Eramet: Operational breakthroughs, in an unfavourable price environment in first-half 2019

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PRESS RELEASE

Eramet: Operational breakthroughs, in an unfavourable price environment in first-half 2019

- Sales stable at â‚¬1,809m, in an unfavourable price environment and factoring in continued delivery delays in the High Performance Alloys division
- New production records for H1 in manganese ore and alloys, nickel ore, mineral sands concentrates and titanium slag
- EBITDA down at â‚¬307m in H1, adversely impacted by an unfavourable price effect of â‚¬144m in the Mining and Metals division
- Positive earnings before tax of â‚¬90m, negative net income – Group share at â‚¬37m, mainly due to tax expenses in Gabon and Norway
- Internal validation of highly value accretive projects in manganese and lithium. Final investment decisions end of 2019 at the earliest, subject to financing and satisfactorily regulatory frame
- An operational progress plan that is starting to show success and should deliver results in H2 2019:
    - 2019 production targets confirmed: 4.5 Mt in manganese ore, 1.5 Mt in nickel ore exports; 720 kt in mineral sand concentrates
    - SLN rescue plan: implementation of two of the three levers since mid-May, leading the way to the cash-cost reduction target of USD -1.30/lb in 2021, provided the plan is rolled out without disruptions
    - Progress continues at Sandouville: break-even in EBITDA target to be achieved after Q4 maintenance shutdown
- Factoring in expected operational gains over the year, and with the assumption of market conditions of June 2019[1], 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.

Christel Bories, *Eramet Chairman and CEO:*

" In a difficult context marked by a price decrease of our metals, disruptions in New Caledonia and by Aubert & Duval quality process review, Eramet is actively pursuing the roll-out of its strategic roadmap. Several key milestones were achieved in H1: decisive breakthroughs in the SLN rescue plan for SLN, significant progress at Sandouville, new production records, and team reorganisation. The actions initiated should show results in H2.

Our strategic developments will contribute significantly to the momentum to reposition the Group: nickel production in Weda Bay, Indonesia, should start in H2 2020, ahead of schedule, and our highly value accretive projects to expand manganese production in Gabon and develop lithium in Argentina have taken a key step forward with their internal validation and active search for financing".

Eramet Board of Directors met on 24 July 2019, under the chairmanship of Christel Bories, and examined the accounts for H1 2019.

- Safety

At end-June 2019, the accident frequency rate (TF2[2]) was 6.5, down 22% from 2018. The Group is accelerating the roll-out of its priority safety action plan, with a particular focus on risk prevention as well as on reducing the accidents’ severity.

- Key figures for Eramet group

(Millions of euros)[1]	H1 2019	H1 2018[2]	Change (â‚¬m)	Change[3] (%)
Sales	1,809	1,813	(4)	-0%
EBITDA	307	432	(125)	-29%
Current operating income (COI)	169	294	(125)	-43%
Net income – Group share	(37)	94	(131)	n.a.
Free Cash-Flow	(165)	41	(206)	n.a.
Net debt (net cash), excl. IFRS 16 impact	930	449	481	+107%
Gearing[4], excl. IFRS 16 impact	51%	23%	-28 pts	n.a.
ROCE (COI / capital employed[5] for previous year)	16%	22%	-6 pts	n.a.

[1] Data rounded up to the nearest million. H1 2019 figures after initial application of IFRS 16 on 1st January, 2019, except for net debt and gearing. The comparative table is presented in appendix 5.
[2] Until 2018, data adjusted from Group reporting in which joint ventures are accounted for using proportionate consolidation. A reconciliation with the published sales is presented in appendix 1.
[3] Data rounded up to higher or lower %.
[4] Net debt-to-equity ratio.
[5] Total shareholders' equity, net debt, provisions for site rehabilitation, restructuring and other social risks, less financial fixed assets, excluding Weda Bay Nickel capital employed. At 30 June, ROCE is calculated on a 12-month rolling basis.

N.B.: all the commented changes in H1 2019 are calculated with respect to H1 2018, unless otherwise specified.

