



# Annual General Meeting

MAY 20, 2021

# Agenda



- **Introduction**
- **Management report et 2020 results**
- **Strategic markets and 2021 outlook**
- **Corporate Governance report**
- **Report by the statutory Auditors**
- **Answers to shareholder's questions**
- **Vote of resolutions**



**01**

# 2020 Results

*Thomas  
Baumgartner, CFO*



# 2020: Good performance in an unprecedented year



**Sales: €847m down 11%** vs 2019, with broadly stable sustainable development markets



**Operating margin before non-recurring items: 8.1%** of sales



**Free cash flow: €76m\*** vs €60m in 2019, resulting in **record-low net debt**



**Shareholder return:**  
Dividend of **€0.65/share**

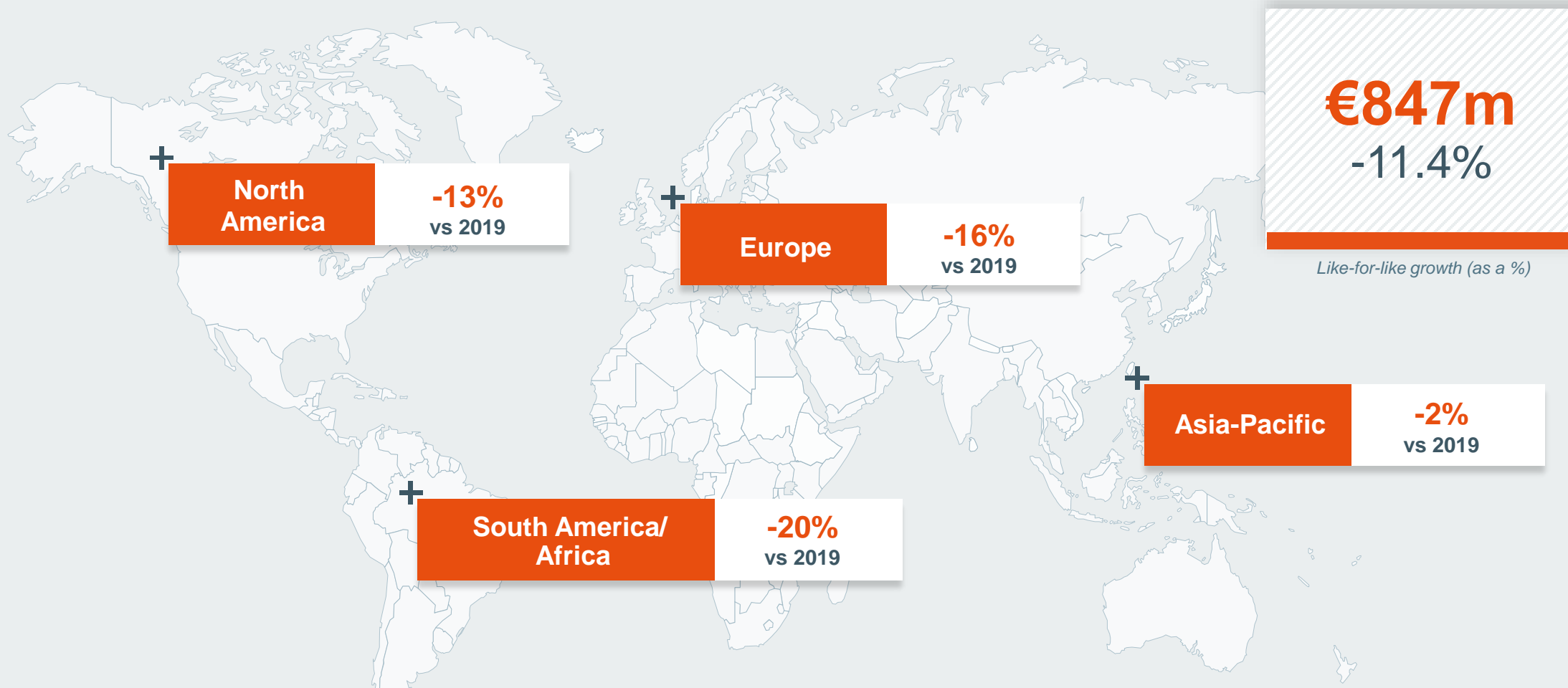
**Targeted measures** when needed: furlough and short-time working schemes, targeted restructuring

**Continued** strategic plans by segment: industrial optimization, investments

**Committed** teams:  
even at the height of the crisis, **85%** of plants were operational  
**Motivated** teams: **91%** proud to belong to the Group

