Expertise, our source of energy

2023 URD

Universal Registration Document

MERSEN

Universal Registration Document

This is a translation into English for convenience purposes only of the (universal) registration document of the Company issued in French and it is available on Mersen website www.mersen.com

Mersen is a global expert in electrical power 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.

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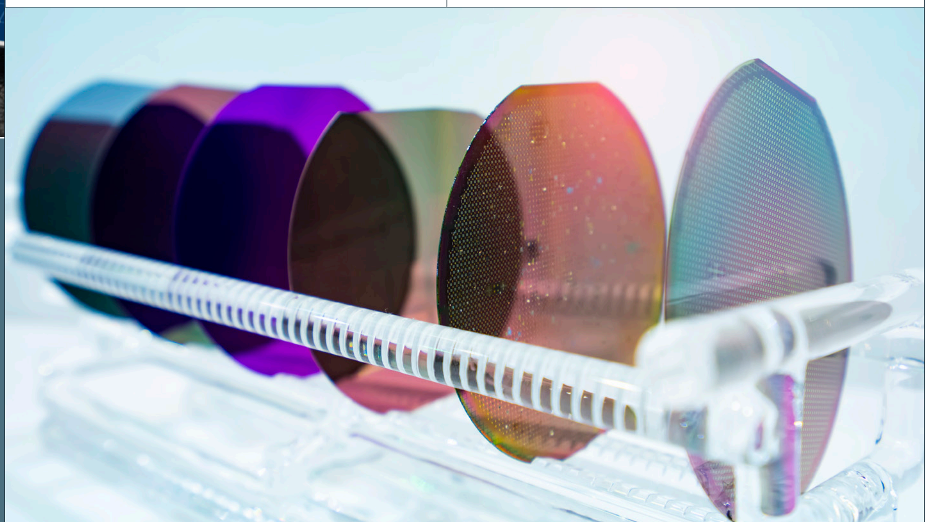


26 SHARE OWNERSHIP & TRADING

MESSAGE FROM LUC THEMELIN CHIEF EXECUTIVE OFFICER OF MERSEN

2023: a turning point for Mersen.

Luc Themelin, 63, has been Chief Executive Officer of Mersen since May 11, 2016, after serving as Chairman of the Management Board from August 2011 to May 2016. He also sits on the Group's Board of Directors. He holds a PhD in ceramic materials science, and initially joined the Group in 1993 as an R&D engineer.

2023 marked a new turning point for Mersen with the presentation of its 2027 strategic roadmap. This is a major change in dimension for the Group, and attests to our strong positioning in the energy transition markets. We are present in renewable energy, electricity transmission and power conversion in general, with SiC semiconductors improving efficiency, and, of course, the boom in electric vehicles. The announcement of our roadmap was accompanied by a major investment plan to adapt our production base and rapidly increase our production capacity of materials and components for the electric vehicle market. Moreover, in May 2023, we successfully completed a €100 million capital increase with a view to maintaining our financial and strategic flexibility and consolidating our very solid financial structure.

Lastly, in early 2024, we added a CSR component to our roadmap to align our objectives with the same 2027 timeframe.

We achieved excellent results in 2023, with sales of €1.2 billion for organic growth of 13%, far exceeding initial forecasts. Sustainable development markets accounted for 56% of Group sales, with particularly strong growth in sales of SiC semiconductors and electric vehicles. Overall volume growth combined with good pricing power enabled us to achieve a sharp year-on-year increase in operating income before non-recurring items, taking into account the costs required to position ourselves in the electric vehicle market and to develop the new p-SiC technology for power semiconductors, as well as costs of ramping up production at the Columbia plant in the United States.

+13%
ORGANIC SALES GROWTH IN 2023 COMPARED TO 2022

26%
OF ENGINEERS AND MANAGERS ARE WOMEN

Major new contracts with customers in the SiC semiconductor industry drove a significant increase in advanced payments, which led to very strong net cash flow from operating activities. Meanwhile, in line with our roadmap, we have significantly increased our capital expenditure, particularly at our Advanced Materials sites in the United States.

Our non-financial performance in 2023 was equally remarkable, with a particularly noteworthy 26% reduction in carbon emissions compared with 2022. On top of that, the proportion of women in engineering and managerial positions rose to more than 26%, while no less than 75% of our sales were EU Green Taxonomy eligible.

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 for 2023, in line with the Group’s policy.

In 2024, we will continue to implement our strategic plan with care and enthusiasm, bringing all our teams on board. I strongly believe that the year ahead holds further development for Mersen and will see even more value created for all our stakeholders.

Luc Themelin

In 2024, we will continue to implement our strategic plan.

MERSEN IN A NUTSHELL & KEY FIGURES FOR 2023

A global expert in electrical power and advanced materials,
Mersen partners companies around the world that drive today's industry
and shape tomorrow's society.
A committed partner and core technology provider.

OUR SOLUTIONS

The Group develops tailor-made solutions and supplies key products across ten main product lines to meet new technological challenges.

- High-temperature graphite solutions
- High-temperature insulation
- Overcurrent protection
- Overvoltage protection
- Power conversion
- Motor brushes
- Signal transfer
- Power transfer
- Anti-corrosion equipment
- Advanced optics

€1,211M
IN SALES

56%
FOR SUSTAINABLE DEVELOPMENT MARKETS.

EARNINGS

€203M
EBITDA BEFORE NON-RECURRING ITEMS

€137M
OPERATING INCOME BEFORE NON-RECURRING ITEMS

€82M
NET INCOME ATTRIBUTABLE TO MERSEN SHAREHOLDERS

DIVIDEND PER SHARE

€1.25
Subject to shareholder approval at the Annual General Meeting

FINANCIAL STRUCTURE

13.0%
RETURN ON CAPITAL EMPLOYED

1.09
LEVERAGE

OUR COMMITMENTS

UN GLOBAL COMPACT – WE SUPPORT

WOMEN'S EMPOWERMENT PRINCIPLES – Established by UN Women and the UN Global Compact Office

The Valuable 500

MSCI ESG RATINGS – AA

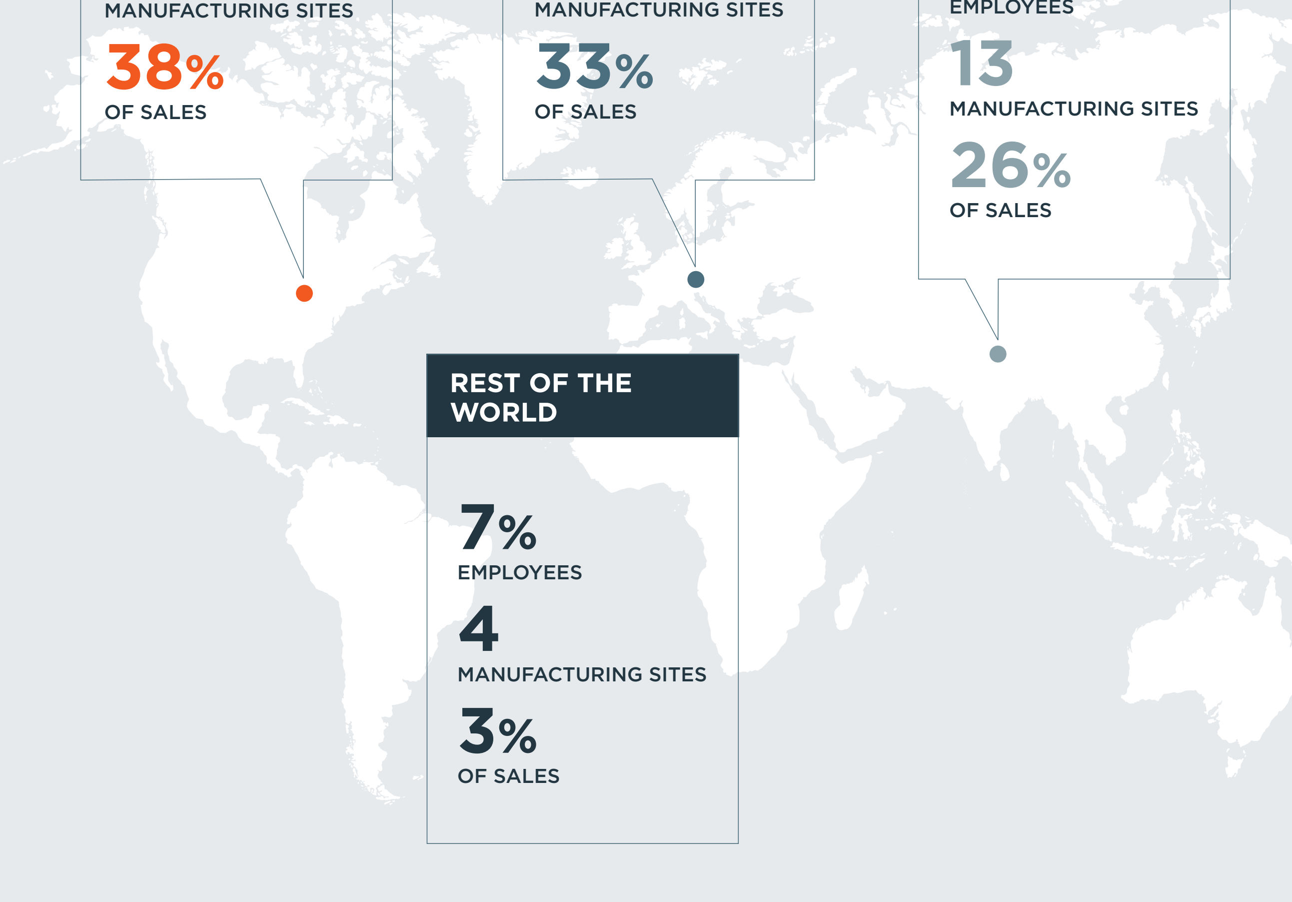
GOLD 2023 ecovadis Sustainability Rating

MERSEN WORLDWIDE

7,500
EMPLOYEES

33
COUNTRIES

51
SITES WORLDWIDE
(of which 18 have more than 125 employees)



NORTH AMERICA

33%
EMPLOYEES

14
MANUFACTURING SITES

38%
OF SALES

EUROPE

37%
EMPLOYEES

20
MANUFACTURING SITES

33%
OF SALES

ASIA-PACIFIC

23%
EMPLOYEES

13
MANUFACTURING SITES

26%
OF SALES

REST OF THE WORLD

7%
EMPLOYEES

4
MANUFACTURING SITES

3%
OF SALES

HISTORIC DATES

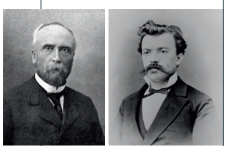
The revolution in electricity, where it all began

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.

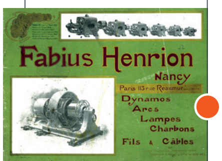
Following on from lighting and arc lamps, electric motors gave the Group's founders opportunities to develop on an industrial scale. Electricity was being produced by dynamos in which the current was transmitted by sliding contacts in the form of small brushes made of carbon, another major market that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



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 entrepreneurs are the true founders of Mersen.



1891 Establishment of the Fabius Henrion factory, producing electric motors, dynamos and lamps

1892 Creation of Le Carbone in Paris, specializing in the manufacture of brushes for motors

1897 Opening of the first foreign subsidiary, in Germany

1937 Foundation of Carbone Lorraine

NEW MOMENTUM

When France was liberated in 1945, Carbone Lorraine recovered most of its plants in working order. However, the Group emerged weakened from the global conflict.

It was now faced with a major challenge: modernize or disappear. Under the leadership of its new Chairman, Charles Malégarie, the Group rallied to return to the industrial presence it had enjoyed in the 1930s.

1950–1985 Resumption of worldwide distribution of products from Ferraz, a Lyon-based manufacturer of industrial fuses

1961 Construction of the Amiens plant to manufacture brushes for electric motors

NEW HORIZONS

In the early 80s, the Group decided to reinvent itself. The aim was to move away from commonplace products and specialize in highly technical manufacturing methods.

At the same time, R&D efforts were more and more focused around customers so as to offer them tailor-made products. This important turning point is what shaped the Mersen Group as we know it today.

1991 Acquisition of Stackpole's electrical applications and high-temperature assets (United States)

1999 Acquisition of the Gould-Shawmut group's electrical protection division (American standard fuses)

GOULD

2005 Disposal of its automotive magnets business

2007 Inauguration of the Chongqing plant, the Group's first industrial facility in China to produce isostatic graphite

2008 Acquisition of Xianda (heat exchangers) and Mingrong Electrical Protection (MEP) (fuses), the Group's first acquisitions in China

Disposal of its rail and motorcycle braking business

Acquisition of Calcarb, world no. 2 in rigid graphite felts

2009 Disposal of its automotive and household electrical appliance brush business

A GLOBAL EXPERT

In 2010, the Group undertook to bring its identity in line with its new profile. Carbone Lorraine gave way to Mersen.

2010 CARBONE LORRAINE BECOMES MERSEN

MERSEN

Acquisition of a majority stake in Boostec, a specialist in silicon carbide

Strengthening of the solar energy business with the acquisition of a majority stake in Yantaï

2011 Acquisition of Eldre, a specialist in laminated and insulated bus bars

2014-2018 Acquisition of Cirprotec, a specialist in lightning and surge protection devices (SPD)

2018 Acquisition of Idealec, a leader in designing and manufacturing laminated bus bars

Acquisition of FTCap, a leader in designing and manufacturing capacitors

2019 Acquisition of the Columbia site to manufacture isostatic and extruded graphite and insulation felts

Acquisition of Advanced Graphite Materials Italy, a specialist in the machining of graphite and carbon fiber insulation

2020 Acquisition of GAB Neumann, a specialist in graphite and silicon carbide heat exchangers

TRENDS AND OPPORTUNITIES

The energy transition is one of the greatest challenges of the 21st century, as the world faces the depletion of natural resources, a growing need for energy supply, and climate change.

The way forward is a structural transformation to reduce energy consumption and give green energy a greater share of our energy mix.

Mersen sees these underlying trends as opportunities to further support economic development and the global energy transition, delivering tailor-made solutions and key products to customers to help them rise to these new technological challenges.

Supporting the development of renewable energies

In 2022, the global energy crisis accelerated the shift to renewable energies, resulting in strong growth in installed capacity, particularly photovoltaic solar power, wind power and hydroelectric power, the three main renewables.

By the end of 2022, global renewable energy production capacity stood at 3,372 GW(1). Hydroelectric power, with a capacity of 1,256 GW, accounted for the largest share of the global total, followed by solar and wind power, which accounted for most of the remainder, with total capacities of 1,053 GW and 899 GW respectively.

According to the “Renewables 2023” report by the International Energy Agency (IEA), published on January 11, 2024, global annual renewable capacity additions increased by almost 50% in 2023 from 2022. Three quarters of this was for photovoltaic solar power. The IEA has predicted the strongest renewable power growth in 30 years over the next five years, with the aim of tripling global capacity by 2030.

China, in particular, is set to consolidate its leading position in the rollout of additional capacity. In 2022, it contributed almost half of all global additional capacity, and is expected to account for a record 55% of annual additional capacity worldwide by 2024.

Renewable energies are benefiting from favorable conditions, driven by proactive public policies aimed at reducing dependence on fossil fuels and developing clean energies.

This shift is set to continue as countries strive to contribute to greenhouse gas reduction targets, in line with the historic agreement reached by over 200 states at COP 28 in Dubai aimed at phasing out fossil fuels.

Mersen is contributing to the boom in renewable energies: solar, wind and hydroelectric.

Thanks to its offering of solutions and products that help make these major energy sources possible, Mersen will benefit from the short- and medium-term potential of these markets. Its global presence at the heart of its markets is also a major advantage.

Helping convert and transmit electricity

The development of high-performance storage and transmission solutions is crucial if renewable energies are to continue to rise.

Due to its intermittent nature, renewable power has to be converted so that it can be transmitted and stored.

Energy storage systems help balance electricity supply and demand on power grids and mitigate the intermittent output of renewables. Excess energy produced at certain times can be stored and then fed

(1) Source: International Energy Agency (IEA).

back into the grid when demand is higher. These systems also meet the needs of remote, off-grid areas.

In most cases, electrical energy cannot be stored or transmitted directly, so it is converted into the form required for its intended use – from direct current to alternating current, for example.

Thanks to power conversion, electricity from renewable sources can be transformed into an energy form that is subsequently fed into power grids, or stored and transformed back when it needs to be used.

Power conversion is a key area of development for Mersen.

The Group offers passive components for power management, as well as a wide range for optimizing the operation of power conversion and storage systems to make sure they are safe and reliable.

Improve power conversion efficiency with silicon carbide semiconductors

Silicon carbide (SiC) semiconductors, which perform better and consume less energy than their silicon (Si) counterparts, are increasingly becoming the go-to choice in the transition toward greater efficiency. They are used in the conversion systems of electric vehicles, energy storage, wind power and solar energy.

They are particularly essential in accelerating the adoption of electric vehicles, as they improve range and reduce battery charging times.

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

It should exceed USD 5 billion by 2028, representing growth of over 20% per year.

Mersen is a key player in the rise of SiC semiconductors.

The Group's expertise in supplying the components needed to manufacture power semiconductors is virtually unique. Mersen's isostatic graphite and insulators ensure perfect control of the reaction at 2,400°C, to form very high-quality silicon carbide.

Participating in the development of 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.

New electric car sales were expected to increase 35% year on year in 2023 to account for 18% of total car sales, compared with a share of less than 5% in 2020[2].

Worldwide sales are concentrated in three major markets, with China in first place, accounting for over half of sales, followed by Europe and the United States.

Some emerging markets are also promising. In India, for example, the manufacture of electric vehicles and their components is ramping up, supported by a government incentive program of more than USD 3 billion in 2022[2].

In the medium term, incentive policies should continue to support promising prospects. The scenario put forward by the International Energy Agency (IEA), which is based on current policies, projected a market share of 35% for electric cars in 2023. It also projects that China will retain its position as the largest market for electric cars, with 40% of total sales by 2030. The United States is expected to double its market share to 20% by the end of the decade as recent policy announcements drive demand, while Europe should maintain its current 25% share.

At COP 26, held in Glasgow in November 2021, some 30 countries, companies and carmakers pledged to work toward phasing out internal combustion engines (including hybrids and commercial vehicles) as early as 2035 in leading markets, and by 2040 worldwide.

Mersen is contributing to the powerful momentum of the electric vehicle market.

Thanks to its expertise in cutting-edge technologies and its long experience in sectors that share the same need for electrical protection and energy management, the Group has been developing and adapting its products (particularly fuses and bus bars) for several years to meet the battery protection and range requirements of electric vehicles.

(1) Plug-in Hybrid Electric Vehicle.
(2) Source: Global EV Outlook 2023 (IEA).

BUSINESS MODEL

MISSION

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

AMBITION

Pursuing the development of solutions tailored to our customers' needs by **drawing on our expertise.**

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

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

Optimizing human capital development by providing a **motivating work environment**.

OUR RESOURCES

HUMAN CAPITAL

7,500 EMPLOYEES IN 33 COUNTRIES

100% SITE MANAGERS RECRUITED LOCALLY

INDUSTRIAL ASSETS

51 MANUFACTURING SITES

€176M CAPITAL EXPENDITURE

INTELLECTUAL CAPITAL

18 R&D CENTERS

FINANCIAL POSITION

1.09 LEVERAGE

ENVIRONMENTAL RESOURCES

73% ELECTRICITY CONSUMED FROM RENEWABLE SOURCES

OUR BUSINESSES

DESIGN, MATERIALS FORMULATION

ASSEMBLY

TRANSFORMATION
INCLUDING BAKING, GRAPHITIZATION, PURIFICATION AND BRAZING

TREATMENT PROCESSES, FINISHING
MACHINING, COATING

OUR EXPERTISE

2 AREAS OF EXPERTISE

ADVANCED MATERIALS

- Resisting very high temperatures
- Protecting against corrosion
- Transmitting power

ELECTRICAL POWER

- Protecting equipment and people
- Converting power

ADDED VALUE

MEDIUM-TERM ROADMAP

SOCIAL AND SOCIETAL

€350 IN FIXED SALARIES

89% EMPLOYEES SATISFIED WITH WORKING FOR MERSEN

€45M IN PROFIT-SHARING PLANS AND BONUSES

€700M IN PURCHASING

ENVIRONMENTAL

56% OF SITES CERTIFIED ISO 14001 (>125 P.)

70% OF WASTE RECYCLED

56% OF SALES GEARED TO SUSTAINABLE DEVELOPMENT

ECONOMIC

€36M IN DIVIDENDS PAID

€25M IN INCOME TAX

€14M IN INTEREST PAID TO BANKS

OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

OUR 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. The Group primarily develops innovative solutions tailored to its customers' needs.

Advanced Materials segment

€669M
IN SALES

55%
OF TOTAL SALES

In the Advanced Materials segment, the Group operates across the entire value chain, from the formulation 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, silicon carbide parts (for solar applications and semiconductors) and other refractory components, electrodes for electrical discharge machining and 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 or silicon carbide 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 for subways.

WORLD NO. 1[(1)(2)]
in high-temperature isostatic graphite applications.

WORLD NO. 1-2[(1)(2)]
in graphite anticorrosion equipment.

WORLD NO. 1-2[(2)]
in brushes and brush holders for industrial electric motors.

Main competitors (in alphabetical order)

- **Helwig Carbon** (United States) – brushes, brush-holders and pantograph strips.
- **Morgan Advanced Materials** (United Kingdom) – 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.
- **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.

Electrical Power segment

€542M
IN SALES

45%
OF TOTAL SALES

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

This function prevents the destruction of industrial and commercial electrical equipment, ensures an uninterrupted power supply and helps stabilize the electrical network. It is provided by overcurrent protection devices (such as industrial fuses) and by surge protection devices (to protect against damage from power surges).

The Group stands out for its 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.

Power conversion

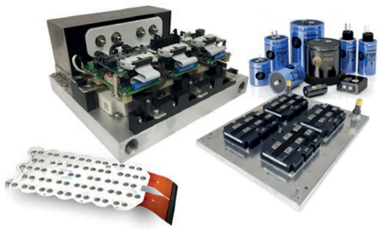
This function changes the nature, voltage, intensity or frequency of the current to meet very diverse applications, such as motor speed variation, solar and wind energy conversion, electric vehicle propulsion and the management of battery-based systems (electric vehicle or stationary storage).

To provide this, 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 that are integrated around power electronics components or in the architecture of battery packs.

For the electric vehicle market, some Group sites are certified to International Automotive Task Force (IATF) standards.

WORLD NO. 2[(2)]
in industrial fuses.

WORLD NO. 1[(1)(2)]
supplier of components for the power electronics market.



Main competitors (in alphabetical order)

- **Boyd Corp** (USA) – cooling devices
- **Dehn** (Germany) – surge protection devices
- **Eaton** (USA) – industrial fuses
- **ETI** (Slovenia) – industrial fuses
- **Littelfuse** (USA) – industrial fuses
- **Method** (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

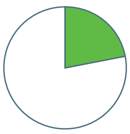
(1) Some businesses are covered by the regulations on the control of exports of dual-use items and technology.

(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.

OUR SOLUTIONS BY MARKET

Mersen provides solutions for all sectors in manufacturing, as well as all companies seeking efficiency and reliability.

ENERGIES



21% OF SALES

Solutions and products for principal energy sources, and renewable energies in particular.

Solar power

- 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.
- Isostatic graphite components for the deposition of blue anti-reflective coating on the surface of solar panels (PECVD process).
- A full range of solutions for the protection of photovoltaic panel installations (circuit breakers, fuses and surge protection devices).
- High-speed fuses, capacitors, laminated bus bars and cooling devices used for power conversion, which can be used in an integrated architecture.

Wind power

- Carbon brushes and brush holders and slip ring assemblies for current collection for generators.
- Signal transmission systems, brushes and brush holders for yaw motors and grounding systems.
- Full range of fuses, fusegears, fuseholders and surge protection devices.
- High-speed fuses, capacitors, laminated bus bars and cooling devices used for wind power conversion.
- Maintenance services: technical diagnostics, equipment verification, installation and replacement of components.

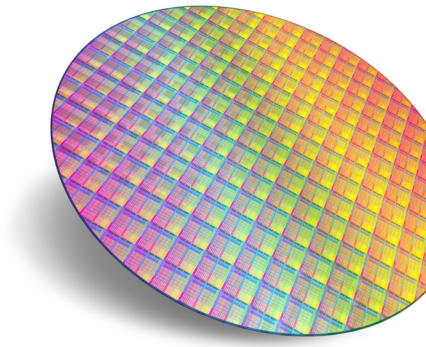
Energy storage

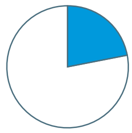
- Direct current surge protection solutions with fuse-based devices and laminated bus bars to connect battery cells.
- High-speed fuses, capacitors, laminated bus bars and cooling devices used in power conversion.

Conventional energies

- Power transfer solutions (brushes, slip ring assemblies, brush holders, and monitoring solutions).
- Power management: fuses and fusegears, cooling devices and laminated bus bars.

ELECTRONICS





24% OF SALES

Si and compound semiconductor manufacturing

- High-grade, ultra-pure graphite for the manufacture of semiconductors.
- Coated graphite supports for epitaxy and deposition phases of semiconductor active layers (CVD, MOCVD, ALD, etc.).
- Graphite parts for semiconductor manufacturing steps (lithography and ion implantation).

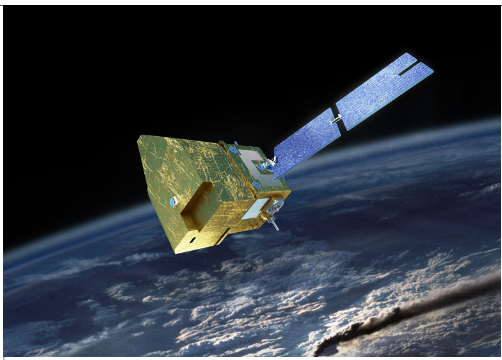
SiC semiconductor manufacturing

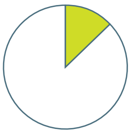
- Rigid felt and graphite components for the PVT process.
- Polycrystalline substrates (p-SiC®) for Soitec's SmartSiC process.

Power conversion

- High-speed fuses, capacitors, laminated bus bars and cooling devices used for power conversion, which can be used in an integrated architecture.

TRANSPORTATION





13%
OF SALES

Rail

Solutions that meet the needs of rail infrastructure and rolling stock:

- High-speed fuses, capacitors, laminated bus bars and cooling devices used for power conversion, which can be used in an integrated architecture.
- Current collector devices (pantograph strips, third rail shoes), brushes and brush holders.

Aeronautics

- Components for auxiliary motors, air conditioning, electrical power generation and distribution systems.
- Wear-resistant composite materials and brushes and brush holders designed for aircraft pressure systems.
- Optimal electronics cooling systems, low-inductance laminated bus bars, turbine blade positioning devices and components with lower friction rates.
- Materials and heat processing solutions for manufacturing processes for superalloy reactor blades.

Electric vehicles

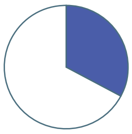
High-end BEV and industrial and commercial heavy vehicle markets:

- High-speed fuses and bus bars for battery modules and packs.
- Dedicated range of fuses to protect the electrical system supporting auxiliary functions.
- High-speed fuses, capacitors, laminated bus bars and surge protection devices for electric vehicle charging stations.

Space

- Silicon carbide mirrors and structures for telescopes, particularly for observation satellites, but also for ground-based telescopes (ELT).

PROCESS INDUSTRIES



33%
OF SALES

A wide range of tailor-made products and solutions to meet the challenges of energy efficiency and electrical protection.

- **Metallurgy:** electrical and graphite solutions for foundries and furnaces, hot and cold rolling mills, galvanic lines and electrolysis systems.
- **High temperature furnace industry:** graphite refractories, thermal insulation and flexible graphite composite systems.
- **Sintering processes:** graphite refractory tools to withstand extreme pressure and temperature during processes.
- **Glass industry:** graphite solutions and grades specially designed for glass molding and handling.
- **Rubber and plastic:** solutions designed for very specific operations (extrusion, injection, high temperatures, constant or variable speed, etc.).
- **Pulp and paper:** electrical solutions (for pulping machines, winders, rollers, driers, etc.) and mechanical and sealing solutions (for pumps and other systems).

CORROSIVE CHEMICALS

9%
OF SALES

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.

OUR STRENGTHS

100%
OF PLANT MANAGERS RECRUITED LOCALLY

Local relationships worldwide

Mersen works side-by-side with its customers all over the world. The Group draws on its production base of 51 manufacturing sites in 33 countries, 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.

4
VALUES

Employees committed to shared values

Mersen's major strength is its 7,500-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.

These values are driven by 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

18
R&D CENTERS

180
EXPERTS AND SPECIALISTS

210
EMPLOYEES WORKING IN R&D AND INNOVATION

Innovative answers to customer challenges

R&D organization

Mersen's R&D organization is built around a lean central structure headed by the Group's Chief Technical Officer (CTO) to oversee the long-term vision and manage 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.

The Group devotes around 3% 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 180 experts and specialists is to ensure that the Group's internal scientific culture and know-how are leveraged and passed on.

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 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.

Eco-design

Since 2021, Mersen has 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.

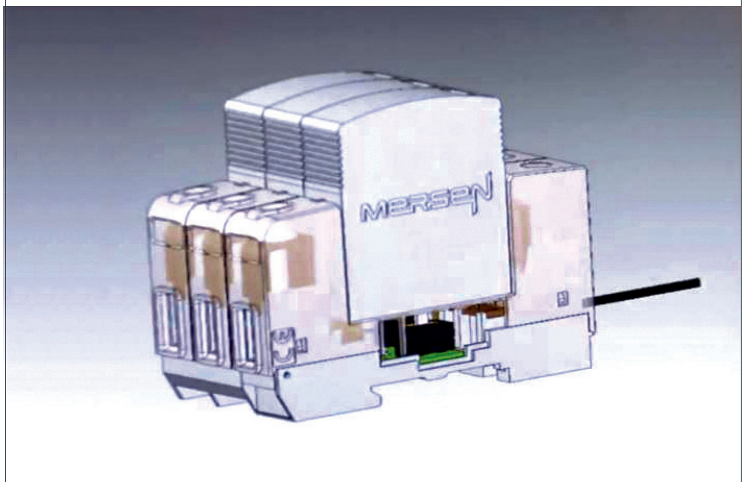
FOUR PILLARS OF MEDIUM-TERM GROWTH

As a key player in manufacturing industries around the world, Mersen follows a strategy based on four main 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's overall performance is supported by 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.

MEDIUM-TERM STRATEGIC PLAN

OPERATIONAL AND FINANCIAL

In March 2023, Mersen presented its medium-term strategic plan described below. It was confirmed in March 2024.

GROWTH MARKETS

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.

Investment plan

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 material finishing plants and enlarging three plants dedicated to fuses for electric vehicle market and one for busbars manufacturing in France for AAC.

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

Medium-term objectives

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.

CORPORATE SOCIAL RESPONSIBILITY

In March 2024, the Group has plotted out a new 2027 CSR roadmap, in line with its strategic objectives and with a view to growing its business in a responsible and sustainable way. Mersen's commitment to CSR is reflected in a number of objectives across the entire value chain, built on four pillars:

Being responsible partners

Ensuring responsible purchasing

- Maintain a minimum of 85% of external purchases with local suppliers
- Less than 5% of suppliers with a CSR score of less than 25

Limiting our environmental footprint

Limiting greenhouse gas emissions

- Reduce GHG emission intensity (scopes 1 and 2) by 35% (compared to 2022)
- Increase the share of renewable electricity to 80%

Recycling waste

- Increase the share of waste recycled to 80%

Limiting water consumption

- Reduce water consumption intensity by 15% (compared to 2022)
- Draw up a formal water conservation plan for all sites exposed to water stress

Developing human capital

Promoting equal opportunity and diversity

- Encourage gender balance and diversity in the workplace:
  - % of senior management positions held by women: 27%
  - % women engineers and managers: ≥29%
  - Improve inclusion of people with disabilities: up 25% (compared to 2022)

Promoting a social responsibility policy for all: 100% employee beneficiaries

- 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

Promoting well-being, health and safety at work

- Keep LTIR ≤1.8 and SIR ≤60
- Increase the number of management safety visits per employee by 30% (compared to 2022)

Cultivating an ethics and regulatory compliance culture

Ethics training

- Compulsory for new hires
- Compulsory refresher training every two years (individual or theme-based training by site)

Cybersecurity training

- Compulsory for employees with a personal computer

GOVERNANCE

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.

It is assisted by two committees: the Audit and Accounts Committee (CAC) and the Governance, Appointments and Remuneration Committee (CGNR).

Two directors play a coordinating role in strategic issues and CSR.

63%
PERCENTAGE OF INDEPENDENT DIRECTORS

100%
AVERAGE ATTENDANCE RATE OF DIRECTORS AT SCHEDULED MEETINGS

Olivier Legrain*
Chairman of the Board and member of the CGNR

Emmanuel Blot
Representative of Bpifrance Participations in charge of CSR issues and member of the CAC

Pierre Creusy
Director representing employees and member of the CGNR

Michel Crochon*
In charge of coordinating strategic issues and member of the CAC

Carolle Foissaud
Member of the CGNR

Emmanuelle Picard*
Member of the CAC

Luc Themelin
Chief Executive Officer, Mersen

Denis Thiery*
Chair of the CAC and member of the CGNR

Jocelyne Vassoille*
Chair of the CGNR

Board members (at the date of publication of the URD)

* *Independent director*

EXECUTIVE COMMITTEE

The Executive Committee 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.

15 YEARS
AVERAGE LENGTH OF SERVICE

30%
WOMEN

Luc Themelin
Chief Executive Officer

Thomas Baumgartner
Chief Financial Officer

Gilles Boisseau
Executive Vice President, Electrical Power

Christophe Bommier
Chief Technical Officer

Thomas Farkas
Group Vice President, Strategy & Development

Jean-Philippe Fournier
Group Vice President, Operational Excellence

Éric Guajioty
Executive Vice President, Advanced Materials

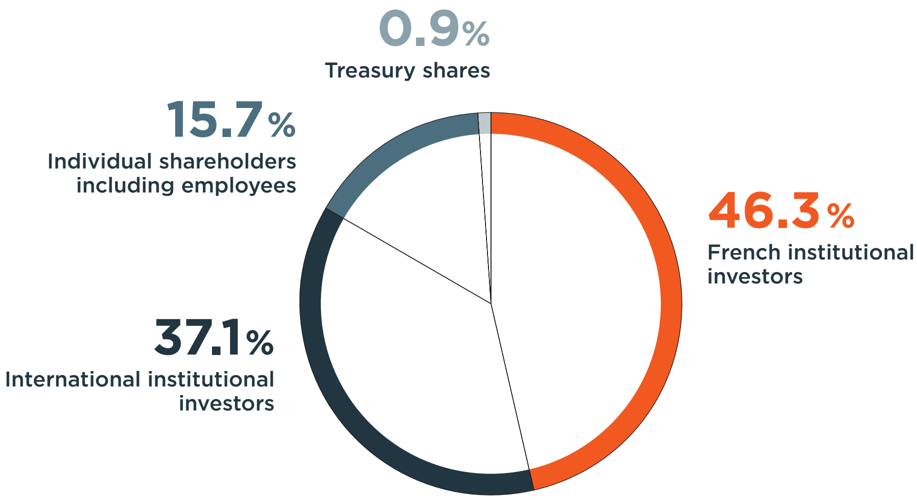
Sylvie Guiganti
Group Chief Information Officer

Delphine Jacquemont
Legal Vice President and Secretary of the Board of Directors

Estelle Legrand
Group Vice President, Human Resources

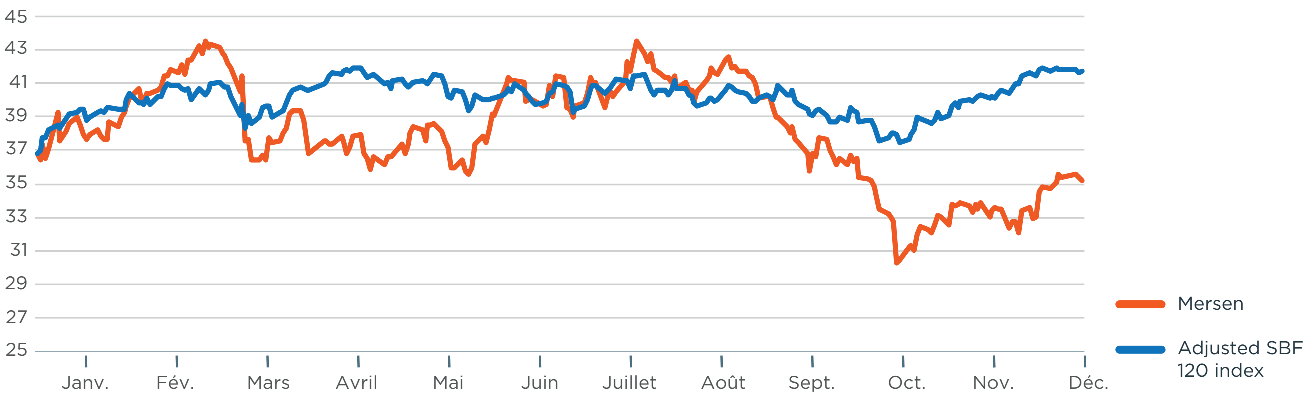
SHARE OWNERSHIP & TRADING

SHARE OWNERSHIP on December 31, 2023



Number of shares: 24,418,312

SHARE PRICE in 2023



On December 31, 2023: €35.20

Average daily transactions in 2023 : 100,692 shares

DIVIDEND PER SHARE in €*

€1.25

** Subject to shareholder approval at the Annual General Meeting*

2 CORPORATE GOVERNANCE REPORT

This corporate governance report was prepared by the Board of Directors in respect of the fiscal year ended December 31, 2023, 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, which met on March 7, 2024, and for the approval of the Board of Directors on March 12, 2024.

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 as revised in December 2022 to which the Company refers (hereinafter "the AFEP-MEDEF Code") and whose provisions it complies with. 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 represent the governance charter for the Board of Directors and also govern 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 2023 on several points and in particular:

- in line with the new AFEP MEDEF Code recommendations, the Board of Directors' duties in terms of CSR issues, particularly with regard to climate change (see section 1.1.3) were clarified;
- the Board of Directors' prior authorization powers, unchanged since 2016, were reviewed, broadening the list of decisions subject to prior authorization and increasing the thresholds in line with the Group's increased size (see section 1.1.2);
- the roles and duties and certain operating rules of the Audit and Accounts Committee (see section 1.1.3) and the Governance, Appointments and Remuneration Committee were clarified.

The Internal Rules have 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.

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;
- convening of the Annual General Meeting and approval of proposed resolutions;
- 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;
- approval and/or modification of the Group's business plan;
- capital expenditure for organic growth exceeding the Group's annual budget or business plan by an aggregate amount of over €20 million;
- acquisitions in any form (acquisitions of assets or equity interests), the price of which, including all liabilities and less any cash, exceeds €5 million;
- asset or equity interest disposals in an amount of over €10 million per transaction, if not provided for in the annual budget;
- 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

Pursuant to Article L.225-35 of the French Commercial Code and the AFEP-MEDEF Code, the Board of Directors:

- endeavors to protect the interests of the Company and its shareholders while taking into consideration, in particular, the social and environmental challenges of the Company's activities;
- determines multi-year strategic objectives, on the recommendation of Executive Management, which reports annually on implementation and results achieved. More specifically with regard to climate issues, the Board sets precise objectives to be achieved at various intervals. It reviews the results obtained each year, adapts the objectives if necessary and presents the strategy to the Annual General Meeting in the event of any significant change, and at least every three years.

To this end, on December 17, 2021, the Board decided to appoint a director to oversee CSR issues. As part of this role, the director coordinates work ahead of Board meetings. The director makes sure that CSR issues are assigned the proper level of priority and, in particular, reviews the CSR roadmap defined by the Group's Executive Management and oversees its implementation (see chapter 4 of this Universal Registration Document). The director also ensures that the CSR challenges of the issues submitted to the Board for approval are included in the reports provided beforehand.

This role, initially entrusted to Magali Joëssel, has been carried out by Emmanuel Blot since January 5, 2024 (see section 1.1.8.1).

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).

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. For example, at the Board meeting of March 14, 2023, Luc Themelin and Magali Joëssel presented an overview of the CSR actions carried out in 2022 and presented the updated CSR roadmap for the 2022-2025 period. In October 2023, Estelle Legrand, the Group Vice President of Human Resources, presented the HR challenges linked to the Group's growth plan to 2027. Magali Joëssel presented the updated CSR 2022-2027 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 2023
Representation of men and women	Balanced representation of men and women on the Board	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	The majority of the directors have international experience. Experience and skills are described in section 1.1.8.2.
Age of Directors	Compliance with statutory provisions Generational balance	The directors are between 38 to 72 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 1.1.8.2).

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 2023 are presented below:

Objective	Measures implemented and results obtained in 2023
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, 2023, based on the scope used and shown opposite, the proportion of women stood at 24.3% (23.7% in 2022).

** This objective was revised in the 2022-2027 roadmap (see chapter 4).*

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 when Ulrike Steinhorst was replaced by Emmanuelle Picard, whose appointment was approved by the Combined General Meeting of May 16, 2023. It was implemented again in 2023 and early 2024 to replace Carolle Foissaud, who resigned, and Michel Crochon, whose term of office expires at the Combined General Meeting of May 16, 2024 (see section 1.1.8.2). For each of these replacements, the Governance, Appointments and Remuneration Committee established a detailed profile for the purpose of identifying suitable candidates, with the support of a specialist consultant. Interviews were then conducted with each of the pre-selected candidates before the final choice was submitted to the Board of Directors for approval.

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 2023, for the inauguration of the Columbia plant in the United States (Tennessee), a tour of this site and of the Bay City plant (Michigan) was organized for members of the Board of Directors. As Emmanuelle Picard joined the Board in May 2023, she visited also some of the sites.

Upon their appointment, Audit and Accounts 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.

Lastly, the Company enrolls each director with an organization tasked with supporting, informing and training members of boards of directors. Accordingly, all directors can use this organization's services.

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 2023, the assessment was conducted by an independent director who is a member of the Governance, Appointments and Remuneration Committee, under the supervision of this committee. It involved individual interviews with all of the directors, based on structured guidelines approved in advance by the Chair of the Governance, Appointments and Renumeration 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 15, 2024.

This gave rise to the following conclusions:

- The satisfaction level of the members of the Board of Directors is high overall, and directors are committed to Mersen's success;
- The practices, procedures and composition of the Board and its committees are adapted to the Group; strategy and CSR issues are coordinated and effectively represented by two directors;
- The choices made in terms of people and the number of members and committees ensure that they can operate in an efficient, flexible and pragmatic way, with a diverse range of profiles and skills;
- The staggering of terms ensures that directors can be appointed and replaced smoothly;
- Communication is very fluid, both between directors and with management;
- The documentation provided prior to Board and committee meetings is of a high standard, as are the minutes and reports.

The main areas for improvement identified are as follows:

- Communicating financial market reactions more systematically after major publications;
- Continuing to organize site visits for members who so wish, in order to improve their knowledge of Mersen's businesses;
- Strengthening the position of CSR in Board discussions;
- Systematically communicating all documents presented at committee meetings, not just summaries or reports;
- Sharing complex projects, such as acquisitions, in advance to allow discussion and different perspectives over several meetings;
- Examining the suitability of the ceiling on directors' total compensation, given the high number of meetings (Board of Directors and committees).

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 2023 and January 2024

The Annual General Meeting of May 16, 2023 decided the election of Emmanuelle Picard as a director for a period of four years, to replace Ulrike Steinhorst, whose term of office was due to expire and who could not stand for re-election due to the age limit for directors.

On the same date, the Annual General Meeting also decided the renewal of the term of office for Bpifrance Investissement (for four years) and Denis Thiery, whose respective terms of office were due to expire.

