

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 2, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-15885

MATERION CORPORATION

(Exact name of Registrant as specified in charter)

Ohio

(State or other jurisdiction of incorporation or organization)

34-1919973

(I.R.S. Employer Identification No.)

6070 Parkland Blvd., Mayfield Heights, Ohio 44124

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(216)-486-4200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	MTRN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
Number of Shares of Common Stock, without par value, outstanding at April 2, 2021: 20,413,705.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

**Materion Corporation and Subsidiaries
Consolidated Statements of Income (Loss)
(Unaudited)**

(Thousands, except per share amounts)	First Quarter Ended	
	April 2, 2021	March 27, 2020*
Net sales	\$ 354,386	\$ 277,946
Cost of sales	287,590	233,376
Gross margin	66,796	44,570
Selling, general, and administrative expense	36,776	30,744
Research and development expense	6,206	4,185
Goodwill impairment charges	—	9,053
Asset impairment charges	—	1,713
Restructuring (income) expense	(378)	2,164
Other—net	4,474	2,279
Operating profit (loss)	19,718	(5,568)
Other non-operating income—net	(1,276)	(944)
Interest expense—net	761	246
Income (loss) before income taxes	20,233	(4,870)
Income tax expense (benefit)	3,466	(992)
Net income (loss)	\$ 16,767	\$ (3,878)
Basic earnings per share:		
Net income (loss) per share of common stock	\$ 0.82	\$ (0.19)
Diluted earnings per share:		
Net income (loss) per share of common stock	\$ 0.81	\$ (0.19)
Weighted-average number of shares of common stock outstanding:		
Basic	20,374	20,384
Diluted	20,628	20,384

*Amounts for the period ended March 27, 2020 have been adjusted to reflect the change in inventory accounting method, as described in Note A to the Consolidated Financial Statements in the Company's 2020 Annual Report on Form 10-K.

See notes to these consolidated financial statements.

Materion Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(Thousands)	First Quarter Ended	
	April 2, 2021	March 27 2020*
Net income (loss)	\$ 16,767	\$ (3,878)
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(8,857)	(873)
Derivative and hedging activity, net of tax	1,245	(854)
Pension and post-employment benefit adjustment, net of tax	164	16
Other comprehensive loss	(7,448)	(1,711)
Comprehensive income (loss)	\$ 9,319	\$ (5,589)

*Amounts for the period ended March 27, 2020 have been adjusted to reflect the change in inventory accounting method, as described in Note A to the Consolidated Financial Statements in the Company's 2020 Annual Report on Form 10-K.

See notes to these consolidated financial statements.

Materion Corporation and Subsidiaries
Consolidated Balance Sheets

(Thousands)	(Unaudited)	
	April 2, 2021	Dec. 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 18,934	\$ 25,878
Accounts receivable, net	180,544	166,447
Inventories, net	272,828	250,778
Prepaid and other current assets	22,449	20,896
Total current assets	<u>494,755</u>	<u>463,999</u>
Deferred income taxes	1,932	3,134
Property, plant, and equipment	1,021,174	998,312
Less allowances for depreciation, depletion, and amortization	<u>(692,101)</u>	<u>(688,626)</u>
Property, plant, and equipment, net	329,073	309,686
Operating lease, right-of-use assets	59,826	62,089
Intangible assets, net	51,503	54,672
Other assets	20,791	19,364
Goodwill	140,392	144,916
Total Assets	<u><u>\$ 1,098,272</u></u>	<u><u>\$ 1,057,860</u></u>
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	\$ 1,541	\$ 1,937
Accounts payable	72,489	55,640
Salaries and wages	22,803	18,809
Other liabilities and accrued items	36,927	40,887
Income taxes	5,102	1,898
Unearned revenue	8,573	7,713
Total current liabilities	<u>147,435</u>	<u>126,884</u>
Other long-term liabilities	17,777	17,002
Operating lease liabilities	54,593	56,761
Finance lease liabilities	18,937	20,539
Retirement and post-employment benefits	39,662	41,877
Unearned income	92,301	86,761
Deferred income taxes	14,824	15,864
Long-term debt	51,407	36,542
Shareholders' equity		
Serial preferred stock (no par value; 5,000 authorized shares, none issued)	—	—
Common stock (no par value; 60,000 authorized shares, issued shares of 27,148 at April 2 and December 31)	264,940	258,642
Retained earnings	645,468	631,058
Common stock in treasury	(206,845)	(199,187)
Accumulated other comprehensive loss	(46,087)	(38,639)
Other equity	3,860	3,756
Total shareholders' equity	<u>661,336</u>	<u>655,630</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 1,098,272</u></u>	<u><u>\$ 1,057,860</u></u>

See the notes to these consolidated financial statements.

Materion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

(Thousands)	Three Months Ended	
	April 2, 2021	March 27 2020*
Cash flows from operating activities:		
Net income (loss)	\$ 16,767	\$ (3,878)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, and amortization	8,599	14,274
Amortization of deferred financing costs in interest expense	182	182
Stock-based compensation expense (non-cash)	1,473	1,492
Deferred income tax expense (benefit)	382	(1,457)
Impairment charges	—	10,766
Changes in assets and liabilities:		
Accounts receivable	(15,697)	11,049
Inventory	(23,219)	(15,718)
Prepaid and other current assets	(2,107)	1,127
Accounts payable and accrued expenses	19,224	(13,002)
Unearned revenue	932	(938)
Interest and taxes payable	3,164	368
Unearned income due to customer prepayments	5,890	7,113
Other-net	(140)	(2,248)
Net cash provided by operating activities	15,450	9,130
Cash flows from investing activities:		
Payments for purchase of property, plant, and equipment	(31,250)	(14,789)
Proceeds from sale of property, plant, and equipment	575	10
Net cash used in investing activities	(30,675)	(14,779)
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit agreement, net	14,955	—
Repayment of long-term debt	(377)	(142)
Principal payments under finance lease obligations	(675)	(233)
Cash dividends paid	(2,338)	(2,245)
Repurchase of common stock	—	(6,766)
Payments of withholding taxes for stock-based compensation awards	(2,838)	(2,015)
Net cash provided by (used in) financing activities	8,727	(11,401)
Effects of exchange rate changes	(446)	(381)
Net change in cash and cash equivalents	(6,944)	(17,431)
Cash and cash equivalents at beginning of period	25,878	125,007
Cash and cash equivalents at end of period	\$ 18,934	\$ 107,576

*Amounts for the period ended March 27, 2020 have been adjusted to reflect the change in inventory accounting method, as described in Note A to the Consolidated Financial Statements in the Company's 2020 Annual Report on Form 10-K.

See notes to these consolidated financial statements.

Materion Corporation and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Unaudited)

(Thousands, except per share amounts)	Common Shares		Shareholders' Equity					
	Common Shares	Common Shares Held in Treasury	Common Stock	Retained Earnings*	Common Stock in Treasury	Accumulated Other Comprehensive Loss	Other Equity	Total*
Balance at December 31, 2020	20,328	(6,820)	\$ 258,642	\$ 631,058	\$ (199,187)	\$ (38,639)	\$ 3,756	\$ 655,630
Net income	—	—	—	16,767	—	—	—	16,767
Other comprehensive loss	—	—	—	—	—	(7,448)	—	(7,448)
Cash dividends declared (\$0.115 per share)	—	—	—	(2,338)	—	—	—	(2,338)
Stock-based compensation activity	127	127	6,259	(19)	(4,767)	—	—	1,473
Payments of withholding taxes for stock-based compensation awards	(43)	(43)	—	—	(2,838)	—	—	(2,838)
Directors' deferred compensation	2	2	39	—	(53)	—	104	90
Balance at April 2, 2021	<u>20,414</u>	<u>(6,734)</u>	<u>\$ 264,940</u>	<u>\$ 645,468</u>	<u>\$ (206,845)</u>	<u>\$ (46,087)</u>	<u>\$ 3,860</u>	<u>\$ 661,336</u>
Balance at December 31, 2019	20,404	(6,744)	\$ 249,674	\$ 624,954	\$ (186,845)	\$ (45,462)	\$ 3,422	\$ 645,743
Net loss	—	—	—	(3,878)	—	—	—	(3,878)
Other comprehensive loss	—	—	—	—	—	(1,711)	—	(1,711)
Cash dividends declared (\$0.11 per share)	—	—	—	(2,245)	—	—	—	(2,245)
Stock-based compensation activity	99	99	4,262	(35)	(2,643)	—	—	1,584
Payments of withholding taxes for stock-based compensation awards	(36)	(36)	—	—	(2,015)	—	—	(2,015)
Repurchase of shares	(158)	(158)	—	—	(6,766)	—	—	(6,766)
Directors' deferred compensation	1	1	31	—	(42)	—	68	57
Balance at March 27, 2020	<u>20,310</u>	<u>(6,838)</u>	<u>\$ 253,967</u>	<u>\$ 618,796</u>	<u>\$ (198,311)</u>	<u>\$ (47,173)</u>	<u>\$ 3,490</u>	<u>\$ 630,769</u>

*Amounts for the period ended March 27, 2020 have been adjusted to reflect the change in inventory accounting method, as described in Note A to the Consolidated Financial Statements in the Company's 2020 Annual Report on Form 10-K.

See notes to these consolidated financial statements.

Materion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Note A — Accounting Policies

Basis of Presentation: The accompanying consolidated financial statements of Materion Corporation and its subsidiaries (referred to herein as the Company, our, we, or us) contain all of the adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods reported. All adjustments were of a normal and recurring nature. Certain amounts in prior periods have been reclassified to conform to the 2021 consolidated financial statement presentation.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2020 Annual Report on Form 10-K. The interim period results are not necessarily indicative of the results to be expected for the full year.

Business Combinations: The Company records assets acquired and liabilities assumed at the date of acquisition at their respective fair values. Any intangible assets acquired in a business combination are recognized and reported apart from goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

The amounts reflected in Note B to the Consolidated Financial Statements are the results of a preliminary purchase price allocation and will be updated upon completion of the final valuation. The Company is required to complete the purchase price allocation within 12 months of the acquisition date. If such completion of the allocation results in a change in the preliminary values, the measurement period adjustment will be recognized in the period in which the adjustment amount is determined.

Change in Accounting Principle: During the fourth quarter of 2020, the Company elected to change its method for valuing its inventories at locations that previously used the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The Company believes that the FIFO method is preferable as it improves comparability with its most similar peers, it more closely resembles the physical flow of its inventory (i.e., it provides better matching of revenues and expenses), and it results in uniformity across a significant majority of the Company's inventory. The effects of the change in accounting principle from LIFO to FIFO were retrospectively applied. As a result of the retrospective application of the change in accounting principle, certain financial statement line items in the Company's consolidated balance sheets as of March 27, 2020 and the consolidated statements of income (loss), comprehensive income (loss), shareholders' equity, and cash flows for the three months ended March 27, 2020 were adjusted as necessary. For further information, refer to the Company's 2020 Annual Report on Form 10-K.

Materion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

The following tables reflect the impact to the financial statement line items as a result of the change in accounting principle for the prior periods presented in the accompanying financial statements:

Consolidated Statement of Income

(Thousands except per share amounts)

Selected Items	First Quarter Ended March 27, 2020		
	As Reported	As Adjusted	Adjustment
Cost of sales	\$ 232,371	\$ 233,376	\$ 1,005
Gross margin	45,575	44,570	(1,005)
Operating loss	(4,563)	(5,568)	(1,005)
Loss before income taxes	(3,865)	(4,870)	(1,005)
Income tax (benefit)	(762)	(992)	(230)
Net loss	(3,103)	(3,878)	(775)
Basic earnings per share:			
Net loss per share of common stock	\$ (0.15)	\$ (0.19)	\$ (0.04)
Diluted earnings per share:			
Net loss per share of common stock	\$ (0.15)	\$ (0.19)	\$ (0.04)

Consolidated Statement of Comprehensive Income (Loss)

(Thousands)

Selected Items	First Quarter Ended March 27, 2020		
	As Reported	As Adjusted	Adjustment
Net loss	\$ (3,103)	\$ (3,878)	\$ (775)
Comprehensive loss	(4,814)	(5,589)	(775)

Consolidated Statement of Cash Flow

(Thousands)

Selected Items	Three Months Ended March 27, 2020		
	As Reported	As Adjusted	Adjustment
Net loss	\$ (3,103)	\$ (3,878)	\$ (775)
Deferred income tax benefit	(1,227)	(1,457)	(230)
Decrease (increase) in inventory	(16,723)	(15,718)	1,005

New Pronouncements Adopted: In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing various exceptions, such as the exception to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items. The amendments in this update also simplify the accounting for income taxes related to income-based franchise taxes and require that an entity reflect enacted tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company adopted the standard on January 1, 2021. The adoption did not materially impact the Company's financial statements or disclosures.

New Accounting Guidance Issued and Not Yet Adopted: In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance is intended

Materion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is available immediately and may be implemented in any period prior to the guidance expiration on December 31, 2022. The Company is currently assessing which of its various contracts will require an update for a new reference rate, and will determine the timing for implementation of this guidance at the completion of that analysis.

No other recently issued or effective ASUs had, or are expected to have, a material effect on the Company's results of operations, financial condition, or liquidity.

Note B — Acquisition

Business acquisitions have been accounted for using the acquisition method, with acquired assets and assumed liabilities recognized at their respective fair values as of the acquisition date. The cost in excess of the net assets of the business acquired is included in goodwill.

On July 17, 2020, the Company completed the acquisition of Optics Balzers AG (Optics Balzers), an industry leader in thin film optical coatings. The purchase price for Optics Balzers was \$136.1 million, including the assumption of \$22.5 million of debt. The transaction was funded with cash on hand. Based on the fair value of assets acquired and liabilities assumed, goodwill of \$70.8 million and identifiable intangible assets of \$49.3 million were recorded. Goodwill associated with this acquisition is not tax deductible. This acquisition is being reported in our Precision Optics segment and the results of Optics Balzers are not material to our Consolidated Financial Statements. No material measurement period adjustments have been recorded during the first quarter of 2021. As of April 2, 2021, the purchase price allocation remains preliminary as the Company completes its assessments of income taxes.

Note C — Segment Reporting

The Company has the following reportable segments: Performance Alloys and Composites, Advanced Materials, Precision Optics, and Other. The Company's reportable segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the Chief Executive Officer, the Company's chief operating decision maker, in determining how to allocate the Company's resources and evaluate performance.

Performance Alloys and Composites produces strip and bulk form alloy products, strip metal products with clad inlay and overlay metals, beryllium-based metals, beryllium, and aluminum metal matrix composites, in rod, sheet, foil, and a variety of customized forms, beryllia ceramics, and bulk metallic glass materials.

Advanced Materials produces advanced chemicals, microelectric packaging, precious metal, non-precious metal, and specialty metal products, including vapor deposition targets, frame lid assemblies, clad and precious metal preforms, high temperature braze materials, and ultra-fine wire.

Precision Optics produces thin film coatings, optical filter materials, sputter-coated, and precision-converted thin film materials.

The Other reportable segment includes unallocated corporate costs and assets.

(Thousands)	Performance Alloys and Composites	Advanced Materials	Precision Optics	Other	Total
First Quarter 2021					
Net sales	\$ 114,143	\$ 204,644	\$ 35,599	\$ —	\$ 354,386
Intersegment sales	5	2,687	—	—	2,692
Operating profit (loss)	13,491	8,933	4,558	(7,264)	19,718
First Quarter 2020					
Net sales	\$ 99,067	\$ 160,165	\$ 18,714	\$ —	\$ 277,946
Intersegment sales	215	9,191	—	—	9,406
Operating profit (loss)	3,523	5,050	(9,592)	(4,549)	(5,568)

The following table disaggregates revenue for each segment by end market for the first quarter of 2021 and 2020:

(Thousands)	Performance Alloys and Composites	Advanced Materials	Precision Optics	Other	Total
First Quarter 2021					
End Market					
Semiconductor	\$ 997	\$ 155,061	\$ 471	\$ —	\$ 156,529
Industrial	24,030	12,590	7,375	—	43,995
Aerospace and defense	21,842	1,398	6,576	—	29,816
Consumer electronics	10,044	165	9,460	—	19,669
Automotive	23,507	1,669	2,193	—	27,369
Energy	4,137	27,190	—	—	31,327
Telecom and data center	11,343	70	—	—	11,413
Other	18,243	6,501	9,524	—	34,268
Total	\$ 114,143	\$ 204,644	\$ 35,599	\$ —	\$ 354,386
First Quarter 2020					
End Market					
Semiconductor	\$ 906	\$ 120,819	\$ 11	\$ —	\$ 121,736
Industrial	23,340	8,362	3,097	—	34,799
Aerospace and defense	14,206	1,426	5,109	—	20,741
Consumer electronics	14,695	118	3,541	—	18,354
Automotive	18,163	2,080	17	—	20,260
Energy	5,429	23,468	—	—	28,897
Telecom and data center	9,989	871	—	—	10,860
Other	12,339	3,021	6,939	—	22,299
Total	\$ 99,067	\$ 160,165	\$ 18,714	\$ —	\$ 277,946

Intersegment sales are eliminated in consolidation.

Note D — Revenue Recognition

Net sales consist primarily of revenue from the sale of precious and non-precious specialty metals, beryllium and copper-based alloys, beryllium composites, and other products into numerous end markets. The Company requires an agreement with a customer that creates enforceable rights and performance obligations. The Company generally recognizes revenue, in an amount that reflects the consideration to which it expects to be entitled, upon satisfaction of a performance obligation, by transferring control over a product to the customer. Control over the product is generally transferred to the customer when the Company has a present right to payment, the customer has legal title, the customer has physical possession, the customer has the significant risks and rewards of ownership, and/or the customer has accepted the product.

Transaction Price Allocated to Future Performance Obligations: Accounting Standards Codification 606, *Revenue from Contracts with Customers*, requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied at April 2, 2021. Remaining performance obligations include non-cancelable purchase orders and customer contracts. The guidance provides certain practical expedients that limit this requirement. As such, the Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

After considering the practical expedient at April 2, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$81.9 million.

Materion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Contract Balances: The timing of revenue recognition, billings, and cash collections resulted in the following contract assets and contract liabilities:

(Thousands)	April 2, 2021	December 31, 2020	\$ change	% change
Accounts receivable, trade	\$ 166,411	\$ 156,821	\$ 9,590	6 %
Unbilled receivables	13,895	8,832	5,063	57 %
Unearned revenue	8,573	7,713	860	11 %

Accounts receivable, trade represents payments due from customers relating to the transfer of the Company's products and services. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded. Impairment losses (bad debt) incurred relating to our receivables were immaterial during the first quarter of 2021.

Unbilled receivables represent expenditures on contracts, plus applicable profit margin, not yet billed. Unbilled receivables are generally billed and collected within one year. Billings made on contracts are recorded as a reduction of unbilled receivables.

Unearned revenue is recorded for consideration received from customers in advance of satisfaction of the related performance obligations. The Company recognized approximately \$2.4 million of the December 31, 2020 unearned amounts as revenue during the first three months of 2021.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component because the period between the transfer of a product or service to a customer and when the customer pays for that product or service will be one year or less. The Company does not include extended payment terms in its contracts with customers.

