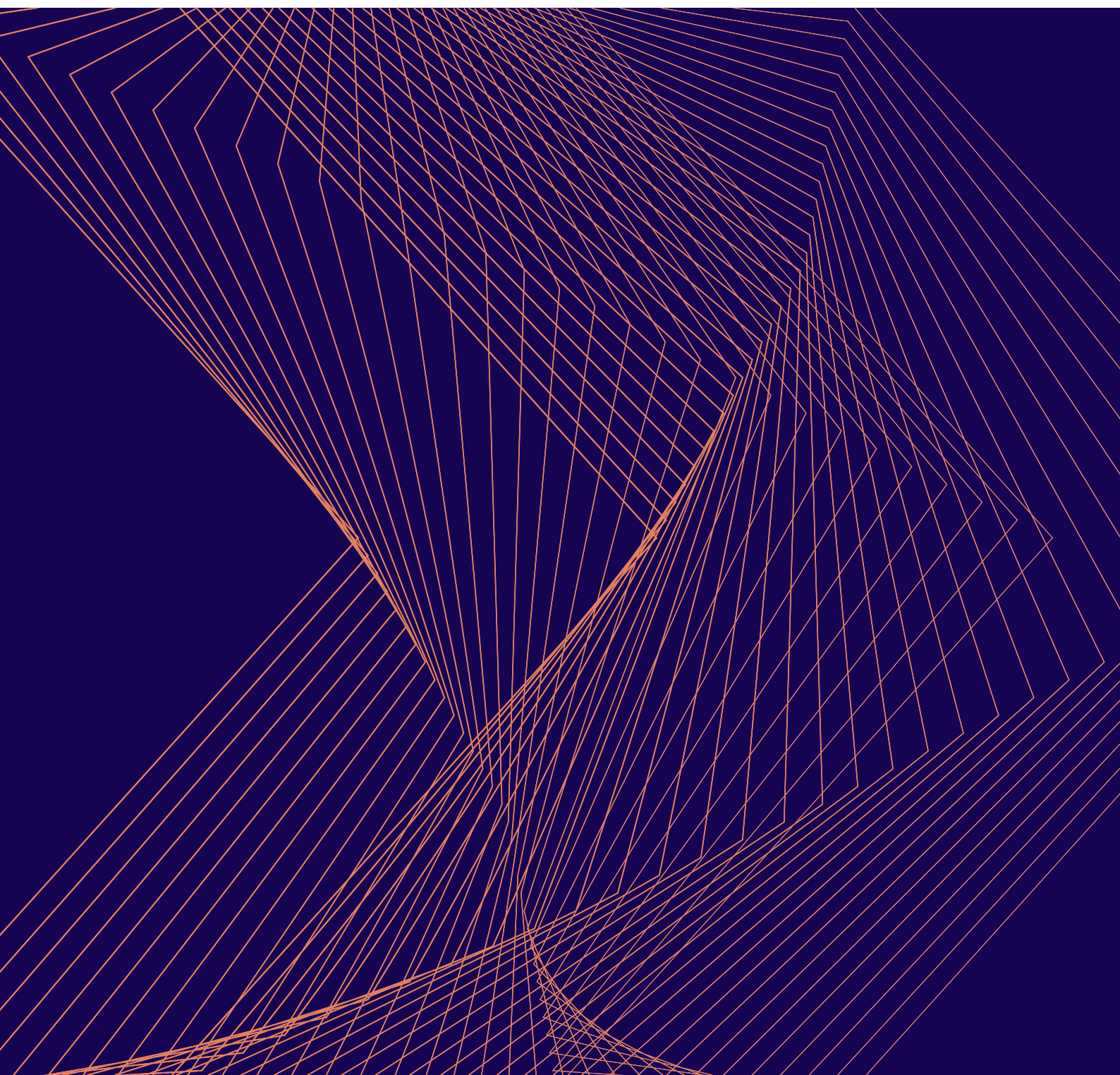




2021 FIRST-HALF FINANCIAL REPORT



MERSEN

2021 First-half financial report

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1 MANAGEMENT REPORT

INTRODUCTION

During 2020 – a year that was marked by a global health and economic crisis – the Group demonstrated its agility and resilience, drawing on its local teams who met the human and technical challenges of this unprecedented period.

Since the start of 2021, the situation has stabilized in all of our regions and in the majority of our markets, with the notable exceptions of aeronautics and chemicals.

Covid-secure measures are still in place at all of our sites. Meanwhile, as international travel remains highly restricted, with travel bans in place between some countries, the Group made certain savings during the period. However, the Group no longer benefits from Covid-related furlough schemes for a majority of its sites.

The Group's results for the first half of 2021 are excellent and illustrate:

- The relevance of our strategic positioning in sustainable development markets, which are growing fast, particularly the markets for renewable energies and semiconductors.

- The continued ambitious innovation drive. A prime example being the strategic partnership we have signed with Autoliv relating to the manufacture of hybrid disconnect devices designed for future high-voltage batteries for electric vehicles.
- Our ability to leverage the rebound in our growth markets, while at the same time adapting some of our production sites that were impacted by a structural decline in their markets, particularly aeronautics and chemicals.

In addition, thanks to our strong cash flow generation and the refinancing we put in place for certain credit facilities during the first half of 2021, we have strengthened our financial structure enabling us to finance our capital expenditure projects.

Based on all these highly positive factors, we have raised our full-year 2021 guidance both for sales and – by an even higher amount – operating margin before non-recurring items.

CONSOLIDATED RESULTS

Sales

Mersen's consolidated sales amounted to €451 million for the first six months of 2021, up 7% on an organic basis compared with first-half 2020. Including the negative currency effect and contributions from companies acquired in 2020 (GAB Neumann and Americarb) and early 2021 (Fusetech), year-on-year sales growth was 4.8%.

Sales in sustainable development markets advanced 11% in first-half 2021, driven by electronics, renewable energies and electric vehicles. In the Group's other markets, organic growth was 4%.

<i>In millions of euros</i>	First-half 2021	First-half 2020	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	248.4	248.2	2.3%	0.9%	-3.0%	0.1%
Electrical Power	202.5	181.8	13.4%	2.1%	-3.7%	11.4%
Europe	162.7	149.0	6.4%	3.2%	-0.4%	9.1%
Asia-Pacific	131.5	125.9	6.6%	0.1%	-2.1%	4.4%
North America	140.6	142.2	5.7%	0.7%	-7.0%	-1.1%
Rest of the world	16.1	12.9	33.0%	0.5%	-6.7%	24.6%
GROUP	450.9	430.0	7.0%	1.4%	-3.3%	4.8%

Performance by segment

Advanced Materials sales totaled €248 million in the first half of 2021, representing organic growth of 2.3%. Growth was particularly robust in semiconductor markets, particularly for silicon carbide semiconductors. The renewable energies market also remained buoyant, and process industries reported a sales recovery. Conversely, sales posted by the chemicals and aeronautics markets contracted once again.

In the Electrical Power segment, first-half sales totaled €203 million, up by more than 13% year on year on an organic basis. The process industries market saw brisk growth, propelled by electrical distribution in the United States. The power electronics market also recorded a sharp sales rise, as did electric vehicles.

Performance by region

In Europe, the situation improved significantly in the second quarter, which fueled organic sales growth of over 6% for the six months as a whole. The highest-growth sector was process industries. The aeronautics market remained at a low point during the period, with sales deteriorating against the first half of 2020, as the impacts of the Covid-19 crisis only affected this market as from the second quarter of that year.

In Asia, growth was driven by China's sales performance in the solar power and electronics markets. India also posted high growth, taking into account the low base of comparison with 2020 when the country was hit hard by the Covid crisis.

In North America, electrical distribution – and therefore process industries – delivered especially strong sales performances.

