INTERIM FINANCIAL REPORT
2020

eramet

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1 Statement by the persons responsible for the Eramet interim financial report as of 30 June 2020

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, 29 July 2020

Thomas Devedjian

Chief Financial Officer and Chief Technological Officer

Christel Bories

Chief Executive Officer

2 Interim business report as of 30 June 2020

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 30 June 2020 and the other financial information in the 2019 Registration Document filed with the French Financial Markets Authority (AMF) on 31 March 2020. 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 realisation of which may differ materially from actual results.

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, aluminium 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 GROUP RESULTS FOR THE FIRST HALF OF THE YEAR 2020

The Group's H1 2020 sales totalled €1,687m, down 7%. At constant scope and exchange rates, sales declined 9%, mainly owing to the strong impact of the health crisis on the Group's markets.

Despite intrinsic progress of more than €120m in H1 2020, Group EBITDA totalled €120m, down -€187m, of which approximately -€280m of price effect (mainly manganese ore and ferronickel) and approximately -€80m owing to the impact of Covid on Eramet's activities.

Income before tax declined to -€566m and net income Group share ended at -€623m, particularly reflecting crisis-related asset impairments, mainly A&D (€197m) and the lithium development project (€142m), which has been mothballed.

Net debt ended at €1,536m at 30 June 2020. This included the impact of €94m due to application of IFRS 16. The Group was granted suspension of calculation of Covenants ("Covenant holidays") for June and December 2020.

Eramet's cash level remained high at €1,941m.

3.1 Income statement

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Revenue	1,687	1,809	3,671
EBITDA	120	307	630
Current operating income	(32)	169	341
Operating income	(491)	144	223
Net income for the period	(639)	(16)	(145)
Net income – Group share	(623)	(37)	(184)
Basic earnings per share *(€)*	(23.48)	(1.38)	(6.93)

3.1.1 Notes by Business Unit: revenue and current operating income

Mining and Metals Division

Manganese BU

Ore sales production saw robust growth and alloys' results were solid, despite the downturn in the steel sector. The impact of the sharp decline in ore prices was thus limited in H1 2020: sales and EBITDA were down 7% and 26% to €839m and €234m respectively.

Market trends & prices

In H1 2020, global production for carbon steel, the main outlet for manganese, was significantly down -6.1% ending at 881 Mt. Production in China, which accounts for c.57% of global production, grew slightly (+1.1%), propelled by the restart in activity in Q2. As for the rest of the world, production slowed considerably (-13.9%), owing to the decline in demand in Europe (-17.0%) and North America (-16.2%).

Given the lower demand, global manganese ore production also declined by -9.5%, following the near-one-month closure of mines in South Africa and their gradual restart. However, the supply/demand balance remains slightly in surplus with Chinese port ore inventories totalling 5.1 Mt at end-June 2020 (equivalent to approximately nine weeks consumption), up 0.4 Mt on end-2019.

The average CIF China 44% manganese ore price stood at approximately $5.0/dmtu in H1 2020, down c.22% from H1 2019 ($6.4/dmtu).

In H1 2020, manganese alloy prices in Europe continued to trend downwards, particularly for refined (carbon ferromanganese average at approximately €1,420/t, representing -8%) and standard alloys (silicomanganese at approximately €950/t, representing -3%).

Activities

In Gabon, with 2.8 Mt produced in H1 2020 (+31%), the mine in Moanda now accounts for more than 15% of global production ("seaborne"). This performance reflects continued operating breakthroughs and flexibility as a result of a new modular approach to the mine's expansion project.

In H1 2020, produced and transported volumes also increased by +42% to 2.9 Mt. Transport capacity indeed achieved a key milestone thanks to the increased reliability of equipment combined with progress in operational management. As a result, external sales were up nearly 50%, ending at 2.4 Mt.

In an especially difficult market environment in Europe and the United States in Q2 2020, the decrease in manganese alloy production was limited to -9% in H1 2020 (342 kt) and sales volumes to -6% (346 kt), driven by new market share gains. Resilience in activity was also fuelled by the furnaces' fast adaptation in production (c.20/30% reduction in May/June).

Against this difficult background, electrolysis activity for metal manganese production in Gabon was shut down in April. Remaining local metallurgical transformation activities continue operations.

Outlook

As part of an initiative to drive modular and optimal manganese ore growth, the 2020 target for produced and transported volumes was raised to more than 5.5 Mt (representing over 15% *versus* 2019). As a reminder, mine reserves in Moanda, Gabon, allow, in the long-term, a manganese ore production capacity of approximately 7 Mt on an annual basis.

To support such profitable growth with fast turnaround, capex of c.€85m, of which €25m cashed out in H1 2020, is expected to be made during the year in order to open the new Okouma plateau in H2 2020.

Nickel BU

The Nickel BU markets were strongly affected by the continued slowdown in the stainless steel industry over the first six months of the year. Despite sales that were up 7%, buoyed by growth in nickel ore exports, SLN EBITDA was down sharply to -€49m (vs. -€15m in H1 2019). Parallel to this, the impact of the crisis at the Sandouville plant caused a loss in EBITDA of -€21m (vs. -€10m).

Market trends & prices

The stainless-steel industry experienced an historical shock. In H1 2020, global production declined by -11.8% to 22.6 Mt. China, which represents nearly 60% of global production, declined substantially (-6.0%), with even more marked contraction for the rest of the world (-18.8%). For the first time in three years, and despite the start-up of locally integrated stainless steel production, volumes also decreased in Indonesia (-3.6%). Nevertheless, order intake for stainless steel producers in China remained high in July and August.

In H1 2020, demand for primary nickel was down 13.1% to 1.0 Mt, hampered by the decline in demand for stainless steel excluding scrap and also for batteries.

Conversely, global primary nickel production increased slightly to 1.1 Mt in H1 2020, bolstered by continued growth in nickel ferroalloys production in Indonesia (+57.8%), which more than offset the decline in traditional production.

Considering a nickel supply/demand balance with a high deficit in H1 2019, the decrease in demand and slight increase in production reversed the trend. The balance now reports an oversupply of c.110 kt in nickel in H1 2020. Nickel stocks at the LME and SHFE thus increased by more than 35% on end-2019 (representing a low level), reaching 260 kt at end-June 2020 and now accounting for nine weeks' consumption.

In H1 2020, the average LME price totalled $5.65/lb ($12,455/t), up slightly on H1 2019 (+1%). However, given the soft demand for stainless steel, ferronickel sales prices were at a large discount to the LME over the half year (zero in H1 2019), declining by more than 10% over the period.

Conversely, the average for nickel ore prices (1.8% CIF China) came out at $67.7/wmt, up bullishly (+34%) *versus* an average of $50.7/wmt in H1 2019. This is attributable to the effective ban on nickel ore exports from Indonesia since January 2020. Nickel ore stocks in Chinese ports, down 29% from end-2019, amounted to 20 Mwmt at end-June 2020, corresponding to approximately four months' consumption.

Activities

In New Caledonia, in SLN, mining production surged 12% to 2.2 Mwmt. Low-grade nickel ore exports more than doubled, reaching 1.1 Mwmt in H1 2020, reflecting a production pace of more than 2 Mwmt per year (3 Mwmt pace based on Q2).

