BEING ERAMET

ANNUAL REPORT

2015

ERAMET

ALLOYS, ORES AND PEOPLE.

Message from
Patrick BUFFET
Chairman & CEO

“The metal market crisis calls for great discipline. By making our cost reduction measures faster and deeper, ERAMET will be able to cope with this difficult period.”

The ERAMET Group is facing a crisis of exceptional length and intensity. Like every global mining and metallurgical group, ERAMET is dealing with the lowest metal prices for more than 15 years. All the Group’s metals have been badly hit at the same time. Nickel prices dropped almost 42% from December 2014 to December 2015. Manganese ore prices fell even further, by 49% over the same period.

At these price levels, the vast majority of producers, especially in nickel, are selling at a loss. This situation results from the slowdown in Chinese industrial output and the ongoing slackness of global economic growth.

A shift to significant overproduction in relation to declining Chinese demand has clearly occurred. However, growth trends on the aviation market remain healthy, which has enabled Aubert & Duval to improve its results.

The Group’s 2015 results, therefore, were significantly impacted. While sales were stable at €3,109 million, current operating income totalled – €207 million and net income was – €714 million after taking into account €668 million in asset impairments and tax receivables. Debt amounted to €878 million at the end of 2015, with a net debt-to-equity ratio of 36% before impairments (49% after impairments in 2015). The Group’s financial liquidity totalled €1.6 billion as of December 31st, 2015. To address this unprecedented crisis, the Group has undertaken robust measures to protect its cash reserves.

These measures are particularly reflected in the suspension of major projects and the restriction of capital expenditure to safety and strict maintenance. In 2015, capex was reduced to €267 million, a decrease of 23% compared with 2014 and 55% compared with 2013.

These measures take the form, in particular, of the 2014-2017 cost reduction and productivity improvement plan, which targets €360 million annual impact on current operating income by the end of 2017 compared with 2013. The Nickel, Alloys and Manganese divisions and the Group’s support departments are jointly and fully committed to the process. As of the end of 2015, half of these gains have been secured. The efforts made on every level will continue on a disciplined basis in 2016 and 2017.

Finally, the Group has begun an asset divestment plan. Any buyers will be selected on the quality of their bid, including the jobs side.

Like every group in its sector of business, ERAMET is going through a difficult period. We must continue to make cash generation the priority in 2016.

ERAMET can count on its competitive advantages: world-class mineral reserves in terms of both content and lifespan and strong technological skills across the metal value chain. Finally, its activity is buoyed over the long term by major changes in the world and lifestyles, such as urbanisation, growing mobility, improving living conditions for the middle classes, transport and power generation.

Tomorrow, all of these transformations will drive consumption of raw materials and, as a result, metals, alloys and superalloys. ■

€3,109 MILLION
GROUP SALES

#1 WORLD PRODUCER
OF FERRONICKEL

#1 WORLD PRODUCER
OF REFINED MANGANESE ALLOYS

#2 WORLD PRODUCER
OF HIGH-POWER CLOSED DIE-FORGED PARTS

BEING ECO-FRIENDLY

A PLANT TO RECYCLE TITANIUM ALLOYS

On April 27th, 2015, French Prime Minister Manuel Valls opened the construction site for the EcoTitanium plant in Auvergne, France. The goal is to build the first aviation-grade titanium recycling channel in Europe.

BEING GRATEFUL

TRIBUTE TO "GENERATIONS SLN"

From September 10th to 12th 2015 in Doniambo, New Caledonia, 1,700 visitors paid tribute to the seven generations of miners and metallurgists who have made SLN for more than 135 years. The exhibition featured 52 families of SLN employees.
A prestigious book was published to keep a record of these valuable memories.

BEING VALUABLE

OPENING OF MOANDA METALLURGICAL COMPLEX (C2M)

C2M is Sub-Saharan Africa's first metallurgical ore processing facility. It was inaugurated on June 12th, 2015 by Ali Bongo Ondimba, President of the Gabonese Republic, and Patrick Buffet, Chairman & CEO of the ERAMET Group. It has two units for the production of silico-manganese and manganese metal.

BEING OPERATIONAL

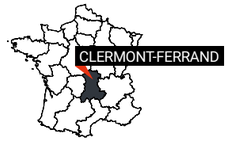
GRANDE CÔTE OPÉRATIONS TAKES OFF

The mining site in Senegal continued to ramp up in 2015 with production that grew 500% from 101,000 tons of ilmenite (titanium ore) to 428,000 tons and from 9,000 tons of zirconium to more than 45,000 tons.

BEING EFFICIENT

OPENING OF SHARED SERVICE CENTRE

Pooling selected services and optimising processes by working together differently in the Group: that's the goal of the Shared Service Centre which opened in Clermont-Ferrand, France in November 2015.



BEING RECOGNISED

ON COURSE FOR ISO 50001 CERTIFICATION

The Sandouville plant passed the energy certification audit (ISO 50001) to become ERAMET's first ISO 50001 certified site in France. It's also the only site with four certifications (ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001).

BEING EFFECTIVE

JOINING FORCES

Aubert & Duval and Mecachrome combined forces to create MKAD. The goal is to form an integrated supply chain by machining large, closed die-forged titanium parts ready for use by the aviation industry in Ariège (France) from 2017.

BEING INNOVATIVE

PROBING AND CHARACTERISING IN ONE STEP

Alongside other partners, ERAMET Research is taking part in SOLSA, an EU-funded mineralogy research project. The aim is to optimise mining exploration by carrying out ore drilling analysis and characterisation operations simultaneously, saving costs and time in the process.

BEING USEFUL

A MAKEOVER FOR SETRAG

Setrag, a COMILOG subsidiary, is preparing an ambitious upgrade programme on the 648 km of railway from Moanda mine to Owendo terminal. The work should be completed by 2022, making transport smoother and safer.

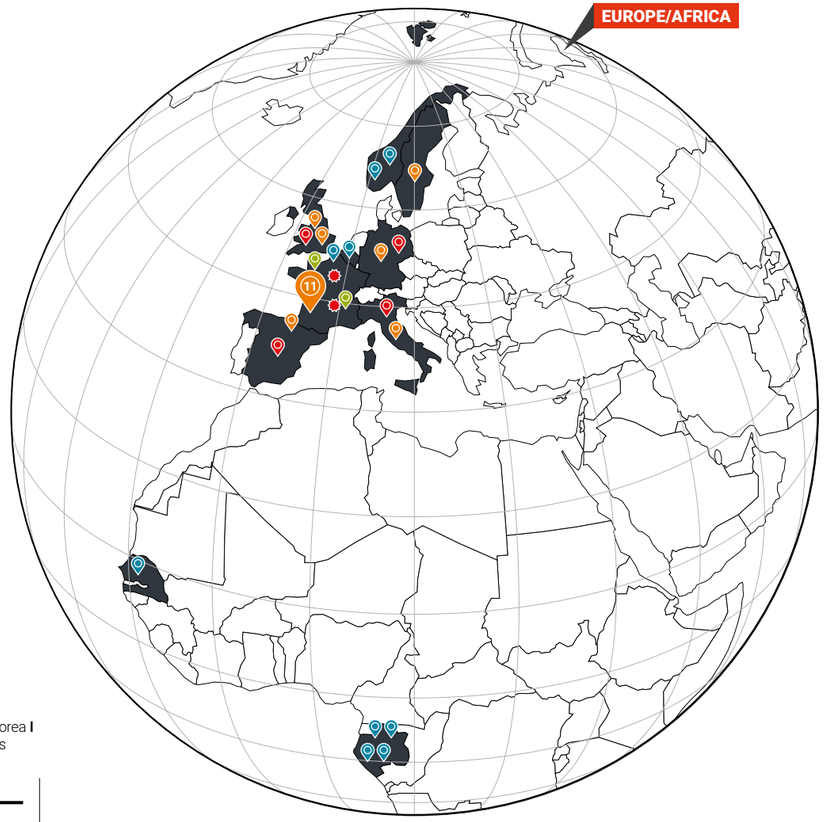
BEING REWARDED

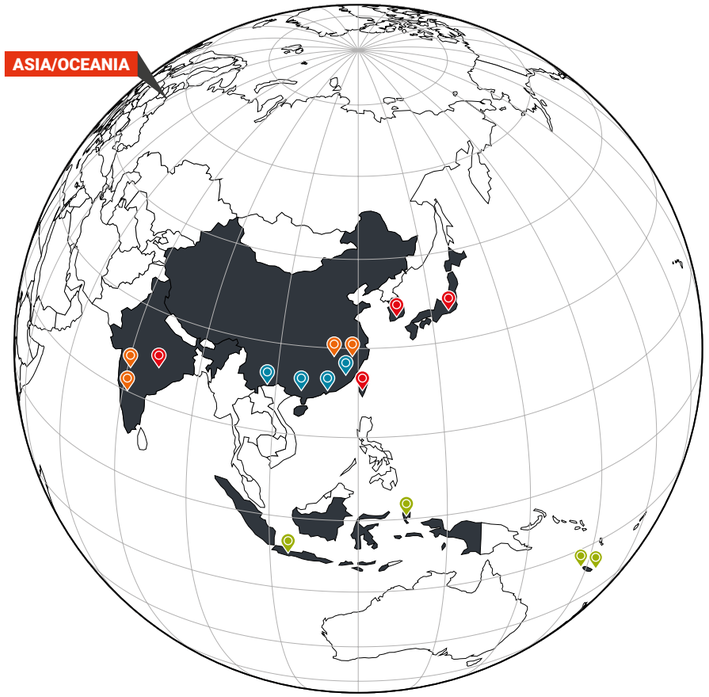
RECOGNITION FOR PERFORMANCE

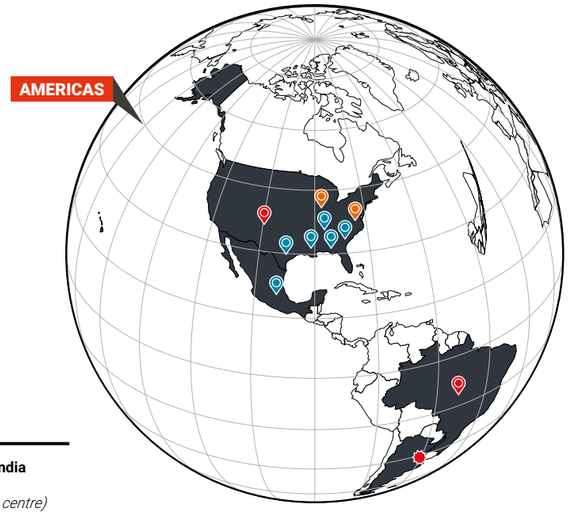
Aubert & Duval won a Space Award 2015 for its results in improving industrial and logistical performance. The award is given by the major players in aerospace.

