

Paris, 09 November 2016

## **PRESS RELEASE**

### **ERAMET Group: 3<sup>rd</sup> quarter 2016 sales**

- **Third-quarter sales in 2016 at 714 million euros, steadily increasing since the start of 2016.**
- **Significant rise in manganese ore prices throughout third-quarter 2016 at a higher level of 70% on average compared with the average of the first three months of 2016 (source CRU). Very difficult market conditions at the start of the year therefore justified a decision to lower manganese ore production in Gabon, impacting the cumulative level of production at end-September.**
- **Nickel LME prices in third-quarter 2016 up by 21% on average compared with the price at the start of 2016.**
- **At end-September, ERAMET increased its equity by 100 million euros through the issue of net share settled undated bonds convertible into new shares (ODIRNAN).**
- **Taking into account, on the one hand, the current rise in manganese prices and to a lesser extent, the rise in nickel prices, and, on the other hand, the successful implementation of productivity and cost reduction plans, the ERAMET Group's current operating income for second-half 2016 is expected to be significantly higher than that of first-half 2016 and become positive again.**

The ERAMET Group sales by branch of activity are available in the tables below.

<b>Sales<sup>1</sup> (€ million)</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>	<b>Q4 2015</b>	<b>Q3 2015</b>
ERAMET Nickel	<b>154</b>	<b>137</b>	<b>118</b>	144	146
ERAMET Alloys	<b>206</b>	<b>247</b>	<b>250</b>	263	218
ERAMET Manganese	<b>353</b>	<b>323</b>	<b>297</b>	337	375
Holding company & eliminations	<b>1</b>	-	<b>1</b>	-	-
<b>ERAMET Group</b>	<b>714</b>	<b>707</b>	<b>666</b>	744	739

<b>Sales<sup>1</sup> (€ million)</b>	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>Change</b>	<b>9 months 2016</b>	<b>9 months 2015</b>	<b>Change</b>
ERAMET Nickel	<b>154</b>	146	<b>6%</b>	<b>409</b>	542	<b>(25%)</b>
ERAMET Alloys	<b>206</b>	218	<b>(6%)</b>	<b>703</b>	728	<b>(3%)</b>
ERAMET Manganese	<b>353</b>	375	<b>(6%)</b>	<b>973</b>	1,093	<b>(11%)</b>
Holding company & eliminations	<b>1</b>	-	-	<b>2</b>	2	-
<b>ERAMET Group</b>	<b>714</b>	739	<b>(3%)</b>	<b>2,087</b>	2,365	<b>(12%)</b>

<sup>1</sup> Adjusted data from Group reporting in which the joint ventures are accounted for under the proportional consolidation method. Reconciliation with the sales published is presented in the appendices.

- **ERAMET Nickel**

After a 4.1% increase over first-half 2016 compared with the same period in 2015, global stainless steel production continued to increase over third-quarter 2016 (source ISSF).

In parallel, global nickel production is down slightly over the first nine months of 2016 compared with the same period in 2015. This is linked to several factors: closure of certain plants, reduction in nickel pig iron production in China following a lengthy period of low prices, and cutbacks in production in some long-standing industry players. All of these reductions have not been offset by the ramp-up in newly commissioned plants, notably in Indonesia. Furthermore, the impact of the conclusions of the audit conducted in the Philippines, which may lead to new suspended or discontinued activities, is also to be monitored with the utmost vigilance.

This situation has led to an increase in LME nickel prices over third-quarter 2016. The average for prices over the quarter was therefore up by 21% at USD 4.67/lb, compared with an average of USD 3.86/lb over first-quarter 2016.

At the end of third-quarter 2016, however, cumulative LME and SHFE nickel stocks are still at a very high level (approximately 473,000 tonnes) which continues to impact nickel prices, still preventing SLN from achieving its operating breakeven.

Nickel metallurgical production at the Doniambo plant (New Caledonia) was up by 16% compared with the same period in 2015 and up compared with production for the first three months in 2016. An operating incident took place on 31 October in one of SLN's three electric furnaces. The responsiveness and efficiency of the intervention teams meant that the consequences were limited and no one was injured. The production rate for fourth-quarter 2016 should be marginally impacted by this incident.

- **ERAMET Alloys**

Cumulative sales for ERAMET Alloys over the first nine months of 2016 are down 3% compared with the same period in 2015.

The aerospace sector, which sees steady growth, contributed significantly to ERAMET Alloys sales, through new aircraft manufacturer programmes which require high added value components for structures and engines. However, the impact of social movements at the national level has negatively impacted Aubert & Duval's business.

Moreover, the operating performance improvement plans have been pursued. Aubert & Duval has continued with the industrial reorganisation of its sites in view of improving its performance, particularly with the announcement made at the end of October of a project to shut down the melting shop in Firminy, taking into account the potential synergies with the steelworks in Les Ancizes. This project, which will be subjected to an information and consultation procedure with bodies representing staff from Aubert & Duval, may lead to the loss of approximately sixty jobs, with affected employees being offered a redeployment solution within one of the company's plants, prioritising those in the Auvergne-Rhône-Alpes region.