Societal difficulties in some mining centres on the east coast have continued to adversely affect available ore grade and chemistry to feed the Doniambo plant's furnaces, unfavourably impacting productivity. As a result, ferronickel volumes produced remained low at 24 kt, stable year-on-year. Nonetheless, sales volumes increased 8% to 26 kt.

In light of the societal disruptions on the east coast, and mainly in Kouaoua, SLN is reorganising its activities to refocus on supplying its furnaces using other deposits in an effort to partially limit the impact on ferronickel production.

In H1 2020, average cash cost amounted to $5.65/lb ($5.39/lb in June) down 7% from H1 2019 ($6.05/lb) and 4% on FY 2019 ($5.91/lb). The increase is owing to the implementation of the new business model, delivering growth in ore exports and leveraging favourable exchange rate effects and a decrease in fuel oil prices.

However, the Covid-related decline in ferronickel prices curbed the ongoing recovery combined with societal disruptions and electricity prices that remain too high.

Getting all stakeholders onboard is key to creating the conditions for a successful rescue plan. This especially applies to the request to authorise 2 Mwmt in additional exports filed in April, coupled with an electricity price reduction provided by Enercal.

In Normandy, the Sandouville plant was particularly impacted by the health crisis in H1 2020, particularly owing to margin squeeze reflecting nickel price. Results fell also substantially with a temporary Q1 shutdown to implement health protocols and the loss of high value-added markets, particularly in Asia, due to the fall in electronics market. A continued recovery, which started in Q2, will be critical for the future of the site.

In Indonesia, in Weda Bay, the nickel ferroalloys plant started up successfully, despite health crisis-related difficulties. The four production lines have been operational since May, generating production of 4.2 kt (Ni content) year-to-date at end-June. Ramp-up is expected to reach nominal capacity during H2. Moreover, 1.6 Mwmt of nickel ore has been produced since October 2019, with a current production pace of approximately 3 Mwmt/year, in line with the capacity needed to supply the plant.

Outlook

In a market expected to remain heavily impacted by the effects of the crisis, the discount to the LME in ferronickel prices should remain material in H2 2020, although lower than in H1 2020.

SLN nickel ore export volumes forecast for FY 2020 (approximately 2.5 Mwmt) stands 50% above the FY 2019 level. Ferronickel production at the Doniambo plant will however remain penalised, as long as the situation does not return to normal on the east coast or an alternative solution is found.

BU Mineral sands

Against the backdrop of contrasting trends in end markets in H1 2020, the Mineral Sands BU posted stable sales of €139m and EBITDA down -15% to €44m, notably owing to oneoff expenses incurred by GCO as a result of the health crisis.

Market trends & prices

Global demand for zircon was down significantly in H1 2020. This reflected market trends in ceramics, the main end-product for zircon, which was hard hit by the pandemic. Q2 industrial demand for zircon was reduced in all sectors and geographies. However initial fears of shortages accelerated import volumes.

Despite a decrease in production from main producers, it should result in a zircon supply/demand balance in oversupply in 2020. As a result, average zircon prices rose to $1,355/t in H1 2020, a decline of 15%.

Global demand for TiO_2 pigments, the main end-market for titanium-based products, also saw a sharp slowdown in H1 2020, notably impacted by the pandemic (construction industry shut down for several weeks, automotive sector declining). In parallel, supply was only slightly reduced (-2%). The supply/demand balance for titanium-based products should show an oversupply in 2020.

Despite the outlook of an oversupply during the year, the average price of high value-added CP titanium dioxide slag increased by 7% to $798/t in H1 2020.

Activities

Upstream, in Senegal, Grande Côte (GCO) kept up its excellent operating performance as in 2019. The site produced 371 kt of mineral sands (down -2%), owing to a slightly lower grade in the deposit area currently being mined.

Zircon production volumes decreased by 6% to 29 kt while sales were up by 13% to 33 kt, reflecting healthy demand in GCO products despite the market environment.

Downstream, in the Tyssedal Norwegian plant, titanium dioxide slag production totalled 98kt, down 3%. Sales volumes grew 3% to 100 kt.

Outlook

In May, Eramet signed an agreement to sell TiZir's Norwegian plant to Tronox. The transaction is still subject to regulatory approvals. Process is currently ongoing and could still last several months. Proceeds from the sale, payable on the transaction's completion date, is approximately $300m. If the sale is completed by the year-end, the impact on the Group's net debt would be approximately $250m, after deconsolidating the cash on TTI's balance sheet at end-2020.

High Performance Alloys Division

The sharp slowdown in the aerospace sector and the steeper downturn in the automotive sector weigh significantly on the High-Performance Alloys Division's performance, after a 2019 year already significantly impacted by quality non-conformances at A&D.

A&D's H1 2020 sales thus declined by -13% to €268m, reporting an operating loss of -€52m (vs. -€4m in H1 2019). As a result, FCF was negative at -€156m during the period.

At Erasteel, sales also fell by 34% to €76m, recording an operating loss of -€15m (*versus* an operating loss of -€2m in H1 2019).

Market trends & prices

The aerospace sector, which represents approximately 70% of A&D's sales, has been hard hit by the Covid-19 crisis. The latter has impact of an unprecedented scale on the aerospace supply chain.

In Q2 2020, commercial airplanes deliveries reached an all-time low. More specifically, Airbus announced the delivery of 196 aircraft in H1 2020, down 50% on H1 2019.

The automotive sector, Erasteel's main market, had already performed below expectations in 2019. It has also been seriously disrupted by Covid-19, with a global decline in production of approximately -35% in H1 2020.

Activities

In this context, A&D faced order cancellation requests for nearly a third of its aerospace activity. In H1 2020, the subsidiary's sales fell further *versus* already low level in H1 2019, affected by quality non-conformances.

However, in recent months, key aerospace contracts have been won or confirmed in the aerospace sector. This will positively impact the Group's medium-term outlook.

Excluding aerospace, sales contracted 6% to €79m despite growth in land turbine revenues (up +38% to €22m). Defence and the national sovereign-related order book remains high.

Order cancellations and postponements led to a significant deterioration in operating working capital of around 135 days of sales over the half year, thereby significantly impacting negatively cash for the period. Eramet has implemented a specific action plan focusing on drastic reduction in raw material supplies, halving temporary staff numbers, short time working measures and a more effective overdue trade receivables collection process.

The impact of the decline in sales weighed heavily on the subsidiary's results, considering the payroll weight in A&D's current cost structure.

Erasteel production was largely affected by the downturn in the automotive and aerospace markets, which account for c.60% of sales. A strategic review is currently ongoing. During first-half 2020, high quality high-speed steel products made from powder metallurgy - of which Erasteel is a global leader - proved resilient against declining markets.

In addition, in a deteriorated market environment, Erasteel effectively managed its costs, WCR, notably operating (down 29 days), and capex to limit FCF burn to -€9m over the first half of the year.

Outlook

Based on order planning data from leading aerospace players (Airbus, Boeing, Safran notably), the aerospace market downturn is estimated at 40-50% in H2, continuing into 2021. In aerospace, the current consensus does not expect a return to 2019 volumes until 2025.

Latest estimates suggest A&D's sales should decline by approximately 20% in 2020 *versus* 2019, significantly impacting the subsidiary's results.

3.1.2 Net income, Group share

Net income, Group share amounts to -€623 million for the first half of 2020, down €586 million, *versus* the €36 million loss in the same period of 2019, mainly due to the €197 million depreciation of Aubert & Duval's tangible assets and the cocooning of the lithium project for €142 million.

