

# HALF-YEAR **REPORT**

2016



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**ERAMET**

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ALLOYS, ORES AND PEOPLE.

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## Chapter 1

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# DECLARATION

## BY THE PERSONS RESPONSIBLE FOR THE ERAMET INTERIM FINANCIAL REPORT AS AT JUNE 30, 2016

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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 posi-

tion 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 27, 2016

Thomas Devedjian  
**Chief Financial Officer**

Patrick Buffet  
**Chairman and Chief Executive Officer**

## Chapter 2

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# INTERIM BUSINESS REPORT

### AS AT JUNE 30, 2016

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## 1 FOREWORD

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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, 2016 and the other financial information in the 2015 Registration Document filed with the French Financial Markets Authority (AMF) on April 7, 2016. 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 that may differ materially from actual results.

The figures presented and commented on are adjusted data from the Group reporting, in which joint ventures are accounted for using the proportionate consolidation. The reconciliation with the published financial statements is presented in Note 2 of the condensed interim consolidated financial statements as at June 30, 2016.

## 2 OVERVIEW

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ERAMET is a mining and metallurgical group that bases its operations and business development on a sustainable, profitable and balanced growth strategy.

ERAMET has expanded significantly over the past 15 years, establishing a foothold on five continents so as to better serve its markets. Having developed unique expertise in geology, metallurgy, hydrometallurgy, pyrometallurgy and in the design of high-performance steel grades, ERAMET is now a global market leader in the production and conversion of non-ferrous metals and alloys.

## 3 GROUP RESULTS FOR THE 1<sup>ST</sup> HALF OF 2016

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The raw materials sector is going through a crisis of exceptional length and magnitude, strongly impacting all the mining and metallurgical groups.

The ERAMET Group metal prices have reached their lowest level for nearly 15 years in the 1<sup>st</sup> half of 2016, which has strongly impacted the Group's results.

ERAMET sales stood at €1,373 million in the 1<sup>st</sup> half of 2016, down nearly 16% compared with the 1<sup>st</sup> half of 2015 and 7.4% compared with the 2<sup>nd</sup> half of 2015.

Despite more difficult market conditions over the 1<sup>st</sup> half of 2016 compared with the 2<sup>nd</sup> half of 2015, current operating income came out at -€91 million in the 1<sup>st</sup> half of 2016 compared with -€137 million in the 2<sup>nd</sup> half of 2015. This result is notably due to major strengthening in 2015 of cost reduction and productivity improvement measures taken across the whole Group. In particular, ERAMET Nickel current

operating income has clearly improved compared with the 2<sup>nd</sup> half of 2015 (-€89 million in the 1<sup>st</sup> half of 2016 versus -€163 million in the 2<sup>nd</sup> half of 2015).

Net income, Group share totalled -€141 million, down compared with the 1<sup>st</sup> half of 2015 (-€83 million). It stood at -€714 million for 2015 due to important impairments.

Industrial investments, limited to safety and maintenance, are down. They totalled €85 mil-

lion in the 1<sup>st</sup> half of 2016 versus €132 million in the 1<sup>st</sup> half of 2015.

The objective is to limit investments to €250 million over 2016. This is made possible following the period of significant modernisation investments in production systems made in the early 2010s.

The level of net financial debt stood at €1,163 million on 30 June 2016. The two main reasons for the increase in net debt on the

1<sup>st</sup> half of 2016 are linked, on the one hand, to SLN's losses and, on the other, to the put option exercised by Mitsubishi and Pamco in the Weda Bay project (see condensed interim consolidated financial statements, Note 1 – Highlights during the 1<sup>st</sup> half of 2016). The net financial debt to equity ratio came out at 70% at the end of the 1<sup>st</sup> half of 2016.

### 3.1 INCOME STATEMENT

| (€ MILLION)                 | H1 2016 | H1 2015 | FULL YEAR 2015 |
|-----------------------------|---------|---------|----------------|
| Sales                       | 1,373   | 1,626   | 3,109          |
| EBITDA                      | 56      | 78      | 92             |
| Current operating income    | (91)    | (70)    | (207)          |
| Operating income            | (146)   | (115)   | (813)          |
| Net income for the period   | (199)   | (126)   | (912)          |
| Net income Group share      | (141)   | (83)    | (714)          |
| Basic earning per share (€) | (5.35)  | (3.13)  | (27.11)        |

#### 3.1.1 COMMENTS BY DIVISION: SALES AND CURRENT OPERATING INCOME

##### ERAMET NICKEL

ERAMET Nickel sales were down 36% in the 1<sup>st</sup> half of 2016 compared with the 1<sup>st</sup> half of 2015, at €255 million. Current operating income stood at -€89 million, slightly better than the 1<sup>st</sup> half of 2015 while nickel prices have fallen sharply in the 1<sup>st</sup> half of 2016.

Since the start of the decade and up to 2014, growth in the stainless steel market, the main outlet for nickel, was between 6 and 9% a year. 2015 marked a turning point for the market, with a break in growth (-0.4% in 2015 compared with 2014). Over the 1<sup>st</sup> half of 2016, stainless steel production is up again slightly (1.3%) compared with the 1<sup>st</sup> half of 2015.

At the same time, nickel producers' sustained levels of high production have led to an increase in nickel stocks, held at a level greater than 500,000 tonnes of metal on the LME (London Metal Exchange) and on the SHFE (Shanghai Futures Exchange) in the 1<sup>st</sup> quarter of 2016. These stocks fell below the 500,000 tonnes mark at the end of May 2016 and still amount to approximately 480,000 tonnes as of today.

Nickel prices on the LME have thus continued to fall, to reach their lowest level on average over the 1<sup>st</sup> half of 2016 (USD 3.93/lb) since the 1<sup>st</sup> half of 2003 (USD 3.79/lb). At these price levels, according to sector experts, between 70% and 80% of nickel producers are expected to produce at a loss.

Against this backdrop, Société Le Nickel-SLN in New-Caledonia, in which ERAMET has a 56% stake, moved into a negative cash position at the end of 2015. Throughout in the 1<sup>st</sup> half of 2016, SLN has benefitted from ERAMET's financial support totalling €190 million until the end of June 2016 (see condensed interim consolidated financial statements, Note 1 – Highlights during the 1<sup>st</sup> half of 2016).

As a result of its specialisation in ferronickel, SLN will no longer produce matte from the 2<sup>nd</sup> half of 2016 onwards, an intermediary product of nickel which supplied the refinery in Le Havre-Sandouville France. After the consumption of the remaining matte, the Sandouville plant will be supplied by third party matte for which ERAMET has secured a long-term agreement.

**ERAMET ALLOYS**

ERAMET Alloys sales were stable at €497 million compared with the 1<sup>st</sup> half of 2015. Current operating income (€13 million) is also close to the 1<sup>st</sup> half of 2015.

The buoyant aerospace sector now accounts for nearly two thirds of ERAMET Alloys sales.

The cost reduction and productivity improvement plans for ERAMET Alloys have confirmed progress for Aubert & Duval which recorded current operating income of €24 million in the 1<sup>st</sup> half of 2016, up 20% compared with the same period last year. Erasteel pursues its restructuring plan as well as its plan to integrate recycling activities of batteries and catalysts. The latter is a key factor in the company's turnaround plans, with its full effect expected at the end of 2017 on an annual basis. Strong actions are taken in the high-speed steel sector. In the 1<sup>st</sup> half of 2016, Erasteel's current operating income remained negative at -€11 million and continued to be affected by market conditions that remain gloomy.

ERAMET Alloys strengthened its positions in the powder metallurgy sector in the 1<sup>st</sup> half of 2016 thanks to the launch of an investment in a new atomising tower for superalloy powders directed at the aerospace engine parts market.

Regarding its aerospace titanium supply chain, the MKAD plant, a joint-venture between Aubert & Duval and Mecachrome to supply machined parts made of titanium, started production in May 2016. This investment will position Aubert & Duval across the entire aerospace titanium value chain.

**ERAMET MANGANESE**

ERAMET Manganese sales were down 14% at €620 million compared with €718 million in the 1<sup>st</sup> half of 2015, due to historically low prices in the 1<sup>st</sup> half of 2016 and a decision to stop production for 4 weeks. Current operating income is at breakeven.

Gross global production for carbon steel, the main outlet for manganese, is down 2.2% compared with the 1<sup>st</sup> half of 2015.

Against this backdrop, CIF China 44% manganese ore prices (source CRU) took a sharp downturn in early 2016, reaching a low point in February at USD 1.83/dmtu. The average for ore prices stood at USD 2.91/dmtu in the 1<sup>st</sup> half of 2016 versus USD3.47/dmtu in the 1<sup>st</sup> half of 2015.

From March 2016 onwards, ore prices rebounded, following several cuts in production observed across the globe. Since, some South African producers, which had stopped their production seemed to have recovered, a factor that is expected to weigh on prices in the months ahead.

Regarding production, the downturn in the carbon steel market in the 1<sup>st</sup> quarter of 2016 has led to a sharp increase in available ore stocks. Against this backdrop, for nearly 4 weeks, COMILOG suspended manganese ore production in Moanda in Gabon during the 1<sup>st</sup> quarter of 2016.

GCO (Grande Côte Operations) in Senegal continued optimizing its operational efficiency on the 1<sup>st</sup> half of 2016, heavy mineral concentrate (containing ilmenite, zircon, rutile and leucoxene) production reaching 280 000 tonnes.

In Norway, the ramp up of the TTI (TiZir Titanium and Iron) plant following the recent upgrade and expansion project to produce a higher value chloride slag continues to proceed well. First commercial shipments of chloride slag have been made in the 1<sup>st</sup> quarter of 2016. The plant produced 79 000 tonnes of titanium dioxide slag in the 1<sup>st</sup> half of 2016.

