers electrical component solutions for the protection and monitoring of industrial lithium-ion batteries, which are used in the solar and wind energy sectors.

4.4.2. Electronics

Mersen offers electronics manufacturers comprehensive solutions to cover their insulation, heat recovery or power conversion needs.

Semiconductors: Mersen contributes to the development of semiconductors that are increasingly compact and efficient thanks to its offering of premium graphite and insulation felts. The quality and high-precision machining of our materials and coatings actively optimize manufacturing processes.

Power electronics: Mersen's solutions help manufacturers better adapt energy generation to needs, and therefore optimize the energy efficiency of their facilities.

4.4.3. Energy efficiency

Mersen is positioned on markets whose growth is linked to energy efficiency and the energy transition. Our solutions address both production costs, energy consumption of certain processes, and the final performance of products.

Manufacturing processes: Mersen provides optimized solutions for the entire high-temperature process industry. We offer a range of high-performance insulation products providing significant energy savings (see section 4.5). Other components are also used for speed drives to optimize the output of industrial equipment. Lastly, for certain process such as in mining and chemistry, Mersen's offering includes energy- and water-saving units (see section 4.5).

LED: Mersen provides graphite-based solutions and high-performance materials that are critical in the manufacture of LEDs. The increasing use of these particularly long-lasting bulbs has a considerable impact on electricity consumption.

4.4.4. Clean transportation

Mersen actively supports the development of clean transportation through its solutions that improve the performance and reliability of equipment and infrastructure.

Rail and urban mass transit: Mersen provides equipment for rolling stock and infrastructure electrical systems to enhance the reliability and performance of these popular means of transporting both people and goods.

Hybrid industrial vehicles and light electric vehicles: Mersen helps car manufacturers meet the challenges of this booming market. Thanks to our expertise in managing direct current in batteries, we are able to offer solutions for battery management and protection.

4.5. Contribution to reducing the impact of industrial activities at customer sites

Most of the products and solutions designed and manufactured by the Group help reduce the environmental impact of our customers' products or processes. This impact is measured in terms of longer life, improved performance or reduced consumption. These savings are taken into account by our customers.

Reduced energy and water consumption **Eco&Flex Synthesis Unit for the production of liquid HCl**

This new-generation synthesis unit limits the production of steam for our customers, thereby reducing the CO₂ emissions linked to the production process:

- 60 liters of oil are needed to generate 1 tonne of steam. That represents the equivalent of 0.17 tonnes of CO₂ emissions per tonne of steam;
- with Eco&Flex and its heat recovery system, a synthesis unit producing 50 TPD (Tonnes Per Day) of HCl will generate 30 TPD of steam. That would prevent the emission of 1,785 tonnes of CO₂ over a year.

It would also reduce water consumption and in turn the associated kW:

- for the same synthesis unit, the saving would be 80 cu.m per hour, thereby reducing the consumption of electricity for cooling.

Reduction of 1,785 t CO₂ per year
Reduction of the water flow by 80 cu.m per hour
Reduction of 100 MW per year

Reduced energy consumption **Insulation felt for the semiconductor industry**

The semiconductor manufacturing process involves very high temperatures (2400°C, the sublimation point of silicon carbide).

The very high insulating power of Mersen's insulation felt allows our customers to reduce their energy consumption by 15% compared with a standard product. If all players in the sector were to equip themselves with Mersen insulation felt, the savings could represent 25 GWh, or the equivalent of the CO₂ emissions of 3,000 cars.

Reduction of 25 GWh per year

Reduced material consumption **New Modulostar fuse holder**

Mersen has designed a product based on the PEP (Product Environmental Profile) process. It helps define the areas offering scope to minimize the product's environmental impact.

The new Modulostar fuse holder will allow the following estimated savings based on current production:

Reduction of 22 t of copper per year

Other examples include:

• **Improved product life**

Grades of brushes or collector strips

Using an eco-design approach, the Group has developed new grades of brushes for wind generators and rail collector strips that improve the life of these products and thereby reduce maintenance downtime.

• **Reduced pollution**

MERSEN DustCollector, clean generators for hydroelectric power plants

The MERSEN DustCollector systems are designed to avoid short circuits caused by the reduction in insulation between the active coils and the ground. Each component of the chain, from the brushes to the industrial vacuum unit, is carefully studied and selected to collect a maximum amount of carbon dust during operation.

4.6. Commitment to society: improved understanding of the planet thanks to Polar Pod



Mersen is an official partner of the Polar Pod expedition, whose goal is to study the balance of the earth's climate and its biodiversity. The Polar Pod is an international oceanographic station. The program, which is coordinated by the French National Centre for Scientific Research (CNRS) in partnership with the French National Space Agency (CNES) and the French Research Institute for Exploitation of the Sea (IFREMER), has four avenues of research: air/ocean exchange, Southern Ocean monitoring, biodiversity survey and human impacts.

Mersen will contribute its energy management and power electronics expertise to ensure the Polar Pod platform's optimal autonomous performance.

The Perseverance supply vessel, specially designed for the Polar Pod expedition, was built and launched in 2022. IFREMER officially kicked off construction of the Polar Pod in December.

4.7. Circular economy

For Mersen, the drivers of the circular economy are as follows:

- sustainable supply chain: reducing the environmental and social impacts of purchasing through a responsible approach (see section 4.3);
- eco-design: taking environmental impacts into account systematically from the product design stage thanks to eco-design (see section 5.4.1);
- industrial ecology: optimizing the use of raw materials (see section 5.4.2) and controlling the use of hazardous substances (see section 5.4.4);
- improving waste management and recycling at all our industrial facilities (see section 5.4.3);
- using our products for markets related to sustainable development (see section 4.4);
- managing product end-of-life (see section 5.4.5).

5. LIMITING OUR ENVIRONMENTAL IMPACT

5.1. Environmental policy

Mersen is committed to reducing the environmental impact of its products and industrial operations. Every year, the Executive Committee renews its commitment to not compromise on environmental issues, regardless of the business, economic or financial challenges. This commitment is displayed in the local language at all of the Group's sites.

In addition, the Group responsibly develops products and solutions that enable customers to reduce their emissions.

The Environmental Management System (EMS) is an **environmental policy** that sets out the objectives, organization and principles implemented at all Group sites. It is based on the following elements:

- objectives, organization and steering committees;
- compliance with environmental regulations and operational control;
- sustainable use of resources (energy and water, materials, product eco-design);
- mitigation of climate change and reduction of greenhouse gas emissions;
- protection of biodiversity and control of discharges and waste.

As is the case every year, the environmental policy underwent a comprehensive assessment by the Executive Committee. In 2022, no changes were made. It was then submitted to and approved by the Board of Directors.

Governance

The Board of Directors: The Board of Directors endeavors to protect the interests of the Company and its shareholders while taking into consideration the social and environmental challenges of the Company's activities. To this end, it has appointed a director responsible for CSR issues who works closely with the Group's Executive Management and the Health and Safety, Environment and Industrial Risks function to address climate and environmental issues. The Board approves the environmental policy annually.

The HSE Committee: this committee comprises the Chief Executive Officer, the Human Resources Department, the Operational Excellence Department and the heads of both of the Group's segments. It oversees all environmental and health and safety actions and indicators at Mersen and meets on a monthly basis.

The Group Health and Safety, Environment and Industrial Risks function: this function is part of the Operational Excellence Department, which is responsible for implementing the Group's environmental program across all of its manufacturing sites.

Manufacturing Site Managers: Manufacturing Site Managers are responsible for implementing an environmental management system that is effective, compliant with regulations and adapted to the local business. They must appoint an environmental manager to oversee initiatives and report on a dotted-line basis to the Group's Health and Safety, Environment and Industrial Risks Manager.

Manufacturing Site Environmental Managers: Manufacturing Site Environmental Managers are in charge of monitoring site action plans, coordinating activities and evaluating progress. At the end of 2022, all manufacturing sites had an environmental manager appointed by the Site Manager.

Training/information

Communication of the environmental policy, training and awareness-raising on environmental issues are essential.

All new employees are required to take an e-learning course on the Mersen Academy platform called "Discover Safety & Environment by Mersen". It includes presentations, videos and quizzes on health, safety and environmental issues affecting the Group.

A total of 8,781 training hours were devoted to the environment in 2022, compared with 10,270 in 2021, a decrease of 14%. This decline reflects efforts in 2021 to launch the power and water management initiatives. The number of training hours in 2022, on the other hand, was 38% higher than in 2020.

Environmental training	2022	2021	Change
Training hours	8,781	10,270	-14%

Adapting to the circumstances, the Group continues to devote the appropriate financial resources to bring itself in line with regulatory developments and carry out environmental improvement projects. As a reminder, in 2021, the Group decided to move its operations in South Korea to a site with fewer environmental risks. This explains the significant amount of environment-related investments in 2021. Investments in 2022 totaled €3.8 million. Without the project in South Korea, investments in 2022 and 2021 would have been the same amount.

In €m	2022	2021	Change
Environmental investments	3.8	6.4	-41%

5.2. References

With regard to certification to the ISO 14001 environmental management system standard, the Group has focused its initial actions since 2019 on sites presenting the most significant environmental challenges, and will extend this scope from 2023.

Percentage of manufacturing sites certified	2022	2021
ISO 14001 – Environmental Management System	41%	39%
Environmental Management System – ISO 14001 (sites > 125 ppl.)	56%	56%

5.3. Limiting greenhouse gas (GHG) emissions

Mersen's industrial activities involve the development of graphite-based advanced materials and the assembly of electrical components. There are two steps in the graphite manufacturing process: heat treatment and machining. Those resulting from the production of electrical components are the assembly of the different elements of the component.

Mersen's greenhouse gas emissions are mainly related to energy consumption and the purchase of materials for manufacturing graphite-based materials.

Every year, Mersen completes the CDP Climate Change questionnaire. The CDP is a non-governmental organization that publishes corporate environmental information and provides a framework for action to combat global warming. The Group underlines its commitment and complete transparency by publishing its detailed emissions and reduction targets.

As in 2021, the Group scored a C on the Climate Change 2022 questionnaire (A indicates current best practices, B coordinated actions on climate issues, C awareness of climate impacts and issues, and D transparency on climate issues).

The Group is a member of the European Carbon and Graphite Association (ECGA), which participates in dialogue with European institutions to ensure prior consultation on the application of regulations concerning the graphite industry.

Early in 2021, the Group undertook to reduce the intensity of its greenhouse gas emissions by 20% between 2018 and 2025 (ratio of Scope 1 and 2 emissions in tCO₂ to sales in €m).

5.3.1. GHG emissions audit

The GHG Protocol standards break emission sources down as follows:

Scope 1 emissions

The Group's direct emissions resulting from:

- fossil fuel combustion for processes and building heating;
- fuel consumption by company vehicles;
- chemical transformation in graphite and felt production processes.

Scope 2 emissions

The Group's indirect emissions relate to the production of electricity. They result mainly from the consumption of electricity in industrial processes, and the heating and lighting of buildings.

Scope 1 and 2 emissions concern the Group's own activities. As a consequence, reducing these particular scopes is the priority.

Scope 3 emissions

Scope 3 emissions are indirect emissions from the Group's upstream and downstream value chain, resulting from:

- purchases of goods and services (components, plastics,...);
- purchases of investments;
- maritime, air and road transport, divided into upstream and downstream;
- business travel and commuting;
- waste.

Indirect emissions related to product use and end of life are not reported because none of the numerous types of uses are predominant. First, it is impossible to reliably estimate either category in view of the prevailing understanding of product use data and the lack of a recognized methodology. However, Mersen is developing products that consume reduced amounts of energy for our customers (see section 4.5).

The 2022 changes in scope set out below were reviewed to determine whether the 2021 data needed to be adjusted. It was decided that no adjustments were required for 2021 (emissions from the El Jadida site in Morocco were insignificant in comparison with the Group):

- manufacturing sites acquired or sold: none;
- manufacturing sites transferred to other Group sites: Fairfield to Reservoir, Ssangam to Chenoan;
- manufacturing sites, with or without sub-contracting, shut down and closed: El Jadida (emissions in tons of CO₂ equivalent: 86 (2021), 23 (2022));
- administrative sites transferred or shut down and closed: Moscow, St Petersburg.

GHG emissions in tonnes of CO ₂ equivalent	2022	2021*	Change
Direct emissions from fuel combustion	66,626	57,920	
Direct emissions from company cars	1,542	1,734	
Direct industrial process emissions	24,277	19,994	
Scope 1 emissions subtotal	92,445	79,648	+16%
Indirect emissions related to electricity consumption	44,136	79,032	
Scope 2 emissions subtotal	44,136	79,032	-44%
Indirect emissions related to the purchase of goods and services	141,976	105,364	
Indirect emissions related to capital expenditure	71,467	59,160	
Indirect emissions related to sea, air and road transportation – Upstream	19,558	20,255	
Indirect emissions related to sea, air and road transportation – Downstream	1,719	1,228	
Indirect emissions related to business travel	1,551	319	
Indirect emissions related to commuting	3,968	3,763	
Indirect emissions related to waste	5,629	4,743	
Scope 3 emissions subtotal	245,868	194,831	+26%
TOTAL EMISSIONS	392,449	353,511	+8%

* Emissions at constant 2022 scope.

The above emissions are calculated in accordance with the market-based method laid down by the GHG Protocol standards.

GHG emissions in tonnes of CO ₂ equivalent	2022	2021*
Indirect emissions related to electricity consumption (market-based)	44,136	79,032
Indirect emissions related to electricity consumption (location-based)	137,824	117,670

* Emissions at constant 2022 scope.

5.3.2. Reducing Scope 1 and 2 GHG emissions

Reducing GHG emissions involves three types of measures:

- reductions in energy consumption;
- energy purchased from a certified renewable source;
- self-generation of electricity using renewable or less GHG-intensive energy sources.

Reductions in energy consumption

Reducing the environmental footprint by reducing energy consumption is a priority for the Group. All manufacturing sites are involved in this continuous improvement process and are responsible for monitoring and improving their own energy consumption. Areas for improvement have been identified and actions are being taken to reduce energy consumption.

Energy in MWh	2022	2021	Change
Net electricity consumed	267,886	239,116	
Electricity purchased and consumed	266,448	238,210	
Self-generated and consumed electricity	1,566	1,317	
Self-generated and sold electricity	-128	-411	
Natural gas	264,180	227,417	
Liquefied petroleum gas (LPG)	2,774	2,474	
Fuel oil, propane, butane	4,705	3,246	
TOTAL	539,545	472,253	+14%
Energy intensity ratio in MWh/€m of sales	484	512	-5%

The Group's energy consumption amounted to 539,545 MWh in 2022, compared with 472,253 MWh in 2021, an increase of 14%. Electricity and natural gas are the two main energy sources, and the graphite and felt production processes using high-temperature furnaces in the Advanced Materials segment are the most energy-intensive.

The energy intensity ratio decreased from 512 to 484 MWh/€m of sales from 2021 to 2022. Energy was consumed during the start-up phase of the graphite production site in Columbia (United States), without there being any associated sales in 2021. Its energy intensity improved in 2022.

The principle of energy efficiency is implemented by production sites in renovation and maintenance projects, buildings and industrial processes. Systems for measuring and sub-measuring electricity consumption are being phased in to accurately measure consumption.

The vast majority of manufacturing sites continue to regularly replace inefficient lighting with LED bulbs.

The subsidiaries are gradually equipping their fleets with hybrid or electric vehicles. The installation of charging stations continues at several production sites.

Initiative in 2022

Several sites, including Gennevilliers, Pagny, Amiens, Kaposvar, Bommasandra, Dorion, Toronto and M'Ghira, have taken organizational measures to reduce the gas and electricity consumption of their auxiliary equipment. Air compressors (electric motor devices that convert power for applications such as ventilation and dust collection) are one such example. Operating hours were reviewed and reduced to the bare minimum, and drivers were installed to adjust power to the desired level.

Certified renewable electricity purchasing

In addition to initiatives aimed at reducing energy consumption, the Group is working to substitute its energy purchases with green energy (solar, hydro or wind) associated with energy attribute certificates.

In 2022, the Group stepped up its efforts by increasing from 5 to 14 the number of manufacturing sites that have signed certified renewable electricity purchase agreements. The addition of eight sites in China and one in Spain drove the amount of certified renewable electricity from 77,964 to 155,053 kWh.

Energy in MWh	2022	2021	Change
Electricity purchased with energy attribute certificates	155,053	77,964	+98%

Self-generation of renewable electricity

Mersen has eight manufacturing sites equipped with solar power plants. Four are designed for self-consumption and four partly for self-consumption and partly for exportation to the grid. In 2022, 24% of the electricity (3,152 MWh) used by the Saint-Bonnet site (France) came from self-generation. The Group plans to implement these renewable systems when there is a clear technical and economic advantage.

Initiative in 2022

The Husum site (Germany) is equipped with a biogas combined heat and power plant. The biogas fuel is derived from biomass, such as plant waste, corn and other grains. The combustion of the biogas drives a generator, which produces electricity and heat. The electricity is fed into the public power grid and the heat is used to supply building heating and sanitary water. Thanks to this system, the site can reduce its environmental footprint and cut energy costs by around 90%.

Taking into account the share of renewable electricity in purchases, calculated on the basis of the country's electricity mix (source IEA 2019 and 2020), as well as energy attribute certificates and self-generated renewable electricity, the volume of renewable electricity consumed by the Group came to 181,726 MWh in 2022, compared with 115,888 MWh in 2021.

In 2022, renewable electricity accounted for 68% of the Group's total energy consumption, up from 48% in 2021.

Renewable electricity in MWh	2022	2021	Change
Share of renewable electricity in purchases (excluding certificates)	25,602	37,017	
Electricity purchased with energy attribute certificates (certificates)	155,053	77,964	
Self-consumption of self-generated renewable electricity	1,566	1,317	
Self-generated renewable electricity sold	-128	-411	
TOTAL	182,093	115,888	+57%
Share of renewable electricity as a %	68%	48%	

Reduction of 20% in Scope 1 and 2 emissions intensity between 2018 and 2025

Emissions from prior and baseline years (since 2018) are not adjusted to the 2022 scope for the intensity ratio calculation. The scope for each year is the current scope, and emissions are consistent with sales.

The Group is on track to reduce intensity by 20% by 2025 thanks to measures to lower energy consumption and purchase energy from renewable sources.

In 2022, intensity decreased by 38% compared with 2018.

In 2023, the Group will examine a pathway for Scope 1 and 2 emissions, both in terms of intensity and absolute emissions, based on business forecasts.

Emissions intensity of Scopes 1 and 2 in tCO ₂ equivalent/€m of sales	2022	2021	2018*	2022-2018 change
Scope 1 emissions in tCO ₂ equivalent	92,445	79,648	67,021	
Scope 2 emissions in tCO ₂ equivalent	44,136	79,032	105,906	
Scope 1 and 2 emissions in tCO ₂ equivalent	136,581	158,680	172,927	
Sales (€m)	1,114.8	922.8	878.5	
INTENSITY	123	172	197	-38%

* Emissions at constant scope.

5.3.3. Controlling Scope 3 GHG emissions

Scope 3 indirect emissions are attributable to sources upstream and downstream of the Mersen value chain. Based on 2022 data and excluding the use and end-of-life categories of products sold (see explanation in “GHG emissions audit” section), they amount to 245,868 tCO₂ equivalent and break down as follows:

- purchases of goods and services (58%);
- maritime, air and road transport (9%);
- purchases of investments (29%);
- waste (2%);
- business travel and commuting (2%).

Indirect Scope 3 emissions accounted for 64% of total emissions. An increase in business volume automatically brings about an increase in goods and services procurement and transportation. In 2023, the Group will examine a pathway for these indirect emissions based on business forecasts.

Measures to control and reduce emissions from purchases of goods and services

The aim of the eco-design approach is to reduce the need for raw materials as much as possible (see section 5.4.1). For the same function, reducing the consumption of raw materials is the first means of limiting the environmental impact.

Measures to control and reduce transport emissions

The Group continues to develop information systems to measure greenhouse gas emissions with its transport providers. Emissions can be reduced using the measures set out below:

- restriction of the use of air freight;
- increase in the use of maritime, rail and river transport when alternatives to road transport are possible;
- pooling of transportation between subsidiaries;
- optimization of truck loading;
- use of the same means of transportation to avoid empty returns.

5.4. Innovating for a circular economy

Limiting the environmental impact also means implementing circular economy principles, which consist in moving from a linear consumption pattern to a circular approach akin to natural ecosystems.

The Group incorporates circular economy principles through the following measures:

- product design with the progressive integration of eco-design;
- responsible use of raw materials;
- waste management and recycling;
- control of the use of hazardous substances.

5.4.1. Product design with the progressive integration of eco-design

To offer products with a reduced environmental impact, Mersen uses appropriate techniques for the design of its new products by phasing in impact assessment practices throughout the life cycle.

Improved product life: Mersen designs and manufactures different types of consumables. This product category mainly concerns advanced materials, such as brushes for transmitting electrical current or crucibles for melting silicon. The Group is pursuing its R&D efforts to extend the life of these products, while responding to customer requests to lower operating costs.

For example, the lifespan of a wind turbine brush has grown from an average of 18 months in 2014 to 36 months in 2022.

Technology watch: trained in eco-design, the R&D teams at Mersen integrate environmental impact reduction targets into the specifications of new products. A group of experts has begun life cycle assessments of certain products.

Monitoring and measuring impacts: Mersen uses a suite of tools to monitor and measure the impact of its products in real conditions. The Electrical Power segment uses EIME (Environmental Improvement Made Easy) software for analyzing products' environmental impact (water and air pollution, depletion of national resources, etc.) at each stage of their life cycle. When it comes to the choice of raw materials, packaging weight, assembly steps, waste volumes and recycling, the software ensures the traceability of existing lines while providing a basis for comparison when developing future product lines.

Eco-sustainable redesign-to-cost approach: the Mersen group has been developing this approach based on the functional analysis of products. It is intended to replace or reduce the proportion of certain components or raw materials, substituting others that are more environmentally sound without affecting product functionality. This approach will be systematically applied to new products.

5.4.2. Responsible use of raw materials

The Group has identified the main raw materials used in its manufacturing processes:

- graphite products such as pitch, coke, artificial graphite, copper, aluminum and steel;
- felt products, namely viscose fiber and phenolic resin;
- brush, fuse, bus bar and cooling products, namely copper, aluminum and plastic.

These seven raw materials represent significant volumes in relation to other purchases of goods.

The consumption of raw materials needed to manufacture graphite and felt is measured based on volumes of finished products, converted using coefficients from the product manufacturing recipes (pitch, coke, artificial graphite, viscose fiber and phenolic resin). The consumption of metals (copper, aluminum, steel) and plastic is derived from the purchasing data. Increased business activity in 2022 was reflected in the consumption of raw materials.

Since 2022, recycled metals consumption is also being measured. For example, the share of recycled copper purchases totaled 25% in 2022. In the coming years, the Group will continue to pursue a policy to promote recycled materials by improving the quality of its reporting and ensuring that suppliers meet recycling standards.

Raw materials in tonnes	2022	2021	Change
Pitch	10,170	8,342	+22%
Coke	11,101	9,077	+22%
Artificial graphite	5,116	4,220	+21%
Viscose fiber	1,470	1,228	+20%
Phenolic resin	122	110	+11%
Copper	4,248	3,528	+20%
of which recycled copper	1,079	N/A	
Aluminum	1,691	1,873	-7%
Steel	1,207	486	+148%
Plastic	631	N/A	

The graphite manufacturing process produces production residues, some of which are reused without additional processing in various production processes within the Group or in external channels. These residues are called by-products.

The consumption of wood and cardboard packaging materials is monitored at each site. They are used for downstream logistics for delivery to customers and between subsidiaries.

Raw materials in tonnes	2022	2021	Change
Timber	2,589	2,293	+13%
Cardboard	1,962	1,738	+13%

5.4.3. Waste recycling

The Group's recycling rate has grown steadily since 2018, rising from 46% in 2018 to 63% in 2021. In 2022, a new target was set of 75% by 2025. The fact that it achieved a rate of 70% in 2022 demonstrates the soundness of its initiatives. The Group has taken initiatives to recycle the production residues of graphite products, which generate the largest volumes of waste. It has worked with the steel sector, which uses graphite scrap and dust.

Industrial waste in tonnes	2022	2021	Change
Waste	20,776	17,268	+21%
- o/w hazardous waste	1,881	2,098	-10%
- o/w recycled waste and by-products	14,451	10,842	+33%
Waste recycling rate	70%	63%	

Initiative in 2022

The La Mure site (France) has introduced aluminum scrap compactors into its cooling plate machining process. The immediate consequence has been a decrease in the volume of hazardous waste. This operation has also made it possible to reuse cutting oil, and therefore reduce water consumption, transportation and the risk of pollution. The initiative will be extended to other Group sites.

5.4.4. Use of hazardous substances

RoHS Directive

The European RoHS Directive 2002/95/EC (Restriction of Hazardous Substances) sets rules restricting the use of hazardous substances in electrical and electronic equipment.

The Group complies with regulations and has based its organization on the following principles:

- update of calculations and certificates in accordance with the latest list distributed (substances and thresholds);

- provision of EU declarations to European customer services;
- active work by the R&D function on the replacement of substances on the exemption list to renew product lines before the RoHS deadline.

REACH Regulation

The European REACH Regulation 1907/2006/EC (Registration, Evaluation, Authorization and Restriction of Chemicals) is a unique integrated system imposing responsibility for registration and authorization of chemicals on industry. The Group complies with regulations and has based its organization on the following principles:

- collection of Safety Data Sheets from strategic suppliers;
- identification by the R&D function, in collaboration with the Purchasing, and Health and Safety functions, of presence of REACH substances and drafting of the necessary regulatory documents;
- provision of regulatory data to the Group's European customer services.

Since 2010, the Group has registered several substances used in the production of graphite (primarily resins) and felt. High-temperature coal tar pitch is an input that is subject to approval, but it is considered to be an intermediate product in the manufacturing process and is excluded from the REACH registration as it is untraceable in the graphite end product.

5.5. Controlling pollution

Emissions of all kinds (air, soil, water) and waste create a challenge in minimizing environmental impacts. Reducing them is both a regulatory requirement and an environmental performance goal.

Operations identified as having significant environmental impacts, legal requirements and environmental objectives have been listed for each site. The most complex operations are managed using documented procedures.

Despite Mersen's best efforts, it is impossible to totally rule out the possibility of an environmental incident or other emergency situation arising. The prompt development of emergency procedures can reduce injury rates, prevent or minimize environmental impacts, protect lives and minimize the loss of assets.

Mersen systematically carries out an environmental audit when purchasing or selling industrial real estate. Similarly, the Group performs environmental impact assessments for its significant prospective investments.

5.4.5. Product end-of-life management

The products that Mersen sells are integrated into complex systems by its customers, most of which are OEMs (Original Equipment Manufacturers). Consequently, it is generally our customers who take the decision to recycle those products, based on their own recycling procedures, and the Group acts as a long-term partner in the overall recycling process.

The Group's products can be split into two main categories:

Electrical products: low-voltage electrical products are subject to the European WEEE Directive 2002/96/EC (Waste Electrical and Electronic Equipment), and the Group pays the eco-contribution in accordance with the rules of each of the European countries where the products are sold.

Graphite-based products: because graphite powder and waste are used for making artificial graphite, graphite recycling forms part of a virtuous circle.

For example:

- the Suhl plant (Germany) and one of its customers are continuing to recover graphite scrap that hasn't been used since the 2000s;
- some wind turbine brushes are made from silver. One of the Group's customers in Germany returns its used brushes and, depending on the weight of silver recovered, gets a number of new brushes free of charge.

In 2022, the Group did not receive any notifications from environmental authorities and paid fines that totaled €34,000.

	2022	2021
Provisions for environmental risks (in €m)	4.2	4.4
Fines for non-compliance with environmental laws and/or regulations (in €m)	0.034	0
Notifications from environmental authorities (number)	0	6

5.5.1. Control of air emissions

Air emissions from the Group's activities come mainly from two sources:

- gas emissions related to the pyrolysis of raw materials to obtain graphite. These processes include gas emission processing systems to eliminate toxic products, sulfur dioxide (SO₂) and volatile organic compounds (VOCs). Such systems capture an average minimum of 90% of these pollutants. Nine sites emit SO_x and NO_x and comply with local regulatory requirements;
- particulate emissions due primarily to processes for raw material crushing and graphite product machining processes, and to silication used in fuse manufacturing processes. Each process includes a system to filter and capture particulates.

In Europe, four sites are subject to the European Directive 2010/75/EC (the Industrial Emissions Directive or IED). They are located in France (Amiens, Gennevilliers, Pagny-Sur-Moselle) and the United Kingdom (Holytown). Adopted in 2010, the IED aims to prevent and reduce air, water and soil pollution caused by industrial facilities by relying on the Best Available Techniques (BAT). These sites were contacted by their respective regulatory authorities for a review of their operations on the basis of BAT.

5.5.2. Soil pollution

Mersen does not directly exploit either the soil or biodiversity in its activities. Production sites are located mainly in specifically regulated activity zones.

The Group responsibly manages soil and groundwater contamination according to the following principles at all production sites:

- implementation of the prevention policy;
- implementation of an operational control in the event of an emergency procedure;
- soil remediation in consultation with local regulatory authorities.

In 2021, Mersen began soil remediation work at the Saint-Loup-de-Naud site (France) after obtaining approval from the administrative authorities. In 2010, the Group identified soil pollution that occurred prior to the acquisition of the site in 1991. The first phase of the work consisted in installing a hydraulic barrier to remove as much of the pollutant from the soil as possible. The process is working well and no impact on biodiversity or the local communities was identified in 2022. The first phase will continue until the contamination is reduced to a level specified by the administrative authority.

5.5.3. Biodiversity protection

In 2021, the Group updated its environmental policy with a commitment to protecting biological biodiversity so as to ensure the protection and survival of animal and plant species, genetic diversity and natural ecosystems. This commitment is based on the prevention, management and repair of damage to natural systems resulting from the Group's activities and their emissions and waste.

In 2021, the Group identified its production sites (both former and current) and their proximity to protected areas in a biodiversity map. Three sites are located within one or more protected areas, and 14 are located within a kilometer of one. All sites have received detailed information on their positions and their responsibility with respect to biodiversity. At the end of 2022, the Frankfurt office (Germany) was sold, and the Asan-Si plant (South Korea) was transferred to another site, though the Group still owns the site. The number of sites concerned has therefore been reduced from 17 to 16.

No site reported biodiversity loss in 2022.

Country	City	Protected area	Surrounds	WDPA reference	Category (IUCN or other)	Main usage	Owner/ Lessee	Type of protected area
Germany	Husum	Adjacent	Standortübungsplatz Husum	555517811	Natura 2000	Plant	Owner	Land
Germany	Jestetten	Adjacent	Hochrhein-Klettgau	321646	V	Plant	Owner	Land
Germany	Linsengericht	Adjacent	Auenverbund Kinzig	378402	V	Plant	Lessee	Land
Germany	Maulburg	Adjacent	Dinkelberg und Röttler Wald	555623537	Natura 2000	Plant	Lessee	Land
Brazil	Cabreuva	Inside	Apa Cabreuva	555576351	V	Plant	Lessee	Land
Canada	Vaudreuil-Dorion	Adjacent	Lac Saint-Louis (Rivière des Outaouais) Water Fowl Gathering Area	555567530	IV	Plant	Owner	Land
South Korea	Asan-Si	Adjacent	Chungcheonnampo Asansi Eumbongmyeon 2	555637530	IV	Plant Operations shut down	Owner	Land
Spain	San Feliu De Llobregat	Adjacent	Serra de Collserola	555523642	Natura 2000	Plant	Owner	Land
France	Bazet & Lannemezan	Adjacent	Echez water system		ZNIEFF type I	Plant	Owner & lessee	Fresh water
France	La Mure	Inside	Bas-marais du Villaret		ZNIEFF type I	Plant	Owner	Fresh water
France	La Mure	Inside	Lacs et zones humides du pays Matheysin		ZNIEFF type I	Plant	Owner	Fresh water
France	La Mure	Inside	Prairie humide de la citadelle		ZNIEFF type II	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Les Pres et Gravieres de Pagny-sur-Moselle		ZNIEFF type I	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Boisements humides et Gravieres d'Arnaville		ZNIEFF type I	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Coteaux calcaires du Rupt de Mad au Pays Messin		ZNIEFF type II	Plant	Owner	Land
France	Pagny-sur-Moselle	Adjacent	Lorraine		Natural Park/5	Plant	Owner	Land
France	Saint-Loup-de-Naud	Inside	Ancienne tourbière de la Voulzie		ZNIEFF type I	Plant Not operated by Mersen	Owner	Fresh water
France	Saint-Loup-de-Naud	Inside	Rivière du Dragon		Natura 2000	Plant Not operated by Mersen	Owner	Fresh water
Netherlands	Schiedam	Adjacent	Nnn-Zh	555638690		Plant	Lessee	Sea
Tunisia	M'Ghira	Adjacent	Sebkhet Sejoumi	903086	Ramsar	Plant	Lessee	Land
USA	Louisville	Adjacent	Beargrass Creek Greenway at Irish Hill	555602449	V	Plant	Lessee	Land
USA	Newburyport	Adjacent	Ram Island State Wildlife Sanctuary – Salisbury	555655682	VI	Lab/R&D Former factory	Lessee	Sea
USA	Newburyport	Adjacent	Carr Island	55551004	V	Lab/R&D Former factory	Lessee	Land

WDPA: World Database on Protected Areas.

IUCN: International Union for Conservation of Nature.

5.5.4. Reduction of water consumption

The Group uses water primarily to cool equipment used in heating processes (firing, graphitization and impregnation of graphite), ensuring water quality before disposal. Discharges are subject to rigorous inspection to avoid any risk of pollution. In 2021, the Group undertook to reduce its absolute consumption by 10% between 2018 and 2025.

Following a unit error at a U.S. site, data for 2018-2021 were corrected in 2022.

Water withdrawals in 2022 represented 764,352 cu.m, an increase of 3% from 2021. Compared with 2018, the progression was 2% despite a significant increase in sales (up 27% as reported between 2018 and 2022). The Group has implemented protection measures to secure data and carried out targeted initiatives at two of the main contributing sites. As a result, the ratio of withdrawal intensity to sales has improved substantially. The Group is pursuing its water reduction plan by developing long-term projects for its principal sites.

Water consumption in cu.m	2022	2021	2018	2022-2021 change
Total water consumption	764,352	741,151	747,853	+3%
- o/w sourced from water suppliers	669,872	609,899		
- o/w sourced from surface water	3,852	1,150		
- o/w sourced from underground water	90,628	130,102		
- o/w sourced from seawater	0	0		
- o/w sourced from water produced	0	0		
Percentage change in water consumption since 2018	+2%	-1%		
Water consumption intensity in cu.m/€m sales				
Water consumption intensity ratio	686	803	851	-14.5%

Aware of its responsibility and in accordance with its commitments made in 2018, the Group mapped the water stress of its production sites in 2021, drawing on the global conservation atlas prepared by the World Resources Institute. The degree of water stress corresponding to the gap between natural supply and human demand is determined by ecoregion. Ecoregion stress levels in which sites are located are presented below in descending order of criticality:

- sites in Bangalore (2) and Pune (India): extremely high;
- sites in Santiago (Chile), Malonno (Italy), Juarez and Monterrey (Mexico), Terrassa and Sant-Feliu (Spain), M'Ghira (Tunisia) and Gebze (Turkey): high;
- other sites: medium-high, low-medium, low or no stress.

The production sites with the highest consumption are not located in regions with high or extremely high levels of water stress.

Initiative

The Bangalore site in India is working collectively to find solutions to save water, such as reprocessing wastewater or installing water savers. Since 2019, the site also benefits from a 200,000-liter reservoir to collect rainwater.

5.6. Managing climate-related physical risks

Mersen has endeavored to identify the main phenomena related to extreme weather events near its production sites: earthquakes, winter storms, hail, lightning, tornadoes, cyclones, volcanoes, fires, floods and tsunamis.

With the help of an external firm, mapping of the Group's sites was drawn up in 2021, using Munich Re's Nathan (now Natural Hazards Edition) maps. The highest exposures were determined for the following sites and dangers:

- sites in Chiba and Kazo (Japan) and Gebze (Turkey): exposure to earthquakes;
- sites in Chanxing, Kunshan and Shanghai (3 sites) (China), Pagny-sur-Moselle and Gennevilliers (France) and Juarez (Mexico): exposure to flooding.

The table below presents an assessment of potential dangers which the 14 production sites representing the highest asset values face.

Main climate events		Earthquake	Winter storm	Hailstorm	Lightning	Tornado	Tropical cyclone	Volcano	Forest fire	Flash flood	Flooding	Coastal flooding	Tsunami
St. Marys	USA	1	2	2	2	3	1	0	1	3	1	0	0
Pagny sur Moselle	France	1	3	2	2	2	0	0	0	2	5	0	0
Amiens	France	1	3	2	2	2	0	0	0	2	1	0	0
Gennevilliers	France	1	3	2	2	2	0	0	0	2	5	0	0
Saint Bonnet de Mure	France	1	3	3	2	2	0	0	1	2	1	0	0
Chongqing	China	1	0	3	2	3	0	0	2	2	1	0	0
Bay City	USA	1	2	2	2	3	0	0	1	2	1	0	0
Holytown	UK	1	3	1	1	1	1	0	1	2	1	0	0
Greenville	USA	1	2	2	2	3	0	0	1	2	1	0	0
Juarez	Mexico	1	2	2	2	1	0	0	2	2	5	0	0
Bazet	France	2	2	4	2	2	0	0	0	2	1	0	0
Songjiang	China	1	1	3	2	1	2	0	1	3	5	5	0
Hittisau	Austria	2	3	2	2	2	0	0	1	2	1	0	0
St. Marys (office)	USA	1	2	2	2	3	1	0	1	2	3	0	0

Level of risk: 0: none – 1: very low – 2: low – 3: moderate – 4: high – 5: very high

Overall, Mersen's property assets and activities appear to have little exposure to physical climate-related risks.

The impacts of climate change on the ability to work in hot weather are the subject of adaptation measures already in place (seasonal shift in collective schedules, shift rotation, additional breaks, ventilation of workstations, etc.).

The Group commissioned a detailed assessment of the Juarez site's (Mexico) exposure to climate risks (see chapter 1, Taxonomy). The results show that the site is highly exposed to high-temperature hazards and moderately exposed to water stress. In addition to measures already taken (insulating buildings, painting walls white, reusing water), the site will study other adaptation strategies in 2023 in order to further limit the risks.

6. DEVELOPING HUMAN CAPITAL

6.1. Human Resources strategic roadmap

In 2020, Mersen drew up its new strategic HR Roadmap for 2021 to 2025, based on four main pillars, which comprise programs and objectives related to "Human Capital". Each of these programs is led by one or more members of the Executive Committee and is aimed at strengthening the promotion of a corporate culture whereby people are the bedrock of the Group and its business development.

The four major programs are focused on:

- affirming Mersen's identity;
- being a learning organization;
- enhancing the employee experience;
- HR excellence & support.

6.2. References

Mersen's approach to human rights is set out in its Human Rights Policy. Circulated within the Group in 2021, it has been translated into four languages (English, French, Chinese and Spanish).

It serves as a reference for the "Ethics at Mersen" training course, which is mandatory for all Mersen employees.

This Group Policy is based on the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the United Nations Global Compact, whose principles it supports and respects.

6.3. Organization

The HR organization is structured around four main areas that interact on a daily basis:

- **The Group Human Resources Department** defines and implements Group policy. It provides expertise on specific topics (compensation and benefits, human capital development, training and performance management, HR Information Systems, internal communication), as well as common HR tools and solutions. The Vice President for Human Resources is a member of the Group Executive Committee and the CSR, HSE, Compliance and Diversity committees.
- **The segments' human resources** services provide the businesses with the talent and resources needed to achieve their strategic objectives. They also play a key role in anticipating employee skills and development needs.

- The Group and business HR departments are supported by **regional HR teams** to ensure the effective implementation of the Group's HR policy and programs in the different host regions, in compliance with local regulations. These departments play a vital role in managing labor relations.
- **The site human resources services** assist managers on a daily basis in assessing and developing the human resources needed to achieve the site's objectives. These services also manage payroll-related administrative tasks and are supported, in some countries, by shared services centers designed to optimize efficiency and costs.

6.4. Workforce mapping

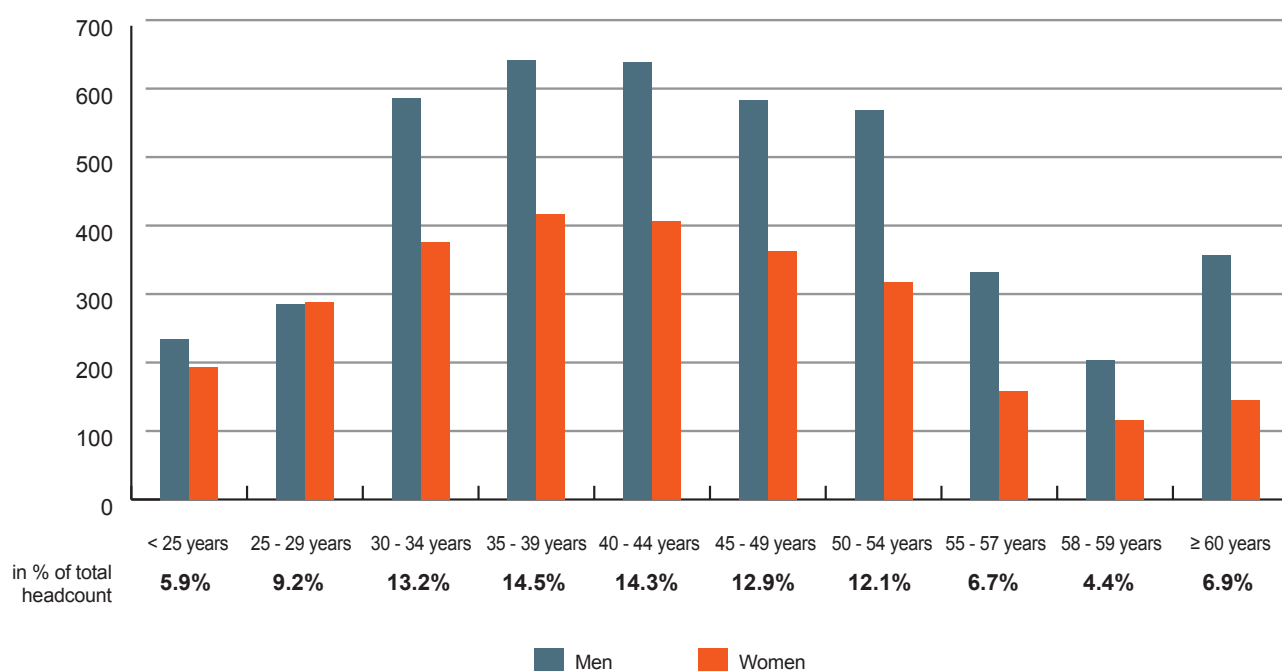
Headcount by region	2022		2021	Change
Europe	2,745	38%	2,661	+84
o/w France	1,329	18%	1,309	+20
North America (including Mexico)	2,377	32%	2,153	+224
Asia-Pacific	1,676	23%	1,635	+41
South America – Africa – Middle East	517	7%	519	-2
TOTAL	7,315		6,968	+347

The workforce is comprised of 59 nationalities.

Headcount by employee category	2022		2021	Change
Engineers and managers	1,590	22%	1,546	+44
Technicians and supervisors	1,585	22%	1,511	+74
Clerical workers	229	3%	231	-2
Operators	3,911	53%	3,680	+231
TOTAL	7,315		6,968	+347

Headcount by age and length of service	2022	2021
Average age	42.3	42.2
Average age (women)	41.3	40.9
Average age (men)	43.0	43.0
Average length of service	8.5	8.9
Average length of service (women)	7.1	7.4
Average length of service (men)	9.4	9.8

Age pyramid



Headcount by type of contract	2022	2021
Permanent work contracts	6,207	5,614
Permanent work contracts (women)	2,324	2,076
Permanent work contracts (men)	3,883	3,538
Fixed-term work contracts	1,108	1,354
Fixed-term work contracts (women)	459	561
Fixed-term work contracts (men)	649	793
TOTAL	7,315	6,968
of which part-time employees	2.8%	2.8%
Temporary contracts (average annual FTE)	637	119
Work-study programs, professional training contracts, etc.	96	100

Changes in headcount	2022	2021
End of year headcount Y-1	6,968	6,434
Scope	0	295
Hires*	2,755	2,465
Terminations*	-278	-220
Retirements	-98	-82
Other departures	-627	-435
Resignations	-1,386	-1,356
Adjustments	-19	-133
END OF YEAR HEADCOUNT	7,315	6,968

* HRIS scope.

The majority of the year's hires and departures were in Mexico (49% of hires and 52% of other departures). Mersen has a high staff turnover rate in Mexico as the local labor market is very volatile. This is also the case for some sites in China. This partly explains the Group's recruitment rate (number of new hires/year-end workforce) of 39.5%.

Terminations mainly concerned Mexico (34%) and the United States (14%).

Voluntary turnover (ratio of voluntary departures to the average annual workforce) and overall turnover (ratio of overall departures to the average annual workforce) are calculated excluding the Juarez site (Mexico) and China.

