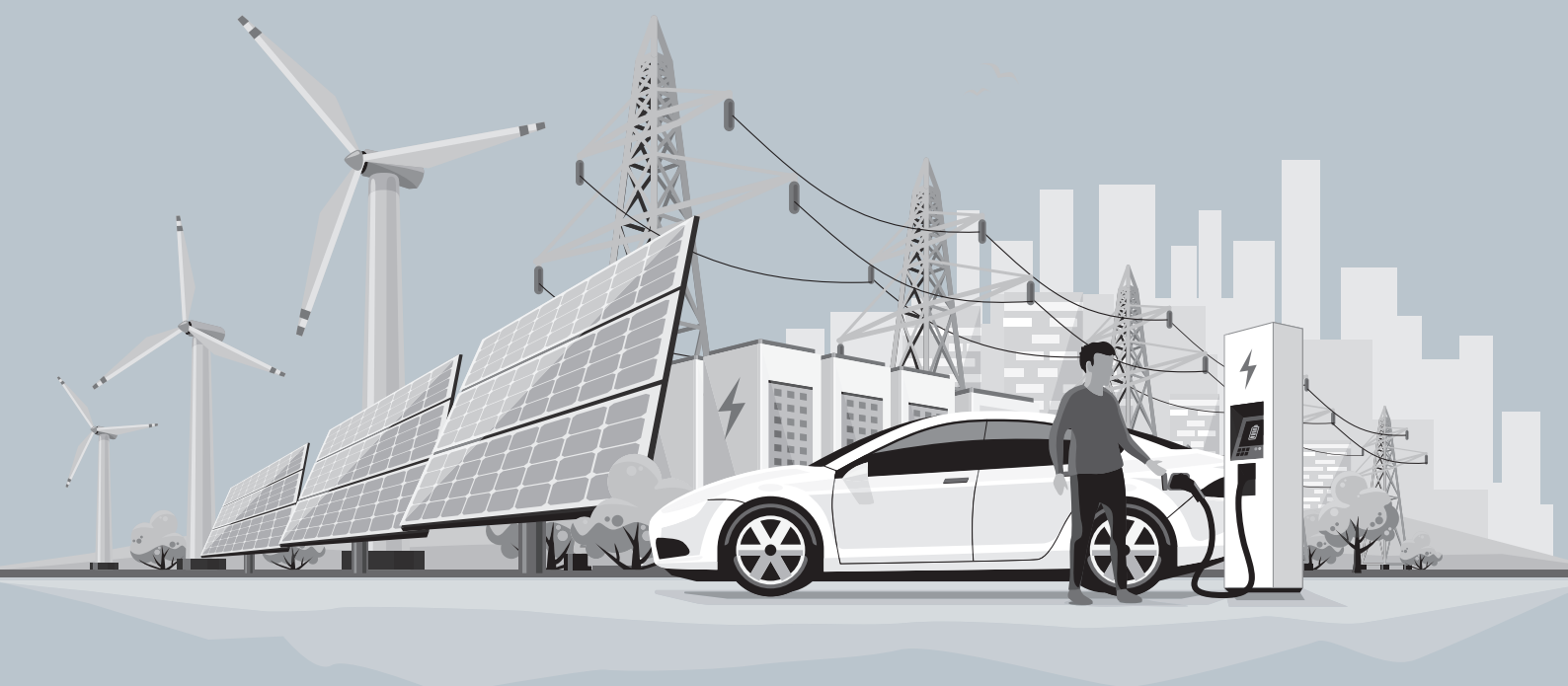




2022 FIRST-HALF FINANCIAL REPORT



MERSEN

2022 First-half financial report

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This document is a free translation of the original prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version in French takes precedence over this translation.

1 MANAGEMENT REPORT

INTRODUCTION

Mersen delivered an excellent performance in the first half of the year, achieving record half-year sales of €524 million in particular. The Group benefited from its strong positioning in very dynamic markets, such as alternative energies, which are increasingly critical to fighting climate change, and semiconductors, which are essential to the successful development of electric vehicles and energy storage applications. This trend, coupled with the dynamic process industries in North America and Europe, largely drove up volumes over the period.

Sales were up by over 11% on an organic basis for the first half, despite lockdown measures in China in the second quarter, which impacted production and shipments in four Group plants around Shanghai. The period was also dominated by the conflict between Russia and Ukraine. The Group decided to terminate all business relations with Russia, which represented 0.3% of sales in 2021. In addition, it has no business relations with Ukraine and no direct suppliers in Russia.

Overall volume growth, combined with good pricing power in the period in an inflationary context over the period, enabled Mersen to achieve a sharp year-on-year increase in operating income before non-recurring items. This rise takes into account development costs for buoyant Group markets such as electric vehicles and SiC semiconductors, and production start-up costs for the Columbia plant.

Despite the persistently uncertain environment, these positive factors allowed Mersen to significantly raise its full-year 2022 guidance for sales and operating margin before non-recurring items.

The first half of the year also saw working capital requirement (inventories and trade receivables) increase sharply, driven by strong demand, the start-up of strategic projects (Columbia site, site relocation in South Korea) and efforts to build up safety stock. Together with the unfavorable cash flow seasonality typical of the first half, this led to an increase in net debt without, however, impacting the Group's financial structure.

CONSOLIDATED RESULTS

Sales

Mersen's consolidated sales amounted to €524 million for the first six months of 2022, up 11.1% on an organic basis compared with first-half 2021. Taking into account the favorable currency effect, sales grew by 16.3%.