Note E — Other-net

Other-net for the first quarter of 2021 and 2020 is summarized as follows:

(Thousands)	First Quarter Ended	
	April 2, 2021	March 27 2020
Metal consignment fees	\$ 2,150	\$ 2,229
Amortization of intangible assets	1,173	188
Foreign currency loss (gain)	1,249	(62)
Net (gain) loss on disposal of fixed assets	(388)	46
Other items	290	(122)
Total	\$ 4,474	\$ 2,279

Note F — Restructuring

During 2020, the Company determined it would close its Large Area Coatings (LAC) business (a reporting unit in the Precision Optics segment). The closure was substantially completed by the end of the first quarter of 2021. Income of \$0.4 million was recorded in 2021 primarily related to lower than previously estimated facility closure costs that were recorded in 2020.

Remaining severance payments of \$0.2 million are reflected in Salaries and wages in the Consolidated Balance Sheet as of April 2, 2021 and are expected to be substantially paid by the end of 2021. Any additional costs related to the closure of this business are expected to be immaterial.

Materion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

In addition, during 2020, the Company initiated a restructuring plan in its Performance Alloys and Composites segment to close its Warren, Michigan and Fremont, California locations. Costs associated with the plan totaled \$2.2 million in the first quarter of 2020 and included \$0.5 million of severance associated with approximately 63 employees and \$1.3 million of facility and other related costs. This plan was substantially complete by the end of 2020.

Remaining severance payments of \$0.2 million and facility costs of \$0.5 million related to these initiatives are reflected within Salaries and wages and Other liabilities and accrued items, respectively, in the Consolidated Balance Sheets and are expected to be substantially paid by the end of the second quarter of 2021.

Note G — Income Taxes

The Company's effective tax rate for the first quarter of 2021 and 2020 was 17.1% and 20.4%, respectively. The effective tax rate for the first quarter of 2021 was lower than the statutory tax rate primarily due to the impact of percentage depletion and research and development credits. The effective tax rate for the first three months of 2021 included a net discrete income tax benefit of \$0.3 million, primarily related to excess tax benefits from stock-based compensation awards. The effective tax rate for the first quarter of 2020 included a net discrete income tax expense of \$0.2 million, primarily related to an impairment of goodwill and excess tax benefits from stock-based compensation awards.

On March 11, 2021, President Biden signed the American Rescue Plan (the Plan) into law. The Plan, among other things, extends and enhances a number of current-law tax incentives for businesses. While the Company continues to examine the impacts the Plan may have on its business, it does not expect it will have a material impact to its consolidated financial statements.

Note H — Earnings Per Share (EPS)

The following table sets forth the computation of basic and diluted EPS:

	First Quarter Ended	
	April 2, 2021	March 27 2020
(Thousands, except per share amounts)		
Numerator for basic and diluted EPS:		
Net income (loss)	\$ 16,767	\$ (3,878)
Denominator:		
Denominator for basic EPS:		
Weighted-average shares outstanding	20,374	20,384
Effect of dilutive securities:		
Stock appreciation rights	72	—
Restricted stock units	108	—
Performance-based restricted stock units	74	—
Diluted potential common shares	254	—
Denominator for diluted EPS:		
Adjusted weighted-average shares outstanding	20,628	20,384
Basic EPS	\$ 0.82	\$ (0.19)
Diluted EPS	\$ 0.81	\$ (0.19)

Adjusted weighted-average shares outstanding - diluted exclude securities totaling 63,627 and 302,573 for the quarters ended April 2, 2021 and March 27, 2020, respectively. These securities are primarily related to restricted stock units and stock appreciation rights with fair market values and exercise prices greater than the average market price of the Company's common shares and were excluded from the dilution calculation as the effect would have been anti-dilutive.

Materion Corporation and Subsidiaries
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(Unaudited)

Additionally, adjusted weighted-average shares outstanding - diluted for the three months ended March 27, 2020 exclude the dilutive effect of approximately 239,000 shares, primarily related to restricted stock units and stock appreciation rights, as their inclusion would have been anti-dilutive due to the Company's net loss.

Note I — Inventories

Inventories on the Consolidated Balance Sheets are summarized as follows:

(Thousands)	April 2, 2021	December 31, 2020
Raw materials and supplies	\$ 59,384	\$ 42,905
Work in process	164,497	156,093
Finished goods	48,947	51,780
Inventories, net	<u>\$ 272,828</u>	<u>\$ 250,778</u>

The Company maintains the majority of the precious metals and copper used in production on a consignment basis in order to reduce its exposure to metal price movements and to reduce its working capital investment. The notional value of off-balance sheet precious metals and copper was \$411.9 million and \$400.0 million as of April 2, 2021 and December 31, 2020, respectively. Amounts for the year ended December 31, 2020 have been revised to reflect a \$44.6 million reclassification out of work in process and into finished goods inventory.

Note J — Customer Prepayments

The Company entered into investment and master supply agreements with a customer to procure equipment to manufacture product for the customer. The customer is providing prepayments to the Company in the amount of approximately \$70 million in the aggregate to enable the Company to purchase and install certain equipment and make necessary infrastructure improvements to supply product to the customer. The Company will own the equipment and be responsible for operating and maintenance costs. The prepayment from the customer will be applied when commercial production of the product is sold and delivered to the customer in connection with a master supply agreement. Accordingly, as of April 2, 2021 and December 31, 2020, \$64.7 million and \$58.8 million, respectively, of prepayments are classified as Unearned Income in the Consolidated Balance Sheet, of which \$5.9 million was received during the first quarter of 2021.

Note K — Pensions and Other Post-employment Benefits

The following is a summary of the net periodic benefit cost for the first quarter of 2021 and 2020 for the domestic pension plans (which include the defined benefit pension plan and the supplemental retirement plans) and the domestic retiree medical plan.

(Thousands)	Pension Benefits		Other Benefits	
	First Quarter Ended		First Quarter Ended	
	April 2, 2021	March 27 2020	April 2, 2021	March 27 2020
Components of net periodic benefit (income) cost				
Service cost	\$ —	\$ —	\$ 20	\$ 15
Interest cost	986	1,215	29	53
Expected return on plan assets	(2,234)	(2,205)	—	—
Amortization of prior service cost (benefit)	—	—	(374)	(374)
Amortization of net loss (gain)	418	284	(69)	(83)
Total net benefit (income) cost	<u>\$ (830)</u>	<u>\$ (706)</u>	<u>\$ (394)</u>	<u>\$ (389)</u>

The Company did not make any contributions to its domestic defined benefit plan in the first quarter of 2021 or 2020.

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The Company reports the service cost component of net periodic benefit cost in the same line item as other compensation costs in operating expenses and the non-service cost components of net periodic benefit cost in Other non-operating (income) expense.

In May 2019, the Company's Board of Directors approved changes to the U.S. defined benefit pension plan. The Company froze the pay and service amounts used to calculate pension benefits for active participants in the pension plan as of January 1, 2020.

Note L — Accumulated Other Comprehensive Income (Loss)

Changes in the components of accumulated other comprehensive income, including the amounts reclassified, for the first quarter of 2021 and 2020 are as follows:

(Thousands)	<u>Gains and Losses on Cash Flow Hedges</u>				<u>Pension and Post-Employment Benefits</u>	<u>Foreign Currency Translation</u>	<u>Total</u>
	<u>Foreign Currency</u>	<u>Precious Metals</u>	<u>Copper</u>	<u>Total</u>			
Balance at December 31, 2020	\$ 519	\$ (170)	\$ 468	\$ 817	\$ (43,473)	\$ 4,017	\$ (38,639)
Other comprehensive income (loss) before reclassifications	1,085	741	1,291	3,117	—	(8,857)	(5,740)
Amounts reclassified from accumulated other comprehensive income (loss)	140	(104)	(1,534)	(1,498)	157	—	(1,341)
Net current period other comprehensive (loss) income before tax	1,225	637	(243)	1,619	157	(8,857)	(7,081)
Deferred taxes	282	147	(55)	374	(7)	—	367
Net current period other comprehensive (loss) income after tax	943	490	(188)	1,245	164	(8,857)	(7,448)
Balance at April 2, 2021	<u>\$ 1,462</u>	<u>\$ 320</u>	<u>\$ 280</u>	<u>\$ 2,062</u>	<u>\$ (43,309)</u>	<u>\$ (4,840)</u>	<u>\$ (46,087)</u>
Balance at December 31, 2019	\$ 1,324	\$ (452)	\$ 25	\$ 897	\$ (41,346)	\$ (5,013)	\$ (45,462)
Other comprehensive (loss) income before reclassifications	(142)	(823)	(778)	(1,743)	—	(873)	(2,616)
Amounts reclassified from accumulated other comprehensive income (loss)	(1)	318	321	638	(24)	—	614
Net current period other comprehensive (loss) income before tax	(143)	(505)	(457)	(1,105)	(24)	(873)	(2,002)
Deferred taxes	(33)	(116)	(102)	(251)	(40)	—	(291)
Net current period other comprehensive (loss) income after tax	(110)	(389)	(355)	(854)	16	(873)	(1,711)
Balance at March 27, 2020	<u>\$ 1,214</u>	<u>\$ (841)</u>	<u>\$ (330)</u>	<u>\$ 43</u>	<u>\$ (41,330)</u>	<u>\$ (5,886)</u>	<u>\$ (47,173)</u>

Reclassifications from accumulated other comprehensive income (loss) of gains and losses on foreign currency cash flow hedges are recorded in Net sales in the Consolidated Statements of Income (Loss). Reclassifications from accumulated other comprehensive income (loss) of gains and losses on precious metal and copper cash flow hedges are recorded in Cost of sales in the Consolidated Statements of Income. Refer to Note O for additional details on cash flow hedges.

Reclassifications from accumulated other comprehensive income (loss) for pension and post-employment benefits are included in the computation of the net periodic pension and post-employment benefit expense. Refer to Note K for additional details on pension and post-employment expenses.

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(Unaudited)

Note M — Stock-based Compensation Expense

Stock-based compensation expense, which includes awards settled in shares and in cash, was \$1.6 million and \$1.0 million in the first quarter of 2021 and 2020, respectively.

The Company granted 52,709 stock appreciation rights (SARs) to certain employees during the first quarter of 2021. The weighted-average exercise price per share and weighted-average fair value per share of the SARs granted during the three months ended April 2, 2021 were \$68.82 and \$20.66, respectively. The Company estimated the fair value of the SARs using the following weighted-average assumptions in the Black-Scholes model:

Risk-free interest rate	0.57 %
Dividend yield	0.7 %
Volatility	37.6 %
Expected term (in years)	4.6

The Company granted 53,199 stock-settled restricted stock units (RSUs) to certain employees during the first quarter of 2021. The Company measures the fair value of stock-settled RSUs based on the closing market price of a share of Materion common stock on the date of the grant. The weighted-average fair value per share was \$68.49 for stock-settled RSUs granted to employees during the three months ended April 2, 2021. RSUs are generally expensed over the vesting period of three years for employees.

The Company granted stock-settled performance-based restricted stock units (PRSUs) to certain employees in the first quarter of 2021. The weighted-average fair value of the stock-settled PRSUs was \$83.78 per share and will be expensed over the vesting period of three years. The final payout to the employees for all PRSUs will be based upon the Company's return on invested capital and its total return to shareholders over the vesting period relative to a peer group's performance over the same period.

At April 2, 2021, unamortized compensation cost related to the unvested portion of all stock-based awards was approximately \$13.8 million, and is expected to be recognized over the remaining vesting period of the respective grants.

Note N — Fair Value of Financial Instruments

The Company measures and records financial instruments at fair value. A hierarchy is used for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 — Quoted market prices in active markets for identical assets and liabilities;

Level 2 — Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 — Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use.

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The following table summarizes the financial instruments measured at fair value in the Consolidated Balance Sheets as of April 2, 2021 and December 31, 2020:

(Thousands)	Total Carrying Value in the Consolidated Balance Sheets		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	2021	2020	2021	2020	2021	2020	2021	2020
Financial Assets								
Deferred compensation investments	\$ 3,802	\$ 3,802	\$ 3,802	\$ 3,802	\$ —	\$ —	\$ —	\$ —
Foreign currency forward contracts	299	107	—	—	299	107	—	—
Precious metal swaps	418	127	—	—	418	127	—	—
Copper swaps	550	632	—	—	550	632	—	—
Total	<u>\$ 5,069</u>	<u>\$ 4,668</u>	<u>\$ 3,802</u>	<u>\$ 3,802</u>	<u>\$ 1,267</u>	<u>\$ 866</u>	<u>\$ —</u>	<u>\$ —</u>
Financial Liabilities								
Deferred compensation liability	\$ 3,802	\$ 3,802	\$ 3,802	\$ 3,802	\$ —	\$ —	\$ —	\$ —
Foreign currency forward contracts	685	1,203	—	—	685	1,203	—	—
Precious metal swaps	3	349	—	—	3	349	—	—
Copper swaps	188	27	—	—	188	27	—	—
Total	<u>\$ 4,678</u>	<u>\$ 5,381</u>	<u>\$ 3,802</u>	<u>\$ 3,802</u>	<u>\$ 876</u>	<u>\$ 1,579</u>	<u>\$ —</u>	<u>\$ —</u>

The Company uses a market approach to value the assets and liabilities for financial instruments in the table above. Outstanding contracts are valued through models that utilize market observable inputs, including both spot and forward prices, for the same underlying currencies and metals. The carrying values of the other working capital items and debt in the Consolidated Balance Sheets approximate fair values as of April 2, 2021 and December 31, 2020. The Company's deferred compensation investments and liabilities are based on the fair value of the investments corresponding to the employees' investment selections, primarily in mutual funds, based on quoted prices in active markets for identical assets. Deferred compensation investments are primarily presented in Other assets. Deferred compensation liabilities are primarily presented in Other long-term liabilities.

Note O — Derivative Instruments and Hedging Activity

The Company uses derivative contracts to hedge portions of its foreign currency exposures and uses derivatives to hedge a portion of its precious metal and copper exposures. The objectives and strategies for using derivatives in these areas are as follows:

Foreign Currency. The Company sells a portion of its products to overseas customers in their local currencies, primarily the euro and yen. The Company secures foreign currency derivatives, mainly forward contracts and options, to hedge these anticipated sales transactions. The purpose of the hedge program is to protect against the reduction in the dollar value of foreign currency sales from adverse exchange rate movements. Should the dollar strengthen significantly, the decrease in the translated value of the foreign currency sales should be partially offset by gains on the hedge contracts. Depending upon the methods used, the hedge contracts may limit the benefits from a weakening U.S. dollar.

The use of forward contracts locks in a firm rate and eliminates any downside from an adverse rate movement as well as any benefit from a favorable rate movement. The Company may from time to time choose to hedge with options or a tandem of options, known as a collar. These hedging techniques can limit or eliminate the downside risk but can allow for some or all of the benefit from a favorable rate movement to be realized. Unlike a forward contract, a premium is paid for an option; collars, which are a combination of a put and call option, may have a net premium but

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can be structured to be cash neutral. The Company will primarily hedge with forward contracts due to the relationship between the cash outlay and the level of risk.

The use of foreign currency derivative contracts is governed by policies approved by the Audit Committee of the Board of Directors. A team consisting of senior financial managers reviews the estimated exposure levels, as defined by budgets, forecasts, and other internal data, and determines the timing, amounts, and instruments to use to hedge exposures. Management analyzes the effective hedged rates and the actual and projected gains and losses on the hedging transactions against the program objectives, targeted rates, and levels of risk assumed. Foreign currency contracts are typically layered in at different times for a specified exposure period in order to minimize the impact of market rate movements.

Precious Metals. The Company maintains the majority of its precious metal production requirements on consignment in order to reduce its working capital investment and the exposure to metal price movements. When a precious metal product is fabricated and ready for shipment to the customer, the metal is purchased out of consignment at the current market price. The price paid by the Company forms the basis for the price charged to the customer. This methodology allows for changes in either direction in the market prices of the precious metals used by the Company to be passed through to the customer and reduces the impact changes in prices could have on the Company's margins and operating profit. The consigned metal is owned by financial institutions that charge the Company a financing fee based upon the current value of the metal on hand.

In certain instances, a customer may want to establish the price for the precious metal at the time the sales order is placed rather than at the time of shipment. Setting the sales price at a different date than when the material would be purchased potentially creates an exposure to movements in the market price of the metal. Therefore, in these limited situations, the Company may elect to enter into a forward contract to purchase precious metal. The forward contract allows the Company to purchase metal at a fixed price on a specific future date. The price in the forward contract serves as the basis for the price to be charged to the customer. By doing so, the selling price and purchase price are matched, and the Company's price exposure is reduced.

The Company refines precious metal-containing materials for its customers and typically will purchase the refined metal from the customer at current market prices. In limited circumstances, the customer may want to fix the price to be paid at the time of the order as opposed to when the material is refined. The customer may also want to fix the price for a set period of time. The Company may then elect to enter into a hedge contract, either a forward contract or a swap, to fix the price for the estimated quantity of metal to be purchased, thereby reducing the exposure to adverse movements in the price of the metal. The Company may also enter into hedges to mitigate the risk relating to the prices of the metals which we process or refine.

In certain circumstances, the Company also refines metal from the customer and may retain a portion of the refined metal as payment. The Company may elect to enter into a forward contract to sell precious metal to reduce the Company's price exposure.

The Company may from time to time elect to purchase precious metal and hold in inventory rather than on consignment due to potential credit line limitations or other factors. These purchases are typically held for a short duration. A forward contract will be secured at the time of the purchase to fix the price to be used when the metal is transferred back to the consignment line, thereby limiting any price exposure during the time when the metal was owned.

Copper. The Company also uses copper in its production processes. When possible, fluctuations in the purchase price of copper are passed on to customers in the form of price adders or reductions. While over time the Company's price exposure to copper is generally in balance, there can be a lag between the change in the Company's cost and the pass-through to its customers, resulting in higher or lower margins in a given period. To mitigate this impact, the Company hedges a portion of this pricing risk.

The Company will only enter into a derivative contract if there is an underlying identified exposure. Contracts are typically held to maturity. The Company does not engage in derivative trading activities and does not use derivatives for speculative purposes. The Company only uses hedge contracts that are denominated in the same currency or metal as the underlying exposure.

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All derivatives are recorded on the balance sheet at fair value. If the derivative is designated and effective as a cash flow hedge, changes in the fair value of the derivative are recognized in other comprehensive income (OCI) until the hedged item is recognized in earnings. The ineffective portion of a derivative's fair value, if any, is recognized in earnings immediately. If a derivative is not a hedge, changes in the fair value are adjusted through income. The fair values of the outstanding derivatives are recorded on the balance sheet as assets (if the derivatives are in a gain position) or liabilities (if the derivatives are in a loss position). The fair values will also be classified as short-term or long-term depending upon their maturity dates.

