Interim financial Report 2019

Contents

Chapter 01

STATEMENT BY THE PERSONS RESPONSIBLE FOR THE ERAMET INTERIM FINANCIAL REPORT AS OF JUNE 30, 2019

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, 2019

Thomas Devedjian

Chief Financial Officer and Chief Technological Officer

Christel Bories

Chief Executive Officer

Chapter

02

INTERIM BUSINESS REPORT AS OF JUNE 30, 2019

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, 2019 and the other financial information in the 2018 Registration Document filed with the French Financial Markets Authority (AMF) on April 3, 2019. 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 under the proportional consolidation method until December 31, 2018. The reconciliation with the published financial statements is presented in Note 2 of the condensed interim consolidated financial statements as of June 30, 2019.

2 OVERVIEW

ERAMET, a global mining and metallurgical group, is a key player in the extraction and beneficiation of metals (manganese, nickel, mineral sands) and the development and modification of high value-added alloys (high-speed steels, high-performance steels, superalloys, aluminum and titanium alloys). The Group supports the energy transition by developing activities with high growth potential, such as lithium mining and refining, and recycling. ERAMET is positioned as the preferred partner of our customers in the steel, stainless steel, aeronautics, pigment, energy and new generation batteries industries. Based on operational excellence, the quality of its investments and the know-how of its employees, the Group deploys a virtuous and value-creating industrial, managerial and societal model. As a corporate citizen and contributor, ERAMET works to achieve a sustainable and responsible industry. ERAMET has close to 13,000 employees in approximately 20 countries.

3 FIRST HALF-YEAR GROUP RESULTS 2019

In H1 2019, the Group's sales remained stable at €1,809 million. At constant, scope and exchange rates, sales declined by 8%, mainly owing to the decline in manganese ore spot prices and nickel prices, in addition to delays in deliveries at Aubert & Duval, due to bringing quality processes into conformity.

The Group's current operating income ended at €169 million. It was adversely impacted by an unfavourable price environment (nickel and manganese) that weighed on the performance of the Mining and Metals division up to €144 million, by the impact of the strikes at SLN as well as the losses incurred by the High Performance Alloys division by bringing the quality management system into conformity.

Income before tax amounted to €90 million and net income – Group share reported a loss of -€37 million, impacted by a €101 million tax charge, stable on last year.

Free cash flow ended at -€165 million. Factoring in the sharp increase in inventories of finished products and work in progress at Comilog and Aubert & Duval, the change in working capital requirements weighed on cash generation, amplified by the seasonality for H1.

CAPEX-related disbursements, focused on modernising industrial tools and the preparation of strategic projects, amounted to €156 million.

Finally, dividends paid to ERAMET shareholders and Comilog minority shareholders in respect of the 2018 financial year amounted to €18 million and €22 million respectively.

Net debt stood at €930 million, excluding the IFRS 16 impact. ERAMET has applied IFRS 16 since January 1, 2019 with a simplified retrospective application. The accounting changes related to the adoption of IFRS 16 are recognised as an adjustment to reserves in the opening balance sheet at January 1, 2019, without restatement for comparable periods. As of H1 2019, the results are presented in accordance with IFRS 16, with the main impact at June 30, 2019 being an increase in net debt of €92 million, with no cash impact, resulting in a total net debt of €1,022 million. The impact on COI is not significant.

At June 30, 2019, the Group's liquidity remained high at €2.2 billion.

The Group's financial ratios remain in line with the targets set: gearing of 51% (56% including IFRS 16 impact) and available cash of €1.1 billion on the balance sheet.

3.1 Income statement

(€ million)	H1 2019	H1 2018	Financial year 2018
Revenue	1,809	1,813	3,825
EBITDA	307	432	843
Current operating income	169	294	581
Operating income	144	293	465
Net income for the period	(16)	139	126
Net income, Group share	(37)	94	53
Basic earnings per share *(€)*	(1.38)	3.53	2.00

3.1.1 Notes by Business Unit: revenue and current operating income

Mining and Metals Division

Manganese BU: production records in Gabon

Manganese BU sales, which represent approximately 50% of consolidated sales, grew 4% to €904 million in H1 2019, thanks to record production and despite a context of falling ore and alloys prices. Current operating income ended to €271 million, down 16%, penalised by the fall in ore prices (-€45 million) and the increasing squeeze effect, which weighed on manganese alloy margins by approximately €40 million *versus* last year.

Global production for carbon steel, the main end-product for manganese, reached a record level of 932 Mt in H1 2019, up 5.2% on H1 2018 (+1.9% *versus* H2). This growth was driven in the main by demand in China (+9,9%), accounting for approximately 53% of global production. Production remained stable (+0.3%) in the rest of the world, largely boosted by demand in North America (+4.2%), but also in India (+2.6%) whereas the European Union saw a decline in its production (-2.6%).

In order to meet the growth in ore consumption, all world producers continued to operate at full capacity and the supply/demand balance is slightly in surplus. As a result, ore stocks in Chinese ports amounted to 3.9 Mt at end-June, up 0.8 Mt *versus* end-2018.

Average manganese ore CIF China 44% prices remained at a high level at USD 6.40/dmtu during H1 2019, but down 13% on H1 2018 (USD 7.35/dmtu) and 8% *versus* H2 2018 (USD 6.98/dmtu). Adjusted for the favourable currency effect (appreciation of the dollar against the euro), the decrease in price in euros was -7% on a comparable half-year basis.

In Gabon, Comilog's manganese ore production reached a record level of 2.1 Mt (+6%) for H1, confirming its production record target of 4.5 Mt for 2019. This performance results from continuous operational improvements, particularly the new dry ore processing process.

Despite logistical difficulties, and especially the derailment of an ore-carrying train in June, the volumes of manganese ore produced and transported increased by 9% to 2.0 Mt. External sales volumes grew also 9% to 1.6 Mt.

The fall in manganese alloy prices in Europe in H1 2019 contributed to strengthening the squeeze effect weighing on margins. The price of refined ferromanganese medium carbon alloys continued to erode (-5% to €1,551/t). The effect is identical for standard silico-manganese alloys (-6% at €976/t).

Manganese alloy production reached a record high at 376 kt (+5%); sales volumes increased by 8% (367 kt) in parallel.

Nickel BU: decisive breakthroughs in SLN's rescue plan

Sales ended at €346 million in H1 2019, down 5%, and the BU's current operating income ended at -€70 million. SLN recorded a loss of €57 million, compared with a profit of +€4 million in H1 2018, largely impacted by both the decline in nickel prices but also the disruption of mining centers on the East Coast. At the same time, the Sandouville plant has seen the actions carried out since early January reflected in terms of performance with a loss reduced by half to -€13 million.

Global stainless steel production remained stable (+0.2%) in H1 2019. Production in China increased from 3.3% to 13.3 Mt and slowed in the rest of the world (-3.1%) to 11.8 Mt. Indonesia presented a unique situation with stainless steel production up 9%, due to the start of locally integrated production upstream from NPI ("Nickel Pig Iron").

Demand for primary nickel was up 2.9% over the period, boosted by the development of the electric vehicle battery sector, which grew by 25% in H1 2019 (to 84 kt of primary nickel).

Global primary nickel production was also up 10.8% to 1,140 kt in H1 2019, propelled by continued growth in NPI (+28.6%) particularly in Indonesia (41.8%).

Considering a nickel supply/demand balance with a high deficit in 2018, this production increase was not enough to satisfy the change in demand, with still a deficit of more than of 40 kt nickel in H1 2019. Nickel stocks at the LME and SHFE continued to fall, amounting to 182 kt at end-June 2019 (-40 kt *versus* end-December 2018, *i.e.* -18%), equivalent to nine weeks of consumption (including nickel producers' stocks), lowest level since 2012.

In H1 2019, the average LME price was USD 5.59/lb (USD 12,325/t). This level is stable on H2 2018, but shows a decrease of 11% *versus* the average of USD 6.30/lb (USD 13,877/t) in H1 2018. Restated for the favourable currency effect, the decrease in price in euros was -5% on a comparable half-year basis.