	2022	2021
Voluntary turnover	9.4%	9.2%
Overall turnover	19.5%	16.5%
Absenteeism	4.9%	4.0%

High turnover in 2021 and 2022 was related to job market pressure in many countries.

6.4. Affirming Mersen's identity

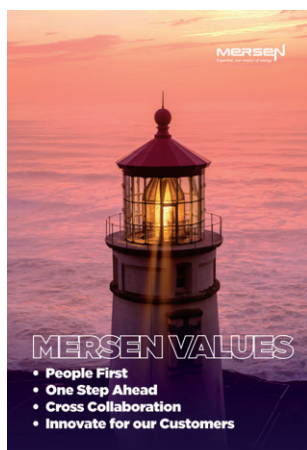
6.4.1. Shared values

In 2016, five fundamental values were formalized and communicated across the Mersen organization, laying the foundation of a Group culture that is strong, recognized and appealing because of the level of trust and responsibility given to employees. These fundamental values determine who we are and how we work together.

Since then, the context has changed, as has the way employees perceive and embrace these values as a source of pride – that is, what makes them especially proud to be part of the Group.

As a result, the Group decided to redefine these five values in order to align them more closely with the everyday concerns and perceptions of its employees (as expressed in surveys), without, however, revolutionizing them. There are now four values instead of five.

The Mersen group's new values are: put people first; always be one step ahead; promote cross-functional collaboration; and innovate for our customers.



To encourage employees to buy into the new values, various communication and information sharing workshops were organized at each Mersen site in September 2022.

The Group continues to ensure that its fundamental values are effectively put into practice. In particular, it conducts worldwide surveys on values and commitments to compare its fundamental values with those encountered by employees on a daily basis, as well as those they aspire to for Mersen's future. This survey gave the Group both a local and global vision, enabling it to define indicators for each site (human potential success rate, pride in belonging, alignment with values, alignment with duties, engagement rate), together with action plans.

Confirming the positive trend of the previous years, the latest survey conducted at the end of 2022 revealed a rise in the human potential success rate. A vast majority of employees (91% vs. 89% in 2018) also said they were proud to belong to the Group. According to the different 2022 surveys, employees consider the main sources of pride to be: the fact that Mersen is a global international group, has a rich history, is attentive to the well-being and safety of its employees and focuses development on technological innovation while remaining faithful to its values.

6.4.2. Rollout of the employer brand

To continue to innovate and develop high-quality solutions and components, our Group must attract and retain talent.

In 2021, Mersen formalized its employer brand in order to achieve this. Working groups were created to collect testimonials from Mersen employees, with a view to formalizing a shared vision.

This resulted in the development of a strong employer brand that reflects our identity, who we are and the experiences of employees. The employer brand represents the Group's promise to its current and future employees.

It is based on 3 pillars:

■ Be part of the progress

A promise that illustrates the diversity of its professions, technical qualifications and cultures: At Mersen, we're proud to be drivers of progress and to contribute to tomorrow's world.

■ Be part of the challenge

A promise that represents opportunities for development in an industrial environment driven by technological innovation: At Mersen, everyone gets the opportunity to shape their career and development thanks to a rich and diverse array of professions.

■ Be part of the family

A promise that embodies the idea of a company with a human dimension, where relations, at every level, are built on proximity and simplicity, where people enjoy a good working environment: At Mersen, team spirit and mutual support are part of our day-to-day.

Contribute to tomorrow's world, have opportunities to develop, be recognized and appreciated: These are the pillars of our "Be part of the changing world" global positioning, summed up in the tagline: "Mersen, a genuinely industrial & human culture".



In December 2020, Mersen rolled out its employer brand in six pilot countries: Austria, Canada, China, France, India and the United States. A year later, after the brand was fully implemented in these countries, feedback from all pilot stakeholders was collected and analyzed. Based on this analysis, preparations for brand rollout were made in all of the Group's host countries, which took place in May 2022.

The Group currently boasts a robust employer brand network of more than 140 ambassadors, whose role is to draw on their personal stories at Mersen to promote the brand, both internally and externally.

The countries carried out a variety of employer brand initiatives in 2022, including training sessions for managers and human resources staff and employee video testimonials.

A customized training course for recruiters called "How to improve the hiring process through employee branding and CSR" is being finalized and is scheduled to launch in the first quarter of 2023.

Great Place to Work®

In November 2022, Mersen India received Great Place to Work® certification, which recognizes employers who create an outstanding employee experience.



6.4.3. Inclusion: collaboration based on respecting local cultures and combating all forms of discrimination

6.4.3.1. Respect for local cultures

Present in 34 countries on four continents, Mersen has made the diversity of its teams' origins, training methods, cultures and ways of thinking one of its quintessential strengths.

Diversity has formed part of the Group's values and HR strategy for a long time now, as we believe that having a wide variety of profiles is a real asset and a driver of engagement and performance. This very diversity is what drives collaboration between our teams and sparks our creativity so that we can understand the needs of our customers around the world better.

Diversity, and more specifically gender balance, is now one of the pillars of the Group's CSR policy and our employer brand. Because we firmly believe that promoting diversity will have a profound and positive impact on our organizations and business.

Mutual respect, the recognition of the intrinsic value of each individual whatever their origin, and combating all forms of discrimination are key aspects of our corporate culture. The Group strives to ensure equal opportunities at every level, while maintaining and strengthening the multi-disciplinary capabilities of teams.

In 2020, an anti-harassment policy was published at Group level and supplemented locally in line with the applicable laws and regulations. For example, in France a charter was drawn up on preventing and managing workplace bullying, sexual harassment and sexist behavior. It sets out the process to follow when handling any employee complaints. As early as June 2015, a local harassment reporting procedures had been defined and introduced in North America. A similar procedure has also been extended to China (August 2022).

As a member of the United Nations Global Compact, Mersen is committed to eliminating all forms of discrimination in employment and occupation around the world. We also defend this cause within various organizations and regularly discuss best practices with other companies.

6.4.3.2. Local commitment: Mersen, partner to schools and universities

Mersen cultivates ties with schools and universities in all of its countries of operation in order to introduce young people to its sectors of activity and operations. As a strong advocate of learning, the Group is actively involved in training the talents of tomorrow by awarding scholarships and welcoming young people at its various sites through work-study contracts, internships or orientation visits.

Objective	Attract and train students, promote and stimulate interest in industrial careers, support education
Train and promote learning	■ South Africa: The site has developed a close relationship with the SAJ Competency Training Institute, which provides regular technical training (fitters and turners, boilermakers, electricians); ■ Austria: The Hittisau plant has a very active apprenticeship policy, in which eight apprentices are hosted by the site for several years. In 2022, seven apprentices joined the company on short-term summer contracts; ■ Chile: In 2022, a training program was developed in partnership with the Pontificia Universidad Católica de Chile to allow a selection of students to improve their leadership and communication skills; ■ Spain: The Terrassa site set up a university internship program that will accept several interns per year, including foreign students; ■ France: Created to address the difficulty in recruiting high-precision machining specialists, Mersen's in-house school at the Gennevilliers site has offered a seven-month work-study certificate program since 2015, in partnership with AFORP, a professional training body. Chiefly geared to job seekers, the program is also open to Mersen employees, allowing them to earn an additional qualification. Since the school was first established, 40 external people and seven Mersen employees have been trained, including 25 who were hired on fixed-term and permanent contracts. After having been put on hold for two years due to the health crisis, the program was relaunched in 2022 and currently has seven trainees; ■ Hungary: A partnership created in 2021 with Óbuda University in Budapest provides electrical engineering training at the Kaposvar site; ■ China: The Yantai site has established a partnership with the Yantai Engineering Vocational and Technical College to enable site employees to continually improve their skills; In 2022, 70 technicians and operators received a nationally recognized certificate of competency and an apprenticeship grant through this program. ■ United States: The St. Marys plant teamed up with a local school to hire young graduates; ■ Grande-Bretagne: The Teesside plant has entered into a partnership with a local university that combines research projects with work-study placements. One of the participating students has been recruited by the Group and is preparing a doctorate simultaneously; ■ India: As part of its ongoing partnership with Teamlease, the site is helping 150 young people gain operational skills over three years while continuing their studies; ■ Netherlands: The Schiedam plant has been officially recognized as a "learning company", enabling it to attract students whom it can then train in the production unit; Worldwide: Interns and work-study students are offered opportunities in many of the countries where the Group operates.
Stimulate interest in the industry and its professions	■ Austria: At the Hittisau plant, 14 teenagers participated in career discovery days focused on technical and administrative jobs, six school visits were hosted, and a bring-your-child-to-work day was held; ■ China: Virtual job fairs were held at several universities, including Chongqing University of Technology and University of Shanghai for Science and Technology; The Xianda site organizes student visits through a partnership with the Shanghai Institute of Technology; ■ Spain: The Terrassa plant attends university graduation ceremonies to make itself more accessible to students and enhance its visibility. A female Open Expert visits schools to encourage young girls to study engineering; ■ France: Mersen Boostec has been supporting the local engineering school ENIT for several years as a member of its administrative committee; The Amiens plant has created a scholarship for the children of employees enrolled in a college-level program. The site is also a partner of many schools, universities and training centers; ■ Hungary: Since 2020, the Kaposvar plant has been participating in the annual "Night of Power Plants" to promote engineering and technician jobs to young people. The site also organizes visits for high school students; ■ India: The site runs a number of initiatives in partnership with schools and universities. These include plant tours, helping students with specific projects and career counseling for employees' children; Worldwide: The sites regularly participate in university fairs to look for apprentices and interns.

Objective	Attract and train students, promote and stimulate interest in industrial careers, support education
Support education	■ China: Mersen volunteers visited elementary schools in Yufeng and Yunnan to distribute school supplies to children; ■ South Korea: Scholarships were offered to seven students and one needy person; ■ United States: Women in Mersen (<i>WiN</i>) team members at the Columbia site participate in Tennessee Achieves, a mentoring program for high school students. The St. Mary's site has introduced a scholarship program for the children of employees; ■ India: Mersen helps fund an organization that provides training to vulnerable young women and a daycare center for employees' children; ■ Brazil: Different types of support are available to employees, such as partial reimbursement for technical or language training.

6.4.3.3. Success and close relationships through local management

While Mersen enjoys a strong corporate culture, it needs to adapt to local cultures to be truly effective. This is why all of the Group's sites are run by local managers. This balance of respecting our principles and values and recognizing local realities is what lends substance to the Group's human dimension.

Industrial plants	2022	Sites with a workforce of above 125	2021
Europe excluding France	13	3	13
France	8	4	8
North America	14	3	14
Asia-Pacific	13	4	13
Africa and South America	4*	2	5
TOTAL	52	16	53
<i>Site managers with local nationality</i>	<i>100%</i>		<i>98%</i>

* In 2022, outsourcing of activities in Morocco.

The Group influences local and regional development because it has facilities around the world. It promotes local initiatives implemented by local teams, while also making sure these initiatives comply with the Group's values and Code of Ethics.

Local teams take part in both economic initiatives with local partners and charitable initiatives.

Objective: develop local economic partnerships

- Project examples**
- **China:** The Harbin site joined the New District of Harbin's industry-education alliance. China Holding is a member of the board of the China Electric Carbon Association;
 - **Spain:** The San Feliu site is a member of the think tank "AEPLA", which brings together several local companies to enhance the industrial community;
 - **France:** Mersen actively participates in competitiveness clusters, which bring together groups of companies and institutions in a clearly identified geographic area to examine a specific topic:
 - Mersen Boostec, located in the Occitanie region, is a member of the European Cluster of Ceramics, Aerospace Valley (aviation, space and embedded systems) and the European House of Innovative Processes (MEPI). The company has also joined the French Confederation of Ceramic Industries and the French Federation of Photonics,
 - Mersen Angers is a member of S2E2 (*Smart Electricity Cluster*), a competitiveness cluster specialized in renewable energy, electricity grids and energy efficiency,
 - Mersen Amiens is a member of several networks: France Chimie, Amiens Chamber of Commerce and Industry, GERME (Groupes d'Entraînement et de Réflexion au Management des Entreprises) and MDEP,
 - The Pagny-sur-Moselle site participates in social committee meetings organized by France-Chimie (East) on a regular basis;
 - **India:** Mersen is a member of the Karnataka Employers' Association, which organizes job training, as well as the Confederation of Indian Industry (CII);
 - **United States:** The plants belong to different local organizations:
 - Greenville: Michigan Chamber of Commerce, local chamber of commerce,
 - Louisville: Women in Manufacturing (WIM),
 - Rochester: Women in Manufacturing, Society for Women in Engineering,
 - Salem: Roanoke Workforce Development Board, ASME graphite code development subcommittee, Salem economic development strategic planning committee.

Mersen also relies upon local charities to address specific community needs and issues as much as possible, through a variety of initiatives. Through these initiatives, the sites and teams collectively engage in community outreach actions that in turn provide them with a sense of pride and meaning:

Objective: raise awareness and take action to protect the environment

- Project examples**
- **Argentina:** Waste paper is collected for recycling by a non-profit organization that uses the revenue to develop its charitable activities. In 2022, 30 boxes of paper weighing about 130 kilos were collected;
 - **Austria:** The Hittisau plant provides assistance to employees wishing to purchase electric bicycles;
 - **Brazil:** The project "Zero Plastic Waste Generation" was launched to eliminate the use of single-use plastic. Objectives include:
 - replacing 9,600 plastic bottles used in 2021 with 2,000 refillable glass bottles in 2022;
 - replacing bubble wrap and polystyrene with paper for the packaging of small items;
 - holding a contest to create a work of art from recycled single-use plastic;
 - **China:** In Harbin, a group of employees collected 53 kilos of waste during a clean-up operation at the river next to the site.

Objective: support vulnerable people through charitable actions**Project examples**

- **China:** Mersen Xianda provides assistance to two poor families in the city of Fengcheng through a local government initiative called "Dream Action";
- **South Africa:** Employees donated 200 blankets to underprivileged children;
- **United States:** The Rochester plant organized a Thanksgiving food drive in 2021 and 2022, as well as a campaign to benefit a women and children's shelter in the city. The Bay City site has supported several organizations since 1999 (United Way, Toys for Tots, Women's Shelter, Rescue Mission, food banks);
- **Worldwide:** Most of the Group's sites give cash or in-kind donations, or organize collections for local charities (cancer or Alzheimer's research, women's refuges, children's homes, retirement homes, food banks, animal welfare organizations, etc.) and employees from a number of sites volunteer their time together.

Funding cancer research

Some 696 Mersen France employees took part in the Institut Curie's "A Daffodil Against Cancer" collective race. Thanks to their engagement, Mersen covered a total of 38,185 kilometers. For each kilometer covered, the Group donated 1€ to cancer research. At the beginning of July 2022, the three runners who ran the most kilometers for Mersen gave a check of €38,185 to the Institut Curie.

"Donation and Recycling" Operation in Mersen China

A day dedicated to donation of clothes for recycling was held in China in September 2022. The objective of the event was to strengthen awareness of environmental protection, demonstrate the site's commitment to CSR and promote the Mersen brand. All Mersen China employees were encouraged to get involved in the initiative, which resulted in the collection of more than two tons of clothes.

6.4.3.4. A commitment to employee health and wellness

The physical and mental health of employees is at the heart of Mersen's values; most sites provide annual checkups. In addition to complying with local and Group standards, the sites implement a variety of health and wellbeing initiatives:

Prevention and wellness

- **South Africa:** The site held a health week event focused on prostate and breast cancer in July 2022;
- **Austria:** A health booklet prepared with the help of physiotherapists was distributed to employees in 2022. Healthy dining solutions were introduced at the Hittisau plant;
- **Brazil:** Health-related initiatives are organized on a regular basis: A doctor available on site during pink October and blue November provides medical advice and prescribes tests, and blood pressure checks are offered to employees throughout the year;
- **Chile:** The site conducted a psychosocial survey and created a "wellness committee" in 2022;
- **China:** All of the plants organize health discussions for employees;
- **United States:** The Salem site has forged a partnership with *Hope Tree Family Services*, a non-profit organization that provides mental and behavioral health services to children and adults;
- **United Kingdom:** A "Wellbeing Days" campaign held in October 2022 was aimed at providing tips and advice on how to lead a healthier life and identify the signs of illness that require medical attention.

Screening and medical follow-up

- **South Africa:** Employees are offered tuberculosis screening and eye exams. A support program exists for people with AIDS;
- **Brazil:** A doctor available on site provides medical advice and prescribes tests, while blood pressure checks are offered to employees throughout the year;
- **China:** All of the plants conduct annual health checkups and organize health discussions for employees. Employees at the Yantai site have access to sports fields;
- Moreover, flu vaccination campaigns are carried out in Oceania, South Korea, France, South Africa and the United Kingdom.

Promote sports

- **China:** Employees at the Yantai site have access to sports fields;
- **United States:** The St. Marys plant organized an on-site walking challenge in which employees were asked to walk 10,000 steps per day for six weeks. The Louisville site created a racing group in 2022;
- **India:** Employees are encouraged to participate in yoga sessions;
- **Sweden:** The Mersen Nordic site offers its employees gym membership.

6.4.3.5. Gender balance: ensuring equality in the workplace at all levels

The Group's primary objective, namely the integration of an increasing number of women in all roles including roles in production, has over many years led to several initiatives in recruitment, professional development, communication, raising manager awareness, compensation, maternity/paternity leave, organizational changes, adaptation of workstations, etc.

	2022	2021	2018
% of women in the Group's workforce	38	38	36
% of women in senior management positions (on the Executive Committee and the management committees of businesses and support functions)*	23.7	22.6	27
% of women engineers and managers	25.3	24.4	20

* Members of the Group's Executive Committee; members of the Segment and Business management committees; senior managers and directors reporting to the Chief Executive Officer, the Group Vice President for Finance and Administration or the Group Vice President for Human Resources.

To attain this objective, the Group established a diversity governance structure based on four areas of action.

Governance

The Group's Executive Board is responsible for the policy on gender equality and ensures its implementation. Mersen's Diversity Committee, created in 2018, comprises Executive Committee officers and Human Resources directors, illustrating the importance Mersen places on diversity. The committee meets four times a year. The committee's role is to monitor the progress of the Group's commitment, put forward proposals to the Executive Committee, decide on and carry out priority actions for the year, and share and encourage best practices.

The Group's diversity policy and the progress of action plans are presented and discussed each year at a meeting of the Governance, Appointments and Remuneration Committee, which is one of the Board of Directors' specialized committees. In addition, diversity is one of the four CSR criteria underlying the multi-annual variable compensation of the Group's key executives.

All Mersen entities contribute to the Group's goal of increasing the number of women employees. More generally, all Mersen managers are involved in this diversity transformation process, particularly through special training.

Special attention is given to bottom-up feedback in order to better identify any problems women encounter which hold them back in their professional development, and to better align gender objectives among the different countries and segments. In 2020, Mersen took part in a research project on gender equality in the workplace created by PWN Lyon and the IDRAC business school, in order to find out more about the extent to which gender inequality still exists and the underlying reasons for it. The results were published in 2021.

Mersen's diversity action program is based on the following four areas:

■ Recruiting more women, especially engineers and managers

The Group has set two objectives:

- one for the recruitment of women engineers and managers: in 2018, Mersen set itself the collective goal of hiring more women engineers and managers in order to increase female representation in this category to at least 25% in 2022, compared with 20% in 2018. The objective was achieved in 2022, and the Group now aims to increase the proportion of women engineers and professionals to at least 27% by the end of 2025.
- the other for increased representation of women on the Group's management committees: the Group has set a target of having 25% of women in senior management bodies by 2025.

The Group has laid down certain hiring rules: In the event of the departure of a management committee member (Group, Segment, Business), efforts are made to find a woman to fill the vacancy. At all other levels, the candidate shortlist must include applicants of both sexes, except when there are specific hiring challenges that must be shown to be unbiased. The Group's recruitment guide not only highlights the need for parity among the final candidates, but also among the selection panel.

In addition, the recent implementation of the employer brand stresses the importance of developing women's careers, both internally and externally, thereby helping to promote them.

■ Developing women's careers and giving them greater visibility to encourage internal promotion

In order to deliver on its commitments, the Group needs to create a robust talent pool of women who can develop their skills and reach the highest levels of responsibility.

The effort to promote women from within is backed by the Group's career committees, which strive to identify female talent more efficiently and enhance the internal visibility and promotion of women. In recent years, the number of women on career committees has more than doubled. They are now also present in the Group's Open Expert network.

In 2018, the Group launched a mentoring program to accelerate the development and recognition of female talent. It is now deployed worldwide (Europe, North America, China). At the last session in 2022, 46% of mentors and mentees were women. The program now teams up high-potential women with Group senior managers in order to support their career development and facilitate their internal promotion to positions of responsibility.

The Group also created Women in Mersen (WiN), a network that offers women development opportunities and gives them greater visibility. Today the network conducts concrete actions throughout the world. For the first time, representatives from each of the regional networks met online at the end of 2022 to exchange best practices and discuss better ways to coordinate their actions.

- **American networks:** The network had 138 members at the end of 2022 (triple that of 2021), 39% of whom are men. In 2022, it forged a partnership with Women In Manufacturing and the Society of Women Engineers, which seek to empower women in industry. The Brazilian subsidiary created a network in 2022. Comprised of 50 members, it participated in a "zero plastic" project, and its recommendations were implemented in the workshop.
- **European networks:** This network has existed since 2019 and includes 69 members, some of whom met in October 2022 at the Maulburg site (Germany). France set up a network a few years ago. This year, its 79 members were invited to a conference on sexism led by an outside speaker.
- **Asian networks:** Created in 2022, the Chinese network already has 132 members from the different local sites who are very active on the social media. Mersen India is developing a network.

■ Building an inclusive culture

Through the launch of its global anti-harassment policy in 2021, Mersen formalized its commitment to zero tolerance of harassment and gender-based violence.

All sites are encouraged to provide harassment prevention training to managers, HR heads and employees. In the United States, all employees have undergone sexual harassment training. In the future, all new Group employees will be required to undergo this training.

The 2021 anti-harassment policy defines the roles and responsibilities of the different stakeholders in the case of suspected harassment, as well as follow-up guidelines and the penalties, if applicable. This policy has been supplemented by specific procedures in the different host regions.

Since 2020, a challenge has been organized every year around International Women's Day, showcasing the best local initiatives to promote gender balance. Increasingly popular, this initiative underscores Mersen and its teams' commitment to gender equality via strong employee participation through tangible, transparent actions. The third edition was a resounding success, with 34 participating sites. The Diversity Committee used the opportunity of International Days, a seminar that brings together Mersen's top managers, to announce the most significant initiatives in 2022 and congratulate the sites that implemented them. Four sites were recognized: Santiago (Chile), Pagny-sur-Moselle (France), Mersen Argentina and M'Ghira (Tunisia). Mersen Chile won the first prize for a rap video clip on inclusion, equality and gender balance.

Adjustable working hours for mothers in Hungary

The opening of a new production site in Kaposvár (Hungary), where women account for more than 75% of the workers, gave the local HR team an opportunity to set up a "mother's shift" from 8 a.m. to 4 p.m. to help and support women with young children returning to work.

Lastly, diversity awareness is promoted at the Group level through a one-hour training module available in six languages on the Learning Management System (LMS) platform. Lasting an hour and available in six languages, this module is compulsory for the Group's managers and supervisors and recommended for all other employees. Its aim is to help them fully realize the advantages and opportunities that comes with having a diverse organization. Awareness of the issue is spread via numerous local actions.

A Diversity Newsletter is published quarterly to share news and best practices on the topic.

In June 2021, Mersen joined the global community of companies taking action to promote gender equality by signing the United Nations Women's Empowerment Principles.

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

■ Promoting equal pay between men and women

The Group pays particular attention to reducing any gender pay gaps in its salary policy and is stepping up action in this area.

Since March 2020, the Group has published the professional equality index for each site with more than 50 employees in France, together with improvement plans, on its website.

In 2022, the Group also introduced a new tool to analyze pay equality. The Mercer methodology was selected for its rigorous approach, its national and international coverage and the fact that it is already used by many companies. The indicators resulting from this analysis (notably the gross wage gap and the gender wage gap) were compared. The analysis was conducted on all sites in France, the United States and Canada. The study highlighted the existence of gender pay gaps between men and women. The Group has established a goal of eliminating this pay gap by 2025 and has set aside a special budget to reduce the discrepancies in the three countries concerned, starting in January 2023. This analysis will be gradually extended to other regions of the world (Germany, China, etc.).

At the end of 2022, the ratio of female median wages to male median wages was calculated for each country. On this basis, the Group calculated the median ratio of all of the country ratios:

Median ratio of women to men	Basic salaries	Gross items paid
Engineers and managers	0.82	0.79
Technicians and employees	0.87	0.87
Operators	0.86	0.83

These figures do not take into account length of service or type of job.

6.4.3.6. Inclusion: stepped up efforts to promote the integration of disabled workers

Mersen is aware of its responsibility to develop equality, inclusive values and respect for diversity. Consequently, in 2021, Mersen decided to add disability in its proactive diversity development plan by including it in the Diversity program. To this end, concrete actions for the employment of disabled people have been developed, with a focus on recruitment, job retention, combating prejudices and stereotypes, accessibility and workplace adjustment.

To mark its decision, the Group published a disability policy and joined The Valuable 500, an international network of 500 CEOs and their companies working towards lasting change for the 1.3 billion people living with a disability worldwide.



On the basis of a survey carried out at all sites at the start of 2021, an objective and a policy have been set to better integrate people with disabilities.

The new policy is built on four main pillars:

- recruitment and job retention;
- adaptation of the physical work environment;
- combating prejudices and stereotypes;
- promoting internal and external inclusion.

This policy aims to strengthen the presence of disabled employees within its teams at all levels of the organization and to have access to a pool of talent that has not been sufficiently solicited until now.

The employment rate for people with disabilities was 2.4% at the end of 2022, up from 1.9% in 2021. The Group has established the objective of doubling the number of disabled employees by 2025 (i.e., more than 200 people). In Mersen's host countries, plants must comply with any legal obligations to which they are subject, and sites where employees with disabilities account for a very small percentage of the total workforce must develop and implement a clear plan of action (the United States, Canada and Mexico in particular). Local situations vary widely (employees with disabilities represent 0% to 6.7% of the workforce, depending on the site).

More efforts are needed to raise awareness of disability issues to build and foster an inclusive culture within Mersen. To improve knowledge about disability, particularly among management staff, the awareness-raising module developed in 2021 was incorporated into the Group's Learning Management System (LMS) platform in 2022. It is now mandatory training for managers and supervisors, and it is recommended for all other employees. Testimonials are available from different countries (Brazil, South Korea, United States, France, Hungary, India, Switzerland, Tunisia), and those who wish to deepen their knowledge have open access to additional training resources.

In early 2022, the 28 sites that participated in the International Day of Persons with Disabilities in December suggested implementing initiatives to illustrate the four pillars of the Group's disability policy, including contacts with specialized partners and non-profit organizations, hosting interns, collective awareness sessions with outside speakers or internal presentations, discussion workshops and inspirational readings.

Objective: sustainably integrate people with disabilities through employee education and engagement

Awareness-raising	■ South Africa: A sculpture was made depicting invisible disability; ■ Brazil: During an open day event, children of employees created paintings on the theme of disability and inclusion. The works were then exhibited in the factory; ■ China: Testimonials from disabled people were posted on the local video platform (Youku); ■ United States: Themed posters were displayed on the premises. A suggestion was made to develop employee awareness in the form of a quiz; ■ France: The Amiens plant organized a diversity week that included disability themes. An introduction to sign language session was held at the Pagny-sur-Moselle site.
Supply subcontracts and/or purchases	■ France: The site relied on various sheltered work agencies (ESAT) in France for the accomplishment of different tasks, including the delivery of meal trays and small-item supplies. It also purchased sculptures made by an ESAT to decorate the La Défense headquarters.
Special initiatives	■ South Korea: At the Ssangam plant, a disabled masseur offers massages to the operators after their day's work; ■ France: An interpreter was hired to accompany a deaf-mute employee at the Amiens plant; ■ At several Group sites: Disabled interns are accompanied by a disability contact person (Spain, France, India), if necessary.
Financial or in-kind donations	■ India: The Bommasandra site funded the purchase of electric wheelchairs; ■ Turkey: The plant donated wheelchairs to disabled people during the International Day of Persons with Disabilities on December 3.

So while initiatives are local, they are also part of a comprehensive commitment made by the Group's Executive Committee.

Initiatives for the 2022 International Day of Persons with Disabilities were organized around the theme "Not all disabilities are visible", with the indirect goal of encouraging people with disabilities to share their situation with the company to allow for better accommodation of their needs.

An in-house challenge showcased the three most outstanding actions and enabled the winning sites to strengthen their commitment to disability inclusion by funding non-profit organizations or disability-themed projects.

Some sites, such as Saint Bonnet de Mure, Pagny-sur-Moselle and La Mure, also put forward initiatives on the theme of disability as part of their 2022 safety week. Other sites shared their actions during the quarterly HR Talks, during which site HR managers shared their best practices.

Mersen's commitments are managed at the highest level of the Group. For the first time, the issue was on the agenda of the International Top Managers' Days, and the video celebrating the first anniversary of The Valuable 500, an international network that Mersen joined in 2021, was shared with the following message: "Disability affects everyone. The disability community is one of the only minority groups that anyone can join at any time in their life."

	2022	2021
Employees with disabilities	174	135
As a % of the number of employees	2.4	1.9

10,000 businesses for inclusion and professional development

In December 2019, Mersen Boostec joined the French Ministry of Labor's "10,000 businesses for inclusion and professional development" (10,000 entreprises pour l'inclusion et l'insertion) plan, which encourages businesses to hire vulnerable workers. In this respect, the site had already committed to organizing a factory visit for young job-seekers, hiring interns from low-income communities and carrying out specific initiatives for people with disabilities.

6.4.3.7. Promotion of human rights

Mersen has been a signatory of the United Nations Global Compact since 2009. Since then, the Group has published an annual communication on progress. The first two principles of the Global Compact call on businesses to "support and respect the protection of international human rights within their sphere of influence" (Principle 1) and "ensure that their companies are not complicit in human rights abuses" (Principle 2).

In 2021, the Group unveiled its Human Rights Policy. This policy outlines the Group's commitment to combat forced labor, combat child labor, uphold the freedom of association, promote fair employment conditions and ensure equal opportunity.

Throughout the world, the Group ensures that each employee performs his or her job on the basis of agreed upon terms and conditions of employment and receives a fair wage according to the number of hours worked. Freedom of association is guaranteed at all sites. The age of the employee is checked by a local team as part of the fight against child labor. An analysis of the human resources database is performed annually to make sure that employees under 18 have special employment contracts related to a specific course of study, such as apprenticeship contracts.

Pursuant to Article 18 of the EU Taxonomy Regulation, the Group has conducted a survey of 11 of its sites in order to identify areas and/or activities potentially at risk with regard to human rights as defined by the International Labor Organization. Based on the results of this assessment, action plans will be implemented in 2023.

6.4.3.8. Strengthened internal communication

The MersenONE intranet site is Mersen's first in-house communication media. Its main aim is to provide a simple and agile environment for improving the way in which each Mersen employee can connect, collaborate and communicate to help drive our Group's development. The user experience is of paramount importance, and efforts are constantly being made to make the interface intuitive and easy to use. Actions are undertaken regularly to encourage intranet engagement.

In early 2021, a "My Employee Experience" page went live on MersenONE. It gives employees access to all of the useful tools and HR information they need at key moments in their career within the Group. As an extension to this, several sites have launched their own "My Site Employee Experience" page, a local version of the Group page. These pages provide employees with pertinent practical information and information specific to their site. As of today, all 9 sites in France, all 10 sites in the United States, both sites in Canada and the Mersen Nordic site have their own "My Site Employee Experience" page.

In order to encourage and promote employee bonding, new communities were created on MersenONE in 2022. These communities, whether private or open, allow users to share and access information about a specific area of interest:

- at the beginning of the year, a community was set up for Newcomer Event (NCE) participants. Open to everybody, the "Newcomer Event 2022" community allows:
 - NCE participants from all regions to introduce themselves, get to know each other and discuss work undertaken in preparation for the event,

- all Mersen employees to find out what an NCE is and what it aims to do,

- all NCE participants and Mersen employees to have access to the information shared at these seminars and learn more about the Group and its employees;

- at the end of 2022, a community for Group managers was launched on MersenONE. Its main objective is to simplify the life of managers by centralizing all of the tools and techniques needed to keep employees motivated, committed and productive. This community is a place where managers can provide mutual support, express their needs and learn ways to improve their managerial skills and practices. A series of webinars on management issues led by either in-house or external speakers is available to members. A first webinar on the new Performance and Development Review (PDR) for managers was held in December 2022;

- lastly, Water Fountain, an informal interaction space aimed at encouraging employee bonding, was created in 2022, allowing employees to initiate or participate in a discussion on any topic they wish (sports, cinema, science, etc.), and giving them a chance to share their knowledge and interests with others.

MersenONE is constantly evolving. In 2022, it was enriched with the following content:

- an inventory of the Group's key documents (policies, charters, procedures);
- a new page presenting the Group, its history, its operations, its organization chart and its key documents;
- a set of pages presenting the head office units, their duties, their key documents and their employees.

In 2021, the format of the Group's in-house magazine, Inside, was revamped to devote more space to information from the sites and to showcase local initiatives. To that end, each issue highlights a country or region where the Group operates. A new editorial committee has been established, and the circle of contributors has been expanded. At each site, a person tasked with distributing the newspaper to operators has been appointed. In 2022, three issues were devoted to Spain, the United States and Oceania.

6.5. A learning organization

Mersen operates in complex, high-tech sectors and owes much of its success to the expertise of its teams and skills of its employees. To retain its talent and attract new talent while adapting to the technical and technological developments of its markets, the Group implements a human resources policy focused on continuing professional development. This is a forward-looking approach to employment that allows Mersen to make the necessary changes to maintain its reputation as a leader.

The Group has created the Mersen Academy online training platform which has the following objectives:

- streamline training through e-learning;
- support teams in their personal development and employability;
- integrate new hires into the core of Group training processes more easily;
- systematically offer training programs on essentials, such as safety, quality, ethics and management;
- reduce training costs;
- promote interactivity and collaborative work within the Group;
- facilitate the rollout of training in all formats: online, face-to-face or multimodal;
- record training times for each learner with the relevant access, allowing the Group's training offer to be adjusted or improved in line with user needs and usage observed after overall analysis.

6.5.1. Training

	2022	2021
Hours of training as defined in the reporting methodology ⁽¹⁾	118,323	98,459
Average number of hours per employee	16.2	15.1
o/w Mersen Academy	4.4	4.8
o/w France	14.0	13.2
Training expenses (in €m)	3.7	1.4
Spending on training as a % of total payroll costs		
Group	1.5	1.2
France	2.0	1.4
Main training programs (number of people trained)		
GPS	60	8
Management Academy	545	395
Ethics ⁽²⁾	5,620	1,207
Finance Insight	81	74
Sales Academy	121	254

HRIS scope

(1) Includes Discover Safety and Environment and Environment training for employees with a Mersen Academy account.

(2) Ethics training is described in the "Ethics and Compliance" section.

6.5.1.1. Global Project Standard (GPS)

Whether they be acquisitions, industrial adjustments or major investments, Mersen carries out major projects throughout the year. The successful execution of these complex projects relies on the use of a shared management method, the Global Project Standard (GPS).

Group training and deployment methods are also in place.

Multimodal learning: An e-learning module on the GPS method is used to familiarize employees with the broad guidelines and methods. It has been mandatory for new engineers and managers since 2016 and can be rounded out with in-depth classroom training given by in-house experts. In 2018, this training was complemented by role-playing exercises. To adapt to the context resulting from the health crisis and to offer an alternative solution to face-to-face training, role-plays were incorporated into the virtual training format in 2020. Since 2021, a hybrid “multimodal” format has made it possible to train new learners through virtual classes using an online game board.

Ambassadors: Thirteen ambassadors in charge of providing methodological support to the project teams were certified by the business segments and the Company’s principal operating regions. They ensure that the GPS culture is applied and respected across the Group, assist and train project managers and their teams, and answer any queries they may have.

6.5.1.2. Management Academy

Faced with a changing, fast-moving world, Mersen has chosen to adapt its management culture through its Open Manager framework. Open Manager sets out the management behaviors that are expected throughout the Group management structure for corporate executives, middle managers and supervisors. It is broken down into five areas: working with everyone, communicating and making sense, motivating and developing employees, building the future, and achieving and raising standards.

Managers are employees who are responsible for leading teams. There are 947 of them in the Group.

Identification of skills: Going forward, the decision to assign an individual to a management position will be based on the new managerial skills identified. For certain key positions (expertise area executives, business managers and product line managers), the Group combines the approaches of internal promotion/external recruitment.

Training: Mersen launched its “Management Fundamentals” training course in 2018 aimed at the Group’s entire open management community. The purpose was to revisit the fundamental practices that all managers need to apply in order to lead their teams effectively on a daily basis. In 2020, the course was released in a virtual format, allowing its rollout to continue despite the health conditions resulting from the Covid pandemic. The shift in teaching format, combined with the creation of a network of eight international trainers, allowed the Group to reach its objective of having 100% of managers trained by the end of 2021. Since its launch in March 2018, this course has been completed by 1,186 team managers.

The development of the Group’s managers continued in 2021, with the launch of a new multimodal training course based on the “Motivate and Develop” dimension of the Open Manager framework: the “Evaluate and Develop My Team” training enables managers to identify their employees’ development needs and to adopt the appropriate solutions from among a wide range of development tools and training courses. At the end of 2022, 40% of the Group’s managers on the December 2022 payroll had fully completed the training.

Management Academy training accounted for 7,638 hours in 2022.

Personal development: Group senior managers have access to personalized development programs. These programs are based on a 360-Degree Feedback Development Program that serves as the basis for drawing up development plans with the help of certified coaches.

6.5.1.3. Finance Insight

The Group has developed training for members of the financial community and for all non-financial employees who wish to improve their financial literacy. It offers standard content and customized training to meet individual needs.

Rolled out in September 2022, it accounted for 2,349 hours of training in 2022.

6.5.1.4. Sales Academy

Introduced in September 2020, the Sales Academy is primarily aimed at developing the skills of employees in the “sales” area. It teaches them to master basic sales skills and use tools like Customer Relationship Management (CRM) to boost business performance.

“Sales Fundamentals”, an introduction to the training program for sales employees, accounted for 2,067 hours in 2022.

6.5.2. Career development: opportunities for every profile

Mersen’s global dimension provides employees with genuine career development opportunities. The Group has demonstrated its desire to encourage exchanges between its various segments and geographic areas by prioritizing mobility and the international diversity of managers. This international mobility policy is underpinned by a desire to develop local talents and recognize skills wherever they may be. This approach allows Mersen to encourage responsiveness to customers and foster growth and innovation. An Internal Mobility Policy was formalized and circulated in 2021. It sets out what is expected from the various stakeholders and describes the various tools used to support and promote internal mobility.

Career committees: Career committees provide the opportunity to assess the career outlooks of key managers in each of the businesses and to prepare individual skills development plans on a yearly basis. These reviews are conducted at facility and segment level and help to identify key and/or high-potential employees for review by the Management Committee's Talents Committee. These committees contribute to improving succession planning in the same way as experience interviews.

Evaluations: Individual evaluations are held for senior managers or other experienced managers who are expected to be promoted to a key management position in the short term. The aim is to check the suitability of the potential promotion and draw up a personalized development plan, which will also help employees succeed in their new role. Since 2018, evaluations for emerging talent have also been in place.

6.5.3. Managing human resources for the future

While the Group is preparing its future by identifying the skills it will need to ensure its growth going forward, employees also need to be aware of likely changes in their jobs so that they can actively improve their own skill set.

To this end, each business performs a forecast of the skills it will need in the medium term, based on strategic workforce planning and in step with its priorities and those of the Group. This analysis is consolidated at the Group level, based on Mersen's benchmark job framework.

Group job map: Updated annually, it identifies and describes, for each of the 11 job fields (sales, marketing, business, R&D, production, production support, sourcing, information systems, human resources/safety/general services, finance and legal affairs, and business process owners), the 115 Group benchmark jobs shared by all divisions. This job map, along with challenges, specificities and associated skills, is used to increase the effectiveness of the Group's HR policies (hiring, mobility, training, etc.) and narrow down the types of skills in demand during the hiring phase.

A methodology for updating the job map was established in 2021. The aim was to clarify the approach, ushering in an annual agenda of regular meetings of a "Jobs Committee" comprising 11 two-person teams (one manager and one HR representative) for each job field.

6.5.4. Open Expert: Mersen's community of experts

To ensure the Group's development, and in particular to strengthen its technological excellence, Mersen set up an expertise career path called "Open Expert", in parallel with its management path. It includes experts chosen for their key expertise in the Group's strategic business lines, as well as for certain behavioral skills.

These specialists are volunteers who, in addition to their expertise, are especially skilled in sharing know-how and galvanizing their colleagues to help move the Group forward.

Three levels were defined (experts, senior experts, executive experts). At the end of 2022, there were 29 Open Experts (including three women) who together form the foundation of a community dedicated to spreading the Group's culture of expertise.

A fourth level (specialists) was added in 2021 for people with high-level skills in certain technical and scientific fields specific to the Group's markets. To date, Mersen has identified 32 different fields and over 100 specialists. The experts belonging to this second circle are encouraged to cultivate and pass on their know-how.

The Open Experts share their expertise through the community of experts, which is open to all employees on the Group's intranet. The annual Open Expert Convention was held in September 2022.

A 40-hour multimodal training course provided as part of the Expert Academy was launched in July 2022: Called "Innovation Management", it is taken by all Open Experts. The goal is to enable them to take ownership of the project screening process to ensure that the objectives are in line with Mersen's long-term strategy/vision. It also enables them to identify the resources needed to develop, produce and sell a product/solution.

	2022	2021	2020
Number of Open Experts	29	24	20
Number of women Open Experts	3	2	1

6.6. Enhancing the employee experience

6.6.1. New recruit integration program

To allow every new recruit to quickly find their feet and take ownership of the Group culture, Mersen developed the mandatory integration program called “I Become Mersen”. It starts on the first day on the job: the new recruit is given a welcome booklet and kit containing all of the information he or she will need to learn about the Group. The program is then adapted to the profile of each new recruit. In 2021, a new platform called “My Employee Experience” was created, which is accessible via the Group intranet and gives all new employees the possibility of learning everything they need to know about the key moments to expect within the Group, both in their daily work and their overall career.

Mentors may be appointed for new employees depending on their site and position, and everyone joining the Group is required to follow a number of in-house training sessions. This training is accessible either face-to-face or via e-learning, such as the modules on health and safety, and training on the Group’s Code of Ethics, for example.

Engineers and managers are offered specific training courses (such as on project management or on the Group’s management model Open Manager, etc.), as well as an induction seminar called the New Comer Event. The objective is to give the year’s new hires an opportunity to meet one another and interact with the members of the Executive Committee and other managers in their region, and to learn about the Group while building their internal network. A new format was introduced in 2022: a preparatory training program on Mersen Academy that devotes more attention to interaction and collaborative work throughout the seminar. Each seminar includes a tour of a manufacturing site. In 2022, 163 new engineer and management hires participated in one of the three annual NCEs (one per continent: Europe, Asia, the Americas).

Mersen also implemented a specific integration program, “We Become Mersen”, for new employees joining the Group as part of an acquisition. The adapted program focuses on human, social and cultural aspects.

A new onboarding process was rolled out to the Global HR teams for testing at the beginning of 2022. The process concerns all new Group employees, regardless of their status. It is a tool designed to help managers and HR departments prior to and during the integration and follow-up phase. It identifies the people involved in onboarding and the different stages of support offered to help new employees settle into their role so as to fully contribute to Mersen.

6.6.2. Knowledge transfer: managing key knowledge and skills

While planning ahead for departures linked to demographic trends in the Group’s workforce continues to be vital to Mersen’s human resources planning policy, managing key knowledge and skills is a crucial issue that doesn’t only concern employees preparing for retirement.

Each of the Group’s sites has identified critical employees, as well as specialists in one or more of Mersen’s 32 strategic specialties. Based on a risk matrix that considers impact and probability, the sites established their priorities for taking action. Following the local career committee meetings at the end of March, the plants launched action plans based on the five-step process proposed to the sites. The process was rolled out in 2022 via presentations to site managers and the HR community and was translated into English and Chinese to facilitate buy-in. It can also be used on sites at any time for all managers, engineers, technicians or experienced operators and to plan for retirements.

An initial assessment of the actions will be conducted at the beginning of 2023 and in the context of the 2023 career committees. Concerning the Open Experts, follow-up will be ensured by the Open Experts committee as part of the status report that each Open Expert is required to submit. Parallel to this, some Open Experts are examining which medium is best for creating a secure knowledge base that will ensure the safe storage of sensitive information.

Mersen is also pursuing its proactive policy of welcoming young people on internships and work-study programs, which contributes to the formalization and transmission of key knowledge and skills. It is also a way to address the Group’s changing needs and attract greater numbers of young people, and women, to its professions, particularly the technical ones. The Group identifies, trains and promotes mentors, who play a key role in the integration of work-study students and the transmission of knowledge.

