

### **Investor presentation**

September 2019

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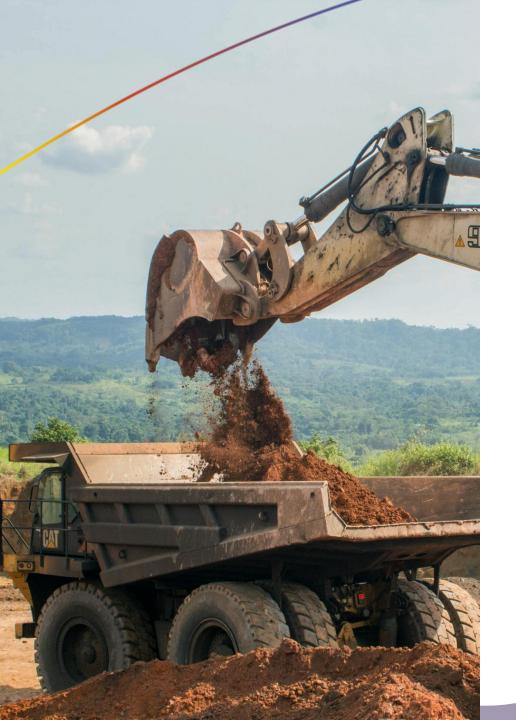
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- 1 H1 2019 Financial results
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**Conclusion and outlook** 



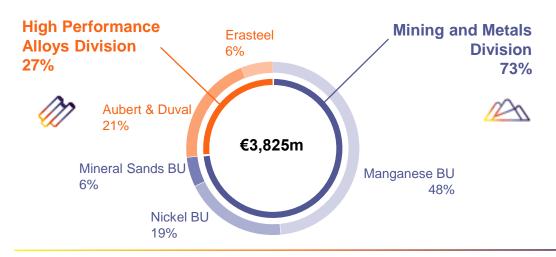


### **Eramet at a glance**

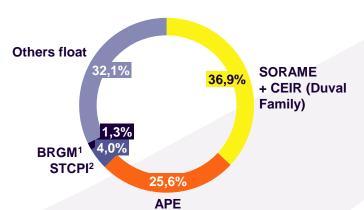


## A global leader and a diversified mining and metallurgical Group

#### 2 divisions with global leading positions



#### **Historic and stable shareholders**



#### €3,825m

€3,652m **sales** 

#### 22%

24% EBITDA margin

#### €581m

€608 m current operating income (COI)

#### €281m

€230 m of capital expenditure

#### 38%

19% gearing

#### 22%

21% ROCE<sup>3</sup>

#### 12,700

**Employees in 20 countries** 

In 2018 In 2017



<sup>&</sup>lt;sup>1</sup> BRGM (Bureau de Recherches Géologiques et Minières): the French Geological Survey Office

<sup>&</sup>lt;sup>2</sup> STCPI (Société Territoriale Calédonienne de Participation Industrielle): entity owned by the New Caledonian provinces

<sup>3</sup> COI / Capital employed1 of year n-1

## A Mining and Metals Division with world-class deposits and significant resources for several decades



#### **Manganese BU**

- #2 global producer of high-grade manganese ore
- **#2** global producer of manganese alloys
- #1 global producer of refined manganese



- A highly competitive manganese mine in Gabon: 4.3 Mt manganese ore produced
- 6 pyro metallurgical plants in Europe, USA, Gabon: 720 kt manganese alloys produced

#### Nickel BU

- #1 high grade Ferronickel producer worldwide
- One of the high purity nickel salts producer worldwide



- **#4** global producer of zircon
- #5 global producer of titanium feedstock



- 4 main operated mines, 1 pyro metallurgical plant in New Caledonia :
   55 kt ferronickel produced / 1.2 Mt nickel ore exported
- 1 high purity nickel refinery in France
- 1 NPI¹ plant under construction in Indonesia



- The world largest single dredge mineral sands operation in Senegal: 774 kt of HMC<sup>2</sup> produced
- 1 metallurgical plant in Norway:
   189 kt of titanium dioxide slag

2018 Key figures

Industrial set-up

• Sales: **€1,857m** 

Headcount: c.3,900

Sales: **€738m** 

Headcount: c.2,300

• Sales: **€212m** 

Headcount: c.900



# Main Market

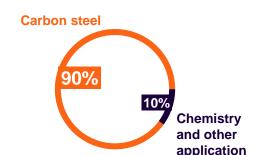
### Steel (carbon and stainless) accounting for more than 60% of Eramet's end-markets

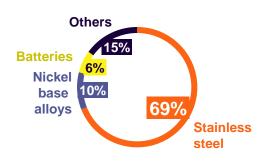


#### **Manganese BU**

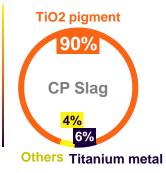
#### Nickel BU

#### **Mineral Sands BU**















- Gabon: **269** Mt resources
- Resources lifetime > 40 years
- Operated for 50 years

- New Caledonia: **190** Mt resources
- Indonesia Weda Bay Nickel: **635**Mt resources<sup>1</sup>
- Resources lifetime ~ 50 years
- Operated for ~130 years (NC)

- Senegal (Zircon & Ilmenite): **25.7** Mt resources (HMC<sup>2</sup>)
- Resources lifetime > 30 years
- Operated since 2014

Lithium BU (project in Argentina): 9.9 Mt drainable resources (LCE2); development ongoing: FID3 end of 2019 at the earliest

Resources

## A High Performance Alloys Division with unique know-hows dedicated to high end-markets



- **#2** high-power closed-die forged parts producer worldwide
- A European leader in forgings for defense and nuclear markets
- A European actor in aerospace long products



Aubert & Duval

Aerospace
Energy & Defense
Other

16%

14% 2018 Sales
€793m
70%

- A European leader in gas-atomized powders for additive manufacturing
- A worldwide leader of powder metallurgy high speed steel
- Workforce: c.**5,100**









H1 2019 Key Performance Indicators

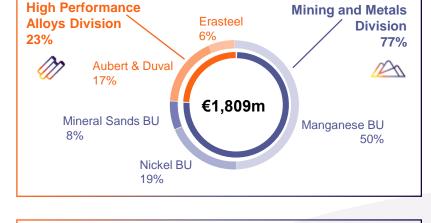


### H1 2019 results negatively impacted by price environment and Aubert & Duval (A&D) delays in invoicing















Net debt-to-equity ratio



<sup>&</sup>lt;sup>2</sup> COI divided by capital employed for previous year; ROCE at 30 June is calculated based on 12 rolling months

### H1 2019 unfavourable price environment despite higher \$

-13% decline in average manganese ore<sup>1</sup> prices, still high at above USD 6/dmtu in H1 2019

-€45m

Impact on H1 2019 COI

-11% decline in average nickel LME prices

-€59m

Impact on H1 2019 COI

Squeeze impact on manganese alloys' margins

-€40m

Impact on H1 2019 COI

Positive impact of €/USD exchange rate

+€44m

Impact on H1 2019 COI



### Operational records for the Mining and Metals division in H1 2019



H1 record production in both manganese ore and alloys:

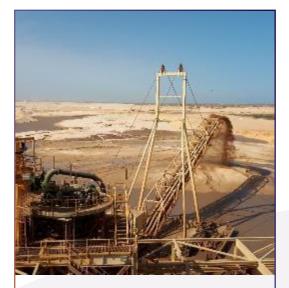
2.1 Mt of ore produced at Comilog in Gabon, +6%

**376 Mt**<sup>1</sup> of alloys produced worldwide, **+5%** 



H1 record<sup>2</sup> nickel ore production from SLN in New Caledonia, despite 3 operational mining centers only (vs 4 in 2018):

1.9 Mt of nickel ore, +7%



H1 record production from TiZir:

378 kt of HMC<sup>3</sup> (zircon & ilmenite) in Senegal, +1%

101 kt of Tio<sub>2</sub> CP slag in Norway, +19%



<sup>&</sup>lt;sup>1</sup> H1 record over the past 5 years

<sup>&</sup>lt;sup>2</sup> Over the past 3 years

<sup>&</sup>lt;sup>3</sup> Heavy Mineral Concentrates

## A strategy that is beginning to show success and should deliver results in H2 2019

#### **Production targets confirmed for 2019**

- 4.5 Mt in manganese ore
- 1.5 Mt in nickel ore exports
- 720 kt in mineral sands concentrate, despite lower grade mined from 2019 onwards (vs previous years)



#### **SLN** recovery plan

- decisive breakthroughs for two levers since mid-May
- gradual **cash-cost reduction** target to reach USD -1.30 /lb¹ in 2021, provided a plan roll-out without disruptions



#### **Continued progress at Sandouville**

**EBITDA break-even target** to be achieved after Q4 annual maintenance





### Decline in accident frequency rate in H1 2019, but still too many severe accidents



#### **Eramet accident frequency rate (TF2**<sup>1,2</sup>)



#### Fatal accidents in May 2019 at Setrag:

3 fatalities following collision of 2 trains

Increasing safety all awareness particularly employees and managers, through "on the ground" interactions

#### Focus on risk analysis and prevention:

- Occupational risk risk assessment: analysis for each job position
- "Take 5" safety initiative: "Take 5" minutes to think before acting

Accelerated roll-out of Essential Safety Requirements to avoid severe accidents





### **Key financial figures**



| €m  | H1 2019 | H1 2018 * |
|---|---------|-----------|
| Sales   | 1,809   | 1,813     |
| EBITDA  | 307     | 432       |
| % Sales   | 17%     | 24%       |
| Current operating income  | 169     | 294       |
| % Sales   | 9%      | 16%       |
| Earnings before tax   | 90      | 242       |
| Net income – Group share  | (37)    | 94        |
|   |         |           |
| Net debt (Net cash), excl. IFRS 16 non cash impact                | 930     | 449       |
| Gearing (Net debt-to-equity ratio), excl. IFRS 16 non cash impact | 51%     | 23%       |
| ROCE (COI / capital employed <sup>1</sup> for previous year)      | 16%     | 22%       |

<sup>\*</sup>The 2018 data presented and commented on is adjusted data from Group Reporting, in which joint ventures were accounted for using proportionate consolidation. The reconciliation with the published financial statements is presented in the appendices.