Summary of changes in the composition of the Board of Directors and the Committees in 2023

	Departure	Election (term of office)	Re-election (term of office)
The Board of Directors	Ulrike Steinhorst (as of May 16, 2023)	Emmanuelle Picard (4 years) (as of May 16, 2023)	Denis Thiery, renewed on May 16, 2023 for 4 years Bpifrance Investissement, renewed on May 16, 2023 for 4 years
Audit and Accounts Committee	N/A	N/A	Denis Thiery, renewed on May 16, 2023 as Chairman of the Audit and Accounts Committee for the duration of his term of office as a director Bpifrance Investissement, renewed on May 16, 2023 for the duration of its term of office as a director
Governance, Appointments and Remuneration Committee	Ulrike Steinhorst (as of May 16, 2023)	Carolle Foissaud, independent director, appointed Chair of the Governance, Appointments and Remuneration Committee with effect from May 16, 2023 for the duration of her term of office as a director	

Emmanuelle Picard brings to the Board her many years of experience in the materials industry in positions of executive management, operations management and marketing management, through which she has acquired solid financial expertise. Her experience in managing multicultural teams is also an asset for understanding people-related issues in an international group like Mersen (see detailed presentation of the members of the Board of Directors).

Changes in the composition of the Board of Directors and its committees since December 31, 2023

The following changes took place in January 2024:

- Magali Joëssel, permanent representative of Bpifrance Investissement, asked to be relieved of these duties in order to focus on an investment fund she manages. To replace her, Bpifrance Investissement appointed Carolle Foissaud, an independent director, who has since resigned from her position.
- To replace Carolle Foissaud for the remainder of her term of office, the Board of Directors appointed Jocelyne Vassoille, currently Vice-President, Human Resources and member of the Executive Committee of Vinci. Jocelyne Vassoille brings to the Board her extensive experience in human resources management for major international groups, as well as in governance and CSR issues. Her co-optation is subject to ratification by the next Annual General Meeting.
- Magali Joëssel was also responsible for CSR issues on the Board of Directors and was a member of the Audit and Accounts Committee. She has been replaced in these roles by Emmanuel Blot, permanent representative of Bpifrance Participations. Emmanuel Blot brings to these CSR issues the expertise in multi-criteria environmental and socio-economic analysis he has developed working on investment projects. The extensive financial expertise acquired in her role at Bpi will also be an asset for the Audit and Accounts Committee.
- Carolle Foissaud was also Chair of the Governance, Appointments and Remuneration Committee and a member of the Audit and Accounts Committee. Jocelyne Vassoille has been appointed to replace her as Chair of the Governance, Appointments and Remuneration Committee. Carolle Foissaud remains a member of this Committee, replacing Emmanuel Blot. Emmanuelle Picard has replaced Carolle Foissaud on the Audit and Accounts Committee.

The changes described above took effect on January 5, 2024.

Thus, 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 2024 AGM)	Gender	Nationality	Number of shares	Indepen-dence	Date of first election	Term ends	Length of service on the Board (years)	Audit and Accounts	Governance, Appointments and Remuneration
Olivier Legrain *Chairman*	71	M	FR	3,008	X	05/18/2017	2025 AGM	7		X
Bpifrance Participations *Director* Represented by Emmanuel Blot Responsible for CSR issues	38	M	FR	2,627,244		05/19/2022	2026 GM	2	X	
Pierre Creusy *Director representing employees*	61	M	FR	336		10/12/2017	Group Committee meeting post 05/05/2026	6		X
Michel Crochon *Director* Responsible for leading discussions on strategic issues	72	M	FR	800	X	05/18/2017	2024 AGM	7	X	
Jocelyne Vassoille *Director*	58	F	FR	-	X	01/05/2024	2024 AGM	0		X
Bpifrance Investissement *Director* Represented by Carolle Foissaud	57	F	FR	986		10/30/2013	2023 AGM	10		X
Emmanuelle Picard *Director*	49	F	FR	800	X	05/16/2023	2027 AGM	1	X	
Luc Themelin *Chief Executive Officer* *Director*	63	M	FR	51,395		05/20/2021	2025 AGM	3		
Denis Thiery *Director*	68	M	FR	1,032	X	05/17/2019	2023 AGM	5	X	X

Chair.

1.1.8.2. Profile, experience and expertise of directors

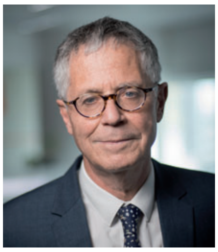
The Board of Directors and the Governance, Appointments and Remuneration Committee regularly assess the composition of the Board and its Committees, as well as the skills and experience that each director brings to the Board. They also identify how to achieve the best possible balance of directors' profiles, 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	E. Picard	L. Themelin	D. Thiery	J. Vassoille
Executive Management	X			X	X		X	X	
Innovation			X			X	X		
Strategy	X	X		X		X	X	X	X
Experience in Mersen's business activities	X	X	X	X		X	X		
Industrial expertise	X				X		X		
International/knowledge of a strategic geographic area for Mersen			X	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

1.1.8.3. Detailed presentation of the members of the Board of Directors at the date of this Universal Registration Document

Olivier Legrain



Born 09/30/1952
French nationality
Term ends: 2025
Shares held: 3,008
Business address:
Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France
Independent member

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
Member of the Governance Committee of Balas

Directorships that have expired in the past five years:

Director of Parrot, Astrance
Chairman of the Board of Parex
Member of the Supervisory Board of Amplegest

Bpifrance Participations
Represented by Emmanuel Blot

Born 07/06/1985
French nationality
Term ends: 2026
Shares held by Bpifrance Participations: 2,627,244
Business address:
27/31 avenue du Général Leclerc
94710 Maisons-Alfort cedex, France

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

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 over ten years.

Main activities exercised outside the Company

Director in the Large Cap division of Bpifrance Participations

Current directorships:

Directorships in listed companies other than Mersen:
Director of Constellium SE
Directorships in non-listed companies:
N/A

Directorships that have expired in the past five years:

N/A

Pierre Creusy

Born 09/27/1962
French nationality
Term ends: First Group Committee meeting post 05/05/2026
Shares held: 336
Business address:
15 rue Jacques de Vaucanson
69720 Saint-Bonnet-de-Mure, France

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
Business address:
6 rue Alexandre Dumas
78110 Le Vésinet, France
Independent member

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
- Directorships in non-listed companies:
  Director of Sphéréa,
  Director of Opéra Energie

Directorships that have expired in the past five years:
NA

Bpifrance Investissement
Represented by Carolle Foissaud

Born 09/02/1966
French nationality
Term ends: 2024
Shares held: 986
Business address:
Teréga,
40 avenue de l'Europe
64000 Pau, France

Member of Mersen's Board of Directors – Member of the Governance, Appointments and Remuneration 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, after which she was Managing Director of EQUANS Specialties business until 2023, a €2 billion division with 8,600 employees in France and abroad. Today, she is Deputy Chief Executive Officer of Teréga in charge of the group's executive coordination.

Main activities exercised outside the Company
Deputy Chief Executive Officer of Teréga in charge of the group's executive coordination

Current directorships:
- Directorships in listed companies other than Mersen:
  Director of GTT
- Directorships in non-listed companies:
  Chair of the Orientation Committee of ENSTA
  Independent director of KEOLIS

Directorships that have expired in the past five years:
NA

Emmanuelle Picard

Born 10/08/1974
French nationality
Term ends: 2027
Shares held: 800
Business address:
9, rue des Halles
75001 Paris, France
Independent member

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

Biography – Professional experience

Emmanuelle Picard has more than 20 years of industry experience with international responsibility, gained in strategy, marketing and executive management positions. In particular, she spent nearly 15 years with the Saint-Gobain group, where her positions included Managing Director of the Abrasive Wheel Reinforcement business and then of Saint-Gobain Adfors Industrial Fabrics Europe. She was also Managing Director, Performance Additives, for the EMEA region at Imerys. Since 2022, she has been Executive Vice President, Building Materials, at the Ahlstrom group, a world leader in advanced fiber-based materials.

Main activities exercised outside the Company

Executive Vice President, Building Materials of Ahlstrom

Current directorships:

Directorships in listed companies other than Mersen:
N/A

Directorships in non-listed companies:
Member of the Minafin Monitoring Committee (fine chemicals)

Directorships that have expired in the past five years:

Member of advisory boards of Bpifrance mid-cap accelerator programs (Boccard, Neys Group, ECM Technologies, Treuil Group)

Luc Themelin

Born 02/23/1961
French nationality
Term ends: 2025
Term as Chief Executive Officer ends: 2024
Shares held: 51,395
Business address:
Tour Trinity
1 bis place de la Défense
92400 Courbevoie, France

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:

Directorships in listed companies other than Mersen:
N/A

Directorships in non-listed companies:
Director of ITEN since February 7, 2023
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

Directorships that have expired in the past five years:

N/A

Denis Thiery

Born 06/28/1955
French nationality
Term ends: 2023
Shares held: 1,032
Business address:
26 rue de St Germain
78112 Fourqueux, France
Independent member

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/Quadient (2019)
Chief Executive Officer of Neopost/Quadient (2018)

Jocelyne Vassoille

Born 06/29/1965
French nationality
Term ends: 2024
Shares held: -
Business address:
1973, boulevard de La Défense
92000 Nanterre, France
Independent member

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

Biography – Professional experience
Jocelyne Vassoille began her career in aeronautics and HR consulting before joining the Danone group, where she held HR positions both in and outside France. She then joined LVMH as Director of Human Resources in charge of Group Talent and Acquisition, as well as the Selective Distribution, Perfumes and Cosmetics divisions, before being appointed Director of Human Resources at Parfums Christian Dior. She was then appointed Director of Human Resources, CSR and Communications at Vivarte. She was Director of Human Resources of L'Oréal's Research & Innovation division before being appointed Vice-President, Human Resources and a member of the Executive Committee of the Vinci group.

Main activities exercised outside the Company
Vice-President, Human Resources and member of the Executive Committee of the Vinci group

Current directorships:
Directorships in listed companies other than Mersen: Director of Laurent-Perrier
Directorships in non-listed companies: N/A

Directorships that have expired in the past five years:
N/A

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

Other members of the Board of Directors in 2023

- Ulrike Steinhorst was a member of the Board of Directors and Chair of the Governance, Appointments and Remuneration Committee until the General Meeting of May 16, 2023:

Born 12/02/1951
German nationality

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 at May 16, 2023:
Chair of SASU Nuria Consultancy

Directorships at May 16, 2023:
Directorships in listed companies other than Mersen: Director of Valeo (CSR Coordinator) and Albioma (Chair of the Compensation, Appointments and Governance Committee)
Other directorships: 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)

- Magali Joëssel was a representative of Bpifrance Investissement, a member of the Governance, Appointments and Remuneration Committee and was in charge of CSR issues until January 5, 2024:

Born 10/24/1973
French nationality

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 at 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.

Directorships at January 5, 2024:
Directorships in listed companies other than Mersen: Metabolic Explorer
Other directorships: Director of Yposkesi, Aledlia and Iten; non-voting director of Expliseat

Directorships that have expired in the past five years:
Director of Naval Energies and RATP

1.1.8.4. Upcoming changes in the composition of the Board of Directors in 2024

Two directorships are due to expire at the Combined General Meeting of May 16, 2024:

- the directorship of Jocelyne Vassoille, co-opted to replace Carolle Foissaud, who resigned (see section 1.1.8.1). The ratification of her co-optation and her re-appointment will be proposed to the Annual General Meeting of May 16, 2024;
- the directorship of Michel Crochon: this directorship cannot be renewed due to the age limit of 72 years.

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 for the previous 5 years;
- 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.

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. Blot	Bpifrance Investissement, represented by C. Foissaud	P. Creusy*	L. Themelin	O. Legrain	M. Crochon	E. Picard	D. Thiery	J. Vassoille
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 section 2.3).

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 2023.

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 2023

1.1.9.1. Work of the Board

The Board of Directors' agenda was particularly full in 2023, notably due to the capital increase carried out in May 2023. The Board of Directors met eleven times, including four extraordinary meetings not scheduled in the initial timetable, with a remarkable average attendance rate of 98%. 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: M&A projects, progress made in the electric vehicle market, developments on the SiC market, outlooks on the stacks market, opportunities for the renewal of nuclear energy worldwide, and an update on the Group's portfolio of businesses.
- CSR policy
  - progress and review of the CSR roadmap;
  - HR roadmap and challenges of the growth plan to 2027.

- 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.
- Capital increase
- 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.

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 Thiery
- Members: Bpifrance Participations (represented by Emmanuel Blot), Michel Crochon, Emmanuelle Picard.

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.821-67 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 Internal Rules were also amended in December 2023 to specify the mission of the Audit and Accounts Committee in non-financial matters. It is now stipulated that the Audit and Accounts Committee, in liaison with the director in charge of monitoring CSR issues, regularly oversees the relevance and integrity of the CSR information provided to the Board of Directors.

The Committee met six times in 2023, 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;
- capital increase;
- review of the Universal Registration Document;
- 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 2023. Review and approval of the 2024 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:

- Chair: Jocelyne Vassoille
- Members: Olivier Legrain, Pierre Creusy, Denis Thiery, Carolle Foissaud.

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 Articles 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, and 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, where applicable, the 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 2023, the Governance, Appointments and Remuneration Committee met five 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

- 2022 results and 2023 proposals for the fixed and variable compensation (annual and multi-year variable) of the Chief Executive Officer;
- proposal relating to the 2023 bonus share plans and consideration of changes to certain points relating to 2024 bonus share plans.

Governance and appointments

- assessment of the Board of Directors' practices and procedures;
- 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 Carolle Foissaud and Michel Crochon;
- succession planning for the Chief Executive Officer. As it does each year, the Committee reviewed the succession plan drawn up by Executive Management and the Human Resources Department. A review is carried out of talented employees who could be considered as possible successors to the Chief Executive Officer. The Committee also approved the selection process for the specialized firm that will assist the Group in identifying the external talent pool.

The table below summarizes each Board member's attendance at Board and Committee meetings in 2023.

Members of the Board	Attendance at Board meetings	Attendance at Audit and Accounts Committee meetings	Attendance at Governance, Appointments and Remuneration Committee meetings
Ulrike Steinhorst*	100%	N/A	100%
Bpifrance Participations represented by Emmanuel Blot	100%	N/A	100%
Bpifrance Investissement represented by Magali Joëssel	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%
Emmanuelle Picard**	90%	N/A	N/A
Denis Thiery	100%	100%	100%
Luc Themelin	90%	N/A	N/A
Average	**98%**	**100%**	**100%**

** Until the AGM of May 16, 2023.*
*** Since the AGM of May 16, 2023.*

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. On March 12, 2024 the Board of Directors voted on the renewal of his term of office. He has also been a member of the Board of Directors since May 20, 2021. For a detailed presentation, see section 1.1.8.4 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 CSR roadmap and ensures that it is applied at all levels of the company.

In March 2023, two senior managers joined the Executive Committee, namely Sylvie Guiganti, Group Chief Information Officer, and Delphine Jacquemont, Group General Counsel.

The Executive Committee now has ten members.

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, Electrical Power	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, Advanced Materials	2016
Sylvie Guiganti	Group Chief Information Officer	2017
Delphine Jacquemont	General Counsel	2020
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, 2024.

At its meeting of March 12, 2024, 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 16, 2023, subject to updated performance criteria for the annual variable compensation of the Chief Executive Officer and a review of the criteria for long-term variable compensation.

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 16, 2023 by a 99.66% 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

At its meeting on March 12, 2024, on the recommendation of the Governance, Appointments and Remuneration Committee, the Board of Directors decided to increase the maximum amount of the compensation package allocated to directors. The amount is now capped at €330,000, to take account of the increased density of Board and committee meetings, in particular related to the 2027 growth plan and the Board's new responsibilities under the CSRD.

All other allocation rules remain unchanged, in line 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 €330,000 (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 16, 2023 by a 94.52% majority.

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 AFEPMEDEF 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 provided for in this policy.

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 share-based compensation subject to performance conditions, and benefits. In accordance with the law, the payment of variable annual 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.

The Chief Executive Officer's gross annual fixed compensation for 2024 amounts to €500,000, unchanged from 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 hereafter).

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.

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 March 12, 2024, the Board of Directors set the following criteria for 2024 (weighting of each criterion is indicated in brackets):

- **Safety (25%):** the objective is based on three criteria, each with equal weighting:
  - 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 number of management safety visits (MSV) must be 1.2 per employee.
- **Environment (25%):** the objective is based on four criteria, each with equal weighting:
  - the waste recycling rate must be greater than or equal to 75% to reach 100% achievement (0% if less than or equal to 70%),
  - the Group's Scope 3 greenhouse gas ("GHG") emissions targets must be validated by the SBTi,
  - Scope 1 and 2 GHG emissions intensity must be less than or equal to 87 tCO2 per million euros of sales for 100% achievement (0 if greater than or equal to 92 tCO_2 per million euros of sales),
  - water consumption intensity must be less than 645 cu.m per million euros of sales for 100% achievement (0 if greater than or equal to 653 cu.m per million euros of sales),
- **Succession planning (15%):** the objective is to continue to roll out succession plans for the Executive Committee.
- **Business (20%):** the objective is to successfully track and manage the Group's capital expenditure plan.
- **External growth (15%):** the objective is to complete the acquisitions planned for 2024.

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 (as a % of fixed compensation)	**100%**	**150%**
of which weighting of financial criteria	*70%*	*120%*

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 annual 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 share-based 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 share-based compensation contingent on meeting objectives related to the Group's medium- to longterm strategy.

Such compensation will take the form of free shares and/or stock options whose value (measured on an IFRS basis as at the date of the Board meeting that decides on the allocation) may not exceed 30% of the Chief Executive Officer's entire compensation for the previous calendar year (fixed, maximum annual variable and long-term share-based 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.

One of the criteria must be relative to the performance of other comparable companies (SBF 120 or other relevant, documented benchmarks).

Benefits in kind

The Chief Executive Officer may receive benefits in kind, mainly contributions paid to an external organization in respect of executive unemployment insurance, as well as use of a company car and the payment of an annual medical examination.

Incentive plans

The Chief Executive Officer is 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 35 years of service with the Mersen group, including 24 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, 2023, the estimated amount of the annuity under the supplementary pension scheme paid to Luc Themelin was €168,000, before tax and social security contributions:

Data in euros	Ending salary	Annual pension
Basic salary (average of 3 years)	480,000	96,000
Maximum bonus (50% of 1.5 fixed)	360,000	72,000
Base	840,000	168,000

In December 2021, with the approval of the Board of Directors and after a favorable review by the Audit and Accounts 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 x R x 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** ≥ 100%, C = 100%

If **P** ≥ 90% and < 100%, C = 90%

If **P** ≥ 80% and < 90%, C = 80%

If **P** ≥ 60% and < 80%, C = 60%

If **P** ≥ 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 corporate officers' 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 free shares allocated to him 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 (expiration 2025 AGM)	NO	NO	NO	NO
Luc Themelin Chief Executive Officer since May 11, 2016 (expiration post-2024 AGM Board meeting)(3)	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.
(3) On March 12, 2024, the Board voted on the renewal of his term of office.

2.2. Compensation paid to directors and corporate officers in 2023

2.2.1. Directors' compensation for 2023

The compensation for directors for 2023 was awarded in accordance with the compensation policy described in 2022 URD and was paid in a single installment at the beginning of 2024. 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. In addition, Magali Joëssel, who until January 5, 2024 was responsible for monitoring matters related to CSR, stated that she did not wish to receive any compensation in this capacity (see section 1.1.3 of this chapter).

	Amounts granted for 2023				
(In euros – gross amounts)	Total	*o/w fixed portion*	Paid in 2023	Amounts granted for 2022	Paid in 2022
Isabelle Azemard	-	-	15,951	15,951	34,884
Bpifrance Participations (represented by Emmanuel Blot)	37,603	*13,000*	20,875	20,875	-
Bpifrance Investissement (represented by Magali Joëssel)	39,274	*13,000*	40,604	40,604	33,302
Pierre Creusy (director representing employees)	-	-	-	-	-
Michel Crochon	44,288	*13,000*	46,269	46,269	37,953
Carolle Foissaud	52,361	*13,000*	40,604	40,604	28,558
Olivier Legrain*	37,603	*13,000*	36,827	36,827	34,884
Emmanuelle Picard	13,519	*8,179*	-	-	-
Ulrike Steinhorst	23,530	*4,821*	45,325	45,325	42,326
Luc Themelin	-	-	-	-	-
Denis Thiery	56,822	*13,000*	58,545	58,545	52,093
	305,000	***91,000***	**305,000**	**305,000**	**264,000**

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

As was the case in 2022, the overall amount of compensation paid to the directors in 2023 corresponded to the maximum aggregate amount allocated, and has been reduced proportionally due to the large number of meetings that were held and an excellent attendance rate.

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 2023

The compensation of the Chairman of the Board of Directors for 2023 was granted in accordance with the compensation policy described in 2022 URD.

(In euros – gross amounts)	2023	2022
Compensation granted in respect of the fiscal year (broken down below)	157,603	156,827
Value of long-term 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	**157,603**	**156,827**

	2023		2022	
(In euros – gross amounts)	Amounts granted for 2023	Amounts paid in 2023	Amounts granted for 2022	Amounts paid in 2022
Directors' compensation*	37,603	36,827	36,827	34,884
Chairman's fixed compensation	120,000	120,000	120,000	120,000
TOTAL	**157,603**	**156,827**	**156,827**	**154,884**

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

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 2023

The compensation of the Chief Executive Officer for 2023 was granted in accordance with the compensation policy described in 2022 URD.

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

	2023	2022
Compensation granted in respect of the fiscal year (broken down below)	1,273,234	1,214,080
Value of long-term 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	318,254	306,306
Value of other long-term incentive plans	N/A	N/A
TOTAL	**1,591,488**	**1,520,386**

	2023		2022	
(in euros)	Amounts granted for 2023	Amounts paid in 2023	Amounts granted for 2022	Amounts paid in 2022
Fixed compensation	500,000	500,000	500,000	500,000
Annual variable compensation	715,451	660,000	660,000	589,600
Long-term variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Incentives	21,996	20,223	20,568	20,568
Compensation for serving as a director	N/A	N/A	N/A	N/A
Benefits in kind*	35,787	35,787	33,512	33,512
TOTAL	**1,273,234**	**1,216,010**	**1,214,080**	**1,143,680**

** Benefits in kind primarily correspond to 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 2023 was €500,000, gross.

Annual variable compensation

At its meeting of March 12, 2024, the Board of Directors carried out a performance assessment of Luc Themelin and set the overall performance at 143.1%, representing annual variable compensation granted of €715,451 for 2023, payable in 2024 contingent on the approval by the Combined General Meeting of May 16, 2024 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 nonrecurring items	*Indicator value*	**%**	**9.8**	**10.8**	**11.2**	**11.3**
	% of fixed compensation	%	0%	30%	60%	60%
Group operating cash flow	*Indicator value*	**€m**	**122**	**146**	**158**	**179**
	% of fixed compensation	%	0%	20%	30%	30%
Current EBITDA	*Indicator value*	**€m**	**182**	**196**	**203**	**203**
	% of fixed compensation	%	0%	20%	30%	30%
			0%	**70%**	**120%**	**120%**
Safety: improvement of safety indicators			0%		7.5%	3.0%
Environment: increase in the waste recycling rate, identification of ways to reduce CO_2 emissions, reduction in water consumption intensity			0%		6.0%	4.0%
Succession plan: Ongoing review of internal and external candidates			0%		4.5%	4.5%
p-SiC project: capital expenditure plan for the p-Sic project			0%		6.0%	6.0%
Electric vehicle market: implementation of a dedicated EV organizational structure and signature of new contracts			0%		6.0%	5.6%
			0%		**30%**	**23.1%**
TOTAL AS A % OF FIXED COMPENSATION			**0%**	**100%**	**150%**	**143.1%**

Financial criteria:

The 2023 financial objectives were based on the Group's annual budget, using a euro to Chinese renminbi exchange rate of 7.8 and a euro to US dollar rate of 1.1. The minimum, target, and maximum achievement levels for the objectives related to Group operating margin before non-recurring items and current EBITDA were recalculated using the exchange rates for 2023, i.e., 7.66 and 1.08. These changes in exchange rates did not affect the Group's competitiveness. Also, for the purpose of assessing the achievement of the current EBITDA criterion (which is expressed in absolute value terms), the figure was adjusted to exclude the impact of acquisitions that were initially planned for in the budget but were not carried out in 2023 and are still under consideration.

- **Operating margin before non-recurring items:** the restated target was 10.8% of sales (100% achievement), a higher level than in 2022 (10.2%), which takes into account an uncertain geopolitical and inflationary context. The Board of Directors set a maximum restated target of 11.2%, which was high to ensure that the target remained ambitious. The objective was exceeded, as the Group generated an operating margin before non-recurring items of 11.3%.
- **Operating cash flow:** the target was set at €146 million in 2023. The maximum (€158 million) was set much higher than the maximum set for 2022 (€106 million). The actual amount was well above the target limit, resulting in an achievement rate of 100%.
- **EBITDA before non-recurring items (current EBITDA):** the restated target for this objective was €196 million and the maximum was €203 million, representing a 9% increase compared with 2022 (or 14% excluding currency effects). The achievement rate for this objective was 100% as the Group generated EBITDA before non-recurring items of €203 million.

Non-financial criteria:

For 2023, the non-financial objectives were based on the following criteria:

- **Safety (25%)**: this criterion is based on three indicators: (i) A lost time injury rate (LTIR) of less than, or equal to 1.4 for 100% achievement (0% achievement if greater than or equal to 1.6). For 2023, the rate was 2.78, i.e., 0% achievement. The increase in accidents in 2023 mainly stemmed from four sites which experienced high turnover of both managerial and non-managerial staff. A specific action plan for each of these sites was immediately put in place to provide the requisite training, particularly in terms of safety induction and on-the-job training. (ii) The severity injury rate (SIR), which had to be less than or equal to 60 for 100% achievement (0% achievement if greater than or equal to 70). For 2023, the rate was 68, i.e., 20% achievement. The Board of Directors noted that this indicator improved significantly for temporary workers and subcontractors. (iii) The number of management safety visits (MSV), which had to exceed 5,170. For 2023, the number of MSVs was 8,033, representing a 100% achievement rate.

  Taking these factors into account, the overall achievement rate for the safety objective was 40%, i.e., a 3.0% contribution to the non-financial objectives out of a maximum 7.5%.

- **Environment (20%):** this objective was based on three targets: (i) A waste recycling rate of at least 75% (using the Group's 2022-2025 CSR roadmap as a basis) for 100% achievement (0% achievement if less than or equal to 70%). For 2023, the rate was 70%, i.e., 0% achievement. The Board of Directors noted, however, that during the year the Group focused on reducing waste. (ii) Having significantly reduced Scope 1 and 2 emissions intensity in 2022, the target in 2023 was to analyze the Group's Scope 3 emissions and identify ways to reduce them. The Group carried out an in-depth review on this subject in 2023, enabling it to draw up an initial map of its Scope 3 emissions. The Board therefore considered that this target was 100% achieved. (iii) The last target for the environmental objective was for the Group's water consumption intensity to be less than 670 cu.m per million euros of sales for 100% achievement. In 2023, the actual figure was 653 cu.m. per million euros of sales, representing a 100% achievement rate.

  Taking these factors into account, the overall achievement rate for the environmental objective was 66%, i.e., a 4% contribution to the non-financial criteria out of a maximum 6%.
- **Succession plan (15%): this plan is necessary to ensure an effective transition for certain roles over the medium term.** The Board considered that the objective was 100% achieved.
- **p-SiC project (20%):** the objective for 2023 was to complete the necessary capital expenditure projects to ensure wafer deliveries to Soitec. The Board of Directors considered that this objective was 100% achieved, as the Group delivered the planned number of prototypes to Soitec during the year.
- **Electric vehicle market (20%):** the objective was to (i) successfully set up the EV organizational structure at the Juarez and St Bonnet plants, which was achieved, and (ii) sign new major contracts. The Board considered that the vast majority of the second part of this objective was achieved, with a 93% achievement rate, as the Group continued to issue quotes for its customer ACC.

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 (77%) reflects this good performance.

Long-term compensation

In 2023, the Chief Executive Officer was granted 12,600 free shares, subject to the performance criteria described in section 2.3.3, representing 6.3% of the total number of shares granted under the three plans authorized by the Combined General Meeting of May 16, 2023.

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	2023 plan tranche 3	12,600	318,254	May 16, 2023	May 17, 2026	See section 2.3.3.

Incentives

In 2023, the Chief Executive Officer was a member of the incentive plan set up within the Company.

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 AFEPMEDEF 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 end2023.

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 (contributions paid into the executive unemployment insurance scheme and use of a 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 L. 6° AND 7° OF ARTICLE L.22-10-9 OF THE FRENCH COMMERCIAL CODE

	Company performance Financial criteria – reported data	2023	2022	2021	2020	2019
	Sales (€m)	1,211	1,115	923	847	950
	Change (as a %)	+8.6%	+20.8%	+9.0%	-10.8%	+8.1%
	Operating margin before non-recurring items (as a % of sales)	11.3%	10.9%	10.0%	8.1%	10.8%
	ROCE* (as a %)	13.0%	12.5%	10.8%	7.8%	11.3%
	Operating cash flow* (€m)	179	106	117	133	123
	Change (as a %)	+69%	-9.4%	-12.0%	+8.1%	+33.7%
	CEO's compensation (€m)	1,534,264	1,449,986	1,025,077	781,763	1,133,762
	Chairman's compensation (€m)	157,602	156,827	114,884	105,664	106,719
	Change (as a %) in CEO's compensation	+6%	+41%	+31%	-31%	+7%
	Change (as a %) in Chairman's compensation	+0%	+35%	+9%	-1%	+12%

	Information on the scope of the Group's head office	2023	2022	2021	2020	2019
	Headquarters – Average	228,726	212,147	161,220	127,681	167,146
	Headquarters – Median	147,738	121,131	95,173	93,847	80,113
	Change (as a %) in average employee compensation	+8%	+32%	+26%	-24%	+6%
	Change (as a %) in median employee compensation	+22%	+27%	+1%	+17%	-6%
Chairman	Pay vs. average employee compensation	0.69	0.73	0.71	0.83	0.64
	Change (as a %) compared to previous year	-6%	+3%	-14%	+30%	+6%
	Pay vs. median employee compensation	1.07	1.28	1.21	1.13	1.33
	Change (as a %) compared to previous year	-17%	+6%	+7%	-15%	+19%
Chief Executive Officer	Pay vs. average employee compensation	6.72	6.83	6.36	6.12	6.78
	Change (as a %) compared to previous year	-2%	+7%	+4%	-10%	0%
	Pay vs. median employee compensation	10.40	11.97	10.77	8.33	14.15
	Change (as a %) compared to previous year	-13%	+11%	+29%	-41%	+13%

	Information on extended scope (French site employees)	2023	2022	2021	2020	2019
	France – Average	51,968	49,610	46,534	45,122	50,693
	France – Median	41,598	39,025	35,567	32,769	34,398
	Change (as a %) in average employee compensation	+5%	+7%	+3%	-11%	+6%
	Change (as a %) in median employee compensation	+7%	+10%	+9%	-5%	-6%
Chairman	Pay vs. average employee compensation	3.03	3.12	2.47	2.34	2.11
	Change (as a %) compared to previous year	-3%	+26%	+6%	+11%	+9%
	Pay vs. median employee compensation	3.79	3.97	3.23	3.22	3.1
	Change (as a %) compared to previous year	-5%	+23%	0%	+4%	+10%
Chief Executive Officer	Pay vs. average employee compensation	29.58	29.23	22.03	17.33	22.37
	Change (as a %) compared to previous year	+1%	+33%	+27%	-23%	+4%
	Pay vs. median employee compensation	36.95	37.15	28.82	23.86	32.96
	Change (as a %) compared to previous year	-1%	+29%	+21%	-28%	+5%

** See glossary at the end of this document.*

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.

In addition to these changes related to sampling, year-on-year movements reflect the increase in the accounting valuation of allocated LTI as a result of the rise in the Company's share price.

The pay ratios for the Chairman and the Chief Executive Officer were much lower in 2023 compared with the median compensation for employees at the Group's head office. This is due to the 5% inflation-linked pay rises that were given in 2023 in France – which did not apply to either the Chairman or the Chief Executive Officer – and higher bonus rates for certain executives.

2.3. Free performance shares (executives programs)

The three free share plans for executives that have not yet reached the end of the vesting period are those awarded under the authorizations granted by the Annual General Meeting in 2021, 2022 and 2023. 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).

2.3.1. 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 end in certain cases.

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 20, 2021.

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 was disclosed on an ex-post basis (see results hereafter).

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 ≥ €4.20	100%

ROCE	Achievement
ROCE < 7.8%	0%
ROCE = 7.8%	30%
ROCE ≥ 9.0%	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

Actual performance and achievement rates were as follows:

	Actual performance	Achievement rate
Stock market criterion	Information available in May 2024	
Financial criteria		100%
Average operating income before non-recurring items per share	*5.29*	
Average ROCE	*12%*	
CSR criteria		83%
Women engineers and managers	*26.1%*	*49%*
Waste recycling rate	*70%*	*100%*
Reduction in emissions intensity	*-54%*	*100%*

The final results will not be known until May 2024.

2.3.2. 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 end in certain cases.

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 could 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.

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.

In April 2023, Mersen carried out a capital increase. In order to neutralize the dilutive effect of this increase on the free shares initially granted in May 2022, the Board of Directors used the authorization given by the Company's shareholders in the thirtyfirst resolution of the Annual General Meeting of May 19, 2022 in order to increase the total number of shares granted by 5% (88,200 shares). The number of shares granted to the Chief Executive Officer therefore now totals 13,230.

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 < 10.8%	0%
ROCE = 10.8%	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, 2021 (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.

2.3.3. 2023 plan

In 2023, 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 four 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 nineteenth resolution of the Annual General Meeting of May 16, 2023.

Description of the 2023 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 end in certain cases.

Performance conditions

- Each criterion is independent;
- The stock market criterion is assessed based on an external benchmark (growth in the SBF 120 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 86,100 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 16, 2023.

A total of 12,600 free shares were granted to the Chief Executive Officer, representing 6.3% of the total number of shares granted under the three plans authorized by the Annual General Meeting of May 16, 2023.

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 SBF 120 index. Growth in the share price will be compared over three years, starting from the first working day of the month of the 2023 Annual General Meeting, i.e., from May 2, 2023 to April 30, 2026.

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 and capped at 100%.

- **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 2023, 2024 and 2025. 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 < €5.88	0%
Operating income before non-recurring items per share = €5.88	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 < 10.0%	0%
ROCE = 10.0%	30%
ROCE ≥ xxx	100%

The upper limit 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 2025

The indicator will be measured based on employees on sites included in the Group's HRIS at December 31, 2022 (100% of Group employees). Acquisitions made after December 2022 will be excluded from the calculation of this criterion.

Percentage of women engineers and managers	Achievement
< 25.3%	0%
= 27%	80%
≥ 28.3%	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 2025 based on the environmental reporting scope.

Percentage of waste recycled or recovered	Achievement
< 70% of waste recycled in comparison with the total amount of waste produced	0%
≥ 70% of waste recycled in comparison with the total amount of waste produced	30%
≥ 75% 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 Scope 1 and 2 greenhouse gas emissions intensity of our production sites

This criterion will be measured in 2024 based on the environmental reporting scope, calculated on the basis of sales at constant exchange rates.

Scope 1 and 2 GHG emissions intensity	Achievement
> 157 tCO_2 emitted per million euros of sales	0%
= 157 tCO_2 emitted per million euros of sales	30%
= 130 tCO_2 emitted per million euros of sales	50%
= 123 tCO_2 emitted per million euros of sales	80%
≤ 120 tCO_2 emitted per million euros of sales	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 2026.

2.3.4. Free shares for executives: previous allocations

	2021 plan	2022 plan	2023 plan	
	With performance conditions			
	Tranche 2	Tranche 3	Tranche 3	Total
Date of allocation decision	May 20, 2021	May 19, 2022*	May 16, 2023	
Total number of shares allocated	84,000	88,200	86,100	258,300
Total number of shares allocated	84,000	88,200	86,100	258,300
- o/w corporate officers (Luc Themelin)	12,600	13,230	12,600	38,430
- o/w top ten recipients	*67,200*	*70,560*	*69,300*	*207,060*
Share price at allocation date	23.59	24.31	25.26	
End of vesting period	May 20, 2024	May 19, 2025	May 16, 2026	
End of holding period	May 21, 2024	May 20, 2025	May 17, 2026	
Allocation canceled at Dec. 31, 2023	0	0	0	0
o/w canceled in 2023	*0*	*0*	*0*	*0*
Number of shares vested and transferable	0	0	0	0
BALANCE OF SHARES GRANTED AT DECEMBER 31, 2023	**84,000**	**88,200**	**86,100**	**258,300**

** In April 2023, Mersen carried out a capital increase. In order to neutralize the dilutive effect of this increase on the shares initially granted in May 2022, the Board used the authorization given in the thirty-first resolution of the Annual General Meeting of May 19, 2022 in order to increase the total number of shares granted by 5%.*

2.4. Free shares (non-executives programs)

There are six free share plans for non-executives that have not yet reached their vesting date: the two 2021 plans, the two 2022 plans and two plans approved in 2023. 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.

2.4.1. 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 approved 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.

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 current EBITDA margin between 2021 and 2023
- or (the most favorable criterion is used)
  - Criterion 2: growth in the current 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.

Results

The achievement rates for the applicable performance criteria are as follows:

	Actual performance	Achievement rate
Financial criteria		100%
Average organic growth in sales over 2021/2022/2023	*12.4%*	
Average of the current EBITDA margin between 2021 and 2023	*16.5%*	
RSE criteria		83%
Women engineers and managers	*26.1%*	49%
Waste recycling rate	*70%*	100%
Reduction in emissions intensity	*-54%*	100%

Based on these results, 94% of the shares were allocated.

Plan without performance conditions

The Combined General Meeting of May 20, 2021 approved 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.

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 of the Mersen group in 2021.

The shares will vest on May 20, 2024.

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

2.4.2. 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 thirtysecond resolutions).

2.4.2.1. Performance-based plan

The Combined General Meeting of May 19, 2022 approved 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. In April 2023, Mersen carried out a capital increase. In order to neutralize the dilutive effect of this increase on the shares initially granted in May 2022, the Board of Directors used the authorization given in the thirty-first resolution of the Annual General Meeting of May 19, 2022 in order to increase the total number of shares granted by 5%,raising the maximum number of shares that may vest to 105,840.

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.

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 current EBITDA margin between 2022 and 2024
- or (the most favorable criterion is used)
  - Criterion 2: growth in the current 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 4 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, 2021 (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%
= 28%	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.

Reduction in CO_2 emissions intensity	Achievement
< 13% reduction in emissions intensity	0%
≥ 15% reduction in emissions intensity	80%
≥ 17% reduction in emissions intensity	100%

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

- Reducing 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.

Reducing water consumption	Achievement
> 672,000 m³	0%
< 672,000 m³	30%
≤ 637,000 m³	100%

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

2.4.2.2. Plan without performance conditions

The Combined General Meeting of May 19, 2022 approved 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. In April 2023, Mersen carried out a capital increase. In order to neutralize the dilutive effect of this increase on the shares initially granted in May 2022, the Board used the authorization given in the thirty-first resolution of the Annual General Meeting of May 19, 2022 in order to increase the total number of shares granted by 5%.

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.

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.

2.4.3. 2023 plans

The Combined General Meeting of May 16, 2023 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 (eighteenth and twentieth resolutions).

2.4.3.1. Performance-based plan

The Combined General Meeting of May 16, 2023 approved the eighteenth 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 0.4% of the share capital on the day of the Meeting.

At its meeting of May 16, 2023 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 99,500 free shares to 196 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 2023/2024/2025
  - Criterion 1b: average of the current EBITDA margin between 2023 and 2025
- or (the most favorable criterion is used)
  - Criterion 2: growth in the current EBITDA margin between 2022 and the 2023-2025 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

The indicator will exclude acquisitions made after December 2022.

Percentage of women engineers and managers	Achievement
< 25.3%	0%
= 27%	80%
> 28.3%	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 2025 based on the environmental reporting scope.

Percentage of waste recycled or recovered	Achievement
< 70% of waste recycled in comparison with the total amount of waste produced	0%
≥ 70% of waste recycled in comparison with the total amount of waste produced	30%
≥ 75% 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 2025 based on the environmental reporting scope, calculated on the basis of sales at constant exchange rates.

Scope 1 and 2 GHG emissions intensity	Achievement
> 157 tCO_2 emitted per million euros of sales	0%
= 157 tCO_2 emitted per million euros of sales	30%
= 130 tCO_2 emitted per million euros of sales	50%
= 123 tCO_2 emitted per million euros of sales	80%
≤ 120 tCO_2 emitted per million euros of sales	100%

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

2.4.3.2. Plan without performance conditions

The Combined General Meeting of May 16, 2023 approved the twentieth 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.

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 approximately 50 employees and managers of the Mersen group in 2023.

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

2.4.4. Free shares for non-executives: previous allocations

	2021 plan	2021 plan	2022 plan	2022 plan	2023 plan	2023 plan	
Performance conditions	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	
	Tranche 5	**Tranche 6**	**Tranche 7**	**Tranche 8**	**Tranche 9**	**Tranche 10**	**Total**
Date of allocation decision	May 20, 2021	May 20, 2021	May 19, 2022	May 19, 2022	May 16, 2023	May 16, 2023	
Total number of shares that may be allocated	100,800	12,000	105,840	12,600	100,800	12,000	344,040
Total number of shares allocated	100,800	11,350	98,600	12,000	99,500	12,000	334,250
- o/w corporate officers (Luc Themelin)	-	-	-	-	-	-	
- o/w top ten recipients	*13,250*	*4,600*	*11,760*	*4,043*	*15,800*	*3,950*	*53,403*
Share price at allocation date	27.33	27.33	27.97	27.97	29.43	29.43	
Vesting date (end of vesting period)	May 20, 2024	May 20, 2024	May 19, 2025	May 19, 2025	May 16, 2026	May 16, 2026	
Date of availability (end of lock-up period)	May 21, 2024	May 21, 2024	May 20, 2025	May 20, 2025	May 17, 2026	May 17, 2026	
Allocation canceled at Dec. 31, 2023	-	-	-	-		-	
o/w canceled in 2023	-	-	-	-		-	
Number of shares vested and transferable	-	-	-	-		-	
BALANCE OF SHARES GRANTED AT DECEMBER 31, 2023	**100,800**	**12,000**	**98,600**	**12,000**	**99,500**	**12,000**	**334,250**

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

	Free shares that became available for each executive corporate officer in 2023		
Beneficiary	No. and date of plan	Number of shares that became available during the fiscal year	Vesting conditions
Luc Themelin Chief Executive Officer		0	

Due to the Covid pandemic, in 2020 the Board of Directors, acting on a proposal from the Chief Executive Officer, decided not to set up any performance share plans in that year. These plans would have expired in 2023.

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

2.6. Free share authorization to be put to the shareholders' vote at the next Annual General Meeting on May 16, 2024

As has been the case in previous years, the shareholders will be invited to approve three authorization for the allocation of free shares (for executives, managers, and experts and talent). The plans will have a similar structure to those set up before, i.e.,:

- A three-year presence condition.
- For the executives and managers plans, ambitious and quantified performance conditions, both financial and nonfinancial, set in line with the Group's roadmap. These performance conditions will be described in detail in the notice of meeting for the Annual General Meeting.
- A 30% to 40% increase compared with 2023 in the maximum number of free shares that may be allocated for all of the plans. The Board of Directors considers this increase necessary in view of the Group's very strong growth between 2019 and 2023 (around 30% sales growth) and its ongoing strong growth forecast for the coming years (with sales estimated to rise by 40% between 2023 and 2027).
- A larger number of beneficiaries, particularly for the experts and talent plan, due to the increase in the Group's workforce.

