MERSEN: ANOTHER YEAR OF STRONG GROWTH IN 2023

GUIDANCE EXCEEDED

- STRONG SALES GROWTH, WITH ORGANIC GROWTH OF 13%
- OPERATING CASH FLOW UP SHARPLY
- 2023 NET INCOME ATTRIBUTABLE TO MERSEN SHAREHOLDERS UP BY 20% TO €82 MILLION
- INCREASE IN ROCE (13.0% VS. 12.5% IN 2022)
- SOLID FINANCIAL STRUCTURE: LEVERAGE OF 1.09X
- PROPOSED 2023 DIVIDEND OF €1.25 PER SHARE, STABLE VS 2022, REPRESENTING A 17% INCREASE IN PAYOUT VS. 2022
- CONFIRMATION OF THE 2027 ROADMAP WITH UPDATED CSR OBJECTIVES

PARIS, MARCH 12, 2024 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its consolidated results for the year ended December 31, 2023. The Board of Directors met on March 12, 2024 and approved the audited 2023 financial statements for publication.

Luc Themelin, Mersen's Chief Executive Officer, said: *"Mersen achieved another year of growth in 2023, exceeding all the objectives set at the start of the year, both in terms of sales, which reached a record €1.2 billion, and operating margin before non-recurring items, which came in at 11.3%. This performance is in line with the strategic plan presented last year, thanks to momentum in our growth markets, particularly the SiC semiconductor and electric vehicle markets. Our non-financial performance in 2023 was equally remarkable, with a 26% reduction in CO_2 emissions intensity compared with 2022 while the proportion of women in engineering and managerial positions rose to more than 26%. At the same time, 75% of our sales were eligible within the new EU Green Taxonomy. We have also aligned our CSR roadmap with the time frame for our strategic plan and set ambitious new objectives. These results allow us to propose to our shareholders a 17% increase in dividend payout, at €1.25 per share.*
For 2024, Mersen is once again targeting organic sales growth, of around 5% and an operating margin before non-recurring items of around 11% of sales. The Group will continue its growth initiatives by implementing a significant capital expenditure plan while maintaining cost discipline and building on its strengths, such as its ability to innovate and its close relationship with its customers. The success of all these ambitious projects will depend on the high level of commitment and expertise of the Group's employees. I would like to thank

them wholeheartedly for all their hard work so far, and I have every confidence in their ability to press ahead with our roadmap."

Key figures	**2023**	**2022**
Sales (€m)	**1,211**	**1,115**
Operating margin before non-recurring items	*11.3%*	*10.9%*
Recurring EBITDA margin	*16.7%*	*16.7%*
Net income attributable to Mersen shareholders (€m)	81.6	67.7
ROCE	***13.0%***	***12.5%***
Leverage	*1.09*	*1.36*
Dividend per share (€)	**1.25**	**1.25**

For the definitions, please refer to the glossary at the end of this press release.
The consolidated financial statements have been audited and the statutory auditors' report is currently being prepared.

ACTIVITY, EBITDA BEFORE NON-RECURRING ITEMS AND OPERATING INCOME BEFORE NON-RECURRING ITEMS

Sales for full-year 2023 totaled a record €1,211 million, up by 13.2% on an organic basis versus 2022. Approximately 5% of this growth was attributable to price increases. The unfavorable currency effect, in an amount of €39 million, was mainly due to the depreciation of the Chinese renminbi and the US dollar. The scope effect corresponds to the disposal of a German tantalum anti-corrosion equipment business in August 2023.

In all, sustainable development markets (including renewable energies, electronics and green transportation) represented 56% of sales[1].

Group EBITDA before non-recurring items was 8.7% higher year-on-year, at €202.7 million (up 14% at constant exchange rates).

This improvement was largely driven by positive volume and mix effects. Productivity gains and price increases helped offset the higher cost of raw materials, energy and labor. The EBITDA margin before non-recurring items includes part of the R&D expenses related to the p-SiC project and costs related to staffing the dedicated EV team, even though sales in these markets are still limited. It also takes into account the cost of ramping up isostatic graphite production at the Columbia site (USA).

Despite higher capital expenditure, depreciation and amortization increased only slightly due to planned start-ups over the coming half-year periods.

[1] This definition does not replace those used in the EU Taxonomy Regulation and Delegated Acts.

Operating income before non-recurring items came to €137.3 million, an increase of 12.9% on 2022 (up 19% at constant exchange rates), while operating margin before non-recurring items widened 40 basis points to 11.3%.