\* Cash-flow from operating activities after industrial capex

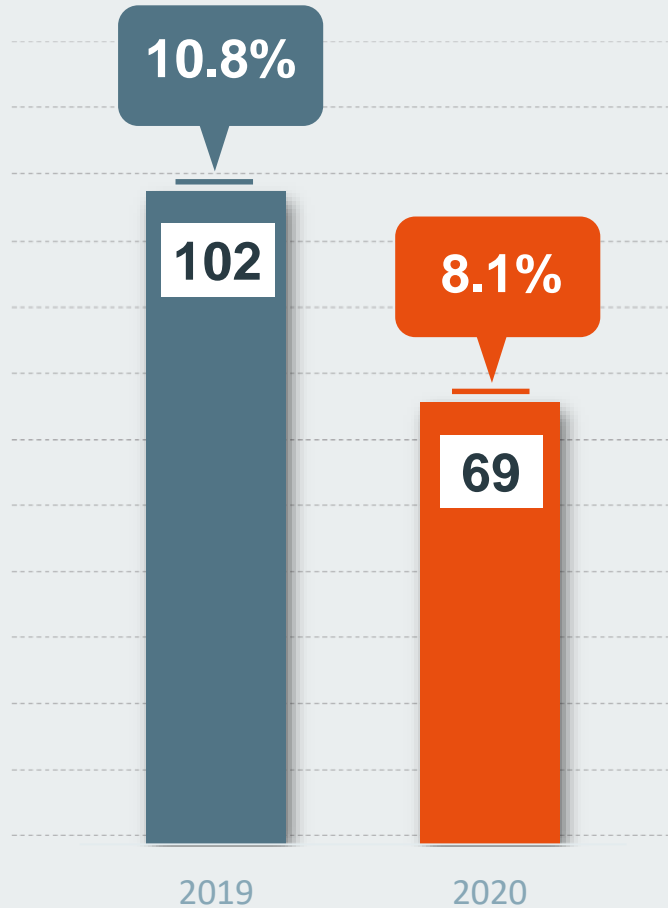
# Contained decrease in 2020 sales



*The Asia-Pacific region stands out, with 8% growth in China*

# Profitability held up well

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



**2019 operating margin before non-recurring items**

**10.8%**

Volume/mix effects	-3.9
Net savings excluding additional costs linked to the health crisis	+1.4
Productivity gains	+1.1
Cost inflation	-1.1
Other	-0.2

**2020 operating margin before non-recurring items**

**8.1%**

**2020 EBITDA**  
**€123m**  
**14.5% of sales**

2019 EBITDA  
 €155m  
 16.3% of sales

# Net income impacted by non-recurring items

In €m	2019	2020
<b>Operating income before non-recurring items</b>	<b>102.2</b>	<b>68.6</b>
Non-recurring income and expenses	(11.3)	(51.4)
Financial income	(13.2)	(12.0)
Income tax	(17.9)	(14.0)
<b>Net income</b>	<b>59.8</b>	<b>(8.8)</b>
Attributable to owners of the parent	57.3	(12.0)

## Non-recurring expenses

Restructuring costs: €17m  
 Impairment of under-used assets: €8m  
 Goodwill impairment for ACE: €17m  
 Litigation and acquisition costs: €8m

## High effective tax rate

(2018 rate: 24% - 2019 rate: 23%)

Due to the recognition of non-deductible non-recurring expenses

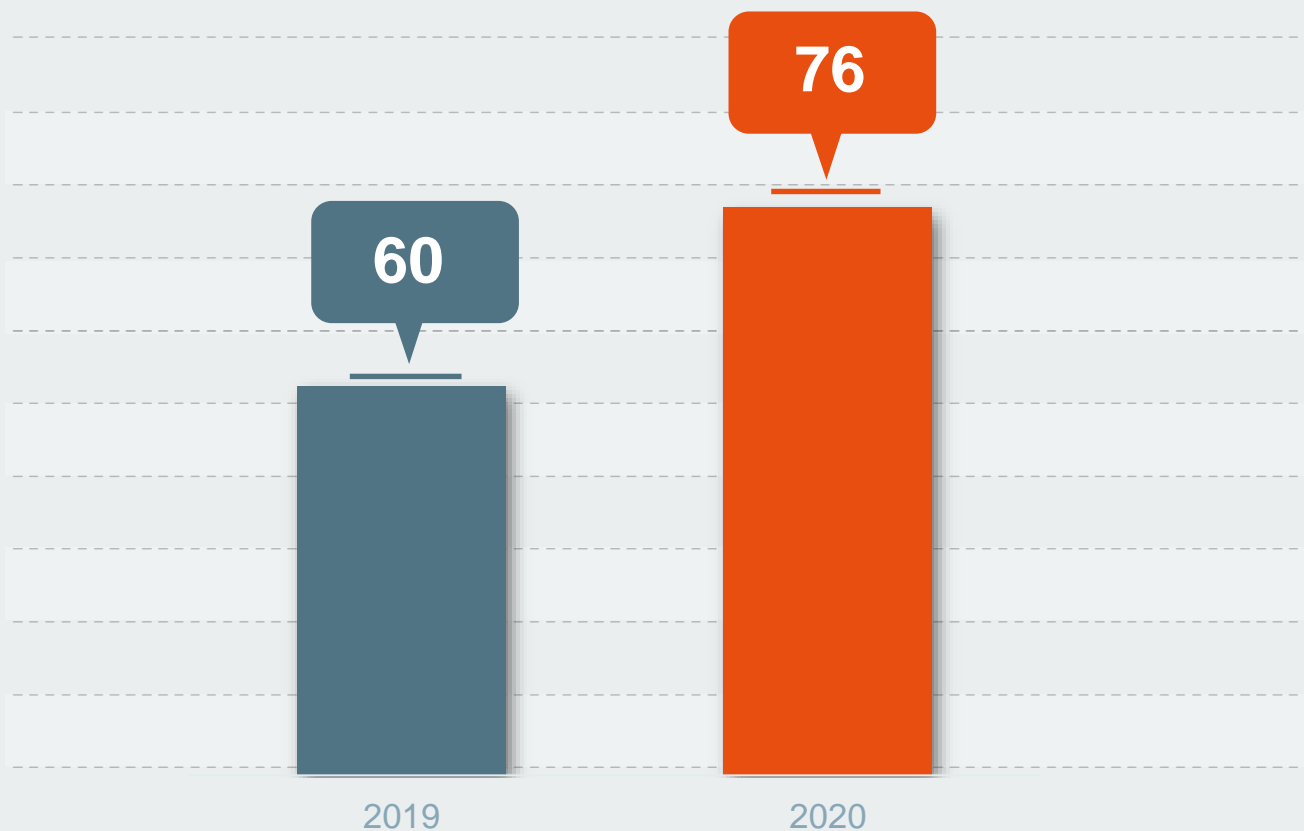
Impairment losses on deferred tax assets: €4m

# Solid generation of **operating free cash flow**



FCF in €m

Free operating cash flow after capital expenditure



**Cash flow conversion\***

**103%**

(79% in 2019)

