



HALF-YEAR REPORT 2012



ERAMET

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I DECLARATION BY THE PERSONS RESPONSIBLE FOR THE ERAMET INTERIM FINANCIAL REPORT AS OF JUNE 30, 2012

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

Paris, July 27, 2012

Chairman and Chief Executive Officer

Chief Financial Officer

Patrick Buffet

Jean-Didier Dujardin



ERAMET

II- 2012 INTERIM BUSINESS REPORT

1. FOREWORD

It is advisable to read this report on the Company's financial position and operating performance in conjunction with the Company's consolidated financial statements, the notes to the condensed interim consolidated financial statements for the period ended 30 June 2012 and the other financial information in the 2011 Registration Document filed with the AMF on 29 March 2012. The Company's interim 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 the Company's future business activities that may differ materially from actual results

2. PRÉSENTATION GÉNÉRALE

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, expanding and establishing a foothold on five continents so as to better serve its markets. Having developed singular 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. In 2011, the Group's three Divisions, Eramet Nickel, Eramet Manganèse and Eramet Alliages achieved sales of €3,603 million increase steadily with 2010 and realised a current operating profit of €554 million compared with a profit of €739 million in 2010. At 30 June 2012, Group sales came to €1,735 million, and current operating profit to €81 million, due to the negative impact of nickel and manganese prices in a deteriorated economic context.

3. HIGHLIGHTS OF THE FIRST HALF OF 2012

On May 16th, 2012, AREVA and Fonds Stratégique d'Investissement (FSI) announced AREVA's transfer of its capital interest in ERAMET to FSI.

A shareholders' agreement was entered into by Fonds Stratégique d'Investissement (FSI) and Sorame-CEIR for a term ending on December 31st, 2016.

This agreement may then be extended by tacit renewal for periods of one year.

The composition of ERAMET's Board of Directors was changed accordingly on May 25th, 2012.

4. 2012 INTERIM RESULTS

4.1 Income statement

(€ million)	30/6/2012	30/6/2011	31/12/2011
Sales	1,735	1,931	3,603
Current operating profit (loss)	81	366	554
Profit (loss) for the period	42	207	303
Profit (loss) for the period attributable to equity holders of the parent	21	135	195
Basic earnings per share	€0.79	€5.11	€7.42

4.1.1 Sales

Eramet Group sales declined to €1,735 million, down 10% in the first half of 2012 compared with the first half of 2011.

- **ERAMET Manganèse**

ERAMET Manganese's turnover totalled 753 M€, a 18% decrease for the 1st half of 2012 compared with the 1st half of 2011, due to the substantial drop in ore prices compared with the 1st half of 2011, but also the impact of non-recurring technical incidents.

Global production of carbon steel rose 1% in the 1st half of 2012 compared with the 1st half of 2011.

Manganese alloy spot prices (source: CRU) fell 7% on average in the 1st half of 2012 compared with the same period in 2011.

ERAMET Manganese's manganese alloy shipments decreased 12% compared with the 1st half of 2011 to 362,000 tons as a result of production adjustments in China: the old Guilin plant was closed a year ago, while production on the Guangxi site was reduced to 50% of its capacity because of the local market situation.

Construction of the New Guilin alloy plant is nearing completion. The first furnace was fired up a few days ago. The next three furnaces should come on stream in the coming weeks. This new plant will be more efficient and include a large share of refined alloys, for which demand trends are healthy in the medium and long terms, given their use in higher value-added steels.

Spot prices for manganese ore in the 1st half of 2012 averaged 4.80 USD/dmtu (CIF China, source: CRU), down 15% from the 1st half of 2011. However, it should be noted that prices have steadily improved from the end of 2011 to end the 1st half above 5 USD/dmtu.

COMILOG's ramp-up of its manganese ore and sinter production in Gabon was held back by the technical incidents mentioned previously. It fell sharply in the 1st half of 2012 (-22%) to 1,312,000 tons.

The manganese chemicals activity remained firm, with stable current operating income at 13 M€.

The recycling activity showed signs of improvement and made progress on its recovery programme.

ERAMET Manganese includes Tizir, a 50% consolidated activity as of October 1st, 2011. The profitability of the titanium dioxide and high-purity pig iron unit in Tyssedal, Norway greatly improved, despite a maintenance stoppage lasting several weeks. Current operating income totalled 13 M€ for turnover of 41 M€ in the 1st half of 2012 (for the 50% held by ERAMET).

Development work for the Grande Côte mineral sands mine (titanium dioxide and zircon) in Senegal is continuing in line with goals.

ERAMET Manganese's capital expenditure totalled 157 M€.

- **ERAMET Nickel**

ERAMET Nickel's turnover decreased 15% in the 1st half of 2012 compared with the 1st half of 2011, totalling 460 M€.

Global production of stainless steels remained virtually stable in the 1st half of 2012 compared with the 1st half of 2011.

LME nickel prices decreased 28% in the 1st half of 2012 compared with the 1st half of 2011, averaging 8.4 USD/lb. They ended the 1st half around 7.4 USD/lb. in June. Many nickel producers in China, but also in other countries, are not profitable at that price level.

ERAMET Nickel's metallurgical production totalled 27,684 tons, a 7% increase compared with the 1st half of 2011.

SLN's competitiveness improvement plan continued. By the end of 2012 it should be close to the target of a 1 USD/lb. reduction in cash cost on an annual basis compared with 2008 at equivalent economic conditions. In the 1st half of 2012, taking into account general trends in factor costs, cash cost is slightly lower than in 2011.

ERAMET Nickel's capital expenditure totalled 58 M€.

- **ERAMET Alloys**

ERAMET Alloys' turnover totalled 526 M€ in the 1st half of 2012, an 11% increase compared with the 1st half of 2011. Business was particularly brisk in aerospace, where turnover rose 25%.

Operating cash flow deteriorated compared with the 1st half of 2011. An action plan has been in progress for several months to turn around ERAMET Alloys' profitability and cash generation.

Capital expenditure (44 M€) remained at 1st half 2011 levels in response to market demand.

Other investments are mainly comprised of the acquisition of a 10% stake in the Chinese group Heye under a strategic partnership decided on in 2011.

4.1.2 Current operating profit (loss)

At €81 million, current operating profit was sharply down compared with the € 366 million earned in the first half of 2011.

For Eramet Manganese: current operating profit came to €90 million, down 61% compared with the figure achieved in the first half of 2011 due to the substantial drop in ore prices compared with the 1st half of 2011, but also the impact of non-recurring technical incidents.

For Eramet Nickel, current operating profit was severely cut back (by €130 million) to €12 million, mainly owing to the fall in nickel prices.

For Eramet Alloys: Current operating profit for Eramet Alliages came to €4 million, down from the first half of 2011.

4.1.3 Profit (loss) for the period attributable to equity holders of the parent

Profit for the period attributable to equity holders of the parent came to €21 million in the first half of 2012, down from the €72 million earned in the first half of 2011. This is due to the sharp fall in current operating profit and a significant corporate income tax charge. That attributable profit included the following items:

- ✓ The **net borrowing cost** of €10 million, remains unchanged from the first half of 2011.
- ✓ Other **financial income and expenses**: an expense of €4 million compared with €6 million in the first half of 2011, due mainly to a less positive effect from financial instruments not settled and not qualifying as hedges, amounting to €3 million compared with €9 million at 30 June 2011, and to the negative impact of €4 million in hedges cancelled.
- ✓ A **corporate income tax** expense of €29 million compared with €161 million in the first half of 2011. The effective rate of taxation before withholding tax on dividends was 8% compared with 33%, under the positive impact from the vesting of provisions as tax-eligible. After withholding tax, particularly on the SLN dividends, the effective taxation rate came to 42%, compared with 44% at 30 June 2011.
- ✓ **Non-controlling interests**, lower in the first half of 2012 (€21 million compared with €72 million in the first half of 2011), reflect the knock-on from the lowered profits in all activities.

