

Paris, July 30<sup>th</sup>, 2014

## PRESS RELEASE

### ERAMET group's results for 1<sup>st</sup> half 2014

- Positive current operating income restored in 1<sup>st</sup> half 2014, improving on the two previous halves.
  - All the Group's business units will step up the implementation of its operating performance improvement plans
  - Improvement in nickel prices and ERAMET Nickel's operating performance in 1<sup>st</sup> half 2014
  - At the end of 1<sup>st</sup> half 2014, Manganese ore prices levelling out, with production recovering towards
  - Group's current operating income expected to improve in 2<sup>nd</sup> half of 2014 compared with 1<sup>st</sup> half 2014

The data presented and commented on are adjusted data from the Group's reporting, which consolidates joint ventures under the equity method. Reconciliation with published financial statements is presented in appendix 4 (cf. page 8).

(€ millions)	H1 2013	H2 2013	H2 2014
<b>Turnover</b>	<b>1 613</b>	<b>1 549</b>	<b>1 534</b>
<i>ERAMET Manganese</i>	777	785	683
<i>ERAMET Nickel</i>	368	336	381
<i>ERAMET Alloys</i>	473	431	474
<i>Holding company &amp; eliminations</i>	(5)	(3)	(4)
<b>EBITDA</b>	<b>129</b>	<b>102</b>	<b>157</b>
<b>Current operating income</b>	<b>(9)</b>	<b>(36)</b>	<b>14</b>
<b>Net income, Group share</b>	<b>(32)</b>	<b>(338)*</b>	<b>(59)</b>

\*asset impairment according to IAS 36, - 296 M€



Global economic activity improved slightly in the 1<sup>st</sup> half of 2014. China succeeded in keeping its growth above 7% with the support of its government's economic policy, despite a slowdown in the construction sector. In some of the Group's businesses, inventory reduction limited the effects of that positive growth on market and price trends.

Furthermore, in this context of moderate growth, market and price trends are heavily influenced, metal by metal, by the development pace of the production capacity projects begun in previous years.

The ERAMET group's turnover was on a par with the 2<sup>nd</sup> half of 2013, at 1,534 M€.

The Group's current operating income became positive again, at 14 M€ in the 1<sup>st</sup> half of 2014, an improvement of 23 M€ on the 1<sup>st</sup> half of 2013 and 50 M€ on 2<sup>nd</sup> half 2013. These results were affected by nickel prices, which were very low early in the year before picking up in the 2<sup>nd</sup> quarter. As regards manganese-related activities, results were affected by maintenance operations in Gabon and Norway in the 1<sup>st</sup> quarter, an exceptional railway incident in Gabon and the drop in manganese ore prices (around 15% in 1<sup>st</sup> half 2014 vs. 1<sup>st</sup> half 2013).

The Group's share of net income for the 1<sup>st</sup> half of 2014 totalled -59 M€, taking into account the effect of expenditure for several project studies, foremost among which the Maboumine niobium- rare earths project in Gabon, and the higher tax charge in the 1<sup>st</sup> half of 2014.

Productivity gains in the 1<sup>st</sup> half of 2014 represented 42 M€.

Capital expenditure was reduced by 37% to 175 M€ in the 1<sup>st</sup> half of 2014 compared with the same period in 2013, in line with the target of a total amount below 400 M€ for 2014.

The Group's net debt remained moderate as of the end of June 2014, at 473 M€, corresponding to 16% of shareholders' equity.

As of June 30<sup>th</sup>, 2014, ERAMET kept a very satisfactory amount of liquidity.

- **ERAMET Manganese: turnover down 12% from 1<sup>st</sup> half 2013.**

ERAMET Manganese's current operating income totalled 61 M€ in the 1<sup>st</sup> half of 2014, compared with 109 M€ in 1<sup>st</sup> half 2013.

Global production of carbon steel grew 2.5% in the 1<sup>st</sup> half of 2014 compared with the 1<sup>st</sup> half of 2013, mainly driven by developed countries (European Union, USA) and China.

Prices for manganese ore 44% CIF China (source: CRU) fell in the 1<sup>st</sup> half of 2014 by around 15% compared with the same period in 2013. They have however levelled out since May.

Despite lower prices for manganese ore, manganese alloy prices remained stable overall in the 1<sup>st</sup> half of 2014 compared with 1<sup>st</sup> half 2013.