**Funding for capex**

**€57m**



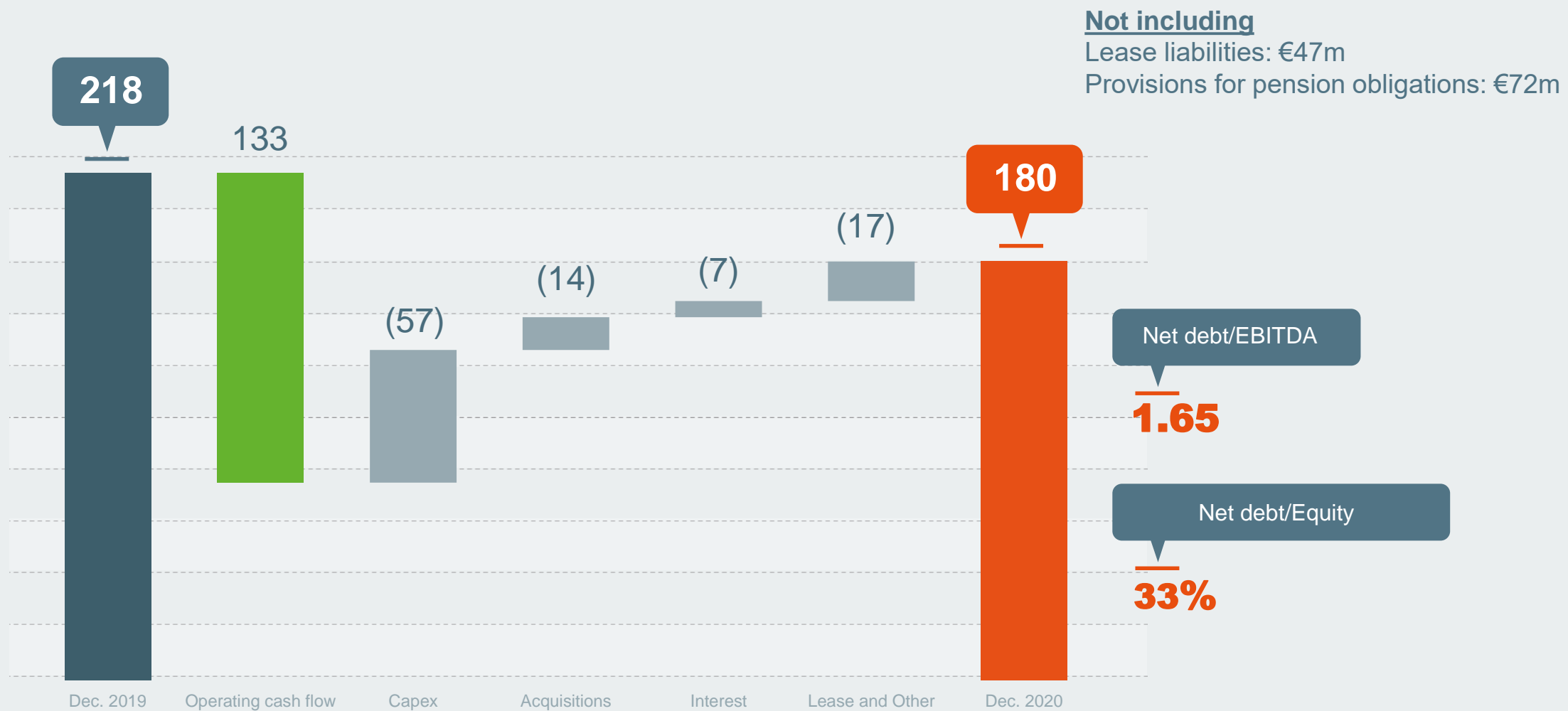
**WCR 20.5% of sales**

(22% in 2019)