<i>In millions of euros</i>	First-half 2022	First-half 2021	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	292.3	248.4	12.5%		4.6%	17.7%
Electrical Power	232.0	202.5	9.3%		4.8%	14.5%
Europe	178.4	162.7	10.7%		-0.9%	9.7%
Asia-Pacific	149.3	131.5	7.0%		6.1%	13.5%
North America	178.5	140.6	15.8%		9.6%	26.9%
Rest of the World	18.1	16.1	4.0%		7.9%	12.1%
GROUP	524.2	450.9	11.1%		4.7%	16.3%

Performance by segment

Advanced Materials sales totaled €292 million in the first half of 2022, representing organic growth of 12.5%. Growth was particularly robust in the renewable energy markets – especially solar – and in process industries. The semiconductor market posted more moderate growth due to an especially high basis of comparison, but a healthy order backlog confirms the sector's good outlook. The rail and aeronautics markets continued their recovery. The chemicals market, on the other hand, was flat overall year on year but enjoyed an uptick in order intake toward the end of the period.

In the **Electrical Power** segment, first-half sales totaled €232 million, up by more than 9% year on year on an organic basis. Like Advanced Materials, the Electrical Power segment benefited from a highly dynamic renewable energy market. The process industries market also delivered solid growth, propelled by electrical distribution in the United States. The transportation market, meanwhile, was lifted by a recovery in aeronautics.

Performance by region

In **Europe**, growth was robust in both segments in the process industry and electronics markets, with Spain, Italy and Germany performing the most strongly.

Momentum was brisk all across **Asia**, with the exception of China due to the partial lockdown in the second quarter. Excluding China, the region grew by double digits thanks to the renewable energy and semiconductor markets.

Lastly, growth in **North America** continued to be strong, with particularly good performances in process industries and renewable energies.

EBITDA and operating income before non-recurring items

	First-half 2022	First-half 2021
EBITDA	86.9	71.0
As a % of sales	16.6%	15.7%
Depreciation and amortization	31.9	27.7
Operating income before non-recurring items	55.0	43.3
As a % of sales	10.5%	9.6%

Group operating income before non-recurring items came to €55.0 million in first-half 2022, resulting in an operating margin before non-recurring items of 10.5% of sales, up 90 basis points on first-half 2021.

The year-on-year increase was to a large extent due to the effect of higher volumes. The Group's pricing power in the period also

enabled it to offset the higher cost of raw materials and energy. And productivity gains partly offset wage inflation.

EBITDA amounted to €86.9 million, representing 16.6% of sales versus 15.7% in first-half 2021.

Segment analysis (excluding holding company costs)

In millions of euros	Advanced Materials		Electrical Power	
	First-half 2022	First-half 2021	First-half 2022	First-half 2021
Sales	292.3	248.4	232.0	202.5
EBITDA	66.1	52.3	30.4	27.1
As a % of sales	22.6%	21.1%	13.1%	13.4%
Operating income before non-recurring items	44.1	33.7	21.2	18.9
As a % of sales	15.1%	13.6%	9.1%	9.3%

Advanced Materials segment

Operating income before non-recurring items for the Advanced Materials segment was €44.1 million, resulting in an operating margin before non-recurring items of 15.1% of sales compared with 13.6% for the same period in 2021. The year-on-year increase was mainly attributable to a favorable volume effect and higher selling prices, which offset the rising cost of raw materials, energy and wages. In addition, the segment's earnings include the production start-up costs at the Columbia site (United States) and R&D costs for the Soitec project (SiC semiconductors).

EBITDA for the segment was €66.1 million and represented 22.6% of sales versus 21.1% in the first six months of 2021.

Electrical Power segment

In the Electrical Power segment, operating income before non-recurring items came to €21.2 million, compared with €18.9 million for the first half of 2021. This represents an operating margin before non-recurring items of 9.1% of sales. The segment benefited from a favorable volume effect in the period. Rising raw material costs and wages were partly offset by higher selling prices. The segment also continued to build up its dedicated team for the electric vehicle market over the period.

EBITDA for the segment was €30.4 million, representing 13.1% of sales versus 13.4% in the prior-year period.

<i>In millions of euros</i>	First-half 2022	First-half 2021
Consolidated sales	524.2	450.9
Gross income	163.7	140.4
As a % of sales	31.2%	31.1%
Selling, marketing and other expenses	(40.5)	(38.7)
Administrative and research expenses	(67.4)	(57.7)
Amortization of revalued intangible assets	(0.7)	(0.7)
Operating income before non-recurring items	55.0	43.3
As a % of sales	10.5%	9.6%

Gross income was broadly stable year on year, representing 31.2% of sales.

Expenses increased overall due to wage inflation and the currency effect. Administrative and research expenses rose by 12% at

constant scope, mainly reflecting greater R&D costs in strategic markets such as SiC semiconductors (including the Soitec project) and electric vehicles.

Net income

Net income rose by 41% year on year to €38.2 million in the first half of 2022, from €27.1 million in first-half 2021.

<i>In millions of euros</i>	First-half 2022	First-half 2021	Change
Operating income before non-recurring items	55.0	43.3	
Non-recurring income and expenses	(0.7)	(1.6)	
Net financial expense	(5.3)	(5.6)	
Current and deferred income tax	(10.8)	(9.0)	
Net income for the period	38.2	27.1	+41%
- Attributable to owners of the parent	35.1	25.5	

Net financial expense came to €5.3 million for the period, down slightly from the prior year thanks primarily to the competitive financial conditions of the most recent US private placement (USPP).

Income tax expense amounted to €10.8 million for the period, representing an effective tax rate of 22%.

