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PRESS RELEASE

Eramet: Sales of €895m in third-quarter 2019, in a mixed price environment

- Q3 2019 **sales** of €895m, down 6% on Q3 2018, mainly due to an unfavourable price environment in Manganese activity and the impact of bringing quality processes into conformity at Aubert & Duval
- **New quarterly production records** for manganese ore and nickel ore
- **Mixed price environment** in Q3: manganese ore prices down -17% and LME nickel prices up +18%, and before the positive impact of an appreciating US dollar versus the euro
- **Highly favourable momentum in Nickel activities:**
 - **Decisive breakthrough in SLN's rescue plan:** compared to the 1st semester, cash cost down to USD 5.76/lb in Q3 2019, particularly due to the record level of ore export volumes
 - **Sandouville's recovery confirmed:** target to achieve break-even EBITDA after Q4 maintenance shutdown
 - **Acceleration of Weda Bay Nickel:** construction ahead of schedule with a start-up planned as early as H1 2020, for highly competitive NPI production¹
- **2019 targets confirmed:** production of 4.5 Mt of manganese ore, 720 kt of mineral sands and exports of 1.5 Mt of nickel ore
- Factoring in expected productivity gains in the 2nd half of the year, and with the assumption of market conditions of September 2019², more mixed than at mid-year, **forecast EBITDA for H2** should be **significantly above that of H1**, nonetheless leading to full year EBITDA below those of 2018. However, the market and price environment has been particularly volatile in the last weeks.

¹ NPI: Nickel Pig Iron, low-grade nickel ferroalloys

² In particular, the monthly average September manganese ore price came out at USD 5.49/dmtu and nickel prices at USD 8.02/lb (USD 17,673/t)

A horizontal bar with a yellow-to-blue gradient, matching the Eramet logo.

Christel BORIES, *Eramet Chairman and CEO*:

« Despite the slowdown in the global economy, 3rd quarter 2019 was marked by highly favourable momentum in our Nickel activities. SLN generated positive cash flow in September, thanks to good progress in our rescue plan and to the rise in nickel prices. Turnaround of our Sandouville plant is being confirmed and our Weda Bay Nickel project in Indonesia should start as early as first-half 2020, ahead of schedule.

In Manganese, the price environment has deteriorated, but our growth momentum in manganese ore remains excellent. At Aubert & Duval, the achievement of the corrective action plan continues with highly committed teams and good cooperation with customers.

In this mixed environment, we are pursuing the roll-out of our strategic roadmap with encouraging intrinsic performances and we maintain our outlook for 2019. »

◆ Safety

At end-September 2019, the accident frequency rate (TF2³) was 5.6 year to date, down 33% 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.

◆ Eramet group's sales by activity

(Millions of euros) ¹	Q3 2019	Q3 2018 ²	Change (€m)	9m 2019	9m 2018 ²	Change ³ (%)
MINING AND METALS DIVISION						
Manganese BU	427	456	-6%	1,331	1,326	+0.4%
Nickel BU	216	179	+21%	562	544	+3%
Mineral Sands BU ⁴	62	77	-20%	201	135	+49%
HIGH PERFORMANCE ALLOYS DIVISION						
A&D and Erasteel	192	239	-20%	615	759	-19%
HOLDING & ELIMINATIONS	(2)	0	<i>n.a.</i>	(6)	0	<i>n.a.</i>
ERAMET GROUP	895	951	-6%	2,703	2,764	-2%

¹ Data rounded up to the nearest million.

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.

N.B.: all the commented changes in Q3 19 are calculated with respect to Q3 2018, unless otherwise specified.

In Q3 2019, the Group's sales totalled €895m, down 6%. At constant scope^{4,5} and exchange rates⁵, sales declined by 8%, mainly owing to the unfavourable price environment in Manganese activity and continued delays in deliveries at Aubert & Duval, due to bringing quality processes into conformity.

At 30 September 2019, the Group's liquidity remains high at €2.1bn.

In addition, the Group has secured implementation over the coming weeks of a €225m financing with three of its partner banks in order to finance its general requirements and investment. The financing has a 2-year maturity with an option that can be exercised by Eramet to extend it to January 2024.