In H1 2019, the Group's sales remained stable at â‚¬1 809 m. At constant [3,[4]] scope and exchange rates[4], sales declined by 8%, mainly owing to the decline in manganese ore spot prices and nickel prices, in addition to delays in deliveries at Aubert & Duval, due to bringing quality processes into conformity.

The Group's current operating income ended at â‚¬169m. It was adversely impacted by an unfavourable price environment (nickel and manganese) that weighed on the performance of the Mining and Metals division up to â‚¬144m, by the impact of the strikes at SLN as well as the losses incurred by the High Performance Alloys division by bringing the quality management system into conformity.

Income before tax amounted to â‚¬90m and net income - Group share reported a loss of -â‚¬37m, impacted by a â‚¬101m tax charge, stable on last year.

Free cash flow ended at -â‚¬165m. Factoring in the sharp increase in inventories of finished products and work in progress at Comilog and Aubert & Duval, the change in working capital requirements weighed on cash generation, amplified by the seasonality for H1.

CAPEX-related disbursements, focused on modernising industrial tools and the preparation of strategic projects, amounted to â‚¬157m.

Finally, dividends paid to Eramet shareholders and Comilog minority shareholders in respect of the 2018 financial year amounted to â‚¬18m and â‚¬22m respectively.

Net debt stood at â‚¬930m, excluding the IFRS 16 impact. Eramet has applied IFRS 16 since 1st January 2019 with a simplified retrospective application. The accounting changes related to the adoption of IFRS 16 are recognised as an adjustment to reserves in the opening balance sheet at 1st January 2019, without restatement for comparable periods. As of H1 2019, the results are presented in accordance with IFRS 16, with the main impact at 30 June 2019 being an increase in net debt of â‚¬92m, with no cash impact, resulting in a total net debt of â‚¬1,022m. The impact on COI is not significant.

At 30 June 2019, the Group's liquidity remained high at â‚¬2.2bn.

The Group's financial ratios remain in line with the targets set: gearing of 51% (56% including IFRS 16 impact) and available cash of â‚¬1.1bn on the balance sheet.

- Key figures by activity

(Millions of euros)[1]		H1 2019	H1 2018[2]	Change (â‚¬m)	Change[3] (%)
MINING AND METALS DIVISION					
Manganese BU	Sales	904	869	35	4%
	Current operating income (COI)	271	321	(50)	-16%
Nickel BU	Sales	346	365	(19)	-5%
	Current operating income (COI)	(70)	(22)	(48)	n.a.
Mineral Sands BU[4]	Sales	139	58	81	+140%
	Current operating income (COI)	30	10	20	+200%
HIGH PERFORMANCE ALLOYS DIVISION					
A&D and Erasteel	Sales	423	520	(97)	-19%
	Current operating income (COI)	(27)	10	(37)	n.a.

[1] Data rounded up to the nearest million. H1 2019 figures after initial application of IFRS 16 on 1st January 2019. The comparative table is presented in appendix 5.
[2] Until 2018, data adjusted from Group reporting in which joint ventures are accounted for using proportionate consolidation. A reconciliation with the published sales is presented in appendix 1.
[3] Data rounded up to higher or lower %.
[4] Mineral Sands activity fully consolidated in the Group’s accounts as of 1st July 2018, versus 50% previously.

- Mining and Metals Division

Manganese BU: production records in Gabon

Manganese BU sales, which represent approximately 50% of consolidated sales, grew 4% to â‚¬904m in H1 2019, thanks to record production and despite a context of falling ore and alloys prices. Current operating income ended to â‚¬271m, down 16%, penalised by the fall in ore prices (-â‚¬45m) and the increasing squeeze effect which weighed on manganese alloy margins by approximately â‚¬40m versus last year.

Global production for carbon steel, the main end-product for manganese, reached a record level of 932 Mt in

H1 2019, up 5.2%[5] on H1 2018 (+1.9%[5] versus H2). This growth was driven in the main by demand in China (+9,9%[5]), accounting for approximately 53% of global production. Production remained stable (+0.3%[5]) in the rest of the world, largely boosted by demand in North America (+4.2%[5]), but also in India (+2.6%[5]) whereas the European Union saw a decline in its production (-2.6%[5]).