### 3.1.2 NET INCOME, GROUP SHARE

The net loss Group share amounted to -€141 million in the 1<sup>st</sup> half of 2016, down from -€83 million for the same period in 2015. This is due, in particular, to the decline in current operating income, the increase in net borrowing cost, and a lower positive tax income.

It includes the following items:

- **financial income** totalling -€53 millions in the 1<sup>st</sup> half of 2016, compared with -€34 million in the 1<sup>st</sup> half of 2015 due mainly to the increase in net financial debt and the unfavourable impact of currency translation differences;
- **income tax** which amounted to €0 million in the 1<sup>st</sup> half of 2016, compared with an income of €23 million in the 1<sup>st</sup> half of 2015.

This tax position took into account the negative effects of unrecognised or depreciated deferred tax assets;

- **minority interests** which were down in the 1<sup>st</sup> half of 2016, with a negative share of €58 million compared with €43 million in the 1<sup>st</sup> half of 2015, directly impacted by lower results for ERAMET Manganese (COMILOG, 36.29% of minority interests) and ERAMET Nickel (Société Le Nickel-SLN, 44% of minority interests).

## 3.2 STATEMENT OF CHANGES IN NET FINANCIAL DEBT

| (€ MILLION)                                      | H1 2016        | H1 2015      | FULL YEAR 2015 |
|--|----------------|--------------|----------------|
| Net cash generated by operating activities       | (98)           | (118)        | (7)            |
| Industrial investments                           | (85)           | (132)        | (267)          |
| Other investment flows                           | (109)          | 10           | (16)           |
| Exchange-rate impact                             | 7              | (18)         | (41)           |
| <b>(Increase)/Decrease in net financial debt</b> | <b>(285)</b>   | <b>(258)</b> | <b>(331)</b>   |
| Opening (net financial debt)                     | (878)          | (547)        | (547)          |
| <b>Closing (net financial debt)</b>              | <b>(1,163)</b> | <b>(805)</b> | <b>(878)</b>   |

Net financial debt at June 30, 2016 amounted to €1,163 million compared to €878 million at December 31, 2015.

#### Net cash flow generated by operations:

-€98 million, up €20 million, compared to the 1<sup>st</sup> half of 2015, mainly due to an improvement in the change in WCR of €48 million partially offset by a decrease in EBITDA of €22 million between the 1<sup>st</sup> half of 2015 and the 1<sup>st</sup> half of 2016.

**Industrial investments:** industrial investments amounted to €85 million.

ERAMET Nickel's industrial investments amounted to €21 million in the 1<sup>st</sup> half of 2016, resulting in a 43% decrease compared to the 1<sup>st</sup> half of 2015.

ERAMET Alloys' industrial investments amounted to €19 million in the 1<sup>st</sup> half of 2016, resulting in a 19% decrease compared with the 1<sup>st</sup> half of 2015.

ERAMET Manganese's industrial investments amounted to €44 million in the 1<sup>st</sup> half of 2016, resulting in a 43% decrease compared to the 1<sup>st</sup> half of 2015.

**Other investment flows:** the balance includes, in particular, €97 million related to the exercise of the option to sell to ERAMET the stake in Strand Minerals Pte Ltd which Mitsubishi owned jointly with Pacific Metals Co. Ltd (Pamco), (see condensed interim consolidated financial statements, Note 1 – Highlights during the 1<sup>st</sup> half of 2016).

## 3.3 GROUP SHARE OF SHAREHOLDERS' EQUITY

The Group share of shareholders' equity had decreased by €58 million to €1,408 million at the end of June 2016, from €1,466 million at the end of December 2015. This decrease is mainly due to the net loss, Group share in the 1<sup>st</sup> half of 2016 (-€141 million) partially offset by the positive effect of exchange differences and the change in the effective portion of the fair value of financial instruments during the 1<sup>st</sup> half of 2016.

## 4 RISK MANAGEMENT

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

The presentation of these risks and the Group's assessment of them are detailed in the 2015 Registration Document in Note 7 – Financial instruments and risk management to the consolidated financial statements, and in Chapter 3 "Risk factors".

Cash surpluses of subsidiaries are pooled at Group level through a wholly-owned subsidiary (Metal Securities). In 2016, as in previous years, cash was managed prudently (including 47% in money market funds and sight deposits, 19.7% in time deposits, 23.5% in bonds and 9.8% in diversified funds and others); this enabled ERAMET to obtain an annualized return of 1.34% in the 1<sup>st</sup> half of 2016, namely EONIA + 1.59%.

The Group has not identified any other risk factors during the 1<sup>st</sup> half of 2016 or any affecting the upcoming 2<sup>nd</sup> half.

## 5 FINANCIAL STATEMENTS OF ERAMET S.A.

| (€ MILLION)          | H1 2016 | H1 2015 | FULL YEAR 2015 |
|----------------------|---------|---------|----------------|
| Sales                | 255     | 360     | 626            |
| Operating income     | (16)    | (24)    | (52)           |
| Financial income     | (82)    | (2)     | (266)          |
| Non-recurring income | 5       | 5       | (13)           |
| Net income           | (92)    | (19)    | (332)          |

Sales was down by 29% due to the fall in nickel prices (average LME price of USD3.9/lb during the 1<sup>st</sup> half of 2016, against USD6.2/lb during the 1<sup>st</sup> half of 2015).

The operating loss amounted to €16 million in the 1<sup>st</sup> half of 2016 compared to €24 million in the 1<sup>st</sup> half of 2015.

The financial loss amounted to €82 million in the 1<sup>st</sup> half of 2016 compared to €2 million in the 1<sup>st</sup> half of 2015. This decrease is mainly due to a €71 million depreciation in the shares of Strand Minerals Pte Ltd, which owns the Weda Bay project in Indonesia, acquired by ERAMET following the exercise by Mitsubishi of its put option.

The balance comprised net interest paid on loans/borrowings and the net foreign-exchange balance on financial transactions.

Non-recurring profit mainly comprises the reversal of the maturing portion of provisions for tax (price increase provision).

Net loss was €92 million for the 1<sup>st</sup> half of 2016 compared to the loss of €19 million for the 1<sup>st</sup> half of 2015.

## 6 SHORT-TERM OUTLOOK

A strengthening of ERAMET equity is scheduled for autumn 2016 with the support from its two main shareholders, SORAME-CEIR and the French State: the issue, in accordance with market conditions, of a perpetual convertible bond of €100 million, with priority delay given to all the Group's shareholders; the ownership interests envisaged by SORAME-CEIR and the French State amounting to at least their share in the company.

## Chapter 3

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2016

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## INCOME STATEMENT

| (€ MILLION)   | NOTES    | H1 2016      | H1 2015      | FULL YEAR<br>2015 |
|---|----------|--------------|--------------|-------------------|
| <b>Sales</b>  | <b>2</b> | <b>1,329</b> | <b>1,580</b> | <b>3,015</b>      |
| Cost of sales and other income  |          | (1,176)      | (1,401)      | (2,726)           |
| Administrative and selling expenses   |          | (88)         | (89)         | (172)             |
| Research and development expenditure  |          | (11)         | (11)         | (25)              |
| <b>EBITDA</b>   | <b>2</b> | <b>54</b>    | <b>79</b>    | <b>92</b>         |
| Amortisation and depreciation of fixed assets and provisions for contingencies and losses |          | (139)        | (140)        | (283)             |
| <b>Current operating income</b>   | <b>2</b> | <b>(85)</b>  | <b>(61)</b>  | <b>(191)</b>      |
| Other operating income and expenses   | 3        | (54)         | (45)         | (553)             |
| <b>Operating income</b>   |          | <b>(139)</b> | <b>(106)</b> | <b>(744)</b>      |
| Financial income  | 4        | (42)         | (26)         | (74)              |
| Share of income from joint ventures and associates  | 6        | (17)         | (16)         | (78)              |
| Income tax  | 7        | -            | 23           | (9)               |
| <b>Net income for the period</b>  |          | <b>(198)</b> | <b>(125)</b> | <b>(905)</b>      |
| • attributable to non-controlling interests   | 3        | (57)         | (42)         | (191)             |
| <b>• ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>                                     |          | <b>(141)</b> | <b>(83)</b>  | <b>(714)</b>      |
| Basic/diluted earning per share (€)   |          | (5.35)       | (3.13)       | (27.11)           |

## STATEMENT OF COMPREHENSIVE INCOME

| (€ MILLION)  | NOTES | H1 2016      | H1 2015      | FULL YEAR<br>2015 |
|--|-------|--------------|--------------|-------------------|
| <b>Net income for the period</b>   |       | <b>(198)</b> | <b>(125)</b> | <b>(905)</b>      |
| Translation differences for subsidiaries' financial statements in foreign currency |       | 7            | 45           | 22                |
| Change in revaluation reserve for hedging financial instruments                    |       | 44           | (15)         | (30)              |
| Change in fair value of assets available for sale                                  |       | 9            | -            | -                 |
| Income tax   | 7     | (3)          | 6            | -                 |
| <b>Items recyclable to profit and loss</b>   |       | <b>57</b>    | <b>36</b>    | <b>(8)</b>        |
| Revaluation of net defined benefit plan liabilities                                |       | -            | -            | (10)              |
| Income tax   |       | -            | -            | 3                 |
| <b>Items not recyclable to profit and loss</b>                                     |       | <b>-</b>     | <b>-</b>     | <b>(7)</b>        |
| <b>Other comprehensive income</b>  |       | <b>57</b>    | <b>36</b>    | <b>(15)</b>       |
| • attributable to non-controlling interests  |       | 6            | -            | (14)              |
| • <b>attributable to equity holders of the parent</b>                              |       | <b>51</b>    | <b>36</b>    | <b>(1)</b>        |
| <b>Total comprehensive income</b>  |       | <b>(141)</b> | <b>(89)</b>  | <b>(920)</b>      |
| • attributable to non-controlling interests  |       | (51)         | (42)         | (205)             |
| • <b>attributable to equity holders of the parent</b>                              |       | <b>(90)</b>  | <b>(47)</b>  | <b>(715)</b>      |