\* Operating cash flow before capex/EBITDA



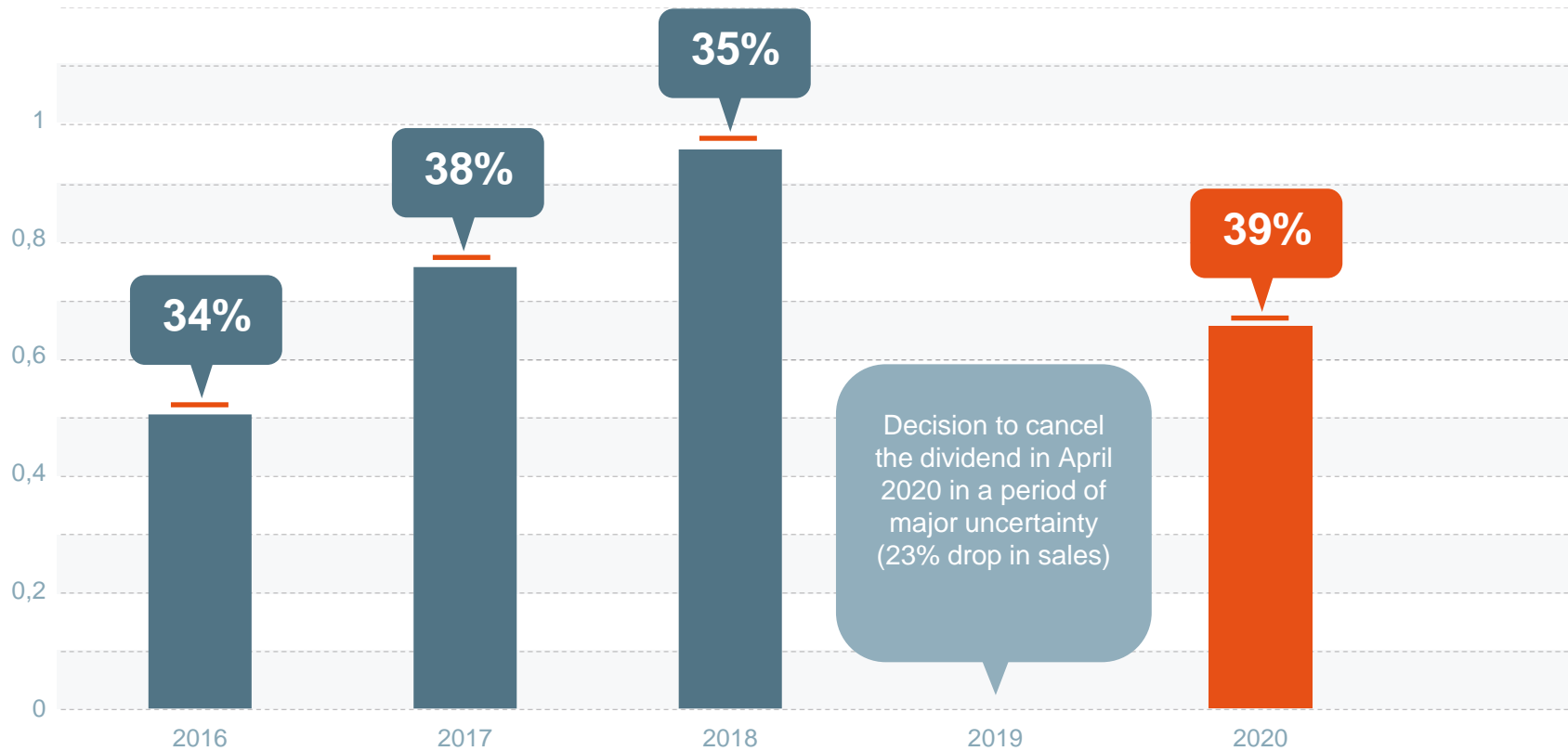
# Significant reduction in net debt



# Shareholder return: return to dividend payment: €0.65 per share



Dividend in €  
Payout as a % of restated net income



## DIVIDEND POLICY

Payout of between 30% and 40% of Group net income restated for non-recurring items