In order to meet the growth in ore consumption, all world producers continued to operate at full capacity and the supply/demand balance is slightly in surplus. As a result, ore stocks in Chinese ports amounted to 3.9 Mt at end-June, up 0.8 Mt versus end-2018.

Average manganese ore CIF China 44% prices remained at a high level at USD 6.40/dmtu[6] during H1 2019, but down 13%[6] on H1 2018 (USD 7.35/dmtu[6]) and 8%[6] versus H2 2018 (USD 6.98/dmtu[6]). Adjusted for the favourable currency effect (appreciation of the dollar against the euro), the decrease in price in euros was -7% on a comparable half-year basis.

In Gabon, Comilog's manganese ore production reached a record level of 2.1 Mt (+6%) for H1, confirming its production record target of 4.5 Mt for 2019. This performance results from continuous operational improvements, particularly the new dry ore processing process.

Despite logistical difficulties, and especially the derailment of an ore-carrying train in June, the volumes of manganese ore produced and transported increased by 9% to 2.0 Mt. External sales volumes grew also 9% to 1.6 Mt.

The fall in manganese alloy prices in Europe in H1 2019 contributed to strengthening the squeeze effect weighing on margins. The price of refined ferromanganese medium carbon alloys continued to erode (-5% to â‚¬1,551/t[6]). The effect is identical for standard silico-manganese alloys (-6% at â‚¬976/t[6]).

Manganese alloy production reached a record[7] high at 376 kt (+5%); sales volumes increased by 8% (367 kt) in parallel.

Nickel BU: decisive breakthroughs in SLN's rescue plan

Sales ended at â‚¬346m in H1 2019, down 5%, and the BU's current operating income ended at -â‚¬70m. SLN[8] recorded a loss of â‚¬57m, compared with a profit of +â‚¬4m in H1 2018, largely impacted by both the decline in nickel prices but also the disruption of mining centres on the East Coast. At the same time, the Sandouville plant has seen the actions carried out since early January reflected in terms of performance with a loss reduced by half to -â‚¬13m.

Global stainless steel production remained stable (+0.2%[9]) in H1 2019. Production in China increased from 3.3%[9] to 13.3 Mt and slowed in the rest of the world (-3.1%[9]) to 11.8 Mt. Indonesia presented a unique situation with stainless steel production up 9%[9], due to the start of locally integrated production upstream from NPI ("Nickel Pig Iron" [10]).

Demand for primary nickel was up 2.9%[8] over the period, boosted by the development of the electric vehicle battery sector, which grew by 25%[9] in H1 2019 (to 84 kt[9] of primary nickel).

Global primary nickel production was also up 10.8%[9] to 1,140 kt in H1 2019, propelled by continued growth in NPI (+28.6%[9]) particularly in Indonesia (41.8%[9]).

Considering a nickel supply/demand balance with a high deficit in 2018, this production increase was not enough to satisfy the change in demand, with still a deficit of more than of 40 kt[9] nickel in H1 2019. Nickel stocks at the LME[11] and SHFE[11] continued to fall, amounting to 182 kt at end-June 2019 (-40 kt versus end-December 2018, i.e. -18%), equivalent to 9 weeks of consumption (including nickel producers’ stocks), lowest level since 2012.

In H1 2019, the average LME price was USD 5.59/lb (USD 12,325/t). This level is stable on H2 2018, but shows a decrease of 11% versus the average of USD 6.30/lb (USD 13,877/t) in H1 2018. Restated for the favourable currency effect, the decrease in price in euros was -5% on a comparable half-year basis.

In New Caledonia, the new organisation for working schedule times made it possible to produce more with 3 mining centers operating in H1 2019 vs 4 during H1 2018, and beating a production record[12] of nickel ore (1.9 Mth[13], +7%) for a first semester.

In April, SLN took an important step forward in implementing its rescue plan. SLN was granted a 10-year authorisation by the local government to export 4 Mth a year of low-grade nickel ore. The ramp-up of exported ore volumes increased by 7% to 489 kth in H1; the 2019 target of 1.5 Mth is confirmed, with H2 benefitting from favourable seasonality. The new mine schedule working times applied since mid-May on all mining centers, as well as the comprehensively revised approach to relations with local communities, also confirm the target of reaching the 4 Mth export rate of ore as of H2 2020. At the same time, discussions to reduce energy prices are ongoing with local authorities.