The following table summarizes the notional amount and the fair value of the Company's outstanding derivatives not designated as hedging instruments (on a gross basis) and balance sheet classification as of April 2, 2021 and December 31, 2020:

(Thousands)	April 2, 2021		December 31, 2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign currency forward contracts				
Prepaid expenses	\$ 4,261	\$ 45	\$ 62,012	\$ 107
Other liabilities and accrued items	63,062	509	7,695	55

These outstanding foreign currency derivatives were related to balance sheet hedges and intercompany loans. Other-net included \$1.6 million and \$0.6 million of foreign currency gains related to derivatives in the first quarter of 2021 and 2020, respectively.

The following table summarizes the notional amount and the fair value of the Company's outstanding derivatives designated as cash flow hedges (on a gross basis) and balance sheet classification as of April 2, 2021 and December 31, 2020:

(Thousands)	April 2, 2021		December 31, 2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Prepaid expenses				
Foreign currency forward contracts - yen	\$ 2,887	\$ 108	\$ —	\$ —
Foreign currency forward contracts - euro	12,818	129	—	—
Precious metal swaps	4,568	418	2,155	127
Copper swaps	6,533	550	6,225	632
Total	26,806	1,205	8,380	759
Other assets				
Foreign currency forward contracts - yen	111	2	—	—
Foreign currency forward contracts - euro	1,202	15	—	—
Total	1,313	17	—	—
Other liabilities and accrued items				
Foreign currency forward contracts - yen	—	—	2,668	59
Foreign currency forward contracts - euro	2,179	176	17,611	1,089
Precious metal swaps	515	3	4,964	349
Copper swaps	4,254	188	2,445	27
Total	6,948	367	27,688	1,524
Total	<u>\$ 35,067</u>	<u>\$ 855</u>	<u>\$ 36,068</u>	<u>\$ 765</u>

All of these contracts were designated and effective as cash flow hedges. The Company expects to relieve substantially the entire balance in OCI as of April 2, 2021 to the Consolidated Statements of Income within the next 15-month period. Refer to Note L for additional OCI details.

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The following table summarizes the amounts reclassified from accumulated other comprehensive income relating to the hedging relationship of the Company's outstanding derivatives designated as cash flow hedges and income statement classification as of the first quarter of 2021 and 2020:

(Thousands)	Line item	First Quarter Ended	
		April 2, 2021	March 27, 2020
Hedging relationship			
Foreign currency forward contracts	Net sales	\$ 140	\$ (1)
Precious metal swaps	Cost of sales	(104)	318
Copper swaps	Cost of sales	(1,534)	321
Total		\$ (1,498)	\$ 638

Note P — Contingencies

Legal Proceedings. For general information regarding legal proceedings relating to *Chronic Beryllium Disease Claims*, refer to Note T ("Contingencies and Commitments") in the Company's 2020 Annual Report on Form 10-K.

Two beryllium cases were outstanding as of April 2, 2021. The Company does not expect the resolution of these matters to have a material impact on the consolidated financial statements.

Other Litigation. The Company is party to several pending legal proceedings and claims arising in the normal course of business. The Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosure related to such matters. To the extent there is a reasonable possibility that the losses could exceed any amounts accrued, the Company will adjust the accrual in the period the determination is made, disclose an estimate of the additional loss or range of loss, indicate that the estimate is immaterial with respect to its financial statements as a whole or, if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made.

On October 14, 2020, Garett Lucyk, et al. v. Materion Brush Inc., et. al., case number 20CV0234, a wage and hour purported collective and class action, was filed in the Northern District of Ohio against the Company and its subsidiary, Materion Brush Inc. (collectively, the Company). Plaintiff, a former hourly production employee at the Company's Elmore, Ohio facility, alleges that he and other similarly situated employees nationwide are not paid for all time they spend donning and doffing personal protective equipment in violation of the Fair Labor Standards Act and Ohio law. Plaintiff also alleges the Company failed to include all remuneration he and others received for premium and bonus pay when computing overtime pay. The case is currently in the preliminary stages. The Company believes that it has substantive defenses and intends to vigorously defend this suit.

Environmental Proceedings. The Company has an active environmental compliance program and records reserves for the probable cost of identified environmental remediation projects. The reserves are established based upon analyses conducted by the Company's engineers and outside consultants and are adjusted from time to time based upon ongoing studies, the difference between actual and estimated costs, and other factors. The reserves may also be affected by rulings and negotiations with regulatory agencies. The undiscounted reserve balance was \$5.4 million and \$5.5 million at April 2, 2021 and December 31, 2020, respectively. Environmental projects tend to be long-term, and the final actual remediation costs may differ from the amounts currently recorded.

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Note Q — Debt

(Thousands)	April 2, 2021	December 31, 2020
Borrowings under Credit Agreement	\$ 48,955	\$ 34,000
Foreign debt	2,880	3,157
Fixed rate industrial development revenue bonds	1,113	1,322
Total debt outstanding	52,948	38,479
Current portion of long-term debt	(1,541)	(1,937)
Long-term debt	\$ 51,407	\$ 36,542

As of April 2, 2021 and December 31, 2020, the Company had \$49.0 million and \$34.0 million, respectively, outstanding against its revolving credit facility with average interest rates of 1.88% and 1.65% at April 2, 2021 and December 31, 2020, respectively. The remaining borrowing capacity under the revolving credit facility as of April 2, 2021 and December 31, 2020 was \$250.4 million and \$245.8 million, respectively. The Company has the option to repay or borrow additional funds under the revolving credit facility until the maturity date in 2024. The Credit Agreement includes covenants subject to a maximum leverage ratio and a minimum fixed charge coverage ratio. We were in compliance with all of our debt covenants as of April 2, 2021.

At both April 2, 2021 and December 31, 2020, there was \$48.1 million outstanding against the letters of credit sub-facility.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

We are an integrated producer of high-performance advanced engineered materials used in a variety of electrical, electronic, thermal, and structural applications. Our products are sold into numerous end markets, including semiconductor, industrial, aerospace and defense, automotive, consumer electronics, energy, and telecom and data center.

Coronavirus (COVID-19) First Quarter 2021 Update

The significant macroeconomic impact of the ongoing COVID-19 pandemic impacted several of our end markets throughout 2020 primarily in the first half of the year in the form of reduced demand, particularly in the consumer electronics, automotive, energy, aerospace and defense, and industrial end markets. During the first quarter of 2021, we began to see improvements in demand as global government-imposed restrictions continued to be lifted and many country vaccination programs gained momentum. However, the world continues to be impacted by the COVID-19 pandemic and the impact on our operations and the markets we serve is fluid and will depend largely on future developments, including the availability and effectiveness of vaccines globally, new information which may emerge concerning the severity of the pandemic and actions by government authorities to contain the pandemic or mitigate its economic, public health, and other impacts. These developments are constantly evolving and cannot be accurately predicted. We continue to invest in the business, people, and strategies necessary to achieve our long-term priorities as we focus on driving profitable growth. We have continued to operate during the course of the COVID-19 pandemic in all our production facilities, having taken the recommended public health measures to ensure worker and workplace safety.

RESULTS OF OPERATIONS

First Quarter

(Thousands, except per share data)	First Quarter Ended			
	April 2, 2021	March 27 2020	\$ Change	% Change
Net sales	\$ 354,386	\$ 277,946	\$ 76,440	28 %
Value-added sales	198,582	153,971	44,611	29 %
Gross margin	66,796	44,570	22,226	50 %
Gross margin as a % of value-added sales	34 %	29 %		
Selling, general, and administrative (SG&A) expense	36,776	30,744	6,032	20 %
SG&A expense as a % of value-added sales	19 %	20 %		
Research and development (R&D) expense	6,206	4,185	2,021	48 %
R&D expense as a % of value-added sales	3 %	3 %		
Impairment charges	—	10,766	(10,766)	NM
Restructuring (income) expense	(378)	2,164	(2,542)	NM
Other—net	4,474	2,279	2,195	96 %
Operating profit (loss)	19,718	(5,568)	25,286	NM
Other non-operating (income)—net	(1,276)	(944)	(332)	35 %
Interest expense—net	761	246	515	209 %
Income (loss) before income taxes	20,233	(4,870)	25,103	NM
Income tax expense (benefit)	3,466	(992)	4,458	NM
Net income (loss)	\$ 16,767	\$ (3,878)	\$ 20,645	NM
Diluted earnings per share	\$ 0.81	\$ (0.19)	\$ 1.00	NM

NM = Not Meaningful

Net sales of \$354.4 million in the first quarter of 2021 increased \$76.5 million from \$277.9 million in the first quarter of 2020. Net sales increased in all of our segments primarily due to increased volumes, as well as due to sales attributable to our Optics Balzers acquisition, which was completed during the third quarter of 2020. The change in precious metal and copper prices favorably impacted net sales during the first quarter of 2021 by \$18.6 million.

Value-added sales is a non-GAAP financial measure that removes the impact of pass-through metal costs and allows for analysis without the distortion of the movement or volatility in metal prices and changes in mix due to customer-supplied material. Internally, we manage our business on this basis, and a reconciliation of net sales, the most directly comparable GAAP financial measure, to value-added sales is included herein. Value-added sales of \$198.6 million in the first quarter of 2021 increased \$44.6 million, or 29%, compared to the first quarter of 2020. The increase is primarily driven by increased value-added sales into the semiconductor, aerospace and defense, and automotive end markets, as well as value-added sales from our Optics Balzers acquisition.

Gross margin in the first quarter of 2021 was \$66.8 million, which was up 50% compared to the first quarter of 2020. Gross margin expressed as a percentage of value-added sales increased to 34% in the first quarter of 2021 from 29% in the first quarter of 2020. The increase was primarily driven by increased sales volumes in 2021. In addition, gross margin in the first quarter of 2020 included a \$1.3 million charge to reserve for slow moving and excess inventory related to the oil and gas industry.

SG&A expense was \$36.8 million in the first quarter of 2021, compared to \$30.7 million in the first quarter of 2020. The increase in SG&A expense for the first quarter of 2021 was primarily driven by increased variable compensation expense. Expressed as a percentage of value-added sales, SG&A expense was 19% and 20% in the first quarter of 2021 and 2020, respectively.

R&D expense consists primarily of direct personnel costs for pre-production evaluation and testing of new products, prototypes, and applications. R&D expense accounted for 3% of value-added sales in the first quarter of both 2021 and 2020.

Impairment charges includes non-recurring charges relating to goodwill and other assets recorded in the first quarter of 2020 in our Precision Optics segment.

Restructuring (income) expense consists primarily of cost reduction actions taken in order to reduce our fixed cost structure. During the first quarter of 2021, we substantially completed the closure of our LAC business and recorded \$0.4 million of income related to lower than expected facility closure costs that were recorded in 2020.

In the first quarter of 2020, we recorded \$2.2 million of restructuring charges in our Performance Alloys and Composites segment related to the closure of our Warren, Michigan and Fremont, California facilities. Refer to Note F to the Consolidated Financial Statements for additional discussion.

Other-net was \$4.5 million of expense in the first quarter of 2021, or a \$2.2 million increase from the first quarter of 2020, which was primarily driven by \$1.3 million of increased foreign exchange losses and \$1.0 million of increased intangible asset amortization expense, related to the acquisition of Optics Balzers in July 2020. Refer to Note E to the Consolidated Financial Statements for details of the major components within Other-net.

Other non-operating (income) expense-net includes components of pension and post-retirement expense other than service costs. Refer to Note K to the Consolidated Financial Statements for details of the components.

Interest expense-net was \$0.8 million and \$0.2 million in the first quarter of 2021 and 2020, respectively. The increase in interest expense is primarily due to reduced interest income from investments in money market accounts, as well as increased borrowings under our revolving credit facility.

Income tax expense (benefit) for the first quarter of 2021 was expense of \$3.5 million, compared to a benefit of \$1.0 million in the first quarter of 2020. The effective tax rate for the first quarter of 2021 and 2020 was 17.1% and 20.4%, respectively. The effective tax rate for the first quarter of 2021 was lower than the statutory tax rate primarily due to the impact of percentage depletion and research and development credits. See Note G to the Consolidated Financial Statements for additional discussion.

Value-Added Sales - Reconciliation of Non-GAAP Financial Measure

A reconciliation of net sales to value-added sales, a non-GAAP financial measure, for each reportable segment and for the total Company for the first quarter of 2021 and 2020 is as follows:

(Thousands)	First Quarter Ended	
	April 2, 2021	March 27 2020
Net sales		
Performance Alloys and Composites	\$ 114,143	\$ 99,067
Advanced Materials	204,644	160,165
Precision Optics	35,599	18,714
Other	—	—
Total	\$ 354,386	\$ 277,946
Less: pass-through metal costs		
Performance Alloys and Composites	\$ 13,311	\$ 15,352
Advanced Materials	141,695	105,672
Precision Optics	34	1,725
Other	764	1,226
Total	\$ 155,804	\$ 123,975
Value-added sales		
Performance Alloys and Composites	\$ 100,832	\$ 83,715
Advanced Materials	62,949	54,493
Precision Optics	35,565	16,989
Other	(764)	(1,226)
Total	\$ 198,582	\$ 153,971

Internally, management reviews net sales on a value-added basis. Value-added sales is a non-GAAP financial measure that deducts the value of the pass-through metal costs from net sales. Value-added sales allow management to assess the impact of differences in net sales between periods, segments, or markets, and analyze the resulting margins and profitability without the distortion of movements in pass-through metal costs. The dollar amount of gross margin and operating profit is not affected by the value-added sales calculation. We sell other metals and materials that are not considered direct pass-throughs, and these costs are not deducted from net sales when calculating value-added sales. Non-GAAP financial measures, such as value-added sales, have inherent limitations and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP.

The cost of gold, silver, platinum, palladium, copper, ruthenium, iridium, rhodium, rhenium, and osmium can be quite volatile. Our pricing policy is to directly pass the cost of these metals on to the customer in order to mitigate the impact of metal price volatility on our results from operations. Trends and comparisons of net sales are affected by movements in the market prices of these metals, but changes in net sales due to metal price movements may not have a proportionate impact on our profitability. During the first quarter of 2021, we added ruthenium, iridium, rhodium, rhenium, and osmium to our definition of value-added sales as the costs of these materials are treated as pass-through and the business use and price volatility of these materials has increased in recent periods. Prior period value-added sales amounts have been recast to reflect this change.

Our net sales are also affected by changes in the use of customer-supplied metal. When we manufacture a precious metal product, the customer may purchase metal from us or may elect to provide its own metal, in which case we process the metal on a toll basis and the metal value does not flow through net sales or cost of sales. In either case, we generally earn our margin based upon our fabrication efforts. The relationship of this margin to net sales can change depending upon whether or not the product was made from our metal or the customer's metal. The use of value-added sales removes the potential distortion in the comparison of net sales caused by changes in the level of customer-supplied metal.

By presenting information on net sales and value-added sales, it is our intention to allow users of our financial statements to review our net sales with and without the impact of the pass-through metals.

Segment Results

The Company consists of four reportable segments: Performance Alloys and Composites, Advanced Materials, Precision Optics, and Other. The Other reportable segment includes unallocated corporate costs.

Performance Alloys and Composites

First Quarter

(Thousands)	First Quarter Ended			
	April 2, 2021	March 27 2020	\$ Change	% Change
Net sales	\$ 114,143	\$ 99,067	\$ 15,076	15 %
Value-added sales	100,832	83,715	17,117	20 %
Operating profit	13,491	3,523	9,968	283 %

Net sales from the Performance Alloys and Composites segment of \$114.1 million in the first quarter of 2021 increased 15% compared to net sales of \$99.1 million in the first quarter of 2020. The increase was due to sales related to our new precision clad engineered strip project, as well as increased sales into the aerospace and defense and automotive end markets.

Value-added sales of \$100.8 million in the first quarter of 2021 were 20% higher than value-added sales of \$83.7 million in the first quarter of 2020. The increase in value-added sales was due to the same factors driving the increase in net sales.

Performance Alloys and Composites generated operating profit of \$13.5 million in the first quarter of 2021 compared to \$3.5 million in the first quarter of 2020. The increase in operating profit was primarily due to increased sales volumes. Operating profit for the first quarter of 2020 included restructuring charges of \$2.2 million related to the closure of our Warren, Michigan and Fremont, California facilities, as well as a \$1.3 million charge to reserve for slow moving and excess inventory related to the oil and gas industry.

Advanced Materials

First Quarter

(Thousands)	First Quarter Ended			
	April 2, 2021	March 27 2020	\$ Change	% Change
Net sales	\$ 204,644	\$ 160,165	44,479	28 %
Value-added sales	62,949	54,493	8,456	16 %
Operating profit	8,933	5,050	3,883	77 %

Net sales from the Advanced Materials segment of \$204.6 million in the first quarter of 2021 were 28% higher than net sales of \$160.2 million in the first quarter of 2020. The increase in net sales was primarily due to increased volumes, as well as the impact of higher pass-through metal prices of \$19.7 million.

Value-added sales of \$62.9 million in the first quarter of 2021 increased 16% compared to value-added sales of \$54.5 million in the first quarter of 2020. The increase was primarily driven by increased value-added sales into the semiconductor end market.

The Advanced Materials segment generated operating profit of \$8.9 million in the first quarter of 2021 compared to \$5.1 million in the first quarter of 2020. The increase in operating profit is due to increased sales volumes partially offset by increased variable compensation expense.

Precision Optics

First Quarter

(Thousands)	First Quarter Ended			
	April 2, 2021	March 27 2020	\$ Change	% Change
Net sales	\$ 35,599	\$ 18,714	16,885	90 %
Value-added sales	35,565	16,989	18,576	109 %
Operating profit (loss)	4,558	(9,592)	14,150	NM

NM = Not Meaningful

Net sales from the Precision Optics segment of \$35.6 million in the first quarter of 2021 increased 90% compared to net sales of \$18.7 million in the first quarter of 2020. The increase was primarily due to sales attributable to our Optics Balzers acquisition, partially offset by lower sales related to our LAC reporting unit, whose closure was finalized in the first quarter of 2021, and projection display products.

Value-added sales of \$35.6 million in the first quarter of 2021 increased 109% compared to value-added sales of \$17.0 million in the first quarter of 2020. The increase in value-added sales was due to the same factors driving the increase in net sales.

The Precision Optics segment generated an operating profit of \$4.6 million in the first quarter of 2021, compared to an operating loss of \$9.6 million in the first quarter of 2020. The operating profit in the first quarter of 2021 was driven by increased sales volumes, as well as our Optics Balzers acquisition. The operating loss in the first quarter of 2020 included a goodwill impairment charge of \$9.1 million and an other assets impairment charge of \$1.7 million related to our LAC reporting unit.

Other

First Quarter

(Thousands)	First Quarter Ended			
	April 2, 2021	March 27 2020	\$ Change	% Change
Net sales	\$ —	\$ —	—	— %
Value-added sales	(764)	(1,226)	462	(38) %
Operating loss	(7,264)	(4,549)	(2,715)	60 %

The Other reportable segment in total includes unallocated corporate costs.

Corporate costs were \$7.3 million in the first quarter of 2021 compared to \$4.5 million in the first quarter of 2020. Corporate costs accounted for 4% and 3% of Company-wide value-added sales in the first quarter of 2021 and 2020, respectively. The increase in corporate costs in the first quarter of 2021 compared to the first quarter of 2020 is primarily related to increased variable compensation expenses.

