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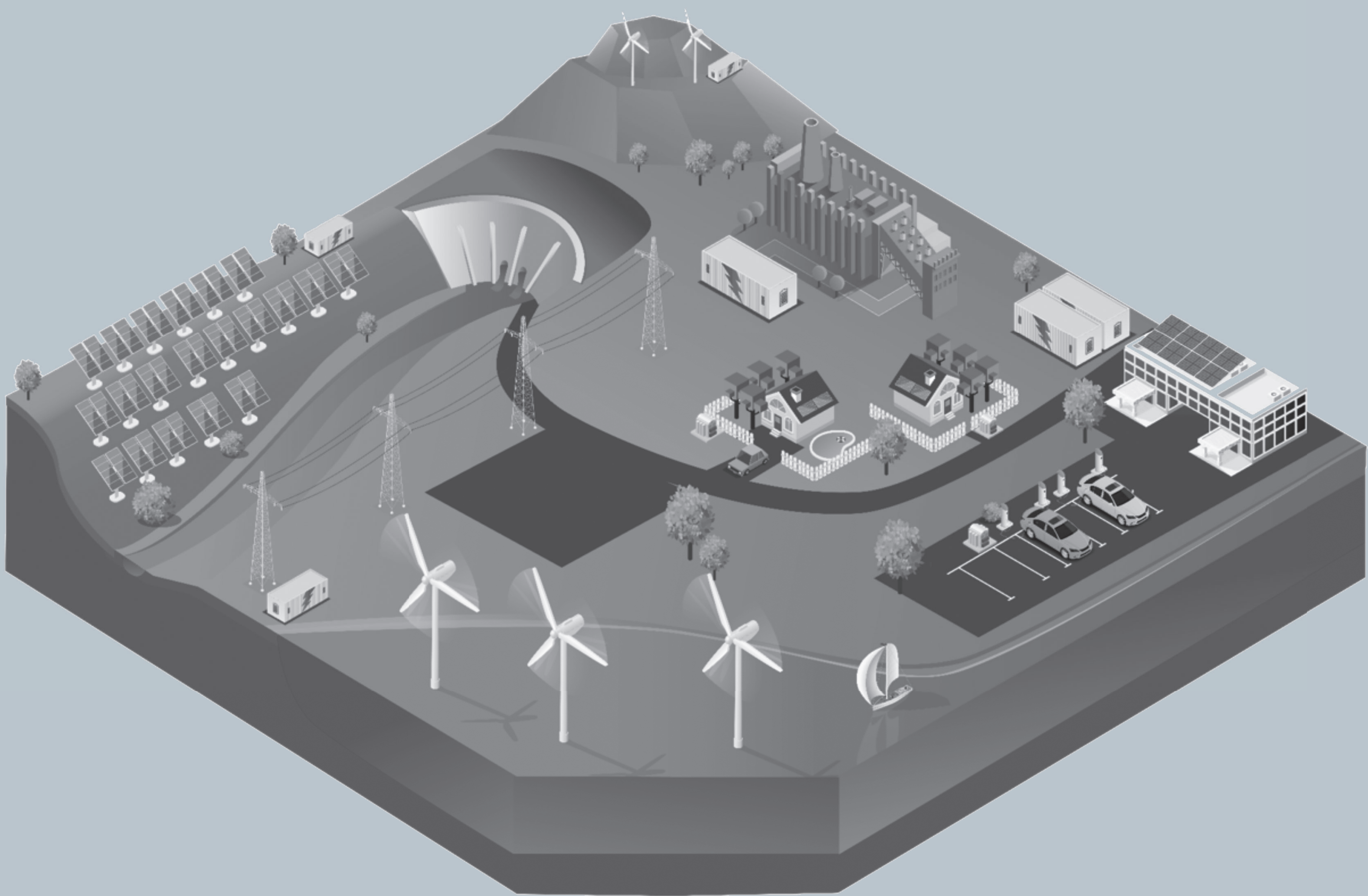
2023 FIRST-HALF FINANCIAL REPORT



MERSEN

2023 first-half financial report

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

1 Management report

Introduction

The first half of 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 the first half of the year, achieving record half-year sales of €608 million. Organic growth represented more than 18% during the period. 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 volume growth, combined with good pricing power in an inflationary context over the period, enabled Mersen to achieve a sharp year-on-year increase in operating income before non-recurring items. This rise takes into account development costs for buoyant Group markets such as electric vehicles and SiC semiconductors, and production ramp-up costs for the Columbia plant.

In keeping with its roadmap, the Group began to significantly increase its capital expenditure in the first half of the year, particularly at the Columbia and Bay City sites in the United States, which will be commissioned in the coming half-years.

These positive factors allowed Mersen to raise its full-year 2023 guidance for sales and operating margin before non-recurring items.

SALES

In the first half of 2023, Mersen's sales totaled €608 million, the highest level ever achieved by the Group. Organic growth was 18.3% year on year, 5% of which was attributable to price increases. Taking into account the unfavorable currency effect, sales grew by 15.9%.

In millions of euros	H1 2023	H1 2022	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	334.3	292.3	17.2%		-2.4%	14.4%
Electrical Power	273.4	232.0	19.5%		-1.4%	17.8%
Europe	203.3	178.4	16.1%		-1.8%	14.0%
Asia-Pacific	150.7	149.3	6.1%		-4.8%	1.0%
North America	234.2	178.5	30.6%		0.5%	31.2%
Rest of the World	19.4	18.1	11.8%		-4.0%	7.4%
GROUP	**607.7**	**524.2**	**18.3%**		**-2.0%**	**15.9%**

By segment

Advanced Materials sales totaled €334 million in first-half 2023, an organic increase of 17.2%. Growth was particularly robust in the SiC semiconductor market. Aeronautics markets continued their recovery. The chemicals market was stable year on year. Lastly, as expected, the renewable energy market reported moderate growth compared with the very strong performance in first-half 2022.