In New Caledonia, the new organisation for working schedule times made it possible to produce more with three mining centers operating in H1 2019 *versus* four during H1 2018, and beating a production record of nickel ore (1.9 Mth, +7%) for a first semester.

In April, SLN took an important step forward in implementing its rescue plan. SLN was granted a 10-year authorisation by the local government to export 4 Mth a year of low-grade nickel ore. The ramp-up of exported ore volumes increased by 7% to 489 kth in H1; the 2019 target of 1.5 Mth is confirmed, with H2 benefitting from favourable seasonality. The new mine schedule working times applied since mid-May on all mining centers, as well as the comprehensively revised approach to relations with local communities, also confirm the target of reaching the 4 Mth export rate of ore as of H2 2020. At the same time, discussions to reduce energy prices are ongoing with local authorities.

Due to the blockade of mining centers on the East coast (Kouaoua in 2018 and Thio during H1 2019), the ore supply to the plant has been strongly disrupted (in particular with too low grade ores) and the load of the ore smelting furnaces has been reduced. Ferronickel production at the Doniambo plant was therefore down 12% to 24 kt. Taking into account inventories effects, the situation should not be back to normal before September. Furthermore, at end-April, SLN concluded a review of working times at the plant with the unions, the effects of which for productivity are expected in the coming quarters.

SLN's cash cost, impacted by the magnitude of the disruptions related to the implementation of new organisations at the mine and plant, averaged USD 6.05/lb in H1 2019. It reached USD 5.82/lb in June 2019. The intrinsic reduction target of USD 1.30/lb in 2021 is confirmed on a full-year basis, provided the plan is rolled out without disruptions.

In Sandouville, Normandy, the involvement of the expert task force since early January 2019 has enabled significant progress to be made in the plant's operations. The volumes of high-purity nickel produced more than tripled to 4.2 kt. The loss was halved on H1 2018 with a current operating income at -€13 million and cash consumption fell significantly, with free cash flow of -€5 million (*versus* -€26 million). The teams are fully committed to consolidating this progress and reaching break-even in EBITDA after Q4 maintenance shutdown.

In Indonesia, the construction of the NPI production plant in order to bring value to the nickel ore from the Weda Bay deposit is currently ahead of the initial schedule. NPI Production is expected to begin in H2 2020.

Mineral Sands BU: a solid contribution

At comparable scope (full basis), Mineral Sands BU sales grew 20% to €139 million in H1 2019, while current operating income rose by 50% to €30 million, driven by a highly favourable price environment and good operating performance.

The end-markets for mineral sands remained generally strong in H1. However, the zircon market for ceramics has slowed, particularly in China, which should reflect slight overcapacity in zircon supply/demand balance in 2019. Nevertheless, the medium/long-term outlook remains promising. The average price of Zircon was USD 1,585/t in H1 2019, up 15% (+2% on H2 2018).

In line with H2 2018, high value-added titanium products continue to benefit from strong demand, such as CP-grade titanium slurry produced by ERAMET in Norway. The average price of CP grade titanium slag increased by 12% to USD 761/t over the same period (+10% on H2 2018). Given the favourable currency effect, price increases in euros were up 23% and 21% respectively on a comparable half-year basis.

Production of heavy mineral concentrates in Senegal reached a record high of 378 kt (+1%) for a first semester. Indeed, operational performance has made it possible to offset the decline in the grade of the area of the deposit currently being mined compared with previous years, which had benefited from exceptional geological conditions. In this context, the annual production target for heavy mineral concentrates is set at 720 kt for 2019, reflecting nominal operations in the area of the deposit now being mined.

Commercial shipments of zircon decreased to 29 kt (-16%), reflecting developments in the market.

In Norway, titanium slag production beat a record for a first semester at 101 kt (+19 %), reflecting the good performance of the facilities. Sales' volumes increased by 20% to 97 kt.

High Performance Alloys division: sales adversely impacted by bringing into conformity the quality processes

The High Performance Alloys division's sales declined by 19% to €423 million, and current operating income showed a loss of €27 million (*versus* profit of €10 million in the H1 2018).

At Aubert & Duval, sales stood at €307 million, down 24%, and a loss of €23 million was recorded in current operating income (*versus* +€6 million in 2018). In the aerospace sector, which accounts for more than 70% of Aubert & Duval's sales, the market environment remains stable. The last Le Bourget Paris Air Show provided the opportunity to sign several large contracts with leading prime contractors reflecting medium-term growth outlook, both in the field of jet-engines and aerospace structures for new-generation single-aisle aircraft.

As announced, the company's performance is adversely impacted by delivery delays due to bringing the quality management system into conformity, which requires verification procedures and the implementation of a corrective action plan. All teams are fully involved towards improving customer service and the target is to go back to normal invoicing level in Q4 2019.

Erasteel's sales grew 3% to €116 million, despite the particular market circumstances in the United States, where the increase in customs duties adversely impacted our premium high-speed steel exports. The end of the first semester saw a marked slowdown in the global market, particularly in the automotive sector in Europe and China. Current operating income was a loss of €5 million (*versus* +€4 million in 2018), significantly impacted by the decline in raw material prices in recent months, particularly for cobalt and vanadium.

Strategic growth projects

The manganese production expansion project in Moanda, Gabon, and the lithium recovery project in Argentina have each successfully completed the internal project validation milestone ("Initial Project Validation", "IPV") on schedule. This validation follows secured operating permits issued by the local authorities of both countries in recent months and major technical, economic, environmental and societal studies that have demonstrated the feasibility and high value creation potential of these projects. The search for financing is now actively underway. Final investment decisions could be made once the financing has been obtained, at the earliest and subject to a satisfactorily regulatory frame.

These projects meet ERAMET's twofold strategic ambition: to increase cash generation and diversify the portfolio of activities.

In Gabon, the target is to increase overall manganese ore production capacity from 4.3 Mt/year in 2018 to 7 Mt in 2023, with significant milestones of over 5 Mt as soon as 2020 and of over 6 Mt in 2021. Thanks to a gradual phasing of the planned €640 million of investments, this brownfield expansion project is highly value-accretive, with an internal rate of return of more than 35%, supported by a decrease in cash-cost of approximately 20%. ERAMET's market share is expected to increase to 15% *versus* 10% currently. The preparatory works for 2019 represent an investment of approximately €70 million.

In Argentina, where industrial lithium production could start at end-2021, the target is to produce 24 kt of LCE a year at an estimated production cost among the best in industry, at approximately USD 3,500/t LCE, including taxes and royalties. The competitiveness of this greenfield project is key to its profitability with an internal rate of return in the range 17%-25%. Potential later development stages of this deposit could be significantly more profitable. Investment is expected to amount to approximately €525 million over three years, including an amount of c. €70 million for preparatory works in 2019. By 2022, production would exceed 15 kt, at a time when few new productions are being announced to support the strong growth momentum of portable electronics and electric vehicles.

3.1.2 Net income, Group share

Net income, Group share, amounted to -€37 million in the first half of 2019, down €131 million from €94 million in the same period in 2018, mainly due to the deterioration in current operating income (see § 3.1.1), 2018 effects related to changes in the scope of consolidation that generated a disposal gain of €162 million in the first half of 2018, partially offset by the impact of the impairment of CGUs, which resulted in a net expense of €133 million.

It includes the following items:

- **financial loss** of -€54 million for the first half of 2019, remaining stable compared to the corresponding period in 2018 (-€51 million);
- **income tax** of -€101 million for the first half of 2019, remaining stable compared to the corresponding period in 2018 (-€103 million);
- **non-controlling interests** down to €21 million in the first half of 2019 compared to €45 million in the first half of 2018, which automatically translates into a higher loss for Société Le Nickel-SLN (44% minority interest).

3.2 Statement of changes in net financial debt

(€ million)	H1 2019	H1 2018	Financial year 2018
Net cash flow from operating activities	(7)	173	449
Capital expenditure	(131)	(112)	(281)
Other investment cash flows	(27)	(19)	(379)
ODIRNAN issuance	-	-	100
Dividends and other financing flows	(45)	(122)	(223)
Exchange-rate impact	(1)	7	(7)
(Increase)/Decrease in net financial debt	**(211)**	**(73)**	**(341)**
(Net financial debt) as of 31/12/2018	**(717)**	**(376)**	**(376)**
IFRS 16 impact	(94)		
Opening (net financial debt)(1)	**(811)**		
Closing (net financial debt)	**(1,022)**	**(449)**	**(717)**

(1) Restated for the first-time application of IFRS 16 as of January 1, 2019.