6.6.3. Tools for better supporting and managing teams

Mersen offers its managers a range of tools to help with managing teams and to provide personalized support to every employee.

Annual evaluation: The annual evaluation is a key element of the skill development process and is an ideal opportunity for discussion between employees and their direct managers. In addition to measuring individual performance and setting new targets, the evaluation is also an opportunity to assess current and upcoming skill development. If necessary, a mid-year evaluation can be held in addition to the annual evaluation.

Managers around the world can familiarize themselves with the evaluation process via training on the Mersen Academy platform.

In 2022, over 70% of eligible staff (workforce excluding operators and clerical workers) who had access to the performance assessment module had an annual evaluation (i.e., 27.4% of the Group’s total workforce). Other employees can have a discussion with their manager directly.

Career reviews: Career reviews are another tool providing a full analysis of employees' professional accomplishments, helping them to formulate their expectations and goals for the medium term. They also provide an opportunity for managers two tiers up to have direct contact with employees and to listen to their aspirations. Career reviews can also be offered during Career Committees or at the mid-point of an employee's career to see how the land lies.

Key findings report: Since 2018, at certain sites, every new employee prepares a key findings report after their first three months. This is part of the Group's continuous improvement process and is an opportunity to assess employees' level of integration, and receive any questions and feedback. The information is then used by each site to further develop their own continuous improvement programs.

Continuing education: Mersen has given its employees access to its e-learning platform since 2013. Since 2018, the Mersen Academy training platform has helped develop the skills of the Group's employees and support their professional development.

The Group also promotes qualifying training programs via joint qualification certificates in its business areas, such as metallurgy and chemistry.

Training methods are described in section 6.5.1. of this chapter.

Exit interviews: In 2018, Mersen introduced specific interviews for employees who choose to leave the Group in order to better understand their reasons and get an overview of their career with Mersen. These interviews aim to identify any potential issues and implement the appropriate action in order to better retain talent.

6.6.4. Recruitment procedure

To ensure successful recruitment, HR teams can use the Group's various reference frameworks for skills (Open Manager, Open Expert, Group job map).

In 2021, the rollout of the employer brand included a training module on "How to integrate the employer brand into recruitment" which was offered to all HR managers in the six pilot countries (Austria, Canada, China, France, India, USA). It was offered to recruiters in these six pilot countries in 2022 and will be offered digitally in 2023 to all Group recruiters.

6.6.5. Labor and employee relations

Labor relations is a core component of Mersen's human resources policy. It forms part of a process of continually seeking a balance between economic and social imperatives and is adapted to all levels of the Group and in all of its countries of operations – giving the utmost respect not only to Mersen's values and ambitions, but also to the local cultures and history of each site.

Europe: Dialogue with employee representative bodies takes place at meetings of the Group Committee and the European Works Council, which has been held online since the health crisis. Mersen's situation and its strategic priorities are discussed at these meetings, which complement existing consultation and discussion bodies within the Group's companies in the various European countries. In 2022, the Group Committee meeting

took place in person. The appointment of the employee director was renewed for another term. The European Works Council meetings were held by videoconference. Management and a special negotiating body have drawn up a draft agreement setting out the European Work Council's operating rules, which will be presented to the members in early 2023.

France: Yearly meetings are held with each union organization. Negotiations were conducted on health and death/disability insurance and changes to benefit plans. Following wage negotiations in December, all French sites signed agreements with the unions.

■ **La Mure:** Agreements pertaining to weekend work, profit sharing and salary were signed in 2022.

■ **Amiens:** Staff representative bodies have a space where they can accommodate employees. It can also be used for holding general meetings, such as during mandatory annual negotiations (NAO). Weekend work agreements were signed in 2022.

Spain: In San Feliu, an employee representative group is responsible for negotiating and advocating on behalf of employees, particularly with regard to complementary health insurance and salary increases.

United Kingdom: In Holytown and Teesside, a joint consultative committee has been meeting monthly for many years to field employee questions and concerns. The latter are then forwarded to the plant managing director and HR department for discussion. The committee is open to representatives elected by the teams.

South Africa: The site is a member of the employer federation SEIFSA. Every three years, it meets with the trade unions to negotiate wage and employment condition issues on behalf of industry. The current agreement is in effect until June 2025.

Argentina: The plant's union examines and regulates labor agreements. It signed a wage agreement that is revised every six months in line with local inflation conditions. Agreements related to production bonuses for operators were concluded in 2022.

Brazil: Mersen's staff representative bodies take part in various annual renegotiation discussions (wages, profit sharing, overtime hour bank systems, etc.). Two committees, CIPA (health and safety) and PPR (profit sharing), also regularly oversee the Group's performance. Employees are also convened by General Management four times a year to discuss company strategy, market conditions and the performance of Mersen do Brasil.

South Korea: The subsidiary has established a Labor Management Counsel.

Canada: Since its creation in the 1960s, the Mersen Dorion subsidiary has a formal union accreditation by virtue of a contract that is signed every four to five years between Mersen and the union organization, United Food and Commercial Workers (UFCW). The contract covers several areas (wages, profit sharing, working conditions, health and safety, public holidays, etc.) and was renegotiated in 2019 for a further five years, i.e., until 2024.

China:

■ in Kunshan, a collective agreement on working hours, working conditions and wages is reviewed annually;

- in Harbin, a collective agreement on the protection of employees and their rights was signed in 2022;
- in Xianda, a collective agreement primarily aimed at guaranteeing a minimum wage for employees is signed every year;
- in Yantai, a collective agreement is signed twice a year with the site's trade union and mainly concerns employee wellness, wage increases and medical benefits. The union regularly conducts employee satisfaction surveys.

United States: The St. Marys plant has worked with an external union for many years, discussing wages, working and employment conditions, and employee benefits. The unions meet on a regular basis to address issues of common interest in order to ensure alignment with mutual interests. The last contract was signed in 2022 for a term of three years.

India: The subsidiary has signed a five-year agreement with the trade union, bearing notably on benefits and salary increases granted to non-management grade employees. The agreement began on May 1, 2020 and expires on December 31, 2025.

Oceania: A three-year agreement negotiated with employee representatives has been in place since 2022.

54% of the sites signed one or more collective agreements (or the equivalent) during the year.

45% of the workforce is covered by local or branch collective agreements.

6.7. HR excellence & support

6.7.1. Compensation policy: responsive and expanding

Geopolitical unrest in 2022 has had a major impact on the economy. Inflation has increased sharply, prompting companies to adapt their compensation policies.

Despite this challenging environment, Mersen has chosen to pursue and deepen its commitment to compensate employees in a manner that is more just, more equitable and more protective, while bearing in mind the need to maintain competitiveness.

Responding to inflation

Mersen's constant goal is to offset inflation. In recent decades when inflation was practically non-existent, this was a feasible goal. When the increased salary budget was initially prepared for 2022, the rise of the cost of living was factored in. As a result, the average salary increase budget for all host countries was double that of the previous year.

In the course of 2022, however, it became apparent that inflation in some countries was much higher than anticipated. As a result, it was decided to grant additional increases and/or exceptional bonuses to employees where the situation was the most critical. These additional increases were therefore determined for employees in Turkey and Hungary. Bonuses were paid to employees in the following countries: Canada, United States, United Kingdom, Germany, Italy and France. In France they were paid out through a legal mechanism called the value sharing bonus.

Employees were given a flat sum bonus, regardless of their salary. Mersen's main goal was to offset inflation for those with the lowest incomes, i.e., those who were the hardest hit by the situation. In the interest of solidarity and fairness, employees with high incomes were excluded from the scheme.

A competitive and effective long-term compensation policy

Despite inflation, Mersen has decided to maintain the principle of selection, especially for hiring managerial staff. The use of the across-the-board increase mechanism has been limited to low salaries (at the same time reserving a portion of the budget for promotions and rewarding merit). For managers, pay is set on an individual basis. Salary reviews continue to be linked to performance and the market value of the position. Salary budgets for 2023 were prepared based on all of the above principles. Guided by the notions of fairness, standard of living and competitiveness, realistic budgets have been drawn up for each of the countries where Mersen operates.

Deepening our commitment to equality

Mersen is aware that gender wage gaps continue to persist in some countries with no objective factors to justify their existence. It has made the commitment to do everything it can to fight this injustice. To get an objective view of the situation, Mersen enlisted the support of Mercer, a world-renowned human resources consulting firm. Mercer has developed a process to assess wage gaps that identifies unexplainable differences in pay attributable to gender bias. In 2022, assessments were carried out in France, Canada and the United States. The results showed an average gap of 3.7% to the detriment of women. In order to reduce this problem, Mersen decided to allocate a budget exclusively for this purpose. The goal is to close this gap by 2025.

Implementation of Mersen Care

Launched in 2021, the Mersen Care program is built on three pillars: equity, protection and balance. While these principles are in place at most sites, the goal is to apply them universally across the Group.

- **Equity:** Here the focus is placed on making profit sharing more widespread. By 2025, all Group sites will be required to implement a program that allows employees to receive a portion of the profits, when there is a profit relative to the budget.

At the end of 2021, 43% of employees benefited from a profit-sharing scheme.

(In thousands of euros)	2022	2021
Amounts allocated to employees	9,122	7,903
Number of beneficiaries	3,145	3,004
As a % of the number of employees	43%	43%
Number of sites covered (as a %)	44%	43%

- **Protection:** In 2022, death benefit coverage was extended to all Mersen sites. 98% employees now receive death benefit protection, compared with 81% previously. In 2022, the starting benefit amount was set at one year's salary, paid out in a lump sum to the employee's beneficiaries. In 2023, the sites will be asked to adjust the capital value in line with local practices.

Risk covered	2022		2021	
	% of sites	% of employees	% of sites	% of employees
Supplementary pension	63	54	63	54
Complementary health insurance	71	85	64	76
Death/disability insurance	49	51	43	48
Life insurance/death benefit*	95	98	69	81

* Includes sites with a contract as of 12/31/2022 but effective as of 01/01/2023.

- **Balance:** Here the focus is on work/life balance. The first issue to be addressed concerns the number of days of leave. Mersen has set a minimum annual threshold of 15 days, regardless of the employee's length of service. In 2022, employees at certain sites in North America (Canada and the United States) with less than five years of service had less than 15 days of paid leave. A minimum of 15 paid vacation days is now applicable throughout our North American sites. In 2023, this rule will be extended to the Group's sites in China. By 2025, 100% of the Group's employees should have at least 15 days of paid leave.

6.7.2. Pay ratio

Mersen also calculates the pay ratio for each of the countries in which it operates. The calculation method consists of comparing the highest gross compensation paid by country to the average wage for all employees.

A calculation is also made to measure the ratio of increase in the employee's compensation with the highest gross compensation paid in 2022 to other employees in the same country.

The median ratio is calculated at Group level as the average of the ratios calculated by country.

	2022	2021
Highest paid employee/Average compensation paid	4.05	4.44
2022 increase of the highest paid employee/Average increase for all employees	0.79	0.67

The pay ratio, which shows the difference between the compensation of executive officers and the median and average wages of all French employees, is provided in chapter 2 (section 2.2.4.).

The ratio of men to women by socio-professional category is also provided in paragraph 6.4.3.5 above.

6.7.3. Promoting best practices for our compensation policy

Knowledge of the market and of legal and regulatory developments, as well as compensation benchmarking, are the key components of an effective compensation policy.

Mersen participates in numerous compensation surveys and belongs to networks whose membership includes the main companies in the industry. In 2022, the Group's Compensation & Benefits department created an information exchange group bringing together some 20 compensation and benefits directors from head offices based in the La Défense business district in Paris. It allows for fast, efficient and direct communication on compensation practices and developments.

6.7.4. HR Information System

As defined in its 2021-2025 HR Roadmap, Mersen is committed to modernizing its Human Resources Information System (HRIS), a key tool for HR service excellence.

In 2021, the Human Resources department launched a major project for a new HRIS that will cover all HR processes, including recruitment, integration, performance, career and succession, and compensation. The implementation strategy involves rolling out the system in a step-by-step fashion between end 2022 and end 2023 so that the component dedicated to the annual review process will be available in time for the 2023 session, while ensuring enough time to implement the other components.

This transformational project will greatly enhance the HR function, enabling it to better serve its internal customers, strengthen its partnership with the operational teams, and prepare the Mersen of tomorrow.

6.8. Promoting well-being, health and safety at work

Mersen pledges to provide the best possible work environment for the well-being, health and safety of all of its employees. Every year, the Group's Executive Committee renews its commitment to not compromise on health and safety, whatever the commercial and financial implications, and this commitment is displayed at all of the Group's sites. Achieving excellence in occupational health and safety is a constant priority, as it is a key concern for stakeholders.

Our health and safety strategy is underpinned by the commitment of our managers to deploying a preventive approach at their sites based on the following principles:

- ensuring employees are aware of the risks and hazards they may face and carrying out risk and hazard assessments on a regular basis, as well as each time there is a change in working organization;
- providing regular training to employees on health and safety and collective and personal protective measures;
- ensuring that both managerial and non-managerial employees report on and analyze any incidents.

Prevention and health and safety performance measures are progressing in the workplace over time.

6.8.1. Health and safety policy

The Health and Safety Management System sets out the objectives, organization and principles implemented at all of the Group's sites. It is based on the following elements:

- objectives, organization and steering committees;
- engagement from managers, health and safety indicators, and the annual prevention plan;
- risk assessments, compliance with regulations, sub-contractors' prevention plans and health protection;
- golden rules on safety;
- job-specific training, emergency evacuation procedure;
- observations, safety visits and audits;
- analyses of incidents and potentially dangerous events.

As in previous years, the health and safety policy was given a comprehensive assessment by the Executive Committee. In 2022, no changes were made. It was then submitted to and approved by the Board of Directors.

Governance

The Board of Directors: The Board of Directors endeavors to protect the interests of the Company and its shareholders while taking into consideration the social and environmental challenges of the Company's activities. To this end, it has appointed a director responsible for CSR issues who works closely with Executive Management and the Group's Health and Safety, Environment and Industrial Risks function to recognize and address health and safety issues. The Board approves the health and safety policy annually.

The HSE Committee: Comprising the Chief Executive Officer, the Human Resources Department, the Operational Excellence Department and the heads of both of the Group's segments, this Committee oversees all environmental and health and safety actions and indicators at the Group and meets on a monthly basis.

The Group's Health and Safety, Environment and Industrial Risks function: This is part of the Operational Excellence Department, which is responsible for implementing the Group's health and safety policy across all industrial sites.

Manufacturing Site Managers: Manufacturing Site Managers are responsible for implementing a safety management system that is effective, compliant with regulations and adapted to local business. Manufacturing Site Managers must appoint a Site Health and Safety Manager to oversee these actions and report on a dotted line basis to the Health and Safety, Environment and Industrial Risks function.

Site Health and Safety Managers: Site Health and Safety Managers are in charge of site action plans, coordinating activities and measuring progress. By the end of 2022, all manufacturing sites will have a health and safety manager appointed by the Site Manager.

Regional Health and Safety Coordinators: Regional Health and Safety Coordinators are responsible for conducting cross safety audits and monitoring regulatory changes in their geographical area. During a cross safety audit, a health and safety manager from one manufacturing site reviews how the policy and procedures are implemented at another site. In 2022, all of the manufacturing sites were assigned to a geographic area (Northern Europe, Southern Europe, China, Asia Pacific, North America, South America).

The Safety Council: Comprised of the Group's Operational Excellence Department, the Industrial Directors of each Business Unit and Regional Health and Safety Coordinators, the Safety Council ensures that the health and safety policy is implemented at all sites and also organizes audits.

Training/information

Communication on the health and safety policy, training, and awareness-raising on health and safety issues are all essential.

All new employees are required to take an online e-learning course featuring presentations, videos and quizzes entitled "Discover Safety & Environment by Mersen". It provides an overview of the Group's health, safety and environment policy.

A total of 65,363 hours were devoted to health and safety training in 2022.

Training hours	2022	2021	Change
Health and safety training	65,363	52,908	+24%

The Group continues to consistently invest in improving equipment safety and protecting the health and safety of employees and sub-contractors. It invested €3.1 million in 2022.

In €m	2022	2021	Change
Health and safety capital expenditure	3.1	2.9	+7%

6.8.2. References

With regard to certification to the ISO 45001 safety management system standard, the Group has focused its initial actions since 2018 on the sites presenting the most significant safety challenges and will extend this scope from 2023.

Percentage of manufacturing sites certified	2022	2021
ISO 45001 Safety Management System	31%	32%
ISO 45001 Safety Management System (sites > 125 people)	38%	38%

6.8.3. Prevention of health and safety risks

Risk assessment and management safety visits: Mersen's approach to health and safety also involves identifying and assessing hazards and risks through the systematic implementation of a number of tasks and procedures. The most important of these are (i) annually updating a Risks Assessment document for each site, and (ii) carrying out Job Hazard Analyses (JHA). As at December 31, 2022, 98% of the manufacturing sites had updated their Risk Assessment within the last 12 months.

Management Safety Visits, or MSVs, are an important element of the Group's prevention toolkit as they are aimed at seeing how employees work on the ground and opening up dialogue with them to identify any hazardous acts or conditions. In 80% of cases, immediate corrective action can be taken to remedy any problems identified during MSVs. In 2019, the Group set up a training schedule for people conducting these visits. It consists of two days of basic training, followed every three years thereafter by a skills maintenance and improvement course.

A target was established to increase the number of visits by 20% from 2021 to 2025 following a rise of 19% between 2018 and 2021. Having attained an increase of 32% in 2022, Mersen's goal is now to focus on improving the quality of the visits.

Management Safety Visits (MSV)	2022	2021
Number of safety visits	6,569	4,927
% change compared with 2021	+32%	

Awareness-raising: Mersen raises employee awareness on an ongoing basis and seeks to share best practices between sites. A "health and safety week" is held every year at all of its manufacturing sites. These awareness-raising events contribute to fostering a culture of safety and feature themed workshops and guest speakers (emergency services, ergonomics experts and health professionals) and are a great success with employees. Other than safety in the workplace, health, food hygiene and the risk of domestic accidents are also addressed. Regional coordinators share best practices with site health and safety managers during regular meetings.

Audits: Each year, the Executive Committee draws up a program of corporate audits for the Group's different sites. This is in addition to cross-audits between sites. The Group's objective is for each site to undergo an annual audit. Put on hold in 2020 due to an internal decision to limit travel, the program resumed in 2021, and the percentage of audits reached 72% in 2022.

Health and Safety audits	2022	2021
Percentage of total Group sites subject to corporate audits and cross-audits	72%	25%

6.8.4. Reduction in accident frequency and severity

The Group continues to develop an occupational health and safety culture informed by a commitment to transparency and learning from experience.

Accident reduction is aimed at both the number and severity of injuries. Accident rates have included temporary staff since 2011 and sub-contractors since 2019. The frequency rate of occupational accidents with or without lost time (Lost Time Injury Rate, or LTIR, and Total Recordable Incident Rate, or TRIR) measures the number of reported accidents per million hours worked, and the Severity Injury Rate measures the number of days of lost time per million hours worked.

The Group has set a target of keeping the LTIR less than or equal to 1.8 and the SIR less than or equal to 60 throughout the 2022-2025 period (scope: Mersen employees, temporary workers and sub-contractors). These performance targets, which have already been achieved in the past, have been stable since 2017, with a frequency rate of 1.40 to 2.00 and a severity rate of 45 to 85.

In 2022, the frequency rate (LTIR) stood at 1.53 and the severity rate (SIR) at 66.

The change in 2022 reflects an increase in the number of accidents involving Mersen employees and a decrease in those involving temporary workers and sub-contractors. To cope with increased business volume in 2021 and 2022, the Group had to hire new production operators, and despite systematic job training, the absolute number of lost-time accidents went up. Furthermore, in 2022, Mersen improved its safety training for temporary workers, which led to a decrease in accidents in this category.

The Group pays particular attention to ensuring that priority employees, i.e., people new on the job and temporary staff, receive training on safety protocols.

Lastly, a sensitivity analysis conducted on the frequency rate in 2022 showed that one accident has a 0.06 impact on the results.

Rate of accidents per million hours worked (Mersen employees, temporary staff and sub-contractors)	2022	2021
Lost Time Injury Rate (LTIR)	1.53	1.62
Total Recordable Incident Rate (TRIR)	4.66	3.75
Severity Injury Rate (SIR)	66	47
Fatal accidents (employees, temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	1	0

Rate of accidents per million hours worked (Mersen employees)	2022	2021
Lost Time Injury Rate (LTIR)	1.50	1.06
Total Recordable Incident Rate (TRIR)	4.28	3.17
Severity Injury Rate (SIR)	53	44
Fatal accidents (temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	0	0

Rate of accidents per million hours worked (temporary staff and sub-contractors)	2022	2021
Lost Time Injury Rate (LTIR)	1.74	4.93
Total Recordable Incident Rate (TRIR)	6.97	6.27
Severity Injury Rate (SIR)	143	60
Fatal accidents (temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	1	0

Safety Awards: Mersen gives out awards to manufacturing sites that have logged a record number of days without lost-time accidents. At the end of 2022, the results were as follows:

- 3 sites with more than 5,000 days;
- 2 sites with more than 4,000 days and less than 5,000 days;
- 5 sites with more than 3,000 days and less than 4,000 days;
- 7 sites with more than 2,000 days and less than 3,000 days;
- 11 sites with more than 1,000 days and less than 2,000 days;
- 7 sites with more than 500 days and less than 1,000 days.

6.8.5. Health protection

Since its update in 2019, Mersen has been implementing its health protection policy along the following lines:

- prevention of chemical risks;
- protection against noise and dust;
- workstation ergonomics;
- medical supervision of workers, in particular symptoms of stress and musculoskeletal disorders (MSDs).

Preventing chemical risks: All products and substances that come on to Mersen's manufacturing sites are authorized and monitored by the Site Health and Safety Managers. Risk assessments are requested regularly from both internal and external medical services. Periodic air quality checks are conducted in line with legal requirements and the information is then included in the risk assessments. The Group is maintaining its training efforts on exposure to polycyclic aromatic hydrocarbons (PAHs) at sites that manufacture graphite products.

Protection against noise and dust: The Group constantly strives to protect employees and local residents from noise caused by machinery and transportation. First and foremost, we make sure we comply with the applicable regulations in our host countries, and we constantly seek to eliminate sources of noise or take protective measures where this is not possible. Noise sources are measured and analyzed to determine sound levels. Depending on local restrictions, sound levels are measured as far as the site's boundaries and surroundings if it is located near a residential neighborhood.

Dust is primarily emitted during the processes to transform graphite and to fill fuses with sand. Graphite dust collection systems are monitored closely in line with regulations under a priority preventive maintenance program.

Workstation ergonomics: MSD prevention and load carrying rules are two priority focuses to improve ergonomics. Multidisciplinary working groups have been formed to adapt workstations, with the help of ergonomics experts at some sites.

Occupational illnesses: The scope is limited to France due to a wide variety of definitions for occupational illness across the Group's host countries. Occupational illnesses within the Group mainly concern musculoskeletal disorders.

Occupational illnesses (Mersen employees)	2022	2021
Deaths due to a recognized occupational illness	0	0
Employees declaring an occupational illness which is recognized by the authorities	4	4

Occupational illnesses (temporary staff, sub-contractors)	2022	2021
Deaths due to a recognized occupational illness	0	0
Employees declaring an occupational illness which is recognized by the authorities	0	0

6.8.6. Biological/infectious/epidemic risk management

Since the beginning of 2019 and the onset of the pandemic, Mersen has continually made the health of its employees a top priority. The main rules were established in a decentralized and pragmatic manner at Group level in 2019, and since then, all sites without exception apply the recommendations and regulations of the administrative and health authorities before then adopting the key Group rules.

Working organization was altered in line with Covid-19 restrictions and home working was put in place, with a home-working health and safety booklet provided to all employees concerned.

7. ETHICS AND COMPLIANCE CULTURE

7.1. Commitment

The Mersen group's development owes a great deal to the trust and confidence we inspire in all stakeholders, particularly our employees, customers and suppliers, investors and banks, and shareholders.

This is reflected through values and ethics that are shared by all of its employees and applied responsibly, at all levels, from site management and human resources to financial transparency, anti-corruption and, of course, an ambitious sustainable development policy.

Mersen's regulatory environment is becoming increasingly complex. This is particularly the case for regulations in the fields of competition law, anti-corruption and money laundering. Another

area where complexity is mounting is in respect of export control regulations, embargoes, economic sanctions and other trade restrictions imposed by the United States, Canada, the European Union or other countries or bodies.

Mersen's corporate governance policy is in line with the legislative and regulatory provisions applicable to listed companies in France and the recommendations of the AFEP-MEDEF Corporate Governance Code for Listed Companies to which the Company refers.

Executive Management has a strong commitment to the respect of business ethics. It takes an active part in the compliance program and monitors its proper application through dedicated governance.

7.2. Organization of ethics and compliance within the Group

The highest levels of the Company are involved in ethics and compliance governance, including senior management and the Board of Directors through its Audit and Accounts Committee.

The Risk, Audit and Compliance Department develops and coordinates the Group's ethics and compliance policy effectively and sustainably.

It is tasked with (i) identifying and assessing any risks of non-compliance with laws or regulations that could damage the image, culture or financial stability of the Group, (ii) implementing appropriate procedures and processes to minimize such risks, (iii) informing and raising the awareness of Group employees of the main risks and (iv) managing the "ethics hotline."

It supports the development of the Group's ethics culture and ensures that action plans are properly implemented. In the event of an ethical and/or compliance related alert, the Committee is tasked with analyzing the situation and deciding on the measures to be taken. The Ethics and Compliance Department also works with:

- the Human Resources Department to prevent illicit work and harassment, protect whistleblowers, ensure compliance with labor laws and train employees;
- the Legal Department to ensure that regulations are interpreted properly;
- specialized committees (CSR, MAR ⁽¹⁾, HSE ⁽²⁾, etc.) that deal with compliance.

Work on ethics and compliance is supervised by an Ethics and Compliance Committee comprising the Group's Chief Executive Officer, the Chief Financial Officer, the Vice President for Human Resources, the Director of Risk, Audit and Compliance and the Group Compliance Officer. It meets at least quarterly. It can also meet on an as-needed basis, particularly in the event of an ethics alert.

The Director of Risk, Audit and Compliance reports to the Audit and Accounts Committee on his ethics and compliance work at least once a year.

For the implementation of the European General Data Protection Regulation (GDPR) ⁽³⁾, the Group has set up a working group to determine the actions to be taken to comply with the regulation. The Group officially appointed a Data Protection Officer in early 2019 to step up the action needed to implement those measures. The latter relies on a network of local correspondents in the Group's companies located in the European Union and organizes a quarterly meeting with them to review the progress of projects and discuss the implementation of various tools and procedures.

In addition, in order to monitor the implementation of the various data protection regulations around the world, a Data Protection Committee was established. It includes the Director of Risk, Audit and Compliance, the Data Protection Officer, the General Counsel and representatives of the Human Resources Department and the IT Department.

Finally, the implementation of the competition law compliance program is managed by the Group's Legal Department.

(1) Market Abuse Regulation.

(2) Health, Safety, Environment.

(3) Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

7.3. References

Mersen's commitments and rules in terms of business ethics and compliance are enshrined in the Group's codes and charters. Procedures are in place to ensure compliance with laws and regulations.

7.3.1. Code of Ethics

The Code of Ethics restates the collective and individual commitment of Mersen and its employees to establish and build on mutual trust both within the Group and with all our stakeholders. It applies to all Mersen employees, irrespective of the country in which they work or their position, as well as to the members of the Board of Directors, and formalizes the Group's reciprocal commitments to:

- its employees;
- its external stakeholders;
- civil society.

The full Code is available on the Mersen website: <https://www.mersen.com/group/ethics-and-compliance>

7.3.2. Human Rights Policy

Mersen fully supports the values of the United Nations Global Compact, of which it is a member, and notably its principles on human rights and labor standards.

In 2021, the Group rounded out these general principles by drawing up its own "Human Rights Policy" which sets out its commitments in terms of:

- lawful work, particularly the Group's zero tolerance policy on child labor and forced labor;
- freedom of association and the right to collective bargaining;
- working conditions;
- equal opportunities;
- relations with local communities;
- human resources and governance strategies.

In line with the Taxonomy Regulation, a human rights risk map was created in 2022. An action plan was drawn up for 2023 and 2024 that will enable us to further improve human rights awareness across all our units.

7.3.3. The Anti-Corruption Code of Conduct

The Anti-Corruption Code of Conduct presents the rules to be implemented and respected in order to combat corruption at all levels and in all countries where Mersen is present. It is available on the Group's website. The Anti-Corruption Code of Conduct was rounded out in 2020 by a practical guide setting out best practices for preventing corruption.

Its rules cover the following areas:

- specific rules for public officials;
- gifts and hospitality;

- donations, patronage and sponsorship;
- facilitation payments;
- third-party due diligence;
- conflicts of interest;
- accounting records and internal controls.

Third-party control

The Group has developed a tool for performing an initial analysis of new partners (suppliers, customers and agents) worldwide, based on three criteria:

- sales generated;
- country; and
- end market.

The assessment is based on data published by Transparency International.

If a potential risk is detected in the analysis, more in-depth study is conducted based on data from a recognized independent source.

The in-house tool used to carry out the tests was updated in 2022 to take into account the latest Transparency International rankings.

The number of requests for additional assessments doubled in 2022.

Some offers were not made available to certain customers, as the final destination of the product was not clearly evident.

Accounting audits

Each month, an accounting extract of certain sensitive accounts with regard to corruption (gifts, donations, invitations, etc.) is carried out over a scope covering 75% of the Group's sites. The accounts in question are analyzed. Where necessary, additional questions are asked.

Corruption risk mapping

Group mapping of corruption risks was updated in 2019 and is scheduled to be reviewed again in 2023.

At the same time, corruption risk mapping is performed each year for certain corruption-sensitive countries (based on the Transparency International classification). Mapping of four countries was performed in 2020 and 2021. Two additional units were covered in 2022. An action plan is then developed to improve the control of potential risks. It is monitored by the Risk, Audit and Compliance Department.

To ensure objectivity and understanding of the local cultural, the maps can be produced by a third-party firm with local correspondents in the countries concerned.

In 2021, Mersen commissioned an external firm to assess its compliance program under the Sapin II law. This assessment did not reveal any shortcomings, although it did allow a few improvements aimed at better formalizing certain processes to be recommended. In this respect, the Anti-Corruption Code of Conduct was revised in 2022.

7.3.4. Export control procedures

Mersen manufactures and delivers some products with sensitive applications, and must comply with specific regulations, such as those applicable to dual-use items.

It must comply with both European regulations (Regulation (EU) 2021/821 of the European Parliament and of the Council of May 20, 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items) and U.S. regulations (Export Administration Regulations – EAR and International Traffic in Arms Regulations – ITAR). In particular, several of the Group's plants in the United States fall under ITAR guidelines because of the products or sub-assemblies they manufacture.

In addition, the Group has to comply with national or regional regulations on economic sanctions and embargoes in the countries where it operates.

Due to the extraterritorial application of some laws, especially U.S. legislation, all Group companies may have to comply with certain U.S. regulations (e.g. Office of Foreign Assets Control (OFAC) regulations with regard to counter terrorism sanctions).

The Group ensures compliance with these regulations. Policies and procedures are put in place and reviewed regularly to align them with changes in the regulatory requirements. Awareness-raising actions are carried out among the most exposed employees, especially those in charge of exports.

7.3.5. Other procedures

Specific documents, codes and charters also set out the various aspects or practices of compliance applicable regardless of the country, including:

- Information Systems User Charter;
- Social Media Charter;
- Personal Data Protection Charter;
- website privacy policy;
- procedure for exercising GDPR rights;
- the Code of Stock Market Ethics.

7.4. Whistleblowing procedures

A whistleblowing hotline has been available since the end of 2017 to allow any individual who wants to report an issue to the Group to do so safely and anonymously.

A procedure on this hotline and for whistleblowers was completed in 2019 and reviewed in 2020 and is posted on the Group's intranet. It describes the process for handling reports and the protection measures for whistleblowers. Mersen is committed to ensuring that no disciplinary measures are taken against whistleblowers acting in good faith, and to preserving their anonymity in accordance with the regulations applicable to whistleblowers.

Two channels can be used to report issues:

- for internal staff, a dedicated email address is available: ethics@mersen.com;
- for internal and external stakeholders, a contact form is available on the Group's website.

The Group Compliance Officer and Group Vice President for Human Resources are authorized to receive these reports and are required to deal with them with due care.

Thirteen cases were brought to Mersen's attention in 2022. All of the cases were investigated and have since been closed. Alerts and proven cases of misconduct have resulted in disciplinary action and dismissals.

	2022	2021
Total ethics alerts, o/w:	13	11
<i>Moral/sexual harassment</i>	6	6
<i>Conflict of interest</i>	2	3
<i>Discrimination</i>	0	0
<i>Respect for human rights</i>	1	0
<i>Labor law dispute</i>	2	0
<i>Other</i>	2	2

7.5. Training and communication

Communication, awareness-raising and training for managers and employees are essential in explaining Mersen's Ethics and Compliance policy. There are four mandatory training courses: two on safety and ethics for all Group employees, and another two on anti-corruption and antitrust for more targeted populations.

Detailed information on these courses is provided in paragraph 6.5 of this chapter.

To reinforce Compliance culture, all internal audits include Compliance awareness with the site management during the kick-off meeting.

Lastly, the MersenONE Group intranet gives each employee easy access to all of the Group's charters, codes and policies.

7.5.1. Ethics training

A specific communication and training plan has been rolled out throughout the Group to raise awareness of the ethical behavior to be adopted and to prevent undue internal and external solicitations. Initial training was taken by all employees from 2018.

The Code of Ethics e-learning module was updated and expanded in 2021. It is aimed at all employees. Newcomers are required to complete the module. Employees with a computer are required to take it once every two years. Ad hoc events must be organized on site every two years for other employees.

It should be noted that sanctions, such as non-payment of the bonus, have been imposed on people who have not taken this training.

7.5.2. Anti-corruption training

A training course first implemented in 2018 is given to all employees directly exposed to these issues due to their departments (e.g., sales, procurement, finance) or position (management staff).

This training went online in 2020 via Mersen Academy. It is compulsory for all newcomers joining the Group in one of the aforementioned positions that are the most exposed to corruption risks.

Since 2021, any employee who fails to follow this training is not eligible for a bonus.

7.5.3. Training on competition law

The Group updated its competition law training course in 2020. It is now available on the Group's e-learning platform, Mersen Academy. Mandatory for the categories of people with the greatest exposure to the issue, mainly people in the sales and purchasing functions.

Since 2021, any employee who fails to follow this training is not eligible for a bonus.

7.5.4. GDPR training

Training on the subject of personal data protection, within the framework of the GDPR, was put online in 2021. This training is intended mainly for the GDPR correspondents of the various sites concerned by the regulation, as well as for the human resources employees of the same sites.

Summary of trainings	2022	2021
Ethics		
Number of people trained per year		
■ Employees with access to LMS	1,705	1,207
% completion	96%	75%
■ Employees without access to LMS	3,915	
% completion	89%	
Anti-corruption		
Number of people trained per year	314	278
Competition law		
Number of people trained per year	295	88
GDPR		
Number of people trained per year	98	48

7.6. Control and audit of ethics and compliance policies

The monitoring and implementation of ethics and compliance policies are principally overseen by the Ethics and Compliance Committee, which is described at the beginning of this chapter and assesses progress on the issues within its remit on a quarterly basis.

The Committee reports on compliance to the Group's Executive Committee and the Audit and Accounts Committee at least once a year.

As part of its control program, the Internal Audit Department introduced tests in 2019 to ensure that the ethics and compliance policy is effectively implemented and observed. Under the compliance monitoring process, the following points are verified:

- compliance with embargoes;
- export controls and compliance with OFAC regulations;
- gifts, invitations and donations;
- implementation of ethics and anti-corruption training;
- conflicts of interest.

7.7. Protecting information systems

The Group endeavors to protect its information systems from attacks intended to damage its systems or to manipulate, block or steal data through simulated cyber attacks and awareness-building campaigns for all of its employees.

The Risk Department is responsible for overseeing information systems security, and specifically (i) ensuring the security of the IT systems and protecting data confidentiality, and (ii) ensuring the security of IT infrastructure and applications to safeguard the continuity of operations.

7.7.1. Organization – information systems governance

An Information Systems Security Manager reports on a dotted-line basis to the Risk and Compliance Department. Their role is to:

- verify that the information systems security policy is implemented properly;
- lead the information systems' network of correspondents on all aspects of security;
- propose analysis and improvement tools for optimum control of the existing systems;
- develop an information systems security culture;

The Information Systems Security Manager organizes at least two meetings per year with the Risk and Compliance Department, the Chief Financial Officer and the Group Chief Information Officer to review the security of the Group's information systems.

Since 2016, the Information Systems Security Manager has reported to the Audit and Accounts Committee on the cyber risks facing the Group and the corresponding policy implemented.

7.7.2. References

Launched in 2013, Mersen's information systems security policy is based on industry best practices and standards, particularly ISO 27001 and NIST SP 800-171.

The underlying objective of the policy is to protect Mersen's data and ensure optimal availability of IT tools and systems, while adapting the level of protection to be in line with the requirements of the Group's various businesses and minimizing user constraints to every extent possible.

7.7.3. Audit and risk mapping

The information systems protection policy is underpinned by an audit manual that lists the main domains to be controlled, as well as technical documents and best practices that are available on the Group's intranet. The policy evolves over time in line with changes in information security threats and is based on a risk map that is updated on a regular basis. It is focused primarily on the implementation of preventive actions and mechanisms.

The Group performs internal audits on site or remotely.

In 2021, the Group decided to create a SOC (Security Operation Center) with a view to significantly improve the real-time surveillance of threats.

7.7.4. Training

IT staff and advanced users have had access to an e-learning module since 2016. Information letters are regularly issued in several languages to keep IT teams and users updated about potential risks and best practices. Specific training sessions are also held on a regular basis.

To increase awareness of cyber security among employees who have a PC, the Group updated and rolled out a training module in 2022. The aim is to have trained all people concerned by 2025.

In 2022, 2,700 users underwent cybersecurity training, which corresponds to 90% of the target. New employees are automatically enrolled in the course and follow-up is closely monitored by the Group's training teams.

7.8. A responsible taxpayer

As an international group operating worldwide, Mersen is keenly aware of the important role that tax plays in countries' economies.

The Group is committed to being exemplary when it comes to tax matters, and takes particular care to comply with all of the applicable national and international tax laws and regulations.

Mersen has always sought to build and maintain good relations with the tax authorities and ensures that its business is conducted in a spirit of mutual trust and transparency.

The Group's overall tax policy is designed to be responsible and effective, in line with Mersen's business and strategy, while ensuring legal certainty and safeguarding the Group's reputation. It also helps preserve the value generated for the Group and its shareholders.

In particular, Mersen does not engage in transactions that are purely tax driven or which are artificially structured. It may, however, benefit from tax incentives in some countries that are available to all companies and are therefore not specific to Mersen.

7.8.1. Organization and governance

The Group's Finance Department is responsible for coordinating and managing Mersen's tax situation. In this role, the Finance Department makes sure that the most relevant tax options are chosen in full compliance with the applicable laws and regulations. It also ensures that all taxes and provisions for tax risks are properly accounted for in the consolidated financial statements.

The Finance Department reports to the Audit and Accounts Committee on the Group's tax situation and its main tax risks at least once a year.

The Finance Department draws on the expertise of the Group Tax Department. The Group's Tax Director reports directly to the Group's Chief Legal Officer and on a dotted-line basis to the Chief Financial Officer.

He is responsible for applying the Group's tax policy, especially for cross-border transactions, and for advising the Group's various companies on tax matters. He also provides specialist tax advice for all acquisition and divestment projects and on any other industrial operations. The Tax Director can be assisted by external consultants and advisors where required.

7.8.2. Mersen's geographic locations

At December 31, 2022, no Mersen group companies were located in (i) a country considered "non-co-operative" by France or the European Union, or (ii) a jurisdiction classified as "non-compliant" in the OECD's 2022 tax transparency report.

7.8.3. Country-by-country reporting (CbCR)

In accordance with the applicable laws and regulations, Mersen reports to the French tax authorities on a country-by-country basis.

However, it does not publicly disclose this information for reasons of confidentiality with respect to its main competitors as the CbCR contains sensitive industrial and commercial information that could be used by competitors.

To the best of Mersen's knowledge, at December 31, 2022 none of the Group competitors mentioned in the Universal Registration Document had publicly disclosed its CbCR.

7.8.4. Variable compensation related to tax performance

None of the performance objectives of the operations or finance staff of the Group's sites or businesses relate specifically to reducing the amount of tax paid or recorded in the accounts. The objective based on operating margin before non-recurring items – which applies to everyone who receives variable compensation – is set on a pre-tax basis. By contrast, Group cash level targets take into account the amount of taxes paid.

The Group Chief Financial Officer and certain managers from the Group Finance Department may have performance objectives related to the Group's tax rate, in line with the budget, or changes in tax losses in certain countries. Some finance managers are given objectives for improving their performance in terms of tax monitoring or managing tax risks, or related to the documentation process for transfer pricing.

The Group's effective tax rate (ETR) for the past three years

	2022	2021	2020
Group ETR	24%	24%	269%

The Group's ETR primarily reflects the tax rates applicable in the countries where the Group conducts business. The ETR was particularly high in 2020 due to the fact that significant amounts of non-deductible, non-recurring expenses were recorded during the year, as well as impairment losses on deferred tax assets.

7.8.5. Cross-border transactions

Mersen takes care to ensure that its intra-group transactions comply with the arm's length principle set out in the OECD's Transfer Pricing Guidelines and in the bilateral tax agreements signed by the countries where the Group operates. One of the roles of Mersen's Tax Department is to ensure that this principle is properly applied.

Transfer pricing documentation is prepared for cross-border transactions and provided to the local tax authorities whenever required.

7.8.6. Tax risks and audits

The Finance Department endeavors to eliminate risks resulting from uncertainties or complexities in interpreting tax laws and regulations, with the assistance of external consultants or advisers where necessary. Mersen places particular importance on rigorously complying with both the letter of the law and the objectives sought by the legislators.

However, given the scale of its operations and the volume of its tax obligations, the Group's tax positions may be contested by the tax authorities due to differences of interpretation. In such cases, the Finance Department is responsible for defending the Group's interests.

The Group carries out tax due diligences whenever it acquires a company but may nevertheless be exposed to unidentified risks.

Mersen is subject to tax audits, which may be carried out in any of its host countries.

The main tax disputes are managed by the Group Tax Department, in conjunction with external consultants or advisers when necessary. The Group's principal tax risks are presented on a regular basis to the Audit and Accounts Committee.

8. OUR REPORTING METHODOLOGY

This chapter contains the social, societal and environmental information required under Article R. 225-105-1 of the French Commercial Code, as amended by order no. 2017-1180 and Implementing Decree no. 2017-1265, transposing Directive

2014/95/EU of the European Parliament and Council of October 22, 2014, relative to the publication of non-financial information. Reporting principles are described in a set of guidelines that is updated every year (v1.2 in October 2022).

8.1. Reporting scope

The CSR reporting scope encompasses all companies in the Group, whether consolidated or not, based on the following principles:

- **standard reporting:** all companies included in the financial consolidation scope;
- **labor reporting:** workforce indicators are published for all companies included within the Group's financial scope of consolidation (except for the "workforce by age" indicator which is only available for companies included in the HR Information System – HRIS). All of the other indicators that are published only relate to the financial-scope companies included in the HRIS;

- **social reporting:** all Group industrial and administrative sites;
- **safety reporting:** all Group industrial sites, except for accident statistics that cover all Group industrial or administrative sites;
- **environmental reporting:** all industrial sites.

Certain exclusions from the scope of reporting have been defined for certain indicators, such as where local legislation does not permit the reporting of relevant data or where sufficient arrangements for the collection of certain types of data have not yet been made. The summary table at the end of this section sets out the scope covered by each of the indicators.

8.2. Reporting periods

Quantitative indicators are calculated using the following method:

- **labor data:** for the period from January 1 to December 31, 2022, with figures reported as at December 31, 2022;

- **health and safety data:** for the period from January 1 to December 31, 2022, or for companies acquired within the last year, as of the date they were integrated into the Group;
- **environmental data:** for the period from January 1 to December 31, 2022, or for companies acquired within the last year, as of the date they were integrated into the Group.

8.3. Data collection

Quantitative information is reported using the indicators described in the dedicated frameworks. These frameworks specify the indicator's objectives, its scope of application, the definitions needed to understand the indicator and its scope, the calculation methodology, and the consistency checks.

8.3.1. Labor information

Labor information is collected through the HR Information System (HRIS) used in all of the Group's consolidated companies, with the exception of a few entities (especially companies recently integrated into the scope of consolidation). For these companies (scope not covered by the HRIS), only the workforce indicator is available.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency on various criteria. Any value or change in value considered suspect is verified with the relevant site, which will be asked to correct or explain the data. If the value cannot be corrected or if the explanation provided is deemed inconclusive, the scope concerned by that value will then be disregarded from the scope of consolidation.

8.3.2. Safety information

Health and safety indicators are collected monthly through the Calame reporting system implemented at all Group companies. Indicators on accidents cover Mersen employees as well as temporary workers and employees from outside companies working at Mersen sites.