³TF2 = number of lost time and recordable injury accidents for 1 million hours worked (employees and subcontractors)

⁴ The scope of consolidation effect corresponds to the application of the equity method as of 1st January 2019 to UKAD (High Performance Alloys Division)

⁵ See Financial glossary in Appendix 6.

◆ Mining and Metals Division: production records in a mixed price environment

Manganese BU: ore production up +11% in Gabon, confirming the target of 4.5 Mt in 2019

Manganese BU sales, which represent approximately 48% of the Group's consolidated sales, fell by 6% to €427m in Q3 2019. The growth in ore sales volumes partly offset the decline in prices and an unfavourable product mix effect both for ore and alloys.

Global production for carbon steel, the main end-product for manganese, remained stable at 468 Mt in Q3, reflecting China's contrasting trends (+3.5%⁶), which remains driven by the building and infrastructure sectors, compared with the rest of the world (-4.1%⁶). However, production in China, which accounts for approximately 55% of global production, slowed in September compared with the monthly record levels reached in H1 2019. Production in the rest of the world was penalised by the sharp decline in demand in the European Union (-6.7%⁶) and by a slowdown in demand in North America (+1.0%⁶). During the first nine months of the year, carbon steel production reached a record level of 1.4 bn tons, up 3.2%⁶ versus the same period in 2018.

Global manganese ore producers continued to operate at full capacity and the supply/demand balance remained slightly in surplus in Q3 and year to date for the first nine months of the year. Ore stocks in Chinese ports amounted to 4 Mt at end-September, stable overall versus end-June.

The average price of CIF China manganese ore further declined in Q3 to USD 5.66/dmtu⁷, down 17%⁷ versus Q3 2018 (USD 6.83/dmtu⁷). In euros, the decrease only amounted to 13%, given the appreciation of the dollar. During the first nine months, however, the average ore price remained high at USD 6.17/dmtu⁷, (down 14%⁷ versus the same period in 2018).

In Gabon, Comilog's manganese ore production reached a record quarterly level of 1.3 Mt (+11% versus Q3 2018), and manganese ore volumes produced and transported increased by 30%, which saw steady and considerable growth reflecting continuous operational improvements at the mine and improved logistics performance. External sales volumes also grew 12% to 0.9 Mt over the period.

Year to date ore production totalled 3.5 Mt at end-September, confirming the target of 4.5 Mt in 2019.

The market environment remains unfavourable for manganese alloys, which have been adversely impacted by a decline in Europe, linked on the one hand to the sharp decline in the automotive market and on the other hand to protectionist measures taken by the United States, which are weighing on European steel production. As a result, prices continued to fall in Europe in Q3: the price of refined medium carbon ferromanganese alloys fell by 7%⁷ to €1,479/t⁷ (-6% on average in 9 months), and that of standard silico-manganese alloys by 3% to €976/t⁷ (-5%).

Manganese alloy production ended at 202 kt (+11%) in Q3 2019; sales volumes remained stable at 175 kt.

Nickel BU: record ore exports by SLN in a particularly favourable price environment

Nickel BU sales increased by 21% to €216m in Q3 2019.

In early September, the nickel market was impacted by the announcement of the reinstatement as of 1st January 2020 of the ban in Indonesia, prohibiting unprocessed nickel ore exports. The outlook related to this measure becoming effective profoundly affects market equilibrium for the various players.

⁶Eramet estimations based on Worldsteel production data available until end-August 2019

⁷Change calculated based on average monthly prices: CRU index (manganese ore and alloys)

Global stainless steel production increased by 5.2%⁸ to 13 Mt⁸ in Q3 19, reflecting a continued increase in production in China (+12.6%⁸) partly offset by a decrease in the rest of the world (-3.5%⁸). Production in China is fuelled by stainless steel consumption, which remains on a positive trend. The first nine months confirm this trend, with stainless steel production increasing from 3.2%⁸ to 38.6 Mt⁸, driven by China (+10.2%⁸), while the rest of the world saw a decline in production (-4.3%⁸). In addition, production in Indonesia increased by only 2.2%⁸ year to date during the first nine months of the year, disrupted by numerous import taxes and custom barriers introduced this year (particularly by China and Europe).