The net financial debt as of June 30, 2019 was €1,022 million, compared to €717 million on December 31, 2018.

Net cash flow generated by operating activities amounted to -€7 million for the first half of 2019, down €180 million compared to the first half of 2018 due to changes in the following factors:

- the gross margin of cash flow from operations of -€107 million, with a worsening of EBITDA of -€125 million;
- change in WCR of -€73 million between the two periods, mainly due to the increase in inventory levels.

Industrial investments remained stable at €131 million for the first half of 2019, compared to €112 million in the first half of 2018.

Other financing flows amounting to -€45 million in the first half of 2019 include:

- €2 million in interest paid during the period on net share settled undated bonds convertible into new shares (ODIRNAN); and
- €38 million in dividend payments, of which €22 million paid to minority shareholders of Comilog and €16 million paid to the ERAMET shareholders;
- €5 million associated with the share buyback program by the Group.

3.3 Group share of shareholder's equity

Equity attributable to owners of the parent is stable at €1,547 million at the end of June 2019, compared to €1,605 million at the end of December 2018.

This slight change is mainly due to the net income, Group share, in the first half of 2018 (-€37 million) and by the distribution of dividends for a total of €38 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 currency risks.

The presentation of these risks and the Group's assessment of them are detailed in the 2018 Registration Document in Note 8 – Financial instruments and risk management in the Notes to the consolidated statements, and in Chapter 5 – Risk management 2018.

Cash surpluses of subsidiaries are pooled at Group level through a wholly-owned subsidiary (Metal Securities). In 2019, as in previous years, cash is managed prudently; this enabled ERAMET to obtain an annualized return of 1.74% in the first half of 2019, namely Eonia +2.10%.

The Group has not identified any other risk factors during the first half of 2019 or any affecting the upcoming second half.

5 FINANCIAL STATEMENTS OF ERAMET S.A.

(€ million)	H1 2019	H1 2018	Financial year 2018
Revenue	320	360	715
Operating income	(35)	(44)	(33)
Financial profit (loss)	(4)	186	148
Non-recurring income	(7)	(4)	(64)
Net income	(45)	138	54

Revenue fell 11% mainly due to the drop in nickel prices (average LME price of USD5.59/lb during the first half of 2019, against USD6.30/lb during the first half of 2018).

Operating income totaled -€35 million in the first half of 2019, compared with -€44 million in the first half of 2018, reflecting a slight decline in the Nickel business due to the decrease in the average LME price over the period.

Financial loss for the first half of 2019 amounted to -€4 million. It mainly consists of dividend income from investments of €12 million from the Manganese BU, and net interest on loans/borrowings of -€14 million.

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

Net loss was -€45 million for the first half of 2019, compared to a profit of €138 million for the first half of 2018.

6 OUTLOOK

Over the year, record manganese ore production and nickel ore exports, as well as related productivity gains, should significantly improve the Group's intrinsic performance. Factoring in expected productivity gains over the year, and with the assumption of market conditions in June 2019, forecast EBITDA for H2 should be significantly above that of H1, nonetheless leading to full year EBITDA below those of 2018.

Chapter

03

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

INCOME STATEMENT

(€ million)	Notes	H1 2019	H1 2018	Financial year 2018
Revenue	**2**	**1,809**	**1,735**	**3,725**
Other income/expense		(18)	1	24
Cost of goods sold		(1,372)	(1,218)	(2,721)
Administrative and selling expenses		(97)	(89)	(172)
Research and development costs		(15)	(14)	(28)
EBITDA	**2**	**307**	**415**	**828**
Depreciation of fixed assets and provisions for contingencies and losses		(138)	(129)	(253)
Current operating income	**2**	**169**	**285**	**574**
Other operating income	4	(25)	(62)	(177)
Operating income		**144**	**223**	**398**
Financial profit (loss)		(54)	(40)	(84)
Share of income from joint ventures and associates	7	(4)	52	48
Income tax	9	(101)	(103)	(243)
Net income for the period		**(16)**	**132**	**119**
▪ attributable to non-controlling interests	4	21	38	67
▪ **attributable to equity holders of the parent company**		**(37)**	**94**	**53**
Basic earnings per share *(€)*		(1.38)	3.53	2.00
Diluted earning per share *(€)*(1)		(1.38)	3.24	1.83

(1) When the basic earnings per share are negative, diluted earnings per share are deemed to be equal to the latter, the instruments are considered to be anti-dilutive.

STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Notes	H1 2019	H1 2018	Financial year 2018
Net income for the period		**(16)**	**132**	**119**
Exchange differences for subsidiaries' financial statements in foreign currency		5	(22)	(61)
Change in fair value reserve on bonds		3	(3)	(9)
Change in revaluation reserve for hedging financial instruments		8	(0)	(9)
Income tax		-	-	(8)
Income and expenses to be included in profit or loss in the future		**17**	**(25)**	**(86)**
Revaluation of net defined benefit plan liabilities		(23)	-	6
Income tax			-	(1)
Items that will not be reclassified subsequently to profit or loss		**(23)**	**-**	**5**
Other comprehensive income		(6)	(25)	(81)
▪ attributable to non-controlling interests		(1)	-	2
▪ **attributable to equity holders of the parent company**		**(6)**	**(25)**	**(83)**
TOTAL COMPREHENSIVE INCOME		**(23)**	**106**	**38**
▪ attributable to non-controlling interests		20	38	69
▪ **attributable to equity holders of the parent company**		**(43)**	**68**	**(31)**

STATEMENT OF CASH FLOWS

(€ million)	Notes	H1 2019	H1 2018	Financial year 2018
OPERATING ACTIVITIES				
Net income for the period		(16)	132	119
Non-cash income and expenses		181	134	375
Cash flow from operations		**165**	**266**	**494**
Net change in working capital requirement (WCR)	6	(172)	(100)	(57)
Net cash flow generated by operating activities (1)	**2**	**(7)**	**167**	**437**
INVESTING ACTIVITIES				
Payments for non-current assets	7	(156)	(121)	(275)
Proceeds from non-current assets disposals		-	(13)	(24)
Net change in non-current financial assets		(2)	(12)	(6)
Net change in current financial assets	5	9	(152)	(123)
Capital increases of joint ventures		-	-	-
Increase of ownership interest – controlled companies		-	-	-
Impact of changes in scope		(1)	(6)	(171)
Net cash used in investing activities		**(150)**	**(304)**	**(599)**
FINANCING ACTIVITIES				
Issuance of equity instruments (ODIRNAN)		-	-	
Dividend payments to non-controlling interests		(22)	(59)	(59)
Payment of dividends and ODIRNAN		(18)	(63)	(65)
Repurchase of common shares		(5)	-	1
Issuance of new borrowings	5	44	70	121
Repayment of borrowings	5	(76)	(507)	(617)
Repayment of lease debts		(6)		
Changes in bank overdrafts	5	27	(20)	(20)
Other changes	5	3	(9)	(9)
Net cash used in financing activities		**(53)**	**(588)**	**(648)**
Exchange-rate impact		(3)	6	5
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(213)**	**(719)**	**(805)**
Cash and cash equivalents at opening	**5**	**848**	**1,653**	**1,653**
Cash and cash equivalents at closing	**5**	**635**	**933**	**848**
(1) Of which, included in the operating activities				
Interest received		*6*	*4*	*12*
Interest paid		*(55)*	*(41)*	*(93)*
Tax paid		*(122)*	*(131)*	*(205)*