October was marked by the opening of the MKAD plant, a joint venture between Mecachrome and Aubert & Duval. MKAD, whose facilities are dedicated to the machining of titanium parts, allows for Aubert & Duval to strengthen its aerospace-grade titanium parts business, from the upstream through to the delivery of finished parts.

- **ERAMET Manganese**

Gross global production for carbon steel, the main outlet for manganese, is down slightly by 1.2% over the first nine months of 2016 compared with the same period for 2015. However, global production for carbon steel grew in September 2016 compared both with September 2015 (+1.5%), and August 2016 (+2.4%).

World ore production was down in first-quarter 2016 (temporary or permanent closures of some mines, lowered production rates in others), in a particularly difficult market, with a low point for prices reached in February 2016 at USD 1.83/dmtu CIF Chine 44% (source CRU). This then led to a fall in global ore stocks, causing prices to pick up again from April. Logistical and production problems encountered by different operators in the second and third quarters of 2016 then limited supply, whereas demand in China recovered during the period.

Against this backdrop, CIF China 44% manganese ore prices (source CRU) rose sharply from the start of second-half 2016 (USD 2.81/dmtu in July, USD 3.53/dmtu in August and USD 4.48/dmtu in September). The price level for October stood at USD 6.24/dmtu. Very high price volatility has therefore been observed since the start of 2016. Current price levels will probably lead to restart some production capacity that had been put on standby under the market conditions of early 2016. An increase in production for the majority of players is likely. To a lesser extent, manganese alloys prices have also risen since the start of second-half 2016.

In Moanda, Gabon, production for ERAMET Manganese stood at 2.4 million tonnes of ore over the first nine months, down by 18% compared with the same period in 2015, notably due to a shutdown in production decided by the Group in first-half 2016, to take into account market conditions which were then very depressed.

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

The titanium dioxide pigments market, the main outlet for titanium dioxide slag from TiZir's Norwegian plant, continued to make progress over the third quarter of 2016. The market was bolstered by strong demand in North America and Europe. Prices for ilmenite (titanium ore) and titanium dioxide slag remained generally stable with, however, some price increases on ilmenite for China. Zircon prices (notably for the ceramics industry) remained stable over the quarter, with a stronger market in Europe and North America.

The production of heavy mineral concentrate (HMC) in Senegal came out at 140,000 tonnes in third-quarter 2016, at a stable level compared with previous quarters.

A localised fire, which was rapidly controlled, took place on 15 August 2016 at the TiZir plant in Norway. Taking into account observations made during the repair and heating period carried out since 22 September the decision has been made to proceed to relining. The furnace should restart mid-January 2017 with a ramp up to previous production level over the ensuing four weeks.

- **Financial situation**

ERAMET has increased its equity by 100 million euros through the issue of net share settled undated bonds convertible into new shares (ODIRNAN).



At end-September, the cost reduction and productivity improvement programmes are being pursued by all of the Group's entities, in line with the established objectives.

- **Outlook**

Taking into account, on the one hand, the current rise in manganese prices and to a lesser extent, the rise in nickel prices, and, on the other hand, the successful implementation of productivity and cost reduction plans, the ERAMET Group's current operating income for second-half 2016 is expected to be significantly higher than that of first-half 2016 and become positive again.

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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 activities with high growth potential, such as mineral sands (titanium dioxide and zirconium), lithium and recycling. The Group employs approximately 14,000 people in 20 countries.

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## APPENDICES

### Appendix 1: Sales

Sales (€ million)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
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Holding company & eliminations	<b>1</b>	-	<b>1</b>	-	-
<b>ERAMET Group</b> Including joint ventures	<b>714</b>	<b>707</b>	<b>666</b>	744	739
Joint ventures share	<b>(22)</b>	<b>(28)</b>	<b>(16)</b>	(19)	(29)
<b>ERAMET Group</b> IFRS published financial statements <sup>1</sup>	<b>692</b>	<b>679</b>	<b>650</b>	725	710

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

### Appendix 2: Production and shipments

In tonnes	Q3 2016	Q3 2015	Change	9 months 2016	9 months 2015	Change
Nickel production <sup>1</sup>	<b>15,599</b>	13 488	<b>16%</b>	<b>41,335</b>	39,767	<b>4%</b>
Nickel sales <sup>2</sup>	<b>13,978</b>	12 550	<b>11%</b>	<b>40,442</b>	40,800	<b>(1%)</b>
Production of manganese ore and sinter	<b>910,000</b>	1 072 800	<b>(15%)</b>	<b>2,426,000</b>	2,950,000	<b>(18%)</b>
Manganese alloy production	<b>181,000</b>	180 400	<b>0%</b>	<b>530,000</b>	533,100	<b>(1%)</b>
Manganese alloy sales	<b>175,000</b>	184 100	<b>(5%)</b>	<b>545,000</b>	529,500	<b>3%</b>

<sup>1</sup> Ferronickel and matte

<sup>2</sup> Finished products