Based on the recommendation of the Governance, Appointments and Remuneration Committee, the Board intends to differentiate more between the amounts allocated per beneficiary, in line with the levels of their expected contributions to the Group's growth plan.

In view of these factors, the number of performance shares granted to the Chief Executive Officer will be up to 40% higher than the grants allocated in 2023, but will still remain below the ceiling set in his (unchanged) compensation policy described in section 2.1.4. This percentage increase will also apply to the other beneficiaries of the executives plan.

In order to more closely align the Chief Executive Officer's long-term compensation with the Group's objectives for 2027, the Board of Directors decided to adjust the applicable performance conditions by introducing a sales growth criterion, which is one of the indicators used in the Group's 2027 growth plan.

The performance conditions – which were previously based on a stock market criterion, one or two profitability criteria and several CSR criteria – will now be based on (i) a stock market criterion, (ii) two profitability criteria including Group ROCE, (iii) a business criterion (sales growth); and (iv) several CSR criteria.

With a view to balancing the relative importance of each criterion, the respective weightings of the stock market criterion and the CSR criteria will represent at least 25% of the total.

The achievement of each of these criteria will be assessed separately.

2.7. Components of compensation paid or granted to Luc Themelin (Chief Executive Officer) in respect of the fiscal year ended December 31, 2023 submitted to a vote by the Combined General Meeting of May 16, 2024

	Amount paid in 2023	Amount granted in 2023 (or fair value of shares)	Observations
Fixed compensation	€500,000	€500,000	No increase in 2023.
Annual variable compensation	€660,000	€715,451 (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. The individual and financial objectives are reviewed every year by the Governance, Appointments and Remuneration Committee, based on the Group's strategic priorities. 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%. The 2023 financial objectives were based on the Group's annual budget, using exchange rates versus the euro for the Chinese renminbi and the US dollar of 7.8 and 1.1 respectively. The target, minimum and maximum levels for the objectives based on operating margin before non-recurring items and EBITDA before non-recurring items were recalculated using the exchange rates applicable in 2023, i.e., 7.66 and 1.08. In addition, for the purpose of assessing the achievement of the EBITDA criterion (which is in absolute value terms), the figure was adjusted to exclude the impact of the acquisitions initially included in the budget but not completed during the year and still under consideration. • **Operating margin before non-recurring items:** the restated target is 10.8% of sales (100% achievement), higher than the 2022 target of 10.2%. The Board of Directors set a maximum restated target of 11.2%, which was high to ensure that the target remained ambitious. The objective was exceeded, as the Group generated an operating margin before non-recurring items of 11.3%. • **Operating cash flow:** the target was set at €146 million in 2023. The maximum (€158 million) was set at much higher than the 2022 level (€106 million). The actual figure was well above the target level, resulting in an achievement rate of 100%. • **EBITDA before non-recurring items:** the target level for this objective was €196 million and the maximum was €203 million, representing a 9% increase compared with 2022 (or 14% excluding currency effects). The achievement rate for this objective was 100% as the Group generated EBITDA before non-recurring items of €203 million. The non-financial objectives for 2023 account for 30% and were as follows: • **Safety (25%) -** based on three indicators: (i) A lost time injury rate (LTIR) of less than or equal to 1.4 for 100% achievement (0% achievement if greater than or equal to 1.6). For 2023, the rate was 2.78, i.e., 0% achievement. The increase in accidents in 2023 mainly stemmed from four sites which experienced high turnover of both managerial and non-managerial staff. A specific action plan for each of these sites was immediately put in place to provide the requisite training, particularly in terms of safety induction and on-the-job training. (ii) The severity injury rate (SIR), which had to be less than or equal to 60 for 100% achievement (0% achievement if greater than or equal to 70). For 2023, the rate was 68, i.e., 20% achievement. The Board of Directors noted that this indicator improved significantly for temporary workers and subcontractors. (iii) The number of management safety visits (MSV), which had to exceed 5,170. For 2023, the number of MSVs was 8,033, representing a 100% achievement rate. Taking these factors into account, the overall achievement rate stood at 40%, i.e., a 3.0% contribution to the objectives out of a maximum 7.5%.

	Amount paid in 2023	Amount granted in 2023 (or fair value of shares)	Observations
			• **Environment (20%):** this objective was based on three targets: (i) A waste recycling rate of at least 75% (using the Group's 2022-2025 CSR roadmap as a basis) for 100% achievement (0% achievement if less than or equal to 70%). For 2023, the rate was 70%, i.e., 0% achievement. The Board of Directors noted, however, that during the year the Group focused on reducing waste. (ii) Having significantly reduced Scope 1 and 2 emissions intensity in 2022, the target in 2023 was to analyze the Group's Scope 3 emissions and identify ways to reduce them. The Group carried out an in-depth review on this subject in 2023, enabling it to draw up an initial map of its Scope 3 emissions. The Board therefore considered that this target was 100% achieved. (iii) The last target for the environmental objective was for the Group's water consumption intensity to be less than 670 cu.m per million euros of sales for 100% achievement. In 2023, the actual figure was 653 cu.m. per million euros of sales, representing a 100% achievement rate. Taking these factors into account, the overall achievement rate stood at 66%, i.e., a 4% contribution to the objectives out of a maximum 6%. • **Succession plan (15%):** this plan is necessary to ensure an effective transition for certain roles over the medium term. The Board considered that the objective was 100% achieved. • p-SiC project (20%): **the objective for 2023 was to complete the necessary** capital expenditure projects to ensure wafer deliveries to Soitec. The Board of Directors considered that this objective was 100% achieved, as the Group delivered the planned number of prototypes to Soitec during the year. • **Electric vehicle market (20%):** the objective was to (i) successfully set up the EV organizational structure at the Juarez and St Bonnet plants, which was achieved, and (ii) sign new major contracts. The Board considered that the vast majority of the second part of this objective was achieved, as the Group continued to issue quotes for its customer ACC. The variable compensation for 2023 represents 143.1% 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, 30% 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 77%.
Incentives	€20,223	€21,996	The amount of incentives is capped.
Performance shares	€0	€318,254	Luc Themelin was granted 12,600 performance shares in 2023. As no performance share plan was set up in 2020 due to the Covid pandemic, no performance shares vested in 2023.
Directors' compensation in respect of office	N/A	N/A	Luc Themelin does not receive any compensation as a director.
Benefits in kind	€35,787	€35,787	Benefits in kind primarily comprise contributions paid to an external organization for executive unemployment insurance. They also include the use of a company car and the payment of an annual medical examination.
Severance payment	€0	€0	No severance payment was due for or paid in 2023.
Non-compete indemnity	€0	€0	No non-compete indemnity was due for or paid in 2023.
Supplementary pension plan	€0	€0	No amounts were due for or paid in 2023 in relation to supplementary pension plans. The theoretical calculation of the annuity paid to Luc Themelin would amount to €168,000, before tax and social charges.

2.8. Components of compensation paid or granted to Olivier Legrain (Chairman of the Board) in respect of the fiscal year ended December 31, 2023 submitted to a vote by the Combined General Meeting of May 16, 2024

(in euros – gross amount)	**Amount paid in 2023**	**Amount granted in 2023**	**Observations on the amounts allocated**
Fixed compensation	€120,000	€120,000	No increase in 2023. The compensation granted for a given year is paid monthly in the year.
Directors' compensation	€36,827	€37,603	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.22539 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 2023

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 2023, based on this work, it was found that:

- A new related-party agreement had been entered into between Mersen SA and Italthai Mersen Co Ltd in Thailand (which is in the process of liquidation), concerning a waiver of receivables amounting to 3.7 million baht (i.e., €96,000).
- Person concerned: Luc Themelin, who is a director of both Mersen and Italthai Mersen Co Ltd.
- Background; Italthai Mersen Co Ltd is 49% owned by Mersen and 49% owned by a local company. Following a decision by the two partners to make the company dormant and then to liquidate it, in order to facilitate the liquidation process they each agreed to waive a portion of the receivables due to them, with both of their portions representing the same amounts. The receivables owed to Mersen had already been written down in full and the waiver therefore had no impact on the Group's consolidated financial statements for the year ended December 31, 2023. In view of all of these circumstances and the non-material amount involved, the Board of Directors approved the signature of the agreement, on the recommendation of the Audit and Accounts Committee. The agreement is described in the Statutory Auditors' special report (see section 3.3) and will be submitted to the shareholders for ratification at the Annual General Meeting to be held on May 16, 2024.
- 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 18, 2024, the Audit and Accounts Committee confirmed the relevance of the criteria used to assess these agreements.

At its meeting on January 24, 2024, the Board of Directors noted these findings and the fact that there were no routine agreements entered into on arm's length terms that no longer met these conditions.

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

In 2023, Bpifrance granted two subsidies to Mersen France Gennevilliers SAS, a company that is wholly owned by Mersen.

Statutory Auditors' special report on related party agreements

Annual General Meeting called to approve the financial statements for the year ended December 31, 2023

This is a free translation into English of the Statutory Auditors' special report on related party agreements 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 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. These procedures consisted in verifying that the information we received is consistent with the underlying documents.

Agreements to be submitted for the approval of the annual general meeting

Agreements authorized and entered into during the year

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 not authorized in advance

Agreements not authorized in advance but subsequently authorized and justified

Pursuant to Articles L.225-42 and L.821-10, we inform you that the following agreement was not authorized in advance by the Board of Directors.

We are required to report to shareholders on the circumstances in which the authorization procedure was not followed.

Debt waiver to Italthai Mersen Co., Ltd.

- Person concerned: Luc Themelin, director of both Mersen SA and Italthai Mersen Co., Ltd.
- Nature and purpose: on May 15, 2023, Mersen SA entered into a debt waiver agreement with Italthai Mersen Co., Ltd, a 49%-owned company in liquidation.
- Terms and conditions: the amount of the waiver is 3.7 million Thai baht (€96,000). As the amount due is fully written down, the waiver had no impact on the financial statements for the year ended December 31, 2023.
- Reasons why it is beneficial for the Company: in order to facilitate the liquidation process, the partners of Italthai Mersen Co., Ltd. have agreed to partially waive their claim for the same amount.

Due to the ongoing liquidation process, the authorization procedure was not followed.

At its meeting on January 24, 2024, the Board of Directors decided to authorize this agreement retrospectively.

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.

The Statutory Auditors

Paris-La Défense, March 19, 2024

KPMG S.A.		ERNST & YOUNG Audit
Catherine Porta	Alexandra Saastamoinen	Pierre Bourgeois

3 MANAGEMENT REPORT

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

2023 marked a turning point for Mersen with the presentation of its 2027 strategic roadmap. This plan represents a major change in dimension for the Group, and illustrates its ideal positioning to **support market acceleration in high-performance semiconductors** (particularly SiC semiconductors) **and electric vehicles**. The announcement was accompanied by a major investment plan to rapidly increase material production capacity, including through the extension of finishing plants and facilities dedicated to the electric vehicle market. The Group also strengthened its resources, in particular its electric vehicle teams.

To maintain its financial and strategic flexibility, Mersen launched and **successfully completed a €100 million capital increase**, giving the Group a very solid financial structure.

In line with its roadmap, the Group delivered an **excellent performance in 2023**, achieving record full-year sales of €1,211 million in particular. Organic growth represented more than 13% during the year. Both segments reported a strong performance, each generating double-digit organic growth, underlining the Group's positioning in highly dynamic markets, particularly semiconductors and electric vehicles. Overall, sustainable development markets represented 56% of Group sales.

Overall volume growth, combined with good pricing power in an inflationary context, 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 ramp-up costs for the Columbia plant in the United States.

In 2023, the Group generated very strong net cash flow from operating activities, thanks in particular to the increase in contract advances in the SiC semiconductor market.

In keeping with its roadmap, the Group significantly increased its capital expenditure, particularly at the Columbia and Bay City sites in the United States, which will be started up in the coming half-years.

Lastly, **Mersen continued to deploy its CSR strategy**, an integral part of its business model focused on profitable and responsible growth. It has improved its non-financial performance and updated its new CSR roadmap to align it with the time frame for its strategic plan, 2027.

On the stock market, the Group saw its market capitalization grow by 9% over the year. **It was included in Euronext Paris' SBF 120 index** on March 17, 2023 after closing.

2. Consolidated sales

Sales for full-year 2023 totaled €1,211 million, up by 13.2% on an organic basis versus 2022. Around 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 millions of euros	2023	2022	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	669.4	621.8	13.2%	-1.1%	-3.8%	7.7%
Electrical Power	541.5	493.1	13.3%		-3.1%	9.8%
GROUP	**1,210.9**	**1,114.8**	**13.2%**	**-0.6%**	**-3.5%**	**8.6%**
Europe	397.2	356.5	14.2%	-0.9%	-1.5%	11.4%
Asia-Pacific	310.9	320.2	4.7%	-0.9%	-6.4%	-2.9%
North America	463.1	399.2	19.6%	-0.1%	-2.9%	16.0%
Rest of the world	39.7	39.0	6.6%	-0.5%	-3.8%	2.0%
GROUP	**1,210.9**	**1,114.8**	**13.2%**	**-0.6%**	**-3.5%**	**8.6%**

2.1. By 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 capacity to solar power in China. Lastly, deliveries for the chemicals market increased slightly.

Electrical Power sales came to €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.

2.2. By geographic area

Europe recorded robust growth in both segments, thanks to the semiconductor, rail and aeronautics markets. In Germany, momentum was very brisk, particularly thanks to the chemicals and semiconductor markets. In France, growth was propelled by the aeronautics market.

In Asia, Group sales were slightly up compared with last year, mainly thanks to China and India. Performances in China were driven by the semiconductor and chemical markets, and in India by rail and wind power. However, sales contracted in the electrical protection market.

In North America, momentum was very brisk in both segments and in a large number of markets, particularly semiconductors and process industries. Electrical distribution remained very active, with sales reaching a record high during the year.

Lastly, in the rest of the world, year-on-year sales growth reflected higher deliveries of chemicals contracts in the Middle East, partially offset on a comparative basis by South Africa and Morocco, with the major chemicals deliveries of the prior year not repeated in 2023.

2.3. By end market

Sustainable development markets (including renewable energies, electronics and green transportation) represented 56% of total sales [(1)] in 2023, as in 2022.

	Breakdown in 2023	*Organic growth 2023-2022*	Main contributing markets
Energy	21%	+	solar, wind, energy storage
Electronics	24%	+++	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%	***13.2%***	

+++: [+20%; +50%]
++: [+10%; +20%]
+: [+0%; +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)	2023	2022
EBITDA before non-recurring items	**202.7**	**186.4**
As a % of sales	*16.7%*	*16.7%*
Depreciation and amortization	(65.4)	(64.8)
Operating income before non-recurring items	**137.3**	**121.6**
As a % of sales	*11.3%*	*10.9%*

EBITDA before non-recurring items was 8.7% higher year on year, at €202.7 million (+14% excluding currency effects). The EBITDA margin before nonrecurring items was stable compared with 2022, at 16.7%.

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. The EBITDA margin before non-recurring items includes R&D expenses related to the p-SiC project, and costs related to the creation of a 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.

Operating income before non-recurring items came to €137.3 million, an increase of 12.9% on 2022, while the operating margin before non-recurring items widened 40 basis points to 11.3%.

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 R&D expenditure on the p-SiC project as well as the cost of ramping up isostatic graphite production at the Columbia site.

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 offset the impact of higher raw material and labor costs.

In millions of euros	2023	2022	Change
Consolidated sales	1,210.9	1,114.8	
Gross income	385.4	348.0	+10.8%
as a % of sales	*31.8%*	*31.2%*	
Selling, marketing and other operating expenses	(88.5)	(84.5)	+4.7%
Administrative and research expenses	(158.5)	(140.4)	+12.9%
Amortization of revalued intangible assets	(1.2)	(1.5)	
Operating income before non-recurring items	**137.3**	**121.6**	**+12.9%**
as a % of sales	*11.3%*	*10.9%*	

Gross income was up on last year, at 31.8% of sales versus 31.2% in 2022, thanks to the volume effect and higher prices.

Selling costs and other operating expenses were up by more than 7% at constant exchange rates due to the expansion of teams, particularly in the Advanced Materials segment.

Administrative and research expenses were up by nearly 13%, reflecting wage inflation, significant provisions for 2023 bonuses, the operational cost of deploying the IT Core Model, and higher costs throughout the year for EV organization.

Overall, payroll expenses amounted to €384 million, an increase of nearly 16% compared with 2022 (€339.6 million) excluding currency effect. Higher payroll expenses reflect the increase in headcount (up 3% between end-2022 and end2023), the full-year effect of employees who joined in 2022, the rise in wages and salaries to keep step with inflation in a large number of countries (up 6% on average for the Group) and provisions for bonuses.

3.2. 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.

In millions of euros	2023	2022
Operating income before non-recurring items	137.3	121.6
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 owners of the parent	**81.6**	**67.7**
Attributable to non-controlling interests	4.3	6.7

At the end of 2023, non-recurring income and expenses mainly comprised provisions for disputes and other expenses relating to acquisition projects, and impairment losses on underused assets.

In 2022, the net charge was €11.4 million, mainly corresponding to impairment losses on assets and capital gains on real estate disposals, including an impairment loss on the Anticorrosion Equipment CGU due to the rise in equity risk premiums and interest rates.

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 rental 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 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

(In millions of euros)	2023	2022
Cash generated by operating activities before change in WCR	201.0	180.8
Change in working capital requirement (WCR)	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**

The Group generated very strong cash flow from operating activities, thanks in particular to a positive change in working capital requirement of €3.2 million. This change was driven by an increase in prepayments 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 both 2023 and 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 site and, to a lesser extent, special payment terms in China related to the health crisis. The increase in tax paid also reflects earnings growth.

4.2. Investments

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, including a total investment budget of €300 million over several years:

- Investments to increase graphite and insulation felt production capacity
- Expansion of graphite finishing plants
- Extension of plants dedicated to the electric vehicle market

Other capital expenditure represented 6.6% of sales. 21% of the total 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 France (19% of the total) mainly concern growth projects, namely the partnership with Soitec (Gennevilliers) and the setting up of a dedicated workshop to manufacture laminated busbars for ACC (St Bonnet de Mure).

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 costs on the EV and p-SiC projects.

The Mersen group's capital expenditure amounted to €97.3 million in 2022, 80% of which was linked to investments outside France. Of these, 80% related to the Advanced Materials segment, including, in particular, the ramp-up in industrial operations at the Columbia plant (United States) with the start-up of the extruded and isostatic graphite production lines, as well as the relocation and expansion of the site in South Korea. The Group also continued to invest in plant environment improvement and safety.

According to the Group's internal procedure, authorization from the Board of Directors is required for any organic growth investment exceeding the annual budget or the Group's business plan by an aggregate amount of over €20 million and for any acquisition of more than €5 million.

(In millions of euros)	**2023**	**2022**
Capital expenditure	(176.3)	(97.3)
Disposals of assets and other	1.6	10.1
Capital expenditure, net of disposals	**(174.7)**	**(87.2)**
Investments in intangible assets	(11.0)	(6.2)
Financial investments	0.0	(0.3)
Changes in scope of consolidation	2.1	(2.6)
TOTAL	**(183.7)**	**(96.3)**

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 program, whose maximum amount was increased to €300 million in 2023, 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 MTN program, whose maximum amount was increased to €300 million in 2023, 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 in advance its €200 million syndicated loan maturing in July 2024 with a new €320 million multicurrency facility repayable in full in October 2028, following the exercise of an initial extension option in 2023. It includes (i) a second option to extend the maturity to 2029, subject to the banks' approval, and (ii) margins 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 as of December 31, 2023 are presented in Note 15 to the consolidated financial statements.

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.

5.2. Net debt

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 expenditure as part of the Group's growth plan.

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

	Dec. 31, 2023	Dec. 31, 2022
Gearing ratio	0.25	0.33
Leverage ratio	1.09	1.36

The Group is in compliance with all its financial covenants.

5.3. ROCE

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

	Average of the last three halfyear periods	Dec. 31, 2023	June 30, 2023	Dec. 31, 2022
Goodwill	259.9	257.7	260.0	262.0
Other intangible assets	47.1	50.7	47.8	42.7
Land	28.9	28.6	29.2	29.0
Buildings	99.8	103.6	95.6	100.3
Machinery, equipment and other tangible assets	260.2	280.5	258.3	241.8
Property, plant and equipment in progress	107.6	149.2	96.3	77.3
Equity interests	2.4	2.6	2.5	2.2
Other financial assets	3.6	3.7	3.3	3.7
Long-term portion of current tax assets	7.5	5.9	6.7	10.0
Inventories	299.8	299.2	316.9	283.2
Trade receivables	173.9	168.8	185.4	167.4
Contract assets	3.1	3.2	3.6	2.4
Other operating receivables	26.9	27.5	28.6	24.6
Short-term portion of current tax assets	7.1	12.0	7.2	2.0
Current derivatives	4.7	4.1	3.3	6.9
CAPITAL EMPLOYED – ASSETS (A)	**1,332.5**	**1,397.5**	**1,344.5**	**1,255.6**
Trade payables	88.6	83.8	95.4	86.6
Contract liabilities	47.9	64.2	49.0	30.5
Other operating payables	116.0	120.6	109.8	117.6
Short-term portion of current tax liabilities	6.0	4.3	4.8	8.9
Miscellaneous liabilities	18.7	11.7	38.5	5.9
Current derivatives	2.3	1.4	3.3	2.1
CAPITAL EMPLOYED – LIABILITIES (B)	**279.4**	**286.0**	**300.7**	**251.5**
CAPITAL EMPLOYED ((C) = (A) – (B))	**1,053.1**	**1,111.5**	**1,043.8**	**1,004.1**
Operating income before non-recurring items (D)	137.3			
ROCE = (D) / (C)	**13.0%**			

6. Significant change in financial performance or financial position

Significant events occurring between the end of the 2023 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, 2023 and concern events occurring before March 12, 2024, 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, 2023 and the date of this Universal Registration Document.

7. Guidance 2024

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 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 sales still limited 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.

The Group confirms the objectives of its 2027 growth plan.

8. Dividend

At the Annual General Meeting to be held on May 16, 2024, the Board of Directors will recommend the payment of a €1.25 cash dividend per share. This would represent a total payout of around €30 million, up 17% on 2022. The dividend would correspond to 37% of net income attributable to owners of the parent 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 sites that were audited in the previous year and at which internal control was not deemed to be satisfactory;
- disseminating a culture of internal control across the Group's various sites through awareness-raising and training initiatives.

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. The document, which was updated in 2023, is available online on Mersen's intranet site. It encompasses all the internal control procedures applicable to every Group unit and 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);
- 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,
  - inventories,
  - human resources management,
  - investments/fixed assets,
  - quality,
  - information systems,
  - customs and other indirect taxes,
  - direct taxes,
  - legal affairs.
- 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 on the Group's waste recycling rate were performed in 2023 to ensure compliance with its environmental policy. In the future, the Internal Control and Audit Department will extend its remit on compliance with the Group's CSR policy and the proper application of non-financial indicators.

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, or guest auditors, 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 and financial officers 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 on a dotted-line basis 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 21 sites in 2023.

The Information Systems Security Manager regularly meets with the Head 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 the challenges, particularly industrial and human 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.

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 Ethics and 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) and health, safety and the environment.

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 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 selfassessment of its various procedures. This self-assessment is controlled by the Group's Internal Audit Department.

9.4. Approach adopted in 2023 and 2024 action plan for internal control

A total of 21 audits were carried out in 2023. This number was slightly lower than in 2022, where more audits were carried out 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 two entities (one in China and the other in Europe) do not meet the Group's standards in terms of personal and property safety.

As planned, a new fraud awareness campaign was conducted within the Group in 2023, through the distribution of press reviews on the subject to site managers.

In addition, at the request of the Executive Committee, the Internal Control and Audit Department carried out three cross-functional audits to assess whether Group policies had been complied with and rolled out in accordance with the procedures set by the Group's support functions. These cross-functional audits covered:

- management of major investment projects,
- setting sales bonuses,
- waste recycling calculation methods.

For 2024, the Internal Control and Audit Department has set itself an action plan with the ambition of continuing to:

- diversify the audit plan with a good balance between internal control review assignments and cross-functional assignments by theme which address Group mapping risks and Group strategy, such as business continuity, talent management and supply chain optimization;
- upskill internal control by limiting the number of guest auditors, to better develop their skills in internal audit methodology and increase efficiency during audits (more regular involvement from a smaller number of auditors and business line experts).

A site IT audit is also planned, in connection with the rollout of the new Core Model.

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 assistance from 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 and Compliance Department presents an interim review of all action plans to the Executive Committee.

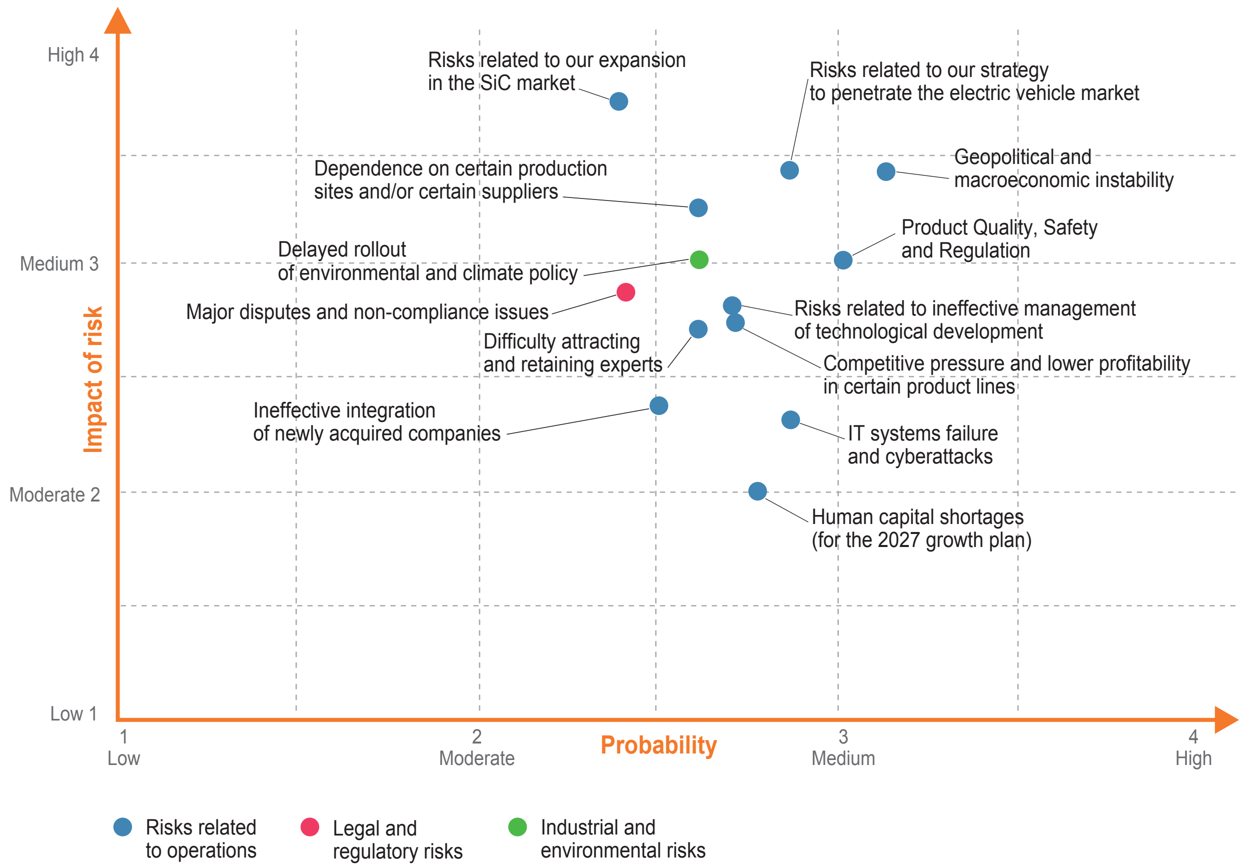
An in-depth three-yearly risk mapping was carried out in 2023. This has given rise to a number of methodological adjustments when compared to the 2022 mapping: the Group has changed the rating scale for the impact and probability of risk occurrence from 1 to 5 to 1 to 4. This change was made to align with the risk matrix ratings under the European Corporate Sustainability Reporting Directive (CSRD).

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.

The 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 11 "Insurance" below).

10.2. Risk map



PRIORITIZATION OF RISKS AND CHANGES VERSUS 2022

		Trend vs. 2022 Probability	Impact
Risks related to operations	Geopolitical and macroeconomic instability*	=	=
	Risks related to our strategy to penetrate the electric vehicle market*	++	=
	Product Quality, Safety and Regulation*	++	++
	Risks related to our expansion in the SiC market*	+	+
	Dependence on certain production sites and/or certain suppliers*	+	+
	Competitive pressure and lower profitability in certain product lines	+	+
	Risks related to ineffective management of technological development	=	+
	Difficulty attracting and retaining experts	- -	- -
	IT systems failure and cyberattacks	+	+
	Ineffective integration of newly acquired companies	=	=
	Human capital shortages for the 2027 growth plan	=	=
Industrial and environmental risks	Delayed rollout of environmental and climate policy	++	++
Legal and regulatory risks	Major disputes and non-compliance issues	=	=

** Risks considered to be the most significant*
+: increase in risk
-: decrease in risk

MAIN CHANGES IN THE RISK MAP VERSUS 2022

Increasing risks (in terms of impact and/or probability)

- Risks related to our strategy to penetrate the electric vehicle market: the impact of this risk is greater than in 2022, due to (i) the increase in capital expenditure and additional resources earmarked for this activity, (ii) the risks of increased competition, and (iii) the lasting viability of battery manufacturers in Europe not having yet been demonstrated.
- Product Quality, Safety and Regulation: this risk has been revised upwards, as safety, quality and regulatory constraints impacting the Group's products (REACH, RoHS, WEEE) are becoming increasingly complex and could have a negative impact on its business if they are not taken into account in the technical advancement of our products, both in traditional and new markets.
- Risks related to our expansion in the SiC market: the Group's dependence on certain customers who are major contributors to the Group's future sales – as well as investments and contracts of unprecedented scope – means that the impact and probability of occurrence of this risk has been revised upwards.
- Dependence on certain production sites and/or certain suppliers: this risk has been revised upwards, in view particularly of the growing demand for components and materials from fast-growing sectors (semiconductors, electric vehicles), which could lead to supply tensions and price increases. The persistence of geopolitical tensions (China, Russia/Ukraine, the Middle East, etc.) may also have negative repercussions on the supply chain of our suppliers.
- Competitive pressure and lower profitability in certain product lines: the Group's sales from the semi-conductor sector, process industries and electricity distribution were much higher in 2023 than in 2022. As the profitability of these businesses is higher than average Group profitability, a slowdown in these markets could have a disproportionate impact.
- Risks related to ineffective management of technological development: the impact of this risk has been revised upwards due to technical challenges, capital expenditure in sometimes significant amounts, and new regulatory standards that the Group has to meet when designing new products, notably silicon carbide substrates and DC fuses for the electric vehicle market.
- IT systems failure and cyberattacks: this risk has been revised upwards due to constant developments in hacking, the impact of which could be higher due to the many projects underway as part of the Group's IT transformation program.
- Delayed rollout of environmental and climate policy: The impact and probability of occurrence have been revised upwards compared with 2022, due to the difficulty of (i) committing to absolute emission reductions (as currently expected by stakeholders) given the Group's Growth Plan, and (ii) measuring and defining greenhouse gas emission reduction targets for the use and end-of-life of our products (scope 3 emissions), given the diversity of our business and the large number of custom-made products.

Decreasing risks (in terms of impact and/or probability)

- Difficulty attracting and retaining experts: the Group has improved its recruitment practices, in particular by increasing the number of recruiters, launching a new training module and rolling out its employer brand. In addition, although tension on the job market is still high, it is lower than in the last two years.

Three risks have been renamed and are not exactly comparable with the 2022 risk map due to the inclusion of the 2022-2027 growth plan:

- The "human capital shortages (diversity, fast-growing areas)" risk has been renamed "human capital shortages for the 2027 growth plan" due to significant recruitment needs for the Group's development in the new semiconductor and electric vehicle markets.
- The "inadequate quality and customer service" risk has been renamed "product quality, safety and regulation" to take better account of the safety, quality and regulatory requirements impacting our products (REACH, RoHS, WEEE) in both traditional and new markets.
- Lastly, the "delayed rollout of environmental policy" risk has been renamed "delayed rollout of environmental and climate policy" to address the increase in greenhouse gas emissions linked to future business growth.

The 2023 risk map does not include the risk related to "delayed rollout of digital tools" for exchanging commercial and technical data with electrical distributor customers, which was included in the 2022 risk map. The tools in question have since been rolled out in both Europe and North America.

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 33 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 26% 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 nearly 64% of its total sales.

The Group is also sensitive to inflation, especially wage inflation (salaries represent approximately 30% of Group sales) and inflation on some 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 an increase such as that observed in late 2022 were to reoccur.

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 continue to deteriorate, this could have a negative impact on our operations in China, particularly solar cell manufacturing.

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 flows are sensitive to potential new trade barriers in view of today's increasingly protectionist geopolitical context, as illustrated by China's decision to make certain natural and artificial graphites temporarily subject to an export license as from December 1, 2023. It should be noted that this latest decision does not concern the artificial graphites manufactured by Mersen, which are already subject to this type of license.

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 average price increase in 2023 was 5%.

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 its industrial reorganization projects, which took full effect in 2022.

Since 2021, the Group has been treading 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, particularly through the capital increase implemented in 2023, 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. Risks related 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 2023, the Group achieved sales of 24 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 invested in an automated workshop for the manufacture of bus bars in France, which was inaugurated in the first half of 2023, 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

The 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 and monitoring the implementation of a formal strategy for the market.

The Group has continued to strengthen its teams dedicated to the electric vehicle market 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, improve reactivity and boost 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. The contract signed with ACC in early 2022 and the increase in volumes contracted in 2023 enable 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.

10.3.3. Product quality, safety and regulation*

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.

One of the technical challenges is to keep pace with constantly changing regulatory constraints, in an increasingly complex international context. This is particularly true of the WEEE, RoHS and REACH regulations to which some of the Group's product lines are subject.

Failure to comply with regulatory requirements could result in customer claims, penalties, fines and an impact on the Group's liability.

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);
- damage to the Group's image;
- potentially significant financial consequences;
- convicted legal entities, legal representatives and delegated persons.

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. In addition, the management of safety, quality and regulatory requirements impacting our products (REACH, RoHS, WEEE) in both traditional and new markets (EV and SiC) is being strengthened to comply with these sector-specific standards and requirements.

The Group has also strengthened its teams with specialists in the automotive field, particularly in terms of quality and legal expertise.

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 2023, the Group generated 90 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 USD 120 million. It has also entered into a partnership with Soitec to develop an alternative technology (known as p-SiC) which could require important investment from 2024. 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 meet its contractual obligations. 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;
- significant penalties for failure to comply with contractual agreements (see legal and regulatory risks);
- 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 Group has built up back-up inventories at certain plants in order to limit the risk associated with contractual delivery times.

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, Hungary 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 1% 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 increased significantly in 2022. 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. In addition, from 2024 onwards, the Risk and Compliance Department will be stepping up its implementation of Business Continuity Plans.

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, securing long-term contracts and strategic partnerships, and 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.

Other external solutions may also be used in some cases, such as outsourcing certain processes or purchasing parts from other companies.

10.3.6. 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).

Competitive pressure – 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;
- a drop in share price;
- 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 developed an in-house Sales Excellence program to enhance its commercial efficiency and gain market share in the most profitable segments, notably through a selective policy of increasing sales prices to offset inflationary increases in wages, materials and components impacting direct costs. For example, price increases amounted to 5% of sales in 2023.

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 is implementing action plans aimed at improving profitability for its lower profit-contributing product lines.

10.3.7. Risks 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.

10.3.8. 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. In particular, the Group must ensure it replaces certain managers and members of the Executive Committee and business management committees whose retirement is scheduled in the short to medium term. As of December 31, 2023, 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);
- reviewing Executive Committee succession plans by the Governance, Appointments and Remuneration 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.

10.3.9. 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 IT system remains up-to-date, efficient and synchronized Group-wide, with redundancy systems in place: the most business-critical systems are redundant, and the DRP (Disaster Recovery Plan) is regularly tested.

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 has launched a study to assess the risks of industrial equipment stoppages and, if necessary, propose isolating them in a dedicated network.

10.3.10. 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 initially 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 diligence procedures (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. The procedures must be approved by or communicated to by the Board of Directors, depending on their scope.

A 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 presented to the Board of Directors in 2022, and another will be presented in 2024.

10.3.11. Human capital shortages for the 2027 growth plan

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.

The Group has made and will continue to make many capital expenditure outlays, 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, particularly in the context of the 2022-2027 growth plan.

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 making progress in terms of diversity, especially gender diversity, and notably in the engineers and managers category where women only account for 26.1% of the workforce and 24.3% 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.
- Regular follow-up with the Board of Directors.

10.4. Industrial and environmental risks

10.4.1. Delayed rollout of environmental and climate policy

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.

In addition, the manufacturing processes of the Advanced Materials segment use energy, which leads to indirect CO_2 emissions (see chapter 4 of this document). Given the Group's expected strong growth between now and 2027, it is likely to generate an increase in greenhouse gas emissions in absolute terms across its entire value chain.

Lastly, Mersen is facing increasingly demanding requests from its external and internal stakeholders (customers, shareholders, employees, etc.) regarding its climate pathway. The Group may not be able to respond within the required timeframe.

The potential negative impacts on the Group 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;
- reputational damage;
- court action for breach of "duty of care";
- loss of customers;
- a drop in share price;
- fewer financing options;
- lower revenue and profit.

Risk management

The Group has implemented an ambitious environmental policy with 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 them into the annual bonuses for the Executive Committee and into bonus share plans for the Executive Committee and managers.

In addition, the Group has implemented a solid governance structure for CSR-related issues, with an in-house CSR committee comprising the departments involved in these matters, and a member of the Board of Directors in charge of monitoring CSR issues.

10.5. Legal and regulatory risks

10.5.1. Major disputes and non-compliance issues

Mersen operates in complex and technically demanding markets. The products that the Group delivers are key components for the operation and/or safety of our customers' products and services. 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 are generally on the rise due to the growing number of significant long-term contracts, 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 significant costs, especially in the event of product recalls, serial defects on products or major delivery delays under certain contracts;
- a deterioration in commercial relations with certain customers, with an ensuing loss of sales (although the Group's largest customer only represents approximately 5% 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). It also ensures that back-up inventories are built up for significant new long-term contracts.

- 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 86 consolidated and unconsolidated companies in more than 30 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 €41.5 million in 2023. 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 €4.9 million.

Net financial income came to €26.1 million, compared with net income of €19.0 million in 2022, mainly comprising €32.9 million in dividends from subsidiaries, compared with €29.9 million in 2022, and impairment of equity interests in the amount of €13.0 million, compared with €14.1 million in 2022.

Net income before tax and non-recurring items came to €31.0 million.

Net non-recurring income was €3.8 million, compared with €0.3 million in 2022. This increase is mainly due to reversal of a provision for disputes for €1.1 million and net income from the capital reduction of a subsidiary for €2.3 million.

The Company recorded a €1.7 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 €36.4 million versus €23.0 million in 2022.

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)

	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					
(In € thousands)	**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	14	1	1	2	1	5	95	7	1		42	50
Total amount of invoices concerned incl. VAT	131	3	(2)	(11)	(1)	(11)	1,013	180	3		294	477
% of total amount of purchases for the year, incl. VAT	2.66%	N/S	N/S	-0.22%	N/S	-0.24%						
% of sales for the year, incl. VAT							2.42%	0.43%	N/S		0.70%	1.14%
(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

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.

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.

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.

Our overall CSR approach forms the very foundation of an openly responsible and sustainable business.

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 a director responsible for monitoring CSR issues and, in particular, overseeing the implementation of the CSR roadmap defined by the Group's Executive Committee.

In January 2024, this responsibility was entrusted to Emmanuel Blot, permanent representative of Bpifrance Participations, following the resignation of Magali Joëssel.

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. For example, at the Board meeting of March 14, 2023, Luc Themelin and Magali Joëssel reviewed the CSR actions carried out in 2022 and presented the updated CSR roadmap for the 2022-2025 period. In October 2023, Estelle Legrand, Group Vice President of Human Resources, outlined the HR challenges related to the Group's growth plan for 2027. And lastly, Magali Joëssel introduced the updated 2022-2027 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 Finance and Administration, 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 Finance and Administration Department, the Human Resources Department, the Operational Excellence Department and the heads of both of the Group's segments;
- the Ethics and 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, the Legal Department and the Compliance Officer;
- the Diversity Committee, which meets 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 2023, 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 2023: improvement of safety indicators, analysis of GHG Scope 3 emissions, increase in the waste recycling rate, reduction in water consumption intensity); including the sustainable development market objectives (electric vehicle and SiC), the percentage comes to 85%.
- 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%.
- The above criterion has been extended to the variable portion of the sites' managing directors' compensation.
- Long-term compensation plans: 33% of the criteria of long-term performance share plans for all members of top management and managers are dependent on quantifiable CSR performance (three criteria in 2023: percentage of women engineers and managers, percentage of waste recycled, reduction in CO_2 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 2023. The company received a score of 73 (versus 72 in 2022 and 67 in 2021) and confirmed its "Gold" status, ranking among the top 3% of companies in its sector.
- In August, Mersen once again received an "AA" rating in the MSCI rankings, as in the previous year.
- For 2023, as 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 more than 23,000 companies and organizations 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 2023

The Group presents the methodology of the European Green Taxonomy and the outcomes of its application at the end of this chapter.

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 2023.

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.

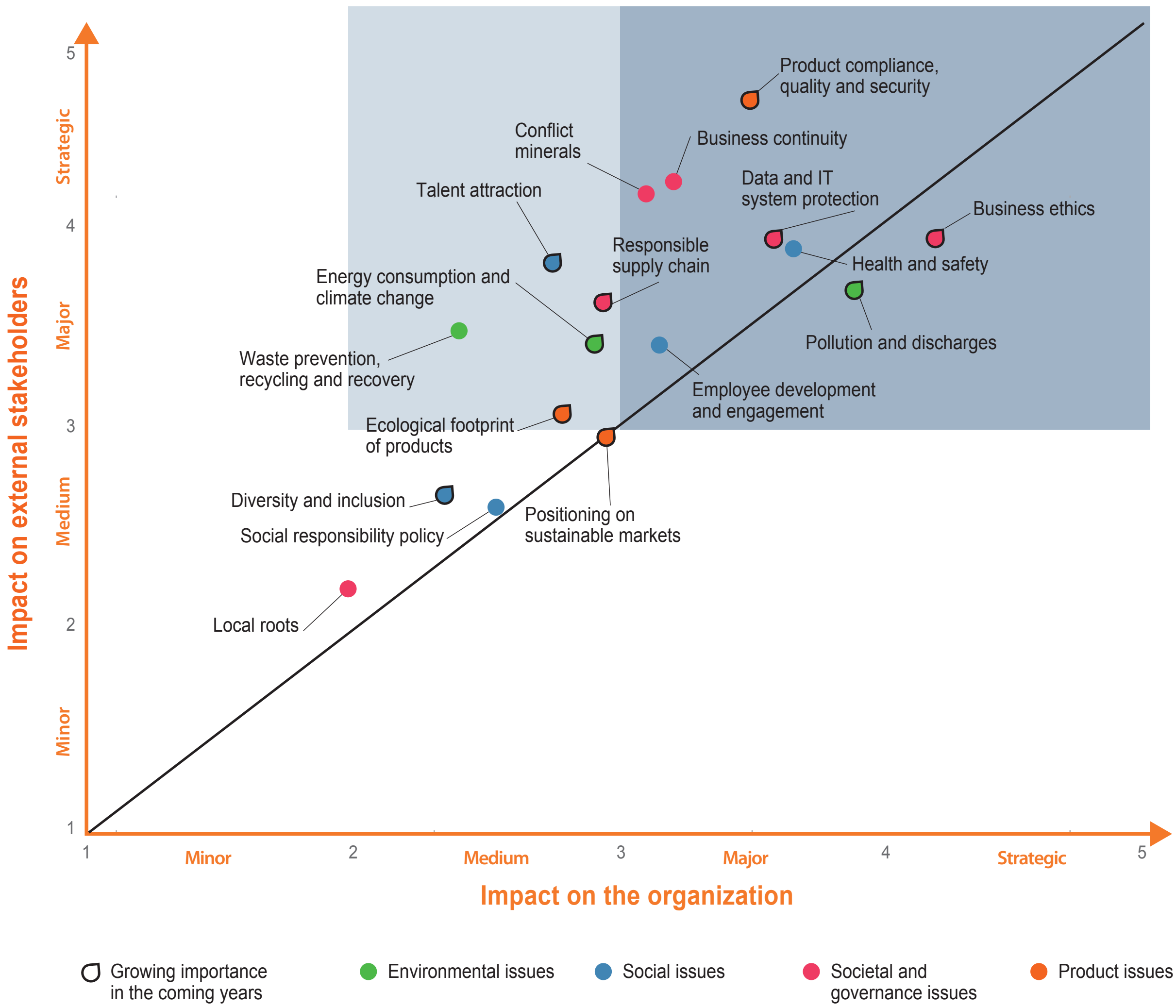
A total of 17 challenges were presented and evaluated.