Turnover by TiZir (titanium dioxide for white pigments, high-purity pig iron for foundries) decreased 24% in the 1<sup>st</sup> half of 2014 compared with the same period in 2013, to 28 M€ (for the 50% held by ERAMET), mainly because of lower prices for titanium dioxide slag.



On the other hand, the Grande Côte project in Senegal operated by TiZir, a 50/50 joint venture by ERAMET and the Australian company Mineral Deposits Limited, began to ramp up production and is making satisfactory progress.

ERAMET Manganese's capital expenditure totalled 110 M€ in the 1<sup>st</sup> half of 2014, a 37% reduction compared with the same period in 2013.

- **ERAMET Nickel: turnover up 3.5% compared with 1<sup>st</sup> half 2013 due to rising nickel prices since March 2014**

Global production of stainless steel increased 10% in the 1<sup>st</sup> half 2014 compared with the 1<sup>st</sup> half of 2013, driven by all of the main producing countries.

In this context and thanks to improved operating performance and higher nickel prices in the 2<sup>nd</sup> quarter, ERAMET Nickel's turnover increased in the 1<sup>st</sup> half of 2014 compared with the same period in 2013 to total 381 M€. Current operating income recovered over the same period, going from -94 M€ to -27 M€.

Metallurgical production of nickel in Doniambo (New Caledonia) rose 6% to 27,100 tons in the 1<sup>st</sup> half of 2014, compared with 25,500 in the 1<sup>st</sup> half of 2013. Over the same period nickel sales grew 9%.

Thanks to the upturn in the 2<sup>nd</sup> quarter, LME nickel prices rose 3% in the 1<sup>st</sup> half of 2014 compared with the 1<sup>st</sup> half of 2013 to 7.51 USD/lb. In the past few weeks they have been around 8.7 USD/lb.

ERAMET Nickel's capital expenditure was reduced by 33% to 42 M€ in the 1<sup>st</sup> half of 2014, compared with the corresponding period in 2013.

- **ERAMET Alloys: turnover stable compared with 1<sup>st</sup> half 2013, up 10% compared with 2<sup>nd</sup> half 2013**

The aerospace sector grew 6% in the 1<sup>st</sup> half of 2014 compared with the same period the previous year, without however completely making up for the 33% fall in turnover with the energy sector. Over the same period, the turnover achieved with the tooling market (mainly high-speed steels) remained stable at an insufficient level. ERAMET Alloys' turnover was 12% higher in the 2<sup>nd</sup> quarter of 2014 than in the 1<sup>st</sup> quarter 2014.

ERAMET Alloys' current operating income was at the break-even point in the 1<sup>st</sup> half of 2014.

ERAMET Alloys' capital expenditure totalled 23 M€ in the 1<sup>st</sup> half of 2014, a 34% reduction compared with the same period in 2013.

Aubert & Duval continued to implement its general expenses reduction programme. A majority agreement was signed for that purpose with trade unions in early July.



- **Highlights**

- During the 1<sup>st</sup> half of 2014, the ERAMET group successfully carried out three bond issues with institutional investors and by private investment ("Euro PP") for a total amount of 225 M€, bringing the total amount of bond issues to 625 M€, and set up a 3-year bank facility for 100 M€ to fund ERAMET Nickel's working capital requirement. These operations enable it to benefit from advantageous terms on the credit market in a context of low interest rates, continue diversifying its sources and extend the average duration of its debt.
- As part of ERAMET's performance improvement programmes, a study was undertaken on the ways and means to reduce costs corresponding to corporate structures and support services across the Group.
- On March 27<sup>th</sup>, 2014, the ERAMET group announced that the Grande Côte mineral sand (ilmenite and zirconium) beneficiation facility, operated in Senegal by TiZir, its 50/50 joint venture with the Australian company Mineral Deposits Limited, was now in the start-up phase.
- On April 5<sup>th</sup>, 2014, the ERAMET and VALE groups, together with New Caledonia's Southern Province, signed a general agreement protocol for the exploration, followed by the study and beneficiation, of the Prony and Pernod deposits in the south of New Caledonia.