STATEMENT OF CHANGES IN EQUITY

(€ million)	Total capital	Share capital	Share premiums	Reserves/ fair value financial assets	Reserves/ hedging instruments	Reserves/ defined benefit plans	Translation differences	Other reserves	Attributable to equity holders of the parent company	Attributable to non-controlling interests	Shareholders' equity
Shareholders' equity as of January 1, 2018	**26,633,660**	**81**	**377**	**4**	**(9)**	**(65)**	**(6)**	**1,308**	**1,690**	**295**	**1,985**
Net income for the period – H1 2018								**94**	**94**	**38**	**132**
Other comprehensive income				(3)	-		(22)		(25)		(25)
Total comprehensive income		**-**	**-**	**(3)**	**-**	**-**	**(22)**	**94**	**69**	**38**	**107**
Capital increase	2,196								**-**		**-**
Distribution of dividends								(61)	**(61)**	(59)	**(120)**
Share-based payments								4	**4**		**4**
Repurchase of common shares								-	**-**		**-**
Equity instruments (ODIRNAN)								(2)	**(2)**		**(2)**
Other movements								(3)	**(3)**		**(3)**
Total transactions with shareholders	**2,196**	**-**	**-**	**-**	**-**	**-**	**-**	**(62)**	**(62)**	**(59)**	**(121)**
Shareholders' equity as of June 30, 2018	**26,635,856**	**81**	**377**	**1**	**(9)**	**(65)**	**(28)**	**1,340**	**1,697**	**274**	**1,971**
Net income for the period – H2 2018								**(41)**	**(41)**	**29**	**(12)**
Other comprehensive income				(11)	(10)	2	(39)		(58)	2	(57)
Total comprehensive income		**-**	**-**	**(11)**	**(10)**	**2**	**(39)**	**(41)**	**(99)**	**30**	**(68)**
Capital increase	28								**-**		**-**
Share-based payments								5	**5**		**5**
Repurchase of common shares									**-**		**-**
Equity instruments (ODIRNAN)								(2)	**(2)**		**(2)**
Other movements								5	**5**	(1)	**4**
Total transactions with shareholders	**28**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**8**	**(1)**	**7**
Shareholders' equity as of January 1, 2019	**26,635,884**	**81**	**377**	**(10)**	**(19)**	**(63)**	**(67)**	**1,307**	**1,606**	**303**	**1,909**
Net income for the period								**(37)**	**(37)**	**21**	**(16)**
Other comprehensive income				3	8	(23)	5		(6)	(1)	(7)
Total comprehensive income		**-**	**-**	**3**	**8**	**(23)**	**5**	**(37)**	**(43)**	**20**	**(23)**
Capital increase	3	0							**0**		**0**
Distribution of dividends								(16)	**(16)**	(22)	**(38)**
Interest on equity instruments (ODIRNAN)								(2)	**(2)**		**(2)**
Share-based payments									**-**		**-**
Repurchase of common shares								(0)	**(0)**		**(0)**
Other changes[1]								2	**2**	(13)	**(11)**
Total transactions with shareholders		**0**	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**	**(34)**	**(50)**
SHAREHOLDERS' EQUITY AS OF JUNE 30, 2019	**26,635,887**	**81**	**377**	**(7)**	**(11)**	**(86)**	**(62)**	**1,254**	**1,547**	**289**	**1,836**

(1) Of which: hyperinflation effect in Argentina.

BALANCE SHEET

(€ million)	Notes	30/06/2019	31/12/2018
Intangible assets and goodwill		447	455
Property, plant & equipment	7	2,303	2,287
Rights of use relating to lease contracts		90	-
Investments in joint ventures and associates	7	24	29
Non-current financial assets		242	235
Deferred tax assets		10	6
Other non-current assets		9	11
Non-current assets		**3,125**	**3,023**
Inventories	6	1,130	947
Trade receivables	6	382	395
Other current assets		274	209
Current tax receivables		31	31
Derivatives assets		12	25
Current financial assets	5	508	517
Cash and cash equivalents	5	635	848
Current assets		**2,972**	**2,972**
TOTAL ASSETS		**6,097**	**5,995**

(€ million)	Notes	30/06/2019	31/12/2018
Share capital		81	81
Share premiums		377	377
Revaluation reserve for assets available for sale		(7)	(10)
Revaluation reserve for hedging instrument		(11)	(19)
Revaluation reserve for defined benefit plan liabilities		(86)	(63)
Exchange differences		(62)	(67)
Other reserves		1,254	1,307
Attributable to equity holders of the parent company		**1,547**	**1,606**
Attributable to non-controlling interests	4	289	303
Shareholders' equity		**1,836**	**1,909**
Employee-related liabilities		216	188
Provisions – more than one year	10	601	579
Deferred tax liabilities		250	207
Borrowings – more than one year	5	1,741	1,701
Lease obligation due in more than one year		83	-
Other non-current liabilities		2	1
Non-current liabilities		**2,893**	**2,676**
Provisions – less than one year	10	24	27
Borrowings – less than one year	5	332	381
Lease obligation due in less than one year		9	-
Trade payables	6	422	391
Other current liabilities		459	407
Current tax liabilities		86	144
Derivative liabilities		36	60
Current liabilities		**1,368**	**1,410**
TOTAL LIABILITIES		**6,097**	**5,995**

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 first half of 2019 were approved by the Board of Directors of ERAMET on July 24, 2019.

NOTE 1 HIGHLIGHTS OF H1 2019

Continuation of the rescue plan and new business model of Société Le Nickel-SLN (SLN), obtaining of export authorization

In April, SLN took a significant step forward in the implementation of its rescue plan, obtaining local government authorization to export 4 Mth per year of low-grade nickel ore for 10 years. The ramp-up of exported ore volumes increased by 7% to 489 kth in the first half of the year, with a target of 1.5 Mth in 2019. Since mid-May, the new mining work patterns are applied to all mining sites, making it possible to also confirm the objective of reaching the 4 Mth ore export rate by the second half of 2020.

SLN's cash cost averaged USD6.05/lb in the first half of 2019, impacted by the disruptions related to the implementation of new organizational structures at the mine and plant. It reached USD5.82/lb in June 2019. The 2021 full-year reduction target of USD1.30/lb of the rescue plan is confirmed. Discussions on reducing energy prices are continuing with local authorities.

Depending on these various improvements and the forecast nickel prices, the financing arranged by ERAMET and the French State for €525 million (€414 million used as at June 30, 2019) will enable SLN to meet its commitments until the end of 2020.

New milestones reached for the Lithium and Comilog 2020 projects

The two projects to extend the manganese mine in Gabon and the lithium beneficiation in Argentina have been internally validated. The final investment decision is expected at the end of the year, subject to the raising of financing. Preparatory work in Gabon and Argentina has been started.

Review of the quality process within the High Performance Alloys division

The Company's performance was severely affected during the first half by delivery delays following compliance with quality processes, which require verification procedures and the implementation of a corrective action plan in line with the best international standards. Improvements are expected by the end of the year. As of December 31, 2018, a provision of €65 million was recognized in the division's financial statements to take into account the estimated processing cost to date of this in-depth review of quality processes, in particular appraisal fees.

Extension of the maturity of the RCF

In February 2018, the RCF was extended for an amount of €981 million and a maturity of five years, with a new maturity date of 2023. In February 2019, the maturity was extended to 2024. No line of this RCF has been drawn to date.

Signing of the renewal of the borrowing base

On June 25, 2019, the renewal of the borrowing base facility line of credit was signed, for an amount of €65 million and a maturity of three years.

Application of the new IFRS 16 and IFRIC 23, which came into force on January 1, 2019

IFRS 16 – Leases and the IFRIC 23 interpretation on the uncertainty over income tax treatments, entered into effect on January 1, 2019 and have been applied in the Group's financial statements.

The application of IFRIC 23 did not require the Group to recognize a provision for its uncertainties related to corporate income tax.

The accounting impacts of IFRS 16 – Leases resulted in the recognition of a lease obligation debt and in use rights for an amount of €94 million at the beginning of the year.

All impacts as well as the revision of the Group's accounting principles and methods are detailed in Note 3.

