INTERIM FINANCIAL REPORT 2018

ERAMET

ALLOYS, ORES AND PEOPLE.

CONTENTS

Chapter 1

STATEMENT BY THE PERSONS RESPONSIBLE FOR THE ERAMET INTERIM FINANCIAL REPORT AS OF JUNE 30, 2018

We declare that, to the best of our knowledge, the condensed interim consolidated financial statements for the past half-year have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of all the companies within the scope of consolidation and that the accompanying interim business report presents a true and fair view of the highlights of the first six months of the year and their impact on the condensed interim consolidated financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the year.

Paris, July 24, 2018

Thomas Devedjian
Chief Financial Officer and Chief Technological Officer

Christel Bories
Chief Executive Officer

Chapter 2

INTERIM BUSINESS REPORT AS OF JUNE 30, 2018

1 FOREWORD

It is advisable to read this report on the Company's financial position and operating performance in conjunction with the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements for the period ended June 30, 2018 and the other financial information in the 2017 Registration Document filed with the French Financial Markets Authority (AMF) on March 28, 2018. The Company's condensed interim consolidated financial statements were drawn up in accordance with IAS 34 (Interim Financial Reporting). The information in this report also contains forecasts based on estimates of ERAMET's future business activities, the realization of which may differ materially from actual results.

The figures presented and commented on are adjusted data from the Group reporting, in which the joint ventures are accounted for under the proportional consolidation method. The reconciliation with the published financial statements is presented in Note 2 of the condensed interim consolidated financial statements as of June 30, 2018.

2 OVERVIEW

ERAMET is one of the world's leading producers of manganese and nickel used to improve the properties of steels, mineralized sands (titanium dioxide and zircon), parts and semi-finished products in high-performance alloys and special steels used by industries such as aeronautics, power generation and tooling.

ERAMET also develops activities with strong growth potential, such as lithium mining and recycling.

As a global player with a presence in 20 countries, ERAMET relies on high-quality mining reserves, notably in Gabon and New Caledonia, and on world-class research and development, high-performance industrial facilities and high-level expertise.

ERAMET has initiated a strategic and managerial reorganization, aimed at ensuring competitiveness in a changing environment and sustainable value creation for all stakeholders.

The Group is also developing strategic metals production projects and virtuous recycling solutions in order to establish itself on the energy transition market.

The Group employs approximately 12,600 persons in twenty countries.

3 GROUP RESULTS FOR THE 1ST HALF OF 2018

ERAMET group fundamentals remained solid in H1 2018.

Sales of €1,813m are up 1% versus H1 2017. At constant scope and exchange rates, the change in Group sales in H1 is approximately +11%.

Group current operating income totalled €294m, up 15% with contrasted operational performances for the business divisions.

Net income Group share reached €94m versus €81m in H1 2017. An asset impairment charge of €200m was accounted for in Aubert & Duval, offset by positive income of €233m, owing to the disposal of Guilin, the waiving of conditions required to implement a Weda Bay Nickel partnership agreement and the impairment reversal on TiZir.

Net debt ended at €449m on 30 June 2018, versus €376m at end-2017 (+€73m), after payment of dividends to ERAMET shareholders (€61m) and to COMILOG minority shareholders (€59m) and after withholding taxes on dividends and liquidation of COMILOG and ERAMET Norway's corporate tax debt in respect of 2017 (€97m in total). Net debt-to-equity came out at 23% at the end of H1 2018.

Industrial capex ended at €112m on 30 June 2018, up approximately 5% versus June 30, 2017.

In January 2018, ERAMET group repaid the entire drawdown of its revolving credit facility ("RCF") made in early 2016. In February 2018, this RCF was extended for €981m and a five-year maturity, with a new term in 2023.

In June 2018, the Group also made an advance repayment of its Schuldschein loan, subscribed by ERAMET SA for €60m, with a term in 2020.

On June 30, 2018, ERAMET group's financial liquidity remains significant, at €2.5bn.

3.1 INCOME STATEMENT

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Sales	1,813	1,797	3,652
EBITDA	432	389	871
Current operating income	294	256	608
Operating income	293	228	567
Net income for the period	139	68	228
Net income, Group share	94	81	203
Basic earning per share *(€)*	3.53	3.07	7.67

3.1.1 COMMENTS BY DIVISION: SALES AND CURRENT OPERATING INCOME

ERAMET Manganese

Sales in the Manganese division, which accounted for 51% of consolidated sales, increased 1% in H1 2018 to €928m. Current operating income ended at €331m and recorded a 4% decline at comparable scope.

Manganese business

In H1 2018, Manganese activities (excluding TiZir) posted sales of €869m, stable versus H1 2017 and current operating income of €321m, down 6%. Despite good resilience in ore prices, business was strongly penalised by erosion in manganese alloys' margins.

Demand for manganese ore and alloys remained highly sustained during the period.

In H1 2018, carbon steel production increased 4.7% versus H1 2017, driven in particular by China (+6.6%). The steel sector has thus seen buoyant business activity in China since the end of the low winter season. Europe posted a slight downturn (-1.7%).

Global manganese ore producers continued to use their production capacity at a sustained level in H1, particularly in South-Africa. Ore inventories in the Chinese ports increased to stable levels around 2.8 Mt at end-June 2018.

In H1 2018, average CIF China 44% manganese ore prices (source CRU) ended at USD 7.35/dmtu, up 29% versus H1 2017 (USD 5.69/dmtu) and 18% versus H2 2017 (USD 6.25/dmtu).

The overall change in ERAMET sales for H1 2018 versus H1 2017 does not reflect an improvement in the average spot price for the manganese ore market during the period. Indeed, sales in Q1 2017 were concluded based on very high prices, in an environment of exceptional and one-time peaks for spot prices at end-2016. An unfavourable exchange rate effect also weighed on H1 2018 sales.

Half-year mining production in Moanda in Gabon was slightly above H1 2017 (+3%). Volumes of ore produced and transported came out at 1.85 Mt, a slight decrease of 3% given the derailment of an ore train in February 2018. The announced target to maintain a record level of more than 4 Mt of ore produced and transported in 2018 is confirmed. For their part, external ore sales remained stable at 1.5 Mt during the period.

Unlike the ore price, manganese alloys prices (source CRU) eroded versus H1 2017. Refined and standard European ferromanganese prices declined by 12% and 17% respectively during the period. A margin squeeze (increase in raw materials prices, decline in sales prices) weighed heavily on the business margin.

Half-year production for manganese alloys declined by approximately 1% in H1 2018 versus H1 2017, owing to maintenance operations, whereas sales increased slightly during the period to 341 kt.

In H1 2018, ERAMET continued its Detailed Feasibility Study (DFS) to increase the production capacity of the mine in Moanda to develop the mining plateau in Okouma while operations will continue at Bangombé. It is a key pillar in the Group's organic growth strategy. In the short-term, another opportunity for production growth is being studied, particularly an incremental production increase with an alternative processing route for part of the ore of Bangombé.

Mineral sands business

In H1 2018, TiZir (at 50%) recorded sales of €58m, up 33% at comparable periods (business in ramp-up phase in 2017). Current operating income doubled at €10m, with H1 having been penalised by the gradual start-up of the furnace in Tyssedal following a technical incident that occurred in August 2016.

Market conditions for products sold by TiZir developed favourably in H1 2018 versus H1 2017: titanium dioxide slag prices increased, and zircon saw very positive price trends.

In Senegal, the volumes of heavy mineral concentrate produced increased to 374 kt in H1 2018 (+9% versus H1 2017). External sales of Ilmenite were impacted at the start of the year by railway track construction works on the outskirts of Dakar, with the situation now normalized.