Due to the blockade of mining centres on the East coast (Kouaoua in 2018 and Thio during H1 2019), the ore supply to the plant has been strongly disrupted (in particular with too low grade ores) and the load of the ore smelting furnaces has been reduced. Ferronickel production at the Doniambo plant was therefore down 12% to 24 kt. Taking into account inventories effects, the situation should not be back to normal before September. Furthermore, at end-April, SLN concluded a review of working times at the plant with the unions, the effects of which for productivity are expected in the coming quarters.

SLN's cash cost, impacted by the magnitude of the disruptions related to the implementation of new organisations at the mine and plant, averaged USD 6.05/lb in H1 2019. It reached USD 5.82/lb in June 2019. The intrinsic reduction target of USD 1.30/lb[14] in 2021 is confirmed on a full-year basis, provided the plan is rolled out without disruptions.

In Sandouville, Normandy, the involvement of the expert task force since early January 2019 has enabled significant progress to be made in the plant’s operations. The volumes of high-purity nickel produced more than tripled to 4.2 kt. The loss was halved on H1 2018 with a current operating income at -â‚¬13m and cash consumption fell significantly, with Free Cash Flow of -â‚¬5m (vs. -â‚¬26m). The teams are fully committed to consolidating this progress and reaching break-even in EBITDA after Q4 maintenance shutdown.

In Indonesia, the construction of the NPI production plant in order to bring value to the nickel ore from the Weda Bay deposit is currently ahead of the initial schedule. NPI Production is expected to begin in H2 2020.

Mineral Sands BU: a solid contribution

At comparable scope (full basis), Mineral Sands BU sales grew 20% to â‚¬139m in H1 2019, while current operating income rose by 50% to â‚¬30m, driven by a highly favourable price environment and good operating performance.

The end-markets for mineral[15] sands remained generally strong in H1. However, the zircon market for ceramics has slowed, particularly in China, which should reflect slight overcapacity in zircon supply/demand balance in 2019. Nevertheless, the medium/long-term outlook remains promising. The average price of Zircon was USD 1,585/t[16] in H1 2019, up 15% (+2% on H2 2018).

In line with H2 2018, high value-added titanium[17] products continue to benefit from strong demand, such as CP-grade[18] titanium slurry produced by Eramet in Norway. The average price of CP grade titanium slag increased by 12% to USD 761/t[19] over the same period (+10% on H2 2018). Given the favourable currency effect, price increases in euros were up 23% and 21% respectively on a comparable half-year basis.

Production of heavy mineral concentrates[20] in Senegal reached a record high of 378 kt (+1%) for a first semester. Indeed, operational performance has made it possible to offset the decline in the grade of the area of the deposit currently being mined compared with previous years, which had benefited from exceptional geological conditions. In this context, the annual production target for heavy mineral concentrates is set at 720 kt for 2019, reflecting nominal operations in the area of the deposit now being mined.

Commercial shipments of zircon decreased to 29 kt (-16%), reflecting developments in the market.

In Norway, titanium slag production beat a record for a first semester at 101 kt (+19 %), reflecting the good performance of the facilities. Sales’ volumes increased by 20% to 97 kt.

- High Performance Alloys division: sales adversely impacted by bringing into conformity the quality processes

The High Performance Alloys division's sales declined by 19% to â‚¬423m, and current operating income showed a loss of â‚¬27m (vs. profit of â‚¬10m in the H1 2018).

At Aubert & Duval[21], sales stood at â‚¬307m, down 24%, and a loss of â‚¬23m was recorded in current operating income (vs. +â‚¬6m in 2018). In the aerospace sector, which accounts for more than 70% of Aubert & Duval's sales, the market environment remains stable. The last Le Bourget Paris Air Show provided the opportunity to sign several large contracts with leading prime contractors reflecting medium-term growth outlook, both in the field of jet-engines and aerospace structures for new-generation single-aisle aircraft.

