# TRANSFORMING MUCH MORE THAN ORE

HALF YEAR REPORT 2013

ERAMET

DES ALLIAGES,
DES MINERAIS ET DES HOMMES.

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# I DECLARATION BY THE PERSONS RESPONSIBLE FOR THE ERAMET INTERIM FINANCIAL REPORT AS OF 30 JUNE 2013

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, 26 July 2013

| Chairman and Chief Executive Officer | Chief Financial Officer |
|---|---|
| **Patrick Buffet** | **Jean-Didier Dujardin** |

# II INTERIM BUSINESS REPORT AS OF 30 JUNE 2013

## 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 2013 and the other financial information in the 2012 Registration Document filed with the French Financial Market Authority (AMF) on 27 March 2013. 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 ERAMET's future business activities that may differ materially from actual results.

## 2. OVERVIEW

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. In 2012, the Group's three Divisions, ERAMET Nickel, ERAMET Manganese and ERAMET Alloys achieved sales of €3,447 million, a slight decrease compared to 2011, and realized a current operating profit of €144 million compared with a profit of €554 million in 2011. At 30 June 2013, Group sales came to €1,613 million, and current operating profit to (€9) million, essentially due to the negative impact of nickel prices in a deteriorated economic context.

## 3. HIGHLIGHTS OF THE FIRST HALF OF 2013

### ■ Trends in the economic environment and the Group's results

The international economic environment remained difficult and contrasted in the 1st half of 2013. Economic growth was still negative in Europe, while China's GDP growth decreased but was still high at 7.5-8%. Global economic growth slowed down overall in the 1st half of 2013, at a time when, to varying extents according to the Group's markets, the new capacities launched in recent years are ramping up.

Global supply is heavily in surplus for nickel, the price of which fell to approximately USD6/lb., i.e. below the production cash cost for a large part of the nickel industry. This crisis situation results from excess growth in nickel ore production in Indonesia and the Philippines in recent years. This ore is exported to China to be converted into nickel pig iron to supply Chinese stainless steel producers.

In 2012 the Indonesian government announced its decision to ban raw nickel ore exports from 2014 in order to foster their local conversion. Without a firm framework during the transition period, the announcement increased the pace of Indonesian and Filipino ore exports to China and the build-up of substantial inventory in Chinese ports in anticipation.

This sharp rise has destabilised the nickel market for the short term and can only be an obstacle for industrial operators seeking to obtain the funding needed to build conversion plants, even if the Indonesian government wants that to happen in a short timeframe.

In this global economic and market environment, the ERAMET Group's turnover decreased 7% in the 1st half of 2013 compared with the 1st half of 2012 to total €1,613 million.

As expected, the fall in nickel prices was reflected in lower current operating income for the Group in the 1st half of 2013 than in the 1st half of 2012, at (€9) million, while the Group's net income totalled (€32) million.

### ■ Net cash

Capital expenditure was held back compared with initial forecasts and totalled €276 million in the 1st half of 2013.

Net cash totalled €127 million as of 30 June 2013. Given the continuation of Group subsidiaries' dividend payout policy, as decided in 2010 to strengthen ERAMET S.A.'s shareholders' equity, €161 million will be paid to SLN and COMILOG's minority shareholders in the 2nd half of 2013.

Furthermore, in the 1st half of 2013 ERAMET S.A. successfully renegotiated its syndicated credit facility, increasing it to €981 million and extending its maturity for the most part from January 2017 to January 2018. As of 30 June 2013, this facility has not been drawn upon. ERAMET began diversifying its financing sources by issuing a "Schuldschein"* for €60 million and maturity at 7 years. Over the next few months, the ERAMET Group intends to continue this policy of diversifying its financial resources as opportunities arise.

* *Loan contract under German law taken out with international investors.*

# 4. 2013 INTERIM RESULTS

## 4.1 Income statement

| *(€ million)* | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Sales | 1,613 | 1,735 | 3,447 |
| Current operating profit (loss) | (9) | 85* | 153* |
| Profit (loss) for the period | (28) | 42 | 43 |
| Profit (loss) for the period attributable to equity holders of the parent | (32) | 21 | 9 |
| Basic earnings per share | (1.23) | 0.79 | 0.34 |

* *The financial statements for the first half of 2012 and the 2012 financial year have been restated for the retrospective application of revised IAS 19 (see Note 3 – Restated 2012 financial statements).*

### 4.1.1 Sales

#### ■ ERAMET Manganese

ERAMET Manganese's turnover, at €777 million, rose 3% in the 1st half of 2013 compared with the 1st half of 2012, thanks to continued recovery in manganese ore prices and an increase in ore shipment volumes.

Global production of carbon steel rose 2% in the 1st half of 2013, mainly driven by Chinese growth (+7%).

Manganese ore prices (CRU spot, CIF China) recovered significantly in the 1st half of 2013 (+16% vs. 1st half 2012, at USD5.6/dmtu), reaching USD5.7/dmtu at the end of June, compared with USD5.0/dmtu in December 2012.

As expected, ERAMET Manganese's production of manganese ore recovered sharply in the 1st half of 2013 (+35%) compared with the 1st half of 2012, setting a 1st half record at 1,767,000 tons. ERAMET Manganese continues to prepare for an increase in rail capital expenditure through SETRAG, in liaison with Gabonese authorities, in order to help develop the Transgabonais train's activity.

Prices for standard manganese alloys continued to fall in the 1st half of 2013 because of excess overall capacity. The price of high-carbon ferromanganese (CRU spot Europe) dropped 9% in the 1st half of 2013 compared with the 1st half of 2012.

Conditions on the manganese alloy market also deteriorated in China in the 1st half of 2013. Production on the New Guiling site (China) slowed down considerably as a result.

TIZIR's turnover, which at this stage is generated solely by the Tyssedal, Norway plant (titanium dioxide for white pigments, high purity cast iron for foundries), decreased 10% in the 1st half of 2013 compared with the 1st half of 2012 to €37 million (for the 50% held by ERAMET), mainly because of lower prices.

### ■ ERAMET Nickel

LME nickel prices continued to fall in the 1st half of 2013 and were 13% lower on average than in the 1st half of 2012, at USD7.3/lb. In the past few weeks they have been around USD6/lb.

This decrease reflects excess global supply of nickel production, primarily as a result of the growth of nickel pig iron production in China. This was made possible by the substantial growth in nickel ore exports from Indonesia and Philippines, which are far in excess of market needs. LME nickel inventory increased by 46,000 tons in the 1st half of 2013 to total almost 188,000 tons at the end of June.

Given extremely low prices, ERAMET Nickel's turnover totalled €368 million in the 1st half of 2013, a 20% decrease compared with the 1st half of 2012, while current operating expense for the period was (€94) million.

Metallurgical nickel production in Doniambo (New Caledonia) decreased 8% in the 1st half of 2013 compared with the 1st half of 2012, in line with market trends, making a reduction in working capital possible.

### ■ ERAMET Alloys

ERAMET Alloys' turnover with the aerospace sector rose 5% in the 1st half of 2013 compared with the 1st half of 2012. However, the Division's non-aerospace activities were heavily affected by the economic and market environment over the same period. Turnover decreased 35% with the tooling market, mainly high speed steels, and 19% with the energy market.

In total, ERAMET Alloys' turnover decreased 10% in the 1st half of 2013 compared with the 1st half of 2012.

In the 1st half of 2013, ERAMET Alloys is in line with the 2013 stages in its goals for 2015, in terms of both reducing general expenses and increasing productivity. Consequently, despite lower turnover, ERAMET Alloys' current operating income was on a par with the 1st half of 2012 at €3 million, reflecting a gradual improvement in current operating margin despite the sharp slump on some markets.

Restructuring operations will be carried out on the Firminy site from the 2nd half of 2013 with the aim of reducing costs by 25%.

After the launch and ongoing ramp-up of four strategic capital projects, mainly in France with Aubert & Duval, the pace of capital expenditure at ERAMET Alloys slowed by 20% in the 1st half of 2013 compared with the same period in 2012.

## 4.1.2 Current operating profit (loss)

At (€9) million, current operating profit was sharply down compared with the €85 million earned in the first half of 2012.

**For ERAMET Manganese:** Current operating profit came to €109 million in the first half of 2013, up 20% compared to the first half of 2012.

**For ERAMET Nickel:** Current operating profit fell sharply (by €106 million) to (€94) million, mainly owing to the fall in nickel prices.

**For ERAMET Alloys:** Current operating profit stands at €3 million, close to the levels of the first half of 2012, reflecting a gradual improvement in the current operating margin despite the sharp decline in some markets.

## 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 (€32) million in the first half of 2013, down from the €21 million earned in the first half of 2012. This is due to the sharp fall in current operating profit and the level of expenses related to development projects.

This attributable profit included the following items:

- **Net borrowing cost** of €1 million, down €9 million due to the decrease in cash during the period.
- **Other financial income and expenses:** An expense of €15 million compared with €8 million in the first half of 2012, mainly due to the negative effect from financial instruments not settled and not qualifying as hedges, amounting to (€4.1) million compared with €3 million as at 30 June 2012. For the first year, this item includes the financial burden related to the enforcement of IAS 19R (employee benefits) for (€3.2) million in 2013 and (€4) million in 2012.

- A **corporate income tax credit** of €20 million compared with an income tax expense of €29 million in the first half of 2012. The effective tax rate is stable at 41% and takes into account the positive impact from the vesting of provisions as tax-eligible at Comilog and the negative effects of unrecognized or limited deferred tax assets.
- **Non-controlling interests,** lower in the first half of 2013 (€4 million compared with €21 million in the first half of 2012), reflect the knock-on from the decrease in profits, particularly in the Nickel Division.