INTERNATIONAL ACTION & GROWTH

The Group is a major industrial player on five continents, performing to high standards of responsibility. ERAMET meets demands over the long term and develops strategic materials and products with increasingly high performance in line with the 21st century industrial world.







- GROUP
  Headquarters in Paris | ERAMET Research and ERAMET Ingénierie in Trappes | Shared Service Centre in Clermont-Ferrand
- MANGANESE
- NICKEL
- ALLOYS
- ERAMET INTERNATIONAL
  Brazil | Germany | India | Italy | Japan | South Korea | Spain | Taiwan | United Kingdom | United States

GERMANY

- **Erasteel GmbH Germany** *(distribution centre)*
- **Aubert & Duval Special Steels** *(distribution centre)*

BELGIUM

- **ERACHEM COMILOG Tertre** *(manganese chemistry and copper solution recycling)*

SPAIN

- **Usine Metallied Irun** *(powder metallurgy)*

ITALY

- **Aubert & Duval ADES** *(distribution centre)*

NORWAY

- **3 ERAMET Norway plants:**
  - **Porsgrunn**
  - **Sauda**
  - **Kvinesdal**

  (manganese alloys)
- **TTI Tyssedal plant** *(titanium dioxide and high-purity cast iron)*

UNITED KINGDOM

- **Erasteel Stubs Warrington** *(high speed steels)*
- **ERAMET Alloys UK** *(sales & marketing office)*

SWEDEN

- **3 Erasteel plants:**
  - **Långshyttan**
  - **Söderfors**
  - **Vikmanshyttan**

  (high speed steels)

FRANCE

- **COMILOG Dunkerque** *(manganese alloys)*
- **Grenoble Eurotungstene plant** *(metal powders: cobalt, pre-alloys, tungsten, etc.)*
- **ERAMET Sandouville plant** *(high-purity nickel, nickel and cobalt salts)*
- **Erasteel :**
  - **Champagnole** *(high speed steels)*
  - **Commentry** *(high speed steels)*
- **Brown Europe** *(drawing)*
- **Forges de Monplaisir** *(toll forging)*
- **Aubert & Duval – La Pardieu** *(support services)*
- **Aubert & Duval – TAF** *(heat treatments)*
- **Erasteel** Chalon-sur-Saône *(service centre)*
- **Aubert & Duval Heyrieux** *(distribution centre)*
- **6 Aubert & Duval plants:**
  - **Firminy**
  - **Imphy**
  - **Issoire**
  - **Interforge**
  - **Les Ancizes**
  - **Pamiers**

  (close die-forged parts, forged parts, long products, tooling)
- **UKAD plant** *(titanium processing)*
- **Ecotitanium** *(titanium recycling)*
- **MKAD** *(titanium part machining)*

SENEGAL

- **TiZir Grande Côte Opérations** *(ilmenite and zirconium)*

GABON

- **COMILOG:**
  - **Moanda mine and sintering plant**
  - **C2M:** *Moanda metallurgical complex*
- **Owendo logistics site**
- **Setrag: Transgabonais railway concession operating company**
- **Maboumine** *(polymetallic deposit)*

CHINE

- **ADMDT Wuxi** *(distribution centre)*
- **Erasteel Tianjin** *(high speed steels)*
- **COMILOG Guilin** *(manganese alloys)*
- **GECC Chongzuo** *(manganese chemistry)*
- **COMILOG Far East Development Ltd** *(Shanghai)*
- **COMILOG Far East Development Ltd** *(Hong Kong)*

INDIA

- **Erasteel India Private Ltd** *(distribution centre)*
- **SQUAD** *(forging and closed die-forging)*

INDONESIA

- **Weda Bay Nickel, Halmahera Island** *(nickel deposit)*
- **Weda Bay Nickel** *(Jakarta)*

NEW CALEDONIA

- **Société Le Nickel (SLN)**
- **5 mines:**
  - **Kouaoua**
  - **Népoui**
  - **Poum**
  - **Thio**
  - **Tiébaghi**
- **Doniambo metallurgical plant** *(ferronickel and nickel matte)*

USA

- **ERACHEM COMILOG Baltimore** *(manganese chemistry)*
- **BMC Butler** *(ferromolybdenum and ferrovanadium)*
- **GCMC Freeport** *(oil catalyst recycling)*
- **ERAMET Marietta** *(manganese alloys)*
- **ERACHEM COMILOG New Johnsonville** *(manganese chemistry)*
- **Erasteel Boonton** *(high speed steels)*
- **Erasteel Romeoville** *(distribution centre)*

MEXICO

- **ERACHEM Mexico Tampico** *(manganese chemistry)*

ARGENTINA

- **ERAMINE SUDAMERICA** *(lithium deposit)*

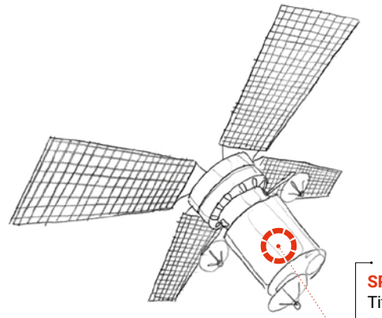
MARKETS
& APPLICATIONS

From stainless steel and energy to aerospace, electric vehicles and construction, the Group serves multiple markets that play a part in our daily lives.

TRANSPORT

110
TONS AND UP
That's the weight of titanium in every Airbus A350 (115 tons) and Boeing 787 (114 tons).

AVIATION
Thanks to the steels made by Aubert & Duval, helicopter rotor blades can withstand vibrations better.



SPACE
Titanium is used in the space market to make fuel tanks for satellite launchers. Supplied in hemisphere or dome form, it makes sure the tanks are airtight and resistant to the propellant gases they contain.

• Door frame
Closed die-forged titanium part for Airbus A350 door frame. Aubert & Duval proved its metallurgical expertise in making these frames.

AVIATION
These steels and superalloys are used to produce an aircraft's vital parts, delivering the essential qualities of strength and safety. In the extreme heat and corrosion of engines, for example, safety is paramount. Landing gears, comprising many high-performance steel, aluminium and titanium parts, are subject to severe mechanical constraints.

• Engine disk

• Landing gear

35%
of the cutting tools used in the automotive, aviation and mechanical industries are made from high speed steels.

MARINE
High-manganese (18-22%) steels, used to make liquefied natural gas tanks for example, deliver toughness that stops cracks spreading at low temperatures.

RAIL
Manganese steels are especially wear-resistant. They can limit distortion and withstand the harsh constraints of rail transport, including the weight of trains and the straightness of tracks.

AUTOMOTIVE
Manganese makes high-performance steels stronger for use in vehicle structure parts. These steels also improve wear resistance in critical engine parts.

CONSTRUCTION

BUILDING MATERIALS
The biggest outlet for manganese is carbon steel, which is used to make the essential parts of all modern buildings. Concrete reinforcing rods contain manganese which makes them stronger and stiffer. High speed steel saws are used extensively to cut structure parts on construction sites. On average around the world, it takes 7 kilos of pure manganese or 10 kilos of manganese alloys to make 1 ton of steel.

1,000 TONS
The 632-meter-tall Shanghai Tower contains **100,000 tons of steel, including 1,000 tons of manganese alloys.**

7
On average around the world, it takes 7 kilos of pure manganese or 10 kilos of manganese alloys to make 1 ton of steel.

BUILDING PAINT
95% of the world's production of titanium ore is used to make titanium dioxide, a white pigment for paint.

EVERYDAY LIFE

JEWELLERY
In addition to the hardness that makes it a valuable material for ceramics, zircon is commonly used in jewellery. Jewels can even be made by 3D printing with metal powders.

FOOD & DRINK
Added to aluminium, manganese makes beverage cans stronger.

Many everyday objects are made in tool steel moulds to give them a perfect finish.

EVERYDAY OBJECTS
The main outlet for nickel is stainless steel, which is found in multiple applications and objects. This essential material for our daily lives delivers shine, flexibility, strength and longevity.

The best cutlery usually has a high nickel content as this makes stainless steel tougher and more corrosion-resistant.

HEALTHCARE

PROSTHESES
Nickel superalloys and titanium are used in many medical prostheses to give them unmatched strength.

PHARMACEUTICALS
Pills are whitened with titanium dioxide.

ENERGY

ELECTRIC CARS
A material with a great future, nickel is an essential component of the hybrid and electric vehicles that will help to reduce the automotive industry's environmental footprint.