EBITDA and operating income before non-recurring items

<i>In millions of euros</i>	First-half 2021	First-half 2020
Operating income before non-recurring items	43.3	34.7
<i>As a % of sales</i>	9.6%	8.1%
Depreciation and amortization	27.7	27.2
EBITDA	71.0	61.9
<i>As a % of sales</i>	15.7%	14.4%

EBITDA came in at €71.0 million, an increase of 15% compared with the prior-year period, and represented 15.7% of sales compared with 14.4% in the same period of 2020.

Operating income before non-recurring items came to €43.3 million, resulting in an operating margin before non-recurring items of 9.6% (a 150-basis point increase compared with first-half 2020).

The year-on-year increase was largely due to higher volumes and the effects of the business adaptation plans announced in October 2020. Selling prices were increased during the period

to pass on the rising costs of certain raw materials (especially in the Electrical Power segment), but this did not fully offset the higher costs of the raw materials concerned. On the other hand, productivity gains offset cost inflation, particularly for salaries.

In addition, the Group's furlough schemes came to an end at all sites, except two in France. Conversely, the Group did make certain savings as a result of the Covid-19 restrictions (notably relating to travel costs and trade fairs) through the entire six-month period (compared with four months in 2020). The net impact was additional costs of €1 million compared to first-half 2020.

Segment analysis (excluding holding company costs)

<i>In millions of euros</i>	Advanced Materials (AM)		Electrical Power (EP)	
	First-half 2021	First-half 2020	First-half 2021	First-half 2020
Sales	248.4	248.2	202.5	181.8
EBITDA	52.3	50.2	27.1	19.3
<i>As a % of sales</i>	21.1%	20.2%	13.4%	10.6%
Operating income before non-recurring items	33.7	31.7	18.9	11.3
<i>As a % of sales</i>	13.6%	12.8%	9.3%	6.2%

Operating income before non-recurring items for the Advanced Materials segment was €33.7 million, resulting in an operating margin of 13.6% compared with 12.8% for the same period in 2020. This year-on-year increase was mainly due to a slightly favorable volume effect and the positive impact of the business adaptation plan.

EBITDA for the Advanced Materials segment came to €52.3 million, representing 21.1% of sales versus 20.2% in the first six months of 2020.

In the Electrical Power segment, operating income before non-recurring items amounted to €18.9 million, representing an operating margin before non-recurring items of 9.3%, up 310 basis points on first-half 2020. This segment was boosted by a significant positive volume effect, a favorable product mix and

the impacts of the business adaptation plan. Rises in raw material costs were partly offset by higher selling prices.

EBITDA for the Electrical Power segment was €27.1 million, and represented 13.4% of sales compared with 10.6% in the same period of 2020.

<i>In millions of euros</i>	First-half 2021	First-half 2020	Change
Consolidated sales	450.9	430.0	+5%
Gross income	140.4	130.4	+8%
<i>As a % of sales</i>	31.1%	30.3%	
Selling, marketing and other expenses	(38.7)	(38.5)	+1%
Administrative and research expenses	(57.7)	(56.5)	+2%
Goodwill amortization	(0.7)	(0.7)	+0%
Operating income before nonrecurring items	43.3	34.7	+25%
<i>As a % of sales</i>	9.6%	8.1%	

Gross income increased sharply year on year, mainly due to a favorable product mix effect, particularly in the Electrical Power segment. This yielded a gross margin of 31.1%.

Selling, marketing and administrative expenses rose by a contained amount despite the strong sales growth for the period, as Covid restrictions limited travel, trade fairs and certain marketing costs.

Net income

Net income for the first six months of 2021 rose by more than 50% to €27.1 million from €17.8 million in the first half of 2020.

<i>In millions of euros</i>	First-half 2021	First-half 2020	Change
Operating income before non-recurring items	43.3	34.7	
Net non-recurring expense	(1.6)	(4.9)	
Net financial expense	(5.6)	(6.1)	
Current and deferred taxes	(9.0)	(5.9)	
Net income for the period	27.1	17.8	+53%
- Net income attributable to Group equity holders	25.5	16.3	+56%

Non-recurring items represented a net expense of €1.6 million in first-half 2021 and corresponded to start-up costs for the Columbia site in the USA. Restructuring costs related to the business adaptation plan were partly offset by income resulting from the favorable outcome of legal disputes.

The Group reported a net financial expense of €5.6 million for the first half of 2021, lower than the first-half 2020 figure, thanks to scaling back average gross debt by around €30 million.

Income tax expense amounted to €9.0 million for the period, representing an effective tax rate of 25%, unchanged from the rate for the first half of 2020.

CASH AND DEBT

Condensed statement of cash flows

<i>In millions of euros</i>	First-half 2021	First-half 2020
Cash generated by operating activities before change in working capital requirement	64	59
Change in working capital requirement	(7)	(21)
Income tax paid	(11)	(4)
Cash generated by operating activities	46	35
Capital expenditure	(28)	(24)
Cash generated by operating activities after capital expenditure	18	11
Changes in scope of consolidation and acquisitions	(7)	(7)
Lease payments	(7)	(6)
Interest payments	(4)	(4)
Other cash flows (incl. share repurchase)	(1)	(5)
Net cash flow before changes in debt	(2)	(12)

Mersen had high cash flow during the first half, with operating activities generating more than €46 million in cash. This figure includes €5 million in outflows for the business adaptation plan. It also takes into account a €7 million increase in working capital requirement, mainly reflecting the Group's higher sales volumes. The working capital-to-sales ratio stood at 20%, considerably lower than at June 30, 2020, when it was abnormally high due to Mersen building up inventories in the first half of 2020 in the context of health crisis.

Capital expenditure amounted to €28.0 million in first-half 2021. Over 70% of this total related to the Advanced Materials segment,

notably specific expansion projects launched by the Group, such as the start-up of the Columbia site in the United States and the increase in manufacturing capacity for the solar power and semiconductor markets. Capital spending will be higher in the second half of the year.

The €7 million outflow related to changes in the scope of consolidation chiefly corresponds to the acquisition of the Hager group's stake in Fusetech, based in Kaposvar in Hungary.

Other cash flows in first-half 2020 included the repurchase of Mersen shares on the open market to cover employee share plans.

Statement of financial position

	June 30, 2021	Dec. 31, 2020
Total net debt (<i>in millions of euros</i>)	184	180
Net debt/EBITDA ⁽¹⁾	1.4	1.65
Net debt/equity ⁽¹⁾	31%	33%

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

At June 30, 2021, Mersen's net debt stood at €184 million, slightly higher than at end-December 2020. Lease liabilities totaled €46 million and net pension obligations were €60 million, €12 million lower than at December 31, 2020 due to the increase in long-term interest rates and good performances for plan assets.

Following a US private placement (USPP) set up in May 2021 (the funds of which will be made available in October 2021), the average maturity of the Group's debt will be extended to six years. The Group has a solid financial structure, with €210 million in undrawn credit facilities and €81 million in available cash at end-June 2021.

The Group has no major debt maturities to be met before 2026, and the debt that does mature before then can be refinanced by the new USPP.

OUTLOOK

As announced in the press release dated July 8, 2021, in view of the trends observed in the first half of the year, the Group has raised its guidance for full-year 2021 and now expects:

- Organic sales growth of between 6% and 8% (versus 2% and 6% previously).
- Operating margin before non-recurring items of between 9.2% and 9.6% of sales (versus 8% and 8.8% previously).

GLOSSARY

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

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

- In February 2020, the Group finalized the acquisition of GAB Neumann, a specialist in the design, manufacture and sale of graphite and silicon carbide (SiC) heat exchangers for the chemicals market. GAB Neumann has been consolidated since March 1, 2020.
- The acquisition of the insulation business of Americarb, a long-standing player in carbon fiber insulation, was completed during the summer of 2020. Americarb has been consolidated since September 1, 2020.
- Mersen acquired the Hager group's stake in Fusetech, a manufacturer of industrial fuses based in Kaposvar, Hungary. Fusetech has been consolidated since January 1, 2021.

