



ESG presentation

September 2021

A **global player** at the heart of **technologies** who drives the industry forward and shapes a **more sustainable society**

Key figures

€ 847m 2020 sales

€ 123m 2020 EBITDA
14.5% of sales

6,400 employees

16 R&D centers

35 countries

Commitments for sustainability

Sustainable development



56%

of sales linked to sustainable dvpt

Waste recycling



60%

Safety at work



1.54
LTIR

Human capital richness



91%

of employees proud to be part of the Group

Diversity



35%

Women in the workforce

Recognition



Customers,
Supply chain

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

MSCI-ESG rating

What makes Mersen unique?



Expertise

**Advanced
Materials**

Electrical Power

Efficient innovation

Competitive differentiation

High barriers of entry (graphite formulation, electrical regulations and standard)

Customized products (>65%)

Global footprint

Positioned on attractive markets

Sustainable development markets (Renewable energies, Electronics and green Transportation)

Highly buoyant markets:
SiC semicon, EV, Solar

Excellence to drive cash-flow

Solid balance sheet and cash generation

High gross margin

Lean culture deployment

CSR commitments for overall improvement

#1 or 2 on each activity with c. 15-30% market share

Advanced Materials: High value-added customized solutions relying on a unique materials expertise

Anticorrosion Equipment N° 1-2 Worldwide



Engineering systems



Columns, reactors and pressure vessels



Heat exchangers



Graphite Specialties N° 1-2 Worldwide



Laser galvo scanning mirrors in Sintered SiC



Wafers carrier in ultra pure graphite for Semicon



Ultra pure graphite electrodes for polysilicon production



Carbon insulation for high temperature furnaces

Power Transfer Technologies N° 1-2 Worldwide



Brushes and brush holders



Slip-rings



Total Monitoring & DustCollector



Lubricating sticks & applicators for wheel/rail contact

Competitors

SGL Carbon (Ger)

SGL Carbon (Ger), Tokai Carbon (Jp),
Toyo Tanso (Jp), Schunk (Ger)

Morgan Advanced Materials (UK), Schunk (Ger)

Electrical Power: A **unique portfolio** serving **two key applications**



Electrical Protection N° 2 Worldwide in industrial fuses



Fuses and fuse holders

Surge protection devices

Coverage of all standards worldwide: UL, IEC, DIN, etc.

Competitors: Eaton(US), Littelfuse (US)

Power Conversion N° 2 Worldwide (components)



Fuses for semiconductors

Busbars

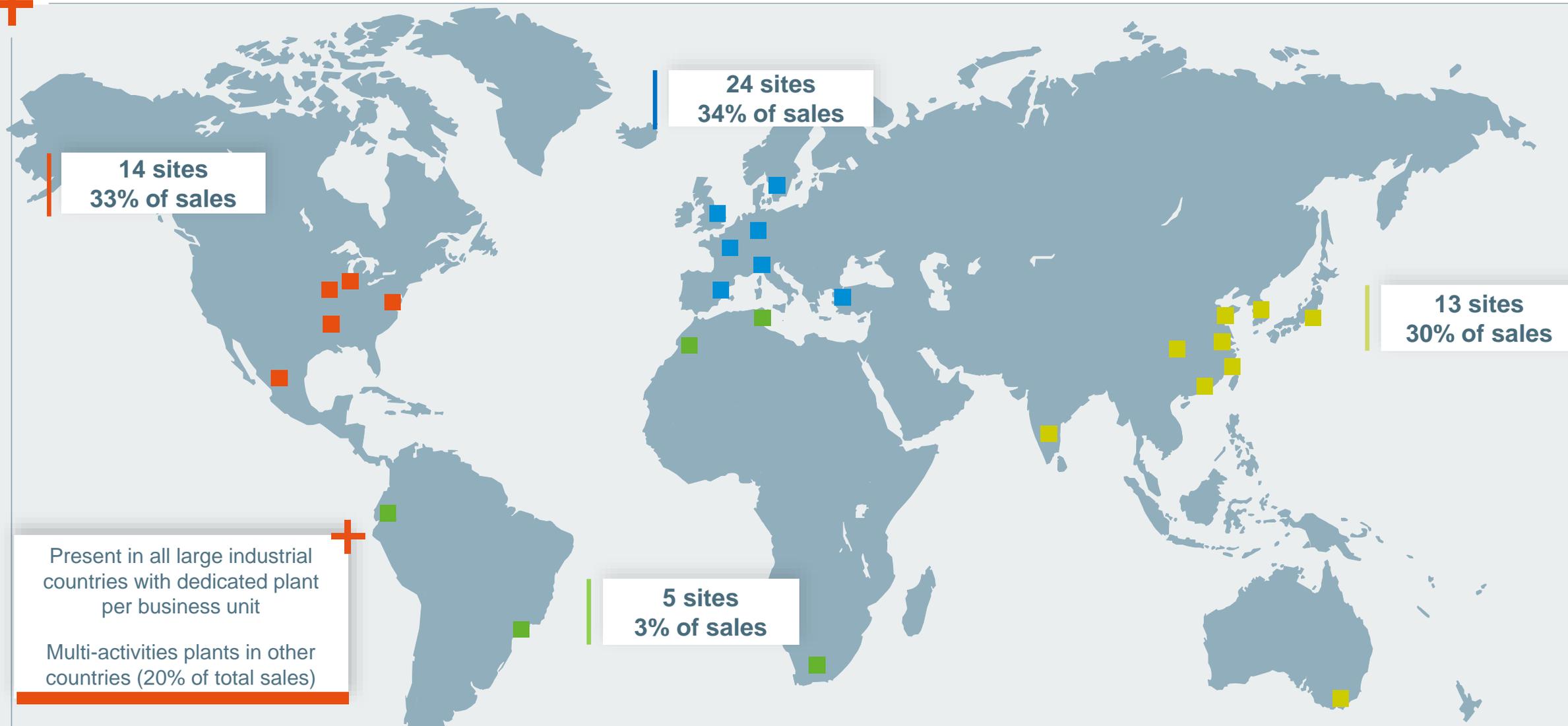
Cooling devices

Capacitors

Only customized offering of **bundled passive components** on the market

Competitors: Eaton (US), Rogers (US), Methode (US), Lytron (US), Cornell Dubilier (US), Panasonic (Jp)

A global footprint to **maximize** customer intimacy



Situation as of December 2020

Prestigious and exacting customers



	PROCESS INDUSTRIES	CHEMICALS	TRANSPORTATION	ELECTRONICS	ENERGY
> 65% customized products	 		 	 	
Replacement market 65% of sales	 		 	 	
Largest client ~3% of sales			 	 	
Longstanding ties	 		 		

A longstanding sustainability strategy



2010

Set-up of a sustainability report

Formalization of longstanding practices

Corporate governance improvements

2018

Sustainability Materiality matrix

Sustainability roadmap and mid-term targets on:

- Ecological transition
- Waste
- Supply chain
- Health & Safety
- Outreach
- Diversity
- Training

2021

New non financial objectives on:

- Climate change
- Diversity in senior management

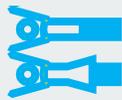
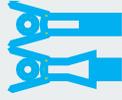
2022