Electrical Power sales totaled €273 million in the first half, up by 19.5% on an organic basis. The process industries market saw solid growth, driven by electrical distribution in the United States and Europe. Sales for electric vehicles also rose steadily.

By geographic area

In **Europe**, organic growth was over 16%, driven by the good performance of the Electrical Power segment in France and Germany. In the Advanced Materials segment, aeronautics experienced robust growth, as did SiC semiconductors.

In **Asia**, Group sales rose by more than 6% compared with the prior year. Momentum was strong in the chemicals market. In solar, as expected, growth was more modest after a record performance in 2022, while sales in the Electrical Power segment decreased in a less favorable economic environment in China.

Lastly, sales in **North America** rose by over 30%, with good momentum in both segments. Electrical distribution continued to deliver solid growth, fueled by prices and volumes. As expected, the semiconductor market was very buoyant, especially for SiC power semiconductors.

Results

EBITDA before non-recurring items and operating income before non-recurring items

In millions of euros	H1 2023	H1 2022
EBITDA before non-recurring items	**100.5**	**86.9**
EBITDA margin before non-recurring items	*16.5%*	*16.6%*
Depreciation and amortization	(31.7)	(31.9)
Operating income before non-recurring items	**68.8**	**55.0**
Operating margin before non-recurring items	*11.3%*	*10.5%*

EBITDA before non-recurring items grew by nearly 16% year on year to €100.5 million, representing 16.5% of sales, in line with first-half 2022 (16.6%).

Despite higher capital expenditure, depreciation and amortization were stable compared with first-half 2022 due to planned commissioning over the coming half-year periods.

Group operating income before non-recurring items totaled €68.8 million in first-half 2023, resulting in an operating margin before non-recurring items of 11.3% of sales, up 80 points versus first-half 2022.

The year-on-year increase was largely due to greater volumes and a high capacity utilization rate. Price increases and productivity plans during the period helped offset the higher cost of raw materials, energy and labor. These results also take into account the additional costs related to the Group's growth projects, the ramp-up of the Columbia plant, the Soitec partnership, and the electric vehicle teams.

Advanced Materials segment

EBITDA before non-recurring items for the Advanced Materials segment was €72.3 million, representing 21.6% of sales versus 22.6% in first-half 2022.

Operating income before non-recurring items for the segment amounted to €50.4 million, resulting in an operating margin before non-recurring items of 15.1% of sales, in line with first-half 2022. The favorable volume effect and price increases offset the higher price of raw materials, energy and labor, as well as the cost of ramping up production at the Columbia site (United States), and the expense for the project with Soitec (SiC semiconductors).

Electrical Power segment

EBITDA before non-recurring items for the Electrical Power segment was €38.4 million, representing 14.1% of sales versus 13.1% in first-half 2022.

This represents an operating margin before non-recurring items of 10.7% of sales, versus 9.1% in first-half 2022. The segment benefited from a favorable volume effect in the period. Price increases more than offset higher raw material and labor costs. The segment also continued to build up its dedicated team for the electric vehicle market over the period.

Group

In millions of euros	H1 2023	H1 2022
Sales	607.7	524.2
Gross income	195.0	163.7
as a % of sales	*32.1%*	*31.2%*
Selling, marketing and other operating expenses	(44.0)	(40.5)
Administrative and research expenses	(81.6)	(67.4)
Amortization of revalued intangible assets	(0.6)	(0.7)
Operating income before non-recurring items	**68.8**	**55.0**
as a % of sales	*11.3%*	*10.5%*

Gross income rose to 32.1% of sales.

Selling, marketing and other operating expenses increased by 9%, mainly due to recruitment in line with the growth plan and to wage inflation.

Administrative and research expenses were up by 21%, reflecting wage inflation, significant provisions for 2023 bonuses, the operational cost of deploying the IT Core Model, and higher R&D costs (including for the project with Soitec).

Net income

Net income attributable to Mersen shareholders rose by more than 25% to €43.9 million in first-half 2023, from €35.1 million in first-half 2022.

In millions of euros	H1 2023	H1 2022
Operating income before non-recurring items	**68.8**	**55.0**
Non-recurring income and expenses	(0.1)	(0.7)
Operating income	**68.8**	**54.2**
Net financial expense	(9.0)	(5.3)
Current and deferred income tax	(13.6)	(10.8)
Net income	**46.1**	**38.2**
Attributable to Mersen shareholders	43.9	35.1
Attributable to non-controlling interests	2.2	3.1

Net financial expense was €9 million, an increase from first-half 2022, due primarily to the steep rise in euro and US dollar interest rates on variable-rate borrowings.

The income tax expense was €13.6 million, corresponding to an effective tax rate of 22.8%, in line with 2022 (22.1%).

Net income attributable to non-controlling interests (€2.2 million) essentially relates to Mersen Yantai (China) and Mersen Galaxy (China), in which Mersen holds a 60% stake.

Cash flow

Condensed statement of cash flows

In millions of euros	H1 2023	H1 2022
Cash generated by operating activities before change in working capital requirement	99.2	82.0
Change in working capital requirement	(44.6)	(70.6)
Income tax paid	(15.4)	(6.1)
Net cash generated by operating activities	**39.2**	**5.3**
Capital expenditure	(61.7)	(33.5)
Disposals of assets and other	0.9	0.3
Net cash used in operating activities after capital expenditure, net of disposals	**(21.6)**	**(27.9)**
Investments in intangible and financial assets	(4.8)	(3.0)
Changes in scope of consolidation	0.0	(1.1)
Net cash used in operating and investing activities	**(26.4)**	**(32.0)**

The Group generated net cash from operating activities of €39.2 million, higher than the €5.3 million reported in first-half 2022, despite a €44.6 million negative change in working capital requirement amid robust business growth. The WCR ratio stood at 23% of sales, lower than at June 30, 2022 thanks to an increase in prepayments on contracts in the SiC semiconductor market. Inventories were intentionally high, to ensure a smooth start to deliveries as part of long-term contracts, particularly in the fields of semiconductors and electric vehicles, and more generally to secure certain supplies. In addition, the Group paid out substantial bonuses in the period for the very good performance achieved in 2022. Income tax paid represented an outlay of €15.4 million, up sharply year on year, as the Group benefited from accelerated tax depreciation in the United States in 2022 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.