Advanced Materials segment

Advanced Materials sales totaled €669 million, up 13.2% on an organic basis over the year. Growth was particularly robust in the Si and SiC semiconductor market, with sales reaching more than €150 million. As expected, sales in the renewable energy market were stable compared to the prior year, as the Group chose to allocate less production capacity to solar power in China. Lastly, deliveries for the chemicals market increased slightly.

The operating margin before non-recurring items for the Advanced Materials segment was 15.7%, in line with 2022 (15.8%). The volume/mix effect was positive. Price increases and productivity gains did not completely offset inflation in raw material, energy and labor costs. The result also includes part of the R&D expenses on the p-SiC project as well as the cost of ramping up isostatic graphite production at the Columbia site.

EBITDA before non-recurring items came to €149.8 million, accounting for 22.4% of sales versus 22.9% in 2022.

Electrical Power segment

Electrical Power sales reached €542 million for the year, representing organic year-on-year growth of 13.3%. Sales to the US electrical distribution market remained strong. Sales to transportation markets, including aeronautics, rail and electric vehicles, were also buoyant.

Operating margin before non-recurring items for the Electrical Power segment grew sharply by 110 basis points to 10.1% (9.0% in 2022). Volume and mix effects were positive and partly offset the costs of setting up the electric vehicle team. Price increases and productivity gains more than offset inflation in raw materials and labor costs.

EBITDA before non-recurring items came to €72.8 million, accounting for 13.4% of sales versus 12.9% in 2022.

NET INCOME

Net income attributable to owners of the parent came in at €81.6 million in 2023, an increase of more than 20% compared with 2022.

Non-recurring items represented a net expense of €5.9 million for 2023, mainly comprising provisions for litigation and other expenses relating to acquisition projects, and impairment losses on underused assets.

Net financial expense came to €19.3 million, up on 2022, due to a substantial rise in interest rates over the period impacting the proportion of variable-rate debt and the proportion of net debt in USD with higher rates. This expense also included IFRS costs for pension and lease commitments of around €5 million.

The income tax expense was €26.2 million, corresponding to an effective tax rate of 23.4%, in line with 2022 (23.6%).

Income from non-controlling interests (€4.3 million) essentially included Mersen Yantai (China) and Mersen Galaxy (China), in which Mersen holds a 60% stake.

CASH AND NET DEBT

The Group generated very strong cash flow from operating activities, thanks to improved operational profitability and a positive change in working capital requirement of €3.2 million. This change was driven by an increase in advance payments on contracts in the SiC semiconductor market. As a result, the WCR ratio was exceptionally low at 19.1% of sales versus 20.7% of sales in 2022. This percentage includes a significant amount of provisioned, unpaid bonuses in 2023, as is in 2022.

Income tax paid represented an outlay of €25.0 million, up sharply year on year, as the Group benefited more in 2022 than 2023 from accelerated tax depreciation in the United States in connection with investments made at its Columbia plant and, to a lesser extent, special payment terms in China related to the health crisis. The increase in tax paid also reflects earnings growth.

In 2023, capital expenditure reached a record level for the Group at €176.3 million. Almost 54% of this amount (€95 million) relates to the growth plan presented by the Group in March 2023, corresponding to investments to increase graphite and insulation felt production capacity, the expansion of graphite finishing plants and the extension of plants serving the electric vehicle market. The total budget of this multi-year plan amounted to €300 million. Other capital expenditure represented 6.6% of sales. Of these, 21% relate to the maintenance, upkeep and modernization of plants and equipment, and 25% to other Group growth projects, including environmental and safety improvements at our sites.

Investments in intangible assets (€11 million) related to the plan to digitize and modernize information systems which began in 2020. To a lesser extent, they concern the capitalization of certain R&D expenses on the EV and p-SiC projects.

Consequently, net debt at December 31, 2023 stood at €212.5 million, down compared with December 31, 2022 (€240.6 million), primarily reflecting the capital increase (net of costs) of €96 million completed in May and, conversely, the significant increase in capital expenditure as part of the Group's growth plan.

For 2023, the Group reached a return on capital employed (ROCE) of 13.0% (12.5% in 2022), in a favorable context of very significant utilization of production capacity and at a time when the investments made as part of the growth plan have only partially been put into operation.

EUROPEAN GREEN TAXONOMY

For the second year running, the Group has published the eligible and aligned proportions of its activities and capital expenditure in terms of the European Taxonomy Regulation.

For 2023, 75% of Mersen's sales were taxonomy-eligible, while 21% were taxonomy-aligned. For capital expenditure, 85% was eligible and 16% was aligned.

FINANCIAL STRUCTURE

The Group's financial structure at December 31, 2023 remained solid with a leverage ratio of 1.09x and a 25% gearing ratio.