CASH AND DEBT

Condensed statement of cash flows

<i>In millions of euros</i>	First-half 2022	First-half 2021
Cash generated by operating activities before change in WCR	82.0	64.0
Change in working capital requirement	(70.6)	(7.3)
Income tax paid	(6.1)	(10.5)
Cash generated by operating activities	5.3	46.2
Capital expenditure	(33.5)	(28.2)
Net cash generated by/(used in) operating activities after capital expenditure	(28.2)	18.0
Changes in scope of consolidation and acquisitions	(1.1)	(7.4)
Lease payments	(7.3)	(6.7)
Interest payments	(3.3)	(4.4)
Other cash flows (incl. share repurchase)	(4.5)	(1.2)
Net cash flow before changes in debt	(44.5)	(1.7)

Working capital requirement increased sharply in the first half of the year, due to the unfavorable seasonal effect in the period, the payment of large bonuses for 2021, and the strong growth in sales. The significant rise in inventories was also linked to ongoing industrial projects, in particular the production start-up at the Columbia site (United States), as well as efforts to secure raw material supplies against a backdrop of greater supply chain pressure for certain product lines. The WCR ratio stood at 25% of sales, up considerably from the particularly low level recorded

at June 30, 2021. As a result, cash flow from operating activities came to €5.3 million for the period, versus €46.2 million in first-half 2021.

Capital expenditure amounted to €33.5 million. Over 75% of this total related to the Advanced Materials segment, notably specific expansion projects launched by the Group, such as the increase in isostatic graphite production capacity at the Columbia site (United States) and capacity for the semiconductor market in all geographies.

Statement of financial position

	June 30, 2022	Dec. 31, 2021
Total net debt (<i>in millions of euros</i>)	241	193
Net debt/EBITDA ⁽¹⁾	1.53	1.42
Net debt/equity ⁽¹⁾	34%	30%

(1) Ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.

At June 30, 2022, the Group's net debt stood at €241 million, significantly higher than at end-December 2021. Net pension obligations on the other hand, at €35 million, were down by a sharp €14 million due to higher long-term interest rates. Lease liabilities amounted to €54 million.

The Group has a solid financial structure, with €165 million in undrawn credit facilities (including NEU CP hedging) and €60 million in available cash at end-June 2022. The average maturity of the Group's financing is 5.5 years.

OUTLOOK

As announced in the press release dated July 20, 2022, the Group has revised its full-year 2022 guidance upwards and now expects:

- organic growth of between 8% and 10% (versus 3% and 6% previously);
- operating margin before non-recurring items of around 10.5% of sales (versus around 10% previously);
- EBITDA margin growth of around 50 basis points (versus 20-30 basis points previously);
- capital expenditure of between €85 million and €90 million (versus €80 million and €85 million previously), to take account of the impact of exchange rates and inflation.

In the second half of the year, the Group will continue its policy of raising prices to cover the higher cost of energy and certain raw materials, in particular in the Advanced Materials segment.

GLOSSARY

Capital expenditure: Property, plant and equipment and amounts due to suppliers of non-current assets.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

Free cash flow: Net cash generated by operating activities after capital expenditure.

Gearing: Net debt-to-equity ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.

Leverage: Net debt-to-EBITDA ratio calculated using the method required by the covenants contained in Mersen's confirmed loans.

Net debt: Gross debt net of cash and cash equivalents and current financial assets.

NEU CP: Negotiable European Commercial Paper.

Operating income before non-recurring items: As defined in Recommendation 2009.R.03 of the French national accounting board (CNC).

Organic growth: Determined by comparing sales for the year with sales for the previous year, restated at the current year's exchange rate, excluding acquisitions and/or disposals.

Scope effect: Contribution from companies acquired in the year in relation to sales for the year.

WCR ratio: Ratio of working capital requirement to sales for the most recent quarter, multiplied by four.

Working capital requirement (WCR): Sum of trade receivables, inventories and other current receivables, less trade payables.

2 CONSOLIDATED FINANCIAL STATEMENTS

CHANGES IN SCOPE OF CONSOLIDATION IN THE PAST TWO YEARS

There were no changes in the Group's scope of consolidation in the first half of 2022.

In 2021, Mersen acquired the Hager group's stake in Fusetech, a manufacturer of industrial fuses based in Kaposvar, Hungary.

The company has been consolidated since January 1, 2021. Fusetech contributed €7.9 million to consolidated sales in 2021 and €5.3 million in the first half of 2022.

CONSOLIDATED STATEMENT OF INCOME

<i>In millions of euros</i>	Notes	June 30, 2022	June 30, 2021
CONTINUING OPERATIONS			
Consolidated sales	12	524.2	450.9
Cost of sales		(360.6)	(310.5)
Total gross income		163.7	140.4
Selling and marketing expenses		(39.7)	(37.7)
Administrative and research expenses		(67.4)	(57.7)
Amortization of revalued intangible assets		(0.7)	(0.7)
Other operating expenses		(0.8)	(1.0)
Operating income before non-recurring items	12	55.0	43.3
Non-recurring expenses	11	(1.2)	(1.6)
Non-recurring income	11	0.5	0.0
Operating income	12	54.2	41.7
Financial expenses		(5.3)	(5.6)
Net financial expense		(5.3)	(5.6)
Income from continuing operations before tax		49.0	36.1
Current and deferred income tax	14	(10.8)	(9.0)
Net income from continuing operations		38.2	27.1
Net income from operations held for sale and discontinued operations		0.0	0.0
Net income		38.2	27.1
Attributable to:			
- Owners of the parent		35.1	25.5
- Non-controlling interests		3.1	1.6
NET INCOME FOR THE PERIOD		38.2	27.1
Earnings per share	15		
Basic earnings per share (€)		1.69	1.23
Diluted earnings per share (€)		1.66	1.21
Earnings per share from continuing operations			
Basic earnings per share (€)		1.69	1.23
Diluted earnings per share (€)		1.66	1.21
Earnings per share from operations held for sale and discontinued operations			
Basic earnings per share (€)		0.00	0.00
Diluted earnings per share (€)		0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	June 30, 2022	June 30, 2021
NET INCOME FOR THE PERIOD		38.2	27.1
Items that will not be subsequently reclassified to income			
Financial assets at fair value through "Other comprehensive income"	9	(0.0)	0.0
Remeasurements of the net defined benefit liability (asset)	7	16.3	12.3
Tax impact on remeasurements of the net defined benefit liability (asset)		(4.1)	(3.0)
		12.1	9.3
Items that may subsequently be reclassified to income			
Change in fair value of hedging instruments		(1.9)	(0.5)
Exchange differences on translation of assets and liabilities at the period-end rate		28.2	14.6
Tax impact on change in fair value of hedging instruments		0.5	0.2
		26.8	14.3
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		38.9	23.6
TOTAL COMPREHENSIVE INCOME		77.0	50.7
Attributable to:			
- Owners of the parent		73.1	48.2
- Non-controlling interests		3.9	2.5
TOTAL COMPREHENSIVE INCOME		77.0	50.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