Investments

In first-half 2023, capital expenditure totaled €61.7 million, in the context of the Group's medium-term growth plan. More than 55% of this amount will be used for capacity increases as part of the Group's medium-term plan, including the expansion of materials finishing plants and the extension of a plant in France serving the electric vehicle market. Almost 23% of the amount concerns the maintenance, upkeep and modernization of plants and equipment. The remainder covers other growth projects as well as safety and environment initiatives at Group sites.

Intangible assets primarily related to the plan to digitize and modernize information systems and represented €4.8 million.

Statement of financial position

Net debt

The Group's net debt at June 30, 2023 stood at €189.4 million, down sharply compared with December 31, 2022, primarily reflecting the capital increase (net of costs) of €96 million completed in May and, conversely, the significant increase in capital expenditure as part of the Group's growth plan.

Pension obligations stood at €40 million (€39 million at December 31, 2022). Lease liabilities amounted to €54 million (€55 million at December 31, 2022).

The Group has a solid financial structure, with €320 million in undrawn credit facilities and €50 million in available cash at end-June 2023.

The average maturity of the Group's financing is 4.5 years, with no major drawn debt maturities to be met before 2026.

	June 30, 2023	Dec. 31, 2022
Net debt *(in millions of euros)*	189.4	240.6
Leverage	0.98	1.36
Gearing	23%	33%

ROCE

The Group's return on capital employed (ROCE) stood at 13.3% in first-half 2023 (12.5% in 2022), in a favorable context of very significant utilization of production capacity.

	Average of the last three half-year periods	June 30, 2023	Dec. 31, 2022	June 30, 2022
Goodwill	267.6	260.0	262.0	280.9
Other intangible assets	43.7	47.8	42.7	40.6
Land	30.7	29.2	29.0	33.9
Buildings	95.7	95.6	100.3	91.3
Machinery, equipment and other tangible assets	240.1	258.3	241.8	220.2
Property, plant and equipment in progress	86.1	96.3	77.3	84.9
Equity interests	2.2	2.5	2.2	2.0
Other financial assets	3.6	3.3	3.7	3.9
Long-term portion of current tax assets	7.9	6.7	10.0	7.1
Inventories	294.3	316.9	283.2	282.7
Trade receivables	176.3	185.4	167.4	176.0
Contract assets	5.0	3.6	2.4	8.9
Other operating receivables	28.1	28.6	24.6	31.2
Short-term portion of current tax assets	3.9	7.2	2.0	2.3
Current derivatives	4.1	3.3	6.9	2.1
CAPITAL EMPLOYED – ASSETS (A)	**1,289.4**	**1,344.5**	**1,255.6**	**1,268.0**
Trade payables	88.8	95.4	86.6	84.3
Contract liabilities	36.5	49.0	30.5	29.9
Other operating payables	115.2	109.8	117.6	118.2
Short-term portion of current tax assets	6.4	4.8	8.9	5.5
Miscellaneous liabilities	23.9	38.5	5.9	27.4
Current derivatives	2.8	3.3	2.1	3.0
CAPITAL EMPLOYED – LIABILITIES (B)	**273.5**	**300.7**	**251.5**	**268.3**
CAPITAL EMPLOYED ((C) = (A) – (B))	**1,015.8**	**1,043.8**	**1,004.1**	**999.7**

Operating income before non-recurring items for the last 12 months (D)	**135.5**
ROCE = (D) / (C)	**13.3%**

2023 OBJECTIVES

On the strength of its first-half 2023 results, the Group has revised its objectives upward and for 2023 now expects:

- organic growth of between 10% and 12% (versus 5% and 10% previously);
- operating margin before non-recurring items of between 11% and 11.2% of sales (versus between 10.5% and 11% previously);
- capital expenditure of between €150 million and €200 million (unchanged).

These new objectives are based on the assumption of an equivalent or slightly deteriorated economic environment at the end of the year versus the current situation. The slower sales growth expected in the second half is mainly attributable to a high comparable base (growth in the second half of 2022 was much higher than in the first half). The margin objective also takes into account additional costs in the electric vehicle sector and greater depreciation due to equipment commissioning, which were already anticipated in the medium-term plan. Conversely, production ramp-up at the Columbia site (United States) is expected to boost the facility's profitability.

GLOSSARY

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

Capital expenditure: investments in property, plant and equipment.

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

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

Gearing: Covenant net debt divided by equity.

Leverage: Covenant net debt divided by covenant EBITDA.

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

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.

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

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

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.

2 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income

In millions of euros	Note	H1 2023	H1 2022
Sales	14	607.7	524.2
Cost of sales		(412.7)	(360.6)
Total gross income		**195.0**	**163.7**
Selling and marketing expenses		(43.3)	(39.7)
Administrative and research expenses		(81.6)	(67.4)
Amortization of revalued intangible assets		(0.6)	(0.7)
Other operating expenses		(0.7)	(0.8)
Operating income before non-recurring items	**14**	**68.8**	**55.0**
Non-recurring expenses	13	(1.9)	(1.2)
Non-recurring income	13	1.8	0.5
Operating income	14	**68.8**	**54.2**
Financial expenses		(9.0)	(5.3)
Net financial expense		**(9.0)**	**(5.3)**
Income before tax		**59.8**	**49.0**
Current and deferred income tax	16	(13.6)	(10.8)
Net income		**46.1**	**38.2**
Attributable to:			
- Mersen shareholders		43.9	35.1
- Non-controlling interests		2.2	3.1
NET INCOME FOR THE PERIOD		**46.1**	**38.2**
Earnings per share*	17		
Basic earnings per share *(in euros)*		1.96	1.62
Diluted earnings per share *(in euros)*		1.91	1.59