4.1.4 Basic earnings per share

Earnings per share came to €0.79 compared with €5.07 in the first half of 2011. The average number of shares outstanding in the first half of 2012 was 26,264,405 compared with 26,352,492 in the first half of 2011.

4.2 Statement of net cash flows or (net debt)

The table below summarises the cash flow statements for the periods ended 30 June 2012 and 30 June 2011.

(€ million)	<i>Period ended June 30</i>	
	2012	2011
Net cash generated by operating activities	51	263
Industrial capital expenditure	(265)	(178)
Net financial investments	(18)	17
Dividends	(70)	(186)
Other flows	(26)	(16)
Decrease (increase) in cash position	(328)	(99)
Opening cash position	1,153	1,295
Closing cash position	825	1,196

The net cash position fell to €825 million at the end of June 2012 compared with €1,196 million at 31 December 2011.

Net cash generated by operating activities: a significant fall by €212 million (to €51 million from €263 million), mainly due to lowered profits and the increase in working capital requirement in the first half of 2012.

Industrial capital expenditure: Industrial capital expenditure amounted to €265 million, breaking down into 22% for Eramet Nickel, 59% for Eramet Manganèse, 17% for Eramet Alliages and 2% for the holding company.

Dividends: dividends paid in the first half-year of 2012 comprise:

- ✓ €59 million for Eramet shareholders, equivalent to a dividend of €2.25 per share (compared with a dividend of €3.5 per share in 2011)
- ✓ €11 million paid to the non-controlling shareholders of Comilog SA. The €250 million unpaid balance of dividends declared will be paid in the third quarter of 2012.

4.3 Consolidated balance sheet

The consolidated balance sheet total at 30 June 2012 was €6,398 million compared with €6,301 million at 31 December 2011.

Non-current assets stood at €3,286 million compared with €3,081 million in 2011.

The simplified working capital requirement (inventory plus trade receivables, less trade payables) was €1,131 million at 30 June 2012 compared with €1,051 million at 31 December 2011.

Equity capital of the consolidated entity was down to €3,840 million at end June 2012 from €4,079 million at end 2011. The change in equity mainly reflects the profit for the period, the slightly positive impact of financial instruments recognised directly in equity, the positive impact of currency translation differences and the dividend payments in the first half of 2012 in respect of the 2011 financial year. These dividends will be paid to COMILOG and SLN's minority shareholders in the 2nd half 2012.

5. RISK MANAGEMENT

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

The presentation of these risks and the Group's assessment of them are set out in the 2011 Registration Document in Note 22 – "Risk management and derivatives" 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 2012 as in previous years, cash was invested prudently (25% in money-market UCITS, 44% in bonds, 25% in negotiable debt securities and 6% in diversified investments); this prudent management earned Eramet a return of 2.28% in the first half of 2012, equivalent to EONIA + 1.94%

The Group has not identified any other risk factors during the first half of 2012 or any affecting the upcoming second half.

6. RELATED PARTIES

The main related-party transactions are set out in Note 8 to the condensed interim consolidated financial statements.

7. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date report

8. FINANCIAL STATEMENTS OF ERAMET SA

(€ million)	30/6/2012	30/6/2011	31/12/2011
Sales	450	585	1,043
Operating profit (loss)	(21)	(37)	(39)
Income from financing activities	85	318	335
Extraordinary items	5	47	39
Profit (loss) for the period	69	327	341

Sales dropped 25% owing to the fall in nickel prices (LME price of USD 8.4 / lb as against USD 11.02 / lb in the first half of 2011).

Operating loss came to -€21 million compared with -€37 million at 30 June 2011. The 2011 loss was mainly due to a significant €35.8 million provision in connection with bonus share allocation plans.

Net financial income of €85 million, compared with €318 million in the first half of 2011, is explained by the €79 million in dividends received from the Manganese Division, compared with 318 million euros in the first half of 2011 (€369 million offset against a €240 million provision on shares, with EHM-Eramet Manganèse and Comilog accounting for €161 million, and EHN-Eramet Nickel accounting for €28 million). The balance comprised net interest paid on intra-Group lending/borrowing and the net foreign-exchange balance on financial transactions.

The non-recurring result mainly comprises the reversal of the maturing portion of provisions for tax and a €1.8 million provision for the Lithium project.

The profit for the period amounted to €69 million compared with €327 million at 30 June 2011.

9. OUTLOOK FOR THE SECOND HALF OF 2012

Nickel prices remain particularly low in the early 2nd half of 2012.

ERAMET Manganese is aiming for higher manganese ore production and shipments in the 2nd half of 2012, in current market conditions.

Operating improvements are expected at ERAMET Alloys from the 2nd half of 2012. A significant reduction in inventory and an improvement in productivity should be seen by the end of the year.

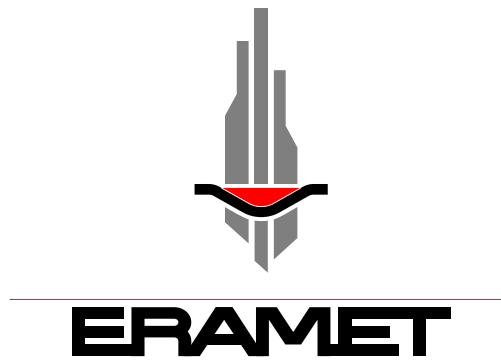
10. MEDIUM AND LONG-TERM OUTLOOK FOR THE SECOND HALF OF 2012

Despite the current slowdown, demand for the Group's metals and alloys still has substantial development potential, particularly in emerging countries.

Over the long term, the exhaustion of old deposits and the need to meet growing demand will call for specific technologies, particularly those developed by ERAMET, to process increasingly complex ores.

The Group, through its world-class mineral resources and its innovative technologies, is able to deliver effective, value-creating solutions.

Given the global crisis, without calling its strategic project into question, the ERAMET Group has decided to be more selective in its capital expenditure decisions in the coming years.



III- CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2012

**SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR
ENDED JUNE 30, 2012**

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ERAMET

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of comprehensive income

(€ million)	Notes	H1 2012	H1 2011	Financial year 2011
Revenue	-	1 735	1 931	3 603
Other income	-	9	9	81
Cost of sales	-	(1 413)	(1 340)	(2 674)
Administrative and selling expenses	-	(104)	(89)	(174)
Research and development expenditure	-	(23)	(21)	(47)
EBITDA	-	204	490	789
Depreciation, amortisation & impairment of non-current assets	-	(115)	(117)	(230)
Impairment charges and provisions	-	(8)	(7)	(5)
Current operating profit (loss)	-	81	366	554
Other operating income and expenses	4.1	(16)	(15)	(63)
Operating profit (loss)	-	65	351	491
Net borrowing cost	4.2.1.	10	10	22
Other financial income and expenses	4.2.2.	(4)	6	8
Share in profit of associates	-	-	1	1
Income tax	4.3	(29)	(161)	(219)
Profit (loss) for the period	-	42	207	303
- Attributable to non-controlling interests	-	21	72	108
- Attributable to equity holders of the parent	-	21	135	195
Basic earnings per share (EUR)	4.4	0,79	5,11	7,42
Diluted earnings per share (EUR)		0,79	5,07	7,39
Profit (loss) for the period	-	42	207	303
Translation adjustments for financial statements of subsidiaries denominated in	-	25	(32)	7
Change in revaluation reserve for hedging financial instruments	-	2	40	(51)
Change in fair value of held-for-sale financial assets	-	4	(1)	(10)
Income tax	4.3	(4)	(18)	21
Other components of comprehensive income	-	27	(11)	(33)
- Attributable to non-controlling interests	-	1	(3)	4
- Attributable to equity holders of the parent	-	26	(8)	(37)
Total comprehensive income	-	69	196	270
- Attributable to non-controlling interests	-	22	69	112
- Attributable to equity holders of the parent	-	47	127	158