It includes the following items:

- **financial loss** of €82 million in the first half of 2020, an increased loss compared to the same period in 2019 (-€54 million) due to the €18 million increase in the cost of the debt;
- **income taxes** which totalled €73 million in the first half of 2020, compared to €101 million for the same period in 2019, due to the decrease in Comilog's taxes;
- **non-controlling interests** down to €16 million in the first half of 2020 compared to €21 million in the first half of 2019, mainly due to a higher loss for Société Le Nickel-SLN (44% minority interest) and lower profits for Comilog (36% minority interest).

3.2 Statement of changes in net financial debt

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Net cash flow from operating activities	10	(7)	86
Capital expenditure	(163)	(131)	(455)
Other investment cash flows	(57)	(27)	11
Dividends and other financing flows	(3)	(45)	(117)
Exchange-rate impact	(9)	(1)	(6)
Vesting of rights of use IFRS 16	(7)	-	(12)
(INCREASE)/DECREASE IN NET FINANCIAL DEBT	**(229)**	**(211)**	**(493)**
Financial debt net of activities held for sale[1]	(3)	-	-
Opening (net financial debt)	**(1,304)**	**(811)**	**(811)**
Closing (net financial debt)	**(1,536)**	**(1,022)**	**(1,304)**

(1) In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of TTI are presented in the consolidated balance sheet at 30 June 2020 as "assets held for sale".

The net financial debt as at June 30, 2020 amounts to €1,536 million, compared to €1,304 million as at 31 December 2019.

Net cash flow from operating activities amounts to at €10 million for the first half of 2020, up €17 million compared to the first half of 2019, due to the -€57 million change in cash flow from operations (and EBITDA deterioration of -€222 million) and a change in WCR of +€67 million between the two periods, based primarily on lower inventory levels.

Industrial investments amount to €163 million for the first half of 2020, compared to €131 million in the first half of 2019.

3.3 Total equity group share

Equity attributable to owners of the parent stands at €757 million at the end of June 2020, compared to €1,398 million at the end of December 2019.

This decrease is mainly due to the loss incurred by the Group in the first half of 2020 (loss of €623 million).

4 RISK MANAGEMENT

The Group uses derivatives to control its risk exposure. Management of the principal risks, delegated by the Executive Committee, is centralised 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 2019 Universal Registration Document in Note 8 "Financial instruments and risk management" in the Notes to the consolidated statements, and in Chapter 5 "Risk management".

Cash surpluses of subsidiaries are pooled at Group level through a wholly owned subsidiary (Metal Securities). In 2020, as in previous years, cash is managed prudently; this enabled Eramet to obtain an annualized return of 0.53% in the first half of 2020, namely Eonia +0.93%.

The Group has not identified any other risk factors during the first half of 2020 or any affecting the upcoming second half.

5 FINANCIAL STATEMENTS OF ERAMET S.A.

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Revenue	340	320	732
Operating income	(17)	(35)	(44)
Financial profit (loss)	(537)	(4)	59
Non-recurring income	(18)	(7)	(13)
Net income	(572)	(45)	5

Revenue increased 6%, mainly due to the increase in nickel prices (average LME price of USD5.65/lb during the first half of 2020, *versus* USD5.59/lb during the first half of 2019). Net loss was -€17 million for the first half of 2020, compared to a -€35 million for the first half of 2019. This improvement in operating income is due to the slight upturn in the Nickel business as a result of the slight increase in the average LME price recorded over the half-year, combined with the measures taken at the beginning of the half-year to preserve the Group's cash, as well as the decrease in expenses relating to share based payment compared with the first half of 2019.

The financial result for the first half of 2020 was -€537 million. It mainly consists of a provision for depreciation on the investment in Eramet Holding Alliages / Aubert & Duval for €241 million, as well as an impairment of €276 million on intercompany loans, respectively €117 million related to the Eramine loan, €86 million on the Eramet Sandouville loan and €73 million on the Erasteel loan.

Exceptional items of -€18 million include in particular a provision for depreciation of €16 million on fixed assets in progress corresponding to an IT project.

Net loss was -€572 million for the first half of 2020, compared to -€45 million for the first half of 2019.

6 OUTLOOK – SHORT TERM

In the context of a global economic crisis, the effects on market balances and customer activity remain volatile and difficult to anticipate.

In light of this uncertainty, Eramet continues to suspend its guidance for 2020 consolidated EBITDA, regardless of the announced forecasts for manganese ore production and nickel ore exports.

3 Condensed interim consolidated financial statements as of 30 June 2020

INCOME STATEMENT

(in millions of euros)	Notes	H1 2020	H1 2019	Financial year 2019
Revenue	**2**	**1,687**	**1,809**	**3,671**
Other income/expense		4	(18)	12
Cost of goods sold		(1,459)	(1,372)	(2,832)
Administrative and selling expenses		(96)	(97)	(196)
Research and development costs		(16)	(15)	(25)
EBITDA	**2**	**120**	**307**	**630**
Depreciation of fixed assets and provisions for contingencies and losses		(152)	(138)	(289)
Current operating income	**2**	**(32)**	**169**	**341**
Other operating income	4	(459)	(25)	(118)
Operating income		**(491)**	**144**	**223**
Financial profit (loss)		(82)	(54)	(134)
Share of income from joint ventures and associates	7	7	(4)	(7)
Income tax	8	(73)	(101)	(227)
Net income for the period		**(639)**	**(16)**	**(145)**
attributable to non-controlling interests	4	(16)	21	39
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**(623)**	**(37)**	**(184)**
Basic earnings per share *(€)*		(23.48)	(1.38)	(6.93)
Diluted earnings per share *(€)*[(1)]		(23.48)	(1.38)	(6.93)

(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

(in millions of euros)	Notes	H1 2020	H1 2019	Financial year 2019
Net income for the period		**(639)**	**(16)**	**(145)**
Exchange differences for subsidiaries' financial statements in foreign currency		(51)	5	(24)
Change in fair value reserve on bonds		6	3	15
Change in revaluation reserve for hedging financial instruments		2	8	6
Income tax		-	-	4
Income and expenses to be included in profit or loss in the future		**(43)**	**17**	**1**
Revaluation of net defined benefit plan liabilities		(3)	(23)	(26)
Income tax		-	-	2
Items that will not be reclassified subsequently to profit or loss		**(3)**	**(23)**	**(24)**
Other comprehensive income		**(46)**	**(6)**	**(23)**
• attributable to non-controlling interests		-	(1)	2
• attributable to equity holders of the parent company		(46)	(6)	(25)
TOTAL COMPREHENSIVE INCOME		**(685)**	**(23)**	**(168)**
• attributable to non-controlling interests		(16)	20	41
• attributable to equity holders of the parent company		(669)	(43)	(209)

