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PRESS RELEASE

ERAMET group: Results up sharply in first-half 2017

- **Sales up by 31% in first-half 2017 at €1,797 million.**
- **High current operating income at €256 million, up by €347 million compared with first-half 2016, in the context of significant increase in manganese prices.**
- **Positive net income at €81 million.**
- **Free Cash-Flow at €172 million.**
- **Reduction in net debt at €664 million, leading to a net debt to equity ratio of 36% versus 47% at end-2016. €730 million repayment of the revolving credit facility.**

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Christel BORIES, Group Chairman & Chief Executive Officer declared:

"Results for the first-half are up sharply. 2017 is a turning point for ERAMET. The Group is still only at the start of its transformation and the environment in which the Group is developing remains uncertain.

Our objectives for the future are clear: increase our competitiveness in all our business activities and find the right growth drivers for the future. We are aiming for managerial and operational excellence at all levels of our organisation.

My ambition, as the new Chairman & CEO, is to define a new strategy for the Group targeting profitable growth. To achieve this, we must transform ourselves to become more agile and more responsive, in an ever-changing environment.

All of our teams are fully committed to achieving these objectives which will lead ERAMET to success."



The ERAMET Board of Directors, which met on 26 July 2017 under the chairmanship of Christel BORIES, examined the accounts for first-half 2017.

- **Key figures for ERAMET group**

Key figures for ERAMET group (€m)*	H1 2017	H1 2016	Change
Sales	1,797	1,373	+31%
EBITDA	389	56	+595%
Current operating income	256	(91)	n.a.
Impairment of assets and tax receivables	(37)	(64)	-42%
Net income, Group share	81	(141)	n.a.
Free Cash-Flow	172	(292)	n.a.
Net debt	(664)	(1 163)	-43%
Net debt-to-equity ratio	36%	70%	-49%

* 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 the Appendix.

ERAMET group fundamentals are solid in first-half 2017 with sales of €1,797 million, up by 31% compared with first-half 2016.

Group current operating income is up sharply, at €256 million, increasing steadily for two halves mainly due to the positive change in manganese prices.

Net income Group share was positive at €81 million, up compared with first-half 2016 (-€141 million). In 2016, it was negative at -€179 million.

The level of net debt stood at €664 million at 30 June 2017, versus €836 million at end-2016, steadily falling since its highest point reached at the end of first-half 2016. This reduction in debt is, on the one hand, the result of priority given by the company to cash generation and, on the other, the result of markets improvement. At the end of first-half 2017, the net debt-to-equity ratio came out at 36%.

- **Financial position**

Since 1st January 2017, ERAMET group has repaid €730 million in total on its €980 million revolving credit facility drawn down in early January 2016, including €500 million in the first-half of the year.

In July 2017, TiZir, an ERAMET 50% owned company, issued a new USD 300 million bond which will reach maturity in July 2022. This bond will mainly refinance the previous one scheduled to mature in September 2017.

As of 30 June 2017, ERAMET group's financial liquidity remains significant, at €1.9 billion.

- **Key figures by division**

Key figures by division (€m)*		H1 2017	H1 2016	Change
ERAMET Manganese	Sales	920	620	+48%
	Current Operating Income	346	0	n.a.
ERAMET Nickel	Sales	312	255	+22%
	Current Operating Income	(104)	(89)	-17%
ERAMET Alloys	Sales	564	497	+13%
	Current Operating Income	32	13	+146%

* 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 the Appendix.

- **ERAMET Manganese (including TiZir for 50%): sales up by 48% at €920 million. Current operating income improved clearly at €346 million.**

Manganese business

Gross world production of carbon steel, the main outlet for manganese, increased by 4.5% compared with first-half 2016.

After a correction at the start of 2017, manganese ore prices remain at high levels. The average for CIF China 44% manganese ore prices stood at USD 5.69/dmtu in first-half 2017 versus USD 2.91/dmtu in first-half 2016 and USD 5.70/dmtu in second-half 2016.

Prices for manganese alloys remained robust in first-half 2017 after strong growth observed in 2016.