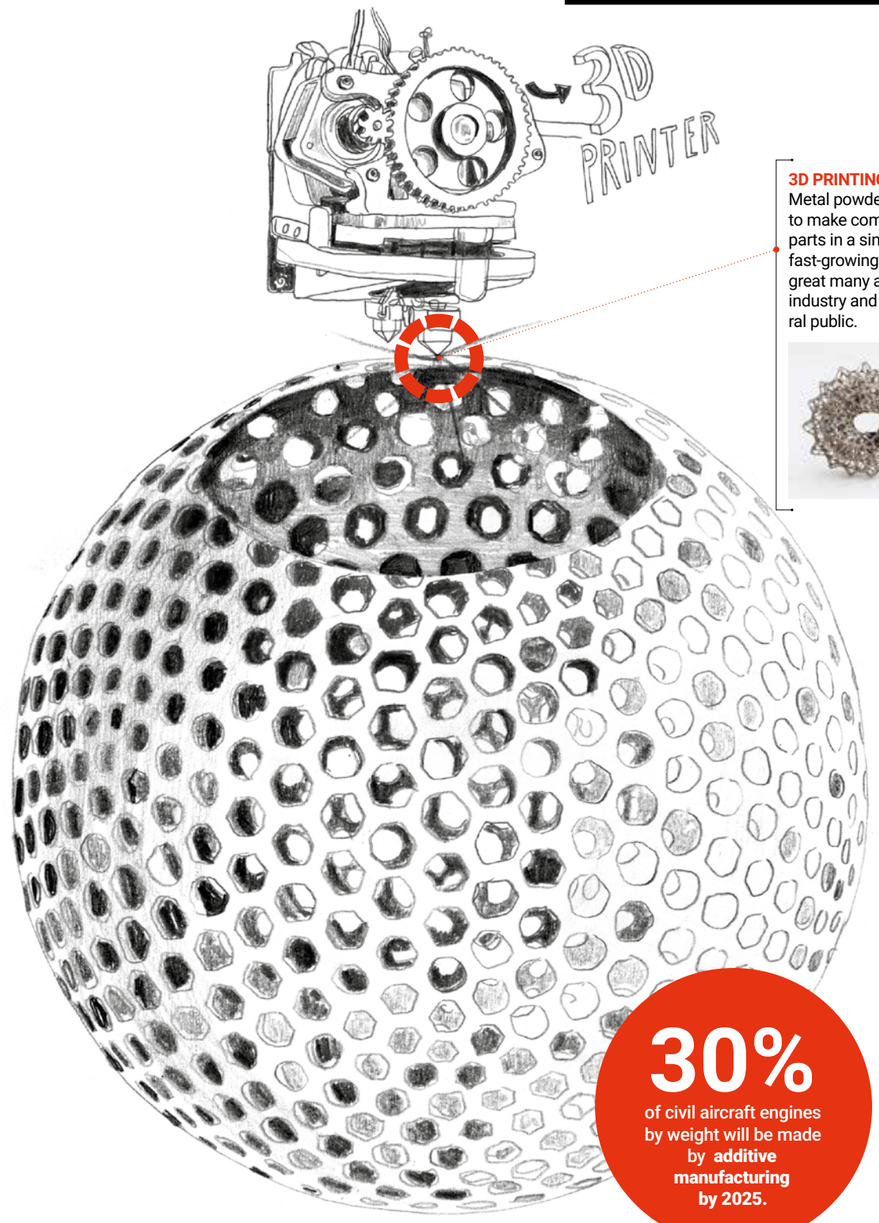
Lithium makes electric vehicle batteries more efficient.

85%
of the materials in an alkaline battery are **recyclable.**

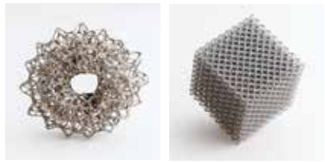
ALKALINE AND LITHIUM-ION BATTERIES
Manganese is the main raw material in alkaline batteries. It is also a key component in cathodes, an essential part of lithium-ion batteries.

MOBILE ENERGY
Nickel is essential to the manufacture of smartphones, tablets and other mobile electronic devices. It is also present in components like condensers and rechargeable batteries

TOMORROW'S INDUSTRY



3D PRINTING
Metal powders are needed to make complex metal parts in a single step. This fast-growing market has a great many applications in industry and for the general public.



30%
of civil aircraft engines by weight will be made by **additive manufacturing by 2025.**

Chapter 1

INNOVATION & RESEARCH

ERAMET draws on world-class R&D. The Group's Engineering and R&D teams work hand in hand to develop new extraction, beneficiation and transformation processes for raw materials and alloys. Together they help to make new applications and products a reality in order to meet the needs of tomorrow's world.

220
EMPLOYEES
DEDICATED TO R&D

32 M€
INVESTED
IN R&D

150
PATENTS
IN THE PORTFOLIO

RESEARCH & DEVELOPMENT ENGINEERING
MEETING SCIENTIFIC AND TECHNICAL CHALLENGES

ERAMET's R&D and Engineering contribute to the emergence of new applications and products in connection with the Group's customers. These targeted innovations must meet performance standards in terms of responsiveness, quality and result.

1.

R&D AND ENGINEERING: A DUO AIMING FOR HIGH PERFORMANCE

Like the Group's other activities, R&D comes under a performance improvement process. Performance means quality of service, speed of response and sustainability of processes taking the environment, personal safety and profitability into account. For that purpose, ERAMET Research has launched a transformation programme to improve its R&D project management processes in depth over the long term. ■

2.

INCREASINGLY OPEN R&D

R&D opens onto the outside world in two ways. On one hand, research teams work more and more with external industrial and academic partners to optimise and leverage research efforts.

One example is SOLSA (Sonic On Line and Sampling Analysis), a European programme on geological exploration. Alongside other players, ERAMET Research and the mining Divisions are working to develop a tool that carries out drilling and chemical and mineralogical analyses at high speed. This will lead to significant savings in terms of both time and operating costs. ■

FIVE AREAS OF EXPERTISE

- Mineralogy / Hydrometallurgies and Pyrometallurgy
- Powder Metallurgy
- Metallurgy / Alloy Grades / Innovation & Process
- Manganese Chemistry and Recycling
- Closed Die-Forging

❶ ***Pilot hydrometallurgical process*** *in Trappes (France).*

❷ ***Sampling by helicopter*** *(New Caledonia).*

3 QUESTIONS FOR
Christophe PETIT

The VP Research & Engineering, ERAMET Group and Chairman, ERAMET Research, looks at how R&D has evolved to adapt to economic conditions.

How are R&D and Engineering interrelated?

We've gone from a sequential process, where we switched from R&D to Engineering once the research work was completed, to close integration between the two. We now work on a continuously iterative basis, which lets us optimise costs and performance without waiting for the different stages in our projects. The Sandouville, France plant's competitiveness project embodies this new way of working. With greater responsiveness and efficiency as a result.

How does managing the project portfolio make a difference?

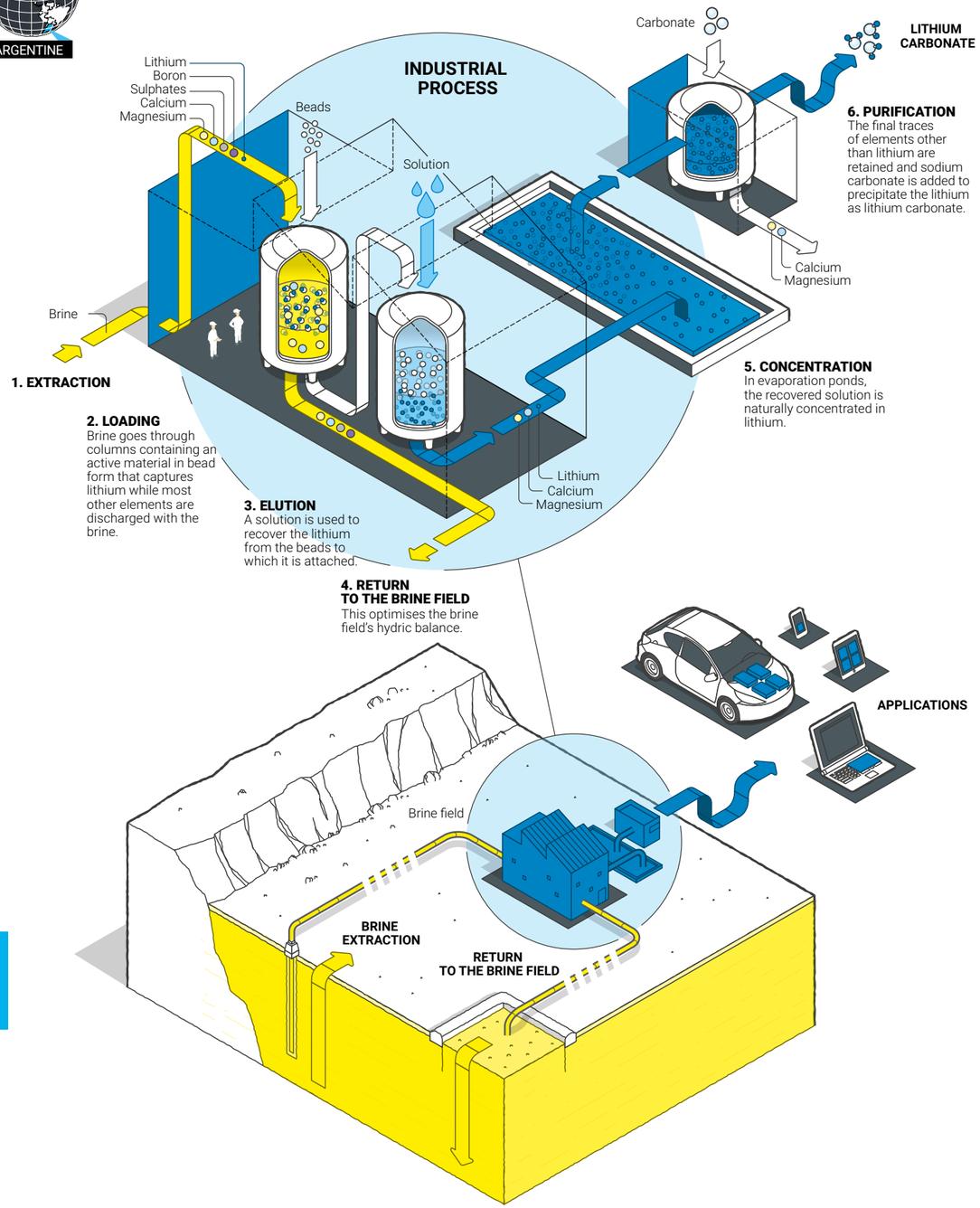
We now manage our project portfolio more selectively and dynamically. Selectively means we concentrate our resources on the projects that create most value. Dynamically means we've set up milestone-based management of our R&D projects that takes into account the industrial, economic and environmental aspects. We're also in a framework where we foster creativity to supply a pipeline of projects. Depending on our choices, we reallocate resources to other projects. So we're in a more agile, more efficient and, as a result, more creative R&D rationale.

Why do R&D and Engineering have external customers?

While ERAMET Research and ERAMET Ingéniérie's primary role is to work for the Group's Divisions, we also make our tools, know-how and expertise available to external clients.