STATEMENT OF CASH FLOWS

(in millions of euros)	Notes	H1 2020	H1 2019	Financial year 2019
OPERATING ACTIVITIES				
Net income for the period		(639)	(16)	(145)
Non-cash income and expenses		582	181	355
Cash flow from operations		**(57)**	**165**	**210**
Net change in working capital requirement (WCR)	6	67	(172)	(124)
Net cash flow generated by operating activities[(1)]	**2**	**10**	**(7)**	**86**
INVESTING ACTIVITIES				
Payments for non-current assets[(2)]	7	(200)	(156)	(423)
Proceeds from non-current assets disposals		2	-	(1)
Net change in non-current financial assets		(22)	(2)	(22)
Net change in other current financial assets	5	(73)	9	153
Impact of changes in scope		-	(1)	(1)
Net cash flow used in investing activities		**(293)**	**(150)**	**(294)**
FINANCING ACTIVITIES				
Dividend payments to non-controlling interests		-	(22)	(86)
Payment of dividends and ODIRNAN		(2)	(18)	(20)
Repurchase of common shares		(1)	(5)	(10)
Issuance of new borrowings	5	1,478	44	457
Repayment of borrowings	5	(179)	(76)	(412)
Repayment of lease debts[(2)]		(8)	(6)	(9)
Changes in bank overdrafts	5	(44)	27	6
Other changes		(9)	3	2
Net cash flow used in financing activities		**1,235**	**(53)**	**(72)**
Exchange-rate impact		-	(3)	(12)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**952**	**(213)**	**(292)**
Cash and cash equivalents from operations held for sale[(3)]	3	(4)	-	-
Cash and cash equivalents at opening	**5**	**556**	**848**	**848**
Cash and cash equivalents at closing	**5**	**1,503**	**635**	**556**
(1) Of which, included in the operating activities:				
Interest received		*3*	*6*	*12*
Interest paid		*(66)*	*(55)*	*(124)*
Tax paid		*(29)*	*(122)*	*(262)*

(2) Assets under financial leases are treated as purchases in substance and therefore as acquisitions of fixed assets unlike other leases.

(3) In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of TTI are presented in the consolidated balance sheet at 30 June 2020 as "assets held for sale".

STATEMENT OF CHANGES IN EQUITY

(in millions of euros)	Total capital	Share capital	Share premiums	Reserves / fair value financial assets	Reserves / hedging instruments	Reserves / defined benefit plans	Currency differences	Other reserves	Attributable to equity holders of the parent company	Attributable to non-controlling interests	Share-holders' equity
Shareholders' equity as of 1 January 2019	**26,635,884**	**81**	**377**	**(10)**	**(19)**	**(63)**	**(67)**	**1,307**	**1,606**	**303**	**1,909**
Net income for the period – H1 2019								**(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							-	-		-
Distribution of dividends								(16)	(16)	(22)	(38)
Share-based payments								-	-		-
Repurchase of common shares								-	-		-
Equity instruments (ODIRNAN)								(2)	(2)		(2)
Other movements								2	2	(13)	(11)
Total transactions with shareholders	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**	**(34)**	**(50)**
Shareholders' equity as of 30 June 2019	**26,635,887**	**81**	**377**	**(7)**	**(11)**	**(86)**	**(62)**	**1,254**	**1,547**	**289**	**1,836**
Net income for the period – H2 2019								**(147)**	**(147)**	**18**	**(129)**
Other comprehensive income				12	(2)	(2)	(30)	4	(19)	3	(16)
Total comprehensive income		**-**	**-**	**12**	**(2)**	**(2)**	**(30)**	**(143)**	**(166)**	**21**	**(145)**
Capital increase	113							-	-		-
Distribution of dividends								-	-	(64)	(64)
Share-based payments								9	9		9
Repurchase of common shares								(10)	(10)		(10)
Equity instruments (ODIRNAN)								(2)	(2)		(2)
Other movements								20	20	(4)	16
Total transactions with shareholders	**113**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**17**	**(69)**	**(52)**
Shareholders' equity as of 31 December 2019	**26,636,000**	**81**	**377**	**5**	**(13)**	**(88)**	**(92)**	**1,128**	**1,398**	**241**	**1,639**
Net income for the period								**(623)**	**(623)**	**(16)**	**(639)**
Other comprehensive income				6	2	(3)	(51)	-	(46)	(0)	(46)
Total comprehensive income		**-**	**-**	**6**	**2**	**(3)**	**(51)**	**(623)**	**(669)**	**(16)**	**(685)**
Capital increase	3							-	-	-	-
Distribution of dividends									-	-	-
Interest on equity instruments (ODIRNAN)								(2)	(2)		(2)
Share-based payments								3	3		3
Repurchase of common shares									-		-
Other movements								27	27	-	27
Total transactions with shareholders	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**28**	**28**	**-**	**28**
SHAREHOLDERS' EQUITY AS OF 30 JUNE 2020	**26,636,003**	**81**	**377**	**11**	**(11)**	**(91)**	**(143)**	**533**	**757**	**225**	**982**

BALANCE SHEET

(in millions of euros)	Notes	30/06/2020	31/12/2019
Intangible assets and goodwill	7	433	461
Property, plant & equipment	7	2,047	2,462
Rights of use relating to lease contracts	7	78	92
Investments in joint ventures and associates	7	37	22
Non-current financial assets		274	257
Deferred tax assets		6	8
Other non-current assets		5	5
Non-current assets		**2,880**	**3,307**
Inventories	6	1,007	1,098
Trade receivables	6	379	362
Other current assets		263	254
Current tax receivables		9	14
Derivatives assets		36	25
Other current financial assets	5	438	365
Cash and cash equivalents	5	1,503	556
Current assets		**3,635**	**2,674**
Assets held for sale(1)	**3**	**134**	**-**
TOTAL ASSETS		**6,649**	**5,981**

(1) In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of TTI are presented in the consolidated balance sheet at 30 June 2020 as "assets held for sale".

(in millions of euros)	Notes	30/06/2020	31/12/2019
Share capital		81	81
Share premiums		377	377
Revaluation reserve for assets available for sale		11	5
Revaluation reserve for hedging instrument		(11)	(13)
Revaluation reserve for defined benefit plan liabilities		(91)	(88)
Currency differences		(143)	(92)
Other reserves		533	1,128
Attributable to equity holders of the parent company		**757**	**1,398**
Attributable to non-controlling interests	4	225	241
Shareholders' equity		**982**	**1,639**
Employee-related liabilities		219	215
Provisions – more than one year	9	635	639
Deferred tax liabilities		234	223
Borrowings – more than one year	5	2,649	1,558
Lease obligation due in more than one year		80	84
Other non-current liabilities		-	1
Non-current liabilities		**3,817**	**2,720**
Provisions – less than one year	9	50	23
Borrowings – less than one year	5	734	570
Lease obligation due in less than one year		14	13
Trade payables	6	463	458
Other current liabilities		443	457
Current tax liabilities		65	49
Derivative liabilities		54	52
Current liabilities		**1,823**	**1,622**
Associated liabilities related to assets held for sale[1]	**3**	**27**	**-**
TOTAL LIABILITIES		**6,649**	**5,981**

(1) In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of TTI are presented in the consolidated balance sheet at 30 June 2020 as "assets held for sale".

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 2020 were approved by the Board of Directors of Eramet on 29 July 2020.

Note 1 Highlights of H1 2020

Impact of the health crisis in the first half of 2020 and recognition of significant tangible asset impairments

Since the beginning of the health crisis, Eramet has been very active, first of all by putting rigorous health protocols in place at all sites and by ensuring the application of very strict guidelines to comply with the rules. A special solidarity plan has been put in place to free up an exceptional allocation of €1.5 million (€1.1 million of which were spent as of 30 June 2020) and €8.5 million in expenditures to finance concrete measures to fight both the spread and after-effects of the pandemic, through health initiatives (prevention and aid to healthcare sectors) and economic and social support tailored to each country in which we operate.