#### **Profit & loss statement**



| €m  | H1 2019 | H1 2018 <sup>1</sup> |
|---|---------|----------------------|
| Sales   | 1,809   | 1,813                |
| Current operating income                            | 169     | 294                  |
| Other operating income and expenses                 | (25)    | (1)                  |
| o/w: Project development - Lithium                  | (11)    | (9)                  |
| Project development - Other                         | (5)     | (5)                  |
| Accrual of asset impairment tests – A&D             | 0       | (200)                |
| Reversal of asset impairment tests - GCO            | 0       | 71                   |
| Capital gain on disposal - Guilin / Weda Bay Nickel | 0       | 163                  |
| Financial result                                    | (54)    | (51)                 |
| Earnings before tax                                 | 90      | 242                  |
| Share in income from associated companies           | (4)     | 0                    |
| Income tax  | (101)   | (103)                |
| Net income  | (16)    | 139                  |
| o/w Minority interests' share                       | 21      | 45                   |
| Net income – Group share                            | (37)    | 94                   |

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## Activities' performances impacted by lower metal prices, except for Mineral Sands



#### **Continued strong contribution from Manganese BU**

| In €m                            | H1 2019 | H1 2018 |  |
|----------------------------------|---------|---------|--|
| Mining and Metals division       |         |         |  |
| Manganese BU                     | 271     | 321     |  |
| Nickel BU                        | (70)    | (22)    |  |
| Mineral Sands BU <sup>1</sup>    | 30      | 10      |  |
| High Performance Alloys division | (27)    | 10      |  |
| Group                            | 169     | 294     |  |

#### **Income highly sensitive to metal prices**

| Change<br>(+/-) | Annual impact<br>(+/-)                                |
|-----------------|---|
| +\$1/dmtu       | +~€130m²  |
| +\$100/t        | +~€70m²   |
| +\$1/lb         | +~€100m²  |
| +\$/€0.1        | -~€105m   |
| +\$10/bbl       | -~€16m²   |
|                 | (+/-)<br>+\$1/dmtu<br>+\$100/t<br>+\$1/lb<br>+\$/€0.1 |



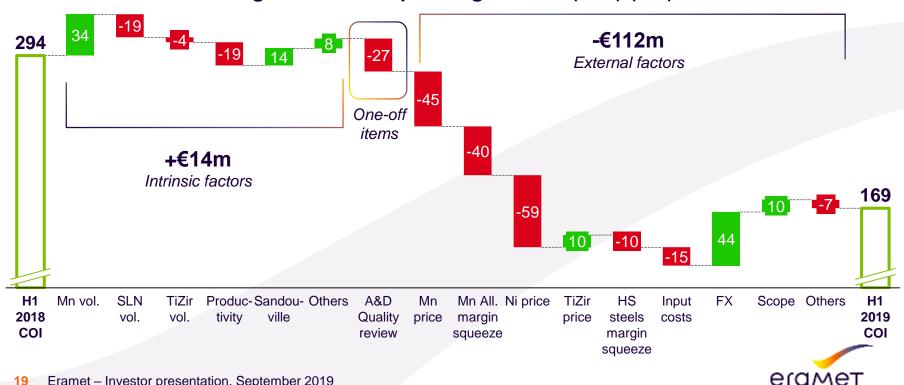
#### Decrease in H1 2019 COI linked to external factors and one-off items



#### Unfavorable price environment for metals and raw materials

- **Decrease in** manganese ore and nickel LME **prices** (-€104m)
- Negative squeeze impact on manganese alloys' margin (-€40m)
- Negative squeeze impact on high-speed steels margin (-€10m)

H1 2019 performance penalised by €27m one-off items related to A&D quality review Change in current operating income (COI) (€m)

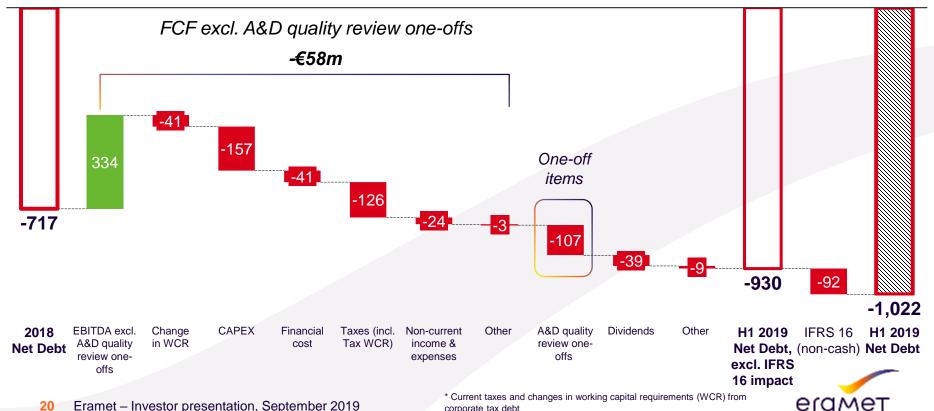


#### Net debt impacted by one-off items linked to A&D in H1 2019



- **Higher WCR** resulting mainly higher manganese ore and alloys' inventories (€70m)
- **CAPEX**: €157m, o/w renewal (€98m) and growth investments (€40m)
- **Taxes** paid in H1 2019 related to 2018 profits mainly in **Gabon** (€96m) and **Norway** (€18m)
- **A&D quality review one-off items** (-€107m) o/w negative impact on H1 2019 EBITDA /COI (-€27m) and higher level of inventory at A&D (€70m) due to delays in shipments
- **Dividends** paid to Eramet shareholders (€18m) and minority shareholders (€22m)

Net Debt (€m)



## Liquidity remains high at €2.2bn to support the Group's strategic projects



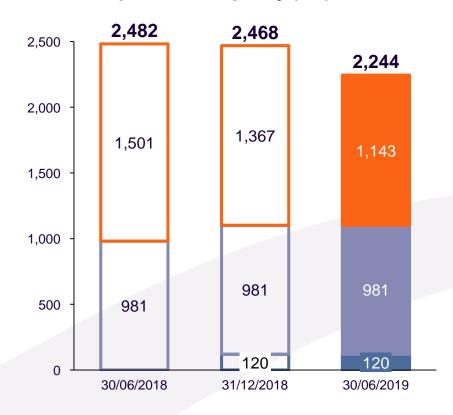
#### **Revolving credit facility** ("RCF"):

- €981m RCF with a 5-year maturity (term in 2024)
- Undrawn line to date

### **European Investment Bank** ("EIB") financing:

- €120m loan granted in October 2018 with 10-year maturity
- Intended to support R&D expenditure, modernisation and digital transformation
- Undrawn line to date

#### **Group financial liquidity (€m)**



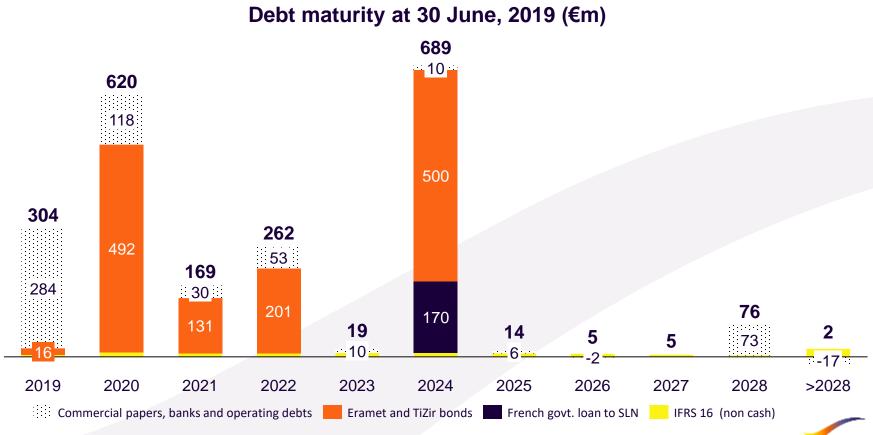
- Available cash
- Undrawn line: Revolving Credit Facility ("RCF")
- Undrawn line: European Investment Bank ("EIB") financing



### No major debt maturity in 2019



- Group gross debt at €2,165m at 30 June, 2019
- Average maturity of Group's 2.5-year debt
- More than 90% at a fixed rate







### **Mining and Metals division**

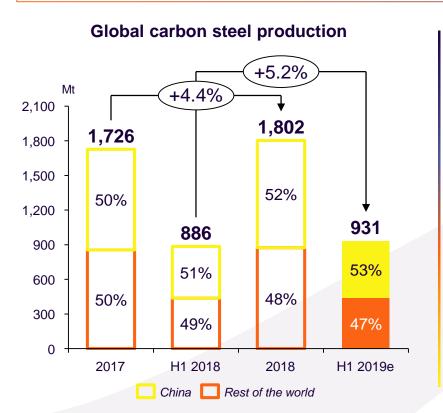




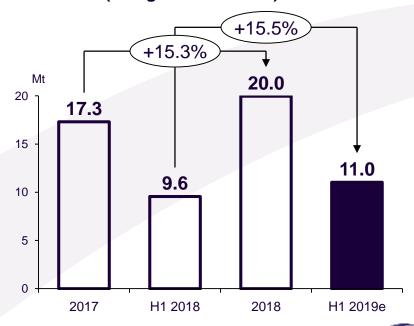
## New historical H1 record for global steel carbon production



- Global carbon steel production up 5.2%, almost exclusively driven by China (+9.9%); rest of world increase (+0.3%) mainly driven by North America (+4.2%), whereas EU production down (-2.6%)
- Production still at full capacity of all global manganese ore producers
- Slight surplus in manganese ore supply: stocks in Chinese ports at 3.9 Mt at end-June 2019, up 0.8 Mt since December 2018



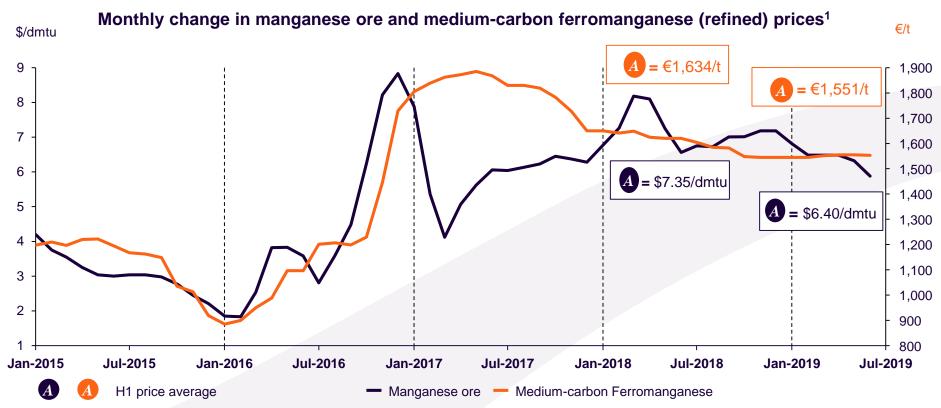
### Global manganese ore production (manganese content)



## Manganese ore prices still high, although down vs H1 2018



- Average manganese ore prices still at a high level, USD 6.40/dmtu in H1 2019 (-13% vs H1 2018), but trending down to USD 5.95/dmtu in June
- Decline in manganese alloys' prices in Europe (-5% for refined ferromanganese), resulting in a continued margin squeeze





## H1 manganese ore production at Comilog >2 Mt for the first time, target of 4.5 Mt in 2019 confirmed

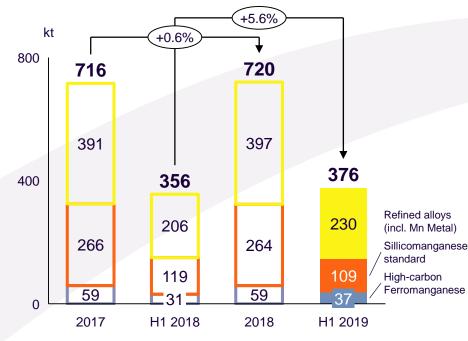


- Ore volumes transported at 2 Mt (+9% vs H1 2018), despite logistical incidents; external sales at 1.6 Mt (+9% vs H1 2018)
- Half-year record in manganese alloys' production at 376 kt; refined ferromanganese alloys (~60% of total production) up +12%, sales at 367 kt (+8%)