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

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.

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

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

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

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

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

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

Capital expenditure: property, plant and equipment and fixed asset suppliers.

2 CONSOLIDATED FINANCIAL STATEMENTS

CHANGES IN SCOPE OF CONSOLIDATION IN THE PAST TWO YEARS

The principal changes in the scope of consolidation that impacted the consolidated financial statements in 2020 and the first half of 2021 are as follows:

■ In 2020:

- On February 28, Mersen acquired all of the shares in GAB Neumann GmbH, based in Germany.

- In July, Mersen acquired the insulation business of the US company, Americarb. This business's production equipment has been transferred to Mersen USA GSTN Corp's site.
- In the first half of 2021, Mersen acquired the Hager group's stake in Fusetech, a manufacturer of industrial fuses based in Kaposvar, Hungary. Fusetech has been consolidated since January 1, 2021.

CONSOLIDATED STATEMENT OF INCOME

<i>In millions of euros</i>	Notes	First-half 2021	First-half 2020
CONTINUING OPERATIONS			
Consolidated sales	14	450.9	430.0
Cost of sales		(310.5)	(299.6)
Total gross income		140.4	130.4
Selling and marketing expenses		(37.7)	(37.0)
Administrative and research expenses		(57.7)	(56.5)
Amortization of revalued intangible assets		(0.7)	(0.7)
Other operating expenses		(1.0)	(1.5)
Operating income before non-recurring items	14	43.3	34.7
Non-recurring expenses	13	(1.6)	(4.9)
Non-recurring income	13	0.0	0.0
Operating income	14	41.7	29.8
Financial expenses		(5.6)	(6.1)
Financial income		0.0	0.0
Finance costs		(5.6)	(6.1)
Net financial expense		(5.6)	(6.1)
Income from continuing operations before tax		36.1	23.7
Current and deferred taxes	16	(9.0)	(5.9)
Net income from continuing operations		27.1	17.8
Net income/(loss) from operations held for sale and discontinued operations	4	0.0	0.0
Net income		27.1	17.8
Attributable to:			
- Owners of the parent		25.5	16.3
- Non-controlling interests		1.6	1.5
NET INCOME FOR THE PERIOD		27.1	17.8
Earnings/(loss) per share	17		
Basic earnings per share (€)		1.23	0.79
Diluted earnings per share (€)		1.21	0.77
Earnings/(loss) per share from continuing operations			
Basic earnings per share (€)		1.23	0.79
Diluted earnings per share (€)		1.21	0.77
Earnings/(loss) per share from operations held for sale and discontinued operations			
Basic earnings per share (€)		0.00	0.00
Diluted earnings per share (€)		0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	First-half 2021	First-half 2020
NET INCOME FOR THE PERIOD		27.1	17.8
Items that will not be subsequently reclassified to income			
Financial assets at fair value through "Other comprehensive income"	11	0.0	(0.3)
Remeasurements of the net defined benefit liability (asset)	9	12.3	(8.4)
Tax impact on remeasurements of the net defined benefit liability (asset)		(3.0)	2.0
		9.3	(6.7)
Items that may subsequently be reclassified to income			
Change in fair value of hedging instruments		(0.5)	(1.5)
Exchange differences on translation of assets and liabilities at the period-end rate		14.6	(6.8)
Tax impact on change in fair value of hedging instruments		0.2	0.2
		14.3	(8.1)
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		23.6	(14.8)
TOTAL COMPREHENSIVE INCOME		50.7	3.0
Attributable to:			
- Owners of the parent		48.2	1.8
- Non-controlling interests		2.5	1.2
TOTAL COMPREHENSIVE INCOME		50.7	3.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

<i>In millions of euros</i>	Note	June 30, 2021	Dec. 31, 2020
NON-CURRENT ASSETS			
Intangible assets	5 and 6		
- Goodwill		263.6	256.8
- Other intangible assets		37.2	34.6
Property, plant and equipment	5 and 6		
- Land		32.7	32.1
- Buildings		78.3	75.9
- Plant, equipment and other tangible assets		188.6	186.7
- Assets in progress		58.1	42.7
- Rights of use	12	45.0	46.2
Non-current financial assets			
- Equity interests		2.1	3.5
- Non-current derivatives		0.0	0.0
- Other financial assets		3.6	3.7
Non-current tax assets			
- Deferred tax assets	16	23.2	25.0
- Long-term portion of current tax assets		9.8	9.1
TOTAL NON-CURRENT ASSETS		742.2	716.3
CURRENT ASSETS			
- Inventories		196.5	181.1
- Trade receivables		149.1	128.2
- Contract assets		6.8	6.9
- Other operating receivables		25.7	20.6
- Short-term portion of current tax assets		3.2	2.5
- Other current assets		0.4	0.0
- Current financial assets	10	24.7	26.0
- Current derivatives		2.4	3.4
- Cash and cash equivalents	10	80.9	110.7
- Assets held for sale and discontinued operations	4	0.0	0.0
TOTAL CURRENT ASSETS		489.7	479.4
TOTAL ASSETS		1,231.9	1,195.7

Equity and liabilities

<i>In millions of euros</i>	Note	June 30, 2021	Dec. 31, 2020
EQUITY			
- Share capital	7	41.6	41.7
- Retained earnings and other reserves		495.3	509.5
- Net income for the period		25.5	(12.0)
- Cumulative translation adjustments		(16.3)	(30.0)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		546.1	509.2
- Non-controlling interests		27.0	24.5
TOTAL EQUITY		573.1	533.7
NON-CURRENT LIABILITIES			
- Non-current provisions	8	9.3	9.3
- Employee benefit obligations	9	59.5	71.7
- Deferred tax liabilities	16	25.5	24.7
- Long and medium-term borrowings	10	227.6	230.9
- Lease liabilities	12	45.7	46.6
- Non-current derivatives		0.0	0.0
TOTAL NON-CURRENT LIABILITIES		367.6	383.2
CURRENT LIABILITIES			
- Trade payables		70.0	56.1
- Contract liabilities		22.7	23.6
- Other operating payables		100.9	87.5
- Current provisions	8	13.4	17.5
- Short-term portion of current tax liabilities		5.3	4.3
- Miscellaneous liabilities		16.4	2.2
- Other current financial liabilities	10	55.1	74.2
- Current derivatives		0.8	0.9
- Financial current accounts	10	0.0	0.2
- Bank overdrafts	10	6.4	11.6
- Liabilities related to assets held for sale and discontinued operations	4	0.2	0.7
TOTAL CURRENT LIABILITIES		291.2	278.8
TOTAL EQUITY AND LIABILITIES		1,231.9	1,195.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of euros</i>	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital, retained earnings and other reserves	Net income/ (expense) for the period	Translation adjustments	Total			
AT JANUARY 1, 2020	41.7	452.6	57.3	(3.0)	548.6	22.0	570.6	
Prior-period net income		57.3	(57.3)		0.0		0.0	
Net income for the period			16.3		16.3	1.5	17.8	
Change in fair value of derivative hedging instruments, net of tax		(1.3)			(1.3)		(1.3)	
Financial assets at fair value		(0.3)			(0.3)		(0.3)	
Remeasurements of the net defined benefit liability (asset) after tax		(6.4)			(6.4)		(6.4)	
Translation adjustments				(6.5)	(6.5)	(0.3)	(6.8)	
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	0.0	(8.0)	0.0	(6.5)	(14.5)	(0.3)	(14.8)	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.0	(8.0)	16.3	(6.5)	1.8	1.2	3.0	
Dividends payable		0.0			0.0		0.0	
Treasury shares		(3.6)			(3.6)		(3.6)	
Capital increase		0.0			0.0		0.0	
Stock options and free shares		1.0			1.0		1.0	
Other		0.1			0.1		0.1	
AT JUNE 30, 2020	41.7	499.4	16.3	(9.5)	547.9	23.2	571.1	
AT DECEMBER 31, 2020	41.7	509.5	(12.0)	(30.0)	509.2	24.5	533.7	
Prior-period net income		(12.0)	12.0		0.0		0.0	
Net income for the period			25.5		25.5	1.6	27.1	
Change in fair value of derivative hedging instruments, net of tax		(0.3)			(0.3)		(0.3)	
Financial assets at fair value		0.0			0.0		0.0	
Remeasurements of the net defined benefit liability (asset) after tax		9.3			9.3		9.3	
Translation adjustment				13.7	13.7	0.9	14.6	
TOTAL OTHER COMPREHENSIVE INCOME	0.0	9.0	0.0	13.7	22.7	0.9	23.6	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.0	9.0	25.5	13.7	48.2	2.5	50.7	
Dividends payable		(13.6)			(13.6)		(13.6)	
Treasury shares		1.8			1.8		1.8	
Increase/decrease in capital	(0.1)	(0.3)			(0.4)		(0.4)	
Stock options and free shares		0.9			0.9		0.9	
Other					0.0		0.0	
AT JUNE 30, 2021	41.6	495.3	25.5	(16.3)	546.1	27.0	573.1	