Update of Sustainability materiality matrix

New mid-term roadmap

A strong commitment to **social responsibility**



		Target 2021	Achieved in 2020
 PLANET	ECOLOGICAL TRANSITION % of sales to sustainable dvpt	55%	56%
	CLIMATE CHANGE Intensity of GHG emissions (scopes 1 & 2)	- 20% by 2025 compared with 2018	<i>N/M. Target set up early 2021</i>
	WASTE Industrial waste recycling rate	+15-point	+14-point
	 SUSTAINABLE SUPPLY CHAIN Evaluation of suppliers	Evaluate our strategic suppliers	Charter signed by 46% of suppliers
 PEOPLE	HEALTH & SAFETY LTIR, SIR, Safety visits	+15% in the number of safety visits LTIR ≤1.40 and SIR ≤60 in 2021	+ 10.9% LTIR = 1.54 and SIR = 64
	OUTREACH Human potential success rate	+3 point	+2 point
	DIVERSITY % women managers & executives	25% to 30% by 2022	24.2%
	 TRAINING % managers trained to Open Manager	100%	69%

CSR Governance



A recognized commitment and improvement for **all stakeholders**



from **BBB** in October 2019
to **A** in 2021



from **Bronze** in Feb. 2020
to **Gold** in Sept. 2021



2020: first year to disclose on Climate Change and Water Security
2021: Ongoing



WE SUPPORT

Signatory since 2009
Advanced scope status since 2021

Values & Ethics **shared** by all employees



Available in 14 languages



■ Governance

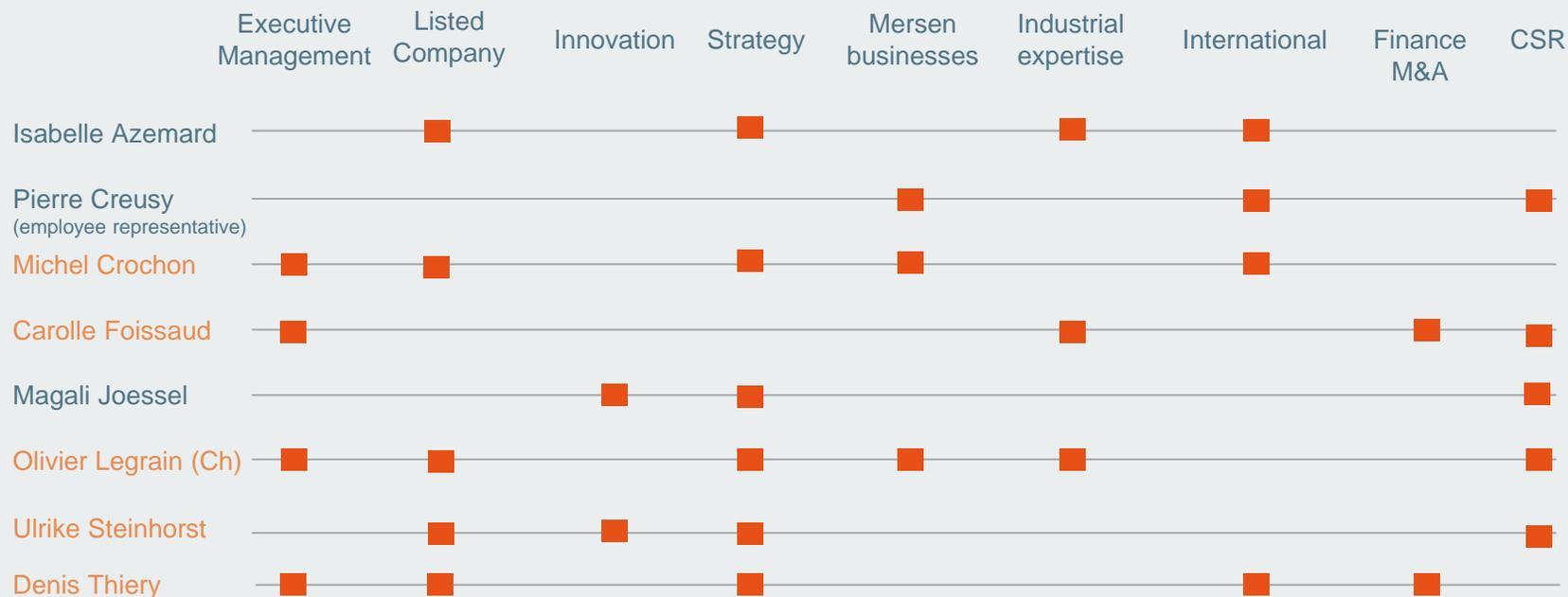
- Chief Compliance Officer reporting to the Audit & Account committee
- Quarterly Ethics & Compliance committee chaired by the CEO
- Whistleblowing system (global and local – France, China, USA)

■ Training programs

- Ethics: for all employees
- Anti-corruption: for the positions concerned (management, sales, procurement, finance)

■ Compliance is part of the review of internal control.