FINANCIAL POSITION

Cash Flow

A summary of cash flows provided by (used in) operating, investing, and financing activities is as follows:

(Thousands)	Three Months Ended		
	April 2, 2021	March 27 2020	\$ Change
Net cash provided by operating activities	\$ 15,450	\$ 9,130	\$ 6,320
Net cash used in investing activities	(30,675)	(14,779)	(15,896)
Net cash provided by (used in) financing activities	8,727	(11,401)	20,128
Effects of exchange rate changes	(446)	(381)	(65)
Net change in cash and cash equivalents	\$ (6,944)	\$ (17,431)	\$ 10,487

Net cash provided by operating activities totaled \$15.5 million in the first three months of 2021 versus \$9.1 million in the prior-year period. The increase in operating cash flow was primarily due to increased net income of \$20.6 million. In addition, working capital requirements used cash of \$19.7 million and \$17.7 million during the first three months of 2021 and 2020, respectively. Cash flows used in accounts receivable were \$26.7 million higher than in the prior-year period. Three-month trailing days sales outstanding was approximately 43 days at April 2, 2021 and 41 days at December 31, 2020. Cash flows used for inventory were \$23.2 million in the first quarter of 2021, compared to a use of \$15.7 million of cash in the prior-year period. Cash flows provided by accounts payable and accrued expenses were \$19.2 million compared to the prior-year period use of cash of \$13.0 million.

Net cash used in investing activities was \$31.3 million in the first quarter of 2021 compared to \$14.8 million in the prior-year period due increased capital expenditures, primarily related to investments in new equipment funded by customer prepayments. See Note J to the Consolidated Financial Statements for additional discussion.

Capital expenditures are made primarily for new product development, replacing and upgrading equipment, infrastructure investments, and implementing information technology initiatives. For the full year 2021, the Company expects payments for property, plant, and equipment to be approximately \$100.0 million.

Net cash provided by financing activities totaled \$8.7 million in the first three months of 2021 versus \$11.4 million used in financing activities in the comparable prior-year period. The increase is primarily due to increased net borrowings of \$15.0 million under our revolving credit facility in the first quarter of 2021, partially offset by payments made for taxes withheld on stock-based compensation awards and dividends.

Liquidity

We believe cash flow from operations plus the available borrowing capacity and our current cash balance are adequate to support operating requirements, capital expenditures, projected pension plan contributions, the current dividend program, environmental remediation projects, and strategic acquisitions. At April 2, 2021, cash and cash equivalents held by our foreign operations totaled \$17.1 million. We do not expect restrictions on repatriation of cash held outside of the United States to have a material effect on our overall liquidity, financial condition, or results of operations for the foreseeable future.

A summary of key data relative to our liquidity, including outstanding debt, cash, and available borrowing capacity, as of April 2, 2021 and December 31, 2020 is as follows:

(Thousands)	April 2, 2021	December 31, 2020
Cash and cash equivalents	\$ 18,934	\$ 25,878
Total outstanding debt	52,960	38,506
Net debt	\$ (34,026)	\$ (12,628)
Available borrowing capacity	\$ 250,418	\$ 245,772

Net (debt) cash is a non-GAAP financial measure. We are providing this information because we believe it is more indicative of our overall financial position. It is also a measure our management uses to assess financing and other decisions. We

believe that based on our typical cash flow generated from operations, we can support a higher leverage ratio in future periods.

The available borrowing capacity in the table above represents the additional amounts that could be borrowed under our revolving credit facility and other secured lines existing as of the end of each period depicted. The applicable debt covenants have been taken into account when determining the available borrowing capacity, including the covenant that restricts the borrowing capacity to a multiple of the twelve-month trailing earnings before interest, income taxes, depreciation and amortization, and other adjustments.

In 2019, we amended and restated the agreement governing our \$375.0 million revolving credit facility (Credit Agreement). The maturity date of the Credit Agreement was extended from 2020 to 2024, and the Credit Agreement provides more favorable interest rates under certain circumstances. In addition, the Credit Agreement provides the Company and its subsidiaries with additional capacity to enter into facilities for the consignment, borrowing, or leasing of precious metals and copper, and provides enhanced flexibility to finance acquisitions and other strategic initiatives. Borrowings under the Credit Agreement are secured by substantially all of the assets of the Company and its direct subsidiaries, with the exception of non-mining real property and certain other assets.

The Credit Agreement allows the Company to borrow money at a premium over LIBOR or a prime rate and at varying maturities. The premium resets quarterly according to the terms and conditions available under the agreement. The Credit Agreement includes restrictive covenants relating to restrictions on additional indebtedness, acquisitions, dividends, and stock repurchases. In addition, the Credit Agreement includes covenants subject to a maximum leverage ratio and a minimum fixed charge coverage ratio. We were in compliance with all of our debt covenants as of April 2, 2021. Cash on hand does not affect the covenants or the borrowing capacity under our debt agreements.

Portions of our business utilize off-balance sheet consignment arrangements to finance metal requirements. Expansion of business volumes and/or higher metal prices can put pressure on the consignment line limitations from time to time. In 2019, we entered into a precious metals consignment agreement, maturing on August 27, 2022, which replaced the consignment agreement that would have matured on September 30, 2019. The available and unused capacity under the metal financing lines expiring in August 2022 totaled approximately \$38.1 million as of April 2, 2021, compared to \$50.0 million as of December 31, 2020. The availability is determined by Board approved levels and actual line capacity.

In January 2014, our Board of Directors approved a plan to repurchase up to \$50.0 million of our common stock. The timing of the share repurchases will depend on several factors, including market and business conditions, our cash flow, debt levels, and other investment opportunities. There is no minimum quantity requirement to repurchase our common stock for a given year, and the repurchases may be discontinued at any time. We did not repurchase any shares under this program in the first quarter of 2021. Since the approval of the repurchase plan, we have purchased 1,254,264 shares at a total cost of \$41.7 million.

We paid cash dividends of \$2.3 million on our common stock in the first quarter of 2021. We intend to pay a quarterly dividend on an ongoing basis, subject to a determination that the dividend remains in the best interest of our shareholders.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

We maintain the majority of the precious metals and portions of the copper we use in production on a consignment basis in order to reduce our exposure to metal price movements and to reduce our working capital investment. The notional value of off-balance sheet precious metals and copper was \$411.9 million and \$400.0 million as of April 2, 2021 and December 31, 2020, respectively. We were in compliance with all of the covenants contained in the consignment agreements as of April 2, 2021. For additional information on our contractual obligations, refer to our 2020 Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the inherent use of estimates and management's judgment in establishing those estimates. For additional information regarding critical accounting policies, please refer to our 2020 Annual Report on Form 10-K.

Forward-looking Statements: *Portions of the narrative set forth in this document that are not statements of historical or current facts are forward-looking statements. Our actual future performance may materially differ from that contemplated by the forward-looking statements as a result of a variety of factors. These factors include, in addition to those mentioned elsewhere herein: the ultimate impact of the COVID-19 pandemic on our business, results of operations, financial condition, and liquidity; the global economy, including the impact of tariffs and trade agreements; the impact of any U.S. Federal Government shutdowns and sequestrations; the condition of the markets which we serve, whether defined geographically or by segment; changes in product mix and the financial condition of customers; our success in developing and introducing new products and new product ramp-up rates; our success in passing through the costs of raw materials to customers or otherwise mitigating fluctuating prices for those materials, including the impact of fluctuating prices on inventory values; our success in identifying acquisition candidates and in acquiring and integrating such businesses, including the integration of Optics Balzers; the impact of the results of acquisitions on our ability to fully achieve the strategic and financial objectives related to these acquisitions, including, without limitation, the acquisition of Optics Balzers being accretive in the expected timeframe or at all; our success in implementing our strategic plans and the timely and successful completion and start-up of any capital projects; other financial and economic factors, including the cost and availability of raw materials (both base and precious metals), physical inventory valuations, metal financing fees, tax rates, exchange rates, interest rates, pension costs and required cash contributions and other employee benefit costs, energy costs, regulatory compliance costs, the cost and availability of insurance, credit availability, and the impact of the Company's stock price on the cost of incentive compensation plans; the uncertainties related to the impact of war, terrorist activities, and acts of God; changes in government regulatory requirements and the enactment of new legislation that impacts our obligations and operations; the conclusion of pending litigation matters in accordance with our expectation that there will be no material adverse effects; the disruptions on operations from, and other effects of, catastrophic and other extraordinary events including the COVID-19 pandemic; and the risk factors set forth in Part 1, Item 1A of the Company's 2020 Annual Report on Form 10-K.*

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For information regarding market risks, refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2020 Annual Report on Form 10-K. There have been no material changes in our market risks since the inclusion of this discussion in our 2020 Annual Report on Form 10-K.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of disclosure controls and procedures as of April 2, 2021 pursuant to Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on that evaluation, management, including the chief executive officer and chief financial officer, concluded that disclosure controls and procedures are effective as of April 2, 2021.

b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended April 2, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Our subsidiaries and our holding company are subject, from time to time, to a variety of civil and administrative proceedings arising out of our normal operations, including, without limitation, product liability claims, health, safety, and environmental claims, and employment-related actions. Among such proceedings are cases alleging that plaintiffs have contracted, or have been placed at risk of contracting, beryllium sensitization or chronic beryllium disease or other lung conditions as a result of exposure to beryllium (beryllium cases). The plaintiffs in beryllium cases seek recovery under negligence and various other legal theories and demand compensatory and often punitive damages, in many cases of an unspecified sum. Spouses of some plaintiffs claim loss of consortium.

Beryllium Claims

As of April 2, 2021, our subsidiary, Materion Brush Inc., was a defendant in two beryllium cases. During 2020, one beryllium case was filed. In *Richard Miller v. Dolphin, Inc. et al.*, case number CV2020-005163, filed in the Superior Court of Arizona, Maricopa County, the Company is one of six named defendants and 100 Doe defendants. The plaintiff alleges that he contracted beryllium disease from exposures to beryllium-containing products supplied to his employer, Karsten Manufacturing Corporation, where he was a production worker, and asserts claims for negligence, strict liability – failure to warn, strict liability – design defect, and fraudulent concealment. The plaintiff seeks general damages, medical expenses, loss of earnings, consequential damages, and punitive damages. A co-defendant, Dolphin, Inc., filed a cross-claim against the Company for indemnification. On August 12, 2020, the Company moved to dismiss the cross-claim for failure to state a claim upon which relief can be granted. The court denied the motion on October 23, 2020. On December 7, 2020, the Company filed a Petition for Special Action in the Court of Appeals seeking to appeal the motion to dismiss the cross-claim. The Court of Appeals declined to accept jurisdiction on December 30, 2020. The Company believes that it has substantive defenses and intends to vigorously defend this suit.

In 2019, one beryllium case was filed. In *Ronald Dwayne Manning v. Arconic Inc. et al.*, case number 19CI000219, filed in the Superior Court of the State of California, Tehama County, and later removed to the United States District Court, Eastern District of California (Sacramento Division), case number 2:19-CV-02202-MCE-DMC, the Company is one of four named defendants and 120 Doe defendants. The plaintiff alleges that he contracted beryllium disease from exposures to beryllium-containing products during his employment as an auto mechanic, welder, sprinkler installer, and movie projector operator, and asserts claims for negligence, strict liability, fraudulent concealment, and breach of implied warranties. The plaintiff seeks economic damages, non-economic damages, consequential damages, and punitive damages. The Company believes that it has substantive defenses and intends to vigorously defend this suit.

The Company has insurance coverage, which may respond, subject to an annual deductible.

Other Claims

On October 14, 2020, *Garett Lucyk, et al. v. Materion Brush Inc., et al.*, case number 20CV0234, a wage and hour purported collective and class action, was filed in the Northern District of Ohio against the Company and its subsidiary, Materion Brush Inc. (collectively, the Company). Plaintiff, a former hourly production employee at the Company's Elmore, Ohio facility, alleges that he and other similarly situated employees nationwide are not paid for all time they spend donning and doffing personal protective equipment in violation of the Fair Labor Standards Act and Ohio law. Plaintiff also alleges the Company failed to include all remuneration he and others received for premium and bonus pay when computing overtime pay. The case is currently in the preliminary stages. The Company believes that it has substantive defenses and intends to vigorously defend this suit.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to repurchases of common stock made by us during the three months ended April 2, 2021.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1 through February 5, 2021	145	\$ 68.73	—	\$ 8,316,239
February 6 through March 5, 2021	42,543	66.48	—	8,316,239
March 6 through April 2, 2021	—	—	—	8,316,239
Total	42,688	\$ 66.49	—	\$ 8,316,239

- (1) Includes 145 and 42,543 shares surrendered to the Company in January and February, respectively, by employees to satisfy tax withholding obligations on equity awards issued under the Company's stock incentive plan.
- (2) On January 14, 2014, we announced that our Board of Directors had authorized the repurchase of up to \$50.0 million of our common stock. During the three months ended April 2, 2021, we did not repurchase any shares under this program. As of April 2, 2021, \$8.3 million may still be purchased under the program.

Item 4. Mine Safety Disclosures

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this quarterly report on Form 10-Q.

Item 6. Exhibits

All documents referenced below were filed pursuant to the Exchange Act by Materion Corporation, file number 001-15885, unless otherwise noted.

- 10.1 [Materion and Subsidiaries Management Incentive Plan for the 2021 Plan Year](#)*
- 10.2 [Form of 2021 Performance-Based Restricted Stock Units Agreement under the Materion Corporation 2006 Stock Incentive Plan \(As Amended and Restated as of May 3, 2017\), covering grants made in 2021](#)*
- 10.3 [Form of 2021 Appreciation Rights Agreement under the Materion Corporation 2006 Stock Incentive Plan \(As Amended and Restated as of May 3, 2017\), covering grants made in 2021](#)*
- 10.4 [Form of 2021 Restricted Stock Unit Agreement \(Stock-Settled\) under the Materion Corporation 2006 Stock Incentive Plan \(As Amended and Restated as of May 3, 2017\), covering grants made in 2021](#)*
- 31.1 [Certification of Chief Executive Officer](#) required by Rule 13a-14(a) or 15d-14(a)*
- 31.2 [Certification of Chief Financial Officer](#) required by Rule 13a-14(a) or 15d-14(a)*
- 32 [Certifications of Chief Executive Officer and Chief Financial Officer](#) required by 18 U.S.C. Section 1350*
- 95 [Mine Safety Disclosure Pursuant to Section 1503\(a\) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the period ended April 2, 2021](#)*
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document*
- 101.SCH Inline XBRL Taxonomy Extension Schema Document*
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document*
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document*
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document*
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document*
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Exhibit 101 attachments)

*Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATERION CORPORATION

Dated: April 29, 2021

/s/ Shelly M. Chadwick

Shelly M. Chadwick

Vice President, Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

MATERION and SUBSIDIARIES
MANAGEMENT INCENTIVE PLAN FOR THE 2021 PLAN YEAR
Summary Plan Document

I. INTRODUCTION

The Materion and Subsidiaries Management Incentive Plan for the 2021 Plan Year (the “Plan”), has been established by the Compensation Committee (the “Compensation Committee”), of the Company’s Board of Directors to provide incentive compensation to certain eligible employees based principally on annual financial performance. Plan awards have a significant portion based on Company performance and potentially Business Unit or Corporate Function Performance (“Financial Performance”), and a remaining component that recognizes individual and combined contributions toward personal/team objectives (“Personal/Team Performance”).

II. DEFINITIONS**Base Salary:**

The Participant’s annual base salary as of December 31st of the Plan Year will be used to calculate any earned award.

Plan Year:

Calendar year 2021, which is the fiscal year for which Financial Performance and Personal/Team Performance, and any Plan awards, will be calculated.

Business Unit or Corporate Function Performance:

The Compensation Committee has delegated authority to the Company’s executive staff to designate the Company’s business units/subsidiaries and corporate functions (and their eligible employees) that are eligible for participation in the Plan for the Plan Year. Each business unit or corporate function has defined Financial Performance measures, which have in turn been approved by the Compensation Committee and/or the executive staff. For each of these Financial Performance measures, a minimum goal, target goal and maximum goal will be established. Plan awards include a Financial Performance component based on Company Performance alone, or Company Performance and/or Business Unit/Corporate Function Performance.

Company Performance:

The Company Performance portion of the Financial Performance component of Plan awards will consist of an Earnings Before Interest and Taxes measure (weighted at 70%), a Growth in Value-added Sales measure (weighted at 15%) and a Simple Free Cash Flow measure (weighted at 15%).

Earnings Before Interest and Taxes (“EBIT”):

Earnings Before Interest and Taxes is defined as earnings before interest and taxes, and for domestic and international operations, EBIT will include accrued performance or incentive compensation. Any adjustment to exclude the effect of any extraordinary, unusual or non-reoccurring items will be subject to review and approval by the Compensation Committee.

Growth in Value-added Sales (“VAS”):

Growth in Value-added Sales is defined as the percent increase in VAS for the Plan Year over the prior year. VAS is the amount equal to (1) the Company’s sales for the Plan Year minus (2) the aggregate cost to the Company for the Plan Year of gold, silver, platinum, palladium and copper.

Simplified Free Cash Flow (“SFCF”):

Simple Free Cash Flow is defined as the amount equal to (1) operating profit plus depreciation and amortization minus (2) the change in working capital (accounts receivable, accounts payable, and inventory) and capital investments.

Other Metrics:

From time to time, other metrics may be adopted that are aligned with a business unit's strategy and market challenges or a corporate function's strategic imperatives. These metrics will be defined and tracked by the corporate accounting department, subject to approval by the executive staff.

Personal/Team Performance:

An assessment is made of an individual's achievements and his/her contributions to work/project teams during the Plan Year. This assessment is expressed as a percentage of Base Salary. The Personal/Team Performance component is distinct from the Financial Performance component.

Performance Objectives:

Performance Objectives shall mean the measurable performance objective or objectives established for Participants under the Plan for the Plan Year. The Compensation Committee may provide for such adjustments in the Performance Objectives or their evaluation as it may deem necessary or appropriate for purposes of administering this Plan.

Target Annual Award Opportunity

Each Plan Year, MIP eligible participants will be assigned a Target Annual Award Opportunity, expressed as a percent of Base Salary.

III. PARTICIPATION

At the beginning of the Plan Year, the executive staff will, based on delegated authority from the Compensation Committee, identify exempt salaried employees whose responsibilities affect progress on critical issues facing the Company, and those employees will participate in the Plan for the Plan Year. Those individuals selected by the executive staff will be notified of their participation in the Plan, their Target Annual Award Opportunity and applicable business unit designation.

Following the beginning of the Plan Year, the executive staff may admit new hires or individuals who are promoted or assigned additional and significant responsibilities to also participate in the Plan for the Plan Year. The executive staff may also alter Target Annual Award Opportunities to reflect changed responsibilities of participants during the Plan Year.

An employee who replaces or otherwise assumes the job functions or role of another employee does not automatically assume the Plan participation characteristics that had applied to such other employee. Rather, participation by the new or replacing employee must be individually considered and approved by the executive staff.