Statement of financial position

Assets

(€ million)	Notes	H1 2012	H1 2011	FY 2011
Goodwill	-	173	172	210
Intangible assets	5.1	705	517	612
Property, plant and equipment	5.1	2 235	1 917	2 119
Investments in associates	-	33	23	23
Other financial assets	-	101	86	87
Deferred tax	5.8	34	33	25
Other non-current assets	-	5	4	5
Non-current assets	-	3 286	2 752	3 081
Inventories	-	1 134	1 058	1 093
Trade receivables and other current assets	-	732	687	664
Current tax receivables	-	31	37	33
Derivatives	5.11	77	138	46
Other current financial assets	5.9	490	437	473
Cash & cash equivalents	5.9	648	1 017	911
Current assets	-	3 112	3 374	3 220
Total assets	-	6 398	6 126	6 301

Liabilities

(€ million)	Notes	H1 2012	H1 2011	FY 2011
Share capital		81	81	81
Share premium		372	372	372
Revaluation reserve for held-for sale assets		3	6	-
Hedging instrument revaluation reserve		(23)	27	(24)
Currency translation differences		50	-	28
Other reserves		2 548	2 518	2 579
Attributable to equity holders of the parent	5.4	3 031	3 004	3 036
Attributable to non-controlling interests	-	809	1 001	1 043
Shareholders' equity	-	3 840	4 005	4 079
Employee-related liabilities	5.5	133	125	129
Provisions	5.6	386	353	379
Deferred tax	5.8	394	413	406
Borrowings - long-term portion	5.9	223	164	151
Other non-current liabilities	5.10	29	29	37
Non-current liabilities		1 165	1 084	1 102
Provisions - short-term portion	5.6	27	28	29
Borrowings - short-term portion	5.9	90	94	80
Trade payables and other current liabilities	5.10	1 083	766	833
Current tax liabilities	-	59	103	77
Derivatives	5.11	134	46	101
Current liabilities	-	1 393	1 037	1 120
Total shareholders' equity and liabilities	-	6 398	6 126	6 301

Statement of cash flows

(€ million)	H1 2012	H1 2011	Financial year 2011
Operating activities			
Profit (loss) for period	42	207	303
Elimination of non-cash and non-operating income and expenses			
- Depreciation, amortisation and provisions	119	118	245
- Financial instruments	(3)	(9)	3
- Deferred tax	(27)	69	86
- Proceeds from asset disposals	-	1	(2)
- Share in profit of associates	-	(1)	(1)
Cash generated from operations	131	385	634
(Increase) / decrease in inventories	(26)	(79)	(99)
(Increase) / decrease in trade receivables	(17)	(16)	33
Increase / (decrease) in trade payables	(24)	22	56
Change in other assets and liabilities	10	113	191
Interest income	10	9	21
Interest paid	(10)	(9)	(19)
Tax paid	(23)	(162)	(226)
Net change in current operating assets and liabilities	(80)	(122)	(43)
Net cash generated by operating activities	51	263	591
Investing activities			
Payments for non-current assets	(305)	(194)	(481)
Proceeds from non-current asset disposals	-	(4)	1
Capital grants received	-	-	-
(Proceeds from) / repayment of borrowings	5	3	5
Net change in other current financial assets	(17)	(78)	(115)
Dividends received from associates	-	-	-
Impact of additions to consolidation scope (1)	-	-	(58)
Impact of removals from consolidation scope (2)	(1)	-	-
Net cash used in investing activities	(318)	(273)	(648)
Financing activities			
Dividends paid to Eramet SA shareholders	(59)	(92)	(92)
Dividends paid to non-controlling interests in consolidated companies	(260)	(94)	(94)
Proceeds from share capital increases	-	1	1
Proceeds from treasury share sales / (payments for purchases) (3)	-	(36)	(41)
Changes of percentage interests in subsidiaries (4)	(3)	52	52
Proceeds from borrowings	96	56	18
Repayment of borrowings	(19)	(48)	(71)
Net change in current financial assets and liabilities	249	-	(2)
Net cash used in financing activities	4	(161)	(229)
Exchange-rate impact	-	(39)	(30)
Increase (decrease) in cash and cash equivalents	(263)	(210)	(316)
Opening cash and cash equivalents	911	1 227	1 227
Closing cash and cash equivalents	648	1 017	911
Net cash (or net debt) position	825	1 196	1 153

The Eramet Group uses the net cash / debt position concept, presented in Note 5.9, as an internal management and performance indicator:

(1) Entries into consolidation scope include:

(€ million)	H1 2012	H1 2011	Financial year 2011
Consolidation of TiZir Ltd	-	-	(58)
- Acquisition cost	-	-	(70)
- Cash acquired	-	-	12
Consolidation of Somivab	-	-	-
- Acquisition cost	-	-	-
- Cash acquired	-	-	-
Total	-	-	(58)

(2) The impact of removals from scope relates to:

(€ million)	H1 2012	H1 2011	Financial year 2011
Erasteel Innovative Materials Co Ltd	(1)	-	-
Total	(1)	-	-

(3) Changes in treasury stock include:

(€ million)	H1 2012	H1 2011	Financial year 2011
Purchases and sales - liquidity contract	-	-	(5)
Purchases and sales - buyback contract	-	(36)	(36)
Purchase options exercised by employees	-	-	-
Total	-	(36)	(41)

(4) Changes to percentage interests in subsidiaries break down as follows:

(€ million)	H1 2012	H1 2011	Financial year 2011
Sale, 1.37% of shares in Comilog SA	-	52	52
Acquisition of 15% of the shares in Setrag SA	(3)	-	-
Total	(3)	52	52

Statement of changes in equity

(€ million)	Number of shares	Capital	Premiums	Reserves on assets held for sale	Reserves on hedging instruments	Translation differences	Other reserves	Attributable to equity holders of the parent	Attributable to non-controlling interests	Total equity
Shareholders' equity at 1 January 2011	26 513 466	81	371	7	10	24	2 465	2 958	1 016	3 974
Profit (loss) for the period	-	-	-	-	-	-	135	135	72	207
Translation adjustments of subsidiaries' financial statements denominated in foreign currency	-	-	-	-	-	(24)	-	(24)	(8)	(32)
Change in revaluation reserve for hedging instruments	-	-	-	-	17	-	-	17	5	22
Change in fair value of financial assets held for sale	-	-	-	(1)	-	-	-	(1)	-	(1)
Other components of comprehensive income	-	-	-	(1)	17	(24)	-	(8)	(3)	(11)
Total comprehensive income	-	-	-	(1)	17	(24)	135	127	69	196
Dividends paid - €3.50 per share	-	-	-	-	-	-	(92)	(92)	(94)	(186)
Proceeds from share capital increases	4 400	-	1	-	-	-	-	1	-	1
Treasury shares	-	-	-	-	-	-	(36)	(36)	-	(36)
Share-based payment	-	-	-	-	-	-	5	5	1	6
Changes in percentage interests in subsidiaries	-	-	-	-	-	-	42	42	9	51
Other movements	-	-	-	-	-	-	(1)	(1)	-	(1)
Total transactions with shareholders	4 400	-	1	-	-	-	(82)	(81)	(84)	(165)
Shareholders' equity as at 30 June 2011	26 517 866	81	372	6	27	-	2 518	3 004	1 001	4 005
Profit (loss) for the period	-	-	-	-	-	-	195	195	108	303
Translation adjustments of subsidiaries' financial statements denominated in foreign currency	-	-	-	-	-	4	-	4	3	7
Change in revaluation reserve for hedging instruments	-	-	-	-	(34)	-	-	(34)	1	(33)
Change in fair value of financial assets held for sale	-	-	-	(7)	-	-	-	(7)	-	(7)
Other components of comprehensive income	-	-	-	(7)	(34)	4	-	(37)	4	(33)
Total comprehensive income	-	-	-	(7)	(34)	4	195	158	112	270
Dividends paid - €3.50 per share	-	-	-	-	-	-	(92)	(92)	(94)	(186)
Proceeds from share capital increases	5 650	-	1	-	-	-	-	1	-	1
Treasury shares	-	-	-	-	-	-	(41)	(41)	-	(41)
Share-based payment	-	-	-	-	-	-	12	12	-	12
Changes in percentage interests in subsidiaries	-	-	-	-	-	-	41	41	9	50
Other movements	-	-	-	-	-	-	(1)	(1)	-	(1)
Total transactions with shareholders	5 650	0	1	-	-	-	(81)	(80)	(85)	(165)
Shareholders' equity as at 31 December 2011	26 519 116	81	372	-	(24)	28	2 579	3 036	1 043	4 079
Profit (loss) for the period	-	-	-	-	-	-	21	21	21	42
Translation adjustments of subsidiaries' financial statements denominated in foreign currency	-	-	-	-	-	22	-	22	3	25
Change in revaluation reserve for hedging instruments	-	-	-	-	1	-	-	1	(2)	(1)
Change in fair value of financial assets held for sale	-	-	-	3	-	-	-	3	-	3
Other components of comprehensive income	-	-	-	3	1	22	-	26	1	27
Total comprehensive income	-	-	-	3	1	22	21	47	22	69
Dividends paid - €2.25 per share	-	-	-	-	-	-	(59)	(59)	(260)	(319)
Proceeds from share capital increases	1 688	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	-	7	7	1	8
Changes in percentage interests in subsidiaries	-	-	-	-	-	-	(2)	(2)	-	(2)
Other movements	-	-	-	-	-	-	2	2	3	5
Total transactions with shareholders	1 688	-	-	-	-	-	(52)	(52)	(256)	(308)
Shareholders' equity as at 30 June 2012	26 520 804	81	372	3	(23)	50	2 548	3 031	809	3 840