Once collected and prior to final consolidation, the data submitted by the subsidiaries is verified for consistency on various criteria. Any value or change in value considered suspect is verified with the relevant site, which will be asked to correct or explain the data.

8.3.3. Environmental information

Environmental indicators are collected annually through the Calame reporting system. Only data on waste is collected on a quarterly basis.

Once collected and prior to final consolidation, the data submitted by the sites is verified for consistency on various criteria. Any value or change in value considered suspect is verified with the relevant site.

8.3.4. Social information

Qualitative indicators are collected annually through a questionnaire sent to all subsidiaries.

8.4. Reporting process participants and their responsibilities

A certain number of employees are involved in implementing the reporting process within the Group and all of its subsidiaries.

There are three levels of responsibility:

Corporate responsibility

In conjunction with the Human Resources Department (for social information) and the Financial Communications Department (for societal information), the Operational Excellence Department organizes the reporting with the directors of the companies that fall within the scope. Its role is to:

- define framework indicators;
- relay the framework and its indicators to the Group's site managers and section managers and ensure that they are clearly understood by providing adequate information and training;
- coordinate data collection;
- ensure that the reporting schedule is adhered to;
- check the completeness and consistency of the data collected;

- consolidate the data;
- use and analyze the data.

Group companies' responsibility

Data reporting is the responsibility of the site manager. Their role is to:

- organize data collection at company level by defining responsibilities and ensuring that their compliance with the definitions of indicators;
- safeguard data traceability;
- ensure that the reporting schedule is adhered to;
- check the exhaustiveness and consistency of the data provided and implement the requisite checks and verifications by persons not involved in the collection process.

External organization

Audit and verification of data were performed in 2021 by an independent third-party organization, in accordance with the Implementing Decree of August 9, 2017.

8.5. Notes on methodology

On account of the Group's global presence and some local legislation, indicator data collection methodologies are adapted to certain constraints of the Group.

Absenteeism

Number of days of absence from work for any reason related to the employee that the employer cannot anticipate: illness, workplace accidents, maternity/paternity leave, strikes and any other unforeseeable absence. Absences related to reduced working time as a result of the Covid-19 pandemic in 2020 are not included in this indicator.

Agreement

All arrangements made and accepted by the management of an operating company, segment of the Group and one or more employee representatives.

Disabled employees

The Group operates in a large number of countries and is subject to the laws in force in those countries, and can therefore only collect information on disability affecting its employees within the framework of those laws. Quantitative information for certain countries is therefore only partial.

Employees suffering from an occupational illness (operations in France, i.e., 19% of headcount)

As the concept of occupational illness varies significantly from country to country, this information is provided only for France. An illness is recognized as “occupational” if it appears on one of the tables appended to the French Social Security Code (Code de sécurité sociale) or French Rural Code (Code rural).

Under certain conditions, illnesses that do not appear on the tables may also be included:

- illnesses designated in a table of occupational illnesses, but for which one or more conditions have not been met (with regard to the time limit on claims, the length of exposure or the limited list of jobs), when it has been established that the victim's regular work is the direct cause of the illness;
- illnesses not designated in a table of occupational illnesses when it has been established that they are caused, mainly and directly, by the victim's regular work and that they lead to permanent disability at a rate at least equal to 25% or are the cause of a victim's death.

Environment

All environmental data are expressed at current scope unless otherwise stated.

Environmental protection training

This indicator recognizes the total number of training hours provided whose title and/or main topic is linked directly to environmental protection issues.

Governing bodies

Executive Committee and management committees of businesses and support functions.

Health, Safety and Environment (HSE) Manager

An HSE Manager is an employee who is responsible for managing environmental, health and safety matters.

Hiring

Total number of people hired during the fiscal year who meet the definition of headcount described above.

Local nationality

Local nationality is defined as the nationality of the country in which the company is located.

Lost-time accident

An accident resulting in time off work. An accident affecting several people is recognized as a single accident. Only the causative event is taken into account. The accidents taken into account are those considered to be directly work-related following investigation by the health and safety officers and against which the Group may be able to take preventive action. Certain events, such as non-work-related conditions or commuting accidents, are excluded, even if the relevant authorities have declared them to be workplace accidents. The LTIR (Lost Time Injury Rate), TRIR (Total Recordable Incident Rate) and SIR (Severity Injury Rate) indicators include Mersen employees, temporary workers and external companies.

Managers

Employees are considered to be managers when they hold a managerial function, including engineer, project manager or technical expert, or a team management position, with the exception of first-level management (supervisors). However, the notion of “manager” (based on managing a team) associated with the “Open Manager” training program comprises the “manager” and “supervisor” job categories. The notion of “manager” (based on level of responsibility) associated with workforce indicators, notably gender diversity, includes the “engineer” and “manager” categories.

Policy

A policy is an organized general framework, disseminated and deployed by the Group's top management throughout all the companies or targeted groups of companies. This framework is formalized as an official, signed document.

Raw materials

Dark materials and resins are accounted for when they enter into the manufacture of semi-finished products.

Reported accident

Bodily or psychological harm or injury that is the sudden consequence of an event that occurred due to or in the course of work-related activity, which has led to treatment by a health professional, and which must be reported to the occupational health and safety authority according to local regulations.

Safety training

This indicator includes training required for the position, general and regulatory training.

Senior employees

Over 55 years of age.

Total headcount and breakdown by gender, age and geographic area

Employees included in the workforce at the end of the fiscal year, under open-ended or fixed-term contracts, excluding temporary workers, interns and sub-contractors.

Training

Scope: Administrative sites with fewer than ten employees are not included in the reporting scope for training indicators.

Training activities recognized as such are those organized and paid for by the Group and that are designed to:

- improve performance and help the employee adapt to changes in their jobs;
- develop employees' talents and help them acquire new skills.

The following are excluded: required training for the position, trial periods, information programs, regulatory training, internships and apprenticeships (during education courses). The HRIS model used is based on monthly data collection. As training is not provided systematically on a monthly basis, it is subject to manual reprocessing at the end of the fiscal year.

9. SUMMARY TABLE OF NON-FINANCIAL INDICATORS

To help understand Mersen's different indicators, the following table summarizes the list of indicators, their scope and their type (i.e., qualitative or quantitative), and the Global Reporting Initiative standards (2016 version) to which they correspond.

	Qualitative or quantitative information	Scope*	GRI reference ⁽¹⁾	Page
RESPONSIBLE PARTNER				
			204 301-308	
Purchasing policy	Qualitative	Standard		115
Supplier self-assessment of CSR performance	Quantitative	Standard	308-1	116
Conflict minerals: number of suppliers involved	Quantitative	Standard		116
Sales linked to sustainable development markets	Quantitative	Standard		114
Percentage of suppliers who have signed the procurement charter	Quantitative	Standard		118
Examples of contributions to reducing the impact of industrial activities	Qualitative	Standard		116
Percentage of local suppliers	Quantitative	Standard		
ENVIRONMENT				
			204 301-308	
Organization of the Company to ensure environmental compliance	Qualitative	Standard		120
ISO 14001 certification rate	Quantitative	Environmental	103-2	121
Hours of training on environmental issues	Quantitative	Environmental	103-2	120
Investments linked to environmental compliance	Qualitative	Standard	103-2	120
Significant provisions for environmental risks	Quantitative	Standard	307-1	126
Fines for non-compliance with environmental laws and/or regulations	Quantitative	Standard	307-1	126
Notifications for environmental risks	Quantitative	Standard	307-1	126
Greenhouse gas (GHG) emissions				
Scope 1 GHG emissions	Quantitative	Environmental	305-1	122
Scope 2 GHG emissions	Quantitative	Environmental	305-2	122
Scope 3 GHG emissions	Quantitative	Environmental	305-3	122
Reduction in GHG emissions	Quantitative	Environmental	305-5	122
Energy				
Electricity purchased	Quantitative	Environmental	302-1	122
Self-generated electricity	Quantitative	Environmental	302-1	122
Renewable electricity	Quantitative	Environmental	302-1	123
Renewable electricity with or without compensation	Quantitative	Environmental	302-1	123
Natural gas consumption	Quantitative	Environmental	302-1	122
LPG consumption	Quantitative	Environmental	302-1	122
Fuel oil, propane, butane consumption	Quantitative	Environmental	302-1	122
Energy intensity ratio	Quantitative	Environmental	302-1	123
Raw materials				
Pitch consumption	Quantitative	Environmental	301-1	125
Coke consumption	Quantitative	Environmental	301-1	125
Artificial graphite consumption	Quantitative	Environmental	301-1	125
Viscose fiber consumption	Quantitative	Environmental	301-1	125
Phenolic resin consumption	Quantitative	Environmental	301-1	125
Copper consumption	Quantitative	Environmental	301-1	125
Aluminum consumption	Quantitative	Environmental	301-1	125

* Scope: refer to definitions given in paragraph 1 of the Reporting Methodology.

(1) In 2020, the Group carried out a comparison of the definitions for its indicators against those used by the GRI (2016 version) in order to allow for the gradual alignment of certain indicators over the medium term.

	Qualitative or quantitative information	Scope*	GRI reference ⁽¹⁾	Page
Consumption linked to packaging and logistics				
Wood consumption	Quantitative	Environmental	301-1	125
Cardboard consumption	Quantitative	Environmental	301-1	125
Waste				
Total waste	Quantitative	Environmental	306-3	125
Hazardous waste	Quantitative	Environmental	306-3	125
Recycled waste and by-products	Quantitative	Environmental	306-4	125
Biodiversity				
Biodiversity protection (site mapping)	Quantitative	Environmental	304-1	128
Water				
Water consumption	Quantitative	Environmental	303-3	129
Change in water consumption	Quantitative	Environmental	303-3	129
Water consumption intensity ratio	Quantitative	Environmental	303-3	129
Climate risk				
Exposure to climate risks (mapping)	Quantitative	Environmental		130
HUMAN CAPITAL			102, 402, 404-413	
Head count by gender	Quantitative	Standard	102-8	132
Age pyramid	Quantitative	Labor	405-1	132
Average age (M/F)	Quantitative	Labor	405-1	132
Length of service (M/F)	Quantitative	Labor	405-1	132
Head count by region	Quantitative	Standard	102-8	132
Headcount by employee category	Quantitative	Standard	401-1	132
Headcount by type of contract	Quantitative	Standard	102-8	132
Part-time employees	Quantitative	Standard	102-8	133
Number of new hires	Quantitative	Labor	401-1	133
Number of dismissals	Quantitative	Labor	401-1	133
Number of voluntary departures	Quantitative	Labor	401-1	133
Overall number of departures	Quantitative	Labor	401-1	133
Turnover rate	Quantitative	Labor	401-1	133
Absenteeism rate	Quantitative	Labor		133
Pride of belonging to the Group (human potential success rate)	Quantitative	Standard		134
Diversity				
Diversity and equality policy	Qualitative	Standard		135
Employees with disabilities	Quantitative	Standard	405-1	142
Percentage of engineers and managers who are women	Quantitative	Standard	405-1	140
Percentage of women on corporate governance bodies	Quantitative	Standard	405-1	140
Percentage of seniors	Quantitative	Labor	405-1	132
Percentage of site managers of local nationality	Quantitative	Standard		137
Number of manufacturing sites	Quantitative	Standard		137
Labor relations				
Percentage of workforce covered by collective agreements	Quantitative	Standard	102-41	150

* Scope: refer to definitions given in paragraph 1 of the Reporting Methodology.

(1) In 2020, the Group carried out a comparison of the definitions for its indicators against those used by the GRI (2016 version) in order to allow for the gradual alignment of certain indicators over the medium term.

	Qualitative or quantitative information	Scope*	GRI reference ⁽¹⁾	Page
Training and skills development				
Training policies implemented	Qualitative	Labor		145
Number of hours of training per employee	Quantitative	Labor	404-1	145
Number of hours of Mersen Academy training	Quantitative	Labor		145
Number of people trained	Quantitative	Labor		145
Hours of training as a % of total payroll costs	Quantitative	Labor		145
Remuneration				
Compensation policy	Qualitative	Labor		150
Gender pay gap	Quantitative	Labor	405-2	142
Total annual pay gap	Quantitative	Labor	102-38	151
Percentage increase in total annual compensation	Quantitative	Labor	102-39	151
Percentage of sites and employees covered by a supplementary pension plan	Quantitative	Labor		151
Percentage of sites and employees with a supplementary health insurance plan	Quantitative	Labor		151
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* Scope: refer to definitions given in paragraph 1 of the Reporting Methodology.

(1) In 2020, the Group carried out a comparison of the definitions for its indicators against those used by the GRI (2016 version) in order to allow for the gradual alignment of certain indicators over the medium term.

10. REPORT VERIFYING THE NON-FINANCIAL INFORMATION STATEMENT

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

The Non-Financial Information Statement reviewed covers the year ended December 31, 2022.

Request, Responsibilities and Independence

At Mersen SA's request and pursuant to the provisions of Article L.225-102-1 of the French Commercial Code (*Code de commerce*), we have verified the Non-Financial Information Statement (hereinafter the "Statement") for the year ended December 31, 2022 included in Mersen SA's Universal Registration Document, as an independent third party certified by COFRAC under number 3-1341 (whose list of locations and scope are available at www.cofrac.fr).

Pursuant to Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code, the Board of Directors is responsible for preparing a compliant Statement which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the reporting guidelines (hereinafter the "reporting procedures") of the company (hereinafter the "entity"). The Statement will be available on the entity's website along with a summary of the reporting procedures.

It is our responsibility to verify the Statement, which enables us to provide a reasoned opinion as to:

- The Statement's consistency with the provisions of Article R.225-105 of the French Commercial Code.
- The fairness of the information provided in accordance with Article R.225-105 I, 3 and II of the French Commercial Code.

We verified the Statement in an impartial and independent manner in accordance with the professional practices of the independent third party and pursuant to the French Code of Ethics (*Code éthique*) applied by all members of Bureau Veritas.

Nature and scope of our work

In order to provide a reasoned opinion on the Statement's compliance and the fairness of the information supplied, we carried out our work in accordance with Articles A.225-1 to A.225-4 of the French Commercial Code and our internal methodology for the verification of the Statement, in particular:

- We obtained an understanding of the scope of consolidation to be considered for the preparation of the Statement, as specified in Article L.233-16 of the French Commercial Code. We also verified that the Statement covers all the entities within the scope of consolidation specified in the Statement.

- We obtained an understanding of the entity's activities, the context in which the entity operates, the social and environmental impact of its activities and the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation.
- We obtained an understanding of the content of the Statement and verified that it included the items listed in Article R.225-105 of the French Commercial Code:
 - presentation of the entity's business model;
 - description of the principal risks associated with all the consolidated entities' activities for each category of information set out in Article L.225-102-1 III, including, where relevant and proportionate, the risks associated with their business relationships and products or services, as well as the policies implemented by the entity, where applicable, and the due diligence procedures implemented to prevent, identify and reduce the occurrence of the identified risks;
 - the outcomes of these policies, including key performance indicators.
- We examined the entity's procedures for reviewing the impacts of its activities as listed in Article L.225-102-1 III, identifying and prioritizing the associated risks.
- We identified missing information, as well as information omitted without explanation.
- We verified that the Statement includes a clear and reasoned explanation for the absence of information regarding the principal risks identified.
- We examined the data collection process implemented by the entity to ensure the completeness and consistency of the information referred to in the Statement. We assessed the reporting procedures with respect to their relevance, reliability, understandability, completeness and objectivity, with due consideration of industry best practices, where appropriate.
- We identified the people within the entity who are in charge of all or part of the reporting process and interviewed some of them.
- We asked what internal control and risk management procedures the entity has put in place.
- Through sampling, we assessed the implementation of the reporting procedures, in particular the collection, compilation, processing and verification of the information.

- For the quantitative results ⁽¹⁾ that we considered to be the most important, we:
 - performed analytical procedures and, using sampling techniques, verified the calculations and the consolidation of the data at the level of the Group and the verified entities;
 - selected a sample of contributing entities ⁽²⁾ within the scope of consolidation according to their activity, their contribution to the entity's consolidated data, their presence and the outcomes of work performed in earlier years;
 - performed tests of details, using sampling techniques, in order to verify the proper application of the reporting procedures, reconcile the data with the supporting documents and verify the calculations made and the consistency of the outcomes;
 - selected a sample representing 18% of the headcount and between 23% (wood consumption) and more than 53% (coke consumption) of the values reported for the environmental data tested.
- We referred to documentary sources and conducted interviews with the people responsible for drafting the documents in order to corroborate the qualitative information that we considered to be the most important.
- We assessed the consistency of the information referred to in the Statement.
- Our work was carried out by a team of six auditors between September 28, 2022 and the completion of our report, and took a total of about five weeks. We conducted over 40 interviews with the people responsible for reporting at the time of this assignment.

Comments on the reporting procedures or the content of certain information

Without qualifying the conclusions below, we provide the following comments:

- Due to an overestimation of the gas emissions factor, scope 1 GHG emissions have been overstated by approximately 12%, which represents 2.5% of total GHGs. The methodology has been retained to ensure these indicators are monitored over time on an identical calculation basis.
- We also noted that digital activities (messaging, software, data storage and transfer, etc.) are not included in the scope 3 assessment.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to call into question the Statement's compliance with the provisions of Article R.225-105 and the fairness of the information provided.

Puteaux, February 28, 2023

Bureau Veritas

Laurent Mallet

Managing Director

(1) **Human resources information:** active headcount at December 31, broken down by socio-professional category, broken down by contract type; number of recruitments; number of dismissals; turnover rate; percentage of women engineers and managers and percentage of women in senior management positions; LTIR, TRIR, SIR and number of deaths (employees, temporary workers and sub-contractors); percentage of employees with an occupational illness; number of management safety visits; average number of training hours per employee; human potential success rate; absenteeism; pay ratio.

Environmental information: electricity consumption (purchased, self-generated, sold, with energy certificates) and energy intensity ratio; gas consumption; total energy consumption; water consumption; raw material use: coke, coal tar pitch, artificial graphite, copper and aluminum; packaging consumption: wood and cardboard; scope 1, scope 2 and scope 3 CO₂ emissions and intensity ratio; tonnage of total industrial waste; tonnage of industrial waste and by-products recycled; tonnage of hazardous industrial waste; provisions for environmental risk; investments for environmental protection; fines and penalties for non-compliance with environmental regulations; percentage of 14001 and 45001 certified sites.

Qualitative information: significant CSR initiatives (inclusion: collaboration based on respecting local cultures and combating all forms of discrimination); responsible purchasing approach; ethics and compliance culture.

(2) On-site audit of human resources and environmental information: Amiens (France), La Mure (France), Rochester (USA), Hittisau (Austria), Kaposvar (Hungary); remote audit of human resources data: Bommasandra (India); remote audit of some environmental data: St Marys (USA).

5 INFORMATION ABOUT THE COMPANY, THE SHARE CAPITAL AND SHARE OWNERSHIP

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1. GENERAL INFORMATION ABOUT THE COMPANY

1.1. Corporate name and legal form

MERSEN

Limited liability company (société anonyme) with a Board of Directors, governed by French law.

1.2. Registered office

Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France
Tel.: +33 (0)1 46 94 54 00
Website: www.mersen.com

Information on the Company's website does not form part of this document unless they are incorporated by reference.

In accordance with Article 4 of the Articles of Association, the Company's registered office was transferred by decision of the Board of Directors on December 17, 2021, with effect from March 1, 2022. The decision was approved by the Combined General Meeting of May 19, 2022.

1.3. Date of incorporation and term of existence (Article 5 of the Articles of Association)

The Company was first incorporated on January 1, 1937 and shall terminate on December 31, 2114, unless it is extended or dissolved in advance by decision of an Extraordinary General Meeting.

1.4. Corporate purpose (Article 3 of the Articles of Association)

The purpose of the Company in France and in all other countries is to carry out all operations concerning the research, manufacture, processing, use and sale of:

- carbon-based products, articles or equipment, whether or not they are combined with other materials;
- metal powders, articles made from these powders, special alloys and articles made from these alloys;
- electro-mechanical and electronic products;
- all industrial products, namely metallurgical, mechanical, plastic and elastomer products;
- all other products, articles or equipment that may be related to the above products:
 - by using the latter to make the former,
 - by developing research activities, or
 - through manufacturing processes, industrial applications or distribution networks.

Within the scope of the corporate purpose defined above, the Company may carry out all operations related to:

- raw materials, prepared materials, components and elements, spare parts and semi-finished products, finished products and equipment, combinations of equipment, assemblies of all kinds and sizes combining equipment;
- all work;
- all techniques.

The Company may also indirectly carry out operations related to its technical, industrial and commercial activities. To this end, it may form any companies and groups of companies, acquire holdings in any companies and partnerships, contribute assets to the capital and subscribe to the shares of any company, and purchase or sell any shares, partnership shares or corporate rights.

In general, the Company may carry out any industrial, commercial, financial, security or real estate operations related directly or indirectly to these activities.

It may also acquire any interest, in any form whatsoever, in any French or foreign companies or organizations.

1.5. Registration

RCS NANTERRE B 572 060 333 – APE CODE: 70-10Z.

Legal Entity Identifier (LEI): OQXDLNM5DTBULYMF5U27.

1.6. Access to the Company's corporate documents

Corporate documents, particularly the Articles of Association, financial statements and reports to General Meetings by the Board of Directors and the Statutory Auditors, may be consulted at the registered office, under the conditions and during the periods prescribed by law, by contacting:

Thomas Baumgartner
Chief Financial Officer of Mersen

Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France

All shareholder documents are also available on the "Investors" page of the Company's website, www.mersen.com.

1.7. Fiscal year (Article 27 of the Articles of Association)

The Company's fiscal year commences on January 1 and ends on December 31.

1.8. Disclosure thresholds (Article 11 ter of the Articles of Association)

The Company's Articles of Association stipulate that any person, acting alone or in concert, who acquires, in any manner whatsoever within the meaning of Article L.233-7 et seq. of the French Commercial Code (Code de commerce), either directly or indirectly through companies that they control within the meaning of Article L.233-3 of the French Commercial Code, a stake of 1% or more in the share capital or voting rights is required, within five days of the transaction and irrespective of their delivery, to disclose to the Company, by recorded delivery letter with acknowledgment of receipt, the total number of shares or securities giving access to the share capital or voting rights that they hold. Should their stake drop below the 1% threshold, it must be disclosed in the same manner and within the same deadline. This obligation shall apply whenever the share capital or voting rights held increases or falls by at least 1%.

If a disclosure does not meet the terms and conditions above, the shares in excess of the threshold that should have been disclosed shall be stripped of voting rights at any General Meeting held in the two years following the date on which proper notification is made, at the request, during the Meeting, of one or more shareholders holding at least 1% of the share capital or voting rights.

In addition to the above disclosure obligation, any crossing of share ownership thresholds, as provided by law, must be disclosed.

1.9. Shareholders' meetings (Article 25 of the Articles of Association)

Shareholder meetings shall be convened subject to the conditions provided for by law and shall deliberate in accordance with quorum and majority voting requirements determined by law.

The meetings may be held at the Company's headquarters or at another location indicated in the notice calling the meeting.

The owners of registered shares have the right to attend the General Meeting or to be represented by proxy or to vote by post, regardless of the number of shares they hold, provided that their shares are fully paid up and registered in an account in their name by 12:00 am, Paris time, two days before the date of the meeting, or in a registered share account held by the Company, or in the bearer securities account held by an authorized intermediary. Shareholders may also, by decision of the Board of Directors at the time of convening the General Meeting, participate and vote at General Meetings by video conference or by any means of telecommunication that enables them to be correctly identified, in accordance with the law.

Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman of the Board of Directors and, if this is not possible, by a member of the Board of Directors specially delegated for the purpose by the Board of Directors. Failing this, the Meeting shall elect its own Chairman.

Minutes of the meetings shall be taken and copies thereof shall be certified by the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the secretary of the Board of Directors or by a signing officer authorized for the purpose.

1.10. Provisions that would delay, defer or prevent a change in control

There are no provisions in the Articles of Association that would delay, defer or prevent a change in control of the Company.

2. GENERAL INFORMATION ABOUT THE SHARE CAPITAL

2.1. Conditions in the Articles of Association governing changes in the share capital and shareholder rights

None. Changes in the share capital and the respective rights of the various categories of shares are made in accordance with the provisions laid down in law.

2.2. Structure and amount of share capital

The Company's share capital comprises ordinary shares and preference shares issued pursuant to Articles L.228-11 et seq. of the French Commercial Code. Each share has a nominal value of €2.

As all category E preference shares (issued under the 2018 plan) were converted into ordinary shares in 2022 (see chapter 2 of this Universal Registration Document), only ordinary shares were outstanding at December 31, 2022.

At December 31, 2022, the share capital amounted to **€41,689,808**, divided into 20,844,904 ordinary shares.

The rights attached to these shares are set forth in Article 15 of the Company's Articles of Association:

Ordinary shares are freely negotiable (Article 13 of the Articles of Association). In addition:

1. The rights and obligations attached to each share are those defined under the law, the regulations and the Articles of Association, notably as regards the right to participate in General Meetings and vote on resolutions, communication rights, and subscription and allocation rights in the event of a capital increase.
2. Each Share gives the right, through the ownership of assets in the Company, to a share in its profits and liquidation bonuses, in proportion to the number of Shares in existence, after consideration of any capital that is depreciated, not depreciated or fully paid up, and the nominal amount of the Shares as applicable.

Each Share gives the right, during the life of the Company or during its liquidation, to an equal nominal value and, excluding any provisions linked to the date of entitlement to dividends, to payment of the same net sum in the event of an allocation or repayment. Similarly, no distinctions are made between Shares for any tax exemptions or reductions, or for any taxation owed by the Company as a result of said allocation or repayment.

2.3. Valid authorizations and delegations regarding share capital increases

The table below summarizes valid financial authorizations and delegations granted to the Board of Directors by the General Meeting (in particular pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code), and their use during the year.

Summary of valid delegations and authorizations regarding share capital increases and their use

Type of delegation/ authorization	Date of the General Meeting	Duration	Initial limit	Use in FY 2022
Delegation to increase the share capital by capitalizing reserves, income and/or additional paid-in capital ⁽¹⁾	5/19/2022 <i>Twentieth resolution</i>	26 months	Maximum nominal value of capital increases: €50 million	Capital increase of €13,484 on May 19, 2022 to allocate shares to beneficiaries following the conversion of E shares
Delegation to increase the share capital with preferential subscription rights for existing shareholders ⁽¹⁾	5/19/2022 <i>Twenty-first resolution</i>	26 months	Maximum nominal value of capital increases: €18 million ⁽²⁾ Maximum nominal value of debt securities: €300 million ⁽⁵⁾	None
Delegation to increase the share capital without preferential subscription rights but with a priority subscription period for existing shareholders	5/19/2022 <i>Twenty-second resolution</i>		Maximum nominal value of capital increases: €8 million ⁽³⁾ Maximum nominal value of debt securities: €300 million ⁽⁵⁾ Maximum discount of 5%	None
Delegation to increase the share capital without preferential subscription rights for existing shareholders by way of a public offer in the context of a public exchange offer ⁽¹⁾	5/19/2022 <i>Twenty-third resolution</i>	26 months	Maximum nominal value of capital increases: €4 million ⁽⁴⁾ Maximum nominal value of debt securities: €300 million ⁽⁵⁾	None
Delegation to increase the share capital without preferential subscription rights for existing shareholders by way of a private placement ⁽¹⁾	5/19/2022 <i>Twenty-fourth resolution</i>	26 months	Maximum nominal value of capital increases: €4 million ⁽⁴⁾ Maximum nominal value of debt securities: €300 million ⁽⁵⁾ Maximum discount of 5%	None
Delegation to increase the share capital in return for contributions in kind ⁽¹⁾	5/19/2022 <i>Twenty-sixth resolution</i>	26 months	Limited to 10% of the share capital ⁽⁴⁾	None
Delegation to increase the share capital for employees of Mersen group companies outside France who are not members of a company savings plan	5/19/2022 <i>Twenty-seventh resolution</i>	18 months	€500,000 ⁽³⁾⁽⁸⁾	None
Delegation to increase the share capital for employees who are members of a company savings plan ⁽¹⁾	5/19/2022 <i>Twenty-eighth resolution</i>	26 months	€500,000 ⁽³⁾⁽⁸⁾	None
Authorization to grant free shares to certain employees	5/19/2022 <i>Thirtieth resolution</i>	38 months	100,800 shares	Grant of 98,600 shares ⁽⁶⁾
Authorization to grant free shares to senior executives and corporate officers	5/19/2022 <i>Thirty-first resolution</i>	38 months	84,000 shares	Grant of 84,000 shares ⁽⁶⁾
Authorization to grant free shares to certain employees (high-potential managers or managers with expertise in strategic sectors)	5/19/2022 <i>Thirty-second resolution</i>	38 months	12,000 shares	Grant of 12,000 shares ⁽⁷⁾

(1) This resolution may not be used during public offers.

(2) This amount is deducted from the overall ceiling of €18 million set by the General Meeting of May 19, 2022 for share issues (twentieth-ninth resolution).

(3) This amount is deducted from the overall ceiling of €18 million and the sub-ceiling of €8 million set by the General Meeting of May 19, 2022 (twentieth-ninth resolution).

(4) This amount is deducted from the overall ceiling of €18 million and the sub-ceilings of €8 million and €4 million set by the General Meeting of May 19, 2022 (twentieth-ninth resolution).

(5) This amount is deducted from the overall ceiling of €300 million set by the General Meeting of May 19, 2022 for issues of debt securities (twentieth-ninth resolution).

(6) Three-year vesting period, subject to continued presence and performance conditions.

(7) Three-year vesting period, subject to continued presence conditions.

(8) The twenty-seventh and twenty-eighth resolutions share the same ceiling.

Resolution 25 allows the Board of Directors, in the event of oversubscription, to decide to increase the number of securities to be issued when increasing the capital, while keeping within the authorized ceilings.

2.4. Changes in the share capital

Date	Type of transaction	Share capital after transaction	Issue premium (in €)	Total number of shares after the transaction
5/11/2018	Issue of 1,172 category C shares, each with a nominal value of €2	41,276,426	N/A	20,638,213
1/23/2019	Issue of 129,905 new shares through the exercise of subscription options in 2018	41,536,236	2,075,670	20,768,118
5/18/2019	Issue of 10,600 ordinary shares and issue of 1,172 category D shares, each with a nominal value of €2	41,559,780	N/A	20,779,890
1/29/2020	Issue of 78,654 new shares, each with a nominal value of €2, through the exercise of subscription options in 2019	41,717,088	1,348,433	20,858,544
1/29/2020	Cancellation of 317 category B shares	41,716,454	N/A	20,858,227
5/17/2020	Issue of 737 category E shares	41,717,928	N/A	20,858,964
6/10/2020 11/27/2020	Conversion of 1,172 category C shares into category A shares	41,717,928	N/A	20,858,964
8/2020	Issue of 5,100 new shares through the exercise of subscription options	41,728,128	105,519	20,864,064
5/20/2021	Issue of 55,831 new shares through the exercise of subscription options	41,839,790	1,155,143.39	20,919,895
5/20/2021	Cancellation of 109,894 treasury shares	41,620,002	N/A	20,810,001
9/1/2021	Issue of 11,206 new shares to cover conversion requests for category D shares	41,642,414	N/A	20,821,207
5/17/2022	Issue of 16,752 category A shares	41,675,918	N/A	20,837,959
5/17/2022	Issue of 203 category E shares	41,676,324	N/A	20,838,162
5/19/2022	Issue of 6,742 new shares to cover conversion requests for category E shares	41,689,808	N/A	20,844,904
9/17/2022	Conversion of 940 category E shares into category A shares	41,689,808	N/A	20,844,904

2.5. Securities conferring rights to the share capital

■ Free preference shares (executives program)

In 2022, 940 category E preference shares (2018 plan) were fully converted, resulting in a total of 9,400 ordinary shares being allocated to beneficiaries (out of a maximum of 103,400 ordinary shares).

There are no further preference share plans.

■ Free performance shares (executives program)

The total number of shares that may vest under the 2021 executives plan is 84,000, of which 63,000 for members of the Executive Committee (including 12,600 for the Chief Executive Officer).

The total number of shares that may vest under the 2022 executives plan is 84,000, of which 56,700 for members of the Executive Committee, excluding Didier Muller who retired on March 31, 2022 (including 12,600 for the Chief Executive Officer).

■ Free shares (managers and high potentials program)

The total number of shares that may vest under the 2021 plans is 112,800.

The total number of shares that may vest under the 2022 plans is 112,800.

■ Summary

At December 31, 2022, the total number of free shares that could potentially vest corresponded to 393,600 new shares, each with a par value of €2, representing 1.9% of the Company's capital at that date.

There are no other instruments or securities conferring rights to the Company's share capital.

2.6. Voting rights

To account for the entry into force of Act No. 2014-384 of March 29, 2014, the Company submitted a resolution to the May 19, 2015 Extraordinary General Meeting to eliminate double voting rights so that shareholders could discuss and decide on this issue.

The resolution was rejected. **Double voting rights** are now attached to all shares that fulfill both of the following conditions: (i) have been held in registered form for at least two years and (ii) are fully paid up, in accordance with Article L.22-10-46 of the French Commercial Code.

Double voting rights have been recorded since April 4, 2016, in accordance with legal provisions.

Taking into account double voting rights as well as treasury shares, which do not have voting rights (see section 3.3 below), the theoretical number of voting rights stood at 23,486,683 at December 31, 2022.

2.7. Voting right certificates

None.

2.8. Investment certificates

None.

2.9. Shares pledged

None.

2.10. Shareholders' agreement

The Company is not aware of any shareholders' agreements or other agreements concerning its share capital whose implementation could lead to a change in control of the company at a later date.

3. SHARE REPURCHASE PROGRAM

3.1. Program authorized by the General Meeting of May 19, 2022

At the Combined General Meeting of May 19, 2022, the Company was authorized to trade in its own shares on the stock exchange in accordance with Articles L.22-10-62 and L.225-210 of the French Commercial Code in order to:

- perform secondary market-making or improve the liquidity of the Mersen share by engaging an investment services provider under a liquidity agreement that complies with practices approved by French law. For the purposes of the program, the number of shares taken into account to calculate the abovementioned limit corresponds to the number of shares acquired, less the number of shares re-sold;
- hold the acquired shares in treasury and subsequently remit them as part of an exchange offer or in consideration for any acquisitions;
- cover stock option and/or free share plans (or similar plans) allocated to Group employees and/or corporate officers, share allocations under company or group savings plans (or similar plans) or company profit-sharing plans and/or any other forms of share allocations to Group employees and/or corporate officers;
- cover securities conferring rights to the allocation of shares in the Company, in accordance with applicable regulations;
- cancel the acquired shares, in accordance with the authorization granted or to be granted by the Extraordinary General Meeting.

The maximum purchase price has been set at €60 per share. This price is set subject to adjustments related to any transactions affecting the Company's share capital. Based on the aforementioned maximum purchase price and the number of shares making up the share capital at the date of the authorization, the aggregate maximum amount of the purchases may not exceed €124,922,820.

This authorization replaced the authorization granted by the General Meeting of May 20, 2021.

These share purchases, allocations or sales may be entered into and paid for by any means, including as part of a liquidity agreement entered into by the Company with an investment services provider.

3.2. Liquidity agreement

In March 2005, the Company signed a liquidity agreement with Exane BNP Paribas in compliance with the charter of ethics drawn up by the French Association of Financial and Investment Firms (Association française des marchés financiers – AMAFI). This liquidity agreement was renewed each year by tacit approval. The Company signed a new agreement with Exane on January 23, 2019, which was updated on January 1, 2022, in order to comply with the new AMAFI recommendations.

The funds and shares made available pursuant to this agreement and credited to the liquidity account on February 25, 2005 comprised €2,200,000 and no shares.

At December 31, 2022, the following funds and shares appeared in the liquidity account (close-out day):

- 38,975 shares
- €1,257,823

3.3. Trading in its own shares by the Company in 2022

In 2022, the Company purchased 193,484 shares to cover employee free share plans. It issued 6,742 shares for the conversion of category E shares and allocated 8,460 shares to the conversion of category E shares.

Number of treasury shares held by the Company at December 31, 2021	33,954
Number of shares purchased	+192,178
Number of shares issued for the conversion of category E shares	+6,742
Number of shares allocated to the conversion of category E shares	-8,460
Number of shares purchased under the liquidity agreement	+220,729
Number of shares sold under the liquidity agreement	-213,579
Number of treasury shares held by the Company at December 31, 2022	231,564

The Company did not use any derivatives.

Breakdown by objective of treasury shares held at December 31, 2022

	Number of treasury shares and percentage of share capital
Allocation or transfer of shares to employees and/or corporate officers under company savings plans and the allocation of shares, specifically the allocation of free shares or stock purchase options	193,484 0.93%
Allocation of shares in connection with the conversion or exchange of securities (including debt securities) conferring rights to the Company's share capital	0 0%
Purchase for holding purposes and subsequent remittal as part of an exchange offer or in consideration for any acquisitions	0 0%
Cancellation of shares through a reduction in the share capital in accordance with the French Commercial Code	0%
	38,080
Market-making via a liquidity agreement	0.2%

The carrying amount of the treasury shares is €6,883 thousand (par value of shares: €2).

3.4. Description of the share repurchase program submitted for shareholders' approval at the Combined General Meeting of May 16, 2023

Prepared in accordance with Articles 241-1 et seq. of the General Regulation of the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) and Articles L.22-10-62 et seq. and L.225-210 et seq. of the French Commercial Code, this description is intended to present the objectives and terms and conditions of the renewal of the share repurchase program.

3.4.1. Summary of the principal characteristics of the operation

- Mersen's ordinary shares, admitted for trading on Euronext Paris, Compartment B (ISIN code: FR0000039620).
- Maximum percentage of the share capital authorized for repurchase by shareholders at the General Meeting: 10%.
- Maximum acquisition price per share: €65.
- Duration of the program: the authorization is valid for 18 months as of the General Meeting of May 16, 2023, i.e., until November 15, 2024.

3.4.2. Objectives of the program

Shares may be acquired in order to:

- perform secondary market-making or improve the liquidity of the Mersen share by engaging an investment services provider under a liquidity agreement that complies with practices approved by French law. For the purposes of the program, the number of shares taken into account to calculate the abovementioned limit corresponds to the number of shares acquired, less the number of shares re-sold;
- hold the acquired shares in treasury and subsequently remit them as part of an exchange offer or in consideration for any mergers, demergers, asset contributions or acquisitions;
- cover stock option and/or free share plans (or similar plans) allocated to employees and/or corporate officers of the Group, including intercompany partnerships and related companies, as well as any share allocations under company or group savings plans (or similar plans) or company profit-sharing plans and/or any other forms of share allocations to employees and/or corporate officers of the Group, including intercompany partnerships and related companies;
- cover securities conferring rights to the allocation of shares in the Company, in accordance with applicable regulations;
- cancel the acquired shares, in accordance with the authorization granted or to be granted by the Extraordinary General Meeting.

3.4.3. Legal framework

The share repurchase program is compliant with the provisions of Articles L.22-10-62 *et seq.* and L.225-210 *et seq.* of the French Commercial Code. It will be submitted to the approval of the shareholders at the Combined General Meeting of May 16, 2023, deliberating in accordance with quorum and majority voting requirements for Ordinary General Meetings. The corresponding resolution to be proposed by the Board of Directors will have the following characteristics:

Having considered the Board of Directors' report, the General Meeting authorizes the Board of Directors for a period of 18 months and in accordance with Articles L.22-10-62 *et seq.* and L.225-210 *et seq.* of the French Commercial Code, to purchase ordinary shares in the Company on one or more occasions and at the times that it deems appropriate. The number of ordinary shares held by the Company under this authorization may not be greater than 10% of the Company's capital at the date of the General Meeting and may be adjusted as necessary to take into account any capital increases or reductions that may occur during the term of the program.

This authorization supersedes the authorization granted to the Board of Directors by the General Meeting of May 19, 2022 in its seventeenth ordinary resolution.

The shares may be purchased by any means, including by way of block purchases, at the times that the Board of Directors deems appropriate.

The Company does not intend to use options or derivatives.

The Board of Directors may not use this authorization without prior authorization from the General Meeting from the date that a public offer for the Company's shares is filed by a third party until the end of the offer period.

The maximum purchase price has been set at €65 per share. In the event of a transaction affecting the Company's share capital, such as share splits or reverse splits and free share allocations to shareholders, the aforementioned amount will be adjusted in the same proportion (a coefficient of the ratio between the number of shares comprising the share capital before the transaction and the number of shares after the transaction).

The maximum amount of the share repurchase program has been set at €135,491,876.

The General Meeting grants full powers to the Board of Directors to carry out the share repurchase program, determine the conditions and procedures thereof, enter into any and all agreements and carry out all formalities.

3.4.4. Procedures

3.4.4.1. Maximum percentage of the share capital to be acquired and maximum amount payable by Mersen

Mersen will have the option of acquiring up to 10% of ordinary shares, i.e., 2,084,490 shares. This limit shall be assessed on the date on which shares are acquired, in order to take into account any capital increases or reductions that may occur during the term of the share repurchase program. The number of shares taken into account to calculate the limit corresponds to the number of shares acquired, less the number of shares re-sold during the term of the program for liquidity purposes. As the Company cannot hold more than 10% of its share capital and given that it already held 231,564 shares (or 0.2% of the share capital) at December 31, 2022, the maximum number of shares that it may acquire under the program is 1,852,926 shares (or 9.8% of the share capital), unless it sells or cancels the shares that it already holds.

The Company reserves the right to use the entire authorization. Accordingly, the maximum amount that Mersen may pay, assuming that it acquires shares at the maximum price set by the General Meeting of €65 per share, would be €120,440,190.

In accordance with the law, the amount of the share repurchase program may not exceed the Company's discretionary reserves. The Company's discretionary reserves, as stated under liabilities in the most recent annual financial statements prepared and audited at December 31, 2022, amounted to €300,515,621.

Mersen undertakes to stay below the direct and indirect ownership threshold of 10% of the share capital at all times.

3.4.4.2. Conditions governing repurchases

These shares may be purchased, allocated or transferred at any time (except during a public offer for the Company's shares) and paid by any means, on or off the market, including by acquisition or transfer of blocks of shares, and specifically pursuant to a liquidity agreement entered into by the Company with an investment services provider.

3.4.4.3. Duration of program

These share repurchases may take place only after the approval of the corresponding resolution to be presented to the Combined General Meeting of May 16, 2023 and for a period of 18 months, i.e., until November 15, 2024.

4. SHARE OWNERSHIP

4.1. Share ownership thresholds crossed

In 2022, shareholders disclosed the following threshold crossings:

La Banque Postale Asset Management

- February 23: La Banque Postale AM, together with Tocqueville Finance SA, disclosed that it had exceeded the threshold of 1% of the share capital set in the Articles of Association.

Sycomore Asset Management

- April 11: Sycomore Asset Management disclosed that it had exceeded the threshold of 3% of the share capital set in the Articles of Association and held 624,717 shares.
- June 2: Sycomore Asset Management disclosed that it had fallen below the threshold of 3% of the share capital set in the Articles of Association and held 622,996 shares.

- November 24: Sycomore Asset Management disclosed that it had exceeded the threshold of 3% of the share capital set in the Articles of Association and held 639,732 shares.

Inocap Gestion

- May 10: Inocap Gestion disclosed that it had exceeded the threshold of 1% of the share capital and the voting rights set in the Articles of Association and held 1.17% of the share capital.

Norges Bank Investment Management

- November 16: Norges Bank disclosed that it had fallen below the threshold of 3% of the share capital set in the Articles of Association and held 606,772 shares, i.e., 2.91% of the share capital.
- December 12: Norges Bank disclosed that it had exceeded the threshold of 3% of the share capital set in the Articles of Association and held 626,488 shares, i.e., 3.01% of the share capital.

4.2. Changes in share ownership

	Dec. 31, 2022			Dec. 31, 2021			Dec. 31, 2020		
	Number of shares	% of the share capital	% of the exercisable voting rights	Number of shares	% of the share capital	% of the exercisable voting rights	Number of shares	% of the share capital	% of the exercisable voting rights
Shareholders									
Free float, o/w									
- French institutional investors	9,450,543	45.3%	49.8%	9,020,183	43.3%	48.1%	9,212,234	44.2%	48.9%
- International institutional investors	8,290,292	39.8%	35.3%	8,862,228	42.6%	37.8%	8,558,922	41.0%	36.5%
- Individual shareholders	2,588,509	12.4%	12.7%	2,579,740	12.4%	12.6%	2,608,784	12.5%	13.5%
- Employee shareholders	283,996	1.4%	1.2%	325,102	1.6%	1.4%	254,252	1.2%	1.1%
Treasury shares	231,564	1.1%	-	33,954	0.2%	-	229,872	1.1%	-
TOTAL	20,844,904	100%	100%	20,821,207	100%	100%	20,864,064	100%	100%

The Chief Executive Officer and the members of the Board of Directors own 2,291,483 shares (of which 2,242,770 held by Bpifrance Participations and 46,612 by the Chief Executive Officer), i.e., a total of 11% of the share capital.