#### Manganese ore production and agglomerates

#### kt 5,000 +6.1% +4.0% 4,000 3,000 4,500 4,330 4,163 2,000 2,117 1,995 1,000 2017 H1 2018 2018 H<sub>1</sub> 2019 2019 target

#### Manganese alloys' production







## Global stainless steel production stable, at a high level

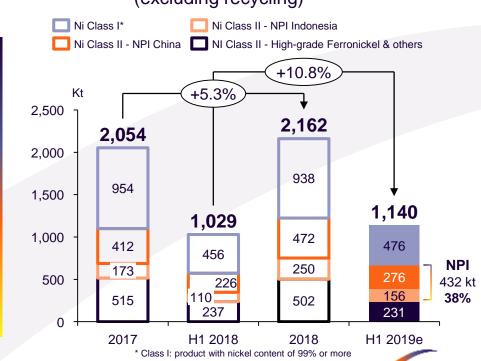


- **Clobal stainless steel production stable (+0.2%)** in H1 2019, driven by **growth in China** (+3.3%) **Global stainless steel production stable**
- **Clobal primary nickel demand up 2.9%**, notably supported by battery development (+25%)
- Increase in **global primary nickel production** (+10.8%), driven by **NPI** (+28.6%), especially in **Indonesia** (+41.8%)

#### Global stainless steel production

#### China Rest of world +0.2% +4.0% Κt 49,636 47,710 50.000 40,000 53% 53% 30,000 25,105 25,055 20,000 51% 53% 47% 47% 10,000 49% 47% 0 2017 H1 2018 2018 H1 2019e

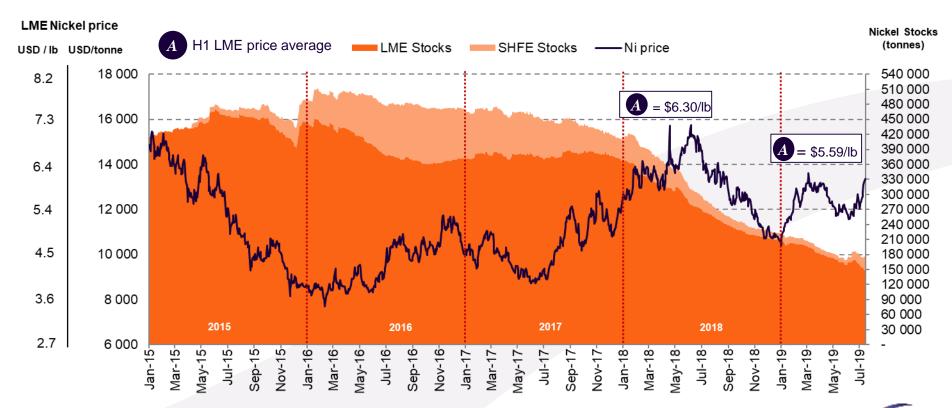
### Global primary nickel production (excluding recycling)



## Nickel prices remained at a lower level vs H1 2018, despite a further decrease in stocks



- Supply/demand balance still in deficit (estimated at -40 kt in H1 2019)
- Continued and significant decline in nickel metal stocks at LME and SHFE (-40 kt to 182 kt at 30 June, 2019, i.e. -18%), representing c. 9 weeks¹ of consumption, lowest level since 2012
- H1 2019 average of LME prices: USD 5.59/lb (-11% vs H1 2018)

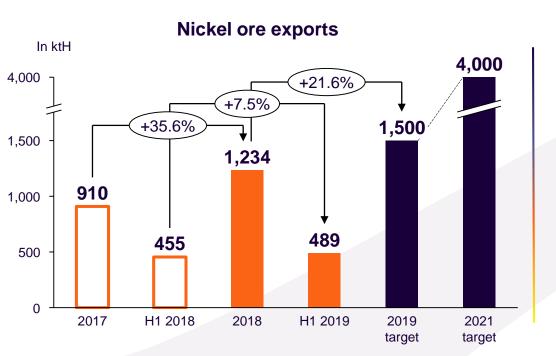




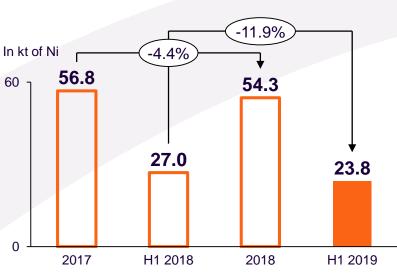
## H1 still negatively impacted by disrupted mining operations at East coast centers affecting SLN FeNi production...

- New working hours agreement led to higher nickel ore production of 1.9 Mth (+7%)
- Volumes of exported ore up 8% to 489 kth in H1 2019; c. 650 kth already exported mid-July
- Target of a pace of 4 Mth per year as early as H2 2020 confirmed

- Ferronickel production down 12% in H1 2019, due to lower-grade ore loaded into the furnaces, as a result of disruptions in the East Coast mining centres.
- Ferronickel sales volumes down 13% (24 kt)



#### Ferronickel production



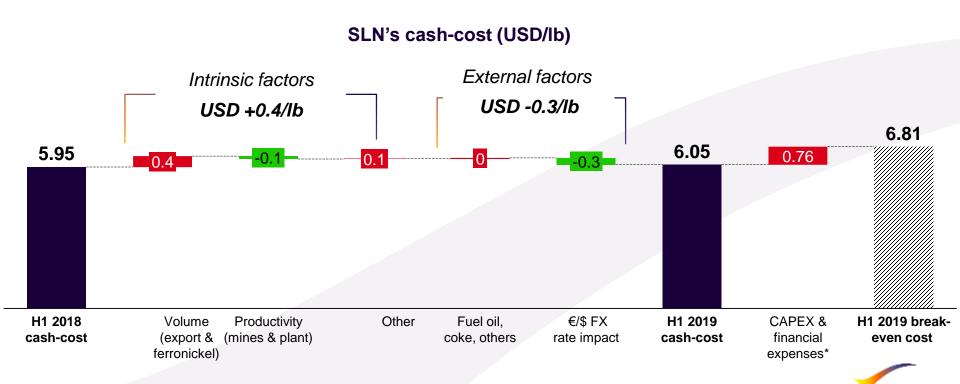
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### ...resulting in a higher average cash-cost than in H1 2018

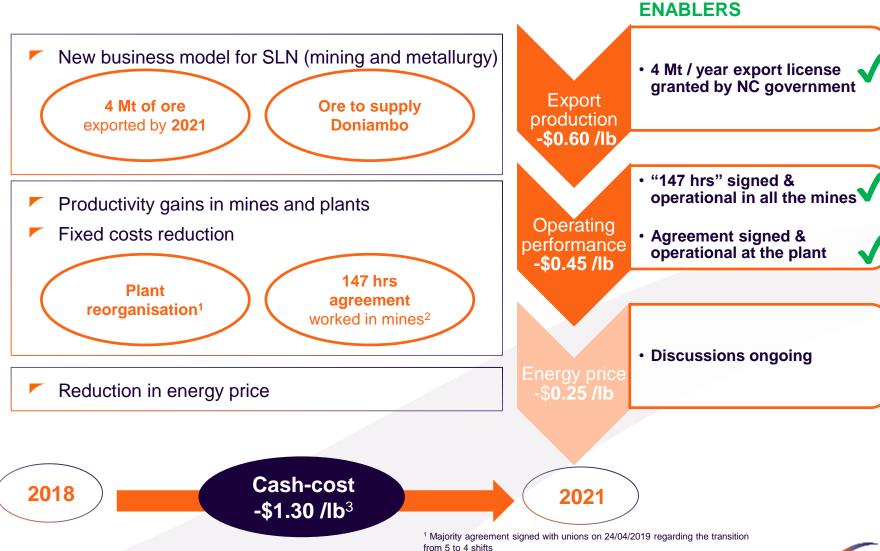
2018

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- Cash-cost at real economic conditions: USD 6.05/lb on average in H1 2019
- Favourable euro/dollar exchange rate
- Cash-cost improved to USD 5.82/lb in June



## SLN rescue plan: decisive breakthroughs for two levers since mid-May, leading the way to cash cost reduction in H2



<sup>2</sup> 147 hours working hours agreement by SLN end-November, creating conditions

for 7/7 days and 21/24 hours operations

<sup>3</sup> As of 2018 year-end, kick-start of the rescue plan

### Sandouville plant: significant progress towards break-even in EBITDA



#### Improved operating rate thanks to support of experts' task force since the start of the year...

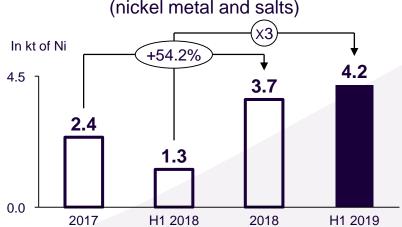
- High purity nickel production more than tripled to 4kt in H1 2019, above FY 2018 production; high purity nickel sales volume up to 4kt (vs 1kt in H1 2018)
- Focus on high-value nickel salts with high margins, improving the global product mix of the plant

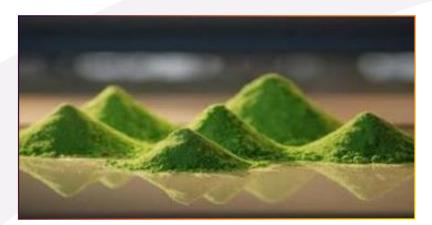
#### ...reflecting into improved key financial indicators

- COI losses halved to €13m in H1 2019
- Significant decrease in cash losses (free cash-flow of -€5m vs -€26m)

#### Break-even in EBITDA target to be achieved after Q4 annual maintenance shutdown

### High purity nickel production (nickel metal and salts)







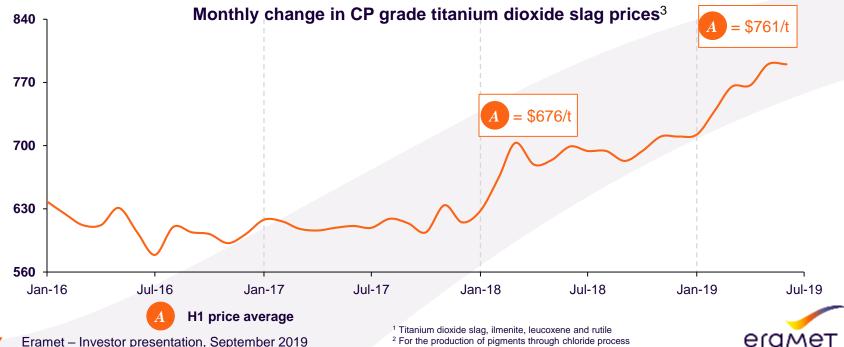


### Favourable markets for titanium products with continued price increase



Growth of Pigment market (90% of titanium-based end-products<sup>1</sup>)

