

25 July 2018

2018 half-year results

Christel BORIES
Chairman and CEO



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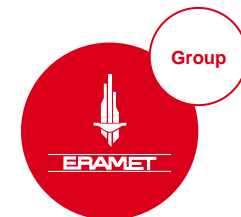
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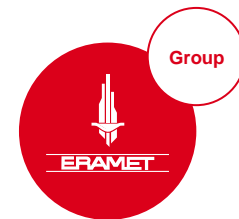


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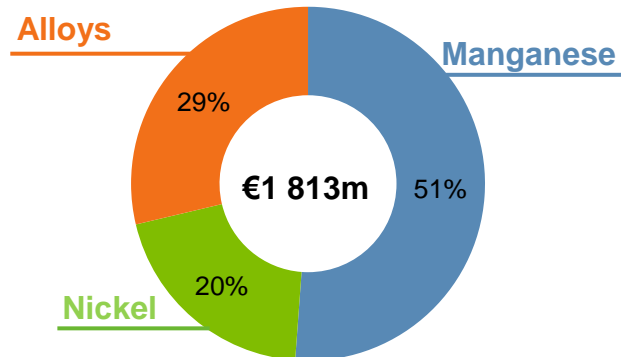
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Strong fundamentals in H1 2018 (1/2)



Sales
€1,813m
 ↗ + 1% vs. H1 2017



Current operating income (COI)
€294m
 ↗ + 15% vs. H1 2017



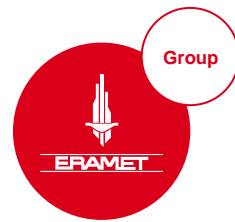
Net income Group share
€94m
 ↗ + 16% vs H1 2017



Net debt
€449m
 ↗ + €73m vs. end-2017



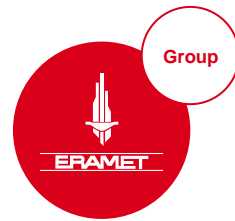
Gearing ¹	23%
ROCE ²	22%



Results up in H1 2018

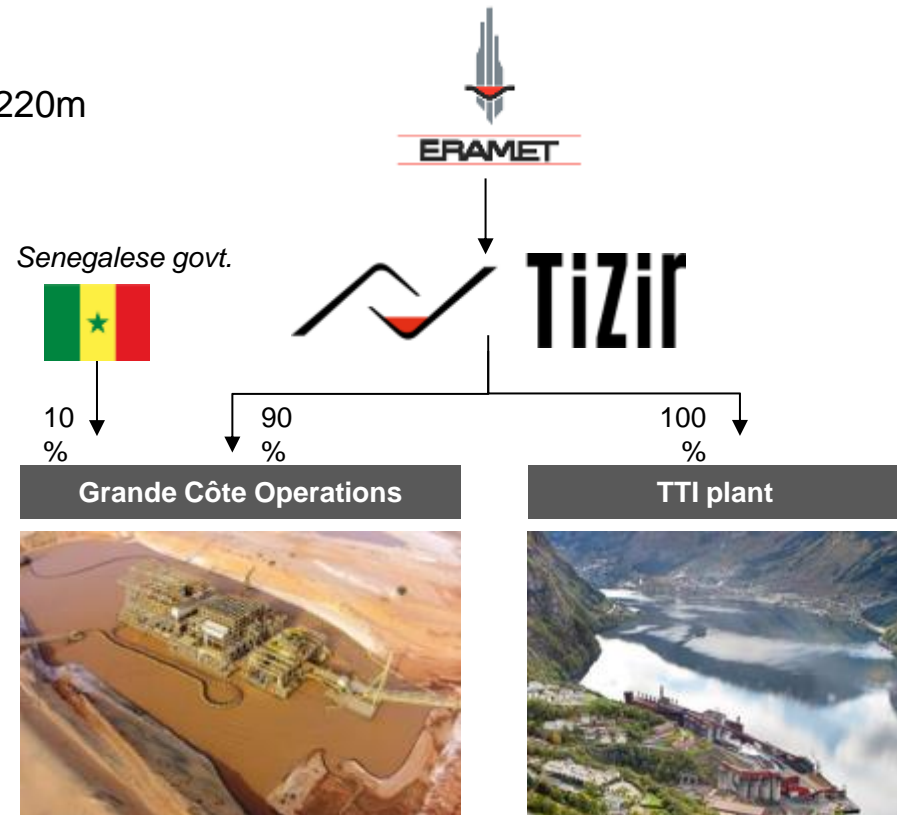
- **Well oriented mining activities**, driven by an increase in metals prices, but penalised by the **decrease in the US dollar versus the euro** (-12%) and the increase in brent prices (+32%)
- **Slight decrease** in results for the **Manganese division**
 - Manganese ore spot prices (+29%¹) and COMILOG production maintained at a historically high level
 - Erosion in manganese alloys prices, resulting in a margin squeeze
- **Improvement** in results for the **Nickel division**
 - Very sharp increase in nickel prices in H1 2018 (+42%¹)
- **Under-performance** for Aubert & Duval
 - Unfavourable market environment in the aerospace sector (adjustment in the production rate) and energy sector
 - Recognition of an asset impairment charge (€200m)

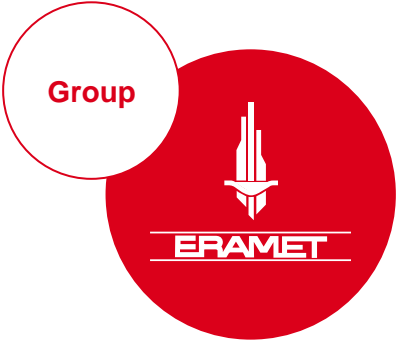
Successful takeover in the attractive mineral sands sector



Successful takeover for our partner in mineral sands, MDL*

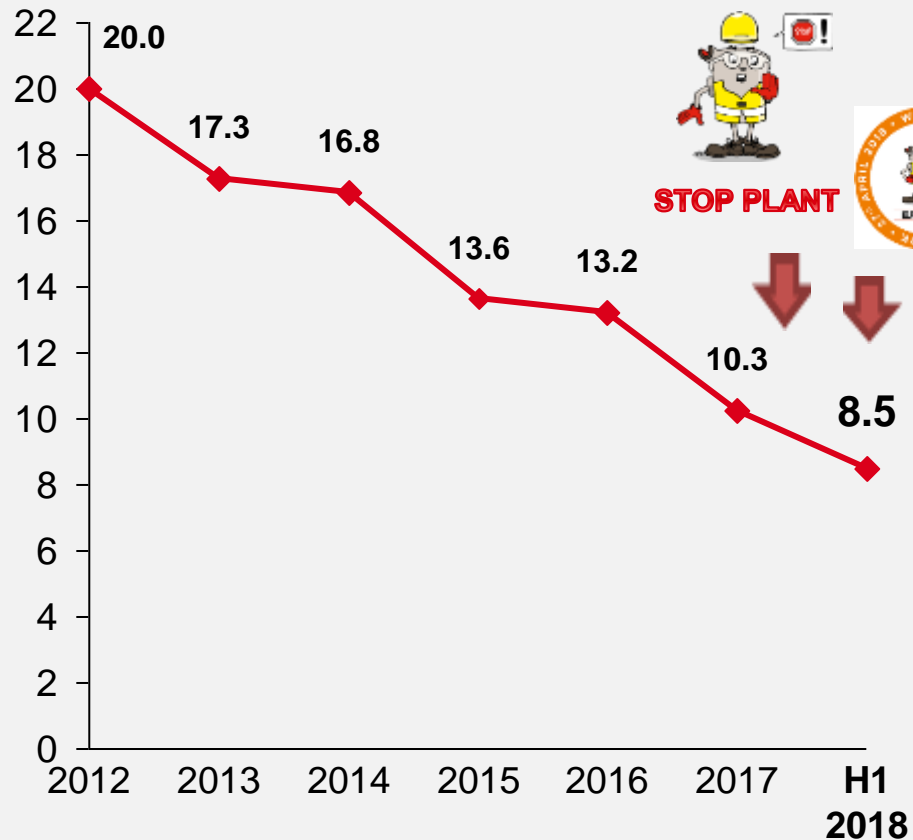
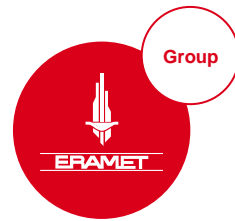
- **98%** interest acquired on 23 July.
- Extended for a last period of time until 03 August; **squeeze-out** procedure initiated for minority interests in shareholders' equity
- Offer price at **A\$1.75 per share** valuing:
 - **MDL's equity** at approximately **A\$350**, i.e. c. €220m
 - TiZir's underlying assets at c. €770m
- Main markets for TiZir:
 - Pigment industry (titanium dioxide slag)
 - Ceramics (Zircon)





1 Safety

17% reduction in accident frequency rate in H1 2018



- Roll-out of a « **STOP PLANT** » day in March 2018:

- c. **8,000** employees mobilised

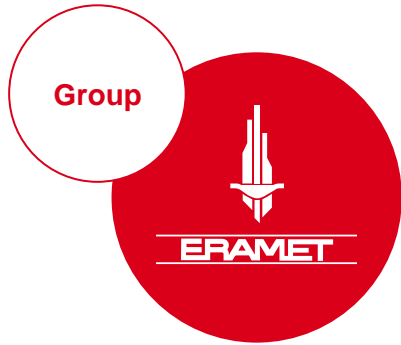
- Participation in **World Day for Health and Safety at Work** in April 2018:

- On-site sessions and workshops

- Continued roll-out and assessment:

- **Essential Safety Requirements**

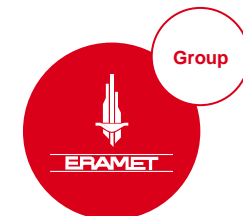
- **Safety interactions**



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2018 half-year Financial results

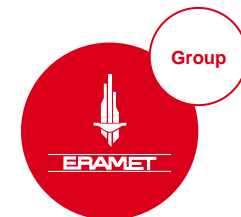
Current operating income up 15 % in H1 2018



<i>€m</i>	H1 2018	H1 2017
Sales	1,813	1,797
EBITDA	432	389
<i>% Sales</i>	24%	22%
Current operating income	294	256
<i>% Sales</i>	16%	14%
Net income Group share	94	81
Net debt (net cash)	449	664
Net debt-to-equity ratio	23%	36%
ROCE (current operating income / capital employed for previous year)¹	22%	19%

Adjusted data from Group reporting, in which joint-ventures are accounted for using proportionate consolidation. The reconciliation with the published financial statements is presented in the Appendix.

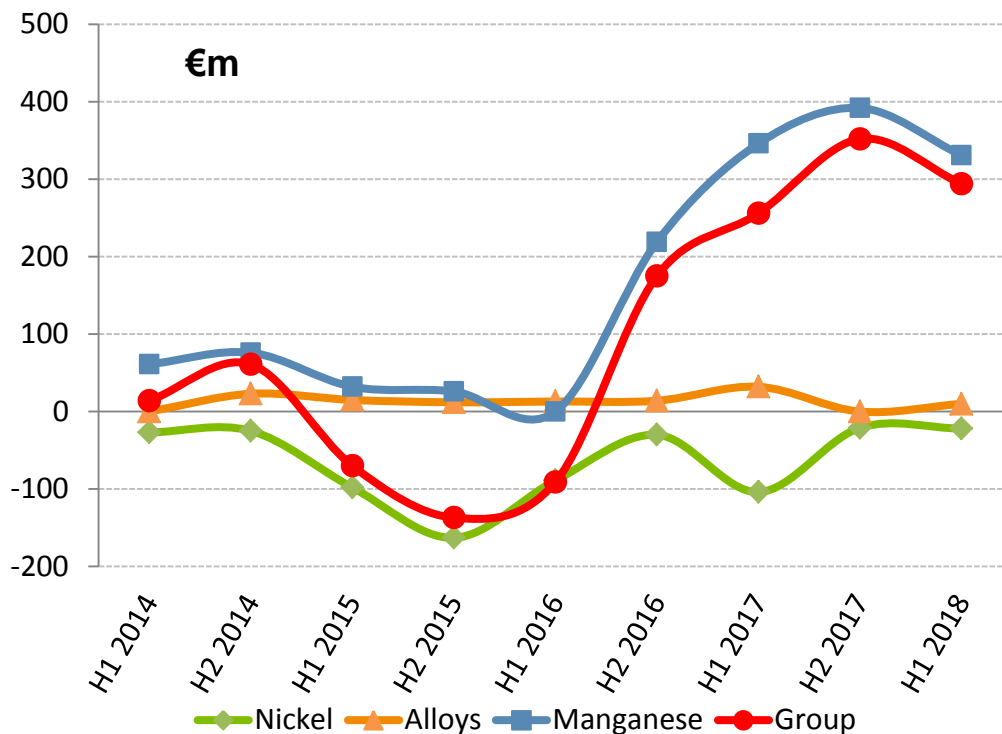
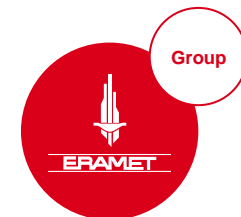
Net income Group share up 16%



<i>€m</i>	H1 2018	H1 2017
Sales	1,813	1,797
Current operating income	294	256
Other income and operating expenses	(1)	(28)
o/w <i>Development projects</i>	(11)	6
<i>Provisions/Reversal on asset impairment tests</i>	(133)	0
<i>Gain or loss on disposal</i>	162	(2)
<i>Other items</i>	(19)	(32)
Financial result	(51)	(52)
Share in income from associated companies	0	(1)
Income tax	(103)	(107)
Net income	139	68
<i>O/w minority interests' share</i>	45	(13)
Net income Group share	94	81

Adjusted data from Group reporting, in which joint-ventures are accounted for using proportionate consolidation. The reconciliation with the published financial statements is presented in the Appendix.