Changes in financial structure since December 31, 2023:

As part of its growth plan, on March 7, 2024, Mersen successfully completed a Schuldschein private placement for €100 million with a maturity of almost six years. This financing facility, placed with a pool of European and Asian investors, was oversubscribed more than twice vs the amount initially planned.

The transaction has maintained the average maturity of the Group's financing facilities at more than 4.5 years (based on committed authorized facilities), preserved a significant number of available lines of credit and diversified the Group's sources of funding. It also demonstrates the support and confidence of the Group's financial partners in Mersen's financial strength and growth strategy.

DIVIDEND

At the Annual General Meeting on May 16, 2024, the Board of Directors will ask shareholders to approve the payment of a €1.25 per share cash dividend, stable vs 2022. This would result in a total payout of around €30 million, up 17% from 2022, because of the new shares issued as part of the capital increase. This would represent 37% of income attributable to Mersen shareholders, up from 33% in 2022. This ratio is in line with the Group's policy of distributing between 30% and 40% of attributable net income. The dividend payment date will be July 4, 2024.

2024 OBJECTIVES

In 2024, the Group will continue to roll out its medium-term plan. In particular, it will draw on its growth markets, where the Group expects to see:

- continued strong demand in the SiC semiconductor market;
- growth in the electric vehicle market;
- moderate growth in the Si semiconductor market;
- stability in renewable energies, due to the Group's decision to limit its production capacity for the solar market in China and redirect it to other markets.

In its other markets, the Group expects to see:

- growth in the rail market, particularly in India;
- continued business growth in aeronautics;
- moderate growth in the chemicals market;
- growth depending on macro-economic trends for process industries.

The Group will continue to increase its graphite and insulating felt production capacity, expand plants serving the SiC semiconductor market, and set up high-performance automated lines to meet ACC's demand for the batteries of the Stellantis Group's electric vehicles.

The Group will also continue to strengthen its dedicated teams to handle the development of SiC projects, albeit with limited sales in 2024. The team dedicated to the electric vehicle market will continue its work, with modest sales in 2024.

Moreover, as the Group accelerates its investment program, depreciation and amortization will increase significantly.

Consequently, in 2024, the Group is aiming for:

- organic growth of around 5 %;
- operating margin before non-recurring items of around 11 % of sales;
- capital expenditure of between €200 million and €240 million, depending on the pace of project rollouts, including €110-150 million relative to the growth plan, in line with the Group's road-map.

NEW CSR ROADMAP FOR 2022-2027

Bolstered by its progress in the SiC semiconductor and electric vehicle markets, Mersen established, in March 2023, new medium-term targets – more ambitious and with more distant time horizons – than those of its previous plan, accompanied by a significant investment plan. During 2023, the Group undertook to align its CSR roadmap with the 2027 time horizons established for the new targets. Although it includes the same priority commitments, some of the targets were adjusted to take account of the Group's change in dimension going forward to 2027.

It includes:

- reducing CO_2 emissions intensity by 35% (scopes 1 and 2) versus 2022;
- increasing the proportion of women engineers and managers by four percentage points versus 2022;
- reaching 27% of senior management positions occupied by women;
- increasing the number of employees with disabilities by 25% from 2022 levels.

The new comprehensive CSR roadmap is presented in the appendix.

2027 MEDIUM-TERM PLAN

The Group confirms the objectives of its 2027 growth plan as communicated on March 14, 2023, namely:

- 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.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(In millions of euros)	**2023**	**2022**
Sales	1,210.9	1,114.8
Gross income	385.4	348.0
Selling, marketing and other operating expenses	(88.5)	(84.5)
Administrative and research expenses	(158.5)	(140.4)
Amortization of revalued intangible assets	(1.2)	(1.5)
Operating income before non-recurring items	**137.3**	**121.6**
As a % of sales	*11.3%*	*10.9%*
Non-recurring income and expenses	(5.9)	(11.4)
Operating income	**131.4**	**110.2**
Net financial expense	(19.3)	(12.9)
Current and deferred income tax	(26.2)	(23.0)
Net income	**85.9**	**74.3**
Attributable to Mersen shareholders	81.6	67.7

SEGMENT ANALYSIS

(In millions of euros)	**Advanced Materials (AM)**		**Electrical Power (EP)**		**Group**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Sales	669.4	621.8	541.5	493.1	1,210.9	1,114.8
EBITDA before non-recurring items	149.8	142.3	72.8	63.7	202.7	186.4
As a % of sales	*22.4%*	*22.9%*	*13.4%*	*12.9%*	*16.7%*	*16.7%*
Operating income before non-recurring items	105.0	98.0	54.6	44.5	137.3	121.6
As a % of sales	*15.7%*	*15.8%*	*10.1%*	*9.0%*	*11.3%*	*10.9%*