Mining production reached a record level of 1.9 million tonnes of manganese ore in first-half 2017, in line with the announced objective of 4 million tonnes in 2017. This reflects the operational efficiency achieved at COMILOG and its subsidiary Setrag ensuring the railway transport of the ore.

Mineral sands business

In first-half 2017, TiZir recorded sales of USD 93 million and EBITDA of USD 28 million, up by USD 26 million compared with first-half 2016. These results confirm the success of the ramp-up of TiZir.

The mineral sands markets provide a positive outlook, driven by strong demand in pigments and zircon in the main market regions (China, Europe, and United States).

In Senegal, TiZir continued optimizing its operational efficiency, with a production record posted in the second quarter of 2017. Over the first-half of 2017, GCO production totalled nearly 345,000 tonnes of heavy mineral concentrate.

In Norway, the ramp-up of the plant at Tyssedal is progressing well. Titanium dioxide slag production met the objectives set with 77,000 tonnes produced in first-half 2017.



- **ERAMET Nickel: sales up by 22% compared with first-half 2016, at €312 million. Current operating income of –€104 million, down compared with first-half 2016.**

After a recovery in growth observed in 2016, global stainless steel production continued to grow with an increase of 4% in first-half 2017 compared with the same period in 2016.

Global nickel supply remains high with the start of production of new capacities in Indonesia and the persistence of nickel ore exports from the Philippines.

Metal nickel stocks at the LME and SHFE stay at high levels, at 447,000 tonnes at end-June 2017, down by only 19,000 tonnes since the start of the year.

As a result, nickel prices at the LME remained low in this half at USD 4.43/lb, up slightly however compared with prices in first-half 2016 (USD 3.93/lb on average).

In this context, SLN remains focused on its objective of lowering its cash-cost to USD 4.5/lb at end-2017. In first-half 2017, cash-cost stood at USD 5.17/lb, penalised by two cyclones and difficulty to access deposits linked to blockages by locals in New Caledonia. Moving from USD 6.0/lb in 2015, to our target of USD 4.5/lb¹ at end-2017 can only be an intermediate step and SLN is already working on new initiatives to be implemented as soon as possible to continue its efforts to reduce its cash-cost.

Since June 2017, the Sandouville nickel refinery is supplied by a new source of European nickel matte as part of a long-term agreement. The new process has just been launched and the ramp-up of the plant is expected to take some months. In the long-term, the plant in Sandouville will produce 15,000 tonnes of high-purity nickel intended for high-tech industries, especially for the electronic and batteries markets.

Current operating income for the Nickel division, down by 17% compared with first-half 2016, is impacted by depreciations and losses on inventories linked to lower nickel prices between 31 December 2016 and the end of the first-half and by the ramp-up in business at Sandouville.

The combination of these factors offset the positive impact of the slight increase in the price of nickel in first-half 2017 compared with first-half 2016.

In Indonesia, ERAMET finalised in June 2017 a partnership with the Chinese stainless steel producer, Tsingshan, in view of bringing value to the Weda Bay nickel deposit. The future plant, with a capacity of 30,000 tonnes of nickel, will refine nickel ore based on a pyrometallurgical process. Each of the partners will market its production share. The first sales of nickel ferroalloy (NPI) look set to take place in 2020. ERAMET will hold a 43% stake in the JV and Tsingshan 57%.

¹ Figures at constant economic conditions



- **ERAMET Alloys: sales of €564 million, up by 13% compared with first-half 2016. Current operating income at €32 million, up significantly compared with first-half 2016**

Aubert & Duval, of which aerospace accounts for two thirds of its sales, posted current operating income of €32 million in the first half of 2017, up by 33%. This growth was driven by sustained business in closed-die forging parts.

Aubert & Duval has announced an industrial reorganisation project for its steel melting shops, in particular its plant in Firminy (France). Firminy's steel melting activities must be moved to the plant at Ancizes (France).

The aerospace sector remains strong, propelled by the ramp-up in new programmes in which Aubert & Duval is well positioned. At the *salon du Bourget* (the Paris air show), Aubert & Duval's teams were rewarded, with the "Best performer supplier award", handed out by Airbus Helicopters.

