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PRESS RELEASE

ERAMET group: 2016 H1 Results

- **Markets:**
  - **The raw materials sector is going through a crisis of exceptional length and magnitude, strongly impacting all the mining and metallurgical groups.**
  - **The ERAMET Group metal prices have reached their lowest level for nearly 15 years in the first quarter of 2016, which has strongly impacted the Group's results.**

- **Key figures for first-half 2016:**
  - **ERAMET sales stood at €1,373 million in first-half 2016, down nearly 16% compared with first-half 2015 and down 7.4% compared with second-half 2015.**
  - **Despite more difficult market conditions over first-half 2016 compared with second-half 2015, current operating income came out at -€91 million in first-half 2016 compared with -€137 million in second-half 2015. This result is notably due to major strengthening in 2015 of cost reduction and productivity improvement measures taken across the whole Group.**
  - **Net income, Group share was -€141 million.**
  - **Industrial investments, limited to safety and maintenance, are down. They totalled €85 million in first-half 2016 versus €132 million in first-half 2015.**

- **Specific measures at Société Le Nickel (SLN):**
  - **Implementation of an ambitious cash cost reduction plan at SLN, with the objective of achieving a 25% reduction compared with the 2015 average cash cost, on an annual basis, by end-2017, based on the economic conditions of early 2016. The average cash cost for first-half 2016 has already been reduced by 10% compared with 2015.**
  - **ERAMET loan to SLN brought up to €325 million along with a €200 million loan from the French government directly to SLN.**

- **Strengthening of Group's equity:**
  - **A strengthening of ERAMET equity is scheduled for autumn 2016 with the support from its two main shareholders, SORAME-CEIR and the French State: the issue, in accordance with market conditions, of a perpetual convertible bond of €100 million, with priority delay given to all of the Group's shareholders. The ownership interests planned by SORAME-CEIR and the French State amounting to at least their share in the company.**

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ERAMET Board of Directors, which met on 27 July 2016 under the chairmanship of Patrick BUFFET, examined the accounts for first-half 2016.

• Key figures for ERAMET group

The metals crisis, exceptional in length and magnitude, and which has affected the sector's actors, strongly impacted the ERAMET Group results. The Group sales stood at €1,373 million (-16% compared with first-half 2015).

The Group current operating income (-€91 million) is down compared with first-half 2015. Nevertheless, it has improved compared with second-half 2015 (-€137 million), even though market conditions have globally been more difficult throughout first-half 2016. In particular, ERAMET Nickel current operating income has clearly improved compared with second-half 2015 (-€89 million in first-half 2016 vs. –€163 million in second-half 2015).

Net income, Group share totalled –€141 million, down compared with first-half 2015 (-€83 million). It stood at –€714 million for 2015 due to important impairments.

Industrial investments, limited to safety and maintenance, came out at €85 million, decreased by 36% compared with first-half 2015 and by 51% compared with first-half 2014. The objective is to limit investments to €250 million over 2016. This is made possible following the period of significant modernisation investments in production systems made in the early 2010s.

The level of net debt stood at €1,163 million on 30 June 2016. The two main reasons for the increase in net debt on first-half 2016 are linked, on the one hand, to SLN's losses and, on the other, to the put option exercised by Mitsubishi and Pamco in the Weda Bay project. The net debt to equity ratio came out at 70% at the end of first-half 2016.

Key figures – ERAMET Group (in € million)*	H1 2016	H2 2015	H1 2015
Sales	**1,373**	1,483	1,626
EBITDA	**56**	14	78
Current operating income	**(91)**	(137)	(70)
Impairment of assets and tax receivables	**(64)**	(668)	-
Net income, Group share	**(141)**	(631)	(83)
Net debt	**(1,163)**	(878)	(805)
Net debt-to-equity ratio	**70%**	49%	30%

* Adjusted data from Group reporting, in which joint ventures are accounted for using proportionate consolidation. The reconciliation with the published financial statements is presented in Appendix.

- **Financial situation**

In early January 2016, the ERAMET Group drew down a revolving credit facility of €980 million.
In June 2016, the ERAMET Group's financial liquidity remains significant, at 1.28 billion euros.