CONDENSED STATEMENT OF CASH FLOWS

(In millions of euros)	**2023**	**2022**
Cash generated by operating activities before change in working capital requirement	201.0	180.8
Change in working capital requirement	3.2	(63.2)
Income tax paid	(25.0)	(12.1)
Net cash generated by operating activities	**179.3**	**105.5**
Capital expenditure	(176.3)	(97.3)
Disposals of assets and other	1.6	10.1
Net cash generated by operating activities after capital expenditure, net of disposals	**4.5**	**18.3**
Investments in intangible and financial assets	(11.0)	(6.5)
Changes in scope of consolidation	2.1	(2.6)
Net cash generated by/(used in) operating and investing activities	**(4.4)**	**9.2**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Dec. 31, 2023	Dec. 31, 2022
Non-current assets	903.9	791.9
Right-of-use assets	50.6	53.5
Inventories	299.2	283.2
Trade and other receivables	199.5	194.5
Other assets	16.3	16.5
TOTAL	**1,469.6**	**1,339.6**
Equity	817.7	694.0
Provisions	13.8	15.3
Employee benefit obligations	40.4	38.6
Trade and operating payables	268.6	234.7
Other liabilities	62.7	60.9
Lease liabilities	53.9	55.4
Net debt	212.5	240.6
TOTAL	**1,469.6**	**1,339.6**

WORKING CAPITAL TO SALES RATIO

In millions of euros	2023	2022
Inventories	299	283
Trade receivables	169	167
Other operating receivables	27	25
Contract assets	3	2
Trade payables	(84)	(87)
Other operating payables	(121)	(118)
Contract liabilities	(64)	(31)
Working capital requirement	**230**	**243**
Sales (4 x fourth quarter)	1,205	1,174
WCR as a % of sales	**19.1%**	**20.7%**

The Group's results for 2023 will be presented on March 13, 2024 at 10:00 a.m. CET in a webcast streamed on Mersen's website.

FINANCIAL CALENDAR

First-quarter 2024 sales: April 24, 2024 after the markets close

ABOUT MERSEN

Mersen is a **global expert in electrical specialties and advanced materials** for high-tech industries. With more than 50 industrial sites and 18 R&D centers in 33 countries around the world, Mersen develops **custom-built solutions** and delivers key products for clients in order to meet the new technological challenges shaping tomorrow's world. **For over 130 years, Mersen has focused tirelessly on innovation** to accompany its clients and meet their needs. Be it in wind power, solar power, electronics, electric vehicles, aeronautics, space or countless other sectors, wherever technology is progressing, you will always find a bit of Mersen.

MERSEN IS PART OF THE SBF120 INDEX – COMPARTMENT B

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GLOSSARY

Average capital employed: Average capital employed for the last three half-year periods.

Capital expenditure: Investments in property, plant and equipment.

EBITDA before non-recurring items: Operating income before non-recurring items, depreciation and amortization.

Gearing: Covenant net debt divided by equity.

Leverage: Covenant net debt divided by covenant EBITDA.

Net debt: Sum of long- and medium-term borrowings, current financial liabilities and current bank loans, less current financial assets, cash and cash equivalents.

Operating cash flow: Net cash generated by operating activities.

Operating margin before non-recurring items: Operating income before non-recurring items divided by sales.

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.

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.

Recurring EBITDA margin: EBITDA before non-recurring items divided by sales.

ROCE: Return on capital employed: operating income before non-recurring items for the last 12 months divided by average capital employed.

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.

New CSR roadmap for 2022-2027

Commitment	Ambition	2027 target (versus 2022)
Responsible partner	Improve social and environmental practices throughout our value chain	• Less than 5% of suppliers with a CSR score of less than 25 • Maintain a minimum of 85% of external purchases with local suppliers
Limit the environmental impact of our sites	Decarbonize and mitigate the impact of climate change	• Reduce GHG emissions intensity by 35% (Scopes 1 and 2) • Increase the share of renewable electricity to 80% • Increase the share of waste recycled to 80% • Lower water consumption intensity by 15% • Draw up a formal water conservation plan for all sites exposed to water stress
Develop human capital	Promote equal opportunity and diversity	• Increase by four percentage points the proportion of women engineers and managers (29%) • 27% of senior management positions occupied by women • Increase by 25% the number of employees with disabilities
	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
	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 per employee by 30%
Develop a culture of ethics and compliance	Instill ethical behavior Protect data and systems	• Compulsory ethics training every 2 years and initial training for new hires • Compulsory cybersecurity training (for employees with a PC)