To the best of the Company's knowledge, at the date of publication of the Universal Registration Document, the following shareholders hold more than 5% of the Company's share capital and voting rights:

	Shares	% of the share capital	Voting rights exercisable at GM	% of voting rights exercisable at GM
Bpifrance Participations	2,242,770	10.8%	4,485,540	19.1%
Caisse des Dépôts et Consignations	1,020,100	4.9%	1,020,100	4.3%
Total BPI + CDC	3,262,870	15.7%	5,505,640	23.4%

To the best of the Company's knowledge, no other shareholder directly or indirectly, alone or in concert, holds more than 5% of the share capital or voting rights.

There has been no material change in share ownership or voting rights since December 31, 2022.

No shareholders' agreement is in place. No public tender or exchange offer, nor any guaranteed share price offer, has been made in respect of the Company's shares over the past three years. The Company has not initiated any such offers for other companies over the same period.

4.3. Trading in the Company's shares by senior managers as defined in Article L.621-18-2 of the French Monetary and Financial Code (Code monétaire et financier)

	Transaction	Number	Weighted average price
Christophe Bommier	Conversion of preference shares into ordinary shares	760	N/A
Christophe Bommier	Vesting of preference shares	76	N/A
Christophe Bommier	Sale of shares	430	30.41
Christophe Bommier	Vesting of performance shares	1,256	N/A
Didier Muller	Vesting of preference shares	76	N/A
Didier Muller	Conversion of preference shares into ordinary shares	760	N/A
Didier Muller	Sale of shares	430	30.41
Didier Muller	Vesting of performance shares	1,256	N/A
Eric Guajioty	Conversion of preference shares into ordinary shares	760	N/A
Eric Guajioty	Sale of shares	760	34.27
Eric Guajioty	Vesting of performance shares	1,256	N/A
Estelle Legrand	Conversion of preference shares into ordinary shares	760	N/A
Estelle Legrand	Vesting of performance shares	1,256	N/A
Gilles Boisseau	Conversion of preference shares into ordinary shares	760	N/A
Gilles Boisseau	Sale of shares	760	28.95
Gilles Boisseau	Vesting of performance shares	1,256	N/A
Gilles Boisseau	Vesting of shares	760	28.95
Jean-Philippe Fournier	Conversion of preference shares into ordinary shares	760	N/A
Jean-Philippe Fournier	Vesting of performance shares	1,256	N/A
Luc Themelin	Conversion of preference shares into ordinary shares	770	N/A
Luc Themelin	Vesting of performance shares	2,514	N/A
Thomas Baumgartner	Conversion of preference shares into ordinary shares	760	N/A
Thomas Baumgartner	Vesting of performance shares	1,256	N/A
Thomas Farkas	Conversion of preference shares into ordinary shares	760	N/A
Thomas Farkas	Vesting of performance shares	1,256	N/A

Didier Muller retired on March 31, 2022.

4.4. Terms of shareholder participation in General Meetings

The terms of shareholder participation in General Meetings are governed by the applicable regulations.

The right to participate in General Meetings is therefore subject to the shares having been registered by book entry in the shareholder's name or in the name of the intermediary appointed on his or her behalf at least two working days prior to the General Meeting by 12:00 am, Paris time. The entry must have been made either in the registered share accounts held by the Company or in the bearer share accounts held by the authorized intermediary.

Book entries in bearer share accounts must be justified by a shareholding certificate issued by the authorized intermediary.

If shareholders are unable to personally attend the meeting, they may choose an alternative from the following three options: (i) appoint a natural or legal person of their choice as a proxy under the conditions laid out in Articles L.225-106 and L.22-10-39 of the French Commercial Code; (ii) send a proxy form to the Company without appointing a specific proxy representative; or (iii) vote by correspondence.

5. DIVIDENDS

Dividend payments are time-barred as prescribed by law; namely five years after their payment. After this time, payments are made to the French State. It is specified that there is no dividend payment restriction.

Mersen's Board of Directors has set a dividend distribution policy based on the Group's net income, whereby the payout ratio is equal to between 30% and 40% of the Group's net income for the year, potentially adjusted for non-recurring items.

In the third resolution of the Combined General Meeting of May 19, 2022, the shareholders approved the payment of a gross cash dividend of €1 per ordinary share, and a gross dividend of €0.1 per eligible preference share, in respect of 2021.

In the third resolution of the Combined General Meeting of May 16, 2023, the shareholders will be asked to approve the payment of a cash dividend of €1.25 per ordinary share in respect of 2022.

Year-end	No. of shares at year-end	Dividend per share at year-end (in €)	Share price (in €)			Overall yield based on share price at year-end
			High	Low	Last	
2018	20,768,118	0.95	41.90	21.95	23.50	4.0%
2019	20,858,227	0	35.15	22.80	34.15	0
2020	20,864,064	0.65	35.30	12.38	24.75	2.8%
2021	20,821,207	1.00	37.25	23.25	36.90	2.7%
2022	20,844,904	1.25	38.75	26.45	37.75	3.3 %

6. MERSEN AND THE STOCK MARKET

Mersen endeavors to meet the value creation targets of its shareholders and to promote a broader understanding of the Group by providing clear, regular and transparent information.

6.1. Share price performance and trading volumes

6.1.1. Share-related data

- Listing: Euronext Paris.
- Market: Eurolist Compartment B.
- Indices: CAC All shares, CAC Mid&Small, Tech Croissance, Tech 40.
- Eligible for SRD (deferred settlement) and PEA (equity savings plans).
- ISIN code: FR0000039620.

6.1.2. Market data

Share price	Number of shares traded	Share capital traded on a monthly basis (in € millions)	Average daily number of shares traded	Price		
				High (in €)	Low (in €)	Average ^(a) (in €)
2021						
January	632,265	16.03	31,613	27.00	23.25	25.39
February	733,958	20.58	36,698	30.50	25.10	27.90
March	894,997	26.02	38,913	30.75	27.25	28.93
April	650,201	19.27	32,510	31.15	28.2	29.72
May	757,025	22.81	36,049	32.1	28.45	30.01
June	523,444	16.81	23,793	33.3	30.85	32.10
July	647,476	21.47	29,431	34.9	30.7	33.20
August	342,153	11.18	15,552	34.3	31.45	32.73
September	320,785	10.63	14,581	34.3	31.45	33.09
October	385,187	12.18	18,342	34.3	29.7	31.29
November	419,069	13.94	19,049	35.25	31.25	33.36
December	481,706	17.11	20,944	37.25	32.3	35.51
2022						
January	418,416	15.08	19,925	38.40	33.40	36.25
February	389,617	13.57	19,481	38.05	31.55	35.14
March	709,077	22.80	30,829	35.35	26.70	32.08
April	503,794	16.14	26,515	34.65	30.45	31.86
May	337,220	10.51	15,328	33.30	29.15	31.34
June	397,768	12.34	18,080	34.15	28.10	31.28
July	422,372	12.83	20,113	35.05	26.75	30.36
August	294,247	9.43	12,793	34.70	29.30	32.01
September	353,906	10.32	16,087	31.55	26.45	29.17
October	384,459	11.29	18,308	33.30	26.95	29.24
November	489,917	17.18	22,269	37.70	32.40	35.30
December	367,749	13.77	17,512	38.75	36.05	37.40
2023						
January	456,036	18.13	20,729	41.45	37.85	39.56
February	595,797	25.49	29,790	45.35	40.85	42.94

Source: Euronext.

(a) Average closing price.

(Share price in €)	February 2023	January 2023	2022	2021
At end of period	44.65	40.65	37.75	35.51
High/Low	45.35 / 40.85	41.45 / 37.85	38.75 / 26.43	37.25 / 23.25
YoY change			0	+49%
SBF 120/Stoxx Europe 600 change			-11% / -13%	+25% / +22%
Market capitalization at end of period (in € millions)	931	847	787	739
Average monthly number of shares traded	595,797	456,036	422,379	565,689
Average daily number of shares traded	29,790	20,729	19,770	26,311

6.2. A trust-based relationship with shareholders

Mersen maintains a trust-based relationship with its shareholders built on transparency and communicates through various channels to give them a better understanding of the Group, its strategy, businesses and fundamentals.

The Group's investor relations strategy is predicated on an active program of information meetings and presentations, including:

- meetings with institutional investors in Europe and North America;
- meetings and themed conferences run for the benefit of financial analysts and journalists from the economic and financial press;
- information and discussion meetings with individual shareholders in France and a twice-yearly shareholders' newsletter.

In addition, the website provides extensive information on products and markets. All regulatory information, Focus documents on the Group's business lines, and presentations of results are available in the Finance section.

6.3. Indicative timetable for the Group's financial communication

Sales

Q4 2022 sales – January 26, 2023

Q1 2023 sales – April 25, 2023

Q2 2023 sales – July 28, 2023

Q3 2023 sales – October 25, 2023

Results

2022 annual results – March 14, 2023

2023 half-year results – July 27, 2023

Annual General Meeting

Paris – May 16, 2023

6.4. Person responsible for the financial information

Thomas Baumgartner
Chief Financial Officer

MERSEN
Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France

6 CONSOLIDATED FINANCIAL STATEMENTS

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*NB: comments related to changes in the Group's operations,
results and debt are presented in the Management Report (Chapter 3)
of this Universal Registration Document.*

CONSOLIDATED STATEMENT OF INCOME

<i>In millions of euros</i>	Note	2022	2021
Sales	19	1,114.8	922.8
Cost of sales		(766.8)	(633.0)
Total gross income		348.0	289.8
Selling and marketing expenses		(82.7)	(75.8)
Administrative and research expenses		(140.4)	(118.6)
Amortization of revalued intangible assets		(1.5)	(1.4)
Other operating expenses		(1.8)	(1.4)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		121.6	92.6
Non-recurring expenses	18	(20.0)	(7.9)
Non-recurring income	18	8.6	3.0
OPERATING INCOME	19/21	110.2	87.7
Financial expenses		(12.9)	(10.7)
Net financial expense	22	(12.9)	(10.7)
Income before tax		97.3	77.0
Current and deferred income tax	23	(23.0)	(18.6)
NET INCOME		74.3	58.4
Attributable to:			
- Mersen shareholders		67.7	54.4
- Non-controlling interests		6.7	4.0
NET INCOME FOR THE PERIOD		74.3	58.4
Earnings per share	24		
Basic earnings per share (<i>in euros</i>)		3.27	2.62
Diluted earnings per share (<i>in euros</i>)		3.21	2.58

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros

	Note	2022	2021
NET INCOME FOR THE PERIOD		74.3	58.4
Items that will not be subsequently reclassified to income			
Financial assets at fair value through "Other comprehensive income"		(0.2)	0.3
Remeasurements of the net defined benefit liability (asset)		12.5	18.1
Tax impact on remeasurements of the net defined benefit liability (asset)		(3.5)	(3.8)
		8.8	14.5
Items that may subsequently be reclassified to income			
Change in fair value of hedging instruments		1.0	(1.1)
Change in translation adjustments		5.0	35.2
Tax impact on change in fair value of hedging instruments		(0.1)	0.5
		5.9	34.5
INCOME AND EXPENSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME		14.7	49.0
TOTAL COMPREHENSIVE INCOME		89.0	107.4
Attributable to:			
- Mersen shareholders		83.1	101.0
- Non-controlling interests		5.9	6.4
TOTAL COMPREHENSIVE INCOME		89.0	107.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

<i>In millions of euros</i>	Note	Dec. 31, 2022	Dec. 31, 2021
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	6	262.0	269.5
Other intangible assets	8	42.7	38.8
Property, plant and equipment			
Land	8	29.0	33.2
Buildings	8	100.3	83.8
Machinery, equipment and other tangible assets	8	241.8	208.2
Assets in progress	8	77.3	79.2
Right-of-use assets	8/16	53.5	51.6
Non-current financial assets			
Equity interests	9	2.2	2.0
Other financial assets		3.7	4.0
Non-current tax assets			
Deferred tax assets	23	22.9	27.9
Long-term portion of current tax assets		10.0	9.5
TOTAL NON-CURRENT ASSETS		845.3	807.7
CURRENT ASSETS			
Inventories	10	283.2	218.2
Trade receivables	11	167.4	143.6
Contract assets	11	2.4	6.2
Other operating receivables		24.6	27.4
Short-term portion of current tax assets		2.0	2.7
Current financial assets	15	38.5	34.0
Current derivatives	4	6.9	2.3
Cash and cash equivalents	15	59.2	49.5
Assets held for sale	5	9.7	0.0
TOTAL CURRENT ASSETS		594.0	483.9
TOTAL ASSETS		1,439.4	1,291.7

EQUITY AND LIABILITIES

<i>In millions of euros</i>	Note	Dec. 31, 2022	Dec. 31, 2021
EQUITY			
Share capital	12	41.7	41.6
Retained earnings and other reserves		543.3	503.4
Net income for the period		67.7	54.4
Cumulative translation adjustments		8.6	2.8
EQUITY ATTRIBUTABLE TO MERSEN SHAREHOLDERS		661.3	602.3
Non-controlling interests		32.7	29.1
TOTAL EQUITY		694.0	631.3
NON-CURRENT LIABILITIES			
Non-current provisions	13	7.1	12.6
Employee benefit obligations	14	38.6	49.1
Deferred tax liabilities	23	41.0	37.2
Long- and medium-term borrowings	15	262.3	244.5
Non-current lease liabilities	16	42.7	40.0
TOTAL NON-CURRENT LIABILITIES		391.7	383.4
CURRENT LIABILITIES			
Trade payables		86.6	67.1
Contract liabilities		30.5	28.5
Other operating payables		117.6	112.8
Current provisions	13	8.2	10.4
Current lease liabilities	16	12.7	12.6
Short-term portion of current tax liabilities		8.9	4.6
Miscellaneous liabilities	13	5.9	7.3
Current financial liabilities	15	60.9	7.0
Current derivatives	4	2.1	1.3
Bank overdrafts	15	15.2	25.1
Liabilities related to assets held for sale	5	5.2	0.2
TOTAL CURRENT LIABILITIES		353.7	276.9
TOTAL EQUITY AND LIABILITIES		1,439.4	1,291.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Attributable to Mersen shareholders				Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital, retained earnings and other reserves	Net income/(loss) for the period	Cumulative translation adjustments			
AT JANUARY 1, 2021	41.7	509.5	(12.0)	(30.0)	509.2	24.5	533.7
Prior-period net income/(loss)		(12.0)	12.0		0.0		0.0
Net income for the period			54.4		54.4	4.0	58.4
Change in fair value of derivative hedging instruments, net of tax		(0.7)			(0.7)		(0.7)
Financial assets at fair value		0.3			0.3		0.3
Remeasurements of the net defined benefit liability (asset) after tax		14.3			14.3		14.3
Translation adjustments				32.8	32.8	2.4	35.2
Total other comprehensive income	0.0	13.8	0.0	32.8	46.6	2.4	49.0
COMPREHENSIVE INCOME FOR THE PERIOD	0.0	13.8	54.4	32.8	101.0	6.4	107.4
Dividends paid		(13.5)			(13.5)	(1.8)	(15.3)
Treasury shares		1.9			1.9		1.9
Increase/(decrease) in capital	(0.1)	(0.3)			(0.3)		(0.3)
Stock options and free shares		2.0			2.0		2.0
Other		1.9			1.9		1.9
AT DECEMBER 31, 2021	41.6	503.4	54.4	2.8	602.3	29.1	631.3
Prior-period net income/(loss)		54.4	(54.4)		0.0		0.0
Net income for the period			67.7		67.7	6.7	74.3
Change in fair value of derivative hedging instruments, net of tax		0.8			0.8		0.8
Financial assets at fair value		(0.2)			(0.2)		(0.2)
Remeasurements of the net defined benefit liability (asset) after tax		8.9			8.9	0.0	9.0
Translation adjustments				5.8	5.8	(0.8)	5.0
Total other comprehensive income (loss)	0.0	9.6	0.0	5.8	15.4	(0.8)	14.7
COMPREHENSIVE INCOME FOR THE PERIOD	0.0	9.6	67.7	5.8	83.1	5.9	89.0
Dividends paid		(20.7)			(20.7)	(2.3)	(23.0)
Treasury shares		(5.7)			(5.7)		(5.7)
Stock options and free shares		0.6			0.6		0.6
Hyperinflation		1.7			1.7		1.7
AT DECEMBER 31, 2022	41.7	543.3	67.7	8.6	661.3	32.7	694.0

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	Note	2022	2021
Operating activities			
Income before tax		97.3	77.0
Depreciation and amortization	21	64.8	56.2
Additions to/(reversals of) provisions		(8.2)	(6.9)
Net financial expense	22	12.9	10.7
Capital gains/(losses) on asset disposals	21	(3.5)	0.5
Impairment of <i>Anticorrosion Equipment</i> goodwill	7	11.4	
Other		6.0	1.0
Cash generated by operating activities before change in working capital requirement		180.8	138.4
Change in working capital requirement		(63.2)	(5.9)
Income tax paid		(12.1)	(15.7)
NET CASH GENERATED BY OPERATING ACTIVITIES		105.5	116.8
Investing activities			
Investments in intangible assets	8	(6.2)	(5.5)
Investments in property, plant and equipment	8	(97.2)	(87.2)
Change in amounts due to suppliers of non-current asset		(0.2)	8.5
Investments in financial assets		(0.3)	0.0
Changes in scope of consolidation		(2.6)	(9.4)
Disposals of assets and other		10.1	(0.3)
NET CASH USED IN INVESTING ACTIVITIES		(96.3)	(93.9)
NET CASH GENERATED BY OPERATING AND INVESTING ACTIVITIES		9.2	22.9
Financing activities			
Capital increases			1.3
Sales/(purchases) of treasury shares		(5.6)	0.3
Dividends paid		(23.0)	(15.3)
Interest payments		(7.3)	(6.8)
Repayment of lease liabilities	16	(14.5)	(13.6)
Increase in borrowings and debt	15	549.0	190.1
Decrease in borrowings and debt	15	(493.9)	(240.9)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES		4.6	(85.0)
Net increase/(decrease) in cash and cash equivalents		13.9	(62.0)
Cash and cash equivalents at beginning of period	15	49.5	110.7
Impact of currency fluctuations on cash and cash equivalents held		(4.1)	0.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	59.2	49.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 1 Compliance statement

In accordance with Regulation (EC) No. 1606/2002 of July 19, 2002, the consolidated financial statements of Mersen and its subsidiaries (the "Group") have been prepared in accordance with IFRS (International Financial Reporting Standards).

Standards and interpretations effective for annual reporting periods beginning on or after January 1, 2022 are set out in Note 3. The new standards applied with effect from 2022 are presented in Note 3-X. The standards and interpretations yet to be applied appear in Note 3-Y.

The options chosen by the Group are indicated in the chapters that follow.

The consolidated financial statements at December 31, 2022 were prepared by applying the principles for recognizing and valuing transactions set forth in the IFRS standards adopted in the European Union on this date.

For comparison purposes, the 2022 consolidated financial statements include data for 2021, which were prepared using the same accounting rules.

The accounting principles described in Note 3 et seq. were used to prepare the comparative information and the 2022 annual financial statements.

Note 2 Significant events of the period

1. War in Ukraine

2022 was dominated by the conflict between Russia and Ukraine. This conflict, which began suddenly in the first quarter, is still ongoing and has affected global energy supply and demand.

Mersen decided to terminate all business relations with Russia and to close its offices in the country. The Group has no industrial facilities in Russia or Ukraine and these countries represent a minimal percentage of its sales.

As energy supply contracts were set up covering the whole year, the rise in energy costs in 2022 did not have a material impact on the Group.

2. Inflationary pressures and strain on supply chains for components and labor

As in the previous year, 2022 saw an upturn in business levels. The rapid recovery in global growth has resulted in a strain on supply chains. There were some limited impacts on delivery times for certain product lines but the Group's competitiveness was not affected. The business upturn also led to increases in commodity prices.

The Group offset much of this widespread inflation through price increases of around 5%.

The recovery also led to a tight labor market and pressure on wages. Mersen chose to offset high inflation in many countries by offering salary increases or bonuses. Overall, payroll inflation was approximately 5%.

3. Financing

The Group refinanced its €200 million syndicated loan maturing in July 2024 with a new €320 million five-year multi-currency facility maturing in 2027. The Group also set up a €20 million five-year bilateral loan with Bpifrance, repayable in equal installments.

Note 3 Summary of significant accounting policies and methods

A - Consolidation scope and methods

The consolidated financial statements include the financial statements of the parent company as well as those of companies controlled by the parent company.

Income from subsidiaries acquired or sold during the period is included in the consolidated statement of income since the date of acquisition or up to the loss of control, respectively.

All reciprocal transactions and balances are eliminated.

The consolidated financial statements are prepared in euros, which is the Company's functional currency. Unless otherwise stated, amounts are expressed in millions of euros and rounded to the nearest decimal place. Rounding may lead to non-material differences between the reported totals and the sum of the rounded amounts.

The Group's business is not seasonal; both sales and purchases are spread evenly over the year.

B - Presentation of the financial statements

The Mersen group presents its financial statements in accordance with the principles contained in IAS 1 – Presentation of Financial Statements.

B1 - Statement of comprehensive income

In view of customary practice and the nature of its business, the Group has opted to present the statement of income using the function of expense method, which consists in classifying expenses according to their function under cost of sales, the cost of commercial activities, administrative activities and Research and Development (R&D).

The Group presents comprehensive income in two statements consisting of a statement of income and a separate statement showing net income and other items of comprehensive income.

B2 - Consolidated statement of financial position

Assets and liabilities linked to the operating cycle and those having a maturity of less than 12 months at the reporting date are classified as current. Other assets and liabilities are classified as non-current.

B3 - Statement of cash flows

The Group prepares the statement of cash flows using the indirect method and as stipulated in IAS 7 – Statement of Cash Flows.

The indirect method consists in determining the cash flows relating to the operational activities, for which net income or loss is adjusted for the effects of non-cash transactions and items relating to investment and financing activities.

B4 - Assets held for sale and discontinued operations

In application of IFRS 5, assets and liabilities that are immediately available for sale in their current state, and whose sale is highly probable, are presented on the statement of financial position under assets and liabilities held for sale. Where a group of assets is held for sale as a single transaction and this group of assets represents a distinct component of the entity (business segment or principal and distinct geographical region covered by a single and coordinated disposal plan, or a subsidiary acquired exclusively with a view to resale), we consider the group of assets as a whole, together with the related liabilities. The sale must take place during the year following this presentation of the asset or group of assets.

The non-current assets or group of assets held for sale are stated at the lower of their net carrying amount and the fair value net of disposal costs. Non-current assets presented in the statement of financial position as held for sale are no longer depreciated (or amortized) once they are presented as such.

For groups of assets that meet the definition of discontinued operations, their net income is presented separately from the net income of continuing operations and their cash flows are presented on separate lines in the cash flow statement.

C - Translation of financial statements expressed in a currency other than the euro

The financial statements of the Group's foreign subsidiaries are prepared in their functional currency. The following translation principles apply to all Group subsidiaries whose currency is not that of a hyperinflationary economy.

The statements of financial position of companies whose functional currency is not the euro are translated into euros at the closing exchange rate, with the exception of equity, which is translated at the historic exchange rate. Statements of income are translated at the average exchange rate during the period; the average exchange rate is the approximate value of the exchange rate on the date of the transaction, in the absence of significant fluctuations.

Foreign exchange adjustments resulting from translation are recognized under other items of comprehensive income, and are presented in the currency translation reserve component of equity. However, if the operation involves a subsidiary that is not wholly owned, a foreign exchange difference proportional to the percentage of the holding is assigned to the non-controlling interests. Where a foreign operation is sold and control or significant influence or joint control is lost, the aggregate amount of the corresponding foreign exchange differences is reclassified in income. Where the Group sells part of its equity interest in a subsidiary that includes a foreign operation while retaining control, a proportional share of the aggregate amount of the foreign exchange differences is reallocated to non-controlling interests. Where the Group sells only a part of its equity interest in an affiliated or proportionally consolidated company that includes a foreign operation abroad, but maintains a significant interest or joint control, the proportional share of the aggregate amount of the foreign exchange differences is reclassified under income.

With the exception of cash that is translated at the closing exchange rate, the cash flow statement is translated at the average exchange rate, unless it is not appropriate to do so.

Statement of financial position translation differences are recorded separately in other comprehensive income under translation adjustments and include:

- the impact of the exchange rate movements on assets and liabilities;
- the difference between income calculated at the average exchange rate and income calculated at the year-end exchange rate.

Goodwill and fair value adjustments resulting from acquisitions of subsidiaries whose functional currency is not the euro are treated as assets and liabilities of the subsidiary. They are therefore stated in the functional currency of the subsidiary and translated at the closing exchange rate.

D - Translation of transactions expressed in a currency other than the functional currency

The recognition and measurement of foreign currency transactions are defined by IAS 21 – Effects of Changes in Foreign Exchange Rates.

Foreign currency transactions are translated at the exchange rate effective at the time of the transaction. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate. The resulting translation adjustments are recognized in the statement of income under foreign exchange gains and losses.

Translation adjustments on foreign currency financial instruments corresponding to hedges of net investments in foreign subsidiaries are recognized in other comprehensive income under translation adjustments.

E - Hyperinflation

The Group applies IAS 29 – Financial Reporting in Hyperinflationary Economies to measure and incorporate in its consolidated financial statements the accounts of subsidiaries whose functional currency is that of a hyperinflationary economy:

- non-monetary assets and liabilities expressed on a historical cost basis, as well as components of equity, are restated at the reporting date so that their value reflects changes in inflation since the date of their initial recognition;
- monetary assets and liabilities continue to be recognized at their face value at the reporting date as they are already expressed in terms of the monetary unit current at that date due to the nature of the underlying assets and liabilities;
- gains or losses on the subsidiary's net monetary position are recognized within financial income and expenses in the statement of income to reflect the loss in purchasing power related to holding monetary assets and liabilities during the year.

In accordance with IAS 21, the assets, liabilities, components of equity, income and expenses of subsidiaries whose functional currency is that of a hyperinflationary economy are translated at the closing exchange rate for the period for the purposes of consolidation in the Group's financial statements. The comparative consolidated financial statements are not restated, since the Group's financial statements are presented in the currency of a non-hyperinflationary economy (the euro).

The Group presents the impact of restatements of non-monetary assets and liabilities within consolidated retained earnings and other reserves.

F - Hedging

The recognition and measurement of hedging transactions are defined by IAS 32 and IFRS 9.

F1 - Currency and commodity hedging

A currency derivative is eligible for hedge accounting provided that the hedging relationship was documented from the outset and that its effectiveness over its lifetime has been demonstrated.

Hedging protects against variations in the value of assets, liabilities or firm commitments; it also guards against variations in the value of cash flows (sales generated by the company's assets, for example).

Derivatives are stated at fair value. Changes in the fair value of these instruments are recognized using the following methods:

- changes in the fair value of instruments eligible for the hedging of future cash flows are recognized in other comprehensive income for the effective component of the hedge (intrinsic value); changes in the fair value of these instruments are then recognized in net income and offset changes in the value of the hedged assets, liabilities, or firm commitments as and when they occur. The time value of the hedges is recognized in operating income under other operating expenses;
- changes in the fair value of instruments not eligible for hedging future cash flows are recognized directly in income.

F2 - Interest rate hedging

Interest rate derivatives are valued on the statement of financial position at fair value. Changes in fair value are recognized using the following methods:

- the ineffective component of the derivative instrument is recognized under income as the cost of debt;
- the effective component of the derivative instrument is recognized as:
 - other comprehensive income in the case of a derivative recognized as a cash flow hedge (e.g., a swap to fix a debt carrying a variable interest rate),
 - income (cost of debt) in the case of a derivative recognized as a fair value hedge (e.g., a swap turning a fixed interest rate into a variable interest rate). This recognition is offset by changes in the fair value of the hedged debt.

G - Intangible assets

The applicable standards are IAS 38 – Intangible Assets, IAS 36 – Impairment of Assets and IFRS 3 – Business Combinations.

In accordance with IAS 38 – Intangible Assets, only items whose future economic benefits are likely to benefit the Group and whose cost can be reliably determined are recognized as intangible assets.

The Group's intangible assets consist primarily of goodwill.

Other intangible assets (software, customer relationships, technology, etc.) with a finite lifespan are recognized at cost less accumulated amortization and impairment. Amortization is recognized as an expense on a straight-line basis over the estimated useful life.

G1 - Goodwill

The Group recognizes business combinations using the acquisition method when an acquired set of activities and assets meets the definition of a business and the Group has obtained control of that business. In order for an integrated set of activities and assets to be considered by the Group as a business, it has to include, at a minimum, an input, and a substantive process that together significantly contribute to the ability to produce goods or services.

Goodwill arising on business combinations corresponds to the fair value of the consideration transferred (including the fair value of any equity interest previously held in the acquired company) plus the amount recognized for any non-controlling interest in the acquired company, less the net amount recognized (usually the fair value) for the identifiable assets acquired and liabilities assumed, with all these items measured at their acquisition-date values. When the difference is negative, the resulting gain is recognized as a bargain purchase in income.

The Group chooses, transaction by transaction, on the date of acquisition, to value any non-controlling interest at either its fair value or its share in the identifiable net assets of the acquired company recognized.

Goodwill is allocated to the Group's cash-generating units (CGU). The Group has defined the following five CGUs:

- Power Transfer Technologies;
- Graphite Specialties;
- Anticorrosion Equipment;
- Solutions for Power Management;
- Electrical Protection & Control.

Goodwill is not amortized. It is subject to an impairment test as soon as indications of impairment appear, and at least once a year.

In accordance with IAS 36, the method used by the Group for testing the impairment of assets consists in:

- developing cash flows after normative taxes on the basis of the Strategic Plan of the relevant CGU;

- calculating a value in use using a method comparable to any business valuation by discounting the cash flows at the Group's weighted average cost of capital (WACC), without taking synergies or restructuring into account;
- comparing this value in use with the carrying amount of the assets to determine whether an impairment loss should be recorded.

The value in use is determined from discounted projections of future operating cash flows over five years, and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax.

Any impairment losses recognized against goodwill are irreversible.

G2 - Patents and licenses

Patents and licenses are amortized on a straight-line basis over the legal protection period.

Computer software is amortized on a straight-line basis over its useful life.

G3 - Development costs

In accordance with IAS 38 – Intangible Assets, development costs are capitalized where it can be demonstrated:

- that the company has the intention and the financial and technical capacity to see the development project through to its term;
- that the future economic benefits that are attributable to development spending will benefit the company;
- that the cost of this asset can be measured reliably; and
- how the intangible asset will generate probable future economic benefits.

Development costs that do not meet the above criteria are expensed as incurred. Development costs (including for IT) that meet the above criteria are recorded in the statement of financial position. They are amortized on a straight-line basis over their useful life. Costs incurred accessing application software hosted on a service provider's infrastructure are treated as a service contract or an intangible asset, depending on the rights conferred.

G4 - Intangible assets acquired in connection with a business combination

Intangible assets also include the technology, trademarks and customer relationships valued at the time of the acquisition of companies in application of IFRS 3 – Business Combinations.

Amortization is recognized as an expense on a straight-line basis over the estimated useful life of the intangible assets, other than goodwill, as soon as they are ready to be brought into service. The estimated useful lives for the current period and comparable period for the acquisitions made were as follows:

- trademarks whose useful life is finite up to 30 years
- patents and technology up to 30 years
- customer relationships up to 30 years

To determine whether the useful life of an intangible asset is finite or indefinite, the Group examines the external and internal factors relating to the asset according to the criteria laid down in the standard.

H - Property, plant and equipment

In accordance with IAS 16 – Property, Plant and Equipment, only items whose cost can be reliably determined and whose future economic benefits will probably benefit the Group are recognized as property, plant and equipment.

Property, plant and equipment are valued at their historical acquisition cost, less accumulated depreciation and impairments observed, with the exception of land, which was revalued on the date of the IFRS transition date.

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are included in the cost of this asset.

Depreciation is calculated on the basis of the rate of consumption of the expected economic benefits for each asset item on the basis of the acquisition cost, where appropriate less a residual value.

The various components of property, plant and equipment are recognized separately if their useful life and therefore their depreciation period are significantly different.

Accordingly, the depreciation method used by the Group is the straight-line method, depending on the projected useful life of the asset.

The periods used are:

- constructions: 20 to 50 years;
- fixtures and fittings: 10 to 15 years;
- equipment and tools: 3 to 10 years;
- vehicles: 3 to 5 years.

These depreciation periods and the residual values are reviewed and adjusted at the end of each annual period; the changes are applied prospectively.

Investment subsidies are recognized at the outset as a deduction from the gross value of the asset.

I - Leases

In accordance with IFRS 16, the Group's statement of financial position includes right-of-use assets and lease liabilities relating to leases of assets valued at more than USD 5,000 or leases with a term of more than one year.

Right-of-use assets are initially measured at cost and subsequently amortized on a straight-line basis over the reasonably certain term of the lease. Where necessary, right-of-use assets are adjusted for any loss in value.

Lease liabilities are initially recognized at the present value of the lease payments not yet paid at the commencement date of the lease. Subsequent to initial recognition, lease liabilities are remeasured if (i) there is a change in future lease payments resulting from a change in an index or a rate, or (ii) there is a change in the amounts expected to be payable under a residual value guarantee, or (iii) the Group reassesses the probability of it exercising a purchase, renewal or termination option, or (iv) there is a change in an in-substance fixed lease payment.

One of the key assumptions is that specific discount rates are set for each country, calculated according to that country's default risk and the credit risk of the lessee entity.

The Group estimates the reasonably certain term of its leases based on its past experience.

In the consolidated statement of financial position, the Group presents right-of-use assets on a separate line in non-current assets. Current and non-current lease liabilities are presented on two separate lines of the consolidated statement of financial position and are not included in net debt.

J - Impairment of property, plant and equipment and intangible assets (excluding goodwill)

In accordance with IAS 36 – Impairment of Assets, if events or changes in the market environment suggest that there is a risk of impairment, the Group's property, plant and equipment and intangible assets are subject to a detailed review to determine whether their carrying amount is lower than their recoverable amount, defined as the higher of either their fair value less the cost of disposal and their value in use.

If the recoverable amount of the assets is lower than their carrying amounts, an impairment loss is recognized equivalent to the difference between these two amounts. Impairment losses relating to property, plant and equipment and intangible assets (excluding goodwill) can be subsequently reversed if the recoverable amount becomes higher than the carrying amount (within the limit of the impairment loss originally recognized).

The recoverable amount of an asset is usually determined on the basis of its value in use. This corresponds to the value of the future economic benefits expected from their use and sale. It is calculated in particular by reference to the future discounted cash flows determined in line with economic forecasts and provisional operating conditions used by the Management of the Mersen group.

IAS 36 defines the discount rate to be used as the pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the asset. It is the rate of return that investors would require if they were to choose an investment whose amount, maturity and risks were equivalent to those of the relevant asset or Cash-Generating Unit (CGU).

K - Financial assets and liabilities

Measurement, recognition and presentation of financial assets and liabilities are defined in IFRS 9 – Financial Instruments, IAS 32 – Financial Instruments: Presentation and IFRS 7 – Financial Instruments: Disclosures.

Financial assets include equity instruments at fair value through other items of comprehensive income, the fair value of hedging instruments/derivatives held as assets, guarantee deposits paid, loans and receivables, contract assets and cash and cash equivalents at amortized cost.

Current and non-current financial assets measured at amortized cost are written down in line with the expected loss model set out in IFRS 9: impairment of trade receivables is calculated based on historical loss rates, adjusted prospectively for future events that factor in both individual credit risks and the economic outlook on the markets in question.

Financial liabilities include borrowings, other financing facilities and bank overdrafts, guarantee deposits received, contract liabilities and the fair value of hedging instruments/derivatives held as liabilities. Unless they have been hedged at fair value, borrowings and other financial liabilities are measured at the amortized cost calculated using the effective interest rate (EIR).

Equity interests

The equity interests in unconsolidated companies are non-current financial assets classified as equity investments that are not held for trading and measured at their fair value.

For each investment, at initial recognition, the Group may make an irrevocable decision to present subsequent changes in the fair value of the investment in other comprehensive income.

The principal activity of the unconsolidated subsidiaries consists in the distribution of products manufactured by the consolidated companies.

Subsidiaries that are considered, individually or on an aggregate basis, to be immaterial, are not included in the consolidation scope.

L - Capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issuance of ordinary shares or share options are recognized as a deduction from equity, net of tax.

Treasury shares are recorded at their acquisition cost as a reduction in equity. The proceeds of the sale of these securities are posted directly to equity and do not contribute to the income for the fiscal year.

M - Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized if at the end of the year the Group has an obligation to a third party that is likely or certain to result in an outflow of resources corresponding to future economic benefits in favor of this third party.

This obligation may be legal, regulatory or contractual. It may also result from the Group's practices or from public commitments that have created a legitimate expectation in the minds of the third parties concerned that the Group will assume certain responsibilities.

The estimate of the amount shown as provisions corresponds to the outflow of resources that the Group will probably have to cover in order to fulfill its obligation. If this amount cannot be reliably estimated, no provision is recognized; an explanation is then added to the notes to the financial statements.

Contingent liabilities correspond to potential obligations resulting from past events whose existence will only be confirmed by the occurrence of uncertain future events that are partly beyond the control of the company, or correspond to present obligations for which the outflow of resources is not probable. An explanation is then added to the notes to the financial statements.

In the case of restructuring, an obligation is created provided that the restructuring has been announced, or has commenced and is described in a detailed plan, before the closing date.

If the Company has a reliable timetable, liabilities are discounted if the effect of discounting is significant.

N - Inventories

Inventories are valued at cost price, or at its probable net realizable value if the latter is lower.

The cost price is the acquisition cost or the production cost.

The production cost takes into account the normal level of activity of the production tool.

Indirect costs taken into account when valuing work in progress and finished products include only those relating to production.

Interest expenses are not capitalized.

O - Sales

Sales include sales of finished products and services relating to these products, sales of scrap, sales of goods purchased and invoiced shipping costs.

They are recognized in accordance with IFRS 15 – Revenue from Contracts with Customers, i.e., revenue is recognized once control over a good or service passes to a customer for the amount of consideration to which a seller expects to be entitled once performance obligations have been satisfied.

Given the nature of the products and the Group's general terms and conditions of sale, Group sales are usually recognized once the performance obligation has been satisfied, taking into account the incoterms applied (date the products leave the Group's warehouse, or delivery date if Mersen is responsible for transporting the products). Revenue is recognized once (i) inherent control over performance obligations has been transferred to the customer, (ii) the consideration is expected to be recovered, and (iii) related costs, the possibility that the goods will be returned and the amount of revenue can all be reliably measured. Discounts and rebates are recognized as a deduction from sales when they can be estimated with sufficient reliability based on contractual terms and conditions and past experience.

For the Advanced Materials segment, income from service agreements and construction contracts is recognized in the statement of income based on the contract's state of progress at the reporting date. Revenue is recognized as and when the performance obligations are satisfied.

Moreover, the Group presents the contract in the statement of financial position as a contract asset or a contract liability depending on the relationship between the entity's performance and the customer's payment:

- contract assets mainly comprise the Group's accrued entitlements to payments for work completed but not billed at the reporting date;
- contract liabilities mainly comprise prepayments received from customers.

Income from associated activities is shown in the statement of income as a deduction from expenses of the same type (selling, general, administrative and research expenses).

P - Employee benefits

Post-employment benefits granted by the Group vary, depending on each subsidiary's legal obligations and policy on the matter. They include defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group's obligations are limited to the payment of regular contributions to external organizations that provide administrative and financial management of the plans. The expenses recorded in connection with these plans correspond to the contributions paid during the reference period.

A defined benefit plan is any post-employment benefit plan other than a defined contribution plan. The Group's liability under defined benefit plans is evaluated separately for each plan by estimating the amount of future benefits acquired by the staff in exchange for services rendered during the current period and previous periods. When (i) beneficiaries of defined benefit plans are entitled to benefits when they reach a specified retirement age provided they still form part of the Group at that retirement age, and (ii) the amount of the retirement benefits to which the beneficiaries are entitled depends on the length of service before the retirement age and is capped at a specified number of consecutive years of service, the Group recognizes the related obligation based only on the years before the retirement age for which the beneficiaries' service gives rise to benefit entitlements. The amount of the defined benefit obligation is recognized in the statement of financial position at its present value. The fair value of plan assets is then deducted to determine the net liability (asset). The Group determines the net interest expense (income) on the net liabilities (assets) for the defined benefits for the period, by applying the discount rate used at the beginning of the fiscal year to evaluate the obligation under the net liabilities (assets).

The Group calculates the discount rate with the help of an independent expert, taking into account market practices.

The calculations are performed each year by a qualified actuary, using the projected unit credit method. If calculations of net liabilities result in an asset for the Group, the amount recognized in connection with this asset may not exceed the discounted value of any economic benefit available in the form of a future repayment by the plan or reductions in future contributions to the plan. All the minimum funding requirements that apply to the Group's plans are taken into account to calculate the current value of the economic benefits. An economic benefit is available for the Group if it is realizable during the lifetime of the plan, or on the settlement dates of the plan's liabilities.

Remeasurement of net liabilities (assets) relating to the defined benefits include actuarial differences, the return on the plan assets (other than the amounts taken into account in the calculation of the net interest on the net liabilities (assets)), and the change in the impact of the asset ceiling (other than the amounts taken into account in the calculation of the net interest on the net liabilities (assets), if any). The Group recognizes them immediately as other items of comprehensive income and all the other expenses relating to defined benefit plans are recognized on the statement of income as employee benefit obligations. Actuarial gains and losses on other long-term employee benefits (in particular long-service awards) are recognized in the statement of income.

If the plan benefits change, the impact associated with past services rendered by personnel is recognized immediately in the statement of income at the time of the change. If a plan is reduced, the profit or the loss resulting from the reduction is also recognized immediately on the statement of income on the date of the reduction.

The Group recognizes the profit or loss resulting from the liquidation of a defined benefit plan at the time of the liquidation. The profit or loss resulting from a liquidation is equal to the difference between the discounted value of the liquidated defined benefit liability, calculated on the liquidation date, and the consideration of the liquidation, including any plan assets transferred and any payment made directly by the Group in connection with the liquidation.

Q - Non-recurring expenses

Non-recurring income and expenses correspond to expenses and income not arising during the normal course of the Company's business activities. This section is intended to recognize the impact of major events that may distort operating performance, and does not include any recurring operating costs.

Non-recurring income and expenses particularly include the following items:

- the proceeds of material and non-recurring sales: property, plant and equipment and intangible assets, equity interests, other financial fixed assets and other assets;
- impairment losses recognized on loans, goodwill, and assets;
- certain provisions for litigation and restructuring;
- reorganization and restructuring expenses;
- costs relating to acquisitions as part of a business combination.

R - Operating income

Operating income is shown before net finance expenses, taxes and non-controlling interests.

Operating subsidies are presented as a deduction from costs to which the subsidy relates.

S - Income tax

Income tax comprises current taxes and deferred taxes. It is recognized in profit and loss unless it relates to (i) a business combination or (ii) items recognized directly in equity or other comprehensive income.

S1 - Current taxes

Current tax includes the estimated amount of tax payable (or receivable) in respect of the taxable profit (or loss) for a given year, adjusted for any tax carryforwards from prior years. Current tax payable (or receivable) is determined based on a best estimate of the amount of tax the Group expects to pay (or receive), as well as any related uncertainties. It is calculated on the basis of the tax rates that have been enacted or substantively enacted at year-end.

S2 - Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Temporary differences shown in the statement of financial position between consolidated values and the tax values of the corresponding assets and liabilities give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group presents deferred taxes in the consolidated statement of financial position separately from other assets and liabilities. Deferred tax assets are recorded on the statement of financial position provided that it is more likely than not that they will be recovered in subsequent years. Deferred tax assets and liabilities are not discounted.

The following factors are taken into account when assessing the Group's ability to recover these assets:

- projections of future taxable income covering a period of up to eight years;
- taxable income in previous years.

Deferred tax assets and liabilities are measured using the liability method, i.e., using the tax rate expected to be applied to the fiscal year in which the asset will be realized or the liability settled, on the basis of the tax rates (and tax regulations) that have been enacted or substantively enacted at year-end, taking into account future rate rises or cuts.

The measurement of deferred tax assets and liabilities reflects the tax consequences that depend on the extent to which the company expects, at year-end, to recover or settle the carrying value of these assets and liabilities.

T - Segment reporting

IFRS 8 on segment information defines an operating segment as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

With regard to the management organization of the Mersen Group based on a segmentation by type of activity, and the internal reporting available to the Executive Committee (the chief operating decision maker) and the Board of Directors, the Group has identified the following two operating segments under IFRS 8:

- **Advanced Materials** segment, which includes the Group's three businesses related to carbon materials: graphite specialties for high-temperature applications (Graphite Specialties), anti-corrosion equipment (Anticorrosion Equipment), mainly used in the chemicals sector, and power transfer technologies (Power Transfer Technologies);
- **Electrical Power segment**, which includes the Group's two businesses related to the electrical market, namely Solutions for Power Management and electrical protection and control, primarily fuses, industrial fuse holders, and surge protection solutions (Electrical Protection & Control).

U - Earnings per share

Basic and diluted earnings per share are presented based on total net income and net income from continuing operations (if they differ).

Basic earnings per share are calculated by dividing net income for the year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year.