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.

Via 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, in which it is amongst the market leaders. A description of the activities of the Eramet Group can be found in Note 3 on segment reporting.

The Eramet Group's condensed interim consolidated financial statements for the first half of 2012 were reviewed by the Audit Committee on 25 July 2012 and approved by the Board of Directors on 27 July 2012.

1. Accounting principles and methods

1.1 General principles and declaration of compliance

Pursuant to European Regulation 1606/2002 of 19 July 2002, the condensed interim consolidated financial statements for the first half of 2012 are presented in millions of euros in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union. Since they are summary financial statements, the condensed interim consolidated financial statements do not contain all of the information and notes required for annual financial statements and in this regard should be read in conjunction with the Eramet Group's annual consolidated financial statements for the year ended 31 December 2011.

The accounting policies used to prepare the condensed interim consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union at 30 June 2012.

1.2 IFRS accounting basis applied

The condensed interim consolidated financial statements have been prepared in accordance with the accounting principles and methods applied by the Group in the financial statements for FY 2011, except for :

Employee benefits and income tax, which are subject to special measurement methods using estimates in line with the provisions of IAS 34 and as described in section 1.4 below, and; Amendments to standards and interpretations taking effect on 1 January 2012.

The standards, interpretations and amendments published by the IASB but not yet endorsed by the European Union cannot be applied by the Eramet Group. The relevant IASB published changes are set out in the 2011 Registration Document in Note 1.1 – "General principles and compliance declaration", The exception is Revised IAS 19, "Employee Benefits", which is applicable as from 1 January 2013 and was adopted in May 2012.

The potential impacts for the Eramet Group are also set out in the 2011 Registration Document in Note 1.1 – "General principles and compliance declaration".

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

1.3 Use of estimates and judgements

The measurement and assessment of certain assets and liabilities call for the use of judgements and estimates when preparing the consolidated financial statements. The judgements and estimates that are likely to result in a material change in the carrying amount of these assets and liabilities are unchanged from the previous year (2011 Registration Document – Note 1.1.1. "Use of estimates and judgements" to the consolidated financial statements).

1.4 Specific features in the preparation of interim financial statements

1.4.1 Employee benefits

Except where there is a specific event during the period, no actuarial valuation is carried out for the purposes of preparing interim financial statements. The post-employment benefit expense for the half-year is half the net expense calculated for FY 2012, based on actuarial assumptions and data used at 31 December 2011.

1.4.2 Income tax

The current and deferred income tax expense for the period is calculated using the effective tax rate estimated for the current year for each entity and tax sub-group. It is adjusted for transactions specific to the first half.

2. Consolidation scope

At 30 June 2012 the scope of consolidation changed as follows in the first half of 2012 compared with 31 December 2011:

2.1 Consolidation of Somivab

The Gabonese company Somivab, 83% held by Comilog SA (Manganese Division) was fully consolidated as from 1 January 2012

2.2 Acquisition of 15% in Setrag SA

In March and April 2012, Comilog SA (Manganese Division) acquired 15% of the "Transgabonais" railway concession operator, raising its holding to 100%.

2.3 Operation HeYe

Erasteel (Alloys Division) and HeYe Special Steel, a Chinese company majority owned by AT&M (Advanced Technology Materials), both of which specialise in high-speed steels, entered into a strategic agreement in early 2012 for commercial cooperation world-wide and industrial cooperation in China. Under its terms:

In March 2012, Erasteel acquired 10% of HeYe's capital for a consideration of €14 million.

In May 2012, following a capital increase reserved for HeYe, Erasteel sold 51% of its chemical subsidiary Erasteel Innovative Materials. That subsidiary, now named HeYe Erasteel Innovative Material Ltd, is 49% owned by the Group and equity consolidated as from 1 May 2012.

The Chinese company Erasteel Trading Ltd, the Asiatic logistical hub, is wholly-owned by Erasteel and was created and fully consolidated in early 2012.

3. Operating segments

In accordance with IFRS 8 "Operating Segments", the segment reporting presented is prepared on the basis of the internal management data used by the Executive Committee, the Group's main operational decision-making body, to analyse business performance and allocate resources.

An operating segment is a separate component of the Group that engages in the provision of distinct products and services and is exposed to risks and profitability that differ from the risks and profitability of other operating segments.

Each operating segment is monitored individually for internal reporting purposes on the basis of performance indicators that are common to all segments. The management data used to assess a segment's performance are prepared in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

The segments presented for the purposes of segment reporting are either operating segments or combinations of similar operating segments. These are the Nickel, Manganese and Alloys Divisions:

The Nickel Division, including mining, production and sales subsidiaries focused on nickel and its derivative applications (ferronickel, high purity nickel, cobalt and nickel salts, and cobalt and tungsten powders).

The Manganese Division, including mining, production and sales subsidiaries focused on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil-industry catalysts, electric batteries and acid solutions from the electronics industry.

The Alloys Division, including subsidiaries that produce and market special high-performance steels, superalloys and pre-machined parts based on these materials or aluminium and titanium.

The column headed “Holding company and eliminations” comprises the Group’s corporate departments as well as the financial entities Metal Securities (treasury management) and Metal Currencies (exchange rate risk management), and Eras SA, the captive reinsurance company. Commercial relationships between the Divisions are not material. The main relationships primarily arise from the billing of management fees and financial transactions.