Participants who are newly employed on or before September 30th of the Plan Year will be eligible for a prorated Plan award based on the number of days of participation in the Plan for such Plan Year.

Plan awards for Participants who transfer from another Materion incentive plan to the MIP Plan for purposes of the Plan Year, will be prorated based on the number of days of participation in the Plan Year. The transferred employee's eligibility under the previous incentive plan will cease for the Plan Year.

Changes in a Target Annual Award opportunity during a Plan Year will result in prorated participation for Plan awards.

Employees who participate in any other annual incentive, commission or performance compensation plan of the Company or as a subsidiary are not eligible. The executive staff may consider prorated participation in the Plan for the Plan Year under special circumstances.

With two exceptions, Participants must be employed on the day award payments are issued to be eligible for any plan award. For a Participant who becomes eligible for and who elects a severance option under the Chronic Beryllium Disease Policy as amended, any award under the Plan will be prorated to the beginning of the month after the employee exercises the severance option. The second exception pertains to either the death of the Participant or the retirement (at age 65, or at age 55 or older with 10 years of service) of the Participant, in which case, any Plan award will be prorated to the beginning of the month following the employee's death or the employee's retirement date, as applicable. In no event will a prorated Plan award be earned where the proration percent is less than one-third (1/3).

Participants who have been on a leave of absence more than 13 weeks during the Plan Year will have their Plan award reduced on a pro-rata basis to reflect their actual contribution.

IV. TARGET ANNUAL AWARD OPPORTUNITY

The Compensation Committee (or executive staff), along with a Participant's assigned salary grade level will determine the Target Annual Award Opportunity, as a percent of Base Salary, for participants in the MIP. The Target Annual Award Opportunity for participants in salary levels A, B, and C will be individualized as determined by the Compensation Committee or executive staff. The Target Annual Award Opportunity for participants in salary levels D, E, and EE will be determined by their salary grade level and executive staff.

Below is a summary of the Target Annual Award Opportunities at minimum, target, and maximum goal achievement, as a percent of Base Salary, for the 2021 Plan Year:

Level	Financial Performance			Personal /Team Performance ²			Total Award Opportunity		
	Min.	Target	Max.	Min.	Target	Max.	Min.	Target	Max.
A – C	25% of Target	Individualized ¹	200% of Target	0%	10%	20%	Individualized ¹		
D		20% or					5.00%	30.00%	60 %
		15%					3.75%	25.00%	50 %
E		10% or					2.50%	20.00%	40 %
		5%					1.25%	15.00%	30 %
EE		5%		0%	5%	10%	1.25%	10.00%	20 %

¹ Determined by Compensation Committee or executive staff

² Excludes Named Executive Officers (NEOs)

V. PLAN AWARD OPPORTUNITY FOR FINANCIAL PERFORMANCE COMPONENT

The Compensation Committee (or the executive staff) will establish minimum, target and maximum goals for each Financial Performance component of a Plan award opportunity. The executive staff will assign Participants to a specific business unit/subsidiary or corporate function for the Financial Performance component of Plan awards.

Performance that reaches the minimum level of a Financial goal will result in an award of 25 percent of the target opportunity for that measure. Unless the minimum level goal for Earnings Before Interest and Taxes has been met, no other Financial Performance component of plan awards (business unit, company, function, sub-unit, and/or other measurement), will result in an award greater than 100 percent of the target opportunity for that measure.

Performance that reaches or exceeds the maximum goal of a measure will result in an award at 200 percent of target opportunity for that measure. Award amounts for levels of achievement between minimum and target goals, at target goals, and between target and maximum goals will be prorated according to the level of achievement.

The Financial Performance portion of awards will be prorated for transfers between units (or between business unit and Corporate) according to the length of service by days in each unit during the Plan Year.

VI. PLAN AWARD OPPORTUNITY FOR PERSONAL/TEAM PERFORMANCE COMPONENT

The funding pool of the Personal/Team performance component will be determined by the financial results against the goals in the Financial Performance component of the Plan. For target levels of performance, the funding of the Personal/Team award pool will be 10 percent of base salary for Grades A through E, and 5 percent for Grade EE. The Personal/Team funding pool will be adjusted up or down based on the actual business financial performance. Performance that reaches the minimum level of a financial goal will result in funding of 25 percent, and Performance that reaches the maximum level of a financial goal will result in funding of 140 percent. The funding between minimum and target and target and maximum will be prorated according to the level of achievement.

The business unit executive and the executive staff will decide allocation of the pool among eligible participants based on their performance throughout the Plan year relative to achieving established goals and objectives. Personal/Team incentive awards may range from 0% to 200% of a participant's Personal/Team target incentive opportunity based on their individual performance. The aggregate total dollar amount of awards within each group may not exceed its total funded pool.

VII. PAYMENT

Distribution of any payouts for plan awards earned under the Plan to participants will be made in March of the year following the Plan Year.

VIII. GENERAL PROVISIONS

The executive staff has authority to make administrative decisions regarding the Plan.

The Company's Board of Directors, through the Compensation Committee, shall have final and conclusive authority for interpretation, application, and possible modification of this Plan or established targets. The Board of Directors, through the Compensation Committee, reserves the right to amend or terminate the Plan at any time. Subject to the preceding sentences, any determination by the Company's independent accountants shall be final and conclusive as it relates to the calculation of financial results.

This Plan is not a contract of employment.

MATERION CORPORATION

Performance-Based Restricted Stock Units Agreement

WHEREAS, _____ (the "Grantee") is an employee of Materion Corporation, an Ohio corporation (the "Corporation"), or a Subsidiary; and

WHEREAS, the execution of an agreement in the form hereof (this "Agreement") has been authorized by resolution of the Compensation Committee (the "Committee") of the Board of Directors of the Corporation that was duly adopted on _____, 20__.

NOW, THEREFORE, pursuant to the Materion Corporation 2006 Stock Incentive Plan (As Amended and Restated as of May 3, 2017) (the "Plan"), and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Corporation hereby confirms to the Grantee the grant of (1) a targeted number of _____ performance-based Restricted Stock Units to be earned, if at all, on the basis of the achievement of the portion of the Management Objectives measured by ROIC goals during the Performance Period (as defined below) (the "ROIC PRSUs"), and (2) a targeted number of _____ performance-based Restricted Stock Units to be earned, if at all, on the basis of the achievement of the portion of the Management Objectives measured by RTSR goals during the Performance Period (the "RTSR PRSUs" and, together with the ROIC PRSUs, the "PRSUs"), effective on _____, 2021 (the "Date of Grant"). Subject to the attainment of the Management Objectives described in Section 3 of Article II of this Agreement and the Statement of Management Objectives as approved by the Compensation Committee with respect to the PRSUs on the Date of

Grant (the “Statement of Management Objectives”), the Grantee may earn from 0% and 200% of the ROIC PRSUs and from 0% and 200% of the RTSR PRSUs. The award evidenced hereby is not a Qualified Performance-Based Award.

ARTICLE I

DEFINITIONS

All terms used but not defined herein with initial capital letters that are defined in the Plan shall have the meanings assigned to them in the Plan, and the following terms, when used herein with initial capital letters, shall have the following meanings:

1. “Committee Determination Date” means the date following the end of the Performance Period on which the Committee determines the level of attainment of the Management Objectives for the Performance Period.
 2. “Management Objectives” means the threshold, target and maximum goals established by the Committee for the Performance Period with respect to both ROIC and RTSR as described in the Statement of Management Objectives.
 3. “Performance Period” means the **[three-year]** period commencing **[January 1, 2021]** and ending on **[December 31, 2023]**.
 4. “Relative Total Shareholder Return” or “RTSR” has the meaning as set forth in the Statement of Management Objectives.
 5. “Return on Invested Capital” or “ROIC” has the meaning as set forth in the Statement of Management Objectives.
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ARTICLE II

CERTAIN TERMS OF PRSUs

1. Payment of PRSUs. The PRSUs covered by this Agreement shall become payable to the Grantee if they become nonforfeitable in accordance with Sections 3, 4, 5 or 6 of Article II.
 2. PRSUs Non-Transferable. The PRSUs covered by this Agreement and any interest therein may be transferred or assigned only by will or pursuant to the laws of descent and distribution prior to payment therefor.
 3. Normal Vesting of PRSUs. Subject to the terms and conditions of Sections 4, 5 and 6 of Article II, the Grantee's right to receive Common Shares for the ROIC PRSUs and/or Common Shares for the RTSR PRSUs, as applicable, shall become nonforfeitable with respect to (a) 0% to 200% of the ROIC PRSUs on the basis of the achievement of the portion of the Management Objectives measured by ROIC goals during the Performance Period, and (b) 0% and 200% of the RTSR PRSUs on the basis of the achievement of the portion of the Management Objectives measured by RTSR goals during the Performance Period, in each case as set forth in the Statement of Management Objectives. Except as otherwise provided herein, the Grantee's right to receive Common Shares for the ROIC PRSUs and/or Common Shares for the RTSR PRSUs, as applicable, is contingent upon his or her remaining in the continuous employ of the Company or a Subsidiary until the end of the Performance Period.
 4. Effect of Termination due to Death or Disability. Notwithstanding the provisions of Section 3 of Article II, 100% of the PRSUs shall immediately become nonforfeitable and payable at the time described in Section 8 of Article II if the Grantee dies or becomes permanently disabled while in the employ of the Corporation or a
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Subsidiary before the Committee Determination Date. The Grantee shall be considered to have become permanently disabled if the Grantee has suffered a permanent disability within the meaning of the long-term disability plan of the Corporation in effect for, or applicable to, the Grantee and is “disabled” within the meaning of Section 409A(a)(2)(C) of the Code.

5. Effect of Termination due to Retirement. Notwithstanding the continuous employment provision of Section 3 of Article II above, but subject to the provisions of Section 6 of Article II below, if the Grantee is at the time of such termination (a) at least age 65 or (b) at least age 55 and has completed at least 10 years of continuous employment with the Corporation or a Subsidiary, the PRSUs covered by this Agreement shall continue to be eligible to become nonforfeitable in accordance with Section 3 of this Article (and payable in accordance with Section 8 of Article II) as if the Grantee continued to be employed until the end of the Performance Period.

6. Change in Control. Notwithstanding Sections 3 and 5 of Article II above, the following alternative non-forfeitability provisions will apply to the PRSUs in the event of a Change in Control occurring after the Date of Grant and prior to the PRSUs becoming nonforfeitable in accordance with Section 3 of Article II:

(a) Upon the Change in Control, 100% of the PRSUs shall become nonforfeitable and payable in accordance with Section 8 of Article II, except to the extent that an award meeting the requirements of Section 6(b) of Article II (a “Replacement Award”) is provided to the Grantee in accordance with Section 6(b) of Article II to replace or adjust the award of PRSUs covered by this Agreement (the “Replaced Award”).

(b) For purposes of this Agreement, a “Replacement Award” means an award (i) of the same type (e.g., performance-based restricted stock units) as the Replaced Award, (ii) that has a value at least equal to the value of the Replaced Award, (iii) that relates to publicly traded equity securities of the Corporation or its successor in the Change in Control or another entity that is affiliated with the Corporation or its successor following the Change in Control, (iv) if the Grantee holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Grantee under the Code are not less favorable to such Grantee than the tax consequences of the Replaced Award, and (v) the other terms and conditions of which are not less favorable to the Grantee holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent change in control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 6(b) of Article II are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(c) If, upon receiving a Replacement Award, the Grantee’s employment with the Corporation or a Subsidiary (or any of their successors) (as applicable, the “Successor”) is terminated by the Grantee as a Termination for Good Cause or by the Successor other than as a Termination for Cause, in each case within a period of two years after the Change in Control, 100% of the Replacement Award will become

nonforfeitable and payable in accordance with Section 8 of Article II with respect to the performance-based restricted stock units covered thereby.

(d) "Termination for Cause" means a termination of Grantee's employment by the Successor for "Cause" (as defined in Section 10(f) of Article II).

(e) "Termination for Good Cause" shall mean the Grantee's termination of the Grantee's employment with the Successor as a result of the occurrence of any of the following:

(i) a change in the Grantee's principal location of employment that is greater than 50 miles from such location as of the date of this Agreement without the Grantee's consent; provided, however, that the Grantee hereby acknowledges that the Grantee may be required to engage in travel in connection with the performance of the Grantee's duties hereunder and that such travel shall not constitute a change in the Grantee's principal location of employment for purposes hereof;

(ii) a material diminution in the Grantee's base compensation;

(iii) a change in the Grantee's position with the Successor without the Grantee's consent such that there is a material diminution in the Grantee's authority, duties or responsibilities; or

(iv) any other action or inaction that constitutes a material breach by the Successor of the agreement, if any, under which the Grantee provides services to the Successor or its subsidiaries.

Notwithstanding the foregoing, the Grantee's termination of employment with the Successor as a result of the occurrence of any of the foregoing shall not constitute a "Termination for Good Cause" unless (A) the Grantee gives the Successor written notice

of such occurrence within 90 days of such occurrence and such occurrence is not cured by the Successor within 30 days of the date on which such written notice is received by the Successor and (B) the Grantee actually terminates his or her employment with the Successor prior to the 365th day following such occurrence.

(f) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding PRSUs which at the time of the Change in Control are not subject to a “substantial risk of forfeiture” (within the meaning of Section 409A of the Code) will be deemed to be nonforfeitable at the time of such Change in Control and will be paid as provided for in Section 8(b) of Article II.

7. Forfeiture of PRSUs. The PRSUs shall be forfeited to the extent they fail to become nonforfeitable as of the Committee Determination Date and, except as otherwise provided in Sections 4, 5 or 6 of Article II, if the Grantee ceases to be employed by the Corporation or a Subsidiary at any time prior to such PRSUs becoming nonforfeitable, or to the extent they are forfeited as provided in Section 9 of Article II.

8. Form and Time of Payment of PRSUs.

(a) General. Except as otherwise provided for in Section 2 of Article III, and subject to Section 7 and Section 8(b) of Article II, payment for the PRSUs that have become nonforfeitable in accordance with Sections 3, 4, 5 or 6 of Article II shall be made in the form of Common Shares between January 1, 2021 and March 15, 2023.

(b) Alternative Payment Events. Notwithstanding Section 8(a) of Article II, and except as otherwise provided for in Section 2 of Article III, to the extent that PRSUs have become nonforfeitable, then any issuance of the Common Shares underlying such PRSUs (or payment of any other form of consideration into which the

Common Shares underlying such PRSUs may have been converted) will be made on an earlier date as follows:

(i) Death. To the extent that PRSUs are nonforfeitable on the date of Grantee's death, payment for the PRSUs will be made on the date of Grantee's death;

(ii) Disability. To the extent that PRSUs are nonforfeitable on the date the Grantee becomes "disabled" within the meaning of Section 409A(a)(2)(C) of the Code, payment for the PRSUs will be made on the date the Grantee becomes disabled;

(iii) Separation from Service. To the extent that PRSUs are nonforfeitable on the date of Grantee's "separation from service" (determined in accordance with Section 409A of the Code), payment for the PRSUs will be made on the date of Grantee's "separation from service"; provided, however, that if the Grantee on the date of separation from service is a "specified employee" (within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), payment for the PRSUs will be made on the tenth day of the seventh month after the date of Grantee's separation from service or, if earlier, the date of Grantee's death; and

(iv) Change of Control. To the extent that PRSUs are nonforfeitable on the date of a Change in Control, payment for the PRSUs will be made on the date of the Change of Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations

thereunder, and where Section 409A of the Code applies to such distribution, payment will be made on the date that would have otherwise applied pursuant to Section 8.

9. Effect of Detrimental Activity. Notwithstanding anything herein to the contrary (other than Section 11 of Article III), if the Grantee, either during employment by the Corporation or a Subsidiary or within one year after termination of such employment, shall engage in any Detrimental Activity (as defined in Section 10 below) and the Board shall so find, then the Grantee shall, upon notice of such finding:

1. Forfeit all PRSUs held by the Grantee.

2. With respect to any PRSUs that became nonforfeitable and were paid pursuant to this Agreement, return to the Corporation any and all Common Shares that were paid out under this Agreement that the Grantee has not then disposed of.

3. With respect to any and all Common Shares subject to the PRSUs covered by this Agreement that (i) became nonforfeitable and were paid pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity and (ii) the Grantee has disposed of, pay to the Corporation the cash value of such Common Shares on the date the respective PRSUs were paid.

4. To the extent that such amounts are not paid to the Corporation, the Corporation may, to the extent permitted by law, set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason, except that no such set-off shall be permitted against any amount that constitutes "deferred compensation" within the meaning of Section 409A of the Code.

10. Definition of Detrimental Activity. For purposes of this Agreement, the term “Detrimental Activity” shall include:

(a) (i) Engaging in any activity in violation of the section entitled “Competitive Activity; Confidentiality; Non-solicitation” in the Severance Agreement between the Corporation and the Grantee, if any such agreement is in effect on the date of this Agreement, or in violation of any corresponding provision in any other agreement between the Corporation and the Grantee in effect on the date of this Agreement providing for the payment of severance compensation; or

(ii) If no such severance agreement is in effect as of the date of this Agreement, or if such severance agreement does not contain a section corresponding to “Competitive Activity; Confidentiality; Non-solicitation”:

A. Competitive Activity During Employment. Competing with the Corporation anywhere within the United States during the term of the Grantee’s employment, including, without limitation:

- (1) entering into or engaging in any business which competes with the business of the Corporation;
 - (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business that competes with, the business of the Corporation;
 - (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation or attempting to do so; or
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(4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Corporation.

B. Following Termination. For a period of one year following the Grantee's termination date:

- (1) entering into or engaging in any business which competes with the Corporation's business within the Restricted Territory (as hereinafter defined);
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business, wherever located, that competes with, the Corporation's business within the Restricted Territory;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation within the Restricted Territory, or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Corporation's business within the Restricted Territory.

For the purposes of Sections 10(a)(ii)(A) and (B) above, inclusive, but without limitation thereof, the Grantee will be in violation thereof if the Grantee engages in any or all of the activities set forth therein directly as an individual on the Grantee's own account, or indirectly

as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Grantee or the Grantee's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

- C. The "Corporation." For the purposes of this Section 10(a)(ii) of Article II, the "Corporation" shall include all direct and indirect subsidiaries, parents, and affiliated, or related companies of the Corporation for which the Grantee worked or had responsibility at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination.
- D. The "Corporation's business." For the purposes of this Section 10 of Article II inclusive, the Corporation's business is defined to be the integrated production of high performance advanced engineered materials used in a variety of electrical, electronic, thermal and structural applications serving the consumer electronics, industrial components and commercial aerospace, defense and science, medical, energy, automotive electronics, telecommunications infrastructure and appliance markets, as further described in any and all manufacturing, marketing and sales manuals and materials of the Corporation as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any
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other products or services substantially similar to or readily substitutable for any such described products and services.

E. "Restricted Territory." For the purposes of Section 10(a)(ii)(B) of Article II, the "Restricted Territory" shall be defined as and limited to:

- (1) the geographic area(s) within a one hundred mile radius of any and all Corporation location(s) in, to, or for which the Grantee worked, to which the Grantee was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination; and
- (2) all of the specific customer accounts, whether within or outside of the geographic area described in (1) above, with which the Grantee had any contact or for which the Grantee had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination.