- **ERAMET Nickel: sales down 36% in first-half 2016 compared with first-half 2015, at €255 million. Current operating income stood at -€89 million, slightly better than first-half 2015 while nickel prices have fallen sharply in first-half 2016.**

Since the start of the decade and up to 2014, growth in the stainless steel market, the main outlet for nickel, was between 6 and 9% a year. 2015 marked a turning point for the market, with a break in growth (-0.4% in 2015 compared with 2014). Over first-half 2016, stainless steel production is up again slightly (1.3%) compared with first-half 2015.

At the same time, nickel producers' sustained levels of high production have led to an increase in nickel stocks, held at a level greater than 500,000 tonnes of metal on the LME (London Metal Exchange) and on the SHFE (Shanghai Futures Exchange) in first quarter 2016. These stocks fell below the 500,000 tonnes mark at end-May 2016 and still amount to approximately 480,000 tonnes as of today.

Nickel prices on the LME have thus continued to fall, to reach their lowest level on average over first-half 2016 (USD 3.93/lb) since first-half 2003 (USD 3.79/lb). At these price levels, according to sector experts, between 70% and 80% of nickel producers are expected to produce at a loss.

Against this backdrop, Société Le Nickel - SLN in New-Caledonia, in which ERAMET has a 56% stake, moved into a negative cash position at end-2015. Throughout first-half 2016, SLN has benefitted from ERAMET's financial support totalling €190 million until end-June 2016. This financial support was approved by the Board of Directors.

ERAMET financial support to SLN was conditioned:

- On the basis of a specific cost reduction and productivity improvement plan being implemented at SLN, with a target of significantly reducing its cash cost by 25% at end-2017, on an annual basis, compared with the 2015 average, based on the economic conditions of early 2016. This plan is especially based on optimising the mine planning, energy efficiency, specialising SLN production in ferronickel and continuing fixed costs reductions.
- On the basis of financial participation from SLN other shareholders. Eventually, a loan of €200 million has been directly granted to SLN by the French Government, which will allow, with additional financial support of €135 million provided by ERAMET, to ensure SLN continued financing up to 2018. These loans will be issued in successive instalments according to needs, and notably in connection with changes in the nickel price.

As a result of its specialisation in ferronickel, SLN will no longer produce matte from second-half 2016 onwards, an intermediary product of nickel which supplied the refinery in Le Havre-Sandouville France. After the consumption of the remaining matte, the Sandouville plant will be supplied by third party matte for which ERAMET has secured a long-term agreement.

Finally, the French Government will provide a financial guarantee for the new power plant project in New Caledonia which will allow the electrical supply to the Doniambo power plant among others, provided French Parliament authorises such financing in autumn 2016.

Regarding the Weda Bay project, following a decision to review its mining assets portfolio, Mitsubishi Corporation wished to exercise on 21 April 2016 a put option to ERAMET in the stake it held with Pacific Metals Co. Ltd (Pamco) in Strand Minerals Pte Ltd, which owns 90% of the Indonesian company for the PT Weda Bay Nickel exploration project. This transaction has no impact on the Group's income statement. ERAMET is now the 100% shareholder of Strand Minerals Pte Ltd which owns 90% of PT Weda Bay Nickel. In turn, as a result of this transaction, the ERAMET Group's net cash has fallen by €97 million.
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.

- **ERAMET Alloys: €497 million sales stable compared with first-half 2015. Current operating income (€13 million) is also close to first-half 2015. Aubert & Duval confirmed its growth with current operating income of €24 million over the period while Erasteel (-€11 million) continued to be affected by market conditions that remain gloomy.**

ERAMET Alloys sales stood at €497 million in first-half 2016. The buoyant aerospace sector now accounts for nearly two thirds of ERAMET Alloys sales.

ERAMET Alloys current operating income stood at €13 million in first-half 2016, down €2 million compared with first-half 2015. The cost reduction and productivity improvement plans for ERAMET Alloys have confirmed progress for Aubert & Duval which recorded current operating income of €24 million in first-half 2016, up 20% compared with the same period last year. Erasteel pursues its restructuring plan as well as its plan to integrate recycling activities of batteries and catalysts. The latter is a key factor in the company's turnaround plans, with its full effect expected end-2017 on an annual basis. Strong actions are taken in the high-speed steel sector. In first-half 2016, Erasteel's current operating income remained negative at -€11 million.