High quality board of directors



62% independent

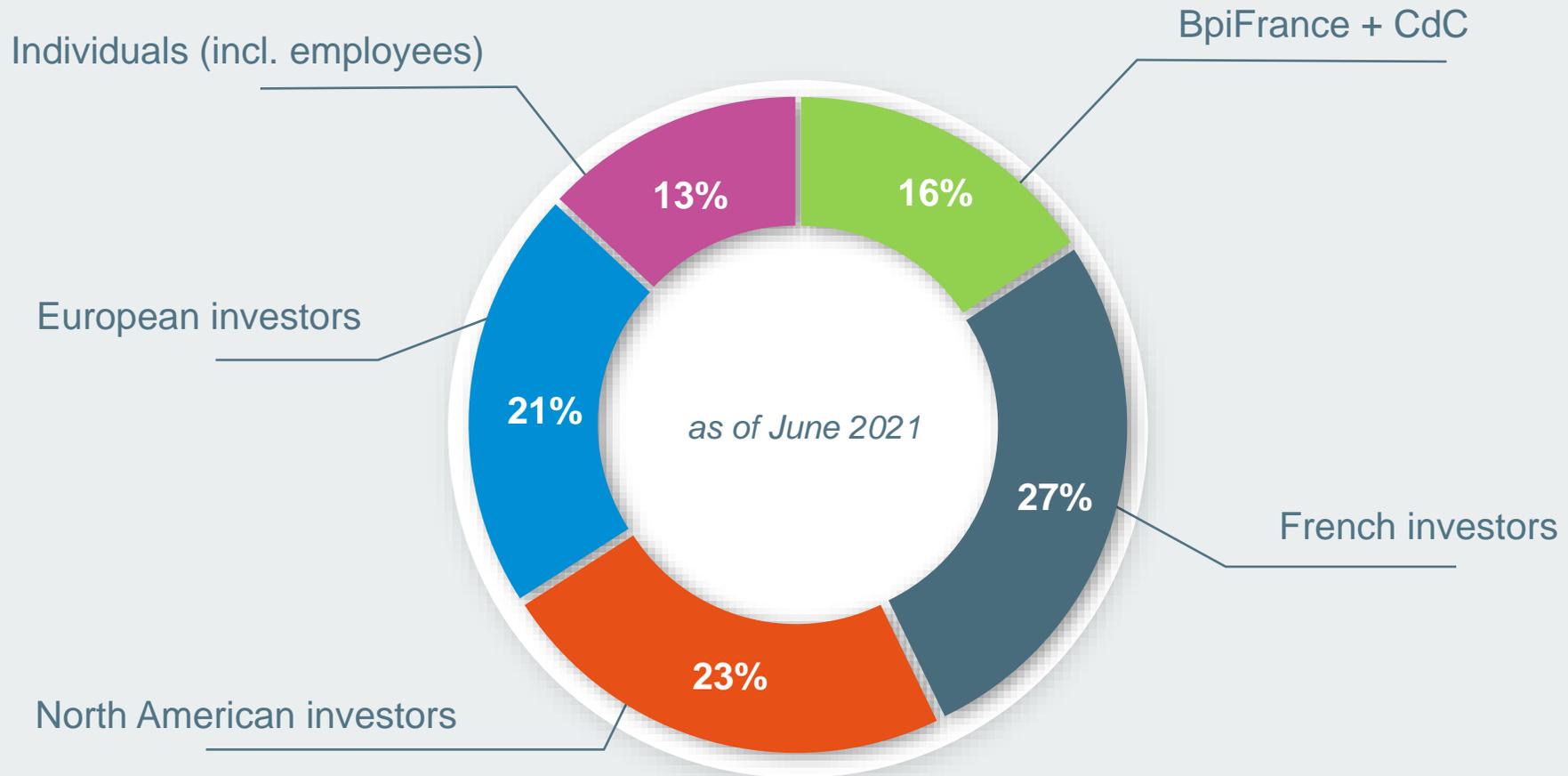
50% women

97%
attendance rate in 2020
(11 meetings)

Excluding Luc Themelin, CEO appointed in May 2021

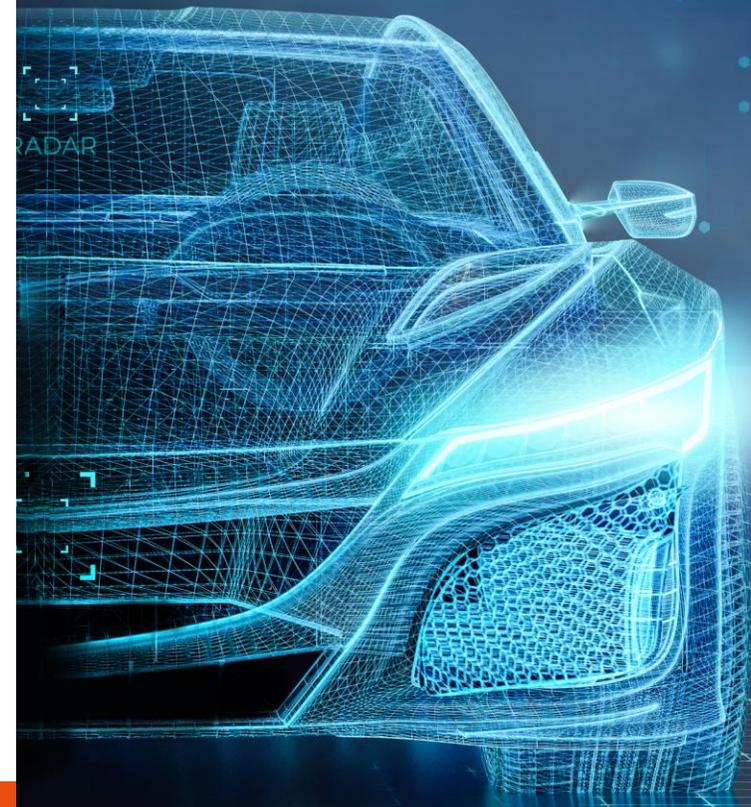
Independent members

Diversified shareholding base



01

Our growth markets



AUTONOMOUS

SAFE
1G*2 +
TTS FPGH

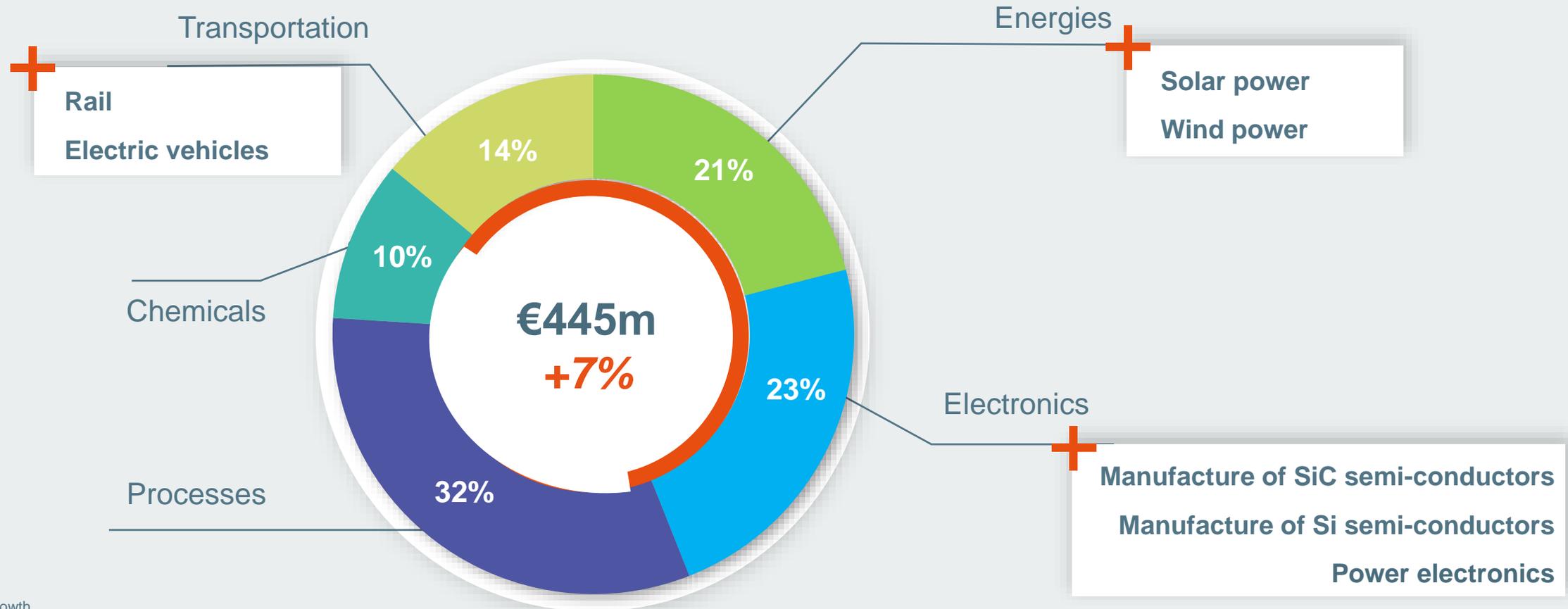
SENSOR
ACTIVE
INT*3 +
TTS SENSOR GROUP 3-TZ

7A



Sustainable development markets are propelling growth

56% of sales linked to sustainable development markets
+11%* vs H1 2020



* Organic growth

Strong first-half performances, enabling the Group to raise its objectives for 2021



		2021 Original forecasts	2021 New forecasts
Energy	+ Solar power	↗ ↗	↗ ↗
	+ Wind power	→	→ ↗
	Conventional energy	→	→
Electronics	+ Manufacture of SiC semi-conductors	↗ ↗	↗ ↗ ↗
	+ Manufacture of Si semi-conductors	→ ↗	↗
	+ Power electronics	→ ↗	↗
Transportation	+ Rail	→	→ ↘
	Aeronautics	↘ ↘	↘ ↘
	+ Electric vehicles	→	↗ ↗
Chemicals	Corrosive chemicals	→	→ ↘
Processes	Metallurgy Heat treatment Ceramics Glass, ...	↗ ? ↗ ↗	↗ ↗