## STATEMENT OF CASH FLOWS

| (€ MILLION)  | NOTES    | H1 2016      | H1 2015      | FULL YEAR<br>2015 |
|--|----------|--------------|--------------|-------------------|
| <b>Operating activities</b>                                      |          |              |              |                   |
| Net income for the period  |          | (198)        | (125)        | (905)             |
| Non-cash income and expenses                                     | 4        | 168          | 124          | 761               |
| <b>Cash generated from operations</b>                            |          | <b>(30)</b>  | <b>(1)</b>   | <b>(144)</b>      |
| Net change in working capital requirement (WCR)                  | 5        | (66)         | (111)        | 131               |
| <b>Net cash generated by operating activities <sup>(1)</sup></b> | <b>2</b> | <b>(96)</b>  | <b>(112)</b> | <b>(13)</b>       |
| <b>Investing activities</b>                                      |          |              |              |                   |
| Payments for non-current assets                                  | 6        | (92)         | (114)        | (249)             |
| Proceeds from non-current assets disposals                       |          | 5            | 6            | 12                |
| Net change in non-current financial assets                       |          | 3            | (10)         | (29)              |
| Net change in current financial assets                           | 4        | (215)        | 65           | 224               |
| Stake increase – controlled companies                            | 6        | (97)         | -            | -                 |
| <b>Net cash used in investing activities</b>                     |          | <b>(396)</b> | <b>(53)</b>  | <b>(42)</b>       |
| <b>Financing activities</b>                                      |          |              |              |                   |
| Issuance of new borrowings                                       | 4        | 1,006        | 83           | 140               |
| Repayment of borrowings  | 4        | (74)         | (63)         | (220)             |
| Changes in bank overdrafts                                       | 4        | (18)         | 22           | 49                |
| Other changes  | 4        | 17           | 9            | 5                 |
| <b>Net cash used in financing activities</b>                     |          | <b>931</b>   | <b>51</b>    | <b>(26)</b>       |
| Exchange-rate impact   |          | (5)          | -            | (3)               |
| <b>Increase (decrease) in cash and cash equivalents</b>          |          | <b>434</b>   | <b>(114)</b> | <b>(84)</b>       |
| <b>Opening cash and cash equivalents</b>                         | <b>4</b> | <b>432</b>   | <b>516</b>   | <b>516</b>        |
| <b>Closing cash and cash equivalents</b>                         | <b>4</b> | <b>866</b>   | <b>402</b>   | <b>432</b>        |
| <i>(1) Of which, included in operating activities</i>            |          |              |              |                   |
| Interest received  | 4        | 7            | 6            | 11                |
| Interest paid  | 4        | (34)         | (32)         | (62)              |
| Tax paid   | 7        | (9)          | (48)         | (71)              |

## STATEMENT OF CHANGES IN EQUITY

| (€ MILLION)   | NUMBER OF SHARES  | SHARE CAPITAL | SHARE PREMIUMS | RESERVES/HEDGING INSTRUMENTS | RESERVES/FAIR VALUE OF AVAILABLE FOR SALE ASSETS | RESERVES/DEFINED BENEFIT PLANS | EXCHANGE DIFFERENCES | OTHER RESERVES | ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY | ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | SHAREHOLDERS' EQUITY |
|---|-------------------|---------------|----------------|------------------------------|--|--------------------------------|----------------------|----------------|--|---|----------------------|
| <b>SHAREHOLDERS' EQUITY AS AT JANUARY 1, 2015</b>           | <b>26,543,218</b> | <b>81</b>     | <b>373</b>     | <b>(60)</b>                  | <b>-</b>   | <b>(54)</b>                    | <b>1</b>             | <b>1,981</b>   | <b>2,322</b>                                 | <b>434</b>                                | <b>2,756</b>         |
| <b>Net income for the period – 1<sup>st</sup> half 2015</b> |                   |               |                |                              |  |                                |                      | <b>(83)</b>    | <b>(83)</b>                                  | <b>(42)</b>                               | <b>(125)</b>         |
| Other comprehensive income                                  |                   | -             | -              | (10)                         | -  | -                              | 46                   | -              | 36   | -   | 36                   |
| <b>Total comprehensive income</b>                           |                   | -             | -              | <b>(10)</b>                  | -  | -                              | <b>46</b>            | <b>(83)</b>    | <b>(47)</b>                                  | <b>(42)</b>                               | <b>(89)</b>          |
| Share-based payments  |                   |               |                |                              |  |                                |                      | 2              | 2  |   | 2                    |
| Other movements   |                   |               |                |                              |  |                                |                      | 1              | 1  |   | 1                    |
| <b>Total transactions with shareholders</b>                 |                   | -             | -              | -                            | -  | -                              | -                    | <b>3</b>       | <b>3</b>                                     | -   | <b>3</b>             |
| <b>SHAREHOLDERS' EQUITY AS AT JUNE 30, 2015</b>             | <b>26,543,218</b> | <b>81</b>     | <b>373</b>     | <b>(70)</b>                  | <b>-</b>   | <b>(54)</b>                    | <b>47</b>            | <b>1,901</b>   | <b>2,278</b>                                 | <b>392</b>                                | <b>2,670</b>         |
| <b>Net income for the period – 2<sup>nd</sup> half 2015</b> |                   |               |                |                              |  |                                |                      | <b>(631)</b>   | <b>(631)</b>                                 | <b>(149)</b>                              | <b>(780)</b>         |
| Other comprehensive income                                  |                   | -             | -              | (10)                         | -  | (7)                            | (20)                 | -              | (37)   | (14)                                      | (51)                 |
| <b>Total comprehensive income</b>                           |                   | -             | -              | <b>(10)</b>                  | -  | <b>(7)</b>                     | <b>(20)</b>          | <b>(631)</b>   | <b>(668)</b>                                 | <b>(163)</b>                              | <b>(831)</b>         |
| Share-based payments  |                   |               |                |                              |  |                                |                      | 3              | 3  |   | 3                    |
| Other movements   |                   |               |                |                              |  |                                |                      | (147)          | (147)  | 93  | (54)                 |
| <b>Total transactions with shareholders</b>                 |                   | -             | -              | -                            | -  | -                              | -                    | <b>(144)</b>   | <b>(144)</b>                                 | <b>93</b>                                 | <b>(51)</b>          |
| <b>SHAREHOLDERS' EQUITY AS AT JANUARY 1, 2016</b>           | <b>26,543,218</b> | <b>81</b>     | <b>373</b>     | <b>(80)</b>                  | <b>-</b>   | <b>(61)</b>                    | <b>27</b>            | <b>1,126</b>   | <b>1,466</b>                                 | <b>322</b>                                | <b>1,788</b>         |
| <b>Net income for the period</b>                            |                   |               |                |                              |  |                                |                      | <b>(141)</b>   | <b>(141)</b>                                 | <b>(57)</b>                               | <b>(198)</b>         |
| Other comprehensive income                                  |                   |               |                | 33                           | 9  | -                              | 9                    | -              | 51   | 6   | 57                   |
| <b>Total comprehensive income</b>                           |                   | -             | -              | <b>33</b>                    | <b>9</b>   | -                              | <b>9</b>             | <b>(141)</b>   | <b>(90)</b>                                  | <b>(51)</b>                               | <b>(141)</b>         |
| Share-based payments  |                   |               |                |                              |  |                                |                      | -              | -  |   | -                    |
| Other movements   |                   |               |                |                              |  |                                |                      | 32             | 32   |   | 32                   |
| <b>Total transactions with shareholders</b>                 |                   | -             | -              | -                            | -  | -                              | -                    | <b>32</b>      | <b>32</b>                                    | -   | <b>32</b>            |
| <b>SHAREHOLDERS' EQUITY AS AT JUNE 30, 2016</b>             | <b>26,543,218</b> | <b>81</b>     | <b>373</b>     | <b>(47)</b>                  | <b>9</b>   | <b>(61)</b>                    | <b>36</b>            | <b>1,017</b>   | <b>1,408</b>                                 | <b>271</b>                                | <b>1,679</b>         |

The share capital comprises 26,543,218 fully paid-up ordinary shares with a par value of €3.05.

## BALANCE SHEET

| (€ MILLION)                                | NOTES | 30/06/2016   | 31/12/2015   |
|--|-------|--------------|--------------|
| Intangible assets and goodwill             | 6     | 366          | 370          |
| Property, plant and equipment              | 6     | 2,066        | 2,116        |
| Interests in joint ventures and associates | 6     | 152          | 169          |
| Non-current financial assets               |       | 127          | 153          |
| Deferred tax assets                        | 7     | 8            | 8            |
| Other non-current assets                   | 5     | 78           | 70           |
| <b>Non-current assets</b>                  |       | <b>2,797</b> | <b>2,886</b> |
| Inventories                                | 5     | 913          | 937          |
| Trade receivables                          | 5     | 311          | 288          |
| Other current assets                       | 5     | 208          | 250          |
| Current tax receivables                    | 5/7   | 53           | 58           |
| Derivatives assets                         |       | 20           | 30           |
| Current financial assets                   | 4     | 411          | 196          |
| Cash and cash equivalents                  | 4     | 866          | 432          |
| <b>Current assets</b>                      |       | <b>2,782</b> | <b>2,191</b> |
| <b>TOTAL ASSETS</b>                        |       | <b>5,579</b> | <b>5,077</b> |