### 4.1.4 Basic earnings per share

Earnings per share came to (€1.23) compared with €0.79 in the first half of 2012.

The average number of shares outstanding in the first half of 2013 was 26,255,052 compared with 26,264,405 in the first half of 2012.

## 4.2 Statement of net cash flows (or net debt)

The table below summarizes the cash flow statements for the periods ended 30 June 2013 and 30 June 2012.

| | Period ended 30 June | |
|---|---|---|
| *(€ million)* | **2013** | **2012** |
| Net cash generated by operating activities | 65 | 51 |
| Industrial capital expenditure | (276) | (265) |
| Net financial investments | (21) | (18) |
| Dividends | (92) | (70) |
| Other flows | 3 | (26) |
| Decrease (increase) in cash position | (321) | (328) |
| Opening net cash position | 448 | 1,153 |
| Closing net cash position | 127 | 825 |

The net cash position fell to €127 million as at 30 June 2013 compared with €448 million as at 31 December 2012.

**Net cash generated by operating activities:** Slight increase of €14 million (€65 million compared with €51 million).

**Industrial capital expenditure:** Industrial capital expenditure amounted to €276 million, breaking down into 23% for ERAMET Nickel, 64% for ERAMET Manganese and 13% for ERAMET Alloys.

**Net financial investments:** Net financial investments include the payment of an option to the tune of €15 million (USD20 million) as part of a manganese development project in South Africa.

**Dividends:** Dividends paid in the first half-year of 2013 comprise: €34 million for ERAMET shareholders, equivalent to a dividend of €1.30 per share (compared with a dividend of €2.25 per share in 2012) and €58 million paid to the non-controlling shareholders of Comilog SA. The €161 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 2013 was €6,341 million compared with €6,309 million at 31 December 2012.

Non-current assets stood at €3,649 million compared with €3,503 million in 2012.

The simplified working capital (inventory plus trade receivables, less trade payables) was €1,086 million as at 30 June 2013 compared with €1,131 million as at 31 December 2012.

Equity capital of the consolidated entity was down to €3,523 million at the end of June 2013 from €3,809 million at the end of 2012. The change in equity mainly reflects the negative profit for the period, the slightly positive impact of financial instruments recognized directly in equity, the negative impact of currency translation differences and the dividend payments in the first half of 2013 in respect of the 2012 financial year, as well as the negative impact of the enforcement of revised IAS 19 for €42.5 million.

# 5. 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 set out in the 2012 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 centralised at Group level through a wholly-owned subsidiary (Metal Securities). In 2013, as in previous years, cash was invested prudently (41% in money-market UCITS, 29% in bonds, 29% in negotiable debt securities and 1% in diversified investments). This prudent management earned ERAMET a return of 1.74% in the first half of 2013, equivalent to EONIA +1.63%.

The Group has not identified any other risk factors during the first half of 2013 or any affecting the upcoming second half.

# 6. RELATED PARTIES

The main related-party transactions are set out in Note 9 to the condensed interim consolidated financial statements.

# 7. EVENTS SINCE THE BALANCE SHEET DATE

As part of the operations relating to the establishment of the Public Investment Bank, the industrial and commercial establishment BPI Group declared (AMF Declaration 213C1027) that on 12 July 2013, indirectly through BPIfrance Participations (ex FSI), it had exceeded the thresholds of 5%, 10%, 15% and 20% of capital and voting rights and the 25% threshold in ERAMET and at that date indirectly held 6,810,317 shares in ERAMET, representing that same number of voting rights, i.e. 25.66% of the capital and 20.34% of the voting rights.

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

# 8. FINANCIAL STATEMENTS OF ERAMET S.A.

| *(€ million)* | **30/06/2013** | **30/06/2012** | **31/12/2012** |
|---|---|---|---|
| Sales | 365 | 450 | 880 |
| Operating profit (loss) | (40) | (21) | (35) |
| Income from financing activities | 68 | 85 | 317 |
| Extraordinary items | 7 | 5 | 13 |
| Net profit (loss) for the period | 35 | 69 | 321 |

Sales dropped 19% owing to the fall in nickel prices (LME price of USD7.67/lb as against USD8.4/lb in the first half of 2012).

Operating loss came to (€40) million compared with (€21) million as at 30 June 2012. The 2013 loss was mainly due to lower Nickel sales and the increase in research costs recognized in expenses, particularly for the Niobium project.

Financial income of €68 million, compared with €85 million in 2012, is explained by the €70 million in dividends received from the Manganese Division, compared with €79 million in the first half of 2012. The balance comprised net interest paid on intra-Group lending/borrowing and the net foreign-exchange balance on financial transactions, less a provision to the amount of €8 million on financial advances made as part of the Lithium project.

The extraordinary result mainly comprises the reversal of the maturing portion of provisions for tax (PHP).

The profit for the period amounted to €35 million compared with €69 million as at 30 June 2012.

# 9. SHORT-TERM OUTLOOK

ERAMET Manganese's ore and sinter production will be higher in 2013 than in 2012, with production in the 2nd half of 2013 at least equal to the 1st half of 2013.

ERAMET Alloys will continue to implement its operating improvement programmes in the coming years in order to reach the goals set for 2015, while ramping up the capital projects already completed.

Nickel prices deteriorated further in the 2nd half of 2013, due to significant oversupply in relation to demand, and excessive global nickel inventory, particularly ore stocks built up in China.

Given current nickel market conditions, the ERAMET Group's current operating income for the 2nd half of 2013 should be significantly lower than in the 1st half of 2013.

The Group will step up the measures intended to reduce its costs, lower its capital spending, adjust its production in line with its market and reduce its working capital requirement.

# III CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2013

# STATEMENT OF COMPREHENSIVE INCOME

| *(€ million)* | Notes | H1 2013 | H1 2012 restated | FY 2012 restated |
|---|---|---|---|---|
| **Sales** | | **1,613** | **1,735** | **3,447** |
| Other income | | 26 | 9 | 34 |
| Cost of sales | | (1,378) | (1,413) | (2,823) |
| Administrative and marketing expenses | | (110) | (104) | (200) |
| Research and development expenditure | | (22) | (23) | (51) |
| **EBITDA** | | **129** | **204** | **407** |
| Depreciation, amortisation & impairment of non-current assets | | (130) | (115) | (245) |
| Impairment charges and provisions | | (8) | (4) | (9) |
| **Current operating profit (loss)** | | **(9)** | **85** | **153** |
| Other operating income and expenses | 5.1 | (26) | (16) | (74) |
| **Operating profit (loss)** | | **(35)** | **69** | **79** |
| Net borrowing cost | 5.2.1 | 1 | 10 | 8 |
| Other financial income and expenses | 5.2.2 | (15) | (8) | (15) |
| Share in profit of associates | | 1 | - | - |
| Income tax | 5.3 | 20 | (29) | (29) |
| **Profit (loss) for the period** | | **(28)** | **42** | **43** |
| ■ attributable to non-controlling interests | | 4 | 21 | 34 |
| ■ **attributable to equity holders of the parent** | | **(32)** | **21** | **9** |
| Basic earnings per share (EUR) | 5.4 | (1.23) | 0.79 | 0.34 |
| Diluted earnings per share (EUR) | | (1.23) | 0.79 | 0.34 |
| **Profit (loss) for the period** | | **(28)** | **42** | **43** |
| Translation adjustments for financial statements of subsidiaries denominated in foreign currency | | (23) | 25 | 2 |
| Change in revaluation reserve for hedging financial instruments | | 5 | 2 | 37 |
| Change in fair value of held-for-sale financial assets | | (4) | 4 | 6 |
| Income tax | 5.3 | (1) | (4) | (12) |
| **Recyclable items in the income statement** | | **(23)** | **27** | **33** |
| Revaluation of net liabilities on defined benefit plans | | - | (19) | (4) |
| Income tax | | - | 6 | 5 |
| **Non-recyclable items in the income statement** | | **-** | **(13)** | **1** |
| **Other components of comprehensive income** | | **(23)** | **14** | **34** |
| ■ attributable to non-controlling interests | | 1 | - | (5) |
| ■ **attributable to equity holders of the parent** | | **(24)** | **14** | **39** |
| **TOTAL COMPREHENSIVE INCOME** | | **(51)** | **56** | **77** |
| ■ attributable to non-controlling interests | | **5** | **21** | **29** |
| ■ **attributable to equity holders of the parent** | | **(56)** | **35** | **48** |

The financial statements for the first half of 2012 and the 2012 financial year have been restated for the retrospective application of revised IAS 19 (Note 3 – Restated 2012 financial statements).

