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## **PRESS RELEASE**

**ERAMET Group: sales are down 14% in first-quarter 2016 compared with first-quarter 2015, mainly due to the evolution of nickel prices. Manganese ore prices rose sharply at the end of the first quarter.**

- **ERAMET Nickel sales fell by 39% and ERAMET Manganese sales by 10% compared with first-quarter 2015.**
- **ERAMET Alloys sales were stable (down 2% compared with first-quarter 2015).**
- **On average in the first quarter, nickel and manganese prices hit their lowest level in around 15 years.**
- **However at the end of March manganese ore prices were up more than 40% on the record low level reached in February 2016.**
- **The strengthening of measures to reduce costs and improve productivity at ERAMET Nickel was already reflected in the first quarter by a 10% fall in Société Le Nickel (SLN)'s cash cost compared with the 2015 average at identical economic conditions.**
- **Changes in the shareholder structure of the Weda Bay Nickel project in Indonesia.**
- **Changes in governance: Mr. Patrick Buffet has appointed Mr. Denis Hugelmann as CEO in charge of ERAMET Alloys and Mr. Philippe Vecten as CEO in charge of ERAMET Nickel and ERAMET Manganese.**

ERAMET Group sales by activity:

Sales <sup>1</sup> (€ million)	Q1 2016	Q1 2015	Change
ERAMET Nickel	<b>118</b>	192	<b>(39%)</b>
ERAMET Alloys	<b>250</b>	256	<b>(2%)</b>
ERAMET Manganese	<b>297</b>	329	<b>(10%)</b>
Holding company & eliminations	<b>1</b>	-	
<b>ERAMET Group</b>	<b>666</b>	777	<b>(14%)</b>

<sup>1</sup> Adjusted data from Group reporting in which the joint ventures are accounted for under the proportional consolidation method.

- **ERAMET Nickel: sales down 39% in first-quarter 2016 compared with first-quarter 2015.**

Global stainless steel production remained stable in the first three months of 2016 compared with the same period in 2015, at 10.2 million tonnes. World production has increased slightly since the end of March 2016.

The slowdown in Chinese growth in 2015 and the high level of nickel stocks led to extremely low nickel prices in early 2016. LME nickel prices reached their lowest level since first-quarter 2003, with the average price standing at USD 3.86/lb in first-quarter 2016. At that price level, estimates are that over 70% of the nickel industry is producing at a loss.

At end-March 2016, the metal nickel reserves held at LME and SHFE (Shanghai Futures exchange) remained higher than 500,000 tonnes of nickel.

The wide-scale destocking of nickel ore observed since 2014, the production cuts announced by several nickel producers (including a decrease in the production of Chinese nickel pig iron) and slightly positive growth in nickel demand in 2016 might contribute to the beginning of a market rebalance.

Against this backdrop, the plan to reduce costs and improve productivity, affirmed as the absolute priority in the short term, has already led to swift and significant results. The average SLN cash cost has improved by 10% on the 2015 average, for a stated objective of USD 4.50/lb at end-2017 at an annual rate on the basis of the economic conditions of early 2016.

Nickel metallurgical production at the Doniambo plant in New Caledonia was stable in first-quarter 2016 compared with first-quarter 2015. Demand for ferronickel, a product really appreciated by stainless steel producers, was especially strong in first-quarter 2016.



- **ERAMET Alloys: first-quarter 2016 sales stable (-2%) compared with first-quarter 2015.**

ERAMET Alloys is strongly positioned in the aerospace sector through new programmes from aircraft manufacturers requiring high value-added parts for structures and engines. However, the high-speed steel sector is still in large excess capacity worldwide, with prices remaining at a very low level.

Initiatives on reducing costs and improving productivity are being pursued at all ERAMET Alloys sites.

In January 2016, ERAMET Alloys, with considerable support from the Safran group and the Auvergne Rhône Alpes Region, began the construction in Les Ancizes, Auvergne, of a powder atomisation tower for superalloys for the aerospace engine parts market. At the same time, it contributes to strengthen its production base of powders for additive manufacturing.

- **ERAMET Manganese: sales down 10% compared with first-quarter 2015.**

Gross world production of carbon steel, the main outlet for manganese, decreased by 4% in first-quarter 2016 compared with first-quarter 2015. Nevertheless, some sectors, including construction in China, recovered slightly in the first quarter, and empty housing stocks in large cities dropped sharply on second-half 2015.

The contraction in the carbon steel market led to a plunge in manganese ore prices CIF China 44% (Source: CRU), which hit its lowest registered level since the creation of the index in first-quarter 2016 (USD 2.07/dmtu on average in first-quarter 2016).

As such, ERAMET decided to suspend the production of manganese ore at its Moanda plant in Gabon for nearly four weeks in first-quarter 2016.

In March 2016, the price of CIF China 44% ore (Source: CRU) rose by over 40% on the low in February to USD 2.53/dmtu.

Manganese alloy prices also remained low in first-quarter 2016, but started to increase slightly in March.

- **TiZir (50/50 joint venture with Mineral Deposits Limited)**

Grande Côte Operations (GCO, Senegal) production of heavy mineral concentrate (HMC) rose by nearly 7% compared with first-quarter 2015.