Downstream, in TiZir's Norwegian plant, a technical incident caused a standstill of the prereduction furnace for 6 weeks at the start of the year and weighed on titanium dioxide slag production. Following a restart under good conditions, sales volumes reached 80.8 kt, up 38% versus H1 2017.

ERAMET Nickel

Sales in the Nickel division were up 17%, whereas current operating income was up very sharply at -€22m versus -€104m in H1 2017, driven by the significant increase in nickel prices during the period. The improvement in SLN's current operating income is considerable (+€79m) in H1 2018.

Global stainless steel production increased by 6.5% in H1 2018 versus H1 2017.

Primary nickel supply remained sustained with global production that grew 6.8% in H1 2018 versus H1 2017, with a sharp increase in NPI production, coming from Indonesia and China.

Moreover, demand remains higher than supply and nickel metal inventories at the LME and SHFE declined sharply by 27% during the half-year (299 kt on 30 June 2018 versus 411 kt at end-December 2017). Although this level might still be high, this trend has resulted in an increase in nickel prices, also driven by the weakening of the dollar during the period.

The half-year average for nickel prices at the LME thus ended at USD 13,871/t (USD 6.30/lb), up 42% versus H1 2017 (USD 9,761/t or USD 4.43/lb on average) and 26% versus H2 2017 (USD 11,052/t or USD 5.01/lb on average).

In H1 2018, ferronickel production at SLN in New Caledonia was down slightly (-2% at 27 kt) versus H1 2017.

The cash-cost reached USD 5.04/lb versus USD 5.17/lb H1 2017 and USD 4.44/lb in H2 2017.

Aside from the usual negative seasonal effect in the first half of the year, that was even more unfavourable in 2018 vs 2017, this operational under-performance is attributable to a labour union context that is delaying the implementation of organisational changes as well as difficulties in renegotiating energy costs. 2018 annual target of 4.50 USD/lb on average is maintained, however it appears to be more and more difficult to achieve in the current context.

Under real economic conditions (fuel impact and exchange rates), the cash-cost increased to USD 5.95/lb. Following recognition of investments and financial expenses, the break-even cost totalled USD 6.57/lb.

The ramp-up of the Sandouville plant continues to progress slowly, with an actual production capacity that is gradually increasing, reaching 40% of the nameplate capacity in June.

ERAMET Alloys

In H1 2018, Alloys division sales decreased sharply (-8% versus H1 2017) and current operating significantly declined, amounting to €10m versus €32m in H1 2017, with uneven developments in its activities.

Aubert & Duval, of which aerospace accounts for more than two thirds of its turnover, posted sales of -12% versus H1 2017 and current operating income of €6m (including +€7m of non-recurring income from hedging), versus €32m during the same period.

This under-performance is attributable to:

- an unfavourable market environment: the aerospace sector has been impacted by an adjustment in the production rate of several wide bodies programmes; this has penalised sales of closed die-forging parts for aircraft structures and aerospace engine parts. The land turbine sector also posted a sharp decline, reflecting low order backlogs from major players in the energy sector;
- lower absorption of fixed costs, a key factor in the business' performance.

Immediate action has been taken to adjust the cost structure to the worsening market conditions. In particular, a reduction in the number of temporary workers, overheads, and direct costs from plants.

At the same time, a detailed review of the strategic options has been conducted, which should enable a return to profitability of the activities.

Erasteel continued its growth and posted current operating income of €4m (versus a break-even results in H1), driven by growth in the volumes of high-speed steel sales, a favourable impact on raw materials prices and productivity gains.

3.1.2 NET INCOME, GROUP SHARE

Net income, Group share, amounts to €94 million for the 1st half of 2018, showing an improvement of €13 million compared to €81 million for the same period of 2017, primarily due to the strong improvement in current operating income (see section 3.1.1.), the positive effects of changes in the scope of consolidation generating a gain on the disposal of €162 million, partially offset by the impact of UGT impairments, which results in the recognition of a net charge of €133 million.

It includes the following items:

- **financial loss**, of -€51 million for the 1st half of 2018, remaining stable compared to the corresponding period in 2017;
- **income tax**, of -€103 million in the 1st half of 2018, stable compared to the same period in 2017, with the effects of changes in the scope of consolidation and impairment that do not give rise to any tax impact;
- **non-controlling interests**, up €45 million in the 1st half of 2018 compared to -€13 million in the 1st half of 2017, which translates into higher results for ERAMET Manganese (Comilog, 36.29% minority interest) and ERAMET Nickel (Nickel-SLN, 44% minority interest).

3.2 NET FINANCIAL DEBT VARIATION

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Net cash flow generated by operating activities	173	279	687
Industrial investments	(112)	(107)	(230)
Other investment cash flows	(19)	-	19
ODIRNAN issuance	-	-	100
Dividends and other financing flows	(122)	(3)	(112)
Exchange-rate impact	7	3	(4)
(Increase)/Decrease in net financial debt	**(73)**	**172**	**460**
Opening net financial debt	(376)	(836)	(836)
Closing (net financial debt)	**(449)**	**(664)**	**(376)**

The net financial debt as of June 30, 2018 is €449 million, compared to €376 million on December 31, 2017.

Net cash flow generated by operating activities amounts to €173 million for the 1st half of 2018, down €106 million compared to the 1st half of 2017 due to changes in the following factors:

- the gross margin of cash flow from operations of +€87 million, with an EBITDA improvement of +€43 million;
- -€193 million change in working capital requirements between the two periods, due to the cumulative effects of a deterioration of €100 million related to inventories in the 1st half of 2018 (see Note 5) and a favorable effect related to the tax outflow in the 1st half of 2017.

Industrial investments remain stable at €112 million for the 1st half of 2018, compared to €107 million in the 1st half of 2017.

Other financing flows amounting to -€122 million in the 1st half of 2018 include:

- €2 million in interests paid during the period on net share settled undated bonds convertible into new shares (ODIRNAN); and
- €120 million in dividend payments, of which €59 million paid to minority shareholders of Comilog and €61 million paid to the shareholders of ERAMET.

3.3 GROUP SHARE OF SHAREHOLDERS' EQUITY

The Group share of shareholders' equity is stable at €1,697 million at the end of June 2018, compared to €1,694 million at the end of December 2017.

This slight increase is mainly due to the positive net income, Group share, in the 1st half of 2018 (€94 million), the distribution of dividends for the amount of €61 million, and the change in conversion reserves, notably due to the exit of conversion reserves in the scope of consolidation, resulting in a decrease of €21 million.

4 RISK MANAGEMENT

The Group uses derivatives to control its risk exposure. Management of the principal risks, delegated by the Executive Committee, is centralized at ERAMET's finance department. This management is performed directly by ERAMET or *via* special purpose companies, such as Metal Currencies, specifically created to manage the Group's exchange risks.

The presentation of these risks and the Group's assessment of them are detailed in the 2017 Registration Document in Note 7 – "Financial instruments and risk management to the consolidated financial statements", and in Chapter 5 "2017 Risk factors".

Cash surpluses of subsidiaries are pooled at Group level through a wholly-owned subsidiary (Metal Securities). In 2018, as in previous years, cash is managed prudently; this enabled ERAMET to obtain an annualized return of 0.6% in the 1st half of 2018, namely EONIA +0.79%.

The Group has not identified any other risk factors during the 1st half of 2018 or any affecting the upcoming second half.