- Robust global demand in TiO<sub>2</sub> feedstocks from Pigments producers in H1 2019 for high-end TiO2 intermediates
- Hence global demand for **CP grade titanium dioxide slag** ("CP slag" <sup>2</sup> produced by Eramet in Norway) increased in H1 2019
- Average price of CP slag increased by 12% to USD 761/t in H1 2019 vs H1 2018

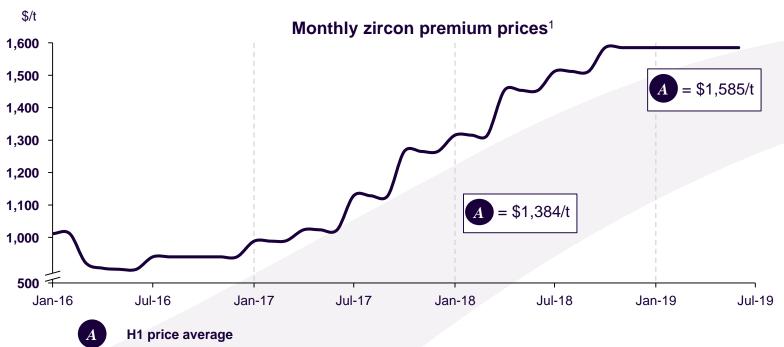


# Zircon product markets: stable prices at a high level despite a slowdown in demand in H1 2019



Ceramics and Chemicals markets (~50% and 20% respectively of zircon's end-uses)

- Slowdown in global demand for zircon in all segments in H1 2019, particularly in China for Ceramics
- Supply/demand balance for zircon expected to be slightly in excess in 2019, with a structural forecast deficit in the medium / long term
- Average price of zircon ended at USD 1,585/t in H1 2019, up 15% vs H1 2018



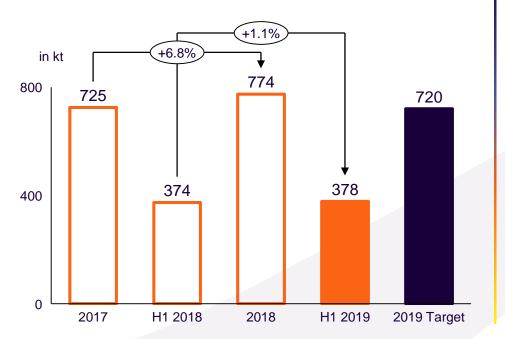


### TiZir: high level of production in Senegal and Norway

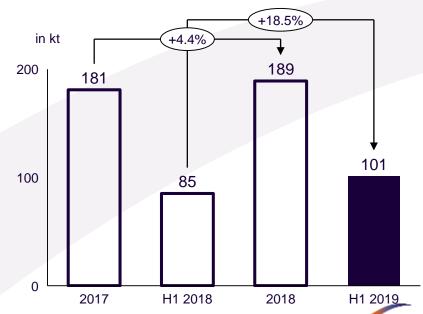


- HMC¹ production (titanium ore and zircon): +1% to 378 kt, thanks to record-high operational performance, despite lower grade mined from 2019 onwards (vs previous years)
- **Zircon sales: -16%** to 29 kt, reflecting H1 market environment
- Titanium dioxide slag H1 record production: +19% to 101 kt with Norwegian plant functioning close to nominal capacity
- CP slag sales' volumes up +20% to 97 kt

#### HMC production<sup>1, 2</sup> (GCO, Senegal)



#### Titanium dioxide production<sup>2</sup> (TTI, Norway)





### **High Performance Alloys division**



### A stable aerospace market for the High Performance Alloys division



#### Stable global aerospace market



- Airbus delivered 389 aircraft in H1 2019 (+28% vs H1 2018) offsetting Boeing's decline (239 delivered only, -37%)
- Civil aircraft market adversely impacted by **Boeing's 737 Max crisis:** production of **737 Max planes cut by about a fifth** to 42 jetliners a month in April

#### Wide-bodies programs still at a moderate production rate

Airbus A380 production confirmed to be terminated in 2021

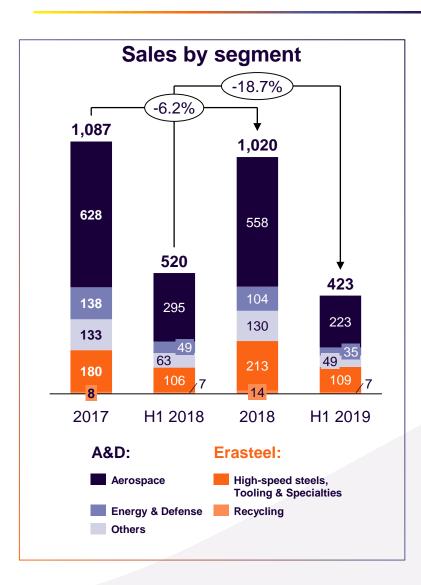
#### Stable global single-aisle production rate

- Ramp-up of programs: A320Neo (163 aircrafts delivered) and A321Neo (71 delivered), offsetting 737 Max decline
- Launch of A321XLR (very long-range single-aisle aircraft) at the 2019 Paris airshow, which already recorded 243 commitments, o/w 39 firm orders



# Ongoing delays in invoicing, due to implementation of upgraded quality processes at A & D





#### **A&D** sales

**-24%** vs H1 2018

- decrease in **aerospace sales** due to delays impacting sales in a stable market environment
- several major agreements signed with aerospace top-tier customers, reflecting medium-term growth outlook for single-aisle aircrafts (both engines and structures)

#### **Quality processes review**

- Implementation of corrective action plan (in line with highest international standards) **still ongoing**
- Target: back to normal invoicing level in Q4 2019
- No impact on the safety of products in use to date, based on additional expertise performed for nearly eight months working closely with customers

#### **Erasteel sales**

**+3%** vs H1 2018

+3 % increase in high-speed steels sales in H1 2019, but significant slowdown of global automotive market that will impact H2 2019



# High Performance Alloys' results impacted by sales decline at A & D and margin squeeze at Erasteel

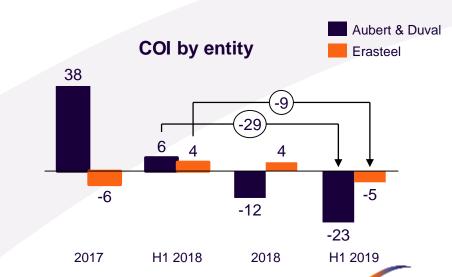
#### €23m loss incurred at Aubert & Duval in H1 2019

- Significant slowdown in shipments as expected, linked to delivery delays resulting from quality processes' conformity review (-€27m COI impact)
- 40 kt press breakdown in Pamiers in Q1 2019: (-€10m), catch-up completed in September
- Positive impact of **lower depreciation** after 2018 impairment write-off: (+€10m)

#### €5m loss incurred by Erasteel

Negative squeeze impact on high-speed steels margin (-€10m)

# High Performance Alloys division COI 32 10 -27 2017 H1 2018 2018 H1 2019



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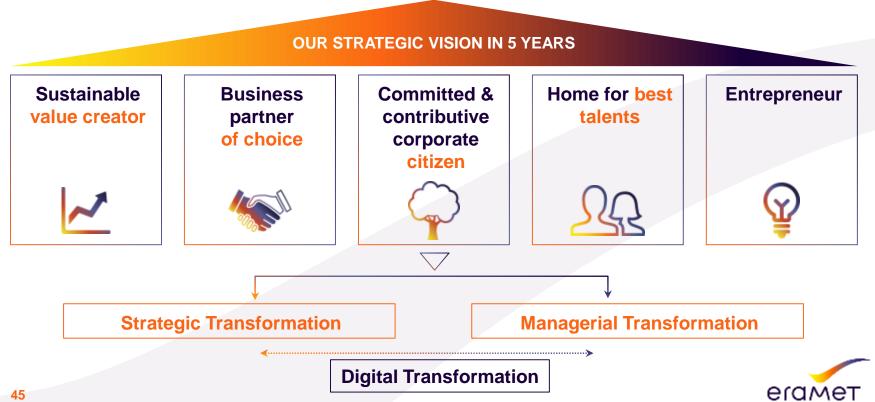


#### **Vision**



#### **Our ambition**

- Develop a selective portfolio of value-accretive mining and metallurgical activities
- Be among the best in each of our businesses, in terms of performance, profitability and innovation
- Be admired for our strategic model, our management system and our societal commitment



# Group strategic transformation: increasing cash generation & portfolio diversification

#### Increase cash-flow generation...

- thanks to higher profitability of existing assets
- by growing the most profitable businesses
- 2

- ...and diversify activities
- by strengthening our portfolio thanks to new recurring cash resources

3

### 1

### FIX / REPOSITION our least performing assets

- SLN rescue plan
- Sandouville recovery plan
- Industrial reorganisation of A&D and Erasteel

### GROWING

in our attractive businesses

- Increase in manganese ore production in Gabon
- Growth in mineral sands
- Ongoing Nickel Pig Iron (NPI) plant construction in Weda Bay in Indonesia
  - 3

**EXPAND** our portfolio in metals for the energy transition

- Development of Centenario lithium deposit in Argentina
- Nickel and cobalt salts
- Li-ion batteries' recycling





# Moanda: a world-class and highly competitive manganese mine located in Gabon



- A manganese mine in Gabon (Moanda), operated by Comilog for 50 years
  - > High-grade oxide commercial ore 46%
  - > 269 Mt resources, representing several decades
- Enhanced operation at Bangombé plateau with dry processing of part of the ore, and 24/7 working time
- First quartile of cash-cost curve
- Profitable profile and strong cash flow generation
- Strong track-record: capability to deliver targeted manganese production





# Brownfield project: development of the Okouma plateau in parallel with enhanced production at Bangombé

Development of
Okouma plateau:
dry processing,
followed by
beneficiation
process

Market share (Seaborne<sup>3</sup>) increased from 10% to 15% 7 Mt manganese ore production capacity in 2023:+ 50% vs 2018



FID1:

End of 2019 at the earliest
subject to financing & confirmation of satisfactory regulatory frame

Double ore railway transportation capacity by 2023

Cash-cost 20% decrease in 2023

<sup>&</sup>lt;sup>3</sup> Seaborne: international free ore market



<sup>&</sup>lt;sup>1</sup> Final Investment Decision

<sup>&</sup>lt;sup>2</sup> Direct headcount at Comilog

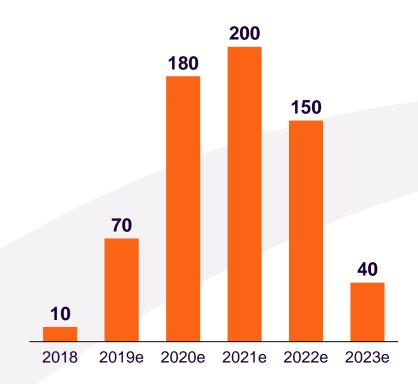
# Sharp increase in high grade manganese ore production capacity with improved capex profile



Manganese ore capacity (in Mt)