# STATEMENT OF FINANCIAL POSITION

## Assets

| *(€ million)* | Notes | 30/06/2013 | 30/06/2012 restated | 31/12/2012 restated |
|---|---|---|---|---|
| Goodwill | | 172 | 173 | 173 |
| Intangible assets | 6.1 | 751 | 705 | 717 |
| Property, plant and equipment | 6.1 | 2,560 | 2,235 | 2,454 |
| Investments in associates | | 33 | 33 | 33 |
| Other financial assets | | 100 | 99 | 88 |
| Deferred tax | 6.8 | 29 | 36 | 31 |
| Other non-current assets | | 4 | 5 | 7 |
| **Non-current assets** | | **3,649** | **3,286** | **3,503** |
| Inventories | | 1,068 | 1,134 | 1,038 |
| Trade receivables and other current assets | | 677 | 732 | 690 |
| Current tax receivables | | 34 | 31 | 38 |
| Derivatives | 6.11 | 52 | 77 | 51 |
| Other current financial assets | 6.9 | 232 | 490 | 368 |
| Cash and cash equivalents | 6.9 | 629 | 648 | 621 |
| **Current assets** | | **2,692** | **3,112** | **2,806** |
| **TOTAL ASSETS** | | **6,341** | **6,398** | **6,309** |

## Liabilities

| *(€ million)* | Notes | 30/06/2013 | 30/06/2012 restated | 31/12/2012 restated |
|---|---|---|---|---|
| Capital | | 81 | 81 | 81 |
| Premiums | | 373 | 372 | 373 |
| Revaluation reserve for held-for sale assets | | 2 | 3 | 5 |
| Hedging instrument revaluation reserve | | 7 | (23) | 4 |
| Revaluation reserve for net liabilities on defined benefit plans | | (40) | (54) | (40) |
| Translation differences | | 8 | 50 | 32 |
| Other reserves | | 2,474 | 2,548 | 2,539 |
| **Attributable to equity holders of the parent** | **6.4** | **2,905** | **2,977** | **2,994** |
| Attributable to non-controlling interests | | 618 | 806 | 815 |
| **Shareholders' equity** | | **3,523** | **3,783** | **3,809** |
| Employee-related liabilities | 6.5 | 190 | 217 | 188 |
| Provisions | 6.6 | 434 | 386 | 428 |
| Deferred tax | 6.8 | 304 | 367 | 355 |
| Borrowings – long-term portion | 6.9 | 368 | 223 | 311 |
| Other non-current liabilities | 6.10 | 28 | 29 | 28 |
| **Non-current liabilities** | | **1,324** | **1,222** | **1,310** |
| Provisions – short-term portion | 6.6 | 35 | 27 | 30 |
| Borrowings – short-term portion | 6.9 | 366 | 90 | 230 |
| Trade payables and other current liabilities | 6.10 | 986 | 1,083 | 805 |
| Current tax liabilities | | 62 | 59 | 72 |
| Derivatives | 6.11 | 45 | 134 | 53 |
| **Current liabilities** | | **1,494** | **1,393** | **1,190** |
| **TOTAL LIABILITIES** | | **6,341** | **6,398** | **6,309** |

The financial statements as at 30 June 2012 and 31 December 2012 have been restated for the retrospective application of revised IAS 19 (Note 3 – Restated 2012 financial statements).

# STATEMENT OF CASH FLOWS

| *(€ million)* | | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Profit (loss) | | (28) | 42 | 43 |
| Elimination of non-cash and non-operating income and expenses: | | | | |
| ■ Depreciation, amortisation and provisions | | 145 | 119 | 264 |
| ■ Financial instruments | | 4 | (3) | (10) |
| ■ Deferred tax | | (67) | (27) | (41) |
| ■ Proceeds from asset disposals | | 3 | - | 2 |
| ■ Share in profit of associates | | (1) | - | - |
| **Cash generated from operations** | | **56** | **131** | **258** |
| (Increase) or decrease in inventories | | (40) | (26) | 64 |
| (Increase) or decrease in trade receivables | | (32) | (17) | (2) |
| Increase or (decrease) in trade payables | | 41 | (24) | (79) |
| Change in other assets and liabilities | | 92 | 10 | 57 |
| Interest income | | 9 | 10 | 19 |
| Interest paid | | (11) | (10) | (19) |
| Tax paid | | (50) | (23) | (81) |
| **Net change in current operating assets and liabilities** | | **9** | **(80)** | **(41)** |
| **Net cash generated by operating activities** | | **65** | **51** | **217** |
| **Investing activities** | | | | |
| Payments for non-current assets | | (272) | (305) | (655) |
| Proceeds from non-current asset disposals | | 5 | - | 11 |
| (Proceeds from) repayment of borrowings | | (14) | 5 | 13 |
| Net change in other current financial assets | | 136 | (17) | 105 |
| Dividends received from associates | | - | - | - |
| Impact of additions to consolidation scope | (1) | - | - | (1) |
| Impact of removals from consolidation scope | (2) | - | (1) | (1) |
| **Net cash used in investing activities** | | **(145)** | **(318)** | **(528)** |

| *(€ million)* | | **H1 2013** | **H1 2012** | **FY 2012** |
|---|---|---|---|---|
| **Financing activities** | | | | |
| Dividends paid to ERAMET shareholders | | (34) | (59) | (59) |
| Dividends paid to non-controlling interests in consolidated companies | | (187) | (260) | (260) |
| Proceeds from share capital increases | | - | - | 2 |
| Proceeds from treasury share sales / (payments for purchases) | (3) | (6) | - | (1) |
| Changes of percentage interests in subsidiaries | (4) | - | (3) | (3) |
| Proceeds from borrowings | | 250 | 96 | 319 |
| Repayment of borrowings | | (65) | (19) | (5) |
| Net change in current financial assets and liabilities | | 129 | 249 | 32 |
| **Net cash used in financing activities** | | **87** | **4** | **25** |
| Exchange-rate impact | | 1 | - | (4) |
| **Increase (decrease) in cash and cash equivalents** | | **8** | **(263)** | **(290)** |
| **OPENING CASH AND CASH EQUIVALENTS** | | **621** | **911** | **911** |
| **CLOSING CASH AND CASH EQUIVALENTS** | | **629** | **648** | **621** |
| The ERAMET Group uses the net cash/debt position concept, presented in Note 6.9, as an internal management and performance indicator: | | | | |
| **NET CASH (OR NET DEBT) POSITION** | | **127** | **825** | **448** |

The financial statements for the first half of 2012 and the 2012 financial year have been restated for the retrospective application of revised IAS 19 (Note 3 – Restated 2012 financial statements).

(1) Entries into consolidation scope include:

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Consolidation of TiZir Ltd | - | - | - |
| ■ Acquisition cost | - | - | - |
| ■ Cash acquired | - | - | - |
| Consolidation of Somivab | - | - | (1) |
| ■ Acquisition cost | - | - | - |
| ■ Cash acquired | - | - | (1) |
| **TOTAL** | **-** | **-** | **(1)** |

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

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Heye Erasteel Innovative Materials Ltd | - | (1) | (1) |
| **TOTAL** | **-** | **(1)** | **(1)** |

(3) Changes in treasury stock include:

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Purchases and sales – liquidity contract | (3) | - | 2 |
| Purchases and sales – buyback contract | (3) | - | (3) |
| Purchase options exercised by employees | - | - | - |
| **TOTAL** | **(6)** | **-** | **(1)** |

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

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Acquisition of 15% of the shares in Setrag SA | - | (3) | (3) |
| **TOTAL** | **-** | **(3)** | **(3)** |

# STATEMENT OF CHANGES IN EQUITY

| *(€ million)* | Number of shares | Capital | Premiums | Reserves on assets held for sale | Reserves on hedging instruments | Reserves on defined benefit plans | Translation differences | Other reserves | Attributable to equity holders of the parent | Attributable to non-controlling interests | Total Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity at 1 January 2012** | **26,519,116** | **81** | **372** | **-** | **(24)** | **-** | **28** | **2,579** | **3,036** | **1,043** | **4,079** |
| Initial application of revised IAS 19 | - | - | - | - | - | (42) | - | - | (42) | (2) | (44) |
| **Restated Shareholders' equity at 1 January 2012** | **26,519,116** | **81** | **372** | **-** | **(24)** | **(42)** | **28** | **2,579** | **2,994** | **1,041** | **4,035** |
| **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 |
| Change in net liabilities on defined benefit plans | - | - | - | - | - | (12) | - | - | (12) | (1) | (13) |
| **Other components of comprehensive income** | **-** | **-** | **-** | **3** | **1** | **(12)** | **22** | **-** | **14** | **-** | **14** |
| **Total comprehensive income** | **-** | **-** | **-** | **3** | **1** | **(12)** | **22** | **21** | **35** | **21** | **56** |
| 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)** | **(54)** | **50** | **2,548** | **2,977** | **806** | **3,783** |

# STATEMENT OF CHANGES IN EQUITY

| *(€ million)* | Number of shares | Capital | Premiums | Reserves on assets held for sale | Reserves on hedging instruments | Reserves on defined benefit plans | Translation differences | Other reserves | Attributable to equity holders of the parent | Attributable to non-controlling interests | Total Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit (loss) for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **9** | **9** | **34** | **43** |
| Translation adjustments of subsidiaries' financial statements denominated in foreign currency | - | - | - | - | - | - | 4 | - | 4 | (2) | 2 |
| Change in revaluation reserve for hedging instruments | - | - | - | - | 28 | - | - | - | 28 | (2) | 26 |
| Change in fair value of financial assets held for sale | - | - | - | 5 | - | - | - | - | 5 | - | 5 |
| Change in net liabilities on defined benefit plans | - | - | - | - | - | 2 | - | - | 2 | (1) | 1 |
| **Other components of comprehensive income** | **-** | **-** | **-** | **5** | **28** | **2** | **4** | **-** | **39** | **(5)** | **34** |
| **Total comprehensive income** | **-** | **-** | **-** | **5** | **28** | **2** | **4** | **9** | **48** | **29** | **77** |
| Dividends paid – €2.25 per share | - | - | - | - | - | - | - | (59) | (59) | (260) | (319) |
| Proceeds from share capital increases | 24,102 | - | 1 | - | - | - | - | - | 1 | 1 | 2 |
| Treasury shares | - | - | - | - | - | - | - | (1) | (1) | - | (1) |
| Share-based payment | - | - | - | - | - | - | - | 14 | 14 | - | 14 |
| Changes in percentage interests in subsidiaries | - | - | - | - | - | - | - | (3) | (3) | 1 | (2) |
| Other movements | - | - | - | - | - | - | - | - | - | 3 | 3 |
| **Total transactions with shareholders** | **24,102** | **-** | **1** | **-** | **-** | **-** | **-** | **(49)** | **(48)** | **(255)** | **(303)** |
| **SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2012** | **26,543,218** | **81** | **373** | **5** | **4** | **(40)** | **32** | **2,539** | **2,994** | **815** | **3,809** |