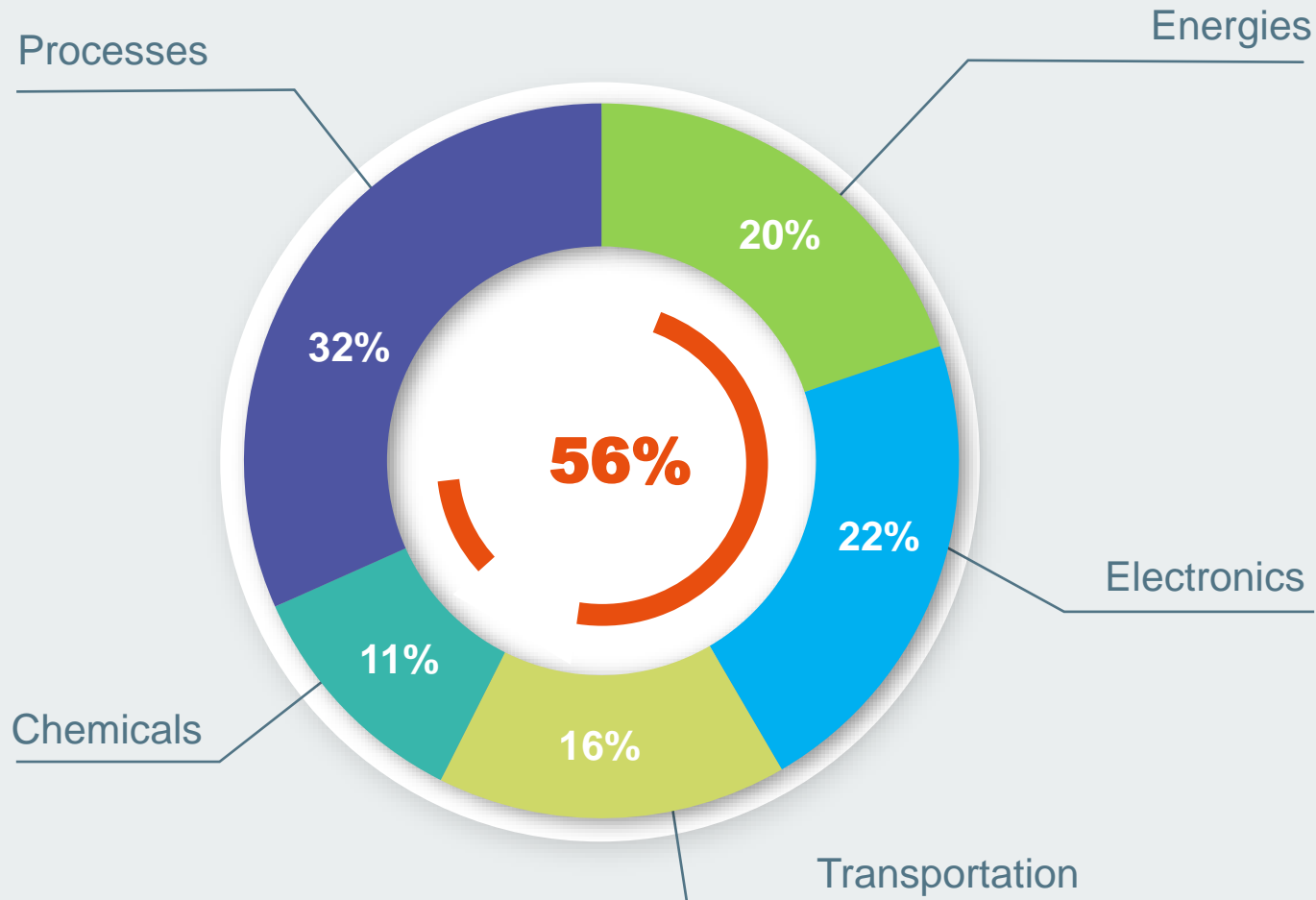


**02**

**Strategic  
markets and  
2021 outlook**

*Luc Themelin, CEO*

# Positioned on buoyant sustainable development markets



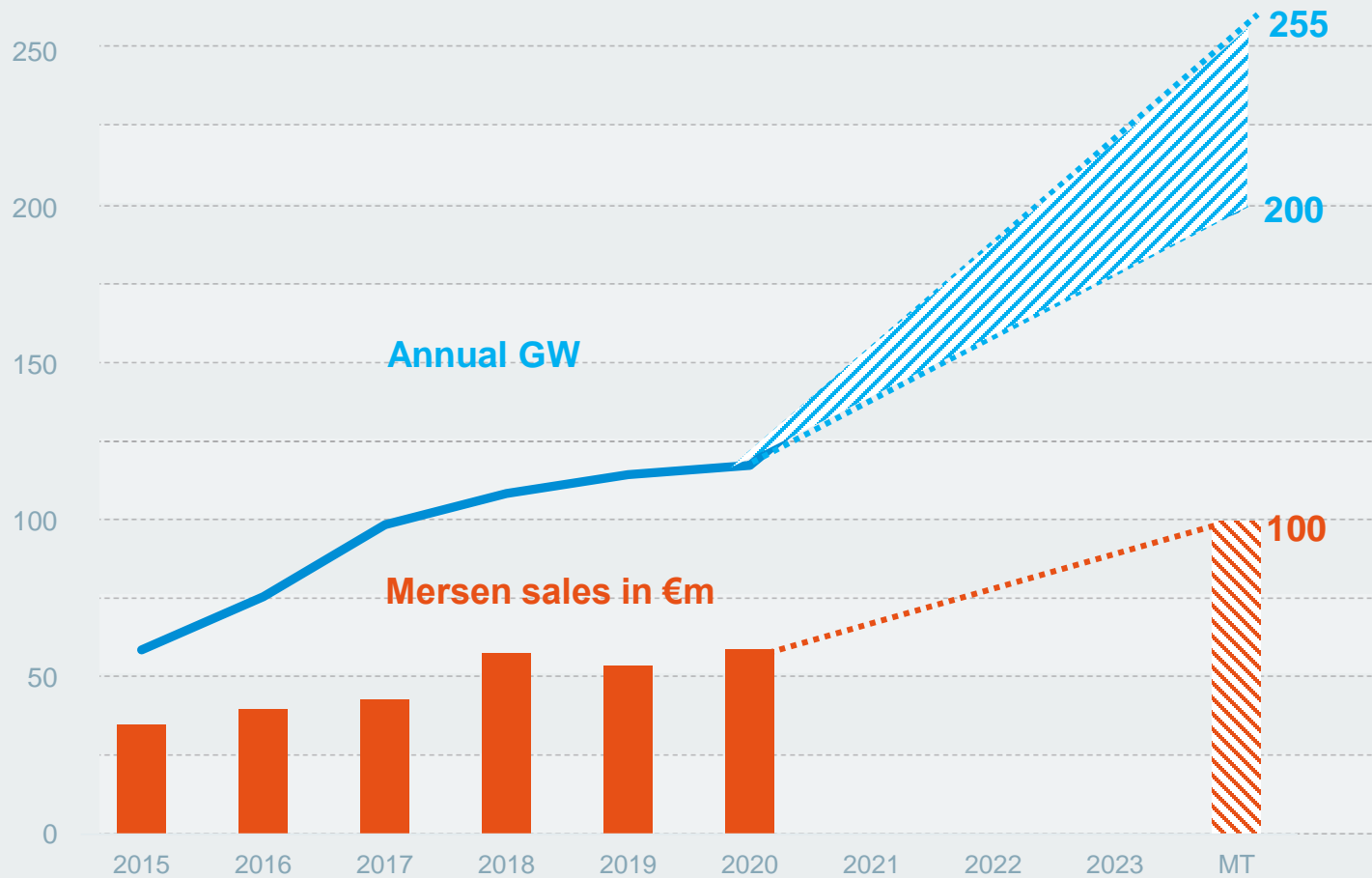
**56%** of sales for sustainable development markets

# ... offering growth opportunities in the short and medium-term



		2020	2021	2022-2023 trend
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	Process industries	↘ ↘ ↘	↗ ? ↗ ↗	↗

# Solar: significant potential for Mersen **by focusing on premium offer**



Sources: IHS, Solar Power Europe October 2020

Expected market growth of **15% per year on average**





Developing technology: **Increase in size of cells (from 152 mm to 210 mm)**

Mersen's positioning on a comprehensive **premium offer**  
**Isostatic graphite, insulation, C/C composite**  
**Electrical protection for high-power industrial facilities**


















# Mersen's expertise in SiC semiconductors



## ADVANCED MATERIALS SEGMENT

GRAPHITE, INSULATION FOR FURNACES	GRAPHITE WAFER CARRIER
 Crystal growth	 Epitaxy Ion implantation Annealing
 	 
 	

## ELECTRICAL POWER SEGMENT

 Diode, transistor	COMPONENTS FOR INVERTERS
 Power module	 Inverter
  	 
   	    

## End markets



# Unique position in the sophisticated and intricate SiC manufacturing process



## Key products for ingot quality (and therefore process efficiency):

- Purity of graphite
- Insulation properties



**Expertise** through long-standing ties with pioneers in the industry for over 20 years



## High-performance industrial system in which we continue to invest

- Investments in Europe from 2019 to 2021: €12m
- Investments in Americas (Americarb + Columbia): €6m



**Present** across all geographies, close to industry players

- Long-standing leaders
- New entrants (China, 5G)
- Startups, universities, etc.