** First-half 2022 earnings per share have been restated to reflect the impact of the capital increase completed in first-half 2023.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	Note	H1 2023	H1 2022
NET INCOME FOR THE PERIOD		**46.1**	**38.2**
Items that will not be subsequently reclassified to income			
Financial assets at fair value through other comprehensive income	11	0.2	(0.0)
Remeasurements of the net defined benefit liability (asset)	9	(0.4)	16.3
Tax impact on remeasurements of the net defined benefit liability (asset)		0.1	(4.1)
		(0.1)	**12.1**
Items that may subsequently be reclassified to income			
Change in fair value of hedging instruments		(0.6)	(1.9)
Change in translation adjustments		(21.8)	28.2
Tax impact on change in fair value of hedging instruments		0.2	0.5
		(22.2)	**26.8**
INCOME AND EXPENSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME		**(22.2)**	**38.9**
TOTAL COMPREHENSIVE INCOME		**23.9**	**77.0**
Attributable to:			
- Mersen shareholders		23.3	73.1
- Non-controlling interests		0.6	3.9
TOTAL COMPREHENSIVE INCOME		**23.9**	**77.0**

Consolidated statement of financial position

Assets

In millions of euros	Note	June 30, 2023	Dec. 31, 2022
NON-CURRENT ASSETS			
Intangible assets	**4/5**		
Goodwill		260.0	262.0
Other intangible assets		47.8	42.7
Property, plant and equipment	**4/5**		
Land		29.2	29.0
Buildings		95.6	100.3
Machinery, equipment and other tangible assets		258.3	241.8
Property, plant and equipment in progress		96.3	77.3
Right-of-use assets	12	51.1	53.5
Non-current financial assets			
Equity interests		2.5	2.2
Other financial assets		3.3	3.7
Non-current tax assets			
Deferred tax assets	16	24.5	22.9
Long-term portion of current tax assets		6.7	10.0
TOTAL NON-CURRENT ASSETS		**875.1**	**845.3**
CURRENT ASSETS			
Inventories		316.9	283.2
Trade receivables		185.4	167.4
Contract assets		3.6	2.4
Other operating receivables		28.6	24.6
Short-term portion of current tax assets		7.2	2.0
Current financial assets	10	38.8	38.5
Current derivatives		3.3	6.9
Cash and cash equivalents	10	50.1	59.2
Assets held for sale	6	8.4	9.7
TOTAL CURRENT ASSETS		**642.4**	**594.0**
TOTAL ASSETS		**1,517.5**	**1,439.4**

Equity and liabilities

In millions of euros	Note	June 30, 2023	Dec. 31, 2022
EQUITY			
Share capital	7	48.8	41.7
Retained earnings and other reserves		672.5	543.3
Net income for the period		43.9	67.7
Cumulative translation adjustments		(11.5)	8.6
EQUITY ATTRIBUTABLE TO MERSEN SHAREHOLDERS		**753.8**	**661.3**
Non-controlling interests		29.8	32.7
EQUITY		**783.6**	**694.0**
NON-CURRENT LIABILITIES			
Non-current provisions	8	6.8	7.1
Employee benefit obligations	9	40.3	38.6
Deferred tax liabilities	16	44.3	41.0
Long- and medium-term borrowings	10	259.6	262.3
Non-current lease liabilities	12	40.6	42.7
TOTAL NON-CURRENT LIABILITIES		**391.6**	**391.7**
CURRENT LIABILITIES			
Trade payables		95.4	86.6
Contract liabilities		49.0	30.5
Other operating payables	8	109.8	117.6
Current provisions	8	4.8	8.2
Current lease liabilities	12	13.3	12.7
Short-term portion of current tax liabilities		4.8	8.9
Miscellaneous liabilities	8	38.5	5.9
Current financial liabilities	10	6.0	60.9
Current derivatives		3.3	2.1
Bank overdrafts	10	12.7	15.2
Liabilities related to assets held for sale	6	4.7	5.2
TOTAL CURRENT LIABILITIES		**342.3**	**353.7**
TOTAL EQUITY AND LIABILITIES		**1,517.5**	**1,439.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Mersen shareholders						
In millions of euros	Share capital	Additional paid-in capital, retained earnings and other reserves	Net income for the period	Cumulative translation adjustments	Total	Non-controlling interests	Total equity
AT JANUARY 1, 2022	**41.6**	**503.4**	**54.4**	**2.8**	**602.3**	**29.1**	**631.3**
Prior-period net income		54.4	(54.4)		0.0		0.0
Net income for the period			35.1		35.1	3.1	38.2
Change in fair value of derivative hedging instruments, net of tax		(1.4)			(1.4)		(1.4)
Financial assets at fair value		(0.0)			(0.0)		(0.0)
Remeasurements of the net defined benefit liability (asset) after tax		12.2			12.2		12.2
Translation adjustments				27.3	27.3	0.9	28.2
TOTAL OTHER COMPREHENSIVE INCOME	**0.0**	**10.7**	**0.0**	**27.3**	**38.0**	**0.9**	**38.9**
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**10.7**	**35.1**	**27.3**	**73.1**	**3.9**	**77.0**
Dividends payable		(20.8)			(20.8)	(0.0)	(20.8)
Treasury shares		(1.8)			(1.8)		(1.8)
Increase/decrease in capital	0.0	(0.0)			0.0		0.0
Stock options and free shares		(0.9)			(0.9)		(0.9)
Other					0.0	0.0	0.0
AT JUNE 30, 2022	**41.7**	**544.9**	**35.1**	**30.1**	**651.8**	**33.0**	**684.8**
AT DECEMBER 31, 2022	**41.7**	**543.3**	**67.7**	**8.6**	**661.3**	**32.7**	**694.0**
Prior-period net income		67.7	(67.7)		0.0		0.0
Net income for the period			43.9		43.9	2.2	46.1
Change in fair value of derivative hedging instruments, net of tax		(0.4)			(0.4)		(0.4)
Financial assets at fair value		0.2			0.2		0.2
Remeasurements of the net defined benefit liability (asset) after tax		(0.3)			(0.3)		(0.3)
Translation adjustments				(20.1)	(20.1)	(1.7)	(21.8)
TOTAL OTHER COMPREHENSIVE LOSS	**0.0**	**(0.4)**	**0.0**	**(20.1)**	**(20.5)**	**(1.7)**	**(22.2)**
COMPREHENSIVE INCOME FOR THE PERIOD	**0.0**	**(0.4)**	**43.9**	**(20.1)**	**23.3**	**0.6**	**23.9**
Dividends paid or payable		(30.2)			(30.2)	(3.4)	(33.7)
Treasury shares		0.3			0.3		0.3
Capital increase	7.1	89.8			97.0		97.0
Stock options and free shares		1.7			1.7		1.7
Hyperinflation		0.3			0.3		0.3
AT JUNE 30, 2023	**48.8**	**672.5**	**43.9**	**(11.5)**	**753.8**	**29.8**	**783.6**