| (€ million) | Number of shares | Capital | Premiums | Reserves on assets held for sale | Reserves on hedging instruments | Reserves on defined benefit plans | Translation differences | Other reserves | Attributable to equity holders of the parent | Attributable to non-controlling interests | Total Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit (loss) for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(32)** | **(32)** | **4** | **(28)** |
| Translation adjustments of subsidiaries' financial statements denominated in foreign currency | - | - | - | - | - | - | (24) | - | (24) | 1 | (23) |
| Change in revaluation reserve for hedging instruments | - | - | - | - | 3 | - | - | - | 3 | - | 3 |
| Change in fair value of financial assets held for sale | - | - | - | (3) | - | - | - | - | (3) | - | (3) |
| Change in net liabilities on defined benefit plans | - | - | - | - | - | - | - | - | - | - | - |
| **Other components of comprehensive income** | **-** | **-** | **-** | **(3)** | **3** | **-** | **(24)** | **-** | **(24)** | **1** | **(23)** |
| **Total comprehensive income** | **-** | **-** | **-** | **(3)** | **3** | **-** | **(24)** | **(32)** | **(56)** | **5** | **(51)** |
| Dividends paid – €1.30 per share | - | - | - | - | - | - | - | (34) | (34) | (187) | (221) |
| Proceeds from share capital increases | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares | - | - | - | - | - | - | - | (7) | (7) | - | (7) |
| Share-based payment | - | - | - | - | - | - | - | 8 | 8 | - | 8 |
| Changes in percentage interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - | - | - | (15) | (15) |
| **Total transactions with shareholders** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(33)** | **(33)** | **(202)** | **(235)** |
| **SHAREHOLDERS' EQUITY AS AT 30 JUNE 2013** | **26,543,218** | **81** | **373** | **2** | **7** | **(40)** | **8** | **2,474** | **2,905** | **618** | **3,523** |

The financial statements as at 30 June 2012 and 31 December 2012 have been restated for the retrospective application of revised IAS 19 (Note 3 – Restated 2012 financial statements).

# 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 4 on segment reporting.

The ERAMET Group's condensed interim consolidated financial statements for the first half of 2013 were reviewed by the Audit Committee on 24 July 2013 and approved by the Board of Directors on 26 July 2013.

## 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 2013 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 2012.

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 2013.

### 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 the financial year 2012, 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;
- amendments to standards and interpretations taking effect on 1 January 2013, mainly revised IAS 19 "Employee benefits", the impact of which is presented in Note 3 – Restated 2012 financial statements, and IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", with no impact at this stage.

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 2012 Registration Document in Note 1.1 – "General principles and compliance declaration".

The potential impacts for the ERAMET Group are also set out in the 2012 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 judgments

The measurement and assessment of certain assets and liabilities call for the use of judgments and estimates when preparing the consolidated financial statements. The judgments 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 (2012 Registration Document – Note 1.1.1 "Use of estimates and judgments" to the consolidated financial statements).

## 1.4 Specific features in the preparation of interim financial statements

### 1.4.1 Employee benefits

The post-employment benefit expense for the half-year is half the net expense calculated for financial year 2013, based on actuarial assumptions and data used at 31 December 2012, and adjusted where necessary for non-recurring events (plan amendments, reductions, liquidations). As of 30 June, the Group's main plans are subject to a projection and actuarial gains and losses estimated on the basis of a sensitivity analysis on the discount rate are recognized directly in equity (defined benefit plans) or on the income statement (other long-term benefits).

### 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

As at 30 June 2013, the scope of consolidation was not subject to changes in the first half of 2013 compared with 31 December 2012.

# 3. RESTATED 2012 FINANCIAL STATEMENTS

The financial statements for the first half of 2012 and the 2012 financial year have been restated for the effects of the retrospective application of revised IAS 19 – Employee Benefits as of 1 January 2013.

**The main impacts of the revision of the standard are the following:**

- elimination of the corridor method for deferring actuarial differences and their immediate recognition in other comprehensive income;
- identification of returns on plan assets recognized on the basis of the discount rate rather than the expected rate of return;
- unvested past service costs are now immediately recognized and no longer deferred.

In addition, for purposes of consistency, especially with the treatment of charges for discounting provisions for site restoration, the ERAMET Group has chosen to recognize the accounting expense related to net interest in financial income (other financial income and expenses) and not in current operating income as had been done previously; this resulted in a reclassification of an expense of €4 million in the first half of 2012 and an expense of €7 million for the 2012 financial year (and an expense of €2 million and €4 respectively under the old IAS 19).

Actuarial gains and losses and unprovisioned past service costs as at 31 December 2011 were recorded on 1 January 2012 net of taxes in consolidated reserves.

The impacts on the consolidated financial statements are as follows:

- increase in employee-related liabilities of €65 million;
- decrease in plan assets of €2 million;
- decrease in net deferred tax liabilities of €23 million (€2 million in assets and €21 million in liabilities);
- decrease in equity of €44 million (of which €2 million for the portion of any non-controlling interests and €42 million to the equity holders of the parent company).

## 3.1 Statement of comprehensive income

| (€ million) | H1 2012 published | Adjustments IAS 19 revised | H1 2012 restated | FY 2012 published | Adjustments IAS 19 revised | FY 2012 restated |
|---|---|---|---|---|---|---|
| **Sales** | **1,735** | **-** | **1,735** | **3,447** | **-** | **3,447** |
| Other income | 9 | - | 9 | 34 | - | 34 |
| Cost of sales | (1,413) | - | (1,413) | (2,823) | - | (2,823) |
| Administrative and selling expenses | (104) | - | (104) | (200) | - | (200) |
| Research and development expenditure | (23) | - | (23) | (51) | - | (51) |
| **EBITDA** | **204** | **-** | **204** | **407** | **-** | **407** |
| Depreciation, amortisation & impairment of non-current assets | (115) | - | (115) | (245) | - | (245) |
| Impairment charges and provisions | (8) | 4 | (4) | (18) | 9 | (9) |
| **Current operating profit (loss)** | **81** | **4** | **85** | **144** | **9** | **153** |
| Other operating income and expenses | (16) | - | (16) | (74) | - | (74) |
| **Operating profit (loss)** | **65** | **4** | **69** | **70** | **9** | **79** |
| Net borrowing cost | 10 | - | 10 | 8 | - | 8 |
| Other financial income and expenses | (4) | (4) | (8) | (8) | (7) | (15) |
| Share in profit of associates | - | - | - | - | - | - |
| Income tax | (29) | | (29) | (28) | (1) | (29) |
| **Profit (loss) for the period** | **42** | **-** | **42** | **42** | **1** | **43** |
| ■ attributable to non-controlling interests | 21 | - | 21 | 34 | - | 34 |
| **■ attributable to equity holders of the parent** | **21** | **-** | **21** | **8** | **1** | **9** |
| Basic earnings per share (EUR) | 0.79 | | 0.79 | 0.31 | | 0.34 |
| Diluted earnings per share (EUR) | 0.79 | | 0.79 | 0.31 | | 0.34 |
| **Profit (loss) for the period** | **42** | **-** | **42** | **42** | **1** | **43** |
| Translation adjustments for financial statements of subsidiaries denominated in foreign currency | 25 | - | 25 | 2 | - | 2 |
| Change in revaluation reserve for hedging financial instruments | 2 | - | 2 | 37 | - | 37 |
| Change in fair value of held-for-sale financial assets | 4 | - | 4 | 6 | - | 6 |
| Income tax | (4) | - | (4) | (12) | - | (12) |
| **Recyclable items in the income statement** | **27** | **-** | **27** | **33** | **-** | **33** |
| Actuarial gains and loss on employee benefits | - | (19) | (19) | - | (4) | (4) |
| Income tax | - | 6 | 6 | - | 5 | 5 |
| **Non-recyclable items in the income statement** | **-** | **(13)** | **(13)** | **-** | **1** | **1** |
| **Other components of comprehensive income** | **27** | **(13)** | **14** | **33** | **1** | **34** |
| ■ attributable to non-controlling interests | 1 | (1) | - | (4) | (1) | (5) |
| **■ attributable to equity holders of the parent** | **26** | **(12)** | **14** | **37** | **2** | **39** |
| **TOTAL COMPREHENSIVE INCOME** | **69** | **(13)** | **56** | **75** | **2** | **77** |
| ■ attributable to non-controlling interests | 22 | (1) | 21 | 30 | (1) | 29 |
| **■ attributable to equity holders of the parent** | **47** | **(12)** | **35** | **45** | **3** | **48** |