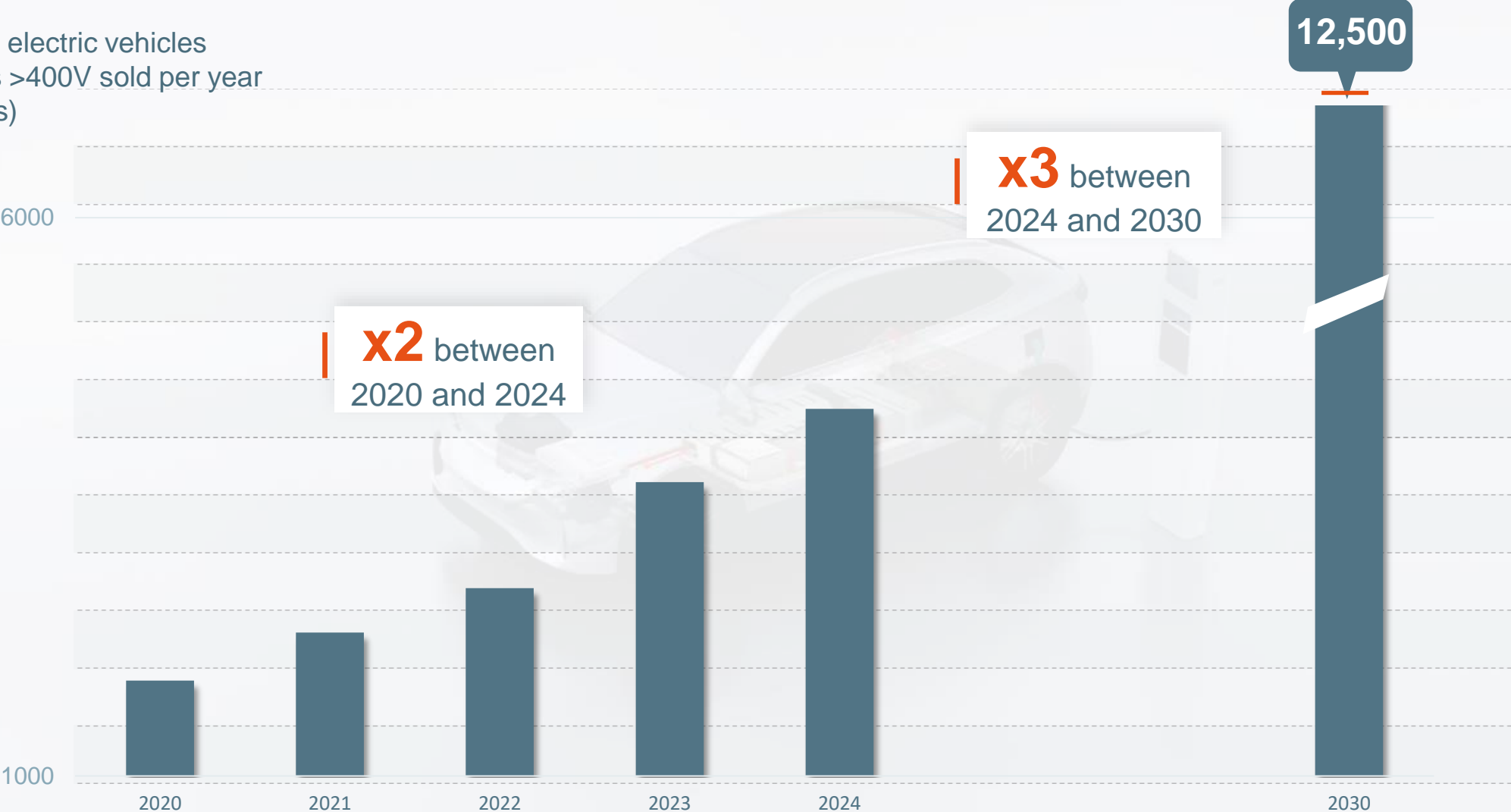
MID TERM  
ANNUAL SALES  
**€50-60M**



# Electric vehicles: Market growth is accelerating



Number of electric vehicles  
Individuals >400V sold per year  
(thousands)



Source: Mersen estimates

# + Mersen's offering for EV/HEV applications

## BATTERY MODULE



Fuse

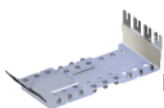


Monitoring busbar

## INVERTER



Capacitors



Busbar

## ELECTRICAL PROTECTION OF VEHICLES



Main fuse



Hybrid fuse



Auxiliary fuse

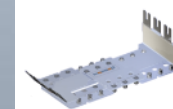
## RAPID CHARGING STATION 50kW-100kW



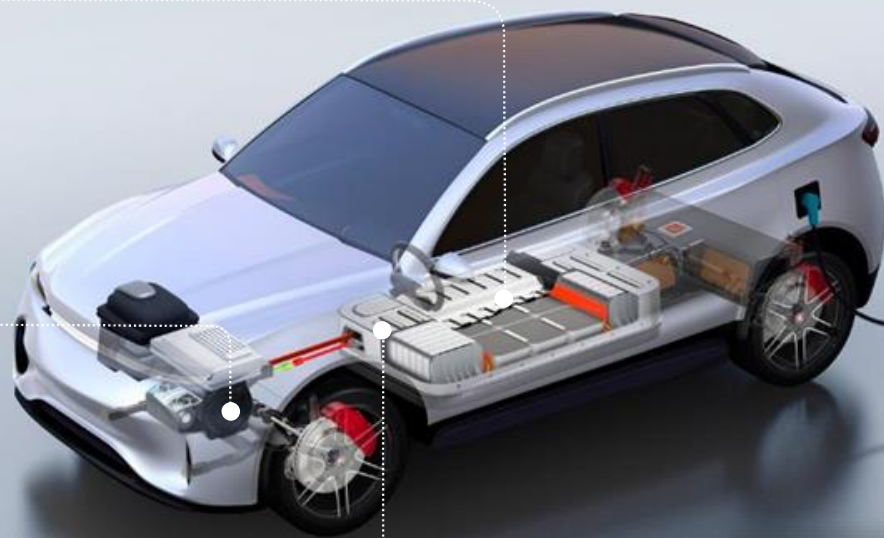
SPD



Fuse



Busbar



2020  
SALES  
**€15M**

# Mersen is successfully adapting to this **new market and these new customers**



## RELATIONS WITH

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



## FIRST CONTRACT WON

- Marquardt
- Contract over the duration of the platform (5 to 7 years)
- Production launch: 2022



## TECHNICAL INNOVATION

- Strategic partnership on Hybrid fuse
- Target: EV>800V



## GLOBAL PRESENCE

- Eventually, 3 dedicated plants in 3 key regions
- Dedicated teams
- Certified sites