ERAMET Alloys strengthened its positions in the powder metallurgy sector in first-half 2016 thanks to the launch of an investment in a new atomising tower for superalloy powders directed at the aerospace engine parts market.

Regarding its aerospace titanium supply chain, the MKAD plant, a joint-venture between Aubert & Duval and Mecachrome to supply machined parts made of titanium, started production in May 2016. This investment will position Aubert & Duval across the entire aerospace titanium value chain.

- **ERAMET Manganese: sales down 14% at €620 million, due to historically low prices in first-quarter 2016 and a decision to stop production for 4 weeks. Current operating income is at breakeven.**

Gross global production for carbon steel, the main outlet for manganese, is down 2.2% compared with first-half 2015.

Against this backdrop, CIF China 44% manganese ore prices (source CRU) took a sharp downturn in early 2016, reaching a low point in February at USD 1.83/dmtu. The average for ore prices stood at USD 2.91/dmtu in first-half 2016 versus USD3.47/dmtu in first-half 2015.

From March 2016 onwards, ore prices rebounded, following several cuts in production observed across the globe. Since, some South African producers, which had stopped their production seemed to have recovered, a factor that is expected to weigh on prices in the months ahead.

Regarding production, the downturn in the carbon steel market in first-quarter 2016 has led to a sharp increase in available ore stocks. Against this backdrop, for nearly 4 weeks, COMILOG suspended manganese ore production in Moanda in Gabon during first-half 2016. ERAMET Manganese sales were down 14% in first-half 2016 at €620 million compared with €718 million in first-half 2015.

First-half 2016 has allowed for the completion of financing agreements to renovate the Transgabonais railway (SETRAG). It aims at increasing the railway's transport capacity as well as its reliability. The corresponding amount, which will be spread over 8 years, is totalling €316 million of which €93 million will be financed by the Gabonese Government. The balance is backed by SETRAG which benefits from international financing obtained from the SFI (World Bank) and Proparco (a subsidiary of the *Agence Française de Développement* – French Development Agency).

GCMC, a company 100% owned by COMILOG, which specialises in the recycling of petroleum catalysts in the United States, and its wholly-owned subsidiary, BMC, have filed a voluntary petition in front of the competent court of jurisdiction in Pennsylvania to benefit from safeguard measures for relief under chapter 11 of the United States Bankruptcy Code. These measures allow companies to continue their business throughout the duration of the procedure and may facilitate finding a potential buyer.

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

GCO (Grande Côte Operations) in Senegal continued optimizing its operational efficiency, Heavy Mineral Concentrate (containing ilmenite, zircon, rutile and leucoxene) production reaching 280 000 tonnes in the first half of 2016.

In Norway, the ramp up of the TTI (TiZir Titanium and Iron) plant following the recent upgrade and expansion project to produce a higher value chloride slag continues to proceed well. First commercial shipments of chloride slag have been made in first quarter 2016. The plant produced 79 000 tonnes of titanium dioxide slag in the first half of 2016.

Following the Board Meeting, Patrick BUFFET declared:

"All mining and metallurgical companies, including ERAMET, are going through a global crisis, both in terms of magnitude and length. This exceptional crisis has called for exceptional measures.
ERAMET was among the first to make the decisions needed in the face of the crisis. As soon as end-2013, ERAMET implemented a cost reduction and productivity improvement plan targeting €360 million in savings, on an annual basis, in the current operating income by end-2017, compared with 2013. The sharp downturn in metal prices has led to the Group significantly stepping up this plan in 2016 with the objective of reducing cash consumption as quickly as possible.

The implementation of new actions in addition to the stepping up and amplification of previous measures have generated markedly improved results in first-half 2016 compared with second-half 2015, and this in spite of a more difficult market. The following has indeed been decided:

- In October 2015, the limitation of industrial investments to safety and maintenance and the suspension of the Group major projects.