As announced, the company's performance is adversely impacted by delivery delays due to bringing the quality management system into conformity, which requires verification procedures and the implementation of a corrective action plan. All teams are fully involved towards improving customer service and the target is to go back to normal invoicing level in Q4 2019.

Erasteel's sales grew 3% to â‚¬116m, despite the particular market circumstances in the United States, where the increase in customs duties adversely impacted our premium high-speed steel exports. The end of the 1st semester saw a marked slowdown in the global market, particularly in the automotive sector in Europe and China. Current operating income was a loss of â‚¬5m (vs. +â‚¬4m in 2018), significantly impacted by the decline in raw material prices in recent months, particularly for cobalt and vanadium.

- Strategic growth projects

The manganese production expansion project in Moanda, Gabon, and the lithium recovery project in Argentina have each successfully completed the internal project validation milestone ("Initial Project Validation", "IPV") on schedule. This validation follows secured operating permits issued by the local authorities of both countries in recent months and major technical, economic, environmental and societal studies that have demonstrated the feasibility and high value creation potential of these projects. The search for financing is now actively underway. Final investment decisions could be made once the financing has been obtained, end of 2019 at the earliest, and subject to a satisfactorily regulatory frame.

These projects meet Eramet's twofold strategic ambition: to increase cash generation and diversify the portfolio of activities.

In Gabon, the target is to increase overall manganese ore production capacity from 4.3 Mt/year in 2018 to 7 Mt in 2023, with significant milestones of over 5 Mt as soon as 2020 and of over 6 Mt in 2021. Thanks to a gradual phasing of the planned â‚¬640m of investments, this brownfield expansion project is highly value-accretive, with an internal rate of return of more than 35 %, supported by a decrease in cash-cost of approximately 20%. Eramet's market share is expected to increase to 15%[22] versus 10% currently. The preparatory works for 2019 represent an investment of approximately â‚¬70m.

In Argentina, where industrial lithium production could start at end-2021, the target is to produce 24 kt of LCE [23] a year at an estimated production cost among the best in industry, at approximately USD 3,500/t LCE, including taxes and royalties. The competitiveness of this greenfield project is key to its profitability with an internal rate of return in the range 17%-25 %[24]. Potential latter development stages of this deposit could be significantly more profitable. Investment is expected to amount to approximately â‚¬525m[25] over 3 years, including an amount of c. â‚¬70m for preparatory works in 2019. By 2022, production would exceed 15 kt, at a time when few new productions are being announced to support the strong growth momentum of portable electronics and electric vehicles.

- Outlook

Over the year, record manganese ore production and nickel ore exports, as well as related productivity gains, should significantly improve the Group's intrinsic performance. Factoring in expected productivity gains over the year, and with the assumption of market conditions of June 2019 , 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.

Webcast and presentation of 2019 half-year results

A live webcast of the presentation of the 2019 half-year results will take place on Thursday 25 July 2019, at 10:30 am (Paris time), on the website www.Eramet.com The presentation documents will be available during the broadcast.

To join the webcast, click on the link on the Group's website (www.Eramet.com) or directly on the following link: https://edge.media-server.com/mmc/p/o83559q3/lan/en

Calendar

25.07.2019: Webcast and presentation of 2019 half-year results

23.10.2019: Publication of 2019 third-quarter sales

20.02.2020: Publication of 2019 annual results

ABOUT ERAMET

Eramet, a global mining and metallurgical group, is a key player in the extraction and valorisation of metals (manganese, nickel, mineral sands) and the elaboration and transformation of alloys with a high added value (high-speed steels, high-performance steels, superalloys, aluminium and titanium alloys).

The Group supports the energy transition by developing activities with high growth potential. These include lithium extraction and refining, and recycling.

Eramet positions itself as the privileged partner of its customers in sectors that include carbon and stainless steel, aerospace, pigments, energy, and new battery generations.

Building on its operating excellence, the quality of its investments and the expertise of its employees, the Group leverages an industrial, managerial and societal model that is virtuous and value-accretive. As a contributive corporate citizen, Eramet strives for a sustainable and responsible industry.

Eramet employs around 13,000 people in 20 countries with sales of approximately â‚¬4 billion in 2018.