Solar power: significant potential for Mersen **by focusing on premium quality**



A GROWING MARKET

- Expected installations in 2021: 145 GW
- Mid-term growth: 15% on average/year



TRUSTED RELATIONS WITH CUSTOMERS across the whole value chain

- Solar cell manufacturers:
 - Jinko, Longi, Zhonghuang
 - New Chinese entrants
- Inverters
 - TMEIC
 - Power Electronics
 - Fronius



CONTINUED TECHNICAL INNOVATIONS

- Increasing the size of cells for more yield
- Local insulation and composite offerings (Mersen Galaxy)



2021

- H1 sales: €33m
- Strong growth in Q2 (up by >15%)
- H2 growth expected to be less strong due to temporary shortages of polysilicon

MID-TERM ANNUAL REVENUE

€100M

The power semiconductor market is growing fast and is preparing for the needs of the EV market



A UNIQUE EXPERTISE

- Key products for the SiC ingot manufacturing process (graphite, insulation)
- Positioned in the innovative domains of the future: Expertise in SiC substrates (European Transform project)



OPERATING ACROSS ALL GEOGRAPHIES, CLOSE TO INDUSTRY PLAYERS

- Long-standing market players (including pioneers in SiC semiconductors)
- New players in China (5G applications)
- Start-ups, new entrants (Europe, South Korea, Japan, etc.)



2021

- H1: €20m
- Very strong growth in H1 2021 (>+50%)
- Ongoing robust business levels expected in H2

MID-TERM ANNUAL REVENUE

€50-60M

EV: major steps forward



RELATIONS WITH

- Traditional car manufacturers
- New players
- Tier-one suppliers for manufacturers
- Battery manufacturers



PARTNER OF THE AUTOMOTIVE INDUSTRY

- Contract with Marquardt, production to start-up in 2022
- Strategic partnership with Autoliv (target: vehicles over 800V)



2021

- H1 sales: €8m
- Strong growth in H1
- H2: continued buoyant business



MID-TERM ANNUAL REVENUE

€40-70M

Continued optimization of the manufacturing base to prepare for the future



Semiconductor market

- Project for a new extended plant in South Korea

Electric vehicle market

- Strengthened dedicated team
- Large-scale production of EV fuses in China and Mexico

Columbia (USA)

- Start-up of the GRI insulation line (Americarb)
- Start-up of extruded graphite production (process industries)



Operating efficiency of EP segment

- European production of DIN-standard fuse switch disconnectors grouped at the Fusetech site in Hungary (closure of the Czech Republic plant)

- Transfer of production of surge protection products from Guangzhou to the new ChangXing site that opened in 2020 in China

Information Systems

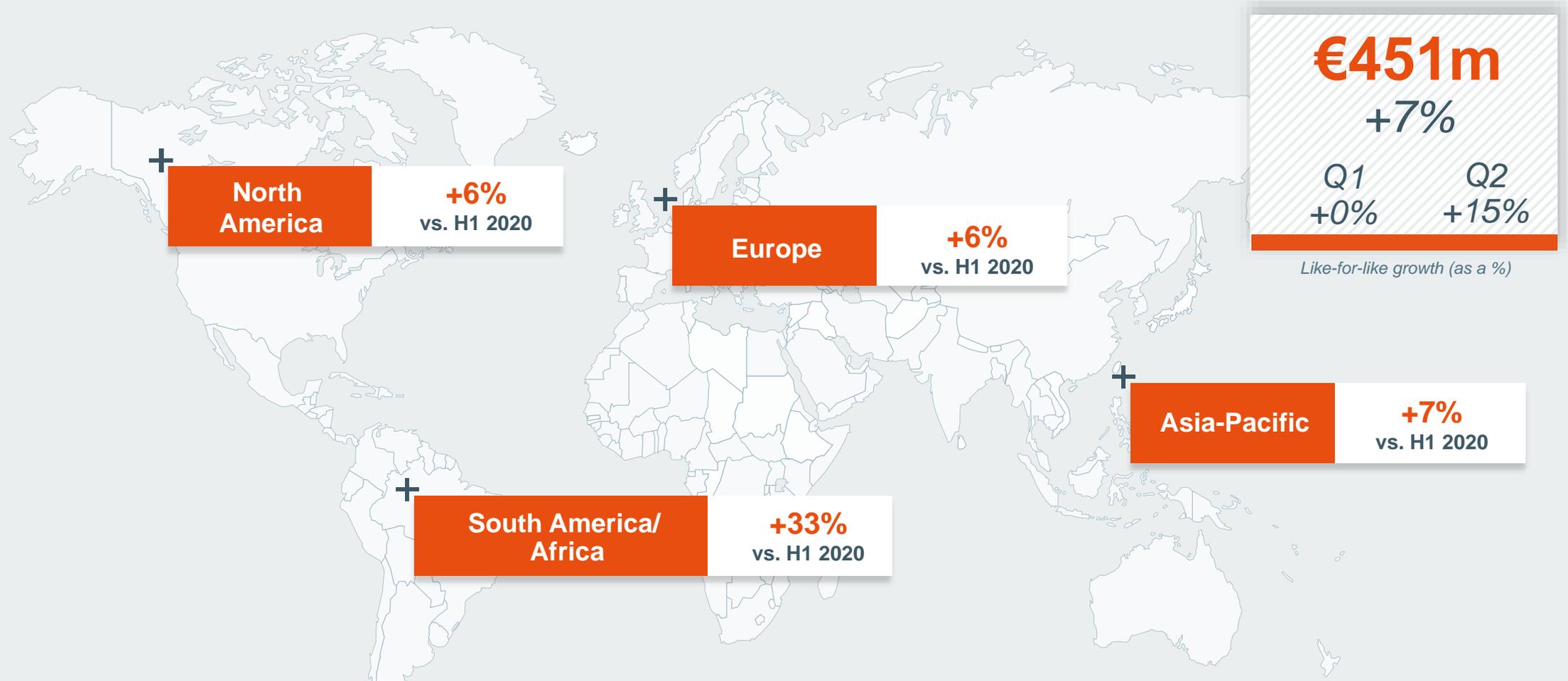
- New Group ERP version
- *Customer Relationship Management (CRM)*
- *Manufacturing Execution System (MES)*
- Process digitalization

A person wearing a blue lab coat, a blue surgical cap, and a white face mask is holding a large, circular, blue-tinted object. The person is standing in a laboratory or cleanroom environment, with a glass partition visible in the foreground. The background is slightly blurred, showing industrial equipment and a clean, bright atmosphere.

