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## PRESS RELEASE

### **ERAMET Group: Slight growth in turnover <sup>1</sup> in the 1<sup>st</sup> quarter of 2018, at a historically high level.**

- **Turnover of €870M <sup>1</sup> for the first quarter of 2018, up by + 2% compared to the first quarter of 2017. Contrasted evolution of turnover, depending on the division: Manganese division + 3%, Nickel division + 14% and Alloys division - 6%.**
- **Strong growth in both spot manganese ore prices and nickel prices in the first quarter of 2018 compared to the end of 2017. They are at levels well above those of early 2017, respectively + 28% and + 29%.**
- **Decrease in the Euro-US dollar exchange rate (-15%), which impacted the turnover for the first quarter of 2018.**

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#### **Christel BORIES, Chairman and CEO of the Group said:**

*"The Group's markets showed generally positive trend at the beginning of the year. ERAMET's teams are fully engaged in the implementation of our strategy, growth and operational excellence. We remain vigilant regarding changes in the demand for metals on the world markets in the months to come, in a volatile environment in terms of price."*

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<sup>1</sup> Consolidated performance indicators; See Financial glossary in Appendix 3

ERAMET Group's turnover by division of activity:

<b>Turnover<sup>1</sup></b> (Millions of euros)	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Variation</b>
Manganese Division	<b>429</b>	<b>418</b>	<b>+3%</b>
Nickel Division	<b>177</b>	<b>156</b>	<b>+14%</b>
Alloys Division	<b>263</b>	<b>280</b>	<b>-6%</b>
Holding & eliminations	<b>0</b>	<b>0</b>	<b>-</b>
<b>ERAMET Group</b>	<b>870</b>	<b>854</b>	<b>+2%</b>

<sup>1</sup> Adjusted data from the Group reporting in which joint ventures are accounted for under proportionate consolidation. figures rounded to nearest million.

At constant scope (divestment of Eurotungstene in April 2017 and of recycling activities in the United States in May 2017) and constant exchange rates<sup>2</sup>, the change in the Group's first quarter turnover would be approximately +14% compared to the first quarter of 2017.

- **Manganese Division (including TiZir<sup>3</sup>): continuation of high price levels of manganese ore**

### ***Manganese Activities***

Global carbon steel production, the main outlet for manganese, increased 2%<sup>4</sup> in the first quarter of 2018 compared to the first quarter of 2017. Global production is stable<sup>4</sup> compared to the last quarter of 2017, reflecting a good level of steel activity worldwide.

The demand for manganese ore remains overall high, despite the winter shut-downs linked to environmental imperatives in China.

Manganese ore producers continued to make full use of their production capacity in the first quarter, particularly in South Africa, Gabon and Australia. The supply/demand balance remains tight, as evidenced by the low levels of ore stocks in Chinese ports.

In the first quarter of 2018, the average price of manganese ore CIF China 44% (source CRU) stands at 7.4 USD/dmtu, up +28% compared to the corresponding period of 2017, and +16% compared to the last quarter of 2017.

Overall turnover variation reported in the first quarter of 2018 compared to the first quarter of 2017 does not reflect the increase in market spot prices of ore over the period. Sales in the first quarter of 2017 benefited indeed from very high spot prices of end-2016 with an exceptional peak effect.

Unlike manganese ore, the prices of manganese alloys are slightly lower when compared to the first quarter of 2017. They have however stabilised at still high levels in the first quarter of 2018.

In Moanda (Gabon), the quarterly production of manganese ore was higher (+8%) than that of the first quarter of 2017, which was negatively impacted by the ore treatment facilities maintenance at mine site. Manganese ore volumes sales increased by +23% compared to the first quarter of 2017, despite the derailment of an ore transportation train in February 2018, which, on the other hand, affected the volume of ore transported (-6%). This incident occurred after nearly two consecutive years without a derailment and had only material consequences. It however emphasizes the importance of implementing

<sup>2</sup> See Financial glossary in Appendix 3

<sup>3</sup> 50/50 joint venture between the ERAMET Group and Mineral Deposits Ltd.

<sup>4</sup> Source: World Steel Association for January/February and ERAMET estimate for March

our investment programme for the renovation of the Transgabonese railway line operated by Setrag, a subsidiary of Comilog. This programme began in 2017 for a period of 8 years. For 2018, Comilog remains in line with the target of more than 4 Mt ore produced and transported, a record level reached in 2017.