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	First-half 2021	First-half 2020
Income before tax	36.1	23.7
Depreciation and amortization	27.7	27.2
Additions to/(reversals from) provisions	(5.6)	0.5
Net financial expense	5.6	6.1
Capital gains on asset disposals	(0.3)	0.3
Other	0.5	1.2
Cash generated by operating activities before change in WCR	64.0	59.0
Change in working capital requirement	(7.3)	(20.7)
Income tax paid	(10.5)	(3.6)
Net cash generated by continuing operating activities	46.2	34.7
Cash generated by/(used in) discontinued operations	0.0	0.0
Net cash generated by operating activities	46.2	34.7
Cash flows from investing activities		
Intangible assets	(2.5)	(1.3)
Property, plant and equipment	(31.9)	(26.0)
Decreases (increases) in amounts due to suppliers of fixed assets	3.7	2.0
Financial assets	0.0	0.0
Changes in scope of consolidation and acquisitions	(7.4)	(7.2)
Other cash flows from investing activities	(0.2)	0.4
Cash used in investing activities from continuing operations	(38.3)	(32.1)
Cash generated by/(used in) investing activities from discontinued operations	0.0	0.0
Net cash used in investing activities	(38.3)	(32.1)
Net cash generated by operating and investing activities	7.9	2.6
Amounts received/(paid) on capital increases/reductions and other changes in equity	1.5	(3.7)
Net dividends paid to shareholders and non-controlling interests	0.0	0.0
Interest payments	(4.4)	(4.4)
Lease payments	(6.7)	(6.5)
Change in debt	(28.3)	57.4
Net cash generated by/(used in) financing activities	(37.9)	42.8
Net increase (decrease) in cash and cash equivalents	(30.0)	45.4
Cash and cash equivalents at beginning of period (Note 10)	110.7	45.2
Cash and cash equivalents at period-end (Note 10)	80.9	92.8
Changes in scope of consolidation	0.0	0.0
Impact of currency fluctuations	(0.2)	(2.2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30.0)	45.4

3 NOTES

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Note 1 Compliance statement

In accordance with EC regulation no. 1606/2002 of July 19, 2002 – which applies to the consolidated financial statements of European Union companies listed on a regulated market – because it is listed in an EU country, the consolidated financial statements of Mersen (hereinafter also referred to as the “Company”) and its subsidiaries (together the “Group”) have been prepared in accordance with *International Financial Reporting Standards* (IFRS).

The standards and interpretations whose application was mandatory at January 1, 2021 are presented in Note 2.

The accounting options selected by the Group are described in Note 2 to the 2020 annual report.

The interim consolidated financial statements for the six months ended June 30, 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for complete set of annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2020, available at www.mersen.com. They do include a selection of explanatory notes describing the major events and transactions for a better understanding of the changes that have occurred in the financial position and performance of the Group since the latest annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on July 29, 2021.

Note 2 Summary of significant accounting policies and methods

Except for the cases described below, the accounting methods used to prepare these interim financial statements are the same as those used for the Group’s consolidated financial statements for the year ended December 31, 2020.

The following changes in accounting methods will also concern the Group’s consolidated financial statements for the year ending December 31, 2021.

New standards effective in 2021

No new standards were applicable to the Group in 2021.

Use of judgments and estimates

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

The critical judgments exercised by Management in applying the Group’s accounting policies in the interim consolidated financial statements as well as the main sources of uncertainty are the same as those described in the annual consolidated financial statements for the year ended December 31, 2020.

Neither the recoverable amounts of the Group’s assets nor the measurement of its liabilities were affected by the continuation of the Covid crisis in the first half of 2021. Similarly, the pandemic did not give rise to any material direct additional costs during the period.

Note 3 Business combinations

During the first half of 2021, Mersen acquired full control of Fusetech – a company based in Kaposvar in Hungary – by buying out the stake held by the Hager group.

This operation enables Mersen to strengthen its manufacturing efficiency on Europe’s electric fuse market, and to integrate a high-performance site for the manufacture of some of its future product ranges in accordance with European standards (IEC).

Fusetech has been a 50:50 joint venture between Mersen and Hager since 2007. Its plant produces cost-competitive industrial fuses for the European market. The company currently employs around 300 employees who work at a 6,000 sq.m site. In 2020, Fusetech generated external sales of approximately €7 million.

Following its consolidation, Fusetech contributed €3.8 million in sales and €0.2 million in net income to the Group in first-half 2021.

Net assets acquired in the course of this transaction together with the related goodwill are presented in the following table:

<i>In millions of euros</i>	Acquisition date net assets	Fair value adjustments	Purchase price allocation	Fair value of net assets
Non-current assets	1.9	0.9	0.0	2.8
Current assets	5.1	0.0	0.0	5.1
Non-current liabilities	0.0	(0.9)	0.0	(0.9)
Current liabilities	(1.0)	0.0	0.0	(1.0)
Net assets	6.0	0.0	0.0	6.0
Goodwill				1.9
Non-controlling interests				0.0
Consideration transferred				7.9

As Fusetech did not have any identifiable intangible assets, the full amount of the difference between the net asset value and the consideration transferred was recognized as goodwill.

Note 4 Operations held for sale and discontinued operations

Operations held for sale and discontinued operations recognized in prior periods had no material impact on the consolidated financial statements at June 30, 2021.

Note 5 Goodwill, other intangible assets and property, plant and equipment

Goodwill totaled €263.6 million at June 30, 2021, €6.8 million more than at December 31, 2020. This increase includes €1.9 million in goodwill recognized for the recently acquired Fusetech, and a €4.9 million positive effect from changes in foreign exchange rates.

There is no pending allocation of goodwill at June 30, 2021.

Property, plant and equipment (excluding right-of-use assets) increased by €20.3 million, including the impact of €31.9 million in capital expenditure.

Note 6 Asset impairment tests

1. Goodwill

The impairment tests carried out at December 31, 2020 revealed that the recoverable amount of the Anticorrosion Equipment CGU was €17 million lower than its carrying amount. The Group therefore recognized a €17 million impairment loss against this CGU's goodwill.

Each CGU's results of operations for the first half of 2021 were in line with, or higher than, the forecasts and assumptions contained in the budgets used for the impairment tests carried out at end-2020. Due to this, and because no indicators have been identified that may adversely impact those forecasts or assumptions, the Group did not consider it was necessary to test the CGUs' goodwill for impairment again at June 30, 2021.

The next date of these impairment tests will be December 31, 2021.