**CAPEX** estimated cash-out (in €m)





# Attractive return profile, sustainable and robust cash-flow generation



Project IRR<sup>1</sup>

> 35%

Best in class cash cost

20% decrease in Cash-cost in 2023

Payback < 5 years<sup>2</sup>

**CAPEX** 

**€640m**<sup>3</sup> over 5 years (o/w c. **€70m** for 2019 early works)



<sup>&</sup>lt;sup>1</sup> Internal Rate of Return



<sup>&</sup>lt;sup>2</sup> From 1<sup>st</sup> year of production (2020)

<sup>3 2019</sup> value

# Social and environmental performance: building our social licence to operate



- Strong contribution through local employment
  - Eramet 2<sup>nd</sup> private employer of Gabon
- Mine expansion project managed in compliance with IFC standards
  - High value biodiversity areas preserved
  - > Robust run-off water and dust management
  - Livelihood restauration for communities whose agricultural lands are affected



- > **€9m** annually, reinforced by €35m Comilog 2018 2020 plan
- > Emphasis on **youth**, with more than **12,000** young people beneficiaries
- In line with UN Sustainable Development Goals







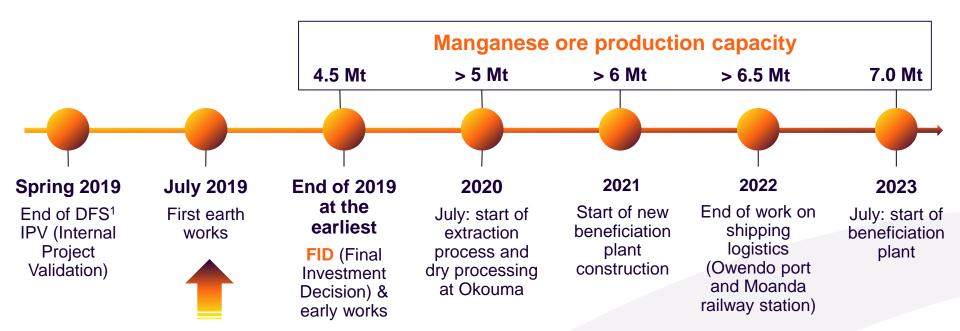






### Manganese expansion development schedule









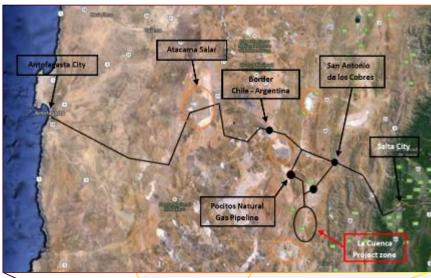


### Diversification in metals for energy transition through development of a lithium deposit in Argentina: DFS completed



- **Battery grade lithium** carbonate production (24 kt LCE<sup>1</sup>), greenfield project including all necessary infrastructure
- Vast long life brine deposit:
  - c.10 Mt LCE¹ drainable resources, located in Salta province, an attractive mining jurisdiction; Mine Life
  - > c. 50 years
- Mining contract signed in April 2014
- 100% ownership of the entire salar with perpetual mining rights
- Assembled team with strong technical and project development / execution experience in the lithium industry

#### **Eramet project area**







Lithium

triangle<sup>2</sup>

# Low cost direct proprietary extraction process, hence a competitive cash-cost position



Centenario salar: c. 400mg/l lithium with low impurity content, in line with Argentinean deposits

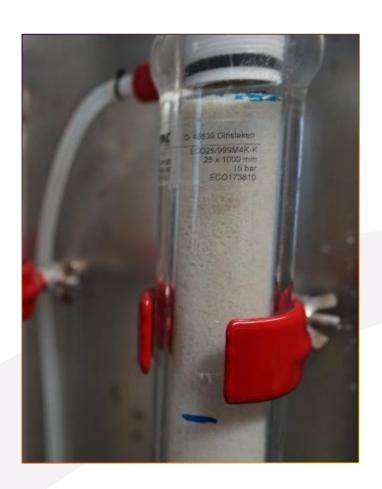




- Much better lithium recovery rate (c.90% vs c.50% on conventional process)
- Much quicker lead time (less than 1 week vs 18 months on conventional process)
- Reduced environmental footprint



1<sup>st</sup> quartile cash-cost





# Key differentiating factors: a 50-year mine life and a high lithium yield project



Production capacity:

24 kt LCE / year (Battery grade)

Production to start: end-2021

Post ramp-up
Cash Cost
\$3.5k/t
1st quartile

Lithium demand forecast +14% CAGR

FID<sup>1</sup>:

End of 2019 at the
earliest
subject to financing &
regulatory frame

Li Yield c. 90% thanks to direct extraction process

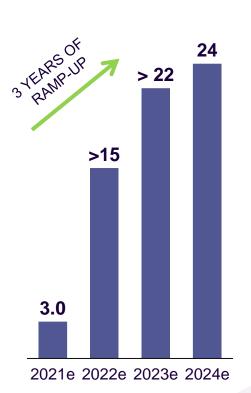
Easy access to export logistics and infrastructures



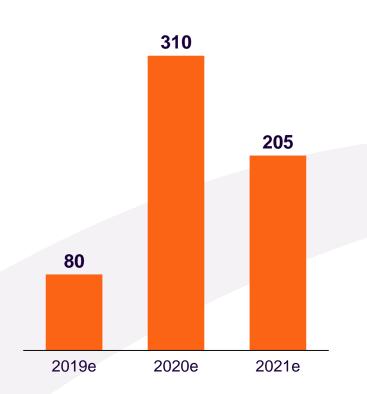
# A robust ramp-up, supported by an experienced project and operations team







**CAPEX** estimated cash-out (in \$m)



Scalability opportunities, supported by deposit's size



# A highly value-accretive project with potential for further profitable development



#### IRR<sup>1</sup>

17% to 25% depending on lithium prices assumption

Post ramp-up Cash Cost \$3.5k/t 1st quartile Payback<sup>2</sup>
3 to 5 years

#### **CAPEX**

c. €525m³ over 2019-2021 (o/w c. €70m for 2019 early works)



<sup>&</sup>lt;sup>1</sup> Internal Rate of Return



<sup>&</sup>lt;sup>2</sup> From 1<sup>st</sup> year of production (2022)

<sup>&</sup>lt;sup>3</sup> 2019 value based on €/USD exchange rate of 1.13 (2019 consensus)

# Social and environmental performance: building our social licence to operate



- Open and constructive relationships with local stakeholders
  - Overall positive feedback (2018 survey)
- Increasing local sourcing and employment
  - > Multi-stakeholder committee set up to maximize local content



- Innovative extraction process: much higher recovery yield / lower impact than conventional extraction processes on the total hydric balance of the salar
- Brackish water consumption lowered as much as possible: internal recycling up to more than 60%
- Contributing to local community development
  - > Improvement of villages infrastructures (water, waste management, roads)
  - Quinoa Project: re-introduction of Quinoa farming, processing and commercialization, with 60 direct beneficiaries (4<sup>th</sup> crop)
- In line with UN Sustainable Development Goals







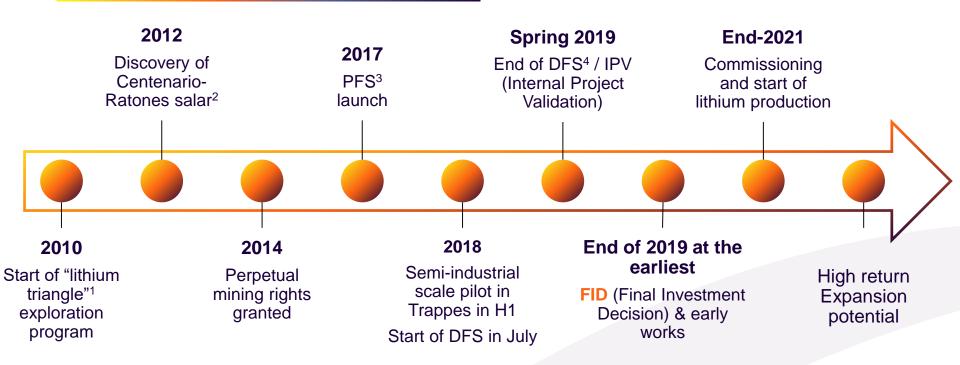






### FID end of 2019 at the earliest, subject to satisfactory financing conditions and regulatory frame







<sup>&</sup>lt;sup>1</sup> Bolivia, Chile and Argentina



<sup>&</sup>lt;sup>2</sup> Located in Salta, Argentina

<sup>&</sup>lt;sup>3</sup> Preliminary Feasibility Study

<sup>&</sup>lt;sup>4</sup> Detailed Feasibility Study

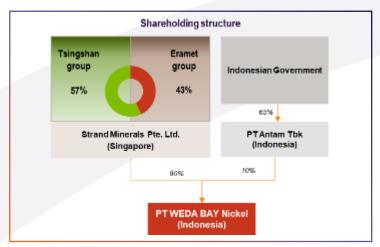






- On e of the largest nickel oxidized deposits in the world on Halmahera island, Indonesia
- 9 Mt nickel ressources
- In May 2018, implementation of a **partnership with Tsingshan**, No. 1 global stainless steel producer
- Shareholder structure: Eramet 43% / Tsingshan 57% of Strand Minerals Pte, holding company of PT Weda Bay Nickel
- Tsingshan responsible for plant construction and operations, with Eramet overseeing mining operations
- Plant construction ongoing, ahead of schedule











- Production target of 30 kt / year in nickel content, of which a 13 kt / a year off-take for Eramet
- First production expected in H2 2020 with a swift ramp-up to reach nominal capacity in 2021
- Highly competitive NPI production in Indonesia
- No CAPEX supported by Eramet for plant construction









### A committed & contributive corporate citizen: a must for Eramet

#### Align societal commitment with strategic vision

A 2018-2023 CS R roadmap to structure and set the pace for our action plans, which is **compliant with the United Nations' Sustainable Development Goals** (SDGs)

### Contribute to the communities in which sites are implemented

- First risk of the Mining and Metals sector: license to operate
- Beyond mining operation, contribute to the local development and preserve the environment



#### Improved CSR performance

- **#3** amongst 43 companies in Vigeo-Eiris mining and metals Europe panel; "**Advanced**" performance level
- 2018 Climat change CDP score: C (average score of the Mining & Metals industry)







### **Eramet CSR roadmap for 2018-2023**















### Committed to women and men – 2023 targets

- 1 Ensure the **Health** and **Safety** of employees and subcontractors
  - > Zero fatalities
  - > Halve accident frequency rate : TF2 < 4
- Develop skills and promote talent and career development
  - > 100% of employees participate in at least one training course per year
- 3 Strengthen employee engagement
  - > Group employee engagement rate > 75%
- 4 Integrate and foster the richness of **diversity** > 30% of managers are women
- Be a valued and contributive partner to our **host** communities
  - > 100% of sites have established a mechanism for dialogue with local stakeholders
  - > 100% of sites have implemented an investment programme to contribute to local development, with a focus on initiatives supporting young people