Increase in current operating income, due to Nickel division, driven by price increases

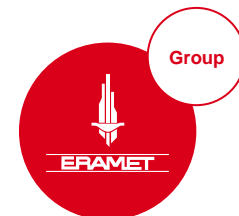


H1 2018 COI

€m	H1 2018	H1 2017
Manganese	331	346
Nickel	(22)	(104)
Alloys	10	32
Holding	(26)	(18)
Group	294	256

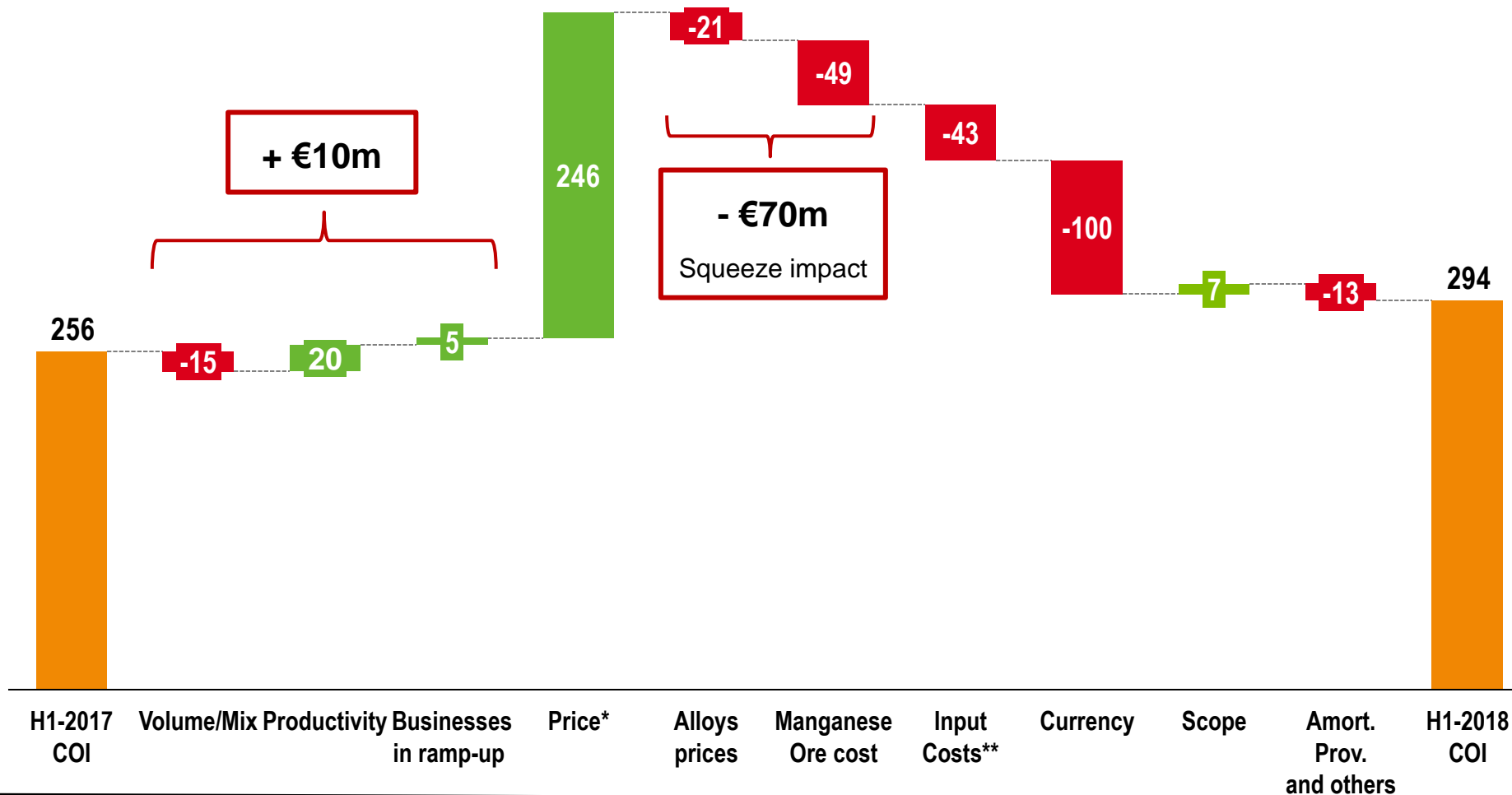
SENSITIVITIES	Variation (+/-)	Impact on annual ROC (+/-)
Exchange rates	0,1 USD/EUR	~ 65 M€
Brent prices	10 USD/bbl	~ 20 M€*
Manganese ore prices	1 USD/dmtu	~ 95 M€*
Manganese alloys prices	100 USD/t	~ 73 M€ *
Nickel prices	1 USD/lb	~ 110 M€*

Strong margin squeeze impact for manganese alloys

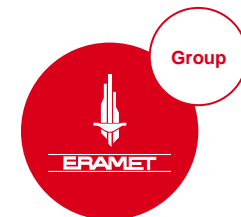


- **Margin squeeze impact on manganese alloys:** several months lag between the price of ore consumed (from COMILOG or third party) and the selling price of alloys (impact on price variations and input costs).

Change in current operating income (€m)

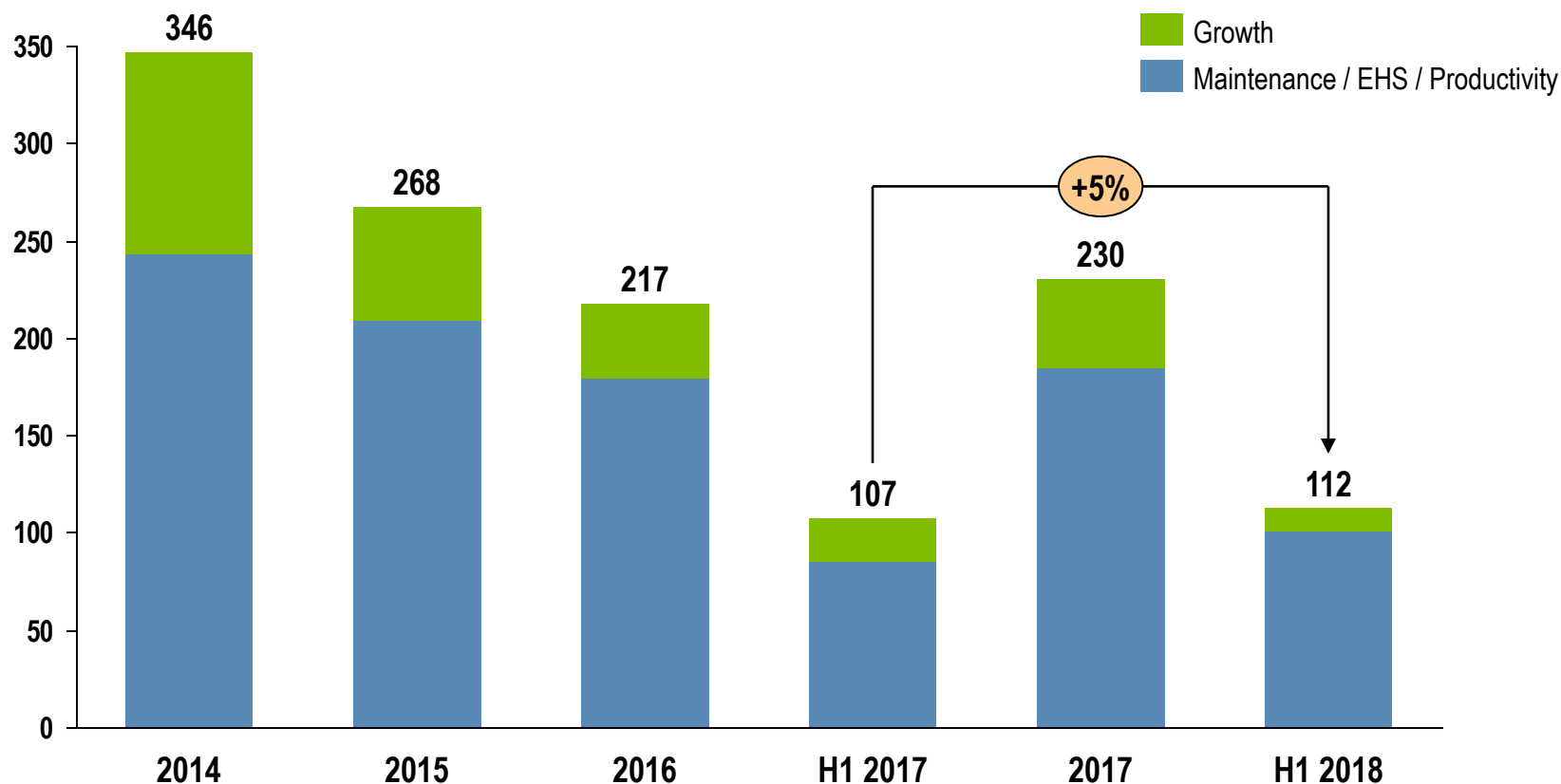


Stable industrial CAPEX

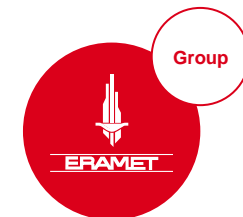


- Mainly focused on industrial maintenance, transgabonese railway renovation (SETRAG), and SLN's port unloading equipment replacement.

In €m*



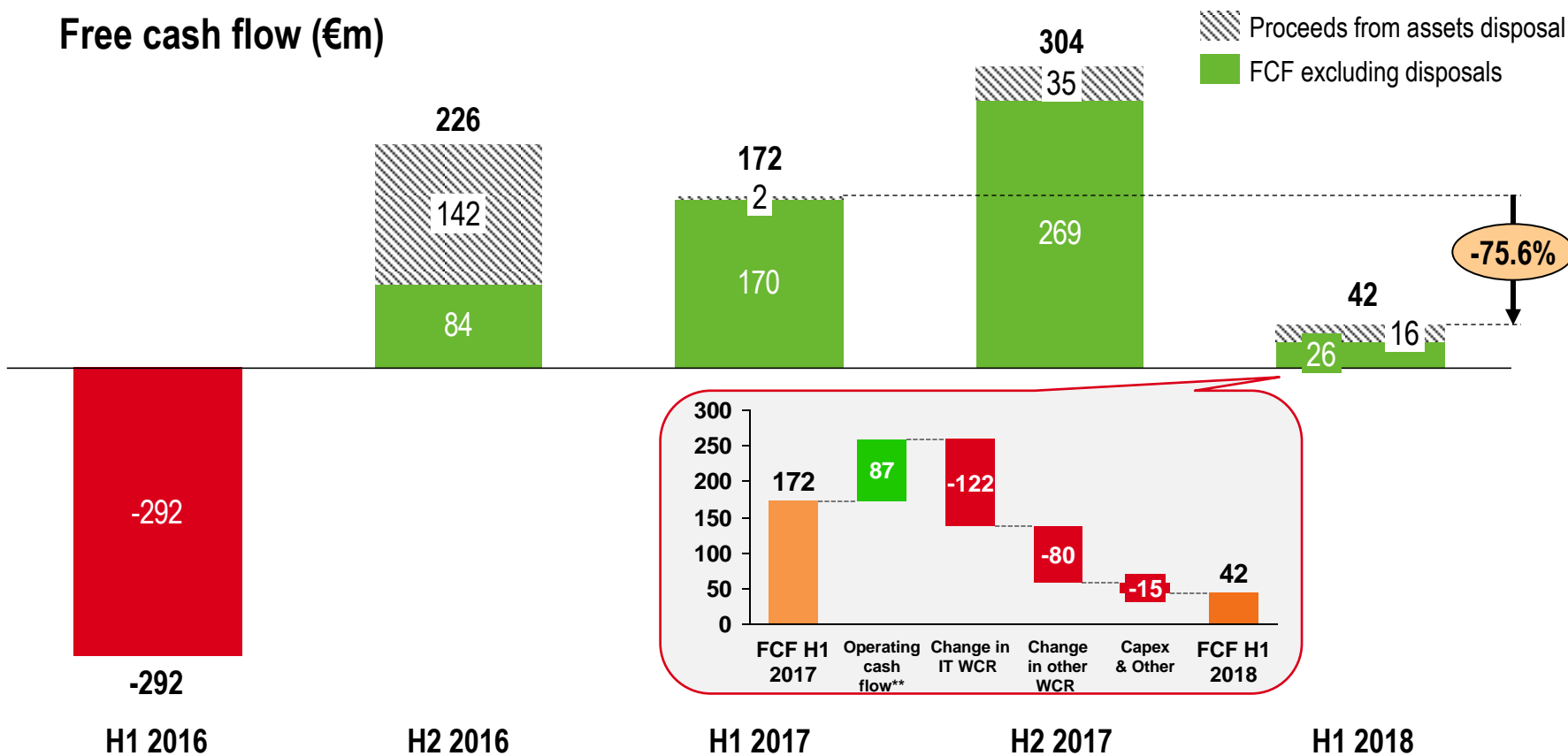
Positive Free Cash Flow* at €42m, after €118m in liquidation of tax debt



Positive Free Cash Flow in the last 4 half-years

- The **€144m** reduction in FCF excluding asset disposals in H1 2018 vs. H1 2017 is mainly due to:
 - a **€87m** increase in operating cash flow
 - cash consumption of **€202m**, due to an increase in the WCR o/w **€122m** in non-operating items (mainly liquidation of COMILOG and ERAMET Norway tax debt)

Free cash flow (€m)