3.1 Reporting by business segment

(€ million)	Nickel	Manganese	Alloys	Holding co. and eliminations	Total
H1 2012					
External sales	457	751	525	2	1 735
Inter-segment sales	3	2	1	(6)	-
Sales	460	753	526	(4)	1 735
Cash generated from operations	30	93	18	(10)	131
EBITDA	54	142	30	(22)	204
Current operating profit (loss)	12	90	4	(25)	81
Other operating income and expenses	-	-	-	-	(16)
Operating profit (loss)	-	-	-	-	65
Net borrowing cost	-	-	-	-	10
Other financial income and expenses	-	-	-	-	(4)
Share in profits of associates	-	-	-	-	-
Income tax	-	-	-	-	(29)
Attributable to non-controlling interests	-	-	-	-	(21)
Attributable to equity holders of the parent	-	-	-	-	21
Non-cash expenses	(41)	(20)	-	(28)	(89)
- Depreciation & amortisation	(42)	(47)	(23)	(1)	(113)
- Provisions	(5)	2	(2)	(1)	(6)
- Impairment losses	-	-	-	-	-
Industrial capital expenditure (intangible assets, property, plant & equipment)	58	157	44	6	265
Total balance sheet assets (current and non-current)	2 876	2 712	1 260	(450)	6 398
Total balance sheet liabilities (current & non-current, ex shareholders' equity)	1 233	1 154	851	(680)	2 558

H1 2011

External sales	538	920	472	1	1 931
Inter-segment sales	3	2	1	(6)	-
Sales	541	922	473	(5)	1 931
Cash generated from operations	151	219	31	(16)	385
EBITDA	181	293	36	(20)	490
Current operating profit (loss)	142	232	14	(22)	366
Other operating income and expenses	-	-	-	-	(15)
Operating profit (loss)	-	-	-	-	351
Net borrowing cost	-	-	-	-	10
Other financial income and expenses	-	-	-	-	6
Share in profits of associates	-	-	-	-	1
Income tax	-	-	-	-	(161)
Attributable to non-controlling interests	-	-	-	-	(72)
Attributable to equity holders of the parent	-	-	-	-	135
Non-cash expenses	(58)	(93)	(19)	(8)	(178)
- Depreciation & amortisation	(40)	(56)	(20)	-	(116)
- Provisions	(4)	4	(2)	2	-
- Impairment losses	-	(2)	-	-	(2)
Industrial capital expenditure (intangible assets, property, plant & equipment)	57	73	45	3	178
Total balance sheet assets (current and non-current)	2 761	2 392	1 113	(140)	6 126
Total balance sheet liabilities (current & non-current, ex shareholders' equity)	942	902	726	(449)	2 121

Financial year 2011

External sales	983	1 709	909	2	3 603
Inter-segment sales	6	4	1	(11)	-
Sales	989	1 713	910	(9)	3 603
Cash generated from operations	249	364	43	(22)	634
EBITDA	269	499	57	(36)	789
Current operating profit (loss)	189	388	16	(39)	554
Other operating income and expenses	-	-	-	-	(63)
Operating profit (loss)	-	-	-	-	491
Net borrowing cost	-	-	-	-	22
Other financial income and expenses	-	-	-	-	8
Share in profits of associates	-	-	-	-	1
Income tax	-	-	-	-	(219)
Attributable to non-controlling interests	-	-	-	-	(108)
Attributable to equity holders of the parent	-	-	-	-	195
Non-cash expenses	(128)	(154)	(29)	(20)	(331)
- Depreciation & amortisation	(81)	(105)	(39)	(3)	(228)
- Provisions	(12)	5	7	(1)	(1)
- Impairment losses	-	(19)	3	-	(16)
Industrial capital expenditure (intangible assets, property, plant & equipment)	141	245	100	6	492
Total balance sheet assets (current and non-current)	2 830	2 604	1 217	(350)	6 301
Total balance sheet liabilities (current & non-current, ex shareholders' equity)	982	997	826	(583)	2 222

3.2 Reporting by geographic area

(€ million)	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (sales destination)							
HI 2012	827	349	480	16	42	21	1 735
HI 2011	875	360	628	14	34	20	1 931
FY 2011	1 598	676	1 193	30	66	40	3 603
Industrial capital expenditure (intangible assets, property, plant & equipment)							
HI 2012	68	22	44	25	106	-	265
HI 2011	60	10	52	17	39	-	178
FY 2011	144	27	122	61	138	-	492
Total balance sheet assets (current and non-current)							
HI 2012	3 496	391	824	903	782	2	6 398
HI 2011	3 760	374	666	899	427	-	6 126
FY 2011	3 622	368	783	903	624	1	6 301

4. Notes to the statement of comprehensive income

4.1 Other operating income and expenses

(€ million)	HI 2012	HI 2011	Financial year 2011
Restructuring and redundancy plans	(2)	(3)	(2)
Losses on impairment tests	-	(2)	(17)
Development projects	(13)	(9)	(29)
Employee benefits	-	-	(3)
Other items	(1)	(1)	(12)
Total	(16)	(15)	(63)

Other operating income and expenses for the first half of 2012 mainly include development costs in the Manganese and Nickel Divisions.

At 31 December 2011, the breakdown of other operating income and expenses is presented in Note 25 – “Other operating income and expenses”, in the 2011 Registration Document.

4.2 Net borrowing cost and other financial items

4.2.1 Net borrowing cost

(€ million)	HI 2012	HI 2011	Financial year 2011
Interest income	10	9	21
Interest expense	(10)	(9)	(19)
Net income on marketable securities	2	3	9
Changes in fair value of marketable securities	3	3	(2)
Net translation adjustments	5	4	13
Total	10	10	22

4.2.2 Other financial income and expenses

(€ million)	H1 2012	H1 2011	Financial year 2011
Investment and dividend income	2	2	6
Gains (losses) on the disposal of investments in associates	-	-	18
Net allowances to / reversals of financial provisions	-	-	1
Accretion expenses	(6)	(5)	(11)
Financial instruments ineligible as hedges	3	9	(3)
Securitisation financial expense	(1)	(1)	(2)
Elsewhere	(2)	1	(1)
Total	(4)	6	8

Accretion expenses relate to provisions for site restoration. Financial instruments ineligible as hedges correspond to the portion of hedging instruments (on currencies, commodities and interest rates) recognised in income pursuant to IAS 39.

At 31 December 2011, the breakdown of other financial income and expenses was presented in Note 26.2 – “Other financial income and expenses”, in the 2011 Registration Document.

4.3 Income tax

Income tax is calculated on the basis of the earnings of each tax entity by applying the estimated tax rates for the full financial year, with the tax impact of special transactions being recognised in the period in which these transactions are carried out.

(€ million)	H1 2012	H1 2011	Financial year 2011
Current tax	(56)	(92)	(133)
Deferred tax	27	(69)	(86)
Total	(29)	(161)	(219)

The Group's rate of taxation before dividends worked out at 8% for the first half of 2012, compared with 33% for the first half of 2011 and 28% at 31 December 2011.

The Group's effective tax rate was 42% in the first half of 2012 compared with 44% for the first half of 2011 and 42% at 31 December 2011.

The reconciliation between the theoretical tax expense calculated at the standard tax rate in France and the actual tax expense as recognised in the statement of profit and loss breaks down as follows:

(€ million)	HI 2012	HI 2011	Financial year 2011
Operating profit (loss)	65	351	491
Net borrowing cost	10	10	22
Other financial income and expenses	(4)	6	8
Pre-tax profit (loss) for period of consolidated companies	71	367	521
Standard tax rate in France (%)	34,43%	34,43%	34,43%
Theoretical tax expense	(24)	(126)	(179)
Impact on theoretical tax of:			
- permanent differences between accounting and taxable profit	24	12	42
- additional levies in France		-	-
- standard tax differences in foreign countries		-	-
- reduced tax rates	1	-	1
- tax credits	2	1	5
- unrecognised or limited deferred tax assets	(6)	(6)	(13)
- miscellaneous items	(2)	(3)	(1)
Actual tax charge before dividends	(5)	(122)	(145)
Tax rates	8%	33%	28%
Impact on theoretical tax expense of:			
- withholding tax on dividends, and apportionments of general expenses	(24)	(39)	(74)
Actual tax expense	(29)	(161)	(219)
Effective tax rate	42%	44%	42%

Permanent differences mainly relate to the fully-vested portion of the provision for reconstituting mining reserves in New Caledonia and Gabon, amounting to €5 million and €18 million respectively, and to untaxed profits in China.

The tax losses and temporary differences not recognised in the first half of 2012 mainly relate to Setrag SA and Guangxi Comilog Ferro Alloys Ltd (Manganese Division).