To calculate diluted earnings per share, net profit attributable to ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

V - Equity-linked benefits granted to employees

In accordance with IFRS 2 – Share-based Payment, the fair value of share purchase and stock options reserved for employees involving the Group's shares is measured at the grant date.

The value of share purchase and stock options depends in particular on the exercise price, the probability of fulfilling the conditions for the exercise of the option, the lifetime of the option, the current price of the underlying shares, the expected volatility of the share price, the expected dividends and the risk-free interest rate over the life of the option. This value is recorded under staff expenses on a straight-line basis over the vesting period, with a corresponding adjustment to equity for share-settled and debt-settled plans vis-à-vis the personnel for cash-settled plans.

W - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or appraisals be used, in particular when calculating provisions and performing impairment tests. These assumptions, estimates or appraisals are carried out on the basis of the information available or existing situations at the reporting date. These estimates and assumptions are made on the basis of past experience and various other factors. The current highly volatile economic and financial environment makes it difficult to accurately assess business prospects. The actual amounts may subsequently turn out to be different from the estimates and assumptions used.

The actual occurrence of certain events after the reporting date may subsequently differ from the assumptions, estimates and appraisals used in this context.

Use of management estimates in the application of the Group's accounting standards

Mersen may be required to make estimates and to rely on assumptions that affect the carrying amount of assets and liabilities, income and expenses, and also information relating to unrealized assets and liabilities. Future earnings may differ significantly from these estimates.

The underlying estimates and assumptions are determined based on past experience and other factors considered to be reasonable in the circumstances. They thus serve as a basis for the exercise of the judgment required to determine the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from the estimated values.

The underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized during the period of the change, if this affects this period only, or during the period of the change and future periods if these are also affected by the change.

Notes 3-G1, 3-J and 7 relate to impairment testing of goodwill and other fixed assets. The Group's Management has conducted the tests on the basis of best expectations for future valuations of the businesses of the units concerned, taking into account the discount rate.

Notes 13 and 14 relating to provisions and employee benefit obligations describe the provisions introduced by Mersen. In calculating these provisions, the Group took into account the best estimate of these obligations.

Note 23 relating to the tax burden summarizes the Group's tax situation and is based, especially in France and Germany, on the best estimate that the Group has for future changes in taxable income.

All of these estimates are based on an organized process for gathering projections of future flows, with validation by the operational managers, as well as market data projections based on external indicators, used in accordance with consistent, documented methodologies.

X - New standards applied

Several new standards and interpretations came into effect as from January 1, 2022 but did not have a material impact on the Group's financial statements:

- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRSs: 2018-2020 Cycle, covering improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

Y - New standards, amendments and interpretations published but not yet effective

Certain new standards, amendments and interpretations will be effective for annual reporting periods beginning after January 1, 2022:

- IFRS 17 – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Despite being available for early adoption, the new standards, amendments and interpretations were not applied by the Group in preparing its consolidated financial statements.

They are not expected to have a material impact on those consolidated financial statements.

Note 4 Financial Risk Management

The Group is exposed to the following financial risks:

- liquidity risk;
- interest rate risk;
- commodity risk;
- currency risk;
- credit risk;
- financial risks resulting from climate change.

This note provides information regarding the Group's exposure to each of the above risks, its objectives, its policy and its procedures for evaluating and managing risks.

Quantitative information is provided in other sections in the consolidated financial statements.

Information on capital management is presented in Note 12.

Liquidity risk

Mersen has committed credit lines and borrowing facilities totaling €609.4 million, of which 44% had been drawn down at December 31, 2022. Based on the amounts drawn down, the average maturity of these committed facilities is five years.

To meet the Group's general cash flow requirements, Mersen has entered into the following main committed financing agreements:

- a five-year multi-currency €320 million bank loan, set up in October 2022 and repayable in full at maturity. This loan includes (i) options to extend the maturity to 2029, subject to the banks' approval and (ii) margins indexed to ESG indicators as from December 2023. The interest payable is at a variable rate plus a credit margin that varies mainly according to the leverage covenant (see definition in Note 15) and ESG indicators;
- a five-year €20 million bilateral loan with Bpifrance, set up in October 2022 and repayable in equal installments. The interest payable is at a variable Euribor rate, plus a credit margin;

- bilateral bank loans arranged at the end of 2019 amounting to an aggregate RMB 170 million, of which RMB 120 million matures in 2024 and RMB 50 million matures in 2025 following the exercise of an extension option in 2021. These loans are intended to finance the Mersen group's operations in China;
- a €130 million German private placement (Schuldschein) initially arranged in April 2019 and later reduced to €115 million in 2022 following an early partial redemption with a pool of European and Asian investors. This loan is repayable in full at maturity after seven years. Investors receive fixed-rate interest on a nominal amount of €68 million and variable-rate interest at Euribor plus a credit margin on a nominal amount of €47 million;
- a private placement ("USPP") signed in May 2021 with a pool of North American investors, comprising one tranche of USD 60 million, maturing in 2031, and one tranche of €30 million, maturing in 2028, both of which are redeemable at maturity. The funds became available in October 2021 and were used to redeem the Group's previous USD 50 million USPP that matured in November 2021, as well as to redeem in advance of term part of a €60 million German private placement originally maturing in 2023. The holders of the notes issued under the USPP receive interest at a fixed rate.

In addition, as part of its policy to diversify its sources of financing, in March 2016 and May 2020, respectively, Mersen launched an NEU CP program and an NEU MTN program, amounting to a maximum of €200 million each. At December 31, 2022, the Group had issued €55 million under the NEU CP program. The commercial paper issued under this program has a maturity of less than one year and at its maturity date may be replaced by drawdowns on the Group Syndicated Loan. At the same date, the Group had used €45 million of the NEU MTN program, with maturities in 2025, 2027 and 2028.

Maturity schedule of committed credit lines and borrowings

(In millions of euros)	Amount	Drawdown at Dec. 31, 2022	Utilization rate Dec. 31, 2022	Maturity		
				Less than 1 year	From 1 to 5 years	More than 5 years
Group syndicated loan	320.0	0.0	0%	0.0	320.0	0.0
Bpifrance loan	20.0	20.0	100%	4.0	16.0	0.0
NEU MTN	45.0	45.0	100%	0.0	35.0	10.0
Committed credit lines – China	23.1	0.0	0%	0.0	23.1	0.0
German private placement	115.0	115.0	100%	0.0	115.0	0.0
US private placement	86.2	86.2	100%	0.0	0.0	86.2
Other	0.1	0.1	100%	0.1	0.0	0.0
TOTAL	609.4	266.3	44%	4.1	509.1	96.2
AVERAGE MATURITY (YEARS)	4.9 ⁽¹⁾	5.0 ⁽²⁾				

(1) Maturity calculated on the basis of authorized amounts.

(2) Maturity calculated on the basis of drawdown amounts.

Breakdown by maturity of cash flows on drawdowns of committed credit facilities and borrowings

(In millions of euros)

DRAWDOWNS	Drawdown at Dec. 31, 2022	Expected cash flows	Maturity		
			1-6 months	6-12 months	More than 1 year
Group syndicated loan	0.0	0.0	0.0	0.0	0.0
Bpifrance loan	20.0	21.5	2.3	2.3	16.9
NEU MTN	45.0	47.5	0.1	0.5	46.9
Committed credit lines – China	0.0	0.0	0.0	0.0	0.0
German private placement	115	125.3	1.5	1.5	122.3
US private placement	86.2	105.4	1.1	1.1	103.2
Other	0.1	0.1	0.1	0.0	0.0
TOTAL	266.3	299.8	5.1	5.4	289.3

Interest rate risk

The interest rate risk management policy is approved by the CEO of the Group on the basis of recommendations made by Mersen's Finance Department. It consists of establishing positions from time to time taking into account variations in interest rates.

When it was acquired by Mersen, Scotland Holytown had an interest rate swap with a nominal amount of GBP 4 million that was arranged on January 15, 2008 to convert the interest on part of its committed medium-term borrowings into a fixed rate. Under this swap, the Company receives interest due to the lender and pays 5.38%. The term and repayment profile of the swap match

those of the underlying debt. At December 31, 2022, the nominal amount stood at GBP 0.045 million.

The US private placement set up in 2021 is at a fixed rate, with a coupon of 3.32% on the US dollar tranche and 1.27% on the euro tranche.

The 2019 German private placement includes a €68 million fixed-interest tranche paying a coupon of 1.582%.

In March 2017 the Company set up an interest rate cap with a nominal value of €25 million, maturing in April 2023, in order to hedge part of its committed borrowings against an increase in the Euribor of over 1%.

(In millions of euros)	Amount	Interest rate received	Interest rate paid	Maturity		
				Less than 1 year	From 1 to 5 years	More than 5 years
GBP swap	0.05	1-month Libor	5.38%	0.05	0.0	0.0

(In millions of euros)

SWAP	MTM ^(a)	Expected cash flows	Maturity		
			Less than 1 year	From 1 to 5 years	More than 5 years
Assets	0.14	0.14	0.14	0.00	0.00
Equity and liabilities	0.00	0.00	0.00	0.00	0.00

(a) Mark-to-market = evaluated at market price.

(In millions of euros)	Amount	Variable rate	Rate for the year	MTM
Cap (EUR)	25	6-month Euribor	1%	0.14

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for a significant volume of purchases (in total, around €50 million) for the Mersen group. Different hedging techniques may be used, such as index-linking of purchase prices, index-linking on selling prices and, for hedgeable amounts, centralized bank hedging.

The commodity price risk management policy is validated by the Group's Executive Committee on the basis of recommendations by Mersen's Finance and Purchasing departments, and consists of establishing positions in the form of forward purchasing contracts or zero premium collars.

At end-2022, a portion of the hedgeable copper and silver tonnage provided for in the 2023 budget had been hedged.

An increase or decrease in the price of copper and silver, with relation to closing prices at December 31, 2022 as indicated below, would have resulted in an increase/(decrease) in other

comprehensive income and operating income by the amounts indicated below as a result of the commodity hedges.

Impact (in millions of euros) At December 31, 2022	Copper		Silver	
	Other comprehensive income	Gains or losses recognized in operating income	Other comprehensive income	Gains or losses recognized in operating income
Increase of 5%	0.4	0.0	0.4	0.0
Decrease of 5%	(0.5)	0.0	(0.4)	0.0

Recognition at year-end 2022 of commodity hedges

MTM ^(a) (stated in millions of euros)	Impact on 2022 other comprehensive income	Impact on 2022 income
MTM of copper and silver hedges	1.6	0.0

(a) Mark-to-market = evaluated at market price.

Other metals, primarily steel and reactive metals, are essentially used on the Chemical market. They are used for specific customer requirements and their cost is generally reflected in the commercial offer. As a result, changes in prices have a limited impact on the Group's gross margin.

Prices of petroleum-derived products, especially petroleum coke and pitch, which are raw materials used in the manufacture of graphite, have little correlation with oil prices. Their prices

increased in 2022, however, amid inflationary pressures on certain commodities. In general, energy, primarily electricity and gas, is purchased at fixed rates based on forecasted annual or multi-annual volumes depending on regions.

Changes in energy prices and petroleum derivatives have had little impact on the Group's margins overall, as they are partially or fully offset by selling price increases.

Currency risk

Fluctuations in the principal currencies used by the Group

	JPY	USD	KRW	GBP	RMB
Average exchange rate from Jan. 1, 2021 to Dec. 31, 2021 ^(a)	129.86	1.1835	1,353.95	0.86000	7.6340
Closing exchange rate at Dec. 31, 2021 ^(b)	130.38	1.1326	1,346.38	0.84028	7.1947
Average exchange rate from Jan. 1, 2022 to Dec. 31, 2022 ^(a)	138.01	1.0539	1,358.07	0.85261	7.0801
Closing exchange rate at Dec. 31, 2022 ^(b)	140.66	1.0666	1,344.09	0.88693	7.3582

(a) Exchange rate used to convert the cash flow statement and statement of income.

(b) Exchange rate used to translate the statement of financial position.

The currency risk management policy is validated by the Group's Executive Committee on the basis of proposals made by the Finance Department. It consists of contracting forward exchange rate hedges with leading banks on the basis of a complete inventory of inter-company and non-Group risks.

In its commercial activities, barring exceptional circumstances, Group policy is to hedge currency risks when an order is taken or to hedge a large portion of the annual budget. The primary currency risk concerns intra-Group flows.

In the area of financing, Group policy is contract loans in local currencies, except for special cases. Borrowings in foreign currencies arranged by the parent company match financing made in euros subject to hedges (foreign exchange swaps) transforming them into financing in the currencies of the subsidiaries concerned.

For consolidation purposes, the statement of income and cash flow statements of foreign subsidiaries are translated into euros at the average exchange rate for the relevant period, while statement of financial position items are translated at the rate prevailing at the end of each reporting period. The impact of this currency translation can be significant. The principal impact concerns the effect of rate changes of the US dollar on the Group's equity and net debt.

The Group's operating income before non-recurring items is exposed to exchange rate variations primarily through the translation of earnings recorded by companies whose currency is not the euro. The primary exposure is with the US dollar. A 10% decline in the value of the USD compared with the average confirmed rate of January through December 2022 would have had a translation impact of a negative €4.2 million on the Group's operating income before non-recurring items. Conversely, this

10% decline in the value of the US dollar compared with the closing exchange rate for 2022 would have had a translation impact of a negative €10.8 million on the Group's net debt at December 31, 2022.

Apart from special cases, hedges are centralized at the level of the parent company. They are carried out under strictly defined procedures. Hedges are valued as described below.

EUR / Foreign currency risk

Risks (stated in millions of euros) ^(a)	JPY	USD	KRW	GBP	RMB
Sale of foreign currencies	9.2	28.6	4.1	15.6	12.5
Purchase of foreign currencies	(1.1)	(38.0)	(0.0)	(19.2)	(8.9)
Potential risks for 2023	8.1	(9.4)	4.1	(3.4)	3.6
Hedges outstanding at December 31, 2022	(4.1)	7.7	(2.6)	2.2	(3.6)
Net position	4.0	(1.7)	1.5	(1.2)	0.0
Impact in euros of a 5% fall in the euro ^(b)	0.21	(0.09)	0.08	(0.07)	0.00

(a) Excluding any potential anticorrosion equipment sales, which are hedged when an order is placed.

(b) Sensitivity calculated on the basis of currency exchange rates at December 31, 2022.

USD / Foreign currency risks

Risks (stated in millions of US dollars) ^(a)	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	5.8	11.6	8.1	35.6	21.5
Purchases of foreign currencies	0.0	(7.6)	(20.2)	(41.2)	(22.1)
Potential risks for 2023	5.8	4.0	(12.1)	(5.6)	(0.6)
Hedges outstanding at December 31, 2022	(3.1)	(2.5)	11.6	5.4	0.6
Net position	2.7	1.5	(0.5)	(0.2)	0.0
Impact in USD of a 5% fall in the USD ^(b)	0.15	0.08	(0.03)	(0.01)	0.00

(a) Excluding any potential anticorrosion equipment sales, which are hedged when an order is placed.

(b) Sensitivity calculated on the basis of currency exchange rates at December 31, 2022.

Recognition at year-end 2022 of currency transactions

MTM ^(a) (stated in millions of euros)	Dec. 31, 2022
Mark-to-market of currency hedges value	0.4
Other comprehensive income	0.4
Other financial items of operating income	2.8

(a) Mark-to-market = evaluated at market price.

An increase or decrease in the value of the euro, with relation to closing exchange rates of the USD, JPY and RMB at December 31, 2022 as indicated below, would have resulted in an increase

(decrease) of other items of comprehensive income and operating income by the amounts indicated below as a result of the currency hedges.

Impact at December 31, 2022 (in millions of euros)	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
	Other items of comprehensive income	Gains or losses recognized in operating income*	Other items of comprehensive income	Gains or losses recognized in operating income*
USD (change of 5%)	0.4	2.6	(0.4)	(2.90)
JPY (change of 5%)	0.0	0.03	(0.0)	(0.03)
RMB (change of 5%)	0.2	1.1	(0.2)	(1.1)

* Excluding inverse impacts related to the revaluation of underlying items recorded in the statement of financial position.

This analysis is carried on the basis of changes in exchange rates that the Group deems reasonably possible at the reporting date. For the purposes of this analysis, all other variables, especially interest rates, are assumed to have remained constant and the effect of forecasted sales and purchasing has been ignored.

Sensitivities relating to other currency pairs were not mentioned due to their immaterial impacts.

Future impact on income of currency transactions recorded at end December 2022

(Stated in millions of euros)

CURRENCY	Mark-to-market of currency derivatives in other comprehensive income	Impact on income	
		Under six months	Over six months
Assets	1.8	0.8	1.0
Equity and liabilities	(1.4)	(0.4)	(1.0)

Future cash flows on currency transactions recognized at December 31, 2022

CURRENCY (In millions of euros)	MTM	Expected cash flows
Assets	5.3	5.3
Equity and liabilities	(2.1)	(2.1)

Currency hedges are adjusted as a function of underlying assets and there is therefore no timing difference between maturities.

Credit risk

The Group set up an insurance program in 2003 with commercial credit insurer Coface covering its principal companies in the United States and Europe against the risk of non-payment for financial or political reasons. Coverage may vary, by customer, between 0 and 95% of invoiced amounts. This program was subsequently extended to China and then South Korea.

However, the program does not cover 100% of risk because the insurer excludes certain risks from the coverage.

During 2021 and 2022, the Group continued its assignment of receivables programs regarding several French subsidiaries, which gave rise to assigned (and unconsolidated) receivables amounting to €13.4 million at December 31, 2022 compared with €11.0 million at December 31, 2021. Delegation riders to contracts covering French company assigned receivables were signed with the factoring agent.

The guarantee deposit relating to assigned receivables programs amounts to €0.7 million (derecognized assets with continuous application).

Financial risks resulting from climate change

For several years now, Mersen has been committed to a broad CSR approach which is integrated into its business model. In 2021, the Group's CSR Committee updated the CSR risk and opportunity map, analyzing both the potential impacts of Mersen's business on the environment and the sustainability risks and opportunities across the value chain. The main climate risks concern significant greenhouse gas (GHG) consumption, the failure to recycle waste, changes in regulations, the impact of our products and climate-related physical risks.

These inputs were taken into account by the Group in preparing its financial statements and a roadmap was defined that includes targets for reducing the intensity of greenhouse gas emissions and increasing waste recycling. The Group also invests to prepare for any changes in the regulatory environment. With the help of an external firm, an assessment was performed in 2021 of the exposure of the Group's main sites to all climate dangers. This assessment showed that the Group's sensitivity to such risks is low.

No material impacts related to climate change issues were identified based on this assessment. At this point in time, climate issues are not likely to change the Group's various business plans.

The Group is pursuing its strategy to limit its environmental footprint and may need to reassess the accounting impact of climate change issues.

Note 5 Assets held for sale

At the end of 2022, the Group entered into negotiations to sell some of the assets of its Anticorrosion Equipment (ACE) CGU (Advanced Materials segment). In view of the progress of these negotiations, it is highly probable that the sale will take place

within one year. In accordance with IFRS 5, the Group classified the assets (and related liabilities) concerned on separate lines ("Assets held for sale" and "Liabilities related to assets held for sale").

ASSETS

<i>In millions of euros</i>	Dec. 31, 2022
Non-current assets	1.6
Current assets	8.1
Assets held for sale	9.7

EQUITY AND LIABILITIES

<i>In millions of euros</i>	Dec. 31, 2022
Non-current liabilities	0.5
Current liabilities	4.7
Liabilities related to assets held for sale	5.2
NET ASSETS HELD FOR SALE	4.6

Non-current assets include a portion of goodwill allocated to ACE (the CGU to which the assets belong) amounting to €3.0 million (see Note 6), as well as an impairment loss of €2.2 million recognized as a non-recurring expense in the statement of income in line with the measurement of the assets concerned at fair value less the costs of disposal at the reporting date.

The income, expenses and cash flows associated with the assets held for sale are not presented separately, as they do not represent a separate major line of business or geographical area of operations for the Group.

Note 6 Goodwill

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Carrying amount at start of period	269.5	256.8
Acquisitions		2.1
Impairment	(11.4)	
Reclassification as assets held for sale	(3.0)	
Translation adjustments	6.9	10.6
Carrying amount at end of period	262.0	269.5
Gross value at end of period	300.4	296.5
Total impairment losses at end of period	(38.4)	(27.0)

Breakdown by cash-generating unit is given in the table below:

<i>In millions of euros</i>	Dec. 31, 2021	Movements during 2022			Dec. 31, 2022
	Carrying amount	Translation adjustments	Impairment losses	Assets held for sale	Carrying amount
Anticorrosion Equipment	40.5	1.8	(11.4)	(3.0)	27.9
Graphite Specialties	96.4	0.7			97.0
Power Transfer Technologies	12.2	0.1			12.2
Electrical Protection & Control	76.0	4.1			80.1
Solutions for Power Management	44.5	0.2			44.8
TOTAL	269.5	6.9	(11.4)	(3.0)	262.0

The reclassification of a portion of Anticorrosion Equipment (ACE) goodwill within assets held for sale reflects the planned sale of the assets within this CGU (see Note 5). Details of the €11.4 million impairment loss recognized against ACE goodwill during the year are provided in Note 7.

There was no goodwill pending allocation at December 31, 2022.

Note 7 Asset impairment tests

Some of the Group's activities, particularly in the Advanced Materials segment, require significant quantities of plant and equipment, especially in order to anticipate demand in markets with high growth prospects. These assets lead to high levels of fixed costs in the Group's overall production cost base. They can also sometimes require long periods to be received and put into production and it is possible for the economic environment to deteriorate during those periods.

The Group is exposed to the risk of overestimating growth in some markets and/or of changes in the economic environment, which could lead to an insufficient utilization rate for the plant and equipment of the activities concerned and erode operating margin. A lasting erosion of operating margin would negatively impact the asset impairment tests.

Impairment tests for each of the cash-generating units were carried out at the close of 2022.

In application of IAS 36, the tests were carried out on the basis of the value in use determined by applying the discounted cash flow method. The main assumptions used were as follows:

- five-year cash flows are used based on the 2023 budget and projections for the four following years approved by the Board of Directors;

- the average weighted cost of capital used in discounting future cash flows include Mersen's beta as calculated by analysts and that of the risk-free rate on ten-year French government bonds. Taking into account these parameters as well as a market risk premium and a size-specific premium, the average cost of capital after tax used as the rate for discounting future flows was set at 8.3%, a sharp increase over 2021 (7%). The unstable economic environment led to an increase of 190 basis points in the cost of capital, mainly due to the increase in the risk premium. As the risks are reflected in the cash flows for each business, a unique discount rate was set for all of the CGUs. There are no substantive grounds for applying a different discount rate per CGU;
- the perpetual growth rates applied were 2% for the Power Transfer Technologies and Electrical Protection & Control CGUs, 2.5% for the Solutions for Power Management and Anticorrosion Equipment CGUs, and 3% for the Graphite Specialties CGU. The perpetual growth rates applied for each CGU, unchanged from 2021, are based on the developments in their businesses in their various markets;
- the standard tax rate used was 25%.

Following the increase in the cost of capital and despite higher nominal cash flows than for the 2021 test, the test carried out on the Anticorrosion Equipment CGU, which has been more exposed in the past, revealed that the recoverable amount was €11.4 million lower than the net carrying amount. The Group therefore recognized an impairment loss for the same amount against this CGU's goodwill as a non-recurring expense in the 2022 consolidated financial statements. No impairment losses were recognized for the other four CGUs.

Sensitivity analysis

The sensitivity of the recoverable amount of each CGU was tested by varying the three main impairment test assumptions as follows:

- a 1-point increase in the discount rate;
- a 1-point decrease in the perpetuity growth rate;
- a 1-point decrease in operating profitability in the terminal year.

For the Anticorrosion Equipment CGU, the impairment tests based on the three scenarios listed above would result in impairment losses of €13 million, €10 million, and €11 million, respectively. No risks came to light for the other CGUs as a result of these tests.

At the reporting date, the discount rates used so that the recoverable amount of the CGUs equals their carrying amount were:

- 14.1% for the Power Transfer Technologies CGU;
- 11.1% for the Solutions for Power Management CGU;
- 12.1% for the Electrical Protection & Control CGU;
- 12.1% for the Graphite Specialties CGU;
- 8.3% for the Anticorrosion Equipment CGU.

Impairment tests will be carried out again at the 2023 year-end.

Note 8 Property, plant and equipment and intangible assets

<i>In millions of euros</i>	Intangible assets	Land	Buildings	Machinery, equipment and other assets	Assets in progress	Right-of-use assets	Total property, plant and equipment	TOTAL
Carrying amount at January 1, 2021	34.6	32.1	75.9	186.7	42.7	46.2	383.6	418.2
Acquisitions	5.5	0.0	3.7	16.4	67.1	14.0	101.1	106.7
Decommissioning, disposals and impairment	(0.1)	(0.1)	(0.2)	0.4	0.0		0.1	0.0
Depreciation and amortization	(4.0)	(0.0)	(5.6)	(34.8)		(11.7)	(52.1)	(56.2)
Translation adjustments	0.6	0.7	4.5	12.0	4.0	2.3	23.4	24.0
Changes in scope of consolidation	0.0	0.0	0.4	1.0	0.5	0.9	2.8	2.8
Other movements (incl. equipment commissioning)	2.1	0.5	5.2	26.6	(35.1)	0.0	(2.8)	(0.7)
Carrying amount at December 31, 2021	38.8	33.2	83.8	208.2	79.2	51.6	456.0	494.8
Gross value at Dec. 31, 2021	105.9	34.0	177.5	723.3	79.2	80.2	1,094.1	1,200.0
Cumulative depreciation, amortization and impairment at Dec. 31, 2021	(67.2)	(0.9)	(93.7)	(515.0)		(28.5)	(638.1)	(705.3)
Carrying amount at January 1, 2022	38.8	33.2	83.8	208.2	79.2	51.6	456.0	494.8
Acquisitions	6.2	0.0	1.5	22.8	72.9	14.9	112.1	118.3
Decommissioning, disposals and impairment	(0.1)	(4.5)	(0.7)	(2.5)	(0.5)	0.0	(8.2)	(8.3)
Depreciation and amortization	(4.4)	0.0	(6.4)	(41.5)		(12.6)	(60.5)	(64.8)
Translation adjustments	0.4	0.3	1.1	1.0	2.7	(0.0)	5.1	5.6
Assets held for sale	(0.1)	(0.0)	(0.0)	(0.3)		(0.5)	(0.8)	(0.9)
Other movements (incl. equipment commissioning)	1.9	0.1	20.9	54.1	(76.9)	0.0	(1.9)	0.0
Carrying amount at December 31, 2022	42.7	29.0	100.3	241.8	77.3	53.5	501.9	544.6
Gross value at Dec. 31, 2022	114.3	29.9	197.1	788.5	77.3	83.9	1,176.7	1,291.0
Cumulative depreciation, amortization and impairment at Dec. 31, 2022	(71.6)	(0.9)	(96.8)	(546.7)	0.0	(30.5)	(674.8)	(746.5)

The main contributors to the changes in assets in progress were the US, French and South Korean entities of the Graphite Specialties business, in particular Mersen USA GSTN Corp. (acquisitions and commissioning of assets at the Columbia industrial site).

Research costs are expensed as incurred. Regarding development costs, an intangible asset resulting from development or from

the development phase of an internal project, is recognized if, and only if, the Group can demonstrate that these developments satisfy the criteria of the standard (see Note 3-G3).

Capitalized development costs for the year mainly related to the digitalization and IT upgrade plan for €5.0 million (€4.7 million in 2021).

Note 9 Equity interests

At year-end, investments in unconsolidated companies held by consolidated companies represented €2.2 million, compared with €2.0 million at end-2021. The principal investments are the following:

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Le Carbone Materials KK (Japan)	1.3	1.3
Mersen S.A.U (Argentina)	0.2	0.1
Mersen Polska SP. Z.O.O (Poland)	0.5	0.4
Mersen Chile Limitada (Chile)	0.2	0.2
Other investments	0.1	0.1
TOTAL	2.2	2.0

At December 31, 2022, all non-consolidated equity investments are carried at fair value through other comprehensive income.

Note 10 Inventories

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Raw materials and other supplies	147.0	106.9
Work in progress	82.6	69.0
Finished products	80.0	66.0
Gross amount of inventories	309.6	241.9
Impairment losses	(26.4)	(23.8)
Carrying amount of inventories	283.2	218.2

Net inventories were €65 million higher at December 31, 2022 than one year earlier, including an increase at constant exchange rates of €69.6 million (31.9%), a €1.5 million upward currency effect and a €6 million decrease due to the reclassification of items as assets held for sale.

Note 11 Trade receivables

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Gross trade receivables	174.7	150.2
Impairment losses	(7.3)	(6.6)
Contract assets	2.4	6.2
Net trade receivables and contract assets	169.9	149.8

Net trade receivables rose by €20.1 million (13.4%) in 2022, with no material currency effect.

An off-balance sheet factoring contract was established in 2009 that concerns the assignment of trade receivables of our main French subsidiaries.

This contract (see Note 4) anticipates a maximum amount of €20.0 million. At December 31, 2022 usage amounted to €13.4 million, compared with €11.0 million at end 2021.

At end-2022, late payments represented 12.0% of trade receivables (including factored receivables), compared to 12.8% at end-2021.

Overdue trade receivables broke down as follows at December 31:

<i>In millions of euros</i>	Dec. 31, 2022		Dec. 31, 2021	
	Gross	Impairments	Gross	Impairments
Receivables not yet due	152.1	(2.8)	129.6	(2.4)
Receivables 0 to 30 days past due	12.3	(0.4)	11.5	(0.6)
Receivables 31 to 120 days past due	5.3	(0.6)	4.4	(0.8)
Receivables 121 days to 1 year past due	2.0	(0.7)	3.0	(1.2)
Receivables more than 1 year past due	3.0	(2.8)	1.7	(1.6)
Net trade receivables	174.7	(7.3)	150.2	(6.6)

Movements related to impairment of trade receivables are as follows:

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Impairment losses at January 1	(6.6)	(5.1)
Allowance/reversal during the fiscal year	(0.6)	(1.6)
Impairment losses at December 31	(7.3)	(6.6)

Impairment of trade receivables are based on expected losses.

Note 12 Equity

Number of shares and breakdown of share capital

<i>Number of shares (unless stated otherwise)</i>	Ordinary shares
Number of shares at January 1, 2022	20,821,207
Capital increase/reduction (<i>in millions of euros</i>)	0.0
Number of shares at December 31, 2022	20,844,904
Number of shares in issue and fully paid-up during the period	23,697
Number of treasury shares canceled	N/A
Number of shares in issue and not fully paid-up	N/A
Par value of shares (<i>in euros</i>)	2
Mersen shares held by the Company or by its subsidiaries and associates	231,564

At December 31, 2022, the Company's share capital was set at €41,689,808 divided into 20,844,904 ordinary shares, each with a par value of €2. Taking into account double voting rights as well as treasury shares, which do not have voting rights, the theoretical number of voting rights stood at 23,486,683 at December 31, 2022.

Mersen's ownership structure at December 31, 2022 was as follows:

■ French institutional investors	45.3%
■ International institutional investors	39.8%
■ Private shareholders	12.4%
■ Employee shareholders	1.4%
■ Treasury shares	1.1%

Capital management

Mersen is committed to providing its shareholders with the highest possible return on equity through profitable and sustainable growth, as well as a payout ratio representing between 30% and 40% of the Group's net income each year. The successful execution of Mersen's strategy is underpinned by key employees including executives, managers, experts and high potential employees, who are eligible for free share plans that are part of Mersen's drive to motivate and retain its human capital. The Group is required to manage its capital in such a way as to ensure that its gearing ratio (see definition in Note 15) remains below 1.3.

Treasury shares

At December 31, 2022, 231,564 shares were held in treasury, representing 1.1% of the share capital, including 38,080 shares held pursuant to the liquidity agreement entered into with Exane BNP Paribas.

Subscription options, free shares and preference shares

■ Free preference shares (executives program)

In 2022, 940 category E preference shares (2018 plan) were fully converted, resulting in a total of 9,400 ordinary shares being allocated to beneficiaries (out of a maximum of 103,400 ordinary shares). There are no further preference share plans.

The total number of shares awarded under the 2019 executives plan is 16,752.

■ Free performance shares (executives program)

The total number of shares that may vest under the 2021 executives plan is 84,000, of which 63,000 for members of the Executive Committee (including 12,600 for the Chief Executive Officer).

The total number of shares that may vest under the 2022 executives plan is 84,000, of which 56,700 for members of the Executive Committee excluding an executive who retired on March 31, 2022, and including 12,600 for the Chief Executive Officer.

■ Free shares (non-executives program)

No shares were awarded under the 2019 non-executive plan, as the performance criteria were not met.

The total number of shares that may vest under the 2021 plans is 112,800.

The total number of shares that may vest under the 2022 plans is 112,800.

■ Summary

At December 31, 2022, the total number of free shares that could potentially vest corresponded to 393,600 new shares, each with a par value of €2, representing 1.9% of the Company's capital at that date.

There are no other instruments or securities conferring rights to the Company's share capital.

Neither the Company nor its subsidiaries are subject to any specific capital requirements pursuant to external rules or regulations.

With respect to share-based payments, the plans were evaluated in accordance with IFRS 2. The characteristics and assumptions used to value the plans are as follows:

Characteristics/Assumptions	2018 plan	2019 plan – Executives	2019 plan	2021 plan – Executives	2021 plan – Managers	2021 plan – High potentials	2022 plan – Executives	2022 plan – Managers	2022 plan – High potentials
	Free preference shares	Free performance shares	Free performance shares	Free performance shares	Free performance shares	Free performance shares	Free performance shares	Free performance shares	Free performance shares
Allocation date	05/17/2018	05/17/2019	05/17/2019	05/20/2021	05/20/2021	05/20/2021	05/19/2022	05/19/2022	05/19/2022
Availability date	05/17/2020/ 05/17/2022	05/17/2022	05/17/2022	05/20/2024	05/20/2024	05/20/2024	05/19/2025	05/19/2025	05/19/2025
Expiration date	05/18/2022	05/18/2022	05/18/2022	05/21/2024	05/21/2024	05/21/2024	05/20/2025	05/20/2025	05/20/2025
Number of plan shares	103,400	59,000	84,000	84,000	100,800	12,000	84,000	100,800	12,000
Estimated % of shares/options vested on achievement of performance conditions	0%	28%	0%	100%	100%	100%	100%	100%	100%

A net expense of €0.6 million was recognized in 2022 in respect of these plans (€2.0 million in 2021), including a €1.9 million reversal of free share plans that expired during the period.

Note 13 Provisions, contingent liabilities and other liabilities

In millions of euros	Dec. 31, 2022		Dec. 31, 2021	
	Non-current	Current	Non-current	Current
- provision for restructuring	1.6	1.0	3.0	4.8
- provision for environmental risks	3.3	0.9	3.4	1.0
- provision for litigation and other expenses	2.2	6.4	6.2	4.6
TOTAL	7.1	8.2	12.6	10.4

Current and non-current	Dec. 31, 2021	Provisions set aside/ (reversals)	Uses	Other	Translation adjustments	Dec. 31, 2022
- provision for restructuring	7.8	(1.0)	(4.4)	0.2	(0.0)	2.6
- provision for environmental risks	4.4	0.0	(0.4)	0.0	0.2	4.2
- provision for litigation and other expenses	10.8	(1.3)	(0.8)	(0.3)	0.1	8.6
TOTAL	23.0	(2.3)	(5.7)	(0.0)	0.3	15.3

Provisions totaled €15.3 million at December 31, 2022 (versus €23.0 million at December 31, 2021). The €7.7 million year-on-year decrease primarily stemmed from:

- payments of restructuring costs out of the provisions set aside in 2020 for the business adaptation plans;
- reversals of provisions for commercial and tax risks following the resolution of the related disputes.

Provisions for environmental risks mainly correspond to €3.3 million in clean-up costs for the Columbia site.

The €8.6 million in provisions for litigation and other expenses include €5.1 million in provisions for claims and disputes.

Administrative and legal proceedings

Administrative proceedings in France

In 2013, SNCF launched two procedures against Morgan, SGL, Schunk and Mersen, in the Paris Administrative Court and the Paris Commercial Court respectively. SNCF is attempting to secure redress for losses that it allegedly suffered following practices that were sanctioned in December 2003 by the European Commission in connection with brushes for electric motors and products for mechanical applications. In 2014, the Paris Administrative Court rejected all of the claims lodged by SNCF, which appealed the decision. On June 13, 2019, the Paris Court of Appeal overturned the 2014 Administrative Court ruling. It also decided that it will rule on the case and has issued an injunction for an expert appraisal to be carried out in order to determine the amount of the loss allegedly incurred by SNCF. Mersen and the other defendants, who contest this ruling, referred the case to the French Supreme

Court (Conseil d'Etat) for it to be set aside due to the incorrect application of the law. On October 12, 2020, the Supreme Court rejected the majority of the grounds for setting aside the ruling. The expert's report was submitted to the Court in July 2020. At December 31, 2022, the case was still pending before the Paris Court of Appeal. The latter handed down a ruling condemning the defendants on February 17, 2023; this ruling has no impact on the provision accrued in respect of the dispute.

Criminal proceedings in France

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers have now been settled. On December 22, 2019, the examining judge issued a ruling (which was confirmed on March 25, 2021) partially dismissing the case and summoning Mersen's subsidiary located in Gennevilliers ("the Company") and its managing director at that time to appear before the Criminal Court (Tribunal correctionnel). On July 5, 2021, the Nanterre Criminal Court found the Company and its then managing director guilty of manslaughter and involuntary bodily injury and handed down respective sentences of a €150,000 fine and a six-month suspended prison sentence. Having filed appeals to protect their rights on July 15, 2021, the Company and its then-managing director later withdrew these appeals on January 25, 2022. The withdrawals were placed on record by the Versailles Court of Appeal on June 15, 2022, making the convictions final.

The Group is not aware of any other administrative or legal proceedings, including any pending or potential proceedings, that could have or have had in the last 12 months, a material adverse effect on its business activities, financial position or results of operations.

Tax and customs proceedings

The Group regularly undergoes tax and customs audits carried out by the tax/customs authorities in the countries in which it operates. In the past, the reassessments issued after tax/customs audits have been for non-material amounts.

The amounts indicated below include interest.

Proceedings involving Mersen do Brasil

Mersen do Brasil is involved in a number of disputes – which are at various stages – concerning reassessments made by the Brazilian authorities in relation to social security contributions, taxation and customs duties. In particular, the Brazilian authorities are claiming that Mersen do Brasil was late filing its tax returns and made errors in the tax bases and customs codes used. The potential financial consequences of these disputes represent an aggregate BRL 33 million (approximately €6 million). The Group has set aside a provision corresponding only to the amount that it considers highly probable it will have to pay.

Proceedings involving Mersen Maroc

In December 2021, Mersen Maroc received a notification letter setting out reassessments totaling MAD 39 million (€3.6 million). The Moroccan tax authorities were mainly challenging the losses made by the company in certain markets during fiscal years 2016 to 2020. In 2022, these reassessments were reduced to MAD 5 million (€0.5 million) and the proceedings were concluded.

Other liabilities and contingent liabilities

Other liabilities in the amount of €5.9 million at December 31, 2022 chiefly comprise liabilities related to property, plant and equipment. No material contingent liabilities were identified at December 31, 2022.

Note 14 Employee benefits

The Group operates defined contribution and defined benefit plans.

As regards the defined contribution plans, the Group is under no obligation to make additional payments on top of the contributions already paid into a fund if the latter does not have sufficient assets to pay out the benefits corresponding to the service provided by employees during the period in progress or during future periods. For these plans, contributions are expensed as incurred.

The Mersen Group's defined benefit plans are mainly located in the United States (51% of the overall obligation), the United Kingdom (18%), France (13%) and Germany (7%).

- There are two pension plans in the United States:
 - the "hourly plan" for shop floor employees;
 - the "salaried plan" for office employees and closed to new entrants in 2011 because it was replaced by a defined contribution plan. This plan was closed entirely in 2015. Beneficiaries are now covered by the defined contribution plan.

These two plans are funded by contributions calculated on the value of the obligation and paid based on a multi-year funding plan. The fund's coverage ratio by assets measured in accordance with local standards is 107.5% for the salaried plan. The hourly plan is covered by plan assets up to 111.3%.

- There is a pension plan in the United Kingdom that was closed to new entrants in 2006. Based on local rules and conservative assumptions, it is fully covered by plan assets. Contributions are paid based on a schedule established with the trustees.

These pension funds constitute entities that are legally distinct from the Group. The funds' administrative bodies are composed of employee representatives, retirees and independent directors. They are legally required to act in the best interest of the plan's participants and are responsible for certain fund policies, including the investment, contribution and indexing policies, etc.

- In France, the defined benefit plans mainly involve lump-sum retirement payments, supplementary pension benefits and long-service awards. Supplementary pension plans are pre-funded.
- There are two pension plans in Germany that are closed to new entrants and are not funded.

The Group's obligations were measured at December 31, 2022 with the assistance of independent actuaries and in accordance with IAS 19.

The rates used for the main countries are summarized below:

2022	Discount rate	Average rate of salary increases	Inflation rate
France	3.70%	Between 1% and 4.75% depending on age	2.00%
Germany	3.70%	2.50%	2.00%
United States	5.15%	Not applicable	Not applicable
United Kingdom	4.75%	3.95%	3.95%

2021	Discount rate	Average rate of salary increases	Inflation rate
France	0.90%	Between 1% and 4.75% depending on age	1.8%
Germany	0.90%	2.50%	1.8%
United States	2.85%	Not applicable	Not applicable
United Kingdom	1.90%	3.5%	3.6%

Mortality assumptions are based on published mortality tables.

Breakdown of provisions recognized

	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligation	146.4	188.4
Fair value of plan assets	(107.8)	(139.3)
Provision before impact of minimum funding requirement/asset ceiling	38.6	49.1
Impact of minimum funding requirement/asset ceiling		
Provision after impact of minimum funding requirement/asset ceiling (net provision recognized)	38.6	49.1

Group provision at December 31, 2022 by geographical area

	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2022
Present value of defined benefit obligation	19.1	10.9	75.0	26.7	14.7	146.4
Fair value of plan assets	(3.1)	0.0	(63.8)	(32.2)	(8.7)	(107.8)
Net amount recognized	16.0	10.9	11.2	(5.5)	6.0	38.6

Movements in the Group's obligations

	France	Germany	United States	United Kingdom	Rest of the world	Total
At December 31, 2021	23.6	14.7	92.7	39.4	18.0	188.4
Payments made	(1.7)	(1.0)	(4.8)	(1.6)	(1.3)	(10.4)
Expenses recognized	1.2	0.4	4.2	0.8	1.2	7.9
Translation adjustments			6.1	(1.6)		4.4
Actuarial gains and losses	(4.0)	(3.3)	(23.2)	(10.3)	(3.1)	(43.9)
At December 31, 2022	19.1	10.9	75.0	26.7	14.7	146.4

Change in plan assets

	France	Germany	United States	United Kingdom	Rest of the world	Total
At December 31, 2021	3.3		76.4	48.8	10.8	139.3
Return on plan assets			1.7	0.9	0.3	2.9
Employer contribution			0.7		0.2	0.9
Payment of benefits			(4.8)	(1.6)	(0.6)	(6.9)
Actuarial gains and losses	(0.1)		(15.1)	(13.9)	(2.1)	(31.4)
Translation adjustments			4.9	(2.0)		2.9
At December 31, 2022	3.1	0.0	63.8	32.2	8.7	107.8

Plan assets mainly cover plans in the United States (59% of total plan assets, with 55% invested in equities and 45% in bonds and alternative investments) and in the United Kingdom (30% of total plan assets, with 81% invested in government bonds, 15% in

equities and 4% in real estate and cash). Since the target funding rate for pension plans in the United States was met during the year, these plans are no longer subject to mandatory employer contributions.

Net expense recognized

The net expense recognized for these plans in 2022 was €5.0 million, compared with €4.5 million in 2021:

	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2022	Dec. 31, 2021
Current service cost	1.6	0.4	0.9		0.9	3.8	4.0
Interest cost	0.1	0.1	2.2	0.7	0.5	3.7	2.8
Expected return on plan assets			(1.7)	(0.9)	(0.3)	(2.9)	(2.0)
Administrative costs			1.1			1.1	1.0
Plan amendments/curtailments/settlements							(1.0)
Other movements	(0.4)	(0.1)			(0.2)	(0.7)	(0.3)
NET EXPENSE FOR THE PERIOD	1.2	0.4	2.6	(0.1)	0.9	5.0	4.5

The increase in the expense is mainly due to €1 million in non-recurring income recognized in 2021 upon termination of a plan in Switzerland, partly offset by higher actuarial gains (presented in "Other movements") in 2022 on the Group's other long-term benefit obligations, in particular long-service awards in France.