For further information, go to www.Eramet.com

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APPENDICES

- Appendix 1: Sales

Sales (â‚¬m)[1]	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
MINING AND METALS DIVISION						
Manganese BU[2]	470	434	531	456	465	405
Nickel BU	182	164	194	179	188	177
Mineral Sands BU[3]	80	59	77	77	33	25
HIGH PERFORMANCE ALLOYS DIVISION						
A&D and Erasteel	206	217	261	239	257	263
GROUP						
Holding company & eliminations	(2)	(1)	(2)	-	-	-
Eramet group Inc. joint ventures	936	873	1,061	951	943	870
Share in joint ventures	0	0	(10)	(12)	(45)	(33)
Eramet group published IFRS financial statements[4]	936	873	1,051	939	898	837

[1]Data rounded up to the nearest million.
[2]Data restated, excluding Mineral Sands BU.
[3] Full consolidation of Mineral Sands in the Group’s accounts as of 1st July 2018.
[4]Application of IFRS standard 11 "Joint Arrangements" in 2018.

- Appendix 2: Productions and shipments

In thousands of tonnes	H1 2019	H2 2018	H1 2018
MANGANESE BU			
Manganese ore and sinter production	2,117	2,335	1,995

Manganese ore and sinter transportation[1]	2,019	2,105	1,849
Manganese ore external sales	1,637	1,861	1,507
Manganese alloys’ production	376	363	357
Manganese alloys’ sales	367	362	341
NICKEL BU			
Nickel ore production *(in thousands of humid tonnes)*	1,861	2,303	1,742
Nickel production[2]	28	29	28
Nickel sales[3]	28	30	29
Nickel ore sales *(in thousands of humid tonnes)*	489	778	456
MINERAL SANDS BU			
Heavy mineral concentrate production (100%)	378	400	374
Zircon sales (100%)	29	31	34
Titanium dioxide sales (100%)	97	120	81

[1] Product and transported
[2] Ferronickel and high-purity nickel
[3] Finished products

- Appendix 3: Performance indicators

Operating performance by division

(â,¬ million)	MINES AND METALS Manganese	Nickel	Mineral Sands*	Lithium **	ALLOYS HIGH PERFORM
H1 2019					
Revenue	904	346	139	-	423
Ebitda	316	(25)	52	-	(5)
Current operating income	271	(70)	30	-	(27)
Net cash flow from operating activities	129	(59)	25	(4)	(48)
Capital expenditure (intangible assets and property, plant & equipment)	78	10	3	9	26
H1 2018					
Revenue	869	365	58		520
Ebitda	373	22	17		43
Current operating income	321	(22)	10		10
Net cash flow from operating activities	193	5	5		8
Capital expenditure (intangible assets and property, plant & equipment)	40	32	3		31
Financial year 2018					
Revenue	1 857	738	212		1 020
Ebitda	784	(18)	62		46
Current operating income	699	(111)	35		(8)
Net cash flow from operating activities	499	(21)	41		(1)
Capital expenditure (intangible assets and property, plant & equipment)	140	57	12		63

* BU integrated in the Manganese BU over the 2017 financial year
** Activity at a project stage: BU integrated in the Holdings activities until December 31, 2018

Sales and investments by region

(â‚¬ million)	France	Europe	North America	Asia	Oceania	Africa	South America
Sales (destination of sales)							
1st half year 2019	315	516	308	589	22	37	22
1st half year 2018	186	655	285	606	11	45	25
FY 2018	362	1 315	629	1 346	30	87	56
Industrial investments (intangible assets, property, plant & equipment)							
1st half year 2019	32	11	1	-	8	70	9
1st half year 2018	41	15	1	-	28	27	-
FY 2018	78	38	5	-	49	110	1

Consolidated performance indicators – Income statement

(â‚¬ million)	1st half year 2019	1st half year 2018	FY 2018
Sales	1 809	1 813	3 825
EBITDA	307	432	843
Amortisation and depreciation of non-current assets	(136)	(134)	(260)
Provisions for liabilities and charges	(2)	(3)	(2)
Current operating income	169	294	581
Impairment of assets		(133)	(104)
Other operating income and expenses	(25)	131	(12)
Operating income	144	293	465
Financial income	(54)	(51)	(95)
Share of income from associates	(4)	(0)	(3)
Income tax	(101)	(103)	(241)
Net income for the period	(16)	139	126
- attributable to the minority interests	21	45	73
- attributable to the Group	(37)	94	53
Basic earnings per share (â‚¬)	(1,38)	3,53	2,00