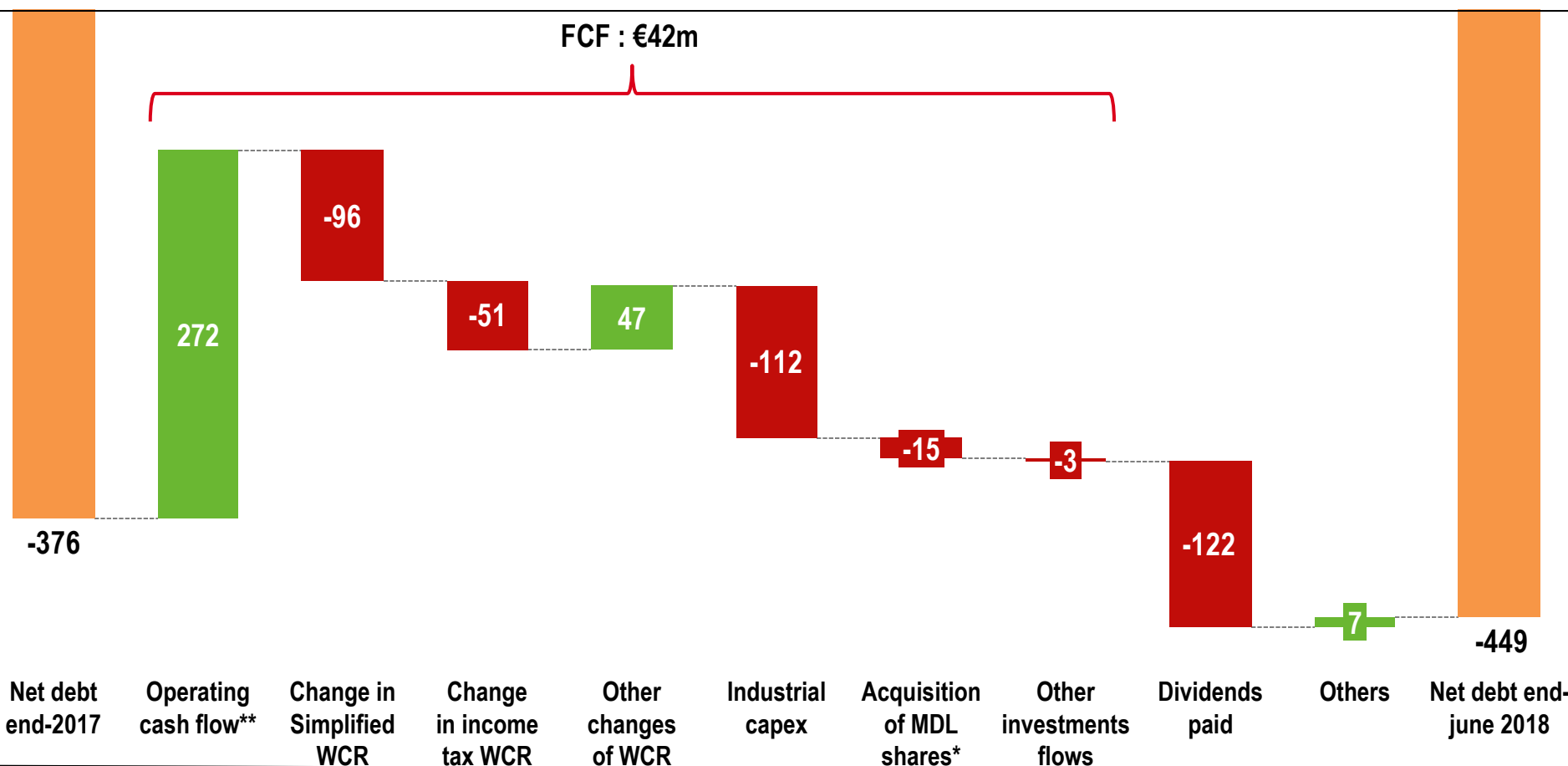
Net debt* impacted by dividends payment



Net debt increase of €73m in H1 2018

- Strong contribution from operating cash flow.
- Negative impact of the WCR due to corporate tax debt liquidation.
- Strict and targeted CAPEX management.
- Payment of dividends to ERAMET and COMILOG shareholders

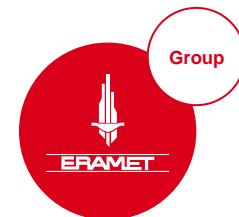
In €m



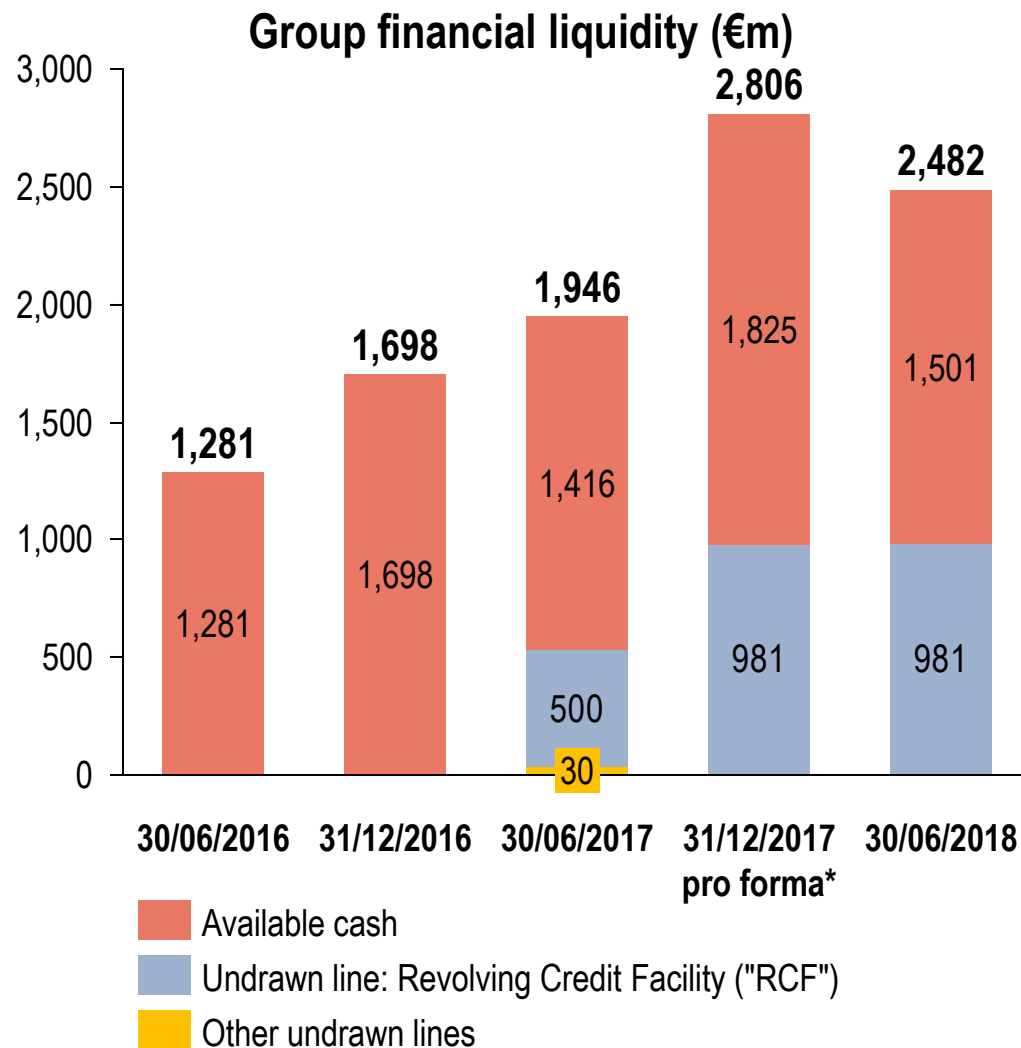
* Only considering the acquisition of 8.03% of MDL shares prior to the takeover offer and excluding the impact of full consolidation of TiZir

** Net income excluding amortisation and provisions

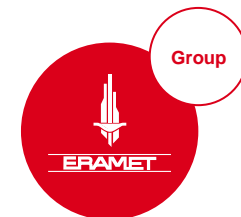
Liquidity still high to support Group ambitions



- **Revolving credit facility («RCF») :**
 - January 2018: full repayment of the balance of the entire drawdown made in early 2016 (€250m)
 - RCF extended in February 2018 for €981m with a five-year maturity (new term 2023)
- Prepayment of **Schuldschein loan** (€60m, term in 2020) in June 2018.

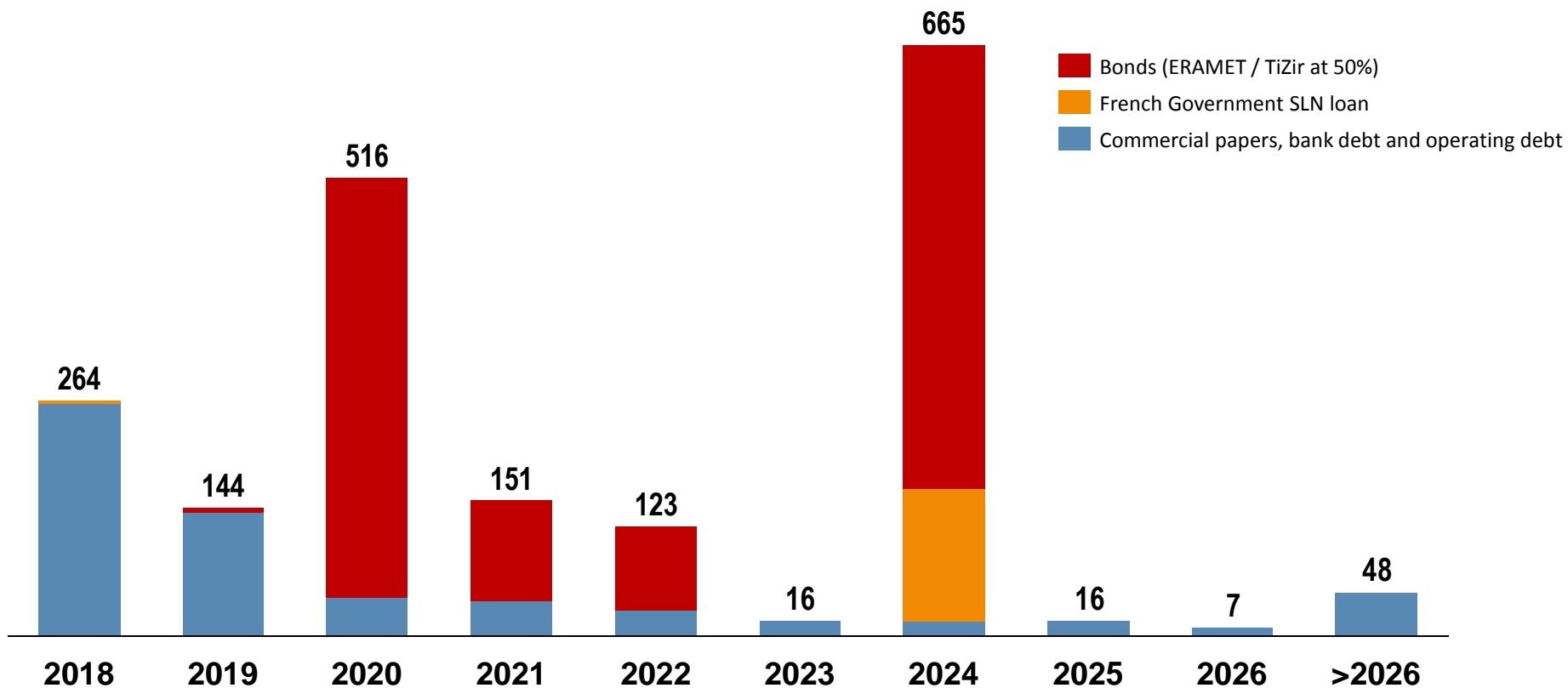


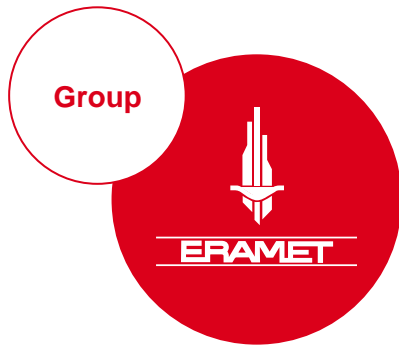
Debt maturity of c. 3.5 years (excl. RCF)



- Group gross debt ended at **€1,951m** at 30 June 2018.
- Group debt (excl RCF) is c. **80% based on fixed rates**.

Maturity in 30 June 2018 (€m)



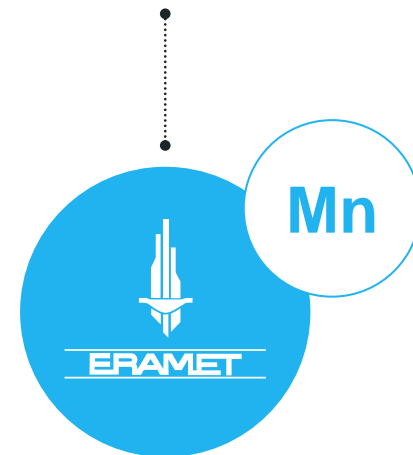


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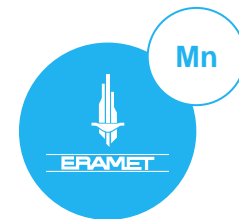
H1 2018 Operating performance

Manganese

- **2nd global producer of high-grade manganese ore.**
- **2nd global producer of manganese alloys.**
- **1st global producer of refined manganese alloys.**

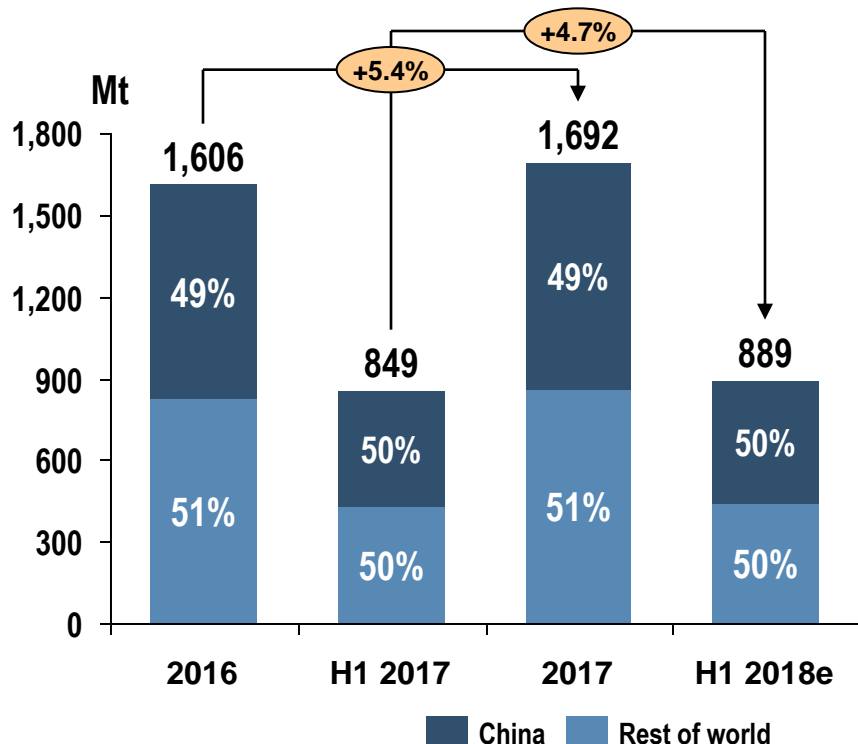


Sustained global production levels in manganese ore in a context of carbon steel production that is still favourable