## 3.2 Statement of financial position

### Assets

| *(€ million)* | 30/06/2012 published | Adjustments IAS 19 revised | 30/06/2012 restated | 31/12/2012 published | Adjustments IAS 19 revised | 31/12/2012 restated |
|---|---|---|---|---|---|---|
| Goodwill | 173 | - | 173 | 173 | - | 173 |
| Intangible assets | 705 | - | 705 | 717 | - | 717 |
| Property, plant and equipment | 2,235 | - | 2,235 | 2,454 | - | 2,454 |
| Investments in associates | 33 | - | 33 | 33 | - | 33 |
| Other financial assets | 101 | (2) | 99 | 100 | (12) | 88 |
| Deferred tax | 34 | 2 | 36 | 29 | 2 | 31 |
| Other non-current assets | 5 | - | 5 | 7 | - | 7 |
| **Non-current assets** | **3,286** | **-** | **3,286** | **3,513** | **(10)** | **3,503** |
| Inventories | 1,134 | - | 1,134 | 1,038 | - | 1,038 |
| Trade receivables and other current assets | 732 | - | 732 | 690 | - | 690 |
| Current tax receivables | 31 | - | 31 | 38 | - | 38 |
| Derivatives | 77 | - | 77 | 51 | - | 51 |
| Other current financial assets | 490 | - | 490 | 368 | - | 368 |
| Cash and cash equivalents | 648 | - | 648 | 621 | - | 621 |
| **Current assets** | **3,112** | **-** | **3,112** | **2,806** | **-** | **2,806** |
| **TOTAL ASSETS** | **6,398** | **-** | **6,398** | **6,319** | **(10)** | **6,309** |

## Liabilities

| (€ million) | 30/06/2012 published | Adjustments IAS 19 revised | 30/06/2012 restated | 31/12/2012 published | Adjustments IAS 19 revised | 31/12/2012 restated |
|---|---|---|---|---|---|---|
| Capital | 81 | - | 81 | 81 | - | 81 |
| Premiums | 372 | - | 372 | 373 | - | 373 |
| Revaluation reserve for held-for sale assets | 3 | - | 3 | 5 | - | 5 |
| Hedging instrument revaluation reserve | (23) | - | (23) | 4 | - | 4 |
| Actuarial gains and loss on employee benefits | - | (54) | (54) | - | (40) | (40) |
| Translation differences | 50 | - | 50 | 32 | - | 32 |
| Other reserves | 2,548 | - | 2,548 | 2,538 | 1 | 2,539 |
| **Attributable to equity holders of the parent** | **3,031** | **(54)** | **2,977** | **3,033** | **(39)** | **2,994** |
| Attributable to non-controlling interests | 809 | (3) | 806 | 818 | (3) | 815 |
| **Shareholders' equity** | **3,840** | **(57)** | **3,783** | **3,851** | **(42)** | **3,809** |
| Employee-related liabilities | 133 | 84 | 217 | 131 | 57 | 188 |
| Provisions | 386 | - | 386 | 428 | - | 428 |
| Deferred tax | 394 | (27) | 367 | 380 | (25) | 355 |
| Borrowings – long-term portion | 223 | - | 223 | 311 | - | 311 |
| Other non-current liabilities | 29 | - | 29 | 28 | - | 28 |
| **Non-current liabilities** | **1,165** | **57** | **1,222** | **1,278** | **32** | **1,310** |
| Provisions – short-term portion | 27 | - | 27 | 30 | - | 30 |
| Borrowings – short-term portion | 90 | - | 90 | 230 | - | 230 |
| Trade payables and other current liabilities | 1,083 | - | 1,083 | 805 | - | 805 |
| Current tax liabilities | 59 | - | 59 | 72 | - | 72 |
| Derivatives | 134 | - | 134 | 53 | - | 53 |
| **Current liabilities** | **1,393** | **-** | **1,393** | **1,190** | **-** | **1,190** |
| **TOTAL LIABILITIES** | **6,398** | **-** | **6,398** | **6,319** | **(10)** | **6,309** |

## 3.3 Statement of cash flows

| *(€ million)* | H1 2012 published | Adjustments IAS 19 revised | H1 2012 restated | FY 2012 published | Adjustments IAS 19 revised | FY 2012 restated |
|---|---|---|---|---|---|---|
| **Operating activities** | | | | | | |
| Profit (loss) | 42 | - | 42 | 42 | 1 | 43 |
| Elimination of non-cash and non-operating income and expenses | | | | | | |
| ■ Depreciation, amortisation and provisions | 119 | - | 119 | 266 | (2) | 264 |
| ■ Financial instruments | (3) | - | (3) | (11) | - | (11) |
| ■ Deferred tax | (27) | - | (27) | (41) | 1 | (40) |
| ■ Proceeds from asset disposals | - | - | - | 2 | - | 2 |
| ■ Share in profit of associates | - | - | - | - | - | - |
| **CASH GENERATED FROM OPERATIONS** | **131** | **-** | **131** | **258** | **-** | **258** |

The other components of the statement of cash flows are unchanged.

The notes presented below include restatements relating to revised IAS 19.

# 4. 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 analyze 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 is 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 aluminum 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.

## 4.1 Reporting by business segment

| *(€ million)* | Nickel | Manganese | Alloys | Holding co. and eliminations | Total |
|---|---|---|---|---|---|
| **H1 2013** | | | | | |
| **External sales** | **365** | **775** | **471** | **2** | **1,613** |
| **Inter-segment sales** | **3** | **2** | **2** | **(7)** | **-** |
| Sales | 368 | 777 | 473 | (5) | 1,613 |
| Cash generated from operations | (65) | 124 | 18 | (21) | 56 |
| EBITDA | (49) | 172 | 30 | (24) | 129 |
| Current operating profit (loss) | (94) | 109 | 3 | (27) | (9) |
| Other operating income and expenses | - | - | - | - | (26) |
| Operating profit (loss) | - | - | - | - | (35) |
| Net borrowing cost | - | - | - | - | 1 |
| Other financial income and expenses | - | - | - | - | (15) |
| Share in profits of associates | - | - | - | - | 1 |
| Income tax | - | - | - | - | 20 |
| Attributable to non-controlling interests | - | - | - | - | (4) |
| Attributable to equity holders of the parent | - | - | - | - | (32) |
| Non-cash expenses | 8 | (46) | (29) | (17) | (84) |
| ■ depreciation & amortisation | (44) | (60) | (26) | (2) | (132) |
| ■ provisions | (7) | 2 | (6) | (1) | (12) |
| ■ impairment losses | - | - | - | - | - |
| Industrial capital expenditure (intangible assets, property, plant & equipment) | 63 | 176 | 35 | 2 | 276 |
| Total balance sheet assets (current and non-current) | 2,410 | 2,885 | 1,223 | (177) | 6,341 |
| Total balance sheet liabilities (current & non-current, ex shareholders' equity) | 1,210 | 1,365 | 859 | (615) | 2,819 |

| *(€ 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 | 91 | 5 | (23) | 85 |
| Other operating income and expenses | - | - | - | - | (16) |
| Operating profit (loss) | - | - | - | - | 69 |
| Net borrowing cost | - | - | - | - | 10 |
| Other financial income and expenses | - | - | - | - | (8) |
| 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) | 1,236 | 1,192 | 859 | (672) | 2,615 |

| *(€ million)* | **Nickel** | **Manganese** | **Alloys** | **Holding co. and eliminations** | **Total** |
|---|---|---|---|---|---|
| **FY 2012** | | | | | |
| **External sales** | **893** | **1,557** | **994** | **3** | **3,447** |
| **Inter-segment sales** | **5** | **3** | **3** | **(11)** | **-** |
| Sales | 898 | 1,560 | 997 | (8) | 3,447 |
| Cash generated from operations | 45 | 246 | 11 | (44) | 258 |
| EBITDA | 53 | 357 | 40 | (43) | 407 |
| Current operating profit (loss) | (38) | 240 | (5) | (44) | 153 |
| Other operating income and expenses | - | - | - | - | (74) |
| Operating profit (loss) | - | - | - | - | 79 |
| Net borrowing cost | - | - | - | - | 8 |
| Other financial income and expenses | - | - | - | - | (15) |
| Share in profits of associates | - | - | - | - | - |
| Income tax | - | - | - | - | (29) |
| Attributable to non-controlling interests | - | - | - | - | (34) |
| Attributable to equity holders of the parent | - | - | - | - | 9 |
| Non-cash expenses | (79) | (106) | (37) | 7 | (215) |
| ■ depreciation & amortisation | (88) | (111) | (47) | (1) | (247) |
| ■ provisions | (14) | (8) | 2 | 12 | (8) |
| ■ impairment losses | (1) | (8) | - | - | (9) |
| Industrial capital expenditure (intangible assets, property, plant & equipment) | 146 | 399 | 84 | 12 | 641 |
| Total balance sheet assets (current and non-current) | 2,385 | 2,904 | 1,182 | (162) | 6,309 |
| Total balance sheet liabilities (current & non-current, ex shareholders' equity) | 996 | 1,294 | 808 | (598) | 2,500 |

## 4.2 Reporting by geographic area

| (€ million) | France | Europe | North America | Asia | Oceania | Africa | South America | Total |
|---|---|---|---|---|---|---|---|---|
| **Sales (sales destination)** | | | | | | | | |
| **H1 2013** | **256** | **510** | **328** | **443** | **13** | **40** | **23** | **1,613** |
| H1 2012 | 204 | 623 | 349 | 480 | 16 | 42 | 21 | 1,735 |
| FY 2012 | 455 | 1,143 | 686 | 992 | 29 | 84 | 58 | 3,447 |
| **Industrial capital expenditure (intangible assets, property, plant & equipment)** | | | | | | | | |
| **H1 2013** | **44** | **11** | **9** | **38** | **20** | **154** | **-** | **276** |
| H1 2012 | 54 | 14 | 22 | 44 | 25 | 106 | - | 265 |
| FY 2012 | 104 | 36 | 48 | 118 | 69 | 265 | 1 | 641 |
| **Total balance sheet assets (current and non-current)** | | | | | | | | |
| **H1 2013** | **2,408** | **759** | **356** | **911** | **888** | **1,018** | **1** | **6,341** |
| H1 2012 | 2,710 | 786 | 391 | 824 | 903 | 782 | 2 | 6,398 |
| FY 2012 | 2,502 | 778 | 363 | 869 | 904 | 892 | 1 | 6,309 |

# 5. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## 5.1 Other operating income and expenses

| (€ million) | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Niobium project | (23) | (7) | (28) |
| Lithium project | (5) | (3) | (8) |
| Other projects | (5) | (3) | (10) |
| Development projects | (33) | (13) | (46) |
| Restructuring and redundancy plans | (3) | (2) | (19) |
| Losses on impairment tests | - | - | (1) |
| Employee benefits | 1 | - | (1) |
| Other items | 9 | (1) | (7) |
| Other income and expenses | 7 | (3) | (28) |
| **TOTAL** | **(26)** | **(16)** | **(74)** |

Other operating income and expenses for the first half of 2013 and the first half of 2012 mainly include development costs in the Manganese and Nickel Divisions.