5. FINANCIAL STATEMENTS OF ERAMET S.A.

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Sales	**360**	302	634
Operating income	**(44)**	(39)	(71)
Financial income	**186**	(6)	18
Non-recurring income	**(4)**	14	33
Net income	**138**	(32)	(18)

Revenues are up by 19% due to the increase in nickel prices (average LME price of USD6.30/lb during the 1st half of 2018, against USD4.43/lb during the 1st half of 2017).

The operating loss amounts to -€44 million in the 1st half of 2018 compared to -€39 million in the 1st half of 2017. This result reflects an improvement in the Nickel business, in particular as a result of the price offset by significant provisions to cover the 2018 free share allocation plans.

Financial income for the 1st half of 2018 is €186 million, consisting mainly of €128 million in dividend income from investments in the Manganese division, €21 million in net interest on loans/borrowings and €14 million in reversals of financial provisions.

Non recurring income mainly consists of provisions on receivables related to the Lithium research and development project.

Net loss is €138 million for the 1st half of 2018, compared to a loss of €32 million for the 1st half of 2017.

6. SHORT-TERM FORECASTS

The Group's markets remain favourable overall at the start of H2 2018, except some sectors in the Alloys division. The fundamentals of ERAMET remain solid. In a context of tensions and uncertainty observed in international trade relations, which increase the volatility of raw materials' prices, the visibility still remains limited. All ERAMET employees are fully committed to delivering the set targets.

Chapter 3

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

INCOME STATEMENT

(€ million)	Notes	1st half 2018	1st half 2017	Financial year 2017
Sales	2	1,735	1,741	3,528
Other income		1	3	24
Cost of goods sold		(1,218)	(1,260)	(2,519)
Administrative and selling expenses		(89)	(94)	(160)
Research and development costs		(14)	(15)	(28)
EBITDA	2	415	375	845
Depreciation of fixed assets and provisions for contingencies and losses		(129)	(125)	(247)
Current operating income	2	285	250	598
Other operating income	3	(62)	(28)	(85)
Operating income		223	222	513
Financial income		(40)	(39)	(93)
Share of income from joint ventures and associates	6	52	(13)	18
Income tax	7	(103)	(102)	(216)
Net income for the period		132	68	222
▪ attributable to non-controlling interests	3	38	(13)	19
▪ attributable to equity holders of the parent company		94	81	203
Basic earning per share *(€)*		3.53	3.07	7.67
Diluted earning per share *(€)*		3.24	2.84	7.03

STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Notes	1st half 2018	1st half 2017	Financial year 2017
Net income for the period		132	68	222
Exchange differences for subsidiaries' financial statements in foreign currency		(22)	(30)	(58)
Change in fair value reserve on bonds		(3)	(7)	(3)
Change in revaluation reserve for hedging financial instruments		(0)	20	35
Income tax		-	-	(7)
Items that have been or may be subsequently reclassified to net income		(25)	(17)	(33)
Revaluation of net defined benefit plan liabilities		-	-	6
Income tax		-	-	(1)
Items that have not been or may not be subsequently reclassified to net income		-	-	5
Other comprehensive income		**(25)**	**(17)**	**(28)**
▪ attributable to non-controlling interests		-	1	
▪ **attributable to equity holders of the parent company**		**(25)**	**(18)**	**(28)**
TOTAL COMPREHENSIVE INCOME		**106**	**51**	**194**
▪ attributable to non-controlling interests		38	(12)	19
▪ **attributable to equity holders of the parent company**		**68**	**63**	**175**

STATEMENT OF CASH FLOWS

(€ million)	Notes	1st half 2018	1st half 2017	Financial year 2017
Operating activities				
Net income for the period		**132**	**68**	**222**
Non-cash income and expenses		134	116	260
Cash flow from operations		266	184	482
Net change in working capital requirement (WCR)	5	(100)	108	205
Net cash flow generated by operating activities (1)	2	167	292	687
Investing activities				
Payments for non-current assets	6	(121)	(110)	(236)
Proceeds from non-current assets disposals		(13)	-	31
Net change in non-current financial assets		(12)	6	(3)
Net change in current financial assets	4	(152)	(7)	(63)
Capital increases of joint ventures		-	-	(9)
Increase of ownership interest – controlled companies		-	-	
Impact of changes in scope		(6)	6	13
Net cash used in investing activities		(304)	(105)	(267)
Financing activities				
Issuance of equity instruments (ODIRNAN)		-	-	
Dividend payments to non-controlling interests		(59)		
Payment of dividends and ODIRNAN		(63)	(2)	(4)
Repurchase of common shares		-	(1)	(8)
Issuance of new borrowings	4	70	141	876
Repayment of borrowings	4	(507)	(629)	(1,011)
Changes in bank overdrafts	4	(20)	17	32
Other changes	4	(9)	(1)	(9)
Net cash used in financing activities		(588)	(475)	(124)
Exchange-rate impact		6	(1)	(3)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(719)	(289)	293
Cash and cash equivalents at opening	4	**1,653**	**1,360**	**1,360**
Closing cash and cash equivalents	4	**933**	**1,071**	**1,653**
(1) Of which included in the operating activities				
Interest received		*4*	*9*	*13*
Interest paid		*(41)*	*(38)*	*(81)*
Tax paid		*(131)*	*(35)*	*(56)*

STATEMENT OF CHANGES IN EQUITY

(€ million)	Total capital	Share capital	Share premiums	Reserves/fair value assets financial	Reserves/ instruments hedging	Reserves/defined benefit plan	Exchange differences	Other reserves	Attributable to equity holders of the parent company	Attributable to participations non-controlling interest	Share equity
Shareholders' equity on January 1, 2017	26,550,443	81	374	9	(29)	(74)	47	1,107	1,515	276	1,791
Net income for the period – 1st half 2017								81	81	(13)	68
Other comprehensive income				(7)	18		(29)		(18)	1	(17)
Total comprehensive income		-	-	(7)	18	-	(29)	81	63	(12)	51
Capital increase	34,917		1					(1)	-		-
Share-based payments								3	3		3
Repurchase of common shares								(1)	(1)		(1)
Equity instruments (ODIRNAN)								(2)	(2)		(2)
Other movements								9	9		9
Total transactions with shareholders	34,917	-	1	-	-	-	-	8	9	-	9
Shareholders' equity as of June 30, 2017	26,585,360	81	375	2	(11)	(74)	18	1,196	1,587	264	1,851
Net income for the period – 2nd half 2017								122	122	32	154
Other comprehensive income				3	2	9	(24)		(10)	(1)	(11)
Total comprehensive income		-	-	3	2	9	(24)	122	112	31	143
Capital increase	48,300		2					(2)	-		-
Share-based payments								3	3		3
Repurchase of common shares								(7)	(7)		(7)
Equity instruments (ODIRNAN)								(2)	(2)		(2)
Other movements								1	1		1
Total transactions with shareholders	48,300	-	2	-	-	-	-	(7)	(5)	-	(5)
Shareholders' equity on January 1, 2018	26,633,660	81	377	5	(9)	(65)	(6)	1,311	1,694	295	1,989
Net income for the period								94	94	38	132
Other comprehensive income				(3)	(0)		(22)		(25)		(25)
Total comprehensive income		-	-	(3)	(0)	-	(22)	94	68	38	106
Capital increase	2,196	0							0		0
Distribution of dividends								(61)	(61)	(59)	(120)
Interest on equity instruments (ODIRNAN)								(2)	(2)		(2)
Share-based payments								4	4		4
Repurchase of common shares									-		-
Other changes (1)								(6)	(6)		(6)
Total transactions with shareholders		0	-	-	-	-	-	(65)	(65)	(59)	(124)
SHAREHOLDERS' EQUITY AS OF JUNE 30, 2018	26,635,856	81	377	2	(9)	(65)	(28)	1,340	1,697	274	1,971

(1) Including the impact of applying the new standards.