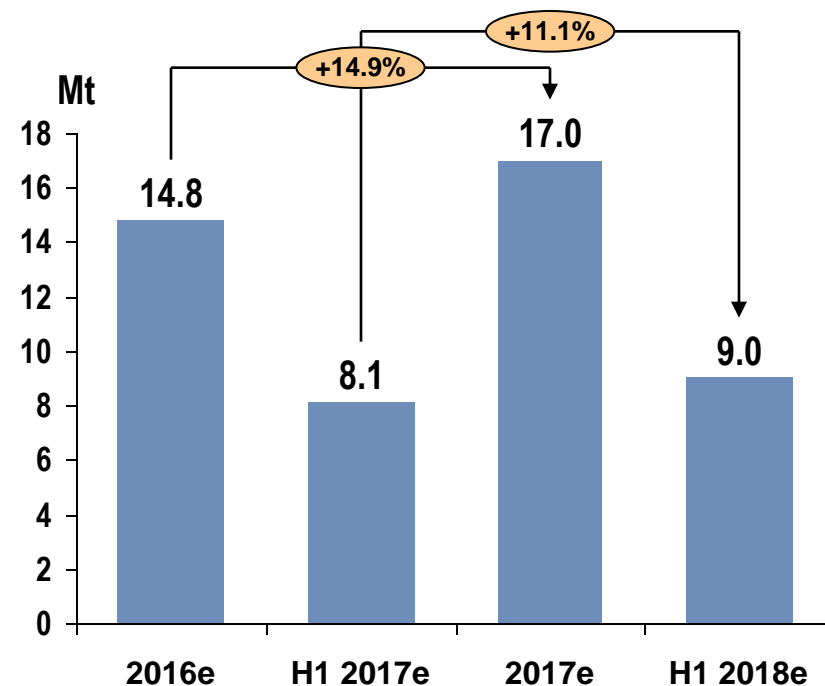


- Global carbon steel production **up 4.7%** vs. H1 2017 (+3.6% vs. H2 2017), particularly driven by China (+6.6%). Slight downturn posted in Europe (-1.7%).
- Sustained manganese ore production levels in H1 2017, especially in South Africa.
- Increase to stable levels of manganese ore inventories in Chinese ports at **2.8 Mt** at end-June 2018.

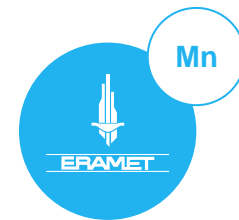
GLOBAL CARBON STEEL PRODUCTION



GLOBAL MANGANESE ORE PRODUCTION (MANGANESE CONTENT)

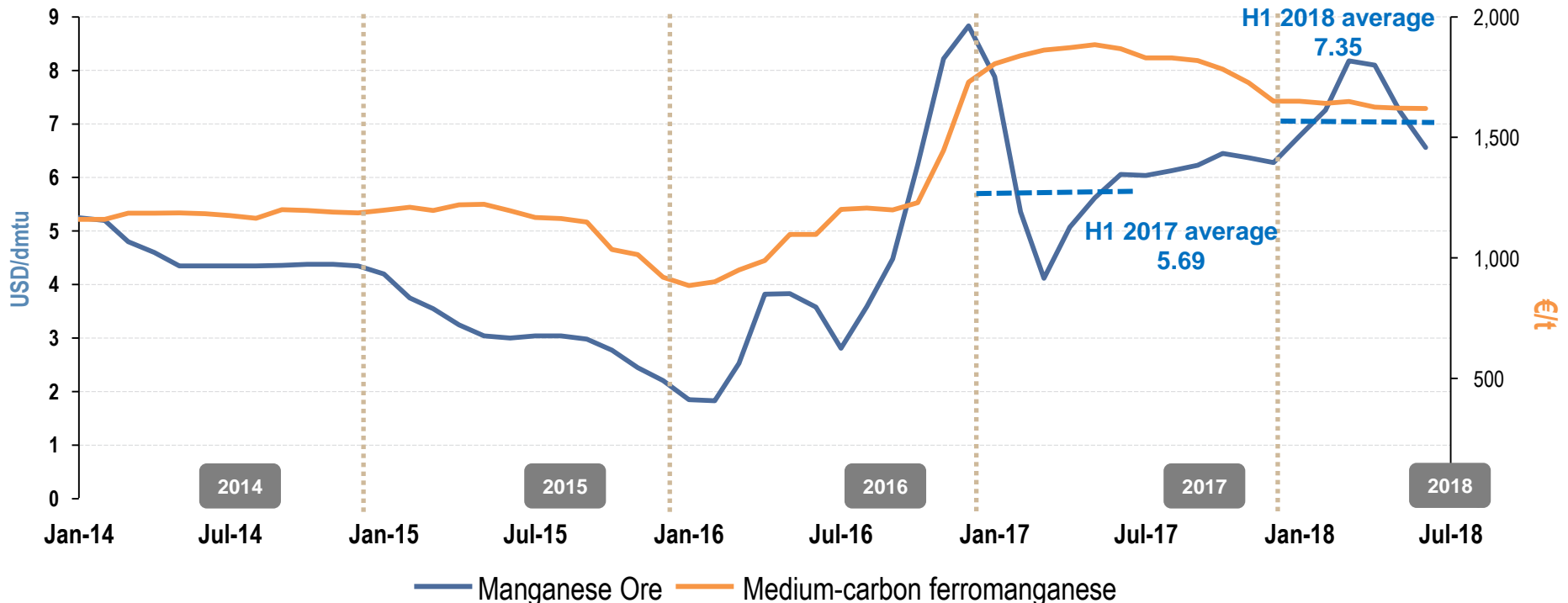


Increase in manganese ore prices in H1 2018, erosion in manganese alloys prices

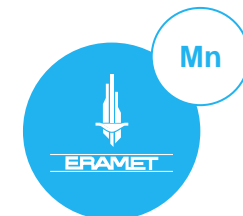


- **Increase** in spot prices for **manganese ore** of **29%** on average in H1 2018 vs. H1 2017 and 18% vs. H2 2017. Decrease in prices since May, remaining at high levels.
- **Erosion** in prices for **manganese alloys** in H1 2018 vs. H1 2017. Decrease in refined and standard European ferromanganese prices by 12% and 17% during the period.
- **Margin squeeze** (increase in raw materials costs, declining prices) weighed heavily on the manganese alloys margin in H1 2018.

MONTHLY CHANGE IN CRU PRICES FOR MANGANESE ORE AND MEDIUM-CARBON FERROMANGANESE (REFINED)

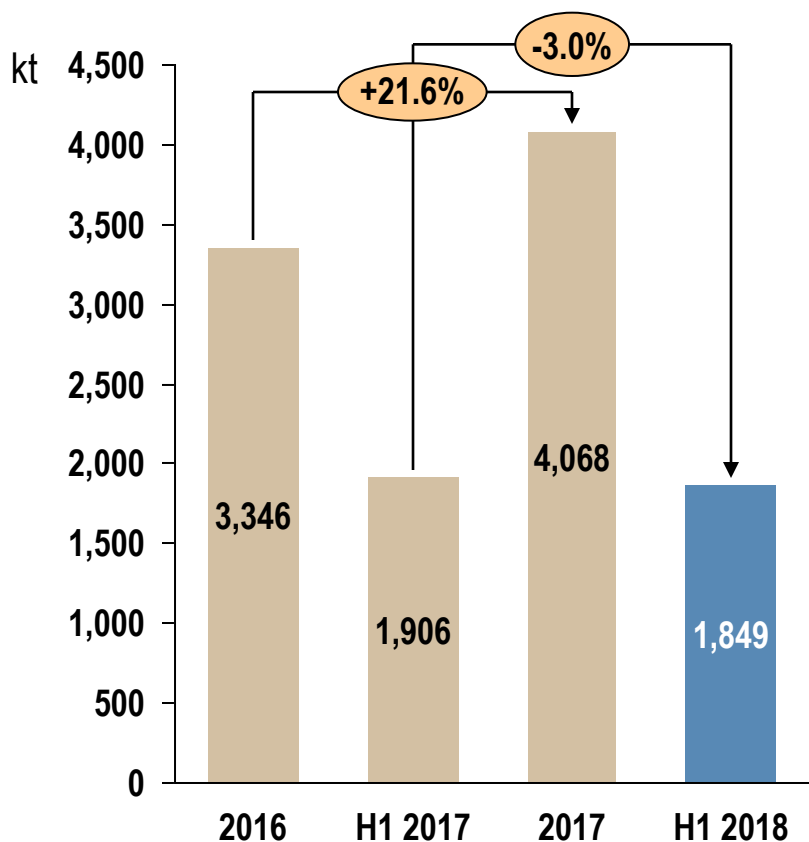


High level of manganese ore production at COMILOG. Annual target at 4 Mt confirmed

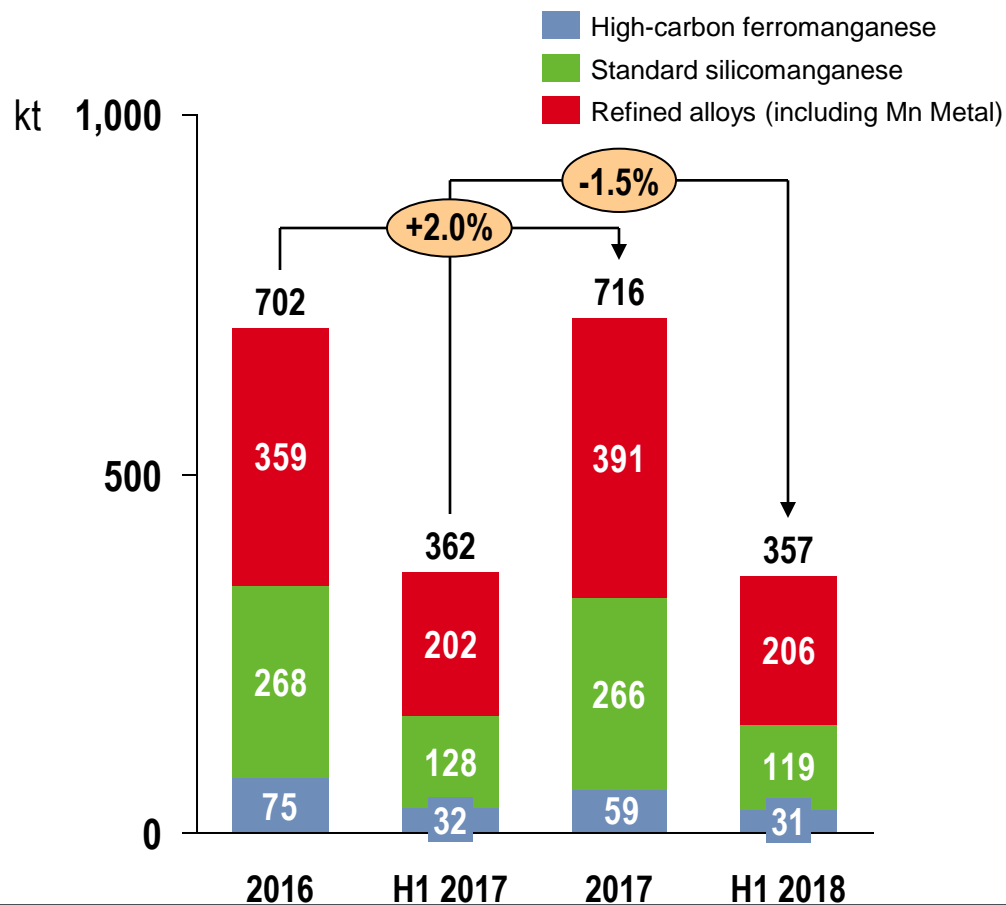


- **High level of ore produced and transported** by COMILOG at 1.85 Mt in H1 2018 (-3% vs. H1 2017, given the derailment of an ore train in February).
- **Decrease in alloys production** for manganese by 1.5%, due to maintenance operations in Norway and the US.

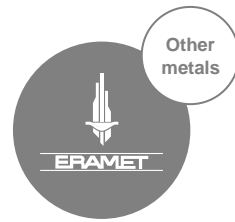
MANGANESE ORE PRODUCTION AND AGGLOMERATES*



MANGANESE ALLOYS PRODUCTION



Solid performance of TiZir* in H1 2018



Mine in Senegal (Grande Côte Operations)

- **+8%** in **heavy mineral concentrate** production in H1 2018 (374 kt) vs. H1 2017.
- After railway track construction works on the outskirts of Dakar that weighed on **ilmenite** shipments at the start of the year, the situation is currently **normalized**.

Metallurgy in Norway (TTI)

- **+38%** in **titanium dioxide slag** produced in H1 2018 (81 kt), despite a technical incident impacting the prereduction furnace at the start of the year.

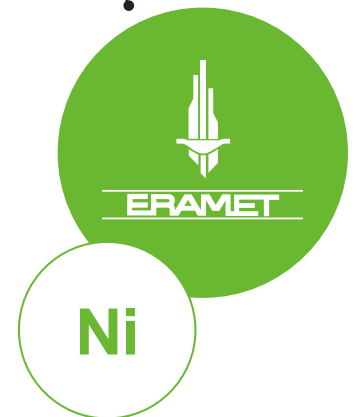
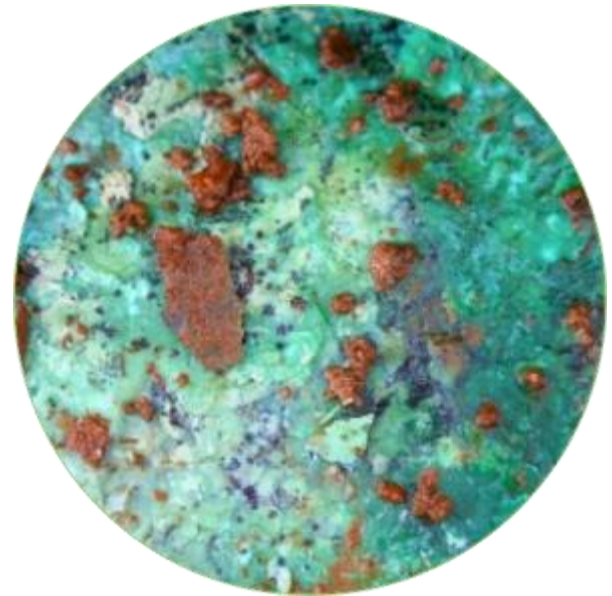
COI of €20m (100%) during H1 2018 (vs. €10m in H1 2017)

- **Highly favourable trends in zircon prices.**
- **Titanium dioxide slag prices up.**



Nickel

- 1st global producer of high-grade ferronickel.
- One of the global producers of high-purity nickel salts.