- In early 2016, the implementation of new plans to step up cost reductions across the Group, and in particular in SLN, this subsidiary targeting to lower cash costs by 25% compared with 2015, to USD 4.5/lb by end-2017, on an annual basis, based on the economic conditions of early 2016.

In this respect, I am very pleased that a solution has been found with the French Government to continue financing SLN and its turnaround through a €200 million loan and with financial guarantees provided by the French Government to finance a new electric power plant in New Caledonia, provided French Parliament authorises such financing in autumn 2016 and in compliance with European regulations. These decisions will go along with the issue, in accordance with market conditions, of a perpetual convertible bond of €100 million, in autumn 2016, with the support of its two main shareholders. ERAMET Board has just agreed upon such principle.

However, the current economic climate, particularly in China, calls for the utmost vigilance and we remain focused on ambitious and necessary operational objectives which are expected to allow the Group to return to a positive free cash flow as soon as possible. All of the Group’s teams as well as myself are fully committed to achieving this objective."

ABOUT ERAMET

ERAMET is one of the leading global producers 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 high growth potential activities, 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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APPENDICES

Appendix 1: Sales

Sales	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
ERAMET Nickel	**137**	**118**	144	146	204	192
ERAMET Alloys	**247**	**250**	263	218	254	256
ERAMET Manganese	**323**	**297**	337	375	389	329
Holding company & eliminations	**-**	**1**	-	-	2	-
ERAMET group Inc. joint-ventures	**707**	**666**	744	739	849	777
Share in joint-ventures	**(28)**	**(16)**	(19)	(29)	(26)	(20)
ERAMET group Published IFRS financial statements [1]	**137**	**118**	144	146	204	192

[1] Application of IFRS standard 11 “Joint Arrangements”.

Appendix 2: Production and shipments

Metric tons	H1 2016	H2 2015	H1 2015
Nickel production[1]	**25 737**	27 090	26 279
Nickel sales[2]	**26 463**	26 340	28 250
Manganese ore and sinter production	**1 517 000**	1 990 800	1 877 200
Manganese alloys production	**349 000**	357 200	352 700
Manganese alloys sales	**370 000**	367 600	345 400

[1] Ferronickel and matte
[2] Finished products

Appendix 3: performance indicators

Division operational performance

(€ million)	Nickel	Alloys	Manganese	Holding & eliminations	Total
1st half year 2016					
Sales	255	497	620	1	**1 373**
EBITDA	(36)	40	65	(13)	**56**
Current operating profit (loss)	(89)	13	-	(15)	**(91)**
Net cash generated by operating activities	(136)	21	29	(12)	**(98)**
Industrial investments (intangible assets, property, plant & equipment)	21	19	44	1	**85**
1st half year 2015					
Sales	396	510	718	2	**1 626**
EBITDA	(47)	40	101	(16)	**78**
Current operating profit (loss)	(98)	15	32	(19)	**(70)**
Net cash generated by operating activities	(24)	3	(62)	(35)	**(118)**
Industrial investments (intangible assets, property, plant & equipment)	37	16	77	2	**132**
Full year 2015					
Sales	686	991	1 430	2	**3 109**
EBITDA	(156)	78	196	(26)	**92**
Current operating profit (loss)	(261)	27	58	(31)	**(207)**
Net cash generated by operating activities	(60)	27	106	(80)	**(7)**
Industrial investments (intangible assets, property, plant & equipment)	56	44	164	3	**267**

Sales and industrial investment by geographic region

(€ million)	France	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (destination of sales)								
1st half year 2016	181	465	304	365	11	35	12	**1 373**
1st half year 2015	194	493	380	478	21	43	17	**1 626**
Full year 2015	419	977	663	889	36	85	40	**3 109**
Industrial investments (intangible assets, property, plant & equipment)								
1st half year 2016	21	10	5	-	19	30	-	**85**
1st half year 2015	18	19	6	12	25	51	1	**132**
Full year 2015	49	47	21	1	53	95	1	**267**