F. "Extension." If it shall be judicially determined that the Grantee has violated any of the Grantee's obligations under Section 10(a)(ii)(B) of Article II of this Agreement, then the period applicable to each obligation that the Grantee shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(b) Non-Solicitation. Except as otherwise provided in Section 10(a)(i) of Article II, Detrimental Activity shall also include directly or indirectly at any time

soliciting or inducing or attempting to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Corporation and/or of its parents, or its other subsidiaries or affiliated or related companies to terminate their employment, representation or other association with the Corporation and/or its parent or its other subsidiary or affiliated or related companies.

(c) Further Covenants. Except as otherwise provided in Section 10(a)(i) of Article II, Detrimental Activity shall also include:

(i) directly or indirectly, at any time during or after the Grantee's employment with the Corporation, disclosing, furnishing, disseminating, making available or, except in the course of performing the Grantee's duties of employment, using any trade secrets or confidential business and technical information of the Corporation or its customers or vendors, including without limitation as to when or how the Grantee may have acquired such information. Such confidential information shall include, without limitation, the Corporation's unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Grantee specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Grantee's mind or memory and whether compiled by the Corporation, and/or the Grantee, derives independent economic value

from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Corporation to maintain the secrecy of such information, that such information is the sole property of the Corporation and that any retention and use of such information by the Grantee during the Grantee's employment with the Corporation (except in the course of performing the Grantee's duties and obligations to the Corporation) or after the termination of the Grantee's employment shall constitute a misappropriation of the Corporation's trade secrets.

(ii) Upon termination of the Grantee's employment with the Corporation, for any reason, the Grantee's failure to return to the Corporation, in good condition, all property of the Corporation, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 10(c)(i) of Article II.

(d) Discoveries and Inventions. Except as otherwise provided in Section 10(a)(i) of Article II, Detrimental Activity shall also include the failure or refusal of the Grantee to assign to the Corporation, its successors, assigns or nominees, all of the Grantee's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Grantee while in the Corporation's employ, whether in the course of the Grantee's employment with the use of the Corporation's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Corporation's business. Any discovery, invention or improvement relating to any subject matter with which the

Corporation was concerned during the Grantee's employment and made, conceived or suggested by the Grantee, either solely or jointly with others, within one year following termination of the Grantee's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Corporation's time, materials or facilities. Upon request by the Corporation with respect to any such discoveries, inventions or improvements, the Grantee will execute and deliver to the Corporation, at any time during or after the Grantee's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Corporation may desire, and all proper assignments therefor, when so requested, at the expense of the Corporation, but without further or additional consideration.

(e) Work Made For Hire. Except as otherwise provided in Section 10(a)(i) of Article II, Detrimental Activity shall also include violation of the Corporation's rights in any or all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by Grantee during the Grantee's employment with the Corporation. The Grantee acknowledges that, to the extent permitted by law, all such items shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Corporation. The item will recognize the Corporation as the copyright owner, will contain all proper copyright notices, e.g., "(creation date) [Corporation Name], All Rights

Reserved,” and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(f) Termination for Cause. Except as otherwise provided in Section 10(a)(i) of Agreement, Detrimental Activity shall also include activity that results in termination for Cause. For the purposes of this Section 10, “Cause” shall mean that, the Grantee shall have:

(i) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Corporation or any affiliate of the Corporation;

(ii) committed intentional wrongful damage to property of the Corporation or any affiliate of the Corporation; or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of the Corporation or any affiliate of the Corporation;

and any such act shall have been demonstrably and materially harmful to the Corporation.

(g) Other Injurious Conduct. Detrimental Activity shall also include any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Corporation or any subsidiary unless the Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

(h) Reasonableness. The Grantee acknowledges that the Grantee’s obligations under this Section 10 of Article II of this Agreement are reasonable in the

context of the nature of the Corporation's business and the competitive injuries likely to be sustained by the Corporation if the Grantee were to violate such obligations. The Grantee further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Corporation to perform its obligations under this Agreement and by other consideration, which the Grantee acknowledges constitutes good, valuable and sufficient consideration.

(i) Acknowledgement. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Grantee from providing, without prior notice to the Corporation, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity the Grantee is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.

11. Dividend Equivalents. From and after the Date of Grant and until the earlier of (a) the time when the PRSUs become nonforfeitable and are paid in accordance with Sections 3 and 8 of Article II or (b) the time when the Grantee's right to receive Common Shares in payment of the PRSUs is forfeited in accordance with Section 7 of Article II, on the date that the Corporation pays a cash dividend (if any) to holders of Common Shares generally, the Grantee shall be entitled to a number of additional whole PRSUs (rounded up or down to the nearest whole PRSU) determined by dividing (i) the product of (A) the dollar amount of the cash dividend paid per Common Share on such date and (B) the total number of PRSUs covered by this Agreement (including dividend equivalents credited with respect thereto) previously credited to the Grantee as of such date, by (ii) the Market Value per Share on such date.

Such dividend equivalents (if any) shall be subject to the same terms and conditions and shall be paid or forfeited in the same manner and at the same time as the PRSUs to which the dividend equivalents were credited.

12. Relation to Severance Agreement. Sections 6 and 8 of Article II shall supersede the provisions of any severance agreement between the Grantee and the Corporation in effect on the Date of Grant that provide for earlier vesting or payment of the PRSUs covered by this Agreement in the event of a Change in Control.

ARTICLE III

GENERAL PROVISIONS

1. Compliance with Law. The Corporation shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Corporation shall not be obligated to issue any Common Shares pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

2. Adjustments. The PRSUs and the number of Common Shares issuable for each PRSU and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.

3. Withholding Taxes. If the Corporation or any Subsidiary shall be required to withhold any federal, state, local or foreign tax or other amounts in connection with any issuance, vesting or payment of Common Shares or other securities pursuant to this Agreement, the Grantee shall pay the tax or make arrangements that are satisfactory to the Corporation or such Subsidiary for the payment thereof. With respect to the PRSUs, the Grantee shall satisfy such withholding obligation by surrendering to the Corporation or such Subsidiary a portion of the Common Shares subject to the

PRSUs that are covered by this Agreement and the Common Shares so surrendered by the Grantee shall be credited against any such withholding obligation at the fair market value per Common Share on the date of such surrender. In no event shall the fair market value of the Common Shares to be withheld and delivered pursuant to this Section 3 of Article III to satisfy applicable withholding taxes exceed the minimum amount required to be withheld, unless (a) an additional amount can be withheld or delivered, and not result in adverse accounting or other consequences as reasonably determined by the Committee (it being understood that the failure of such reasonable determination to be correct shall not constitute a violation of the terms of the Plan), and (b) it is permitted by the Committee.

4. Continuous Employment. For purposes of this Agreement, the continuous employment of the Grantee with the Corporation or a Subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Corporation or a Subsidiary, by reason of the transfer of his employment among the Corporation and its Subsidiaries or a leave of absence approved by the Board.

5. No Employment Contract; Right to Terminate Employment. The grant of the PRSUs covered by this Agreement to the Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the PRSUs under this Agreement and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Agreement will give the Grantee any right to continue employment with the Corporation or any Subsidiary, as the case may be, or interfere in any way with the right

of the Corporation or a Subsidiary to terminate the employment of the Grantee at any time.

6. Information. Information about the Grantee and the Grantee's participation in the Plan may be collected, recorded and held, used and disclosed for any purpose related to the administration of the Plan. The Grantee understands that such processing of this information may need to be carried out by the Corporation and its Subsidiaries and by third party administrators whether such persons are located within the Grantee's country or elsewhere, including the United States of America. The Grantee consents to the processing of information relating to the Grantee and the Grantee's participation in the Plan in any one or more of the ways referred to above.

7. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee's consent (provided, however, that the Grantee's consent shall not be required to an amendment that is deemed necessary by the Corporation to comply with Section 409A of the Code or Section 10D of the Exchange Act).

8. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

9. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.

10. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

11. Subject to Clawback Policy. Notwithstanding anything in this Agreement to the contrary, subject to any contrary determination by the Committee, the Grantee acknowledges and agrees that this Agreement and the PRSUs covered by this Agreement are subject to the terms and provisions of the Corporation's clawback policy (if any) as may be in effect from time to time to the extent provided for under such policies, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Shares may be traded) (the "Compensation Recovery Policy"), and that Section 9 of Article II and this Section 11 of Article III shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

12. Electronic Delivery. The Corporation may, in its sole discretion, deliver any documents related to the PRSUs and the Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request the

Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation.

13. Acknowledgement. The Grantee acknowledges that the Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.

14. Successors and Assigns. Without limiting Section 2 of Article II hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Corporation.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[SIGNATURES ON NEXT PAGE]

The undersigned Grantee hereby accepts the awards covered by this Performance-Based Restricted Stock Units Agreement on the terms and conditions set forth herein.

Dated: __ _____

Grantee

Executed in the name of and on behalf of the Corporation at Mayfield Heights, Ohio as of this __ day of _____ 20__.

MATERION CORPORATION

By __

Statement of Management Objectives

This Statement of Management Objectives applies to the performance-based Restricted Stock Units granted to the Grantee on the Date of Grant and applies with respect to the Performance-Based Restricted Stock Units Agreement between the Company and the Grantee (the “**Agreement**”). Capitalized terms used in the Agreement that are not specifically defined in this Statement of Management Objectives have the meanings assigned to them in the Agreement or in the Plan, as applicable.

Section 1. Definitions. For purposes hereof:

- (a) “**Peer Group**” means, of a benchmark group of ___ entities, the names of which are attached hereto as Annex A, those entities that remain in the Peer Group as of the end of the Performance Period after application of the Peer Group Adjustment Protocol.
 - (b) “**Peer Group Adjustment Protocol**” means: (i) if an entity listed in Annex A files for bankruptcy and/or liquidation, is operating under bankruptcy protection, or is delisted from its primary stock exchange because it fails to meet the exchange listing requirement, then such entity will remain in the Peer Group, but RTSR for the Performance Period will be calculated as if such entity achieved Total Shareholder Return placing it at the bottom (chronologically, if more than one such entity) of the Peer Group; (ii) if, by the last day of the Performance Period, an entity listed in Annex A has been acquired and/or is no longer existing as a public company that is traded on its primary stock exchange (other than for the reasons as described in subsection (i) above), then such entity will not remain in the Peer Group and RTSR for the Performance Period will be calculated as if such entity had never been a member of the Peer Group; and (iii) except as otherwise described in subsection (i) and (ii) above, for purposes of this Statement of Management Objectives, for each of the entities listed in Annex A, such entity shall be deemed to include any successor to all or substantially all of the primary business of such entity at end of the Performance Period.
 - (c) “**Relative Total Shareholder Return**” or “**RTSR**” means the percentile rank of the Corporation’s Total Shareholder Return among the Total Shareholder Returns of all members of the Peer Group, ranked in descending order, at the end of the Performance Period. Percentile will be calculated using the Microsoft Excel Percentile Function method.
 - (d) “**Return on Invested Capital**” or “**ROIC**” means the Corporation’s annual earnings before interest and income taxes divided by the sum of short- and long-term net debt (minus cash) plus equity. “Equity” excludes the items within other comprehensive income (namely, pension valuation adjustment, derivative valuation adjustment and the cumulative translation adjustment). The measurement of the **[2023]** ROIC will be the average
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ROIC for **[2021, 2022, and 2023]** using the beginning (December 31 of the previous year) and ending (December 31 of the current year) invested capital.

- (e) “**Total Shareholder Return**” means, with respect to each of the Common Shares and the common stock of each of the members of the Peer Group, a rate of return reflecting stock price appreciation, plus the reinvestment of dividends in additional shares of stock, from the beginning of the Performance Period through the end of the Performance Period. For purposes of calculating Total Shareholder Return for each of the Company and the members of the Peer Group, the beginning stock price will be based on the average closing stock price for the 30 calendar days immediately preceding **[January 1, 2021]** on the principal stock exchange on which the stock then traded and the ending stock price will be based on the average closing stock price for the 30 calendar days immediately preceding **[January 1, 2024]** on the principal stock exchange on which the stock then trades.

Section 2. Performance Matrices.

From 0% to 200% of the ROIC PRSUs will be earned based on achievement of the portion of the Management Objectives measured by ROIC goals during the Performance Period, and from 0% to 200% of the RTSR PRSUs will be earned based on achievement of the portion of the Management Objectives measured by RTSR goals during the Performance Period, in each case as follows:

Performance Level	Return on Invested Capital	ROIC PRSUs Earned
Below Threshold	Below __%	0%
Threshold	__%	50%
Target	__%	100%
Maximum	__% or greater	200%

Performance Level	Relative Total Shareholder Return	RTSR PRSUs Earned
Below Threshold	Ranked below __th percentile	0%
Threshold	Ranked at __th percentile	50%
Target	Ranked at __th percentile	100%
Maximum	Ranked at or above __th percentile	200%

Section 3. Number of PRSUs Earned. Following the Performance Period, on the Committee Determination Date, the Committee shall determine whether and to what extent the goals relating to the Management Objectives have been satisfied for the Performance Period and shall determine the number

of PRSUs that shall become nonforfeitable hereunder and under the Agreement on the basis of the following:

- (a) Below Threshold. If, upon the conclusion of the Performance Period, (i) ROIC for the Performance Period falls below the threshold level, as set forth in the Performance Matrices, no ROIC PRSUs shall become nonforfeitable and (ii) RTSR for the Performance Period falls below the threshold level, as set forth in the Performance Matrices, no RTSR PRSUs shall become nonforfeitable.
 - (b) Threshold. If, upon the conclusion of the Performance Period, (i) ROIC for the Performance Period equals the threshold level, as set forth in the Performance Matrices, 50% of the ROIC PRSUs (rounded down to the nearest whole number of ROIC PRSUs) shall become nonforfeitable, and (ii) RTSR for the Performance Period equals the threshold level, as set forth in the Performance Matrices, 50% of the RTSR PRSUs (rounded down to the nearest whole number of RTSR PRSUs) shall become nonforfeitable.
 - (c) Between Threshold and Target. If, upon the conclusion of the Performance Period, (i) ROIC for the Performance Period exceeds the threshold level, but is less than the target level, as set forth in the Performance Matrices, a percentage between 50% and 100% (determined on the basis of straight-line mathematical interpolation) of the ROIC PRSUs (rounded down to the nearest whole number of ROIC PRSUs) shall become nonforfeitable, and (ii) RTSR for the Performance Period exceeds the threshold level, but is less than the target level, as set forth in the Performance Matrices, a percentage between 50% and 100% (determined on the basis of straight-line mathematical interpolation) of the RTSR PRSUs (rounded down to the nearest whole number of RTSR PRSUs) shall become nonforfeitable.
 - (d) Target. If, upon the conclusion of the Performance Period, (i) ROIC for the Performance Period equals the target level, as set forth in the Performance Matrices, 100% of the ROIC PRSUs shall become nonforfeitable, and (ii) RTSR for the Performance Period equals the target level, as set forth in the Performance Matrices, 100% of the RTSR PRSUs shall become nonforfeitable.
 - (e) Between Target and Maximum. If, upon the conclusion of the Performance Period, (i) ROIC for the Performance Period exceeds the target level, but is less than the maximum level, as set forth in the Performance Matrices, a percentage between 100% and 200% (determined on the basis of straight-line mathematical interpolation) of the ROIC PRSUs (rounded down to the nearest whole number of ROIC PRSUs) shall become nonforfeitable, and (ii) RTSR for the Performance Period exceeds the target level, but is less than the maximum level, as set
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forth in the Performance Matrices, a percentage between 100% and 200% (determined on the basis of straight-line mathematical interpolation) of the RTSR PRSUs (rounded down to the nearest whole number of RTSR PRSUs) shall become nonforfeitable.

- (f) Equals or Exceeds Maximum. If, upon the conclusion of the Performance Period, (i) ROIC for the Performance Period equals or exceeds the maximum level, as set forth in the Performance Matrices, 200% of the ROIC PRSUs shall become nonforfeitable, and (ii) RTSR for the Performance Period equals or exceeds the maximum level, as set forth in the Performance Matrices, 200% of the RTSR PRSUs shall become nonforfeitable.
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MATERION CORPORATION
BENEFICIARY DESIGNATIONS

In accordance with the terms and conditions of the Materion Corporation 2006 Stock Incentive Plan (As Amended and Restated as of May 3, 2017) (the "Plan"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any amounts payable under said Plan after my death.

Name

Address

Social Sec. Nos. of Beneficiary(ies) __

Relationship(s) __

Date(s) of Birth __

In the event that the abovenamed beneficiary(ies) predecease(s) me, I hereby designate the following person as beneficiary(ies);

Name

Address

Social Sec. Nos. of Beneficiary(ies) __

Relationship(s) __

Date(s) of Birth __

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan. In the event that there is no beneficiary living at the time of my death, I understand that the amounts payable under the Plan will be paid to my estate

Date (Signature)

(Print or type name)

MATERION CORPORATION

Appreciation Rights Agreement

WHEREAS, _____ (the "Grantee") is an employee of Materion Corporation (the "Corporation") or a Subsidiary.

WHEREAS, the execution of an agreement in the form hereof (this "Agreement") has been authorized by a resolution of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Corporation that was duly adopted on _____, 20__.

NOW, THEREFORE, the Corporation hereby confirms to the Grantee the grant, effective _____, 2021 (the "Date of Grant"), pursuant to the Materion Corporation 2006 Stock Incentive Plan (As Amended and Restated as of May 3, 2017) (the "Plan"), of _____ Free-standing Appreciation Rights ("SARs"), subject to the terms and conditions of the Plan and the terms and conditions described below.

1. Definitions

As used in this Agreement:

- (A) "Base Price" means \$_____ which was the Market Value per Share on the Date of Grant.
- (B) "Detrimental Activity" shall have the meaning set forth in Section 7 of this Agreement.
- (C) "Spread" means the excess of the Market Value per Share on the date when a SAR is exercised over the Base Price.
- (D) Capitalized terms without definition shall have the meanings assigned to them in the Plan.

2. Grant of SARs.

The Corporation hereby grants to the Grantee the number of SARs set forth above. The SARs are a right to receive Common Shares in an amount equal in value (as described herein) to 100% of the Spread at the time of exercise.

3. Vesting of SARs.

- (A) The SARs granted hereby shall become exercisable in three substantially equal installments on each of the first three anniversaries of the Date of Grant, provided, except as otherwise provided in this Section 3, that the Grantee shall have remained in the continuous employ of the Corporation or any Subsidiary through each such date.
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(B) Notwithstanding Section 3(A) above, the SARs granted hereby shall (to the extent not already forfeited or exercisable) become immediately exercisable in full if (i) the Grantee should die while in the employ of the Corporation or any Subsidiary, or (ii) the Grantee should become permanently disabled (as hereinafter defined) while in the employ of the Corporation or any Subsidiary. The Grantee shall be considered to have become permanently disabled if the Grantee has suffered a permanent disability within the meaning of the long-term disability plan of the Corporation in effect for, or applicable to, the Grantee and is “disabled” within the meaning of Section 409A(a)(2)(C) of the Code.