The details and analyses relating to the position at 31 December 2011 are set out in the 2011 Registration Document in Note 27.2 – "Effective rate of taxation".

Withholding tax on dividends mainly covers taxation of dividends paid and payable by Eramet's foreign subsidiaries in the forthcoming financial year, and the portions of general expenses written back to income.

The income tax on the other components of comprehensive income breaks down as follows:

(€ million)	HI 2012	HI 2011	Financial year 2011
Change in financial instrument revaluation reserve	(3)	(18)	18
Change in fair value of held-for-sale financial assets	(1)	-	3
Total	(4)	(18)	21

4.4 Earnings per share

	HI 2012			HI 2011			Financial year 2011		
	Profit for the period	Number of shares	Earnings per share	Profit for the period	Number of shares	Earnings per share	Profit for the period	Number of shares	Earnings per share
Basic earnings per share	21	26 264 405	0,79	135	26 352 492	5,11	195	26 307 370	7,42
Dilutive instruments:									
- Subscription options	-	8 490	-	-	25 352	-	-	15 947	-
- Bonus share grants	-	38 337	-	-	138 905	-	-	97 389	-
Instruments deemed anti-dilutive (*)	-	-	-	-	-	-	-	-	-
Diluted earnings per share	21	26 311 232	0,79	135	26 516 749	5,07	195	26 420 706	7,39
Average number of shares outstanding		26 519 479			26 514 843			26 516 556	
Average number of treasury shares		255 074			162 351			209 186	
Average number of shares		26 264 405			26 352 492			26 307 370	

(*) Where basic earnings per share from continuing operations are negative, the instruments are deemed to be anti-dilutive.

The basic number of shares represents the weighted average number of shares over the period, less the weighted number of treasury shares. On 30 June 2012, 22,414 subscription options were outstanding (25,352 at 30 June 2011). These potential subscription shares, 8,490 in number, were included for their diluting effect in the calculation of diluted net profit per share. Treasury shares, allocated to bonus share award plans (Note 5.4.2), numbering 38,337, were included for their diluting effect in the calculation of diluted net profit per share. Eramet has not issued any other financial instruments that would be likely to dilute earnings per share.

5. Notes to the statement of financial position

5.1 Intangible assets and property, plant and equipment

Non-current operating assets include intangible assets and property, plant, and equipment.

(€ million)	Net gross	Depreciation	Impairment	Net HI 2012	Net HI 2011	Net FY 2011
Intangible assets						
- Mining reserves	386	(69)	-	317	252	267
- Software	56	(50)	-	6	4	5
- Other intangible assets	393	(48)	-	345	241	312
- Work-in-progress, down-payments	39	(2)	-	37	20	28
	874	(169)	-	705	517	612
- Capital expenditure over the period				41	42	84
Property, plant & equipment						
- Land and buildings	900	(489)	(57)	354	366	358
- Industrial and mining facilities	2 880	(1 734)	(67)	1 079	1 015	1 106
- Other property, plant, and equipment	629	(396)	(2)	231	203	211
- Work-in-progress, down-payments	572	(1)	-	571	333	444
	4 981	(2 620)	(126)	2 235	1 917	2 119
- Capital expenditure over the period				224	136	408
Total	5 855	(2 789)	(126)	2 940	2 434	2 731
- Capital expenditure over the period				265	178	492

Capital expenditure is primarily funded from cash and borrowings (in particular finance leases). The increase in mining reserves arises mainly from the apportionment of the cost of acquisition of the Grande Côte Opérations SA mineral sands project in Senegal in connection with the creation of the TiZir Ltd joint venture (Note 2 – "Consolidation scope" in the 2011 Registration Document).

5.2 Mining projects

5.2.1 Weda Bay project in Indonesia

Since May 2006, the Eramet Group has been working on a project to exploit a world-class Nickel deposit at Weda Bay on the Halmahera site.

The final investment decision should be made on completion of the latest technical and economic feasibility studies in 2013.

The net value of the Weda Bay assets breaks down as follows:

(€ million)	H1 2012	H1 2011	FY 2011
Mining reserves	225	197	219
Geology, prospecting and study expenses	278	189	243
Property, plant and equipment	13	7	13
Total assets	516	393	475

Capitalised expenditure on the project mainly corresponds to the geological, exploration and prospecting costs, and to the costs of technical and economic studies.

The project's value in use is regularly measured on the basis of studies of the project's cost, its potential markets and nickel price trend forecasts.

Eramet's partners in the project are the Mitsubishi Corporation Group and Pacific Metals Co Ltd, respectively holding 30% and 3.4% of the Strand Minerals Pte Ltd holding company and the Antam Pt Group which holds 10% of the de la Weda Bay Nickel Pt company which owns the deposit.

Pt Antam possesses several call options enabling it to increase its shareholding. The terms for exercise of those options are described in Note 30 – "Other commitments" of the 2011 Registration Document.

Eramet also granted put options when Mitsubishi Corporation acquired an interest in Strand Minerals Pte Ltd. These options are exercisable up to the final investment decision and under certain conditions set out in Note 17.5 – "Other contingencies and losses" of the 2011 Registration Document.

5.2.2 TiZir project in Senegal and Norway

On 27 July 2011, Eramet and Mineral Deposits Ltd (MDL) entered into an agreement to create a joint venture, the British company TiZir Ltd, bringing together the Norwegian company TiZir Titanium & Iron A/S and the Grande Côte Opérations SA mineral sands project in Senegal. The final agreements were completed on 25 October 2011. The joint venture and its subsidiaries are proportionally consolidated at 50% as from 1 October 2011.

The net value of the project's assets breaks down as follows:

(€ million)	H1 2012	H1 2011	FY 2011
Goodwill	-	-	38
Mining reserves	46	-	1
Geology, prospecting and study expenses	20	-	20
Property, plant & equipment - Senegal	73	-	34
Property, plant & equipment - Norway	5	-	-
Property, plant & equipment - Norway	20	-	19
Total assets	164	-	112

The acquisition price was apportioned by independent experts and recognised as intangible assets under mining reserves.

5.3 Asset impairment

Impairment mainly concerns the "High-speed steels" activity of the Alloys Division and the "Special Products" and "Recycling" activities of the Manganese Division. The Group did not identify any indications of impairment during the first half of 2012.

5.4 Shareholders' equity

5.4.1 Share capital

The share capital is comprised of 26,520, 804 fully paid-up ordinary shares (26,519, 116 ordinary shares at 31 December 2011) with a par value of €3.05.

At 30 June 2012, Eramet held 247,671 treasury shares (259,546 shares at 31 December 2011); these included 81,971 bearer shares (83,596 shares at 31 December 2011) representing shares purchased under the liquidity contract signed with Exane BNP Paribas, and 165,700 shares (170,000 shares at 31 December 2011) purchased by Exane BNP Paribas on instructions for it to buy back 170,000 shares. These transactions were fully recognised in shareholders' equity. The first-half change in treasury shares held derives from the movements performed under the liquidity contract, relating to 1,625 shares, and to the vesting of 10,250 bonus shares allocated to employees (Note 5.3.2). The exercise of 1,688 subscription options during the first half of 2012 at an average price of €64.63 resulted in an increase in shareholders' equity in consideration for cash through the creation of that number of shares.

5.4.2 Share subscription and purchase options and bonus shares

Subscription options

	Date of General Meeting	Date of Board meeting	Subscription price		Number of beneficiaries at the outset	at 1/1/2012	Allocated at the outset	Exercised or lapsed before 1/1/2012	Exercised in 2012	Lapsed in 2012	Outstanding as from 1/7/2012	Number of benefi- ciaries at 1/7/2012	plans expiry date
1	23/5/2002	15/12/2004	64,63	EUR	81	20	130 000	(105 898)	(1 688)	-	22 414	19	15/12/2012
Total							130 000	(105 898)	(1 688)	-	22 414		

May be exercised only as from 12/12/2006. The shares cannot be sold prior to 14/12/2008.