| (€ MILLION)  | NOTES | 30/06/2016   | 31/12/2015   |
|--|-------|--------------|--------------|
| Share capital  |       | 81           | 81           |
| Share premiums   |       | 373          | 373          |
| Revaluation reserve for assets available for sale        |       | 9            | -            |
| Revaluation reserve for hedging instrument               |       | (47)         | (80)         |
| Revaluation reserve for defined benefit plan liabilities |       | (61)         | (61)         |
| Translation differences                                  |       | 36           | 27           |
| Other reserves   |       | 1,017        | 1,126        |
| <b>Attributable to equity holders of the parent</b>      |       | <b>1,408</b> | <b>1,466</b> |
| Attributable to non-controlling interests                | 3     | 271          | 322          |
| <b>Shareholders' equity</b>                              |       | <b>1,679</b> | <b>1,788</b> |
| Employee-related liabilities                             |       | 222          | 215          |
| Provisions – due in more than one year                   | 9     | 450          | 564          |
| Deferred tax liabilities                                 | 7     | 136          | 136          |
| Borrowings – due in more than one year                   | 4     | 1,942        | 1,163        |
| Other non-current liabilities                            | 5     | 1            | 31           |
| <b>Non-current liabilities</b>                           |       | <b>2,751</b> | <b>2,109</b> |
| Provisions – due in less than one year                   | 9     | 37           | 33           |
| Borrowings – due in less than one year                   | 4     | 323          | 181          |
| Trade payables   | 5     | 350          | 406          |
| Other current liabilities                                | 5     | 334          | 342          |
| Current tax liabilities                                  | 5/7   | 26           | 31           |
| Derivative liabilities                                   |       | 79           | 187          |
| <b>Current liabilities</b>                               |       | <b>1,149</b> | <b>1,180</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |       | <b>5,579</b> | <b>5,077</b> |

## NOTES TO THE FINANCIAL STATEMENTS

ERAMET is a French public limited company, 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 and by 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 1<sup>st</sup> half of 2016 were approved by the Board of Directors of ERAMET on July 27, 2016.

### NOTE 1 HIGHLIGHTS DURING THE 1<sup>ST</sup> HALF OF 2016

#### RECOVERY PLAN PROJECT FOR SOCIÉTÉ LE NICKEL-SLN

On December 23, 2015, ERAMET granted a loan of €120 million to SLN with a maturity date of May 31, 2016. The total amount of the loan was increased from €120 to €150 million pursuant to the decision taken at the ERAMET Board of Directors' meeting on February 17, 2016.

On May 9, 2016, the Board of Directors of ERAMET approved the cost-reduction and productivity-improvement project plan concerning the mines and metallurgical plant. At its meeting on May 27, 2016 the Board of Directors of ERAMET authorized additional financing of €40 million to cover the operations of SLN until the end of June 2016.

At the meeting of the Board of Directors of SLN on July 11, 2016, two loan agreements were authorized:

- firstly, a loan agreement for €200 million with the French Government, maturing on June 30, 2024; a first drawdown of €150 million should be completed by the end of July 2016;
- secondly, an amendment to the intra-group loan of December 23, 2015 modified by amendments on February 22, 2016 and May 27, 2016 between ERAMET and SLN increasing the loan amount to €325 million with a maturity date of June 30, 2024. This amendment was presented for authorisation to the meeting of the Board of Directors of ERAMET on July 27, 2016.

#### SHAREHOLDING STRUCTURE OF THE WEDA BAY NICKEL PROJECT IN INDONESIA

Following its decision to review its portfolio of mining assets, on April 21, 2016 Mitsubishi Corporation expressed its intention to exercise a put option to ERAMET on the stake which it

owns, with Pacific Metals Co. Ltd (Pamco), in Strand Minerals Pte Ltd, which controls 90% of PT Weda Bay Nickel, the Indonesian project and exploration company.

Pursuant to the terms of the agreement between the shareholders of Strand Minerals Pte Ltd, ERAMET acquired the controlling interests from Mitsubishi Corporation and Pamco. Following this transaction, ERAMET became the sole shareholder of Strand Minerals Pte Ltd which owns 90% of PT Weda Bay Nickel. As a result of this transaction, the net debt of the ERAMET group increased by €97 million, which is the amount paid to Mitsubishi and Pamco.

This transaction had no impact on the Group's income statement.

#### FINANCING AGREEMENTS FOR THE TRANSGABONAIIS RAILWAY RENOVATION PLAN (SETRAG)

This renovation plan will ultimately increase the transport capacity and reliability of the railway.

The corresponding amount, which will be spread over 8 years, is totalling €316 million of which €93 million will be financed by the Gabonese Government. The balance is backed by SETRAG which benefits from international financing obtained from the SFI (World Bank) and Proparco (a subsidiary of the Agence Française de Développement – French Development Agency).

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

### RECONCILIATION OF THE PUBLISHED ACCOUNTS AND GROUP REPORTING

| (€ MILLION)                                | H1 2016                  | CONTRIBUTION JOINT VENTURES | H1 2016                 | H1 2015                  | CONTRIBUTION JOINT VENTURES | H1 2015                 | FULL YEAR 2015           | CONTRIBUTION JOINT VENTURES | FULL YEAR 2015          |
|--|--------------------------|-----------------------------|-------------------------|--------------------------|-----------------------------|-------------------------|--------------------------|-----------------------------|-------------------------|
|  | PUBLISHED <sup>(1)</sup> |                             | ADJUSTED <sup>(2)</sup> | PUBLISHED <sup>(1)</sup> |                             | ADJUSTED <sup>(2)</sup> | PUBLISHED <sup>(1)</sup> |                             | ADJUSTED <sup>(2)</sup> |
| Sales                                      | 1,329                    | 44                          | 1,373                   | 1,580                    | 46                          | 1,626                   | 3,015                    | 94                          | 3,109                   |
| EBITDA                                     | 54                       | 2                           | 56                      | 79                       | (1)                         | 78                      | 92                       | -                           | 92                      |
| Current operating income                   | (85)                     | (6)                         | (91)                    | (61)                     | (9)                         | (70)                    | (191)                    | (16)                        | (207)                   |
| Operating income                           | (139)                    | (7)                         | (146)                   | (106)                    | (9)                         | (115)                   | (744)                    | (69)                        | (813)                   |
| Net income Group share                     | (141)                    | -                           | (141)                   | (83)                     | -                           | (83)                    | (714)                    | -                           | (714)                   |
| Net cash generated by operating activities | (96)                     | (2)                         | (98)                    | (112)                    | (6)                         | (118)                   | (13)                     | 6                           | (7)                     |
| Industrial investments                     | 79                       | 6                           | 85                      | 124                      | 8                           | 132                     | 242                      | 25                          | 267                     |
| (Net financial debt)                       | (988)                    | (175)                       | (1,163)                 | (647)                    | (158)                       | (805)                   | (716)                    | (162)                       | (878)                   |
| Shareholders' equity                       | 1,679                    | (10)                        | 1,669                   | 2,670                    | (4)                         | 2,666                   | 1,788                    | (9)                         | 1,779                   |
| Shareholders' equity, Group share          | 1,408                    | -                           | 1,408                   | 2,278                    | -                           | 2,278                   | 1,466                    | -                           | 1,466                   |

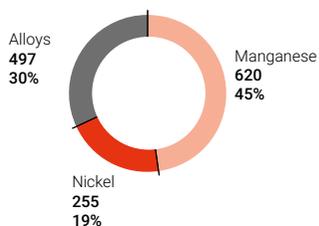
(1) Financial statements prepared under applicable standards, with joint ventures consolidated using the equity method.

(2) Group reporting, with joint ventures accounted for using the proportionate consolidation.

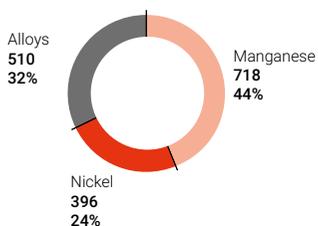
### SALES AND INDUSTRIAL INVESTMENTS PER GEOGRAPHICAL AREA

| (€ MILLION)  | NICKEL | ALLOYS | MANGANESE | HOLDING & ELIMINATIONS | TOTAL |
|--|--------|--------|-----------|------------------------|-------|
| <b>H1 2016</b>   |        |        |           |                        |       |
| Sales  | 255    | 497    | 620       | 1                      | 1,373 |
| EBITDA   | (36)   | 40     | 65        | (13)                   | 56    |
| Current operating income   | (89)   | 13     | -         | (15)                   | (91)  |
| Net cash generated by operating activities                                 | (136)  | 21     | 29        | (12)                   | (98)  |
| Industrial investments (intangible assets and property, plant & equipment) | 21     | 19     | 44        | 1                      | 85    |
| <b>H1 2015</b>   |        |        |           |                        |       |
| Sales  | 396    | 510    | 718       | 2                      | 1,626 |
| EBITDA   | (47)   | 40     | 101       | (16)                   | 78    |
| Current operating income   | (98)   | 15     | 32        | (19)                   | (70)  |
| Net cash generated by operating activities                                 | (24)   | 3      | (62)      | (35)                   | (118) |
| Industrial investments (intangible assets and property, plant & equipment) | 37     | 16     | 77        | 2                      | 132   |
| <b>Full year 2015</b>  |        |        |           |                        |       |
| Sales  | 686    | 991    | 1,430     | 2                      | 3,109 |
| EBITDA   | (156)  | 78     | 196       | (26)                   | 92    |
| Current operating income   | (261)  | 27     | 58        | (31)                   | (207) |
| Net cash generated by operating activities                                 | (60)   | 27     | 106       | (80)                   | (7)   |
| Industrial investments (intangible assets and property, plant & equipment) | 56     | 44     | 164       | 3                      | 267   |