As a result, demand for primary nickel increased by 5.8%⁸ over the period to 592 kt⁸, also driven by the electric vehicle battery sector (+28%⁸ to 43 kt⁸ of primary nickel)

Q3 19 shows an overall balanced position since global primary nickel production was up from 9.7%⁸ to 598 kt over the period. This was made possible by a strong NPI production ("Nickel Pig Iron"⁹) production in Indonesia and China (+32%⁸), while traditional production declined slightly.

For the first 9 months of the year, the nickel supply/demand balance remained in deficit, with an expected shortfall of more than 20 kt⁸ of nickel at year-end. Nickel stocks at the LME¹⁰ and SHFE¹⁰ continued to fall, amounting to 174 kt at end of September 2019, equivalent to 7.6 weeks of consumption (including nickel producers' stocks), lowest level since 2011.

In Q3 2019, the average LME price was USD 7.05/lb (USD 15,540/t), up 18% on Q3 2018 at USD 6.02/lb (USD 13,266/t). This strong increase is mainly due to the announcement in early September that the Indonesian ban will be effective again as of 1st January 2020¹¹. However, over the first nine months of the year, the average price of USD 6.09/lb (USD 13,419/t) decreased by 2% on the same period in 2018. At the same time, the price of nickel seaborne ore has also risen sharply over the past two months (> 40%). The increase in LME prices in euros was +23% on a comparable quarter-on-quarter basis, factoring in the appreciation of the dollar.

In New Caledonia, after a difficult 1st semester, impacted by strikes in one of the main mining centres, Q3 was marked by the continued implementation of the SLN rescue plan, which effects are starting to deliver. Q3 was also marked by the surge in nickel prices on the LME. SLN¹² posted a 13% sales increase to €192m, driven by prices and higher ore export volumes.

A new record¹³ for nickel ore production (1.3 Mth¹⁴, +10%) set in the quarter. The increase in ore exported volume resulted in an increase of 35% to 556 kth¹⁴, representing an annual rate of more than 2 Mth. For the first nine months of the year, the ore exported volume totalled 1.1 Mth (+21%), confirming the target of 1.5 Mth in 2019. The target of reaching the export rate of 4 Mth in ore as early as H2 2020 is also confirmed.

Due to the past blockade of mining centres on the East Coast, the ore supply to the Doniambo plant's furnaces remained disrupted. As a result, ferronickel production fell by 18% to 11 kt in Q3 (-14% at 35 kt for the first nine months of the year). Ferronickel sales volumes were down 8% to 12 Kt in Q3 (-12% to 36 kt for the first nine months of the year).

Taking into account the increase in nickel ore exports, SLN's cash cost was down to USD 5.76/lb on average in Q3 2019 (USD 5.70/lb in September), versus an average of USD 6.05/lb in H1 2019. Cash cost should continue to improve in Q4 particularly owing to export volumes and the increase in the ore price following the announcement of the Indonesian ban. On this basis and given the current price environment (LME at more than USD 8/lb on average in September), SLN is generating cash again.

At the same time, discussions on reducing energy prices, the third and last lever of the rescue plan, are continuing with local authorities. In the event this last lever effect would not be quickly and fully achieved,

⁸ International Stainless Steel Forum (ISSF), Eramet estimations

⁹ Low-grade nickel ferroalloys.

¹⁰ LME: London Metal Exchange; SHFE: Shanghai Futures Exchange.

¹¹ Ban on the export of nickel ore produced in Indonesia as of 1st January 2020

¹² SLN, ENI and others

¹³ Over a 5-year period

¹⁴ Mth: millions of wet metric tonnes; kth: / thousands of wet metric tonnes

other solutions would be considered. Thus, the intrinsic reduction target of USD 1.30/lb¹⁵ on a full year basis in 2021 remains confirmed, still subject to proper execution without disruption. Its achievement remains key to the future of SLN.

In Sandouville, Normandy, the plant continued its successful ramp-up thanks to the technical corrections implemented by an expert task force and strengthened plant management. In Q3 2019, sales tripled, ending at €23m. Volumes produced and sold of high-purity nickel also tripled to 1.9 kt and 1.6 kt respectively during the same period. The target is still to achieve EBITDA break-even after the Q4 maintenance shutdown.