2. Specific assets

The Group reviewed the recoverable amount of its other non-current assets at June 30, 2021. No material changes were identified.

Note 7 Equity

At June 30, 2021, the Company's share capital stood at €41,620,002, divided into 20,810,001 shares, comprising 20,808,151 category A shares, which are ordinary shares, 1,113 category D shares and 737 category E shares, each with a par value of €2.

The theoretical number of voting rights at that date, i.e., excluding treasury shares which do not carry voting rights, was 23,413,169. Since April 3, 2016, a double voting right has been attached to all shares that meet both of the following conditions: (i) they have been held in registered form for at least two years, and (ii) they are fully paid up.

<i>Number of shares (unless stated otherwise)</i>	Ordinary shares
Number of shares at January 1, 2021	20,864,064
Capital increase/reduction (<i>in millions of euros</i>)	(0.1)
Number of shares at June 30, 2021	20,810,001
Number of shares in issue and fully paid-up during the period	55,831
Number of treasury shares canceled	109,894
Number of shares in issue and not fully paid-up	0
Par value of shares (€)	2
Mersen shares held by the Company or by its subsidiaries and associates	52,864

To the best of the Company's knowledge, Mersen's ownership structure at June 30, 2021 was as follows:

■ French institutional investors:	42.7%
■ International institutional investors:	44.2%
■ Private shareholders:	11.2%
■ Employee shareholders:	1.6%
■ Treasury shares:	0.3%

Since January 1, 2021, the following shareholders have informed Mersen that they have crossed the following disclosure thresholds:

ACF I Investment (Ardian)

- **Between January 12 and 21, 2021:** ACF I Investissement (Ardian) made four disclosures that it had reduced its interest to below various disclosure thresholds. On January 21, it disclosed that it held 409,899 Mersen shares, i.e., 1.97% of the share capital and 1.75% of the voting rights.
- **On February 5,** ACF I Investissement disclosed that it had sold all of the shares it held in Mersen.

BlackRock

- **Between January 5 and February 15, 2021,** BlackRock announced that it had crossed the threshold of 2% of the share capital on 17 occasions. On March 22, it disclosed that it held 451,312 Mersen shares, i.e., 2.16% of the share capital and 1.93% of the voting rights.

Caisse des Dépôts et Consignations/Bpifrance Participations

- **January 13:** the Caisse des Dépôts et Consignations group disclosed that (i) it had passively raised its interest to above the threshold of 23% of the Company's voting rights, and (ii) it held directly and indirectly (through CDC Croissance and Bpifrance Participations) 3,262,907 Mersen shares, i.e., 15.64% of the share capital and 23.50% of the voting rights.

Fonds de Réserve pour les Retraites (FRR)

- **February 9:** the Fonds de Réserve pour les Retraites (FRR) disclosed that it had raised its interest to above the threshold of 1% of the Company's voting rights and that at that date it held 269,657 Mersen shares, i.e., 1.29% of the share capital and 1.15% of the voting rights.

Norges

- **March 23:** Norges disclosed that it had reduced its interest to below the 4% share capital threshold set in Mersen's bylaws and that at that date it held 832,988 Mersen shares, i.e., 3.99% of the share capital.

Sycomore

- **February 11:** Sycomore disclosed that it had raised its interest to above the threshold of 3% of the Company's share capital and that it held 629,830 shares, i.e., 3.02% of the share capital and 2.69% of the voting rights.
- **June 18:** Sycomore disclosed that it had lowered its interest to below the threshold of 3% of the Company's share capital and that it held 619,654 shares, i.e., 2.97% of the share capital and 2.63% of the voting rights.

Treasury shares:

At June 30, 2021, 52,864 shares were held in treasury, representing 0.3 % of the share capital, including 35,443 shares held pursuant to the liquidity agreement entered into with Exane BNP Paribas.

Stock options and free shares:

Stock options

All of the stock options outstanding at December 31, 2020 had been exercised by May 21, 2021, the expiration date of the stock option plan.

In all, 112,200 options were exercised under the plan, including 55,831 in the first half of 2021.

Free shares

For several years now, the Group has implemented a policy of granting free shares. The final allocation of these shares is contingent on the beneficiaries still forming part of the Group at the end of the vesting period. The shares granted under both executive and non-executive programs only vest subject to pre-defined performance conditions. However, Management decided not to set performance conditions in the program for high-potential young employees (managers and experts) as these employees have little impact on the Group's major financial and CSR indicators.

1- Free preference shares (executive program)

Since May 2015, the Group has set up four plans for granting preference shares (which can be converted into ordinary shares), with performance conditions attached. These shares have been granted to certain categories of employees and corporate officers, mostly members of the Executive Committee. At June 30, 2021:

- 1,172 category D preference shares had been delivered to beneficiaries, including 59 that were converted into 1,129 ordinary shares.
- 940 category E preference shares had been granted (including 737 issued).

The maximum number of ordinary shares that could potentially be converted from the preference shares granted (some of which have not yet been delivered) was 225,830 at June 30, 2021, representing 1.1% of the Company's capital, including 29,260 shares for the Chief Executive Officer, Luc Themelin.

2- Free shares (executive program)

The total number of free shares that could potentially be issued under the 2019 and 2021 executive programs is 143,000, including 21,450 for the Chief Executive Officer, Luc Themelin.

3- Free shares (non-executive program)

The total number of free shares that could potentially be issued under the 2019 and 2021 non-executive programs is 184,800.

4- Free shares (high-potential program)

The total number of free shares that could potentially be issued under the 2021 high-potential program is 12,000.

Summary

At June 30, 2021, the number of free shares that could potentially vest corresponded to 565,630 new shares, representing 2.7% of the Company's capital at that date. This total includes 553,630 shares granted subject to pre-defined performance conditions, including 50,710 to the Chief Executive Officer, Luc Themelin.

A €0.9 million net share-based payment expense was recognized in the first half of 2021 for plans currently in effect (versus a €1.0 million expense in first-half 2020).

Note 8 Provisions, contingent liabilities and other liabilities

Provisions amounted to €22.7 million at June 30, 2021, representing a €4.1 million decrease compared with the €26.8 million recorded at end-December 2020. This reduction mainly reflects (i) the utilization of provisions for restructuring and (ii) the reversal of a provision following the settlement of a commercial dispute in the United States.

In millions of euros

	June 30, 2021		Dec. 31, 2020	
	Non-current	Current	Non-current	Current
Provision for restructuring	3.8	7.6	4.2	10.3
Provision for environmental risks	3.6	1.0	3.5	1.1
Provision for litigation and other expenses	1.9	4.8	1.6	6.1
TOTAL	9.3	13.4	9.3	17.5

Administrative and legal proceedings**Administrative proceedings in France**

In 2013, SNCF launched two procedures against Morgan, SGL, Schunk and Mersen, in the Paris Administrative Court and the Paris Commercial Court respectively. SNCF is attempting to secure redress for losses that it allegedly suffered following practices that were sanctioned in December 2003 by the European Commission in connection with brushes for electric motors and products for mechanical applications. In 2014, the Paris Administrative Court rejected all of the claims lodged by SNCF, which appealed the decision. On June 13, 2019, the Paris Court of Appeal overturned the 2014 Administrative Court ruling. It also decided that it will rule on the case and has issued an injunction for an expert appraisal

to be carried out in order to determine the amount of the loss allegedly incurred by SNCF.

Mersen and the other defendants, who contest this ruling, referred the case to the French Supreme Court (Conseil d'Etat) for it to be set aside due to the incorrect application of the law. On October 12, 2020, the Supreme Court rejected the majority of the grounds for setting aside the ruling.

The court-appointed appraiser issued its report in July 2020 and issued a subsequent report in January 2021 following comments raised by Mersen and the other defendants. This case is still pending before the Administrative Appeal Court. The Group has set aside a provision reflecting its estimate of the risk incurred in connection with these proceedings.