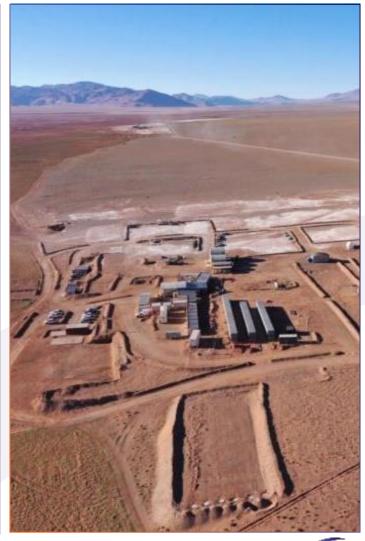


### A responsible economic player – 2023 targets



- Be an energy transition leader in the metals' industry

  > Committed diversification business portfolio in relation
  to the supply chain for electric mobility batteries
- Actively contribute to the development of the circular economy through innovative actions
  - > 2 Mt of low-grade incidental ores and tailings recovered over the 2019-2023 period
  - > 10 kt of waste recovered instead of being disposed of over the 2019-2023 period
- Be a benchmark company in terms of respect for **Human Rights** in our field of activity
  - > Mature level according to the UNGP Reporting Framework (Shift-Mazars)
- Be an ethical partner of choice
   100% of sales and purchasing teams trained on anticorruption every year
- Be the **responsible** go-to company in the mining and metallurgy sector
  - > 100% of the Group's suppliers and customers assessed\* comply with Eramet's CS REthics commitments



<sup>(</sup>i) Assessed refers to parties evaluated as critical and/or sensitive (in terms of importance to Eramet or CSR risk — depending on the business activity or country concerned), which must be compliant, verified on the basis of a CSR/Ethics evaluation. If they do not comply following the assessment, the Group encourages dialogue and support, but reserves the right to terminate the business relationship

### Committed to our planet – 2023 targets



- (11) Reduce our air dust emissions
  - > -80% in 2023 vs 2018
- Protect water resources and accelerate the restoration of our mining sites by fostering biodiversity
  - > Ratio of restored areas to cleared areas ≥ 1 over the 2019-2023\* period
- Reduce our **energy** and **climate** footprint

> with a reduction of its carbon intensity of 26% by end-2023 vs 2018\*\*



<sup>(\*\*)</sup> O/w 16.5% is due to the business mix effect related to the Group's strategic choice to develop its mining activity, which is lower in emissions than the Group's transformation activities



<sup>(\*)</sup> Excluding long term infrastructure.

### Conclusion and outlook



### improved intrinsic performance forecast in H2 2019



- H1 2019 strongly penalised by external factors
- Despite several operational records, H1 2019 intrinsic performance impacted by one-off items:
  - > A&D quality review
  - disruptions in the East Coast mining centres in New Caledonia
- Results expected to be delivered in H2 2019:
  - 2019 production targets confirmed
  - **SLN gradual cash-cost reduction**, thanks to decisive breakthroughs for 2 of the 3 levers of rescue plan
  - break-even in EBITDA target to be achieved at Sandouville after Q4 maintenance shutdown

Factoring in expected operational gains over the year, and with the assumption of market conditions of June 2019<sup>2</sup>, more unfavourable than at the beginning of the year, forecast EBITDA for H2 should be significantly above that of H1, nonetheless leading to full year EBITDA below those of 2018

- **Successful completion of IPV** for development projects in manganese and lithium:
  - highly value-accretive projects
  - search for financing actively underway
  - FID subject to financing and regulatory frame, end of 2019 at the earliest
- Eramet's strategic roadmap on its way: increased cash generation and portfolio diversification







### Key partnerships with host countries and territories

Eramet associates the main countries and **territories** where it operates:

#### **New-Caledonia**

- STCPI holds 34% of SLN's share capital.
- STCPI holds around 4% of Eramet's share capital

#### Gabon

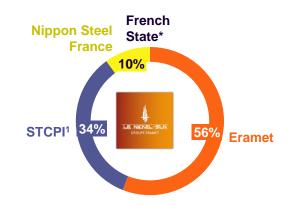
Around 29% of Comilog's share capital is owned by the Gabonese Republic

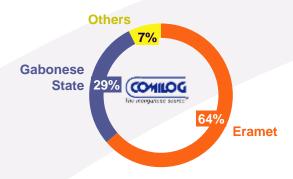
#### Senegal

10% of Grande Côte Opérations<sup>3</sup>'s share capital is owned by the Republic of Senegal

Long-term relationship reinforced by the significant contribution to the local economies:

- #2 private employer in Gabon and main private employer in New Caledonia
- Sensitive & responsible for social and environmental related matters