MID-TERM  
ANNUAL SALES  
**€40-70M**

# Operational priorities and outlook for 2021

**Attentive to signs of recovery, especially in Europe and the United States**

*And subject to no major deterioration of public health conditions.*

We continue to seize **growth opportunities**:  
Solar, semiconductors, EV – by investing when necessary

Like-for-like sales growth of between 2% and 6%

We are accelerating our **response plans** to optimize our cost structure and boost our **industrial productivity**

Operating margin before non-recurring items of  
between 8% and 8.8%  
Capex between €70m and €80m

# Strong growth in sustainable development markets in Q1 2021



Solar  
Wind  
Power Electronics  
Semi conductors  
Rail  
Electric Vehicles

**+10%**

*Organic growth  
Q1 2021 vs Q1 2020*

**€220m**  
*stable*

*Organic growth  
Q1 2021 vs Q1 2020*

Conventional Energies  
Aeronautics  
Chemicals  
Process Industries

**-8%**

*Organic growth  
Q1 2021 vs Q1 2020*



**03**

**Report by the  
auditors**



AUTONOMOUS

SAFE  
1G-2

SENSOR  
ACTIVE  
INT\*3

# 04

## Corporate Governance report



# Board members



- 1 - Oliver Legrain (independant)
- 2 - Isabelle Azemard
- 3 - Pierre Creusy (rep. employees)
- 4 - Michel Crochon (independant)
- 5 - Carolle Foissaud (independant)
- 6 - Magali Joëssel
- 7 - Ulrike Steinhorst (independant)
- 8 - Denis Thiery (independant)



## Governance:

# Proposed changes to the Board of Directors

- **Appointment** of a new director: Luc Themelin
- **Renewal** of 4 directorships (Michel Crochon, Carolle Foissaud, Olivier Legrain, Ulrike Steinhorst)
- Allow **staggered terms of office** by providing the possibility for terms of office of 2 or 3 years (currently 4 years statutory)
- Avoid resignation during the term of office due to age by allowing the director to remain in office **until the next general meeting**

## Compensation granted for 2020

Luc Themelin, CEO	2020	Comments
Fixed compensation	385,000	In view of the health crisis, Luc Themelin decided to reduce his fixed compensation by 12.5% compared with a fixed compensation unchanged since 2015 (€440,000)
Annual variable compensation	249,040	0% of ROCE objective (Return On Capital Employed) 100% of cash-flow objective 72% of non financial objectives
Performance bonus shares	Na	In view of the health crisis, and upon proposal of the CEO, the Board has decided not to present the resolution on the implementation of a LTI plan
Incentives	5,193	
Benefits in kind	33,510	
Olivier Legrain, Chairman	2020	Comments
Fixed compensation	70,000	In view of the health crisis, Olivier Legrain decided to reduce his fixed compensation by 12.5% compared to 2019
Director's Compensation	27,923	Based on attendance rate at the board and the committees

# Compensation policy for 2021



## ■ CEO

- Fixed compensation (€440,000) unchanged since 2015
- Annual variable compensation **amended** following à benchmarking survey
  - 3 financial criteria (vs 1 currently)
  - Increase in the size of the maximum bonus to reward financial outperformance (150% vs 112%)
  - Non financial criteria: 30%
- Multi-annual variable compensation: performance bonus shares

## ■ Chairman of the Board

- Fixed compensation (€80,000), unchanged since 2010

## ■ Members of the Board

- Global ceiling unchanged (€264,000)
- Fixed compensation as member of the Board and role within the Board and Committees.
- Variable compensation based on attendance rates (Board and committee meetings)

# Work performed by the **Board of Directors** in 2020

## **Strategy and development**

- Strategic plans, budget, acquisitions
- Americarb acquisition, repurchase of 100% of Fusetech
- Markets dynamics, Columbia (USA) situation

**CSR policy:** CSR performance, HR road map

**Group's results:** financial statements' approval, guidance

**Governance:** members of the Board, succession planning

**Remuneration:** corporate officer

**Annual General Meeting:** resolutions



**11 meetings in 2020**  
Attendance rate **97%**

# Work performed by the **Audit and Account** committee in 2020



**Results:** review of the accounts and the elaboration process

**Universal Registration Document**

**Accounting and regulatory changes**

**Risks mapping**

**IS:** Review of the development of information systems

**Audits:** review of the charter for non-audit missions of the auditors, independence of auditors

**Internal Control:** review and approval of audit plans

**Other topics like pensions, impact of the crisis and Auditors renewal process**



**5 meetings in 2020**  
Attendance rate **95%**

# Work performed by the **Governance, Nominations and Remuneration committee** in 2020

## Remuneration

- 2020 Remuneration and proposal for 2021
- Benchmarking survey on the CEO remuneration

## Governance

- Self-assessment of the Board of Directors, review of directors' skills
- Review of Board and committee attendance rates, Board structure
- Review of the Corporate Governance Report
- CEO succession Plan
- Elaboration de la procédure de sélection des administrateurs
- Elaboration de la politique de féminisation des instances dirigeantes

## Preparation of the Annual Meeting

**+** 3 meetings in 2020  
Attendance rate **90%**



**05**

**Q&A session**



**06**

**Vote of the  
resolutions**





- Approval of the parent company financial statements for the year ended December 31, 2020

# Resolution 1

ORDINARY GENERAL MEETING



17,342,476



In favor  
99.84 %

27,093

Against  
0.16 %

70,553

Abstention  
-

# Adopted



- Approval of the consolidated financial statements for the year ended December 31, 2020

# Resolution 2



17,342,476



In favor  
99.84 %

27,093

Against  
0.16 %

70,553

Abstention  
-

# Adopted



- Appropriation of net income for the year and payment of a dividend

# Resolution 3



17,428,446



In favor  
99.97 %

6,012

Against  
0.03 %

5,664

Abstention  
-

# Adopted



- **Statutory Auditors' special report on related-party agreements – no new agreements during the year**