The production of manganese alloys was 179 kt over the quarter, stable compared to first quarter of 2017.

Thus, in the first quarter of 2018, despite growth in manganese ore volumes sales, Manganese Division's turnover increase was limited compared to the same period of 2017 (+3%). This resulted from falling Euro-US dollar exchange rate, from eroding manganese alloys prices and from the very limited impact of higher ore prices over first quarter of 2017.

In the first quarter of 2018, ERAMET reinforced the team that is carrying out the detailed feasibility study for the increased production capacity of the mine (more than 30%), which now counts around 50 people involved full time. This programme is a major pillar of the Group's growth strategy.

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

In the first quarter of 2018, TiZir (at 100%) posted a turnover of €50M (USD 61M), up sharply (+ 67%) compared to the first quarter of the previous year, adversely impacted by the continuing ramp up of the Tyssedal kiln after the smelter incident which occurred in August 2016.

Turnover, however, fell significantly (-23%) compared to the last quarter of 2017 which reflects the following:

- Ilmenite sales volumes from Senegal were strongly affected notably by work on the railway around Dakar in the first months of the year. This situation did not make it possible to take advantage of the slight growth in mining production compared to the last quarter of 2017 (+3%).
- Downstream, at the Norwegian TiZir plant, a technical incident caused the pre-reduction kiln to shut down for 6 weeks. This shut-down negatively affected the production of titanium slag. The operations resumed normal production on 13 April 2018.

The prices of zircon and titanium slag remained favourable in the first quarter of 2018.

#### **• Nickel Division: nickel prices rising sharply**

Global production of stainless steel, the main outlet for nickel, remains strong over the first three months of 2018, up 6%<sup>5</sup> compared to the same period of 2017, reaching 12.2 million tonnes<sup>5</sup>. However, global production of stainless steel is down 3%<sup>5</sup> compared to the last quarter of 2017, when it achieved record levels of activity.

Global production of primary nickel posted a sustained increase in the first quarter of the year at around 530 kt<sup>5</sup> (+8% compared to the same period in 2017), notably driven by the ongoing ramp up at new plants in Indonesia.

At the end of March 2018, nickel metal inventories on the LME and SHFE (Shanghai Futures Exchange) amounted altogether to 368 kt and continue to decline (-11% compared to the end of 2017 and -19% compared to the end of March 2017).

As for all base metals, nickel prices were sustained in the first quarter of 2018 by the weakening of the US dollar, a renewed interest in commodities, as well as a favourable economic situation. The average price of nickel on the LME for the quarter amounted to

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<sup>5</sup> Source: International Stainless Steel Forum (ISSF) and ERAMET estimate

13,276 USD/t (6.02 USD/lb), a marked increase over the same period in 2017 (+29%, compared with 10,271 USD/t or 4.66 USD/lb on average) and when compared to the fourth quarter of 2017 (+15%, compared to 11,584 USD/t or 5.25 USD/lb on average). Additionally, market players continue to anticipate a future demand for pure nickel, which is used in the manufacture of batteries for electric vehicles.

In the first quarter of 2018, nickel production is slightly down (-2% to 14.7 kt) compared to the corresponding period of 2017. The ramp-up of the Sandouville nickel refinery continues, with a gradually increasing operating rate. The SLN teams in New Caledonia remain fully engaged in the cash-cost reduction programme<sup>6</sup>.

Demand for SLN's ferronickel, which is still sought after by stainless steel producers, remains very strong with high premiums.

- **Alloys Division: good level of activity of Erasteel, sales down at Aubert & Duval**

The decline in sales within the Alloys division (-6% to €263M) reflects a contrasting evolution of the markets.

The overall turnover of Aubert & Duval is down by -12% compared to the first quarter of 2017. This decline results from the aerospace sector, which was notably affected by a change in order rates for wide-body programmes. This affected both closed-die forged parts sales for aerospace structures and parts for aircraft engines. The land turbines sector also posted a sharp decline, reflecting the weak order backlogs of major players in the energy sector. However defence markets held up well in the first quarter.

In contrast, Erasteel's sales continued to grow (+24% to €55M), with high-speed steel seeing a growth in sales volumes driven by the commercial recovery plan, which continues to bear fruit. We also note a favourable effect of raw materials prices in the first quarter of 2018.

- **Changes in the ERAMET Group Executive Committee**

In the first quarter of 2018, ERAMET's Executive Committee was partly renewed.