(C) (i) Notwithstanding Section 3(A) above, the SARs granted hereby shall (to the extent not already forfeited or exercisable) become immediately exercisable in full if at any time during the employment of the Grantee and prior to the termination of the SARs:

a. a Change in Control shall occur after the Date of Grant; and

b. within two years following the Change in Control, the Grantee’s employment with the Corporation or a Subsidiary is terminated by the Grantee as a Termination for Good Cause (as defined in Section 3(E) below) or the Grantee is terminated by the Corporation other than as a Termination for Cause (as defined in Section 3(D) below).

1. Notwithstanding anything in this Section 3(C) to the contrary, in connection with a Business Combination, the result of which is that the Outstanding Company Voting Securities are exchanged for or become exchangeable for securities of another entity, cash or a combination thereof, if the entity resulting from such Business Combination does not assume the SARs evidenced hereby and the Corporation’s obligations hereunder, or replace the SARs evidenced hereby with a substantially equivalent security of the entity resulting from such Business Combination, then the SARs evidenced hereby shall (to the extent not already forfeited or exercisable) become immediately exercisable in full as of immediately prior to such Business Combination.

(D) “Termination for Cause” means a termination of Grantee’s employment by the Corporation for “Cause” (as defined in Section 7(F) of this Agreement).

(E) “Termination for Good Cause” shall mean the Grantee’s termination of the Grantee’s employment with the Corporation or a Subsidiary as a result of the occurrence of any of the following:

(i) a change in the Grantee’s principal location of employment that is greater than 50 miles from its location as of the date hereof without the Grantee’s consent; provided, however, that the Grantee hereby acknowledges that the Grantee may be required to engage in travel in connection with the performance of the Grantee’s duties hereunder and that such travel shall not constitute a change in the Grantee’s principal location of employment for purposes hereof;

(ii) a material diminution in the Grantee’s base compensation;

(iii) a change in the Grantee's position with the Corporation without the Grantee's consent such that there is a material diminution in the Grantee's authority, duties or responsibilities; or

(iv) any other action or inaction that constitutes a material breach by the Corporation of the agreement under which the Grantee provides services.

Notwithstanding the foregoing, the Grantee's termination of the Grantee's employment with the Corporation as a result of the occurrence of any of the foregoing shall not constitute a "Termination for Good Cause" unless (a) the Grantee gives the Corporation written notice of such occurrence within 90 days of such occurrence and such occurrence is not cured by the Corporation within 30 days of the date on which such written notice is received by the Corporation and (b) the Grantee actually terminates his or her employment with the Corporation prior to the 365th day following such occurrence.

4. Exercise of SARs.

(A) To the extent exercisable as provided in Section 3 of this Agreement, SARs may be exercised in whole or in part by giving notice to the Corporation specifying the number of SARs to be exercised.

(B) The Corporation will issue to the Grantee the number of Common Shares that equals the Market Value per Share divided into the aggregate Spread of the SARs exercised on the date of exercise rounded down to the nearest whole Common Share.

5. Termination of SARs.

The SARs granted hereby shall terminate upon the earliest to occur of the following:

(A) 190 days after the Grantee ceases to be an employee of the Corporation or a Subsidiary, unless he ceases to be such employee by reason of death or in a manner described in clause (B), (C) or (F) below;

(B) One year after the Grantee ceases to be an employee of the Corporation or a Subsidiary if at the time of termination of employment the Grantee is disabled (as defined above);

(C) Seven years from the Date of Grant if the Committee, at its discretion, allows continued vesting of unvested SARs following termination of employment due to retirement when the Grantee is (i) at least age 65 or (ii) at least age 55 and has completed at least 10 years of continuous employment with the Corporation or a Subsidiary;

(D) One year after the death of the Grantee, if the Grantee dies while an employee of the Corporation or a subsidiary or within the period specified in (A) or (B) above which is applicable to the Grantee;

(E) Seven years from the Date of Grant; and

(F) Immediately if the Grantee engages in any Detrimental Activity (as hereinafter defined).

6. Effect of Detrimental Activity.

If the Grantee, either during employment by the Corporation or a Subsidiary or within one year after termination of such employment, shall engage in any Detrimental Activity, and the Board shall so find:

(A) All SARs held by the Grantee, whether or not exercisable, shall be forfeited to the Corporation;

(B) The Grantee shall return to the Corporation all Common Shares that the Grantee has not disposed of that were acquired pursuant to this Agreement; and

(C) With respect to any Common Shares that the Grantee received upon exercise of the SARs that have been disposed of, pay to the Corporation in cash the amount equal to the Spread applicable to such Common Shares on the date of exercise of such SARs.

To the extent that such amounts are not paid to the Corporation, the Corporation may, to the extent permitted by law, set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason, except that no set-off shall be permitted against any amount that constitutes “deferred compensation” within the meaning of Section 409A of the Code.

7. Definition of Detrimental Activity.

For purposes of this Agreement, the term “Detrimental Activity” shall include:

(A) (i) Engaging in any activity in violation of the Section entitled “Competitive Activity; Confidentiality; Nonsolicitation” in the Severance Agreement between the Corporation and the Grantee, if such agreement is in effect on the date hereof, or in violation of any corresponding provision in any other agreement between the Corporation and the Grantee in effect on the date hereof providing for the payment of severance compensation; or

(ii) If no such severance agreement is in effect or if a severance agreement does not contain a section corresponding to “Competitive Activity; Confidentiality; Nonsolicitation” as of the date hereof:

(a) Competitive Activity During Employment. Competing with the Corporation anywhere within the United States during the term of the Grantee’s employment, including, without limitation:

(1) entering into or engaging in any business which competes with the business of the Corporation;

- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business that competes with, the business of the Corporation;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Corporation.

(b) Following Termination. For a period of one year following the Grantee's termination date:

- (1) entering into or engaging in any business which competes with the Corporation's business within the Restricted Territory (as hereinafter defined);
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business, wherever located, that competes with, the Corporation's business within the Restricted Territory;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation within the Restricted Territory, or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Corporation's business within the Restricted Territory.

For the purposes of Sections 7(A)(ii)(a) and (b) above, inclusive, but without limitation thereof, the Grantee will be in violation thereof if the Grantee engages in any or all of the activities set forth therein directly as an individual on the Grantee's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Grantee or the Grantee's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

(c) “The Corporation.” For the purposes of this Section 7(A)(ii), the “Corporation” shall include any and all direct and indirect subsidiaries, parents, and affiliated, or related companies of the Corporation for which the Grantee worked or had responsibility at the time of termination of the Grantee’s employment and at any time during the two-year period prior to such termination.

(d) “The Corporation’s business.” For the purposes of this Section 7 inclusive, the Corporation’s business is defined to be the integrated production of high performance advanced engineered materials used in a variety of electrical, electronic, thermal and structural applications serving the consumer electronics, industrial components and commercial aerospace, defense and science, medical, energy, automotive electronics, telecommunications infrastructure and appliance markets, as further described in any and all manufacturing, marketing and sales manuals and materials of the Corporation as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any other products or services substantially similar to or readily substitutable for any such described products and services.

(e) “Restricted Territory.” For the purposes of Section 7(A)(ii)(b), the Restricted Territory shall be defined as and limited to:

- (1) the geographic area(s) within a one hundred mile radius of any and all Corporation location(s) in, to, or for which the Grantee worked, to which the Grantee was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Grantee’s employment and at any time during the two-year period prior to such termination; and
- (2) all of the specific customer accounts, whether within or outside of the geographic area described in (1) above, with which the Grantee had any contact or for which the Grantee had any responsibility (either direct or supervisory) at the time of termination of the Grantee’s employment and at any time during the two-year period prior to such termination.

(f) Extension. If it shall be judicially determined that the Grantee has violated any of the Grantee’s obligations under Section 7(A)(ii)(b), then the period applicable to each obligation that the Grantee shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(B) Non-Solicitation. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include directly or indirectly at any time soliciting or inducing or attempting to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Corporation and/or of its parents, or its other subsidiaries or affiliated or related companies

to terminate their employment, representation or other association with the Corporation and/or its parent or its other subsidiary or affiliated or related companies.

(C) Further Covenants. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include:

(i) directly or indirectly, at any time during or after the Grantee's employment with the Corporation, disclosing, furnishing, disseminating, making available or, except in the course of performing the Grantee's duties of employment, using any trade secrets or confidential business and technical information of the Corporation or its customers or vendors, including without limitation as to when or how the Grantee may have acquired such information. Such confidential information shall include, without limitation, the Corporation's unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Grantee specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Grantee's mind or memory and whether compiled by the Corporation, and/or the Grantee, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Corporation to maintain the secrecy of such information, that such information is the sole property of the Corporation and that any retention and use of such information by the Grantee during the Grantee's employment with the Corporation (except in the course of performing the Grantee's duties and obligations to the Corporation) or after the termination of the Grantee's employment shall constitute a misappropriation of the Corporation's trade secrets.

(ii) Upon termination of the Grantee's employment with the Corporation, for any reason, the Grantee's failure to return to the Corporation, in good condition, all property of the Corporation, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 7(C)(i) of this Agreement.

(D) Discoveries and Inventions. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include the failure or refusal of the Grantee to assign to the Corporation, its successors, assigns or nominees, all of the Grantee's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Grantee while in the Corporation's employ, whether in the course of the Grantee's employment with the use of the Corporation's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Corporation's business. Any discovery, invention or improvement relating to any subject

matter with which the Corporation was concerned during the Grantee's employment and made, conceived or suggested by the Grantee, either solely or jointly with others, within one year following termination of the Grantee's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Corporation's time, materials or facilities. Upon request by the Corporation with respect to any such discoveries, inventions or improvements, the Grantee will execute and deliver to the Corporation, at any time during or after the Grantee's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Corporation may desire, and all proper assignments therefor, when so requested, at the expense of the Corporation, but without further or additional consideration.

(E) Work Made For Hire. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include violation of the Corporation's rights in any or all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by Grantee during the Grantee's employment with the Corporation. The Grantee acknowledges that, to the extent permitted by law, all such items shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Corporation. The item will recognize the Corporation as the copyright owner, will contain all proper copyright notices, e.g., "(creation date) [Corporation Name], All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(F) Termination for Cause. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include activity that results in termination for Cause. For the purposes of this Section, "Cause" shall mean that, the Grantee shall have:

(i) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Corporation or any affiliate of the Corporation;

(ii) committed intentional wrongful damage to property of the Corporation or any affiliate of the Corporation; or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of the Corporation or any affiliate of the Corporation;

and any such act shall have been demonstrably and materially harmful to the Corporation.

(G) Other Injurious Conduct. Detrimental Activity shall also include any action contributing to a restatement of the Corporation's financials if this award of SARs to the Grantee is favorably affected by such restatement as provided under Section 10D of the Exchange Act and any applicable rules or regulations as may be promulgated from time to time

by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded, and any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Corporation or any Subsidiary unless the Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

(H) Reasonableness. The Grantee acknowledges that the Grantee's obligations under this Section 7 are reasonable in the context of the nature of the Corporation's business and the competitive injuries likely to be sustained by the Corporation if the Grantee were to violate such obligations. The Grantee further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Corporation to perform its obligations under this Agreement and by other consideration, which the Grantee acknowledges constitutes good, valuable and sufficient consideration.

(I) Acknowledgement. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Grantee from providing, without prior notice to the Corporation, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity the Grantee is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.

8. Transferability.

No SAR granted hereunder may be transferred by the Grantee other than by will or the laws of descent and distribution and may be exercised during a Grantee's lifetime only by the Grantee or, in the event of the Grantee legal incapacity, by the Grantee's guardian or legal representative acting in a fiduciary capacity on behalf of the Grantee under state law and court supervision.

9. Compliance with Law.

The SARs granted hereby shall not be exercisable if such exercise would involve a violation of any applicable federal or state securities law, and the Corporation hereby agrees to make reasonable efforts to comply with any applicable state securities law. If the Ohio Securities Act shall be applicable to the SARs, they shall not be exercisable unless under said Act at the time of exercise the shares of Common Stock or other securities purchasable hereunder are exempt, are the subject matter of an exempt transaction, are registered by description or by qualification, or at such time are the subject matter of a transaction which has been registered by description.

10. Adjustments.

The SARs and the terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.

11. Withholding Taxes.

To the extent that the Corporation is required to withhold federal, state, local or foreign taxes or other amounts in connection with the exercise of the SARs, and the amounts available to the Corporation for such withholding are insufficient, it shall be a condition to such exercise that the Grantee make arrangements satisfactory to the Corporation for payment of the balance of such taxes or other amounts required to be withheld. The Grantee shall satisfy such withholding requirement by retention by the Corporation of a portion of the Common Shares to be delivered to the Grantee. The shares so retained shall be credited against such withholding requirement based on the fair market value per Common Share on the date of such exercise. In no event will the fair market value of the Common Shares to be withheld and delivered pursuant to this Section to satisfy applicable withholding taxes exceed the minimum amount required to be withheld, unless (a) an additional amount can be withheld or delivered, and not result in adverse accounting or other consequences as reasonably determined by the Committee (it being understood that the failure of such reasonable determination to be correct shall not constitute a violation of the terms of the Plan), and (b) it is permitted by the Committee.

12. Continuous Employment.

For purposes of this Agreement, the continuous employment of the Grantee with the Corporation or a Subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Corporation or a Subsidiary, by reason of the transfer of his employment among the Corporation and its Subsidiaries or a leave of absence approved by the Board.

13. No Employment Contract; Right to Terminate Employment.

The grant of the SARs under this Agreement to the Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the SARs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Agreement will give the Grantee any right to continue employment with the Corporation or any Subsidiary, as the case may be, or interfere in any way with the right of the Corporation or a Subsidiary to terminate the employment of the Grantee at any time.

14. Relation to Other Benefits.

Any economic or other benefit to the Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Grantee may be entitled under any profitsharing, retirement or other benefit or compensation plan maintained by the Corporation or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Corporation or a Subsidiary.

15. Information.

Information about the Grantee and the Grantee's participation in the Plan may be collected, recorded and held, used and disclosed for any purpose related to the administration of the Plan. The Grantee understands that such processing of this information may need to be carried out by the Corporation and its Subsidiaries and by third party administrators whether such persons are located within the Grantee's country or elsewhere, including the United States of America. The Grantee consents to the processing of information relating to the Grantee and the Grantee's participation in the Plan in any one or more of the ways referred to above.

16. Amendments.

Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee with respect to the SARs without the Grantee's consent. Notwithstanding the foregoing, the limitation requiring the consent of a Grantee to certain amendments shall not apply to any amendment that is deemed necessary by the Corporation to ensure compliance with Section 409A of the Code or Section 10D of the Exchange Act.

17. Severability.

In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law.

This Agreement is made under, and shall be construed in accordance with the internal substantive laws of the State of Ohio.

19. Relation to Severance Agreement.

Section 3(C) hereof shall supersede the provisions of any Severance Agreement between the Grantee and the Corporation, in effect at the Date of Grant, providing for earlier vesting of the SARs granted hereby in the event of a Change in Control.

20. Electronic Delivery.

The Corporation may, in its sole discretion, deliver any documents related to the SARs and the Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation.

21. Acknowledgement.

The Grantee acknowledges that the Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.

22. Acknowledgement.

Without limiting Section 8 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Corporation.

23. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

The undersigned hereby acknowledges receipt of an executed original of this Appreciation Rights Agreement and accepts the SARs granted thereunder on the terms and conditions set forth herein and in the Plan.

Date: _____
GRANTEE

Executed in the name and on behalf of the Corporation at Mayfield Heights, Ohio as of the __ day of _____,
20__.

MATERION CORPORATION

By: _____

MATERION CORPORATION

Restricted Stock Units Agreement (Stock-Settled)

WHEREAS, _____ (the "Grantee") is an employee of Materion Corporation, an Ohio corporation (the "Corporation") or a Subsidiary; and

WHEREAS, the execution of an agreement in the form hereof (this "Agreement") has been authorized by a resolution of the Compensation Committee (the "Committee") of the Board of Directors of the Corporation that was duly adopted on _____, 20__.

NOW, THEREFORE, pursuant to the Materion Corporation 2006 Stock Incentive Plan (As Amended and Restated as of May 3, 2017) (the "Plan"), the Corporation hereby confirms to the Grantee the grant, effective on _____, 2021 (the "Date of Grant"), of ___ Restricted Stock Units (as defined in the Plan) ("RSUs"), subject to the terms and conditions of the Plan and the following additional terms, conditions, limitations and restrictions:

Article I.

DEFINITIONS

All terms used but not defined herein with initial capital letters that are defined in the Plan shall have the meanings assigned to them in the Plan when used herein with initial capital letters.

Article II.

CERTAIN TERMS OF Restricted stock units

i. RSUs Not Transferable. The RSUs covered by the Agreement shall not be transferable other than by will or pursuant to the laws of descent and distribution prior to payment.

ii. Vesting and Payment of RSUs.

(1) General. Subject to the provisions of Sections 2(b), 2(c) and 2(d) of this Article II, all of the RSUs covered by this Agreement shall become nonforfeitable if the Grantee shall have remained in the continuous employ of the Corporation or a Subsidiary for three years from the Date of Grant and shall be payable by the issuance of Common Shares to the Grantee on such date.

(2) Death or Disability. Notwithstanding the provisions of Section 2(a) of this Article II, all of the RSUs covered by this Agreement shall immediately become nonforfeitable and shall be immediately payable if the Grantee dies or becomes permanently disabled (as hereinafter defined) while in the employ of the Corporation or a Subsidiary during the three-year period from the Date of Grant. The Grantee shall be considered to have become permanently disabled if the Grantee has suffered a permanent disability within the meaning of the long-term disability plan of the Corporation in effect for, or applicable to, the Grantee and is "disabled" within the meaning of Section 409A(a)(2)(C) of the Code.

(3) Retirement.

(a) If the Grantee should Retire (as hereinafter defined) after the Date of Grant, the RSUs covered by this Agreement shall be forfeited, unless the Committee determines that, notwithstanding the requirement of continuous employment contained in Section 2(a) of this Article II, such RSUs will continue to vest and become payable three years from the Date of Grant, provided that if the Committee makes such a determination, the RSUs will also be paid on any earlier date when payment would otherwise have been made under Section 2 of this Article II if the Grantee had continued employment through such date.

(b) “Retire” shall mean the Grantee’s retirement from the Corporation or a Subsidiary at (A) age 65 or older or (B) at age 55 or older with 10 or more years of continuous employment with the Corporation or a Subsidiary.

(4) Change in Control.