As of 31 December 2012, the breakdown of other operating income and expenses is presented in Note 25 – “Other operating income and expenses”, in the 2012 Registration Document.

## 5.2 Net borrowing cost and other financial items

### 5.2.1 Net borrowing cost

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Interest income | 9 | 10 | 19 |
| Interest expense | (11) | (10) | (19) |
| Net income on marketable securities | 1 | 2 | 9 |
| Changes in fair value of marketable securities | (2) | 3 | - |
| Net translation adjustments | 4 | 5 | (1) |
| **TOTAL** | **1** | **10** | **8** |

### 5.2.2 Other financial income and expenses

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Investment and dividend income | 2 | 2 | 7 |
| Gains (losses) on the disposal of investments in associates | - | - | - |
| Net allowances to / reversals of financial provisions | (2) | - | (3) |
| Employee benefits – net interest | (3) | (4) | (7) |
| Accretion expenses | (6) | (6) | (11) |
| Financial instruments ineligible as hedges | (4) | 3 | 11 |
| Securitisation financial expense | (1) | (1) | (2) |
| Other | (1) | (2) | (10) |
| **TOTAL** | **(15)** | **(8)** | **(15)** |

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) recognized in income pursuant to IAS 39.

As at 31 December 2012, the breakdown of other financial income and expenses was presented in Note 26.2 – “Other financial income and expenses”, in the 2012 Registration Document.

## 5.3 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 recognized in the period in which these transactions are carried out.

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Current tax | (47) | (56) | (69) |
| Deferred tax | 67 | 27 | 40 |
| **TOTAL** | **20** | **(29)** | **(29)** |

The Group's rate of taxation before dividends worked out to 58% for the first half of 2013, compared with 8% for the first half of 2012 and 43% as at 31 December 2012.

And the Group's effective rate of taxation worked out to 41% for the first half of 2013, compared with 42% for the first half of 2012 and 40% as at 31 December 2012.

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

| *(€ million)* | **H1 2013** | **H1 2012** | **FY 2012** |
|---|---|---|---|
| Operating profit (loss) | (35) | 69 | 79 |
| Net borrowing cost | 1 | 10 | 8 |
| Other financial income and expenses | (15) | (8) | (15) |
| **Pre-tax profit (loss) for period of consolidated companies** | **(49)** | **71** | **72** |
| Standard tax rate in France (%) | 34.43% | 34.43% | 34.43% |
| **Theoretical tax expense** | **17** | **(24)** | **(25)** |
| Impact on theoretical tax expense of: | | | |
| ■ permanent differences between accounting and taxable profit | 39 | 24 | 55 |
| ■ standard tax differences in foreign countries | 1 | - | (1) |
| ■ reduced tax rates | - | 1 | 2 |
| ■ tax credits | - | 2 | 1 |
| ■ unrecognised or limited deferred tax assets | (32) | (6) | (19) |
| ■ tax audits | - | - | 14 |
| ■ miscellaneous items | 4 | (2) | 2 |
| **Actual tax charge before dividends** | **29** | **(5)** | **29** |
| Tax rates | 58% | (8)% | 43% |
| Impact on theoretical tax expense of: | | | |
| ■ withholding tax on dividends | (1) | (14) | (43) |
| ■ apportionments of general expenses | (8) | (10) | (15) |
| **Actual tax expense** | **20** | **(29)** | **(29)** |
| **Effective tax rate** | **41%** | **(42)%** | **(40)%** |

Permanent differences mainly relate to the fully-vested portion of the provision for reconstituting mining reserves in New Caledonia and Gabon, amounting to €6 million and €30 million respectively, and to untaxed profits in China.

The tax losses and temporary differences not recognized in the first half of 2013 mainly relate to Setrag SA and Guangxi Comilog Ferro Alloys Ltd (Manganese Division).

The details and analyses relating to the position as at 31 December 2012 are set out in the 2012 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)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| Change in financial instrument revaluation reserve | (3) | (3) | (10) |
| Change in fair value of held-for-sale financial assets | 2 | (1) | (2) |
| **Recyclable items in the income statement** | **(1)** | **(4)** | **(12)** |
| Actuarial gains and loss on employee benefits | - | 6 | 5 |
| **Non-recyclable items in the income statement** | **-** | **6** | **5** |

## 5.4 Earnings per share

| | H1 2013 | | | H1 2012 | | | FY 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net earnings | Number of shares | Earnings per share | Net earnings | Number of shares | Earnings per share | Net earnings | Number of shares | Earnings per share |
| Basic earnings per share | (32) | 26,255,052 | (1.23) | 21 | 26,264,405 | 0.79 | 8 | 26,259,108 | 0.34 |
| Dilutive instruments: | | | | | | | | | |
| ■ Subscription options | - | - | - | - | 8,490 | - | - | - | - |
| ■ Bonus share grants | - | 91,021 | - | - | 38,337 | - | - | 108,886 | - |
| Instruments deemed anti-dilutive (*) | - | - | - | - | - | - | - | - | - |
| **Diluted earnings per share** | **(32)** | **26,346,073** | **(1.23)** | **21** | **26,311,232** | **0.79** | **8** | **26,367,994** | **0.34** |
| Average number of shares outstanding | | 26,543,218 | | | 26,519,479 | | | 26,522,747 | |
| Average number of treasury shares | | 288,166 | | | 255,074 | | | 263,639 | |
| **Average number of shares** | | **26,255,052** | | | **26,264,405** | | | **26,259,108** | |

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

# 6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 6.1 Intangible assets and property, plant and equipment

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

| *(€ million)* | Net gross | Depre-ciation | Impair-ment | Net 30/06/2013 | Net 30/06/2012 | Net 31/12/2012 |
|---|---|---|---|---|---|---|
| Intangible assets | | | | | | |
| ■ Mining reserves | 374 | (70) | - | 304 | 317 | 303 |
| ■ Geology, prospecting and study expenses | 388 | (18) | - | 370 | 304 | 327 |
| ■ Software | 67 | (51) | - | 16 | 6 | 11 |
| ■ Other intangible assets | 73 | (44) | - | 29 | 41 | 33 |
| ■ Work-in-progress, down-payments | 35 | (2) | (1) | 32 | 37 | 43 |
| | **937** | **(185)** | **(1)** | **751** | **705** | **717** |
| **Capital expenditure over the period** | | | | **58** | **41** | **96** |
| Property, plant and equipment | | | | | | |
| ■ Land and buildings | 961 | (512) | (60) | 389 | 354 | 395 |
| ■ Industrial and mining facilities | 3,174 | (1,854) | (64) | 1,256 | 1,079 | 1,230 |
| ■ Other property, plant, and equipment | 713 | (439) | - | 274 | 231 | 259 |
| ■ Work-in-progress, down-payments | 644 | (3) | - | 641 | 571 | 570 |
| | **5,492** | **(2,808)** | **(124)** | **2,560** | **2,235** | **2,454** |
| **Capital expenditure over the period** | | | | **218** | **224** | **545** |
| **TOTAL** | **6,429** | **(2,993)** | **(125)** | **3,311** | **2,940** | **3,171** |
| **Capital expenditure over the period** | | | | **276** | **265** | **641** |

Capital expenditure is primarily funded from cash and borrowings (in particular finance leases).

## 6.2 Mining projects

### 6.2.1 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 (FID) should be made on completion of the latest technical and economic feasibility studies.

During the first half of 2013, the studies have continued in order to validate important technical points, including with regard to the industrial process and the use of reserves. In addition, negotiations are underway with the Indonesian government to ensure the consistency of the New Mining Law with specific provisions of the Contract of Work (COW) and certain tax issues, which are essential conditions to carrying out the project. In parallel with this, the financing studies are ongoing and the put options granted to Mitsubishi Corporation set for the end of September 2013 will be discussed in order to postpone the maturity date.

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

| *(€ million)* | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Mining reserves | 217 | 225 | 215 |
| Geology, prospecting and study expenses | 339 | 278 | 300 |
| Property, plant and equipment | 15 | 13 | 15 |
| **TOTAL ASSETS** | **571** | **516** | **530** |

Capitalized 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 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 2012 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 2012 Registration Document.

### 6.2.2 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 of 1 October 2011.

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

| *(€ million)* | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Mining reserves | 43 | 46 | 42 |
| Geology, prospecting and study expenses | 20 | 20 | 20 |
| Property, plant & equipment – Senegal | 204 | 73 | 138 |
| Property, plant & equipment – Norway | 1 | 5 | 1 |
| Property, plant & equipment – Norway | 17 | 20 | 20 |
| Property, plant & equipment – UK | 4 | - | - |
| **TOTAL ASSETS** | **289** | **164** | **221** |

The acquisition price was apportioned by independent experts and recognized as intangible assets under mining reserves. It was limited to contributions from Minerals Deposits Ltd (MDL), taking into account the application of SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

## 6.3 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 2013.

## 6.4 Shareholders' equity

### 6.4.1 Share capital

The share capital is comprised of 26,543,218 fully paid-up ordinary shares (unchanged from 31 December 2012) with a par value of €3.05.