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

Reconciliation of the published accounts and Group reporting

(€ million)	H1 2019 Published	Contribution joint ventures	H1 2019 Adjusted	H1 2018 Published[1]	Contribution joint ventures	H1 2018 Adjusted[2]	Financial year 2018 Published[1]	Contribution joint ventures	Financial year 2018 Adjusted[2]
Revenue	1,809	-	**1,809**	1,735	78	1,813	3,725	100	3,825
EBITDA	307	-	**307**	415	17	432	828	15	843
Current operating income	169	-	**169**	285	8	294	574	7	581
Operating income	144	-	**144**	223	69	293	398	67	465
Net income, Group share	(37)	-	**(37)**	94	(0)	94	53	(0)	53
Net cash flow from operating activities	(7)	(0)	**(7)**	167	6	173	437	12	449
Capital expenditure	131	-	**131**	110	2	112	278	3	281
(Net financial debt)	(1,022)	0	**(1,022)**	(305)	(144)	(449)	(717)	-	(717)
Shareholders' equity	1,836	0	**1,836**	1,971	1	1,972	1,909	(1)	1,908
Equity attributable to owners of the parent	1,547	(0)	**1,547**	1,697	2	1,699	1,606	(1)	1,605

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

Performance indicators per Business Division

	Mines and metals						
(€ million)	Manganese	Nickel	Mineral sands	Lithium[1]	**Alloys high performance**	Holding and eliminations	Total
H1 2019							
Revenue	**904**	**346**	**139**	**-**	**423**	**(3)**	**1,809**
EBITDA	**316**	**(25)**	**52**	**-**	**(5)**	**(31)**	**307**
Current operating income	**271**	**(70)**	**30**	**-**	**(27)**	**(35)**	**169**
Net cash flow from operating activities	**129**	**(59)**	**25**	**(4)**	**(48)**	**(50)**	**(7)**
Capital expenditure (intangible assets and property, plant & equipment)	**78**	**10**	**3**	**9**	**26**	**5**	**131**
H1 2018							
Revenue	869	365	58		520	1	1,813
EBITDA	373	22	17		43	(23)	432
Current operating income	321	(22)	10		10	(25)	294
Net cash flow from operating activities	193	5	5		8	(38)	173
Capital expenditure (intangible assets and property, plant & equipment)	40	32	3		31	6	112
Financial year 2018							
Revenue	1,857	738	212		1,020	(2)	3,825
EBITDA	784	(18)	62		46	(31)	843
Current operating income	699	(111)	35		(8)	(34)	581
Net cash flow from operating activities	499	(21)	41		(1)	(69)	449
Capital expenditure (intangible assets and property, plant & equipment)	140	57	12		63	12	284

(1) BU integrated in the Holdings activities until December 31, 2018.

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

(€ million)	France	Europe	America North	Asia	Oceania	Africa	America South	Total
Revenue (destination of Sales)								
H1 2019	**315**	**516**	**308**	**589**	**22**	**37**	**22**	**1,809**
H1 2018	186	655	285	606	11	45	25	1,813
Financial year 2018	362	1,315	629	1,346	30	87	56	3,825
Capital expenditure (intangible assets and property, plant & equipment)								
H1 2019	**32**	**11**	**1**	**-**	**8**	**70**	**9**	**131**
H1 2018	41	15	1	-	28	27	-	112
Financial year 2018	78	38	5	-	49	110	1	281
Non-current assets (excluding deferred taxes)								
30/06/2019	**640**	**482**	**37**	**42**	**585**	**1,293**	**13**	**3,092**
31/12/2018	644	349	38	42	545	1,417	4	3,039

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)	H1 2019	H1 2018	Financial year 2018
Revenue	**1,809**	**1,813**	**3,825**
EBITDA	**307**	**432**	**843**
Amortization and depreciation of non-current assets	(136)	(134)	(260)
Provisions for contingencies and losses	(2)	(3)	(2)
Current operating income	**169**	**294**	**581**
Impairment of assets		(133)	(104)
Other operating income and expenses	(25)	131	(12)
Operating income	**144**	**293**	**465**
Financial profit (loss)	(54)	(51)	(95)
Share of income from associates	(4)	(0)	(3)
Income tax	(101)	(103)	(241)
Net income for the period	**(16)**	**139**	**126**
▪ minority interests	21	45	73
▪ **Group share**	**(37)**	**94**	**53**
Basic earnings per share *(€)*	(1.38)	3.53	2.00

Statement of changes in net financial debt

(€ million)	H1 2019	H1 2018	Financial year 2018
OPERATING ACTIVITIES			
EBITDA	307	432	843
Cash impact of items below EBITDA	(142)	(160)	(345)
Cash flow from operations	**165**	**272**	**498**
Change in WCR	(172)	(99)	(49)
Net cash generated by operating activities (1)	**(7)**	**173**	**449**
INVESTING ACTIVITIES			
Capital expenditure	(131)	(112)	(281)
Other investment cash flows	(27)	(19)	(379)
Net cash from investing activities (2)	**(158)**	**(131)**	**(660)**
Net cash from equity transactions	**(45)**	**(122)**	**(123)**
Exchange-rate impact and miscellaneous	(1)	7	(7)
(INCREASE)/DECREASE IN NET FINANCIAL DEBT	**(211)**	**(73)**	**(341)**
(Net financial debt) as of 31/12/2018	**(717)**	**(376)**	**(376)**
IFRS 16 impact	(94)		
Opening (net financial debt)*	**(811)**		
Closing (net financial debt)	**(1,022)**	**(449)**	**(717)**
Free Cash Flow (1) + (2)	**(165)**	**42**	**(211)**

* *Restated for the first-time application of IFRS 16 as of January 1, 2019.*

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

(€ million)	30/06/2019	30/06/2018	31/12/2018
Cash and cash equivalents	**635**	**933**	**848**
Current financial assets	508	546	517
Borrowings	(2,073)	(1,784)	(2,082)
Contribution of joint ventures		(144)	
Lease obligation debt – IFRS 16	(92)		-
NET FINANCIAL DEBT – REPORTING	**(1,022)**	**(449)**	**(717)**

Economic balance sheet

(€ million)	30/06/2019	31/12/2018
Non-current assets	**3,106**	**3,030**
Inventories	1,130	958
Trade receivables	382	390
Trade payables	(422)	(413)
Simplified Working Capital	**1,090**	**935**
Other Working Capital items	(240)	(319)
Total Working Capital Requirement (WCR)	**850**	**616**
Derivatives	**-**	**-**
TOTAL	**3,956**	**3,646**

(€ million)	30/06/2019	31/12/2018
Equity attributable to owners of the parent	1,547	1,605
Non-controlling interests	289	303
Shareholders' equity	**1,836**	**1,908**
Cash and cash equivalents and current financial assets	(1,143)	(1,366)
Borrowings	2,165	2,083
Net financial debt	**1,022**	**717**
Net financial debt/shareholders' equity (Gearing)	*56%*	*38%*
Provisions and employee-related liabilities	**841**	**794**
Net deferred tax	**240**	**201**
Derivatives	**17**	**26**
TOTAL	**3,956**	**3,646**

NOTE 3 FIRST APPLICATION OF IFRS 16

The ERAMET group applies IFRS 16 – Leases, which is mandatory as of January 1, 2019, for the preparation of its financial statements as at June 30, 2019. The Group opted for the modified retrospective method. The impact of this first application on the balance sheet corresponds to the recognition of an asset relating to the rights of use and a lease obligation debt under liabilities for an amount of €94 million.

Eligible leases are recognized in the balance sheet at the inception of the lease for the present value of future fixed payments. Contracts for low value and/or short term (less than twelve months) assets are recognized as lease expenses in accordance with the exemptions allowed by the standard.

On the balance sheet, these contracts are recorded as "lease obligations" on the liabilities side and as "rights of use relating to rental contracts" on the assets side. The lease term corresponds to the non-cancellable enforceable term of the contract, excluding the Group's own option to renew, except in the case of a firm intention or operational need for renewal. Assets are depreciated over the useful life of the identified right. In the income statement, depreciation relating to these contracts is recorded in current operating income under the item "Amortization and depreciation of non-current assets". Interest expenses are recognized under financial profit or loss.

The rights of use corresponding to 3-6-9 commercial leases are amortized over a period of nine years.