(a) Notwithstanding Section 2(a) of this Article II above, the RSUs granted hereby shall immediately become nonforfeitable if at any time during the employment of the Grantee and prior to the end of the three-year vesting period:

- (i) a Change in Control shall occur after the Date of Grant; and
- (ii) within two years following the Change in Control the Grantee’s employment with the Corporation or a Subsidiary is terminated by the Grantee as a Termination for Good Cause (as defined in Section 2(f) of this Article II) or the Grantee is terminated by the Corporation other than as a Termination for Cause (as defined in Section 2(e) of this Article II). If the Change in Control constitutes a “change in control” for purposes of Section 409A of the Code and if the Grantee incurs a “separation from service” for purposes of Section 409A of the Code within two years following such Change in Control, payment for any RSUs which are no longer subject to a substantial risk of forfeiture will be made upon the Grantee’s separation from service, provided however, that if at such time the Grantee is a “specified employee” as determined pursuant to the identification methodology adopted by the Corporation in compliance with Section 409A of the Code, the date of payment for the RSUs shall be the tenth business day of the seventh month after the date of the Grantee’s separation from service (or if earlier the Grantee’s death). If payment is not made

pursuant to the preceding sentence because the Change in Control does not constitute a “change in control” for purposes of Section 409A of the Code, then payment shall be made at the earliest date that payment otherwise would have been made under Section 2 of this Article II if no Change in Control had occurred, assuming continued employment through such date.

(b) Notwithstanding anything in this Section 2(d) to the contrary, in connection with a Business Combination, the result of which is that the Outstanding Company Voting Securities are exchanged for or become exchangeable for securities of another entity, cash or a combination thereof, if the entity resulting from such Business Combination does not assume the RSUs evidenced hereby and the Corporation’s obligations hereunder, or replace the RSUs evidenced hereby with a substantially equivalent security of the entity resulting from such Business Combination, then the RSUs evidenced hereby shall become nonforfeitable as of immediately prior to such Business Combination. Payment for any RSUs which are no longer subject to a substantial risk of forfeiture as determined under the original terms of this award will be upon the Change in Control; provided, however, if the Change in Control does not constitute a “change in control” for purposes of Section 409A(a)(2)(A)(v) of the Code, then payment for the RSUs will be made upon the date that payment otherwise would have been made under Section 2 of this Article II if no Change in Control had occurred, assuming continued employment through such date.

(5) “Termination for Cause” means a termination of Grantee’s employment by the Corporation for “Cause” (as defined in Section 7(f) of this Article II).

(6) "Termination for Good Cause" shall mean the Grantee's termination of the Grantee's employment with the Corporation or a Subsidiary as a result of the occurrence of any of the following:

(a) a change in the Grantee's principal location of employment that is greater than 50 miles from its location as of the date hereof without the Grantee's consent; provided, however, that the Grantee hereby acknowledges that the Grantee may be required to engage in travel in connection with the performance of the Grantee's duties hereunder and that such travel shall not constitute a change in the Grantee's principal location of employment for purposes hereof;

(b) a material diminution in the Grantee's base compensation;

(c) a change in the Grantee's position with the Corporation without the Grantee's consent such that there is a material diminution in the Grantee's authority, duties or responsibilities; or

(d) any other action or inaction that constitutes a material breach by the Corporation of the agreement under which the Grantee provides services.

Notwithstanding the foregoing, the Grantee's termination of the Grantee's employment with the Corporation as a result of the occurrence of any of the foregoing shall not constitute a "Termination for Good Cause" unless (A) the Grantee gives the Corporation written notice of such occurrence within 90 days of such occurrence and such occurrence is not cured by the Corporation within 30 days of the date on which such written notice is received by the Corporation and (B) the Grantee actually terminates his or her employment with the Corporation prior to the 365th day following such occurrence.

iii. Form and Time of Payment of RSUs/Withholding Taxes. Except as otherwise provided for in Section 2 of Article III, payment for the RSUs that become nonforfeitable as provided herein shall be made in form of Common Shares at the time the RSUs are payable in accordance with Section 2 of this Article II. To the extent that the Corporation is required to

withhold federal, state, local or foreign taxes or other amounts in connection with the delivery of Common Shares to the Grantee or any other person under this Agreement, the number of Common Shares to be delivered to the Grantee or such other person shall be reduced (based on the fair market value per Common Share as of the date the RSUs are reduced) to provide for the taxes required to be withheld with any fractional shares that would otherwise be delivered being rounded up to the next nearest whole share. In no event will the fair market value of the Common Shares to be withheld and delivered pursuant to this Section to satisfy applicable withholding taxes exceed the minimum amount required to be withheld, unless (a) an additional amount can be withheld or delivered, and not result in adverse accounting or other consequences as reasonably determined by the Committee (it being understood that the failure of such reasonable determination to be correct shall not constitute a violation of the terms of the Plan), and (b) it is permitted by the Committee.

iv. Forfeiture of RSUs. The RSUs shall be forfeited, except as otherwise provided in Section 2(b), 2(c) or 2(d) of this Article II above, if the Grantee ceases to be employed by the Corporation or a Subsidiary prior to three years from the Date of Grant.

v. Dividend Equivalents. From and after the Date of Grant and until the earlier of (a) the time when the RSUs vest and become nonforfeitable and payable in accordance with Section 2 of this Article II or (b) the time when the Grantee's right to receive Common Shares in payment of the RSUs is forfeited in accordance with Section 4 of this Article II, on the date that the Corporation pays a cash dividend (if any) to holders of Common Shares generally, the Grantee shall be entitled to a number of additional whole RSUs (rounded up or down to the nearest whole RSU) determined by dividing (i) the product of (A) the dollar amount of the cash dividend paid per Common Share on such date and (B) the total number of RSUs covered by this Agreement (including dividend equivalents credited with respect thereto) previously credited to the Grantee as of such date, by (ii) the Market Value per Share on such date. Such dividend equivalents (if any) shall be subject to the same terms and conditions and shall be paid or

forfeited in the same manner and at the same time as the RSUs to which the dividend equivalents were credited.

vi. Effect of Detrimental Activity. Notwithstanding anything herein to the contrary, if the Grantee, either during employment by the Corporation or a Subsidiary or within one year after termination of such employment, shall engage in any Detrimental Activity (as hereinafter defined), and the Board shall so find, the Grantee shall:

(1) Forfeit all RSUs held by the Grantee.

(2) Return to the Corporation all Common Shares that the Grantee has not disposed of that were paid out pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity.

(3) With respect to any Common Shares that the Grantee has disposed of that were paid out pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity, pay to the Corporation in cash the value of such Common Shares on the date such Common Shares were paid out.

(4) To the extent that the amounts referred to above in Section 6(b) and 6(c) of this Article II are not paid to the Corporation, the Corporation may set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason, except that no setoff shall be permitted against any amount that constitutes "deferred compensation" within the meaning of Section 409A of the Code.

vii. For purposes of this Agreement, the term "Detrimental Activity" shall include:

(1) Engaging in any activity in violation of the Section entitled "Competitive Activity; Confidentiality; Nonsolicitation" in the Severance Agreement between the Corporation and the Grantee, if such agreement is in effect at the date hereof, or in violation of any corresponding provision in any other agreement between

the Corporation and the Grantee in effect on the date hereof providing for the payment of severance compensation; or

(a) If no such severance agreement is in effect as of the date hereof or if a severance agreement does not contain a Section corresponding to "Competitive Activity; Confidentiality; Nonsolicitation":

(i)Competitive Activity During Employment. Competing with the Corporation anywhere within the United States during the term of the Grantee's employment, including, without limitation:

- (1) entering into or engaging in any business which competes with the business of the Corporation;
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business that competes with, the business of the Corporation;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Corporation.

(ii)Following Termination. For a period of one year following the Grantee's termination date:

- (1) entering into or engaging in any business which competes with the Corporation's business within the Restricted Territory (as hereinafter defined);
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business,

wherever located, that competes with, the Corporation's business within the Restricted Territory;

(3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation within the Restricted Territory, or attempting to do so; or

(4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Corporation's business within the Restricted Territory.

For the purposes of Sections 7(a)(ii)(A) and (B) above, inclusive, but without limitation thereof, the Grantee will be in violation thereof if the Grantee engages in any or all of the activities set forth therein directly as an individual on the Grantee's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Grantee or the Grantee's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

(iii)"The Corporation." For the purposes of this Section 7(a)(ii) of Article II, the "Corporation" shall include any and all direct and indirect subsidiaries, parents, and affiliated, or related companies of the Corporation for which the Grantee worked or had responsibility at the time of termination of the Grantee's employment and at any time during the two year period prior to such termination.

(iv)"The Corporation's business." For the purposes of this Section 7 of Article II inclusive, the Corporation's business is defined to be the integrated production of high performance advanced engineered materials used in a variety of

electrical, electronic, thermal and structural applications serving the consumer electronics, industrial components and commercial aerospace, defense and science, medical, energy, automotive electronics, telecommunications infrastructure and appliance markets, as further described in any and all manufacturing, marketing and sales manuals and materials of the Corporation as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any other products or services substantially similar to or readily substitutable for any such described products and services.

(v) "Restricted Territory." For the purposes of Section 7(a)(ii)(B) of Article II, the Restricted Territory shall be defined as and limited to:

(1) the geographic area(s) within a one hundred mile radius of any and all of the Corporation's location(s) in, to, or for which the Grantee worked, to which the Grantee was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination; and

(2) all of the specific customer accounts, whether within or outside of the geographic area described in (1) above, with which the Grantee had any contact or for which the Grantee had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination.

(vi) Extension. If it shall be judicially determined that the Grantee has violated any of the Grantee's obligations under Section 7(a)(ii)(B) of Article II, then the period applicable to each obligation that the Grantee shall have been determined

to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(2) Non-Solicitation. Except as otherwise provided in Section 7(a)(i) of Article II, Detrimental Activity shall also include directly or indirectly at any time soliciting or inducing or attempting to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Corporation and/or of its parents, or its other subsidiaries or affiliated or related companies to terminate their employment, representation or other association with the Corporation and/or its parent or its other subsidiary or affiliated or related companies.

(3) Further Covenants. Except as otherwise provided in Section 7(a)(i) of Article II, Detrimental Activity shall also include:

(a) directly or indirectly, at any time during or after the Grantee's employment with the Corporation, disclosing, furnishing, disseminating, making available or, except in the course of performing the Grantee's duties of employment, using any trade secrets or confidential business and technical information of the Corporation or its customers or vendors, including without limitation as to when or how the Grantee may have acquired such information. Such confidential information shall include, without limitation, the Corporation's unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Grantee specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Grantee's mind or memory and whether compiled by the Corporation, and/or the Grantee,

derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Corporation to maintain the secrecy of such information, that such information is the sole property of the Corporation and that any retention and use of such information by the Grantee during the Grantee's employment with the Corporation (except in the course of performing the Grantee's duties and obligations to the Corporation) or after the termination of the Grantee's employment shall constitute a misappropriation of the Corporation's trade secrets.

(b) Upon termination of the Grantee's employment with the Corporation, for any reason, the Grantee's failure to return to the Corporation, in good condition, all property of the Corporation, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 7(c)(i) of Article II of this Agreement.

(4) Discoveries and Inventions. Except as otherwise provided in Section 7(a)(i) of Article II, Detrimental Activity shall also include the failure or refusal of the Grantee to assign to the Corporation, its successors, assigns or nominees, all of the Grantee's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Grantee while in the Corporation's employ, whether in the course of the Grantee's employment with the use of the Corporation's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Corporation's business. Any discovery, invention or improvement relating to any subject matter with which the Corporation was concerned during the Grantee's employment and made, conceived or suggested by the Grantee, either solely or jointly with others, within one year following

termination of the Grantee's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Corporation's time, materials or facilities. Upon request by the Corporation with respect to any such discoveries, inventions or improvements, the Grantee will execute and deliver to the Corporation, at any time during or after the Grantee's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Corporation may desire, and all proper assignments therefor, when so requested, at the expense of the Corporation, but without further or additional consideration.

(5) Work Made For Hire. Except as otherwise provided in Section 7(a)(i) of Article II, Detrimental Activity shall also include violation of the Corporation's rights in any or all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by Grantee during the Grantee's employment with the Corporation. The Grantee acknowledges that, to the extent permitted by law, all such items shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Corporation. The item will recognize the Corporation as the copyright owner, will contain all proper copyright notices, e.g., "(creation date) [Corporation's Name], All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(6) Termination for Cause. Except as otherwise provided in Section 8(a)(i) of Article II, Detrimental Activity shall also include activity that results in termination for

Cause. For the purposes of this Section, "Cause" shall mean that, the Grantee shall have:

(a) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Corporation or any affiliate of the Corporation;

(b) committed intentional wrongful damage to property of the Corporation or any affiliate of the Corporation; or

(c) committed intentional wrongful disclosure of secret processes or confidential information of the Corporation or any affiliate of the Corporation;

and any such act shall have been demonstrably and materially harmful to the Corporation.

(7) Other Injurious Conduct. Detrimental Activity shall also include any action contributing to a restatement of the Corporation's financials if this award of RSUs to the Grantee is favorably affected by such restatement as provided under Section 10D of the Exchange Act and any applicable rules or regulations that may be promulgated from time to time by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded, and any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Corporation or any subsidiary unless the Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

(8) Reasonableness. The Grantee acknowledges that the Grantee's obligations under this Section 7 of Article II are reasonable in the context of the nature of the Corporation's business and the competitive injuries likely to be sustained by the Corporation if the Grantee were to violate such obligations. The Grantee further

acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Corporation to perform its obligations under this Agreement and by other consideration, which the Grantee acknowledges constitutes good, valuable and sufficient consideration.

(9) Acknowledgement. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Grantee from providing, without prior notice to the Corporation, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity the Grantee is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.

Article III.

GENERAL PROVISIONS

i. Compliance with Law. The Corporation shall make reasonable efforts to comply with all applicable federal and state securities laws.

ii. Adjustments. The RSUs and the number of Common Shares issuable for each RSU and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.

iii. Continuous Employment. For purposes of this Agreement, the continuous employment of the Grantee with the Corporation or a Subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Corporation or a Subsidiary, by reason of the transfer of his employment among the Corporation and its Subsidiaries or a leave of absence approved by the Board.

iv. No Employment Contract; Right to Terminate Employment; Clawback Policy. The grant of the RSUs to the Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the

RSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Agreement will give the Grantee any right to continue employment with the Corporation or any Subsidiary, as the case may be, or interfere in any way with the right of the Corporation or a Subsidiary to terminate the employment of the Grantee at any time. Notwithstanding anything in this Agreement to the contrary, the Grantee acknowledges and agrees that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of the Corporation's clawback policy (if any) as may be in effect from time to time including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Shares may be traded) (the "Compensation Recovery Policy"), and that relevant sections of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

v. Relation to Other Benefits. Any economic or other benefit to the Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Grantee may be entitled under any profitsharing, retirement or other benefit or compensation plan maintained by the Corporation or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Corporation or a Subsidiary.

vi. Information. Information about the Grantee and the Grantee's participation in the Plan may be collected, recorded and held, used and disclosed for any purpose related to the administration of the Plan. The Grantee understands that such processing of this information may need to be carried out by the Corporation and its Subsidiaries and by third party administrators whether such persons are located within the Grantee's country or elsewhere, including the United States of America. The Grantee consents to the processing of information

relating to the Grantee and the Grantee's participation in the Plan in any one or more of the ways referred to above.

vii. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee's consent. Notwithstanding the foregoing, the limitation requiring the consent of a Grantee to certain amendments shall not apply to any amendment that is deemed necessary by the Corporation to ensure compliance with Section 409A of the Code or Section 10D of the Exchange Act.

viii. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

ix. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.

10. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

11. Relation to Severance Agreement. Section 2(d) of Article II hereof shall supersede the provisions of any Severance Agreement between the Grantee and the

Corporation, in effect at the Date of Grant, providing for earlier vesting of the RSUs granted hereby in the event of a Change in Control.

12. Electronic Delivery. The Corporation may, in its sole discretion, deliver any documents related to the RSUs and the Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation.

13. Acknowledgement. The Grantee acknowledges that the Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.

14. Successors and Assigns. Without limiting Section 1 of Article II hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Corporation.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[signature page follows]

The undersigned Grantee hereby accepts the award granted pursuant to this Agreement on the terms and conditions set forth herein.

Dated: __ _____

[NAME]

Executed in the name of and on behalf of the Corporation at Mayfield Heights, Ohio as of this __ day of _____,
20__.

MATERION CORPORATION

By ____

CERTIFICATIONS

I, Jugal K. Vijayvargiya, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Materion Corporation (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: April 29, 2021

/s/ Jugal K. Vijayvargiya

Jugal K. Vijayvargiya

President and Chief Executive Officer

CERTIFICATIONS

I, Shelly M. Chadwick, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Materion Corporation (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: April 29, 2021

/s/ Shelly M. Chadwick

Shelly M. Chadwick

Vice President, Finance and Chief Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Materion Corporation (the "Company") for the quarter ended April 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: April 29, 2021

/s/ Jugal K. Vijayvargiya

Jugal K. Vijayvargiya
President and Chief Executive Officer

/s/ Shelly M. Chadwick

Shelly M. Chadwick
Vice President, Finance and Chief Financial Officer

Materion Corporation

Mine Safety Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the Fiscal Quarter Ended April 2, 2021

Materion Natural Resources Inc., a wholly owned subsidiary, operates a beryllium mining complex in the State of Utah which is regulated by both the U.S. Mine Safety and Health Administration (“MSHA”) and state regulatory agencies. We endeavor to conduct our mining and other operations in compliance with all applicable federal, state and local laws and regulations. We present information below regarding certain mining safety and health citations which MSHA has levied with respect to our mining operations.

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Section 1503(a)”) requires the Company to present certain information regarding mining safety in its periodic reports filed with the Securities and Exchange Commission.

The following table reflects citations, orders and notices issued to Materion Natural Resources Inc. by MSHA during the fiscal quarter ended April 2, 2021 (the “Reporting Period”) and contains certain additional information as required by Section 1503(a) and Item 104 of Regulation S-K, including information regarding mining-related fatalities, proposed assessments from MSHA and legal actions (“Legal Actions”) before the Federal Mine Safety and Health Review Commission, an independent adjudicative agency that provides administrative trial and appellate review of legal disputes arising under the Mine Act.

Included below is the information required by Section 1503(a) with respect to the beryllium mining complex (MSHA Identification Number 4200706) for the Reporting Period:

(A) Total number of alleged violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under Section 104 of the Mine Act for which Materion Natural Resources Inc. received a citation from MSHA	0
(B) Total number of orders issued under Section 104(b) of the Mine Act	0
(C) Total number of citations and orders for alleged unwarrantable failure by Materion Natural Resources Inc. to comply with mandatory health or safety standards under Section 104(d) of the Mine Act	0
(D) Total number of alleged flagrant violations under Section 110(b)(2) of the Mine Act	0
(E) Total number of imminent danger orders issued under Section 107(a) of the Mine Act	0
(F) Total dollar value of proposed assessments from MSHA under the Mine Act	\$0
(G) Total number of mining-related fatalities	0
(H) Received notice from MSHA of a pattern of violations under Section 104(e) of the Mine Act	No
(I) Received notice from MSHA of the potential to have a pattern of violations under Section 104(e) of the Mine Act	No
(J) Total number of Legal Actions pending as of the last day of the Reporting Period	0
(K) Total number of Legal Actions instituted during the Reporting Period	0
(L) Total number of Legal Actions resolved during the Reporting Period	0