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.



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.	110
	Integration of environmental and social criteria in the purchase of products and services.	110
Limiting our environmental impact	Reduction of energy consumption, decarbonization, implementation of measures to mitigate climate change and adapt to its impact.	115
	Reduction of waste production, adoption of sorting and recovery through recycling or reuse measures.	120
	Pollution and discharges into the air, water and ground with a serious impact on the environment.	121
	Compliance with international regulations, particularly on hazardous/chemical substances.	120
	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.	119
	Business continuity in the event of exceptional climatic or health events requiring a reorganization of activities, and which may constrain international trade.	124
Developing human capital	Gender parity throughout the organization, local recruitment, policies in favor of disabled people and juniors/seniors, fight against all types of discrimination.	131
	Training and promotion policy to ensure the development of internal skills and the appropriation of the company's values by employees.	135
	Ability of the company to attract the talent essential to its operations.	138
	Working conditions guaranteeing the safety of employees and service providers. Prevention of accident risks, including psychosocial risks, both at Group level and by entity depending on their activities.	142
Ethics and compliance culture	Group ethical rules and their appropriation by partners, including corruption, fraud, competition rules.	146
	Data protection, compliance with personal data regulations, and computer system security.	146, 150

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 13 SDGs listed below:

Theme	SDG
Responsible partner	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Limiting our environmental impact	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
Developing human capital	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Ethics and compliance culture	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

3. Group CSR roadmap*

Drawing on the results of the materiality analysis presented above, in 2021 the Group drew up a new roadmap defining its CSR priorities for the 2022-2025 period.

3.1. 2023 review of the 2022-2025 roadmap

Priority commitments	Ambition	2025 target	2023 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	Self-assessment conducted by all strategic suppliers in 2022. Start of audits for suppliers with a CSR score below 25
Limit the environmental impact of our sites	Decarbonize and mitigate the impact of climate change	• Reduce GHG emissions intensity by 20% versus 2018 • Increase the share of waste recycled to 75% • Reduce water consumption by 10% versus 2018	GHG emissions intensity: 90 (-26% versus 2022; -54% versus 2018) Waste recycling rate: 70% Water consumption: +3% versus 2022; +14% versus 2018
Develop human capital	Promote equal opportunity and diversity	• 25% of engineering and managerial roles occupied by women	26.1%
		• 25% of senior management positions occupied by women	24.3%
		• Increase the number of employees with disabilities 2-fold	197 (+13% versus 2022)
	Promote a social responsibility policy for all	• Provide social protection with a universal indemnity in the event of death in service	100% of employees covered
		• Standardize profit-sharing schemes	68.5% of employees
		• Adopt a minimum amount of paid leave in all countries	92.2% of sites
	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%	LTIR*: 2.78 SIR*: 68 MSV* = 8,033 (+19% versus 2022)
Develop a culture of ethics and compliance	Instill ethical behavior	• Compulsory ethics training every 2 years for new hires	40% of new hires
	Protect data and systems	• Compulsory cybersecurity training (for employees with a PC)	90% of targeted employees

** See glossary at the end of the document.*

3.2 A new 2022-2027 roadmap

Bolstered by its progress in the SiC semiconductor and electric vehicle markets, in March 2023 Mersen established 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 the year, the Group undertook to align its CSR roadmap with the 2027 time horizons established for the new targets. This new roadmap is presented below. 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.

In addition, following the entry into force of the new European directive on the publication of extra-financial information (CSRD) on January 1, 2024, the Group is preparing to publish a new sustainability report for the 2024 financial year. As a result of the new directive, the Group may modify part of its CSR roadmap.

Priority commitments	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 points the percentage of women engineers and managers (29%) • Reach 27% of senior management positions held 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	• Compulsory ethics training every 2 years and initial training for new hires
	Protect data and systems	• Compulsory cybersecurity training (for employees with a PC)

4. Responsible partner

With more than 50 sites in 33 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 amounted to approximately €700 million in 2023, or 60% of sales. This figure has risen sharply due to the need for a major investment program under the Group's 2027 growth plan.

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 all the Group's 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

Based on a responsible purchasing approach to managing supplier relationships, the Group's Purchasing organization seeks to improve supply chain performance in order to lower risks, optimize costs/operational performance and harmonize practices.

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 for which developing a responsible supply chain is one of their purchasing objectives. These objectives are 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 process is covered by the internal audit program (21 audits were carried out in 2023). It is also audited by third parties for quality certification purposes (ISO 9001, IRIS, EN9100, IATF).

4.2.2. Training

A dedicated training module for the purchasing community has been available on the Mersen Academy e-learning platform since 2020. It addresses CSR issues, supplementing training sessions by Heads of Purchasing on specific topics. Around 60 people had already undergone training, and another 12 were trained in 2023.

4.2.3. Supplier Relationship Management - SRM tool

To more effectively manage its suppliers, the Group has developed a supplier relationship management (SRM) tool, B2Mersen, which covers the operational performance of suppliers, supplier risks, CSR assessments, expenditure, sourcing and the management of tenders and e-auctions.

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 completed by 400 strategic suppliers representing 80% of the bill of materials (BOM) in 2022 resulted in the undertaking of targeted supplier visits/audits in 2023 (see following section).

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.

In 2022, the average rating was 54/100, including 29 suppliers with a score of 25 or less.

These 29 suppliers will be audited in order to define improvement plans and monitor their implementation.

In 2023, 19 audits were conducted, including 14 of suppliers with ratings of below 25. Auditing efforts will continue in 2024. Four suppliers were removed from the Group's panel, either for business reasons or for failure to comply with CSR requirements. Suppliers with a rating higher than 25, but lower than 50, will be inspected on site, which may subsequently lead to a more indepth audit.

Under the new 2027 CSR roadmap, the goal is to have less than 5% of suppliers with a rating of 25 or lower by 2027.

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 2023, assessments were conducted for 112 suppliers. The assessments highlighted ethics and corruption risks for 12 suppliers, which were subsequently removed from the Group's supplier base.

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 136 suppliers are required to update their statement of compliance annually.

To the best of its knowledge, the Group does not use materials from conflict zones.

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 around 90% of its purchases in the Europe, North America, China and India regions.

Under the new 2027 CSR roadmap and in line with the growth plan, the goal is to ensure that at least 85% of external purchases are from local suppliers.

Greener vehicles

Whenever possible, the Group favors the use of electric or hybrid vehicles. In 2022, it issued a call for tenders for materialhandling equipment with a view to replacing 95% of its internal combustion engine machinery with electric alternatives by 2025.

Mersen's vehicle policy urges employees choosing a new company car to favor environmentally-friendly models with reduced greenhouse gas emissions. When possible, subsidiaries are encouraged to publish a maximum CO_2 emissions rating for each category of car offered to their employees.

4.3.5. Suppliers committed to diversity and inclusion

In France, the Group ensures that diversity criteria such as gender and disability are taken into account when establishing contracts with temporary employment agencies via specifications and activity reports containing specific indicators.

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 2023, 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 at the end of this chapter.

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 a leading supplier for the wind energy sector, from generator power distribution systems to yaw motor components.

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. In particular, the Group leverages its expertise to develop SiC semiconductors, which now play a vital role in the energy conversion systems used by electric vehicles, energy storage, wind power and solar energy.

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. The Group offers a specific range of fuses for this market and laminated busbars to connect battery modules.

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. Some examples are given below.

4.5.1. 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 CO_2 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 CO_2 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 CO_2 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 CO_2 per year
Reduction of the water flow by 80 cu.m per hour
Reduction of 100 MW per year

4.5.2. 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 CO_2 emissions of 3,000 cars.

Reduction of 25 GWh per year

4.5.3. 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

4.5.4. Other examples

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 increase the useful life of these products by 20% to 30% 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

POLARPOD

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. The inauguration took place on June 14, 2023 in Marseille. IFREMER, as project owner, officially kicked off construction of the Polar Pod in December 2022. It is working with the PIRIOU shipyards on the final calculations for the Polar POD, with a view to starting construction at the end of 2024.

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.
- Beyond its value chain, in 2023 the Group undertook to finance projects that not only avoid CO_2 emissions but also promote sustainable, social and environmental development in the countries where they are implemented.

As is the case every year, the environmental policy underwent a comprehensive assessment by the Executive Committee. As part of the new 2022-2027 CSR roadmap, new targets were defined and approved by the Board of Directors in 2023:

- Reduce the sales intensity of Scope 1 and 2 greenhouse gas emissions by 35% between 2022 and 2027
- Source 80% of electricity from renewable sources by 2027 (versus 58% in 2022)
- Increase the waste recycling rate to 80% in 2027 (versus 70% in 2022)
- Reduce the sales intensity of water consumption by 15% between 2022 and 2027
- Draw up a water conservation plan for all sites exposed to water stress in 2027

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 Executive Committee: The Executive Committee leads the CSR strategy, including environmental, and ensures its implementation. It is supported by specialized committees, including the CSR Committee, which oversees and monitors progress and coordinates the execution of cross-functional initiatives.

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 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 2023, 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.

Training hours devoted to the environment decreased by 11% between 2022 and 2023 (7,841 hours), due to the fact that increased business at most sites meant less time for environmental awareness issues.

Environmental training	2023	2022	Change
In no. of training hours	7,841	8,781	-11%

Investments

On an ongoing basis, the Group continues to devote the appropriate financial resources to bring itself in line with regulatory developments and carry out environmental improvement projects.

Two major projects were launched in 2023. Firstly, the Amiens plant in France invested in a new heat treatment process designed to replace gas with electricity in order to reduce greenhouse gas emissions. Secondly, in the United States, a new plot of land acquired by the Bay City plant was responsibly cleaned up using a recognized process.

In €m	2023	2022	Change
Environmental investments	10.3	3.8	+171%

5.2. References

With regard to the ISO 14001 environmental management systems standard, the Group renewed the certification of its sites, giving priority to those with more than 125 employees.

Percentage of manufacturing sites certified	2023	2022
ISO 14001 – Environmental Management System	42%	41%
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.

The main sources of greenhouse gas emissions are Scope 3 (purchased goods and services, capital goods) and Scopes 1 and 2 (energy consumption).

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 2022, the Group scored a C on the Climate Change 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) in 2023.

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, and the groupement des industries de la filière électronumérique française (GIMELEC).

In its new CSR roadmap, the Group has undertaken to reduce the sales intensity of its Scope 1 and 2 greenhouse gas emissions by 35% between 2022 and 2027 (ratio of Scope 1 and 2 emissions in tCO_2 to sales in €m).

5.3.1. GHG emissions audit

In 2023, with the help of a specialist consultant, the Group carried out a critical review of its 2022 GHG inventory in order to approve its emission factors and update its calculation methods.

Indirect emissions from products sold (categories 3.10 to 3.12 of the GHG Protocol) were not inventoried in 2022 due to the large number of products, applications and customers. The review was conducted for all products sold by Electrical Power (EP) and 17% of products sold by Advanced Materials (AM). The assumptions used to define the emission factors have yet to be approved. The 2023 inventory therefore does not include these categories.

For the other categories, emission factors were updated and more detailed data was collected, in accordance with GHG Protocol guidance. As a result, the 2022 inventory has been recalculated.

Categories 3.8: Upstream leased assets, 3.13: Downstream leased assets, 3.14: Franchises, and 3.15: Financial investments are not relevant to the Group.

The 2023 changes in scope were reviewed to determine whether the 2022 data needed to be adjusted. It was decided that no adjustments were required for 2022 (emissions from the Linsengericht site were insignificant in comparison with the Group):

- Manufacturing sites acquired, sold, shut down or transferred: Linsengericht (sold), Carrum Downs (transferred to Reservoir);
- Administrative sites acquired, sold, shut down or transferred: Frankfurt (transferred to Bad-Homburg).

Mersen's greenhouse gas emissions in 2023 according to the GHG Protocol calculation method are:

GHG emissions in tonnes of CO_2 equivalent	2023	2022*	Change
1.1 Stationary combustion	51,482	56,074	
1.2 Mobile combustion	1,262	920	
1.3 Physical/chemical processes	26,415	24,277	
1.4 Fugitive emissions	6,755	6,787	
Scope 1 emissions subtotal	**85,914**	**88,059**	**-2%**
2.1 Purchase of electricity	23,375	47,246	
2.2 Purchase of steam, heat and cooling	0	0	
Scope 2 emissions subtotal	**23,375**	**47,246**	**-51%**
3.1 Purchases of goods and services	202,487	207,942	
3.2. Capital investments	90,722	71,467	
3.3 Fuel and energy-related activities	21,147	22,188	
3.4 Transportation and distribution - Upstream	21,043	19,847	
3.5 Waste generated by operations	714	605	
3.6 Business travel	3,351	1,551	
3.7 Commuting	4,069	3,970	
3.9 Transportation and distribution - Downstream	6,313	5,954	
Scope 3 emissions subtotal	**349,847**	**333,524**	**+5%**
TOTAL EMISSIONS	**459,136**	**468,829**	**-2%**

** Emissions at constant 2023 scope calculated according to the new rules.*

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	2023	2022*
Indirect emissions related to electricity consumption *(market-based)*	23,375	47,246
Indirect emissions related to electricity consumption *(location-based)*	142,305	144,628

** Emissions at constant 2023 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. The manufacturing sites are responsible for monitoring and reducing their energy consumption, and the Business Units are in charge of overseeing the results and action plans.

Energy in MWh	2023	2022	Change
Net electricity consumed	264,390	267,886	
Electricity purchased and consumed	262,601	266,448	
Self-generated and consumed electricity	1,938	1,566	
Self-generated and sold electricity	-148	-128	
Natural gas	243,684	264,180	
Liquefied petroleum gas (LPG)	2,249	2,774	
Fuel oil, propane, butane	3,696	4,705	
TOTAL	**514,019**	**539,545**	**-5%**
Energy savings intensity in MWh/€m of sales	***424***	***484***	***-12%***

Electricity and natural gas are the two main energy sources, and the graphite and felt production processes using hightemperature furnaces in the Advanced Materials segment are the most energy-intensive.

Following a year of preparation, the Columbia site (US) began selling extruded graphite in 2023. The two other graphite production facilities in Chongqing (China) and St Marys (US) also contributed to the reduction in the sales intensity of energy consumption in 2023.

The principle of energy efficiency is implemented by production sites in renovation and maintenance projects, buildings and industrial processes. Meters are gradually being installed on energy-intensive equipment 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.

Certified renewable electricity purchasing

The Group is working continuously to substitute its energy purchases with green energy (solar, hydro, wind) associated with energy attribute certificates.

In 2023, Mersen purchased new renewable electricity certificates in the United States, increasing the number of sites covered by these certificates from 14 to 22. Purchases of electricity from renewable sources rose by 23% during the year.

Energy in MWh	2023	2022	Change
Electricity purchased with energy attribute certificates	190,772	155,053	+23%

The Group is also considering purchasing renewable gas certificates. Biomethane, or methane produced by biogenic or thermochemical processes, can be used to replace natural gas of fossil origin. In its interim update in August 2023 on the treatment of biomethane certificates under the GHG Protocol, the World Resources Institute (WRI) did not take a firm stand on the issue in the absence of definitive guidance.

Consequently, the Group did not purchase this type of certificate in 2023.

Self-generation of renewable electricity

At end-2023, Mersen had 11 manufacturing sites equipped with solar power plants. Seven are designed for self-consumption and four partly for self-consumption and partly for exportation to the grid. Depending on the panel surface, a plant's annual output varies from 50-1000 MWh, which is relatively modest. The Group plans to implement these renewable systems when there is a clear technical and economic advantage.

Initiative in 2023

The Hittisau site (Austria) equipped its buildings with rooftop photovoltaic panels in 2023, with a capacity of 260 kWp. Output is expected to cover 20%-25% of the plant's electricity needs, resulting in a corresponding reduction in the amount of electricity purchased and a cut in greenhouse gas emissions.

In 2023, the Group set a target of achieving **80% renewable electricity by 2027**. Taking into account renewable electricity certificates and self-generated renewable electricity, the use of renewable electricity increased by 23%, accounting for 73% of total electricity consumption in 2023.

Renewable electricity in MWh	2023	2022	Change
Electricity purchased with energy attribute certificates (certificates)	190,772	155,053	
Self-consumption of self-generated renewable electricity	1,938	1,566	
Self-generated renewable electricity sold	-148	-128	
TOTAL	**192,561**	**156,491**	**+23%**
Share of renewable electricity as a %	**73%**	**58%**	

Reducing the sales intensity of Scope 1 and 2 emissions

In 2023, the Group set a new CSR roadmap target of reducing the sales intensity of its Scope 1 and 2 emissions by 35% between 2022 and 2027.

Between 2018 and 2022, the sales intensity ratio (Scope 1 and 2 emissions per sales) narrowed by 38%. With the help of a specialized consultant, we predicted a trajectory to 2027 in line with estimated business trends. Various levers have been identified for 2027. At year-end 2023, sales intensity was 26% lower than in 2022, thanks to an increase in the share of renewable electricity.

Emissions intensity of Scopes 1 and 2 in tCO_2 equivalent/€m of sales	2023	2022	Change vs 2022
Scope 1 emissions in tCO_2 equivalent	85,914	88,059	
Scope 2 emissions in tCO_2 equivalent	23,375	47,246	
Scope 1 and 2 emissions in tCO_2 equivalent	109,289	135,305	
Sales (€m)	1,211.0	1,114.8	
SAVINGS INTENSITY	90	121	-26%

5.3.3. Controlling Scope 3 GHG emissions

Scope 3 indirect emissions are attributable to sources upstream and downstream of the Mersen value chain. The categories relating to products sold (3.10 to 3.12 of the GHG Protocol) have not been reported. They were evaluated by a specialized consultant, but the calculation methods and emission factors still need to be verified and approved.

The breakdown in 2023 is as follows, in descending order:

- purchases of goods and services (58%);
- purchases of investments (26%);
- upstream and downstream transportation and distribution (8%);
- fuel and energy-related activities outside Scopes 1 and 2 (6%);
- business travel and commuting (2%);
- waste generated by operations (>1%).

Indirect Scope 3 emissions accounted for 76% of total emissions (71% in 2022). An increase in business volume has automatically brought about an increase in goods and services procurement and transportation.

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;
- optimize truck loading and use electric vehicles for short distances;
- use of the same means of transportation to avoid empty returns.

5.3.4. Voluntary carbon offset projects

Keenly aware of the climate emergency and knowing that rolling out an action plan to decarbonize its own business activities will take time, Mersen undertakes to finance – beyond its own activities – projects that avoid CO_2 emissions, in an amount equaling those generated by the €300 million additional investments that the Group will make under its 2027 growth plan.

In 2023, the Group decided to contribute to financing renewable energy projects in India, where it has over 250 employees.

Projects supported by Mersen

The Bendosol project is focused on generating a clean form of electricity using a renewable solar energy source. It involves the installation of several solar projects, each with a capacity of 120 MW, in different states of the country.

The Pawan wind power project comprising several projects in the state of Maharashtra, which traditionally relies on electricity generated from fossil fuels.

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: Consumables are among the products designed and manufactured by Mersen. 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. In 2023, R&D experts created a life cycle assessment course that was given to the R&D community.

Monitoring and measuring impacts: Mersen uses EIME (Environmental Improvement Made Easy) software to analyze the environmental impact (water and air pollution, depletion of national resources, etc.) of certain products from the Electrical Power segment 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. For the Advanced Materials segment, the first Product Category Rule for graphite was published in 2023 by the European Carbon and Graphite Association (ECGA), of which Mersen is a member. The document will provide the industry with a standardized methodology for carrying out life cycle assessments of graphite products.

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, namely pitch, coke, graphite (raw material) and metals[1];
- Felt products, namely fiber and resin;
- Brush, fuse, bus bar and cooling products, namely metals[1], plastic and sand.

These eight raw materials represent significant purchase volumes in relation to other purchases of goods.

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.

In 2023, raw materials for graphite and felt products kept pace with the increase in business activity. The volume of graphite used as a raw material shrank by 24% in 2023 thanks to better internal reuse of dust and scrap.

The percentage of recycled metal rose a strong 15% to 28% between 2022 and 2023 as a result of a policy implemented by the Group in 2022.

Raw materials in tonnes	2023	2022	Change
Black materials for the production of graphite and insulation felt	27,310	27,899	-2%
Metals - New	5,280	7,567	-30%
Metals - Recycled	2,071	1,294	+60%
Plastic	979	631	+55%
Sand	1,270	1,000	+27%

(1) The metals reported are copper, aluminum, zinc, steel, nickel and silver.

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	2023	2022	Change
Timber	2,580	2,589	0%
Cardboard	1,600	1,962	-18%

5.4.3. Waste recycling

The Group's recycling rate has grown steadily since 2018, rising from 46% in 2018 to 70% in 2023. In 2023, a new target was set and included in the Group's new CSR roadmap to achieve an **80% recycling rate by 2027**.

Graphite product manufacturing generates the largest volume of waste. Waste recycling channels are being developed at the sites that produce the most waste, mainly with the steel industry, which uses graphite dust and scrap.

In 2023, the Group focused its efforts on minimizing waste volume (up only 11% compared to a 13% increase in organic sales).

Industrial waste in tonnes	2023	2022	Change
Waste	23,095	20,776	+11%
- o/w hazardous waste	*2,993*	*1,881*	+59%
- o/w recycled waste and by-products	*16,140*	*14,451*	+12%
Waste recycling rate	***70%***	***70%***	

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. Hightemperature 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.

5.4.5. 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.

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.

In 2023, the Group received six notifications without fines from environmental authorities and zero notifications with fines.

	2023	2022
Provisions for environmental risks *(in €m)*	3.8	4.2
Notifications with fines from environmental authorities *(total fines in €m)*	0	0.034
Notifications without fines from environmental authorities *(number)*	6	0

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 (SO_2) and volatile organic compounds (VOCs). Such systems capture an average minimum of 90% of these pollutants. Nine sites emit SOx and NOx 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 environmental 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 second phase, carried out in 2023, involved excavating the contaminated soil and replacing it with a backfill material. No impact on biodiversity, the natural environment or the local communities was identified at the end of the year. The monitoring phase, which was determined by the environmental authorities, will last until the concentration of pollutants has reached a permissible level.

5.5.3. Biodiversity protection

The Group is committed 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. As of end-2023, three sites are located within one or more protected areas, and 11 are located within a kilometer of one. All sites have received detailed information on their positions and their responsibility with respect to biodiversity.

No site reported biodiversity loss in 2023.

In 2023, the Group began modifying the sewage system at the La Mure site due to certain risks, but no environmental damage has ever occurred. The project entails renovating the wastewater, rainwater and runoff systems in compliance with applicable regulations.

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	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	Chungcheonnamdo 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 and impregnation of graphite and graphitization). When the systems do not have a reuse loop, the water is treated and discharged into the sewage system in accordance with regulatory requirements. Discharges are subject to rigorous inspection to avoid any risk of pollution.

In 2023, Mersen set a revised target to **reduce the sales intensity of its water consumption by 15% between 2022 and 2027.**

In 2023, water consumption increased by 3%, while the sales intensity of water consumption decreased by 5% compared with 2022. The Group continues to focus its actions on two of the main contributing sites.

Initiative in 2023

The Pagny-sur-Moselle site (France) has reduced its water consumption by 57% since 2020, thanks to leak detection measures and the renovation of groundwater extraction facilities. The gradual installation of meters to monitor consumption by critical equipment has greatly improved data reliability and real-time reaction capability.

Water consumption savings intensity in cu.m/€m sales	2023	2022	2023-2022 change
Total water consumption	790,425	764,352	+3%
- *o/w sourced from water suppliers*	*733,800*	*669,872*	
- *o/w sourced from surface water*	*1,649*	*3,852*	
- *o/w sourced from underground water*	*54,976*	*90,628*	
- *o/w sourced from seawater*	*0*	*0*	
- *o/w sourced from water produced*	*0*	*0*	
Sales (€m)	1,211.0	1,114.8	
SAVINGS INTENSITY	**653**	**686**	**-5%**

Aware of its responsibility and in accordance with its commitments made in 2018, the Group updated the water stress map of its production sites in 2023, drawing on the latest version of the Aqueduct Water Risk Atlas (Aqueduct 4.0) 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. Using baseline water stress as a metric, the Group rated sites considered to be water-stressed as “High” or “Extremely high”, regardless of their water use volume.

The 20 sites identified on the basis of this approach account for 47% of total **water consumption. The Group’s goal is for all water-stressed sites to have a water conservation plan by 2027.**

Country	Site	Level of water stress
China	Yantai	*Extremely High*
Mexico	Juarez	*Extremely High*
India	Bangalore	*Extremely High*
China	Harbin	*Extremely High*
China	Changxing	*Extremely High*
China	Kunshan	*Extremely High*
China	Songjiang	*Extremely High*
Tunisia	M’Ghira	*Extremely High*
Chile	Recoleta	*Extremely High*
South Africa	Johannesburg	*Extremely High*
South Africa	Cape Town	*Extremely High*
India	Pune	*Extremely High*
United States	Columbia	*High*
China	Xianda	*High*
China	Pudong	*High*
Canada	Toronto	*High*
Turkey	Gebze	*High*
Italy	Malonno	*High*
Australia	Reservoir	*High*
Canada	Mississauga	*High*

Rated according to their water consumption.

Initiative

The Bangalore site in India has had a water conservation plan since 2019. It 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 table below presents an assessment of potential dangers which the 14 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	2	2	1	0	0
Bay City	USA	1	2	2	2	3		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.

Other sites with lower asset values are exposed to the risk of earthquakes, in Japan and Turkey, or flooding, in China.

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 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 continues to study other adaptation strategies in order to further limit the risks.

The Group's principal environmental risks are presented on a regular basis to the Audit and Accounts Committee.

6. Developing human capital

6.1. Human Resources strategic roadmap

In 2020, Mersen drew up its new strategic medium-term Human Resources Roadmap, 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;
- driving HR excellence & support.

6.2. References

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 published its Human Rights Policy in four languages (English, French, Chinese, Spanish). This policy is based on the UN Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. It 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 (see section 7 on Ethics & Compliance).

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 sites’ 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.

In 2023, an analysis was carried out with the help of an external expert to assess the HR team’s workload in North America and France. Action plans were subsequently defined and shared, some at the Group level, others at the regional level.

6.4. Workforce mapping

Headcount by region	2023	2022	Change
Europe	2,834	2,745	+3.2%
o/w France	*1,414*	*1,329*	*+6.4%*
North America (including Mexico)	2,496	2,377	+5.0%
Asia-Pacific	1,700	1,676	+1.4%
South America – Africa – Middle East	504	517	-2.5%
TOTAL	**7,534**	**7,315**	**+3.0%**

The workforce is comprised of 61 nationalities.

Headcount by employee category	2023	2022	Change
Engineers and managers*	1,432	1,590	-9.9%
Technicians and supervisors*	1,757	1,585	+10.9%
Operators and clerical workers**	4,345	4,140	+5.0%
TOTAL	**7,534**	**7,315**	**+3.0%**

** In 2023, the Group standardized the definition of these job categories worldwide, which explains the changes.*
*** Since 2023, the operator and clerical worker lines have been combined.*

Changes in headcount	2023	2022
End of year headcount Y-1	**7,315**	**6,968**
Scope	-33	0
Hiring	2,018	2,755
Terminations	-202	-278
Retirements	-81	-98
Other departures	-425	-627
Resignations	-1,053	-1,386
Adjustments	-5	-19
END OF YEAR HEADCOUNT	**7,534**	**7,315**

The change in scope of consolidation reflects the disposal of a chemicals business in Germany.

Hiring partly concerns sites whose operations are related to the electrical vehicle and SiC semiconductor markets – key markets in the Group's 2027 growth plan.

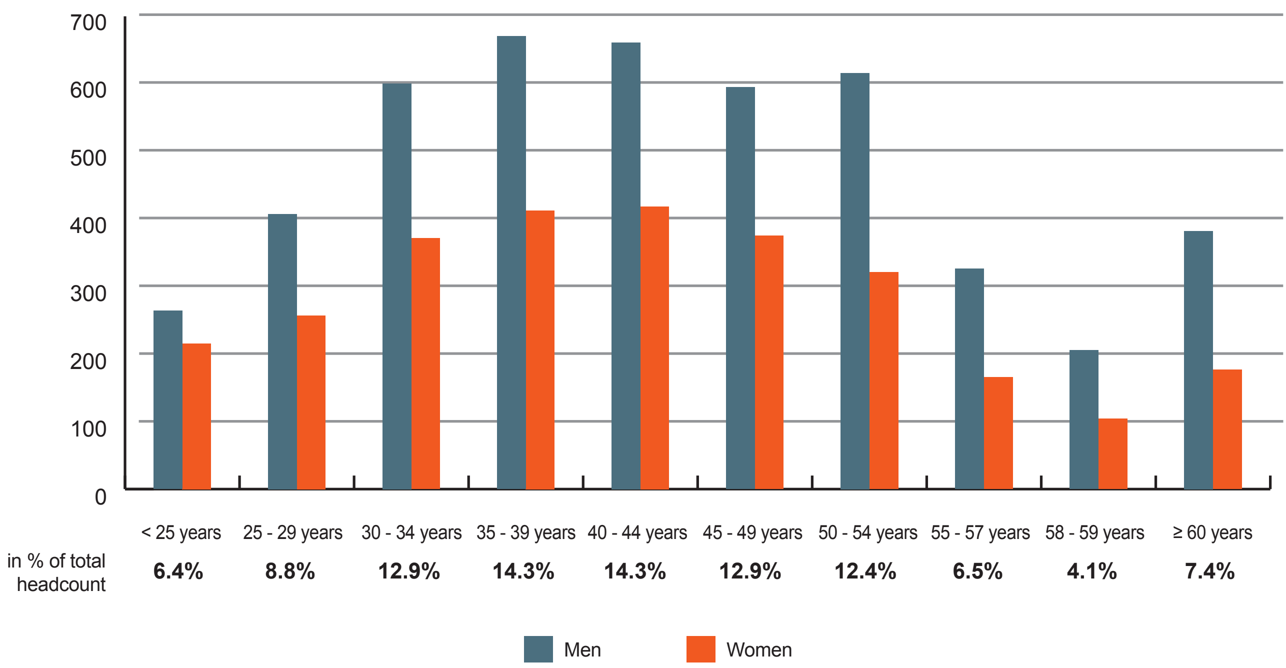
	2023	2022
Voluntary turnover	9.5%	9.4%
Overall turnover	16.6%	19.5%
Absenteeism	4.3%	4.9%

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.

The following data does not include 13 employees who did not wish to disclose their gender*.

Headcount by age and length of service	2023	2022
Average age	**42.4**	**42.3**
Average age (women)	41.6	41.3
Average age (men)	42.9	43.0
Average length of service	**8.4**	**8.5**
Average length of service (women)	7.3	7.1
Average length of service (men)	9.1	9.4

Age pyramid



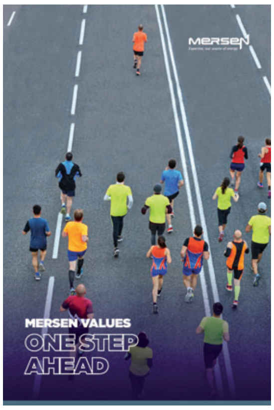
Headcount by type of contract	2023	2022
Permanent work contracts	**6,463**	**6,207**
Permanent work contracts (women)	2,377	2,324
Permanent work contracts (men)	4,086	3,883
Fixed-term work contracts	**1,058**	**1,108**
Fixed-term work contracts (women)	431	459
Fixed-term work contracts (men)	627	649
TOTAL	**7,521***	**7,315**
of which part-time employees	2.6%	2.8%
Temporary contracts (average annual FTE)	622	637
Work-study programs, professional training contracts, etc.	118	96

6.5. Affirming Mersen's identity

6.5.1. Shared values

Since 2022, four values determine who Mersen is and how we work together:

- People first,
- One step ahead,
- Cross collaboration,
- Innovate for our customers.



Mersen's values form the cornerstones of a Group culture that is strong, recognized and appealing because of the level of trust and responsibility given to employees.

To reinforce awareness of its values, the Group has developed a customized training course, "Values and Behavior", that is designed to help employees understand the four corporate values and associated behaviors and put them into practice in their day-to-day work. Launched in English in December 2023, it will be offered online in other languages during the first half of 2024.

Year on year, the Group continues to ensure that its fundamental values are effectively put into practice. In particular, it conducts now-annual 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 local and global vision has enabled us to define a certain number of indicators for each site, together with action plans.

The latest survey performed at the end of 2023 was completed by 6,050 respondents, or almost 80% of employees. This record participation ensures that the results obtained are representative of the workforce as a whole. The positive trend of the previous years is still in place, as witnessed by a rise in the human potential success rate (89%, up 1 point). It is also illustrated by the percentage of employees who said they were satisfied to work at Mersen (89%, up 1 point) and those who said they were motivated by their jobs (89%, up 1 point).

How do employees feel about Mersen's actions in favor of the environment, diversity and ethics?

In the 2023 annual survey, employees were asked to answer six questions pertaining to three issues of prime importance to the Group: diversity, the environment and ethics:

- 95% of employees said they were aware of Mersen's environmental commitment and initiatives in this area.
- 92% of respondents said that Mersen was committed to diversity and inclusion.
- 78% of employees stated that they were familiar with the Group's whistleblowing process, and 96% expressed confidence in it.

6.5.2. 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 and made it visible to external audiences. 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**
- **Be part of the challenge**
- **Be part of the family**

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 January 2023, the Group launched a customized training course for recruiters called “How to improve the hiring process through employee branding and CSR”. Some 15 employee video testimonials were produced at the sites. Local initiatives were also implemented to directly market the employer brand. In July 2023, Mersen China held an open day for students looking to do an internship. About 30 students from different Shanghai universities visited the Mersen Songjiang site to learn about Mersen’s expertise and culture, explore career opportunities, get a feel for the working environment and talk to employees.

Greater Mersen employer brand awareness resulted in four Great Place to Work certifications in 2023. These certifications give substance to and reinforce the employer brand in the countries/sites in question by underlining their commitment to create a good working environment.

Great Place to Work®

In November 2022, Mersen India received Great Place to Work® certification, which recognizes employers who create an outstanding employee experience. In July 2023, China obtained certification, becoming the second country to do so, followed by Paris headquarters in October 2023 and Frankfurt Shared Services in December 2023.

Young Engineer of the Year Award 2023

Two engineers from the Holytown plant (Scotland) were recognized at the Young Engineer of the Year Award ceremony. For 25 years, this ceremony has been celebrating Scotland’s best young engineers. Both employees were finalists in the “Young Engineer of the Year” category, and one of them came in second place.

6.5.3. Inclusion: collaboration based on respecting local cultures and combating all forms of discrimination

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 it believes 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 teams and sparks creativity so that the Group can better understand the needs of its customers around the world.

Diversity, and more specifically gender balance, is now one of the pillars of the Group’s CSR policy and its employer brand. Because Mersen firmly believe that promoting diversity will have a profound and positive impact on its organization 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 Mersen’s corporate culture. The Group strives to ensure equal opportunities at every level, while maintaining and strengthening the multi-disciplinary capabilities of teams.

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. Mersen also supports this cause within various NGOs and discusses best practices with other businesses on a regular basis.

6.5.3.1. 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 the Group’s principles and values and recognizing local realities is what lends substance to Mersen’s human dimension.

Industrial plants	2023	Sites with a workforce of above 125	2022
Europe excluding France	12	4	13
France	8	4	8
North America	14	4	14
Asia-Pacific	13	3	13
Africa and South America	4	2	4
TOTAL	**51**	**18**	**52**
Site managers with local nationality	*100%*		*100%*

The Group influences local and regional development because it has facilities around the world. It develops economic partnerships with local organizations. For example:

In France, Mersen Boostec continues to be a member of the “10,000 businesses” plan, which supports initiatives in favor of local employment. The La Mure site invited EDF employees to discuss ideas and practices on safety and innovation.

In the United States, the Rochester plant maintains close ties with the Rochester Institute of Technology’s (RIT) office of career services, working with it in particular to sponsor an engineering design team.

6.5.3.2. Local commitment: Mersen, partner to schools and universities

The Group is committed to Goal 4 of the United Nations' Sustainable Development Goals, striving in particular to:

- **Support education:** The Group is actively involved in training the talent of tomorrow via the awarding of scholarships.
- **Train and promote learning:** 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. Every year, it welcomes many young people at its sites through work-study contracts or internships.
- **Stimulate interest in the industry and its professions:** Convinced that industry can be an attractive career option for many young people, Mersen showcases job opportunities through events such as school visits and job fairs.

Examples:

- In Brazil, the apprenticeship program created in 2020 reached a milestone in 2023 with a group comprised exclusively of women. One of the main objectives of the Brazilian plants is to increase the proportion of female employees and promote career opportunities for women, especially in jobs traditionally dominated by men.
- In China, the sites held an open day for 30 or so students applying for technical positions (chosen from around 100 applicants). After a day of active exchange between the students and the site managers, ten students were hired.
- In the United States, the Greenville site offers employees the opportunity to go back to school thanks to an apprenticeship program developed in partnership with Montcalm Community College. Mersen Greenville also has a college tuition reimbursement program that benefited two employees in 2023. The site also took part in the MiCareerQuest career fair, where Michigan students had the opportunity to engage with professionals and learn about the site's specific businesses and professions. The Bay City site teamed up with a local university to create a training course for CNC machinists[1], process operators and supervisors. Columbia site management is actively involved with the local chamber of commerce (Maury County Chamber and Economic Alliance) to increase its visibility. The St Marys facility participates in an electrician apprenticeship program in partnership with a local school.
- In France, the Saint-Bonnet-de-Mure and La Mure sites actively participated in "Viva Fabrica", a skilled trades job fair held in Lyon in February 2023. The goal of the event was to attract and inspire young people to pursue careers in industry. Around 15 employees from the sites presented their jobs.
- In France, Mersen Boostec continues to support the local engineering school ENIT, in addition to a local production school, as a member of their administrative committees. In 2023, the mandatory training levy was partially used to finance training at local schools and industrial training centers.
- In the United Kingdom, Mersen UK took part in several events with Glasgow Strathclyde University to allow students to get to know the Group better.

6.5.3.3. Local initiatives

The Group promotes local initiatives implemented by local teams, while also making sure these initiatives comply with the Group's values and Code of Ethics. It 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.

These initiatives are in line with two United Nations Sustainable Development Goals:

1. Raise awareness and take local action to help adapt to climate change

- Many Mersen sites have set up programs to encourage employees to sort waste, eliminate single-use plastics, recycle materials, install LED bulbs and save energy. Around ten Mersen sites have organized an awareness-raising day or week dedicated to health and/or safety.
- The Greenville facility allows employees to bring materials from home for recycling if no local solution is available.
- In France, 28% of Paris headquarter employees attended a collaborative Climate Fresk workshop. The purpose of the class is to raise awareness and understanding about the challenge of climate change through discussion of the causes, consequences and possible solutions.
- Vegetable gardens have been planted at Mersen sites in South Africa, India, Brazil and China.

Mersen bees

As part of their commitment to safeguard biodiversity, the Cabreuva (Brazil), Bommasandra (India) and La Mure (France) facilities installed beehives on their sites in 2023.

(1) Computer Numerical Control.

2. Support vulnerable people through charitable actions

The vast majority of the Group's sites were involved in a charitable action in 2023:

- In India, Mersen has been providing financial support since 2018 to two daycare centers attended by roughly 70 children. Thanks to this support, the facilities moved to a safer location in 2023 and classrooms were built.
- In China, nearly 3,000 books were collected for the Yunnan elementary school under the WiN initiative(1).
- In Germany, the Husum site helped support a women's shelter, the only one of its kind in the region.

Funding cancer research

Some 706 Mersen employees in France took part in the Institut Curie's "A Daffodil Against Cancer" connected race. Thanks to their engagement, Mersen covered a total of 41,695 kilometers. For each kilometer covered, the Group donated €1 to cancer research. Mersen presented the Institut Curie with a check for €41,695.

6.5.3.4. Gender balance: ensuring equality in the workplace at all levels

One of the Group's priority objectives is to hire more women across all job types, including manufacturing. With this in mind, the Group introduced a number of initiatives dealing with various themes: hiring, career tracking, communication, awareness-raising among managers, compensation, flexibility for parents in the workplace, organizational changes and workstation adjustments.

	2023	2022
Women in the Group's workforce	37.2%	38.0%
Women in senior management positions*	24.3%	23.7%
Women engineers and managers	26.1%	25.3%

** 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 has put in place a solid governance structure.

- The **Group's Executive Committee** 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.

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 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. This objective was achieved in 2022. As indicated in its new 2022-2027 roadmap, the Group now aims to increase the proportion of women engineers and professionals by four points between 2022 and 2027;
  - the other for increased representation of women on the Group's management committees: the Group has set a target of having 27% of women in senior management bodies by 2027.

(1) Women in Mersen.

To meet these objectives, 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 justified. The Group's recruitment rules highlight the need for parity not only among the final candidates, but also on the selection panel.

In addition, the employer brand stresses the importance of developing women's careers, both internally and externally, thereby helping to promote them. In 2023, around half of the employee testimonial videos posted by the Group featured women.

- **Developing women's careers and giving them greater visibility to encourage internal promotion**

In order to follow 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. Women are also present in the Open Expertsnetwork, where they now account for 15% of the total number of specialists (versus 10% in 2022).

In 2018, a mentoring program was launched to accelerate the development and recognition of female talent. It is now deployed worldwide (Europe, North America, China). At the last session in 2023, around 50% 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.

WiN networks, true drivers of diversity at Mersen

The Group 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. Since 2022, representatives from each of the regional networks have been meeting twice a year to share best practices and discuss better ways to coordinate their actions.

- **American networks:** The network had 168 members at the end of 2023 (up 30 from 2022), 39% of whom are men. WiN North America continued to participate actively in 2023 in events organized by Women In Manufacturing and the Society of Women Engineers, two organizations that seek to empower women in industry. The Brazilian subsidiary, which has 44 members, focused primarily on internal diversity awareness initiatives in 2023.
- **European networks:** Created in 2019, the WiN Europe network now has 109 members (up from 69 in 2022). It held four events in 2023. WiN France, the Group's original network, has 79 members.
- **Asian networks:** The extremely active Chinese network had 313 members at year-end 2023, compared with 132 members in 2022, the year of its creation. Two new networks, WiN India and WiN Turkey, were launched in 2023.