The Group uses discount rates corresponding to the marginal debt rates by currency per portfolio of asset leases, grouped according to the term of the lease, the financed underlying (asset category) and economic environment. The weighted average discount rate is 9.2%.

The impacts of the first-time application of IFRS 16 on the opening balance sheet relate to the recognition of rights of use related to leases and the lease obligation debt for the discounted value of residual cash flows at the transition date. The Group does not recognize deferred taxes on the first recognition of the right of use and the lease obligation debt, as it did on the recognition of leasing transactions under IAS 17.

The main contracts impacting the Group's financial statements relate to:

- the rental of ore transport equipment, in particular in New Caledonia;
- the lease of premises, in particular the head office of ERAMET S.A.;
- current surface rail concession contracts conferring proven control over identified assets.

(€ million)	Information 31/12/2018 published	First application IFRS 16	Information January 1, 2019 with IFRS 16
Intangible assets and goodwill	455		455
Property, plant & equipment	2,287		2,287
Rights of use relating to lease contracts		94	94
Investments in joint ventures and associates	29		29
Non-current financial assets	235		235
Deferred tax assets	6		6
Other non-current assets	11		11
Non-current assets	**3,023**	**94**	**3,117**
Inventories	947		947
Trade receivables	395		395
Other current assets	209		209
Current tax receivables	31		31
Derivatives assets	25		25
Current financial assets	517		517
Cash and cash equivalents	848		848
Current assets	**2,972**	**-**	**2,972**
TOTAL ASSETS	**5,995**	**94**	**6,089**

(€ million)	Information 31/12/2018 published	First application IFRS 16	Information January 1, 2019 with IFRS 16
Share capital	81		81
Share premiums	377		377
Revaluation reserve for assets available for sale	(10)		(10)
Revaluation reserve for hedging instrument	(19)		(19)
Revaluation reserve for defined benefit plan liabilities	(63)		(63)
Exchange differences	(67)		(67)
Other reserves	1,307		1,307
Attributable to equity holders of the parent company	**1,606**	**-**	**1,606**
Attributable to non-controlling interests	303		303
Shareholders' equity	**1,909**	**-**	**1,909**
Employee-related liabilities	188		188
Provisions – more than one year	579		579
Deferred tax liabilities	207		207
Borrowings – more than one year	1,701	-	1,701
Lease obligation due in more than one year		86	86
Other non-current liabilities	1		1
Non-current liabilities	**2,676**	**86**	**2,762**
Provisions – less than one year	27		27
Borrowings – less than one year	381		381
Lease obligation due in less than one year		8	8
Trade payables	391		391
Other current liabilities	407		407
Current tax liabilities	144		144
Derivative liabilities	60		60
Current liabilities	**1,410**	**8**	**1,418**
TOTAL LIABILITIES	**5,995**	**94**	**6,089**

Impact on the financial statements as of June 30, 2019

Statement of financial position

(€ million)	Information 30/06/2019 published	Impact IFRS 16	Information 30/06/2019 with IAS 17
Intangible assets and goodwill	447		447
Property, plant & equipment	2,303	-	2,303
Rights of use relating to lease contracts	90	(90)	-
Investments in joint ventures and associates	24		24
Non-current financial assets	242		242
Deferred tax assets	10	(1)	9
Other non-current assets	9		9
Non-current assets	**3,125**	**(91)**	**3,034**
Inventories	1,130		1,130
Trade receivables	382		382
Other current assets	274		274
Current tax receivables	31		31
Derivatives assets	12		12
Current financial assets	508		508
Cash and cash equivalents	635		635
Current assets	**2,972**	**-**	**2,972**
TOTAL ASSETS	**6,097**	**(91)**	**6,006**

(€ million)	Information 30/06/2019 published	Impact IFRS 16	Information 30/06/2019 with IAS 17
Share capital	81		81
Share premiums	377		377
Revaluation reserve for assets available for sale	(7)		(7)
Revaluation reserve for hedging instrument	(11)		(11)
Revaluation reserve for defined benefit plan liabilities	(86)		(86)
Exchange differences	(62)		(62)
Other reserves	1,254	1	1,255
Attributable to equity holders of the parent company	**1,547**	**1**	**1,548**
Attributable to non-controlling interests	289		289
Shareholders' equity	**1,836**	**1**	**1,837**
Employee-related liabilities	216		216
Provisions – more than one year	601		601
Deferred tax liabilities	250		250
Borrowings – more than one year	1,741	-	1,741
Lease obligation due in more than one year	83	(83)	-
Other non-current liabilities	2		2
Non-current liabilities	**2,893**	**(83)**	**2,810**
Provisions – less than one year	24		24
Borrowings – less than one year	332	-	332
Lease obligation due in less than one year	9	(9)	-
Trade payables	422		422
Other current liabilities	459		459
Current tax liabilities	86		86
Derivative liabilities	36		36
Current liabilities	**1,368**	**(9)**	**1,359**
TOTAL LIABILITIES	**6,097**	**(91)**	**6,006**

Income statement

(€ million)	Information H1 2019 published	Impact IFRS 16	Information H1 2019 with IAS 17	H1 2018	Financial year 2018
Revenue	**1,809**		**1,809**	**1,735**	**3,725**
Other income	(18)		(18)	1	24
Cost of goods sold	(1,372)	(8)	(1,380)	(1,218)	(2,721)
Administrative and selling expenses	(97)	(2)	(98)	(89)	(172)
Research and development costs	(15)	-	(15)	(14)	(28)
EBITDA	**307**	**(10)**	**297**	**415**	**828**
Depreciation of fixed assets and provisions for contingencies and losses	(138)	7	(131)	(129)	(253)
Current operating income	**169**	**(3)**	**166**	**285**	**574**
Other operating income	(25)	(0)	(25)	(62)	(177)
Operating income	**144**	**(3)**	**140**	**223**	**398**
Financial profit (loss)	(54)	4	(50)	(40)	(84)
Share of income from joint ventures and associates	(4)	-	(4)	52	48
Income tax	(101)	(1)	(102)	(103)	(243)
NET INCOME FOR THE PERIOD	**(16)**	**1**	**(16)**	**132**	**119**
▪ attributable to non-controlling interests	21	-	21	38	67
▪ **attributable to equity holders of the parent company**	**(37)**	**1**	**(36)**	**94**	**53**

Statement of cash flows

(€ million)	Information H1 2019 published	Impact IFRS 16	Information H1 2019 with IAS 17	H1 2018	Financial year 2018
OPERATING ACTIVITIES					
Net income for the period	(16)	(1)	(16)	132	119
Non-cash income and expenses	181	(6)	187	134	375
Cash flow from operations	**165**	**(6)**	**172**	**266**	**494**
Net change in working capital requirement (WCR)	(172)	-	(172)	(100)	(57)
Net cash flow generated by operating activities[1]	**(7)**	**(6)**	**(0)**	**167**	**437**
INVESTING ACTIVITIES			-		
Payments for non-current assets	(156)	-	(156)	(121)	(275)
Proceeds from non-current assets disposals	-	-	-	(13)	(24)
Net change in non-current financial assets	(2)	-	(2)	(12)	(6)
Net change in current financial assets	9	-	9	(152)	(123)
Capital increases of joint ventures	-	-	-	-	-
Increase of ownership interest – controlled companies	-	-	-	-	-
Impact of changes in scope	(1)	-	(1)	(6)	(171)
Net cash used in investing activities	**(150)**	**-**	**(150)**	**(304)**	**(599)**
FINANCING ACTIVITIES					
Issuance of equity instruments (ODIRNAN)	-	-	-	-	
Dividend payments to non-controlling interests	(22)	-	(22)	(59)	(59)
Payment of dividends and ODIRNAN	(18)	-	(18)	(63)	(65)
Repurchase of common shares	(5)	-	(5)	-	1
Issuance of new borrowings	44	-	44	70	121
Repayment of borrowings	(76)		(76)	(507)	(617)
Repayment of lease debts	(6)	6			
Changes in bank overdrafts	27	-	27	(20)	(20)
Other changes	3	-	3	(9)	(9)
Net cash used in financing activities	**(53)**	**6**	**(59)**	**(588)**	**(648)**
Exchange-rate impact	(3)	-	(3)	6	5
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(213)**	**(0)**	**(212)**	**(719)**	**(805)**
Cash and cash equivalents at opening	**848**		**848**	**1,653**	**1,653**
Cash and cash equivalents at closing	**635**	**-**	**635**	**933**	**848**
(1) Of which, included in the operating activities	*-*		*-*		
Interest received	*6*	*-*	*6*	*4*	*12*
Interest paid	*(55)*	*-*	*(55)*	*(41)*	*(93)*
Tax paid	*(122)*	*-*	*(122)*	*(131)*	*(205)*

Reconciliation of lease obligations at the transition date, with leasing expense commitments as of December 31, 2018

(€ million)	
Lease expenses commitments as of December 2018	**281**
Low value and <12 months contracts	(10)
Discount effect	(45)
Other contracts and non-eligible costs	(132)
Lease obligation debt	**94**

Ineligible leases and other leasing costs mainly correspond to operating costs contained in the leases of certain operating assets such as mineral vessels, contracts that do not guarantee control of the underlying assets, as well as contracts containing termination options.