For its part, Erasteel has progressed considerably and has shown current operating income at break-even thanks to strong actions taken in the high-speed steel sector and to the favourable impact of raw materials' prices.

ERAMET Alloys continues to affirm its commitment to develop in sectors with high growth potential:

- Powder metallurgy with the launch in May 2017 of a new atomising tower for superalloys powders intended for the aerospace engine parts market and the additive manufacturing segment;
- Aerospace grade titanium recycling through the start of operations in the EcoTitanium plant on 3 February 2017;
- The recycling of spent catalysts and batteries after consolidation of these activities in early 2017 within the steel melting shop at Commentry (France). This activity will continue to be ramped up in the coming months but is expected to weigh on Erasteel's results for the second-half of 2017.

- **Outlook**

The Group's markets globally remain on a positive trend for the second half of 2017, without at all being able to extrapolate H1 current operating income in a context of very volatile metals' prices.

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ABOUT ERAMET

ERAMET is one of the leading global producers of:

- alloying metals, particularly manganese and nickel, used to improve the properties of steel,
- as well as 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 zircon), lithium and recycling.

The Group employs approximately 13,000 people in 20 countries.

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APPENDICES

Appendix 1: Sales

Sales	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
ERAMET Manganese	502	418	466	353	323	297
ERAMET Nickel	156	156	186	154	137	118
ERAMET Alloys	284	280	246	206	247	250
Holding company & eliminations	1	-	(1)	1	-	1
ERAMET group	943	854	897	714	707	666
Inc. joint-ventures						
Share in joint-ventures	(36)	(20)	(21)	(22)	(28)	(16)
ERAMET group Published IFRS financial statements ¹	907	834	876	692	679	650

¹ Application of IFRS standard 11 "Joint Arrangements".

Appendix 2: Production and shipments

Metric tons	H1 2017	H2 2016	H1 2016
Nickel production ¹	29 156	29 490	25 737
Nickel sales ²	28 630	29 658	26 463
Manganese ore and sinter production	1 933 000	1 896 000	1 517 000
Manganese alloys production	362 000	353 000	349 000
Manganese alloys sales	338 000	355 000	370 000

¹ Ferronickel and matte until end of 2016 and Ferronickel and high purity nickel from 2017

² Finished products

Appendix 3: performance indicators

Operational performance by division

(€ million)	Manganese	Nickel	Alloys	Holding & eliminations	Total
1st half year 2017					
Sales	920	312	564	1	1 797
EBITDA	403	(59)	61	(16)	389
Current operating income	346	(104)	32	(18)	256
Net cash generated by operating activities	326	(18)	8	(37)	279
Industrial investments (intangible assets, property, plant & equipment)	36	42	27	2	107
1st half year 2016					
Sales	620	255	497	1	1 373
EBITDA	65	(36)	40	(13)	56
Current operating income	-	(89)	13	(15)	(91)
Net cash generated by operating activities	29	(136)	21	(12)	(98)
Industrial investments (intangible assets, property, plant & equipment)	44	21	19	1	85
FY 2016					
Sales	1 439	595	949	1	2 984
EBITDA	358	(24)	74	(33)	375
Current operating profit (loss)	219	(119)	27	(43)	84
Net cash generated by operating activities	243	(137)	22	(7)	121
Industrial investments (intangible assets, property, plant & equipment)	104	56	55	2	217

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 2017	204	642	345	527	11	47	21	1 797
1st half year 2016	181	465	304	365	11	35	12	1 373
FY 2016	342	940	619	938	28	75	42	2 984
Industrial investments (intangible assets, property, plant & equipment)								
1st half year 2017	44	8	3	-	27	24	1	107
1st half year 2016	21	10	5	-	19	30	-	85
FY 2016	74	30	9	-	42	61	1	217