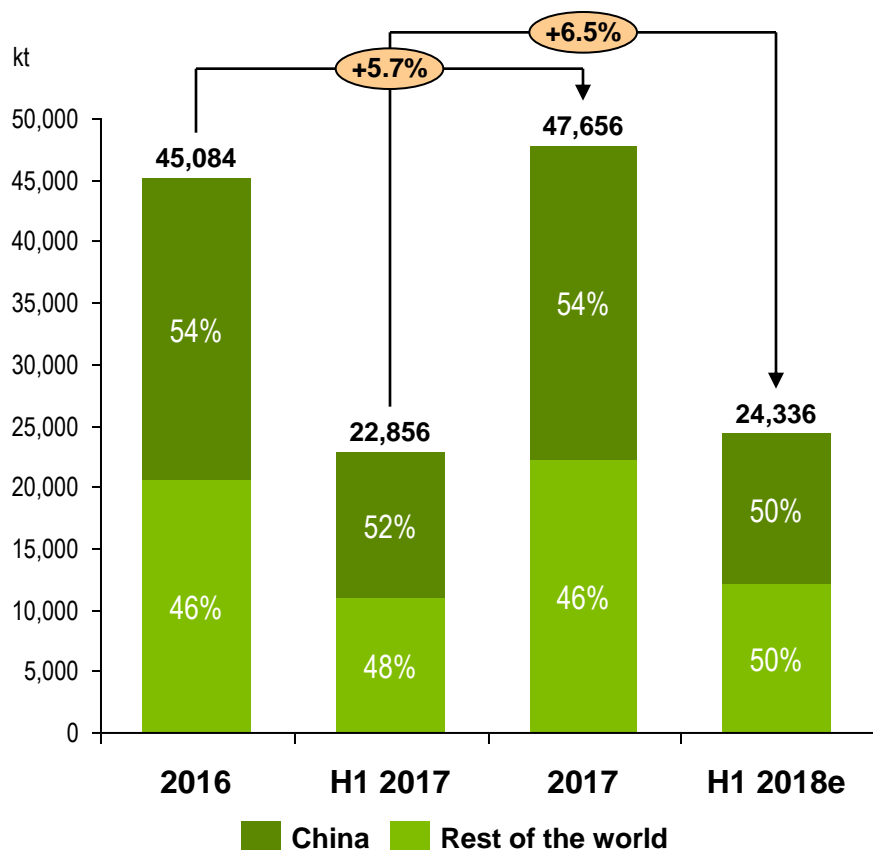


Continued growth in global stainless steel production in H1 2018

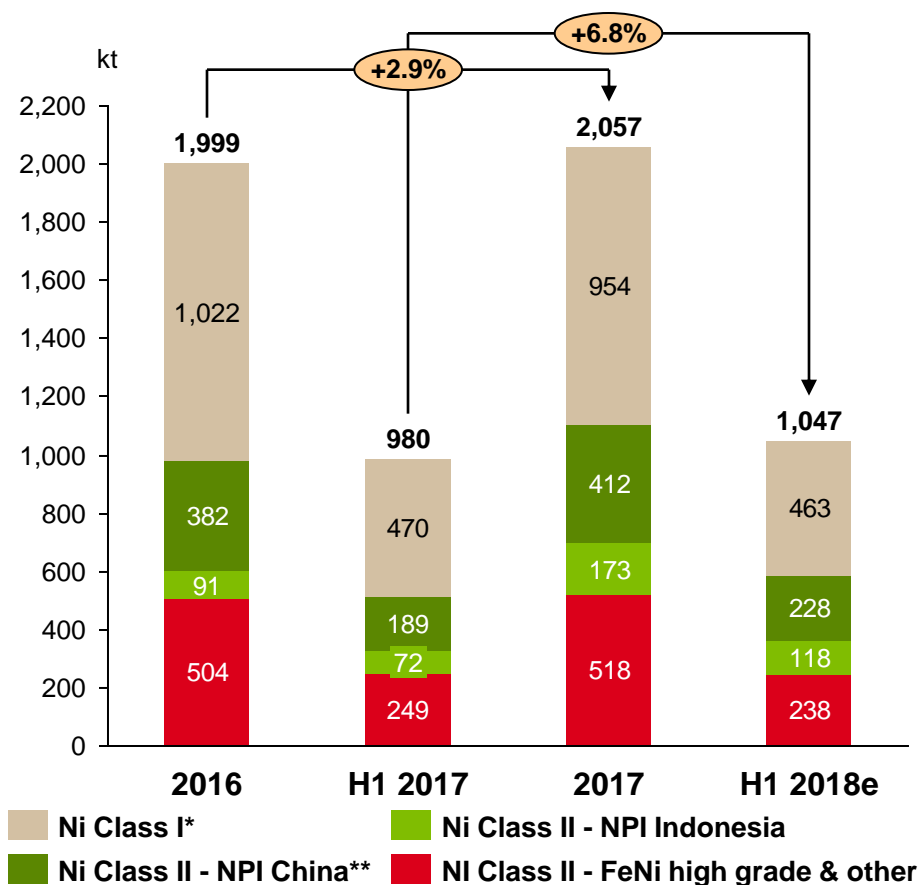


- Growth in global **stainless steel** production: **6.5%** in H1 2018 vs. H1 2017.
- Global **primary nickel** production up **6.8%**, with sharp growth in NPI production from Indonesia and China (+33%).

GLOBAL STAINLESS STEEL PRODUCTION



GLOBAL PRIMARY NICKEL PRODUCTION (EXCL. SCRAP)



*Refined nickel (class I) - products with a nickel content of 99% or more

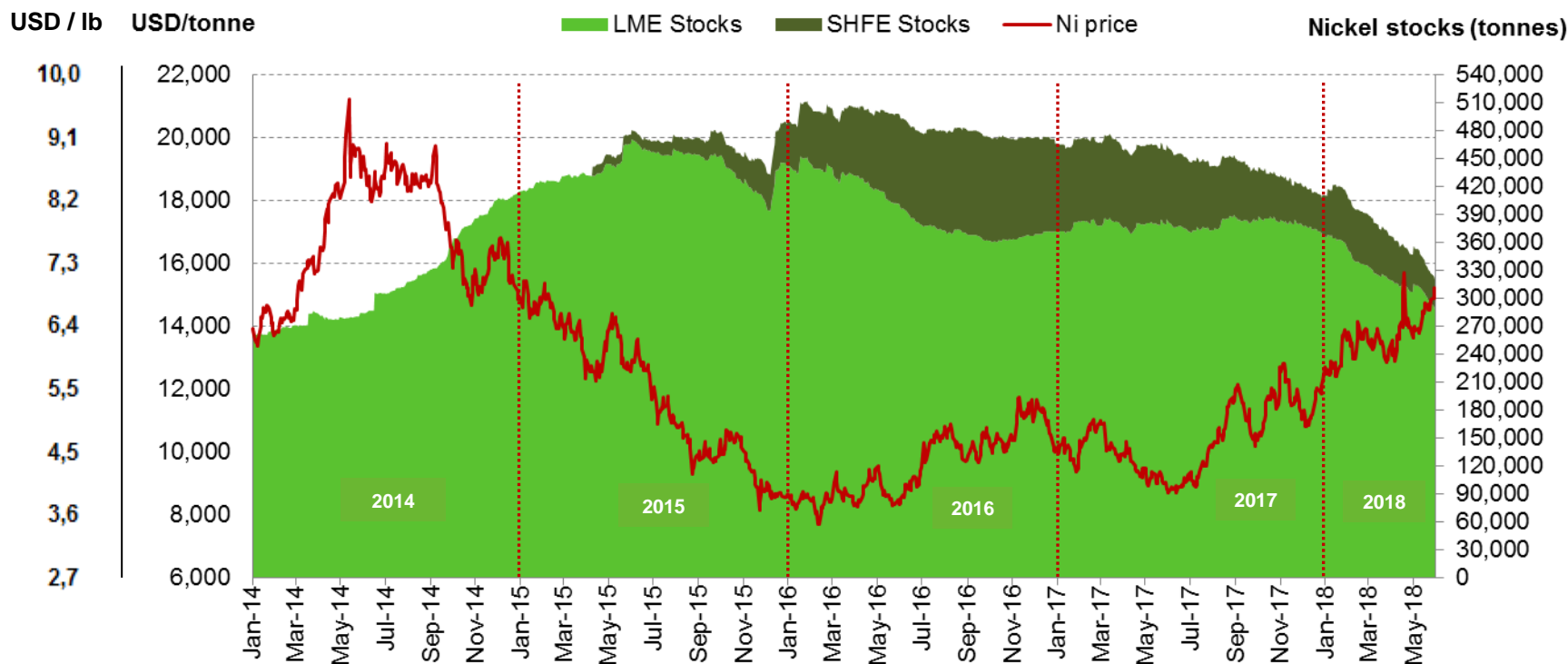
**Charge nickel (class II) - products with a nickel content of less than 99%

Sharp increase in nickel prices at the LME in H1 2018. Significant decline in inventories



- Half-year average in nickel prices at the LME at **USD 13,871/t** (USD 6.30 /lb) in H1 2018, up **42%** vs. H1 2017 (USD 9,761/t and USD 4.43/lb on average) and 26% vs. H2 2017 (USD 11,052/t and USD 5.01/lb on average).
- Significant decline in **nickel metal inventories** at the LME and SHFE (-27% at 299 kt at 30 June 2018). Demand above supply.

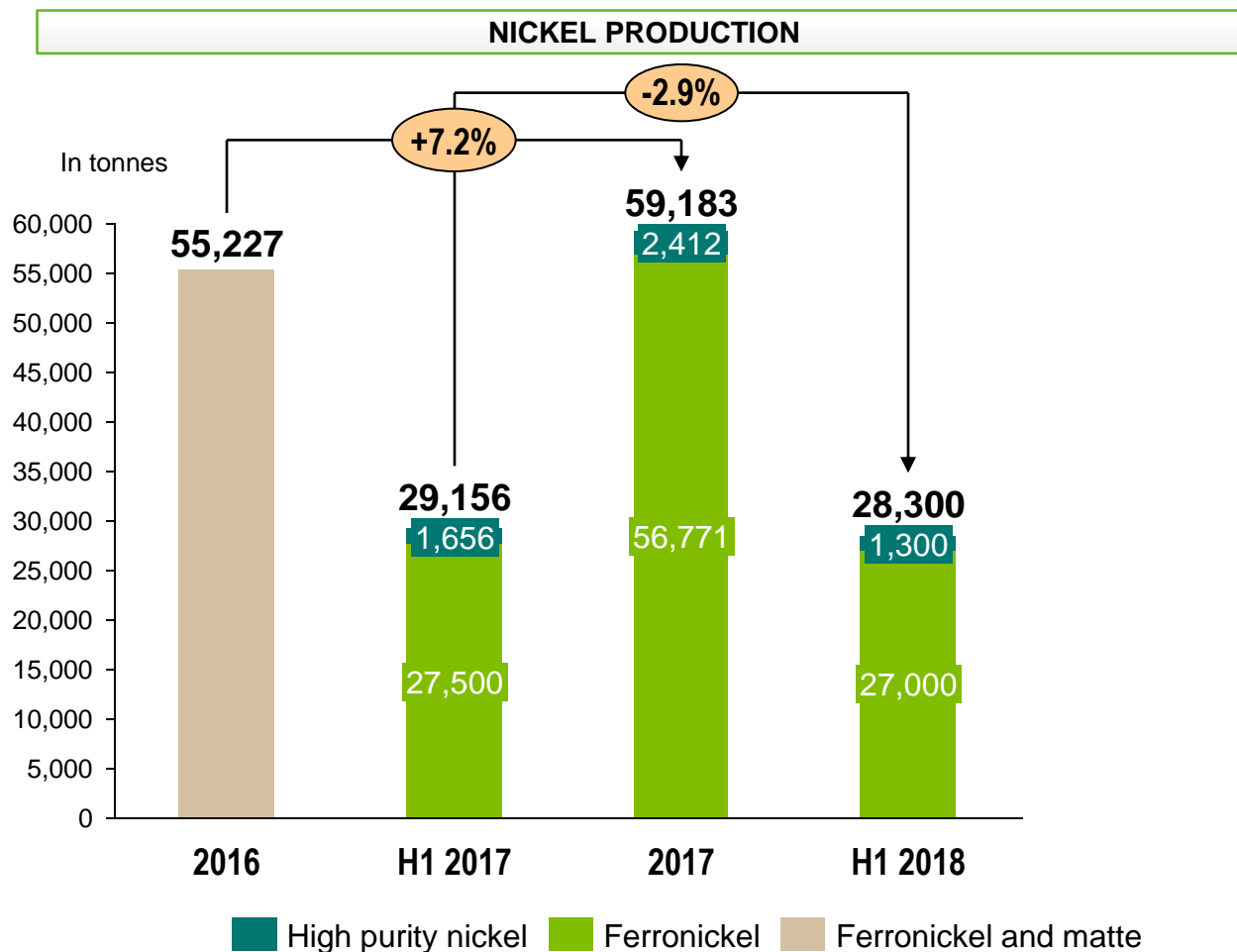
LME Nickel price



Global production in the Nickel division down 3%



- **SLN production down 2% at 27 kt** in H1 2018 vs. H1 2017: deteriorated weather conditions vs. 2017 and delay in implementing increase in mine working hours.
- **Sandouville ramp-up** progressing, 40% nameplate capacity in June.