Significant WiN initiatives:

- **WiN Brazil:** To foster a healthy, respectful working environment, the network put on a play for all its employees dealing with the issue of harassment.
- **WiN China:** Various actions were undertaken to promote diversity.
- **WiN Europe:** A conference entitled "How can Mersen help women progress?" and led by an associate researcher at the Global Institute of Women's Leadership was designed to share operational strategies for helping companies promote the career development of women.
- **WiN France:** The Saint Bonnet de Mure site organized a meeting on the subject of domestic violence.
- **WiN India:** Various awareness-raising initiatives were conducted, primarily on the topic of health and training for female employees.
- **WiN North America:** Three webinars presenting Mersen women employees and their career paths were organized.

Building an inclusive culture

To do this, the Group relies on a variety of means:

- **Group policy:** The Group is committed to protecting employees against all forms of harassment, intimidation and violence. In 2021, Mersen developed a policy for all internal and external stakeholders (employees, suppliers, subcontractors, applicants, customers) aimed at preventing harassment in all its forms (including sexual) and dealing with incidents quickly and effectively. The 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. It has been supplemented by specific procedures in the different host regions. 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. In North America, a harassment reporting procedure was defined and introduced in June 2015. A similar process has also been in place in China since August 2022.
- **Training:** All sites are encouraged to provide harassment prevention training to managers, HR heads and employees. Employees in the United States received training on sexual harassment in 2023, for example. In the future, all new Group employees will be required to undergo this training.

  Lastly, diversity awareness is promoted at the Group level through a one-hour training module available in six languages on Mersen's Learning Management System (LMS) platform. It 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 local initiatives.
- **Diversity challenge:** In 2023, the annual challenge launched on the occasion of International Women's Day saw a record 45 entries. Following a vote, the Diversity Committee rewarded the three sites/countries that implemented the most significant actions in favor of gender diversity: Newburyport, Mersen China and Mersen Colombia.
- **Communication:** Every quarter, a Group-wide diversity newsletter shares news and best practices on the topic. At the local level, WiN China also publishes a quarterly newsletter.
- **Network:** 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 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. The analysis was extended to three other countries in 2023: China, Germany and Austria.

Regarding the first three countries covered by Mercer's methodology, in France the gap has shrunk substantially, in the United States it continues to be wide and in Canada it has grown. In the latter two countries, a large number of high-salaried women have left the Group, while at the same time, hiring practices show women to have lower starting wages. Corrective measures have been implemented to prevent this scenario.

	Gender wage gap in 2022	Gender wage gap in 2023
Canada	-3.37%	-5.94%
United States	-5.65%	-5.73%
France	-3.03%	-0.92%
2022 scope	**-3.14%**	**-2.90%**
Germany		-5.83%
Austria		-5.80%
China		-2.50%
Together		**-3.14%**

The ratio of female median wages to male median wages was calculated for each country across the Group:

	Basic salaries		Gross items paid	
	2023	**2022**	**2023**	**2022**
Engineers and managers[1]	0.89	0.82	0.89	0.79
Technicians and supervisors[1]	0.93	0.87	0.85	0.87
Operators and clerical workers[1][2]	0.87	0.86	0.81	0.83

(1) In 2023, the Group standardized the definition of these job categories worldwide.
(2) Since 2023, the operator and clerical worker lines have been combined.

The calculation was based on the entire population present throughout the year. The job classifications were defined on the basis of the grade level and benchmark job to which the employees were assigned.

The ratio was calculated by country and job classification when the sample included at least five employees. Below this threshold, all employees in the job classification were excluded from the sample.

The published ratio corresponds to the average of the medians calculated.

The differences in pay among the operators (who make up the bulk of the workforce) have remained stable; however, the gender pay gap has narrowed in favor of women among engineers and managers, and among technicians and clerical workers.

These ratios reflect widely diverse situations and forms of inequality. In particular, they take into account different levels of responsibility at equivalent job levels.

6.5.3.5. 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 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. Lastly, by allowing for a better understanding of the visible and invisible challenges facing employees with disabilities, it is possible to provide them with better working conditions.

Our actions are paying off, as can be seen by the constant increase in the number of disabled employees.

	2023	2022
Employees with disabilities	197	174
As a % of the number of employees	2.6	2.4

The employment rate for people with disabilities rose to 2.6% in 2023 from 2.4% in 2022.

In some countries such as India, disabled people count among the interns and external service providers.

These results are the consequence of regular, local initiatives backed by human resources managers at the site and regional levels. Communicating the policy helps to raise awareness among employees throughout the world, even if the pace of progress depends on the culture and size of each site.

In its new CSR roadmap, the Group has set a target of increasing the number of disabled people in its workforce by 25% between 2022 and 2027.

The Group is particularly active in the International Day of Persons with Disabilities event held in December. Twenty-one sites took part in the internal challenge organized on this occasion in late 2022/early 2023. Concrete measures to illustrate the four pillars of the Group's disability policy were proposed:

- **Hiring:** The Mersen La Mure site welcomed a young autistic person on a 4-week job training course in a production service; the St Bonnet de Mure facility participated in the "Duo Day" initiative by pairing up a volunteer employee with a disabled person to allow him to discover the job and the corporate world.
- **Adapting the work environment:** In India, adjustable-height task chairs have been installed at work stations to enable short people to do their jobs more comfortably; digital tablets are used to facilitate communication with deaf and mute people.
- **Combating prejudice:** Awareness-raising initiatives have allowed able-bodied employees to imagine what it's like to be disabled and understand the difficulties that some of their colleagues face. Initiatives of this kind took place in Pagny-sur-Moselle, Kaposvar and Bangalore. In Brazil, awareness-raising videos were emailed to employees and projected on site screens.
- **Internal and external inclusion:** The North American sites ran a self-declaration campaign to encourage employees with disabilities to come forward. A toolbox with ideas for local initiatives was distributed to all the U.S sites. Mersen China continued to cooperate with the Inclusion Factory, a social enterprise providing employment opportunities to people with disabilities. The agency visited four Chinese sites to advise them on their actions. Mersen China also put out a handbook, "Another Step Towards Inclusion" to help the sites promote the employment and inclusion of people with disabilities.

As part of the challenge, four sites received financial rewards that will enable them to share and strengthen their commitment by supporting NGOs and disability-themed projects.

6.5.3.6. A commitment to employee health and wellness

The Group pledges to provide the best possible work environment for the well-being, health and safety of everyone (see also section 6.9 of this document).

In the current period of transformation, Mersen wishes to introduce stronger preventive measures to improve health and well-being at the workplace, particularly among employees who are most at risk.

The strengthened measures, which aim to treat health in the same way as safety – health in general, and mental health in particular – build on the four pillars that are in the process of being spelled out in the Mersen Care program (see section 6.8.1):

- Physical health
- Mental health
- Quality of life and working conditions
- Financial well-being

For each pillar, the program will describe existing measures within the Group and commitments for the years ahead.

Examples:

- **Physical health:** In the past few years, Mersen has developed high-quality family health plans in countries where they did not exist previously (China, Tunisia), whose premiums are paid for mainly by the Group.
- **Mental health:** Many countries have implemented employee assistance programs (EAPs) to help employees resolve work-related problems or personal (family, relational, financial, legal, etc.) issues. These programs are offered to employees free of charge by independent EAP providers (China) or via in-network providers (North America).
- **Quality of life and working conditions:** Mersen adapts to the technological and sociological changes that are a part of corporate life. One of its objectives is to provide it employees with a healthy work-life balance and a flexible, modern and attractive work organization, while ensuring collective efficiency in a safe working environment. To this end, the Executive Committee members ratified the Charter for a Better Work-Life Balance in 2018.
- **Financial well-being:** Under its corporate social responsibility policy, Mersen has undertaken to guarantee all employees in all Group subsidiaries a common minimum level of social protection above what is required by local law, which often offers less protection. This social protection program is based on the measures described in section 6.8.1.

6.6. 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 forwardlooking 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.

In 2023, the Group launched a new version of the Mersen Academy training platform. It gives the sites greater autonomy and can be used to provide local training in all different formats. An international group of nine training and development specialists created specially for the occasion helps human resources managers and employees implement local training plans, while enhancing the in-house catalogue of customized training courses.

6.6.1. Training

	2023	2022
Hours of training as defined in the reporting methodology[(1)]	**121,081**	**118,323**
Average number of hours per employee	**16.2**	**16.2**
o/w Mersen Academy[(2)]	*2.4*	*4.4*
o/w France	*9.3*	*14.0*
Training expenses (in €m)	**3.5**	**3.7**
Spending on training as a % of total payroll costs		
Group	*1.4*	*1.5*
France	*1.6*	*2.0*
Main training programs (number of people trained)		
GPS	*101*	*60*
Management Academy	*389*	*545*
Ethics[(3)]	*4,678*	*5,620*
Finance Academy	*103*	81[(4)]
Sales Academy	*18*	*121*

(1) Includes Discover Safety and Environment and Environment training for employees with a Mersen Academy account.
(2) Due to the launch of the new version of the Mersen Academy platform, mandatory training was suspended between June and November 2023.
(3) Ethics training is described in the "Ethics and Compliance" section.
(4) In 2022, Finance Insight training only.

6.6.1.1. 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: Nine 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.

6.6.1.2. 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 965 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 and site 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 refresh awareness of the fundamental practices that all managers need to apply in order to lead their teams effectively on a daily basis. In 2020, the "Management Fundamentals" course was released in a virtual format. 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 then, it continues to be offered to new managers. By the end of 2023, 58 employees had completed the training in full.

The development of the Group's managers continues with a 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 thanks to a wide range of development tools and training courses. By the end of 2023, 164 managers had completed it in full.

Management Academy training accounted for 5,154 hours in 2023.

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.

6.6.1.3. Finance Academy

Introduced in January 2023, the Finance Academy completes the range of internal "Academies" that together provide all the learning solutions for developing the key skills identified in Mersen's benchmark job guidelines.

Employees in the finance field can access a wide selection of educational content from the Mersen Academy platform in order to facilitate the integration of new hires and develop the key skills required for each finance benchmark job.

The Group has also developed Finance Insight, a bespoke training course 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.

The course is compulsory for all site managers and members of the management committees of business and support functions.

Rolled out in 2020, it accounted for 970 hours of training in 2023.

6.6.1.4. 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 221 hours in 2023.

6.6.2. 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 at the same time 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.

6.6.3. 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 project and transversal support), the 138 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, and to more effectively target training courses in certain job fields.

6.6.4. 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 2023, there were 34 Open Experts (including five 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. At the end of 2023, Mersen had identified 31 different fields of expertise and 180 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.

A 40-hour multimodal training course provided as part of the Expert Academy was launched in July 2022. Called Innovation Management, it was taken by all Open Experts. It enables participants to choose from a list of competing innovation projects those that are most in line with the Group’s strategic objectives and to evaluate the resources needed to carry them out.

	2023	2022
Number of Open Experts	34	29
Number of women Open Experts	5	3

6.7. Enhancing the employee experience

6.7.1. Internal communications

In 2020, Mersen created the position of internal communications manager within the HR department in order to structure the function and reinforce its initiatives. They include:

- Managing the MersenONE intranet site, Mersen's first in-house communication media launched in 2020. Since 2021, local "My Site Employee Experience" pages allow employees to keep up to date on news and information about their site.
- Managing the four annual issues of the Inside in-house magazine.
- Leading two cross-functional business communities:
  - Open Expert: This community provides regular updates on member activities, current scientific news, and trade shows and conferences in which Mersen experts take part.
  - Open Manager: the main objective of this community is to simplify the life of managers by centralizing all of the tools and techniques needed to keep employees motivated, committed and productive.

6.7.2. 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. Each seminar includes a tour of a manufacturing site. In 2023, 200 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.

The integration process as revised in 2022 concerns all new Mersen employees, regardless of their position. 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.

6.7.3. 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 also a crucial issue given the nature and level of expertise held by specific employees, especially those identified as Specialists and Experts (34 Open Experts in 2023).

During the annual career committee meetings held at all Group sites, a two-dimensional risk matrix (risk of departure, impact of departure) is drawn up to help the sites establish priorities in terms of replacement and knowledge transfer. The matrix has been included in the new HRIS as a mandatory step for the career committees. Specialists and Open Experts are also specifically identified in the new HRIS.

The five-step knowledge-management process proposed to the sites since 2022 is used on a case-by-case basis, according to local needs. The management of Open Expert knowledge is monitored through the status report that all Open Experts are required to submit. Transfer actions are set out in the annual objectives, particularly for the most critical situations, or in anticipation of planned departures.

Mersen is also pursuing its proactive policy of welcoming young people on internships and work-study programs, contributing 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 technical professions. The Group identifies, trains and promotes mentors, who play a key role in the integration of work-study students and the transmission of knowledge.

Thanks to the roll-out of the new Learning & Development (L&D) platform, as well as the designation of regional L&D specialists and the introduction of Marketing/Product advisors, it is easier to add technical courses to the Mersen Academy and to transfer knowledge.

6.7.4. 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.

Performance & Development Review (PDR)[1]: 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.

In 2023, the review was included in the new Mersen People HRIS platform for engineers and managers to enable them to selfassess their career progression and set priorities for the coming year. The PDR process also began to be rolled out to other Group employees in 2023[2].

In 2023, 2,351 or 90% of engineers and managers with access to the performance assessment tool fully completed the PDR interview, as did 1,388 operators and clerical workers.

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. A new Mersen Academy platform was launched in November 2023: Now connected to the Mersen People HRIS, it incorporates features allowing line managers to better monitor the skills development of their teams and site HR/training managers to deliver training more independently.

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 6.6.1. 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.

6.7.5. 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 was available digitally in 2023 to all Group recruiters.

In September 2023, hiring best practices were shared among the HR community.

The sites have introduced many initiatives aimed at showcasing the Group and facilitating recruitment (see section 6.5.3.1). In France, recruitment specialists have been added to the teams. The Gennevilliers and Pagny sites have developed a customized training program called CQPM[3].

6.7.6. 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 (EWC). 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. A new agreement signed in early 2023 by management and EWC members introduces new rules designed to improve the functioning of the EWC by making it easier to convene the EWC in a more limited fashion between two plenary meetings, in the event of exceptional circumstances, and to facilitate exchange before and after EWC meetings.

Emphasis will be placed on training members, beginning with economic fundamentals, and followed by their role and operating rules. Language training may also be considered.

(1) Performance & Development Review.
(2) The inclusion of the PDR review for operators and clerical workers in Mersen People was carried out to four pilot sites in 2023: France, Turkey, Juarez (Mexico) and India.
(3) Certificat de Qualification Paritaire de la Métallurgie (metallurgical qualification certificate).

Europe

- **France:** Yearly meetings are held with each union organization. Negotiations are underway on workplace gender equality, health and death/disability insurance and changes to benefit plans. Following wage negotiations in December, all French sites signed agreements with the unions.
- **Germany:** The Husum facility has a works council with which it negotiates company-wide agreements. An agreement on working hours was under negotiation in 2023.
- **Spain:** In San Feliu, an employee representative group is responsible for negotiating and advocating on behalf of employees, particularly with regard to complementary health coverage and salary increases.
- **Hungary:** In Kaposvar, a collective bargaining agreement has been in place for over 15 years. It covers a wide range of subjects, including working hours, length of trial and notice periods, severance pay and succession plans. Every year, an agreement on wage increases is negotiated between Mersen and the Fusetech Kft Szakszervezeti Bizottsága trade union.
- **Nordics:** Mersen Nordics has been covered by the IKEM Innovation and Chemical Industries - White Collar Employees collective bargaining agreement since 1992. Employees are regularly consulted on all issues relating to work organization and working conditions. Agreements are also negotiated between local management and the Swedish Union of Clerical and Technical Employees in Industry, Engineers of Sweden (Sveriges Ingenjörer), the Swedish trade union for scientists (Naturvetarna) and the Swedish managers' organization (Ledarna). Wage agreements that entered into force on April 1, 2023 run until the end of March 2025.
- **United Kingdom:** In Holytown and Teesside, a joint consultative committee has been meeting monthly for many years to field all employee questions. The issues are then forwarded to the plant managing director and HR department for discussion. The committee is open to representatives elected by the teams.

Americas

- **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 2023 for a further two years.
- **United States:** The St Marys plant has worked with an external union for many years. Discussions deal with wages, working and employment conditions, and employee benefits. The unions meet on a regular basis to address issues of general interest in order to ensure alignment with mutual interests. The last contract was signed in 2022 for a term of three years.
- **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.
- **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 twice a year to discuss company strategy, market conditions and the performance of Mersen do Brasil.

Asia

- **China:** Collective bargaining agreements have been signed at most Group sites. They mainly cover working hours, working conditions and/or wages.
  - Kunshan: A collective bargaining agreement on a wide range of issues – employment, wages and benefits, working hours, paid leave, working conditions, the protection of women in the workplace, training, professional skills – is reviewed every three years with the unions present on site.
  - Harbin: A collective bargaining agreement dealing mainly with employee protection and rights was signed in 2022.
  - Xianda: A collective bargaining agreement primarily aimed at guaranteeing compensation levels and benefits is signed every year in agreement with the site's trade unions.
  - Yantai: A collective bargaining agreement focused on employee well-being, wages and working hours is signed every year. The site regularly conducts satisfaction surveys among all employees.
- **South Korea:** The subsidiary has established a Labor Management Counsel.
- **India:** The subsidiary signed a five-year contract with the trade union that mainly concerns benefits and salary increases granted to non-managerial employees. The agreement covers the period from May 1, 2020 to December 31, 2025.
- **Australia:** A three-year agreement negotiated with employee representatives has been in place since 2022 and will expire on September 30, 2025.

Africa:

- **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. SEIFSA and union representatives meet annually to discuss the main agreement. Individual member companies are notified of any changes.

55% of the workforce is covered by collective bargaining agreements

In 2023, new agreements were signed by 27% of the sites.

6.8. HR excellence & support

6.8.1. Compensation policy: responsive and expanding

Responding to inflation

Inflation in 2023 had a strong impact on employee purchasing power in many countries. As a result, Mersen pursued its policy of increasing the wages of its workers. For all the countries where it operates, Mersen set aside an overall salary increase budget of 6.1% in 2023, exceeding expected inflation of 4.8% across all its geographic locations. These adjustments help attenuate the impact of inflation, while continuing to financially help employees advance and acquire experience.

In certain countries where inflation was particularly high and persistent in 2023, Mersen decided to allocate additional budgets to ease the impact on employees. In Turkey for example, on top of the initial 70% budget, an additional budget of 40% was allocated in July.

Helped by slowing price increases from the summer onwards, Mersen had fully offset the effects of inflation by the end of 2023.

A competitive and effective long-term compensation policy

Mersen's compensation policy gives priority to individual pay arrangements, particularly for managers.

The use of across-the-board raises remains limited to low salaries. Nevertheless, part of the pay increase budgets has been earmarked for promotions and merit increases. The rule of individualized pay has been maintained to ensure that compensation continues to be related to performance and aligned with market standards.

Deepening our commitment to equality

Aware that gender wage gaps continue to persist in some countries with no objective factors to justify their existence (see section 6.5.3.4), Mersen has been taking action since 2022 to combat these inequalities by setting aside specific budgets.

Mersen stepped up its efforts to improve the situation in 2023. In addition to the three initial countries to receive these budgets (France, United States, Canada), three other countries (Germany, Austria, China) were added to the list. As a result, nearly 60% of Mersen's workforce, or 45% of the female workforce, is benefiting from this pay gap reduction program. The aim is to eliminate the average gap in the first three countries by 2025. For the other three countries, the goal is to achieve a significant reduction in the gender wage gap over a three-year period.

Implementation of Mersen Care

Launched in 2021, the Mersen Care program is built on three pillars: equity, protection and balance. While these principles are respected 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.

(In thousands of euros)	**2023**	**2022**
Amounts allocated to employees	11,941	9,122
Number of beneficiaries	3,898	3,145
As a % of the number of employees	*52%*	*43%*
Number of sites covered (as a %)	*51%*	*44%*

- **Social protection:** All sites now provide death benefit coverage. In 2022, the benefit amount was set at one year's salary paid out in a lump sum to the employee's beneficiaries. In 2023, the sites were asked to adjust the capital value in line with local practices. This was done at 83% of sites, which together account for 90% of the Group's workforce. The effort will be continued in 2024.

	2023		**2022**	
Risk covered*	**% of sites**	**% of employees**	**% of sites**	**% of employees**
Supplementary pension	60	54	60	53
Complementary health insurance	76	81	76	81
Death/disability insurance	58	74	58	74
Life insurance/death benefit	100	100	83	88

** Scope limited to sites with over 10 employees and excluding joint ventures*

- **Balance:** 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. This objective is part of the Group's CSR roadmap.

  At the beginning of 2023, the North American sites set the minimum paid vacation entitlement at 15 days. Efforts to standardize paid time off have continued across all sites. At the end of 2023, this translated into 15,500 more days of paid leave than at the start of 2022, benefiting over 2,200 employees.

  In China, where many employees and sites do not yet benefit from the minimum 15-day paid vacation entitlement, it was decided to phase in the target over a period of three years to take into account the impact in terms of cost and productivity.

6.8.2. 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 in that country.

A calculation is also made under the same conditions to measure the increase in the highest gross compensation paid in 2023 compared to other levels of compensation in the same country.

The median ratio is calculated at Group level as the average of the ratios calculated by country.

	2023	2022
Highest compensation/ average compensation paid	4.97	4.05
2023 increase in the highest compensation/average increase in compensation	1.12	0.79

The pay ratio increase is due to the high level of bonuses in 2023 as a result of the Group's strong performance. 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 6.5.3.4 above.

6.8.3. Digital transformation of Human Resources

Launched a few years ago, the HR digitization project focuses on leveraging available technologies to improve people management and organizational efficiency.

Mersen has undertaken to modernize its Human Resources Information System (HRIS), a key tool for HR service excellence. The aim of this project, baptized Themis, is to create a single HR platform of digitized and interconnected key HR processes.

The operational phase of the Themis project began in March 2022. As early as December, it was possible to use the new tool to carry out pre-calibration checks. Other modules rolled out in 2023 include: Performance, Career & Succession, Training, Compensation and Core HR. The project will end in 2024 with the launch of the Recruitment and Onboarding modules.

In addition to Themis, another project aimed at creating a fair environment and increasing engagement and motivation among our teams was introduced. Called "Digital Identity for All", it will benefit all Mersen employees, white-collar and blue-collar alike, by providing access to different HR applications via both company equipment and personal devices (cell phones, PCs, tablets) using a unique identifier:

- MersenONE, the Group portal for accessing company information, news and official documents.
- Mersen People, which gives employees access to their personal files and mini resume.
- Mersen Academy, the training platform. This step will be implemented in early 2024 once the new Learning platform is up and running, with content adapted to all users.

The project, which is being implemented on a gradual basis, was rolled out in volunteer countries in 2023 (France, South Africa, Mexico and Turkey, followed by India in the last quarter). In 2024, it will be extended to all the geographies.

6.9. 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. The Group's Executive Committee commits 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 improve working conditions and behaviors.

6.9.1. 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 2023, no changes were made. It was then submitted to and approved by the Board of Directors.

6.9.2. 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 Executive Committee: The Executive Committee leads the Group's CSR strategy, including employee health and safety, and ensures its implementation. It is supported by specialized committees, including the CSR Committee, which oversees and monitors progress and coordinates the execution of cross-functional initiatives.

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 2023, 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. All of the manufacturing sites are assigned to a geographic area (Northern Europe, Southern Europe, China, Asia Pacific, North America, South America).

The Safety Council: Comprising 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 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 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.

In 2023, a total of 60,794 hours were devoted to health and safety training, including mandatory regulatory training. The Group launched numerous Management Safety Visits sessions in 2021 and 2022, which helped it to achieve good results (see section 6.9.4). Training levels returned to normal in 2023.

Training hours	2023	2022	Change
Health and safety training	60,794	65,363	-7%

Investments

The Group continues to consistently invest in improving equipment safety and protecting the health and safety of employees and sub-contractors. It invested €5.2 million in 2023. The increase was due to two upgrade projects concerning a supply station and a scrubber at the St Marys site (United States), for a cost of €2.5 million.

In €m	2023	2022	Change
Health and safety capital expenditure	5.2	3.2	+62%

6.9.3. References

With regard to the ISO 45001 environmental management systems standard, the Group renewed the certification of its sites, giving priority to those with more than 125 employees.

Percentage of manufacturing sites certified	2023	2022
ISO 45001 Safety Management System	32%	31%
ISO 45001 Safety Management System (sites > 125 people)	38%	38%

6.9.4. 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. At end-2023, 89% 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.

The number of safety inspections rose by 59%, from 4,124 in 2018 to 6,569 in 2022. Under the new 2022-2027 CSR roadmap, the Group has set an objective of increasing the number of visits per employee by 30% between 2022 and 2027 (number of visits divided by the number of employees and temporary workers at the end of the period).

Management safety visits	2023	2022
Number of safety visits	8,033	6,569
Number of safety visits per number of employees and temporary workers	0.99	0.83
Change in number of visits by number of employees and temporary workers	**+19%**	

Awareness-raising: Mersen raises employee awareness on an ongoing basis and seeks to share best practices between sites. A safety event 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. The program was 67% complete in 2023.

Health and Safety audits	2023	2022
Percentage of total Group sites subject to corporate audits and cross-audits	67%	72%

6.9.5. Frequency and severity of accidents

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 confirmed its target of keeping the LTIR less than or equal to 1.8 and the SIR less than or equal to 60 throughout the 2022-2027 period (scope: Mersen employees, temporary workers and sub-contractors). These performance targets were stable between 2017 and 2022, with a frequency rate of 1.40 to 2.00 and a severity rate of 45 to 85.

In 2023, the frequency rate (LTIR) stood at 2.78 and the severity rate (SIR) at 68. The increase in accidents in 2023 took place at four sites (out of a total of 56) which experienced a high rate of staff and management turnover. A dedicated action plan for each of these sites was immediately established to ensure that the necessary training, particularly in terms of safety briefings and job training, was put in place.

Rate of accidents per million hours worked (Mersen employees, temporary staff and subcontractors)	2023	2022
Lost Time Injury Rate (LTIR)	**2.78**	**1.53**
Total Recordable Incident Rate (TRIR)	5.50	4.66
Severity Injury Rate (SIR)	**68**	**66**
Fatal accidents (employees, temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	1	1

Rate of accidents per million hours worked (Mersen employees)	2023	2022
Lost Time Injury Rate (LTIR)	**2.53**	**1.50**
Total Recordable Incident Rate (TRIR)	5.05	4.28
Severity Injury Rate (SIR)	**74**	**53**
Fatal accidents (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 (temporary staff and sub-contractors)	2023	2022
Lost Time Injury Rate (LTIR)	**4.35**	**1.74**
Total Recordable Incident Rate (TRIR)	8.26	6.97
Severity Injury Rate (SIR)	**34**	**143**
Fatal accidents (temporary staff and sub-contractors)	0	0
Number of accidents with serious consequences (>6 months' lost time)	0	1

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 2023, 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;
- 6 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;
- 7 sites with more than 1,000 days and less than 2,000 days;
- 12 sites with more than 500 days and less than 1,000 days.

6.9.6. 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 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, Mersen makes sure to comply with the applicable regulations in its host countries, and constantly seeks 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)	2023	2022
Deaths due to a recognized occupational illness	0	0
Employees declaring an occupational illness which is recognized by the authorities	0	4

Occupational illnesses (temporary staff, sub-contractors)	2023	2022
Deaths due to a recognized occupational illness	0	0
Employees declaring an occupational illness which is recognized by the authorities	0	0

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 for 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 Executive 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 dedicated tools, 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;
- Internal Audit, which takes compliance issues into account in its audit program and guidelines, and verifies that the related procedures are properly applied;
- 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 General Counsel, the Director of Risk, Audit and Compliance and the Group Compliance Officer. It meets at least quarterly. It can also meet on an asneeded 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.

7.2.1. Data protection organization

For the implementation of the European General Data Protection Regulation (GDPR), 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 Group has been assisted by a specialized external firm since the beginning of 2019 to ensure its data protection policy is compliant with the GDPR. The firm has also assisted Mersen in developing a roadmap to better structure its actions and cover all relevant topics.

To coordinate the implementation of this approach, the Group draws on a network of local correspondents in its companies located in the European Union.

(1) Market Abuse Regulation.
(2) Health, Safety, Environment.

A quarterly meeting is organized with the local correspondents, the Director of Risk, Audit and Compliance and a person from an external firm to review the progress of projects and discuss the implementation of various tools and procedures.

In order to monitor the implementation of the various data protection regulations worldwide, a Data Protection Committee was established. This Committee is chaired by the Chief Risk, Audit and Compliance Officer and is comprised of the following members:

- Legal Vice President
- Chief Risk, Audit and Compliance Officer
- Information Systems Security Manager
- HR Information System Manager
- Headquarters Information Systems Manager
- A lawyer from a third-party firm specializing in the subject

The purpose of the committee is to ensure the sustainability of the GDPR Program and prevent risks of non-compliance due to changes in local and regional regulations.

7.3. References

Mersen's commitments and rules in terms of business ethics and compliance are enshrined in the Group's codes and charters.

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.

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.

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.

In line with the Taxonomy Regulation, a human rights risk map was created in 2022. Action plans were defined and partially completed in 2023. The continued implementation of the plans in 2024 will enable us to further enhance human rights awareness across all our sites.

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.

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.

7.3.4. Law on transparency, the fight against corruption and the modernization of economic life, known as "Sapin II"

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;
- end market.

The assessment is based on data published by Transparency International.

If a 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 rose by one third compared with 2022. The increase is partly due to the war in Ukraine and the rise in regional geopolitical tensions, particularly between the United States and China.

The Group chose not to engage with 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.

To facilitate communication, audits of our sites in Asia are carried out by the Chinese person in charge of administration in this region, under the supervision of the Group Chief Compliance Officer. In North America, it is the Chief Financial Officer of the region who is responsible.

Corruption risk mapping

A map of the Group's corruption risks was established in 2023, with a particular focus on the support functions.

At the same time, corruption risk mapping is performed each year for certain corruption-sensitive countries (based on the Transparency International classification). Mapping was performed for four countries in 2020 and 2021. Two additional units were covered in 2022, and a further two in 2023. An action plan is then developed to improve the control of potential risks. It is monitored by the Group's Risk, Audit and Compliance Department.

To ensure objectivity and understanding of the local cultural, the maps are generally 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 audit did not reveal any shortcomings, although it did allow a few improvements aimed at better formalizing certain processes to be recommended. We therefore began in 2022, and continued in 2023, the implementation of the action plan, notably by completely overhauling the Anti-Corruption Code of Conduct.

7.3.5. Dual-use and export control regulations

Mersen manufactures and delivers some products with sensitive and strategic applications, and must comply with specific regulations, such as those relating to dual-use items and export controls. In 2020, a practical technical guide was distributed, mainly to Advanced Materials sites, which are more exposed to this type of risk.

At the end of 2022, the Group finished drafting a simple, standard procedure for formalizing the export licensing process, thereby helping to create a more formal framework for dealing with these complex regulations. In 2023, awareness-raising and training initiatives were organized for all employees concerned.

The Electrical Power segment has less exposure to this issue. A study conducted in 2022 has confirmed that the products of this segment, with one small exception, were not covered by the dual-use regulation.

7.3.6. Embargo regulations

Mersen also has to comply with national regulations on embargoes in the countries where it operates.

Due to the extraterritorial application of some laws, especially US legislation, and/or in order to fulfill certain debt contract obligations, all Group companies may have to comply with certain US regulations (e.g., OFAC regulations with regard to counter terrorism sanctions).

7.3.7. Other regulations

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.

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 relating to this system and whistleblowers was reviewed in 2023 and distributed to managers and the HR network. It is available on the Group's intranet and corporate website. 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:

- a dedicated email address: ethics@mersen.com;
- a contact form accessible from the Group's website.

Only 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.

Ten cases were brought to Mersen's attention in 2023. All ten cases were investigated and have since been closed. The three cases that were proven resulted in disciplinary action and dismissals.

	2023	**2022**
Total ethics alerts, o/w:	10	13
Moral/sexual harassment	*6*	*7*
Conflict of interest	*1*	*2*
Discrimination	*1*	*0*
Labor law dispute	*0*	*2*
Other	*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 two on anti-corruption and antitrust for selected employees.

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 Mersen computer are required to take it once every two years. For other employees, a new system has been introduced under the new Mersen People HRIS to enable them to connect to the platform.

It should be noted that penalties, such as non-payment of the bonus or frozen wages, 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 and is mandatory for newcomers occupying positions 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.

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. At the end of 2023, a new awareness campaign on data protection was carried out among unit managers.

7.5.5. Penalty for non-completion of training

Ethics and compliance training is mandatory, some for all employees (e.g., ethics training), others for employees whose functions are deemed to be at risk (e.g., sales and purchasing functions for competition law training).

Failure to complete mandatory Ethics and Compliance training now results in the non-payment of the relevant employee's entire bonus.

Training	2023	2022
Ethics		
Number of people trained per year	377	1,705
■ Employees (with access to LMS) % of target reached (newcomers)	40%*	96%
■ Employees (refresher training every two years)	266	0
■ Employees (without access to LMS)	4,035	3,915
% of target reached	90%	89%
Anti-corruption		
Number of people trained per year	86	314
Competition law		
Number of people trained per year	114	295
GDPR		
Number of people trained per year	29	98

** Due to the launch of the new version of the Mersen Academy platform, mandatory training was suspended between June and November 2023.*

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;
- monitoring 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 each year 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. Approach

A centralized IT infrastructure enables Mersen to strengthen its information systems' security. It comprises:

- Centralized management of security solutions and incident handling;
- Centralized management of computer networks;
- Centralized applications in two certified data centers;
- Centralized configuration of user and mobile workstations, including enhanced security;
- User access security with multi-factor authentication (MFA), based on a single directory;
- A ban on BYOD (bring your own device);
- A security policy covering all information systems, including manufacturing.

7.7.4. Audit and risk mapping of information systems

Each employee has a role to play in safeguarding the Group's IT assets, and Management encourages projects that seek to reduce IT risks in correlation with business-specific risks.

The overall 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 changing information security threats. It is focused on the implementation of preventive actions and mechanisms.

Risks are identified and monitored based on a regularly updated risk map as well as the findings of audits regularly carried out either on site or remotely. The Information Systems Security Department audited 21 sites in 2023.

In 2023, the 24/7 Security Operation Center (SOC) was connected to the Group's incident management tool to enable archiving and a better analysis of alerts.

7.7.5. 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.

A new cybersecurity training module was introduced and made mandatory for users: In 2023, 90% of users were trained.

In 2023, a phishing test was conducted among 80% of the group's computer and mobile phone users.

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, 2023, no Mersen Group companies were located in a state or territory considered to be non-cooperative by France or the European Union.

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, 2023 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

	2023	2022	2021
Group ETR	23%	24%	24%

The Group's ETR primarily reflects the tax rates applicable in the countries where the Group conducts business.

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 in the financial consolidation scope;
- **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, 2023, with figures reported as at December 31, 2023;
- **health and safety data:** for the period from January 1 to December 31, 2023, 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, 2023, 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).

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 quarterly and annually through the Calame reporting system. Data is entered by EHS managers at each site.

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 each 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 2023 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.

Agreement

All arrangements made and accepted by the management of an operating company, segment of the Group and one or more employee representatives.

Compensation policy

This indicator includes training required for the position, general and regulatory training.

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.

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.

8.6. Exclusions

Given the nature of its industrial operations, Mersen does not consider the following themes to be key CSR risks and as such do not justify further development in this report:

- Reduction of food waste.
- The fight against food insecurity, the respect for animal welfare, and responsible, fair and sustainable food.
- Actions designed to promote the link between the nation and the armed forces and support participation in the military reserve.

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	Page
RESPONSIBLE PARTNER			**204 301-308**	
Purchasing policy	Qualitative	Standard		109
Suppliers with a CSR rating below 25	Quantitative	Standard		110
Supplier audits carried out	Quantitative	Standard		110
Conflict minerals: number of suppliers involved	Quantitative	Standard		110
Percentage of local suppliers	Quantitative	Standard		111
Sales linked to sustainable development markets	Quantitative	Standard		111
Examples of contributions to reducing the impact of industrial activities	Qualitative	Standard		112
ENVIRONMENT			**204 301-308**	
Organization of the Company to ensure environmental compliance	Qualitative	Standard		114
Hours of training on environmental issues	Quantitative	Environmental	103-2	115
Investments linked to environmental compliance	Qualitative	Standard	103-2	115
ISO 14001 certification rate	Quantitative	Environmental	103-2	115
Greenhouse gas (GHG) emissions				
Scope 1 GHG emissions	Quantitative	Environmental	305-1	116
Scope 2 GHG emissions	Quantitative	Environmental	305-2	116
Scope 3 GHG emissions	Quantitative	Environmental	305-3	116
Reduction in GHG emissions	Quantitative	Environmental	305-5	117
Energy				
Electricity purchased	Quantitative	Environmental	302-1	117
Self-generated electricity	Quantitative	Environmental	302-1	117
Renewable electricity	Quantitative	Environmental	302-1	117
Energy intensity ratio	Quantitative	Environmental	302-1	117
Raw materials				
Dark materials consumption	Quantitative	Environmental	301-1	119
Metals consumption	Quantitative	Environmental	301-1	119
Recycled metals consumption	Quantitative	Environmental	301-2	119
Plastics consumption	Quantitative	Environmental	301-1	119
Sand consumption	Quantitative	Environmental	301-1	119
Consumption linked to packaging and logistics				
Wood consumption	Quantitative	Environmental	301-1	120
Cardboard consumption	Quantitative	Environmental	301-1	120

** Scope: refer to definitions given in paragraph 1 of the Reporting Methodology.*

	Qualitative or quantitative information	Scope*	GRI reference	Page
Waste				
Total waste	Quantitative	Environmental	306-3	120
Hazardous waste	Quantitative	Environmental	306-3	120
Recycled waste and by-products	Quantitative	Environmental	306-4	120
Significant provisions for environmental risks	Quantitative	Standard	307-1	120
Fines for non-compliance with environmental laws and/or regulations	Quantitative	Standard	307-1	121
Notifications for environmental risks	Quantitative	Standard	307-1	121
Biodiversity				
Biodiversity protection (site mapping)	Quantitative	Environmental	304-1	122
Water				
Water consumption	Quantitative	Environmental	303-3	123
Change in water consumption	Quantitative	Environmental	303-3	123
Water consumption intensity ratio	Quantitative	Environmental	303-3	123
Sites with high or extremely high water stress	Quantitative	Environmental	303-3	123
Climate risk				
Exposure to climate risks (mapping)	Quantitative	Environmental		124
HUMAN CAPITAL			**102, 402, 404-413**	
Head count by region	Quantitative	Standard	102-8	126
Headcount by employee category	Quantitative	Standard	401-1	126
Number of new hires	Quantitative	Labor	401-1	126
Number of dismissals	Quantitative	Labor	401-1	126
Number of voluntary departures	Quantitative	Labor	401-1	126
Overall number of departures	Quantitative	Labor	401-1	126
Turnover rate	Quantitative	Labor	401-1	126
Absenteeism rate	Quantitative	Labor	403-2	126
Average age (M/F)	Quantitative	Labor	405-1	127
Head count by gender	Quantitative	Standard	102-8	127
Length of service (M/F)	Quantitative	Labor	405-1	127
Age pyramid	Quantitative	Labor	405-1	127
Headcount by type of contract	Quantitative	Standard	102-8	127
Part-time employees	Quantitative	Standard	102-8	127
Percentage of employees proud to belong to the Group	Quantitative	Standard		128
Diversity				
Diversity and equality policy	Qualitative	Standard		129
Number of manufacturing sites	Quantitative	Standard		129
Percentage of site managers of local nationality	Quantitative	Standard		129
Percentage of engineers and managers who are women	Quantitative	Standard	405-1	131
Percentage of women on corporate governance bodies	Quantitative	Standard	405-1	131
Employees with disabilities	Quantitative	Standard	405-1	134
Training and skills development				
Training policies implemented	Qualitative	Labor		135
Number of hours of training per employee	Quantitative	Labor	404-1	136
Number of hours of Mersen *Academy training*	Quantitative	Labor		136
Number of people trained	Quantitative	Labor		136
Hours of training as a % of total payroll costs	Quantitative	Labor		136

** Scope: refer to definitions given in paragraph 1 of the Reporting Methodology.*

SUMMARY TABLE OF NON-FINANCIAL INDICATORS

	Qualitative or quantitative information	Scope*	GRI reference	Page
Labor relations				
Percentage of workforce covered by collective agreements	Quantitative	Standard	102-41	139
Remuneration				
Compensation policy	Qualitative	Labor		141
Percentage increase in total annual compensation	Quantitative	Labor	102-39	141
Profit-sharing	Quantitative	Labor		141
Gender pay gap	Quantitative	Labor	405-2	133
Total annual pay gap	Quantitative	Labor	102-38	133
Percentage of sites and employees covered by a supplementary pension plan	Quantitative	Labor		141
Percentage of sites and employees with a supplementary health insurance plan	Quantitative	Labor		141
Percentage of sites and employees covered by death/disability insurance	Quantitative	Labor		141
Percentage of sites and employees with death coverage	Quantitative	Labor		141
HEALTH AND SAFETY			**403**	
Health and safety policy	Qualitative	Standard	403-1	142
Percentage of sites with a dedicated HSE Manager	Quantitative	Security	403-3	143
Hours of health and safety training	Quantitative	Standard	403-5	143
Amount of health/safety investments	Quantitative	Standard	103-2	143
ISO 45001 or OHSAS 18001 certification rate	Quantitative	Standard	403-3	143
Number of management safety visits	Quantitative	Security	403-7	144
Health and safety audits	Quantitative	Standard	403-7	144
Lost Time Injury Rate (LTIR)	Quantitative	Standard	403-9	144
Total Recordable Incident Rate (TRIR)	Quantitative	Standard	403-9	144
Severity Injury Rate (SIR)	Quantitative	Standard	403-9	144
Safety awards	Quantitative	Security	403-6	145
Occupational illnesses	Quantitative	France	403-10	145
ETHICS AND COMPLIANCE			**205-207, 408-409**	
Organization of the Company for ethics and compliance concerns	Qualitative	Standard	205-206	146
Human rights policy	Qualitative	Standard	408-409	147
Personal data protection	Qualitative	Standard		146
Measures implemented to prevent corruption	Qualitative	Standard	205-1	148
Third-party corruption risk assessment	Quantitative	Standard		148
Whistleblowing procedures	Quantitative	Standard	205	149
Training on the ethics code	Quantitative	Standard	205-2	149
Anti-corruption training	Quantitative	Standard	205-2	150
Training on competition law	Quantitative	Standard	206	150
GDPR Training	Quantitative	Standard	205-2	150
Protection of information systems	Qualitative	Standard		150
Tax transparency	Qualitative	Standard	207-1	151

** Scope: refer to definitions given in paragraph 1 of the Reporting Methodology.*

10. Report verifying the Non-Financial Information Statement

The Non-Financial Information Statement reviewed covers the year ended December 31, 2023.

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, 2023 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 25% of the headcount and between 18% (resin) and more than 98% (coal tar pitch 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 five auditors between September 15, 2023 and the completion of our report, and took a total of about five weeks. We conducted over 27 interviews with the people responsible for reporting at the time of this assignment.