On 5 February 2018, Jérôme Fabre, previously CEO of SLN, took over the functions of Deputy Chief Executive Officer in charge of the Alloys division.

On 31 March 2018, Kléber Silva was appointed Deputy Chief Executive Officer in charge of the Mining divisions.

- **Crossing of ERAMET's share capital thresholds**

During the first quarter of 2018, declarations of crossing the holding threshold of 1% of the Group's capital were made by BlackRock, Norges Bank and Dimensional Fund Advisers LP.

- **Outlook**

The Group's markets continue to show positive trend at the beginning of the second quarter of 2018.

However, the level of first-quarter sales cannot be extrapolated over the year as a whole, given the surrounding volatile metal prices environment. We remain very vigilant, taking into consideration notably the tensions and uncertainties observed in international trade relations.

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<sup>6</sup> See Financial glossary in Appendix 3

## Calendar

24.05.2018: General Meeting of Shareholders

24.07.2018: Publication of 2018 half-year results

25.10.2018: Publication of turnover of the third quarter of 2018

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## ABOUT ERAMET

ERAMET is one of the world's leading producers of:

- manganese and nickel, used to improve the properties of steels, mineralised sands (titanium dioxide and zircon),
- parts and semi-finished products in alloys and high-performance special steels used by industries such as aerospace, power generation, and tooling.

ERAMET is also developing activities with strong growth potential, such as lithium extraction and recycling.

The Group employs around 12,600 people in 20 countries.

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**For more information: [www.eramet.com](http://www.eramet.com)**

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## APPENDICES

### Appendix 1: Turnover

Turnover (€M) <sup>1</sup>	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Manganese Division	429	507	492	502	418
Nickel Division	177	189	143	156	156
Alloys Division	263	282	241	284	280
Holding & eliminations	-	-	1	1	-
<b>ERAMET Group</b> including joint ventures	870	978	877	943	854
Joint ventures' portion	(33)	(36)	(32)	(36)	(20)
<b>ERAMET Group</b> IFRS published accounts <sup>2</sup>	837	942	845	907	834

<sup>1</sup> Figures rounded to nearest million

<sup>2</sup> Application of IFRS standard 11 "Joint Arrangement".

### Appendix 2: Production and deliveries

In tonnes	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Production of manganese ore and sinter	<b>885,000</b>	1,083,000	1,146,000	1,116,000	817,000
Production of manganese alloys	<b>179,000</b>	177,000	177,000	183,000	179,000
Sale of manganese alloys	<b>168,000</b>	189,000	172,000	175,000	163,000
Production of heavy mineral concentrates <sup>1</sup>	<b>189,000</b>	184,000	196,000	204,000	140,000
Production of nickel <sup>2</sup>	<b>14,659</b>	15,159	14,710	14,317	14,997
Sale of nickel <sup>3</sup>	<b>14,959</b>	16,138	13,720	15,522	13,108

<sup>1</sup> In Senegal

<sup>2</sup> Ferronickel and matte until the end of 2016 and Ferronickel and high purity nickel from 2017

<sup>3</sup> Finished products

## **Appendix 3: Financial glossary**

### ***Consolidated performance indicators***

The consolidated performance indicators used for the financial reporting of the Group's results and economic performance and presented in this document are restated data from the Group's reporting and are monitored by the Executive Committee. In accordance with the accounting principles adopted for the Group's reporting, the operating performance of the joint ventures, the TiZir subgroup (Manganese Division) and the UKAD Company (Alloys Division) are accounted for under proportionate consolidation.

A reconciliation of the Group turnover with the published data is presented in Appendix 1.

### ***Turnover at constant scope and exchange rates***

Turnover at constant scope and exchange rates corresponds to turnover adjusted for the impact of the changes in scope and the fluctuations in the exchange rate from one year to the next.

The scope effect is calculated as follows: for the companies acquired during the financial year, by eliminating the turnover for the current period and for the companies acquired during the previous period by integrating, in the previous period, the full-year turnover; for the companies sold, by eliminating the turnover over the period considered and over the previous comparable period.

The exchange rate effect is calculated by applying the exchange rates of the previous year to the turnover for the year under review.

### ***SLN's cash-cost***

SLN's cash-cost is defined as all production and fixed costs (R&D including exploration geology, administrative expenses, logistical and commercial expenses), net of by-products credits and local services, which cover all the stages of industrial development of the finished product until delivery to the end customer and which impact the EBITDA in the company's financial statements.