Consolidated statement of cash flows

In millions of euros	Note	H1 2023	H1 2022
Operating activities			
Income before tax		59.8	49.0
Depreciation and amortization		31.7	31.9
Additions to/(reversals of) provisions		(2.2)	(2.4)
Net financial expense		9.0	5.3
Capital gains/(losses) on asset disposals		0.1	0.2
Other		0.9	(2.0)
Cash generated by operating activities before change in working capital requirement		**99.2**	**82.0**
Change in working capital requirement		(44.6)	(70.6)
Income tax paid		(15.4)	(6.1)
Net cash generated by operating activities		**39.2**	**5.3**
Investing activities			
Investments in intangible assets		(4.8)	(3.0)
Investments in property, plant and equipment	4	(61.7)	(33.5)
Changes in scope of consolidation		0.0	(1.1)
Disposals of assets and other		0.9	0.3
Net cash used in investing activities		**(65.6)**	**(37.3)**
Net cash used in operating and investing activities		**(26.4)**	**(32.0)**
Financing activities			
Capital increase	7	95.9	0.0
Sales/(purchases) of treasury shares		0.4	(1.8)
Dividends paid		(3.4)	(0.0)
Interest payments		(7.2)	(3.3)
Repayment of lease liabilities		(6.8)	(7.3)
Increase in borrowings and debt	10	270.2	167.4
Decrease in borrowings and debt	10	(332.4)	(112.3)
Net cash generated by financing activities		**16.8**	**42.6**
Net increase/(decrease) in cash and cash equivalents		**(9.6)**	**10.6**
Cash and cash equivalents at beginning of period	10	59.2	49.5
Impact of currency fluctuations on cash and cash equivalents held		0.5	0.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**10**	**50.1**	**60.4**

3 Notes

Notes to the consolidated 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).

The standards and interpretations effective for annual reporting periods beginning on or after January 1, 2023 are described in Note 3.

The accounting options selected by the Group are described in Note 3 to the 2022 annual report.

The interim consolidated financial statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2022, 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, 2022.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on July 27, 2023.

Note 2 Significant events of the period

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 period ended June 30, 2023 amounted to €100.1 million.

Note 3 Summary of significant accounting policies and methods

The accounting methods used to prepare these interim financial statements are the same as those used for the Group's consolidated financial statements for the year ended December 31, 2022.

New standards and interpretations effective in 2023

No new standards or interpretations effective for annual reporting periods beginning on or after January 1, 2023 had a material impact on the Group's financial statements for the six months ended June 30, 2023.

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, 2022.

Note 4 Goodwill, other intangible assets and property, plant and equipment

Goodwill totaled €260.0 million at June 30, 2023, down €2.0 million compared with December 31, 2022. This decrease was due to the currency effect, mainly the depreciation of the US dollar against the euro.

There was no pending allocation of goodwill at June 30, 2023.

Property, plant and equipment (excluding right-of-use assets) increased by €30.9 million, including the impact of €61.7 million in capital expenditure.

Note 5 Asset impairment tests

The impairment tests carried out at December 31, 2022 revealed that the recoverable amount of the ACE CGU was lower than its carrying amount. The Group therefore recognized an impairment loss against this CGU's goodwill. At June 30, 2023, the results for each CGU and/or annual forecasts do not affect the budget forecasts on which the impairment tests were based at December 31, 2022. In the absence of indications of impairment, the Group considered that no further impairment tests were needed. The next tests are scheduled for the 2023 year-end.

Note 6 Assets held for sale

During the first half of the year, the Group continued the negotiations started late in 2022 to sell a subsidiary in the ACE CGU. The difference between the carrying amount of the assets and their fair value less costs to sell at June 30, 2023 resulted in an additional loss of €1.1 million in the period, recognized under non-recurring expenses.

Net assets held for sale contributed €3.7 million to the consolidated balance sheet at June 30, 2023 (compared with €4.6 million at December 31, 2022).

ASSETS

In millions of euros	June 30, 2023	Dec. 31, 2022
Non-current assets	0.8	1.6
Current assets	7.6	8.1
Assets held for sale	**8.4**	**9.7**

EQUITY AND LIABILITIES

In millions of euros	June 30, 2023	Dec. 31, 2022
Non-current liabilities	0.3	0.5
Current liabilities	4.4	4.7
Liabilities related to assets held for sale	**4.7**	**5.2**
NET ASSETS HELD FOR SALE	**3.7**	**4.6**

Note 7 Equity

During the first half of 2023, the Group issued 3,573,408 shares with a par value of €2 and an issue price of €28 per share. Gross proceeds from the issue amounted to €100.1 million (€95.9 million net of costs).