This creates value for them as well as us. ERAMET Research worked closely with Lhoist, for example, to optimise their products for steelworks. Our role consisted of carrying out theoretical calculations beforehand, conducting laboratory tests and checking the results with our client.

LITHIUM MINING



TWO OUTSTANDING PROJECTS IN 2015

From mine to product, ERAMET's R&D is like the Group itself. It covers the entire value chain, as shown by these two projects, developed in 2015.

❶

❷

1.

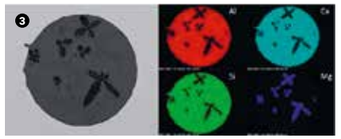
MINING LITHIUM AT 4,000 METERS

ERAMET developed a process for extracting lithium from brine in Centenario-Ratones, northeast Argentina. The aim is to make lithium carbonate for lithium-ion batteries. The project has great potential given the world's growing demand for lithium. To carry it out, teams from ERAMET Research and ERAMET Ingénierie are working closely with several partners to meet the scientific and technological challenges in lithium extraction. They aim to develop a profitable and environmentally-friendly process on a brine field at an altitude of almost 4,000 metres. The teams developed an innovative process that returns brine to the brine field after lithium has been selectively extracted. No fewer than 10 patents have been filed. Agility and responsiveness are the keys to success. Throughout the project, the teams have designed their studies to deliver a profitable process. ■

2.

DEVELOPING A NEW INCLUSION RATING METHOD FOR HIGH-SPEED STEELS

Inclusions may form during the steelmaking process, causing cracks and weakening the material. Teams from the Alloys Division, in cooperation with ERAMET Research, developed a new characterisation method on a scanning electron microscope with the Qemscan® system. This automated analysis gives a more thorough and accurate reading of the metal sample's characteristics. As a result, steel production processes and quality can be optimised. ■



❸

❶ ❷ ***Lithium site exploration*** *(Argentina).*

❸ ***Non-metallic inclusion*** *detected in a steel sample.*

Chapter 2

MINING & BENEFICIATING

ERAMET mines world-class mineral ore deposits that are renowned for their grades and lifespans. Raw materials including nickel, manganese and ilmenite are beneficiated through our metallurgical know-how with the greatest respect for the environment and human health.

53,000 TONS
OF NICKEL PRODUCED

3.95 MILLION TONS
OF MANGANESE ORE PRODUCED

428,000 TONS
OF ILMENITE PRODUCED

MORE THAN 45,000 TONS
OF ZIRCONIUM MINED

ERAMET NICKEL

COPING WITH AN UNPRECEDENTED SITUATION

In 2015, nickel ore prices continued to fall, reaching an all-time low. Like all mining groups, ERAMET Nickel is facing an extremely difficult situation. Drawing on its strengths, the Division has stepped up its performance improvement efforts.

#1
WORLD PRODUCER
OF FERRONICKEL

“ERAMET Nickel can count on its renowned technical expertise and the quality of its deposits.”

1.

A GLOBAL CRISIS

No market has been spared by the slump in raw material prices, especially metals and above all nickel. In 2015, nickel prices dropped 42% on the London Metal Exchange, one of the highest ever falls on the market. At under 4$ per pound, sale prices are below cost prices for almost three quarters of producers, including SLN.

THREE REASONS FOR LOW PRICES

- STAGNATING DEMAND

The Chinese economy isn’t the locomotive it used to be. It is in transition and entering a massive post-urbanisation phase. As a result, industrial demand for stainless steel has slumped.

- ONGOING OVERSUPPLY

The Indonesian ban on ore exports did not have the expected effect on prices when it came into force in January 2014. This was due to massive inventory reduction on nickel metal in China and the rise in Filipino ore exports. The market remains oversupplied.

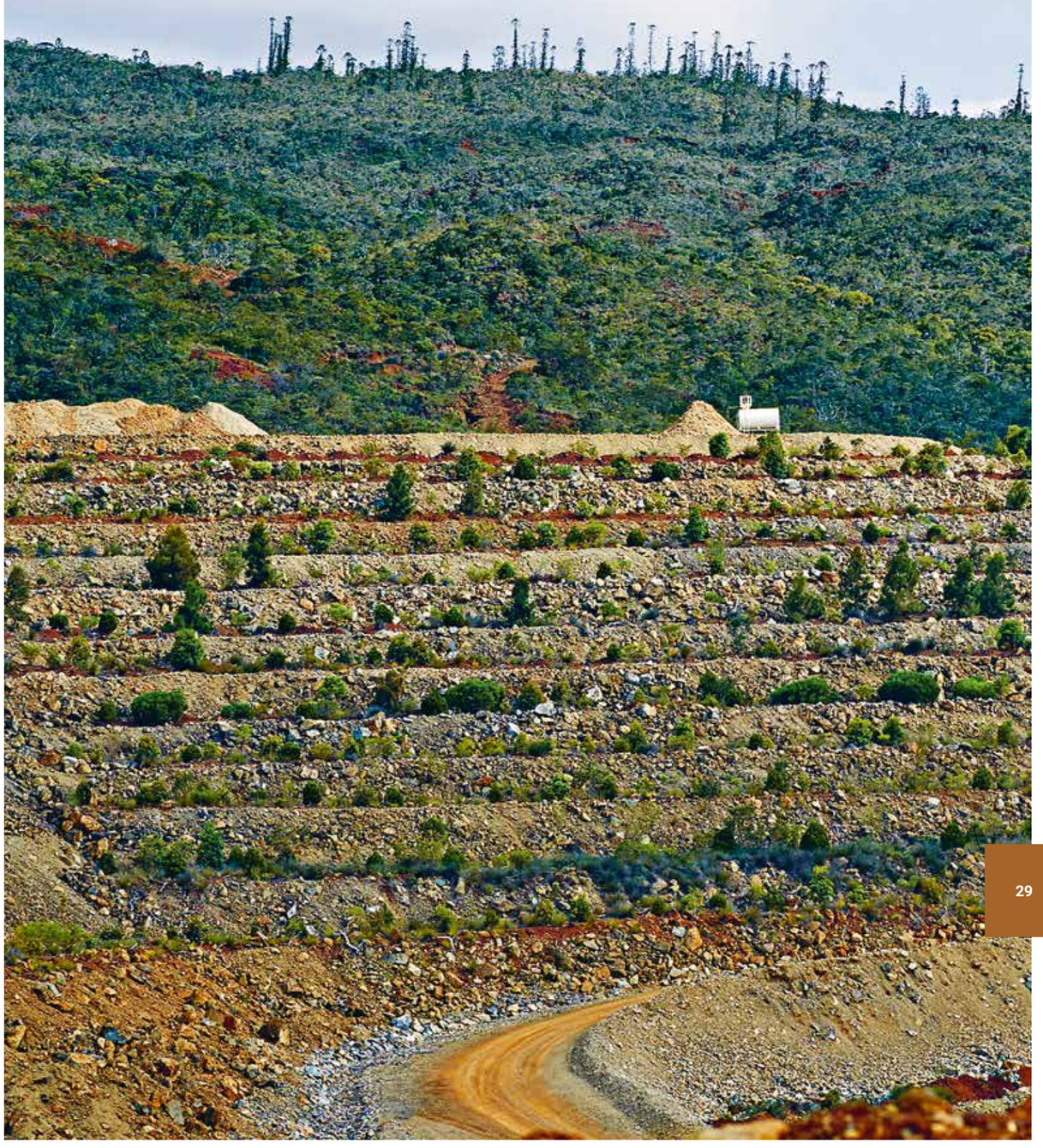
- MARKET FINANCIALISATION

Nickel prices are set by financial market mechanisms that have become a structural component on the London Metal Exchange (LME). In addition, reflecting Asia’s importance, a second marketplace, the Shanghai Future Exchange (SHFE), began listing the metal in March 2015. Combined trading volumes on the LME and SHFE were around 120 times greater than physical volumes in 2015. ■

Nickel ore.

#1
WORLD PRODUCER
OF NICKEL CHLORIDE

***Revegetation phase** at Kouaoua mine (New Caledonia).*



2.

HIGHLY IMPACTED RESULTS

In this context ERAMET Nickel recorded current operating income of – 261 M€ in 2015. This decrease could have been sharper still without the contribution of the US dollar /euro rate and low oil prices (SLN's current electricity plant runs on oil) and, above all, ERAMET Nickel's sustained efforts to reduce costs. This situation contributed to ERAMET's decision to suspend its major projects, including the new electricity plant in Doniambo, New Caledonia. Despite the seriousness of the situation ERAMET Nickel can rely on its renowned technical expertise and the quality of its deposits. ■

3.

A MARKET IMPACTED BY CHINA'S LOSS OF MOMENTUM

Nickel demand almost stagnated in 2015 with approximately 40 million tons of stainless steel produced. We are now seeing the first production decreases, which could restore balance on the market. Inventories are extremely high at around 500,000 tons on the LME and SHFE together. ■

4.

CONTINUATION OF INDUSTRIAL EFFICIENCY AND COMPETITIVENESS ACTIONS

Although it was affected by several hurricanes and unfavourable weather, metallurgical production of nickel in Doniambo totalled 53,000 tons in 2015. To improve its competiveness, SLN is rolling out a new continuous improvement plan to cut its cost price per pound of nickel further by 2018. The plan's implementation is mobilising teams on every level and involves new, more accurate management tools. An additional cost-saving plan is being rolled out in response to the severe deterioration in nickel prices. ■

❶ ***Doniambo plant*** *(New Caledonia).*

❷ ***The Jules Garnier II*** *in Kouaoua prior to loading (New Caledonia).*

❷

❶

Change of product mix at SLN

Since the late 1970s, part of the ferronickel made by SLN has been converted into nickel matte on the Doniambo site. This is then processed at the Sandouville (France) plant into high-purity nickel metal for the aviation and nuclear markets and into nickel salts. Current market trends and far-reaching changes in the subsidiary's economic and technical conditions have significantly changed its business model. Consequently, SLN will focus its production solely on ferronickel, which will lead to the closure of the "Bessemer" matte workshop. SLN will market more ferronickel than at present and will also save the cost of making matte. In parallel, work is in progress to define the best industrial setup for the Sandouville site.