As at 30 June 2013, ERAMET held 318,511 treasury shares (270,499 shares as at 31 December 2012); these included 102,103 bearer shares (62,554 shares as at 31 December 2012) representing shares purchased under the liquidity contract signed with Exane BNP Paribas, and 216,408 shares (207,945 shares as at 31 December 2012) purchased by Exane BNP Paribas on instructions for it to buy back 250,000 shares. These transactions were fully recognized in shareholders' equity.

The change in treasury shares held in the first half of 2013 derives from the movements performed under the liquidity contract, relating to 39,549 shares, the acquisition of 37,747 shares under the buyback contract, and to the vesting of 29,284 bonus shares allocated to employees (Note 6.4.2).

### 6.4.2 Bonus share grant plans

| (1) | Date of General Meeting | Date of Board Meeting | Subscription price | Number of beneficiaries at the outset | Number of beneficiaries as at 01/01/2013 | Allocated at the outset | Subscribed or lapsed before 01/01/2013 | Vested in 2013 | Lapsed in 2013 | Superseded in 2013 | Outstanding as of 01/07/13 | Number of beneficiaries as at 01/07/13 | Plans expiry date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | 11/05/2005 | 25/04/2007 | free | 1 | - | 10,000 | (10,000) | - | - | - | - | - | - |
| **2** | 11/05/2005 | 23/07/2007 | free | 61 | - | 16,000 | (16,000) | - | - | - | - | - | - |
| **3** | 13/05/2009 | 29/07/2009 | free | 14,766 | 6,928 | 73,830 | (39,190) | - | 4,790 | - | 39,430 | 7,886 | 29/07/2013 |
| **4** | 20/05/2010 | 20/05/2010 | free | 14,405 | 8,486 | 28,810 | (11,838) | - | (1,210) | - | 15,762 | 7,881 | 20/05/2014 |
| **5** | 20/05/2010 | 20/05/2010 | free | 162 | 156 | 65,008 | (6,595) | (13,097) | (150) | (40,714) | 4,452 | 53 | 20/05/2015 |
| **6** | 20/05/2010 | 16/02/2011 | free | 14,298 | 13,453 | 28,596 | (1,690) | (9,548) | (1,680) | - | 15,678 | 7,839 | 16/02/2015 |
| **7** | 20/05/2010 | 16/02/2011 | free | 205 | 196 | 71,665 | (7,082) | - | - | (10,265) | 54,318 | 194 | 16/02/2016 |
| **8** | 20/05/2010 | 15/02/2012 | free | 14,318 | 13,669 | 28,636 | (1,298) | (6,639) | 4,993 | - | 25,692 | 12,846 | 15/02/2016 |
| **9** | 20/05/2010 | 15/02/2012 | free | 201 | 198 | 89,885 | (560) | - | (90) | (12,564) | 76,671 | 198 | 15/02/2017 |
| **10** | 20/05/2010 | 21/03/2013 | free | 14,353 | - | 28,706 | - | - | - | - | 28,706 | 14,353 | 21/03/2017 |
| **11** | 20/05/2010 | 21/03/2013 | free | 209 | - | 145,040 | - | - | (150) | - | 144,890 | 208 | 21/03/2018 |
| **TOTAL** | | | | | | **586,176** | **(94,253)** | **(29,284)** | **6,503** | **(63,543)** | **405,599** | | |

*(1) Final vesting date: 3 = 07/29/2011 France & 07/29/2013 World, 4 = 05/20/2012 & 05/20/2014, 5 = 05/20/2013 & 05/20/2015, 6 = 02/16/2013 & 02/16/2015, 7 = 02/16/2014 & 02/16/2016, 8 = 02/15/2014 & 02/15/2016; 9 = 02/15/2015 & 02/15/2017; 10 = 03/21/2015 & 03/21/2017 and 11 = 03/21/2016 & 03/21/2018.*
*The shares cannot be sold prior to: 3 = 07/29/2013, 4 = 05/20/2014, 5 = 05/20/2015, 6 = 02/16/2015, 7 = 02/16/2016, 8 = 02/15/2016; 9 = 02/15/2017; 10 = 03/21/2017 and 11 = 03/21/2018.*

**Shares were allocated under two bonus share plans on 21 March 2013:**

- "democratic" plan (No. 10) measured according to the Black & Scholes model;
- a "selective" plan (No. 11) with two performance conditions attached to the shares, one internal and one external, calculated using the Monte-Carlo method.

### 6.4.3 Share-based payments

Share-based payments relate only to bonus share plans for the benefit of employees and settled in the form of shares. They represented an €8 million expense as at 30 June 2013 (€7 million as at 30 June 2012 and €15 million as at 31 December 2012).

### 6.4.4 Dividends paid

The dividends paid during the first half of 2013 in respect of the financial year 2012 amounting to €34 million correspond to a net dividend per share of €1.30 (dividends paid in 2012 in respect of the financial year 2011 amounted to €59 million, i.e., €2.25 per share).

€187 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 €161 million will be paid in the second half of 2013.

## 6.5 Employee-related liabilities

The employee benefits expense in the first half of 2013 amounted to €2 million (€3 million in the first half of 2012). It is calculated on the basis of assumptions made at the end of the 2012 financial year and adjusted primarily for contributions and benefits paid to third parties.

## 6.6 Provisions

| *(€ million)* | | 30/06/2013 | | 30/06/2012 | | 31/12/2012 |
|---|---|---|---|---|---|---|
| Personnel | | 16 | | 15 | | 14 |
| ■ Restructuring and redundancy plans | 14 | | 13 | | 12 | |
| ■ Other payroll contingencies and losses | 2 | | 2 | | 2 | |
| Major lawsuits | | - | | - | | - |
| Environmental contingencies and site restoration | | 360 | | 310 | | 355 |
| ■ Environmental contingencies | 30 | | 30 | | 30 | |
| ■ Site restoration | 330 | | 280 | | 325 | |
| Other contingencies and losses | | 93 | | 88 | | 89 |
| **TOTAL** | | **469** | | **413** | | **458** |
| ■ Long-term portion | | 434 | | 386 | | 428 |
| ■ Short-term portion | | 35 | | 27 | | 30 |

The provisions for restructuring and redundancy plans amounted to €13 million as at 30 June 2013, compared with €12 million as at 31 December 2012, 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 €18 million (as at 31 December 2012), of which €5 million (unchanged from 31 December 2012) was for provisioning the TCEQ/GCMC environmental lawsuit in the United States. For the Alloys Division, the provision was €6 million (unchanged from 31 December 2012).

The provisions for site restoration mainly relate to the currently-operating mining sites in New Caledonia (Nickel Division) and Gabon (Manganese Division) amounting to €243 million (€239 million as at 31 December 2012) and €35 million (€34 million as at 31 December 2012) respectively. 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 €25 million (€24 million as at 31 December 2012) and the provisions recognized in 2003 for regulatory and implicit obligations with regard to the demolition and reclamation of the Boulogne-sur-Mer industrial site following the decision to shut down the plant.

The other provisions for contingencies and losses include €46 million (USD60 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 2012 Registration Document).

## 6.7 Contingent liabilities

**Contingent liabilities are set out in the 2012 Registration Document in Note 18 – "Contingent liabilities" and changed as follows during the first half of the year:**

- environmental complaint in Gabon: The Libreville Court of Appeals upheld the dismissal of the claimants' complaints due to lack of jurisdiction;
- litigation for the supply of electricity to Enercal in New Caledonia: Discussions with Enercal on new contracts continue. In accordance with the arbitration and starting from 1 July 2013 the price of electricity from the Yate hydroelectric plant is set by the formula provided by the 1956 Treaty of Concession, which will lead to an additional expense of approximately €11 million in the second half of the year;
- arbitration procedure with Sacinter in Gabon. The arbitration award dated 20 June 2013 granted COMILOG compensation of €3.6 million as indemnity for SACINTER's loss of opportunity to collect a price supplement;
- Tax audit of Comilog SA in Gabon: A litigation claim was filed with the Gabonese tax authorities on 20 February 2013 and a second recovery opinion was received on 23 April 2013. Discussions are continuing during this half of the year, and at this stage no indication can be given as to the outcome of this tax audit.

In a judgment of 7 May 2013, the Administrative Court of Appeal of Lyon set aside the decision of the Minister of Labor that rejected the registration of the Les Ancizes establishment of the company Aubert & Duval on the list of establishments whose employees are entitled to participate in the early retirement mechanism for workers exposed to asbestos in the period prior to 2005, and directed the Minister to make this entry. Aubert & Duval filed an appeal against the judgment with the State Council, as well as pleadings calling for a stay. The decision of the Council of State on the admission of the appeal and a stay is expected in the second half of the year. It is not possible at this stage to assess the potential operational and financial consequences.

## 6.8 Deferred tax

Net deferred tax liabilities decreased to €304 million in liabilities and €29 million in assets, amounting to €275 million (compared with €355 million in liabilities and €31 million in assets, amounting to €324 million as at 31 December 2013). This decrease mainly arose from reversals of price increase provisions (regulated provisions) recognized in the first half of 2013 following the fall in commodity prices.