BALANCE SHEET

(€ million)	Notes	30/06/2018	31/12/2017
Intangible assets and goodwill		226	349
Property, plant and equipment	6	1,696	1,924
Investments in joint ventures and associates	6	199	115
Non-current financial assets		309	121
Deferred tax assets		3	2
Other non-current assets		90	86
Non-current assets		**2,523**	**2,597**
Inventories	5	949	849
Trade receivables	5	346	361
Other current assets		191	170
Current tax receivables		29	22
Derivatives assets		36	47
Current financial assets	4	546	394
Cash and cash equivalents	4	933	1,653
Current assets		**3,030**	**3,496**
TOTAL ASSETS		**5,553**	**6,093**

(€ million)	Notes	30/06/2018	31/12/2017
Share capital		81	81
Share premiums		377	377
Revaluation reserve for assets available for sale		2	5
Revaluation reserve for hedging instrument		(9)	(9)
Revaluation reserve for defined benefit plan liabilities		(65)	(65)
Exchange differences		(28)	(6)
Other reserves		1,340	1,311
Attributable to equity holders of the parent		**1,697**	**1,694**
attributable to non-controlling interests	3	274	295
Shareholder equity		**1,971**	**1,989**
Employee-related liabilities		193	204
Provisions – more than one year	8	467	494
Deferred tax liabilities		154	173
Borrowings – more than one year	4	1,464	1,602
Other non-current liabilities		3	4
Non-current liabilities		**2,281**	**2,477**
Provisions – less than one year	8	33	31
Borrowings – less than one year	4	320	682
Trade payables	5	384	363
Other current liabilities		369	328
Current tax liabilities		125	168
Derivative liabilities		70	55
Current liabilities		**1,301**	**1,627**
TOTAL LIABILITIES		**5,553**	**6,093**

NOTES TO THE FINANCIAL STATEMENTS

ERAMET is a *société anonyme* under French law, with a Board of Directors, governed by the provisions of Articles L. 225-17 and R. 225-1 *et seq.* of the French Commercial Code, as well as by the provisions of its Articles of Association. As required by law, the Company is audited by two incumbent Statutory Auditors and two alternate Statutory Auditors.

Through its subsidiaries and investments, the ERAMET group operates in the nickel and manganese mining and production sectors, as well as in the alloys production sector, where it is the market leader.

The condensed interim consolidated financial statements for the ERAMET group for the 1st half of 2018 were approved by the Board of Directors of ERAMET on July 24, 2018.

NOTE 1 HIGHLIGHTS OF THE 1ST HALF OF 2018

Recognition of impairment of 200 million euros of the CGU assets of Aubert & Duval

Following the review of the factors that determine the value of the CGU of Aubert & Duval subsequent to the underperformance in the 1st half of 2018 and the strategic analysis of Aubert & Duval lead in the 1st half of the year, the Group conducted a thorough assessment of the economic assumptions of the long-term plan, and recognized an impairment of the assets of the CGU (Aubert & Duval) for 200 million euros in the financial statements on 30 June 2018.

This impact is analyzed in Note 3 to the consolidated financial statements.

Signing of a partnership agreement pertaining to the development of the Weda Bay nickel deposit in Indonesia

In 2017, ERAMET signed a framework agreement with the Chinese steel group Tsingshan to determine the conditions of a partnership to develop this activity. The Tsingshan group is the world's leading stainless steel producer.

The purpose of the partnership is to produce, through a pyrometallurgical process in Indonesia, from the ore in Weda Bay, a nickel ferroalloy for a volume of around 30,000 tons of nickel content per year.

This partnership is entered into by the Tsingshan group through Strand Mineral Pte Ltd., with a stake of 43% for ERAMET and 57% for the Tsingshan group.

The next steps in the establishment of this framework agreement are partly subject to government and environmental authorizations for the ERAMET/Tsingshan joint project.

The final transaction in the 1st half of 2018 resulted in a change in control of the entities Strand Minerals Pte Ltd and PT Weda Bay Nickel, resulting in a profit of €146.8 million in the consolidated financial statements as of June 30, 2018.

Sale of Guilin

In May 2018, the ERAMET group signed an agreement with Reco Investment Pte. Ltd and Shanghai Qunxian International Trading Co., a manganese ore trading company based in Shanghai, for the sales of the assets of Guilin, under the terms of a restructuring of the balance sheet of Comilog Asia Ferro Alloys Ltd.

This operation, effective as of June 30, 2018, in a gain on sales of €15.8 million in the consolidated financial statements as of June 30, 2018.

Public offer for the acquisition of the shares in Mineral Deposits Limited

On May 14, ERAMET announced the opening of its takeover bid to acquire all of the shares issued by Mineral Deposits Limited (MDL) that it does not already own for AUD 1.46 per share.

This offer was raised to AUD 1.75 per share on June 14.

As of June 30, 2018, the holders having subscribed firmly to the tender offer represent 8% of the capital of Mineral Deposits Limited.

As of June 30, 2018 this offer is still open.

Application of the new IFRS standards that entered into effect on January 1, 2018

IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Customer Contracts, which are mandatory as of January 1, 2018, have been implemented in the Group's financial statements (see Note 11). No major impact on the financial statements is apparent from taking into account the new approaches developed by these standards.

The accounting impact of IFRS 16 – Leases, which is mandatory as of January 1, 2019, is currently being reviewed. The application of this standard will have an impact on the increase in net debt and fixed assets and an improvement in EBITDA.

Repayment of the *Schuldschein* loan

On June 18, 2018 the Group paid back early the €60 million *Schuldschein* loan subscribed by ERAMET S.A. with a maturity in 2020.

End of Repayment of the balance of the Revolving Credit Facility

On January 19, 2018, ERAMET repaid the balance of the Revolving Credit Facility (RCF) for €250 million. Initially scheduled to be repaid in January 2018, this revolving credit was extended by 2 years in January 2017. ERAMET had already made partial repayments of €500 million in May 2017 and €230 million in July 2017.

Relocation of the registered office of ERAMET S.A.

ERAMET has been located in the Tour Montparnasse since its construction in 1973, and has now chosen a new address as its registered office. On June 4, 2018 they moved to 10 boulevard de Grenelle, in line with its "NeWays" organizational restructuring project.

NOTE 2 OPERATIONAL PERFORMANCE OF THE DIVISIONS AND THE GROUP – SEGMENT REPORTING INFORMATION

Reconciliation of the published accounts and Group reporting

(€ million)	1st half 2018 Published (1)	Contribution joint ventures	1st half 2018 Adjusted (2)	1st half 2017 Published (1)	Contribution joint ventures	1st half 2017 Adjusted (2)	Financial year 2017 Published (1)	Contribution joint ventures	Financial year 2017 Adjusted (2)
Sales	1,735	78	**1,813**	1,741	56	**1,797**	3,528	124	**3,652**
EBITDA	415	17	**432**	375	14	**389**	845	26	**871**
Current operating income	285	8	**294**	250	6	**256**	598	10	**608**
Operating income	223	69	**293**	222	6	**228**	513	54	**567**
Net income, Group share	94	(0)	**94**	81	-	**81**	203	-	**203**
Net cash flow from operating activities	167	6	**173**	292	(13)	**279**	687	-	**687**
Industrial investments	110	2	**112**	105	2	**107**	224	6	**230**
(Net financial debt)	(305)	(144)	**(449)**	(501)	(163)	**(664)**	(237)	(139)	**(376)**
Shareholder equity	1,971	1	**1,972**	1,851	(14)	**1,837**	1,989	(9)	**1,980**
Shareholders' equity Group share	1,697	2	**1,699**	1,587	-	**1,587**	1,694	-	**1,694**

(1) Financial statements prepared under applicable standards, with joint ventures consolidated using the equity method.
(2) Group reporting, with joint ventures accounted for using the proportionate consolidation.