Consolidated performance indicators – Net financial debt flow table

(â‚¬ million)	1st half year 2019	1st half year 2018	FY 2018
Operating activities			
EBITDA	307	432	843
Cash impact of items below EBITDA	(142)	(160)	(345)
Cash generated from operations	165	272	498
Working Capital variation	(172)	(99)	(49)
Net cash generated by operating activities (1)	(7)	173	449
Investing activities			
Industrial investments	(131)	(112)	(281)
Other investing flows	(27)	(19)	(379)
Net cash used in investing activities (2)	(158)	(131)	(660)
Net cash used in financing activities	(45)	(122)	(123)
Effect of exchange rate changes	(1)	7	(7)

(Increase) / decrease in net financial debt	(211)	(73)	(341)
Net financial debt as of December 31st 2018	(717)	(376)	(376)
IFRS 16 impact	(94)		
Opening (net financial debt)	(811)		
Closing (net financial debt)	(1 022)	(449)	(717)
Free Cash Flow (1) + (2)	(165)	42	(211)

* Restated for the first-time application of IFRS 16 as of January 1, 2019

Consolidated performance indicators – Balance sheet

(â,¬ million)	30/06/2019	31/12/2018
Non-current assets	3 106	3 030
Inventories	1 130	958
Trade receivables	382	390
Trade payables	(422)	(413)
Simplified Working Capital	1 090	935
Other Working Capital items	(240)	(319)
Total Working Capital	850	616
Derivatives	-	-
TOTAL	3 956	3 646

(â,¬ million)	30/06/2019	31/12/2018
Shareholders' equity - Group share	1 547	1 605
Shareholders' equity - Minority interests	289	303
Shareholders' equity	1 836	1 908
Cash and cash equivalents and current financial assets	(1 143)	(1 366)
Borrowings	2 165	2 083
Net financial debt	1 022	717
Ratio of net financial debt to shareholders’ equity (gearing)	*56%*	*38%*
Provisions and employee-related liabilities	841	794
Net deferred tax	240	201
Derivatives	17	26
TOTAL	3 956	3 646

- Appendix 4: Reconciliation Group Reporting and published financial statements

(â,¬ million)	1st half year 2019 Published (1)	Joint-venture contribution	1st half year 2019 Reporting (2)	1er semestre 2018 Published (1)	Joint-ventu contributio
Sales	1 809	-	1 809	1 735	78
EBITDA	307	-	307	415	17
Current operating income	169	-	169	285	8
Operating income	144	-	144	223	69
Net income for the period - Group share	(37)	-	(37)	94	(0)
Net cash generated by operating activities	(7)	(0)	(7)	167	6
Industrial investments	131	-	131	110	2
(Net financial debt)	(1 022)	0	(1 022)	(305)	(144)
Shareholders' equity	1 836	0	1 836	1 971	1
Shareholders' equity - Group share	1 547	(0)	1 547	1 697	2

(1) Financial statements prepared under applicable standards, with joint ventures consolidated using the equity metho

(2) Group reporting, with joint ventures recognized for using the proportionate consolidation.

- Appendix 5: IFRS 16

OPENING BALANCE SHEET

(â,¬ million)	Information 31/12/2018 published	First application IFRS 16	Information January 1, 2019 with IFRS 16
Rights of use relating to lease contracts		94	94
Non-current assets	3 023	94	3 117
Current assets	2 972	-	2 972
TOTAL ASSETS	5 995	94	6 089
Shareholders’ equity	1 909	-	1 909
Lease obligation due in more than one year		86	86
Non-current liabilities	2 676	86	2 762
Lease obligation due in less than one year		8	8
Current liabilities	1 410	8	1 418
TOTAL LIABILITIES	5 995	94	6 089