02

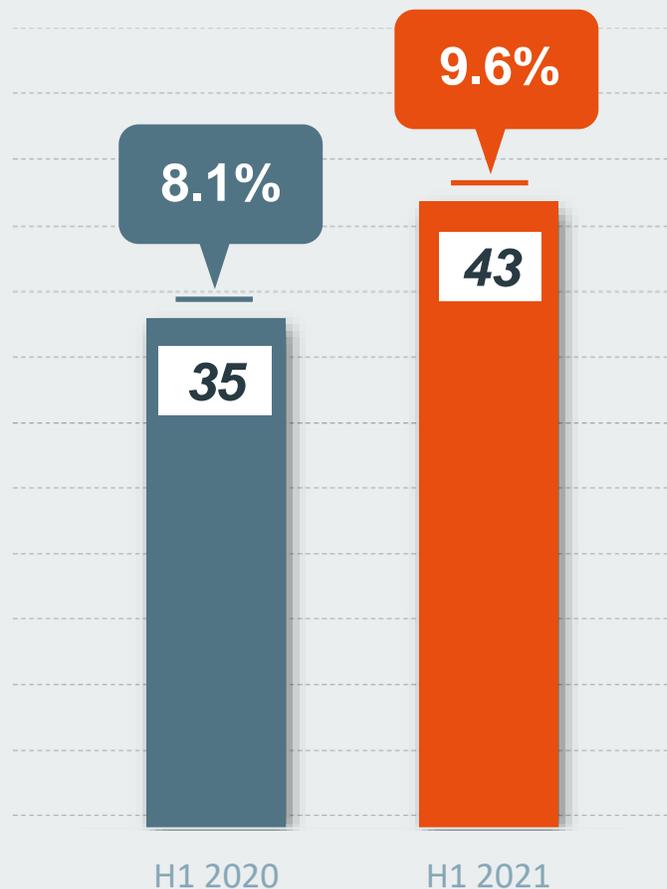
**First-half
2021 results**

Return to growth in H1 2021, with an acceleration in the 2nd quarter



Significant increase in profitability

Operating margin before non-recurring items (% of sales)
 Operating income before non-recurring items (€m)



H1 2020 operating margin before non-recurring items

8.1%

Volume/mix effects	+2.1
Structural savings (adaptation plan)	+1.1
Net temporary savings	-0.2
Productivity gains	+1.0
Cost inflation	-0.9
Raw material effect (net of prices)	-0.5
Bonus, profit-sharing	-0.6
Depreciation, fx, scope	-0.5

H1 2021 operating margin before non-recurring items

9.6%

H1 2021 EBITDA
€71m
15.7% of sales

H1 2020 EBITDA
 €62m
 14.4% of sales

Structural and temporary impacts



Structural savings (Adaptation plan)

<i>millions d'€</i>	2020	H1 2021	FY 2021	2022	Total
Restructuring cost (P&L)	17	2	5		22
Expected savings compared with the 2019 cost structure		4	10	16	16/y
Cash-out	5	5	10	7	22

Plan on track (costs, savings)
Postponement of some cash payments to 2022

Temporary Impacts (Covid crisis)

H1 2021 vs H1 2020

- Reduction in travel expenses, Trade shows, ...
- Non-renewal of Covid-related financial aids
- Additional costs from Covid not renewed in part

Net impact : -€1m

Out of Covid context

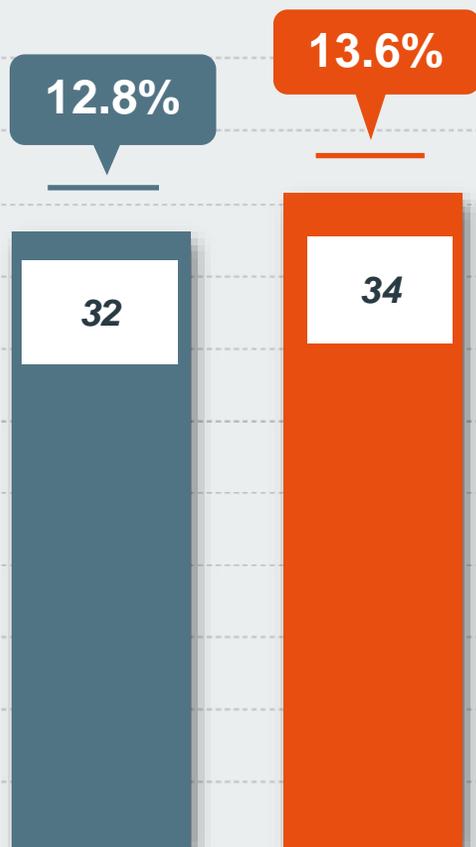
Return of travel and marketing expenses mostly offset by expected savings from the adaptation plan

Both of the Group's segments contributed to **profitability growth**



Operating margin before non-recurring items (% of sales)
Operating income before non-recurring items (€m)

Advanced Materials

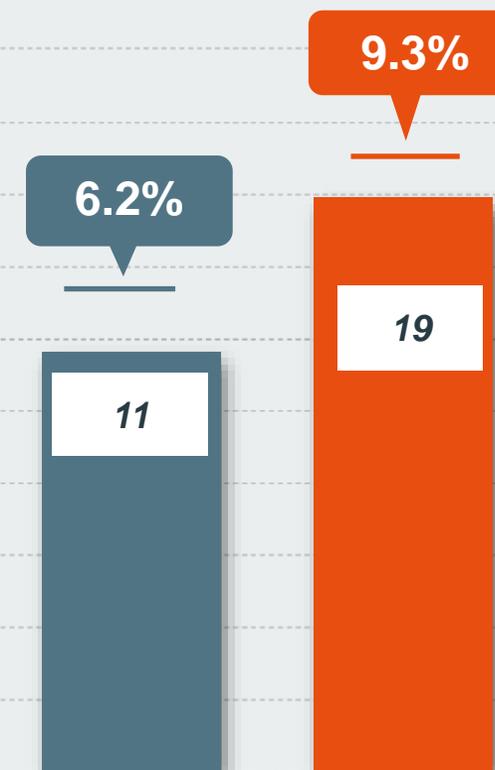


H1 2020

H1 2021

- **AM segment**
 - Slight positive volume effect
 - Positive effect of adaptation plan
- **EP segment**
 - Important positive volume effect
 - Favourable mix effect
 - Positive effect of adaptation plan
 - Negative raw materials impact partially offset by price increase