Actuarial gains and losses arising on the measurement of the post-employment benefit obligations and the associated plan assets break down as follows:

	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2022	Dec. 31, 2021
Gains/(losses) linked to changes in demographic assumptions							0.2
Gains/(losses) linked to changes in financial assumptions	(4.6)	(3.1)	(24.3)	(11.2)	(3.3)	(46.6)	(10.2)
Experience adjustments	0.6	(0.1)	1.1	1.0	0.1	2.7	(0.2)
Yield adjustments to plan assets	0.1		15.1	13.9	2.1	31.4	(7.9)
Actuarial gains and losses	(3.9)	(3.3)	(8.0)	3.6	(1.0)	(12.5)	(18.1)

Actuarial gains and losses mainly consist of gains resulting from higher discount rates.

Sensitivity analysis

A 0.5-point increase in the discount rates applied would lead to a €7.4 million decrease in the projected benefit obligation.

A 0.5-point increase in the inflation rate would lead to a €1.4 million increase in the projected benefit obligation.

These sensitivities correspond to the impact on the gross projected benefit obligation without taking into account any corresponding offsetting effect on plan assets.

The breakdown of sensitivities by country is presented in the table below.

Impact on the obligation in the case of	0.5-point increase in the discount rate	0.5-point increase in the inflation rate
France	(0.8)	0.0
Germany	(0.5)	0.4
United Kingdom	(1.5)	0.8
United States	(3.9)	0.0
Rest of the world	(0.8)	0.1
TOTAL	(7.4)	1.4

Note 15 Net debt

Definitions

Net debt is defined as the sum of long- and medium-term borrowings, current financial liabilities and bank overdrafts, less current financial assets, cash and cash equivalents. In accordance with IFRS 16, lease liabilities are not included in the calculation of net debt.

To calculate the covenant ratios presented below, the Group uses the following indicators:

- covenant net debt is equal to net debt less the carrying amount of treasury shares at year-end. To calculate the covenant net debt in the event of a difference of more than 5% between the average and closing EUR/USD exchange rates, net debt is recalculated at the average EUR/USD rate for the period;

- covenant EBITDA corresponds to EBITDA before non-recurring items for the last 12-month period prior to application of IFRS 16, it being specified that EBITDA before non-recurring items is equal to operating income before non-recurring items, depreciation and amortization. By convention, to calculate covenant EBITDA for the German private placement at the end of June, the metric is equal to EBITDA before non-recurring items and the application of IFRS 16 for the last six-month period, multiplied by two;
- net worth is equal to equity plus the carrying amount of treasury shares held at year-end;
- gearing represents covenant net debt divided by net worth;
- leverage represents covenant net debt divided by covenant EBITDA.

Analysis of net debt at December 31, 2022

In millions of euros	Dec. 31, 2022	Dec. 31, 2021
Long- and medium-term borrowings	262.3	244.5
Current financial liabilities ^(a)	60.9	7.0
Bank overdrafts	15.2	25.1
GROSS DEBT	338.3	276.7
Current financial assets ^(b)	(38.5)	(34.0)
Cash and cash equivalents	(59.2)	(49.5)
NET DEBT	240.6	193.2

(a) Including €55 million in commercial paper issued under the NEU CP program in 2022.

(b) Including 37.7 million of good quality Chinese bank drafts. Poor quality bank drafts are classified under Other operating receivables.

Net debt at December 31, 2022 amounted to €240.6 million compared with €193.2 million at year-end 2021.

Gross debt stood at €338.3 million, an increase of €61.6 million versus end-December 2021.

Borrowings issuance and financial debt for the period, which are recognized in the cash flow statement at €549 million, mainly result from the issuance of NEU CP and NEU MTN for

€358.5 million, drawdowns on the syndicated loan for €170 million, and the subscription of a €20 million loan from Bpifrance. Repayments of borrowings during the period, which are recognized in the cash flow statement for €493.9 million, mainly result from repayments on the NEU CP for €293.5 million and on the syndicated loan for €170 million, as well as the early repayment of part of the German private placement ("Schuldschein") for €15 million.

Of the €338.3 million in gross debt, €266.3 million stemmed from the use of committed loans and borrowings and the remainder

chiefly from the use of uncommitted loans (NEU CP, bank overdrafts and other credit lines).

Change in net debt

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Net debt at start of period	193.2	180.2
Net cash generated by operating and investing activities	(9.2)	(22.9)
Capital increases	0.0	(1.3)
Purchases/(sales) of treasury shares	5.6	(0.3)
Dividends paid	23.0	15.3
Interest payments	7.3	6.8
Repayment of lease liabilities	14.5	13.6
Translation adjustments	8.4	0.7
Changes in scope of consolidation	(0.9)	0.7
Other changes	(1.3)	0.4
Net debt at end of period	240.6	193.2

Financial covenants at December 31, 2022

In connection with its various committed borrowings at Group level and in China, Mersen is required to comply with a number of obligations, which are customary for this type of lending arrangement, as presented below. Should it fail to comply with some of these obligations, the banks or investors (for the US private placement) may require Mersen to repay the relevant

borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant loan may trigger an obligation for the Group to repay other loans and borrowings.

Mersen must comply with the following financial covenants at June 30 and December 31 each year:

Leverage				Gearing		
	Ratio to be observed	Dec. 31, 2022	Dec. 31, 2021	Ratio to be observed	Dec. 31, 2022	Dec. 31, 2021
Committed credit lines and borrowings						
US private placement						
Group syndicated loan	<3.5	1.36	1.42	<1.3	0.33	0.30
Committed credit lines – China						
German private placement	<3.5	1.36	1.42	N/A	N/A	N/A

Details of the calculation of the Group's covenant ratios for the two periods presented are as follows:

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Net debt	240.6	193.2
Carrying amount of treasury shares	(6.9)	(1.1)
Covenant net debt (A)	233.7	192.1
Equity	694.0	631.3
Carrying amount of treasury shares	6.9	1.1
Net worth (B)	700.9	632.4
EBITDA before non-recurring items	186.4	148.8
IFRS 16 restatement	(14.5)	(13.5)
Covenant EBITDA (C)	172.0	135.2
Gearing (A)/(B)	0.33	0.30
Leverage (A)/(C)	1.36	1.42

The interest rate on the German private placement notes ("Schuldschein") is indexed to the leverage ratio (<3.5). Exceeding this cap does not correspond to an event of default but the applicable margin would be increased.

The Group complies with all of its financial covenants.

At December 31, 2022, there were no material credit lines or borrowings secured by assets or guaranteed by third parties.

Breakdown by interest rate and currency of debt at December 31, 2022

(In millions of euros)	Total	O/w maturity < 5 years	O/w maturity > 5 years
Gross debt	338.3	252.0	86.3
Cash and cash equivalents	(59.2)	(59.2)	0.0
Net position	279.1	192.8	86.3
Of which net fixed-rate position*	224.3	138.0	86.3

* Including an interest rate cap for a nominal amount of €25 million.

Assuming Mersen's net position and exchange rates remain unchanged at their December 31, 2022 level and taking into account the swaps held in the portfolio, an increase of 100 basis points in variable interest rates would increase the Group's annual interest costs by €0.55 million. This impact is chiefly related to the net position in EUR, as the net position in USD is primarily fixed-rate debt.

Gross debt breaks down as 66% at fixed rates and 34% at variable rates. Gross debt at December 31, 2022 stood at €338.3 million and is broken down by the main currencies as follows:

(By currency)	%
EUR	62.1
USD	37.2
Other	0.7

Breakdown by currency of the drawdowns on credit lines and committed medium- and long-term borrowings including the short-term portion at December 31, 2022

Operating receivables and payables all mature in less than one year. A breakdown of borrowings by maturity is shown below.

(In millions of euros)	Total	1 year	1 to 5 years	> 5 years
Borrowings in USD	56.2	0.0	0.0	56.2
Borrowings in EUR	210.0	4.0	166.0	40.0
Borrowings in GBP	0.1	0.1	0.0	0.0
Borrowings in RMB	0.0	0.0	0.0	0.0
TOTAL	266.3	4.1	166.0	96.2
Amortization of issuance costs at the EIR*	(1.8)			
Fair value of interest-rate derivatives	0.0			
TOTAL	264.5			

* Effective interest rate.

Out of the €166.0 million in debt with maturities of between one and five years, €138 million worth had maturities of between three and five years at December 31, 2022.

Note 16 Right-of-use assets and lease liabilities

The Group is a lessee of various real estate assets (offices, plants and warehouses), which represent the majority of its lease liabilities in value terms. In terms of the number of leases, however, movable assets account for the majority (primarily

vehicles and forklift trucks). At December 31, 2022, right-of-use assets recognized in the statement of financial position totaled €53.5 million.

Right-of-use assets	Land and buildings	Other	Total
At January 1, 2021	40.6	5.6	46.2
Depreciation and impairment for the period	(8.7)	(3.1)	(11.7)
Additions or modifications to right-of-use assets	11.9	2.9	14.9
Translation adjustments	2.1	0.1	2.3
AT DECEMBER 31, 2021	46.0	5.6	51.6
At January 1, 2022	46.0	5.6	51.6
Depreciation and impairment for the period	(9.4)	(3.2)	(12.6)
Additions or modifications to right-of-use assets	12.1	2.8	14.9
Reclassification as assets held for sale	(0.4)	(0.0)	(0.5)
Translation adjustments	(0.1)	0.1	(0.0)
AT DECEMBER 31, 2022	48.2	5.3	53.5

At December 31, 2022, lease liabilities recognized in the statement of financial position totaled €55.4 million, including €12.7 million due in less than one year and €42.7 million due beyond one year.

The value of right-of-use assets differs from that of lease liabilities since right-of-use assets are depreciated on a straight-line basis, while a declining-balance basis is used for lease liabilities.

Lease liabilities by maturity	Dec. 31, 2022	Dec. 31, 2021
Non-current lease liabilities	42.7	40.0
Current lease liabilities	12.7	12.6
Total lease liabilities	55.4	52.6

In 2022, repayment of lease liabilities totaled €14.5 million and the financing component recognized in net financial income/(expense) amounted to €2.9 million.

Movements in lease liabilities	
At January 1, 2021	46.6
Commitments generated by additions or modifications to right-of-use assets	14.9
Repayment of lease liabilities	(13.6)
Financing component of lease commitments	2.5
Translation adjustments	2.2
AT DECEMBER 31, 2021	52.6
At January 1, 2022	52.6
Commitments generated by additions or modifications to right-of-use assets	14.9
Repayment of lease liabilities	(14.5)
Financing component of lease commitments	2.9
Reclassification as liabilities related to assets held for sale	(0.5)
Translation adjustments	0.0
AT DECEMBER 31, 2022	55.4

In 2022, depreciation and impairment came to €12.6 million (€11.7 million in 2021).

Amounts included in net income	2022	2021
Depreciation and impairment	(12.6)	(11.7)
Financing component of lease commitments	(2.9)	(2.5)

At December 31, 2022, the Group held a number of leases that meet the exemption criteria under IFRS 16 (short-term and low-value leases). These contracts mainly correspond to leases of

low-value assets. Future minimum lease payment obligations under these leases were not material at December 31, 2022.

Note 17 Fair value of financial instruments

The following tables show the fair value of the Group's financial assets and liabilities and their carrying amount in the statement of financial position, as well as their ranking in the fair value hierarchy for instruments measured at fair value. They do not

provide information about the fair value of financial assets and liabilities, measured at their carrying amount, insofar as their carrying amount corresponds to a reasonable approximation of the fair value.

Statement of financial position sections and category of instrument	Note	Carrying amount					Fair value			
		Fair value of hedging instruments	Fair value through "Other items of comprehensive income"	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value										
Unlisted equity interests	9		2.2			2.2			2.2	2.2
Derivatives held as current and non-current assets	4	6.9				6.9		6.9		6.9
		6.9	2.2	0.0	0.0	9.1	0.0	6.9	2.2	9.1
Financial assets not measured at fair value										
Current and non-current financial assets	15			42.2		42.2				
Trade receivables	11			167.4		167.4				
Cash and cash equivalents	15			59.2		59.2				
		0.0	0.0	268.8	0.0	268.8				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities	4	(2.1)				(2.1)		(2.1)		(2.1)
		(2.1)	0.0	0.0	0.0	(2.1)	0.0	(2.1)	0.0	(2.1)
Financial liabilities not measured at fair value										
Bank borrowings	15				(262.3)	(262.3)		(241.2)		
Bank overdrafts	15				(15.2)	(15.2)				
Current financial liabilities	15				(60.9)	(60.9)				
Trade payables					(86.6)	(86.6)				
		0.0	0.0	0.0	(424.9)	(424.9)				
Carrying amount by category		4.8	2.2	268.8	(424.9)	(149.1)				

Dec. 31, 2021

Dec. 31, 2021	Carrying amount						Fair value			
Statement of financial position sections and category of instrument	Note	Fair value of hedging instruments	Fair value through “Other items of comprehensive income”	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value										
Unlisted equity interests	9		2.0			2.0			2.0	2.0
Derivatives held as current and non-current assets	4	2.3				2.3		2.3		2.3
		2.3	2.0	0.0	0.0	4.3	0.0	2.3	2.0	4.3
Financial assets not measured at fair value										
Current and non-current financial assets	15			38.0		38.0				
Trade receivables	11			143.6		143.6				
Cash and cash equivalents	15			49.5		49.5				
		0.0	0.0	231.1	0.0	231.1				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities	4	(1.3)				(1.3)		(1.3)		(1.3)
		(1.3)	0.0	0.0	0.0	(1.3)	0.0	(1.3)	0.0	(1.3)
Financial liabilities not measured at fair value										
Bank borrowings	15				(244.5)	(244.5)		(241.7)		
Bank overdrafts	15				(25.1)	(25.1)				
Current financial liabilities	15				(7.0)	(7.0)				
Trade payables					(67.1)	(67.1)				
		0.0	0.0	0.0	(343.8)	(343.8)				
Carrying amount by category		1.0	2.0	231.1	(343.8)	(109.7)				

Regarding financial derivative instruments (including foreign exchange forward contracts and interest rate swaps), the market comparable measurement technique is used. Fair value is based

on brokers' quoted prices. Similar contracts are negotiated on an active market and their price reflects transactions that include similar instruments.

Note 18 Other non-recurring income and expenses

Other non-recurring income and expenses break down as follows:

In millions of euros	Dec. 31, 2022	Dec. 31, 2021
Impairment of assets (including Anticorrosion Equipment goodwill)	(15.4)	
Capital gains on asset disposals	3.5	
Acquisition-related expenses and site start-up costs		(1.9)
Adaptation plan	(0.1)	(1.0)
Litigation and other expenses	0.5	(2.0)
TOTAL	(11.4)	(4.9)

At December 31, 2022, net non-recurring expenses came to €11.4 million and mainly included:

- asset impairment losses totaling €15.4 million, mainly in respect of Anticorrosion Equipment goodwill (€11.4 million – see Note 7) and assets held for sale (€2.2 million – see Note 5);
- capital gains on the disposal of real estate assets in Germany and the Czech Republic for a total of €3.5 million;
- provisions for litigation and other expenses representing a net amount of €0.5 million, including €3.2 million in reversals of provisions for litigation and €2.7 million in non-recurring expenses in connection with the disposal, relocation or closure of sites.

At December 31, 2021, non-recurring income and expenses represented a net expense of €4.9 million and mainly included:

- €1 million in additional restructuring costs for the adaptation plans announced in 2020, mainly concerning the streamlining of production sites in China;
- €1.9 million in start-up costs for the Columbia site;
- €2 million in net other non-recurring expenses representing a material amount and chiefly relating to trade disputes and the relocation of three plants.

The costs related to the business adaptation plan and the competitiveness plan were measured based on a formal process drawn up and overseen by the Group Executive Committee.

Note 19 Segment reporting

The Advanced Materials (AM) segment based on carbon materials, which includes the Graphite Specialties, Anticorrosion Equipment and Power Transfer Technologies CGUs, brings together design and manufacturing activities for materials such as isostatic graphite, extruded graphite and insulation felt. It serves markets such as solar energy, providing isostatic graphite equipment for solar cell and semiconductor manufacturing, for which it designs graphite and insulation felt solutions adapted to the very high-temperature manufacturing process for these components. The Group also supplies graphite-based equipment for the corrosive

chemicals markets. Lastly, this segment includes graphite brushes and brush holders that ensure the transfer of electricity.

The Electrical Power (EP) segment, comprising the Electrical Protection & Control and Solutions for Power Management CGUs, offers a range of products and solutions to protect people and equipment (fuses, surge protection devices) and to convert currents in terms of intensity, frequency or voltage (cooling devices, fuses, bus bars, capacitors). It has developed a range of fuses and bus bars specifically for the electric vehicle market.

Operating segment performance

	Dec. 31, 2022				Dec. 31, 2021			
	Advanced Materials (AM)	Electrical Power (EP)	Unallocated – Holding company costs	GROUP TOTAL	Advanced Materials (AM)	Electrical Power (EP)	Unallocated – Holding company costs	GROUP TOTAL
<i>In millions of euros</i>								
Sales	621.8	493.1		1,114.8	507.4	415.4		922.8
Proportion of total	55.8%	44.2%		100.0%	55.0%	45.0%		100.0%
EBITDA before non-recurring items⁽¹⁾	142.3	63.7	(19.5)	186.4	110.9	54.5	(16.7)	148.8
<i>EBITDA before non-recurring items margin⁽²⁾</i>	22.9%	12.9%		16.7%	21.9%	13.1%		16.1%
Depreciation and amortization	(44.3)	(19.3)	(1.3)	(64.8)	(37.8)	(16.8)	(1.5)	(56.2)
Operating income before non-recurring items	98.0	44.5	(20.8)	121.6	73.1	37.7	(18.2)	92.6
<i>Operating margin before non-recurring items⁽²⁾</i>	15.8%	9.0%		10.9%	14.4%	9.1%		10.0%
Non-recurring income and expenses	(9.1)	(1.7)	(0.5)	(11.4)	(3.4)	(1.4)	(0.1)	(4.9)
Operating income	88.8	42.8	(21.4)	110.2	69.6	36.3	(18.3)	87.7
<i>Operating margin⁽²⁾</i>	14.3%	8.7%		9.9%	13.7%	8.7%		9.5%
Net financial expense			(12.9)	(12.9)			(10.7)	(10.7)
Current and deferred income tax			(23.0)	(23.0)			(18.6)	(18.6)
Net income				74.3				58.4

(1) EBITDA before non-recurring items is equal to operating income before non-recurring items plus depreciation and amortization.

(2) Margins correspond to the ratio of the indicator to sales.

Breakdown of sales and sales trends by geographical area

<i>In millions of euros</i>	Dec. 31, 2022	%	Dec. 31, 2021	%
France	79.6	7%	67.6	7%
Rest of Europe	276.9	25%	249.7	27%
North America	399.2	36%	298.3	33%
Asia-Pacific	320.2	29%	276.2	30%
Rest of the world	39.0	3%	31.1	3%
TOTAL	1,114.8	100%	922.8	100%

No single customer accounts for over 10% of the Group's sales. The number one customer accounted for 4% of the Group's sales. The Group's activities are not subject to any significant seasonal variation.

Segment assets

<i>In millions of euros</i>	AM	EP	Dec. 31, 2022
Net fixed assets	563.3	249.2	812.5
Inventories	188.9	94.3	283.3
Trade receivables	98.6	68.8	167.4
Contract assets	2.4		2.4
Other operating receivables	15.1	9.5	24.6
TOTAL SEGMENT ASSETS	868.4	421.8	1,290.2
Deferred tax assets			22.9
Long-term portion of current tax assets			10.0
Short-term portion of current tax assets			2.0
Current financial assets			38.5
Current derivatives			6.9
Cash and cash equivalents			59.2
Assets held for sale			9.7
TOTAL UNALLOCATED ASSETS			149.2
TOTAL			1,439.4

Segment liabilities

<i>In millions of euros</i>	AM	EP	Dec. 31, 2022
Trade payables	48.6	38.0	86.6
Contract liabilities	28.8	1.7	30.5
Other payables and other liabilities	82.5	41.0	123.4
Non-current and current provisions	10.6	4.7	15.3
Employee benefit obligations	27.5	11.1	38.6
TOTAL SEGMENT LIABILITIES	197.9	96.5	294.5
Deferred tax liabilities			41.0
Long- and medium-term borrowings			262.3
Non-current lease liabilities			42.7
Current lease liabilities			12.7
Short-term portion of current tax liabilities			8.9
Current financial liabilities			60.9
Current derivatives			2.1
Bank overdrafts			15.2
Liabilities related to assets held for sale			5.2
TOTAL UNALLOCATED LIABILITIES			450.9
TOTAL			745.3

Note 20 Payroll costs and headcount

Group payroll costs (including temporary staff, social security contributions, provisions for pension obligations and retirement compensation) came to €339.6 million in 2022 compared with €296.3 million in 2021.

This represents a like-for-like increase of 10% attributable to salary inflation and significant hiring during the year.

Headcount of consolidated companies at end of period by geographical area

Geographical area	Dec. 31, 2022	%	Dec. 31, 2021	%
France	1,331	18%	1,316	21%
Rest of Europe	1,417	19%	1,348	16%
North America and Mexico	2,377	33%	2,153	30%
Asia	1,673	23%	1,632	25%
Rest of the world	517	7%	519	8%
TOTAL	7,315	100%	6,968	100%

Headcount increased by 347 in 2022, mainly in North America and Mexico.

Headcount of consolidated companies at end of period by category

Categories	Dec. 31, 2022	%	Dec. 31, 2021	%
Engineers and managers	1,590	22%	1,546	24%
Technicians and supervisors	1,585	22%	1,511	21%
Other employees	229	3%	231	4%
Operators	3,911	53%	3,680	51%
TOTAL	7,315	100%	6,968	100%

Note 21 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Sales	1,114.8	922.8
Purchases of raw materials and goods for resale	(304.9)	(263.9)
Manufacturing costs	(220.3)	(164.8)
Salaries, incentives and profit-sharing	(339.6)	(296.3)
Depreciation and amortization	(64.8)	(56.2)
Other expenses	(62.1)	(48.5)
Impairment losses and provisions	(13.7)	(3.2)
Gains/(losses) on asset disposals	3.5	(0.5)
Financial components of operating income	(2.7)	(1.7)
OPERATING INCOME	110.2	87.7

Impairment losses and provisions for the period include the write-down of Anticorrosion Equipment goodwill for €11.4 million (see Note 7).

Note 22 Net finance expense

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Amortization of bond issuance expenses	(0.3)	(0.3)
Interest on debt	(5.3)	(5.6)
Short-term financial expense	(1.7)	(0.9)
Hyperinflation – gain/(loss) on net monetary position	(1.2)	0.0
Commission on debt	(0.7)	(0.5)
Ineffective portion of interest-rate hedges	(0.1)	(0.1)
Financing component of lease commitments	(2.9)	(2.5)
Net interest income from employee benefits	(0.8)	(0.8)
NET FINANCIAL EXPENSE	(12.9)	(10.7)

Due to a three-year cumulative inflation rate of more than 100% reached in fiscal year 2022, Turkey is considered a hyperinflationary economy according to IFRS criteria. Accordingly, the Group applied IAS 29 – Financial Reporting in Hyperinflationary Economies to the financial statements of its subsidiary Mersen Istanbul Sanayi Ürünleri A.S. (see Note 3-E for further details).

To calculate the gain or loss on the net monetary position, the Group referred to the Turkish consumer price index (CPI) published by the Turkish government. At end-December 2022, the CPI (using a baseline of 100 from 2003) amounts to 1,128.45, and reflects inflation of 64.3% in the country since January 1, 2022.

The net financial expense shown above does not include the following items related to assets and liabilities that are not stated at fair value through profit or loss:

Financial income and expenses recognized in other comprehensive income

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Change in fair value of currency hedges	0.2	(0.3)
Change in fair value of interest rate hedges	0.2	0.1
Change in fair value of commodity hedges	0.6	(0.9)
Tax impact on changes recognized in equity	(0.1)	0.5
Financial income and expenses recognized in other comprehensive income, net of tax	0.8	(0.7)

Note 23 Income tax

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Current income tax	(19.7)	(15.0)
Deferred income tax	(2.8)	(3.3)
Withholding tax	(0.4)	(0.3)
Actual income tax benefit (expense) recognized	(23.0)	(18.6)

Within the Group, there are consolidated tax groups in France, Germany, the United Kingdom (group relief) and the United States.

The Group's tax rate was 24% in 2022, unchanged from 2021. This rate takes into account the impairment – not subject to taxation – of Anticorrosion Equipment (ACE) goodwill for €11.4 million, recognized against the Group's pre-tax income. Adjusted for this impairment, the Group's effective tax rate for the period was 21%.

Analysis of income tax expense

<i>In millions of euros</i>	Dec. 31, 2022
Net income	74.3
Current and deferred income tax	(23.0)
Income before tax	97.3
Current tax rate in France	25.83%
Theoretical tax benefit/(expense) (income before tax x current income tax rate in France)	(25.1)
Difference between income tax rate in France and other jurisdictions	5.6
Permanent timing differences	(2.3)
Ceiling on deferred tax assets	(1.0)
Other	(0.1)
Actual income tax benefit (expense) recognized	(23.0)

Permanent timing differences include a negative amount of €2.7 million related to the non-deductible ACE goodwill impairment

loss. The ceiling on deferred tax assets for the period relates mainly to the tax loss carryforwards of the German tax group.

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

<i>In millions of euros</i>	Dec. 31, 2022	Dec. 31, 2021
Deferred tax assets	22.9	27.9
Deferred tax liabilities	(41.0)	(37.2)
Deferred tax assets (liabilities), net	(18.1)	(9.3)

Deferred tax movements during fiscal 2022 were as follows:

<i>In millions of euros</i>	Dec. 31, 2021	Net income/ (loss)	Other comprehensive income	Other	Translation adjustments	Dec. 31, 2022
Depreciation of fixed assets	(39.8)	(5.0)	0.0	1.5	(3.5)	(46.7)
Inventories	6.0	0.9	0.0	0.0	0.0	6.9
Employee benefit obligations	11.7	(0.4)	(3.5)	0.1	(0.0)	7.8
Tax loss carryforwards	12.6	(2.4)	0.0	(0.3)	0.1	9.9
Other	0.2	4.2	(0.1)	(1.9)	1.7	3.9
Deferred tax assets (liabilities), net	(9.3)	(2.8)	(3.7)	(0.6)	(1.8)	(18.1)

Deferred tax assets are recognized only to the extent that they are recoverable. Given the short- and medium-term taxable income outlook in certain markets and geographic regions, and in accordance with local tax rules, deferred taxes have been recognized on certain losses. The unrecognized tax

losses mainly arose in France (€100 million, corresponding to tax loss carryforwards of the tax consolidation group), China (€24 million), Germany (€18 million), Morocco (€3 million) and Austria (€3 million).

Note 24 Earnings per share

Basic and diluted earnings per share are presented below:

	Dec. 31, 2022	Dec. 31, 2021
Net income attributable to Mersen shareholders <i>(in millions of euros)</i>	67.7	54.4
Weighted average number of ordinary shares* used to calculate basic earnings per share	20,677,192	20,787,253
Maximum effect of dilutive potential ordinary shares	393,600	329,140
Weighted average number of ordinary shares* used to calculate diluted earnings per share	21,070,792	21,116,393
Basic earnings per share <i>(in euros)</i>	3.27	2.62
Diluted earnings/(loss) per share <i>(in euros)</i>	3.21	2.58

* Excluding treasury shares.

After adjusting net income for the impairment of Anticorrosion Equipment (ACE) goodwill in 2022, earnings per share would be as follows:

	Dec. 31, 2022 restated	Dec. 31, 2021
Basic earnings per share <i>(in euros)</i>	3.82	2.62
Diluted earnings per share <i>(in euros)</i>	3.75	2.58

Details of the restatements made to the 2022 income statement items are shown below.

Adjustments to net income	Dec. 31, 2022
NET INCOME	67.7
Impairment of ACE goodwill	11.4
ADJUSTED NET INCOME	79.1

Note 25 Dividends

The Annual General Meeting of May 19, 2022 approved a dividend payout of €1 per share in respect of 2021. The dividend

proposed in respect of fiscal year 2022 stands at €1.25 per share, representing an aggregate amount of €26 million.

Note 26 Related party disclosures

Mersen SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets that it owns.

Mersen SA belongs to the Mersen group, which encompasses 91 consolidated and unconsolidated companies in 34 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries

Sales generated by the Group with unconsolidated subsidiaries came to €7.4 million in 2022 (€4.9 million in 2021).

In 2022, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0.1 million, the same amount as in 2021.

The amounts receivable by the Group from its unconsolidated subsidiaries totaled €2.1 million at December 31, 2022 and there were no amounts payable to those subsidiaries at that date.

At December 31, 2022, shareholder advances granted to unconsolidated subsidiaries represented a nil amount (as in 2021).

2 - Compensation and benefits paid to key executives

The table below sets out the annual compensation for the Group's Chief Executive Officer for 2022.

(In millions of euros)	Dec. 31 2022	Dec. 31 2021
Salaries, bonuses, benefits in kind	1.2	1.1
Top-up pension plan payments ⁽¹⁾	0.3	0.3
TOTAL	1.5	1.4

(1) By contract, the Chief Executive Officer is entitled to the benefit of a top-up pension plan, defined as follows: provided that the person is still employed by the Group upon his or her retirement, this regime guarantees a top-up pension income of 10-20%, depending on length of service, of the basic reference salary during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. The actuarial obligation was assessed at December 31, 2022 at €4.4 million (versus €4.6 million at December 31, 2021).

Should his or her appointment be terminated (barring gross or willful misconduct), the Chief Executive Officer will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him or her in respect of the 36-month period preceding termination, subject to the attainment of performance criteria. Should the responsibilities and/or remuneration of the Chief Executive Officer be modified substantially following a take-over of the Company, and if as a result, he or she decides to leave the Company, he or she would be entitled to the same Severance Pay.

Should his or her term of office as Chief Executive Officer end (except due to retirement), and in return for signing a one-year non-compete and non-solicitation undertaking, the Chief Executive Officer will receive a monthly payment equivalent to 50% of the gross fixed monthly compensation that he or she received immediately prior to the termination of his or her term of office. This payment will be made in 12 monthly installments. The Company may decide to forgo this non-compete and non-solicitation clause and thus free itself from its obligation of making this monthly payment, by informing the Chief Executive Officer of its decision within a notice period of two months of the termination of his or her term of office.

■ Free preference shares

	2018 plan
Date of Board of Directors' meeting	May 17, 2018
Total number of preference shares allocated	77
Minimum equivalent in number of ordinary shares after conversion subject to achievement of performance criteria	770
Maximum equivalent in number of additional ordinary shares after conversion subject to the achievement of performance criteria and share price trends	7,700
Value on the allocation date:	
Fair value of one guaranteed ordinary share	33.53
Fair value of one unguaranteed ordinary share	12.41
End of vesting period	May 17, 2020
End of holding period	May 17, 2022

The conversion of preference shares under the 2018 plan resulted in the definitive allocation of 770 ordinary shares.

■ Free shares - executives plan

	2019 plan	2021 plan	2022 plan
Date of allocation decision	May 17, 2019	May 20, 2021	May 19, 2022
Total number of shares allocated	8,850	12,600	12,600
Share price at allocation date (in euros)	20.86	23.59	24.31
End of vesting period	May 17, 2022	May 20, 2024	May 19, 2025
End of holding period	May 18, 2022	May 21, 2024	May 20, 2025

A total of 2,514 ordinary shares were definitively allocated under the 2019 plan.

3 - Other agreements

The Group has not entered into any agreements or commitments with other parties aside from the one described above concerning the non-compete clause, termination of term in office and pension plan of the Chief Executive Officer, Luc Themelin.

Note 27 Off-balance sheet commitments

The table below summarizes the Group's off-balance sheet commitments.

(In millions of euros)	Dec. 31, 2022	Dec. 31, 2021
Market guarantees	20.7	23.4
Payment guarantee on acquisitions	0.0	0.0
Other guarantees	8.0	8.0
Other commitments given	8.2	6.1
TOTAL	36.9	37.5

Nature

The €2.7 million year-on-year decrease in market guarantees mainly reflects the expiry of market guarantees for contracts in France, China and the United States.

The "other guarantees" item, which amounted to €8 million, includes an €8 million guarantee covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements.

Maturity

Off-balance sheet commitments with a maturity of over one year amounted to €20.6 million. They include the €8 million guarantee linked to the European cash pooling system, which remains in force for as long as the cash pooling agreements are in place. The term of market guarantees is generally less than one year but a number have been given for a longer contractual period, which never exceeds three years.

Control

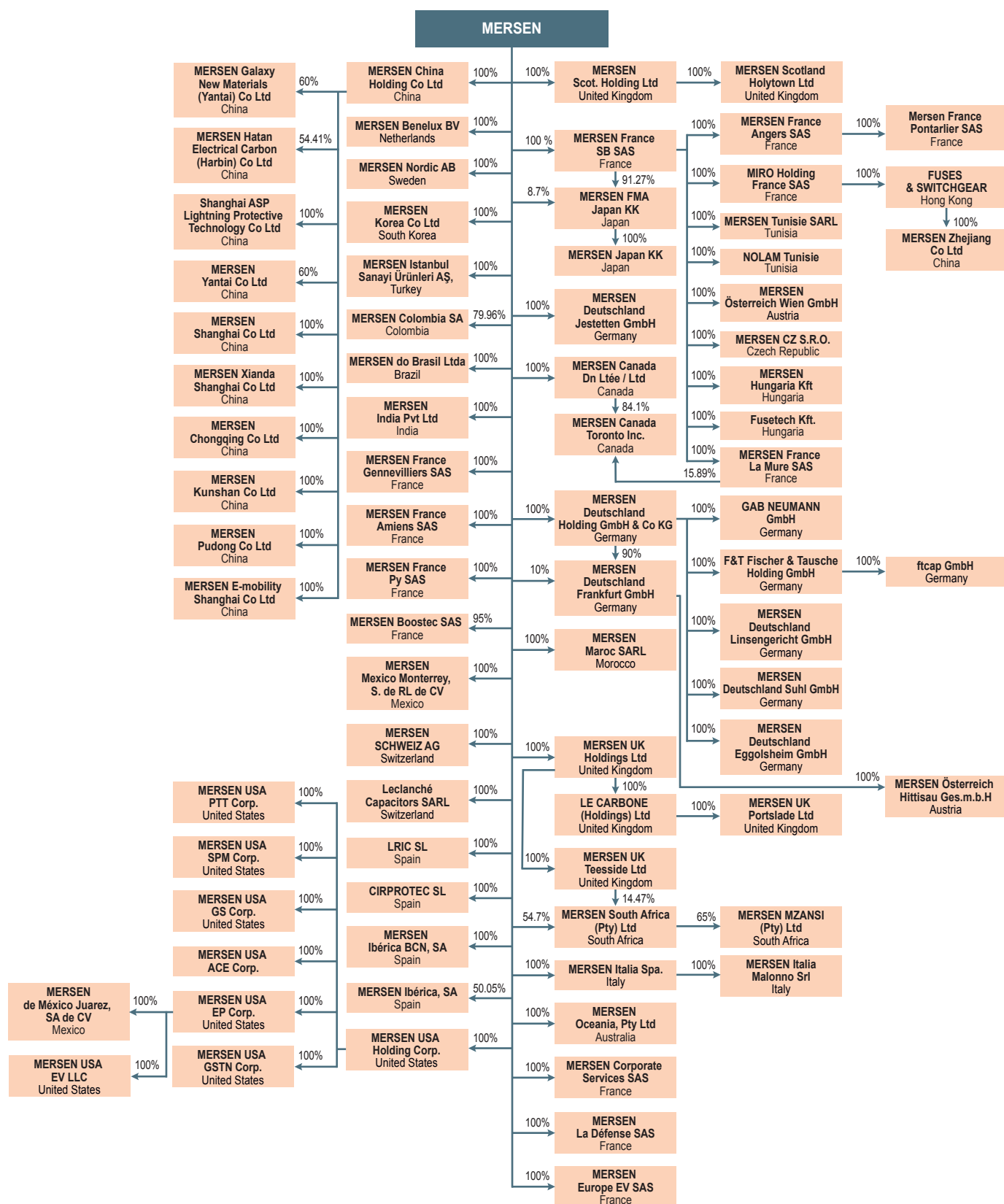
Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to off-balance sheet commitments without obtaining the prior approval of the Group's Finance department and, where appropriate, of the Board of Directors. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the account consolidation procedure.

As far as the Company is aware, no material off-balance sheet commitments under the accounting standards in force have been omitted.

Note 28 Subsequent events

None.

Note 29 Consolidation scope at December 31, 2022



List of consolidated companies

	Consolidation method FC: fully consolidated	% of Group control	% of Group interests
1. MERSEN (France)	FC	100	100
2. MERSEN France Amiens S.A.S (France)	FC	100	100
3. MERSEN France Gennevilliers S.A.S (France)	FC	100	100
4. MERSEN France Py S.A.S (France)	FC	100	100
5. MERSEN Corporate Services S.A.S (France)	FC	100	100
6. MERSEN France SB S.A.S (France)	FC	100	100
- MERSEN France La Mûre S.A.S (France)	FC	100	100
- MERSEN France Angers S.A.S (France)	FC	100	100
- MERSEN France Pontarlier S.A.S (France)	FC	100	100
- MERSEN Österreich Wien GmbH (Austria)	FC	100	100
- MERSEN CZ S.R.O. (Czech Republic)	FC	100	100
- MERSEN Hungaria Kft (Hungary)	FC	100	100
- MERSEN Tunisie SARL (Tunisia)	FC	100	100
- NOLAM Tunisie SARL (Tunisia)	FC	100	100
- MIRO Holding France SAS (France)	FC	100	100
- FUSES & SWITCHGEAR (Hong Kong)	FC	100	100
- MERSEN Zhejiang Co. Ltd (China)	FC	100	100
- MERSEN FMA Japan KK (Japan)	FC	100	100
- MERSEN Japan KK (Japan)	FC	100	100
- Fusetech Kft. (Hungary)	FC	100	100
7. MERSEN Boostec S.A.S (France)	FC	95	95
8. MERSEN La Défense S.A.S (France)	FC	100	100
9. MERSEN Europe EV SAS (France)	FC	100	100
10. MERSEN Deutschland Holding GmbH & Co. KG (Germany)	FC	100	100
- MERSEN Deutschland Frankfurt GmbH (Germany)	FC	100	100
- MERSEN Österreich Hittisau Ges.m.b.H. (Austria)	FC	100	100
- MERSEN Deutschland Linsengericht GmbH (Germany)	FC	100	100
- MERSEN Deutschland Suhl GmbH (Germany)	FC	100	100
- MERSEN Deutschland Eggolsheim GmbH (Germany)	FC	100	100
- F&T Fischer & Tausche Holding GmbH (Germany)	FC	100	100
- ftcap GmbH (Germany)	FC	100	100
- GAB Neumann GmbH (Germany)	FC	100	100
11. Leclanché Capacitors (Switzerland)	FC	100	100
12. MERSEN Deutschland Jestetten GmbH (Germany)	FC	100	100
13. MERSEN Ibérica S.A (Spain)	FC	50	50
14. MERSEN Ibérica BCN S.A (Spain)	FC	100	100
15. Cirprotec S.L. (Spain)	FC	100	100
16. LRIC S.L. (Spain)	FC	100	100
17. MERSEN UK Holdings Ltd. (United Kingdom)	FC	100	100
- Le Carbone (Holdings) Ltd. (United Kingdom)	FC	100	100
- MERSEN UK Portslade Ltd. (United Kingdom)	FC	100	100
- MERSEN UK Teesside Ltd. (United Kingdom)	FC	100	100
18. MERSEN Scot. Holding Ltd. (United Kingdom)	FC	100	100
- MERSEN Scotland Holytown Ltd. (United Kingdom)	FC	100	100
19. MERSEN Italia Spa. (Italy)	FC	100	100
- MERSEN Italia Malonno Srl (Italy)	FC	100	100

	Consolidation method FC: fully consolidated	% of Group control	% of Group interests
20. MERSEN Benelux BV (Netherlands)	FC	100	100
21. MERSEN Nordic AB (Sweden)	FC	100	100
22. MERSEN Schweiz AG (Switzerland)	FC	100	100
23. MERSEN Canada Dn Ltée / Ltd. (Canada)	FC	100	100
- MERSEN Canada Toronto Inc. (Canada)	FC	100	100
24. MERSEN USA Holding Corp. (United States)	FC	100	100
- MERSEN USA PTT Corp. (United States)	FC	100	100
- MERSEN USA GS Corp (United States)	FC	100	100
- MERSEN USAACE Corp (United States)	FC	100	100
- MERSEN USA EP Corp (United States)	FC	100	100
- MERSEN de México Juárez, S.A DE. C.V (Mexico)	FC	100	100
- MERSEN USA EV LLC (United States)	FC	100	100
- MERSEN USA SPM Corp. (United States)	FC	100	100
- MERSEN USA GSTN Corp. (United States)	FC	100	100
25. MERSEN Mexico Monterrey, S de R.L. de C.V. (Mexico)	FC	100	100
26. MERSEN Oceania, Pty Ltd. (Australia)	FC	100	100
27. MERSEN Korea Co. Ltd. (South Korea)	FC	100	100
28. MERSEN India Pvt. Ltd. (India)	FC	100	100
29. MERSEN China holding Co. Ltd (China)	FC	100	100
- MERSEN Pudong Co. Ltd (China)	FC	100	100
- MERSEN Chongqing Co. Ltd (China)	FC	100	100
- MERSEN Kunshan Co. Ltd (China)	FC	100	100
- MERSEN Xianda Shanghai Co. Ltd (China)	FC	100	100
- MERSEN Shanghai Co. Ltd (China)	FC	100	100
- MERSEN Yantai Co. Ltd (China)	FC	60	60
- Shanghai ASP Lightning Protective Technology Co. Ltd (China)	FC	100	100
- MERSEN Hatan Electrical Carbon (Harbin) Co. Ltd (China)	FC	54	54
- MERSEN Galaxy New Materials (Yantai) Co. Ltd (China)	FC	60	60
- MERSEN E-mobility Shanghai Co Ltd (China)	FC	100	100
30. MERSEN South Africa PTY Ltd (South Africa)	FC	69	69
- MERSEN Mzansi PTY Ltd (South Africa)	FC	65	45
31. MERSEN do Brasil Ltda. (Brazil)	FC	100	100
32. MERSEN Istanbul Sanayi Ürünleri (Turkey)	FC	100	100
33. MERSEN Colombia S.A (Colombia)	FC	80	80
34. MERSEN Maroc S.A.R.L (Morocco)	FC	100	100

All these companies have a fiscal year that corresponds to the calendar year.

Note 30 Approval of the financial statements

The Group's consolidated financial statements for the year ended December 31, 2022 were approved by the Board of Directors at its meeting on March 14, 2023.

Note 31 Fees paid to the Statutory Auditors and members of their networks by the Group

(In thousands of euros)	KPMG		EY	
	Statutory Auditors and their network		Statutory Auditors and their network	
	Fees	%	Fees	%
Audit of individual company financial statements and consolidated financial statements and limited review of half-yearly financial statements				
• Entity	210	20%	195	22%
• Controlled entities	724	68%	655	74%
SUB-TOTAL A	934	88%	850	96%
Other regulatory and legally required services				
• Entity	7	0%	0	0%
• Controlled entities	0	0%	0	0%
SUB-TOTAL B	7	0%	0	0%
Other services provided at the request of the entity				
• Entity	55	5%	0	0%
• Controlled entities	71	7%	37	4%
SUB-TOTAL C	126	12%	37	4%
OTHER NON-AUDIT SERVICES				
SUB-TOTAL D = B + C	133	12%	37	4%
TOTAL (E = A + D)	1,067	100%	887	100%

STATUTORY AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Mersen,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Mersen for the year ended December 31, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from January 1, 2022 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill

Description of risk	How our audit addressed this risk
At December 31, 2022, the net value of goodwill amounted to €262 million against total assets of €1,439.4 million. As indicated in Note 3-G.1 to the consolidated financial statements, goodwill is tested for impairment whenever there is an indication of a loss of value or otherwise at least once a year by comparing the carrying amount of the relevant assets with their value in use. The methods used to perform impairment tests are described in Note 3-G.1 to the consolidated financial statements and details about the assumptions used are given in Note 7 to the consolidated financial statements. Value in use is determined from discounted projections of future operating cash flows over five years, and a terminal value. The discount rate used for these calculations is the weighted average cost of capital after tax for each cash generating unit. We deemed the measurement of goodwill to be a key audit matter due to the materiality of these assets in the consolidated financial statements and the method of determining their value in use, which relies primarily on estimates, in turn requiring management to use assumptions and judgments, as described in Note 3-W to the consolidated financial statements.	We obtained an understanding of the methods used by management to perform the impairment tests and, in particular: ■ assessed the process for drawing up and approving the 2023 budget and projections for the four following years; ■ analyzed the consistency of cash flow forecasts with past performance, the market outlook, and the forecasts provided to the Board of Directors; ■ assessed, by including valuation experts in our audit team, the reasonableness of the assumptions used by management to determine the discount rate; ■ evaluated the sensitivity analyses performed for the impairment tests. Lastly, we also assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group presented in the management report includes the consolidated non-financial information statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018. As it relates to the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

Due to the technical limitations inherent in block tagging the consolidated financial statements in European single electronic format, the content of some tags in the notes to the financial statements may not be rendered identically to the consolidated financial statements attached to this report.

In addition, it is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Mersen by the Annual General Meetings held on May 12, 2004 for KPMG SA and May 19, 2022 for Ernst & Young Audit.