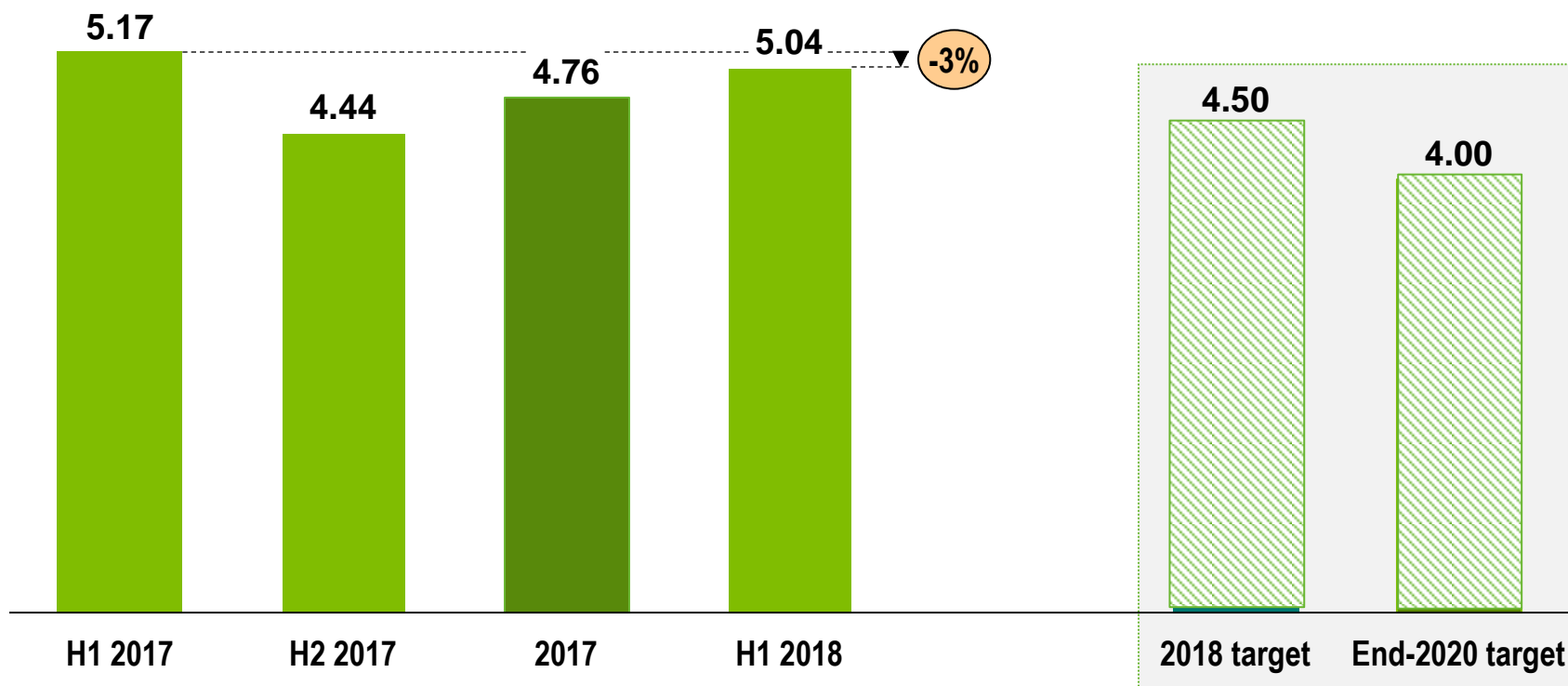


SLN low operating performance in H1 2018



- **Usual negative seasonal effect**, amplified by even more unfavourable weather conditions in **H1 2018**.
- H1 2018 penalised by these **weather conditions** vs. 2017, a **labour union context** delaying the implementation of organisational changes and **difficulties in renegotiating energy costs**.
- SLN cash-cost at **USD 5.04/lb** at **constant economic conditions** (early 2016) in H1 2018.
- **Average target of USD 4.5/lb*** set for 2018 **maintained** even though **more and more challenging** in the current context.

SLN CASH-COST CEC* (USD/LB)



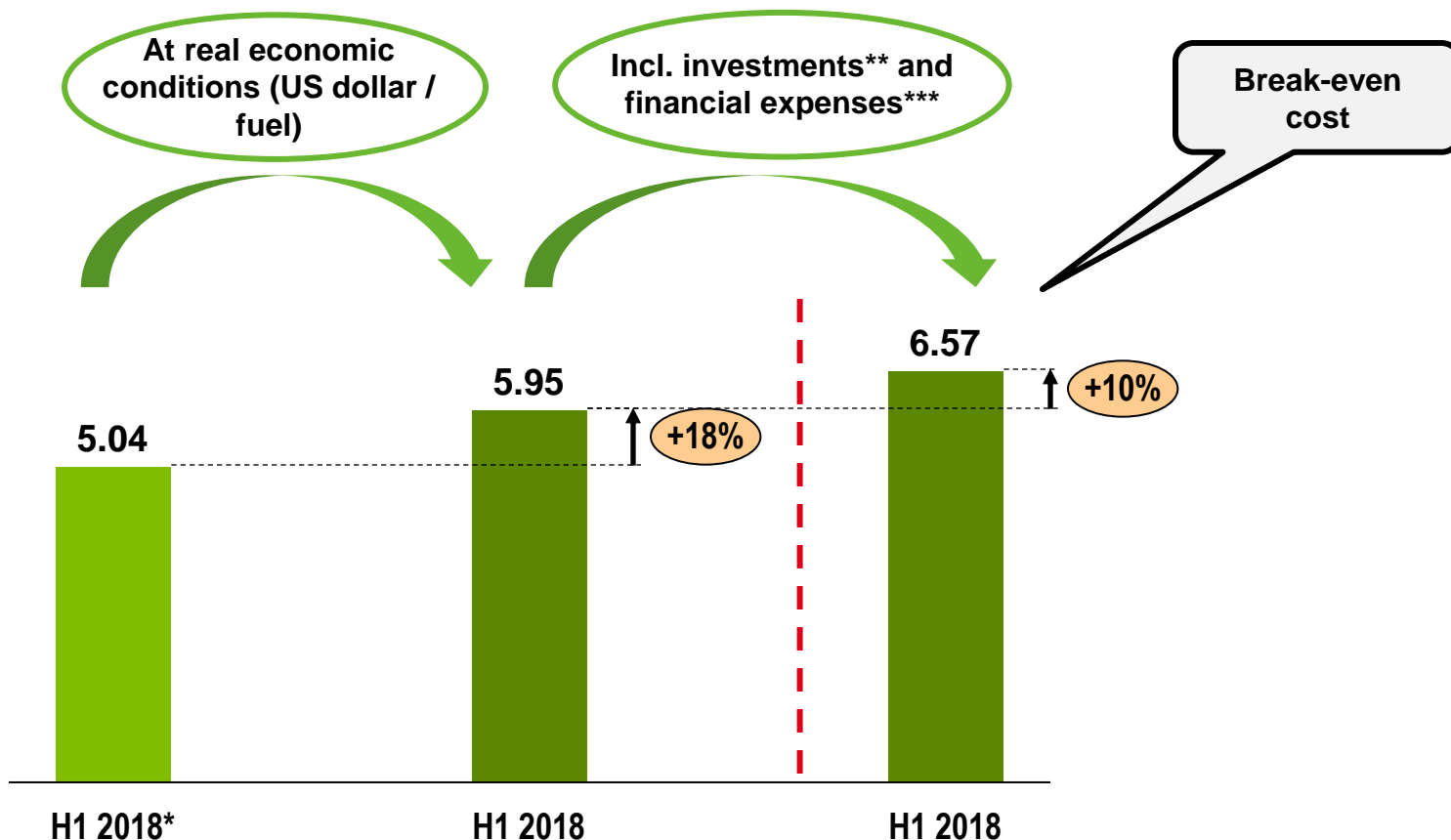
* CEC: constant economic conditions (early 2016)

Euro-US dollar exchange rate and brent prices weighed on SLN cash-cost in H1 2018



- SLN Cash-cost at **USD 5.95/lb at real economic conditions** in H1 2018, up 15% vs. H1 2017, penalised by the impact of the euro-US dollar exchange rate (-12%) and the increase in brent prices (+32%).

SLN CASH-COST & BREAK-EVEN COST (USD/lb)

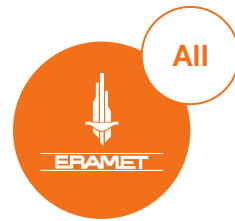


Alloys

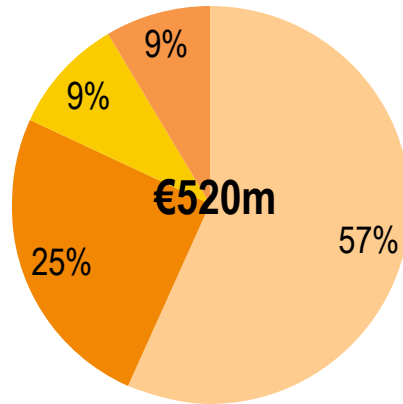
- 2nd global producer of high-power closed-die forged parts.
- One of the global leaders in gas atomised powder metallurgy.
- A leading producer of high-performance special steels.



Lower sales in an unfavourable market environment for A&D



H1 2018 SALES
BY SECTOR



- **8% decline in sales vs. H1 2017**

Aerospace

- **10% decline in sales** particularly penalised by a slowdown in the production rate of several wide bodies programs.

Energy

- **Sharp decrease in land turbine sector** in H1 2018; low order backlogs of major players in the energy sector.

High-speed steels

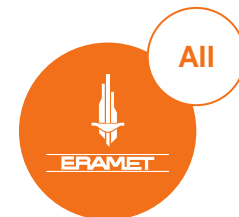
- c. 3% growth in high-speed steel volumes sold thanks to a global sales action plan.

Powder metallurgy

- Continued strong interest from clients for developments in this segment.



Decrease in COI with contrasting business trends



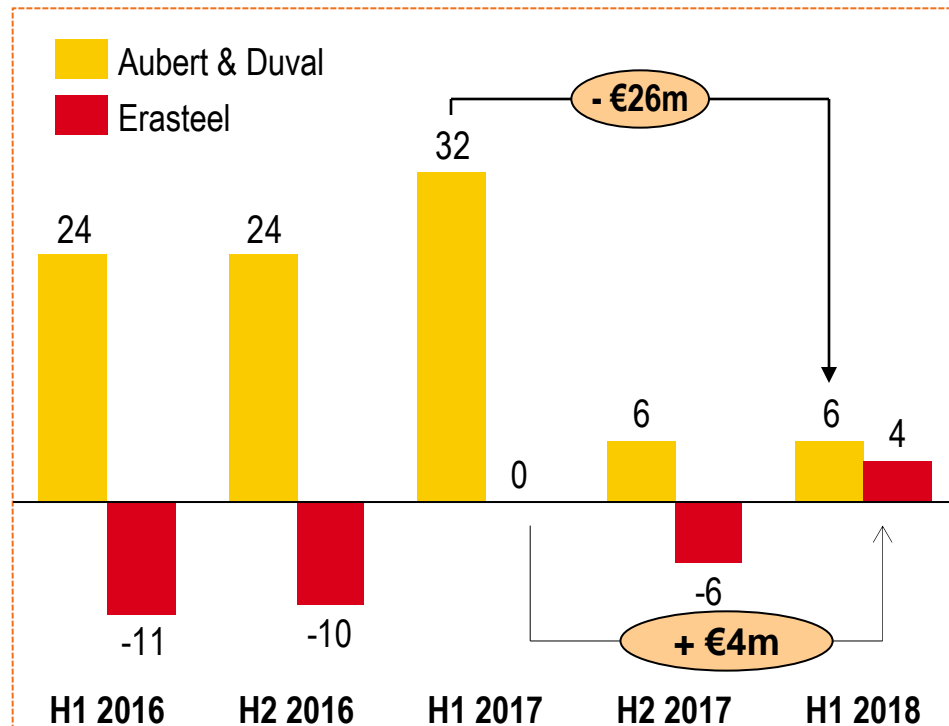
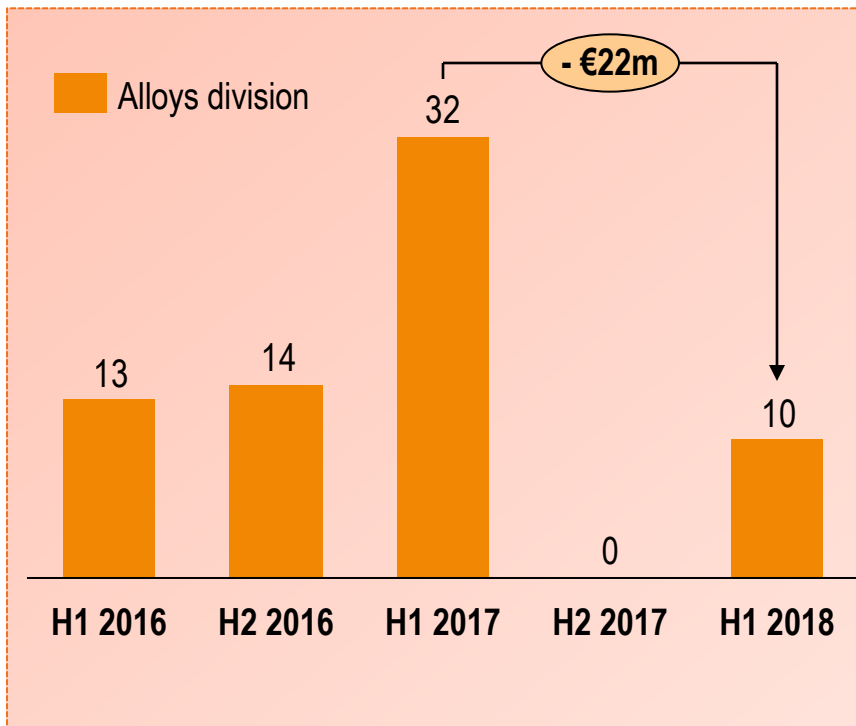
Under-performance of Aubert & Duval

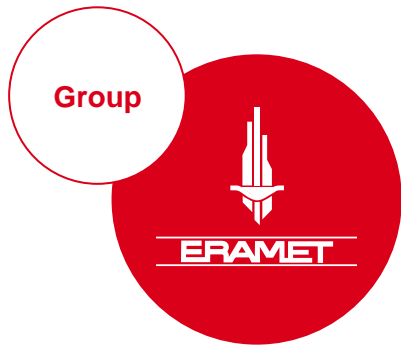
- Impact of lower activity with less absorption of fixed costs. Negative impact of the euro-US dollar exchange rate variation.
- + €7m of non-recurring income from hedging in H1 2018.