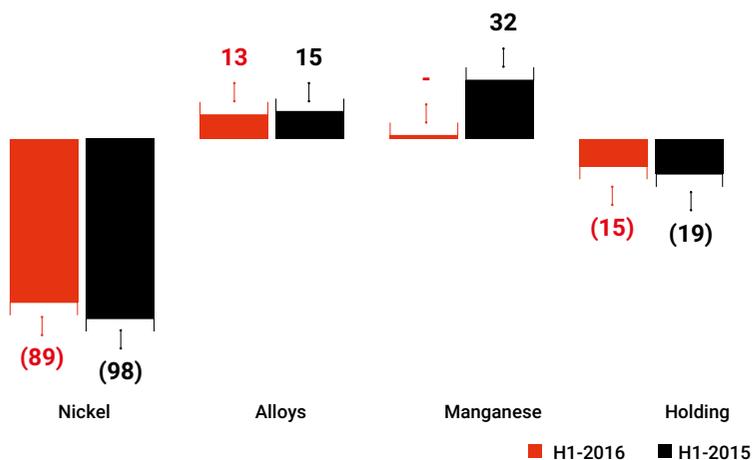
Turnover H1-2016 reporting by Division



Turnover H1-2015 reporting by Division



COI H1-2016/2015 reporting by Division



SALES AND INDUSTRIAL INVESTMENTS BY GEOGRAPHICAL AREA

| (€ MILLION)   | FRANCE | EUROPE | NORTH AMERICA | ASIA | OCEANIA | AFRICA | NORTH AMERICA | TOTAL        |
|---|--------|--------|---------------|------|---------|--------|---------------|--------------|
| <b>Sales (destination of sales)</b>   |        |        |               |      |         |        |               |              |
| H1 2016   | 181    | 465    | 304           | 365  | 11      | 35     | 12            | <b>1,373</b> |
| H1 2015   | 194    | 493    | 380           | 478  | 21      | 43     | 17            | <b>1,626</b> |
| Full year 2015  | 419    | 977    | 663           | 889  | 36      | 85     | 40            | <b>3,109</b> |
| <b>Industrial investments (intangible assets and property, plant &amp; equipment)</b> |        |        |               |      |         |        |               |              |
| H1 2016   | 21     | 10     | 5             | -    | 19      | 30     | -             | <b>85</b>    |
| H1 2015   | 18     | 19     | 6             | 12   | 25      | 51     | 1             | <b>132</b>   |
| Full year 2015  | 49     | 47     | 21            | 1    | 53      | 95     | 1             | <b>267</b>   |

**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 2016      | H1 2015      | FULL YEAR 2015 |
|-------------------------------------|--------------|--------------|----------------|
| <b>Sales</b>                        | <b>1,373</b> | <b>1,626</b> | <b>3,109</b>   |
| <b>EBITDA</b>                       | <b>56</b>    | <b>78</b>    | <b>92</b>      |
| <b>Current operating income</b>     | <b>(91)</b>  | <b>(70)</b>  | <b>(207)</b>   |
| <b>Operating income</b>             | <b>(146)</b> | <b>(115)</b> | <b>(813)</b>   |
| Financial income                    | (53)         | (34)         | (90)           |
| Share of income from associates     | -            | -            | (1)            |
| Income tax                          | -            | 23           | (8)            |
| <b>Net income for the period</b>    | <b>(199)</b> | <b>(126)</b> | <b>(912)</b>   |
| • Minority interests                | (58)         | (43)         | (198)          |
| <b>• GROUP SHARE</b>                | <b>(141)</b> | <b>(83)</b>  | <b>(714)</b>   |
| Basic/diluted earning per share (€) | (5.35)       | (3.13)       | (27.11)        |

**NET FINANCIAL DEBT VARIATION**

| (€ MILLION)   | H1 2016        | H1 2015      | FULL YEAR 2015 |
|---|----------------|--------------|----------------|
| <b>Operating activities</b>                               |                |              |                |
| EBITDA  | 56             | 78           | 92             |
| Cash impact of items below EBITDA                         | (95)           | (89)         | (252)          |
| <b>Cash generated from operations</b>                     | <b>(39)</b>    | <b>(11)</b>  | <b>(160)</b>   |
| Working capital variation                                 | (59)           | (107)        | 153            |
| <b>Net cash generated by operating activities</b>         | <b>(98)</b>    | <b>(118)</b> | <b>(7)</b>     |
| <b>Investing activities</b>                               |                |              |                |
| Industrial investments                                    | (85)           | (132)        | (267)          |
| Other investment flows                                    | (109)          | 10           | (16)           |
| <b>Net cash from investing activities</b>                 | <b>(194)</b>   | <b>(122)</b> | <b>(283)</b>   |
| Exchange-rate impact                                      | 7              | (18)         | (41)           |
| <b>(Increase)/Decrease in net financial debt position</b> | <b>(285)</b>   | <b>(258)</b> | <b>(331)</b>   |
| <b>OPENING (NET FINANCIAL DEBT) POSITION</b>              | <b>(878)</b>   | <b>(547)</b> | <b>(547)</b>   |
| <b>CLOSING (NET FINANCIAL DEBT) POSITION</b>              | <b>(1,163)</b> | <b>(805)</b> | <b>(878)</b>   |

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

| (€ MILLION)                           | 30/06/2016     | 30/06/2015   | 31/12/2015   |
|---------------------------------------|----------------|--------------|--------------|
| <b>Cash and cash equivalents</b>      | <b>866</b>     | <b>402</b>   | <b>432</b>   |
| Current financial assets              | 411            | 355          | 196          |
| Borrowings                            | (2,265)        | (1,404)      | (1,344)      |
| Contribution of joint ventures        | (175)          | (158)        | (162)        |
| <b>Net financial debt – reporting</b> | <b>(1,163)</b> | <b>(805)</b> | <b>(878)</b> |

**ECONOMIC BALANCE SHEET**

| (€ MILLION)                                    | 30/06/2016   | 31/12/2015   |
|--|--------------|--------------|
| <b>Non-current assets</b>                      | <b>2,921</b> | <b>3,003</b> |
| Inventories                                    | 952          | 974          |
| Trade receivables                              | 321          | 293          |
| Trade payables                                 | (369)        | (430)        |
| <b>Simplified Working Capital</b>              | <b>904</b>   | <b>837</b>   |
| Other Working Capital items                    | (104)        | (136)        |
| <b>Total Working Capital Requirement (WCR)</b> | <b>800</b>   | <b>701</b>   |
| <b>TOTAL</b>                                   | <b>3,721</b> | <b>3,704</b> |

| (€ MILLION)  | 30/06/2016   | 31/12/2015   |
|--|--------------|--------------|
| Shareholders' equity, Group share                        | 1,408        | 1,466        |
| Shareholders' equity, Minority interests                 | 261          | 313          |
| <b>Shareholders' equity</b>                              | <b>1,669</b> | <b>1,779</b> |
| Cash and cash equivalents and current financial assets   | (1,281)      | (630)        |
| Borrowings   | 2,444        | 1,508        |
| <b>Net financial debt</b>                                | <b>1,163</b> | <b>878</b>   |
| <i>Net financial debt/shareholders' equity (Gearing)</i> | <i>70%</i>   | <i>49%</i>   |
| <b>Provisions and employee-related liabilities</b>       | <b>709</b>   | <b>812</b>   |
| <b>Net deferred tax</b>                                  | <b>124</b>   | <b>123</b>   |
| <b>Derivatives</b>                                       | <b>56</b>    | <b>112</b>   |
| <b>TOTAL</b>   | <b>3,721</b> | <b>3,704</b> |

**NOTE 3 NET INCOME GROUP SHARE AND MINORITY INTERESTS****OTHER OPERATING INCOME AND EXPENSES**

| (€ MILLION)  | H1 2016     | H1 2015     | FULL YEAR 2015 |
|--|-------------|-------------|----------------|
| Other operating income and expenses excluding impairment | (27)        | (45)        | (131)          |
| Impairment loss  | (27)        | -           | (422)          |
| <b>Other operating income and expenses</b>               | <b>(54)</b> | <b>(45)</b> | <b>(553)</b>   |

**DETAIL OF OTHER OPERATING INCOME AND EXPENSES EXCLUDING IMPAIRMENT**

| (€ MILLION)   | H1 2016     | H1 2015     | FULL YEAR 2015 |
|---|-------------|-------------|----------------|
| Niobium   | (3)         | (22)        | (36)           |
| Lithium   | (4)         | (5)         | (10)           |
| Centrale C  | (1)         | (1)         | (25)           |
| Weda Bay  | (4)         | -           | (10)           |
| Other projects  | (4)         | (9)         | (16)           |
| <b>Development projects</b>                                     | <b>(16)</b> | <b>(37)</b> | <b>(97)</b>    |
| Restructuring and redundancy plans                              | (5)         | (1)         | (12)           |
| Employee benefits – impact of restructuring programmes          | -           | -           | 6              |
| Employee benefits – plan adjustments                            | -           | -           | (3)            |
| Other items   | (6)         | (7)         | (25)           |
| <b>Other income and expenses</b>                                | <b>(11)</b> | <b>(8)</b>  | <b>(34)</b>    |
| <b>Other operating income and expenses excluding impairment</b> | <b>(27)</b> | <b>(45)</b> | <b>(131)</b>   |

**ATTRIBUTABLE TO NON-CONTROLLING INTERESTS – MINORITY INTERESTS**

| (€ MILLION)   | % OF<br>MINORITY<br>INTERESTS | SHARE       |            | SHARE          |            | SHARE       |
|---|-------------------------------|-------------|------------|----------------|------------|-------------|
|   |                               | OF INCOME   | OF EQUITY  | OF INCOME      | OF EQUITY  | OF INCOME   |
|   |                               | H1 2016     | 30/06/2016 | FULL YEAR 2015 | 31/12/2015 | H1 2015     |
| <b>Opening</b>  |                               |             | <b>322</b> |                | <b>434</b> |             |
| Net income for the period                               |                               |             | (57)       |                | (191)      |             |
| Change in revaluation reserve for financial instruments |                               |             | 7          |                | (10)       |             |
| Translation differences                                 |                               |             | (1)        |                | (4)        |             |
| Other movements   |                               |             | -          |                | 93         |             |
| <b>Closing</b>  |                               | <b>(57)</b> | <b>271</b> | <b>(191)</b>   | <b>322</b> | <b>(42)</b> |
| Société Nickel-SLN                                      | 44%                           | (46)        | 74         | (170)          | 114        | (34)        |
| Comilog S.A.  | 36.29%                        | (11)        | 184        | (12)           | 195        | (7)         |
| Pt Weda Nickel Ltd                                      | 10%                           | -           | 11         | (9)            | 11         | -           |
| Interforge  | 6%                            | -           | 2          | -              | 2          | -           |
| Strand Minerals Pte Ltd                                 | (1)                           | -           | -          | -              | -          | (1)         |

(1) Wholly-owned by the Group since April 21, 2016 and the exercise of the put option by Mitsubishi and Pamco in the shares of Strand Minerals Pte Ltd.