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, March 1, 2024

Bureau Veritas

Laurent Mallet

Deputy Chief Executive Officer

*(1) **Human resources information:** active headcount at December 31, broken down by gender, broken down by contract type; number of recruitments; number of departures; number of employees with disabilities; turnover rate; percentage of managerial roles occupied by women and percentage of senior management positions occupied by women; percentage of site managers with local nationality; 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; absenteeism; pay ratio.*
***Environmental information:** electricity consumption (purchased, self-generated, sold, with energy certificates, from renewable energies) and energy intensity ratio; gas consumption; total energy consumption; water consumption; raw material use: coke, coal tar pitch, copper and aluminum; packaging consumption: wood and cardboard; scope 1, scope 2 and scope 3 CO_2 emissions and intensity ratio; 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:** local initiatives; responsible purchasing policy, responsible purchasing approach; commitment to employee health and well-being, Open Expert: Mersen's community of experts; labor and employee relations; ethics and compliance culture (organization, frameworks, whistleblowing procedures).*
***Societal indicators:** percentage of new hires trained in ethics, percentage of employees trained in cybersecurity.*

(2) On-site audit of human resources and environmental information: Pagny-sur-Moselle (France), Terrassa (Spain), Chongqing (China), Songjiang (China); remote audit of human resources data: Juárez (Mexico); remote audit of environmental data: St Marys (USA), Juárez (Mexico) for copper.

11. Taxonomy reporting

11.1. 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 2023 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.

The annexes to the Delegated Regulation provide definitions of eligible activities, including the corresponding NACE (statistical classification of economic activities in the European Community) codes, and technical criteria to determine whether those activities can be classified as effectively sustainable. Consequently, activities that do not comply with those definitions are regarded as “not defined” in the reference framework (or “non-eligible”).

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;
- the amendments of Objectives 1 and 2 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any other environmental objectives[4] [5];
- clarification of the Taxonomy’s other environmental objectives relating to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems via the Commission Delegated Regulation (EU) of June 27, 2023 supplementing Delegated Regulation (EU) 2020/2139[6].

This is the first reporting year on all the Taxonomy environmental objectives. Thus, some information may change depending on the arbitrations and clarifications of the European Commission.

(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=PI_COM:C(2021)2800&from=EN

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

(4) https://eur-lex.europa.eu/resource.html?uri=cellar:aeb97864-150e-11ee-806b-01aa75ed71a1.0022.02/DOC_2&format=PDF

(5) https://eur-lex.europa.eu/resource.html?uri=cellar:aeb97864-150e-11ee-806b-01aa75ed71a1.0022.02/DOC_3&format=PDF

(6) Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems, and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (europa.eu)

11.2. Definitions

11.2.1. Regulatory indicators

The disclosure requirements for 2023 key performance indicators (KPIs) not only cover “eligibility” in relation to all the objectives, but also “alignment”, for which reporting was already required in 2022 with regard to the two climate objectives:

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.

Mersen is required to disclose KPIs that show the share of its eligible sales, capital expenditure (capex) and operating expenditure (opex) resulting from products and/or services associated with economic activities described in the annexes to the Taxonomy, as well as KPIs that show the share of its aligned sales, capex and opex resulting from products and/or services associated with economic activities defined as sustainable in the annexes to the Climate Delegated Acts[(1) (2) (3)].

11.2.2. 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 and intangible assets 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 capital expenditure 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 noncapitalized 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.

(1) Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178&from=EN.

(2) Annex I to the Delegated Act concerning the climate change mitigation objective. Available at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

(3) IFRS accounting standard applied by the company.

11.3. Methodology

The methodology used in 2023 is the same as that used in 2022: The financial information was sourced from the Group's information systems (capex monitoring, consolidation) after the closing of the annual financial statements. They are jointly analyzed and monitored by local and central teams to ensure consistency with consolidated sales and capital expenditure, and reviewed by the Group's Finance, and Strategy and Development Departments.

11.3.1. Approach for sales

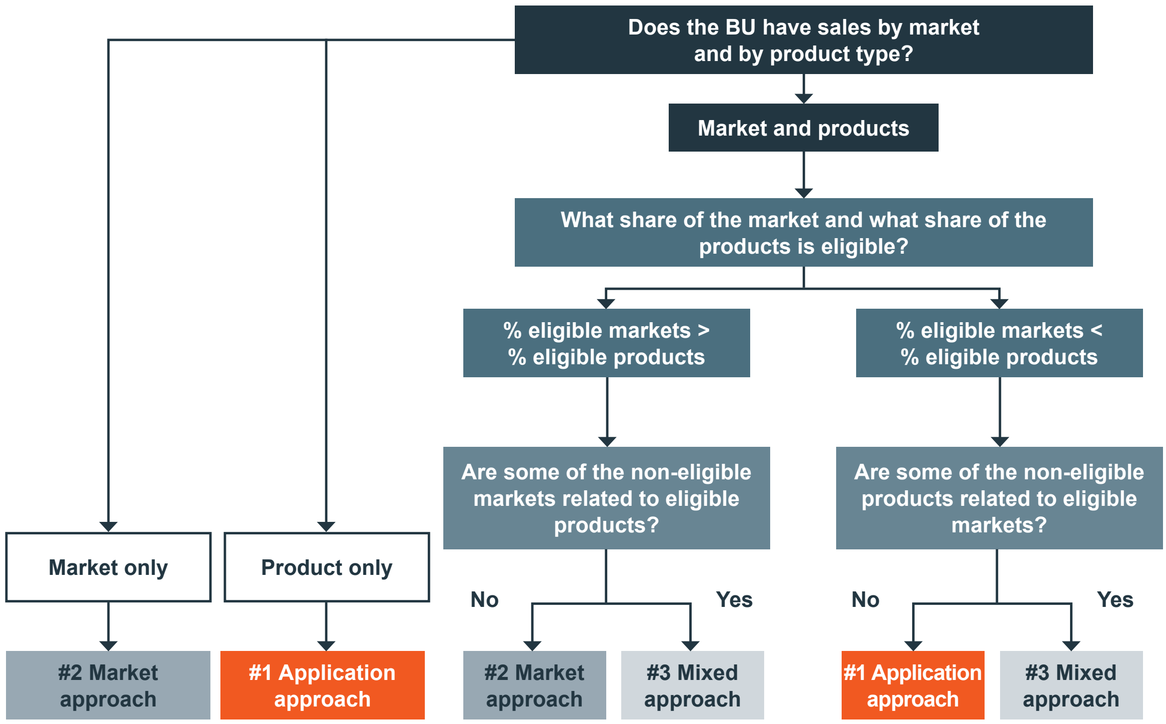
The Group's reporting frameworks allow for the segmentation of sales by business unit (BU), product, application and market.

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

A market or an application is considered eligible if it corresponds precisely to the definition of one of the activities listed in the Taxonomy. If not, it is considered "non-eligible".

Activities eligible in respect of objectives 1 and 2 (climate change mitigation and adaptation) of the European Taxonomy as of December 31, 2023

NACE code(1)	Activity as described in the regulations(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, 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: Solar cell manufacturing • Power: Electrical protection, power conversion Wind: • Materials: Brushes, signal transfer • Power: Electrical protection, power conversion Hydro-power: • Materials: 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 felts • Power: Electrical protection, power conversion
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, silicon carbide scan mirrors, graphite and insulating felt • Power: Power conversion
	3.18 Manufacture of automotive and mobility components(3)	Manufacture, repair, maintenance and upgrade of components for zero-emission mobility systems.	• Power: Fuses, busbars, cooling devices and SPDs
	3.19 Manufacture of railway rolling stock components(3)	Manufacture, installation, technical advisory, modernization, upgrade, repair, maintenance and reuse of rail-related products, equipment, systems and software	• Materials: Pantograph strips, brushes, slip ring assemblies • Power: Fuses, SPDs, power conversion, current collector and earth current return units
	3.20 Manufacture, installation and maintenance of high, medium and low-voltage electrical equipment for the transmission and distribution of electricity(3)	Systems for integrating renewable energy sources into the power grid; interconnecting or increasing grid automation, flexibility and stability; managing demand response and developing transmission to drive substantial improvement in energy efficiency.	• Power: Passive components, electrical panels
C30.3	3.21 Manufacture of aircraft(3)	Manufacture, repair, maintenance, overhaul, refitting, design, reuse and upgrade of aircraft and aircraft parts and equipment.	• Materials: Brushes, graphite and insulation felt • Electrical: electrical protection and power conversion

(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. Commission Delegated Regulation (EU) of June 27, 2023 for the four other objectives.
(3) Activities eligible for mitigation only.

Activity eligible in respect of objective 4 (circular economy) of the European Taxonomy as of December 31, 2023

NACE code[(1)]	Activity as described in the regulations[(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	1.2 Manufacture of electrical and electronic equipment	Manufacture of electrical and electronic equipment for industrial, professional and consumer use	• Power: Fuses, SPDs, capacitors, cooling devices – excluding those already identified as eligible under other objectives

(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. Commission Delegated Regulation (EU) of June 27, 2023 for the four other objectives.

11.3.2. Approach for assessing activity 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).

11.3.2.1. Substantial contribution criteria

The following activities contribute substantially to the climate change mitigation objective by definition:

- The manufacture of renewable energy technologies (code 3.1): For Mersen this means products used in the manufacture of renewable energies (mainly solar cells), as well as components dedicated to renewable energies (wind, solar PV, hydraulic).
- The manufacture of stationary batteries and their components (code 3.4): The Group designs and manufactures passive components (fuses, capacitors, busbars and cooling devices) essential to power converters.
- The manufacture of automotive and mobility components (code 3.18): Mersen's offer for electric vehicles covers a range of dedicated fuses and laminated busbars.
- The manufacture of railway rolling stock components (code 3.19): Mersen designs current collector and earth current return units and pantograph strips, which play a key role in power transfer, and carbon brushes for traction motors.
- The manufacture, installation and maintenance of high, medium and low-voltage electrical equipment for the transmission and distribution of electricity (code 3.20): For Mersen this means laminated busbars and electrical panels.

The Group decided to limit its analysis of the alignment criteria to this scope in 2023.

All the DNSH and MS criteria have been reviewed under this scope. It covers 12 main manufacturing sites (out of a total of 51) of the Group's two areas of expertise, located on three continents, based on 2023 sales.

In 2023, these activities represented €256 million, i.e., 21% of sales and 28% 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).

11.3.2.2. DNSH[(1)] 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 section 5.6 of this chapter).

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.

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, the Group is conducting further analysis to identify other paths for improvement.

(1) Do No Significant Harm.

Sustainable use and protection of water and marine resources

In 2023, Mersen updated the water stress map of its production sites, drawing on the latest version of the Aqueduct Water Risk Atlas (Aqueduct 4.0) prepared by the World Resources Institute (WRI) (see section 5.5.4 of this chapter). This assessment revealed that three sites within the selected alignment scope were located in areas of high or extremely high water stress.

The Bangalore site in India has had a water conservation plan since 2019. It 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.

Under its new 2022-2027 CSR roadmap, the Group has undertaken to reduce its water consumption intensity over the period by 15% and to draw up a water conservation plan for all sites exposed to water stress by 2027.

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 2023, 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. Since 2022, the Group has been identifying the share of certain recycled metals in its purchases, with a focus on copper, aluminum, zinc, steel, nickel and silver. In 2023, the share of these recycled metals reached 28%.

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 2022-2027 CSR roadmap). There is a target with associated action plans for each site.

Pollution prevention and control

The Group ensures that the use of substances of concern 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 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.

In 2023, the Group carried out a survey of all its manufacturing sites to identify a list of substances of potential concern used in their industrial processes. Two action plans were drawn up as a result. The first involves replacing lead in solders, with the transition due to be completed by 2025. The second concerns the graphite sites, for which a preliminary study has been launched for treating certain types of waste.

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 section 5.5.3 of this chapter). On this basis, only two 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 2023, there was no notification from the authorities.

The Group began modifying the sewage system at the La Mure site in 2023 due to certain risks, though no environmental damage has ever occurred. The project entails renovating the wastewater, rainwater and runoff systems in compliance with applicable regulations.

In addition to these measures, the Group is continuing its risk assessment efforts with a view to extending them to the new sites concerned by the alignment.

11.3.2.3. Minimum guarantee criteria (MS)

In 2020, Mersen prepared a strategic HR roadmap as described in this chapter. It includes in particular its human rights policy. This chapter 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. The Group also continued to roll out its Mersen Care program, which aims to ensure workplace equity, social protection for all and a better work-life balance. Finally, ethics and compliance is set forth in policies and codes dealing with anti-corruption, competition law and responsible taxation, supplemented by employee awareness training.

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 identified, primarily in the field of pay equity, social protection and work-life balance. In 2023, action plans for these spheres of action were put in place both at the corporate (seven) and local (ten) levels. By the end of the year, six action plans had been fully completed, with most of the others scheduled for completion in 2024.

Mersen has never been convicted for human rights violations.

11.3.3. Approach for capex

The Mersen group has industrial operations in 34 countries, with 51 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 assessment thus covered around 30 sites accounting for 98% of the Group's total capital expenditure.

In March 2023, the Group announced its 2027 targets, which are mainly based on the expected outperformance of the renewable energies, electric vehicle and silicon/silicon carbide semiconductor markets over the period. To support this growth, the Group announced that it was investing approximately €300 million over the period in addition to normal capex (6.5% of Group sales). This targeted investment plan concerns the SiC semiconductor and electric vehicle markets, which respectively cover four sites in the United States and two in Europe, and one in each geographic region (Europe, America, Asia). Capex under this plan will therefore be considered eligible and aligned (see section 7.3.3.4).

Capex and intangible assets were considered eligible-aligned or eligible-non-aligned when they were associated with a product or market identified as such under the Taxonomy.

Capex and intangible assets that cannot be directly linked to such a product or market have been allocated in proportion to the site's sales.

11.4. Results

These results cover all activities included in the scope of Mersen's financial consolidation at December 31, 2023.

11.4.1. Sales

The change in the proportion of eligible and aligned sales results from the publication in the Official Journal of the four new objectives and the amendment of Objectives 1 and 2 covering new activities related to the Group's products.

Eligible activities account for 75% of the Group's 2023 sales:

As a % of total sales	2023	2022
Eligible sales	75%	29%
Qualifying sales*		48%
SALES (ELIGIBLE + QUALIFYING*)	**75%**	**77%**
ALIGNED SALES	**21%**	**14%**

** In 2022, an activity was considered to be qualifying if it contributed to Objectives 3 to 6 as described in section 11.2.*

Proportion of sales associated with taxonomy-eligible and/or aligned economic activities per environmental objective:

2023	**Proportion of sales/total sales**	
	Taxonomy-aligned by objective	**Taxonomy-eligible by objective**
Climate change mitigation (CCM)	21%	47%
Climate change adaptation (CCA)	13%	13%
Water and marine resources (WMR)	0%	0%
Circular economy (CE)	0%	28%
Pollution prevention and control (PPC)	0%	0%
Biodiversity and ecosystems (BIO)	0%	0%

11.4.2. Capex

The change in the proportion of eligible and aligned capital expenditure results from the publication in the Official Journal of the four new objectives and the amendment of Objectives 1 and 2 covering new activities related to the Group's products.

Cash flows of eligible capital expenditure and intangible assets account for 85% of the Group's total capex and intangible assets:

As a % of total capex	**2023**	**2022**
Eligible capex	85%	27%
Qualifying capex*		37%
CAPEX (ELIGIBLE AND QUALIFYING*)	**85%**	**64%**
ALIGNED CAPEX	**16%**	**13%**

** In 2022, a capital expenditure investment was considered to be qualifying if it contributed to Objectives 3 to 6 as described in section 11.2.*

Proportion of capex and intangible assets associated with taxonomy-eligible and/or aligned economic activities per environmental objective:

2023	**Proportion of capex/total capex**	
	Taxonomy-aligned by objective	**Taxonomy-eligible by objective**
Climate change mitigation (CCM)	16%	83%
Climate change adaptation (CCA)	8%	8%
Water and marine resources (WMR)	0%	0%
Circular economy (CE)	0%	2%
Pollution prevention and control (PPC)	0%	0%
Biodiversity and ecosystems (BIO)	0%	0%

11.4.3. 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 would be around 5% of the total (total opex of €1,079 million). The Group considered this amount immaterial.

Proportion of opex associated with taxonomy-eligible and/or aligned economic activities per environmental objective:

2023	**Proportion of opex/total opex**	
	Taxonomy-aligned by objective	**Taxonomy-eligible by objective**
Climate change mitigation (CCM)	0%*	0%*
Climate change adaptation (CCA)	0%*	0%*
Water and marine resources (WMR)	0%*	0%*
Circular economy (CE)	0%*	0%*
Pollution prevention and control (PPC)	0%*	0%*
Biodiversity and ecosystems (BIO)	0%*	0%*

(*) Insignificant amount

11.5. Outlook

In 2024, the Group will continue to analyze all alignment criteria for the Group's eligible activities, and in particular:

- With regard to climate change mitigation, activity 3.6 "Manufacture of other low-carbon technologies", especially products serving the SiC semiconductor market.
- With regard to the transition to the circular economy, activity 1.2 "Manufacture of electrical and electronic equipment", especially fuses and fuseholders.

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.

11.6. Reconciliation of Taxonomy sales and sales for sustainable development markets

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	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		
Other Mersen activities treated as eligible 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.

11.7. Reporting scope

11.7.1. Sales

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Sales (€m)	Proportion of sales year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Garanties	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) sales, year N-1	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1 et CCA 3.1	156	13%	YES	YES	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	*14%*	E	
Manufacture of batteries	CCM 3.4 et CCA 3.4	5	0%	YES	YES	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	*0%*	E	
Manufacture of automotive and mobility components	CCM 3.18	21	2%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	*0%*	E	
Manufacture of rail rolling stock constituents	CCM 3.19	46	4%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	*0%*	E	
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	26	2%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	*0%*	E	
Sales of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**254**	21%	21%	13%	0%	0%	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	*14%*		
Of which Enabling		254	21%	21%	13%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	*14%*	E	
Of which Transitional		0	0%							NO	NO	NO	NO	NO	NO	NO	*0%*		*T*
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of rail rolling stock constituents	CCM 3.19	42	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacturing of aircraft	CCM 3.21	45	4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of electrical and electronic equipment	CE 1.2	338	28%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Manufacture of other low carbon technologies	CCM 3.6 et CCA 3.6	225	19%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**650**	54%	26%	0%	0%	0%	28%	0%								15%		
A. Sales of Taxonomy eligible activities (A.1+A.2)		**904**	75%	47%	13%	0%	0%	28%	0%								29%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Sales of Taxonomy-non-eligible activities		307	25%																
TOTAL (A. + B.)		1211	100%																

11.7.2. Capex

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Capex (€m)	Proportion of Capex year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Garanties	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Capex, year N-1	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1 et CCA 3.1	15	8%	YES	YES	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	13%	E	
Manufacture of batteries	CCM 3.4 et CCA 3.4	0	0%	YES	YES	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture of automotive and mobility components	CCM 3.18	10	5%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture of rail rolling stock constituents	CCM 3.19	2	1%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	3	2%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**30**	16%	16%	8%	0%	**0%**	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	13%		
Of which Enabling		30	16%	16%	8%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	13%	E	
Of which Transitional		0	0%							NO	NO	NO	NO	NO	NO	NO	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of rail rolling stock constituents	CCM 3.19	7	4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacturing of aircraft	CCM 3.21	3	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of electrical and electronic equipment	CE 1.2	4	2%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Manufacture of other low carbon technologies	CCM 3.6 et CCA 3.6	114	61%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**128**	69%	66%	0%	0%	0%	2%	0%								15%		
A. Capex of Taxonomy eligible activities (A.1+A.2)		**158**	85%	83%	8%	0%	0%	2%	0%								29%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		28	15%																
TOTAL (A. + B.)		186	100%																

11.7.3. Opex

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Capex (€m)	Proportion of Capex year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Garanties	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Capex, year N-1	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1 et CCA 3.1	0*	0%*	YES	YES	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture of batteries	CCM 3.4 et CCA 3.4	0*	0%*	YES	YES	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture of automotive and mobility components	CCM 3.18	0*	0%*	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture of rail rolling stock constituents	CCM 3.19	0*	0%*	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	0*	0%*	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	0%	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0*	0%*		0%	0%	**0%**	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**0%**		
Of which Enabling		0*	0%*		0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	*0%*	E	
Of which Transitional		0*	0%*							NO	NO	NO	NO	NO	NO	NO	*0%*		*T*
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of rail rolling stock constituents	CCM 3.19	0*	0%*	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacturing of aircraft	CCM 3.21	0*	0%*	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of electrical and electronic equipment	CE 1.2	0*	0%*	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Manufacture of other low carbon technologies	CCM 3.6 et CCA 3.6	0*	0%*	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0*	0%*	0%	0%	0%	0%	0%	0%								**15%**		
A. Opex of Taxonomy eligible activities (A.1+A.2)		0*	0%*	0%	0%	0%	0%	0%	0%								**29%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of Taxonomy-non-eligible activities		0*	0%*																
TOTAL (A. + B.)		0*	*0%**																

** Montant total des OpEx non significatif*

5 INFORMATION ABOUT THE COMPANY, THE SHARE CAPITAL AND SHARE OWNERSHIP

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 it is incorporated by reference.

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.

1.7. Fiscal year (Article 26 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 is made up of ordinary shares. Each share has a nominal value of €2.

On April 18, 2023, Mersen launched a capital increase with preferential subscription rights to finance its growth plan, in addition to its cash generation and undrawn credit facilities. The transaction was successfully subscribed and led to the issue of 3,573,408 new shares in May 2023 (see paragraph 2.4. below).

At December 31, 2023, the share capital amounted to €48,836,624, divided into 24,418,312 ordinary shares.

Ordinary shares are freely negotiable (Article 13 of the Articles of Association). The rights attached to these shares are defined in Article 15 of the Articles of Association:

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 2023
Delegation to increase the share capital by capitalizing reserves, income and/or additional paid-in capital[1]	5/19/2022 *Twentieth resolution*	26 months	Maximum nominal value of capital increases: €50 million	None
Delegation to increase the share capital with preferential subscription rights for existing shareholders[1]	5/19/2022 *Twenty-first resolution*	26 months	Maximum nominal value of capital increases: €18 million[2] Maximum nominal value of debt securities: €300 million[5]	Capital increase of €100,055,424 gross value, or €7,146,816 nominal value
Delegation to increase the share capital without preferential subscription rights but with a priority subscription period for existing shareholders	5/19/2022 *Twenty-second resolution*		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 *Twenty-third resolution*	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 *Twenty-fourth resolution*	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 *Twenty-sixth resolution*	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[1]	5/16/2023 *Sixteenth resolution*	18 months	€500,000[3][8]	None
Delegation to increase the share capital for employees who are members of a company savings plan[1]	5/16/2023 *Seventeenth resolution*	26 months	€500,000[3][8]	None
Authorization to grant free shares to certain employees[1]	5/16/2023 *Eighteenth resolution*	38 months	100,800 shares	Grant of 100,800 shares[6]
Authorization to grant free shares to senior executives and corporate officers[1]	5/16/2023 *Nineteenth resolution*	38 months	86,100 shares	Grant of 86,100 shares[6]
Authorization to grant free shares to certain employees (high-potential managers or managers with strategic expertise)[1]	5/16/2023 *Twentieth resolution*	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 (twenty-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 (twenty-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 (twenty-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 (twenty-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 sixteenth and seventeenth resolutions share the same ceiling.

The twenty-fifth resolution of the General Meeting of May 19, 2022 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. Capital increase

On April 18, 2023, the Group launched a capital increase with preferential subscription rights for an amount of approximately €100 million. Bpifrance Participations committed to subscribe pro rata to its stake in Mersen's share capital.

This capital increase is in line with the growth and investment plan defined as part of the Group's medium-term 2027 strategic plan, and gives it greater financial flexibility.

Following the subscription period, which ended on May 2, 2023, total demand amounted to approximately €202.6 million, representing an oversubscription rate of 2.0x:

- 3,356,088 new shares were subscribed on an irreducible basis, representing approximately 93.92% of the new shares to be issued;
- Demand on a reducible basis involved 3,878,214 new shares and was therefore only partially allocated, in the amount of 217,320 new shares.

The gross proceeds of the capital increase (including the issue premium) amounted to €100,055,424.00, resulting in the issue of 3,573,408 new shares at a subscription price of €28.0 per new share.

2.5. Changes in the share capital

Date	Type of transaction	Share capital after transaction	Issue premium *(in €)*	Total number of shares after the transaction
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
5/10/2023	Issue of 3,573,408 new shares (capital increase)	48,836,624	92,908,608	24,418,312

2.6. Securities conferring rights to the share capital

- **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 88,200, of which 56,535 for members of the Executive Committee (including 13,230 for the Chief Executive Officer)1.

The total number of shares that may vest under the 2023 executives plan is 86,100, of which 69,300 for members of the Executive Committee (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 118,440[(1)].

The total number of shares that may vest under the 2023 plans is 112,800.

- **Summary**

At December 31, 2023, the total number of free shares that could potentially vest corresponded to 602,340 new shares, each with a par value of €2, representing 2.4% of the Company's capital at that date.

There are no other instruments or securities conferring rights to the Company's share capital.

2.7. 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.

The theoretical number of voting rights stood at 27,074,432 at December 31, 2023.

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 26,845,678 at December 31, 2023.

2.8. Voting right certificates

None.

2.9. Investment certificates

None.

2.10. Shares pledged

None.

2.11. 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.

(1) Following the capital increase of May 2023, the number of shares was increased by around 5%.

3. Share repurchase program

3.1. Program authorized by the General Meeting of May 16, 2023

At the Combined General Meeting of May 16, 2023, 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 et seq. 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 €65 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 €120,440,190.

This authorization replaced the authorization granted by the General Meeting of May 19, 2022.

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.

In January 2023, the resources (cash and financial instruments) allocated to the implementation of the agreement were reviewed. Based on market data at December 31, 2022, the cash resources have been adjusted to ensure they remain proportional and adapted to the aims of the agreement, in accordance with Article 4, paragraph 6 of Decision no. 2021-01 of June 22, 2021 issued by the French Financial Markets Authority (Autorité des marchés financiers – AMF). Consequently, €700,000 were withdrawn on January 31, 2023.

On October 23, 2023, Exane, BNP Paribas Arbitrage and Mersen entered into an agreement setting out the transfer to BNP Paribas Arbitrage of all Exane's rights and obligations under the liquidity agreement.

At December 31, 2023, the following funds and shares appeared in the liquidity account (close-out day):

- 35,358 shares
- €790,757

3.3. Trading in its own shares by the Company in 2023

In 2023, the Company only purchased shares under the liquidity agreement.

Number of treasury shares held by the Company at December 31, 2022	**231,564**
Number of shares purchased under the liquidity agreement	+173,807
Number of shares sold under the liquidity agreement	-176,617
Number of treasury shares held by the Company at December 31, 2023	**228,754**

The Company did not use any derivatives.

Breakdown by objective of treasury shares held at December 31, 2023

	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 0.8%
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%
Market-making via a liquidity agreement	35,270 0.1%

The carrying amount of the treasury shares is €6,804 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, 2024

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, 2024, i.e., until November 15, 2025.

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, 2024, 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 16, 2023 in its fourteenth 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 €158,719,015.

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., 2,441,832 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 228,754 shares (or 0.9% of the share capital) at December 31, 2023, the maximum number of shares that it may acquire under the program is 2,213,078 shares (or 9% 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 €143,850,070.

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, 2023, amounted to €390,350,690.

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, 2024 and for a period of 18 months, i.e., until November 15, 2025.

4. Share ownership

4.1. Share ownership thresholds crossed

In 2023, shareholders disclosed the following threshold crossings:

Alken

- February 6: AFFM SA, manager of the Alken Fund, disclosed that it had exceeded the threshold of 1% of the share capital and held 249,760 shares, i.e., 1.07% of the share capital.

Amiral Gestion

- February 20: Amiral Gestion disclosed that it had exceeded the threshold of 4% of the voting rights and held 943,553 shares, i.e., 4.52% of the share capital and 4.02% of the voting rights.
- May 15: Amiral Gestion disclosed that it had exceeded the threshold of 5% of the share capital and held 1,234,015 shares, i.e., 5.05% of the share capital and 4.56% of the voting rights.
- September 18: Amiral Gestion disclosed that it had fallen below the threshold of 5% of the share capital and held 1,218,810 shares, i.e., 4.99% of the share capital and 4.5% of the voting rights.
- November 15: Amiral Gestion disclosed that it had exceeded the threshold of 5% of the share capital and held 1,236,543 shares, i.e., 5.06% of the share capital and 4.56% of the voting rights.

Amundi

- February 10: Amundi disclosed that it had fallen below the threshold of 1% of the share capital and held 206,015 shares, i.e., 0.98% of the share capital.
- May 8: Amundi disclosed that it had exceeded the threshold of 1% of the share capital and 1% of the voting rights and held 237,709 shares, i.e., 1.14% of the share capital and 1.01% of the voting rights.
- June 8-9: Amundi disclosed that it had fallen below and then exceeded the threshold of 1% of the voting rights and held 290,081 shares, i.e., 1.07% of the voting rights.

Bpifrance Participations

- May 15: During the Company's capital increase, Bpifrance Participations fell below the threshold of 19% of the voting rights and held 2,627,244 shares, i.e., 10.75% of the share capital and 18.01% of the voting rights.
- June 12: Bpifrance Participations disclosed that it had passively fallen below the threshold of 18% of the voting rights and held 2,627,244 shares, i.e., 10.75% of the share capital and 17.98% of the voting rights.

BlackRock

- Between April 6 and May 10: BlackRock disclosed that it had exceeded and then fallen below the threshold of 2% of the voting rights and held 535,932 shares, i.e., 2.57% of the share capital and 2.25% of the voting rights.
- June 29: BlackRock disclosed that it had fallen below the threshold of 2% of the voting rights and held 512,414 shares, i.e., 2.1% of the share capital and 1.89% of the voting rights.
- July 4-7: BlackRock disclosed that it had fallen below and then exceeded the threshold of 2% of the share capital and held 505,945 shares, i.e., 2.07% of the share capital and 1.87% of the voting rights.
- Between October 31 and December 25: BlackRock announced that it had, on several occasions, exceeded and fallen below the threshold of 2% of the share capital and voting rights and, subsequent to these threshold crossings, held 532,971 shares, i.e., 2.18% of the share capital and 1.97% of the voting rights.

CDC Croissance

- February 7: CDC Croissance disclosed that it had exceeded and then, on February 8, 2023, fallen below the threshold of 5% of the share capital and held 1,020,137 shares, i.e., 4.89% of the share capital.

DNCA

- December 6: DNCA disclosed that it had fallen below the threshold of 1% of the voting rights and held 260,890 shares.

Dimensional Fund Advisors

- April 25: Dimensional disclosed that it had exceeded the threshold of 3% of the share capital and voting rights and held 795,778 shares, i.e., 3.8% of the share capital and 3.4% of the voting rights.
- June 21: Dimensional disclosed that it had fallen below the threshold of 3% of the voting rights and held 792,490 shares, i.e., 3.25% of the share capital and 2.93% of the voting rights.

Invesco

- June 29: Invesco disclosed that it had fallen below the threshold of 4% of the voting rights and held 1,052,708 shares, i.e., 3.88 of the voting rights.
- September 13: Invesco disclosed that it had fallen below the threshold of 4% of the share capital and held 975,780 shares, i.e., 3.99% of the voting rights.
- October 20: Invesco disclosed that it had fallen below the threshold of 3% of the voting rights and held 804,833 shares, i.e., 2.99% of the voting rights.
- In November: Invesco disclosed that it had fallen below the thresholds of 3% and 2% of the share capital and held 483,127 shares, i.e., 1.97% of the share capital.
- December 26: Invesco disclosed that it had exceeded the threshold of 1% of the voting rights and held 263,214 shares, i.e., 0.97% of the voting rights.

La Banque Postale Asset Management

- June 29: La Banque Postale AM declared that it had fallen below the threshold of 2% of the share capital and held 1.91% of the share capital.

Sycomore Asset Management

- May 18: Sycomore AM disclosed that it had exceeded the threshold of 3% of the share capital and held 721,324 shares, i.e., 3.01% of the share capital and 2.95% of the voting rights.
- November 2: Sycomore disclosed that it had fallen below the threshold of 2% of the voting rights and held 520,208 shares, i.e., 2.13% of the share capital and 1.92% of the voting rights.

4.2. Changes in share ownership

	Dec. 31, 2023			Dec. 31, 2022			Dec. 31, 2021		
Shareholders	Number of shares	% of the share capital	% of exercisable voting rights	Number of shares	% of the share capital	% of exercisable voting rights	Number of shares	% of the share capital	% of exercisable voting rights
Free float, o/w									
- French institutional investors	11,310,585	46.3%	50.5%	9,450,543	45.3%	50.3%	9,020,183	43.3%	48.2%
- International institutional investors	9,056,886	37.1%	33.8%	8,290,292	39.8%	35.7%	8,862,228	42.6%	37.8%
- Individual shareholders	3,541,253	14.5%	14.7%	2,588,509	12.4%	12.8%	2,579,740	12.4%	12.6%
- Employee shareholders	280,834	1.2%	1.0%	283,996	1.4%	1.2%	325,102	1.6%	1.4%
Treasury shares	228,754	0.9%	-	231,564	1.1%	-	33,954	0.2%	-
TOTAL	**24,418,312**	**100%**	**100%**	**20,844,904**	**100%**	**100%**	**20,821,207**	**100%**	**100%**

The Chief Executive Officer and the members of the Board of Directors own 2,685,601 shares (of which 2,627,244 held by Bpifrance Participations and 51,395 by the Chief Executive Officer), i.e., a total of 10.9% of the share capital.

To the best of the Company's knowledge, at the date of publication of this 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	2,627,244	10.8%	4,870,014	18.1%
Amiral Gestion	1,236,543	5.1%	1,236,543	4.6%

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, 2023.

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	Transfer of preferential subscription rights	42,971	1.7327
Eric Guajioty	Acquisition of preferential subscription rights	4	1.81
Eric Guajioty	Subscription to the capital increase	244	28
Estelle Legrand	Transfer of preferential subscription rights	2,491	1.6625
Estelle Legrand	Subscription to the capital increase	900	28
Gilles Boisseau	Transfer of preferential subscription rights	20	1.6766
Gilles Boisseau	Acquisition of preferential subscription rights	44	1.7962
Gilles Boisseau	Subscription to the capital increase	760	28
Jean-Philippe Fournier	Transfer of preferential subscription rights	5	1.7316
Jean-Philippe Fournier	Subscription to the capital increase	900	28
Luc Themelin	Acquisition of preferential subscription rights	6	1.7898
Luc Themelin	Subscription to the capital increase	7,308	28
Olivier Legrain	Purchase of shares	1,640	34.96
Olivier Legrain	Subscription to the capital increase	198	28
Sylvie Guiganti	Subscription to the capital increase	186	28
Thomas Baumgartner	Transfer of preferential subscription rights	2,869	1.717
Thomas Baumgartner	Acquisition of preferential subscription rights	1	1.8812
Thomas Baumgartner	Subscription to the capital increase	2,928	28
Thomas Farkas	Transfer of preferential subscription rights	6,184	1.8
Thomas Farkas	Subscription to the capital increase	354	28
Thomas Farkas	Sale of shares	5,255	34.43

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 16, 2023, the shareholders approved the payment of a cash dividend of €1.25 per ordinary share in respect of 2022.

In the third resolution of the Combined General Meeting to be held on May 16, 2024, the shareholders will be asked to approve the payment of a cash dividend of €1.25 per ordinary share in respect of 2023.

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	
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%
2023	24,418,312	1.25	44.55	29.85	35.20	3.6%

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: SBF 120, CAC Mid 60, CAC Mid&Small, Tech Croissance.
- Eligible for SRD (deferred settlement) and PEA (equity savings plans).
- ISIN code: FR0000039620.

6.1.2. Market data

				Price		
Share price	Number of shares traded	Share capital traded on a monthly basis *(in € millions)*	Average daily number of shares traded*	High *(in €)*	Low *(in €)*	Average[(a)] *(in €)*
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[(b)]						
January	475,858	18.13	21,630	39.72	36.27	37.91
February	621,699	25.49	31,085	43.46	39.15	41.15
March	991,064	38.61	43,090	44.03	35.36	39.72
April	593,375	22.10	32,965	39.72	35.45	37.41
May	522,189	19.34	23,736	39.00	35.25	37.19
June	555,517	22.18	25,251	42.20	35.65	39.70
July	539,897	22.33	25,709	44.55	38.85	40.88
August	374,009	15.53	16,261	44.05	39.85	41.47
September	594,599	22.88	28,314	42.25	35.75	39.02
October	610,312	20.45	27,741	38.15	29.85	34.54
November	676,807	22.18	30,764	34.25	30.45	33.06
December	610,388	20.61	32,126	36.00	31.85	34.08
2024						
January	996,887	32.25	45,313	35.50	30.30	32.69
February	632,575	22.66	30,123	37.95	33.65	35.80

Source: Euronext.
(a) Average closing price.
(b) 2023 data prior to the capital increase have been restated.
** On Euronext only. Average daily volumes on all trading platforms are given on the following page.*

(Share price in €)	February 2024	January 2024	2023	2022
At end of period	35.10	33.80	35.20	37.75
High/Low	37.95 / 33.65	35.50/30.30	44.55/29.85	38.75/26.43
YoY change			-2.7%	0
SBF 120 change			+13%	-11%
Market capitalization at end of period *(in € millions)*	857	825	860	787
Average monthly number of shares traded*	2,096,538	3,894,983	2,131,322	1,265,574
Average daily number of shares traded*	99,835	177,045	100,692	59,093

** On all trading platforms.*

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 and presentations of results are available in the Investors section.

6.3. Indicative timetable for the Group's financial communication

Sales

Q4 2023 sales – January 25, 2024

Q1 2024 sales – April 24, 2024

Q2 2024 sales – July 30, 2024

Q3 2024 sales – October 23, 2024

Results

2023 annual results – March 13, 2024

2024 half-year results – July 30, 2024

Annual General Meeting

Paris – May 16, 2024

Capital Markets day

Paris – December 5, 2024

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

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

In millions of euros	Note	2023	2022
Sales	19	1,210.9	1,114.8
Cost of sales		(825.5)	(766.8)
Total gross income		**385.4**	**348.0**
Selling and marketing expenses		(86.1)	(82.7)
Administrative and research expenses		(158.5)	(140.4)
Amortization of revalued intangible assets		(1.2)	(1.5)
Other operating expenses		(2.4)	(1.8)
OPERATING INCOME BEFORE NON-RECURRING ITEMS		**137.3**	**121.6**
Non-recurring expenses	18	(8.0)	(20.0)
Non-recurring income	18	2.1	8.6
OPERATING INCOME	**19/21**	**131.4**	**110.2**
Financial expenses		(19.3)	(12.9)
Net financial expense	**22**	**(19.3)**	**(12.9)**
Income before tax		**112.1**	**97.3**
Current and deferred income tax	23	(26.2)	(23.0)
NET INCOME		**85.9**	**74.3**
Attributable to:			
- Mersen shareholders		81.6	67.7
- Non-controlling interests		4.3	6.7
NET INCOME FOR THE PERIOD		**85.9**	**74.3**
Earnings per share*	**24**		
Basic earnings per share *(in euros)*		3.50	3.14
Diluted earnings per share *(in euros)*		3.42	3.08

** 2022 earnings per share have been restated to reflect the impact of the capital increase completed in May 2023.*

Condensed consolidated statement of comprehensive income

In millions of euros	Note	2023	2022
NET INCOME FOR THE PERIOD		**85.9**	**74.3**
Items that will not be subsequently reclassified to income			
Financial assets at fair value through "Other comprehensive income"		0.0	(0.2)
Remeasurements of the net defined benefit liability (asset)		(1.7)	12.5
Tax impact on remeasurements of the net defined benefit liability (asset)		0.3	(3.5)
		(1.4)	**8.8**
Items that may subsequently be reclassified to income			
Change in fair value of hedging instruments		(0.9)	1.0
Change in translation adjustments		(25.7)	5.0
Tax impact on change in fair value of hedging instruments		0.1	(0.1)
		(26.5)	**5.9**
INCOME AND EXPENSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME		**(28.0)**	**14.7**
TOTAL COMPREHENSIVE INCOME		**57.9**	**89.0**
Attributable to:			
- Mersen shareholders		54.9	83.1
- Non-controlling interests		3.0	5.9
TOTAL COMPREHENSIVE INCOME		**57.9**	**89.0**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

In millions of euros	Note	Dec. 31, 2023	Dec. 31, 2022
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	6	257.7	262.0
Other intangible assets	8	50.7	42.7
Property, plant and equipment			
Land	8	28.6	29.0
Buildings	8	103.6	100.3
Machinery, equipment and other tangible assets	8	280.5	241.8
Property, plant and equipment in progress	8	149.2	77.3
Right-of-use assets	8/16	50.6	53.5
Non-current financial assets			
Equity interests	9	2.6	2.2
Other financial assets		3.7	3.7
Non-current tax assets			
Deferred tax assets	23	21.3	22.9
Long-term portion of current tax assets		5.9	10.0
TOTAL NON-CURRENT ASSETS		**954.5**	**845.3**
CURRENT ASSETS			
Inventories	10	299.2	283.2
Trade receivables	11	168.8	167.4
Contract assets	11	3.2	2.4
Other operating receivables		27.5	24.6
Short-term portion of current tax assets		12.0	2.0
Current financial assets	15	27.1	38.5
Current derivatives	4	4.1	6.9
Cash and cash equivalents	15	37.4	59.2
Assets held for sale	5	1.6	9.7
TOTAL CURRENT ASSETS		**581.0**	**594.0**
TOTAL ASSETS		**1,535.5**	**1,439.4**

EQUITY AND LIABILITIES

In millions of euros	Note	Dec. 31, 2023	Dec. 31, 2022
EQUITY			
Share capital	12	48.8	41.7
Retained earnings and other reserves		673.5	543.3
Net income for the period		81.6	67.7
Cumulative translation adjustments		(15.8)	8.6
EQUITY ATTRIBUTABLE TO MERSEN SHAREHOLDERS		**788.2**	**661.3**
Non-controlling interests		29.5	32.7
TOTAL EQUITY		**817.7**	**694.0**
NON-CURRENT LIABILITIES			
Non-current provisions	13	7.0	7.1
Employee benefit obligations	14	40.4	38.6
Deferred tax liabilities	23	46.7	41.0
Long- and medium-term borrowings	15	256.2	262.3
Non-current lease liabilities	16	40.1	42.7
TOTAL NON-CURRENT LIABILITIES		**390.5**	**391.7**
CURRENT LIABILITIES			
Trade payables		83.8	86.6
Contract liabilities	13	64.2	30.5
Other operating payables	13	120.6	117.6
Current provisions	13	6.8	8.2
Current lease liabilities	16	13.8	12.7
Short-term portion of current tax liabilities		4.3	8.9
Miscellaneous liabilities	13	11.7	5.9
Current financial liabilities	15	7.0	60.9
Current derivatives	4	1.4	2.1
Bank overdrafts	15	13.7	15.2
Liabilities related to assets held for sale	5	0.0	5.2
TOTAL CURRENT LIABILITIES		**327.3**	**353.7**
TOTAL EQUITY AND LIABILITIES		**1,535.5**	**1,439.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital	Additional paid-in capital, retained earnings and other reserves	Net income/ (loss)	Cumulative translation adjustments	Total	Non-controlling interests	Total equity
	Attributable to Mersen shareholders						
AT JANUARY 1, 2022	**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**
Prior-period net income/(loss)		67.7	(67.7)		0.0		0.0
Net income for the period			81.6		81.6	4.3	85.9
Change in fair value of derivative hedging instruments, net of tax		(0.8)			(0.8)		(0.8)
Financial assets at fair value		0.0			0.0		0.0
Remeasurements of the net defined benefit liability (asset) after tax		(1.5)			(1.5)	0.0	(1.5)
Translation adjustments				(24.4)	(24.4)	(1.3)	(25.7)
Total other comprehensive income (loss)	**0.0**	**(2.2)**	**0.0**	**(24.4)**	**(26.7)**	**(1.3)**	**(28.0)**
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**0.0**	**(2.2)**	**81.6**	**(24.4)**	**54.9**	**3.0**	**57.9**
Dividends paid		(30.2)			(30.2)	(6.2)	(36.4)
Treasury shares		0.2			0.2		0.2
Capital increases	7.1	89.8			97.0		97.0
Stock options and free shares		4.1			4.1		4.1
Hyperinflation		0.9			0.9		0.9
AT DECEMBER 31, 2023	**48.8**	**673.5**	**81.6**	**(15.8)**	**788.2**	**29.5**	**817.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	Note	2023	2022
Operating activities			
Income before tax		112.1	97.3
Depreciation and amortization	21	65.4	64.8
Additions to/(reversals of) provisions		(3.3)	(8.2)
Net financial expense	22	19.3	12.9
Capital gains/(losses) on asset disposals	21	1.0	(3.5)
Impairment of Anticorrosion Equipment goodwill	7	0.0	11.4
Other		6.5	6.0
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**
Investing activities			
Investments in intangible assets	8	(11.0)	(6.2)
Investments in property, plant and equipment	8	(176.3)	(97.3)
Investments in financial assets		0.0	(0.3)
Changes in scope of consolidation		2.1	(2.6)
Disposals of assets and other		1.6	10.1
NET CASH USED IN INVESTING ACTIVITIES		**(183.7)**	**(96.3)**
NET CASH GENERATED BY/(USED IN) OPERATING AND INVESTING ACTIVITIES		**(4.4)**	**9.2**
Financing activities			
Capital increases	12	95.9	0.0
Sales/(purchases) of treasury shares		0.2	(5.6)
Dividends paid		(36.4)	(23.0)
Interest payments		(13.8)	(7.3)
Repayment of lease liabilities	16	(13.7)	(14.5)
Increase in borrowings and debt	15	416.4	549.0
Decrease in borrowings and debt	15	(465.6)	(493.9)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES		**(17.1)**	**4.6**
Net increase/(decrease) in cash and cash equivalents		**(21.5)**	**13.9**
Cash and cash equivalents at beginning of period	15	59.2	49.5
Impact of currency fluctuations on cash and cash equivalents held		(0.3)	(4.1)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**15**	**37.4**	**59.2**

Notes to the consolidated financial statements

Summary of the notes to the financial statements

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, 2023 are set out in Note 3. The new standards applied with effect from 2023 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, 2023 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 2023 consolidated financial statements include data for 2022, 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 2023 annual financial statements.