At June 30, 2023, the Company's share capital therefore amounted to €48,836,624 divided into 24,418,312 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 27,069,628. 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.

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 at June 30, 2023	24,418,312
Number of shares in issue and fully paid-up during the period	3,573,408
Number of treasury shares canceled	
Number of shares in issue and not fully paid-up	
Par value of shares *(in euros)*	2
Mersen shares held by the Company or by its subsidiaries and associates	224,107

Mersen's ownership structure at June 30, 2023 was as follows:

- French institutional investors: 45.3%
- International institutional investors: 38.6%
- Private shareholders: 14.0%
- Employee shareholders: 1.0%
- Treasury shares: 0.9%

Stock options and free shares

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

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

At June 30, 2023, the number of free shares that could potentially vest corresponded to 602,340 new shares (versus 393,600 new shares at December 31, 2022, including 198,900 new ordinary shares allocated as part of the 2023 free share plans), representing 2.5% of the Company's capital at that date. This total included 565,740 free shares granted subject to performance conditions, of which 38,430 to the Chief Executive Officer, Luc Themelin.

A net expense of €1.7 million in respect of share-based payments was recognized in the first half of 2023 (net income of €0.9 million first-half 2022).

Note 8 Provisions, other operating payables, miscellaneous liabilities and contingent liabilities

Provisions amounted to €11.6 million at June 30, 2023 (€15.3 million at December 31, 2022), a €3.7 million decrease mainly attributable to the use of provisions for litigation.

	June 30, 2023		Dec. 31, 2022	
In millions of euros	Non-current	Current	Non-current	Current
- provision for restructuring	1.3	0.5	1.6	1.0
- provision for environmental risks	3.2	0.8	3.3	0.9
- provision for litigation and other expenses	2.4	3.4	2.2	6.4
TOTAL	**6.8**	**4.8**	**7.1**	**8.2**

Significant developments in ongoing litigation and proceedings

Administrative proceedings in France

On February 17, 2023, the Paris Administrative Court of Appeal ruled on the dispute brought by SNCF against Morgan, SGL, Schunk and Mersen in 2013. Under the terms of the ruling, 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.

There were no other significant developments in ongoing litigation and proceedings in the first half of 2023.

The Group is also subject to tax audits, notably in Brazil, Mexico and India, which it contests and for which proceedings are underway with the local authorities or local courts.

Other operating payables, miscellaneous liabilities and contingent liabilities

Other operating payables (€109.8 million at June 30, 2023) mainly comprised personnel and social security payables, VAT and other tax payables (excluding income tax), and prepaid income.

Miscellaneous liabilities (€38.5 million at June 30, 2023) mainly included dividends of €30.2 million to be paid following the Annual General Meeting of May 16, 2023, and amounts payable on property, plant and equipment.

No material contingent liabilities were identified by the Group at June 30, 2023.

Note 9 Employee benefit obligations

The Mersen group's principal pension plans are defined benefit plans and are located in the United States (52% of obligations), the United Kingdom (18% of obligations), France (13% of obligations) and Germany (7% of obligations).

The Group's obligations were measured at December 31, 2022 with the assistance of independent actuaries and in accordance with IAS 19. At June 30, 2023, the Group measured its obligations taking into account the sensitivity assumptions provided by its actuaries at the 2022 year-end, as well as the following changes in discount rates compared with that date:

Region	June 30, 2023	Dec. 31, 2022
France	3.60%	3.70%
Germany	3.60%	3.70%
United States	4.95%	5.15%
United Kingdom	5.14%	4.75%

Reconciliation between assets and liabilities recognized

In millions of euros	June 30, 2023	Dec. 31, 2022
Present value of defined benefit obligation	149.4	146.4
Fair value of plan assets	(109.1)	(107.8)
PROVISION BEFORE IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING	**40.3**	**38.6**
Impact of minimum funding requirement/asset ceiling		
PROVISION AFTER IMPACT OF MINIMUM FUNDING REQUIREMENT/ASSET CEILING (NET PROVISION RECOGNIZED)	**40.3**	**38.6**

In France, a pension reform was published in the *Journal Officiel* gazette on April 14, 2023, raising the retirement age. As a result, the Group deferred the payment of some retirement benefits. The impact, calculated on the basis of lump-sum retirement benefit plans at December 31, 2022, was not material.

The value of the gross benefit obligation and plan assets did not change significantly over the period, due to the relative stability of the discount rates used at June 30, 2023 compared with December 31, 2022. The expense recognized in relation to employee benefit plans amounted to €2.9 million in the six months ended June 30, 2023, compared with €2.8 million in the first half of 2022.

Note 10 Net debt

Mersen has committed credit lines and borrowing facilities totaling €604.7 million, of which 44% had been drawn down at June 30, 2023. Based on the amounts drawn down, the average maturity of these committed facilities is 4.5 years.

To meet the Group's general cash flow requirements, Mersen has entered into the following main committed financing agreements:

- a five-year multi-currency €320 million bank loan, set up in October 2022 and repayable in full at maturity. This loan includes (i) options to extend the maturity to 2029, subject to the banks' approval and (ii) margins indexed to ESG indicators as from December 2023. The interest payable is at a variable rate plus a credit margin that varies mainly according to the leverage covenant and ESG indicators;
- a €20 million five-year bilateral loan with Bpifrance, set up in October 2022, repayable in equal installments. The interest payable is at a variable Euribor rate, plus a credit margin;
- a private placement ("USPP") signed in May 2021 with a pool of North American investors, comprising one tranche of USD 60 million, maturing in 2031, and one tranche of €30 million, maturing in 2028, both of which are redeemable at maturity. The funds became available in October 2021 and were used to redeem the Group's previous USD 50 million USPP that matured in November 2021, as well as to redeem in advance of term part of a €60 million German private placement originally maturing in 2023. The holders of the notes issued under the USPP receive interest at a fixed rate;
- 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;
- 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 2026 following the exercise of an extension option in 2023. These loans are intended to finance the Mersen group's operations in China.