## 6.9 Net cash (or net debt) position

### 6.9.1 By category

| (€ million) | 30/06/2013 | | 30/06/2012 | | 31/12/2012 | |
|---|---|---|---|---|---|---|
| Borrowings | | 734 | | 313 | | 541 |
| ■ Bank loans | 517 | | 137 | | 302 | |
| ■ Bank overdrafts and creditor banks | 37 | | 37 | | 28 | |
| ■ Finance leases | 29 | | 33 | | 31 | |
| ■ Other borrowings | 151 | | 106 | | 180 | |
| Other current financial assets | | 232 | | 490 | | 368 |
| Cash and cash equivalents | | 629 | | 648 | | 621 |
| ■ Cash equivalents | 535 | | 514 | | 551 | |
| ■ Cash | 94 | | 134 | | 70 | |
| **TOTAL** | | **127** | | **825** | | **448** |
| > 1 year | | (368) | | (223) | | (311) |
| ■ Borrowings | 368 | | 223 | | 311 | |
| ■ Other current financial assets | - | | - | | - | |
| ■ Cash and cash equivalents | - | | - | | - | |
| < 1 year | | 495 | | 1,048 | | 759 |
| ■ Borrowings | 366 | | 90 | | 230 | |
| ■ Other current financial assets | 232 | | 490 | | 368 | |
| ■ Cash and cash equivalents | 629 | | 648 | | 621 | |

ERAMET enjoys confirmed medium and long-term credit facilities. The unutilized 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 program in place since 2005, of which €176 million was utilized in the first half of 2013.

| (€ million) | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Unutilised credit facilities (*) | 981 | 800 | 800 |
| Unissued commercial paper | 224 | 390 | 365 |
| Repos (**) | - | 180 | 136 |

*(*) 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 program is outlined in Note 22.3.4 – "Liquidity risks" in the 2012 Registration Document. As at 30 June 2013, the total eligible amount (i.e. €76 million) was drawn down.*

## 6.9.2 Statement of net cash flows or (net debt)

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| **Operating activities** | | | |
| EBITDA | 129 | 204 | 407 |
| Elimination of non-cash and non-operating income and expenses | (73) | (73) | (149) |
| **Cash generated from operations** | **56** | **131** | **258** |
| Net change in current operating assets and liabilities | 9 | (80) | (41) |
| **Net cash generated by operating activities** | **65** | **51** | **217** |
| **Investing activities** | | | |
| Industrial capital expenditure | (276) | (265) | (641) |
| Net financial disposals (investments) | (21) | (18) | (19) |
| Proceeds from non-current asset disposals | 3 | 1 | 4 |
| Changes in receivables and payables on non-current assets | 6 | (27) | 7 |
| Changes in scope and loans | 1 | 5 | 13 |
| Dividends received from associates | - | - | - |
| **Net cash used in investing activities** | **(287)** | **(304)** | **(636)** |
| **Cash flows from financing activities** | | | |
| Dividends paid (*) | (221) | (319) | (319) |
| Proceeds from share capital increases | - | - | 2 |
| Change in working capital requirement arising from financing activities | 129 | 249 | 32 |
| **Net cash used in financing activities** | **(92)** | **(70)** | **(285)** |
| Exchange-rate impact | (7) | (5) | (1) |
| **Increase (decrease) in net cash or debt position** | **(321)** | **(328)** | **(705)** |
| **OPENING NET CASH (DEBT) POSITION** | **448** | **1,153** | **1,153** |
| **CLOSING NET CASH (DEBT) POSITION** | **127** | **825** | **448** |
| (*) of which: | | | |
| ■ **Dividends paid to ERAMET shareholders** | **(34)** | **(59)** | **(59)** |
| ■ **Dividends paid to non-controlling interests in consolidated companies** | **(187)** | **(260)** | **(260)** |

## 6.10 Trade and other payables

| *(€ million)* | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Trade payables | 448 | 455 | 400 |
| Tax and payroll liabilities | 224 | 218 | 219 |
| Other operating liabilities | 69 | 111 | 104 |
| Payables on non-current assets | 69 | 37 | 63 |
| Payables to associates – dividends | 161 | 250 | 32 |
| Withholding tax on dividends | 23 | 29 | - |
| Unearned income | 20 | 12 | 15 |
| **TOTAL** | **1,014** | **1,112** | **833** |
| Non-current liabilities | 28 | 29 | 28 |
| Current liabilities | 986 | 1,083 | 805 |

Most of the trade and other payables are due in less than one year. The €28 million in debts (unchanged from 31 December 2012) recognized 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 (unchanged from 31 December 2012) 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 2012). As at 30 June 2013, associates' debts – dividends correspond to the dividends declared by Le Nickel-SLN and Comilog SA which will be paid in the second half of 2013. Withholding tax on dividends relates to intra-Group dividend payments.

## 6.11 Derivatives

### Breakdown of financial instruments recognized as assets

| *(€ million)* | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Financial instrument assets (*) | 9 | 5 | 10 |
| Financial instruments – currency hedges | 35 | 57 | 36 |
| Financial instruments – interest-rate hedges | - | - | - |
| Financial instruments – commodity hedges | 8 | 15 | 5 |
| **TOTAL** | **52** | **77** | **51** |

### Breakdown of financial instruments recognized as liabilities

| *(€ million)* | 30/06/2013 | 30/06/2012 | 31/12/2012 |
|---|---|---|---|
| Financial instrument liabilities (*) | 9 | 25 | 16 |
| Financial instruments – currency hedges | 21 | 88 | 19 |
| Financial instruments – interest-rate hedges | 4 | 13 | 13 |
| Financial instruments – commodity hedges | 11 | 8 | 5 |
| **TOTAL** | **45** | **134** | **53** |

*(*) Foreign currency receivables and debts are translated at the hedging rate and the difference between the closing rate and this hedging rate is recognized 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.*

## 6.12 Risk management

The presentation of risks and their assessment by the Group is set out in the 2012 Registration Document in Note 22.3 "Risk management" to the consolidated financial statements.

# 7. OFF-BALANCE-SHEET COMMITMENTS

## 7.1 Ordinary transactions

| *(€ million)* | | 30/06/2013 | | 30/06/2012 | | 31/12/2012 |
|---|---|---|---|---|---|---|
| **Commitments given** | | | | | | |
| Endorsements, pledges and guarantees | | 280 | | 127 | | 236 |
| Collateral security: | | 67 | | 38 | | 36 |
| ■ Property, plant and equipment | 10 | | 16 | | 9 | |
| ■ Inventories | 28 | | 11 | | 13 | |
| ■ Receivables and other assets | 29 | | 11 | | 14 | |
| Finance lease commitments | | 25 | | 32 | | 32 |
| **Commitments received** | | | | | | |
| Endorsements, pledges and guarantees | | 41 | | 39 | | 37 |
| Collateral security | | Nil | | Nil | | Nil |
| Credit facilities | | 981 | | 800 | | 800 |

The above table does not include orders arising in the ordinary course of business (orders received from clients or placed with suppliers).

## 7.2 Other transactions and commitments

**Other transactions and commitments are set out in the 2012 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 favor of Pt Antam;
- agreement to increase the Gabonese Republic's interest in the capital of Comilog SA.

# 8. ADDITIONAL INFORMATION

The lawsuit between Carlo Tassara France (part of the Romain Zaleski Group) and Eramet Holding Alliages (ex Sima), Sorame and Ceir, plus members of the Duval family, is discussed in the 2012 Registration Document in Note 34 – "Additional Information" to the consolidated financial statements. On 19 March 2013, the Paris Court of Appeal upheld the judgment of the Commercial Court of Paris in all its provisions. Carlo Tassara France intends to appeal.

# 9. RELATED-PARTY TRANSACTIONS

The related-party transactions during the first half of 2013 are detailed below:

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| **Sales** | | | |
| ■ Non-consolidated controlled subsidiaries | 15 | 22 | 36 |
| ■ Associates | - | - | - |
| ■ Other related parties | - | 12 | 12 |
| **Cost of sales, administrative and selling expenses** | | | |
| ■ Non-consolidated controlled subsidiaries | (4) | (3) | (7) |
| ■ 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 2013 break down as follows:

| *(€ million)* | H1 2013 | H1 2012 | FY 2012 |
|---|---|---|---|
| **Trade and other receivables** | | | |
| ■ Non-consolidated controlled subsidiaries | 12 | 17 | 12 |
| ■ Associates | - | - | - |
| **Trade and other payables** | | | |
| ■ Non-consolidated controlled subsidiaries | 1 | 1 | 7 |
| ■ Associates | - | - | - |
| **Net financial assets (liabilities)** | | | |
| ■ Non-consolidated controlled subsidiaries | (5) | (10) | (2) |
| ■ Associates | - | - | - |

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

# 10. EVENTS SINCE THE BALANCE SHEET DATE

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

# IV STATUTORY AUDITOR'S REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION PERIOD FROM 1 JANUARY TO 30 JUNE 2013

To the Shareholders,

**In compliance with the assignment entrusted to us 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 period from 1 January 2013 to 30 June 2013; 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 review.

## 1. 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 condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without calling into question the conclusion expressed hereabove, we draw your attention to Note 3 to the adjusted 2012 financial statements, which sets out the change in accounting method for the application of amended IAS 19 "Employee benefits" as at 1 January 2013.

## 2. SPECIFIC VERIFICATION

We have also verified the information presented in the interim management report in respect of the condensed half-yearly 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 financial statements.

Neuilly-sur-Seine and Paris-La Défense, 26/07/2013

The Statutory Auditors

DELOITTE & ASSOCIES
**Alain Penanguer**

ERNST & YOUNG et Autres
**Aymeric de la Morandière**

*This is a free translation into English of the Statutory Auditors' review report on the 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.*