<i>In millions of euros</i>	Note	June 30, 2022	Dec. 31, 2021
NON-CURRENT ASSETS			
Intangible assets	3/4		
- Goodwill		280.9	269.5
- Other intangible assets		40.6	38.8
Property, plant and equipment	3/4		
- Land		33.9	33.2
- Buildings		91.3	83.8
- Plant, equipment and other tangible assets		220.2	208.2
- Assets in progress		84.9	79.2
- Right-of-use assets	10	52.2	51.6
Non-current financial assets			
- Equity interests		2.0	2.0
- Non-current derivatives		0.0	0.0
- Other financial assets		3.9	4.0
Non-current tax assets			
- Deferred tax assets	14	25.5	27.9
- Long-term portion of current tax assets		7.1	9.5
TOTAL NON-CURRENT ASSETS		842.4	807.7
CURRENT ASSETS			
- Inventories		282.7	218.2
- Trade receivables		176.0	143.6
- Contract assets		8.9	6.2
- Other operating receivables		31.2	27.4
- Short-term portion of current tax assets		2.3	2.7
- Other current assets		0.0	0.0
- Current financial assets	8	32.7	34.0
- Current derivatives		2.1	2.3
- Cash and cash equivalents	8	60.4	49.5
- Assets held for sale and discontinued operations		0.0	0.0
TOTAL CURRENT ASSETS		596.4	483.9
TOTAL ASSETS		1,438.7	1,291.7

Equity and liabilities

<i>In millions of euros</i>	Note	June 30, 2022	Dec. 31, 2021
EQUITY			
- Share capital	5	41.7	41.6
- Retained earnings and other reserves		544.9	503.4
- Net income for the period		35.1	54.4
- Cumulative translation adjustments		30.1	2.8
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		651.8	602.3
- Non-controlling interests		33.0	29.1
TOTAL EQUITY		684.8	631.3
NON-CURRENT LIABILITIES			
- Non-current provisions	6	12.4	12.6
- Employee benefit obligations	7	34.9	49.1
- Deferred tax liabilities	14	41.5	37.2
- Long and medium-term borrowings	8	249.4	244.5
- Non-current lease liabilities	10	41.3	40.0
- Non-current derivatives		0.0	0.0
TOTAL NON-CURRENT LIABILITIES		379.5	383.4
CURRENT LIABILITIES			
- Trade payables		84.3	67.1
- Contract liabilities		29.9	28.5
- Other operating payables		118.2	112.8
- Current provisions	6	8.8	10.4
- Current lease liabilities	10	12.5	12.6
- Short-term portion of current tax liabilities		5.5	4.6
- Miscellaneous liabilities		27.4	7.3
- Other current financial liabilities	8	66.5	7.0
- Current derivatives		3.0	1.3
- Financial current accounts	8	0.0	0.0
- Bank overdrafts	8	18.0	25.1
- Liabilities related to assets held for sale and discontinued operations		0.2	0.2
TOTAL CURRENT LIABILITIES		374.4	276.9
TOTAL EQUITY AND LIABILITIES		1,438.7	1,291.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Attributable to owners of the parent						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	Total			
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			25.5		25.5	1.6	27.1	
Change in fair value of derivative hedging instruments, net of tax		(0.3)			(0.3)		(0.3)	
Financial assets at fair value		0.0			0.0		0.0	
Remeasurements of the net defined benefit liability (asset) after tax		9.3			9.3		9.3	
Translation adjustments				13.7	13.7	0.9	14.6	
TOTAL OTHER COMPREHENSIVE INCOME	0.0	9.0	0.0	13.7	22.7	0.9	23.6	
COMPREHENSIVE INCOME FOR THE PERIOD	0.0	9.0	25.5	13.7	48.2	2.5	50.7	
Dividends payable		(13.6)			(13.6)		(13.6)	
Treasury shares		1.8			1.8		1.8	
Increase/decrease in capital	(0.1)	(0.3)			(0.4)		(0.4)	
Stock options and free shares		0.9			0.9		0.9	
Other					0.0		0.0	
AT JUNE 30, 2021	41.6	495.3	25.5	(16.3)	546.1	27.0	573.1	
AT DECEMBER 31, 2021	41.6	503.4	54.4	2.8	602.3	29.1	631.3	
Prior-period net income		54.4	(54.4)		0.0		0.0	
Net income for the period			35.1		35.1	3.1	38.2	
Change in fair value of derivative hedging instruments, net of tax		(1.4)			(1.4)		(1.4)	
Financial assets at fair value		(0.0)			(0.0)		(0.0)	
Remeasurements of the net defined benefit liability (asset) after tax		12.2			12.2		12.2	
Translation adjustments				27.3	27.3	0.9	28.2	
TOTAL OTHER COMPREHENSIVE INCOME	0.0	10.7	0.0	27.3	38.0	0.9	38.9	
COMPREHENSIVE INCOME FOR THE PERIOD	0.0	10.7	35.1	27.3	73.1	3.9	77.0	
Dividends payable		(20.8)			(20.8)	(0.0)	(20.8)	
Treasury shares		(1.8)			(1.8)		(1.8)	
Increase/decrease in capital	0.0	(0.0)			0.0		0.0	
Stock options and free shares		(0.9)			(0.9)		(0.9)	
Other					0.0	0.0	0.0	
AT JUNE 30, 2022	41.7	544.9	35.1	30.1	651.8	33.0	684.8	