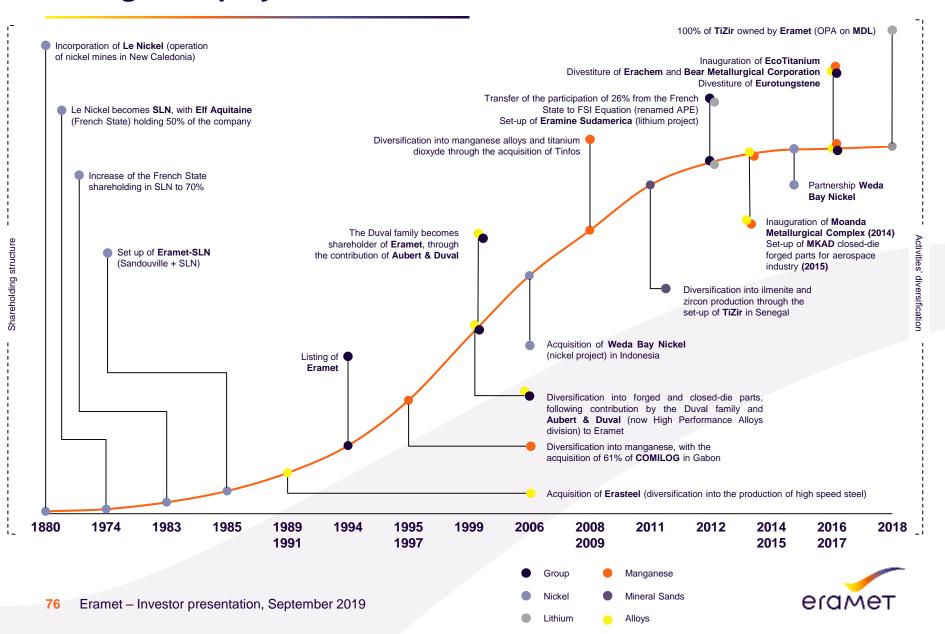


<sup>&</sup>lt;sup>2</sup> 1 share

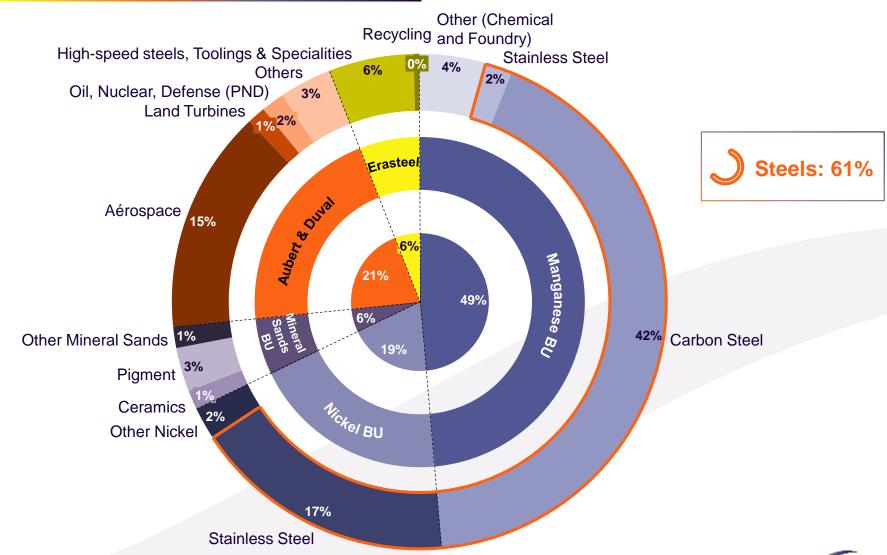


<sup>&</sup>lt;sup>3</sup>TiZir's operations in Senegal

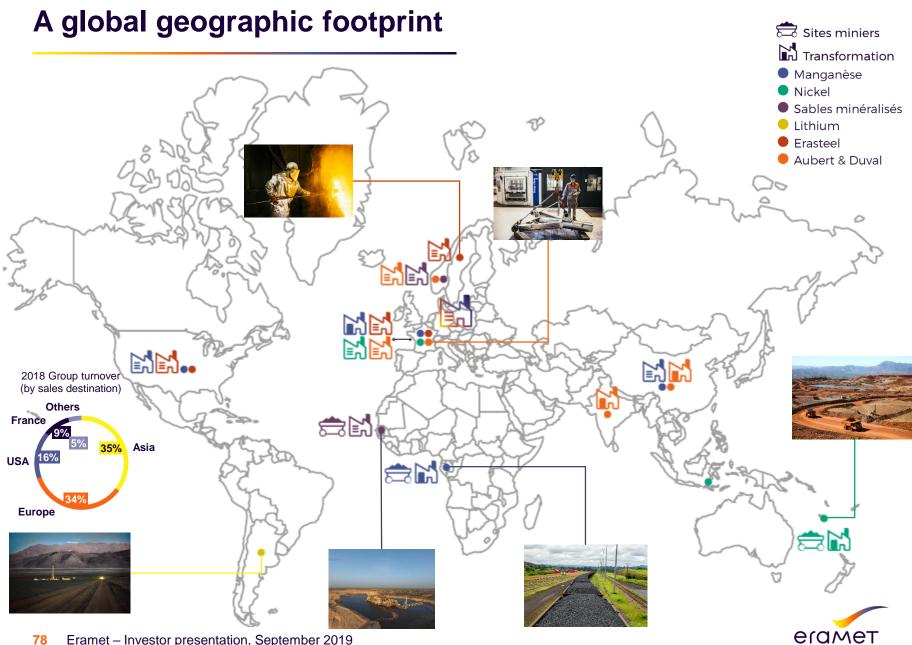
### A long term player

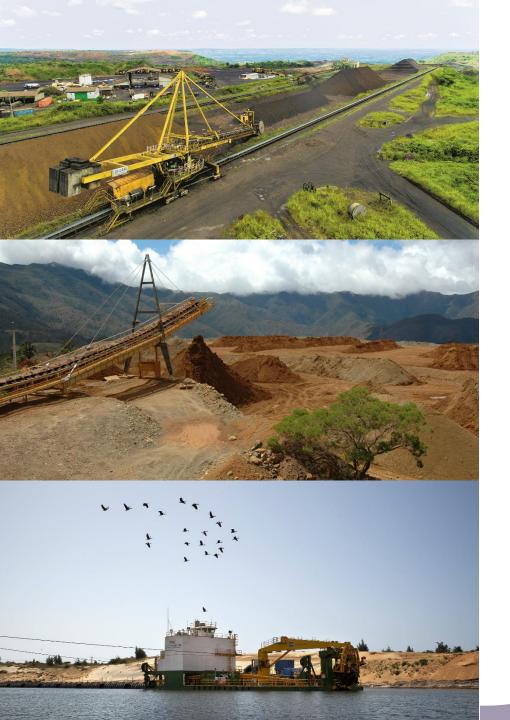


### **Steels represent more than 60% of Eramet sales**







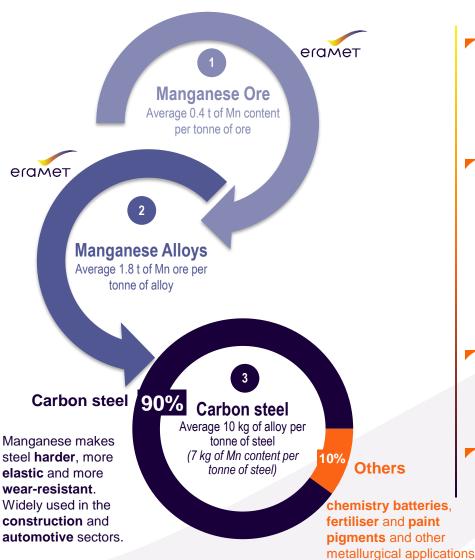


# **Mining and Metals Division Key Features**



# Manganese main growth drivers: carbon steel (90% of global production) and China





#### Manganese key features

- 3 types of manganese ore
- > "Low-grade local" ore: < 30% of manganese content
- "Medium-grade" ore: > 30% but < 43%</p>
- "Rich" / "High-grade" ore: > 43%
- Two manganese alloys families
  - Standard
  - High carbon ferromanganese (6 to 8% carbon)
  - Standard silicomanganese (< 1.5 to 2% carbon)</li>
  - Refined
  - Of which medium carbon ferromanganese (< 1.5 to 2% carbon)</li>
- No market trade: Spot prices
- CRU index: monthly
- Metal Bulletin index: weekly
- China: 52 % of global carbon steel production

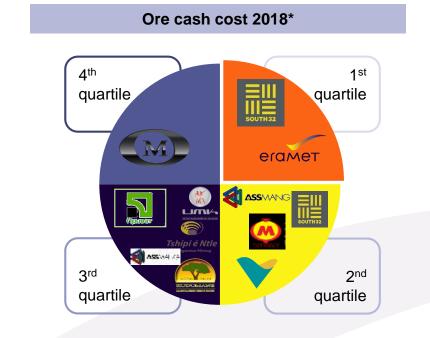


# Manganese BU: a first class competitiveness thanks to excellent mining operation



#### Manganese BU key features

- A highly competitive manganese mine in Gabon (Moanda), operated by Comilog
  - > High-grade oxyde ore 44%
- Two units of local transformation in Gabon, CIM and CMM, for high grade manganese production and manganese alloys
- 5 pyrometallurgical industrial plants in the USA and in Europe (1 in France, 3 in Norway)
- Ore transportation in Gabon operated by a 100% owned railway company (600 km of track)



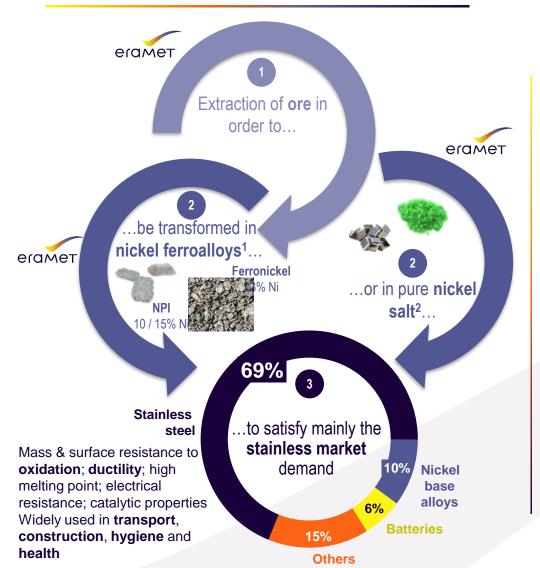






# Nickel main growth drivers: stainless steel and batteries





#### **Nickel key features**

- Two main types of nickel ore
- Sulfide-type ore (nickel combined with several other valuable metals) as in Canada, Russia to be transformed in Nickel concentrate
- Laterite-type ore as in New-Caledonia and Indonesia to be transformed into ferronickel, NPI ("Nickel Pig Iron") or nickel metal
- 1 tonne of serie 300 (inox) contents 80 kg of nickel
- Nickel is traded on the LME index (pure metal)
- China: 53 % of global stainless steel production



<sup>&</sup>lt;sup>1</sup> Ferronickel and NPI through pyrometallurgical process

<sup>&</sup>lt;sup>2</sup> Nickel Salt and nickel metal through hydrometallurgical process

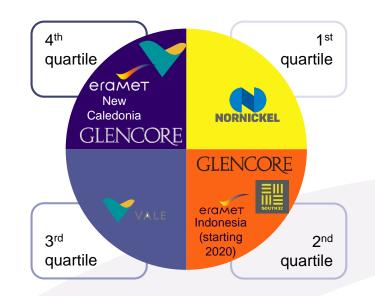
### Nickel BU: a key transformation underway



#### **Nickel BU key features**

- Implementation of new business model in New Caledonia:
  - 4 main operated mines and one pyrometallurgical plant
  - High-grade ferronickel (23% Ni) and nickel ore exported (1.7 to 1.9 % Ni)
- Ramp-up of the nickel refinery in Sandouville, France
- Production of nickel salts and high-purity nickel (Total capacity of 15,000 t)
- Construction of Weda Bay nickel project
- One of the world's largest undeveloped nickel deposits
- Project to be developed in partnership with Tsingshan, #1 global stainless steel producer
- > 13 kt off-take Eramet (start of production in H2 2020)

#### Nickel cash cost 2018\*









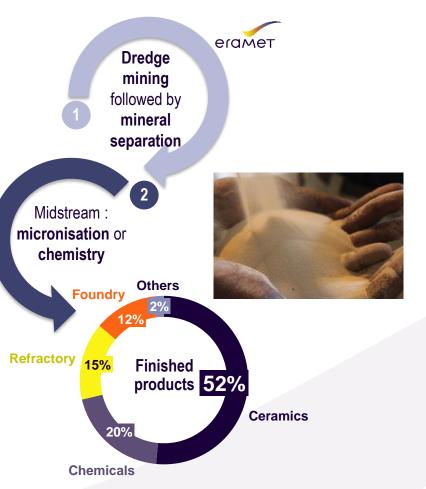
# Mineral Sands growth drivers: ceramics and pigments market



#### **Zircon key features**

#### **Titanium dioxide slag key features**

Long Term pricing agreement<sup>1</sup> (spot prices in China only)





# Mineral Sands BU: operations integrated from the mine in Senegal to the conversion plant in Norway



#### **Mineral Sands BU key features**

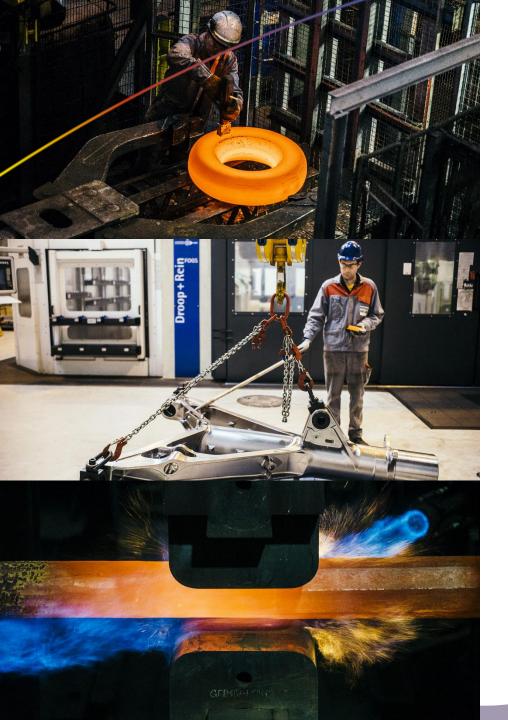
#### TiZir Senegal:

- Extraction of heavy mineral (mineral raw materials which contain heavy minerals concentrated).
- Production of ilmenite (titanium-iron oxide), leucoxene, rutile and zircon
- Ore rail transportation from the mine to the port of Dakar operated by TiZir
- **TiZir Norway:** Transformation of ilmenite (metallurgical valorization) into titanium slag and pig iron









High Performance Alloys Division Key Features



## A comprehensive industrial set up with unique tools





#### Located in:

- Europe (France, Sweden, Spain)
- Asia (India, China)
- US









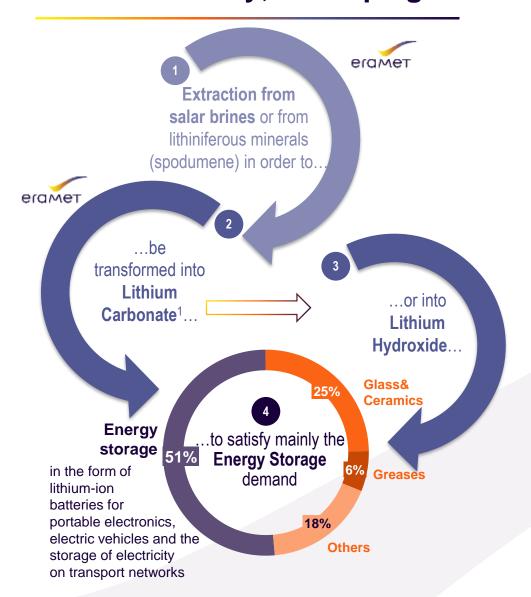


# **Lithium project**



# Lithium main growth drivers: energy storage, including Li-on EV battery; +14% pa growth



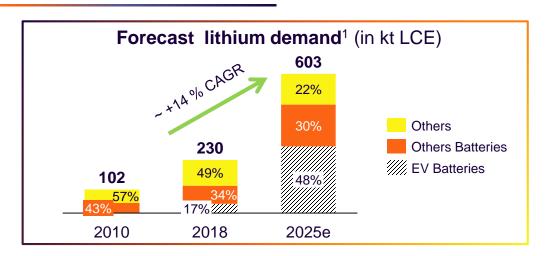


- Energy storage market: mainly driven by environmental regulations, EV sales and mobility development
- Lithium carbonate and lithium hydroxide enter the composition of the Li-ion batteries' cathodes
- Forecast Li-ion battery market in 2025: c. 75%<sup>1</sup> of total demand for lithium, vs 50% in 2018
- Lithium market's estimated annual growth rate: at a minimum of 14% over the 2018-2025e period