**Following ERAMET's Board of Directors meeting, Patrick BUFFET, ERAMET group Chairman & CEO, stated:**

***"Manganese ore production in Moanda in Gabon will increase significantly in the 2<sup>nd</sup> half of 2014 compared with the 1<sup>st</sup> half.***

***Moanda Metallurgical Complex (a silicomanganese plant and a manganese metal plant) will start up in the 2<sup>nd</sup> half of 2014.***

***All the Group's business units will step up the implementation of its operating performance improvement plans.***

***Given the current outlook for the nickel market and thanks to the operating improvements achieved in all activities:***

- ***cash requirements should decrease significantly in the 2<sup>nd</sup> half of 2014.***
- ***the ERAMET group's current operating income in the 2<sup>nd</sup> half of 2014 should be higher than in the 1<sup>st</sup> half."***

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## WEBCAST OF PRESENTATION OF FIRST-HALF RESULTS

The presentation of the 1<sup>st</sup> half 2014 results will be webcast at 10am (Paris time) today in French with English interpreting.

To sign up please click the link on the Group's website: [www.eramet.com](http://www.eramet.com)

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## ABOUT ERAMET

ERAMET is a leading global producer of:

- alloying metals, particularly manganese and nickel, used to improve the properties of steel,
- high-performance special steels and alloys used in industries such as aerospace, power generation and tooling.

ERAMET is also studying or developing major projects in new activities with high growth potential, such as mineral sands (titanium dioxide and zircon), lithium, niobium and rare earths, as well as in recycling.

The Group employs approximately 14,000 people in 20 countries. ERAMET is part of Euronext Paris Compartment A.

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## APPENDIX

### Appendix 1: Turnover

Turnover (M€)	Q1 2013	Q2 2013	Q1 2014	Q2 2014
ERAMET Manganese	388	389	<b>326</b>	<b>357</b>
ERAMET Nickel	181	187	<b>166</b>	<b>215</b>
ERAMET Alloys	231	242	<b>224</b>	<b>250</b>
Holding company & eliminations	(3)	(2)	<b>(2)</b>	<b>(2)</b>
<b>ERAMET Group</b> including joint ventures	<b>797</b>	<b>816</b>	<b>714</b>	<b>820</b>
Share of joint ventures	(18)	(19)	<b>(14)</b>	<b>(16)</b>
<b>ERAMET Group</b> IFRS published statements <sup>1</sup>	<b>779</b>	<b>797</b>	<b>700</b>	<b>804</b>

<sup>1</sup> Application of IFRS 11 "Joint Arrangements" as of 1/1/2014, with retrospective impact on 2013.

*Following application of IFRS 11 "Joint Arrangements" as of January 1, 2014, proportionally consolidated companies (Ukad and the TiZir sub-group) in the financial statements to December 31, 2013 are consolidated according to the equity method from FY 2014, with retrospective impact on 2013.*

*To reflect the economic reality of the Group's companies, the operating performance of jointly controlled companies continue to be proportionally consolidated in the Group's internal reporting, which is used by senior management and the Board of Directors as the basis for monitoring activity.*

*As a result, in accordance with IFRS 8 "Operating Segments", segment information included in the consolidated financial statements will be aligned with this internal information. As of 2014, the Group's financial reporting will be based on this operational financial information, which is also reconciled with the financial statements reported under IFRS.*

### Appendix 2: Production and deliveries

Tonnes	H1 2013	H2 2013	H1 2014
Manganese ore and sinter production	1,767,300	1,935,600	<b>1,644,100</b>
Manganese alloy production	385,400	360,800	<b>338,300</b>
Manganese alloy sales	393,800	370,600	<b>352,900</b>
Nickel production*	25,480	27,535	<b>27,078</b>
Nickel sales**	25,280	27,130	<b>27,627</b>