In the Group's main markets, the health crisis is having an impact on demand from end customers and sales prices. In the Mining and Metals Division, all mines and plants have so far enjoyed normal operations, with the exception of manganese alloy plants, whose output has been adjusted to adapt to shrinking demand in Europe and the United States.

Impact of the health crisis on Aubert & Duval plants however has been both brutal and profound. The significant slowdown in the aviation sector impacted the various sites, which experienced a sharp drop in their activity in the second quarter. Lower production rates in the aviation industry, notably Airbus, which posted a decline of about one-third from the pre-crisis level, is expected to have a strong and lasting impact on the activity of Aubert & Duval, whose aeronautical sales account for more than 70% of sales. Under these circumstances, an update of the medium and long-term plans has sharply reduced this CGU's utility value. An impairment of €197 million was recognised at 30 June 2020.

At Erasteel, the decline in the end markets, especially in the automotive sector, which accounts for 60% of sales, resulted in a significant reduction in production in the second quarter. The update of the medium-term plan also significantly reduced the utility value and a write-down of €34 million was recognised at 30 June 2020.

At the Eramet Sandouville CGU, results deteriorated sharply with a temporary stoppage in the first quarter to institute health protocols. In addition, the loss of high value-added markets, particularly in Asia due to the slump in the electronics market, has prompted us to revise medium-term forecasts and recognise an impairment loss of €53 million at 30 June 2020.

In the first half of 2020, Eramet implemented short-time work measures and received €13 million related to government measures in force. On that date, no deadline for payment of payroll taxes was requested, and on that date no so-called "PGE" loans were taken out.

Cocooning the Lithium project in Argentina

On 31 December 2019, Eramet announced the suspension of the lithium development project in Argentina, as the launch conditions had not met at that time. In the current context of the health crisis, there are major uncertainties impacting the global economy and commodities markets, including lithium. As a result, on of 7 April 2020 the Board of Directors of Eramet took the decision not to break ground on the lithium production plant in Argentina.

This decision led to the recognition of a charge of €142 million, including an asset write-down of €97 million and expenses for the period of €18 million, in addition to a provision for contract termination and cocoon costs of €27 million.

This deposit remains an attractive asset and holds strong potential for the Group in the years to come. The competitiveness of the process puts it in the first quartile of the lithium industry cash cost curve, with very significant drainable resources of nearly 10 Mt LCE1.

Tronox signs agreement to divest TiZir's ilmenite processing plant in Norway

Eramet announced it had signed an agreement on 14 May 2020 to sell 100% of the shares of TTI (TiZir Titanium and Iron AS, "TTI"), the Norwegian TiZir plant, to Tronox Holdings plc, one of the main vertically integrated producers of titanium pigments and dioxide. Eramet retains control of the mineralised sand mine in Senegal (Grande Côte Opérations, "GCO") which will continue to supply TTI in ilmenite for the production of titanium and cast-iron slag. The agreement with Tronox includes a contract to supply ilmenite for TTI. The transfer price, payable on the completion date of the transaction, is approximately $300 million. The transaction is subject to lifting certain conditions, which are pending regulatory approvals in the United States. In accounting terms, the transaction is considered highly probable and has been recognised in accordance with IFRS 5 "Non-current assets held for sale and discontinued activities" (see Note 3).

Continuation of the rescue plan and new business model of Société Le Nickel-SLN ("SLN")

In New Caledonia, at SLN, mining production increased 12% to 2.2 Mth. Exports of low-grade nickel ore more than doubled to 1.1 Mt in H1 2020. Societal challenges at some East Coast mining centres continued to have a significant impact on the content and chemistry of the ore available to power the Doniambo furnaces. As a result, ferronickel product volumes remained stable at 24 kt in the first half of the year compared to the low levels seen in the first half of 2019. Considering the recurrent social unrest on the East Coast, mainly in Kouaoua, SLN has reorganised in an effort to redirect the supply of furnaces from other deposits. Cash cost averaged $5.6/lb in H1 2020, up 7% from H1 2019 ($6.1/lb) and 5% compared to 2019 ($5.9/lb). This change reflects the implementation of the new economic model with the growth of ore exports and benefits from the favourable impact of the exchange rate and the fall in the price of fuel oil. However, lower ferronickel prices linked to the Covid-19 crisis have slowed the recovery momentum, combined with social unrest and the still too high cost of electricity. At the end of June 2020, €73 million out of the €525 million of loans granted by Eramet and the French State in December 2015 remained unused. The deteriorated market context and the obstacles to implementing the rescue plan now make it necessary for the other shareholders to help finance SLN. Under these circumstances, and in view of current nickel prices, the financing arranged by Eramet and the French State of €525 million (€452 million used as at 30 June 2020) will enable SLN to meet its commitments for the next 12 months.

Review of the quality process within the High Performance Alloys Division

Quality-control processes were maintained with all customers concerned but continued to impact the Division's sales and performance during the first half of the year. Joint appraisals and in-depth work continued in close collaboration with customers during the six-month period but was slowed by the health crisis. Complaints were received and are being analysed and discussed with customers concerned. The balance of the provision at 30 June 2020 is €44 million (€58 million at 31 December 2019). Aubert & Duval is not the subject of any legal developments as part of the compliance of the quality processes.

Financing

In February 2018, the maturity of the €981 million RCF was extended to 2023. In February 2019, the maturity was extended to January 2024. In March 2020, the entire RCF was drawn.

In December 2019, the Group arranged funding for its general needs ("Term loan"), with a maturity of two years and an option that can be exercised by Eramet to extend it to January 2024. This funding totals €350 million. During the first quarter of 2020, the entire Term loan was drawn.

In 2018, Eramet obtained a long-term loan of €120 million from the EIB. This loan was drawn in its entirety in January 2020.

Note 2 Operational performance of the Divisions and the Group – Segment reporting information

Performance indicators per Business Division

(in millions of euros)	Mining and Metals				High Performance Alloys	Holding and eliminations	Total
	Manganese	Nickel	Mineral Sands	Lithium			
H1 2020							
Revenue	839	366	139	-	345	(2)	1,687
EBITDA	234	(70)	44	(2)	(66)	(20)	120
Current operating income	179	(114)	22	(2)	(93)	(24)	(32)
Net cash flow from operating activities	200	(47)	40	(23)	(135)	(25)	10
Capital expenditure (intangible assets and property, plant & equipment)	73	21	6	34	20	9	163
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
FINANCIAL YEAR 2019							
Revenue	1,765	778	286	-	847	(5)	3,671
EBITDA	560	38	106	-	(26)	(48)	630
Current operating income	459	(58)	64	-	(68)	(56)	341
Net cash flow from operating activities	206	(17)	55	(13)	(84)	(61)	86
Capital expenditure (intangible assets and property, plant & equipment)	234	35	12	101	53	20	455

Revenue, capital expenditure and non-current assets by geographical area

(in millions of euros)	France	Europe	North America	Asia	Oceania	Africa	South America	Total
REVENUE (DESTINATION OF SALES)								
H1 2020	**141**	**489**	**226**	**738**	**10**	**51**	**32**	**1,687**
H1 2019	315	516	308	589	22	37	22	1,809
Financial year 2019	320	1,274	599	1,309	37	86	46	3,671
CAPITAL EXPENDITURE (INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT)								
H1 2020	**31**	**9**	**1**	**-**	**19**	**69**	**34**	**163**
H1 2019	32	11	1	-	8	70	9	131
Financial year 2019	76	42	8	-	30	198	101	455
NON-CURRENT ASSETS (EXCLUDING DEFERRED TAXES)								
H1 2020	**407**	**284**	**45**	**45**	**554**	**1,489**	**50**	**2,874**
Financial year 2019	650	506	47	37	575	1,380	103	3,298

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.