Performance indicators per Business division

(€ million)	Manganese	Nickel	Alloys	Holding and eliminations	TOTAL
1st half 2018					
Revenue	**928**	**365**	**520**	**-**	**1,813**
EBITDA	**390**	**22**	**43**	**(23)**	**432**
Current operating income	**331**	**(22)**	**10**	**(25)**	**294**
Net cash flow from operating activities	**198**	**5**	**8**	**(38)**	**173**
Industrial investments (intangible assets and property, plant & equipment)	**43**	**32**	**31**	**6**	**112**
1st half 2017					
Sales	920	312	564	1	**1,797**
EBITDA	403	(59)	61	(16)	**389**
Current operating income	346	(104)	32	(18)	**256**
Net cash flow from operating activities	326	(18)	8	(37)	**279**
Industrial investments (intangible assets and property, plant & equipment)	36	42	27	2	**107**
Full year 2017					
Sales	1,919	644	1,087	2	**3,652**
EBITDA	861	(44)	84	(30)	**871**
Current operating income	738	(125)	32	(37)	**608**
Net cash flow from operating activities	722	(69)	90	(56)	**687**
Industrial investments (intangible assets and property, plant & equipment)	89	80	59	2	**230**

Sales, industrial investments and non-current assets by geographical area

(€ million)	France	Europe	North America	Asia	Oceania	Africa	South America	TOTAL
Sales (destination of Sales)								
1st half 2018	**186**	**655**	**285**	**606**	**11**	**45**	**25**	**1,813**
1st half 2017	204	642	345	527	11	47	21	1,797
Full year 2017	371	1,320	669	1,097	23	93	79	3,652
Industrial investments (intangible assets and property, plant & equipment)								
1st half 2018	**41**	**15**	**1**	**-**	**28**	**27**	**-**	**112**
1st half 2017	44	8	3	-	27	24	1	107
Full year 2017	87	21	5	-	52	64	1	230
Non-current assets (excluding deferred taxes)								
30/06/2018	**739**	**330**	**13**	**43**	**555**	**1,051**	**2**	**2,733**
31/12/2017	692	326	12	133	565	1,027	2	2,757

Consolidated performance indicators

Segment reporting information is supplemented by the consolidated performance indicators monitored by the Executive Committee. These indicators are taken from Group reporting and used for the financial disclosure of the Group's results and performance.

Income statement

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Sales	**1,813**	**1,797**	**3,652**
EBITDA	**432**	**389**	**871**
Amortization and depreciation of non-current assets	(134)	(124)	(250)
Provisions for liabilities and charges	(3)	(9)	(13)
Current operating income	**294**	**256**	**608**
Impairment of assets	(133)	-	9
Other operating income and expenses	131	(28)	(50)
Operating income	**293**	**228**	**567**
Financial income	(51)	(52)	(117)
Share of income from associates	(0)	(1)	(1)
Income tax	(103)	(107)	(221)
Net income for the period	**139**	**68**	**228**
▪ minority interests	45	(13)	25
▪ **Group share**	**94**	**81**	**203**
Basic earning per share *(€)*	3.53	3.07	7.67

Statement of changes in net financial debt

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Operating activities			
EBITDA	432	389	871
Cash impact of items below EBITDA	(160)	(204)	(387)
Cash flow from operations	272	185	484
Working capital variation	(99)	94	203
Net cash generated by operating activities (1)	173	279	687
Investing activities			
Industrial investments	(112)	(107)	(230)
Other investment cash flows	(19)	-	19
Net cash from investing activities (2)	(131)	(107)	(211)
Net cash from equity transactions	(122)	(3)	(12)
Exchange-rate impact and miscellaneous	7	3	(4)
(INCREASE)/DECREASE IN NET FINANCIAL DEBT	(73)	172	460
Opening (net financial debt)	**(376)**	**(836)**	**(836)**
Closing (net financial debt)	**(449)**	**(664)**	**(376)**
Free cash flow (1) + (2)	42	172	476

The reconciliation of cash and cash equivalents in the statement of cash flows, with Net financial debt in the ERAMET group reporting is presented as follows:

(€ million)	30/06/2018	30/06/2017	31/12/2017
Cash and cash equivalents	933	1,071	1,653
Current financial assets	546	338	394
Borrowings	(1,784)	(1,910)	(2,284)
Contribution of joint ventures	(144)	(163)	(139)
NET FINANCIAL DEBT – REPORTING	(449)	(664)	(376)

Economic balance sheet

(€ million)	30/06/2018	31/12/2017
Non-current assets	2,656	2,710
Inventories	989	887
Trade receivables	362	368
Trade payables	(415)	(391)
Simplified Working Capital	936	864
Other Working Capital items	(302)	(305)
Total Working Capital Requirement (WCR)	634	559
Derivatives	-	-
TOTAL	3,290	3,269

(€ million)	30/06/2018	31/12/2017
Shareholders' equity Group share	1,699	1,694
Non-controlling interests	273	286
Shareholder equity	1,972	1,980
Cash and cash equivalents and current financial assets	(1,501)	(2,075)
Borrowings	1,950	2,451
Net financial debt	449	376
Net financial debt/shareholders' equity (gearing)	*23%*	*19%*
Provisions and employee-related liabilities	704	730
Net deferred tax	152	173
Derivatives	13	10
TOTAL	3,290	3,269

NOTE 3 NET INCOME, GROUP SHARE, AND MINORITY INTERESTS

Other operating income and expenses

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Other operating income and expenses excluding impairment	138	(28)	(50)
Asset depreciation and impairment losses	(200)	-	(35)
OTHER OPERATING INCOME AND EXPENSES	**(62)**	**(28)**	**(85)**

The other operating income and expenses excluding impairment mainly correspond to:

- the result of the sales of Weda Bay, generating a positive effect of €146.8 million;
- the result of the sales of Guilin, generating a positive effect of €15.8 million;
- costs of projects, the future profitability of which has not yet been demonstrated, for -€11.3 million;
- €14.9 million in non-recurring charges.

Asset impairments and impairment losses showed a negative result of €200 million, related to the impairment recognized on Aubert & Duval.

Concerning the UGT of Aubert & Duval, the use value is impacted by several key factors:

- a decrease and a shift in projected revenues for certain aeronautics and energy programs, which are particularly sensitive to Aubert & Duval's business because of its weight in the activity of the UGT;
- the integration and gradual implementation of a progress action plan to achieve quality objectives, impacting the EBITDA margin of the UGT;
- the reinforcing of an investment plan aiming at increasing productivity gains and making production tools more reliable.

The review of these items in connection with the strategic realignment carried out by the ERAMET group in the 1st half of 2018 resulted in the recognition by the group of an impairment of €200.4 million of the assets of the UGT in the financial statements on June 30, 2018.