**NOTE 4 NET FINANCIAL DEBT AND SHAREHOLDERS' EQUITY**

**NET FINANCIAL DEBT**

| (€ MILLION)                            | 30/06/2016 | 31/12/2015     |
|--|------------|----------------|
| <b>Borrowings</b>                      |            | <b>(1,344)</b> |
| Borrowings from financial markets      | (702)      | (691)          |
| Bank loans                             | (1,405)    | (451)          |
| Bank overdrafts and creditor banks     | (54)       | (73)           |
| Finance leases                         | (50)       | (49)           |
| Other borrowings                       | (54)       | (80)           |
| <b>Other current financial assets</b>  |            | <b>196</b>     |
| <b>Cash and cash equivalents</b>       |            | <b>432</b>     |
| Cash equivalents                       | 790        | 382            |
| Cash                                   | 76         | 50             |
| <b>Net financial debt</b>              |            | <b>(716)</b>   |
| Borrowings – due in more than one year |            | (1,163)        |
| Borrowings – due in less than one year |            | (181)          |

The net change in current financial assets is presented as €215 million in the net cash used in investing activities.

Some borrowings are subject to financial ratios or covenants at Group level or locally. As at June 30, 2016, there were no cases of accelerated repayment under the covenants.

### CHANGE IN BORROWINGS

| (€ MILLION)                | H1 2016      | H1 2015      | FULL YEAR 2015 |
|----------------------------|--------------|--------------|----------------|
| <b>Opening</b>             | <b>1,344</b> | <b>1,347</b> | <b>1,347</b>   |
| Issuance of new borrowings | 1,006        | 83           | 140            |
| Repayment of borrowings    | (74)         | (63)         | (220)          |
| Changes in bank overdrafts | (18)         | 22           | 49             |
| Other changes              | 17           | 9            | 5              |
| Translation differences    | (10)         | 6            | 23             |
| <b>Closing</b>             | <b>2,265</b> | <b>1,404</b> | <b>1,344</b>   |

The increase in borrowings in the 1<sup>st</sup> half of 2016 is mainly due to the drawdown, in early January 2016, of €980 million from the amount available under the multicurrency revolving facility agreement (RCF).

### FINANCIAL INCOME

| (€ MILLION)                        | H1 2016     | H1 2015     | FULL YEAR 2015 |
|------------------------------------|-------------|-------------|----------------|
| Cost of net debt                   | (36)        | (18)        | (52)           |
| Other financial income and expense | (6)         | (8)         | (22)           |
| <b>FINANCIAL INCOME</b>            | <b>(42)</b> | <b>(26)</b> | <b>(74)</b>    |

### COST OF NET DEBT

| (€ MILLION)                                    | H1 2016     | H1 2015     | FULL YEAR 2015 |
|--|-------------|-------------|----------------|
| Interest income                                | 7           | 6           | 11             |
| Interest expense                               | (34)        | (32)        | (62)           |
| Net income from marketable securities          | -           | 1           | 3              |
| Changes in fair value of marketable securities | -           | 4           | (1)            |
| Net translation differences                    | (9)         | 3           | (3)            |
| <b>COST OF NET DEBT</b>                        | <b>(36)</b> | <b>(18)</b> | <b>(52)</b>    |

### NON-CASH INCOME AND EXPENSES

| (€ MILLION)                                      | H1 2016    | H1 2015    | FULL YEAR 2015 |
|--|------------|------------|----------------|
| Depreciation, impairment and provisions          | 152        | 141        | 689            |
| Accretion expenses                               | 5          | 6          | 9              |
| Financial instruments                            | (5)        | (2)        | 4              |
| Deferred tax                                     | (1)        | (36)       | (20)           |
| Proceeds from asset disposals                    | -          | (1)        | 1              |
| Share in profit of joint ventures and associates | 17         | 16         | 78             |
| <b>NON-CASH INCOME AND EXPENSES</b>              | <b>168</b> | <b>124</b> | <b>761</b>     |

**SHAREHOLDERS' EQUITY – TREASURY SHARES**

The table below shows a summary of the transactions involving treasury shares:

|   |            | PRICE<br>SUPPORT <sup>(1)</sup> | AWARDS TO<br>EMPLOYEES <sup>(2)</sup> | TOTAL          |
|---|------------|---------------------------------|---------------------------------------|----------------|
| <b>Position as at January 1, 2015</b>   |            | <b>89,601</b>                   | <b>140,450</b>                        | <b>230,051</b> |
| <i>As a percentage of share capital</i> | 26,543,218 | 0.34%                           | 0.53%                                 | 0.87%          |
| Definitive bonus share allocation       |            |                                 | (45,393)                              | (45,393)       |
| Purchases/Sales                         |            | 33,618                          |                                       | 33,618         |
| <b>Position as at December 31, 2015</b> |            | <b>123,219</b>                  | <b>95,057</b>                         | <b>218,276</b> |
| <i>As a percentage of share capital</i> | 26,543,218 | 0.46%                           | 0.36%                                 | 0.82%          |
| Definitive bonus share allocation       |            |                                 | (49,707)                              | (49,707)       |
| Purchases/Sales                         |            | (10,963)                        |                                       | (10,963)       |
| <b>Position as at June 30, 2016</b>     |            | <b>112,256</b>                  | <b>45,350</b>                         | <b>157,606</b> |
| <i>As a percentage of share capital</i> | 26,543,218 | 0.42%                           | 0.17%                                 | 0.59%          |

(1) Liquidity agreement signed with Exane BNP Paribas.

(2) Share buyback mandate concerning 250,000 shares (ceiling reached in 2013).

**NOTE 5 WORKING CAPITAL REQUIREMENT**

| (€ MILLION)  | 31/12/2015  | CHANGE IN<br>WCR TABLE<br>OF CASH<br>FLOWS | CHANGE<br>IN TRADE<br>PAYABLES TO<br>FIXED ASSET<br>SUPPLIERS | REPAYMENT<br>OF MITSUBISHI<br>SHAREHOLDER'S<br>LOAN <sup>(1)</sup> | TRANSLATION<br>ADJUST-<br>MENTS<br>AND OTHER<br>MOVEMENTS | 30/06/2016  |
|--|-------------|--|---|--|---|-------------|
| Inventories  | 937         | (16)                                       |   |  | (8)   | 913         |
| Trade receivables  | 288         | 37   |   |  | (14)  | 311         |
| Trade payables   | (406)       | 42   |   |  | 14  | (350)       |
| <b>Simplified WCR</b>                                    | <b>819</b>  | <b>63</b>                                  | <b>-</b>  | <b>-</b>   | <b>(8)</b>  | <b>874</b>  |
| Other current assets                                     | 250         | (42)                                       |   |  | -   | 208         |
| Other non-current assets                                 | 70          | 9  |   |  | (1)   | 78          |
| Other current liabilities                                | (342)       | 1  | 13  |  | (6)   | (334)       |
| Other non-current liabilities                            | (31)        | 3  |   | 26   | 1   | (1)         |
| Current tax receivables                                  | 58          | (7)  |   |  | 2   | 53          |
| Current tax liabilities                                  | (31)        | 5  |   |  | -   | (26)        |
| Financial hedging instruments – asset <sup>(2)</sup>     | 7           | (1)  |   |  | (4)   | 2           |
| Financial hedging instruments – liability <sup>(2)</sup> | (55)        | 35   |   |  | 13  | (7)         |
| <b>Other items of WCR</b>                                | <b>(74)</b> | <b>3</b>                                   | <b>13</b>   | <b>26</b>  | <b>5</b>  | <b>(27)</b> |
| <b>TOTAL WCR</b>   | <b>745</b>  | <b>66</b>                                  | <b>13</b>   | <b>26</b>  | <b>(3)</b>  | <b>847</b>  |

(1) This repayment has been recorded in investment flows in the statement of cash flows (see Note 6 – Investments).

(2) Receivables and payables denominated in foreign currencies are converted at the closing rate, the difference between the closing rate and the hedging rate is recorded in the section "Financial assets and liabilities".