1

OF ONLY 3 PRODUCERS

OF HIGH-PURITY NICKEL

ERAMET MANGANESE

RESILIENCE IN A MORE COMPETITIVE MARKET

In 2015 the Manganese division's environment was marked by a series of sharp decreases in manganese ore prices. It met the challenges of ore production in Gabon and the ramp-up of the Grande Côte plants in Senegal.

1.

RESPONDING TO GLOBAL OVERPRODUCTION

The manganese ore market went through a significant shift in 2015. Carbon steel production fell for the first time since 2000. This slump results from the slowdown in the Chinese economy. The significant excess capacity in China's steel industry is mainly due to the downturn in the construction sector, the primary outlet for carbon steel. In addition, ERAMET Manganese has to deal with new competition from South Africa as exports by emerging players are buoyed by the rand's sharp depreciation. As a result, the price of a ton of manganese ore was halved in 2015. ■

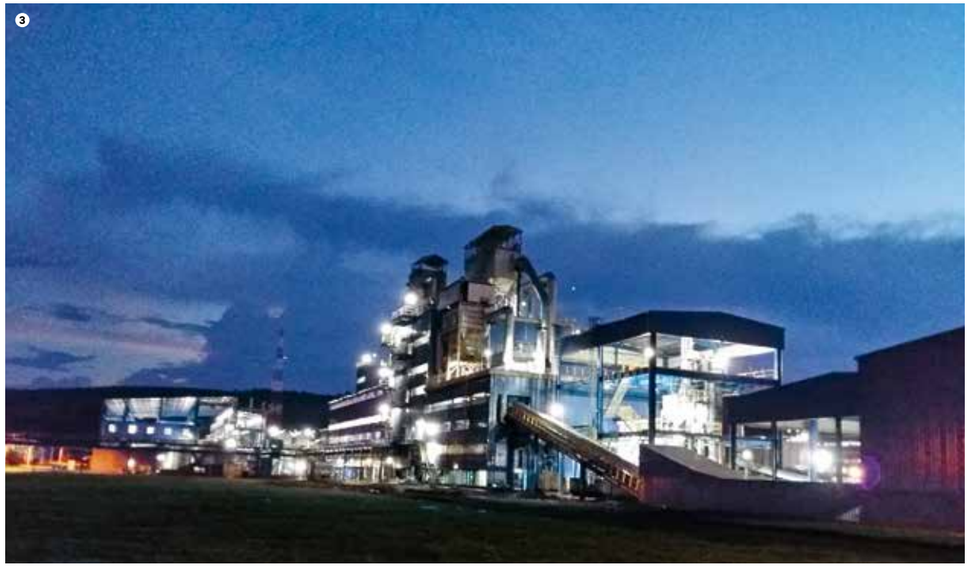
2.

FIRM MANGANESE ALLOY PRICES

Manganese alloy prices held out better in 2015 than ore prices. ERAMET Manganese remains the world leader on the refined alloys market with 18% of global production. It makes these alloys in its three Norwegian plants and in the USA, France and China. The Division owes its leadership to its positioning on products for high value-added markets, particularly flat steels for the automotive and shipbuilding sectors. ■

❶ ***Ship loading*** *at Kvinesdal plant (Norway).*

❷ ***Moanda Mine*** *(Gabon).*



❸ ***Moanda Metallurgical Complex*** *– C2M – (Gabon).*

€1,430
MILLION
IN SALES

3.

PRODUCTION RECORD AT COMILOG

In Moanda, Gabon, ERAMET Manganese operates a world-class deposit with excellent grades and easy access. Combined with the quality of the Division's industrial assets and its know-how, COMILOG is a highly competitive market player. In 2015 is set a new production record with 3.95 million tons of manganese mined and carried to Owendo Port, up 11% from 2014. This achievement comes under the Operating Performance Plan launched in 2013. The production increase was made possible by the performance of Setrag, the company that manages the Transgabonais railway concession, which also improved its traffic regularity in 2015. ■

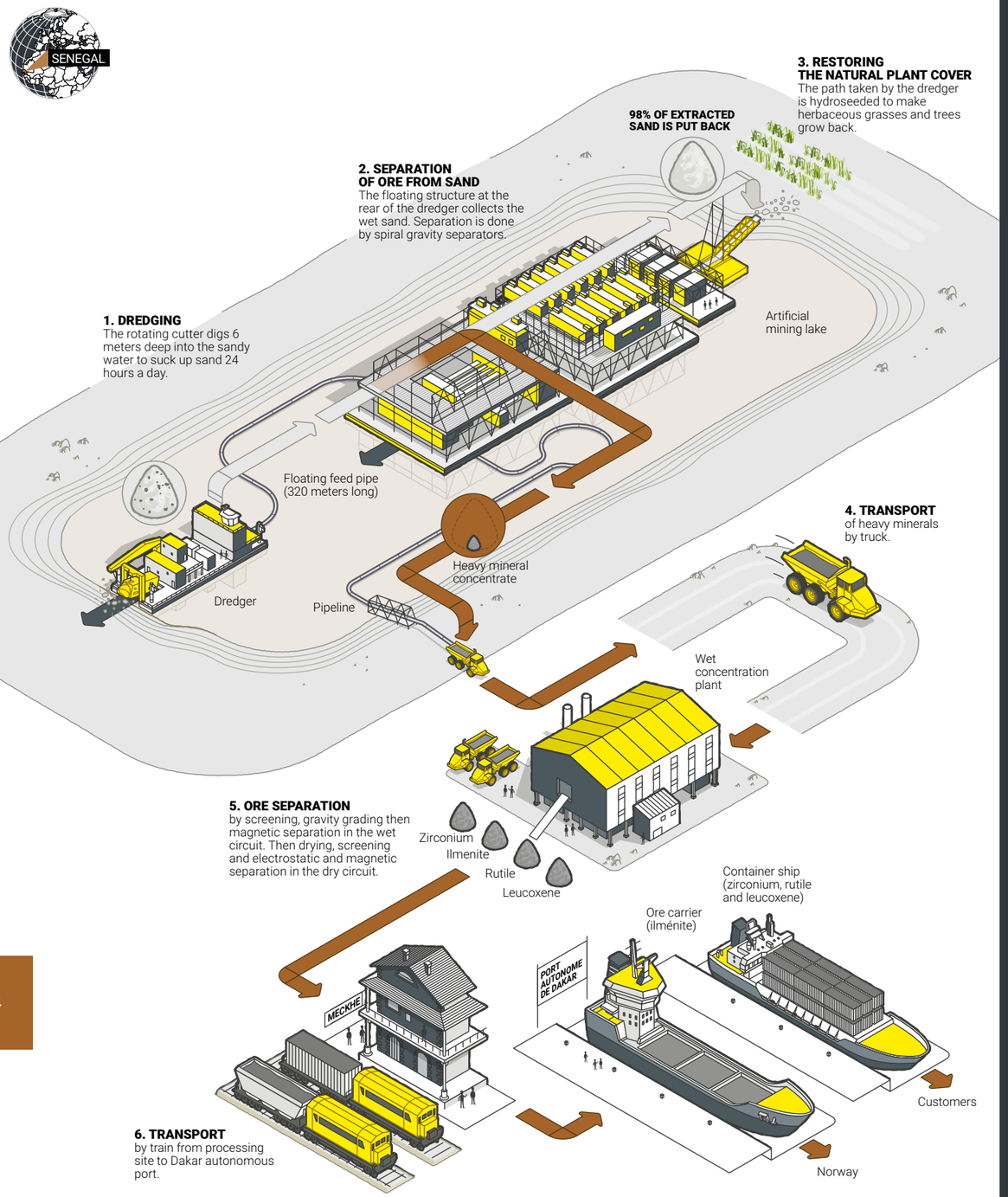
#2
WORLD PRODUCER
OF MANGANESE ALLOYS

Securing Setrag's performance

Ore transport from Moanda to Owendo terminal is the cornerstone of the Division's mining performance in Gabon. To secure the 648 km of lines, in late 2015 COMILOG kicked off an ambitious infrastructure upgrading project. Goals include doubling transport capacity and securing traffic. Under the project engineering structures will be renovated and all wooden sleepers (cross-ties) will be replaced with concrete parts. The seven-year project, to be completed in 2022, is built in close cooperation with the Gabonese Republic.

#2
WORLD PRODUCER
OF HIGH GRADE MANGANESE ORE

MINERAL
SAND PROCESSING



4.

RAMP-UP FOR TWO PLANTS

C2M GETS UNDER WAY

Work on Moanda Metallurgical Complex (C2M) began in 2007.

C2M was inaugurated on June 12th, 2015 by Ali Bongo Ondimba, President of the Gabonese Republic, and Patrick Buffet, Chairman of the ERAMET Group. The two plants, for silico-manganese and manganese metal, form the first modern metallurgical facility for processing manganese ore in sub-Saharan Africa. More than 430 direct jobs have been created.

TIZIR REACHES FULL SPEED

Full production rates were achieved at Grande Côte in Senegal at the end of 2015.

TiZir came on stream in 2014 and continued to ramp up during 2015 with almost 633,000 tons of mineral sand concentrate (ilmenite and zircon) produced. Production levels reached full capacity in late 2015. The ilmenite produced by Grande Côte Opérations is shipped to the Tyssedal plant in Norway.

Tyssedal plant supplied with ilmenite from Grande Côte

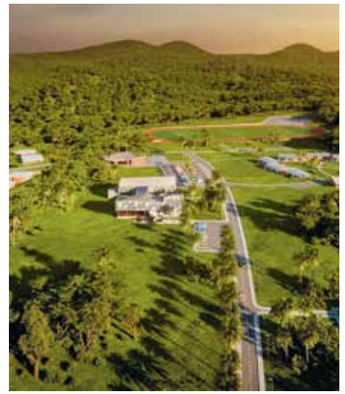
The processing furnace was upgraded and its capacity increased for the occasion. The facility could therefore resume ilmenite processing using a supply from Senegal in December 2015. This activity provides customers with raw materials to make pigments using the chloride process, mainly for paint. ■

5.

IMPROVEMENTS IN SAFETY

ERAMET Manganese recorded an improvement in its safety indicators. In 2015 Safety Days were organised on industrial sites. These management events were structured around observations on the ground and practical discussions. ■

#1
WORLD PRODUCER
OF REFINED MANGANESE ALLOYS



Moanda Metallurgy & Mining School in the home straight

Moanda Metallurgy & Mining School will open for the start of the academic year in 2016. The regional application and training school will offer two tracks: a one-year course for skilled technicians and an 18-month programme for engineers.