Bonus shares

(1)	Date of General Meeting	Date du Board meeting	Subscription price		Number of beneficiaries at the outset	at 1/1/2012	Allocated at the outset	Subscribed or lapsed before 1/1/2012	Vested in 2012	Lapsed in 2012	Superseded in 2012	Outstanding as from 1/7/2012	Number of benefi- ciaries at 1/7/2012	Plans expiry date
1	11/5/2005	25.04.2007.	free		1	-	10 000	(10 000)	-	-	-	-	-	-
2	11/5/2005	23/7/2007	free		61	-	16 000	(16 000)	-	-	-	-	-	-
3	13/5/2009	29.07.2009.	free		14 766	8 631	73 830	(30 675)	-	(2 440)	-	40 715	8 143	29.07.2013.
4	20/5/2010	20/5/2010	free		14 405	13 605	28 810	(1 600)	(9 518)	152	-	17 844	8 922	20/5/2014
5	20/5/2010	20/5/2010	free		162	159	65 008	(6 095)	-	(300)	-	58 613	157	20/5/2015
6	20/5/2010	16/2/2011	free		14 298	13 848	28 596	(900)	(732)	(356)	-	26 608	13 304	16/2/2015
7	20/5/2010	16/2/2011	free		205	201	71 665	(6 382)	-	(285)	-	64 998	199	16/2/2016
8	20/5/2010	15/2/2012	free		14 318	-	28 636	-	-	(16)	-	28 620	14 310	15/2/2016
9	20/5/2010	15/2/2012	free		201	-	89 885	-	-	(165)	-	89 720	200	15/2/2017
Total							412 430	(71 652)	(10 250)	(3 410)	-	327 118		

Final vesting date: **3** = 29/7/2011 France & 29/7/2013 World, **4** = 20/5/2012 & 20/5/2014, **5** = 20/5/2013 & 20/5/2015, **6** = 16/2/2013 & 16/2/2015, **7** = 16/2/2014 & 16/2/2016,

(1) **8** = 15/2/2014 & 15/2/2016 and **9** = 15/2/2015 & 15/2/2017.

The shares cannot be sold prior to: **3** = 29 July 2013, **4** = 20 May 2014, **5** = 20 May 2015, **6** = 16 February 2015, **7** = 16 February 2016, **8** = 15 February 2016 and **9** = 15 February 2017.

Shares were allocated under two bonus share plans on 15 February 2012:

A "democratic" plan (No. 8) measured according to the Black & Scholes model,

A "selective" plan (No. 9) with two performance conditions attaching to the shares, one internal and one external, calculated using the "Monte-Carlo" method.

5.4.3 Share-based payments

Share-based payments relate only to stock option and bonus share plans for the benefit of employees and settled in the form of shares. They represented a €7 million expense at 30 June 2012 (€6 million at 30 June 2011 and €13 million at 31 December 2011).

5.4.4 Dividends paid

The dividends paid during the first half of 2012 in respect of the financial year 2011 amounting to €59 million correspond to a net dividend per share of €2.25 (dividends paid in 2011 in respect of the financial year 2010 amounted to €92 million, i.e. €3.50 per share).

€260 million in dividends payable to non-controlling shareholders related to the Group companies Le Nickel-SLN (Nickel Division) and Comilog SA (Manganese Division), of which €249 million will be paid in the second half of 2012.

5.5 Employee-related liabilities

The employee benefits expense in the first half of 2012 amounted to €2 million (€4 million in the first half of 2011). It is calculated on the basis of assumptions made at the end of the 2011 financial year and adjusted primarily for contributions and benefits paid to third parties.

5.6 Provisions

(€ million)	HI 2012	HI 2011	FY 2011
Personnel	15	26	19
- Restructuring and redundancy plans	13	22	16
- Other payroll contingencies and losses	2	4	3
Major lawsuits	-	-	-
Environmental contingencies and site restoration	310	283	307
- Environmental contingencies	30	33	30
- Site restoration	280	250	277
Other contingencies and losses	88	72	82
Total	413	381	408
- Long-term portion	386	353	379
- Short-term portion	27	28	29

The provisions for restructuring and redundancy plans amounted to €13 million at 30 June 2012 compared with €16 million at 31 December 2011 and mainly relate to redundancy plans implemented in France and Belgium in the Manganese and Alloys Divisions.

Provisions for environmental risks mainly concern the Manganese and Alloys Divisions. For the Manganese Division, the provision was €16 million (unchanged from 31 December 2011), of which €2 million was for provisioning the TCEQ/GCMC environmental lawsuit in the United States. For the Alloys Division, the provision was €7 million (unchanged from 31 December 2011).

The provisions for site restoration mainly relate to the currently-operating mining sites in New Caledonia (Nickel Division) and Gabon (Manganese Division) amounting respectively to €206 million (€202 million at 31 December 2011) and €29 million (€28 million at 31 December 2011). They are supplemented by the provisions for the clean-up of settling tanks at the Manganese Division's Marietta plant in the United States amounting to €22 million (€21 million at 31 December 2011) and the provisions recognised in 2003 for regulatory and implicit obligations with regard to the demolition and restoration of the Boulogne sur Mer industrial site following the decision to shut down the plant.

The other provisions for contingencies and losses include, in particular, €48 million (\$60 million) for financial risks associated with the put options granted by Eramet to Mitsubishi Corporation in connection with the disposal of 33.4% of the shares in Strand Minerals Pte Ltd (Note 17.5. – "Other contingencies and losses" in the 2011 Registration Document).

5.7 Contingent liabilities

Four NGOs (non-governmental organisations), an inhabitants' protest group ("collectif d'habitants") and a former Député (Member of Parliament) made a number of applications in February and March 2011 instituting various civil actions in Gabon, seeking reparation from Comilog SA and Eramet for environmental damage alleged to have been caused by the operation of the Moanda mining site. The proceedings are in progress before the Court of First Instance at Libreville, with statements of case exchanged between the parties. The arguments so far put forward by the claimants fail to substantiate their claims. In this connection, it should be recalled that all the Eramet Group subsidiaries are compliant with the applicable environmental standards, including those in Gabon, and that it conducts all actions of environmental relevance in accordance with the Group Charter described in the 2011 Registration Document.

A dispute arose on the determination of the financial terms applicable as from 1 January 2012 for the supply of electricity by Enercal to Le Nickel-SLN pursuant to the 1956 concession contract for the operation of its Doniambo metallurgy plant at Nouméa in New Caledonia. Despite negotiations between both parties, no agreement was reached, and thus the arbitration procedure provided by the contract was begun in December 2011.

Comilog SA is undergoing tax audits for the years 2007 to 2010. Notice of the reassessments for the tax years 2007 and 2008 was received on 30 December 2011. The audit continued in the first half-year of 2012 for 2009 and 2010. A reply was drawn up on the basis of the first notification and will be supplemented in the second half-year upon receipt of the notification for 2009 and 2010. At this stage in the proceedings, no indication can be given as to the outcome of these tax audits.

5.8 Deferred tax

Net deferred tax liabilities decreased to €394 million in liabilities and €34 million in assets, making €360 million (compared with €406 million in liabilities and €25 million in assets, making €318 million at 31 December 2011). This decrease mainly arose from reversals of price increase provisions (regulated provisions) recognised in the first half of 2012 following the fall in commodity prices.

5.9 Net cash (or net debt) position

5.9.1 By category

(€ million)	HI 2012	HI 2011	FY 2011
Borrowings	313	258	231
- Bank loans	137	93	78
- Bank overdrafts and creditor banks	37	36	28
- Finance leases	33	39	36
- Other borrowings	106	90	89
Other current financial assets	490	437	473
Cash and cash equivalents	648	1 017	911
- Cash equivalents	514	930	791
- Cash	134	87	120
Total	825	1 196	1 153
> 1 year	(223)	(164)	(151)
- Borrowings	223	164	151
- Other current financial assets	-	-	-
- Cash and cash equivalents	-	-	-
< 1 year	1 048	1 360	1 304
- Borrowings	90	94	80
- Other current financial assets	490	437	473
- Cash and cash equivalents	648	1 017	911

Eramet enjoys confirmed medium and long-term credit facilities. The unutilised facilities at the balance sheet date should allow the Group to refinance its short-term debts on a longer-term basis. Eramet has had a commercial paper programme in place since 2005, of which €10 million was utilised in the first half of 2012.