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 June 30, 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

In millions of euros	Amount	Drawdown at June 30, 2023	Utilization rate at June 30, 2023	Maturity: Less than 1 year	Maturity: From 1 to 5 years	Maturity: More than 5 years
Group syndicated loan	320.0	0.0	0%	0.0	320.0	0.0
German private placement	115.0	115.0	100%	0.0	115.0	0.0
US private placement	85.2	85.2	100%	0.0	0.0	85.2
NEU MTN	45.0	45.0	100%	0.0	45.0	0.0
Committed credit lines – China	21.5	0.0	0%	15.2	6.3	0.0
Bpifrance loan	18.0	18.0	100%	4.0	14.0	0.0
TOTAL	**604.7**	**263.2**	**44%**	**19.2**	**500.3**	**85.2**
AVERAGE MATURITY (YEARS)	**4.4**(1)	**4.5**(2)				

(1) Maturity calculated on the basis of authorized amounts.
(2) Maturity calculated on the basis of drawdown amounts.

Analysis of net debt

In millions of euros	June 30, 2023	Dec. 31, 2022
Long- and medium-term borrowings	259.6	262.3
Current financial liabilities	6.0	60.9
Bank overdrafts	12.7	15.2
GROSS DEBT	**278.3**	**338.3**
Current financial assets*	(38.8)	(38.5)
Cash and cash equivalents	(50.1)	(59.2)
NET DEBT	**189.4**	**240.6**

** Including €37.6 million of good quality Chinese bank drafts. Poor quality bank drafts are classified under Other operating receivables.*

Net debt at June 30, 2023 amounted to €189.4 million, compared with €240.6 million at December 31, 2022.

Gross debt stood at €278.3 million, a decrease of €60 million versus end-December 2022, mainly due to the proceeds of €95.9 million net of costs from the capital increase completed in May 2023.

The increase in borrowings and debt during the period, which is recognized in the statement of cash flows for €270.2 million, was mainly due to the issue of NEU CP bonds for €270 million. The decrease in borrowings and debt during the period, recognized in the statement of cash flows for €332.4 million, primarily reflects NEU CP repayments for €325 million and the Bpifrance loan for €2 million.

Of the €278.3 million in gross debt, €263.2 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).

Financial covenants

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	June 30, 2023	Dec. 31, 2022	Ratio	June 30, 2023	Dec. 31, 2022
US private placement Group syndicated loan Committed credit lines – China	<3.5	0.98	1.36	<1.3	0.23	0.33
German private placement	<3.5	0.97	1.36	N/A	N/A	N/A

** In calculating the leverage ratio, 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.*

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 June 30, 2023, there were no material credit lines or borrowings secured by assets or guaranteed by third parties.

Note 11 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.

Classification of financial instruments measured at fair value

June 30, 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 comprehensive income**	**Financial assets at amortized cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
Financial assets measured at fair value										
Unlisted equity interests			2.5			2.5			2.5	2.5
Derivatives held as current and non-current assets		3.3				3.3		3.3		3.3
		3.3	**2.5**	**0.0**	**0.0**	**5.7**	**0.0**	**3.3**	**2.5**	**5.7**
Financial assets not measured at fair value										
Current and non-current financial assets	10			42.1		42.1				
Trade receivables				185.4		185.4				
Cash and cash equivalents	10			50.1		50.1				
		0.0	**0.0**	**277.6**	**0.0**	**277.6**				
Financial liabilities measured at fair value										
Derivatives held as current and non-current liabilities		(3.3)				(3.3)		(3.3)		(3.3)
		(3.3)	**0.0**	**0.0**	**0.0**	**(3.3)**	**0.0**	**(3.3)**	**0.0**	**(3.3)**
Financial liabilities not measured at fair value										
Bank borrowings	10				(259.6)	(259.6)		(241.6)		
Bank overdrafts	10				(12.7)	(12.7)				
Current financial liabilities	10				(6.0)	(6.0)				
Trade payables					(95.4)	(95.4)				
		0.0	**0.0**	**0.0**	**(373.7)**	**(373.7)**				
Carrying amount by category		**0.0**	**2.5**	**277.6**	**(373.7)**	**(93.6)**				

Dec. 31, 2022 *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 comprehensive income**	**Financial assets at amortized cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
Financial assets measured at fair value										
Unlisted equity interests			2.2			2.2			2.2	2.2
Derivatives held as current and non-current assets		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	10			42.2		42.2				
Trade receivables				167.4		167.4				
Cash and cash equivalents	10			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		(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	10				(262.3)	(262.3)		(241.2)		
Bank overdrafts	10				(15.2)	(15.2)				
Current financial liabilities	10				(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)**				

Financial risk management

Credit risk

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

Currency, interest rate and commodity risks

There were no material changes in currency risk management between December 31, 2022 and June 30, 2023.

With regard to interest rate risk, the interest rate cap with a nominal value of €25 million put in place in March 2017 expired in April 2023. At June 30, 2023, gross debt broke down as 71% at fixed rates and 29% at variable rates.

Regarding commodity risk, at end-2022, a portion of the copper and silver tonnage provided for in the 2023 budget had been hedged. Since December 31, 2022, additional hedges have been put in place for the copper provided for in the 2023 and 2024 budgets. Also note that higher commodity prices were offset overall by selling price increases.

Note 12 Right-of-use assets and lease liabilities

Right-of-use assets totaled €51.1 million at June 30, 2023, down €2.4 million compared with the December 31, 2022 figure. This fall was due to a depreciation expense of €6.1 million and a €1.2 million negative currency effect on right-of-use assets held in Chinese renminbi, partly offset by an increase in right-of-use assets linked to the signing of new contracts for €4.8 million.

Lease liabilities totaled €53.9 million, representing a €1.5 million decrease.