\* Ferronickel and matte

\*\* Finished products

## Appendix 3: Segment reporting

### Segment reporting - by division

(€million)	Nickel	Manganese	Alloys	Holding & eliminations	Total	Joint-venture contribution	Published
<b>1st half year 2014</b>							
External sales	380	681	473	-	1 534	(30)	1 504
Inter-division sales	1	2	1	(4)	-	-	-
Sales	381	683	474	(4)	1 534	(30)	1 504
EBITDA	20	124	31	(18)	157	(3)	154
Current operating profit (loss)	(27)	61	-	(20)	14	-	14
Operating profit (loss)	-	-	-	-	(29)	-	(29)
Cash generated from operations	15	77	16	(31)	77	(2)	75
Net cash generated by operating activities	-	-	-	-	(68)	(21)	(89)
Industrial capital expenditure (intangibles assets, property, plant & equipment)	42	110	23	-	175	(33)	142
Closing net cash (debt) position	-	-	-	-	(473)	93	(380)
<b>1st half year 2013</b>							
External sales	365	775	471	2	1 613	(37)	1 576
Inter-division sales	3	2	2	(7)	-	-	-
Sales	368	777	473	(5)	1 613	(37)	1 576
EBITDA	(49)	172	30	(24)	129	(15)	114
Current operating profit (loss)	(94)	109	3	(27)	(9)	(11)	(20)
Operating profit (loss)	-	-	-	-	(35)	(11)	(46)
Cash generated from operations	(65)	124	18	(21)	56	(12)	44
Net cash generated by operating activities	-	-	-	-	65	(19)	46
Industrial capital expenditure (intangibles assets, property, plant & equipment)	63	176	35	2	276	(71)	205
Closing net cash (debt) position	-	-	-	-	127	56	183
<b>Full year 2013</b>							
External sales	700	1 558	901	3	3 162	(77)	3 085
Inter-division sales	4	4	3	(11)	-	-	-
Sales	704	1 562	904	(8)	3 162	(77)	3 085
EBITDA	(130)	350	49	(38)	231	(20)	211
Current operating profit (loss)	(222)	218	4	(45)	(45)	(14)	(59)
Operating profit (loss)	-	-	-	-	(548)	(14)	(562)
Cash generated from operations	(150)	257	20	(53)	74	(13)	61
Net cash generated by operating activities	-	-	-	-	161	(27)	134
Industrial capital expenditure (intangibles assets, property, plant & equipment)	172	346	64	5	587	(128)	459
Closing net cash (debt) position	-	-	-	-	(218)	80	(138)

### Segment reporting - by geographic region

(€million)	France	Europe	North America	Asia	Oceania	Africa	South America	Total	Joint-venture contribution	Published
<b>Sales (destination of sales)</b>										
<b>1st half year 2014</b>	204	521	312	428	10	40	19	1 534	(30)	1 504
1st half year 2013	256	510	328	443	13	40	23	1 613	(37)	1 576
Full year 2013	414	1 004	642	949	27	76	50	3 162	(77)	3 085
<b>Capital expenditure (intangibles and property, plant &amp; equipment)</b>										
<b>1st half year 2014</b>	26	14	5	10	30	89	1	175	(33)	142
1st half year 2013	44	11	9	38	20	154	-	276	(71)	205
Full year 2013	82	35	20	86	77	286	1	587	(128)	459

#### Appendix 4: Reconciliation of Group reporting and published financial statements

(€million)	1st half year 2014 Published <sup>(1)</sup>	Joint-venture contribution	1st half year 2014 Adjusted <sup>(2)</sup>	1st half year 2013 Published <sup>(1)</sup>	Joint-venture contribution	1st half year 2013 Adjusted <sup>(2)</sup>	Full year 2013 Published <sup>(1)</sup>	Joint-venture contribution	Full year 2013 Adjusted <sup>(2)</sup>
Sales	1 504	30	<b>1 534</b>	1 576	37	<b>1 613</b>	3 085	77	<b>3 162</b>
EBITDA	154	3	<b>157</b>	114	15	<b>129</b>	211	20	<b>231</b>
Current operating profit (loss)	14	-	<b>14</b>	(20)	11	<b>(9)</b>	(59)	14	<b>(45)</b>
Operating profit (loss)	(29)	-	<b>(29)</b>	(46)	11	<b>(35)</b>	(562)	14	<b>(548)</b>
Profit (loss) for the period - attributable to equity holders of the parent	(59)	-	<b>(59)</b>	(32)	-	<b>(32)</b>	(370)	-	<b>(370)</b>
Net cash generated by operating activities	(89)	21	<b>(68)</b>	46	19	<b>65</b>	134	27	<b>161</b>
Industrial capital expenditure	(142)	(33)	<b>(175)</b>	(205)	(71)	<b>(276)</b>	(459)	(128)	<b>(587)</b>
Net cash (debt) position	(380)	(93)	<b>(473)</b>	183	(56)	<b>127</b>	(138)	(80)	<b>(218)</b>
Shareholders' equity - attributable to equity holders of the parent	2 473	-	<b>2 473</b>	2 905	-	<b>2 905</b>	2 532	-	<b>2 532</b>

(1) Financial statements prepared under IFRS applicable as of 01/01/2014, with joint venture accounted under equity method. See 2014 condensed interim consolidated financial statements on the ERAMET Group website ([www.eramet.com](http://www.eramet.com)).

(2) Group reporting, with joint venture accounted under proportional consolidation method.