NOTE 4 NET INCOME, GROUP SHARE, AND MINORITY INTERESTS

Other operating income and expenses

(€ million)	H1 2019	H1 2018	Financial year 2018
Other operating income and expenses excluding impairment	(25)	138	(2)
Asset depreciation and impairment losses	-	(200)	(175)
OTHER OPERATING INCOME AND EXPENSES	**(25)**	**(62)**	**(177)**

Other operating income and expenses excluding impairment are primarily related to expenses incurred on the Group's projects, mainly the Lithium project in Argentina.

As a reminder, in the first half of 2018, other income and expenses excluding impairment mainly pertain to:

- the income from the sale of Weda Bay, generating a positive impact of €147 million;
- the income from the sale of Guilin, generating a positive impact of €16 million;
- costs of projects for which the future profitability has not yet been demonstrated for -€11 million;
- €15 million in non-recurring expenses.

In the first half of 2018, impairment of assets and impairment losses totaled a negative result of €200 million, due to the impairment of Aubert & Duval.

Attributable to non-controlling interests – minority interests

		Share		Share		
		of income	shareholders' equity	of income	shareholders' equity	Share of income
(€ million)	% of non-controlling interests	H1 2019	30/06/2019	Financial year 2018	31/12/2018	H1 2018
At closing		**21**	**289**	**67**	**304**	**38**
Société Le Nickel-SLN	44%	(34)	(95)	(48)	(61)	(9)
Comilog S.A.	36.29%	53	391	123	364	54
Grande Côte	10.0%	2	(10)			
Pt Weda Nickel Ltd	10%			(8)	0	(8)
Interforge	4.3%	-	2	-	2	-

NOTE 5 NET FINANCIAL DEBT AND SHAREHOLDERS' EQUITY

Net financial debt

(€ million)	30/06/2019		31/12/2018[1]	
Borrowings		**(2,073)**		**(2,082)**
▪ Borrowings from financial markets	(1,361)		(1,373)	
▪ Borrowings from credit institutions	(379)		(387)	
▪ Bank overdrafts and creditor banks	(92)		(65)	
▪ Finance leases	(38)		(42)	
▪ Other borrowings	(202)		(214)	
Lease obligation debt[1]		**(92)**		**-**
Other current financial assets		**508**		**517**
Cash and cash equivalents		**635**		**848**
▪ Cash equivalents	533		735	
▪ Cash	102		113	
NET FINANCIAL DEBT		**(1,022)**		**(717)**
Borrowings – more than one year		(1,741)		(1,701)
Borrowings – less than one year		(332)		(381)

(1) Restated for the first-time application of IFRS 16 as of January 1, 2019.

Some borrowings are subject to financial ratios or covenants at Group level or locally. As of June 30, 2019, there are no cases of early repayment under the covenants for borrowings.

Change in borrowings

(€ million)	H1 2019	H1 2018	Financial year 2018
At opening	**2,082**	**2,284**	**2,284**
Issuance of new borrowings	44	70	121
Repayment of borrowings	(76)	(507)	(617)
Changes in bank overdrafts	27	(20)	(20)
Changes in scope		(27)	312
Other changes	(7)	(9)	(7)
Exchange differences	4	(7)	10
AT CLOSING	**2,073**	**1,784**	**2,082**

Shareholders' equity

The share capital of €81,239,455.35 consists of 26,635,887 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), three new shares were created in the first half of 2019 (2,224 new shares in the 2018 financial year following conversion request).

NOTE 6 WCR (WORKING CAPITAL REQUIREMENT)

(€ million)	31/12/2018	Change in WCR Statement of cash flows	Change in trade payables to fixed asset suppliers	Translation adjustments and other movements	30/06/2019
Inventories	947	179		5	1,130
Trade receivables	395	(22)		8	382
Trade payables	(391)	(21)		(10)	(422)
Simplified Working Capital	**951**	**136**	**-**	**3**	**1,090**
Other Working Capital items	(313)	36	25	12	(240)
TOTAL WORKING CAPITAL REQUIREMENT (WCR)	**638**	**172**	**25**	**15**	**850**

The impact of €136 million on the WCR is mainly due to the increase in inventory levels as of June 30, 2019 in the Alloys division.

NOTE 7 INVESTMENTS

Payments for non-current assets

(€ million)	H1 2019	H1 2018	Financial year 2018
Investments on property, plant and equipment during the period	120	103	252
Investments on intangible assets during the period	11	7	26
Total capital expenditure	**131**	**110**	**278**
Change in debt for the acquisition of non-current assets	25	(4)	(5)
Acquisition of investment securities	-	15	2
TOTAL PAYMENTS FOR NON-CURRENT ASSETS – STATEMENT OF CASH FLOWS	**156**	**121**	**275**

Change in property, plant, and equipment

(€ million)	H1 2019	H1 2018	Financial year 2018
At opening	**2,287**	**1,924**	**1,924**
Investments during the period	120	103	254
Disposals during the period	(2)	-	(5)
Depreciation and amortization during the period	(122)	(115)	(238)
Impairment loss for the period	0	(201)	(167)
Change in gross value of dismantling assets	27	-	4
Changes in scope of consolidation	(0)		500
Translation adjustments and other movements	(7)	(14)	15
AT CLOSING	**2,303**	**1,697**	**2,287**
▪ Gross value	6,278	5,393	6,143
▪ Depreciation and amortization	(3,737)	(3,379)	(3,604)
▪ Impairment loss	(238)	(317)	(252)

Interests in joint ventures and associates

Detail by entity

(€ million) Companies	Country	% held	Share of income H1 2019	Share shareholders' equity 30/06/2019	Share of income Financial year 2018	Share shareholders' equity 31/12/2018	Share of income H1 2018
Sub-group TiZir	United Kingdom	50%	-	-	54		54
Ukad	France	50%	(2)	(7)	(3)	(6)	(2)
Total joint ventures			**(2)**	**(7)**	**51**	**(6)**	**52**
Strand Minerals – Weda Bay	Indonesia	43%[1]	(1)	30	(1)	31	
EcoTitanium	France	22.4%	(1)	2	(2)	3	-
Total associates			**(2)**	**32**	**(3)**	**34**	**-**
TOTAL INTERESTS IN JOINT VENTURES AND ASSOCIATES			**(4)**	**24**	**48**	**29**	**52**

(1) Consolidated under the equity method since May 19, 2018.

NOTE 8 LEASES

Analysis of rights of use by category of underlying assets

(€ million)	Land and land improvements	Mining and manufacturing installations	Other property, plant & equipment	Total
First application of IFRS 16	29	9	56	94
Contracts during the period	0	0	2	2
Depreciation, amortization and impairment losses	(2)	(1)	(5)	(7)
Terminations				-
Conversion and Other	0	0	1	1
CLOSING AS OF JUNE 30, 2019	**28**	**8**	**54**	**90**

Other property, plant & equipment mainly correspond to the impact of the rental of mineral vessels from SLN.