Improved performance of Erasteel

- Growth in volumes and favourable impact of raw materials prices

COI (in €m)

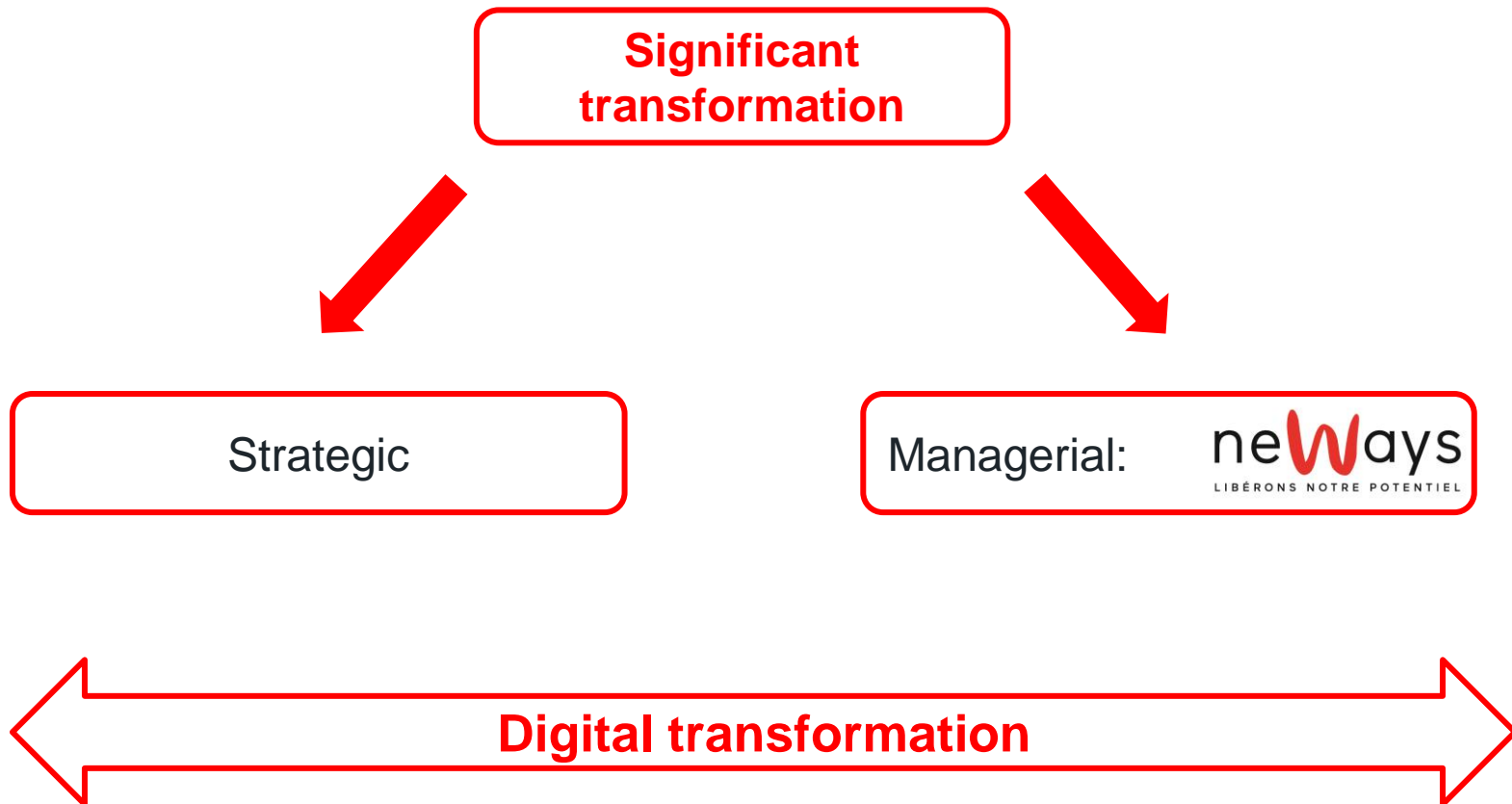
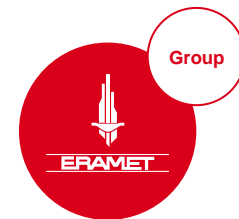




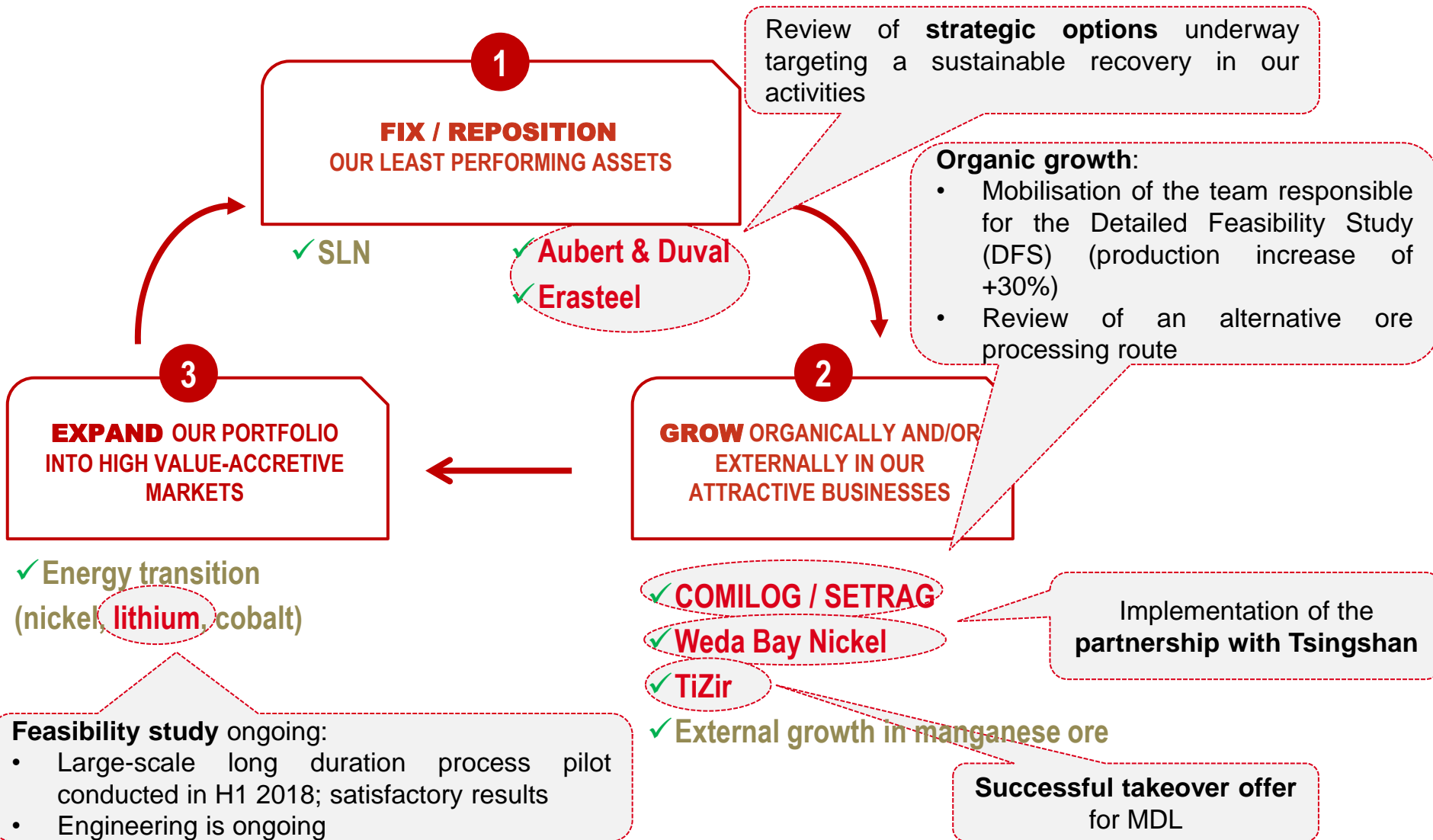
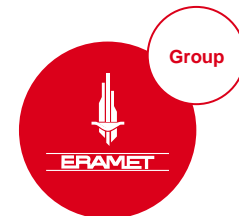
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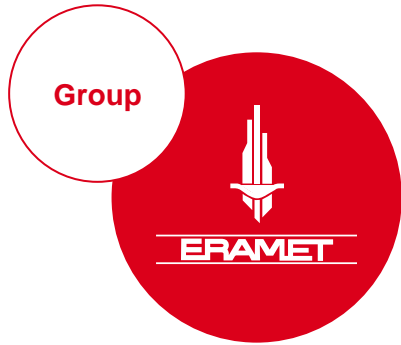
Strategic orientations

Group strategic and managerial transformation underway in H1 2018, boosted by digital transformation



Acceleration in the Group's strategic transformation

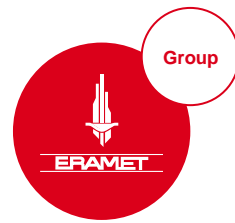




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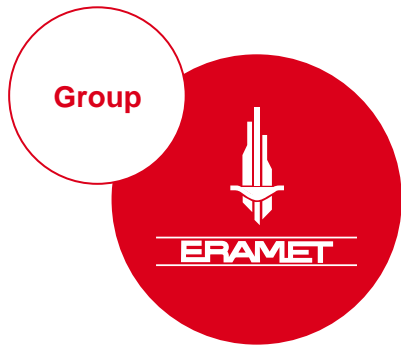
Conclusion and outlook

ERAMET group: a strategic and managerial transformation with strong fundamentals



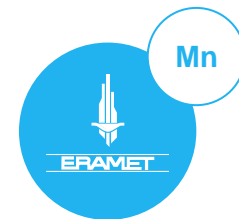
- **Results up** in H1 2018 with consolidated COI at €294m (+15% versus H1 2017).
- A first step in achieving the strategic roadmap with the **success of the takeover offer** for MDL.
- A **managerial transformation that is progressing**, a pillar for our performance and development.
- **Markets that are favourable overall** for the Group at the start of this H2 2018, except some sectors in the Alloys division.
- **However, a limited visibility** in a context of tensions and uncertainty observed in international trade relations, increasing the volatility of raw materials prices.
- All ERAMET employees are fully committed to delivering the targets set.





Appendices

Manganese division – Key figures



<i>€m</i>	H1 2018	H1 2017
Sales	928	920
EBITDA	390	403
COI	331	346
Industrial CAPEX	43	36



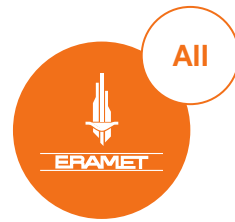
Nickel division – Key figures



<i>€m</i>	H1 2018	H1 2017
Sales	365	312
EBITDA	22	(59)
COI	(22)	(104)
Industrial CAPEX	32	42



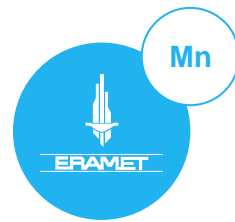
Alloys division – Key figures



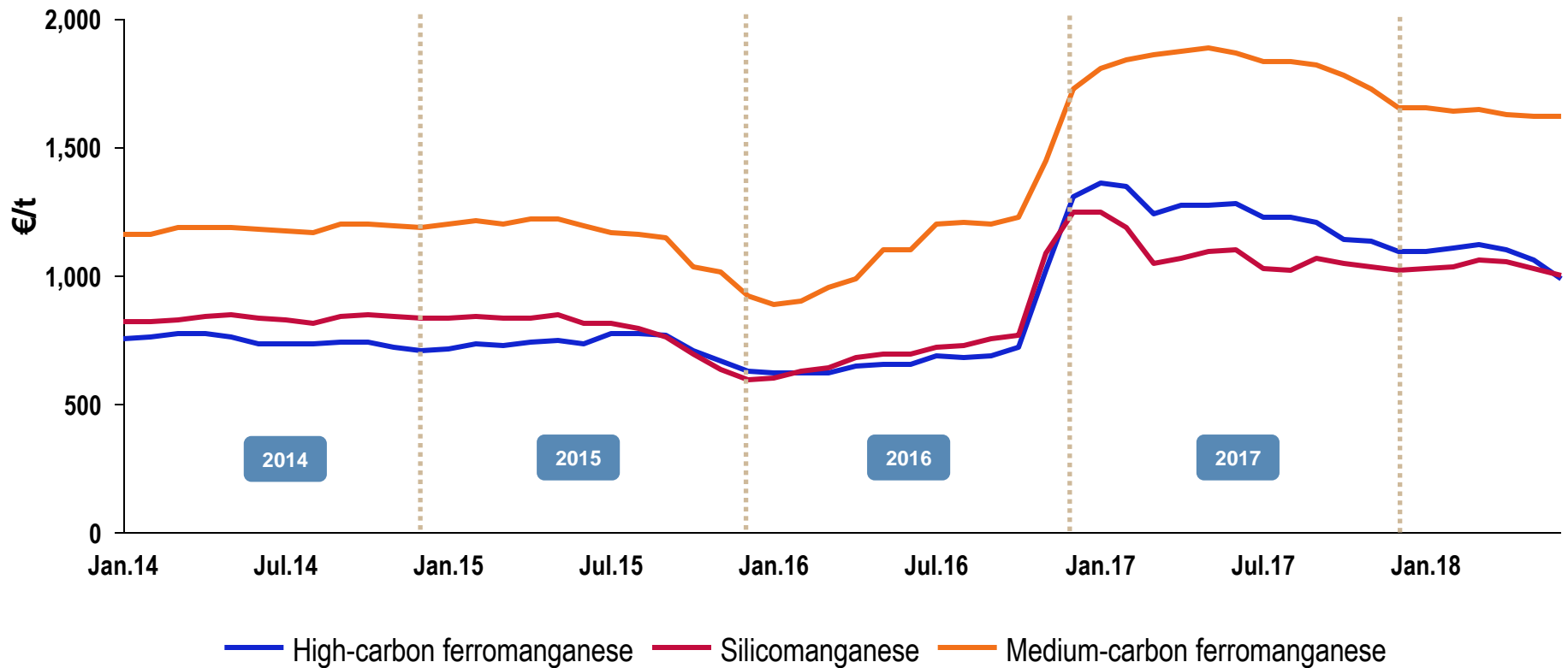
€m	H1 2018	H1 2017
Sales	520	564
EBITDA	43	61
COI	10	32
Industrial CAPEX	31	27