Statement of changes in net financial debt

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
OPERATING ACTIVITIES			
EBITDA	120	307	630
Cash impact of items below EBITDA	(177)	(142)	(420)
Cash flow from operations	**(57)**	**165**	**210**
Change in WCR	67	(172)	(124)
Net cash flow generated by operating activities (A)	**10**	**(7)**	**86**
INVESTING ACTIVITIES			
Capital expenditure	(163)	(131)	(455)
Other investment cash flows	(57)	(27)	11
Net cash from investing activities (B)	**(220)**	**(158)**	**(444)**
Net cash from equity transactions	**(3)**	**(45)**	**(117)**
Exchange-rate impact and miscellaneous	(9)	(1)	(6)
Vesting of rights of use IFRS 16	(7)	-	(12)
(INCREASE)/DECREASE IN NET FINANCIAL DEBT	**(229)**	**(211)**	**(493)**
Financial debt net of activities held for sale[1]	(3)	-	-
Opening (net financial debt)	**(1,304)**	**(811)**	**(811)**
Closing (net financial debt)	**(1,536)**	**(1,022)**	**(1,304)**
Free cash flow (A) + (B)	**(210)**	**(165)**	**(358)**

(1) In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of TTI are presented in the consolidated balance sheet at 30 June 2020 as "assets held for sale".

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:

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Cash and cash equivalents	**1,503**	**635**	**556**
Other current financial assets	438	508	365
Borrowings	(3,383)	(2,073)	(2,128)
Lease obligation debt (IFRS 16)	(94)	(92)	(97)
NET FINANCIAL DEBT – REPORTING	**(1,536)**	**(1,022)**	**(1,304)**

Economic balance sheet

(in millions of euros)	30/06/2020	31/12/2019
Non-current assets	**2,870**	**3,294**
Inventories	1,007	1,098
Trade receivables	379	362
Trade payables	(463)	(458)
Simplified Working Capital	**923**	**1,002**
Other Working Capital items	(236)	(242)
Total Working Capital Requirement (WCR)	**687**	**760**
Derivatives	**-**	**-**
Assets held for sale	**134**	**-**
TOTAL ASSETS	**3,691**	**4,054**

(in millions of euros)	30/06/2020	31/12/2019
Shareholders' equity – Group share	757	1,398
Non-controlling interests	225	241
Shareholders' equity	**982**	**1,639**
Cash and cash equivalents and other current financial assets	(1,941)	(920)
Borrowings	3,477	2,224
Net financial debt	**1,536**	**1,304**
Provisions and employee-related liabilities	**904**	**877**
Net deferred tax	**228**	**214**
Derivatives	**14**	**20**
Liabilities associated with assets held for sale	**27**	**-**
TOTAL LIABILITIES	**3,691**	**4,054**

Note 3 Assets held for sale

On 14 May, the Group signed an agreement with Tronox to sell its Norwegian ilmenite processing plant, Tizir Titanium and Iron (TTI).

Eramet retains control of TTI until the closing date and the transaction is subject to lifting certain conditions, including obtaining regulatory approvals. At this stage, and in view of the status of the process, the Group considers the sale to be highly likely and consistent with IFRS 5 "Non-current assets held for sale and discontinued activities". TTI's assets and liabilities are presented on separate lines on the balance sheet: "Assets held for sale" and "Liabilities associated with assets held for sale". For more details, refer to Note 1 "Highlights of H1 2020".

TTI balance sheet as of 30 June 2020

TTI's balance sheet items grouped on specific asset and liability lines are detailed as follows:

(in millions of euros)	30/06/2020
Intangible assets and goodwill	34
Property, plant & equipment	49
Rights of use relating to lease contracts	1
Deferred tax assets	1
Non-current assets	**85**
Inventories	28
Trade receivables	16
Other current assets	1
Current tax receivables	–
Cash and cash equivalents	4
Current assets	**49**
TOTAL ASSETS HELD FOR SALE	**134**
Deferred tax liabilities	4
Borrowings – more than one year	–
Lease obligation due in more than one year	1
Non-current liabilities	**5**
Trade payables	4
Other current liabilities	9
Current tax liabilities	8
Derivative liabilities	1
Current liabilities	**22**
TOTAL LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**27**

As at June 30, 2020, cumulative amounts recognised under other comprehensive income related to assets held for sale amount to -€22 million. These correspond to exchange differences appraised at the exchange rate on June 30, 2020. At the disposal date, once assessed based on the exchange rate in effect on that date, these translation adjustments will be recognised as income.

Note 4 Other operating income and minority interests

Other operating income

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Asset depreciation and impairment losses	(381)	-	(25)
Other operating income and expenses	(78)	(25)	(93)
OTHER OPERATING INCOME	**(459)**	**(25)**	**(118)**

Depreciation of assets and impairment losses relate to CGUs Aubert & Duval for €197 million, Erasteel for €34 million, Sandouville for €53 million, and Lithium for €97 million (to which €45 million must be added for the costs of the period and for demobilisation) following the cocooning of the project.

CGU Aubert & Duval – High Performance Alloys Division

For the CGU Aubert & Duval, the utility value was profoundly impacted, to the order of 35%, by the significant decline in the aeronautics sector, which accounts for about 70% of revenue. Revenue of Aubert & Duval, which was already heavily affected by quality non-compliance, is facing order deferrals and cancellations. Based on the assumptions and uncertainties associated with this sector, 2018-2019 rates are not expected to return for several months. Under these conditions, a new medium-term plan has been drafted leading to the recognition of a €197 million impairment. The discount rate (8.9%) remains unchanged. A 1% increase in the discount rate or an EBITDA decrease if the plan encounters difficulties would result in further depreciation of around €50 million.

CGU Erasteel – High Performance Alloys Division

Erasteel's markets have been broadly affected by problems in automotive and aeronautics, which account for some 60% of sales. A new long-term plan has been developed. The utility value fell by 40%, resulting in a impairment of €34 million. As a result of this impairment, the fixed assets are practically fully depreciated.

CGU Sandouville

At the CGU Eramet Sandouville, the results deteriorated sharply with a temporary shutdown in the first quarter to implement health protocols and the loss of high value-added market especially in Asia due to the slump in the electronics market. The utility value fell by more than 65% and resulted in an impairment of €53 million at 30 June 2020. As a result of this impairment, the fixed assets are practically fully depreciated.

CGU Lithium

The decision not to break ground on the lithium production plant in Argentina in the first quarter of 2020 and to cocoon the project resulted in the recognition of a €142 million charge, including a €97 million asset depreciation, €18 million in expenses for the period, and a provision for contract termination and cocoon costs of €27 million. This deposit remains an attractive asset and holds strong potential for the Group in the years to come. A residual value of the project of some €50 million was retained, as outlined in Note 1 "Highlights of H1 2020".