NOTE 9 TAXES

Income tax

(€ million)	H1 2019	H1 2018	Financial year 2018
Current taxes	(65)	(88)	(180)
Deferred taxes	(36)	(15)	(62)
INCOME (EXPENSE) FROM INCOME TAX	**(101)**	**(103)**	**(243)**

Effective tax rate

(€ million)	H1 2019	H1 2018	Financial year 2018
Operating income	144	223	398
Financial profit (loss)	(54)	(40)	(84)
Pre-tax profit (loss) of consolidated companies	**90**	**183**	**314**
Standard tax rate in France *(in percent)*	**32.02%**	**34.43%**	**34.43%**
Theoretical tax income (expense)	**(29)**	**(63)**	**(108)**
Effects on theoretical tax:			
▪ permanent differences between accounting profit and taxable profit	(10)	60	33
of which related to changes in scope	*-*	*49*	*48*
▪ taxes on dividend distribution (withholdings)	(16)	(11)	(1)
▪ asset impairments		(69)	14
▪ standard current income tax differences in foreign countries	(1)	7	11
▪ tax credits		2	5
▪ unrecognized or limited deferred tax assets	(53)	(29)	(161)
▪ miscellaneous items	8		(35)
REAL TAX INCOME (EXPENSE)	**(101)**	**(103)**	**(243)**
Tax rates	**113%**	**56%**	**77%**

The 113% tax rate is mainly due to the non-recognition or limitation of deferred tax assets on certain loss-making entities (Le Nickel-SLN, tax consolidation in France).

The amount of -€1 million on the difference of the current tax rate in foreign countries is mainly explained by a tax rate of 35% on positive results of Comilog S.A. in Gabon, compensated by the 22% tax rate in Norway.

NOTE 10 PROVISIONS

(€ million)	H1 2019	H1 2018	Financial year 2018
At opening	**605**	**525**	**525**
Allowances (reversals) during the period	(11)	2	81
▪ allowances during the period	15	23	121
▪ (reversals) used during the period	(27)	(19)	(37)
▪ (reversals) unused during the period	-	(2)	(3)
Accretion expenses	5	3	7
Dismantling assets	27	-	-
Translation adjustments and other movements	0	(31)	(9)
AT CLOSING	**625**	**500**	**605**
▪ More than one year	601	467	579
▪ Less than one year	24	33	27
Environmental contingencies and site restoration	507	440	472
Employees	10	11	11
Other contingencies and losses	108	49	122

Detailed information on the provisions as of June 30, 2019 is similar to that as of December 31, 2018, which is presented in Note 13 – Provisions of the Notes to the consolidated statements in the 2018 Registration Document.

NOTE 11 OFF-BALANCE SHEET COMMITMENTS, OTHER COMMITMENTS, CONTINGENT LIABILITIES AND OTHER DISCLOSURES

Off-balance sheet commitments

(€ million)	30/06/2019	31/12/2018
Commitments given	**85**	**106**
■ Operating activities	82	93
■ Financing activities	3	13
Commitments received	**5**	**7**
■ Operating activities	5	7
Lines of credit	-	-

Other commitments, contingent liabilities and other disclosures

Other commitments, potential liabilities and other information presented in the 2018 Registration Document in Note 15 – "Off-balance sheet commitments, other commitments, contingent liabilities and other disclosures of the notes to the consolidated financial statements" developed as follows:

Comilog S.A. tax audit

A tax audit of Comilog over the financial years 2014 to 2017 is currently underway. A notice of adjustment was received in November 2018 and responded to in December 2018, and a dispute was filed in March 2019. The company has dismissed almost all of the recovery managers. Discussions are taking place with the Gabonese tax authorities. At this stage it is not possible to anticipate the outcome of the audit.

Review of the quality process within the High Performance Alloys division

As indicated in Note 2 – Key events in the reporting period and Note 6 to the consolidated statements presented in the 2018 Registration Document, a provision of €65 million has been set aside to take into account the estimated cost to date of processing the in-depth review of quality processes, in particular appraisal fees. The review continued during the first half of 2019. During the finalization of this review, and depending on possible requests from certain customers, additional costs may be incurred, the amount of which cannot be estimated at this stage.

Export permits appeal Northern Province of New Caledonia

On April 16, 2019, the Government of New Caledonia issued 10 year export permits to SLN for low-grade raw ore to China and Japan for 4 million wet tons per year. On June 14, 2019, the Northern Province of New Caledonia lodged an appeal with the Administrative Court of New Caledonia against this Government order. This appeal does not have a suspensive effect and export authorizations therefore remain in force. The ruling of the Administrative Court is expected in 2020. ERAMET and SLN consider this appeal to be unfounded.

Other contingent liabilities did not significantly change.

NOTE 12 SUBSEQUENT EVENTS

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

NOTE 13 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 first half of 2019 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, 2019. 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, 2018.

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, 2019 are identical to those used in the consolidated financial statements as of December 31, 2018, 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 the financial years starting on or after January 1, 2019 (and which have 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 the financial years starting after January 1, 2019, have not been applied by the Group.

For the first time, the Group has therefore applied IFRS 16 – Leases, the impacts of which are explained in Note 3.

The application on January 1, 2019 of IFRIC 23 – Uncertainty over Income Tax Treatments has no impact on the Group's financial statements and did not result in any impact being recognized in the consolidated financial statements.

Seasonality effect

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

Use of estimates and judgment

The judgments and estimates that are likely to result in a material change in the carrying value of assets and liabilities as of June 30, 2019 are unchanged from the previous year presented in the consolidated financial statements for 2018 and in the 2018 Registration Document.

Consolidation scope

As of June 30, 2019, the scope of consolidation was unchanged compared to December 31, 2018, with the exception of:

- the merger of DNN Industrier into TiZir Titanium & Iron;
- the sale of ERAMET Comilog Shanghai Trading to ERAMET International, outside the scope of consolidation;
- the liquidation of ERAMET Comilog Shanghai Consultancy Services.

Finalization of the fair value assessment of TiZir

After the acquisition of 100% of TiZir following the takeover bid by ERAMET for Mineral Deposit in July 2018, the Group performed a fair value assessment of the acquired scope as part of the acquisition price allocation.

The translation of this acquisition is reflected in the Group's consolidated financial statements as at June 30, 2019, in particular through the revision of the amount of goodwill for €24 million.

Treatment of hyperinflation in Argentina

Argentina is considered a hyperinflation country under IAS 29 since July 1, 2018. The Group applies IAS 29 to its operations in Argentina through its Eramine subsidiary. Given the start-up of the Lithium activities in Argentina, the Group's exposure is reflected in the financial statements for the amount of -€3.7 million under financial loss.

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 2019, based on the actuarial assumptions and data used as of December 31, 2018, 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.

In the financial statements at June 30, 2019, the Group took into account the significant change in discount rates and reflected the resulting increase in the provision for an amount of €23 million.

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 first 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 04

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019

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 red 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-year consolidated financial statements of Eramet, for the six-month period ended June 30, 2019,
- the verification of the information presented in the half-year management report.

These condensed half-year 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-year 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.

We draw attention to the following matters described in the notes to the condensed half-year consolidated financial statements:

- The paragraph "Review of the quality process within the High Performance Alloys division" in note 1 "Highlights of H1 2019 "which sets out the framework for the internal review of quality process within Aubert & Duval and the provision recognized as such, and note 11 "Off-balance sheet commitments, other commitments, contingent liabilities and other disclosures" which indicates that during the finalization of this review and depending on potential requests from certain customers, additional costs may be incurred and cannot be estimated at this stage.
- The paragraph "Continuation of the rescue plan and new business model of Société Le Nickel-SLN (SLN), obtaining of export authorization" in note 1 "Highlights of H1 2019 which sets out the framework in which the SLN's going concern matters is assessed.
- The note 13 "Basis of preparation of the condensed interim consolidated financial statements" on changes to standards and interpretations followed by the company at, January 1, 2019 and in particular the effect on financial statements as of January 1st, 2019 of the accounting method change resulting from the application of the IFRS 16 – Leases which is presented in note 3 "First application of IFRS 16" of the condensed interim consolidated financial statements.

II. Specific verification

We have also verified the information presented in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris La Défense, July 24, 2019
The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

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