Performance indicators by period – income statement

(€ million)	1st half year 2017	1st half year 2016	FY 2016
Sales	1 797	1 373	2 984
EBITDA	389	56	375
Amortisation and depreciation of non-current assets	(124)	(137)	(268)
Provisions for liabilities and charges	(9)	(10)	(23)
Current operating income	256	(91)	84
Impairment of assets	-	(27)	(110)
Other operating income and expenses	(28)	(28)	(69)
Operating income	228	(146)	(95)
Financial income	(52)	(53)	(79)
Share of income from associates	(1)	-	(2)
Income tax	(107)	-	(61)
Net income for the period	68	(199)	(237)
- attributable to the minority interests	(13)	(58)	(58)
- attributable to the Group	81	(141)	(179)
Basic earnings per share (€)	3,07	(5,35)	(6,79)

Performance indicators by period - net financial debt variation

(€ million)	1st half year 2017	1st half year 2016	FY 2016
Operating activities			
EBITDA	389	56	375
Cash impact of items below EBITDA	(204)	(95)	(228)
Cash generated from operations	185	(39)	147
Working Capital variation	94	(59)	(26)
Net cash generated by operating activities (1)	279	(98)	121
Investing activities			
Industrial investments	(107)	(85)	(217)
Other investing flows	-	(109)	30
Net cash used in investing activities (2)	(107)	(194)	(187)
Net cash used in financing activities	(3)	-	100
Effect of exchange rate changes	3	7	8
(Increase) / decrease in net financial debt	172	(285)	42
Opening (net financial debt)	(836)	(878)	(878)
Closing (net financial debt)	(664)	(1 163)	(836)
Free Cash Flow (1) + (2)	172	(292)	(66)

Performance indicators by period - balance sheet

(€ million)	30/06/2017	31/12/2016
Non-current assets	2 745	2 818
Inventories	913	933
Trade receivables	348	333
Trade payables	(373)	(390)
Simplified Working Capital	888	876
Other Working Capital items	(254)	(156)
Total Working Capital	634	720
TOTAL	3 379	3 538

(€ million)	30/06/2017	31/12/2016
Shareholders' equity - Group share	1 587	1 515
Shareholders' equity - Minority interests	250	261
Shareholders' equity	1 837	1 776
Cash and cash equivalents and current financial assets	(1 416)	(1 698)
Borrowings	2 080	2 534
Net financial debt	664	836
<i>Ratio of net financial debt to shareholders' equity (gearing)</i>	<i>36%</i>	<i>47%</i>
Provisions and employee-related liabilities	707	740
Net deferred tax	151	142
Derivatives	20	44
TOTAL	3 379	3 538

Appendix 4: Reconciliation Group reporting and published accounts

(€ million)	1st half year 2017 Published ⁽¹⁾	Joint-venture contribution	1st half year 2017 Reporting ⁽²⁾	1st half year 2016 Published ⁽¹⁾	Joint-venture contribution	1st half year 2016 Reporting ⁽²⁾	FY 2016 Published ⁽¹⁾	Joint-venture contribution	FY 2016 Reporting ⁽²⁾
Sales	1 741	56	1 797	1 329	44	1 373	2 897	87	2 984
EBITDA	375	14	389	54	2	56	366	9	375
Current operating income	250	6	256	(85)	(6)	(91)	91	(7)	84
Operating income	222	6	228	(139)	(7)	(146)	(47)	(48)	(95)
Net income for the period - Group share	81	-	81	(141)	-	(141)	(179)	-	(179)
Net cash generated by operating activities	292	(13)	279	(96)	(2)	(98)	98	23	121
Industrial investments	105	2	107	79	6	85	206	11	217
(Net financial debt)	(501)	(163)	(664)	(988)	(175)	(1 163)	(675)	(161)	(836)
Shareholders' equity	1 851	(14)	1 837	1 679	(10)	1 669	1 791	(15)	1 776
Shareholders' equity - Group share	1 587	-	1 587	1 408	-	1 408	1 515	-	1 515

(1) Financial statements prepared under applicable IFRS, with joint ventures are accounted for using equity method. See 2017 condensed interim consolidated financial statements (www.eramet.com).

(2) Group reporting, in which joint ventures are accounted for using proportionate consolidation.