Other operating income and expenses

Other operating income and expenses include the additional costs of the Lithium project (€45 million – see previous paragraph) as well as €12 million in charges to restructure subsidiaries of the High Performance Alloys Division and an impairment of €16 million on the assets in progress corresponding to an IT project. It is worth remembering that in the first half of 2019, other operating income and expenses related primarily to expenses incurred on the Group's projects, mainly the Lithium project in Argentina, at €11 million.

Attributable to non-controlling interests – minority interests

		Share		Share		Share
		of income	shareholders' equity	of income	shareholders' equity	of income
(in millions of euros)	% of non-controlling interests	H1 2020	30/06/2020	Financial year 2019	31/12/2019	H1 2019
At closing		**(16)**	**225**	**39**	**241**	**21**
Société Le Nickel-SLN	44%	(48)	(151)	(42)	(103)	(34)
Comilog S.A.	36.29%	32	375	79	352	53
Grande Côte Opérations	10.0%	-	-	3	(9)	2
Interforge	4.3%	-	1	(1)	1	-

Note 5 Net financial debt and shareholders' equity

(in millions of euros)		30/06/2020		31/12/2019
Borrowings		**(3,383)**		**(2,128)**
• Borrowings from financial markets	(1,400)		(1,429)	
• Borrowings from credit institutions	(1,825)		(397)	
• Bank overdrafts and creditor banks	(28)		(72)	
• Finance leases	(28)		(33)	
• Other borrowings	(102)		(197)	
Lease obligation debt		**(94)**		**(97)**
Other current financial assets		**438**		**365**
Cash and cash equivalents		**1,503**		**556**
• Cash equivalents	426		239	
• Cash	1,077		317	
NET FINANCIAL DEBT		**(1,536)**		**(1,304)**
Net financial debt – more than one year		(2,729)		(1,642)
Net financial debt – less than one year		1,193		338

Some borrowings are subject to financial ratios or covenants at Group level or locally.

At 30 June 2020, as part of the health crisis, Eramet obtained a waiver for calculating certain covenants, "covenant holidays" for the June and December 2020 maturities (RCF credit, Term loan and EIB). Calculation adjustments for the other credit lines subject to covenants were obtained for the same dates as well.

As of 30 June 2020, there are no cases of early repayment under the covenants.

Change in borrowings

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
At opening	**2,128**	**2,082**	**2,082**
Issuance of new borrowings	1,478	44	457
Repayment of borrowings	(179)	(76)	(412)
Changes in bank overdrafts	(44)	27	6
Other changes	(9)	(7)	(15)
Currency differences	9	4	10
AT CLOSING	**3,383**	**2,073**	**2,128**

Shareholders' equity

The share capital of €81,239,809.15 consists of 26,636,003 fully paid-up ordinary shares with a par value of €3.05.

Following the requests for the conversion of ODIRNAN (net share settled undated bonds convertible into new shares), as in 2019, three new shares were created in the first half of 2020.

Note 6 Working capital requirement

(in millions of euros)	31/12/2019	Change in WCR Statement of cash flows	Change in payables to non-current assets trade payables	Reclassification under IFRS 5 of TTI	Currency differences and other movements	30/06/2020
Inventories	1,098	(47)		(28)	(16)	1 007
Trade receivables	362	36	-	(16)	(3)	379
Trade payables	(458)	(6)	-	4	(3)	(463)
Simplified Working Capital	**1,002**	**(17)**	**-**	**(40)**	**(22)**	**923**
Other Working Capital items	(242)	(50)	37	16	2	(237)
TOTAL WORKING CAPITAL REQUIREMENT (WCR)	**760**	**(67)**	**37**	**(24)**	**(20)**	**686**

Note 7 Investments

Payments for non-current assets

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Investments in property, plant and equipment during the period	138	120	421
Investments in intangible assets during the period	25	11	34
Total capital expenditure	**163**	**131**	**455**
Change in debt for the acquisition of non-current assets	37	25	(33)
Acquisition of equity investments	-	-	1
TOTAL PAYMENTS FOR NON-CURRENT ASSETS – STATEMENT OF CASH FLOWS	**200**	**156**	**423**

Change in property, plant, and equipment

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
At opening	**2,462**	**2,287**	**2,287**
Investments during the period	138	120	420
Disposals during the period	-	(2)	(5)
Depreciation and amortisation during the period	(127)	(122)	(255)
Impairment loss for the period	(388)	-	(27)
Change in gross value of dismantling assets	-	27	47
Change in non-current assets and leasing	-	-	1
Hyperinflation	14	-	13
Reclassification under IFRS 5 of TTI	(49)	-	-
Currency differences and other movements	(3)	(7)	(19)
AT CLOSING	**2,047**	**2,303**	**2,462**
• Gross value	6,580	6,278	6,571
• Depreciation and amortisation	(3,915)	(3,737)	(3,856)
• Impairment loss	(618)	(238)	(253)

Rights of use relating to lease contracts

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
At opening	**92**	**-**	**-**
First application applications of 1 January 2019	-	94	94
Change in user rights	7	2	12
Depreciation and amortisation during the period	(10)	(7)	(14)
Impairment loss for the period	(7)	-	-
Reclassification under IFRS 5 of TTI	(1)	-	-
Currency differences and other movements	(3)	1	-
AT CLOSING	**78**	**90**	**92**
• Gross value	109	96	106
• Depreciation and amortisation	(24)	(6)	(14)
• Impairment loss	(7)	-	-

Intangible assets and goodwill

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
At opening	**461**	**455**	**455**
Investments during the period	25	11	34
Depreciation and amortisation during the period	(9)	(7)	(15)
Impairment loss for the period	(1)	-	(1)
Reversals during the period	-	-	1
Hyperinflation	-	-	2
Revision of the Mineral Sands goodwill amount	-	(22)	(22)
Reclassification under IFRS 5 of TTI	(34)	-	-
Currency differences and other movements	(9)	9	7
AT CLOSING	**433**	**446**	**461**
• Gross value	721	717	738
• Depreciation and amortisation	(255)	(238)	(244)
• Impairment loss	(33)	(33)	(33)

Interests in joint ventures and associates

Detail by entity

			Share		Share		Share
(in millions of euros)			of income	shareholders' equity	of income	shareholders' equity	of income
Companies	Country	% held	H1 2020	30/06/2020	Financial year 2019	31/12/2019	H1 2019
UKAD	France	50%	2	(6)	(2)	(8)	(2)
Total joint ventures			**2**	**(6)**	**(2)**	**(8)**	**(2)**
Strand Minerals – Weda Bay	Indonesia	43%[1]	6	43	(2)	29	(1)
EcoTitanium	France	22.4%	(1)	-	(2)	1	(1)
Total associates			**5**	**43**	**(4)**	**30**	**(2)**
TOTAL INTERESTS IN JOINT VENTURES AND ASSOCIATES			**7**	**37**	**(7)**	**22**	**(4)**

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

Note 8 Taxes

Income tax

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Current taxes	(56)	(65)	(169)
Deferred taxes	(17)	(36)	(58)
INCOME (EXPENSE) FROM INCOME TAX	**(73)**	**(101)**	**(227)**

Effective tax rate

(in millions of euros)	H1 2020	H1 2019	Financial year 2019
Operating income	(491)	144	223
Financial profit (loss)	(82)	(54)	(134)
Pre-tax profit (loss) of consolidated companies	**(573)**	**90**	**89**
Standard tax rate in France *(in percent)*	32.02%	32.02%	34.43%
Theoretical tax income (expense)	**183**	**(29)**	**(31)**
Effects on theoretical tax:			
• permanent differences between accounting profit and taxable profit	(19)	(10)	(21)
• taxes on dividend distribution (withholdings)	-	(16)	(4)
• asset impairments	-	-	1
• standard current income tax differences in foreign countries	(6)	(1)	4
• changes in tax rates	(16)	-	(20)
• tax credits	2	-	3
• unrecognised or limited deferred tax assets	(196)	(53)	(129)
• miscellaneous items	(21)	8	(30)
REAL TAX INCOME (EXPENSE)	**(73)**	**(101)**	**(227)**
TAX RATES	**-13%**	**113%**	**254%**

The tax rate of -13% is mainly due to the non-recognition or limitation of deferred tax assets on certain loss-making entities (Nickel-SLN and the French tax consolidation group) for -€196 million and changes in tax rates for -€16 million.