In Indonesia, as part of the partnership with Tsingshan, the construction of the NPI production plant entered its final phase to bring value to nickel ore from the Weda Bay deposit, one of the largest nickel deposits in the world. The start of production could now take place as early as in H1 2020, ahead of schedule. The plant's ramp-up of production should benefit from a favourable backdrop for NPI, thanks to the establishment of the Indonesian ban. The plant should be very well positioned in terms of production costs with a cash cost in line with best in class producers in Indonesia (2nd quartile of the cash cost curve nickel).

Mineral Sands BU: a quarter penalised by a production incident at the TTI plant in Norway

Mineral Sands BU sales were down 20% to €62m in Q3 2019 (on a comparable basis, to 100%), particularly penalised by the furnace shutdown for nearly a month at TTI's plant in Norway, following a metal tapping incident.

Demand in end markets for mineral sands¹⁶, particularly those for zircon, experienced a slowdown in Q3, which should impact prices downward in the coming months.

Zircon's supply/demand balance is expected to be slightly overcapacity in 2019 although with a continuing positive long-term outlook. The average price of premium zircon, a product sold by TiZir, was USD 1,585/t¹⁷ in Q3 2019, up 5% (+11% over the first nine months of the year).

Despite the prospect of a supply/demand balance for titanium feedstock¹⁸ in surplus in 2019, the market remained stable in terms of prices for high value-added products such as CP-grade¹⁹ titanium slag produced by Eramet in Norway. In terms of Q3 2018, the average price of CP-grade titanium slag remained above 14% at USD 790/t²⁰ in Q3 2019 (+12% over the first nine months of the year on a comparable period).

In Senegal, production of mineral sands²¹ fell by 19% to 162 kt (-6% to 540 kt for the first nine months of the year) reflecting the announced decline in the grade of the area of the deposit mined since the beginning of the year compared with previous years. The excellent operational performance could not offset this decline in the grade. The annual production target for mineral sands is however, confirmed at 720 kt for 2019, reflecting optimised operation in the deposit area now being mined. Zircon sales volumes remained stable at 15 kt in Q3 19.

In Norway, normal operation has now been restored and discussions are underway with the insurance company. During the quarter, titanium slag production was down 30% to 37 kt and sales volumes were down 46% to 34 kt.

¹⁵ As of end-2018, start-up of the rescue plan

¹⁶ The Ceramics market for zircon (approximately 50% of end-products) and the Pigments market for titanium feedstock (approximately 90%)

¹⁷ Source Zircon premium: FerroAlloyNet.com, Eramet analysis

¹⁸ Titanium dioxide slag, ilmenite, leucoxene and rutile

¹⁹ For the manufacture of chloride pigments ("CP slag")

²⁰ Source: TZMI forecast August 2019, Eramet analysis

²¹ Zircon and titanium ore (ilmenite, leucoxene and rutile)

◆ High Performance Alloys division: sales still adversely impacted by bringing into conformity the quality processes at Aubert & Duval

In Q3 19, the High Performance Alloys division's sales ended at €192m, down 20%.

At Aubert & Duval²², sales fell 20% to €149m. Bringing quality processes into conformity, implemented under the leadership of the new management team, continues with all customers concerned, but still weighs on the deliveries and still significantly impacts Aubert & Duval's sales. The momentum of the corrective action plan has enabled all sites to return to a normal billing rate, with the exception of Les Ancizes, where the teams are fully involved towards achieving this objective in the coming months.

After nearly 10 months of joint expertise and detailed work closely with customers, it is confirmed that there is no impact on the safety of the products in use to date. The French Nuclear Safety Authority ("ASN") confirmed in a press release issued on 20 August that it had not identified any nuclear safety risk at this stage resulting from the processes about which Aubert & Duval informed the market and its customers in December 2018. ASN also announced that it had reported the matter to the French Public Prosecutor. Eramet recalls that reporting such a matter falls under the sole responsibility of the ASN and does not prejudice a possible qualification of the facts reported nor the initiation of public proceedings. Moreover, on 28 August 2019, a complaint was filed by the French association "Sortir du Nucléaire". Eramet is not aware of any judicial developments as a result of these elements.