Electrical Power



H1 2020

H1 2021

Net income up by more than 50%

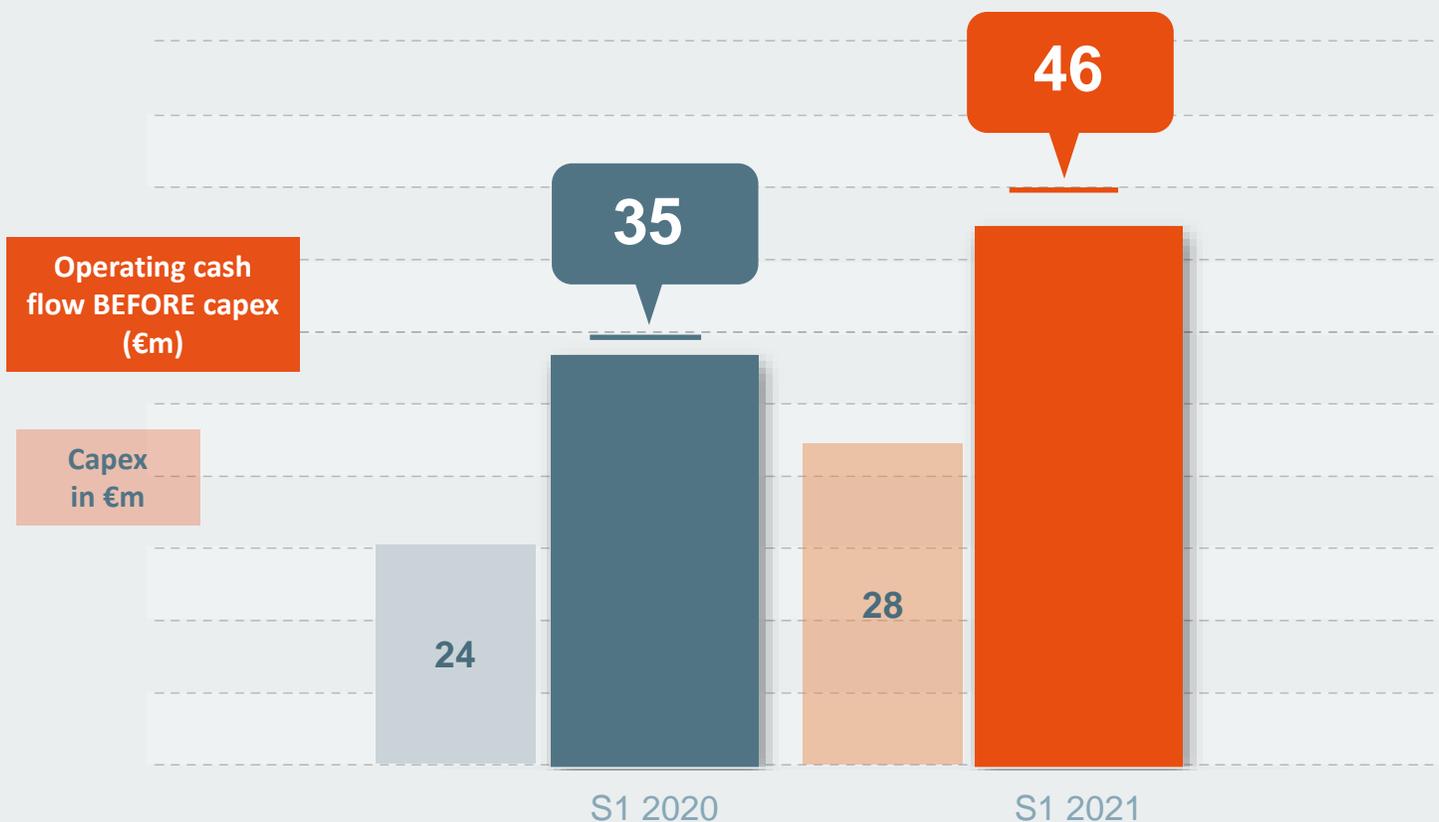


In €m	H1 2020	H1 2021
Operating income before non-recurring items	34.7	43.3
Non-recurring income and expenses	(4.9)	(1.6)
Net financial expense	(6.1)	(5.6)
Income tax	(5.9)	(9.0)
Net income	17.8	27.1
Attributable to owners of the parent	16.3	25.5

Non-recurring expenses
*Mainly Columbia (USA),
 restructuring costs partly offset by
 favorable dispute settlements*

Effective tax rate: 25%
the same as in H1 2020

Higher operating cash flow generation



Cash flow conversion*
65%

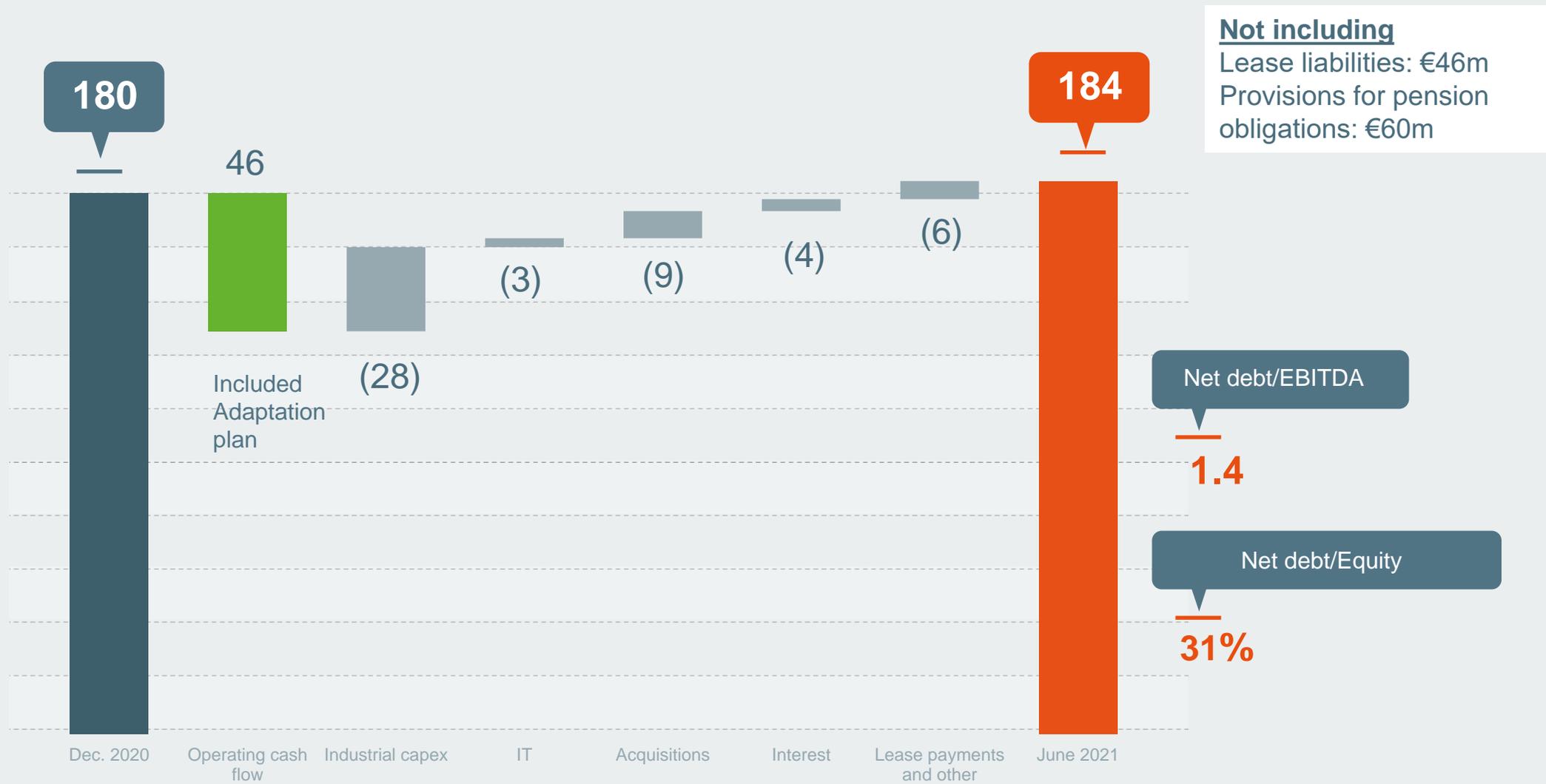
Funding for capex
€28m



WCR 20% of sales
(28% in H1 2020)

* Operating cash flow before capex/EBITDA

Stable net debt, enabling the Group to finance its future growth



A solid balance sheet with average debt maturity raised to 6 years after the new USPP