## NOTE 6 INVESTMENTS

### PAYMENTS FOR NON-CURRENT ASSETS

| (€ MILLION)  | H1 2016   | H1 2015    | FULL YEAR 2015 |
|--|-----------|------------|----------------|
| Investments on property, plant and equipment during the period         | 73        | 106        | 227            |
| Investments on intangible assets during the period                     | 6         | 18         | 15             |
| <b>Total industrial investments</b>                                    | <b>79</b> | <b>124</b> | <b>242</b>     |
| Change in payable for the acquisition of non current assets            | 13        | (10)       | 4              |
| Acquisition of investment securities                                   | -         | -          | 3              |
| <b>TOTAL PAYMENTS FOR NON CURRENT ASSETS - STATEMENT OF CASH FLOWS</b> | <b>92</b> | <b>114</b> | <b>249</b>     |

### INDUSTRIAL INVESTMENTS

#### PROPERTY, PLANT AND EQUIPMENT BY TYPE

| (€ MILLION)                         | GROSS VALUE  | DEPRECIATION AND AMORTISATION | IMPAIRMENT LOSS | NET AMOUNT 30/06/2016 | NET AMOUNT 31/12/2015 |
|-------------------------------------|--------------|-------------------------------|-----------------|-----------------------|-----------------------|
| Land and buildings                  | 1,121        | (580)                         | (62)            | 479                   | 491                   |
| Industrial and mining facilities    | 3,647        | (2,366)                       | (176)           | 1,105                 | 1,145                 |
| Other property, plant and equipment | 889          | (553)                         | (7)             | 329                   | 337                   |
| Work in progress and down payments  | 167          | -                             | (14)            | 153                   | 143                   |
| <b>TOTAL</b>                        | <b>5,824</b> | <b>(3,499)</b>                | <b>(259)</b>    | <b>2,066</b>          | <b>2,116</b>          |

#### CHANGE IN PROPERTY, PLANT, AND EQUIPMENT

| (€ MILLION)                                     | H1 2016      | H1 2015      | FULL YEAR 2015 |
|---|--------------|--------------|----------------|
| <b>Opening</b>                                  | <b>2,116</b> | <b>2,296</b> | <b>2,296</b>   |
| Investments during the period                   | 73           | 106          | 227            |
| Disposals during the period                     | (1)          | (1)          | (3)            |
| Depreciation and amortisation during the period | (119)        | (130)        | (270)          |
| Impairment loss for the period                  | (19)         | -            | (147)          |
| Change in gross value of dismantling assets     | -            | -            | (4)            |
| Translation differences and other movements     | 16           | 25           | 17             |
| <b>Closing</b>                                  | <b>2,066</b> | <b>2,296</b> | <b>2,116</b>   |
| • Gross values                                  | 5,824        | 5,696        | 5,769          |
| • Depreciation and amortisation                 | (3,500)      | (3,276)      | (3,384)        |
| • Impairment loss                               | (258)        | (124)        | (269)          |

**CHANGE IN INTANGIBLE ASSETS**

| (€ MILLION)                                     | H1 2016    | H1 2015    | FULL YEAR 2015 |
|---|------------|------------|----------------|
| <b>Opening</b>                                  | <b>370</b> | <b>593</b> | <b>593</b>     |
| Investments during the period                   | 6          | 18         | 15             |
| Disposals during the period                     | -          | -          | (1)            |
| Depreciation and amortisation during the period | (10)       | (10)       | (21)           |
| Impairment loss for the period                  | -          | -          | (247)          |
| Translation differences and other movements     | -          | 29         | 31             |
| <b>Closing</b>                                  | <b>366</b> | <b>630</b> | <b>370</b>     |
| • Gross value                                   | 1,221      | 1,247      | 1,260          |
| • Depreciation and amortisation                 | (207)      | (220)      | (230)          |
| • Impairment loss                               | (648)      | (397)      | (660)          |

**INTERESTS IN JOINT VENTURES AND ASSOCIATES**

**Detail by entity**

| (€ MILLION)   | COMPANIES | COUNTRY        | % HELD | SHARE       |            | SHARE          |            | SHARE       |
|---|-----------|----------------|--------|-------------|------------|----------------|------------|-------------|
|   |           |                |        | OF INCOME   | OF EQUITY  | OF INCOME      | OF EQUITY  | OF INCOME   |
|   |           |                |        | H1 2016     | 30/06/2016 | FULL YEAR 2015 | 31/12/2015 | H1 2015     |
| Sub-group TiZir   |           | United Kingdom | 50%    | (17)        | 138        | (77)           | 155        | (16)        |
| Ukad  |           | France         | 50%    | -           | 6          | -              | 5          | -           |
| <b>Total joint ventures</b>                             |           |                |        | <b>(17)</b> | <b>144</b> | <b>(77)</b>    | <b>160</b> | <b>(16)</b> |
| HeYe Erasteel Innovative Materials Ltd                  |           | China          | 49%    | -           | 8          | (1)            | 9          | -           |
| <b>TOTAL ASSOCIATES</b>                                 |           |                |        | <b>-</b>    | <b>8</b>   | <b>(1)</b>     | <b>9</b>   | <b>-</b>    |
| <b>TOTAL INTERESTS IN JOINT VENTURES AND ASSOCIATES</b> |           |                |        | <b>(17)</b> | <b>152</b> | <b>(78)</b>    | <b>169</b> | <b>(16)</b> |

**Income statement of the TiZir sub-group, in aggregate**

| (€ MILLION)               | H1 2016     | H1 2015     | FULL YEAR 2015 |
|---------------------------|-------------|-------------|----------------|
| Sales                     | 75          | 76          | 152            |
| EBITDA                    | 2           | (6)         | (6)            |
| Current operating income  | (13)        | (20)        | (35)           |
| Non-controlling interests | (2)         | (2)         | (13)           |
| Net income, Group share   | (34)        | (32)        | (154)          |
| <b>SHARE OF INCOME</b>    | <b>(17)</b> | <b>(16)</b> | <b>(77)</b>    |

**Balance sheet of the TiZir sub-group, in aggregate**

| (€ MILLION)  | 30/06/2016 | 31/12/2015 |
|--|------------|------------|
| Non-current assets                                 | 705        | 722        |
| Current assets excluding cash and cash equivalents | 89         | 89         |
| Liabilities excluding gross financial debt         | (44)       | (59)       |
| Net financial debt                                 | (494)      | (461)      |
| Non-controlling interests                          | 20         | 19         |
| Shareholders' equity Group share                   | 276        | 310        |
| <b>SHARE OF SHAREHOLDERS' EQUITY</b>               | <b>138</b> | <b>155</b> |

**INCREASE OF OWNERSHIP INTEREST – CONTROLLED COMPANIES**

The sum of €97 million presented in the cash flow statement includes:

- €71 million paid by ERAMET to Mitsubishi and Pamco for the acquisition of 33.4% of the shares in Strand Minerals Pte Ltd, following the exercise of their put option;
- €26 million of repayment by Strand of Mitsubishi and Pamco's shareholders' loan (see Note 5 - Working capital requirement).

**NOTE 7 TAXES****INCOME TAX**

| (€ MILLION)                         | H1 2016  | H1 2015   | FULL YEAR 2015 |
|-------------------------------------|----------|-----------|----------------|
| Current tax                         | (1)      | (13)      | (29)           |
| Deferred tax                        | 1        | 36        | 20             |
| <b>INCOME TAX REVENUE/(EXPENSE)</b> | <b>-</b> | <b>23</b> | <b>(9)</b>     |

**EFFECTIVE TAX RATE**

| (€ MILLION)  | H1 2016      | H1 2015      | FULL YEAR 2015 |
|--|--------------|--------------|----------------|
| Operating income   | (139)        | (106)        | (744)          |
| Financial income   | (42)         | (26)         | (74)           |
| <b>Pre-tax profit (loss) of consolidated companies</b>             | <b>(181)</b> | <b>(132)</b> | <b>(818)</b>   |
| Standard tax rate in France (%)                                    | 34.43%       | 34.43%       | 34.43%         |
| <b>Theoretical tax income/(expense)</b>                            | <b>62</b>    | <b>45</b>    | <b>282</b>     |
| Impact on theoretical tax of:                                      |              |              |                |
| permanent differences between accounting profit and taxable profit | 2            | (9)          | 72             |
| • asset impairment   | (3)          | -            | (87)           |
| • standard current income tax differences in foreign countries     | -            | -            | (4)            |
| • tax credits  | 2            | 2            | 4              |
| • unrecognised or limited deferred tax assets                      | (68)         | (13)         | (282)          |
| • miscellaneous items  | 5            | (2)          | 6              |
| <b>Actual tax income/(expense)</b>                                 | <b>-</b>     | <b>23</b>    | <b>(9)</b>     |
| <b>Tax rates</b>   | <b>0%</b>    | <b>17%</b>   | <b>(1)%</b>    |

The unrecognised or depreciated deferred tax assets mainly concern the deferred tax assets on the tax loss carry forwards of Société-Le Nickel–SLN amounting to €37 million. The remaining balance concerns unrecognised or depreciated deferred tax assets on tax losses from the tax consolidation in France of Comilog-CMM, Setrag, Guilin, GCMC.

### CURRENT TAX

| (€ MILLION)                                 | H1 2016   | FULL YEAR 2015 |
|---|-----------|----------------|
| <b>Opening</b>                              | <b>27</b> | <b>(3)</b>     |
| Current tax – income statement              | (1)       | (29)           |
| Tax paid                                    | 9         | 71             |
| Translation differences and other movements | (8)       | (12)           |
| <b>Closing</b>                              | <b>27</b> | <b>27</b>      |
| • Current tax receivables                   | 53        | 58             |
| • Current tax liabilities                   | (26)      | (31)           |

### DEFERRED TAX

| (€ MILLION)                                    | ASSET    | LIABILITY    | NET<br>H1 2016 | NET<br>FULL YEAR<br>2015 |
|--|----------|--------------|----------------|--------------------------|
| <b>Opening</b>                                 | <b>8</b> | <b>(136)</b> | <b>(128)</b>   | <b>(134)</b>             |
| Deferred taxes, offset in shareholders' equity | (17)     | 14           | (3)            | 3                        |
| Deferred tax, on income                        | (11)     | 12           | 1              | 20                       |
| Deferred taxes netting by tax entity           | 28       | (28)         | -              | -                        |
| Translation differences and other movements    | -        | 2            | 2              | (17)                     |
| <b>Closing</b>                                 | <b>8</b> | <b>(136)</b> | <b>(128)</b>   | <b>(128)</b>             |

## NOTE 8 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

### BONUS SHARE PLAN AND SHARE-BASED PAYMENTS

Share-based payments relate only to bonus share plans for the benefit of employees and settled in the form of shares. In the 1<sup>st</sup> half of 2016, these represented an expense of €0.4 million (€2.1 million in the 1<sup>st</sup> half of 2015 and €5 million during the full year 2015).