Attributable to non-controlling interests – minority interests

		Share		Share		Share
		Of income	Shareholders' equity	Of income	Shareholders' equity	Of income
(€ million)	% of non-controlling interests	1st half 2018	30/06/2018	Financial year 2017	31/12/2017	1st half 2017
At closing		**38**	**274**	**19**	**295**	**(13)**
Société Le Nickel-SLN	44%	(9)	(23)	(66)	(16)	(46)
Comilog S.A.	36.29%	54	295	85	300	33
Pt Weda Nickel Ltd	10%	(8)	0	-	9	-
Interforge	4.3%	-	2	-	2	-

NOTE 4 NET FINANCIAL DEBT AND SHAREHOLDERS' EQUITY

Net financial debt

(€ million)	30/06/2018		31/12/2017	
Borrowings		**(1,784)**		**(2,284)**
▪ Borrowings from financial markets	(1,077)		(1,127)	
▪ Borrowings from credit institutions	(399)		(790)	
▪ Bank overdrafts and creditor banks	(56)		(71)	
▪ Finance leases	(47)		(55)	
▪ Other borrowings	(205)		(241)	
Other current financial assets		546		394
Cash and cash equivalents		933		1,653
▪ Cash equivalents	855		1,589	
▪ Cash	78		64	
NET FINANCIAL DEBT		(305)		(237)
Borrowings – more than one year		(1,464)		(1,602)
Borrowings – less than one year		(320)		(682)

The net change in current financial assets is presented as €152 million in the net cash used in investing activities and represents the increase in financial investments made by the ERAMET Metal Securities subsidiary for a total of €150 million.

Some borrowings are subject to financial ratios or covenants at Group level or locally. As of June 30, 2018, there is no cases of early repayment under the covenants for borrowings.

Change in borrowings

(€ million)	1st half 2018	1st half 2017	Financial year 2017
At opening	2,284	2,366	2,366
Issuance of new borrowings	70	141	876
Repayment of borrowings	(507)	(629)	(1,011)
Changes in bank overdrafts	(20)	17	32
Changes in scope	(27)	6	7
Other changes	(9)	(1)	(9)
Exchange differences	(7)	10	23
AT CLOSING	1,784	1,910	2,284

The decrease in borrowings is mainly due to repayment of:

- the revolving credit facility of €250 million;
- the *Schuldschein* loan of €60 million;
- commercial paper.

Equity

The share capital of €81,239,360.80 consists of 26,635,856 fully paid-up ordinary shares with a par value of €3.05.

Following requests for the conversion of net share settled undated bonds convertible into new shares (ODIRNAN), 2,196 new shares were created in the 1st half of 2018 (83,217 new shares in 2017 following conversion request).

NOTE 5 WCR (WORKING CAPITAL REQUIREMENTS)

(€ million)	31/12/2017	Change in WCR Table of cash flows	Change in trade payables to fixed asset suppliers	Translation adjustments and other movements	30/06/2018
Inventories	849	104		(4)	949
Trade receivables	361	(21)		6	346
Trade payables	(363)	(10)		(10)	(384)
Simplified Working Capital	847	72	-	(8)	911
Other Working Capital items	(222)	28	(4)	(12)	(210)
TOTAL WORKING CAPITAL REQUIREMENT (WCR)	625	100	(4)	(20)	702

The impact of €100 million on the WCR is mainly due to the increase in inventory levels on June 30, 2018 due to material prices in the Manganese division and the Alloys division.

NOTE 6 INVESTMENTS

Payments for non-current assets

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Investments on property, plant and equipment during the period	103	98	206
Investments on intangible assets during the period	7	7	18
Total industrial investments	110	105	224
Change in debt for the acquisition of non-current assets	(4)	2	8
Acquisition of investment securities	15	3	4
TOTAL PAYMENTS FOR NON-CURRENT ASSETS – STATEMENT OF CASH FLOWS	121	110	236

Change in property, plant, and equipment

(€ million)	1st half 2018	1st half 2017	Financial year 2017
At opening	1,924	1,976	1,976
Investments during the period	103	98	206
Disposals during the period	(0)	-	(12)
Depreciation and amortization during the period	(115)	(105)	(214)
Impairment loss for the period	(201)	(4)	(31)
Change in gross value of dismantling assets	-	-	3
Translation differences and other movements	(14)	(1)	(4)
AT CLOSING	1,696	1,964	1,924
▪ Gross value	5,393	5,416	5,451
▪ Depreciation and amortization	(3,379)	(3,271)	(3,348)
▪ Impairment loss	(317)	(181)	(179)

Interests in joint ventures and associates

Detail by entity

(€ million) Companies	Country	% held	Share Of income 1st half 2018	Share Shareholders' equity 30/06/2018	Share Of income Financial year 2017	Share Shareholders' equity 31/12/2017	Share Of income 1st half 2017
Sub-group TiZir	United Kingdom	50%	54	168	28	112	(7)
Ukad	France	50%	(2)	(4)	(9)	(1)	(5)
Total joint ventures			**52**	**163**	**19**	**111**	**(12)**
HeYe Erasteel Innovative Materials Ltd (HEIML)	China	49% (2)			(1)		(1)
Strand Minerals – Weda Bay	Indonesia	43% (3)	0	31			
EcoTitanium(1)	France	22.4% (1)	(0)	5	-	4	-
Total associates			**(0)**	**36**	**(1)**	**4**	**(1)**
TOTAL INTERESTS IN JOINT VENTURES AND ASSOCIATES			**52**	**199**	**18**	**115**	**(13)**

(1) 21.75% over the 2017 financial year.
(2) 100% held since the second half of 2017.
(3) Consolidated under the equity method since May 19, 2018.

Income statement of the TiZir sub-group, in aggregate

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Sales	116	87	199
EBITDA	35	26	55
Current operating income	20	11	27
Non-controlling interests	14	1	(11)
Net income, Group share	107	(14)	56
SHARE OF INCOME	**54**	**(7)**	**28**

Balance sheet of the TiZir sub-group, in aggregate

(€ million)	30/06/2018	31/12/2017
Non-current assets	788	633
Current assets excluding cash and cash equivalents	97	88
Liabilities excluding gross financial debt	(72)	(51)
Net financial debt	(480)	(462)
Non-controlling interests	2	(16)
Shareholders' equity Group share	335	224
SHARE OF SHAREHOLDERS' EQUITY	**168**	**112**

NOTE 7 TAXES

Income tax

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Current tax	(88)	(100)	(193)
Deferred tax	(15)	(2)	(23)
INCOME (EXPENSE) FROM INCOME TAX	**(103)**	**(102)**	**(216)**

Effective tax rate

(€ million)	1st half 2018	1st half 2017	Financial year 2017
Operating income	223	222	513
Financial income	(40)	(39)	(93)
Pre-tax profit (loss) of consolidated companies	**183**	**183**	**420**
Standard tax rate in France *(in percent)*	34.43%	34.43%	34.43%
Theoretical tax income (expense)	**(63)**	**(63)**	**(145)**
Effects on theoretical tax:			
▪ permanent differences between accounting profit and taxable profit	60	4	2
of which related to changes in scope	*49*		
▪ taxes on dividend distribution (withholdings)	(11)		(9)
▪ asset impairments	(69)	4	2
▪ standard current income tax differences in foreign countries	7	12	18
▪ tax credits	2	2	4
▪ unrecognized or limited deferred tax assets	(29)	(60)	(85)
▪ miscellaneous items		(1)	(3)
REAL TAX INCOME (EXPENSE)	**(103)**	**(102)**	**(216)**
Tax rates	**56%**	**56%**	**51%**

The tax rate of 56% is mainly due the result of the non-recognition or limitation of deferred tax assets on certain entities in losses (Nickel-SLN, tax integration in France) and the tax-neutral impact of changes in scope for the period.

The amount of €7 million on the difference of the current tax rate in foreign countries is mainly explained by a tax rate of 24% on positive results in Norway.