***Dredging unit** in Grande Côte (Senegal).*

“ERAMET Manganese is the world #2 producer of manganese alloys.”

#1
WORLD PRODUCER
OF MANGANESE CHEMICAL DERIVATIVES

Chapter 3

DESIGNING & TRANSFORMING

Their strength and mechanical hold under heat make alloys and superalloys valuable for aviation, energy, medical and tooling. ERAMET has long been established as a front-rank global player in these sectors and is recognised for its excellent know-how.

22
PROCESSING AND PRODUCTION PLANTS

300
GRADES

MORE THAN
30,000
HIGH-POWER CLOSED DIE-FORGED PARTS

ERAMET ALLOYS

KEEPING UP EFFORTS ON COMPETITIVENESS AND SERVICE QUALITY

Two well-managed processed have enabled the Alloys Division enabling the Alloys Division to improve results and confirm its recovery. In 2015, ERAMET Alloys held out well despite contrasting situations on its main markets.

1.

AT THE HEART OF THE MODERN WORLD'S NEEDS

ERAMET Alloys (Aubert & Duval and Erasteel) provides alloys and superalloys that are essential to many cutting-edge sectors, including the aviation, energy, automotive and medical markets. The Division also makes high speed steels that are used to make cutting tools and gas-atomised powders for the promising 3D printing sector. On all of these markets ERAMET Alloys, a long-established, front-rank global player, is recognised for its excellent know-how. ■

2.

DEALING WITH MARKET SLUMPS

With good positions on these high-potential segments, in 2015 ERAMET Alloys had to deal with demand that was slack or even falling on some markets.

– Energy: the oil sector is affected by the fall in prices. At the end of 2015, oil prices were close to their lowest levels since 2009. This led to the suspension of many exploration projects that use powder metallurgy-based parts made in Sweden, particularly in deep water locations. Production was stable in superalloy parts for gas turbines.

– Tooling: the sector's downturn, combined with substantial overcapacity in China, had a heavy impact on high speed steels, of which Erasteel is one of the leading global producers. ■

3.

AVIATION: A PROMISING MARKET

ERAMET Alloys makes almost 60% of its sales in this vibrant sector. It is a stakeholder in all of the main aircraft manufacturers' programmes. The Division supplies them with closed die-forged parts and long products for aircraft structures, as well as high value-added superalloy and titanium parts for engines. While ERAMET Alloys faces pressure on costs and the growth of Asian parts makers, in 2015 it benefited from the buoyant US dollar. Nevertheless, the year was marked by slower than expected momentum on the A350 programme and a slower production rate for the A330, which was not offset by the ramp-up of the new Airbus A320neo. This promising programme should speed up from 2016, giving the Division excellent prospects. In addition, ERAMET Alloys benefits from Dassault's very good sales of the Rafale fighter plane this year. ■

❶

❷

5,000
EMPLOYEES
WORLDWIDE

"ERAMET Alloys supplies the alloys and superalloys needed for many cutting-edge sectors including the aviation, energy, automotive and medical markets. The Division also produces high speed steels for making cutting tools and gas-atomised powders for the promising 3D printing sector."

❶ ***Möbius Net,*** *designed by B.Grossman and 3D-printed using Erasteel metal powders.*

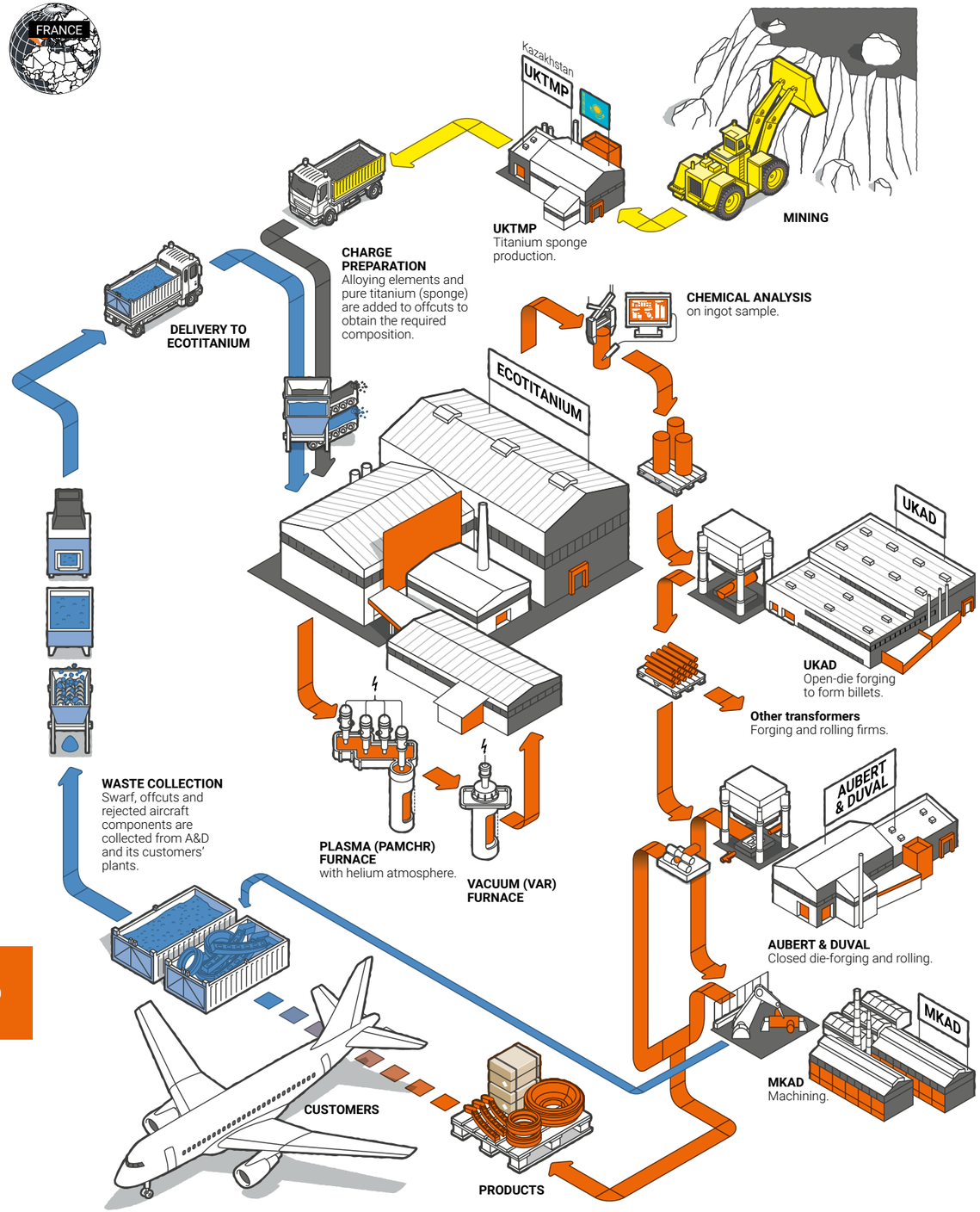
❷ ***Plasma cutting*** *an Interforge aircraft part – Issoire (France).*

Optimised industrial assets

With tough competition from Chinese production of low-cost high speed steels, Erasteel's site in Commentry, France, has had to adapt to stay competitive. Its hot processing activities have been transferred to Sweden. Steelmaking and cold processing activities, as well as battery and oil catalyst recycling activities from Valdi's site in Palais-sur-Vienne, France, have been brought together at Commentry. The aim is to improve competitiveness by using Commentry's industrial assets for melting batteries and high speed steels in turn. €24 million has been invested in this redeployment. This competitiveness drive also concerned rolled wire making, transferred from Les Ancizes, France to Långshyttan, Sweden, where the Division has a modern, high-performance rolling mill.

WORLD
#1
IN GAS-ATOMISED METAL POWDERS

TITANIUM RECYCLING



4.

FOCUS ON PERFORMANCE

ERAMET Alloys is renowned for its innovation capability and its excellent know-how. The Division has kept up its efforts on:

– a €23 million general expenses reduction programme from 2013 to 2016;

– a continuous improvement process, launched in 2013 to restore competitiveness and improve service quality. In every workshop the process means cost reduction initiatives and a flow optimisation approach to reduce in-process inventory and improve schedule adherence. The result is a significantly better on time, in full delivery rate. These efforts have enabled the Division to improve its current operating income substantially. ■

5.

TITANIUM CHANNEL: PIECING THE PUZZLE TOGETHER

The construction site for EcoTitanium, Europe's first aviation-grade titanium recycling plant, opened on April 27th, 2015 in the presence of the French Prime Minister Manuel Valls. The facility will give the European aircraft manufacturing industry an independent supply channel for titanium. The plant will recycle European titanium scrap that was previously sent to the USA or Russia. The plant in Saint-Georges-de-Mons, Auvergne, France is a €48.7 million investment. It is co-funded by ADEME, Crédit Agricole Centre France and UKAD, a joint venture by Aubert & Duval and UKTMP, a Kazakh titanium sponge producer. Production will start up in 2018. ■

Construction of a new building *housing Valdi's battery and catalyst recycling activity in Commentry (France).*

Birth of MKAD

MKAD is a joint venture created in June 2015 by Mecachrome and Aubert & Duval. The company specialises in machining and finishing large aviation-grade titanium parts. MKAD will be housed in a plant to be built in Ariège (France). The goal is to support customers through an integrated supply chain for forged titanium parts.

Award and recognition

Space, the structure grouping together major European aerospace firms, gave Aubert & Duval a Space Award 2015 for its industrial and logistical performance improvement project. The award is in recognition of the flow design transformation process carried out in recent years.

22
INDUSTRIAL SITES
WORLDWIDE

#2
WORLD PRODUCER
OF HIGH-POWER CLOSED DIE-FORGED PARTS

Chapter 4

SOCIAL & ENVIRONMENTAL RESPONSIBILITY

By avoiding, minimising and offsetting impacts, recycling materials and liaising with stakeholders, ERAMET mines and processes raw materials with a constant concern for health, wellbeing and local ecosystems. Despite a difficult economic context, the Group's determination to do its business in accordance with principles remains intact.