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	June 30, 2022	June 30, 2021
Income before tax	49.0	36.1
Depreciation and amortization	31.2	27.7
Additions to/(reversals from) provisions	(1.6)	(5.6)
Net financial expense	5.3	5.6
Capital gains on asset disposals	0.2	(0.3)
Other	(2.0)	0.5
Cash generated by operating activities before change in WCR	82.0	64.0
Change in working capital requirement	(70.6)	(7.3)
Income tax paid	(6.1)	(10.5)
Net cash generated by continuing operations	5.3	46.2
Cash generated by/(used in) discontinued operations	0.0	0.0
Net cash generated by operating activities	5.3	46.2
Cash flows from investing activities		
Intangible assets	(3.0)	(2.5)
Property, plant and equipment	(33.9)	(31.9)
Decreases (increases) in amounts due to suppliers of non-current assets	0.4	3.7
Financial assets	0.0	0.0
Changes in scope of consolidation	(1.1)	(7.4)
Other cash flows from investing activities	0.3	(0.2)
Cash used in investing activities from continuing operations	(37.3)	(38.3)
Cash generated by/(used in) investing activities from discontinued operations	0.0	0.0
Net cash used in investing activities	(37.3)	(38.3)
Net cash generated by/(used in) operating and investing activities	(32.0)	7.9
Amounts received/(paid) on capital increases/reductions and other changes in equity	(1.8)	1.5
Net dividends paid to shareholders and non-controlling interests	(0.0)	0.0
Interest payments	(3.3)	(4.4)
Lease payments	(7.3)	(6.7)
Change in debt	55.1	(28.3)
Net cash generated by/(used in) financing activities	42.6	(37.9)
Net increase/(decrease) in cash and cash equivalents	10.6	(30.0)
Cash and cash equivalents at beginning of period (Note 8)	49.5	110.7
Cash and cash equivalents at end of period (Note 8)	60.4	80.9
Impact of currency fluctuations	(0.3)	(0.2)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10.6	(30.0)

3 NOTES

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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*).

The standards and interpretations effective for annual reporting periods beginning on or after January 1, 2022 are described in Note 2.

The accounting options selected by the Group are described in Note 2 to the 2021 annual report.

The interim consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with

IAS 34 "Interim Financial Reporting". They do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021, available at www.mersen.com. They do include a selection of explanatory notes describing the major events and transactions for a better understanding of the changes that have occurred in the financial position and performance of the Group since the latest annual financial statements for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on July 28, 2022.

Note 2 Summary of significant accounting policies and methods

The accounting methods used to prepare these interim financial statements are the same as those used for the Group's consolidated financial statements for the year ended December 31, 2021.

New standards and interpretations effective in 2022

No new standards or interpretations effective for annual reporting periods beginning on or after January 1, 2022 had a material impact on the Group's financial statements for the six months ended June 30, 2022.

Use of judgments and estimates

In preparing these interim financial statements, Management was required to exercise judgments, use estimates and make assumptions that affected the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from the estimated values.

The critical judgments exercised by Management in applying the Group's accounting policies in the interim consolidated financial statements as well as the main sources of uncertainty are the same as those described in the annual consolidated financial statements for the year ended December 31, 2021.

Note 3 Goodwill, other intangible assets and property, plant and equipment

Goodwill totaled €280.9 million at June 30, 2022, up €11.4 million compared with December 31, 2021. This increase was due to the currency effect, mainly the appreciation of the US dollar against the euro.

There was no pending allocation of goodwill at June 30, 2022.

Property, plant and equipment (excluding right-of-use assets) increased by €25.9 million, including the impact of €33.9 million in capital expenditure.

Note 4 Asset impairment tests

In accordance with IAS 36, as there were no indications of impairment in the six months ended June 30, 2022, no impairment tests were carried out.

No impairment losses were recognized following the impairment tests carried out on goodwill at December 31, 2021. The date of the next impairment tests will be December 31, 2022.

Note 5 Equity

At June 30, 2022, the Company's share capital stood at €41,689,808, divided into 20,844,904 shares, comprising 20,844,828 category A shares (ordinary shares) and 76 category E shares (preference shares), each with a par value of €2.

The theoretical number of voting rights at that date, i.e., excluding treasury shares which do not carry voting rights, was 23,462,929. Since April 3, 2016, a double voting right has been attached to all shares that meet both of the following conditions: (i) they have been held in registered form for at least two years; and (ii) they are fully paid up.

<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 June 30, 2022	20,844,904
Number of shares in issue and fully paid-up during the period	23,697
Number of treasury shares canceled	
Number of shares in issue and not fully paid-up	
Par value of shares (€)	2
Mersen shares held by the Company or by its subsidiaries and associates	95,478

Mersen's ownership structure at June 30, 2022 was as follows:

■ French institutional investors:	45.5%
■ International institutional investors:	40.8%
■ Private shareholders:	11.7%
■ Employee shareholders:	1.5%
■ Treasury shares:	0.5%

Stock options and free shares

For several years now, the Group has implemented a policy of granting free shares. Vesting of these shares is contingent on the beneficiaries still forming part of the Group at the end of the vesting period. The shares granted under both executive and non-executive programs are also subject to performance conditions.