Note 2 Significant events of the year

Capital increase

In March 2023, the Group presented its 2027 strategic roadmap, which includes a specific investment plan to support growth, representing approximately €300 million in additional funding for the 2023-2025 period, as well as around €100 million for bolt-on acquisitions.

In May 2023, to maintain its financial and strategic flexibility over the period, the Group completed a capital increase with preferential subscription rights by issuing 3,573,408 new shares at a price of €28 per share. The gross proceeds of the issue recognized in the financial statements for the year ended December 31, 2023 amounted to €100.1 million.

Note 3 Summary of significant accounting policies and methods

A - Consolidation scope and methods

The Mersen group's consolidated financial statements include the financial statements of the parent company as well as those of companies controlled by the parent company. The Group's fiscal year-end is the same as the calendar year-end, i.e., December 31.

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. Expenditure incurred subsequent to an intangible asset being brought into use, in order to enable that asset to generate future economic benefits in excess of its originally assessed standard of performance, is also capitalized. 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 initially valued at cost price, which corresponds to their acquisition cost or 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.

At the year-end, an impairment loss is recognized in the income statement for any inventories whose realizable value is lower than their cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary for the completion and sale of the inventories concerned. The calculation of the net realizable value of inventories takes into account factors such as their turnover rate and whether they have become technically or commercially obsolete.

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 cause temporary differences in the statement of financial position between the consolidated values and the tax values of the assets and liabilities, giving 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, 2023 but did not have a material impact on the Group's financial statements:

- IFRS 17 – Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements)
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules. These amendments provide temporary relief from accounting for deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules, which the Group applies for preparing its financial statements. The expected impacts on the Group of applying the Pillar Two model rules are set out in Note 23.

Y - New standards, amendments and interpretations published but not yet effective

The following new amendments will be effective for annual reporting periods beginning after January 1, 2023, subject to their endorsement by the European Union:

- 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 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

Despite being available for early adoption (endorsed by the European Union in 2023), the Group elected not to apply the new standards, amendments and interpretations in preparing its consolidated financial statements.

The above amendments are not expected to have a material impact on the Group's 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 €602 million, of which 43% had been drawn down at December 31, 2023. Based on the amounts drawn down, the average maturity of these committed facilities is 4 years.

To meet the Group's general cash flow requirements, Mersen has entered into the following main committed financing agreements:

- A €320 million multi-currency syndicated bank loan (which had not been drawn down at December 31, 2023), set up in October 2022 and repayable in full in October 2028, following the exercise in 2023 of an initial one-year option to extend its maturity. This loan includes (i) a second option to extend the maturity to 2029, subject to the banks' approval and (ii) margins indexed to ESG indicators. 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 the following ESG indicators:

Indicator	**Target**	**2023**
Greenhouse gas emissions intensity (in tonnes of CO_2 equivalent per million euros of sales)	<161	90
Accident frequency (Lost Time Injury Rate (LTIR) based on the number of reported accidents per million hours worked)	<1.8	2.78
Percentage of women engineers and managers (out of the Group's total number of engineers and managers)	≥26.0%	26.1%

Given the limited adjustment to the applicable credit margin, these ratios will have a non-material positive impact on the cost of debt in 2024.

- A five-year bilateral loan granted by Bpifrance for an original amount of €20 million, 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 US private placement (USPP) entered into 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, whose maximum amounts were each increased to €300 million in 2023. None of the NEU CP program had been used at December 31, 2023. Any 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

				Maturity		
In millions of euros	Amount	Drawdown at Dec. 31, 2023	Utilization rate Dec. 31, 2023	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	16.0	16.0	100%	4.0	12.0	0.0
NEU MTN	45.0	45.0	100%	0.0	45.0	0.0
Committed credit lines – China	21.7	0.0	0%	15.3	6.4	0.0
German private placement	115.0	115.0	100%	0.0	115.0	0.0
US private placement	84.3	84.3	100%	0.0	30.0	54.3
TOTAL	**602.0**	**260.3**	**43%**	**19.3**	**528.4**	**54.3**
AVERAGE MATURITY (YEARS)	**4.5** (1)	**4.0** (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			Maturity		
DRAWDOWNS	Drawdown at Dec. 31, 2023	Expected cash flows	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	16.0	17.6	2.4	2.3	12.9
NEU MTN	45.0	46.9	0.1	0.5	46.3
Committed credit lines – China	0.0	0.0	0.0	0.0	0.0
German private placement	115.0	123.9	1.8	1.8	120.3
US private placement	84.3	100.6	1.1	1.1	98.4
TOTAL	**260.3**	**289.0**	**5.4**	**5.7**	**277.9**

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.

Out of the Group's main confirmed borrowing facilities, the US private placement set up in 2021 corresponds to fixed-rate borrowings, with six-monthly coupons of 3.32% on the US dollar tranche and 1.27% on the euro tranche.

The German private placement set up in 2019 includes a €68 million fixed-interest tranche with an annual coupon of 1.582%.

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 €45 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-2023, a portion of the hedgeable copper and silver tonnage provided for in the 2024 budget had been hedged.

An increase or decrease in the price of copper and silver, with relation to closing prices at December 31, 2023 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.

	Copper		Silver	
Impact *(in millions of euros)* **at December 31, 2023**	**Other comprehensive income**	**Gains or losses recognized in operating income**	**Other comprehensive income**	**Gains or losses recognized in operating income**
Increase of 5%	0.7	0.0	0.4	0.0
Decrease of 5%	(0.7)	0.0	(0.4)	0.0

Recognition at year-end 2023 of commodity hedges

MTM [(a)] *(stated in millions of euros)*	**Impact on 2023 other comprehensive income**	**Impact on 2023 income**
MTM of copper and silver hedges	(0.4)	0.0

(a) Mark-to-market = evaluated at market price.

Other metals, primarily steel and reactive metals, are essentially used on the chemicals 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. In general, energy, primarily electricity and gas, is purchased at fixed rates based on forecast 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, 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
Average exchange rate from Jan. 1, 2023 to Dec. 31, 2023 [(a)]	151.94	1.0816	1,413.26	0.86991	7.6591
Closing exchange rate at Dec. 31, 2023 [(b)]	156.33	1.1050	1,433.66	0.86905	7.8509

(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 Executive Management 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 2023 would have had a translation impact of a negative €5.5 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 2023 would have had a translation impact of a negative €14.7 million on the Group's net debt at December 31, 2023.

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	12.7	21.8	4.3	12.7	9.6
Purchase of foreign currencies	(0.2)	(32.2)	(0.0)	(13.7)	(8.0)
Potential risks for 2024	12.5	(10.4)	4.3	(1.0)	1.6
Hedges outstanding at December 31, 2023	(6.8)	8.1	(1.8)	0.5	(0.5)
Net position	5.7	(2.3)	2.5	(0.4)	1.1
Impact in euros of a 5% fall in the euro [(b)]	0.30	(0.12)	0.13	(0.02)	0.05

(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, 2023.

USD/Foreign currency risks

Risks *(stated in millions of US dollars)* [(a)]	JPY	KRW	GBP	RMB	CAD
Sale of foreign currencies	8.7	9.6	5.2	32.6	25.4
Purchases of foreign currencies	0.0	(11.3)	(19.8)	(34.2)	(27.7)
Potential risks for 2024	8.7	(1.7)	(14.6)	(1.6)	(2.3)
Hedges outstanding at December 31, 2023	(5.4)	0.0	12.0	0.8	1.8
Net position	3.3	(1.7)	(2.6)	(0.8)	(0.5)
Impact in USD of a 5% fall in the USD [(b)]	0.17	(0.09)	(0.13)	(0.04)	(0.02)

(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, 2023.

Recognition at year-end 2023 of currency transactions

MTM [(a)] *(stated in millions of euros)*		Dec. 31, 2023
Mark-to-market of currency hedges value	Other comprehensive income	1.6
	Other financial items of operating income	1.5

(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, 2023 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.

	Increase in the euro against foreign currencies		Decrease in the euro against foreign currencies	
Impact at December 31, 2023 *(in millions of euros)*	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%)	2.4	2.4	(2.7)	(2.7)
JPY (change of 5%)	0.2	0.2	(0.2)	(0.2)
RMB (change of 5%)	(2.3)	(2.3)	1.8	1.8

** 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 2023

In millions of euros	Mark-to-market of currency derivatives in other comprehensive income	Impact on income	
CURRENCY		**Under six months**	**Over six months**
Assets	2.3	1.1	1.2
Equity and liabilities	(0.7)	(0.2)	(0.5)

Future cash flows on currency transactions recognized at December 31, 2023

CURRENCY *(in millions of euros)*	**MTM**	**Expected cash flows**
Assets	4.1	4.1
Equity and liabilities	(1.0)	(1.0)

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 2022 and 2023, the Group continued its assignment of receivables programs regarding several French subsidiaries, which gave rise to assigned (and unconsolidated) receivables amounting to €15.3 million at December 31, 2023 compared with €13.4 million at December 31, 2022. 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 €0.8 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, water 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. In 2023, the Group aligned its CSR roadmap with the time frame for its new growth plan, namely 2027. The roadmap's new targets for 2027 include reducing the Group's greenhouse gas emissions intensity by 35% (scopes 1 and 2) compared to 2022, increasing the proportion of renewable energy within its electricity supplies to 80%, increasing its waste recycling rate to 80%, reducing its water consumption by 15% (compared to 2022) and rolling out a water-saving plan for its sites that are the most exposed to water stress.

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, and they did not have a significant impact on the 2023 consolidated financial statements.

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 December 31, 2023, assets held for sale amounted to €1.6 million and corresponded to the fair value, net of disposal costs, of the Asan-Si site (land and plant) in South Korea, where the subsidiary Mersen Korea Co. Ltd operated before its move to the city of Cheonan-Si. The fair value remeasurement of the Asan-Si site led to the recognition of a €0.6 million impairment loss in non-recurring expenses (see Note 18).

In addition, on July 31, 2023 the Group completed the sale of Mersen Deutschland Linsengericht, a subsidiary forming part of the Anticorrosion Equipment (ACE) CGU and which was classified under assets held for sale at December 31, 2022. A €2.2 million impairment loss was recorded against Mersen Deutschland Linsengericht's assets in 2022, and following its sale on July 31, 2023 an additional €1.2 million impairment loss was recognized in non-recurring expenses (see Note 18).

Note 6 Goodwill

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Carrying amount at start of period	262.0	269.5
Acquisitions		
Impairment		(11.4)
Reclassification as assets held for sale		(3.0)
Translation adjustments	(4.3)	6.9
Carrying amount at end of period	**257.7**	**262.0**
Gross value at end of period	296.1	300.4
Total impairment losses at end of period	(38.4)	(38.4)

Breakdown by cash-generating unit is given in the table below:

	Dec. 31, 2022	Movements during 2023			Dec. 31, 2023
In millions of euros	Carrying amount	Translation adjustments	Impairment losses	Other	Carrying amount
Anticorrosion Equipment	27.9	(1.1)			26.9
Graphite Specialties	97.0	(0.6)			96.5
Power Transfer Technologies	12.2	(0.1)			12.2
Electrical Protection & Control	80.1	(2.4)			77.6
Solutions for Power Management	44.8	(0.2)			44.6
TOTAL	**262.0**	**(4.3)**	**0.0**	**0.0**	**257.7**

There was no goodwill pending allocation at December 31, 2023.

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 2023.

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 2024 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 includes the calculation of Mersen's beta by analysts and that of the risk-free rate on ten-year French government bonds. Taking into account these factors, as well as a market risk premium and a size-specific premium, the weighted average cost of capital used as the rate for discounting future cash flows was set at 8.8%, a 50 basis-point increase compared to the 8.3% rate used in 2022, primarily due to the rise in the risk-free interest rate. 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 2022, are based on the developments in their businesses in their various markets;
- the standard tax rate used was 23.5%.

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 €11 million, €8 million, and €9 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:

- 15.2% for the Power Transfer Technologies CGU;
- 13.1% for the Solutions for Power Management CGU;
- 13.2% for the Electrical Protection & Control CGU;
- 10.9% for the Graphite Specialties CGU;
- 8.8% for the Anticorrosion Equipment CGU.

Impairment tests will be carried out again at the 2024 year-end.

Note 8 Property, plant and equipment and intangible assets

In millions of euros	Intangible assets	Land	Buildings	Machinery, equipment and other assets	Property, plant and equipment in progress	Right-of-use assets	Total property, plant and equipment	TOTAL
Carrying amount at Jan. 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 Dec. 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)
Carrying amount at Jan. 1, 2023	**42.7**	**29.0**	**100.3**	**241.8**	**77.3**	**53.5**	**501.9**	**544.6**
Acquisitions	10.3	0.3	1.7	33.6	147.9	10.6	194.1	204.5
Decommissioning, disposals and impairment	(0.0)	0.0	(0.7)	(2.8)	(0.0)	(0.0)	(3.4)	(3.4)
Depreciation and amortization	(5.2)	(0.0)	(6.4)	(41.6)		(12.2)	(60.2)	(65.4)
Translation adjustments	(0.3)	(0.3)	(3.5)	(6.9)	(3.3)	(1.4)	(15.3)	(15.6)
Assets held for sale		(0.5)	(1.6)				(2.2)	(2.2)
Other movements (incl. equipment commissioning)	3.2	0.1	13.8	56.2	(72.6)	(0.0)	(2.5)	0.7
Carrying amount at Dec. 31, 2023	**50.7**	**28.6**	**103.6**	**280.5**	**149.2**	**50.6**	**612.4**	**663.2**
Gross value at Dec. 31, 2023	**133.1**	**29.5**	**202.2**	**835.9**	**149.2**	**87.8**	**1,304.7**	**1,437.8**
Cumulative depreciation, amortization and impairment at Dec. 31, 2023	**(82.4)**	**(0.9)**	**(98.7)**	**(555.4)**	**0.0**	**(37.3)**	**(692.3)**	**(774.7)**

The main contributors to movements in “Property, plant and equipment in progress” were the US entities (Mersen USA GSTN Corp. and Mersen USA GS Corp.) and the French entities (Mersen France Gennevilliers SAS) of the Graphite Specialties business.

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 €6.5 million (€5.0 million in 2022). They also included an aggregate €1.7 million corresponding to the capitalization of (i) costs related to the development of p-SiC substrates under the partnership with Soitec and (ii) some of the costs incurred under the contract with ACC to develop laminated bus bars for the electric vehicle market.

Note 9 Equity interests

At year-end, investments in unconsolidated companies held by consolidated companies represented €2.6 million, compared with €2.2 million at end-2022. The principal investments are the following:

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Le Carbone Materials KK (Japan)	1.5	1.3
Mersen S.A.U (Argentina)	0.1	0.2
Mersen Polska SP. Z.O.O (Poland)	0.7	0.5
Mersen Chile Limitada (Chile)	0.2	0.2
Other investments	0.1	0.1
TOTAL	**2.6**	**2.2**

At December 31, 2023, all non-consolidated equity investments are carried at fair value through other comprehensive income.

Note 10 Inventories

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Raw materials and other supplies	153.5	147.0
Work in progress	94.0	82.6
Finished products	82.5	80.0
Gross amount of inventories	**330.0**	**309.6**
Impairment losses	(30.8)	(26.4)
Carrying amount of inventories	**299.2**	**283.2**

The carrying amount of inventories was €16 million higher at December 31, 2023 than one year earlier, reflecting a €24.5 million, or 8.7%, increase at constant exchange rates, and a negative currency effect of €8.6 million, or 3.0%.

Note 11 Trade receivables

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Gross trade receivables	175.1	174.7
Impairment losses	(6.3)	(7.3)
Contract assets	3.2	2.4
Net trade receivables and contract assets	**172.1**	**169.9**

Net trade receivables were relatively stable year on year, with the increase in receivables related to operations largely offset by negative currency effects, particularly arising from the US dollar and the Chinese renminbi.

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, 2023 usage amounted to €15.3 million, compared with €13.4 million at end-2022.

At end-2023, late payments represented 15.9% of trade receivables (including factored receivables), compared to 12.0% at end-2022.

Overdue trade receivables broke down as follows at December 31:

	Dec. 31, 2023		Dec. 31, 2022	
In millions of euros	Gross	Impairment	Gross	Impairment
Receivables not yet due	144.8	(1.7)	152.1	(2.8)
Receivables 0 to 30 days past due	15.5	(0.3)	12.3	(0.4)
Receivables 31 to 120 days past due	9.1	(0.8)	5.3	(0.6)
Receivables 121 days to 1 year past due	3.0	(0.9)	2.0	(0.7)
Receivables more than 1 year past due	2.7	(2.5)	3.0	(2.8)
Net trade receivables	**175.1**	**(6.3)**	**174.7**	**(7.3)**

Movements related to impairment of trade receivables are as follows:

In millions of euros	2023	2022
Impairment losses at January 1	(7.3)	(6.6)
Allowance/reversal during the year	1.0	(0.6)
Impairment losses at December 31	**(6.3)**	**(7.3)**

Impairment of trade receivables are based on expected losses.

Note 12 Equity

Number of shares and breakdown of share capital

Number of shares (unless stated otherwise)	Ordinary shares
Number of shares at January 1, 2023	20,844,904
Capital increase/reduction *(in millions of euros)*	7.1
Number of shares in issue and fully paid-up during the period	3,573,408
Number of shares at December 31, 2023	24,418,312
Number of treasury shares canceled	N/A
Number of shares in issue and not fully paid-up	N/A
Par value of shares *(in euros)*	2
Mersen shares held by the Company or by its subsidiaries and associates	228,754

In May 2023, the Group issued 3,573,408 shares with a par value of €2 and an issue price of €28 per share. The gross proceeds of the issue amounted to €100.1 million and the net proceeds after transaction costs totaled €95.9 million (€7.1 million recognized as an increase in share capital and €88.8 million recorded under additional paid-in capital).

At December 31, 2023, the Company's share capital was set at €48,836,624 divided into 24,418,312 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 27,074,432 at December 31, 2023.

Mersen's ownership structure at December 31, 2023 was as follows:

- French institutional investors 46.3%
- International institutional investors 37.1%
- Private shareholders 14.5%
- Employee shareholders 1.2%
- Treasury shares 0.9%

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 in general 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, 2023, 228,754 shares were held in treasury, representing 0.9% of the share capital, including 35,358 shares held pursuant to the liquidity agreement entered into with Exane BNP Paribas.

Subscription options, free shares and performance shares

- **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 88,200, of which 56,535 for members of the Executive Committee (including 13,230 for the Chief Executive Officer) (1).

The total number of shares that may vest under the 2023 executives plan is 86,100, of which 69,300 for members of the Executive Committee (including 12,600 for the Chief Executive Officer).

- **Free shares (managers and talent 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 118,440(1).

The total number of shares that may vest under the 2023 plans is 112,800.

The shares awarded under the "Talent" plans – designed for employees identified as high-potential managers or managers with expertise in strategic areas – are not subject to performance conditions.

- **Summary**

At December 31, 2023, the total number of free shares that could potentially vest corresponded to 602,340 new shares, each with a par value of €2, representing 2.4% 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:

	2021 plan – Executives	2021 plan – Managers	2021 plan – High potentials	2022 plan – Executives	2022 plan – Managers	2022 plan – High potentials	2023 plan – Executives	2023 plan – Managers	2023 plan – High potentials
Characteristics/Assumptions	Free performance shares	Free performance shares	Free shares	Free performance shares	Free performance shares	Free shares	Free performance shares	Free performance shares	Free shares
Allocation date	05/20/2021	05/20/2021	05/20/2021	05/19/2022	05/19/2022	05/19/2022	05/16/2023	05/16/2023	05/16/2023
Availability date	05/20/2024	05/20/2024	05/20/2024	05/19/2025	05/19/2025	05/19/2025	05/16/2026	05/16/2026	05/16/2026
Expiration date	05/21/2024	05/21/2024	05/21/2024	05/20/2025	05/20/2025	05/20/2025	05/17/2026	05/17/2026	05/17/2026
Number of plan shares	84,000	100,800	12,000	88,200	105,840	12,600	86,100	100,800	12,000
Estimated % of shares/options vested at December 31, 2023	90%	90%	100%	100%	100%	100%	100%	100%	100%

A €4.1 million expense was recognized for these plans in 2023 (compared with a €0.6 million net expense in 2022, which included a €1.9 million reversal of provisions set aside for free share plans that expired during that year).

(1) Following the capital increase carried out in May 2023, the number of shares was increased by around 5%.

Note 13 Provisions, operating payables, miscellaneous liabilities and contingent liabilities

	Dec. 31, 2023		Dec. 31, 2022	
In millions of euros	Non-current	Current	Non-current	Current
- provision for restructuring	1.1	0.3	1.6	1.0
- provision for environmental risks	3.1	0.7	3.3	0.9
- provision for litigation and other expenses	2.8	5.8	2.2	6.4
TOTAL	**7.0**	**6.8**	**7.1**	**8.2**

In millions of euros **Current and non-current**	Dec. 31, 2022	Provisions set aside/(reversals)	Uses	Other	Translation adjustments	Dec. 31, 2023
- provision for restructuring	2.6	(0.1)	(1.1)	(0.0)	0.0	1.3
- provision for environmental risks	4.2	0.0	(0.3)	0.0	(0.1)	3.8
- provision for litigation and other expenses	8.6	4.0	(4.5)	0.6	(0.0)	8.6
TOTAL	**15.3**	**4.0**	**(5.9)**	**0.5**	**(0.1)**	**13.8**

Provisions amounted to €13.8 million at December 31, 2023, versus €15.3 million at end-December 2022, with the €1.5 million year-on-year decrease primarily stemming from the payments of restructuring costs from the provisions set aside in 2020 for business adaptation plans.

Provisions for environmental risks mainly correspond to €3.1 million in clean-up costs for the Columbia site.

The €4.0 million net addition to provisions for litigation and other expenses chiefly relates to commercial disputes. The €4.5 million used out of these provisions for litigation and other expenses in 2023 mainly relates to the settlement of the dispute with SNCF during the year, and the end of a dispute with a competitor in the United States. At December 31, 2023, provisions for legal proceedings and disputes amounted to €5.7 million (out of the €8.6 million in total provisions for litigation and other expenses).

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 attempted 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. By way of a ruling issued by the Paris Court of Appeal on February 17, 2023, the defendant companies were jointly and severally ordered to pay €4.4 million, of which €1.6 million (Mersen's share) was paid by the Group in the first half of 2023.

The Group is not aware of any 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 alleging that Mersen do Brasil filed late tax returns and made errors in the tax bases used. The potential financial consequences of these disputes represent an aggregate BRL 18 million (approximately €3.3 million). The Group has set aside a provision corresponding only to the amount that it considers highly probable it will have to pay.

The estimated risk related to this case was reduced significantly in 2023 (by BRL 15 million, or approximately €3 million) as a result of the decision taken by Brazil's Administrative Council of Tax Appeals (CARF) during the year which ruled fully in favor of Mersen do Brasil in a dispute concerning the customs codes used for imports.

Proceedings involving Mersen Mexico Monterrey

Tax audits are regularly carried out on Mersen Mexico Monterrey, and in 2023 the Mexican tax authorities (SAT) launched an audit on the entity's temporary import transactions for the period from 2015 to 2020. In response to this move, Mersen began a mediation procedure through the Mexican tax ombudsman, Procuraduría de la Defensa del Contribuyente (Prodecon), which led to the audit being temporarily suspended. A provision has been recognized to cover the potential amount that Mersen Mexico Monterrey could be required to pay under any settlement agreement that may be reached. If all of the entity's temporary import transactions during the audited period are challenged, this could result in reassessed taxes and penalties of MXN 131 million, or approximately €7 million (of which MXN 16 million (€0.9 million) would give rise to a refundable VAT credit).

Operating payables, miscellaneous liabilities and contingent liabilities

Contract liabilities amounted to €64.2 million at December 31, 2023, up €33.7 million year on year, primarily due to advances received under contracts to supply graphite and other high-tech materials for the silicon carbide (SiC) semiconductors market, particularly in the United States and the United Kingdom.

Other operating payables (€120.6 million at December 31, 2023) mainly comprised personnel and social security payables, VAT and other tax payables (excluding income tax), and prepaid income.

Other liabilities in the amount of €11.7 million at December 31, 2023 chiefly comprise liabilities related to property, plant and equipment.

No material contingent liabilities were identified at December 31, 2023.

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 (19%), France (15%) 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 96.5% for the salaried plan. The hourly plan is fully covered by plan assets.
- 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 has been fully covered by plan assets since 2019.
- 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, 2023 with the assistance of independent actuaries and in accordance with IAS 19.

The rates used for the main countries are summarized below:

2023	Discount rate	Average rate of salary increases	Inflation rate
France	3.15%	Between 1.5% and 5.25% depending on age	Not applicable
Germany	3.15%	2.50%	2.00%
United States	4.90%	Not applicable	Not applicable
United Kingdom	4.50%	3.65%	3.45%

2022	Discount rate	Average rate of salary increases	Inflation rate
France	3.70%	Between 1% and 4.75% depending on age	Not applicable
Germany	3.70%	2.50%	2.00%
United States	5.15%	Not applicable	Not applicable
United Kingdom	4.75%	3.95%	3.95%

Mortality assumptions are based on published mortality tables.

Breakdown of provisions recognized

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligation	147.6	146.4
Fair value of plan assets	(107.2)	(107.8)
Provision before impact of minimum funding requirement/asset ceiling	**40.4**	**38.6**
Impact of minimum funding requirement/asset ceiling		
Provision after impact of minimum funding requirement/asset ceiling (net provision recognized)	**40.4**	**38.6**

Group provision at December 31, 2023 by geographical area

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2023
Present value of defined benefit obligation	21.9	9.7	75.7	28.1	12.2	147.6
Fair value of plan assets	(3.2)	0.0	(65.1)	(33.6)	(5.2)	(107.2)
Net amount recognized	**18.7**	**9.7**	**10.6**	**(5.6)**	**7.0**	**40.4**

Movements in the Group's obligations

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Total
At December 31, 2022	**19.1**	**10.9**	**75.0**	**26.7**	**14.7**	**146.4**
Payments made	(1.1)	(1.0)	(4.8)	(1.4)	(1.6)	(9.8)
Expenses recognized	0.9	0.4	5.4	1.3	1.8	9.8
Translation adjustments			(2.3)	0.5	(0.6)	(2.3)
Actuarial gains and losses	2.9	(0.6)	2.4	0.9	0.8	6.5
Other movements	0.0	0.0		(0.0)	(2.9)	(2.9)
At December 31, 2023	**21.9**	**9.7**	**75.7**	**28.1**	**12.2**	**147.6**

The amount recorded under "Other movements" chiefly relates to a portion of the benefit obligations in Canada being extinguished due to the settlement of one of the Group's two defined benefit pension plans in that country.

Change in plan assets

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Total
At December 31, 2022	**3.1**	0.0	**63.8**	**32.2**	**8.7**	**107.8**
Return on plan assets	0.1	0.0	2.9	1.7	0.4	5.1
Employer contribution			0.6	0.0	0.7	1.3
Employee contribution				0.0	0.0	0.0
Payment of benefits			(4.8)	(1.4)	(0.6)	(6.7)
Actuarial gains and losses	(0.0)		4.9	0.5	(0.6)	4.7
Translation adjustments			(2.3)	0.7	(0.2)	(1.8)
Other movements	0.0		(0.0)	(0.0)	(3.2)	(3.2)
At December 31, 2023	**3.2**	**0.0**	**65.1**	**33.6**	**5.2**	**107.2**

Plan assets mainly cover plans in the United States (61% of total plan assets, with 56% invested in equities and 44% in bonds and alternative investments) and in the United Kingdom (31% of total plan assets, all invested in bonds).

"Other movements" mainly reflect the impact on plan assets of the settlement of one of the Group's two defined benefit pension plans in Canada.

Net expense recognized

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2023	Dec. 31, 2022
Current service cost	1.2	0.2	0.6	0.0	0.6	2.7	3.8
Interest cost	0.7	0.4	3.7	1.3	0.7	6.8	3.7
Expected return on plan assets	(0.1)		(2.9)	(1.7)	(0.4)	(5.1)	(2.9)
Administrative costs			1.0		0.0	1.0	1.1
Plan amendments/curtailments/settlements	(0.8)				0.4	(0.4)	(0.0)
Other movements	(0.2)	(0.1)	(0.0)		0.1	(0.2)	(0.7)
NET EXPENSE (INCOME) FOR THE YEAR	**0.8**	**0.4**	**2.5**	**(0.4)**	**1.3**	**4.7**	**5.0**

The net expense recognized in 2023 for defined benefit plans and other long-term employee benefits totaled €4.7 million, more or less on a par with the €5.0 million net expense recorded for 2022. The 2023 figure includes the impact of the pension reform law in France, published in the Journal Officiel legal gazette on April 14, 2023, which raised the statutory pension age from 62 to 64. The changes resulting from this reform have been treated as a plan amendment and gave rise to a €0.8 million gain recognized in the income statement. Also in 2023, the Group recognized a €0.4 million expense due to the settlement of one of the two defined benefit pension plans in Canada.

Actuarial gains and losses arising on the measurement of the post-employment benefit obligations and the associated plan assets break down as follows:

In millions of euros	France	Germany	United States	United Kingdom	Rest of the world	Dec. 31, 2023	Dec. 31, 2022
Gains/(losses) linked to changes in demographic assumptions	(0.4)	0.0	0.0	0.9	0.1	0.6	(0.0)
Gains/(losses) linked to changes in financial assumptions	2.0	(0.2)	2.1	1.3	(0.1)	5.1	(46.6)
Experience adjustments	1.3	(0.4)	0.3	(1.3)	0.8	0.7	2.7
Yield adjustments to plan assets	0.0		(4.9)	(0.5)	0.6	(4.7)	31.4
Actuarial gains and losses	**2.9**	**(0.6)**	**(2.5)**	**0.5**	**1.4**	**1.7**	**(12.5)**

Sensitivity analysis

A 0.5-point increase in the discount rates applied would lead to a €7.1 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 *(in millions of euros)* **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	(0.4)	0.4
United Kingdom	(1.6)	0.9
United States	(3.7)	0.0
Rest of the world	(0.6)	0.1
TOTAL	**(7.1)**	**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. Lease liabilities (recognized in accordance with IFRS 16) 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, 2023

In millions of euros	**Dec. 31, 2023**	**Dec. 31, 2022**
Long- and medium-term borrowings	256.2	262.3
Current financial liabilities(a)	7.0	60.9
Bank overdrafts	13.7	15.2
GROSS DEBT	**277.0**	**338.3**
Current financial assets(b)	(27.1)	(38.5)
Cash and cash equivalents	(37.4)	(59.2)
NET DEBT	**212.5**	**240.6**

(a) Including €55 million in commercial paper issued under the NEU CP program in 2022.
(b) Including €24.2 million in good quality Chinese bank drafts. Poor quality bank drafts are classified under Other operating receivables.

Net debt at December 31, 2023 amounted to €212.5 million compared with €240.6 million at year-end 2022.

Gross debt stood at €277.0 million, a decrease of €61.3 million versus end-December 2022. The €416.4 million increase in borrowings and debt recorded in the cash flow statement in 2023 mainly corresponds to €340.0 million from issues of NEU CP and €65.0 million in drawdowns on the Group's syndicated loan. Repayments of borrowings during the period, which are recognized in the cash flow statement for €465.6 million, mainly result from repayments on the NEU CP for €395.0 million and on the syndicated loan for €65.0 million, as well as the repayment of part of the Bpifrance loan for €4.0 million.

Of the €277.0 million in gross debt, €260.3 million stemmed from the use of committed loans and borrowings and the remainder chiefly from the use of uncommitted loans (bank overdrafts and other credit lines).

Change in net debt

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Net debt at start of period	**240.6**	**193.2**
Net cash used in/(generated by) operating and investing activities	4.4	(9.2)
Capital increases	(95.9)	0.0
Purchases/(sales) of treasury shares	(0.2)	5.6
Dividends paid	36.4	23.0
Interest payments	13.8	7.3
Repayment of lease liabilities	13.7	14.5
Translation adjustments	0.5	8.4
Changes in scope of consolidation	(1.3)	(0.9)
Other changes	0.4	(1.3)
Net debt at end of period	**212.5**	**240.6**

Financial covenants at December 31, 2023

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*		
Committed credit lines and borrowings	Ratio to be observed	Dec. 31, 2023	Dec. 31, 2022	Ratio to be observed	Dec. 31, 2023	Dec. 31, 2022
US private placement Group syndicated loan Committed credit lines – China	<3.5	1.09	1.36	<1.3	0.25	0.33
German private placement	<3.5	1.09	1.36	N/A	N/A	N/A

Details of the calculation of the Group's covenant ratios for the two periods presented are as follows:

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Net debt	212.5	240.6
Carrying amount of treasury shares	(6.8)	(6.9)
Covenant net debt (A)	**205.6**	**233.7**
Equity	817.7	694.0
Carrying amount of treasury shares	6.8	6.9
Net worth (B)	**824.5**	**700.9**
EBITDA before non-recurring items	202.7	186.4
IFRS 16 restatement	(13.7)	(14.5)
Covenant EBITDA (C)	**189.0**	**172.0**
***Gearing* (A)/(B)**	**0.25**	**0.33**
***Leverage* (A)/(C)**	**1.09**	**1.36**

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, 2023, 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, 2023

In millions of euros	Total	O/w maturity < 5 years	O/w maturity > 5 years
Gross debt	277.0	222.7	54.3
Cash and cash equivalents	(37.4)	(37.4)	0.0
Net position	**239.6**	**185.3**	**54.3**
Of which net fixed-rate position	197.3	143.0	54.3

Based on gross debt, at constant exchange rates compared with December 31, 2023, and considering that cash and cash equivalents generate little or no interest income, a 100 basis-point rise in variable interest rates would lead to a €0.80 million increase in the Group's annual interest costs.

Gross debt breaks down as 71% at fixed rates and 29% at variable rates. Gross debt at December 31, 2023 stood at €277.0 million and is broken down by the main currencies as follows:

Currency	%
EUR	21.9
USD	60.5
Other	17.6

Breakdown by currency of the drawdowns on credit lines and committed medium- and long-term borrowings including the short-term portion at December 31, 2023

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	54.3	0.0	0.0	54.3
Borrowings in EUR	206.0	4.0	202.0	0.0
TOTAL	**260.3**	**4.0**	**202.0**	**54.3**
Amortization of issuance costs at the EIR*	(1.5)			
Fair value of interest-rate derivatives	0.0			
TOTAL	**258.8**			

** Effective interest rate.*

Out of the €202.0 million in debt with maturities of between one and five years, €178 million worth had maturities of between three and five years at December 31, 2023.

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, 2023, right-of-use assets recognized in the statement of financial position totaled €50.6 million.

Right-of-use assets *(in millions of euros)*	Land and buildings	Other	Total
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 and other movements	(0.1)	0.1	(0.0)
AT DECEMBER 31, 2022	**48.2**	**5.3**	**53.5**
At January 1, 2023	48.2	5.3	53.5
Depreciation and impairment for the period	(8.9)	(3.2)	(12.2)
Additions or modifications to right-of-use assets	6.8	3.8	10.6
Translation adjustments and other movements	(1.3)	(0.0)	(1.4)
AT DECEMBER 31, 2023	**44.7**	**5.8**	**50.6**

At December 31, 2023, lease liabilities recognized in the statement of financial position totaled €53.9 million, including €40.1 million due in less than one year and €13.8 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 *(in millions of euros)*	Dec. 31, 2023	Dec. 31, 2022
Non-current lease liabilities	40.1	42.7
Current lease liabilities	13.8	12.7
Total lease liabilities	**53.9**	**55.4**

In 2023, repayment of lease liabilities totaled €13.7 million and the financing component recognized in net financial income/(expense) amounted to €3.0 million.

Movements in lease liabilities *(in millions of euros)*	
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 and other movements	0.0
AT DECEMBER 31, 2022	**55.4**
At January 1, 2023	55.4
Commitments generated by additions or modifications to right-of-use assets	10.6
Repayment of lease liabilities	(13.7)
Financing component of lease commitments	3.0
Translation adjustments and other movements	(1.4)
AT DECEMBER 31, 2023	**53.9**

In 2023, depreciation and impairment came to €12.2 million (€12.6 million in 2022).

Amounts included in net income *(in millions of euros)*	**2023**	**2022**
Depreciation and impairment	(12.2)	(12.6)
Financing component of lease commitments	(3.0)	(2.9)

At December 31, 2023, 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, 2023.

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.

December 31, 2023
In millions of euros

		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 compre-hensive 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		2.6			2.6			2.6	2.6
Derivatives held as current and non-current assets	4	4.1				4.1		4.1		4.1
		4.1	**2.6**	**0.0**	**0.0**	**6.7**	**0.0**	**4.1**	**2.6**	**6.7**
Financial assets not measured at fair value										
Current and non-current financial assets	15			30.8		30.8				
Trade receivables	11			168.8		168.8				
Cash and cash equivalents	15			37.4		37.4				
		0.0	**0.0**	**237.0**	**0.0**	**237.0**				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities	4	(1.4)				(1.4)		(1.4)		(1.4)
		(1.4)	**0.0**	**0.0**	**0.0**	**(1.4)**	**0.0**	**(1.4)**	**0.0**	**(1.4)**
Financial liabilities not measured at fair value										
Bank borrowings	15				(256.2)	(256.2)		(239.6)		
Bank overdrafts	15				(13.7)	(13.7)				
Current financial liabilities	15				(7.0)	(7.0)				
Trade payables					(83.8)	(83.8)				
		0.0	**0.0**	**0.0**	**(360.8)**	**(360.8)**				
Carrying amount by category		**2.7**	**2.6**	**237.0**	**(360.8)**	**(118.4)**				

December 31, 2022
In millions of euros

Statement of financial position sections and category of instrument	Note	Carrying amount: Fair value of hedging instruments	Carrying amount: Fair value through "Other items of compre-hensive income"	Carrying amount: Financial assets at amortized cost	Carrying amount: Other financial liabilities	Carrying amount: Total carrying amount	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: 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)**				

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 Non-recurring income and expenses

Non-recurring income and expenses break down as follows:

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Impairment of assets	(1.9)	(15.4)
Capital gains/(losses) on asset disposals	(1.2)	3.5
Acquisition-related expenses and site start-up costs	(1.3)	
Litigation and other expenses	(1.4)	0.4
TOTAL	**(5.9)**	**(11.4)**

In 2023, non-recurring income and expenses represented a net expense of €5.9 million and mainly included:

- €1.9 million in asset impairment losses, including €0.6 million relating to the Asan-Si plant in South Korea where Mersen Korea Co. Ltd used to operate and which was classified under "Assets held for sale" at December 31, 2023 (see Note 5);
- a €1.2 million disposal loss arising on the sale of Mersen Deutschland Linsengericht (see Note 5);
- €1.3 million in due diligence costs incurred on acquisition projects;
- €1.4 million in additions to provisions for litigation, particularly related to tax and commercial disputes.

In 2022, non-recurring income and expenses represented a net expense of €11.4 million and mainly included:

- asset impairment losses totaling €15.4 million, mainly in respect of Anticorrosion Equipment goodwill (€11.4 million) 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.

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, 2023				Dec. 31, 2022			
In millions of euros	Advanced Materials (AM)	Electrical Power (EP)	Unallocated – Holding company costs	GROUP TOTAL	Advanced Materials (AM)	Electrical Power (EP)	Unallocated – Holding company costs	GROUP TOTAL
Sales	669.4	541.5		**1,210.9**	621.8	493.1		**1,114.8**
Proportion of total	55.3%	44.7%		**100.0%**	55.8%	44.2%		**100.0%**
EBITDA before non-recurring items(1)	**149.8**	**72.8**	**(20.0)**	**202.7**	**142.3**	**63.7**	**(19.5)**	**186.4**
EBITDA before non-recurring items margin(2)	*22.4%*	*13.4%*		***16.7%***	*22.9%*	*12.9%*		***16.7%***
Depreciation and amortization	(44.8)	(18.2)	(2.3)	**(65.4)**	(44.3)	(19.3)	(1.3)	**(64.8)**
Operating income before non-recurring items	**105.0**	**54.6**	**(22.3)**	**137.3**	**98.0**	**44.5**	**(20.8)**	**121.6**
Operating margin before non-recurring items(2)	*15.7%*	*10.1%*		***11.3%***	*15.8%*	*9.0%*		***10.9%***
Non-recurring income and expenses	(6.4)	(0.8)	1.3	**(5.9)**	(9.1)	(1.7)	(0.5)	**(11.4)**
Operating income	**98.6**	**53.8**	**(21.0)**	**131.4**	**88.8**	**42.8**	**(21.4)**	**110.2**
Operating margin(2)	*14.7%*	*9.9%*		***10.9%***	*14.3%*	*8.7%*		***9.9%***
Net financial expense			(19.3)	**(19.3)**			(12.9)	**(12.9)**
Current and deferred income tax			(26.2)	**(26.2)**			(23.0)	**(23.0)**
Net income				**85.9**				**74.3**

(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

In millions of euros	Dec. 31, 2023	%	Dec. 31, 2022	%
France	85.5	7%	79.6	7%
Rest of Europe	311.7	26%	276.9	25%
North America	463.1	38%	399.2	36%
Asia-Pacific	310.9	26%	320.2	29%
Rest of the world	39.7	3%	39.0	3%
TOTAL	**1,210.9**	**100%**	**1,114.8**	**100%**

No single customer accounts for over 10% of the Group’s sales. The number one customer accounted for 5% of the Group’s sales. The Group’s activities are not subject to any significant seasonal variation.