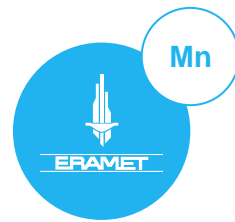
CRU price trends in manganese alloys (refined and standard) in Europe



CRU PRICE TRENDS FOR MANGANESE ALLOYS IN EUROPE BETWEEN JANUARY 2014 AND JUNE 2018



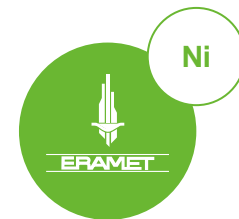
Growth strategy in manganese ore production in Moanda



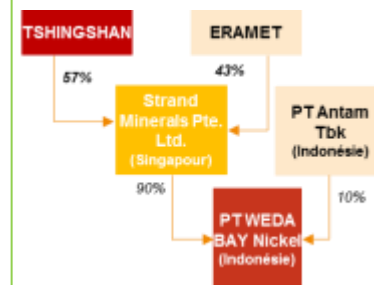
- **Bangombé plateau**, currently operated:
 - Ongoing studies regarding an **alternative processing route for part of the ore** to increase incrementally short-term production.
- **Okouma plateau**:
 - Ongoing Detailed Feasibility Study (DFS) to increase the Moanda mine's production capacity: mobilisation of team in charge (c. 50 persons, full-time),
 - **production increase of more than 30%**, with mining resources for several decades.



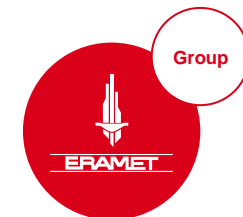
Bringing value to the Weda Bay Nickel deposit



- **May 2018:** implementation of **partnership with Tsingshan**, No. 1 global stainless steel producer, after waiving preliminary conditions in the agreement.
- Shareholder structure: **ERAMET 43%** / Tsingshan 57%.
- One of the largest nickel oxidised deposits in the world still not in operation, on Halmahera island, Indonesia, supplied by ERAMET.
- Tsingshan responsible for plant construction and operations.
- Objective: competitive NPI production in Indonesia, with a production target of 30 kt / year in nickel content (**13 kt in nickel / a year** for ERAMET).
- 1st orders of equipment for plant construction and earth works.
- 1st production expected **end-2020**



Reconciliation Group reporting and published accounts

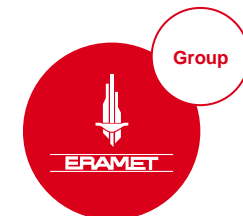


(€ million)	1st half year 2018 Published ⁽¹⁾	Joint-venture contribution	1st half year 2018 Reporting ⁽²⁾	1er semestre 2017 Published ⁽¹⁾	Joint-venture contribution	1st half year 2017 Reporting ⁽²⁾	Exercice 2017 Published ⁽¹⁾	Joint-venture contribution	Full year 2017 Reporting ⁽²⁾
Sales	1 735	78	1 813	1 741	56	1 797	3 528	124	3 652
EBITDA	415	17	432	375	14	389	845	26	871
Current operating income	285	8	294	250	6	256	598	10	608
Operating income	223	69	293	222	6	228	513	54	567
Net income for the period - Group share	94	-	94	81	-	81	203	-	203
Net cash generated by operating activities	167	6	173	292	(13)	279	687	-	687
Industrial investments	110	2	112	105	2	107	224	6	230
(Net financial debt)	(305)	(144)	(449)	(501)	(163)	(664)	(237)	(139)	(376)
Shareholders' equity	1 971	1	1 972	1 851	(14)	1 837	1 989	(9)	1 980
Shareholders' equity - Group share	1 697	2	1 699	1 587	-	1 587	1 694	-	1 694

(1) Financial statements prepared under applicable IFRS, with joint ventures are accounted for using equity method.

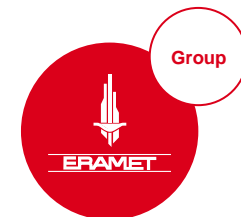
(2) Group reporting, in which joint ventures are accounted for using proportionate consolidation.

Reconciliation Group reporting and published accounts



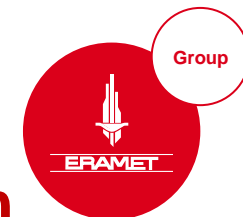
<i>€m</i>	H1 2018	H1 2017
Sales	1,813	1,797
EBITDA	432	389
<i>% Sales</i>	<i>24%</i>	<i>22%</i>
COI	294	256
<i>% Sales</i>	<i>16%</i>	<i>14%</i>
Other operating income and expense	(1)	(28)
Operating income	293	228
Financial result	(51)	(52)
Pre-tax income	242	176
Share of income of equity affiliates	(0)	(1)
Income tax	(103)	(107)
Net income	139	68
Minority interests	45	(13)
Net income – Group share	94	81

Cash-flow table

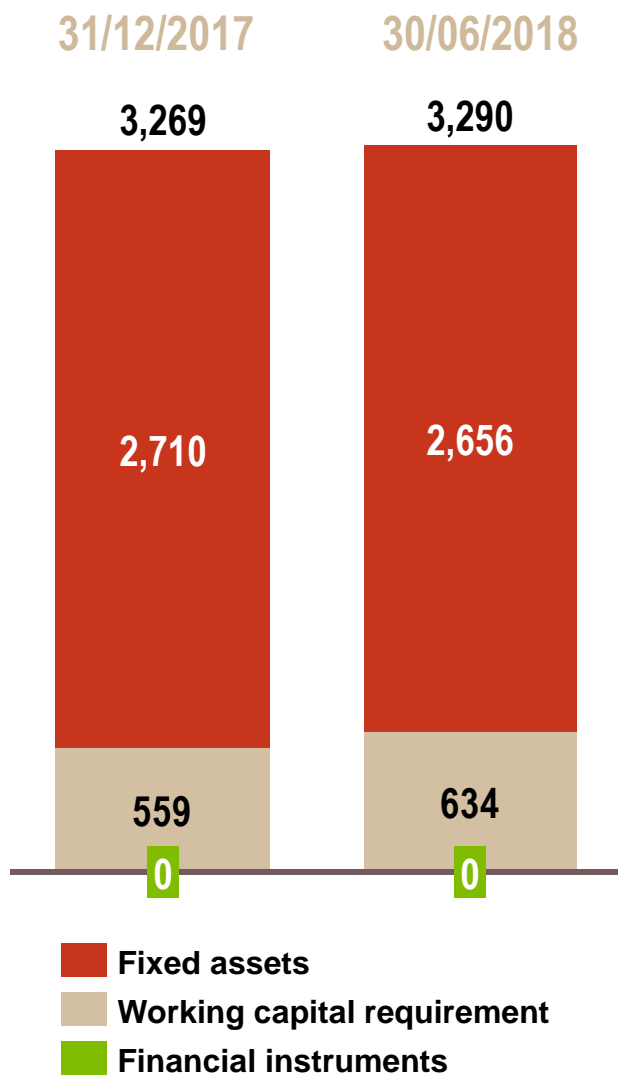


<i>€m</i>	H1 2018	H1 2017
<i>Operating activities</i>		
EBITDA	432	389
Cash impact on items under EBITDA	(160)	(204)
Cash from operating activities	272	185
Change in WCR	(99)	94
Net cash generated by operating activities (1)	173	279
<i>Investment activities</i>		
Industrial CAPEX	(112)	(107)
Other investment flows	(19)	-
Net cash from investment activities (2)	(131)	(107)
<i>Free Cash Flow (1) + (2)</i>	42	172
Cash from equity operations	(122)	(3)
Impact of changes in exchange rates and in accounting methods	7	3
(Increase) / Reduction in net debt	(73)	172
(Net debt) at start of period	(376)	(836)
(Net debt) at close of period	(449)	(664)

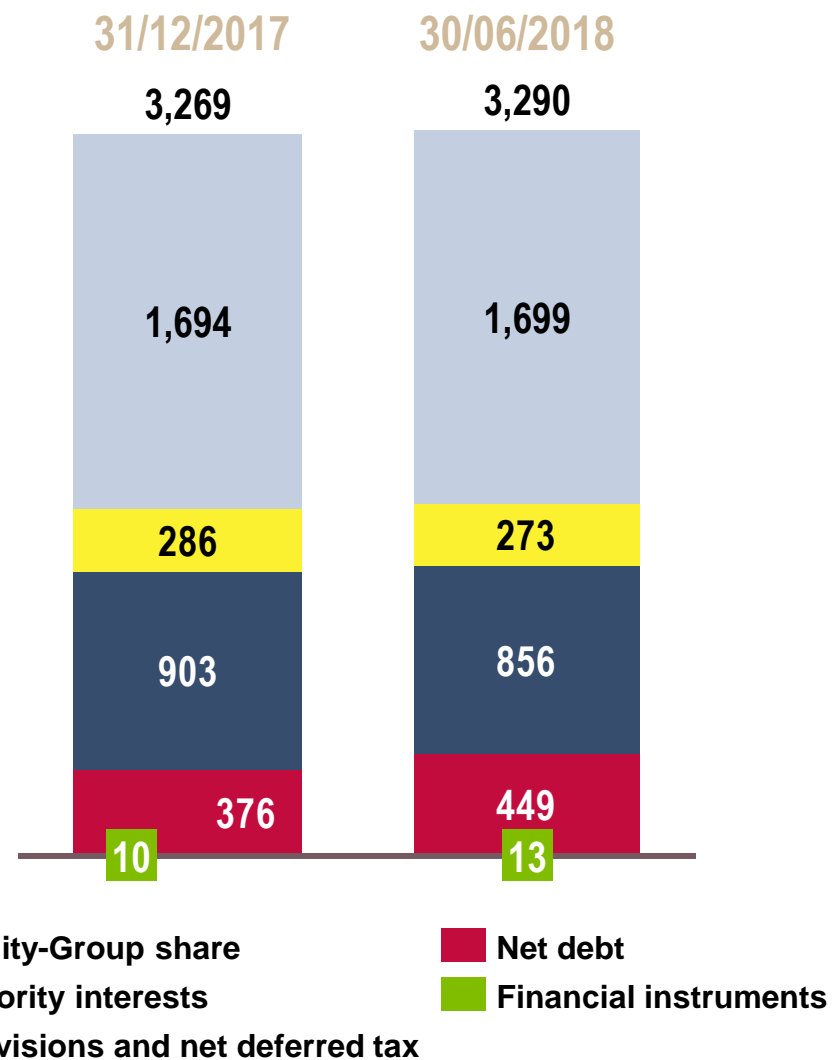
Group Balance Sheet at 30 June 2018



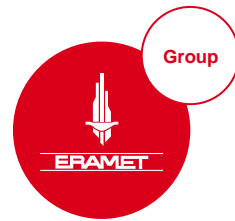
Assets - €m



Liabilities - €m

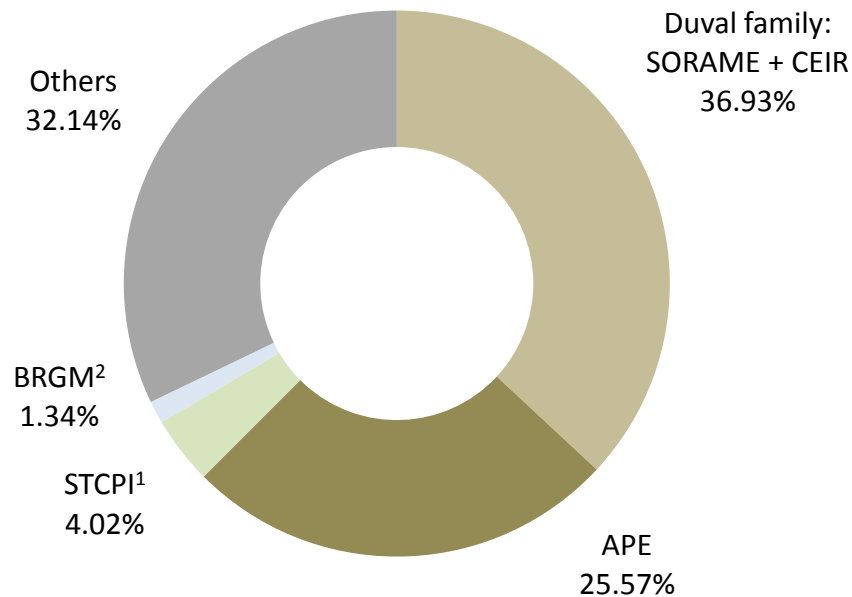
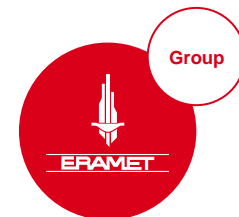


Bond maturities



	Currency	Initial amount (in €m)	Amount on 30/06/18 (in €m)	Maturity date	Interest rate
2013 bond issue	€	525	460	2020	4.5%
2014 ODIRNAN bond issue	€	100	97	perpetual	4%
TiZir bond renewal - July 2017	USD	300	300	Jul 22	9.50%
Bond issue – Sept 2017	€	500	500	Feb-24	4.20%

Shareholding on 30 June 2018



Numbers of shares issued: 26,635,856

Notes

- ¹ STCPI (Société Territoriale Calédonienne de Participation Industrielle): entity owned by the New Caledonian provinces
- ² BRGM (Bureau de Recherches Géologiques et Minières): the French Geological Survey Office



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