Performance indicators by period – income statement

(€ million)	1st half year 2016	1st half year 2015	Full year 2015
Sales	**1 373**	**1 626**	**3 109**
EBITDA	**56**	**78**	**92**
Current operating income	**(91)**	**(70)**	**(207)**
Operating income	**(146)**	**(115)**	**(813)**
Financial income	(53)	(34)	(90)
Share of income from associates	-	-	(1)
Income tax	-	23	(8)
Net income for the period	**(199)**	**(126)**	**(912)**
- minority interests	(58)	(43)	(198)
- Group share	**(141)**	**(83)**	**(714)**
Basic / diluted earnings per share (in euros)	(5,35)	(3,13)	(27,11)

Performance indicators by period - net financial debt variation

(€ million)	**1st half year 2016**	**1st half year 2015**	**Full year 2015**
Operating activities			
EBITDA	56	78	92
Cash impact of items below EBITDA	(95)	(89)	(252)
Cash generated from operations	**(39)**	**(11)**	**(160)**
Working Capital variation	(59)	(107)	153
Net cash generated by operating activities	**(98)**	**(118)**	**(7)**
Investing activities			
Industrial investments	(85)	(132)	(267)
Other investing flows	(109)	10	(16)
Net cash used in investing activities	**(194)**	**(122)**	**(283)**
Net cash used in financing activities	**-**	**-**	**-**
Exchange-rate impact	7	(18)	(41)
(Increase) / decrease in net financial debt position	**(285)**	**(258)**	**(331)**
Opening (net financial debt) position	**(878)**	**(547)**	**(547)**
Closing (net financial debt) position	**(1 163)**	**(805)**	**(878)**

Performance indicators by period - balance sheet

(€ million)	30/06/2016	31/12/2015
Non-current assets	**2 921**	**3 003**
Inventories	952	974
Trade receivables	321	293
Trade payables	(369)	(430)
Simplified Working Capital	**904**	**837**
Other Working Capital items	(104)	(136)
Total Working Capital	**800**	**701**
TOTAL	**3 721**	**3 704**

(€ million)	30/06/2016	31/12/2015
Shareholders' equity - Group share	1 408	1 466
Shareholders' equity - Minority interests	261	313
Shareholders' equity	**1 669**	**1 779**
Cash and cash equivalents and current financial assets	(1 281)	(630)
Borrowings	2 444	1 508
Net financial debt	**1 163**	**878**
Net financial debt / shareholders' equity (gearing)	*70%*	*49%*
Provisions and employee-related liabilities	**709**	**812**
Net deferred tax	**124**	**123**
Derivatives	**56**	**112**
TOTAL	**3 721**	**3 704**

Appendix 4: Reconciliation Group reporting and published accounts

(€ million)	1st half year 2016 Published [(1)]	Joint-venture contribution	1st half year 2016 Reporting [(2)]	1st half year 2015 Published [(1)]	Joint-venture contribution	1st half year 2015 Reporting [(2)]	Full year 2015 Published [(1)]	Joint-venture contribution	Full year 2015 Reporting [(2)]
Sales	1 329	44	**1 373**	1 580	46	**1 626**	3 015	94	**3 109**
EBITDA	54	2	**56**	79	(1)	**78**	92	-	**92**
Current operating profit (loss)	(85)	(6)	**(91)**	(61)	(9)	**(70)**	(191)	(16)	**(207)**
Operating profit (loss)	(139)	(7)	**(146)**	(106)	(9)	**(115)**	(744)	(69)	**(813)**
Profit (loss) for the period - Group share	(141)	-	**(141)**	(83)	-	**(83)**	(714)	-	**(714)**
Net cash generated by operating activities	(96)	(2)	**(98)**	(112)	(6)	**(118)**	(13)	6	**(7)**
Industrial investments	79	6	**85**	124	8	**132**	242	25	**267**
Net financial debt position	(988)	(175)	**(1 163)**	(647)	(158)	**(805)**	(716)	(162)	**(878)**
Shareholders' equity	1 679	(10)	**1 669**	2 670	(4)	**2 666**	1 788	(9)	**1 779**
Shareholders' equity - Group share	1 408	-	**1 408**	2 278	-	**2 278**	1 466	-	**1 466**

(1) Financial statements prepared under applicable IFRS, with joint ventures are accounted for using equity method. See 2016 condensed interim consolidated financial statements (www.eramet.com).
(2) Group reporting, in which joint ventures are accounted for using proportionate consolidation.