# Resolution 4



17,428,794



In favor  
99.97 %

5,172

Against  
0.03 %

6,156

Abstention  
-

# Adopted





- Appointment of Luc Themelin as a director

# Resolution 5



17,248,605



In favor  
98.98 %

177,619

Against  
1.02 %

13,898

Abstention  
-

# Adopted



- Re-election of Olivier Legrain as a director

# Resolution 6

ORDINARY GENERAL MEETING



17,146,195



In favor  
98.73 %

221,185

Against  
1.27 %

72,742

Abstention  
-

# Adopted



- Re-election of Carolle Foissaud as a director

# Resolution 7



17,322,251



In favor  
99.36 %

110,749

Against  
0.64 %

7,122

Abstention  
-

# Adopted



- Re-election of Ulrike Steinhorst as a director

# Resolution 8



17,272,134



In favor  
99.08 %

160,866

Against  
0.92 %

7,122

Abstention  
-

# Adopted





- Re-election of Michel Crochon as a director

# Resolution 9

ORDINARY GENERAL MEETING



17,323,155



In favor  
99.37 %

110,005

Against  
0.63 %

6,962

Abstention  
-

# Adopted



- Approval of the compensation policy for the Chairman of the Board of Directors

# Resolution 10



17,355,754



In favor  
99.56 %

76,825

Against  
0.44 %

7,543

Abstention  
-

# Adopted



- Approval of the compensation policy for the Chief Executive Officer and/or any other executive corporate officer

# Resolution 11



16,097,722



In favor  
92.36 %

1,332,125



Against  
7.64 %

10,275

Abstention

-

# Adopted



- Approval of the compensation policy for directors

# Resolution 12

ORDINARY GENERAL MEETING



17,416,238



In favor  
99.91 %

15,429

Against  
0.09 %

8,455

Abstention  
-

# Adopted





- Approval of the disclosures required under Article L.22-10-9 of the French Commercial Code for each of the Company's corporate officers

# Resolution 13

ORDINARY GENERAL MEETING



17,184,780



In favor  
98.59 %

246,537

Against  
1.41 %

8,805

Abstention  
-

# Adopted



- Approval of the fixed, variable and exceptional components making up the total compensation and benefits in kind paid or granted to Olivier Legrain, Chairman of the Board of Directors in respect of the past fiscal year

# Resolution 14



17,348,485



In favor  
99.56 %

77,400

Against  
0.44 %

14,237

Abstention  
-

# Adopted



- Approval of the fixed, variable and exceptional components making up the total compensation and benefits in kind paid or granted to Luc Themelin, Chief Executive Officer, in respect of the past fiscal year

# Resolution 15

ORDINARY GENERAL MEETING



17,209,839



In favor  
98.76 %

215,227

Against  
1.24 %

15,056

Abstention  
-

# Adopted



- **Authorization for the Board of Directors to repurchase shares of the Company under a program governed by Article L.22-10-62 of the French Commercial Code**

# Resolution 16



17,372,900



In favor  
99.72 %

49,405

Against  
0.28 %

17,817

Abstention  
-

# Adopted





- **Authorization for the Board of Directors to cancel shares repurchased under a program governed by Article L.22-10-62 of the French Commercial Code**

# Resolution 17



17,428,277



In favor  
99.96 %

6,325

Against  
0.04 %

5,481

Abstention  
-

# Adopted



- **Authorization for the Board of Directors to issue ordinary shares conferring rights to ordinary shares or debt securities and/or securities conferring rights to ordinary shares, for subscription by employees of Mersen Group companies outside France who are not members of a company savings plan, without preferential subscription rights for existing shareholders**

# Resolution 18



17,234,854



In favor  
98.86 %

198,857

Against  
1.14 %

6,372

Abstention  
-

# Adopted



- **Delegation of authority for the Board of Directors to increase the capital by issuing ordinary shares and/or securities conferring rights to shares to members of a company savings plan governed by Articles L.3332-18 *et seq.* of the French Labor Code, without preferential subscription rights for existing shareholders**

# Resolution 19



17,235,948



In favor  
98.87 %

197 681

Against  
1.13 %

6 454

Abstention  
-

# Adopted



- **Authorization for the Board of Directors to grant free shares to certain employees subject to the fulfillment of performance conditions**

# Resolution 20

EXTRAORDINARY GENERAL MEETING



17,389,154



In favor  
99.74 %

45,028

Against  
0.26 %

5,901

Abstention  
-

# Adopted





- **Authorization for the Board of Directors to grant free shares to certain senior executives of the Company, subject to the fulfillment of performance conditions**

# Resolution 21

EXTRAORDINARY GENERAL MEETING



17,357,933



In favor  
99.57 %

75,502

Against  
0.43 %

6,648

Abstention  
-

# Adopted



- Authorization for the Board of Directors to grant free shares to certain employees (high-potential managers or managers with expertise in strategic sectors), without performance conditions

# Resolution 22

EXTRAORDINARY GENERAL MEETING



17,383,931



In favor  
99.71 %

50,328

Against  
0.29 %

5,824

Abstention  
-

# Adopted



- **Change in directors' terms of office notably to implement and maintain a staggered board – Corresponding amendment to Article 17 of the Articles of Association**

# Resolution 23



17,402,370



In favor  
99.83 %

29,453

Against  
0.17 %

8,260

Abstention  
-

# Adopted



- **Amendment to the Articles of Association to set out the procedure applicable when the directors reach the age limit – Corresponding amendment to Article 17 of the Articles of Association**

# Resolution 24

EXTRAORDINARY GENERAL MEETING



17,278,967



In favor  
99.12 %

152,812

Against  
0.88 %

8,304

Abstention  
-

# Adopted





- Powers to carry out formalities.

# Resolution 25

EXTRAORDINARY GENERAL MEETING



17,429,656



In favor  
99.97 %

4,858

Against  
0.03 %

5,569

Abstention  
-

# Adopted