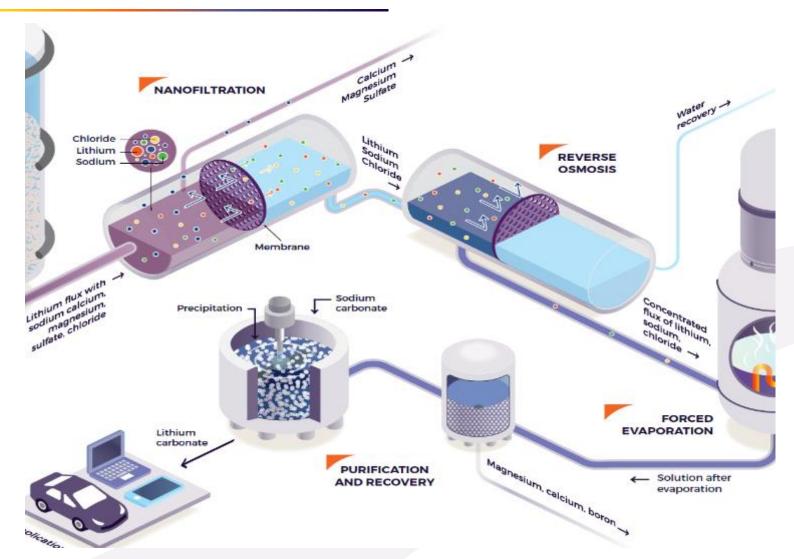
### A booming lithium market over the next years





# Li

## **Lithium Extraction process**







# **Manganese BU – Key figures**

| In €m  | H1 2019 | H1 2018 |
|--------|---------|---------|
| Sales  | 904     | 869     |
| EBITDA | 316     | 372     |
| COI    | 271     | 321     |
| Capex  | 78      | 40      |



# Nickel BU – Key figures

| In €m  | H1 2019 | H1 2018 |
|--------|---------|---------|
| Sales  | 346     | 365     |
| EBITDA | (25)    | 22      |
| COI    | (70)    | (22)    |
| Capex  | 10      | 32      |



## Mineral sands BU – Key figures

| In €m <sup>1</sup> | H1 2019<br>(100%) | H1 2018<br>(50%) |
|--------------------|-------------------|------------------|
| Sales              | 139               | 71               |
| EBITDA             | 52                | 18               |
| COI                | 30                | 10               |
| Capex              | 3                 | 3                |



## **High Performance Alloys Division - Key figures**

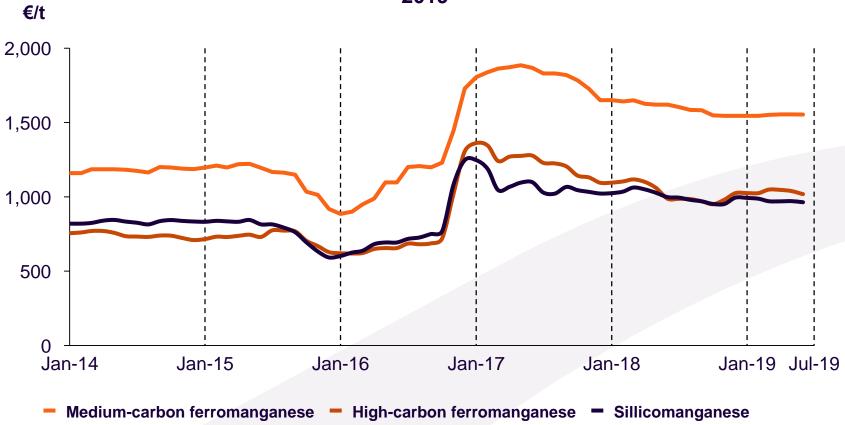
#### **A&D** and Erasteel

| In €m  | H1 2019 | H1 2018 |
|--------|---------|---------|
| Sales  | 423     | 520     |
| EBITDA | (5)     | 43      |
| COI    | (27)    | 10      |
| Capex  | 26      | 31      |



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

CRU price for manganese alloys in Europe between January 2014 and January 2019





## Reconciliation Group reporting and published accounts

| €m   | Half Year<br>2019<br>Published <sup>1</sup> | Joint-venture contribution | Half year<br>2019<br>Reporting | Half Year<br>2018<br>Published <sup>1</sup> | Joint-venture contribution | Half year<br>2018<br>Reporting² |
|--|---|----------------------------|--------------------------------|---|----------------------------|---------------------------------|
| Sales                                      | 1,809                                       | -                          | 1,809                          | 1,735                                       | 78                         | 1,813                           |
| EBITDA                                     | 307   | -                          | 307                            | 415   | 17                         | 432                             |
| Current operating income                   | 169   | -                          | 169                            | 285   | 8                          | 294                             |
| Operating income                           | 144   | -                          | 144                            | 223   | 69                         | 293                             |
| Net income for the period - Group share    | (37)  | -                          | (37)                           | 94  | -                          | 94                              |
| Net cash generated by operating activities | (7)   | (0)                        | (7)                            | 167   | 6                          | 173                             |
| Industrial investments                     | 131   | -                          | 131                            | 110   | 2                          | 112                             |
| (Net financial debt)                       | (1,022)                                     | 0                          | (1,022)                        | (501)                                       | 52                         | (449)                           |
| Shareholders' equity                       | 1,836                                       | 0                          | 1,836                          | 1,971                                       | 1                          | 1,972                           |
| Shareholders' equity - Group share         | 1,547                                       | (0)                        | 1,547                          | 1,697                                       | 2                          | 1,699                           |

<sup>&</sup>lt;sup>2</sup> Group reporting, in which joint ventures are accounted for using proportionate consolidation



<sup>&</sup>lt;sup>1</sup> Financial statements prepared under applicable IFRS, in which joint ventures are accounted for using equity method.

## **Group income statement**

| €m                                   |         | H1 2019 | H1 2018 |
|--------------------------------------|---------|---------|---------|
| Sales                                |         | 1,809   | 1,813   |
| EBITDA                               |         | 307     | 432     |
|                                      | % Sales | 17%     | 24%     |
| Current operating income             |         | 169     | 294     |
|                                      | % Sales | 9%      | 15%     |
| Other operating income and expense   | ,       | (25)    | (1)     |
| Operating income                     |         | 144     | 293     |
| Financial result                     |         | (54)    | (51)    |
| Pre-tax income                       |         | 90      | 242     |
| Share of income of equity affiliates |         | (4)     | (0)     |
| Income tax                           |         | (101)   | (103)   |
| Net income                           |         | (16)    | 139     |
| Minority interests                   |         | 21      | 45      |
| Net income – Group share             |         | (37)    | 94      |

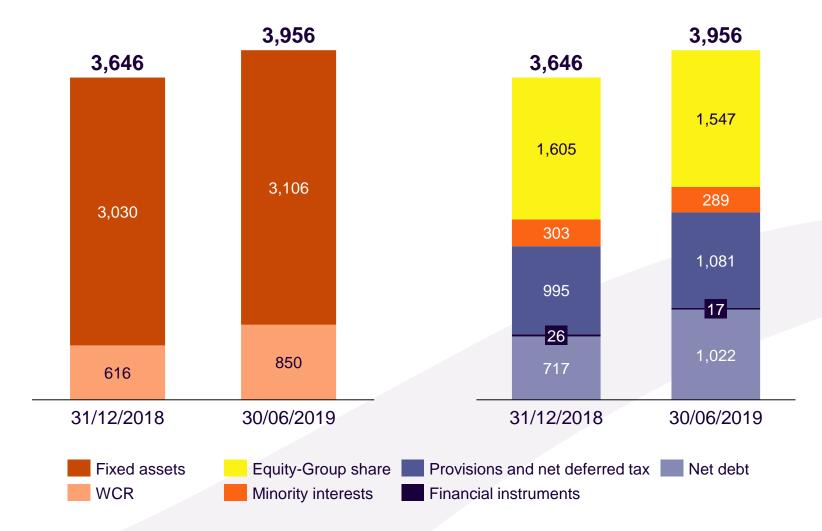


### **Cash-flow table**

| €m  | H1 2019 | H1 2018 | FY 2018 |
|---|---------|---------|---------|
| Operating activities  |         |         |         |
| EBITDA  | 307     | 432     | 843     |
| Cash impact on items under EBITDA                             | (142)   | (160)   | (345)   |
| Cash from operating activities                                | 165     | 272     | 498     |
| Change in WCR   | (172)   | (99)    | (49)    |
| Net cash generated by operating activities (1)                | (7)     | 173     | 449     |
| Investment activities   |         |         |         |
| CAPEX   | (131)   | (112)   | (281)   |
| Other investment flows  | (27)    | (19)    | (379)   |
| Net cash from investment activities (2)                       | (158)   | (131)   | (660)   |
| Free Cash Flow (1) + (2)*                                     | (165)   | 42      | (211)   |
| Cash from equity operations                                   | (45)    | (122)   | (123)   |
| Impact of changes in exchange rates and in accounting methods | (1)     | 7       | (7)     |
| (Increase) / Reduction in net debt                            | (211)   | (73)    | (341)   |
| (Net debt) at start of period                                 | (717)   | (376)   | (376)   |
| IFRS 16 impact (non cash) <sup>1</sup>                        | (94)    | -       | -       |
| (Adjusted net debt) at start of period                        | (811)   | -       | -       |
| (Net debt) at close of period                                 | (1,022) | (449)   | (717)   |



## **Group Balance Sheet at 30 June, 2019**



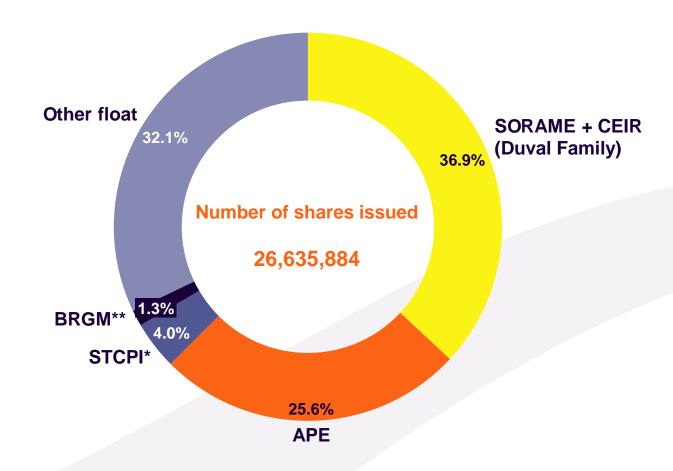


## **Bond maturities**

|                              | Currency | Initial amount | Balance at<br>30/06/2019<br>(in m) | Maturity<br>date | Interest rate |
|------------------------------|----------|----------------|------------------------------------|------------------|---------------|
| 2013 bond issuance           | €        | 525            | 460                                | November<br>2020 | 4.5%          |
| 2016 ODIRNAN bond issuance   | €        | 100            | 100                                | perpetual        | 4%            |
| July 2017 TiZir bond renewal | USD      | 300            | 300                                | July 2022        | 9.50%         |
| September 2017 bond issuance | €        | 500            | 500                                | February<br>2024 | 4.20%         |



## **Shareholding on 30 June 2019**



<sup>\*</sup> STCPI (Société Territoriale Calédonienne de Participation Industrielle): entity owned by the New Caledonian provinces



<sup>\*\*</sup> BRGM (Bureau de Recherches Géologiques et Minières): the French Geological Survey Office

### **CONTACTS**

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