75%
OF THE GROUP'S SCOPE CERTIFIED ISO 14001

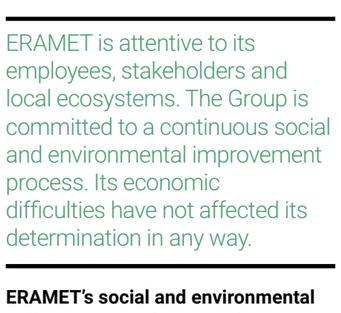
5
SITES CERTIFIED ISO 50001

-16%
DECREASE IN THE GROUP'S ACCIDENT RATE

CSR
A LONG-TERM COMMITMENT

ERAMET is attentive to its employees, stakeholders and local ecosystems. The Group is committed to a continuous social and environmental improvement process. Its economic difficulties have not affected its determination in any way.

ERAMET's social and environmental policy comes under a very long-term outlook. Despite the crisis, the Group has remained true to its commitments and continued to act with the same high standards and determination. Throughout the year it continued to support sites and projects, defend its activities and products while striving to protect human health and local ecosystems, and optimise its risk control policy.



❶

1.
SUPPORTING SITES AND PROJECTS

The Group's licence to operate runs through all of its environmental and social systems. To safeguard that licence's long-term future, ERAMET's approach is to anticipate the impact of its activities and keep up constant local concertation to explain, share and optimise its activities, but also to "Avoid, Minimise and Offset". For example, several projects have been carried out in Gabon, including:

– studies prior to the Moulili River downstream restoration work following the concertation seminar organised in 2014;

– impact studies for the launch of mining on the edges of Bangombé mineral plateau in Moanda;

– socio-environmental management of upgrading work on the railway operated by Setrag to carry ore to Owendo terminal. Moreover, under the Valdi project, every environmental and safety study was carried out, enabling the Group to obtain the authorisations needed to move forward on schedule with this important project for the Commentry site's evolution. ■

❷

❸

2.
DEFENDING ACTIVITIES AND PRODUCTS

ERAMET constantly monitors the development of scientific knowledge and applicable regulations concerning its products and facilities in order to answer its stakeholders' questions objectively and accurately. By gathering intelligence, building up knowledge and formalising procedures in this way, ERAMET is showing its sense of responsibility. In 2015, for example, the Group worked on manganese ore grading issues. The Group also finished updating the Safety Data Sheets for the products it markets. These Sheets provide for the transmission and traceability of product information across the value chain and in the languages of every country concerned. ■

3.
CONTROLLING RISKS

From risk mapping, environmental audits and factoring CSR into due diligence operations to formalising reference grids and optimising organisation, all of ERAMET's activities go through the risk control filter. Health, Safety & Environmental audits are essential parts of this setup and have been optimised. They are now reported in a simple, highly visual reference grid so that line managers can grasp them instantly and monitor them efficiently. ■

Epidemiological study in Moanda

What impact has 50 years of COMILOG's activity had on local populations' health? An epidemiological study, conducted by an independent firm in close cooperation with local authorities and transparently with stakeholders, sought to answer that question. After three years of research, the findings presented in 2015 show that health risks with respect to COMILOG's mining and industrial activities give no cause for concern over neighbouring populations' health.

"Despite the crisis, the Group has remained true to its commitments and continued to act with the same high standards and determination."

❶ ***Public meeting*** *in Commentry (France).*

❷ ***Group internal HSE*** *seminar (November 2015).*

❸ ***GCO teams present cheques*** *to Diogo and nearby villages in a ceremony as part of their community actions (Senegal).*

HUMAN RESOURCES

ADAPTING WITHOUT COMPROMISING ON THE ESSENTIAL

The economic situation is leading ERAMET to redeploy in order to optimise its resources. The Group's Human Resources Department is managing this change with a constant concern for transparency and dialogue – and no compromise on employee safety and training.

13,938
EMPLOYEES
END OF 2015

1.

WORKFORCE ADJUSTMENTS CONTINUE

The heavy market downturn has led ERAMET to undertake job-saving plans in several subsidiaries. Following the initiatives taken in many of the Group's subsidiaries in France and internationally, the same efforts were made in 2015 in support departments in France, the international sales network and China, leading to over 350 job cuts during the year. Seven job-saving plans were in progress in mainland France during the year. They all led to majority agreements with personnel representation bodies, defining support conditions for job cuts. 90% of the cuts took place through internal moves and voluntary departures. On the Group level, the talent development policy fosters internal mobility in terms of both professions and locations. In addition, the start-up of facilities at Moanda Metallurgical Complex (432 direct jobs created) and the ramp-up of the Grande Côte site in Senegal helped to create jobs in both zones. ■

2.

CREATION OF A SHARED SERVICE CENTRE

The Group's Shared Service Centre opened in 2015 in Clermont-Ferrand, France in line with its goal of optimising processes and pooling selected functions. In this respect it points to a new way of working in ERAMET. This is the case, for example, with the setup of a single Group training organisation that is clearer, more consistent and therefore more efficient. The Centre's setup led to 56 new jobs. ■

3.

STEPPING UP THE GROUP'S SECURITY

In a global context of political, security and economic instability, ERAMET has defined a robust system for monitoring, analysing and protecting its employees, facilities, data and know-how. Planis, managed by the Group's Security Department, centralises all information on business travel. ■

❶

❷

"90% of job cuts took place through internal moves and voluntary departures."

❶ ***ERAMET Services*** *in Clermont-Ferrand (France).*

❷ ***Mine employees*** *in Moanda (Gabon).*

Training in change management

This new training module is designed for managers who have to lead change in their operations. It is structured around three topics, "preparing, driving and measuring transformations." The goal is to give managers the keys and tools to anticipate, optimise and implement change.

Priority: safety

ERAMET continued these actions on health and safety.

A Group campaign concerned personal protective equipment with the theme, "Let's wear our PPE, it saves our lives". The Divisions are building on this plan by rolling out their own programmes, such as "Detection, Action" to identify and treat risk situations in real time. In addition, in-depth audits are conducted and managers make regular site tours. In 2015, safety results recorded a slight improvement in terms of both the frequency and severity of accidents.

SOCIAL AND ENVIRONMENTAL INDICATORS

SOCIAL

REGISTERED EMPLOYEES BY STATUS AND BY REGION AS OF 31/12/2015

	FRANCE	EUROPE Outside France	AMERICAS	AFRICA	ASIA	PACIFIC	**TOTAL**
Workers	2 476	886	419	1 691	483	1 451	**7 406**
Supervisors	1 847	265	94	1 538	230	601	**4 575**
Managers	836	165	153	542	109	152	**1 957**
Total registered	**5 159**	**1 316**	**666**	**3 771**	**822**	**2 204**	**13 938**
% managers	16 %	13 %	23 %	14 %	13 %	7 %	**14 %**

REGISTERED EMPLOYEES BY DIVISION AND BY REGION AS OF 31/12/2015

	FRANCE	EUROPE Outside France	AMERICAS	AFRICA	ASIA	PACIFIC	**TOTAL**
Holding	352	12	47	0	28	0	**439**
Nickel	354	0	0	0	219	2 204	**2 777**
Manganese	152	850	586	3 771	539	0	**5 898**
Alloys	4 301	454	33	0	36	0	**4 824**
Total	**5 159**	**1 316**	**666**	**3 771**	**822**	**2 204**	**13 938**

TRAINING(1)	FRANCE	EUROPE Outside France	AMERICAS	AFRICA	ASIA	PACIFIC	**TOTAL**
Training hours	108 648	15 812	23 020	90 733	16 821	62 500	**317 535**
Hours per employee	21	12	35	24	20	28	**23**

(1) Data from annual HR CSR reporting – data declared by the Group's sites.

ENVIRONMENT

SUBJECT	DEFINITION	2015 RESULTS	TREND
Operating permits	Number of operating permits obtained at Group sites.	**173**	– 10% Simplification of texts Single operating permit
Environmental reporting	Percentage of sites included in environmental reporting.	**100 %**	Reporting consolidation and stability
Site certification	Number of industrial and mining sites that have obtained ISO 14001 certification.	**36 sites** **i.e. 75%**	+ 38% in 4 years
Mining site remediation	Aggregate remediated hectares over all of our mining sites.	**190 ha**	Almost 360 ha in 3 years
Air emissions	Number of channelled air emission treatment facilities.	**387**	+ 10% in 2 years

ENERGY

SUBJECT	DEFINITION	2015 RESULTS	TREND
Energy consumption	Energy consumption (electricity, gas, heavy fuel oil, coal, etc.).	**16.6 TWh**	Energy consumption stable for 3 years
Energy process	Number of sites that developed the energy-saving process, based on ISO 50001 standard principles, in 2015.	**15 sites**	5 sites certified ISO 50001
Carbon footprint	CO_2 volume in tons emitted by all of the Group's sites.	**4.438 Mt**	Stable overall since 2010

SAFETY(1)

SUBJECT	DEFINITION	2015 FIGURE	TREND OVER 1 YEAR
Frequency rate 1	Number of lost-time accidents per million hours worked.	**4.8**	– 16%
Severity rate	Number of lost days (in addition to the day of the accident) resulting from lost-time accidents per thousand hours worked.	**0.26**	– 26%
Frequency rate 2	Number of declared accidents with or without lost time, per million hours worked.	**13.6**	– 19%

(1) Statistics take agency workers into account.

Chapter 5

GOVERNANCE

EXECUTIVE COMMITTEE

as of 31/12/2015

Patrick BUFFET
Chairman and CEO, ERAMET

Georges Duval
Delegate CEO ERAMET Alloys

Philippe Vecten
Delegate CEO ERAMET Manganese and ERAMET Nickel

Jean-Didier Dujardin
Chief Financial Officer(1)

Thomas Devedjian
Delegate VP(1)
As of January 1st, 2016, Delegate CEO in charge of Finance

Michel Carnec
Executive Vice-President of Human Resources, Health, Security and Safety

Catherine Tissot-Colle
Executive Vice-President of Communications and Sustainable Development

(1) Until 31/12/2015.