Segment assets

In millions of euros	AM	EP	Dec. 31, 2023
Net fixed assets	667.4	259.8	927.2
Inventories	205.6	93.6	299.2
Trade receivables	107.6	61.2	168.8
Contract assets	3.2		3.2
Other operating receivables	17.1	10.4	27.5
TOTAL SEGMENT ASSETS	**1,001.0**	**425.0**	**1,426.0**
Deferred tax assets			21.3
Long-term portion of current tax assets			5.9
Short-term portion of current tax assets			12.0
Current financial assets			27.1
Current derivatives			4.1
Cash and cash equivalents			37.4
Assets held for sale			1.6
TOTAL UNALLOCATED ASSETS			**109.5**
TOTAL			**1,535.5**

Segment liabilities

In millions of euros	AM	EP	Dec. 31, 2023
Trade payables	45.0	38.9	83.8
Contract liabilities	62.6	1.6	64.2
Other payables and other liabilities	85.2	47.1	132.3
Non-current and current provisions	9.5	4.3	13.8
Employee benefit obligations	28.0	12.4	40.4
TOTAL SEGMENT LIABILITIES	**230.2**	**104.3**	**334.5**
Deferred tax liabilities			46.7
Long- and medium-term borrowings			256.2
Non-current lease liabilities			40.1
Current lease liabilities			13.8
Short-term portion of current tax liabilities			4.3
Current financial liabilities			7.0
Current derivatives			1.4
Bank overdrafts			13.7
Liabilities related to assets held for sale			0.0
TOTAL UNALLOCATED LIABILITIES			**383.3**
TOTAL			**717.8**

Note 20 Payroll costs and headcount

Group payroll costs (including temporary staff, social security contributions, provisions for pension obligations and retirement compensation) came to €383.9 million in 2023 compared with €339.6 million in 2022.

This represents a like-for-like increase of 15.8% attributable to salary inflation and hiring during the year.

Headcount of consolidated companies at end of period by geographical area

Geographical area	Dec. 31, 2023	%	Dec. 31, 2022	%
France	1,415	19%	1,331	18%
Rest of Europe	1,422	19%	1,417	19%
North America	2,496	33%	2,377	33%
Asia	1,697	23%	1,673	23%
Rest of the world	504	7%	517	7%
TOTAL	**7,534**	**100%**	**7,315**	**100%**

The Group's headcount increased by 219 people in 2023, mainly in the North America & Mexico region and in France.

Headcount of consolidated companies at end of period by category

Categories	Dec. 31, 2023	%	Dec. 31, 2022	%
Operators and clerical workers	4,345	58%	4,140	57%
Technicians and supervisors	1,432	19%	1,585	22%
Engineers and managers	1,757	23%	1,590	22%
TOTAL	**7,534**	**100%**	**7,315**	**100%**

Note 21 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Sales	**1,210.9**	**1,114.8**
Purchases of raw materials and goods for resale	(325.7)	(304.9)
Manufacturing costs	(233.1)	(220.3)
Salaries, incentives and profit-sharing	(383.9)	(339.6)
Depreciation and amortization	(65.4)	(64.8)
Other expenses	(63.6)	(62.1)
Impairment losses and provisions	(5.9)	(13.7)
Gains/(losses) on asset disposals	(1.0)	3.5
Financial components of operating income	(1.0)	(2.7)
OPERATING INCOME	**131.4**	**110.2**

Note 22 Net finance expense

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Amortization of bond issuance expenses	(0.4)	(0.3)
Interest on debt	(9.2)	(5.3)
Short-term financial expense	(3.9)	(1.7)
Hyperinflation – gain/(loss) on net monetary position	(0.5)	(1.2)
Commission on debt	(0.6)	(0.7)
Ineffective portion of interest-rate hedges	(0.0)	(0.1)
Financing component of lease commitments	(3.0)	(2.9)
Net interest income from employee benefits	(1.7)	(0.8)
NET FINANCIAL EXPENSE	**(19.3)**	**(12.9)**

The Group applies IAS 29 – Financial Reporting in Hyperinflationary Economies to the financial statements of its subsidiary Mersen Istanbul Sanayi Ürunleri A.S. (see Note 3-E for further details). To calculate the gain or loss on the net monetary position, the Group refers to the Turkish consumer price index (CPI) published by the Turkish government.

At end-December 2023, the CPI (using a baseline of 100 from 2003) amounts to 1,859.38, and reflects inflation of 64.8% in the country since January 1, 2023.

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

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Change in fair value of currency hedges	1.1	0.2
Change in fair value of interest rate hedges	(0.1)	0.2
Change in fair value of commodity hedges	(2.0)	0.6
Tax impact on changes recognized in equity	0.1	(0.1)
Financial income and expenses recognized in other comprehensive income, net of tax	**(0.8)**	**0.8**

Note 23 Income tax

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Current income tax	(16.1)	(19.7)
Deferred income tax	(9.8)	(2.8)
Withholding tax	(0.3)	(0.4)
Actual income tax benefit (expense) recognized	**(26.2)**	**(23.0)**

Within the Group, there are consolidated tax groups in France, Germany, Italy, the United Kingdom (group relief) and the United States.

The Group's tax rate was 23.4% in 2023, virtually unchanged from 2022 (23.6%).

The OECD's Pillar Two model rules – aimed at ensuring that multinationals pay a minimum level of tax on their profits – came into force in the European Union on January 1, 2024. Based on its initial analysis, the Group considers that it may only be affected by these rules in one jurisdiction – China – where it benefits from the reduced rate of corporate income tax applicable to high-tech companies. The Group's initial simulations show that it would have to pay a top-up tax in China, but the estimated amount of this payment is not material.

Analysis of income tax expense

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Net income	**85.9**	**74.3**
Current and deferred income tax	(26.2)	(23.0)
Income before tax	**112.1**	**97.3**
Current tax rate in France	25.83%	25.83%
Theoretical tax benefit/(expense) (income before tax x current income tax rate in France)	(29.0)	(25.1)
Difference between income tax rate in France and other jurisdictions	6.0	5.6
Permanent differences	(3.0)	(2.3)
Ceiling on deferred tax assets	(0.2)	(1.0)
Other	0.0	(0.1)
Actual income tax benefit (expense) recognized	**(26.2)**	**(23.0)**

Out of the €3.0 million in permanent differences recognized in 2023, €2.2 million relates to expenses that are not deductible for tax purposes (mainly corresponding to share-based payment expense), and €0.6 million stems from the taxation (the Group's portion of costs and withholdings) of dividends received by Mersen SA and its consolidated subsidiaries.

The deferred tax assets and liabilities recognized in the statement of financial position are as follows:

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Deferred tax assets	21.3	22.9
Deferred tax liabilities	(46.7)	(41.0)
Deferred tax assets (liabilities), net	**(25.4)**	**(18.1)**

Deferred tax movements during fiscal 2023 were as follows:

*In millions of euros**	Dec. 31, 2022	Net income/ (loss)	Other comprehensive income	Other	Translation adjustments	Dec. 31, 2023
Depreciation of fixed assets	(46.7)	(12.1)	0.0	1.0	1.8	(55.9)
Inventories	6.9	(1.2)	0.0	0.0	0.0	5.7
Employee benefit obligations	7.8	1.7	0.3	(0.0)	(0.2)	9.6
Tax loss carryforwards	9.9	0.4	0.0	0.5	(0.1)	10.8
Other	3.9	1.3	0.1	(0.5)	(0.3)	4.5
Deferred tax assets (liabilities), net	**(18.1)**	**(9.8)**	**0.4**	**1.1**	**1.2**	**(25.4)**

** (- liabilities / + assets).*

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 (€19 million), Morocco (€5 million) and Austria (€3 million).

Note 24 Earnings per share

Basic and diluted earnings per share are presented below:

	Dec. 31, 2023	Dec. 31, 2022 Pro forma
Net income attributable to Mersen shareholders *(in millions of euros)*	81.6	67.7
Weighted average number of ordinary shares* used to calculate basic earnings per share	23,294,929	21,567,402
Maximum effect of dilutive potential ordinary shares	583,860	393,600
Weighted average number of ordinary shares* used to calculate diluted earnings per share	23,878,789	21,961,002
Basic earnings per share *(in euros)*	3.50	3.14
Diluted earnings per share *(in euros)*	3.42	3.08

** Excluding treasury shares.*

The Group has presented earnings per share for 2022 on a pro forma basis, restated to take into account, in accordance with IAS 33, the impact of the May 2023 capital increase carried out with pre-emptive subscription rights for existing shareholders. The number of ordinary shares in the periods prior to the capital increase has therefore been corrected using an adjustment factor. The weighted average number of shares takes into account the timing of the capital increase. At December 31, 2023, the number of ordinary shares was 24,418,312.

Note 25 Dividends

The Annual General Meeting of May 16, 2023 approved a dividend payout of €1.25 per share in respect of 2022. The dividend proposed in respect of fiscal year 2023 stands at €1.25 per share, representing an aggregate amount of €30 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 86 consolidated and unconsolidated companies in 32 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 €8.8 million in 2023 (€7.4 million in 2022).

In 2023, 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 2022.

The amounts receivable by the Group from its unconsolidated subsidiaries totaled €2.7 million at December 31, 2023 and there were no amounts payable to those subsidiaries at that date.

At December 31, 2023, shareholder advances granted to unconsolidated subsidiaries represented a nil amount (as in 2022).

2 - Compensation and benefits paid to key executives

The table below sets out the annual compensation for the Group's Chief Executive Officer for 2023.

In millions of euros	Dec. 31, 2023	Dec. 31, 2022
Salaries, bonuses, benefits in kind	1.3	1.2
Top-up pension plan payments (1)	0.3	0.3
TOTAL	**1.6**	**1.5**

(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, 2023 at €5.2 million (versus €4.4 million at December 31, 2022).

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 shares – executives plan

	2021 plan	2022 plan	2023 plan
Date of allocation decision	May 20, 2021	May 19, 2022	May 16, 2023
Total number of shares allocated	12,600	13,230 (1)	12,600
Share price at allocation date *(in euros)*	23.59	24.31	25.26
End of vesting period	May 20, 2024	May 19, 2025	May 16, 2026
End of holding period	May 21, 2024	May 20, 2025	May 17, 2026

(1) Following the May 2023 capital increase, the number of shares was adjusted by around +5%.

3 - Other agreements

The Group has not entered into any material 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, 2023	Dec. 31, 2022
Contract bonds	50.6	20.7
Payment guarantee on acquisitions	0.0	0.0
Other guarantees	8.0	8.0
Other commitments given	12.9	8.2
TOTAL	**71.5**	**36.9**

Nature

The €29.9 million year-on-year increase in contract bonds mainly corresponds to advance payment bonds issued in 2023 to customers in connection with commercial contracts, particularly in the United States and the United Kingdom.

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.

The €4.7 million increase in "Other commitments given" essentially relates to purchase contracts for capital expenditure programs.

Maturity

Off-balance sheet commitments with a maturity of over one year amounted to €40.2 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. Contract bonds generally have a term of less than one year, except when they cover certain long-term contracts, in which case their term does not exceed 4.5 years.

Control

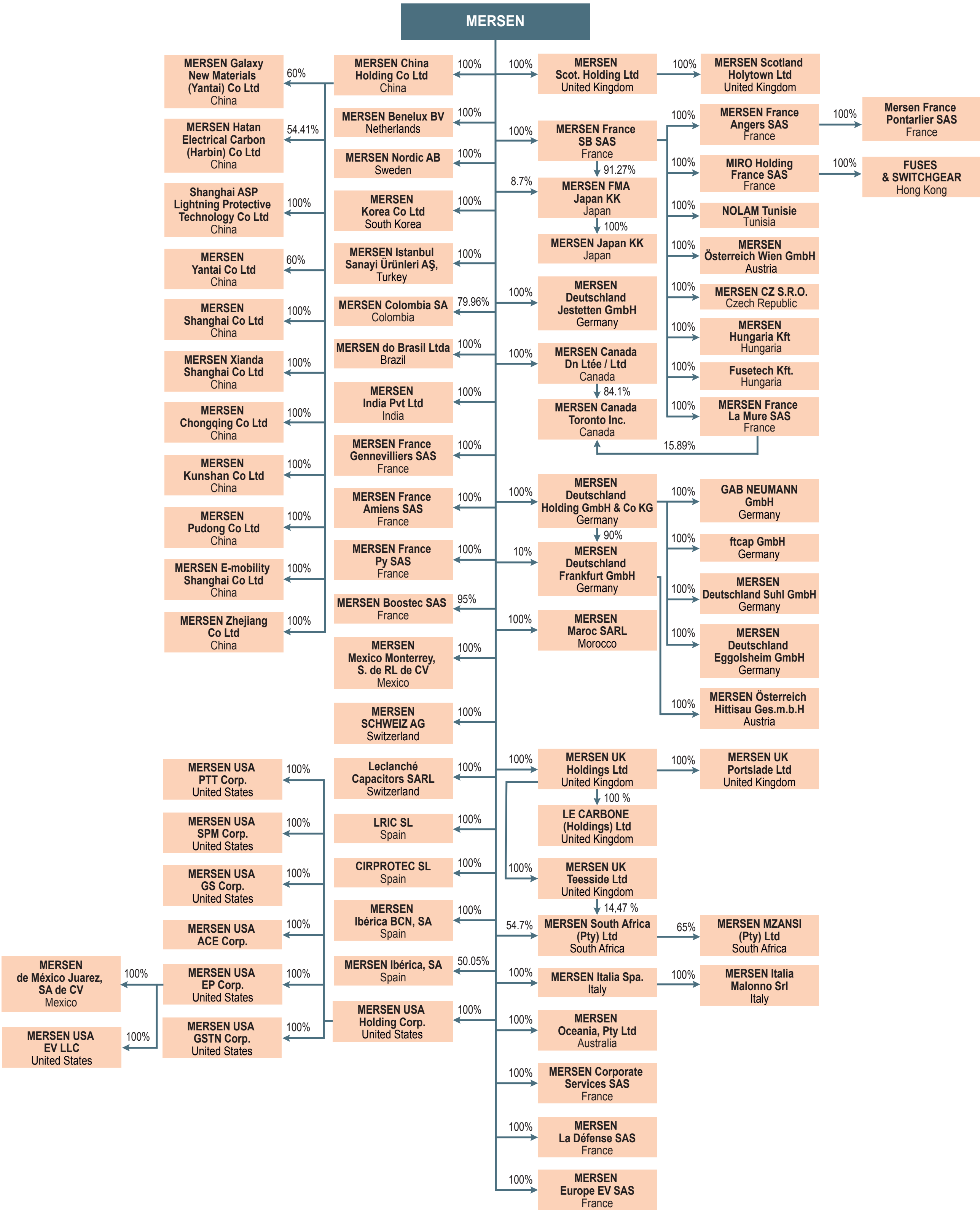
Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to off-balance sheet commitments without obtaining the prior approval of the Group's Finance Department or Executive Management and, where appropriate, of the Board of Directors. 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, 2023



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
- NOLAM Tunisie SARL (Tunisia)	FC	100	100
- MIRO Holding France SAS (France)	FC	100	100
- FUSES & SWITCHGEAR (Hong Kong)	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 Suhl GmbH (Germany)	FC	100	100
- MERSEN Deutschland Eggolsheim 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
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

	Consolidation method FC: fully consolidated	% of Group control	% of Group interests
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 USA ACE Corp (United States)	FC	100	100
- MERSEN USA EP Corp (United States)	FC	100	100
- MERSEN de México Juarez, 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 Zhejiang Co. Ltd (China)	FC	100	100
- 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, 2023 were approved by the Board of Directors at its meeting on March 12, 2024.

Note 31 Fees paid to the Statutory Auditors and members of their networks by the Group

	KPMG		EY	
	Statutory Auditors and their network		Statutory Auditors and their network	
In thousands of euros	Fees	%	Fees	%
Audit of individual company financial statements and consolidated financial statements and limited review of half-yearly financial statements				
• Entity	212	18%	196	19%
• Controlled entities	765	66%	688	68%
SUB-TOTAL A	**977**	**85%**	**884**	**88%**
Other regulatory and legally required services				
• Entity	2	0%	0	0%
• Controlled entities	0	0%	0	0%
SUB-TOTAL B	**2**	**0%**	**0**	**0%**
Other services provided at the request of the entity				
• Entity	105	9%	105	10%
• Controlled entities	72	6%	19	2%
SUB-TOTAL C	**177**	**15%**	**124**	**12%**
OTHER NON-AUDIT SERVICES SUB-TOTAL D = B + C	**179**	**15%**	**124**	**12%**
TOTAL (E = A + D)	**1,156**	**100%**	**1,008**	**100%**

Statutory Auditors' report on the consolidated financial statements Year ended December 31, 2023

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, 2023.

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, 2023 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, 2023 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.821-53 and R.821-180 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, 2023, the net value of goodwill amounted to €258 million against total assets of €1,536 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 2024 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, 2023, KPMG SA and Ernst & Young Audit were in the twentieth and the second 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.821-55 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.821-27 to L.821-34 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 19, 2024

The Statutory Auditors

KPMG S.A.		ERNST & YOUNG Audit
Catherine Porta	Alexandra Saastamoinen	Pierre Bourgeois

7 PARENT COMPANY FINANCIAL STATEMENTS

Statement of income

(In thousands of euros)	2023	2022
OPERATING REVENUES (1)		
Revenues		
Other revenues	3,009	2,953
TOTAL SALES	**3,009**	**2,953**
Operating subsidies	0	0
Reversals of operating provisions	5	981
Transferred operating costs	375	1,653
Other income	38,149	28,813
TOTAL 1	**41,538**	**34,400**
OPERATING EXPENSES (2)		
Other purchases	18	12
External charges	30,053	26,957
Taxes other than income tax	811	236
Wages and salaries	2,241	2,180
Social security charges	1,138	1,784
Depreciation, amortization and charges to provisions:		
- against fixed assets: depreciation and amortization	993	88
- for liabilities and charges: charges to provisions	1,149	982
Other expenses	281	397
TOTAL 2	**36,684**	**32,634**
OPERATING INCOME (TOTAL 1 - 2)	**4,854**	**1,766**

(In thousands of euros)	**2023**	**2022**
FINANCIAL INCOME (3)		
Income from equity interests	49,898	38,454
Other income from fixed assets		
Other interest and related income	6,901	3,695
Reversals of depreciation, amortization and charges to provisions	22,653	3,346
Foreign exchange gains	13,052	8,117
TOTAL 3	**92,504**	**53,612**
FINANCIAL EXPENSES (4)		
Depreciation, amortization and charges to provisions	37,870	17,092
Interest and related expenses	12,379	7,760
Foreign exchange losses	16,150	9,781
TOTAL 4	**66,399**	**34,633**
NET FINANCIAL INCOME (3 - 4)	**26,105**	**18,978**
INCOME BEFORE TAX AND NON-RECURRING ITEMS	**30,959**	**20,744**
NON-RECURRING INCOME		
Management transactions	9	
Capital transactions	8,193	323
Reversals of provisions and transferred costs	1,100	855
TOTAL 5	**9,302**	**1,178**
NON-RECURRING EXPENSES		
Management transactions	205	637
Capital transactions	5,342	172
Depreciation, amortization and charges to provisions		71
TOTAL 6	**5,548**	**879**
NET NON-RECURRING INCOME (TOTAL 5 - 6)	**3,754**	**299**
INCOME TAX	**1,655**	**1,944**
NET INCOME FOR THE YEAR	**36,368**	**22,987**
TOTAL INCOME	**144,999**	**91,134**
TOTAL EXPENSES	**108,631**	**68,147**

Statement of financial position

ASSETS

	Dec. 31, 2023			Dec. 31, 2022
(In thousands of euros)	Gross	Depreciation and amortization	Net	Net
FIXED ASSETS				
Intangible fixed assets				
Start-up costs	4,131	826	3,305	
Concessions, patents, licenses, brands	8,748	7,674	1,074	
Intangible assets in progress	0		0	1,133
SUB-TOTAL	**12,879**	**8,500**	**4,378**	**1,133**
Property, plant and equipment				
Other	1,091	306	786	869
Property, plant and equipment in progress				
Advances and down payments				
SUB-TOTAL	**1,091**	**306**	**786**	**869**
Financial fixed assets				
Equity interests	630,122	180,924	449,198	453,570
Loans and advances to equity interests	273,270	3,792	269,478	229,596
Other fixed assets	5		5	5
Other	2,346		2,346	2,861
SUB-TOTAL	**905,743**	**184,716**	**721,027**	**686,033**
TOTAL A	**919,713**	**193,522**	**726,191**	**688,035**
CURRENT ASSETS				
Advances and down payments paid on orders				
Trade receivables and related accounts	1,614		1,614	2,041
Other receivables [(a)]	127,709	1,153	126,556	97,371
Investment securities	5,589		5,589	5,589
Cash and cash equivalents	1,365		1,365	340
Cash instruments	2,431		2,431	3,328
ACCRUALS				
Prepaid expenses	469		469	340
TOTAL B	**139,179**	1,153	**138,026**	**109,009**
Deferred costs C	1,519		1,519	1,820
Foreign currency translation losses D	5,485		5,485	8,071
TOTAL (A+B+C+D)	**1,065,895**	**194,675**	**871,220**	**806,935**

(a) Of which current account receivables: 118,770

EQUITY AND LIABILITIES

(In thousands of euros)	Dec. 31, 2023	Dec. 31, 2022
SHAREHOLDERS' EQUITY		
Share capital	48,837	41,690
Issue premium	309,107	216,198
Merger premium	8,252	8,252
Revaluation reserve	3,252	3,252
Unavailable reserves	5,490	5,490
Statutory reserve	4,169	4,164
Other reserves	72,992	76,065
Retained earnings	(4,186)	0
Net income for the year	36,368	22,987
Tax-regulated provisions	234	234
TOTAL A	**484,514**	**378,333**
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for liabilities	2,631	1,688
Provisions for charges	1,596	2,375
TOTAL B	**4,227**	**4,063**
FINANCIAL LIABILITIES (b)		
Bond issues	2,894	2,329
Borrowings from credit institutions (c)	4,193	8,973
Other borrowings (d)	364,289	398,082
Advances and down payments received on orders in progress		
Trade payables and related accounts	2,437	1,757
Tax and social security liabilities	2,115	2,236
Amounts due on fixed assets	3	80
Other financial liabilities	304	3,010
Cash instruments	758	
ACCRUALS		
Prepaid income		
TOTAL C	**376,994**	**416,468**
Foreign currency translation gains D	5,485	8,071
TOTAL (A+B+C+D)	**871,220**	**806,935**

(b) Due in over one year: 256,672; due in less than one year: 120,322
(c) Including current bank loans: 3,938
(d) Of which current account payables: 102,223

Notes to the statement of financial position and statement of income

Summary of the notes to the financial statements

Note 1 Accounting principles and methods

The financial statements of Mersen SA for fiscal year 2023 have been prepared in accordance with regulation no. 2023-08 of November 22, 2023 amending ANC regulation no. 2014-03 relating to the general chart of accounts.

The principal accounting methods used are as follows:

A - Share issuance costs

Share issuance costs are recognized as an asset under share issuance and other transaction costs. They are amortized over five years. They are amortized over five years.

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. They are amortized over five years by applying accelerated tax depreciation.

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

Receivables are valued at nominal value.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, 2023, 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 201302, updated on November 5, 2021.

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 1.50% 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 3.15%;
- an average cost ratio of 40% to 45%;
- staff turnover calculated by age bracket;
- return on plan assets: 2.50%;
- 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 (€3,009 thousand) primarily derived from services billed in France and abroad. Other income (€38,149 thousand) related primarily to royalties from trademarks and intangibles. Royalties from trademarks rose to €37,463 thousand in 2023 from €28,265 thousand in 2022. This increase was attributable to the greater profitability of the Group's subsidiaries in 2023.

Operating income

Overall, operating items represented net income of €4,854 thousand, corresponding to the holding company's operating costs less income from the Mersen trademark.

Net financial income/(expense)

Net financial income of €26,105 thousand was 7,126 thousand euros higher than in the prior year (€18,978 thousand), due to a €3,002 thousand increase in income from equity interests and a €6,650 thousand increase in net interest income, mainly due to (i) the rise in interest rates, (ii) a reversal of impairment on Mersen China Holding's equity investments for €22,216 thousand, given the profitability of the Chinese subsidiaries, and (iii) provisions on European subsidiaries' securities for €21,766 thousand.

Non-recurring items

Non-recurring items amounted to net income of €3,754 thousand versus net income of €299 thousand in 2022, mainly due to the reversal of a provision for disputes for €1,100 thousand, and the €2,327 thousand in net income from the capital reduction of a subsidiary (see note 17).

Income tax

The Company recorded a 2023 income tax benefit of €1,655 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

The Company had a net lending position of €23,014 thousand at December 31, 2023, thanks to the capital increase in a gross amount of €100,055 thousand.

(In thousands of euros)	Dec. 31, 2023	Dec. 31, 2022
Bank overdrafts	4,193	8,973
Bond issuance	2,894	2,329
Other borrowings	364,289	398,083
Total debt	**371,376**	**409,385**
Cash and cash equivalents	(1,365)	(340)
Forward financial instruments	(2,431)	(3,328)
Other financial receivables	(118,770)	(88,545)
Marketable securities, cash and cash equivalents	**(122,567)**	**(92,213)**
Loans to subsidiaries	**(269,478)**	**(229,596)**
Other financial fixed assets	**(2,346)**	**(2,861)**
Net debt	(23,014)	84,714
o/w: - due in over one year	(11,447)	34,430
- due in less than one year	(11,568)	50,284

Of the €371 million in total gross debt at December 31, 2023, €215 million stems from the use of committed credit lines and borrowings, €45 million from use of the commercial paper program, €102 million from current accounts with subsidiaries and the remainder chiefly from the use of uncommitted credit lines (bank overdrafts and other lines).

Note 3 Fixed assets

(In thousands of euros)	FIXED ASSETS				DEPRECIATION, AMORTIZATION AND CHARGES TO PROVISIONS			
Accounts	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		4,131		4,131		826		826
Concessions, patents, licenses, brands, processes, rights	7,618	1,130		8,748	7,618	57		7,674
Assets in progress	1,133		(1,133)					
TOTAL 1	**8,750**	**5,261**	**(1,133)**	**12,879**	**7,618**	**883**		**8,500**
Property, plant and equipment								
Buildings and technical installations								
Other property, plant and equipment	1,066	27	(2)	1,091	197	110	(1)	306
Assets in progress								
Advances and down payments								
TOTAL 2	**1,066**	**27**	**(2)**	**1,091**	**197**	**110**	**(1)**	**306**
Financial fixed assets								
Equity interests	627,321	7,798	(4,996)	630,122	173,751	35,400	(28,226)	180,924
Loans and advances to equity interests	232,808	148,435	(107,973)	273,270	3,212	580		3,792
Other fixed assets	5			5				
Other financial fixed assets	2,861	10,417	(10,933)	2,346				
TOTAL 3	**862,995**	**166,650**	**(123,903)**	**905,743**	**176,963**	**35,980**	**(28,226)**	**184,716**
TOTAL	**872,812**	**171,939**	**(125,037)**	**919,713**	**184,777**	**36,973**	**(28,228)**	**193,522**

Intangible fixed assets

The €4,131 thousand increase in start-up costs corresponds to share issuance costs, which are amortized over five years from 2023.

Financial fixed assets

The €34,994 thousand year-on-year increase in the net value of financial fixed assets chiefly derived from (i) increases in loans to subsidiaries (€39,882 thousand), and (ii) capital increases carried out by some subsidiaries (€7,798 thousand), offset by (iii) a capital reduction at a subsidiary for €4,996 thousand and (iv) €7,174 thousand in impairment losses recognized against equity interests.

Note 4 Provisions

(In thousands of euros) Accounts	Amount at beginning of period	Charges	Reversals of provisions used	Reversals of provisions not used	Amount at end o f period
Tax-regulated provisions					
Accelerated tax depreciation	234				234
TOTAL 1	**234**				**234**
Provisions for liabilities and charges					
Retirement indemnities	193	46			239
Long-service awards	6	8	(5)		9
Senior manager pensions	702	645			1,347
Professional fees	1,100		(1,100)		
Personnel costs	374	450			824
Risks related to subsidiaries	1,688	356		(237)	1,807
TOTAL 2	**4,063**	**1,505**	**(1,105)**	**(237)**	**4,027**
Provision for impairment					
Equity interests	173,751	35,400		(28,226)	180,924
Loans to subsidiaries	3,212	580			3,792
Receivables from subsidiaries		1,153			1,153
TOTAL 3	**176,963**	**37,133**		**(28,226)**	**185,869**
TOTAL	**181,260**	**38,638**	**(1,105)**	**(29,568)**	**190,330**

Note 5 Maturity schedule of assets and liabilities

(In thousands of euros) **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	273,270	2,084	271,186
Other financial fixed assets	2,351	1,999	351
Trade receivables	1,614	1,614	
Other receivables	122,709 [(a)]	122,164	5,546
Prepaid expenses	469	469	
TOTAL	**405,413**	**128,330**	**277,083**

(a) Of which intra-Group receivables: 118,770

(In thousands of euros) **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	2,894	2,894		
Borrowings from credit institutions	4,193	4,193		
Other borrowings	364,289	107,990 [(b)]	202,000	54,299
Advances and down payments received on orders in progress				
Trade payables and related accounts	2,437	2,437		
Tax and social security liabilities	2,115	1,741		373
Amounts due on fixed assets	3	3		
Other financial liabilities	304	304		
Prepaid income				
TOTAL	**376,236**	**119,563**	**202,000**	**54,672**

(b) Of which intra-Group borrowings: 102,223

Note 6 Revaluation reserve

(In thousands of euros)	
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		1,670
Trade receivables and related accounts		124
Other receivables		2,014
Cash and cash equivalents		129
TOTAL		**3,937**
2. Amount of accrued expenses included in the statement of financial position items below		
Other borrowings		2,022
Operating trade payables and related accounts		2,321
Tax and social security liabilities		1,952
Other financial liabilities		704
TOTAL		**6,999**
3. Amount of prepaid income and expenses	**Expenses**	**Income**
Operating items	469	
Financial items		
TOTAL	**469**	
4. Costs deferred over several periods		
Bond issuance expenses at Jan. 1, 2023	1,820	
2023 bond issuance expenses	80	
2023 amortization of bond issuance costs	(381)	
TOTAL	**1,519**	

Note 8 Share capital

Share capital

At December 31, 2023, the Company's share capital amounted to €48,836,624, divided into 24,418,312 (twenty-four million, four hundred and eighteen thousand, three hundred and twelve) 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.

Three free share plans were set up on May 20, 2021, May 19, 2022 and May 16, 2023.

The employee categories benefiting from these free shares were approved by the Chief Executive Officer and the Board of Directors of the Group.

The principal characteristics of the free share plans are as follows:

Characteristics/Assumptions	2021 plan – Executives Free shares	2021 plan – Managers Free shares	2021 plan – High potentials Free shares
Allocation date	5/20/2021	5/20/2021	5/20/2021
Availability date	5/20/2024	5/20/2024	5/20/2024
Expiration date	5/21/2024	5/21/2024	5/21/2024
Number of plan shares	84,000	100,800	12,000
Estimated % of shares or options vested on achievement of performance conditions	90%	90%	100%

Characteristics/Assumptions	2022 plan – Executives Free shares	2022 plan – Managers Free shares	2022 plan – High potentials Free shares
Allocation date	5/19/2022	5/19/2022	5/19/2022
Availability date	5/19/2025	5/19/2025	5/19/2025
Expiration date	5/20/2025	5/20/2025	5/20/2025
Number of plan shares	88,200	103,501	12,597
Estimated % of shares or options vested on achievement of performance conditions	100%	100%	100%

Characteristics/Assumptions	2023 plan – Executives Free shares	2023 plan – Managers Free shares	2023 plan – High potentials Free shares
Allocation date	5/16/2023	5/16/2023	5/16/2023
Availability date	5/16/2026	5/16/2026	5/16/2026
Expiration date	5/17/2026	5/17/2026	5/17/2026
Number of plan shares	86,100	100,800	12,000
Estimated % of shares or options vested on achievement of performance conditions	100%	100%	100%

Statement of changes in equity

(In thousands of euros)	
Opening equity at January 1, 2023	**378,333**
Net income for the year	34,703
Change in tax-regulated provisions	
Issue of new shares*	100,055
Capital reduction	
Change in accounting method	
Dividend payment	(30,242)
Closing equity at December 31, 2023	**482,849**

** In May 2023, the company carried out a capital increase for a gross amount of €100,055 thousand, resulting in the issue of 3,573,408 new shares at a subscription price of €28 per new share.*

Note 9 Commitments

Off-balance sheet commitments

(In thousands of euros)

Commitments given	
Counter *guarantees* for building leases by certain subsidiaries	6,656
Counter guarantees given to banks for loans	25,909
Counter guarantees given to banks on the issuance of subsidiary guarantees	16,559
Bank lease guarantees	658
Guarantee for euro cash pooling arrangement	8,000
Advance payment guarantee on certain business contracts with subsidiaries	27,878
TOTAL	**85,660**
Commitments received	
TOTAL	**85,660**

Other reciprocal commitments

(In thousands of euros)

Reciprocal commitments given	
Currency hedges	53,164
Commodity hedges	450
TOTAL	**53,614**
Reciprocal commitments received	
Currency hedges	121,722
Commodity hedges	450
TOTAL	**122,172**

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

An actuarial valuation was performed for retirement indemnities, long-service awards and defined-benefit top-up pension plans for the year ended December 31, 2023.

Retirement indemnities, long-service awards and defined-benefit top-up pension plans

(In thousands of euros)

Present value of plan obligations at 12/31/2023	6,589
Mathematical value of plan assets	(2,824)
Unrecognized actuarial gains and losses	(1,862)
Unrecognized past service cost related to the 2023 pension reform	141
TOTAL	**2,044**

Note 10 Finance leases

The Company did not hold any finance leases in progress at December 31, 2023.

Note 11 Executive compensation

The compensation and benefits paid to members of the Group's management and administrative bodies for 2023, either directly by the Company or indirectly by certain subsidiaries, came to €1,698 thousand.

Net pension obligations for senior managers came to €5,172 thousand.

Note 12 Average headcount

	Salaried employees	Seconded employees
Executives	6.06	
Supervisors and technicians	3.16	
TOTAL	**9.22**	

Note 13 Analysis of tax expense

(In thousands of euros)	Income before tax	Tax payable
Current	30,959	
Non-recurring	3,754	
Net tax benefit		1,655

Increase and decrease in future tax liability

(In thousands of euros)	Beginning of period	Change during period	End of period
Accelerated tax depreciation	234		234
Provision for pension obligations	1,426	618	2,044
Other non-deductible provisions	2,879	(987)	1,891
Tax base or future tax credit (significant items)	4,539	(369)	4,169
French tax group deficit	132,273	360	132,633
Total	136,812	(9)	136,802
Future long-term tax rate	25.83%		25.83%
Future tax receivable on deficit and main time differences	35,673		38,108

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, Mersen Pontarlier and Mersen Europe EV.

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

(In thousands of euros)	**Amounts**	**Other**	**Provisions for liabilities and charges**
On financial fixed assets	2,328		
On receivables			
On miscellaneous borrowings	2,588		
Other financial liabilities			
On currency hedges	569		
TOTAL FOREIGN CURRENCY TRANSLATION LOSSES	**5,485**		
On financial fixed assets	2,675		
On miscellaneous borrowings			
On currency hedges	2,810		
TOTAL FOREIGN CURRENCY TRANSLATION GAINS	**5,485**		
TOTAL			

Note 16 Treasury shares

Under the liquidity agreement established with Exane BNP, then with BNP Paribas Arbitrage, the Company held 35,270 treasury shares at December 31, 2023. 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	9
SUB-TOTAL	**9**
Capital transactions	
Income from the sale of equity interests	7,323
Gains on the sale of treasury shares	442
Miscellaneous income	428
SUB-TOTAL	**8,193**
Reversal of the provision for disputes	1,100
SUB-TOTAL	**1,100**
TOTAL	**9,302**

Non-recurring expenses

(In thousands of euros)	
Management transactions	
GPC pensions for non-active workers	1
Due diligence costs for acquisitions	204
SUB-TOTAL	**205**
Capital transactions	
Carrying amount of equity interests sold	4,996
Losses on the sale of treasury shares	346
SUB-TOTAL	**5,342**
Additions to provisions	
SUB-TOTAL	
TOTAL	**5,548**

The Company carried out a partial capital reduction of a wholly owned subsidiary. The price of the canceled shares (€1,513 thousand) and the reversal of impairment losses already recognized on these shares (€5,810 thousand) were recognized as non-recurring income from the disposal of equity interests. The value of the canceled shares, amounting to €4,996 thousand, was recognized as a non-recurring expense (carrying amount of equity interests sold).

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 credit facility and committed borrowing agreements entered into to meet its general cash flow needs are as follows:

- a €320 million multi-currency syndicated bank loan (not used at year-end), set up in October 2022 and repayable in full in October 2028, following the exercise in 2023 of an initial one-year option to extend the maturity. It includes (i) a second option to extend the maturity to 2029, subject to the banks' approval, and (ii) margins linked to ESG indicators. The interest payable is at a variable rate plus a credit margin that varies mainly according to the Leverage covenant and ESG indicators described below;

Indicator	Target	2023
Greenhouse gas emissions intensity (in tonnes of CO_2 equivalent per million euros of sales)	<161	90
Frequency rate of accidents (Lost Time Injury Rate, or LTIR, of reported accidents per million hours worked)	<1.8	2.78
% of total Group engineer and manager positions occupied by women	≥26.0%	26.1%

- a five-year bilateral loan with Bpifrance in an original amount of €20 million, 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 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 €300 million each. None of the NEU CP program had been used at December 31, 2023. The commercial paper that may be 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: Gross	Carrying amount in Mersen's books: Net	Dividends received by the Company	Loans and advances, net	Guarantees and sureties given
Mersen France SB S.A.S. (France)	17,899	(5,078)	100	92,589	7,483		32,000	3,071
Mersen France Amiens S.A.S. (France)	22,477	9,931	100	25,402	25,402	4,996		97
Mersen France Gennevilliers S.A.S. (France)	12,617	(6,860)	100	43,896	23,196			580
Mersen Corporate Services S.A.S. (France)	3,574	1,512	100	3,646	3,646	750		
Mersen France PY S.A.S. (France)	4,651	7,349	100	48,788	29,411	2,770		8,654
Mersen Boostec (France)	3,243	12,233	95.07	11,792	11,792			228
Mersen Europe EV SAS (France)	6,550	(7,130)	100	6,550			2,501	
Mersen Deutschland Frankfurt GMBH (Germany)	10,021	6,173	10	1,635	835			
Mersen Deutschland Holding GmbH & Co. KG (Germany)	28,726	(8,857)	100	28,700	17,136		24,000	5,000
Mersen Argentina S.A. (Argentina)	101	5	98	1,845	104			
Mersen Oceania Pty Ltd (Australia)	676	3,506	100	702	702		922	
Mersen do Brasil Ltda (Brazil)	9,144	(2,317)	100	20,176	6,110			
Mersen Canada Dn Ltee/Ltd (Canada)	1,318	692	100	1,322	1,322	1,874	2,390	
Mersen China Holding Co Ltd (China)	127,601	(3,109)	100	114,742	114,742			
Mersen Korea Co. Ltd (South Korea)	12,000	8,086	100	21,069	20,549	1,413		
Cirprotec (Spain)	1,000	7,431	100	16,458	16,458	3,474		
Mersen Ibérica S.A. (Spain)	2,404	3,939	50.05	682	682	526		
Mersen Ibérica Bcn S.A. (Spain)	2,043	4,598	100	2,396	2,396			
Mersen USA Holding (United States)	43,636	(132,174)	100	68,926	68,926	16,085	164,796	358
Mersen UK Holdings Ltd (United Kingdom)	7,167	589	100	903	903			
Mersen Scot. Holding Ltd (United Kingdom)	76,578	(863)	100	75,409	75,409		11,392	
Mersen India Pvt Ltd (India)	567	17,955	100	11,443	11,225			2,176
Mersen Italia Spa (Italy)	5,500	2,378	100	10,613	6,095		9,200	
Mersen Fma Japan KK (Japan)	320	7,889	8.70	2,977	917	75	768	800
Mersen Maroc SARL (Morocco)	2,819	(6,731)	100	5,886			2,245	
Mersen Mexico Monterrey S. de R.L. de C.V. (Mexico)	1,530	(2,683)	100	1,149			2,156	463
Mersen Chile Ltd (Chile)	73	158	100	605	231			
Mersen South Africa Pty Ltd (South Africa)	52	430	54.77	813	264			
Mersen Nordic AB (Sweden)	180	1,484	100	551	551	759		
Mersen Istanbul Sanayi Urunleri AS (Turkey)	350	1,352	100	5,016	1,707			
Mersen Leclanché Capacitors (France)	22	(988)	100	2,171			825	
Aggregate information (regarding other subsidiaries and equity interests)								
Subsidiaries (at least 50%-owned)								
In France				201	201			
Outside France				890	680	125		
Equity interests (10%- to 50%-owned)								
In France								
Outside France				180	124	24		
TOTAL				**630,122**	**449,198**	**32,871**	**253,195**	**21,428**

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, 2023

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, 2023.

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, 2023 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, 2023 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.821-53 and R.821-180 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 and 4 to notes of the financial statements

Description of risk	How our audit addressed this risk
The balance of equity interests at December 31, 2023 amounted to €447 million out of a total of €869 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 based on 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, with 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 about 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, 2023, KPMG SA and Ernst & Young Audit were in the twentieth and the second 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.821-55 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.821-27 to L.821-34 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 19, 2024

The Statutory Auditors

KPMG S.A.		ERNST & YOUNG Audit
Catherine Porta	Alexandra Saastamoinen	Pierre Bourgeois

Five-year financial summary

	2023	2022	2021	2020	2019	2018
1. Share capital at year-end						
Share capital *(in thousands of euros)*	48,837	41,690	41,642	41,728	41,716	41,536
Number of shares outstanding	24,418,312	20,844,904	20,821,207	20,864,064	20,858,277	20,768,118
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	50,967	34,093	20,767	28,058	37,548	20,028
Income tax	1,655	1,944	1,796	2,523	1,021	(2,792)
Employee profit sharing	0	0	0	0	0	0
Net income after tax, depreciation, amortization and charges to provisions	36,368	22,987	16,587	(11,842)	24,276	16,691
Total earnings paid out	30,242	20,709	13,454	0(3)	19,728	18,691
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	2.16	1.73	1.08	1.47	1.85	1.10
Net income after tax, depreciation, amortization and provisions	1.49	1.10	0.80	(0.58)	1.16	0.80
Dividend paid on each share	1.25 (1)	1.25	1	0.65	0(3)	0.95
4. Employees						
Average headcount	9.22	8.64	6.5	5	5	5
Total payroll costs *(in thousands of euros)*	2,155	2,040(4)	1,320	1,004	1,120	1,661(2)
Amount paid for welfare benefits *(in thousands of euros)*	1,138	1,784(5)	754	1,023	384	438

(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

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 2022

Incorporated in universal registration document no. D.23-0121 submitted to the Autorité des Marchés Financiers on March 21, 2023 and available on the Group's website www.mersen.com:

- the consolidated financial statements for fiscal 2022 prepared in accordance with the IFRSs in force in 2022, together with the Statutory Auditors' reports on the consolidated financial statements, pages 188 to 240;
- the annual financial statements for 2022, together with the Statutory Auditors' reports on the annual financial statements, pages 242 to 264;
- the 2022 management report, pages 78 to 103.

1.2. Fiscal 2021

Incorporated in universal registration document no. D.22-0127 submitted to the Autorité des Marchés Financiers on March 21, 2022 and available on the Group's website www.mersen.com:

- 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.

2. Officer responsible for the universal registration 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 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 71 to 98 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 Pierre Bourgeois

KPMG SA

Tour Eqho
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 and Alexandra Saastamoinen

5. Independant Third Party

Bureau Veritas Exploitation

4 Place des Saisons
92400 Courbevoie

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 acorss 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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