INCOME STATEMENT

(â,¬ million)	Information H1 2019 published	Impact IFRS 16	Information H1 2019 with IAS 17
Revenue	1 809		1 809
Cost of goods sold	(1 372)	(8)	(1 380)
Administrative and selling expenses	(97)	(2)	(98)
Ebitda	307	(10)	297
Depreciation of fixed assets and provisions for contingencies and losses	(138)	7	(131)
Current operating income	169	(3)	166
Operating income	144	(3)	140
Financial profit (loss)	(54)	4	(50)
Income tax	(101)	(1)	(102)
Net income for the period	(16)	1	(16)
- attributable to equity holders of the parent company	(37)	1	(36)

Appendix 6: Financial glossary

Consolidated performance indicators

The consolidated performance indicators used for the financial reporting of the Group's results and economic performance and presented in this document are restated data from the Group's reporting and are monitored by the Executive Committee. In accordance with the accounting principles adopted for the Group's reporting, the operating performance of the joint-ventures have been accounted for under proportionate consolidation until 2018: the TiZir subgroup (Mineral Sands BU, Mining and Metals Division) until 30 June and the UKAD Company (High Performance Alloys Division) until 31 December.

A reconciliation of Group sales with the published data is presented in Appendix 1.

Sales at constant scope and exchange rates

Sales at constant scope and exchange rates corresponds to sales adjusted for the impact of the changes in scope and the fluctuations in the exchange rate from one year to the next.

The scope effect is calculated as follows: for the companies acquired during the financial year, by eliminating the sales for the current period and for the companies acquired during the previous period by integrating, in the previous period, the full-year sales; for the companies sold, by eliminating the sales during the period considered and during the previous comparable period.

The exchange rate effect is calculated by applying the exchange rates of the previous year to the sales for the year under review.

SLN’s cash-cost

SLN's cash-cost is defined as all production and fixed costs (R&D including exploration geology, administrative expenses, logistical and commercial expenses), net of by-products credits and local services, which cover all the stages of industrial development of the finished product until delivery to the end customer and which impact the EBITDA in the company's financial statements, over production tonnage.

SLN break-even cost

The break-even cost of SLN is defined as SLN’s cash-cost as defined above, plus investments (projected investments for the current year versus the projected tonnage for the current year) and financial expenses (recognised in SLN's corporate financial statements).

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[1] Notably June monthly average manganese ore price at USD 5.95/dmtu and nickel prices at USD 5.43/lb (USD 11,970/t)

[2] TF2 = number of lost time and recordable injury accidents for 1 million hours worked (employees and subcontractors)

[3] The scope effect is owing to i) the full consolidation of Mineral Sands activity as of 1st July 2018, following the acquisition of shares in Mineral Deposits Ltd., an Australian company that held a 50% stake in TiZir. and ii) the consolidation by equity method of UKAD (High Performance Alloys division) as of 1st January 2019

[4] See Financial glossary in Appendix 6.

[5] Eramet estimations based on Worldsteel production data available until end-May 2019

[6] Change calculated on basis of average monthly prices: CRU index (manganese ore and alloys)

[7] Over a 5-year period

[8] SLN, ENI and others

[9] International Stainless Steel forum (ISSF) and Eramet estimations.

[10] Low-grade nickel ferroalloys.

[11] LME: London Metal Exchange; SHFE: Shanghai Futures Exchange.

[12] Over a 3-year period

[13] In millions of humid tonnes

[14] As of end-2018, kick-start of the rescue plan

[15] The Ceramics market for zircon (approximately 50% of end-products) and the Pigments market for titanium-bearing products (approximately 90%)

[16] Source Zircon premium: FerroAlloyNet.com, Eramet analysis

[17] Titanium dioxide slag, ilmenite, leucoxene and rutile

[18] For the manufacture of chloride pigments ("CP slag")

[19] Source: Market consulting, Eramet analysis

[20] Zircon and titanium ore (ilmenite, leucoxene and rutile)

[21] Aubert & Duval, EHA and others

[22] Seaborne market

[23] Lithium Carbonate equivalent

[24] According to lithium prices assumptions

[25] In 2019 value and with an exchange rate of â,¬/USD of 1.13 for 2019

Attachment

- Eramet CP S1_2019 25_07_2019 - ENG VDEF