However, Management decided not to set performance conditions in the program for high-potential young employees (managers and experts) as these employees have little impact on the Group's major financial and CSR indicators.

At June 30, 2022, the number of free shares that could potentially vest corresponded to 394,284 new shares (versus 443,200 new shares at December 31, 2021), representing 1.8% of the Company's capital at that date. This total included 370,284 free shares granted subject to performance conditions, including 25,200 to the Chief Executive Officer, Luc Themelin.

Net income of €0.9 million in respect of share-based payments was recognized in the first half of 2022 (versus a net €0.9 million expense for first-half 2021). The first-half 2022 figure included a reversal of free share plans that expired during the period.

Note 6 Provisions, contingent liabilities and other liabilities

Provisions amounted to €21.2 million at June 30, 2022 (€23.0 million at December 31, 2021), a €1.8 million decrease mainly attributable to payments of restructuring costs out of provisions.

<i>In millions of euros</i>	June 30, 2022		Dec. 31, 2021	
	Non-current	Current	Non-current	Current
- provision for restructuring	2.7	3.1	3.0	4.8
- provision for environmental risks	3.7	1.0	3.4	1.0
- provision for litigation and other expenses	6.1	4.7	6.2	4.6
TOTAL	12.4	8.8	12.6	10.4

Significant developments in ongoing litigation and proceedings

Criminal proceedings in France

Regarding the criminal proceedings initiated after the tragic accident in 2010 at Mersen's site in Gennevilliers, Mersen France Gennevilliers SAS and its managing director at the time have withdrawn their appeals against the convictions handed down by the Nanterre Criminal Court. Their criminal convictions therefore became final as of June 15, 2022. For the civil proceedings related to the case, the payment of damages to plaintiffs is still ongoing.

There were no other significant developments in ongoing litigation and proceedings in the first half of 2022.

Miscellaneous liabilities

Miscellaneous liabilities (€27.4 million at June 30, 2022) mainly included dividends of €20.8 million to be paid following the Annual General Meeting of May 19, 2022, and amounts payable on property, plant and equipment.

No material contingent liabilities were identified by the Group at June 30, 2022.

Note 7 Employee benefit obligations

The Mersen group's principal pension plans are defined benefit plans and are located in the United States (52% of obligations), the United Kingdom (18% of obligations), France (12% of obligations) and Germany (7% of obligations).

The Group's obligations were measured at December 31, 2021 with the assistance of independent actuaries and in accordance with IAS 19. At June 30, 2022, the Group measured its obligations taking into account the sensitivity assumptions provided by its actuaries at the 2021 year-end, as well as the following changes in discount rates compared with that date:

Region	June 30, 2022	December 31, 2021
France	3.22%	0.90%
Germany	3.22%	0.90%
United States	4.59%	2.85%
United Kingdom	3.82%	1.90%

Reconciliation between assets and liabilities recognized

	June 30, 2022	Dec. 31, 2021
Present value of defined benefit obligation	155.5	188.4
Fair value of plan assets	(120.6)	(139.3)
PROVISION BEFORE IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	34.9	49.1
Impact of minimum funding requirement/asset ceiling		
PROVISION AFTER IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	34.9	49.1

The expense recognized in relation to the Group's defined benefit plans amounted to €2.8 million in the six months ended June 30, 2022 compared with €2.7 million in 2021.

The €32.9 million decrease in the gross defined benefit obligation compared with December 31, 2021 primarily reflects the revaluation of provisions following interest rate rises in the period across all of the Group's main regions (negative €41.7 million), net of a €7.4 million positive currency effect (essentially due to the appreciation of the US dollar against the euro).

The fair value of plan assets also decreased in the first half of the year (by €18.7 million), mainly due to the rise in interest rates and the fall in the equity market over the period (negative €25.4 million impact) and to the currency effect (positive €5.9 million impact).

Note 8 Net debt

Mersen has confirmed credit lines and borrowing facilities for a total of around €477 million, of which 53% was drawn down at June 30, 2022.

Mersen has the following principal financing agreements:

- a multi-currency syndicated bank loan, set up in July 2012 and amended in 2014, 2017 and 2021. The amount of this facility is €200 million, repayable in full in July 2024 following the exercise of extension options in 2018 and 2019. The interest payable is at a variable 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") arranged in April 2019 with a pool of European and Asian investors, 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 €62 million originally, then €47 million after an early redemption in April 2022;

- a US private placement (USPP) arranged 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. 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 June 30, 2022, the Group had used €59 million of the NEU CP program. This commercial paper has a maturity of less than one year and at its maturity date may be substituted by drawdowns on the Group Syndicated Loan. At the same date, the Group had used €50 million of the NEU MTN program, with maturities in 2022, 2025, 2027 and 2028.

Maturity schedule of confirmed credit lines and borrowings

In millions of euros	Amount	Drawdown at June 30, 2022	Utilization rate at June 30, 2022	Maturity		
				Less than 1 year	From 1 to 5 years	More than 5 years
Group syndicated loan	200.0	0.0	0%	0.0	200.0	0.0
Confirmed credit lines – China	24.4	0.0	0%	0.0	24.4	0.0
German private placement	115.0	115.0	100%	0.0	115.0	0.0
US private placement	87.8	87.8	100%	0.0	0.0	87.8
NEU MTN	50.0	50.0	100%	5.0	20.0	25.0
Other	0.2	0.2	100%	0.2	0.0	0.0
TOTAL	477.4	253.0	53%	5.2	359.4	112.8

Analysis of total net debt

<i>In millions of euros</i>	June 30, 2022	Dec. 31, 2021
Long- and medium-term borrowings	249.4	244.5
Current financial liabilities	66.5	7.0
Financial current accounts	0.0	0.0
Bank overdrafts	18.0	25.1
TOTAL GROSS DEBT	334.0	276.7
Current financial assets	(32.7)	(34.0)
Cash and cash equivalents	(60.4)	(49.5)
TOTAL NET DEBT	240.9	193.2

Total consolidated net debt amounted to €240.9 million at June 30, 2022, up by around €47.7 million on December 31, 2021.