Note 13 Other non-recurring income and expenses

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

In millions of euros	H1 2023	H1 2022
Litigation and other costs	(0.4)	(0.4)
Restructuring costs		(0.3)
Impairment of assets	0.3	
TOTAL	**(0.1)**	**(0.7)**

In first-half 2023, non-recurring income and expenses represented a net expense of €0.1 million, primarily breaking down as:

- net reversals of impairment of assets for €0.3 million, including a €1.1 million expense on assets held for sale (see Note 6), and a €1.4 million reversal of impairment of industrial equipment;
- net expenses of €0.4 million for litigation and other costs relating to asset disposals and site relocations.

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

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

Note 14 Segment reporting

In millions of euros	H1 2023				H1 2022			
	Advanced Materials (AM)	Electrical Power (EP)	Unallo-cated – Holding company costs	GROUP TOTAL	Advanced Materials (AM)	Electrical Power (EP)	Unallo-cated – Holding company costs	GROUP TOTAL
Sales	334.3	273.4		**607.7**	292.3	232.0		**524.2**
Proportion of total	55.0%	45.0%		**100.0%**	55.8%	44.2%		**100.0%**
EBITDA before non-recurring items*	**72.3**	**38.4**	**(10.2)**	**100.5**	**66.1**	**30.4**	**(9.7)**	**86.9**
EBITDA margin before non-recurring items	*21.6%*	*14.1%*		***16.5%***	*22.6%*	*13.1%*		***16.6%***
Depreciation and amortization	(21.9)	(9.1)	(0.7)	**(31.7)**	(22.1)	(9.2)	(0.6)	**(31.9)**
Operating income before non-recurring items	**50.4**	**29.4**	**(10.9)**	**68.8**	**44.1**	**21.2**	**(10.3)**	**55.0**
Operating margin before non-recurring items	*15.1%*	*10.7%*		***11.3%***	*15.1%*	*9.1%*		***10.5%***
Non-recurring income and expenses	(1.3)	(0.3)	1.5	**(0.1)**	0.2	(0.4)	(0.5)	**(0.7)**
Operating income	**49.1**	**29.0**	**(9.4)**	**68.8**	**44.2**	**20.8**	**(10.8)**	**54.2**
Operating margin	*14.7%*	*10.6%*		***11.3%***	*15.1%*	*9.0%*		***10.3%***
Net financial expense			(9.0)	**(9.0)**			(5.3)	**(5.3)**
Current and deferred income tax			(13.6)	**(13.6)**			(10.8)	**(10.8)**
Net income				**46.1**				**38.2**

** EBITDA before non-recurring items is equal to operating income before non-recurring items, depreciation and amortization.*

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

Note 15 Payroll costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement benefits) came to €190.6 million in the first half of 2023 compared with €165.4 million in the same period of 2022.

At constant exchange rates, payroll costs (including those related to temporary staff) rose by 16.2%. This increase was chiefly due to wage inflation and new hires over the period.

Headcount of consolidated companies at end of period by geographical area

Geographical area	June 30, 2023	%	June 30, 2022	%
France	1,360	18%	1,308	18%
Rest of Europe	1,472	19%	1,389	19%
North America and Mexico	2,536	34%	2,512	34%
Asia	1,686	22%	1,628	22%
Rest of the World	534	7%	552	7%
TOTAL	**7,588**	**100%**	**7,389**	**100%**

The Group's headcount increased by 199 people over the period (mainly in Europe), including around 30 people in connection with the electric vehicle business.

Note 16 Income tax

In millions of euros	H1 2023	H1 2022
Current income tax	(10.1)	(10.2)
Deferred income tax	(3.3)	(0.4)
Withholding tax	(0.2)	(0.3)
ACTUAL INCOME TAX BENEFIT (EXPENSE) RECOGNIZED	**(13.6)**	**(10.8)**

The Mersen group has consolidated tax groups in France, Germany, the United Kingdom (group relief) and the United States. The effective tax rate in first-half 2023 was 23% (versus 22% in first-half 2022).

Note 17 Earnings per share

Basic and diluted earnings per share are presented below:

	H1 2023	H1 2022 (restated)
Net income attributable to Mersen shareholders *(in millions of euros)*	43.9	35.1
Weighted average number of ordinary shares* used to calculate basic earnings per share	22,404,454	21,642,747
Maximum effect of dilutive potential ordinary shares	602,340	394,284
Weighted average number of ordinary shares* used to calculate diluted earnings per share	23,006,794	22,037,031
Basic earnings per share *(in euros)*	1.96	1.62
Diluted earnings per share *(in euros)*	1.91	1.59

** Excluding treasury shares.*

The Group has restated 2022 earnings per share to take account, in accordance with IAS 33, of the impact of the capital increase with preferential subscription rights completed in May 2023. 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 June 30, 2023, the number of ordinary shares was 24,418,312.

Note 18 Dividends

The Annual General Meeting of May 16, 2023 approved a dividend payment of €1.25 per share in respect of 2022. The dividend was paid in cash in July 2023 and represented a total payout of €30.2 million.

Note 19 Off-balance sheet commitments

Off-balance sheet commitments increased by €19.6 million between December 31, 2022 and June 30, 2023, mainly due to the issue of advanced payment guarantees for prepayments made by clients under business contracts, particularly new contracts related to SiC semiconductors.

Note 20 Events after the reporting period

Between June 30, 2023 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 2023 interim financial information

For the six months ended June 30, 2023

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 for the six months ended June 30, 2023;
- the verification of the information contained in the interim management report.

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

I – Conclusion on the financial statements

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

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

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

II – Specific verification

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

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

Paris La Défense, July 27, 2023

The Statutory Auditors

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

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 presets 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 27, 2023

Luc Themelin

Chief Executive Officer

Expertise, our source of energy

GLOBAL EXPERT
IN ELECTRICAL POWER
& ADVANCED MATERIALS

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