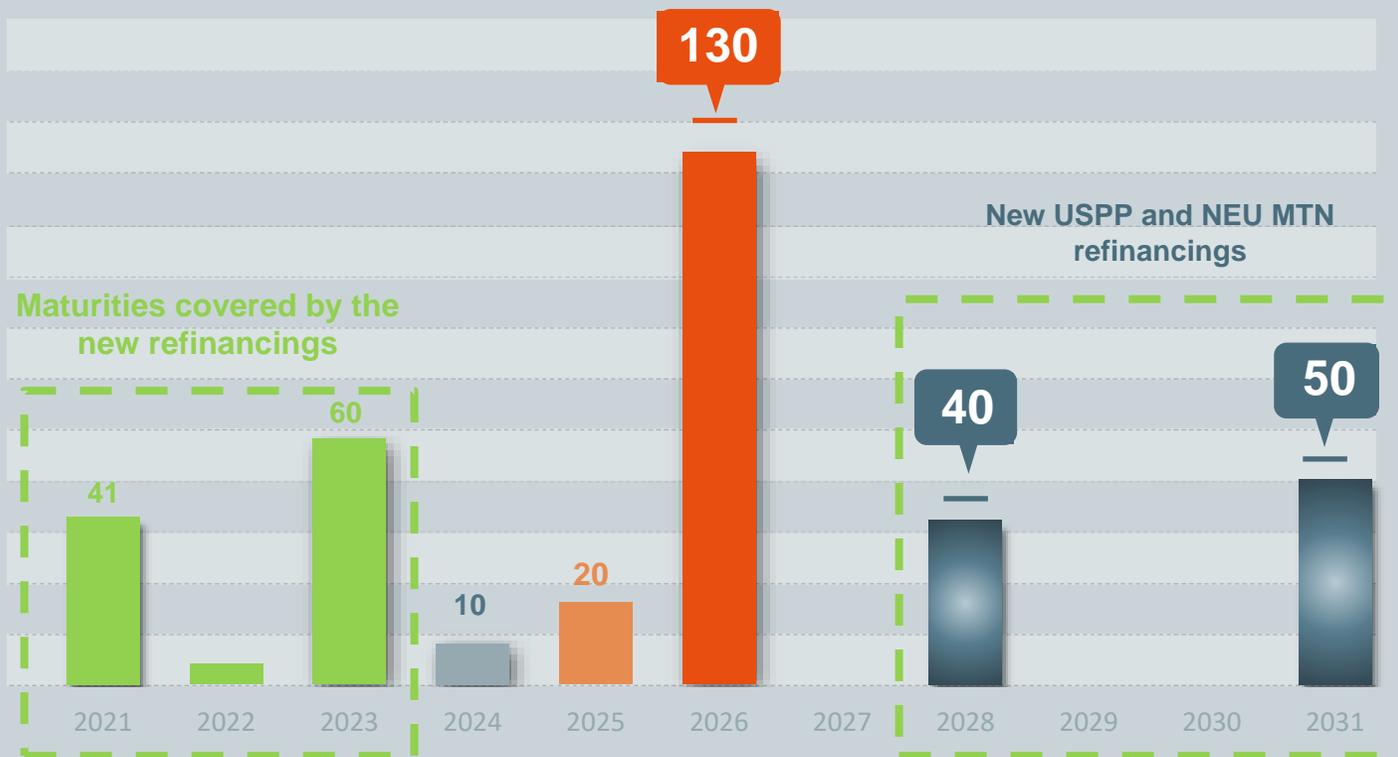


MATURITY SCHEDULE OF CONFIRMED FACILITIES DRAWN DOWN AT DECEMBER 31, 2020 (IN €M)



- USPP
- Schuldschein
- NEU CP and syndicated loan
- NEU MTN

REPAYMENT SCHEDULE OF COMMITTED FACILITIES DRAWN DOWN AT JUNE 30, 2021 INCLUDING A SIMULATION OF THE NEW USPP (IN €M)



+ **UNDRAWN COMMITTED FACILITIES (MATURING IN 2024)** **€210M**
AVAILABLE CASH **€81M**

2021 guidance revised upwards



**Guidance revised
in early July
based on trends
observed in H1**

Original guidance:
Organic sales growth of between 2% and 6%



Revision
Organic sales growth of between 6% and 8%

Original guidance:
Operating margin before non-recurring items of between 8% and 8.8%



Revision
Operating margin before non-recurring items of between 9.2% and 9.6%

An aerial photograph of a mangrove forest, showing dense green vegetation and a network of winding, light-colored water channels. The image is used as a background for a presentation slide. A white rectangular box is overlaid on the left side of the image, containing the text 'KPI on sustainability'. The box has a thin orange border at the bottom. A small grey crosshair is visible in the top-left corner of the image.

KPI on sustainability

Key KPI on Environment (2020 results*)



40%

Ratio of certified plants in 2020 (39% in 2019)

ISO 14001 Certification
+1% versus 2019



289k

Tons CO₂ equivalent in 2020 (370k in 2019)

Greenhouse Gas Emissions
-22% versus 2019



60%

Recycled wastes in 2020 (53% in 2019)

Target 61% in 2021

16k

Tons of wastes in 2020 (19k in 2019)

Wastes
+7 pts recycling versus 2019



204

GWh electricity in 2020 (231 in 2019)



156

GWh energy fuels in 2020 (184 in 2019)

Energy consumption
-12,5% versus 2019



605

thousands cubic meters in 2020 (683 in 2019)

Water withdrawals
-11,5% versus 2019



6390

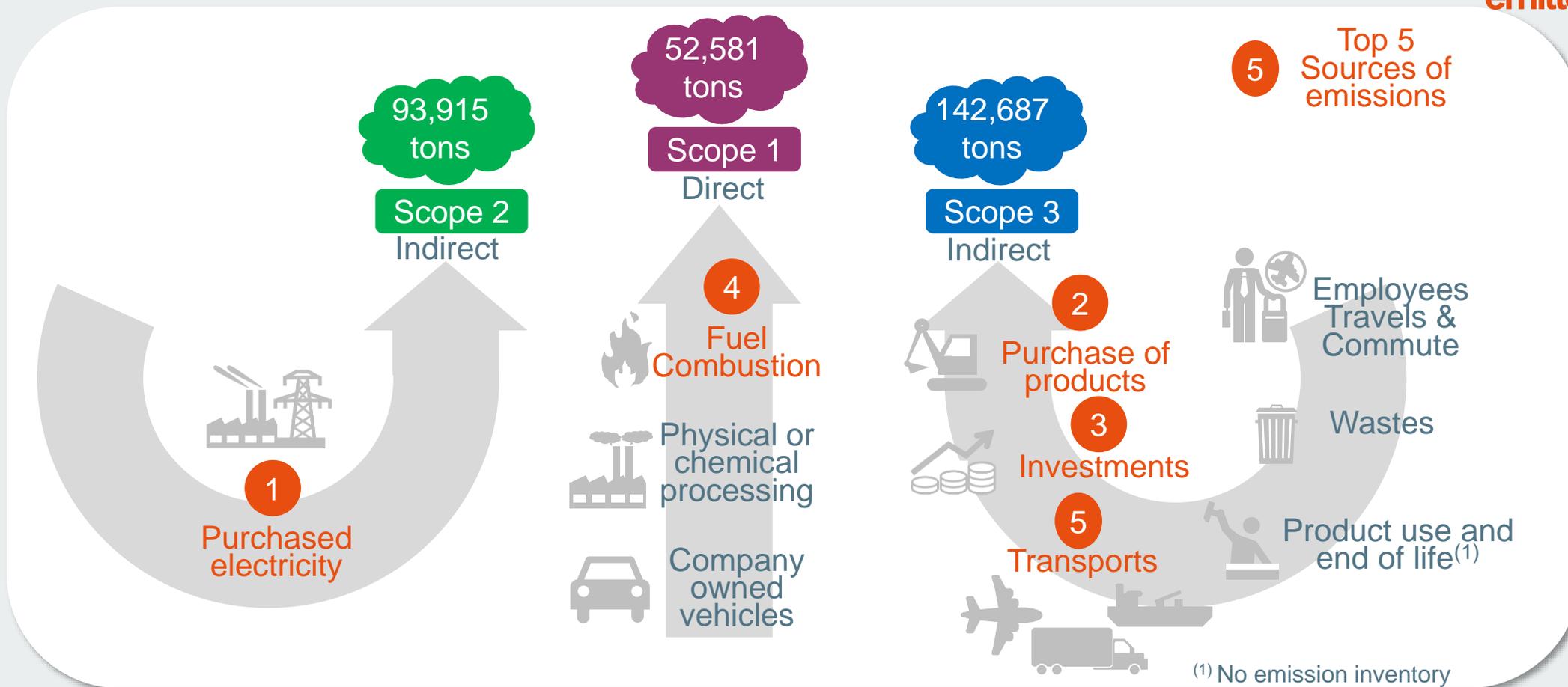
Hours of training in 2020 (6840 in 2019)