COMPOSITION OF THE BOARD OF DIRECTORS

as of 18/02/2016

Patrick BUFFET
Chairman & CEO, ERAMET

DIRECTORS

Michel ANTSELEVE
Special Advisor to the President of the Gabonese Republic, Head of the Mining, Fuel, Energy and Hydraulic Resources Department.

CEIR, represented by Nathalie DE LA FOURNIÈRE,
Permanent representative of CEIR on the Board of Directors. Chief Financial Officer, Agence d'Urbanisme et d'Aménagement Toulousaine Urbaine

Édouard DUVAL
Chairman of the Management Board, Sorame

Georges DUVAL
Manager, Sorame – Delegate CEO, ERAMET

Sorame, represented by Cyrille DUVAL,
Secretary General, ERAMET Alloys

FSI-Equation(1), represented by Jean-Yves GILET,
Executive VP, Bpifrance

Marie-Axelle GAUTIER
Public law cluster manager – Mining law – Director representing employees

Philippe GOMES
Member of Parliament for 2nd constituency, New Caledonia

Caroline GRÉGOIRE SAINTE MARIE
Company director
(independent director)

Company director Valérie BAUDSON
Global Manager, Métier ETF line and Indiciel d'AMUNDI
(independent director)

Manoelle LEPOUTRE
Executive Vice-President Sustainable Development and Environment, TOTAL
(independent director)

Pia OLDERS
Insurance Portfolio Manager – Director Representing Employees

Catherine RONGE
Chairman, WEAVE AIR (strategy consultancy)
(independent director)

Claude TENDIL
Chairman, Generali Group France
(independent director)

Frédéric TONA
Independent Mining Consultant
(independent director)

Antoine TREUILLE
Chairman, Charter Pacific Corporation
(independent director)

Alexis ZAJDENWEBER
Director, Energy Investments, Agence de Participations de l'État – Director representing the French State

CENSORS

Jean-François REBATEL
Daniel SIGNORET

CENTRAL WORKS COUNCIL DELEGATE

Philippe LAIGNEL

HONORARY CHAIRMAN

Yves RAMBAUD

(1) FSI-Equation is a subsidiary of Bpifrance Participations (formerly FSI).

CONSOLIDATED FINANCIAL STATEMENTS (1)

THE GROUP'S RESULTS

2015: Group's results heavily impacted by global metals crisis

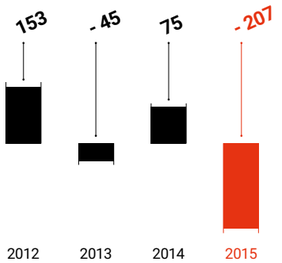
The year was marked by a far-reaching crisis in the mining and metallurgical sector, with prices at their lowest for 15 years. Nickel and manganese were hit simultaneously. In the context of an exceptional metals crisis in terms of both its duration and scale, the ERAMET Group's sales were stable at €3,109 million for 2015. The Group's current operating income slumped heavily compared with 2014 to – €207 million, due to ERAMET Nickel's operating losses in particular. Historically low metal prices also led the ERAMET Group to record €668 million in asset impairments and tax receivables impairments. The Group's share of net income totalled – €714 million for 2015.

Capital expenditure decreased 23% to €267 million, with the restriction to capex on safety and strict maintenance renewed for 2016. This is possible following the period of heavy capex on production asset modernisation in the early 2010s. Debt totals – €878 million as of December 31st, 2015. The debt-to-equity ratio (before impairments in 2015) worked out at 36%. After the impairments recorded in 2015, it stands at 49%. ERAMET has substantial financial liquidity of €1.6 billion as of December 31st, 2015. In response to these extraordinary conditions, the ERAMET Group has set up robust measures to protect its cash. ■

(1) Adjusted data from Group reporting, in which joint ventures are accounted for using proportionate consolidation. See consolidated financial statements as of December 31st, 2015, available on the Group's website (www.eramet.com).

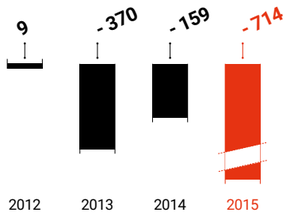
€3,109 MILLION
SALES IN 2015

CURRENT OPERATING INCOME
(€ MILLIONS)



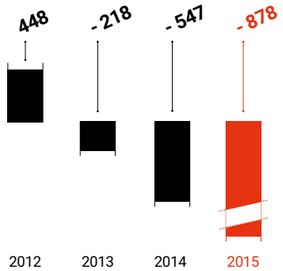
A sharp fall in current operating income, which was severely hit by the Global metals crisis.

NET INCOME, GROUP SHARE
(€ MILLIONS)



The Group's share of net income decreased substantially in 2015 as a result of exceptional impairments.

NET DEBT
(€ MILLIONS)

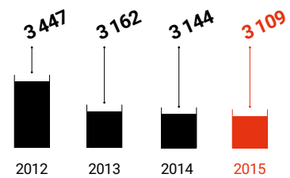


Net debt totalled €878 million as of December 31st, 2015.

INCOME STATEMENT

The ERAMET Group's sales were stable from 2014 to 2015. ERAMET Manganese held out well despite the heavy fall in prices, thanks to its competitive positioning. Ore production reached an all-time high with 3.93 MT transported in 2015. ERAMET Alloys' sales rose 6% in 2015 thanks to its very good positioning in the steadily growing aircraft manufacturing sector. On the other hand, ERAMET Nickel's sales decreased 12% in 2015 compared with 2014, particularly because of the downturn in LME nickel prices (– 42% from December 2014 to December 2015). The fall in the Group's current operating income is mainly due to ERAMET Nickel's current operating income, which was heavily impacted by LME nickel prices and not offset by ERAMET Alloys and ERAMET Manganese's positive results. Operating income takes into account study costs on major projects, restructuring costs and asset impairments (€474 million in 2015). The Group's share of net income totalled – €714 million compared with – €159 million in 2014, after taking into account the – €198 million share of minority interests in net income for 2015. ■

SALES
(€ MILLIONS)



Sales were stable compared with 2014 at €3,109 million.

APPROX.
€180 MILLION
AGGREGATE SAVINGS IN 2014 AND 2015 IN ANNUAL IMPACT TERMS

€ MILLIONS	2015	2014
SALES	**3 109**	**3 144**
EBITDA	**92**	**363**
CURRENT OPERATING INCOME	**(207)**	**75**
OPERATING INCOME	**(813)**	**(54)**
Financial result	(90)	(68)
Share in profit of associates	(1)	–
Income tax	(8)	(49)
NET INCOME FOR THE PERIOD	**(912)**	**(171)**
• minority interests	(198)	(12)
• Group share	**(714)**	**(159)**
Basic / diluted earnings per share (in euros)	(27.11)	(6.06)

NET FINANCIAL DEBT VARIATION

The Group's net financial debt totalled – €878 million as of December 31st, 2015 compared with €547 million as of December 31st, 2014. This change results from the following flows:

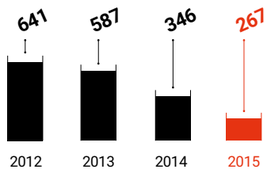
– – €7 million in net cash generated by operating activities (€43 million in 2014):

- – €160 million in cash generated from operations compared with €125 million in 2014 due to a sharp fall in results in 2015 compared with 2014;
- + €153 million in working capital variation due to activity, with a substantial decrease in inventories and receivables in particular;

– €283 million in net cash used in investing activities, of which mainly – €267 million with respect to industrial capital expenditure;

– €41 million in exchange rate impact. ■

CAPITAL EXPENDITURE
(€ MILLIONS)



Industrial capital expenditure was limited to €267 million, a 23% decrease from 2014.

€267
MILLION
CAPITAL EXPENDITURE IN 2015, DOWN 23% FROM 2014 AND 55% FROM 2013

€ MILLIONS	2015	2014
OPERATING ACTIVITIES		
EBITDA	92	363
Cash impact of items below EBITDA	(252)	(238)
Cash generated from operations	**(160)**	**125**
Working capital variation	153	(82)
Net cash generated by operating activities	**(7)**	**43**
INVESTING ACTIVITIES		
Industrial capital expenditure	(267)	(346)
Other investing activity flows	(16)	26
Net cash used in investing activities	**(283)**	**(320)**
Net cash used in financing activities	**–**	**(25)**
Exchange rate impact	(41)	(27)
(Increase) / decrease in net financial debt position	**(331)**	**(329)**
Opening (net financial debt) position	**(547)**	**(218)**
Closing (net financial debt) position	**(878)**	**(547)**

BALANCE SHEET

The Group's total assets, as of December 31st, 2015, amounted to €3,704 million, compared with €4,255 million as of December 31st, 2014. This €551 million decrease mainly results from: on one hand, a €404 decrease in non-current assets, essentially as a result of €474 million in asset impairments in 2015 and a €173 million reduction in simplified working capital due to activity, including €84 million and €94 million decreases in inventories and receivables, respectively; on the other hand, a decrease in shareholders' equity (– €975 million) mainly due to the net loss in 2015, a €331 million increase in net financial debt and a €80 million increase in provisions. ■

€1.6
BILLION
IN FINANCIAL LIQUIDITY AS OF DECEMBER 31ST 2015

€ MILLIONS	31/12/2015	31/12/2014
Non-current assets	**3 003**	**3 407**
Inventories	974	1 058
Trade receivables	293	387
Trade payables	(430)	(435)
Simplified working capital	**837**	**1 010**
Other working capital items	(136)	(162)
Total working capital	**701**	**848**
TOTAL	**3 704**	**4 255**

€ MILLIONS	31/12/2015	31/12/2014
Shareholders' equity – Group share	1 466	2 322
Shareholders' equity – minority interests	313	432
Shareholders' equity	**1 779**	**2 754**
Cash and cash equivalents and other current financial assets	(630)	(938)
Borrowings	1 508	1 485
Net financial debt	**878**	**547**
Net financial debt / shareholders' equity (gearing)	*49 %*	*20 %*
Provisions and employee-related liabilities	**812**	**732**
Net deferred tax	**123**	**130**
Derivatives	**112**	**92**
TOTAL	**3 704**	**4 255**

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