NOTE 8 PROVISIONS

(€ million)	1st half 2018		1st half 2017		Financial year 2017	
At opening		**525**		**520**		**520**
Allowances (reversals) during the period		2		(29)		8
▪ allowances during the period	23		13		68	
▪ (reversals) used during the period	(19)		(30)		(42)	
▪ (reversals) unused during the period	(2)		(12)		(18)	
Accretion expenses		3		4		8
Dismantling assets		-		-		3
Translation differences and other movements		(31)		(3)		(14)
AT CLOSING		**500**		**492**		**525**
▪ more than one year		467		459		494
▪ less than one year		33		33		31
Environmental contingencies and site restoration		440		409		435
Employees		11		23		17
Other contingencies and losses		49		60		73

Detailed information on the provisions as of June 30, 2018 is similar to that as of December 31, 2017, which is presented in Note 12 – Provisions of the notes to the consolidated financial statements in the 2017 Registration Document.

NOTE 9 OFF-BALANCE-SHEET COMMITMENTS, OTHER COMMITMENTS, POTENTIAL LIABILITIES AND OTHER INFORMATION

Off-balance-sheet commitments

(€ million)	30/06/2018		31/12/2017	
Commitments given		273		270
▪ Operating activities	104		105	
▪ Financing activities	169		165	
Commitments received		6		5
▪ Operating activities	6		5	
Credit facilities		-		-

Future leasing expenses

(€ million)	30/06/2018	31/12/2017
Less than one year	28	27
Between one and five years	92	80
More than five years	113	103
TOTAL	233	210

Other commitments, potential liabilities and other information

During the 1st half of 2018, there have been no major changes in Other commitments, Potential liabilities and Other information presented in the 2017 Registration Document in Note 14 – "Off-balance-sheet commitments, other commitments, potential liabilities and other information of the notes to the consolidated financial statements".

NOTE 10 SUBSEQUENT EVENTS

Public offer for the acquisition of the shares in Mineral Deposits Limited

ERAMET now has a 98% interest in MDL. This operation will enable the Group to fully consolidate TiZir (100%). The joint-venture is 50/50 owned by MDL and ERAMET and operates an integrated business in the promising mineral sands (titanium dioxide and zircon) business in Senegal and Norway.

The all-cash takeover offer, made at a price of AUD 1.75 per share, values the equity of MDL (on a fully diluted basis) at approximately AUD 350 million, i.e. approximately €220 million.

The Offer period is extended for a last period of time until 3 August and the squeeze-out procedure for minority interests in shareholders' equity was initiated.

To the best of the Company's knowledge, no other events have occurred since the balance sheet date.

NOTE 11 BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

General principles and declaration of compliance

Pursuant to European Regulation no. 1606/2002 of July 19, 2002, the condensed interim consolidated financial statements for the 1st half of 2018 are presented in millions of euros in accordance with IAS 34 – Interim Financial Reporting, and prepared in accordance with the IFRS framework as published by the IASB (International Accounting Standards Board) and IFRS as adopted by the European Union as of June 30, 2018. Since they are condensed interim consolidated financial statements, these financial statements do not contain all the information and notes required for annual consolidated financial statements and should therefore be read in conjunction with the ERAMET group's annual consolidated financial statements for the year ended December 31, 2017.

The reference document adopted by the European Union is available for consultation on the website below:
http://ec.europa.eu/commission/index_fr.

Changes to standards and interpretations

The accounting principles and methods applied for the condensed interim consolidated financial statements as of June 30, 2018 are identical to those used in the consolidated financial statements as of December 31, 2017, with the exception of IFRS standards, amendments and interpretations as adopted by the European Union and issued by the IASB, the application of which is mandatory for annual periods beginning on or after January 1, 2018 (and which had not been applied early by the Group).

Standards, interpretations and amendments issued by the IASB and IFRS IC (IFRS Interpretations Committee), the application of which are not mandatory for annual periods beginning on or after January 1, 2018, have not been applied by the Group.

For the first time, the Group has therefore applied IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments. The nature and effects of these changes are described below. Their application has no material impact on the Group's financial statements.

The application on January 1, 2018 of IFRIC 22 – Advances in foreign currencies had no material impact on the Group's financial statements and did not result in any impact being recognized in the consolidated financial statements.

Application of IFSR 15 – Revenue from Customer Contracts

IFRS 15 replaces IAS 11 – Construction Contracts, IAS 18 – Revenues and Related Interpretations and applies to all revenue from customer contracts, except those falling within the scope of other standards.

The standard requires exercising judgment taking into consideration all facts and circumstances that can be implemented on customer contracts following a five-step model. Under IFRS 15, revenue is recognized at an amount that reflects the remuneration expected in exchange for the transfer of control of goods or services to a customer. The standard also specifies how costs incurred in signing or renewing a contract with a customer are recognized.

To implement this new standard, the Group has opted for a retrospective application as of January 1, 2018, the so-called "cumulative method".

As part of the application of IFRS 15, the Group notes limited and immaterial impacts on the revenue recognition methods due to the breakdown of certain customer contracts into two distinct performance obligations (sale of goods and providing transport/insurance services). These insignificant impacts were recognized in the consolidated financial statements of the Group on June 30, 2018.

Accordingly, the Group's accounting principles and methods concerning revenue recognition have been modified as follows:

- sales revenue mainly consists of sales of ores (nickel and manganese) and manufactured products (special steels, alloys, superalloys, etc.) to third parties, as well as related performance obligations such as transport or insurance services depending on contractual Incoterm terms;
- revenue from the sale of these products and services are recorded when control over the product sold and the service rendered has been transferred to the customer.

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and measurement as of January 1, 2018, combining the three aspects of financial instrument recognition: recognition and measurement, impairment and hedge accounting.

The Group has applied IFRS 9 retrospectively without restating comparative periods, and has maintained the application of IAS 39 for its hedge accounting pending IFRS 9 Phase 3.

The impact of the first-time adoption of this standard, which was recognized separately as a change in shareholders' equity in the 1st half of 2018, had no material impact on the Group's balance sheet, income statement or consolidated shareholders' equity at June 30, 2018.

Classification of financial assets

An assessment of the impact of the adoption of IFRS 9 on the consolidated financial statements does not result in the group noting any significant impact. The methods used to classify and measure financial assets have been reassessed with regard to the Group's portfolio of financial assets in order to take into account IFRS 9 categories and their valuation method, without this having an impact on the accounting methods.

The transition from IAS 39 categories to IFRS 9 categories had no impact on the balance sheet value of financial assets, and therefore no impact on the Group's equity.

The portfolio of the Group consists of financial assets:

- meeting the objective of collecting contractual flows and then selling (bond portfolio), which will continue to be measured at fair value through equity;
- meeting the objective of collecting contractual flows until maturity (financial loans), which will continue to be valued at amortized cost;
- corresponding to non-consolidated investments, the changes in fair value of which will be recognized in profit or loss;
- corresponding to trading instruments, measured at fair value through profit or loss under IAS 39, which will continue to be measured by result.

The Group's accounting policies regarding the recognition of current financial assets have been modified as follows to reflect the provisions of IFRS 9:

- These assets mainly consist of bonds issued by listed European companies whose objective is to collect contractual flows.
- These obligations are measured at fair value on initial recognition. Fair value corresponds to the market value for listed bonds and, for unlisted bonds, to estimates based on financial criteria specific to the particular situation of each bond (similar transactions or discounted cash flows).
- Where an impairment loss on these bond exists, that loss is recognized under net income for the period.

The Group's accounting policies regarding the recognition of non-current financial assets have been modified as follows to reflect the provisions of IFRS 9:

- Other non-current financial assets include other investments and non-consolidated investments.
- Other investments correspond to loans or financial current accounts granted to non-consolidated or jointly controlled companies. They are initially recorded at fair value plus acquisition costs and measured at each balance sheet date at amortized cost using the effective interest rate method (EIR), less any impairment losses recognized in financial income (loss) for the period.