At Erasteel, sales declined 19% to €43m, mainly due to the sharp slowdown in the automotive sector in Europe and China, which is expected to continue in the coming months. The company was also penalised by the increase in customs duties, which are heavily impacting the exports of high quality high-speed steels to the United States.

◆ Strategic growth projects

The preparation of the Group's two strategic growth projects (expansion of manganese ore production in Gabon and lithium carbonate production in Argentina) is making progress as planned, from a technical and regulatory standpoint.

The final investment decision for each of the two projects will be made end of 2019 at the earliest, and is subject in particular to satisfactory financing conditions and regulatory framework for each of the projects.

◆ Outlook

Over the year, record manganese ore production and nickel ore exports, as well as related productivity gains, should improve the Group's intrinsic performance. With the assumption of market conditions of September 2019²³, more mixed than at mid-year, forecast EBITDA for H2 should be significantly above that of H1, nonetheless leading to full year EBITDA below those of 2018. However, the market and price environment has been particularly volatile in the last fweeks.

²² Aubert & Duval, EHA and others

²³ In particular, the monthly average September manganese ore price came out at USD 5.49/dmtu and nickel prices at USD 8.02/lb (USD 17,673/t)

A horizontal bar with a yellow-to-blue gradient, matching the eramet logo's color scheme.

Calendar

19.02.2020: Webcast & 2019 annual results presentation

28.04.2020: Publication of 2020 first-quarter sales

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 €4 billion in 2018.

For further information, go to www.eramet.com

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APPENDICES

▪ Appendix 1: Sales

Sales (€m) ¹	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
MINING AND METALS DIVISION							
Manganese BU ²	427	470	434	531	456	465	405
Nickel BU	216	182	164	194	179	188	177
Mineral Sands BU ³	62	80	59	77	77	33	25
HIGH PERFORMANCE ALLOYS DIVISION							
A&D and Erasteel	192	206	217	261	239	257	263
GROUP							
Holding company & eliminations	(2)	(2)	(1)	(2)	-	-	-
Eramet group	895	936	873	1,061	951	943	870
Inc. joint ventures	0	0	0	(10)	(12)	(45)	(33)
Share in joint ventures	0	0	0	(10)	(12)	(45)	(33)
Eramet group published IFRS financial statements⁴	895	936	873	1,051	939	898	837

¹Data rounded up to the nearest million.

²Data restated, excluding Mineral Sands BU.

³Full consolidation of Mineral Sands in the Group's accounts as of 1st July 2018.

⁴Application of IFRS standard 11 "Joint Arrangements" in 2018.

Appendix 2: Productions and sales

In thousands of tonnes	Q3 2019	Q3 2018	Change	9m 2019	9m 2018	Change
MANGANESE BU						
Manganese ore and sinter production	1,340	1,212	+11%	3,457	3,207	+8%
Manganese ore and sinter transportation ¹	1,303	1,002	+30%	3,321	2,850	+17%
Manganese ore external sales	911	814	+12%	2,548	2,321	+10%
Manganese alloys' production	202	182	+11%	577	539	+7%
Manganese alloys' sales	175	175	-	543	516	+5%
NICKEL BU						
Nickel ore production <i>(in thousands of wet tonnes)</i>	1,331	1,214	+10%	3,299	2,956	+12%
Nickel production ²	13.0	14.1	-7%	41.0	42.3	-3%
Nickel sales ³	13.1	13.2	-	41.1	41.8	-2%
Nickel ore sales <i>(in thousands of wet tonnes)</i>	556	411	+35%	1,045	866	+21%
MINERAL SANDS BU (100%)						
Mineral sands production	162	200	-19%	540	575	-6%
Zircon production	13	16	-21%	43	48	-10%
Titanium dioxide slag production	37	53	-30%	138	138	-
Zircon sales	15	15	-1%	43	49	-13%
Titanium dioxide sales	34	63	-46%	130	144	-10%

¹ Produced and transported

² Ferronickel and high-purity nickel

³ Finished products

▪ Appendix 3: 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 (including nickel ore exports) 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).