Gross debt stood at €334.0 million, approximately €57 million higher than at end-December 2021, mainly due to the €59 million increase in use of the NEU CP program. Of the €334.0 million in total gross debt, €253.0 million stemmed from the use of confirmed loans and borrowings and the remainder chiefly from the use of unconfirmed lines (NEU CP, bank overdrafts and other lines).

Financial covenants at June 30, 2022

In connection with its various confirmed borrowings at Group level and in China, Mersen is required to comply with a number of obligations typically included in these types of contract, including the ratio of net debt to EBITDA calculated before the application of IFRS 16. 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 complied with the following financial covenants at June 30, 2022 and December 31, 2021:

Financial covenants^(a) (consolidated financial statements)

	Net debt/EBITDA ^(b)			Net debt/equity		
	Ratio	June 30, 2022	Dec. 31, 2021	Ratio	June 30, 2022	Dec. 31, 2021
Confirmed credit lines and borrowings						
US private placement						
Group syndicated loan	<3.5	1.53	1.42	<1.3	0.34	0.30
Confirmed credit lines – China						
German private placement	<3.5	1.46	1.42	N/A	N/A	N/A

(a) Method for calculating the covenants: in line with the applicable accounting rules, when calculating the net debt for the purpose of the financial statements, closing exchange rates are used to determine the euro-equivalent value of debt denominated in foreign currencies. Net debt has to be recalculated at the average EUR/USD exchange rate for the period if there is a difference of more than 5% between the average exchange rate and the closing rate. For the purpose of calculating the covenant ratios at June 30 and December 31, by convention EBITDA is deemed to be the sum of the EBITDA figures reported for the last two consecutive six-month periods, except for the German private placement, for which by convention EBITDA is deemed to be the EBITDA reported for the first six months of the year, multiplied by two.

(b) EBITDA before the application of IFRS 16.

The interest rate on the German private placement notes ("Schuldschein") is indexed to the ratio of net debt to EBITDA (<3.5). Exceeding this cap does not correspond to an event of default but the applicable margin would be increased.

At June 30, 2022, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Note 9 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.

Classification of financial instruments measured at fair value

June 30, 2022	Carrying amount						Fair value			
	Statement of financial position sections and category of instrument	Fair value of hedging instruments	"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			2.0			2.0			2.0	2.0
Derivatives held as current and non-current assets		2.2				2.2		2.2		2.2
		2.2	2.0	0.0	0.0	4.1	0.0	2.2	2.0	4.1
Financial assets not measured at fair value										
Current and non-current financial assets	8			36.6		36.6				
Trade receivables				176.0		176.0				
Cash and cash equivalents	8			60.4		60.4				
		0.0	0.0	273.0	0.0	273.0				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities		(3.0)				(3.0)		(3.0)		(3.0)
		(3.0)	0.0	0.0	0.0	(3.0)	0.0	(3.0)	0.0	(3.0)
Financial liabilities not measured at fair value										
Bank borrowings	8				(249.4)	(249.4)		(232.8)		
Financial current accounts	8				(0.0)	(0.0)				
Bank overdrafts	8				(18.0)	(18.0)				
Current financial liabilities	8				(66.5)	(66.5)				
Trade payables					(84.3)	(84.3)				
		0.0	0.0	0.0	(418.4)	(418.4)				
Carrying amount by category		(0.8)	2.0	273.0	(418.4)	(144.2)				

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			2.0			2.0			2.0	2.0
Derivatives held as current and non-current assets		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	8			38.0		38.0				
Trade receivables				143.6		143.6				
Cash and cash equivalents	8			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		(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	8				(244.5)	(244.5)		(241.7)		
Financial current accounts	8				(0.0)	(0.0)				
Bank overdrafts	8				(25.1)	(25.1)				
Current financial liabilities	8				(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)				

Financial risk management

Credit risks

The Group has set up a Coface commercial credit insurance program that covers its main Chinese, Korean, US and Western European companies against the risk of non-payment for financial or political reasons. Coverage under this program corresponds to 95% of the amount of eligible and covered receivables invoiced.

Interest rate, currency and commodity risks

There were no material changes in currency risk management between December 31, 2021 and June 30, 2022.

Regarding commodities, at end-2021, a portion of the copper and silver tonnage provided for in the 2022 budget had been hedged. No material changes took place between December 31, 2021 and June 30, 2022. Also note that higher commodity prices were offset overall by selling price increases.

Note 10 Right-of-use assets and lease liabilities

Right-of-use assets totaled €52.2 million, up €0.6 million compared with the December 31, 2021 figure. This rise reflects (i) €5.6 million in new right-of-use assets recognized following the signing of new contracts, and (ii) a €1.5 million positive currency effect, partially offset by (iii) the recognition of €6.6 million in depreciation for the period.

Lease liabilities totaled €53.9 million at June 30, 2022, representing a €1.3 million increase.