Criminal proceedings in France

Criminal proceedings that were initiated after the tragic accident on April 7, 2010 at Mersen's site in Gennevilliers are still in progress. On December 22, 2019, a ruling by the examining judge partially dismissed the case and brought Mersen's subsidiary in Gennevilliers («the Company») and its managing director at that time before the Criminal Court (Tribunal correctionnel). On November 23, 2020, the Nanterre criminal court accepted the arguments of the Company and its managing director at the time and returned the case to the investigation phase due to serious irregularities in the order referring the case to the criminal court. By way of an order dated March 25, the examining judges once again referred the defendants to the criminal court. By way of a judgment dated July 5, 2021, the Company was fined €150,000 and its managing director at the time was handed a six-month suspended prison sentence. Both the Company and the managing director have appealed against this judgment. For the civil proceedings related to the case, the judgment awarded damages totaling €157,000 to certain plaintiffs. This part of the judgment is subject to provisional execution notwithstanding any appeal that may be lodged.

Investigation by India's competition authority

In July 2019, India's competition authority launched an investigation into the premises of Group subsidiary Mersen (India) Private Limited over allegations of anti-competitive practices in the supply of carbon brushes to Indian railways in 2010-2014. Mersen India, which contests these allegations, is fully cooperating with the competition authority and has provided all requested information. A hearing before India's competition authority is scheduled in August 2021.

The Group is not aware of any other administrative or legal proceedings, including any pending or potential proceedings, that could have or have had in the last 12 months, a material adverse effect on its business activities, financial position or results of operations.

Tax and customs proceedings

The Group regularly undergoes tax and customs audits carried out by the tax/customs authorities in the countries in which it operates. In the past, the reassessments issued after tax/customs audits have been for non-material amounts. The most material risks concern Mersen do Brasil and Mersen India Pvt.

The amounts indicated below include interest.

Proceedings involving Mersen do Brasil

Mersen do Brasil received notice in June 2013 of a customs audit covering the period from January 2008 to December 2012. The customs authorities issued a reassessment notice for an initial amount (principal and interest) of BRL 7.5 million, increased each year by applying the interest rate issued by the Central Bank of Brazil. At June 30, 2021, the amount of the revised adjustment was BRL 12.5 million, or approximately €2.1 million at the June 30, 2021 exchange rate. This amount is not covered by a provision in the accounts of Mersen do Brasil, as the risk of losing the dispute is deemed very low. A first instance ruling was handed down in favor of the Group on February 8, 2018. However, it was the subject of an ex officio appeal to a second instance court by the Brazilian authorities. It is not possible to estimate when the second instance ruling will be delivered. At the date of this document, there had been no developments in these proceedings.

Mersen do Brasil is also involved in a number of disputes which are at various stages:

- Reassessment of social security contributions (relating to 2007) calculated on the basis of unverified earnings, representing a total of BRL 4.7 million (approximately €0.8 million). A provision for BRL 135 thousand (approximately €23 thousand) has been set aside in respect of the risk which is considered likely to be paid. This dispute is pending before the Administrative Court.
- Late tax return filing penalties (relating to 2001, 2002 and 2003) representing a total of BRL 4.2 million. A corresponding BRL 4.2 million provision (representing approximately €0.72 million) has therefore been set aside as the Group considers it highly probable that the penalties will have to be paid. Depending on the year in question, the disputes are pending before the Federal Court, or are in the process of appeal before the Federal Court.
- Penalties (relating to 1998) for errors in calculating social security contributions, representing a total of BRL 2.9 million (approximately €490 thousand). A provision for BRL 0.6 million (approximately €106 thousand) has been set aside for the risk which is considered likely to be paid. This dispute is pending before the Federal Court.
- Three disputes representing a total of BRL 2.3 million (approximately €390 thousand). A provision for BRL 0.56 million (approximately €95 thousand) has been set aside for the risk which is considered likely to be paid. These disputes concern (1) the reassessment of tax credits transferred at the time of relocating the São Paulo site (relating to 2011), which has been appealed to the Administrative Court; (2) penalties (relating to 1995) for differences in the tax base for local tax on industrial products, which is pending before the Federal Court; and (3) penalties (relating to 2007) for irregularities in social security returns, which is pending before the Administrative Court.
- Reassessment of entitlement to benefit from a tax-free zone regime (relating to 2004) for BRL 1.8 million (approximately €300 thousand). No provision has been set aside for this, as the related risk of loss is considered low. This dispute is pending before the Administrative Court.
- Penalties (relating to 2004) for erroneous amounts reported in certain tax returns, representing a total of BRL 1.6 million (approximately €270 thousand). No provision has been set aside for this, as the related risk of loss is considered low. This dispute is pending before the Administrative Court.
- At the date of this document, there had been no developments in these proceedings.

Proceedings involving Mersen India Pvt

Mersen India Pvt's tax returns are subject to annual tax audits. At the date of this document, the overall risk to which the company is exposed totals €48 thousand. This risk relates to the partial reassessment of certain intra-group expenses that were deducted in fiscal years 2011, 2012 and 2013. This dispute is pending before the Appeal Court. The subsidiary is also exposed to a risk representing €82 thousand for customs duties (relating to 2011, 2014, 2016 and 2020), since certain customs import codes used by Mersen India Pvt have been reassessed by local customs authorities. This dispute is pending a second appeal hearing.

At the date of this document, there had been no developments in these proceedings.

Commercial disputes

The Group has a number of commercial disputes in process with customers and suppliers, in a number of countries. Provisions have been set aside for the disputes based on the risks involved when the risks are not covered by the Group's insurance policies.

At the date of this document, provisions for disputes and other contingencies amounted to €6.7 million (versus €7.7 million at December 31, 2020). No other material contingent liabilities were identified by the Group at June 30, 2021.

Miscellaneous liabilities

Miscellaneous liabilities (€16.4 million at June 30, 2021) mainly included dividends of €13.6 million to be paid following the AGM of May 20, 2021, and amounts payable on property, plant and equipment.

No other material contingent liabilities were identified by the Group at June 30, 2021.

Note 9 Employee benefit obligations

On April 20, 2021, the IFRS Interpretations Committee discussed a submission about the periods of service to which an entity attributes benefit for a particular type of defined benefit plan. The Committee's decision on this issue will impact how the Group measures and attributes periods of service for retirement benefits that are capped after a certain number of years' service within the organization. At the issue date of its financial statements for the six months ended June 30, 2021, the Group was in the process of identifying the plans concerned and estimating the potential impacts of this decision.

The Mersen group's principal pension plans are defined benefit plans and are located in the United States (46% of obligations), the United Kingdom (20% of obligations), France (14% of obligations) and Germany (8% of obligations).

The Group's obligations were measured at December 31, 2020 with the assistance of independent actuaries and in accordance with IAS 19. The rates used for the main countries are summarized below:

2020	Discount rate	Average rate of salary increases	Inflation rate
France	0.35%	Between 2.0% and 6.25% depending on age	1.8%
Germany	0.35%	2.50%	1.8%
United States	2.5%	Not applicable	Not applicable
United Kingdom	1.35%	2.9%	3.2%

At June 30, 2021, the Group measured its obligations taking into account the sensitivity assumptions provided by its actuaries at the 2020 year-end, as well as the following changes in discount rates compared with that date:

First-half 2021	Discount rate
France	0.79%
Germany	0.79%
United States	2.85%
United Kingdom	1.86%

Reconciliation between assets and liabilities recognized

	June 30, 2021	Dec. 31, 2020
Present value of defined benefit obligation	192.3	195.8
Fair value of plan assets	(132.8)	(124.1)
PROVISION BEFORE IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	59.5	71.7
Impact of minimum funding requirement/asset ceiling	0.0	0.0
PROVISION AFTER IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	59.5	71.7

The expense recognized in relation to the Group's defined benefit plans amounted to €2.7 million in the six months ended June 30, 2021 compared with €3.0 million in the first half of 2020.