Environmental training
-6,6% versus 2019

* Covid context means less production, and less people trained

Greenhouse gas emissions, The carbon footprint of the Group

289,000 tCO₂e
emitted in 2020*



* Covid context means less production, and less travel

Key KPI on Human Capital (2020 results)



91%

of employees proud to be part of the Group

Sense of belonging
+3 pts vs 2018



92%

Site managers with local nationality

Cultural Diversity
+3 pts vs 2019



24.2%

Women engineers and professionals

Target 25 to 30% by 2022

Gender Diversity
+1.2 pts vs 2019



87%

Human potential success rate

Target 88% in 2021

Human Capital richness
+2 pts vs 2018



10.9

Hours of training per employee

Training
-2.8h vs 2019



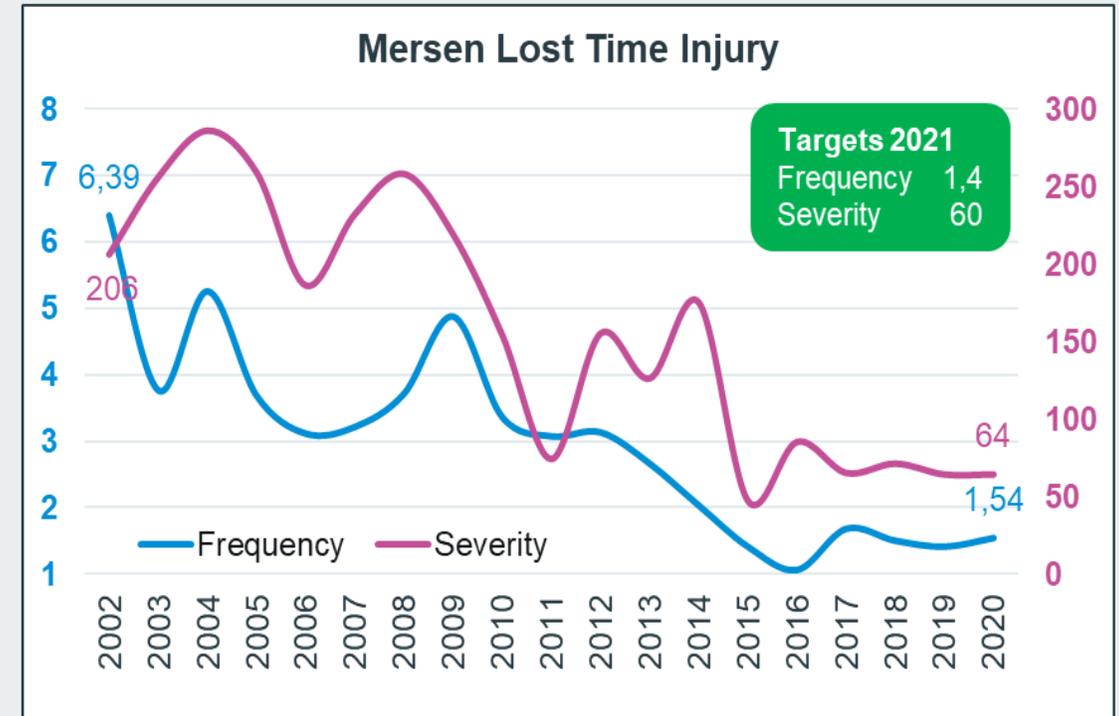
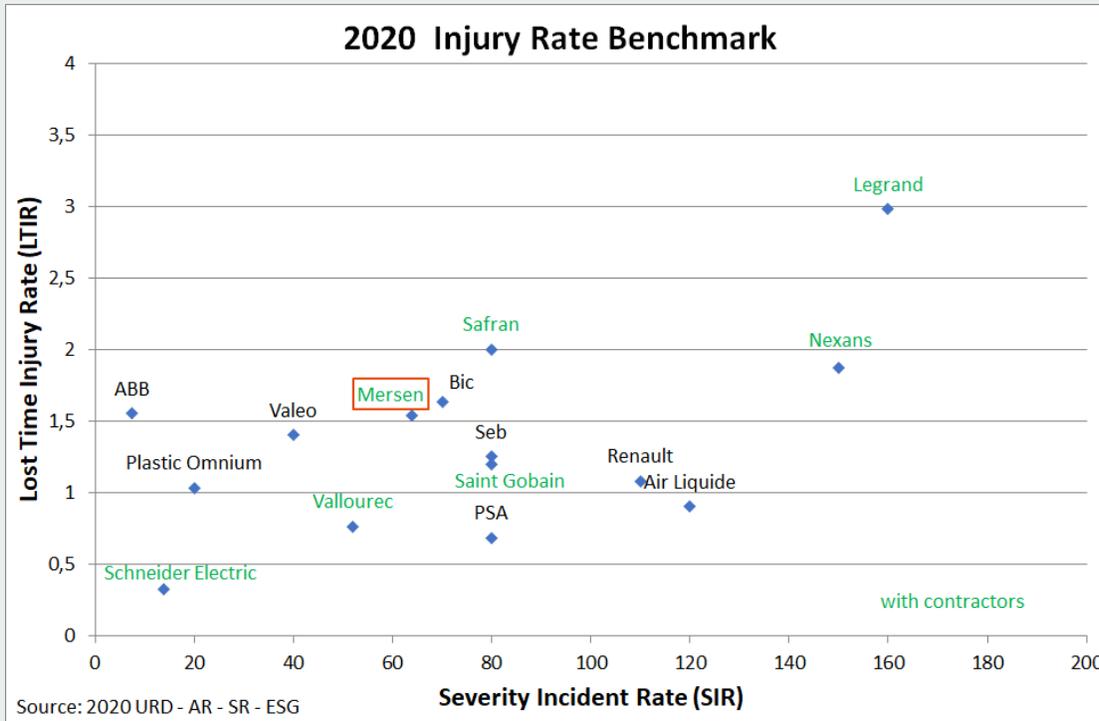
69%

Managers trained (Open Manger program)

Target 100% in 2021

Training
+x pts versus 2019

Safety: Mersen among the **best in class**



Benchmark with the best practices

Our training and prevention effort place us **in the first ranks**

Strengthen our safety culture

From a managed safety to **a behavioral safety**