Investments in non-consolidated companies are recognized in the balance sheet at their acquisition cost or at their value on the date they are removed from the scope of consolidation, less, where applicable, provisions for impairment against the profit or loss for the period in the financial result, to reflect changes in the fair value of this asset category.

The ERAMET group has divided its non-consolidated investments into two categories:

- controlled and non-consolidated companies due to their limited impact on the ERAMET group financial statements;
- non-controlled companies corresponding to interests in which ERAMET exercises neither control nor significant influence.

Impairment of financial debts and trade receivables

Trade receivables and related accounts are depreciated using the simplified IFRS 9 impairment model, particularly given their generally short-term maturity.

For these assets, the evolution of credit risk is assessed at two levels, collective and individual.

At the collective level, impairment for expected credit losses is calculated for all customers with the exception of guaranteed receivables for which no collective impairment is recognized.

At the individual level, a receivable is impaired when it is more than probable that it will not be recovered and it is possible to reasonably estimate the amount of the impairment based on the history of the credit losses, the prior period and an estimate of the risks. This impairment loss, the counterpart of which is recorded in current operating income, is deducted from the gross value of the receivable.

The impairment of other financial assets is not impacted by IFRS 9 on January 1, 2018.

The Group's accounting policies for accounts receivable and other current assets have been modified as follows to reflect the provisions of IFRS 9:

- Receivables are valued for their first recognition at their transaction value and then valued at each closing at amortized cost. Receivables and payables in foreign currencies are revalued on the last day exchange rate of the financial year. Exchange rate differences arising are recognized in current operating income or in financial income (other financial income and expenses) depending on the nature of the receivables and payables.
- The trade receivables portfolio of the Group is weighed in order to take into account the expected loss rate at maturity on this portfolio. This rate is determined on the one hand by qualifying the customer portfolio according to its exposure to risk, the secured receivables limiting the expected level of risk of loss; on the other hand by evaluating the probability of default and the impact of the expected loss on the portfolio, on the basis of the history of credit losses, the prior period and an estimate of the risks.
- In addition, an individual receivable is impaired when it is more than probable that it will not be recovered and it is possible to reasonably estimate the amount of the impairment based on the history of the credit losses, the prior period and an estimate of the risks. This impairment loss, the counterpart of which is recorded in current operating income, is deducted from the gross value of the receivable.

Renegotiation of financial liabilities

When a debt restructuring does not substantially modify the existing debt, IFRS 9 provides for the application of an "modification accounting". The debt, maintained on the balance sheet, is revalued at the original overall effective interest rate on the basis of the new contractual flows. The difference between the carrying amount before renegotiation and the present value of the flows revised to the original EIR is recognized in the income statement.

The TiZir bond issue of July 2017 must be treated under IFRS 9 as debt on the Group's balance sheet, revalued in accordance with IFRS 9. The non-significant impact was recorded as a reduction of stock equity on January 1, 2018.

The Group's accounting policies regarding the recognition of non-current financial assets have thus been modified as follows:

- Borrowings are initially recognized on the basis of the amount received, less financing costs incurred. Thereafter, the loan is measured at amortized cost. Thereafter, the loan is measured at amortized cost. Any difference between the amounts received and the repayment value of the loan is recognized in the income statement under financial result (cost of debt) over the term of the loan, using the effective interest rate method (EIR).
- When the renegotiation of a loan does not substantially modify the debt under IFRS 9 criteria, it is retained on the balance sheet, revalued at the overall effective interest rate on the basis of the new contractual flows. The impact of this revaluation is recognized in the income statement.

Hedge accounting

ERAMET has elected to continue applying IAS 39 and does not anticipate any impact in the treatment of its hedge accounting as a result of the application of IFRS 9.

The accounting principles and methods of the Group relating to the recognition and measurement of financial instruments and derivatives have not been modified.

Progress of the project to implement the new IFRS 16 standard

The impacts of the application of IFRS 16 – Leases, applicable as of January 1, 2019, are being finalized following the detailed identification and inventory of leases contracts. This monitoring is based on the information feedback procedures in place for off-balance-sheet commitments. A dedicated management tool has been introduced for the operational monitoring of contracts and the automation of restatements. The application of this new standard will result in an increase in net debt and fixed assets, and an improvement in EBITDA. The definition of the assumptions and the measurement of this impact are currently being evaluated by the Group.

The Group has elected to transition to the modified retrospective application method.

Seasonality effect

The Group's various activities are not subject to significant seasonal fluctuations.

Use of estimates and judgment

The judgements and estimates that are likely to result in a material change in the carrying value of assets and liabilities as of June 30, 2018 are unchanged from the previous year compared to those from the previous financial year presented in the consolidated financial statements for 2017 and in the Registration Document for 2017.

Consolidation scope

As of June 30, 2018, the scope of consolidation has not changed compared to December 31, 2017, with the exception of the following changes related to the following transactions:

- the sale of Guilin pertaining to Comilog Asia Ferro Alloys Ltd and its subsidiary Guilin;
- the sale of stake of the Group in Strand Minerals Pte Ltd (project Weda Bay) resulting in a change of control over the Strand Minerals Pte Ltd and PT Weda Bay Nickel entities, 100% consolidated at December 31, 2017 and until May 31, 2018, with Strand Minerals Pte Ltd holding 90% of Pt Weda Bay Nickel prior to the sale. The current interests are 43% in Strand Minerals Pte Ltd and 38.70% in PT Weda Bay Nickel, consolidated using the equity method in the financial statements on June 30, 2018 since the transaction was finalised;
- increase of the percentage of interest held in EcoTitanium *via* UKAD from 21.75% to 22.40%;
- increase of the percentage of interest held in Interforge from 94% to 95.7%.

Specific features in the preparation of condensed interim consolidated financial statements

Employee benefits

The post-employment benefit expense for the half-year is half of the net expense estimated for financial year 2018, based on the actuarial assumptions and data used as of December 31, 2017, and adjusted where necessary for non-recurring events (plan amendments, curtailments, settlements). As of June 30, the actuarial gains and losses estimated on the basis of a sensitivity analysis of the discount rates were recorded and recognized in shareholders' equity (defined-benefit plans) or in the income statement (other long-term advantages), as soon as they are considered significant.

Income tax

The current and deferred income tax expense for the period is calculated using the effective tax rate estimated for the current year at the Group level. It is adjusted for transactions specific to the 1st half.

Asset depreciation and impairment losses

Impairment tests for goodwill and intangible assets with indefinite useful life are always carried out in the second half of the year. As a result, as of the close of the first half, impairment tests for the assets were only carried out if there were indications of an impairment loss.

Chapter 4

STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION AS OF JUNE 30, 2018

PERIOD FROM JANUARY 1 UNTIL JUNE 30, 2018

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Following our appointment as statutory auditors by your annual general meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of ERAMET, for the six-month period ended June 30, 2018;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of the IFRS as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, July 24, 2018
The Statutory Auditors

KPMG Audit
Département de KPMG S.A.

Denis Marangé
Partner

Pierre-Antoine Duffaud
Partner

Ernst & Young Audit

Jean Roch Varon
Partner

Nicolas Macé
Partner

Design and production: côtécorp.
Tel.: +33 (0)1 55 32 29 74

ERAMET

ALLOYS, ORES AND PEOPLE.

10, boulevard de Grenelle – F-75015 Paris
Tel.: (33) 01 45 38 42 42 – Fax: (33) 01 45 38 41 28
www.eramet.com