In view of the higher inflation rates used for all of its main geographic regions at June 30, 2021, the Group remeasured

its employee benefit obligations, resulting in a €9.8 million decrease in the provision for these obligations. A €2.5 million remeasurement gain was recognized on plan assets, following an increase in the value of U.S. funds which offset the decrease in value of funds in the United Kingdom.

Note 10 Net debt

Mersen has confirmed credit lines and borrowing facilities for a total of around €490 million, of which 55% was drawn down at June 30, 2021.

Mersen's principal confirmed financing facilities are as follows:

- A multi-currency syndicated bank loan, set up in July 2012 and amended in 2014 and 2017. The amount of this facility is €200 million, repayable in full in July 2024 following the exercise of extension options in 2018 and 2019. The interest payable is at a variable rate, plus a credit margin.
- Bilateral banking loans arranged at the end of 2019 amounting to RMB 170 million, repayable until 2024 and intended to finance the Mersen Group's operations in China.
- A €60 million German private placement ("Schuldschein") arranged in November 2016 with a pool of European and Asian investors, repayable in full at maturity after seven years. Investors receive interest at a variable rate based on the Euribor plus a credit margin.
- A €130 million German private placement ("Schuldschein") arranged in April 2019 with a pool of European and Asian investors, repayable in full at maturity after seven years. Investors receive fixed-rate interest on a nominal amount of €68 million and variable-rate interest at Euribor plus a credit margin on a nominal amount of €62 million.

- A US private placement (USPP) with a US investor redeemable in November 2021, of which USD 50 million remained outstanding at June 30, 2021. The redemption of this USPP in November 2021 will be financed by a new USPP entered into in May 2021.

- A new USPP comprising a USD 60 million tranche maturing in 2031 and a €30 million tranche maturing in 2028, set up in May 2021 with a pool of North American investors. The funds will be made available in October 2021 and are redeemable at maturity. The interest paid to the investors is at fixed rates.

In addition, as part of its policy to diversify its sources of financing, in March 2016 and May 2020, respectively, Mersen launched an NEU CP program and an NEU MTN program, amounting to a maximum of €200 million each. At June 30, 2021, the Group had used €10 million of the NEU CP program. This commercial paper has a maturity of less than one year and at its maturity date may be substituted by drawdowns on the Group Syndicated Loan. At the same date, the Group had used €35 million of the NEU MTN program, with maturities in 2022, 2025 and 2028.

Maturity schedule of confirmed credit lines and borrowings

In millions of euros	Amount	Drawdown at June 30, 2021	Utilization rate at June 30, 2021	Maturity		
				Less than 1 year	From 1 to 5 years	More than 5 years
Group syndicated loan	200.0	0.0	0%	0.0	200.0	0.0
Confirmed credit lines - China	22.2	0.0	0%	0.0	22.2	0.0
2016 German private placement	60.0	60.0	100%	0.0	60.0	0.0
2019 German private placement	130.0	130.0	100%	0.0	130.0	0.0
2011 US private placement	42.1	42.1	100%	42.1	0.0	0.0
NEU MTN	35.0	35.0	100%	0.0	25.0	10.0
Other	0.5	0.5	100%	0.3	0.2	0.0
TOTAL	489.8	267.6	55%	42.4	437.4	10.0

Analysis of total net debt

In millions of euros	June 30, 2021	Dec. 31, 2020
Long- and medium-term borrowings	227.6	230.9
Current financial liabilities	55.1	74.2
Financial current accounts	0.0	0.2
Bank overdrafts	6.4	11.6
TOTAL GROSS DEBT	289.1	316.9
Current financial assets	(24.7)	(26.0)
Cash and cash equivalents	(80.9)	(110.7)
Available	(80.9)	(110.7)
TOTAL NET DEBT	183.5	180.2

Total consolidated net debt amounted to €183.5 million at June 30, 2021, up around €3 million on December 31, 2020.

Gross debt stood at €289.1 million, approximately €28 million lower than at end-December 2020. This decrease was mainly due to the c. €30 million worth of repayments made out of cash and cash equivalents during the period. Of the €289.1 million in total gross debt, €267.6 million stemmed from the use of confirmed loans and borrowings and the remainder chiefly from use of unconfirmed lines (bank overdrafts and other lines).

Financial covenants at June 30, 2021

In connection with its various confirmed 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. Should it fail to comply with some of these obligations, the banks or investors (for the private placements) may require Mersen to repay the relevant borrowings ahead of schedule. Under the cross-default clauses, early repayment of one significant loan may trigger an obligation for the Group to repay other loans and borrowings.

Mersen complied with the following financial covenants at June 30, 2021 and December 31, 2020:

Financial covenants ^(a) (consolidated financial statements)

	Net debt/EBITDA ^(b)			Net debt/equity			EBITDA/net interest		
	Ratio	June 2021	Dec. 2020	Ratio	June 2021	Dec. 2020	Ratio	June 2021	Dec. 2020
Confirmed credit lines and borrowings									
US private placement							> 3	13.27	12.93
German private placement	< 3.5	1.42	1.65	< 1.3	0.31	0.33			
Group syndicated loan								n.a	
Confirmed credit lines - China									

(a) Method for calculating the covenants: in line with the applicable accounting rules, when calculating the net debt for the purpose of the financial statements, closing exchange rates are used to determine the euro-equivalent value of debt denominated in foreign currencies. Net debt has to be recalculated at the average EUR/USD exchange rate for the period if there is a difference of more than 5% between the average exchange rate and the closing rate. To calculate the covenants at June 30, the convention is for EBITDA or gross operating income to be deemed to be EBITDA reported for the first six months of the year multiplied by two.

(b) EBITDA before the application of IFRS 16.

At June 30, 2021, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Note 11 Financial instruments

The following tables show the fair value of the Group's financial assets and liabilities and their carrying amount in the statement of financial position, as well as their ranking in the fair value hierarchy for instruments measured at fair value. They do not

provide information about the fair value of financial assets and liabilities, measured at their carrying amount, insofar as their carrying amount corresponds to a reasonable approximation of the fair value.

Classification of financial instruments measured at fair value

June 30, 2021		Carrying amount					Fair value			
Statement of financial position sections	Note	Fair value of hedging instruments	Fair value through "Other items of comprehensive income"	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value										
Unlisted investment securities			2.1			2.1			2.1	2.1
Derivatives with a positive fair value (current and non-current)		2.4				2.4		2.4		2.4
		2.4	2.1	0.0	0.0	4.5	0.0	2.4	2.1	4.5
Financial assets not measured at fair value										
Current and non-current financial assets	10			28.3		28.3				
Trade receivables				149.1		149.1				
Cash and cash equivalents	10			80.9		80.9				
		0.0	0.0	258.3	0.0	258.3				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities		(0.8)				(0.8)		(0.8)		(0.8)
		(0.8)	0.0	0.0	0.0	(0.8)	0.0	(0.8)	0.0	(0.8)
Financial liabilities not measured at fair value										
Bank borrowings	10				(227.6)	(227.6)		(226.4)		
Financial current accounts	10				0.0	0.0				
Bank overdrafts	10				(6.4)	(6.4)				
Current financial liabilities	10				(55.1)	(55.1)				
Trade payables					(70.0)	(70.0)				
		0.0	0.0	0.0	(359.1)	(359.1)				
Carrying amount by category		1.6	2.1	258.3	(359.1)	(97.1)				