Note 11 Other non-recurring income and expenses

Other non-recurring income and expenses break down as follows:

<i>In millions of euros</i>	First-half 2022	First-half 2021
Disputes and other costs	(0.4)	1.8
Acquisition/start-up costs		(1.9)
Competitiveness plan/restructurings	(0.3)	(1.5)
TOTAL	(0.7)	(1.6)

In first-half 2022, non-recurring income and expenses represented a net expense of €0.7 million, primarily breaking down as:

- €0.8 million in expenses from relocating several sites (mainly manufacturing sites);
- €0.3 million in restructuring costs;
- €0.4 million in reversals of provisions.

In the first half of 2021, non-recurring income and expenses represented a net expense of €1.6 million and primarily included:

- settlements of disputes and other costs, representing net income of €1.8 million (notably including a reversal of a provision relating to a commercial dispute with a US customer in the chemicals market following an out-of-court settlement agreement);
- €1.9 million in start-up costs for the Columbia site;
- €1.5 million in costs related to the restructurings announced in 2020.

Note 12 Segment reporting

In millions of euros	Advanced Materials (AM)		Electrical Power (EP)		Total for continuing operations		
	First-half 2022	First-half 2021	First-half 2022	First-half 2021	First-half 2022	First-half 2021	
Sales to third parties	292.3	248.4	232.0	202.5	524.2	450.9	
Proportion of total	55.8%	55.1%	44.2%	44.9%	100.0%	100.0%	
Segment operating income before non-recurring items	44.1	33.7	21.2	18.9	65.3	52.6	
Recurring unallocated costs					(10.3)	(9.3)	
Segment operating margin before non-recurring items*	15.1%	13.6%	9.1%	9.3%			
Operating income from continuing operations					55.0	43.3	
Operating margin from continuing operations before non-recurring items					10.5%	9.6%	
Segment non-recurring income and expenses	0.2	(0.3)	(0.4)	(1.3)	(0.2)	(1.6)	
Segment operating income	44.2	33.4	20.8	17.6	65.0	51.0	
Segment operating margin*	15.1%	13.4%	9.0%	8.7%			
EBITDA margin ⁽¹⁾	22.6%	21.1%	13.1%	13.4%	16.6%	15.7%	
					Non-recurring unallocated costs	(0.5)	0.0
					Operating income from continuing operations	54.2	41.7
					Operating margin from continuing operations	10.3%	9.2%
					Net financial expense	(5.3)	(5.6)
					Current and deferred income tax	(10.8)	(9.0)
					Net income from continuing operations	38.2	27.1

* Segment operating margin = Operating income/Segment sales to third parties.

(1) The Group's EBITDA represents combined segment operating income before non-recurring items plus segment depreciation and amortization.

The Group's activities are not subject to any significant seasonal variation.

Note 13 Payroll costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement indemnities) came to €165.4 million in the first half of 2022 compared with €148.4 million in the same period of 2021.

At constant scope and exchange rates, payroll costs (including those related to temporary staff) rose by 7.3%. This increase was chiefly due to salary inflation and a significant number of new hires over the period.

Headcount of consolidated companies at end of period by geographical area

Geographical area	June 30, 2022	%	June 30, 2021	%
France	1,308	18%	1,315	19%
Rest of Europe	1,389	19%	1,318	19%
North America & Mexico	2,512	34%	2,085	30%
Asia	1,628	22%	1,607	23%
Rest of the world	552	7%	541	8%
TOTAL	7,389	100%	6,866	100%

The Group's headcount increased by 523 people in the period, mainly in the North America & Mexico region.

Note 14 Income tax

<i>In millions of euros</i>	First-half 2022	First-half 2021
Current income tax	(10.2)	(9.9)
Deferred income tax	(0.4)	1.0
Withholding tax	(0.3)	(0.1)
TOTAL TAX EXPENSE	(10.8)	(9.0)

The Mersen group has consolidated tax groups in France, Germany, the United Kingdom (group relief) and the United States. The effective tax rate in first-half 2022 was 22% (versus 25% in first-half 2021).

Note 15 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and discontinued operations	First-half 2022	First-half 2021
Net income attributable to owners of the parent (<i>in millions of euros</i>)	35.1	25.5
Weighted average number of ordinary shares* used to compute basic earnings per share	20,749,426	20,757,137
Maximum effect of dilutive potential ordinary shares	394,284	370,501
Weighted average number of ordinary shares* used to calculate diluted earnings per share	21,143,710	21,127,638
Basic earnings per share (€)	1.69	1.23
Diluted earnings per share (€)	1.66	1.21

* Excluding treasury shares.

Note 16 Dividends

The Annual General Meeting of May 19, 2022 approved a dividend of €1 per share in respect of 2021.

The dividend was paid in cash in July 2022 and represented a total payout of €20.8 million.

Note 17 Off-balance sheet commitments

Off-balance sheet commitments decreased by more than €5.5 million between December 31, 2021 and June 30, 2022, mainly due to the expiry of market guarantees for contracts in France, China and the United States.

Note 18 Events after the reporting period

Between June 30, 2022 and the date the interim financial statements were approved for issue, no events occurred which would require any changes in the value of assets and liabilities or any additional disclosures.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2022 INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2022

This is a free translation into English of the Statutory Auditors' review 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 auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Mersen SA for the six months ended June 30, 2022;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

II – Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Paris La Défense, July 28, 2022
KPMG S.A.

Catherine Porta
Partner

Paris La Défense, July 28, 2022
Ernst & Young Audit

Pierre Bourgeois
Partner

5 STATEMENT OF THE OFFICER

I certify that, to the best of my knowledge, these condensed interim financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair view 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 attached interim business report presents a fair view of the major events that occurred during the six months of the interim period and their impact on the financial statements, the principal transactions between related parties, as well as a description of the principal risks and principal uncertainties concerning the remaining six months of the fiscal year.

Paris, July 28, 2022

Luc Themelin
Chief Executive Officer



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