(€ million)	HI 2012	HI 2011	FY 2011
Unutilised credit facilities (*)	800	800	800
Unissued commercial paper	390	380	385
Repos (**)	180	177	180

(*) The bank covenants relating to these credit facilities are wholly satisfied. The covenants relate to the ratio of the Group's net debt to shareholders' equity.

(**) The repo programme is outlined in Note 22.3.4 – "Liquidity risks" in the 2011 Registration Document. No amount was drawn down under the programme at 30 June 2012.

5.9.2 Statement of net cash flows or (net debt)

(€ million)	H1 2012	H1 2011	Financial year 2011
Operating activities			
EBITDA	204	490	789
Elimination of non-cash and non-operating income and expenses	(73)	(105)	(155)
Cash generated from operations	131	385	634
Net change in current operating assets and liabilities	(80)	(122)	(43)
Net cash generated by operating activities	51	263	591
Investing activities			
Industrial capital expenditure	(265)	(178)	(492)
Net financial disposals (investments)	(18)	17	(65)
Proceeds from non-current asset disposals	1	1	3
Capital grants received	-	-	-
Changes in receivables and payables on non-current	(27)	(21)	12
Changes in scope and loans	5	3	17
Dividends received from associates	-	-	-
Net cash used in investing activities	(304)	(178)	(525)
Cash flows from financing activities			
Dividends paid	(319)	(186)	(186)
Proceeds from share capital increases	-	1	1
Change in working capital requirement arising from financing activities	249	-	(2)
Net cash used in financing activities	(70)	(185)	(187)
Exchange-rate impact	(5)	1	(21)
Increase (decrease) in net cash or debt position	(328)	(99)	(142)
Opening net cash (debt) position	1 153	1 295	1 295
Closing net cash (debt) position	825	1 196	1 153

5.10 Trade and other payables

(€ million)	H1 2012	H1 2011	FY 2011
Trade payables	455	414	473
Tax and payroll liabilities	218	211	217
Other operating liabilities	111	100	89
Payables on non-current assets	37	31	62
Payables to associates - dividends	250	6	-
Withholding tax on dividends	29	21	20
Unearned income	12	12	9
Total	1 112	795	870
Non-current liabilities	29	29	37
Current liabilities	1 083	766	833

Most of the trade and other payables are due in less than one year. The €29 million in debts (€37 million at 31 December 2011) recognised under non-current liabilities relate to Setrag SA's 25-year debt to the Gabonese State for the purchase of own property and a portion of the spare parts inventory for €6 million (compared with €10 million at 31 December 2011) as well as to the €22 million debt of Strand Minerals Pte Ltd owed to Mitsubishi Corporation for the Indonesian mining project expenses (unchanged from 31 December 2011). Associates' debts – dividends correspond to the dividends declared by Le Nickel-SLN and Comilog SA which will be paid in the second half of 2012. Withholding tax on dividends relates to intra-Group dividend payments.

5.11 Derivatives

Breakdown of financial instruments recognised as assets:

(€ million)	HI 2012	HI 2011	FY 2011
Financial instrument assets (*)	5	13	5
Financial instruments - currency hedges	57	80	27
Financial instruments - interest-rate hedges	-	-	-
Financial instruments - commodity hedges	15	45	14
Total	77	138	46

Breakdown of financial instruments recognised as liabilities:

(€ million)	HI 2012	HI 2011	FY 2011
Financial instrument liabilities (*)	25	3	17
Financial instruments - currency hedges	88	18	70
Financial instruments - interest-rate hedges	13	5	10
Financial instruments - commodity hedges	8	20	4
Total	134	46	101

(*) Foreign currency receivables and debts are translated at the hedging rate and the difference between the closing rate and this hedging rate is recognised under "Financial instrument assets and liabilities".

The hedging instrument is measured and accounted for at fair value. The change in this fair value, covering the assets and liabilities, is detailed under "Financial instruments – hedges" on the asset or liability side.

5.12 Risk management

The presentation of risks and their assessment by the Group is set out in the 2011 Registration Document in Note 22.3 "Risk management" to the consolidated financial statements.

6. Off-balance-sheet commitments

6.1 Ordinary transactions

(€ million)	H1 2012	H1 2011	FY 2011
Commitments given			
Endorsements, pledges and guarantees	127	104	116
Collateral security:	38	41	22
- Property, plant and equipment	16	2	2
- Inventories	11	20	10
- Receivables and other assets	11	19	10
Finance lease commitments	32	38	38
Commitments received			
Endorsements, pledges and guarantees	39	125	134
Collateral security	Nil	Nil	Nil
Credit facilities	800	800	800

Commitments on non-current asset orders relate only to strategic capital expenditure projects. The above table does not include orders arising in the ordinary course of business (orders received from clients or placed with suppliers).

6.2 Other transactions and commitments

Other transactions and commitments are set out in the 2011 Registration Document in Note 29 – "Off-balance-sheet commitments" and Note 30 – "Other commitments", and relate to the following:

Moanda Metallurgy Complex (CMM) investment project – Comilog SA,
Investment project in Senegal through the TiZir Ltd joint venture,
"Transgabonais" railway concession - Setrag SA,
Call options on Pt Weda Bay Nickel in favour of Pt Antam,
Agreement to increase the Gabonese Republic's interest in the capital of Comilog SA.

7. Additional information

The lawsuit between Carlo Tassara France (part of the Romain Zaleski Group) and Sima, Sorame and Ceir, plus members of the Duval family, is discussed in the 2011 Registration Document in Note 34 – "Additional Information" to the consolidated financial statements. There were no new developments in this matter during the first half of 2012.

8. Related-party transactions

The related-party transactions during the first half of 2012 are detailed below:

(€ million)	HI 2012	HI 2011	FY 2011
Sales			
- Non-consolidated controlled subsidiaries	22	22	29
- Associates	-	-	-
- Other related parties	12	17	30
Cost of sales, administrative and selling expenses			
- Non-consolidated controlled subsidiaries	(3)	(3)	(5)
- Associates	-	-	-
Net borrowing cost			
- Non-consolidated controlled subsidiaries	-	-	-
- Associates	-	-	-

The balance sheet assets and liabilities resulting from related-party transactions during the first half of 2012 break down as follows:

(€ million)	HI 2012	HI 2011	FY 2011
Trade and other receivables			
- Non-consolidated controlled subsidiaries	17	9	11
- Associates	-	-	-
Trade and other payables			
- Non-consolidated controlled subsidiaries	1	-	4
- Associates	-	-	-
Net financial assets (liabilities)			
- Non-consolidated controlled subsidiaries	(10)	(4)	(5)
- Associates	-	-	-

Eramet does not in any way guarantee related-party debts.

9. Events after the balance sheet date

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

IV- STATUTORY AUDITORS' REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

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

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting of shareholders 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 half-yearly consolidated financial statements of Eramet, for the period from 1 January 2012 to 30 June 2012, and;

the verification of the information contained in the interim 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 limited review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A limited 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. Consequently, the level of assurance we obtained about whether the condensed half-year consolidated financial statements taken as a whole are free of material misstatements is moderate, and lower than that obtained in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with standard IAS 34 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 interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

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

Neuilly-sur-Seine and Paris-La Défense, 27 July 2012
The Statutory Auditors

DELOITTE & ASSOCIES
(*French original signed by*)

Alain Penanguer

ERNST & YOUNG et Autres
(*French original signed by*)

Aymeric de la Morandière