At December 31, 2022, KPMG SA and Ernst & Young Audit and were in the nineteenth and the first consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit and Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit and Accounts Committee

We submit a report to the Audit and Accounts Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Accounts Committee includes the risks of material misstatement that, in our professional judgment, were the most significant in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit and Accounts Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Accounts Committee.

Paris-La Défense, March 21, 2023

The Statutory Auditors

KPMG SA
Catherine Porta

Ernst & Young Audit
Pierre Bourgeois

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STATEMENT OF INCOME

<i>(In thousands of euros)</i>	2022	2021
OPERATING REVENUES (1)		
Revenues		
Other revenues	2,953	1,931
TOTAL SALES	2,953	1,931
Operating subsidies	0	0
Reversals of operating provisions	981	2,500
Transferred operating costs	1,653	580
Other income	28,813	20,094
TOTAL 1	34,400	25,105
OPERATING EXPENSES (2)		
Other purchases	12	1
External charges	26,957	20,313
Taxes other than income tax	236	531
Wages and salaries	2,180	4,344
Social security charges	1,784	754
Depreciation, amortization and charges to provisions:		
- against fixed assets: depreciation and amortization	88	30
- for liabilities and charges: charges to provisions	982	613
Other expenses	397	335
TOTAL 2	32,634	26,921
OPERATING INCOME/(LOSS) (TOTAL 1 - 2)	1,766	(1,816)

(In thousands of euros)

	2022	2021
FINANCIAL INCOME (3)		
Income from equity interests	38,454	31,239
Other income from fixed assets		
Other interest and related income	3,695	4,384
Reversals of depreciation, amortization and charges to provisions	3,346	3,210
Foreign exchange gains	8,117	12,325
TOTAL 3	53,612	51,158
FINANCIAL EXPENSES (4)		
Depreciation, amortization and charges to provisions	17,092	11,123
Interest and related expenses	7,760	8,814
Foreign exchange losses	9,781	15,042
TOTAL 4	34,633	34,979
NET FINANCIAL INCOME (3 - 4)	18,978	16,179
INCOME BEFORE TAX AND NON-RECURRING ITEMS	20,744	14,363
NON-RECURRING INCOME		
Management transactions		
Capital transactions	323	2,138
Reversals of provisions and transferred costs	855	500
TOTAL 5	1,178	2,638
NON-RECURRING EXPENSES		
Management transactions	637	20
Capital transactions	172	1,770
Depreciation, amortization and charges to provisions	71	420
TOTAL 6	879	2,210
NET NON-RECURRING INCOME (TOTAL 5 - 6)	299	428
INCOME TAX	1,944	1,796
NET INCOME FOR THE YEAR	22,987	16,587
TOTAL INCOME	91,134	80,696
TOTAL EXPENSES	68,147	64,109

STATEMENT OF FINANCIAL POSITION

ASSETS

	Dec. 31, 2022			Dec. 31, 2021
(In thousands of euros)	Gross	Depreciation and amortization	Net	Net
FIXED ASSETS				
Intangible fixed assets				
Concessions, patents, licenses, brands	7,618	7,618		
Intangible assets in progress	1,133		1,133	1,095
SUB-TOTAL	8,750	7,618	1,133	1,095
Property, plant and equipment				
Other	1,066	197	869	15
Property, plant and equipment in progress				532
Advances and down payments				
SUB-TOTAL	1,066	197	869	547
Financial fixed assets				
Equity interests	627,321	173,751	453,570	462,132
Loans and advances to equity interests	232,808	3,212	229,596	160,000
Other fixed assets	5		5	5
Other	2,861		2,861	2,742
SUB-TOTAL	862,995	176,963	686,033	624,879
TOTAL A	872,812	184,777	688,035	626,521
CURRENT ASSETS				
Advances and down payments paid on orders				
Trade receivables and related accounts	2,041		2,041	1,897
Other receivables ^(a)	97,371		97,371	69,636
Investment securities	5,589		5,589	
Cash and cash equivalents	340		340	822
Cash instruments	3,328		3,328	152
ACCRUALS				
Prepaid expenses	340		340	893
TOTAL B	109,009		109,009	73,400
Deferred costs C	1,820		1,820	836
Foreign currency translation losses D	8,071		8,071	1,547
TOTAL (A+B+C+D)	991,712	184,777	806,935	702,304

(a) Of which current account receivables: 88,545

EQUITY AND LIABILITIES

(In thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
SHAREHOLDERS' EQUITY		
Share capital	41,690	41,642
Issue premium	216,198	216,198
Merger premium	8,252	8,252
Revaluation reserve	3,252	3,252
Unavailable reserves	5,490	5,490
Statutory reserve	4,164	4,173
Other reserves	76,065	79,637
Retained earnings	0	589
Net income for the year	22,987	16,587
Tax-regulated provisions	234	235
TOTAL A	378,333	376,055
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for liabilities	1,688	4,627
Provisions for charges	2,375	2,674
TOTAL B	4,063	7,301
FINANCIAL LIABILITIES ^(b)		
Bond issues	2,329	2,329
Borrowings from credit institutions ^(c)	8,973	14,186
Other borrowings ^(d)	398,082	294,601
Advances and down payments received on orders in progress		
Trade payables and related accounts	1,757	923
Tax and social security liabilities	2,236	2,180
Amounts due on fixed assets	80	1
Other financial liabilities	3,010	3,098
Cash instruments		318
ACCRUALS		
Prepaid income		
TOTAL C	416,468	317,637
Foreign currency translation gains D	8,071	1,311
TOTAL (A+B+C+D)	806,935	702,304

(b) Due in over one year: 262,698; due in less than one year: 153,769

(c) Including current bank loans: 8,623

(d) Of which current account payables: 75,344

NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF INCOME

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Note 1 Accounting principles and methods

The financial statements of Mersen SA for fiscal year 2022 have been prepared in accordance with the provisions of French law, in particular Regulation No. 2014-03 of the French accounting standards authority (Autorité des Normes Comptables – ANC).

The principal accounting methods used are as follows:

A - Share issuance costs

Share issuance costs are set off in full against share issue premiums.

B - Intangible fixed assets and property, plant and equipment

Fixed assets are stated at acquisition or production cost.

They are depreciated or amortized over their estimated useful lives.

Differences between depreciation/amortization for tax and accounting purposes are recognized under accelerated depreciation/amortization and recorded under non-recurring expenses, with a corresponding adjustment to tax-regulated provisions under liabilities on the statement of financial position.

The following useful lives are generally applied:

- software and other intangible fixed assets (based on expected period of use): 5 to 10 years
- fixtures and fittings: 10 years
- office equipment and furniture: 5 years or 10 years

Where there is evidence of impairment, an impairment test is conducted comparing the net carrying amount of the intangible fixed asset or of the item of property, plant and equipment with its current value. Where this current value has fallen below net carrying amount, an impairment loss is recognized to bring the net carrying amount into line with its current value. No such impairment losses were recognized during the fiscal year.

C - Equity interests and other fixed assets

Gross value comprises the contribution value or acquisition cost of the asset. An impairment loss may be recognized where the carrying amount of an asset exceeds its value in use, with the latter determined by reference to:

- primarily, the share of each subsidiary's equity; and
- where necessary, the economic value determined by reference to the future cash flows including the activity carried out and the outlook for developments.

Expenses related to the acquisition of equity interests and other fixed assets are included in the cost of securities.

Impairment losses and reversals of impairment in investments, as well as provisions related to equity interests, are recorded under financial items. When equity interests are sold, the reversals of impairment on them are recognized under non-recurring items so as not to unbalance net financial income/(expense) and non-recurring items.

D - Current assets - receivables

Doubtful receivables are written down to reflect the probable loss.

E - Foreign currency transactions

At the statement of financial position date, foreign currency assets and liabilities are stated at the official exchange rate at December 31. A corresponding adjustment is recorded under foreign currency translation gains or losses.

Unrealized foreign currency gains or losses do not affect net income. This said, a provision is set aside to cover the risk arising from unhedged unrealized foreign currency losses related to these foreign currencies.

F - Provisions for liabilities and charges

Provisions for liabilities and charges are set aside to cover litigation, disputes, and guarantee and risk-related commitments arising during the normal course of the Company's business and likely to give rise to an outflow of resources.

Accordingly, provisions were set aside to cover all significant risks that, due to the situation or events known at December 31, 2022, were likely to occur.

G - Costs deferred over several periods

Bond issuance costs are recognized over the estimated average life of the relevant borrowing.

H - Pension obligations and retirement indemnities

Top-up pension obligations under "closed" defined benefit plans covering part of the workforce are recognized in the form of a provision. Obligations to still active employees are recorded under provisions for liabilities and charges. Obligations to retired employees are transferred to a deferred cost account.

A provision for charges is set aside to cover the Company's commitment arising from top-up pension obligations specifically related to the Group's senior managers.

Retirement indemnities and long-service awards payable under collective bargaining agreements are recognized under provisions for liabilities and charges.

Retirement indemnities and long-service awards are calculated on an annual basis by independent actuaries in accordance with the provisions of the collective bargaining agreement for the French chemicals industry and ANC recommendation 2013-02, updated on November 5, 2021. In accordance with this recommendation, in 2021 the Company decided to change the method it uses to account for retirement indemnities by attributing the benefit on a straight-line basis over the period prior to the retirement age that allows the employee to obtain the maximum amount of benefit.

The projected unit credit method is used to calculate retirement indemnities and long-service awards. It takes into account – using actuarial assumptions – the employee's probable future length of service, level of salary costs, life expectancy and the rate of staff turnover. The obligation is discounted at an appropriate discount rate. The obligation is partially funded through payments to an external organization under a collective life insurance policy, the assets of which are stated at fair value.

Retirement indemnities are recognized using the corridor method.

The principal assumptions used in this calculation are as follows:

- future salary costs are calculated based on current salaries including an annual rate of salary increases of 1.00% and additional age-related increases;
- changes in actuarial assumptions are taken into account only where they fall outside the corridor and are amortized over the expected average remaining working life of plan members;
- discounting to present value at a rate of 3.70%;
- an average cost ratio of 40% to 45%;
- staff turnover calculated by age bracket;
- return on plan assets: 2.25%;
- mortality table used: TGH - TGF 05.

I - Share repurchases

The shares repurchased by Mersen under the liquidity agreement entered into with a financial institution are reported under other fixed assets, in line with French accounting regulations.

An impairment loss in these shares is recognized when the cost of acquiring the shares exceeds the average share price during the final month of the fiscal year.

Any shares repurchased in order to be canceled in the future are also recognized under fixed assets for their acquisition value.

When these repurchased shares are sold under a liquidity agreement, gains and losses are recognized under non-recurring items.

The Company may also repurchase shares on the market in order to grant them to certain employees. These are recorded as investment securities at their acquisition value, in accordance with French law.

J - Non-recurring items

The Company has adopted the official French chart of accounts. Non-recurring items encompass items not arising during the normal course of the Company's business. Accordingly, non-recurring items comprise the carrying amount of and proceeds from the disposal of fixed assets, accelerated tax depreciation and non-recurring fixed asset write-downs, non-recurring indemnities, fines and penalties, as well as expenses related to these non-recurring events.

K - Stock options and free share allocations

The Company has put in place stock option and free share allocation plans for certain employees.

When stock options are exercised by beneficiaries, the new shares are issued and accounted for in the same manner as a conventional issue of shares. The issue premium is equal to the difference between the subscription price paid by the employee and the increase in the share capital.

When free shares are allocated to beneficiaries, the new shares are issued and accounted for in the same manner as an increase in capital through the capitalization of reserves. The par value of the shares is added to the share capital account, and the surplus is recorded under unavailable reserves.

The Company may also repurchase shares on the market. In this case, a provision for expenses is recorded when this is likely to give rise to an outflow of resources for the Company and is equal to the loss expected upon allocation of the securities to the employee plan beneficiaries. The provision must be recognized on a straight-line basis over the vesting period.

Note 2 Analysis and commentary

Statement of income

Sales and other income

Other revenues (€2,953 thousand) primarily derived from services billed in France and abroad. Other income (€28,813 thousand) related primarily to royalties from trademarks and intangibles. Royalties from trademarks rose to €28,265 thousand in 2022 from €19,599 thousand in 2021. This increase was attributable to the greater profitability of the Group's subsidiaries in 2022.

Operating income/(loss)

In 2022, the €2,164 thousand decrease in wages and salaries was mainly due to the fact that no payments were made to the collective insurance fund intended to finance the Company's defined benefit pension obligations in respect of the Chief Executive Officer. In 2021 the Company paid €2,500 thousand into this fund, giving rise to the recognition of a provision reversal in the same amount. In 2022, the Company paid €600 thousand in employer contributions for the 2021 payment, which explains the increase in social security charges in 2022. These contributions did not impact operating income as they were offset by a provision reversal in the same amount.

Net financial income/(expense)

Net financial income amounted to €18,978 thousand, up from €16,179 thousand in the prior year, due to a €7,214 thousand increase in income from equity interests and a €3,317 thousand reversal of the provision for the negative net position of subsidiaries, offset by €6,094 thousand in additional impairment losses recognized against equity interests.

Non-recurring items

Non-recurring items amounted to net income of €299 thousand versus net income of €428 thousand in 2021.

Income tax

The Company recorded a 2022 income tax benefit of €1,944 thousand principally resulting from the consolidation of Mersen and its French subsidiaries for tax purposes.

Statement of financial position

In addition to the notes shown below, the following comments apply:

Debt

Total net debt at December 31, 2022 was down on 2021:

(In thousands of euros)	Dec. 31, 2022	Dec. 31, 2021
Bank overdrafts	8,973	13,385
Bond issuance	2,329	2,329
Other borrowings	398,083	294,601
Total debt	409,385	310,316
Cash and cash equivalents	(340)	(134)
Forward financial instruments	(3,328)	(152)
Other financial receivables	(88,545)	(58,364)
Marketable securities, cash and cash equivalents	(92,213)	(58,650)
Loans to subsidiaries	(229,596)	(160,001)
Other financial fixed assets	(2,861)	(2,742)
Net debt	84,714	88,923
o/w: - due in over one year	34,430	83,814
- due in less than one year	50,284	5,108

Of the €409 million in total gross debt at December 31, 2022, €224 million stems from the use of committed credit lines and borrowings, €100 million from use of the commercial paper program, €75 million from current accounts with subsidiaries and the remainder chiefly from the use of uncommitted credit lines (bank overdrafts and other lines).

Net debt due in less than one year was up due to greater use of NEU CP instruments, which can be substituted by the long-term syndicated loan at maturity.

Note 3 Fixed assets

(In thousands of euros)					DEPRECIATION, AMORTIZATION AND CHARGES TO PROVISIONS			
Accounts	FIXED ASSETS							
	Gross value at beginning of period	Increases	Decreases	Gross value at end of period	Total at beginning of period	Increases	Decreases	Total at end of period
Intangible fixed assets								
Start-up costs								
Concessions, patents, licenses, brands, processes, rights	7,618			7,618	7,618			7,618
Assets in progress	1,095	38		1,133				
TOTAL 1	8,712	38		8,750	7,618			7,618
Property, plant and equipment								
Buildings and technical installations								
Other property, plant and equipment	368	893	(195)	1,066	353	88	(244)	197
Assets in progress	532		(532)					
Advances and down payments								
TOTAL 2	899	893	(727)	1,066	353	88	(244)	197
Financial fixed assets								
Equity interests	621,818	5,503		627,321	159,686	14,094	(29)	173,751
Loans and advances to equity interests	160,842	92,554	(20,588)	232,808	842	2,370		3,212
Other fixed assets	5			5				
Other financial fixed assets	2,743	10,438	(10,319)	2,861				
TOTAL 3	785,408	108,495	(30,907)	862,995	160,528	16,464	(29)	176,963
TOTAL	795,019	109,426	(31,634)	872,812	168,499	16,552	(273)	184,777

Financial fixed assets

The €61,153 thousand year-on-year increase in the net value of financial fixed assets chiefly derived from (i) increases in loans to subsidiaries (€69,596 thousand), and (ii) capital increases carried out by some subsidiaries (€5,503 thousand), offset by (iii) €14,065 thousand in impairment losses recognized against equity interests.

Note 4 Provisions

<i>(In thousands of euros)</i>					
Accounts	Amount at beginning of period	Charges	Reversals of provisions used	Reversals of provisions not used	Amount at end of period
Tax-regulated provisions					
Accelerated tax depreciation	235		(1)		234
TOTAL 1	235		(1)		234
Provisions for liabilities and charges					
Retirement indemnities	168	50	(24)		193
Long-service awards	8		(2)		6
Senior manager pensions	744	558	(600)*		702
Professional fees	1,100				1,100
Local claims and litigation	100			(100)	
Refurbishment work on business premises	320		(320)		
Risk related to Mersen Maroc	4,627		(3,317)		1,310
Personnel costs	235	374	(235)		374
Risk related to Mersen Yverdon	0	378			378
TOTAL 2	7,301	1,360	(4,498)	(100)	4,063
Provisions for impairment					
Mersen France SB equity interest	63,790	8,900			72,690
Mersen Deutschland Holding equity interest	9,464	2,300			11,764
Mersen Deutschland Frankfurt equity interest	0	800			800
Mersen Mexico equity interest	0	700			700
Mersen Yverdon equity interest	2,200		(29)		2,171
Mersen Istanbul equity interest	2,109	1,200			3,309
Mersen Argentina equity interest	1,486	194			1,680
Leclanché Capacitors loan	700	125			825
Morocco loan	0	2,245			2,245
Other equity interests	80,779				80,779
TOTAL 3	160,528	16,464	(29)		176,963
TOTAL	168,064	17,824	(4,528)	(100)	181,260

* In early 2022, the Company paid €600 thousand in employer contributions (24% of the €2,500 thousand payment carried out in December 2021) into the collective insurance fund intended to finance the Company's defined benefit pension obligations in respect of the Chief Executive Officer.

Note 5 Maturity schedule of assets and liabilities

<i>(In thousands of euros)</i> Amounts due to the Group	Gross statement of financial position value	Due in one year or less	Due in over one year
Loans and advances to equity interests	232,808	1,440	231,368
Other financial fixed assets	2,866	2,534	332
Trade receivables	2,041	2,041	
Other receivables	97,371	91,289	6,082
Prepaid expenses	340	340	
TOTAL	335,426	97,644	237,782

<i>(In thousands of euros)</i> Amounts payable by the Group	Gross statement of financial position value	Due in one year or less	Due in over one year	Due in over five years
Bond issuance	2,329	2,329		
Borrowings from credit institutions	8,973	8,973		
Other borrowings	398,083	135,829	166,000	96,254
Advances and down payments received on orders in progress				
Trade payables and related accounts	1,757	1,757		
Tax and social security liabilities	2,236	1,791		445
Amounts due on fixed assets	80	80		
Other financial liabilities	3,010	3,010		
Prepaid income				
TOTAL	416,468	153,769	166,000	96,699

Note 6 Revaluation reserve

<i>(In thousands of euros)</i>	
Revaluation reserve	
At beginning of period	3,252
Reversed during period	
At end of period	3,252

Note 7 Accrued income and expenses

(In thousands of euros)

1. Amount of accrued income included in the statement of financial position items below

Loans and advances to equity interests	1,026
Other financial fixed assets	
Other receivables	1,374
Cash and cash equivalents	275
TOTAL	2,675

2. Amount of accrued expenses included in the statement of financial position items below

Borrowings from credit institutions	1,485
Other borrowings	350
Operating trade payables and related accounts	1,769
Tax and social security liabilities	1,963
Investment trade payables and related accounts	
Other financial liabilities	483
TOTAL	6,049

3. Amount of prepaid income and expenses

	Expenses	Income
Operating items	340	
Financial items		
TOTAL	340	

4. Costs deferred over several periods

Bond issuance expenses at Jan. 1, 2022	836
2022 bond issuance expenses	1,234
2022 amortization of bond issuance costs	(250)
TOTAL	1,820

Note 8 Share capital

Share capital

At December 31, 2022, the Company's share capital amounted to €41,689,808, divided into 20,844,904 (twenty million, eight hundred and forty-four thousand, nine hundred and four) category A shares, each with a par value of €2.

Free share allocations

Mersen managers are regularly offered the opportunity to take part in stock option and/or free share plans, with vesting conditions based on the manager concerned remaining with the Group for a certain period of time and the achievement of internal and/or external targets.

A free preference share plan was set up on May 17, 2018.

Two free share plans were set up on May 17, 2019.

In a press release dated April 21, 2020, the Group announced that it would not be setting up any such plans in 2020.

Three free share plans were set up on May 20, 2021, and on May 19, 2022.

The employee categories benefiting from these free shares were approved by the Executive Committee of the Group.

The principal characteristics of the free share plans are as follows:

Characteristics/Assumptions	2018 plan Free preference shares
Allocation date	05/17/2018
Availability date	05/17/2020/ 05/17/2022
Expiration date	05/18/2022
Number of plan shares	103,400
Estimated % of shares or options vested on achievement of performance conditions	0%

Characteristics/Assumptions	2019 plan – Executives Free shares	2019 plan Free shares
Allocation date	05/17/2019	05/17/2019
Availability date	05/17/2022	05/17/2022
Expiration date	05/18/2022	05/18/2022
Number of plan shares	59,000	84,000
Estimated % of shares or options vested on achievement of performance conditions	28%	100%

Characteristics/Assumptions	2021 plan – Executives Free shares	2021 plan – Managers Free shares
Allocation date	05/20/2021	05/20/2021
Availability date	05/20/2024	05/20/2024
Expiration date	05/21/2024	05/21/2024
Number of plan shares	84,000	100,800
Estimated % of shares or options vested on achievement of performance conditions	100%	100%

Characteristics/Assumptions	2021 plan – High potentials Free shares	2022 plan – Executives Free shares
Allocation date	05/20/2021	05/19/2022
Availability date	05/20/2024	05/19/2025
Expiration date	05/21/2024	05/20/2025
Number of plan shares	12,000	84,000
Estimated % of shares or options vested on achievement of performance conditions	100%	100%

Characteristics/Assumptions	2022 plan – Managers Free shares	2022 plan – High potentials Free shares
Allocation date	05/19/2022	05/19/2022
Availability date	05/19/2025	05/19/2025
Expiration date	05/20/2025	05/20/2025
Number of plan shares	100,800	12,000
Estimated % of shares or options vested on achievement of performance conditions	100%	100%

Statement of changes in equity

(In thousands of euros)

Opening equity at January 1, 2022	376,055
Net income for the year	22,987
Change in tax-regulated provisions	(1)
Issue of new shares	
Capital reduction	
Change in accounting method	
Dividend payment	(20,709)
Closing equity at December 31, 2022	378,332

Note 9 Commitments

Off-balance sheet commitments

(In thousands of euros)

Commitments given	
Guarantee for euro cash pooling arrangement	8,000
Guarantee for the syndicated and bilateral loans to Chinese companies	23,103
Counter guarantee given to Mersen Deutschland Holding on guarantees	8,000
Counter guarantee given to Mersen USA Holding on guarantees	9,000
Rental guarantee covering Mersen USA EP Corp building	4,688
Rental guarantee covering Mersen Hittisau building	3,408
Counter guarantee given to Mersen Japan KK and Mersen FMA Japan KK on MUFG Bank	2,222
Counter guarantee given to Mersen Benelux on Commerzbank	800
Lease for Mersen SA building	890
Counter guarantee for Mersen India guarantees	2,268
Other guarantees and deposits	899
TOTAL	63,278
Commitments received	
TOTAL	63,278

Other reciprocal commitments

(In thousands of euros)

Reciprocal commitments given	
Currency hedges	52,003
Commodity hedges	1,555
TOTAL	53,558
Reciprocal commitments received	
Currency hedges	115,528
Commodity hedges	1,555
TOTAL	117,083

Commitments received not matched by commitments given correspond for the most part to euro-denominated loans to subsidiaries that have been swapped for loans in the subsidiaries' functional currencies.

Employee benefits

Retirement indemnities, long-service awards and defined-benefit top-up pension plans

(In thousands of euros)

Present value of plan obligations at 12/31/2022	5,407
Mathematical value of plan assets	(2,757)
Unrecognized actuarial gains and losses	(1,225)
TOTAL	1,425

Note 10 Finance leases

The Company did not hold any finance leases in progress at December 31, 2022.

Note 11 Executive compensation

The compensation and benefits paid to members of the Group's management and administrative bodies for 2022, either directly by the Company or indirectly by certain subsidiaries, came to €1,639 thousand.

Net pension obligations for senior managers came to €4,434 thousand.

Note 12 Average headcount

	Salaried employees	Seconded employees
Executives	4.16	
Supervisors and technicians	3.89	0.59
TOTAL	8.05	0.59

Note 13 Analysis of tax expense

(In thousands of euros)	Income before tax	Tax payable
Current	20,744	
Non-recurring	299	
Net tax benefit		1,944

Increase and decrease in future tax liability

(In thousands of euros)	Beginning of period	Change during period	End of period
Provision for pension obligations	1,427	5	1,432
Other non-deductible provisions	1,158	(7)	1,150
Tax base or future tax credit (significant items)	2,585	(3)	2,582
French tax group deficit	135,194	(3,558)	131,636
Total	137,779	(3,561)	134,218
Future long-term tax rate	25.83%		25.83%
Future tax receivable on deficit and main time differences	36,983		35,673

Note 14 Tax consolidation

As of January 1, 2013, Mersen forms a consolidated tax group as defined in Article 223 A et seq. of the French Tax Code (Code général des impôts). This tax group chiefly comprises Mersen France SB, Mersen France La Mure, Mersen France Gennevilliers, Mersen France Amiens, Mersen France PY, Mersen Corporate Services, Mersen La Défense, Mersen Angers, Mersen Boostec and Mersen Pontarlier.

Tax expense is calculated for each subsidiary every year as if the company were not a member of the tax group. This tax expense thus takes into account the losses recorded by the subsidiary during the period for which it has belonged to the tax group, which it can offset pursuant to ordinary law.

No arrangements have been made for repayment of tax to a loss-making subsidiary based on each subsidiary's current situation. In addition, no compensation is provided for should a loss-making subsidiary leave the Group.

The tax benefit recorded by the parent company primarily reflects tax payments made by subsidiaries in profit less the tax liability payable by the tax group to the tax authorities.

Subsidiaries are jointly and severally liable for payment of their tax to the French treasury, should Mersen default on payment.

Note 15 Foreign currency translation

<i>(In thousands of euros)</i>	Amounts	Other	Provisions for liabilities and charges
On financial fixed assets	2,327		
On receivables			
On miscellaneous borrowings	4,543		
Other financial liabilities			
On currency hedges	1,201		
TOTAL FOREIGN CURRENCY TRANSLATION LOSSES	8,071		
On financial fixed assets	4,555		
On miscellaneous borrowings			
On currency hedges	3,516		
TOTAL FOREIGN CURRENCY TRANSLATION GAINS	8,071		
TOTAL			

Note 16 Treasury shares

Under the liquidity agreement established with Exane BNP, the Company held 38,080 treasury shares at December 31, 2022. The Group also held 193,484 shares to be allocated to employee free share plans.

Note 17 Information about non-recurring items

Non-recurring income

(In thousands of euros)

Management transactions

Other

SUB-TOTAL

Capital transactions

Income from rebillings for free share allocations

Gains on the sale of treasury shares

SUB-TOTAL

Other

SUB-TOTAL

TOTAL

323

323

855

855

1,178

Non-recurring expenses

(In thousands of euros)

Management transactions

GPC pensions for non-active workers

Premises occupancy fees

Premises refurbishment work

Other

SUB-TOTAL

Capital transactions

Losses on the sale of treasury shares

SUB-TOTAL

Additions to provisions

SUB-TOTAL

TOTAL

108

210

300

19

637

172

172

71

71

880

Note 18 Information about risk factors

The financial risk management policy is approved by the Chief Executive Officer based on proposals submitted by the finance department. Currency and commodity hedging transactions are carried out subject to strictly defined procedures.

Liquidity risk

Mersen's main committed financing agreements entered into to meet its general cash flow needs are as follows:

- a €320 million multi-currency syndicated bank loan, set up in October 2022 with an initial maturity of five years and repayable at maturity. It includes (i) options to extend the maturity to 2029, subject to the banks' approval and (ii) margins linked to ESG indicators as from December 2023. The interest payable is at a variable rate plus a credit margin that varies mainly according to the Leverage covenant and ESG indicators;
- a €20 million five-year bilateral loan with Bpifrance, set up in October 2022, repayable in equal installments. The interest payable is at a variable rate at Euribor plus a credit margin;
- a €130 million German private placement ("Schuldschein") initially arranged in April 2019, reduced to €115 million in 2022 following an early partial redemption, with a pool of European and Asian investors, with an initial maturity of seven years and repayable at maturity. Investors receive fixed-rate interest on a nominal amount of €68 million and variable-rate interest at Euribor plus a credit margin on a nominal amount of €47 million;
- a private placement ("USPP") signed in May 2021 with a pool of North American investors, comprising one tranche of USD 60 million, maturing in 2031, and one tranche of €30 million, maturing in 2028, both of which are redeemable at maturity. The funds became available in October 2021 and were used to redeem the Group's previous USD 50 million USPP that matured in November 2021, as well as to redeem in advance of term part of its €60 million German private placement originally maturing in 2023. The holders of the notes issued under the USPP receive interest at a fixed rate.

In addition, as part of its policy to diversify its sources of financing, in March 2016 and May 2020, respectively, Mersen launched an NEU CP program and an NEU MTN program, amounting to a maximum of €200 million each. As of December 31, 2022, the Group had used €55 million of the NEU CP program. The commercial paper issued under this program has a maturity of less than one year and at its maturity date may be replaced by drawdowns on the Group Syndicated Loan. At the same date, the Group had used €45 million of the NEU MTN program, with maturities in 2025, 2027 and 2028.

Interest rate risk

The interest rate risk management policy consists in establishing positions from time to time in line with the direction of interest rates.

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals accounting for the largest purchases.

The commodity price risk management policy currently consists in arranging forward commodity purchases with prime banking institutions. These are passed on symmetrically to the subsidiaries involved in commodity purchasing.

Currency risk

The currency risk management policy consists, based on a complete inventory of inter-company and external risks, in arranging forward currency purchases with prime banking institutions.

Except in special cases, the hedges arranged with banks are centralized with the parent company and passed on symmetrically to the relevant subsidiaries to hedge trading flows based either on specific orders or on annual budgets.

Note 19 Consolidation

Mersen is fully consolidated by the Mersen group.

LIST OF SUBSIDIARIES AND EQUITY INTERESTS

(In thousands of euros) Detailed information (securities exceeding 1% of the share capital)	Share capital	Share- holders' equity excluding the share capital	% of share capital owned	Carrying amount in Mersen's books		Dividends received by the Company	Loans and advances, net	Gua- rantees and sureties given
				Gross	Net			
Mersen France SB S.A.S.	47,179	(24,693)	100	92,589	19,899		32,000	
Mersen France Amiens S.A.S.	22,477	7,687	100	25,402	25,402	3,789		
Mersen France Gennevilliers S.A.S.	12,617	(2,728)	100	43,896	38,196			290
Mersen Corporate Services S.A.S. (France)	3,574	3,428	100	3,646	3,646	630		
Mersen France PY S.A.S.	4,651	7,092	100	48,788	29,411			193
Mersen Boostec (France)	3,243	12,437	95.07	11,792	11,792			
Mersen Deutschland Frankfurt GMBH (Germany)	10,021	14,617	10	1,635	835			
Mersen Deutschland Holding GmbH & Co. KG (Germany)	28,726	(8,857)	100	28,700	16,936		24,000	8,000
Mersen Argentina S.A. (Argentina)	6	(58)	97.99	1,845	166			
Mersen Oceania Pty Ltd (Australia)	701	3,508	100	702	702			
Mersen do Brasil Ltda (Brazil)	10,114	(4,117)	100	25,172	5,296			
Mersen Canada Dn Ltee/Ltd (Canada)	1,336	1,313	100	1,322	1,322	1,803	5,194	
Mersen China Holding Co Ltd (China)	136,145	(3,958)	100	114,742	92,526			
Mersen Korea Co. Ltd (South Korea)	11,814	8,591	100	20,218	19,698	1,672		
Cirprotec (Spain)	1,063	7,562	100	16,458	16,458	2,687		
Mersen Ibérica S.A. (Spain)	2,404	4,297	50.05	682	682	519		
Mersen Ibérica Bcn S.A. (Spain)	2,043	4,001	100	2,396	2,396			
Mersen USA Holding (United States)	45,207	(36,736)	100	68,926	68,926	16,474	124,133	9,000
Mersen UK Holdings Ltd (United Kingdom)	7,022	4,139	100	903	903			
Mersen Scot. Holding Ltd (United Kingdom)	75,037	(8,797)	100	75,409	75,409		11,162	
Mersen India Pvt Ltd (India)	591	16,312	100	11,443	11,225			2,268
Mersen Italia Spa (Italy)	5,500	1,915	100	10,613	6,095		11,000	
Mersen Fma Japan KK (Japan)	356	8,801	8.70	2,977	917	19	1,066	800
Mersen Maroc SARL (Morocco)	2,749	(6,304)	100	5,886			2,245	
Mersen Mexico Monterrey S. de R.L. de C.V. (Mexico)	1,373	(970)	100	1,149	449		1,367	416
Mersen South Africa Pty Ltd (South Africa)	58	574	54.77	813	813			
Mersen Nordic AB (Sweden)	180	1,243	100	551	551	801		
Mersen Istanbul Sanayi Unlari AS (Turkey)	572	1,314	100	5,016	1,707	487		
Mersen Leclanché Capacitors	20	(1,224)	100	2,171			825	
Aggregate information (regarding other subsidiaries and equity interests)								
Subsidiaries (at least 50%-owned)								
In France				202	202			
Outside France				1,097	887	122		
Equity interests (10%- to 50%-owned)								
In France								
Outside France				180	124	26		
TOTAL				627,321	453,570	29,030	212,992	20,967

Note: Information on sales and income has been omitted intentionally because of the serious harm that could result from its release in a highly competitive international environment.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Mersen,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Mersen for the year ended December 31, 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Accounts Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from January 1, 2022 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Valuation of equity interests

Notes 1-C, 3 and 4 to the financial statements

Description of risk	How our audit addressed this risk
The balance of equity interests at December 31, 2022 amounted to €453.6 million out of a total of €807 million, making them one of the largest assets on the balance sheet. Equity interests are stated at their contribution value or acquisition cost and are impaired if their carrying amount is higher than their value in use. Value in use is determined from: ■ primarily, the share of each subsidiary's equity; ■ where necessary, the economic value determined by reference to the future cash flows including the activity carried out and the outlook for developments. Accordingly, due to the inherent uncertainty relating to (i) the method of determining value in use, which relies primarily on estimates, in turn requiring management to use assumptions and judgments, and (ii) the achievement of these forecasts, we deemed the valuation of equity interests to be a key audit matter.	In order to assess the reasonableness of the estimated value in use of equity interests and based on the information provided to us, our audit work consisted primarily in ensuring that the appropriate method and underlying data were used by management to make the estimates. In addition, depending on the securities, we also performed the following procedures: ■ For valuations based on historical data, we reconciled recorded equity with the financial statements of the entities concerned; ■ For valuations based on forecast data, we: • compared the forecast future cash flows of the entities concerned, as established by local management, to the forecasts prepared by Executive Management; • assessed the consistency of the assumptions used with the economic environment at the end of the reporting period and at the date of preparation of the financial statements; • assessed that the values based on forecast cash flows were adjusted to account for the debts of the entity in question. We also tested the accuracy of management's calculations of value in use.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in Article D.441-6 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code relating to compensation and benefits paid or awarded to the company officers and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from controlled companies within its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.22-10-11 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018.

On the basis of our work, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Mersen by the Annual General Meetings held on May 12, 2004 for KPMG SA and May 19, 2022 for Ernst & Young Audit.

At December 31, 2022, KPMG SA and Ernst & Young Audit were in the nineteenth and the first consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit and Accounts Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Accounts Committee

We submit a report to the Audit and Accounts Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Accounts Committee includes the risks of material misstatement that, in our professional judgment, were the most significant in the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit and Accounts Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Accounts Committee.

Paris-La Défense, March 21, 2023

The Statutory Auditors

KPMG SA
Catherine Porta

Ernst & Young Audit
Pierre Bourgeois

FIVE-YEAR FINANCIAL SUMMARY

	2022	2021	2020	2019	2018	2017
1. Share capital at year-end						
Share capital (in thousands of euros)	41,690	41,642	41,728	41,716	41,536	41,274
Number of shares outstanding	20,844,904	20,821,207	20,864,064	20,858,277	20,768,118	20,637,041
Par value of shares (in euros)	2	2	2	2	2	2
2. Overall result of operations (in thousands of euros)						
Income before tax, depreciation, amortization, charges to provisions and employee profit-sharing	34,093	20,767	28,058	37,548	20,028	23,810
Income tax	1,944	1,796	2,523	1,021	(2,792)	(3,441)
Employee profit sharing	0	0	0	0	0	0
Net income after tax, depreciation, amortization and charges to provisions	22,987	16,587	(11,842)	24,276	16,691	18,137
Total earnings paid out	20,709	13,454	0***	19,728	18,691	15,478
3. Overall result of operations per share (in euros)						
Net income after tax and employee profit-sharing, but before depreciation, amortization and charges to provisions	1.73	1.08	1.47	1.85	1.10	1.32
Net income after tax, depreciation, amortization and provisions	1.10	0.80	(0.58)	1.16	0.80	0.88
Dividend paid on each share	1.25 ⁽¹⁾	1	0.65	0 ⁽³⁾	0.95	0.75
4. Employees						
Average headcount	8.64	6.5	5	5	5	5
Total payroll costs (in thousands of euros)	2,040 ⁽⁴⁾	1,320	1,004	1,120	1,661 ⁽²⁾	1,098
Amount paid for welfare benefits (in thousands of euros)	1,784 ⁽⁵⁾	754	1,023	384	438	431

(1) Subject to the decision of the Annual General Meeting.

(2) Overall payroll costs for Mersen SA in 2018 were impacted by the one-off tax-free bonus awarded by the Mersen group to some French employees, totaling €450 thousand.

(3) No dividend was paid due to the Covid-19 crisis.

(4) The increase in Mersen SA's total payroll costs in 2022 is attributable to the increase in headcount since July 2021.

(5) Employee benefits increase due to the increase in the number of employees since July 2021 and the payment of employer contributions to the collective insurance fund intended to finance the Company's defined benefit pension obligations to the Chief Executive Officer.

8 ADDITIONAL INFORMATION & GLOSSARIES

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1. INFORMATION INCORPORATED BY REFERENCE

The following information is included by reference in this annual report. Parts not included in these documents are either irrelevant to the investor or included elsewhere in the present universal registration document.

1.1. Fiscal 2021

Incorporated in universal registration document no. D.22-0127 submitted to the Autorité des Marchés Financiers on March 21, 2022: <https://www.mersen.com/sites/default/files/publications-media/2022-03-21-urd-en-mersen-2021.pdf> are:

- the consolidated financial statements for fiscal 2021 prepared in accordance with the IFRSs in force in 2021, together with the Statutory Auditors' reports on the consolidated financial statements, pages 176 to 230;
- the annual financial statements for 2021, together with the Statutory Auditors' reports on the annual financial statements, pages 232 to 257;
- the 2021 management report, pages 78 to 101.

1.2. Fiscal 2020

Incorporated in universal registration document no. D.21-0119 submitted to the Autorité des Marchés Financiers on March 15, 2021: <https://www.mersen.com/sites/default/files/publications-media/2021-03-urd-en-mersen-2020.pdf> are:

- the consolidated financial statements for fiscal 2018 prepared in accordance with the IFRSs in force in 2020, together with the Statutory Auditors' reports on the consolidated financial statements, pages 166 to 224;
- the annual financial statements for 2020, together with the Statutory Auditors' reports on the annual financial statements, pages 226 to 250;
- the 2020 management report, pages 76 to 99.

2. OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT

Luc Themelin, Chief Executive Officer

Mersen
Tour Trinity
1 bis place de la Défense
F-92400 Courbevoie
Tel.: + 33 (0)1 46 91 54 19

3. STATEMENT BY THE OFFICER

I certify that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, these financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of

the Company and of all the entities included in the consolidation, and that the management report on pages 77 to 103 presents a faithful picture of the business trends, earnings and financial position of the Company and of all the entities included in the consolidation, as well as a description of the principal risks and uncertainties they are facing.

Luc Themelin

4. AUDITORS

Statutory Auditors

Ernst & Young Audit

Tour First
TSA 1444
F-92037 Paris La Défense cedex

Member of the “Compagnie régionale des commissaires aux comptes de Versailles et du Centre”

Date of first term: 2022

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2027)

Represented by Philippe Bourgeois

Ernst & Young Audit was appointed at the AGM of May 19, 2022 to replace Deloitte et Associés, whose term had expired.

KPMG SA

Tour Egho
2 avenue Gambetta
F-92066 Paris La Défense cedex

Member of the “Compagnie régionale des commissaires aux comptes de Versailles et du Centre”

Date of first term: 2004

Date of last renewal: 2022

Duration: six years (term expiring at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending December 31, 2027)

Represented by Catherine Porta

5. INDEPENDANT THIRD PARTY

Bureau Veritas Exploitation

8 Cours du Triangle
92800 Puteaux

Represented by Laurent Mallet

6. GLOSSARIES

Finance

Average capital employed	Average capital employed for the last three semesters.
Capital employed	Definition: see Management Report, section 5.3.
Capital expenditure	Sum of investments in property, plant and equipment and changes in amounts due to suppliers of non-current assets.
Cash flow conversion	Net cash generated by/(used in) operating activities divided by EBITDA before non-recurring items.
Covenant EBITDA	EBITDA before non-recurring items and application of IFRS 16.
Covenant net debt	Net debt less the carrying amount of treasury shares at year-end.
EBITDA before non-recurring items	Operating income before non-recurring items, depreciation and amortization.
EPS	Earnings per share.
Net worth	Sum of equity and the carrying amount of treasury shares at year-end.
Free cash flow	Net cash generated by/(used in) operating activities, less capital expenditure.
Gearing	Covenant net debt divided by Net worth.
Leverage	Covenant net debt divided by covenant EBITDA.
Net debt	Sum of long- and medium-term borrowings, current financial liabilities and bank overdrafts, less current financial assets, cash and cash equivalents.
NEU MTN	Negotiable EUropean Medium Term Note.
Operating income before non-recurring items	As presented in the consolidated statement of income.
Organic growth	Calculated by comparing sales for the year with sales for the previous year, restated at the current year's exchange rate, excluding the impact of acquisitions and disposals.
Payout ratio	Ratio of dividend per share proposed for the year to earnings per share for the year, calculated based on the number of ordinary shares excluding treasury shares at year-end.
EBITDA before non-recurring items margin	EBITDA before non-recurring items divided by sales.
Restated payout ratio	Ratio of dividend per share proposed for the year to earnings per share for the year, restated for certain non-recurring income and expenses for the year as listed in Note 24 to the financial statements, calculated based on the number of ordinary shares excluding treasury shares at year-end.
ROCE Return on capital employed	Operating income before non-recurring items for the last 12 months divided by average capital employed.
URD	Universal Registration Document.
USPP	US private placement.
WCR Working capital requirement	Sum of trade receivables, inventories, contract assets and other operating receivables, less trade payables, contract liabilities and other operating payables.
WCR ratio	Working capital requirement divided by sales for the last quarter multiplied by four.

Business model

ACE	Anti-corrosion equipment
AM	Advanced Materials
BEV	Battery electric vehicle
BS (British Standard)	British Standardization organization
CSP	Company savings plan
DACH	DACH region (Germany, Austria and Switzerland)
DIN (Deutsches Institut für Normung)	German Standardization organization
EP	Electrical power
EPC	Electrical Protection & Control
GAREAT	Insurance and Reinsurance Management of Attacks and Terrorist Acts Risks
GS	Graphite Specialties
HEV	Hybrid electric vehicle
ICPE	Installations classified as environmentally friendly
IEC	International Electrotechnical Commission
ITAR	International Traffic in Arms Regulation
Mersen Excellence Journey	Continuous improvement plan across all Group functions
OEM	Original Equipment Manufacturer
OFAC	Office of Foreign Assets Control
pHEV	Plug-in hybrid electric vehicle
PTT	Power Transfer Technologies
PVC	Polyvinyl chloride
SiC	Silicon carbide
SPM	Solutions for Power Management
UL	US Standardization organization
UNIFE	Association for the European Rail Supply Industry

CSR

BAT	Best Available Technologies
CFE	French corporate property tax
CGNR	Governance, Nomination and Remuneration Committee
CHSCT	Health & Safety Committee
CVAE	French companies' added value contribution
CSR	Corporate Social Responsibility
GDPR	General Data Protection Regulation
GHG	Greenhouse gases
GPEC	Forward human resources planning process
EHS	Environmental health & safety
LMS	Learning Management System (Mersen Academy)
LTIR	Lost Time Incident Rate
MAR	Market Abuse Regulations
MSV	Management Safety Visits
RoHS (Restriction of Hazardous Substances Directive)	European Directive seeking to limit the use of 6 hazardous substances
SIR	Severity Injury Rate
WiN	Women in Mersen



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