The -€6 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, offset by the 22% tax rate in Norway.

Note 9 Provisions

(in millions of euros)	30/06/2020	30/06/2019	31/12/2019
At opening	**662**	**605**	**605**
Allowances (reversals) during the period	22	(11)	-
• allowances during the period	52	15	97
• (reversals) used during the period	(30)	(27)	(87)
• (reversals) unused during the period	-	-	(10)
Accretion expenses	4	5	9
Dismantling assets	-	27	
Currency differences and other movements	(3)	-	48
AT CLOSING	**685**	**625**	**662**
• More than one year	635	601	639
• Less than one year	50	24	23
Environmental contingencies and site restoration	537	507	542
Employees	9	10	9
Other contingencies and losses	139	108	111

The change in provisions is mainly due to the change in the quality risk provision at Aubert & Duval, the balance of which was €44 million at 30 June 2020 (€58 million at 31 December 2019) and the accounting of a provision for the costs of terminating contracts and cocooning the Lithium project for €27 million.

Note 10 Off-balance sheet commitments, other commitments, contingent liabilities and other information

Off-balance sheet commitments

(in millions of euros)	30/06/2020	31/12/2019
Commitments given	**83**	**77**
• Operating activities	77	72
• Financing activities	6	5
Commitments received	**44**	**3**
• Operating activities	44	3
Lines of credit	-	-

Other commitments, contingent liabilities and other disclosures

Other commitments, contingent liabilities and other information presented in the 2019 Universal 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:

Review of the quality process within the High Performance Alloys Division

As indicated in Note 1 "Highlights of H1 2020", a €44 million provision is maintained in order to take into account the estimate to date of the residual processing cost of the in-depth review of the quality processes (€58 million at 31 December 2019). Depending on possible requests from certain customers, additional costs could be incurred, the amount of which cannot be estimated at this stage.

Customer claim in the High Performance Alloys Division

A complaint from a major customer regarding testing that may show compliance anomalies was received in July 2020. This complaint is currently being analysed jointly with the customer, to determine the potential impacts on the Division. At this stage it is not possible to assess any risk from this claim.

Operational Risks in the High Performance Alloys Division

The High Performance Alloys Division develops special steels and super alloys, particularly for the aviation industry, involved in the process of building aircraft, helicopters and other equipment from the production of its customers in the sector. As such, the Group may for example be indirectly or directly involved in the event of damage, loss or accident, passenger death or operating losses to equipment containing manufacturing parts from this Division.

As part of its risk management policy, the Division conducts actions to control these risks. These actions were effective as reflected in the fact that the accreditations or certifications relating to this type of industry were renewed and the validation process of the manufactured parts, if necessary, was validated by customers. In addition, the Group implemented insurance to cover residual risks.

ICPE (Installations Classified for Environmental Protection) regulations applicable to the Doniambo power plant

Under an order issued by the President of the Assembly of the Southern Province of New Caledonia on 12 November 2009, new technical requirements more stringent for atmospheric discharge were made applicable no later than 1 September 2013 at a power plant at the Doniambo plant. By decree of 17 December 2016, the President of the Assembly of the Southern Province has moved the effective date of these new requirements to 30 June 2019 and applied restrictions on the type of fuel used, operating limits, and enhanced air quality monitoring systems. The application of the requirements described in the GIC (Large combustion facilities) discussion was postponed to 11 June 2025. A derogatory order is being signed by the Southern Province to allow the operation of Power Plant B.

Other commitment received

Le Nickel-SLN has available financing of €20 million from the State, out of a total of €200 million maturing on 30 June 2024. The €180 million drawn at the end of June 2020 (compared to €170 million at 31 December 2019).

Other contingent liabilities did not significantly change.

Note 11 Subsequent events

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

Note 12 Basis of preparation of the condensed interim consolidated financial statements

General principles and declaration of compliance

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the condensed interim consolidated financial statements for the first half of 2020 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 30 June 2020. 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 31 December 2019.

The reference document adopted by the European Union is available for consultation on the following website: 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 30 June 2020 are identical to those used in the consolidated financial statements as of 31 December 2019, 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 1 January 2020 (and which have not been applied early by the Group).

The Group thus applies the standards and amendments to the following standards since 1 January 2020, which have no significant impact on the interim condensed consolidated financial statements:

- amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting methods, changes in accounting estimates and errors" – definition of the term "significant";
- amendments to IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Accounting and Valuation" and IFRS 7 "Financial Instruments: Information to Provide" – Reform of Benchmark Interest Rates.

Standards, interpretations and amendments issued by the IASB and IFRSIC (IFRS Interpretations Committee), application of which is not mandatory for the financial years starting after 1 January 2020, have not been applied by the Group.

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 30 June 2020 are unchanged from the previous year presented in the consolidated financial statements for 2019 and in the 2019 Universal registration document.

Consolidation scope

As of 30 June 2020, the scope of consolidation was unchanged compared to 31 December 2019.

Treatment of hyperinflation in Argentina

Argentina is considered a hyperinflation country under IAS 29 since 1 July 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 -€0.5 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 2020, based on the actuarial assumptions and data used as of 31 December 2019, and adjusted where necessary for non-recurring events (plan amendments, curtailments, settlements). As of 30 June, the actuarial gains and losses estimated on the basis of a sensitivity analysis of the discount rates were recorded and recognised 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 first half year.

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.

4 Statutory Auditor's Review Report on the Half-yearly financial information

For the period from January 1 to June 30, 2020

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the engagement entrusted to us by the Shareholders' 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 S.A., for the period from 1 January 2020 to 30 June 2020;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors meeting on 29 July 2020 based on the information available at that date and in the changing context of the Covid-19 pandemic and related difficulties to determine its consequences on the future. 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 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the following matter set out in the notes to the condensed half-yearly consolidated financial statements:

- Note 1 "Highlights of H1 2020", the paragraph on the "Review of the quality process within the High Performance Alloys Division" which sets out the framework for the internal review of the quality process within Aubert & Duval and the related provision recognized, amounting to €44 million at 30 June 2020; and Note 10 "Off-balance sheet commitments, other commitments, contingent liabilities and other disclosures", the paragraph on the "Review of the quality process within the High Performance Alloys Division", 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;

- Note 1 "Highlights of H1 2020", the paragraph on "Continuation of the rescue plan and new business model of Société Le Nickel-SLN (SLN), obtaining of export authorization", which sets out the continuation of the restructuring plan and the new economic model of SLN together with the framework for assessing going concern matters of SLN.

II. SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report approved by the Board of Directors on 29 July 2020 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, on 29 July 2020

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