Shares were allocated under two new bonus share plans on May 27, 2016:

- a plan for all employees calculated for an initial total amount of 24,906 shares;
- a plan for some employees and Executive Officers:
  - with two performance conditions applying to some of the shares, one internal and one external, for an initial total of 93,909 shares, and
  - with no performance condition applying to the other shares, for an initial total of 40,418 shares.

The conditions for allocating the shares and the method for assessing the accounting expense are identical to those used at December 31, 2015 and described in Note 11 – Staff expenses and employee benefits of the notes to the consolidated financial statements in the 2015 Registration Document.

The characteristics of the two new bonus share plans in the 1<sup>st</sup> half of 2016 were as follows:

|   |        | NUMBER OF SHARES | EXERCISE PRICE (€) | MATURITY (YEARS) <sup>(1)</sup> | RATE FREE RISK | RATE OF DIVIDEND AVERAGE | FAIR VALUE OF OPTION (€) <sup>(2)</sup> |
|---|--------|------------------|--------------------|---------------------------------|----------------|--------------------------|---|
| Plan open to all employees                            | France | 9,966            | bonus              | 2 + 2                           | (0.44)%        | 0.00%                    | 27.45                                   |
|   | World  | 14,940           | bonus              | 4 + 0                           | (0.30)%        | 0.00%                    | 28.89                                   |
| Plan open to certain employees and corporate officers | France | 106,177          | bonus              | 3 + 2                           | (0.38)%        | 0.00%                    | 27.75/13.52                             |
|   | World  | 28,150           | bonus              | 4 + 0                           | (0.30)%        | 0.00%                    | 28.89/14.24                             |

(1) Maturity = vesting period + lock-in period.

(2) Bonus share plans in which the shares are subject to two performance conditions have two fair values: the first relating to their intrinsic performance condition and the second relating to their external performance condition.

Changes in the number of bonus shares during the 1<sup>st</sup> half of 2016 were as follows:

| NUMBER OF BONUS SHARES                    | 30/06/2016     | 31/12/2015     |
|---|----------------|----------------|
| <b>Opening</b>                            | <b>441,191</b> | <b>409,940</b> |
| New plans 2016/2015                       | 159,233        | 160,096        |
| Vested                                    | (49,707)       | (45,393)       |
| Prescribed shares                         | (3,969)        | (5,544)        |
| Lapsed shares                             | (127,743)      | (77,908)       |
| <b>Closing</b>                            | <b>419,005</b> | <b>441,191</b> |
| <b>Breakdown by year of vested shares</b> |                |                |
| 2016                                      | -              | 109,683        |
| 2017                                      | 98,547         | 141,650        |
| 2018                                      | 130,691        | 145,974        |
| 2019                                      | 146,721        | 43,884         |
| 2020                                      | 43,046         | -              |

## NOTE 9 PROVISIONS

| (€ MILLION)                                      | H1 2016 |            | H1 2015 |            | FULL YEAR 2015 |            |
|--|---------|------------|---------|------------|----------------|------------|
| <b>Opening</b>                                   |         | <b>597</b> |         | <b>530</b> |                | <b>530</b> |
| Allowances (reversals) during the period         |         | (9)        |         | (5)        |                | (5)        |
| • allowances during the period                   | 17      |            | 8       |            | 44             |            |
| • (reversals) during the period                  | (26)    |            | (13)    |            | (49)           |            |
| Accretion expenses                               |         | 5          |         | 6          |                | 9          |
| Dismantling assets                               |         | -          |         | -          |                | 2          |
| Translation differences and other movements      |         | (106)      |         | 9          |                | 61         |
| <b>Closing</b>                                   |         | <b>487</b> |         | <b>540</b> |                | <b>597</b> |
| • Long-term portion                              |         | 450        |         | 513        |                | 564        |
| • Short-term portion                             |         | 37         |         | 27         |                | 33         |
| Environmental contingencies and site restoration |         | 380        |         | 377        |                | 377        |
| Employees  |         | 35         |         | 39         |                | 41         |
| Other contingencies and losses                   |         | 72         |         | 124        |                | 179        |

Other movements of -€106 million are related to the provision reversal for the Mitsubishi option to sell the Strand shares to ERAMET following the exercise of the option by Mitsubishi and Pamco on April 21, 2016.

The difference between the above amount and the disbursed amount of €71 million (see Note 6 - Investments) is recognised under shareholders' equity Group share for €35 million (see Changes in shareholders' equity).

Detailed information on the provisions as at December 31, 2015 is presented in Note 12 – Provisions of the notes to the consolidated financial statements in the 2015 Registration Document.

## NOTE 10 OFF-BALANCE-SHEET COMMITMENTS, OTHER COMMITMENTS, POTENTIAL LIABILITIES AND OTHER INFORMATION

### OFF-BALANCE-SHEET COMMITMENTS

| (€ MILLION)                      | 30/06/2016 | 31/12/2015 |
|----------------------------------|------------|------------|
| <b>Commitments given</b>         | <b>315</b> | <b>310</b> |
| • Operating activities           | 119        | 120        |
| • Financing activities           | 196        | 190        |
| <b>Commitments received</b>      | <b>7</b>   | <b>9</b>   |
| • Operating activities           | 7          | 9          |
| Credit facilities <sup>(1)</sup> | -          | 981        |

(1) Drawdown of the Revolving Credit Facility (RCF) at the start of January 2016. See Note 4 – Net financial debt and shareholders' equity.

### OTHER COMMITMENTS, POTENTIAL LIABILITIES AND OTHER INFORMATION

Since December 31, 2015 there have been no major changes in Other commitments, Potential liabilities and Other information presented in the 2015 Registration Document in Note 14 – Off-balance-sheet commitments, other commitments, potential liabilities and other information of the notes to the consolidated financial statements.

GCMC, a company 100% owned by COMILOG, which specialises in the recycling of petroleum catalysts in the United States, and its wholly-owned subsidiary, BMC, have filed a voluntary petition in front of the competent court of jurisdiction in Pennsylvania to benefit from safeguard measures for relief under chapter 11 of the United States Bankruptcy Code. These measures allow companies to continue their business throughout the duration of the procedure and may facilitate finding a potential buyer.

### NOTE 11 POST-BALANCE SHEET EVENTS

On July 27, 2016 the Board of Directors of ERAMET approved the amendment to the loan to its subsidiary SLN, increasing the total amount of the loan to €325 million with a maturity date of June 30, 2024.

On July 20, 2016, the French Government signed a loan agreement with SLN for €200 million with a maturity date of June 30, 2024, €150 million of which must be paid at the end of July 2016.

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 July 19, 2002, the condensed interim consolidated financial statements for the 1<sup>st</sup> half of 2016 are presented in millions of euros in accordance with IAS 34 – Interim Financial Reporting, and prepared under IFRS as published by the IASB (International Accounting Standards Board) and IFRS as adopted by the European Union as at June 30, 2016. Since they are summary financial statements, the condensed interim consolidated 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, 2015.

The reference document adopted by the European Union is available for consultation on the website below: [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)

### CHANGES TO STANDARDS AND INTERPRETATIONS

The accounting principles and methods applied for the condensed interim consolidated financial statements as at June 30, 2016 are identical to those used in the consolidated financial statements as at December 31, 2015, with the exception of IFRS standards, amendments and interpretations as adopted by the European Union and issued by the IASB, the application of which is mandatory for annual

periods beginning on or after January 1, 2015 (and which had not been applied early by the Group).

These standards and amendments had no impact on the Group's condensed interim consolidated financial statements as of June 30, 2016.

Standards, interpretations and amendments issued by the IASB and IFRS IC (IFRS Interpretations Committee), the application of which are not mandatory for annual periods beginning on or after January 1, 2016, have not been applied by the Group.

### SEASONALITY EFFECT

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

### USE OF ESTIMATES AND JUDGEMENTS

The judgements and estimates that are likely to result in a material change in the carrying value of assets and liabilities are unchanged from the previous year compared to those from the previous financial year presented in the consolidated financial statements for 2015 and in the Registration Document for 2015.

### CONSOLIDATION SCOPE

As at June 30, 2016, the scope of consolidation was unchanged compared with December 31, 2015, with the exception of:

- the acquisition by ERAMET of 33.4% of the shares of Strand Minerals Pte Ltd held by Mitsubishi and Pamco. Following this transaction, ERAMET became the sole shareholder of Strand Minerals Pte Ltd;
- the inclusion in the scope of consolidation on January 1, 2016 of ERAMET Services, a company wholly owned by ERAMET.

### 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 2016, based on the actuarial assumptions and data used at December 31, 2015, and adjusted where necessary for non-recurring events (plan amendments, curtailments, settlements). As at June 30, the actuarial gains and losses estimated on the basis of a sensitivity analysis of the discount rates were recorded and recognized in shareholders' equity (defined-benefit plans) or in the income statement (other long-term advantages), as soon as they are considered significant.

#### INCOME TAX

The current and deferred income tax expense for the period is calculated using the effective tax rate estimated for the current year at the Group level. It is adjusted for transactions specific to the 1<sup>st</sup> 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 at close of the first half, impairment tests for the assets were only carried out if there were indications of an impairment loss.

## Chapter 4

# STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 HALF-YEAR FINANCIAL INFORMATION PERIOD FROM JANUARY 1 TO JUNE 30, 2016

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Eramet, for the six-month period ended June 30, 2016,
- the verification of the information presented in the half-yearly management report.

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

### I. Conclusion on the financial statements

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

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

### 2. Specific verification

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

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

Paris-La Défense, July 27, 2016

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