The TiZir Titanium and Iron plant (TTI) in Tyssedal, Norway, continued to successfully ramp up its production of titanium feed stocks after the restart of the furnace in December 2015. TTI investment allows Tizir to fully integrate its titanium dioxide value chain by producing Chloride Slag from GCO ilmenite. The first commercial shipments of Chloride slag have started in first-quarter 2016.

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- **Changes in the shareholder structure of the Weda Bay Nickel project in Indonesia**

Following its decision to reconsider its mining assets portfolio, Mitsubishi Corporation exercised a put option to ERAMET, on 21 April 2016, in the stake it holds with Pacific Metals Co. Ltd (Pamco) in Strand Minerals Pte Ltd, which holds a 90% interest in the Indonesian PT Weda Bay Nickel industrial and mining project.

In accordance with the rules of the agreement between Strand Minerals Pte Ltd's shareholders, ERAMET will acquire Mitsubishi Corporation and Pamco's ownership interests. This transaction has no impact on the Group's income statement. ERAMET will become a 100% shareholder in Strand Minerals Pte Ltd, which owns 90% of PT Weda Bay Nickel. The ERAMET Group's net debt will increase by nearly €100 million as a result of this transaction.

The Weda Bay deposit is one of the largest nickel deposits in the world. Its measured, indicated, and inferred resources are valued at more than 9.3 million tonnes of nickel, an increase of more than 5 million tonnes compared with estimates made when ERAMET acquired Weda Bay in May 2006.

However, due to a significant downturn in metal markets, it should be remembered that the ERAMET Group's major projects, including Weda Bay, are currently suspended.

- **Changes in ERAMET Group governance**

At the ERAMET Board meeting held on 22 April 2016 in Paris, Georges Duval, CEO in charge of ERAMET Alloys, and Philippe Vecten, Deputy CEO in charge of ERAMET Nickel and ERAMET Manganese, resigned from their Deputy CEO positions. Their resignations were accepted by the Board with immediate effect.

On the same day, Patrick Buffet, Chairman and Chief Executive Officer of ERAMET, appointed Denis Hugelmann as CEO in charge of ERAMET Alloys and Philippe Vecten as CEO in charge of ERAMET Nickel and ERAMET Manganese.

The ERAMET Group Executive Committee now comprises:

- Mr. Patrick Buffet, Chairman and Chief Executive Officer;
- Mr. Thomas Devedjian, Chief Financial Officer;
- Mr. Philippe Vecten, CEO in charge of ERAMET Nickel and ERAMET Manganese;
- Mr. Denis Hugelmann, CEO in charge of ERAMET Alloys;
- Mr. Michel Carnec, Executive Senior Vice President, Human Resources, Health, Safety and Security;
- Mrs. Catherine Tissot-Colle, Executive Senior Vice President, Communication and Sustainable Development.

In addition, the Board noted the resignation of Valérie Baudson, independent director, owing to her professional development at CPR Asset Management.



- **Financial position**

At end-March 2016, ERAMET had a satisfactory level of financial liquidity.

- **Outlook**

The reduction of surplus stocks of manganese ore in first-quarter 2016 and the rise in manganese ore prices in March will be reflected in an increase in ERAMET Manganese sales in second-quarter 2016 compared with the first-quarter.

However, the historically low levels of nickel and manganese prices observed in first-quarter 2016 will lead to a decline in current operating income in the first half-year compared with the same period in 2015. Consequently, the pursuit of cash-flow protection measures remains the absolute operational priority for all the Group's teams, particularly at SLN.

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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 developing major projects in new activities with high growth potential, such as mineral sands (titanium dioxide and zirconium), lithium and recycling. The Group employs approximately 14,000 people in 21 countries.

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**For more information: [www.eramet.com](http://www.eramet.com)**

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## APPENDICES

### Appendix 1: Sales

Sales (€ million)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
ERAMET Nickel	<b>118</b>	144	146	204	192
ERAMET Alloys	<b>250</b>	263	218	254	256
ERAMET Manganese	<b>297</b>	337	375	389	329
Holding company & eliminations	<b>1</b>	-	-	2	-
<b>ERAMET Group</b> including joint ventures	<b>666</b>	744	739	849	777
Joint ventures share	<b>(16)</b>	(19)	(29)	(26)	(20)
<b>ERAMET Group</b> IFRS published financial statements <sup>1</sup>	<b>650</b>	725	710	823	757

<sup>1</sup> Application of IFRS 11 "Joint Arrangements".

### Appendix 2: Production and shipments

In tonnes	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Nickel production <sup>1</sup>	<b>13,755</b>	13,602	13,488	13,193	13,086
Nickel sales <sup>2</sup>	<b>12,392</b>	13,790	12,550	14,798	13,452
Production of manganese ore and sinter	<b>688,000</b>	918,000	1,072,800	996,700	880,500
Manganese alloy production	<b>176,000</b>	176,800	180,400	183,200	169,500
Manganese alloy sales	<b>185,000</b>	183,500	184,100	175,900	169,500

<sup>1</sup> Ferronickel and matte.

<sup>2</sup> Finished products.