Dec. 31, 2020	Carrying amount					Fair value					
	Statement of financial position sections	Note	Fair value of hedging instruments	Fair value through "Other items of comprehensive income"	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value											
Unlisted investment securities				3.5			3.5			3.5	3.5
Derivatives with a positive fair value (current and non-current)		3.4					3.4		3.4		3.4
		3.4		3.5	0.0	0.0	6.9	0.0	3.4	3.5	6.9
Financial assets not measured at fair value											
Current and non-current financial assets	10				29.7		29.7				
Trade receivables					128.2		128.2				
Cash and cash equivalents	10				110.7		110.7				
		0.0	0.0	0.0	268.6	0.0	268.6				
Financial liabilities measured at fair value											
Derivatives held as current and non-current liabilities		(0.9)					(0.9)		(0.9)		(0.9)
		(0.9)	0.0	0.0	0.0	0.0	(0.9)	0.0	(0.9)	0.0	(0.9)
Financial liabilities not measured at fair value											
Bank borrowings	10					(230.9)	(230.9)		(233.6)		
Financial current accounts	10					(0.2)	(0.2)				
Bank overdrafts	10					(11.6)	(11.6)				
Current financial liabilities	10					(74.2)	(74.2)				
Trade payables						(56.1)	(56.1)				
		0.0	0.0	0.0	0.0	(373.0)	(373.0)				
Carrying amount by category		2.5	3.5	268.6	(373.0)	(98.4)					

Financial risk management

Credit risks

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

Interest rate, currency and commodity risks

There have been no material changes in currency risk management since the close of the financial statements at December 31, 2020.

Concerning commodities, at end-2020, out of the quantities budgeted for 2021, hedges had been put in place for 35% of the copper tonnage and 50% of the silver tonnage that could be hedged.

At June 30, 2021, these proportions were increased to 45% and 75% respectively.

Note 12 Right-of-use assets and lease liabilities

Right-of-use assets totaled €45.0 million, down €1.2 million compared with the December 31, 2020 figure. This decrease reflects the combined impact of (i) the recognition of €5.8 million in depreciation, which was largely offset by (ii) €3.6 million in new right-of-use assets recognized during the period and (iii) a €1 million positive currency effect.

Lease liabilities totaled €45.7 million at June 30, 2021, representing a €0.9 million decrease.

Note 13 Other non-recurring income and expenses

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

<i>In millions of euros</i>	First-half 2021	First-half 2020
Disputes and other costs	1.8	(3.1)
Acquisition/start-up costs	(1.9)	(1.1)
Competitiveness plan/restructurings	(1.5)	(0.7)
TOTAL	(1.6)	(4.9)

In first-half 2021, other non-recurring income and expenses represented a net expense of €1.6 million, primarily breaking down as:

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

In the first half of 2020, non-recurring income and expenses represented a net expense of €4.9 million and primarily included:

- Disputes and other costs, including expenses currently in dispute with a customer in the chemicals market.
- Acquisition costs (including start-up costs for the Columbia site) amounting to €1.1 million.
- Restructuring costs of €0.7 million.

Note 14 Segment reporting

<i>In millions of euros</i>	Advanced Materials (AM)		Electrical Power (EP)		Total for continuing operations		
	First-half 2021	First-half 2020	First-half 2021	First-half 2020	First-half 2021	First-half 2020	
Sales to third parties	248.4	248.2	202.5	181.8	450.9	430.0	
Proportion of total	55.1%	57.7%	44.9%	42.3%	100.0%	100.0%	
Segment operating income before non-recurring items	33.7	31.7	18.9	11.3	52.6	43.0	
Recurring unallocated costs					(9.3)	(8.3)	
Segment operating margin before non-recurring items*	13.6%	12.8%	9.3%	6.2%			
Operating income from continuing operations before non-recurring items					43.3	34.7	
Operating margin from continuing operations before non-recurring items					9.6%	8.1%	
Segment non-recurring income and expenses	(0.3)	(4.6)	(1.3)	(0.4)	(1.6)	(5.0)	
Segment operating income	33.4	27.1	17.6	10.9	51.0	38.0	
Segment operating margin*	13.4%	10.9%	8.7%	6.0%			
EBITDA margin ⁽¹⁾	21.1%	20.2%	13.4%	10.6%	15.7%	14.4%	
					Non-recurring unallocated costs	0.0	0.1
					Operating income from continuing operations	41.7	29.8
					Operating margin from continuing operations	9.2%	6.9%
					Net financial expense	(5.6)	(6.1)
					Current and deferred taxes	(9.0)	(5.9)
					Net income from continuing operations	27.1	17.8

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

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

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

Note 15 Payroll costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement indemnities) came to €148.4 million in the first half of 2021 compared with €143.2 million in the same period of 2020.

On a like-for-like basis, payroll costs (including those related to temporary staff) rose by 4.5%. This increase was chiefly due to (i) salary inflation, (ii) a significant increase in provisions for bonuses and profit-sharing in view of the upturn in the Group's results, and (iii) the fact that the temporary furlough schemes used in the second quarter of 2020 came to an end.

Headcount of consolidated companies at end of period by geographical area

Geographical area	June 30, 2021	%	June 30, 2020	%
France	1,315	19%	1,358	20%
Rest of Europe	1,318	19%	1,064	16%
North America	2,085	30%	2,083	31%
Asia	1,607	23%	1,760	26%
Rest of the world	541	8%	551	8%
TOTAL	6,866	100%	6,816	100%

The Group's headcount at June 30, 2021 included 287 additional employees in Europe due to the acquisition of Fusetech on January 1, 2021.

Based on a comparable Group structure, headcount decreased by 237 people.

Note 16 Income tax

<i>In millions of euros</i>	First-half 2021	First-half 2020
Current income tax	(9.9)	(4.8)
Deferred income tax	1.0	(1.0)
Withholding tax	(0.1)	(0.1)
TOTAL TAX EXPENSE	(9.0)	(5.9)

The Group has:

- one consolidated tax group in France;
- one consolidated tax group in the United States;
- two consolidated tax groups in Germany;
- one consolidated tax group in the United Kingdom (Group relief).

The effective tax rate in first-half 2021 was 25% (unchanged from the first six months of 2020).

Note 17 Earnings per share

Basic and diluted earnings/(loss) per share are presented below:

Continuing operations and discontinued operations	First-half 2021	First-half 2020
Numerator: net income used to compute basic earnings per share (net income for the period in millions of euros)	25.5	16.3
Denominator: weighted average number of ordinary shares used to compute basic earnings per share	20,757,137	20,563,217
Maximum effect of dilutive potential ordinary shares: unexercised options	370,501	575,708
Weighted average number of ordinary shares used to calculate diluted earnings/(loss) per share	21,127,638	21,138,925
Basic earnings per share (€)	1.23	0.79
Diluted earnings per share (€)	1.21	0.77

Note 18 Dividends

At the Annual General Meeting held on May 20, 2021, the Company's shareholders approved the payment of a dividend of €0.65 per share for 2020. No dividend was paid for 2019 due to the economic and health crisis triggered by Covid in 2020.

The 2020 dividend was paid in cash in July 2021 and represented a total payout of €13.6 million.

Note 19 Off-balance sheet commitments

There were no material changes in off-balance sheet commitments between December 31, 2020 and June 30, 2021.

Note 20 Events after the reporting period

Between June 30, 2021 and the date the interim financial statements were approved for issue, no events occurred which would require any changes in the value of assets and liabilities or any additional disclosures.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2021 INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Mersen SA for the six months ended June 30, 2021;
- the verification of the information contained in the interim management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed interim consolidated financial statements have been prepared and reviewed under specific conditions. The crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainty about their future prospects. These measures, including travel restrictions and remote working, have also had an impact on the companies' internal organization and on the performance of our work.

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

I – Conclusion on the financial statements

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

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

II – Specific verification

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

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

Paris La Défense, July 29, 2021
KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Paris La Défense, July 29, 2021
Deloitte & Associés

Jean-Claude Berriex
Partner

5 STATEMENT OF THE OFFICER

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

Paris, July 29, 2021

Luc Themelin
Chief Executive Officer

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