HALF-YEAR REPORT 2010

ERAMET

TABLE OF CONTENTS

I- DECLARATION BY THE PERSONS RESPONSIBLE FOR THE ERAMET INTERIM FINANCIAL REPORT AS OF JUNE 30, 2010

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

Paris, July 28, 2010

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

II- 2010 INTERIM BUSINESS REPORT

1. FOREWORD

Readers are invited to read this report on the Company's financial position and operational performance together with the Company's consolidated financial statements, the notes to the condensed interim consolidated financial statements for the period ended June 30, 2010 and the other financial information in the 2009 Reference Document filed with the AMF on April 16, 2010. The Company's interim financial statements were prepared in line with IAS 34 (Interim Financial Reporting). The information in this report also contains forward-looking statements based on estimates about the Company's future business activities and may differ materially from actual results.

2. GENERAL PRESENTATION

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, multiplying in size and establishing a foothold on five continents so as to better serve its markets. Having developed singular expertise in geology, metallurgy, hydrometallurgy, pyrometallurgy and in the design of high-performance steel grades, ERAMET is now a global market leader in non-ferrous metal and alloy production and conversion. In 2009, the Group's three divisions – ERAMET Nickel, ERAMET Manganese and ERAMET Alloys – generated sales of €2,689 million, down 38% on a very high 2008 as a result of the fall in both prices and volumes, in particular for Manganese, and posted a current operating loss of (€163) million. As of June 30, 2010, the Group's sales amounted to €1,788 million and its current operating profit to €341 million, reflecting a strong recovery in both Manganese prices and volumes and in Nickel prices.

3. HIGHLIGHTS OF THE FIRST HALF OF 2010

- **Recycling (France)**

In January 2010, ERAMET completed the acquisition of Valdi, a French company specialising in recycling oil catalysts, batteries and some steel production scrap. In 2008, Valdi achieved turnover of 25 M€.

- **Trading**

In January 2010, ERAMET completed the divestment of the international trading operations acquired with the Norwegian group Tinfos in 2008 ("Tinfos Nizi").

- **Manganese (Gabon)**

On January 7th, 2010, COMILOG and the Gabonese government signed agreements setting down the tax and economic framework for the Moanda metallurgical complex project in Gabon. The construction work for this major programme, which will make Gabon a producer of silico-manganese and manganese metal, is under way. The metallurgical plants should start production in 2013.

- **Lithium (Argentine)**

On March 12th, 2010, the BOLLORE-ERAMET consortium signed an agreement with the Argentinean company Minera Santa Rita to explore lithium deposits ("salars") in Argentina. The agreement comes with a purchase option that can be taken up after a 24-month period dedicated to deposit exploration and technical studies.

4. 2010 INTERIM RESULTS

4.1 Income statement

(millions of euros)	**06/30/2010**	**06/30/2009**	**12/31/2009**
Sales	1,788	1,292	2,689
Current operating profit (loss)	341	(223)	(163)
Profit (loss) for the period attributable to equity holders of the parent	175	(213)	(265)
Basic earnings per share	€6.65	(€8.23)	(€10.16)

4.1.1 Sales

Global economic activity improved significantly in the 1st half of 2010 compared with the same period in 2009, which was depressed by the global crisis. However, the gap widened between emerging countries, whose economies regained or exceeded their precrisis levels, and developed economies, where activity did not return to pre-crisis levels despite a marked upturn.
This situation was reflected in rising demand and prices for ERAMET Manganese and ERAMET Nickel. ERAMET Alloys’ turnover, however, was lower than in the first six months of 2009, particularly in aerospace and energy sectors, while tooling remained at the same very low levels as in 1st half 2009.

Overall, the ERAMET Group’s turnover grew 38% in the 1st half of 2010 compared with the same period in 2009 and was up 59% in the 2nd quarter of 2010 from the 2nd quarter of 2009.

- **ERAMET Manganese**

Thanks to the substantial rise in manganese ore and alloys sales volumes and prices, ERAMET Manganese’s turnover, at 932 M€, rose 65% in the 1st half of 2010 compared with the same period in 2009.

Global production of carbon steels, the main market for manganese, grew 29% in the 1 st half of 2010 compared with the 1st half of 2009. China grew 22% and the rest of the world 36%. Manganese demand was also heightened by substantial inventory movements in China.

Shipments of manganese alloys by ERAMET Manganese’s rose 28% in the 1st half of 2010 compared with the same period in 2009.

External shipments of manganese ore and sinter grew 81% over the same period. Production of manganese ore and sinter totalled 1,573,000 tons, a sharp increase from the limited levels recorded in the 1st half of 2009.

CIF China spot prices (source: CRU) for manganese rose sharply during the 1st half of 2010 to 7.9 USD / dmtu on average vs. 4.7 USD/dmtu in the 1st half of 2009.

Spot prices for manganese alloys (source: CRU) increased by 16% on average in the 1st half of 2010 compared with the 1st half of 2009.

- **ERAMET Nickel**

Thanks to the sharp rise in prices, ERAMET Nickel's turnover rose 56% in the 1st half of 2010 compared with the same period in 2009 to total 483 M€.

Global production of stainless steel, the main outlet for nickel, grew 40% in the 1st half of 2010 compared with the 1st half of 2009. Output rose 28% in China and 48% in the rest of the world.

LME nickel prices were up 81% in the 1st half of 2010 compared with the 1st half of 2009, at 9.62 USD/lb.

- **ERAMET Alloys**

ERAMET Alloys' turnover totalled 378 M€ in the 1st half of 2010, down 10% compared with the 1st half of 2009. The aerospace and power generation sectors, in particular, continued their significant decline, while the tooling sector remained on a par with the 1st half of 2009, which was itself far below 1st half 2008 levels.

New orders began to recover towards the end of the 1st half but were still below pre-crisis levels.

4.1.2 Current operating profit (loss)

The ERAMET Group posted a current operating profit of €341 million in the first half of 2010, representing a €564 million improvement on the current operating loss of (€223) million in the first half of 2009.

For ERAMET Nickel: the current operating profit at ERAMET Nickel amounted to €94 million in the first half of 2010, primarily on the back of higher nickel prices.

For ERAMET Manganese: against a background of very sharp rises in both manganese prices and volumes, the current operating profit at ERAMET Manganese amounted to €265 million in the first half of 2010.

For ERAMET Alloys: the current operating profit at ERAMET Alloys amounted to €5 million in the first half of 2010, up on the first half of 2009 (current operating loss of €26 million) as a result of the greater impact on sales of higher commodity prices.

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

The profit for the period attributable to equity holders of the parent amounted to €175 million in the first half of 2010, compared to a loss of (€213) million in the first half of 2009. It included the following items:

- ✓ A **net borrowing cost** of €8 million in the black compared to €11 million in the first half of 2009.

- ✓ **Other finance income and expenses**: (€15) million compared to (€6) million in the first half of 2009 primarily due to the negative effect of the June 30, 2010 valuation of financial instruments that were not unwound and were ineligible for hedging purposes [(€10) million].

- ✓ An **income tax** expense of €90 million compared to a credit of €46 million in the first half of 2009. The effective tax rate was 27% compared to (16)% in the first half of 2009 on the back of the improved results.

- ✓ **Non-controlling interests** that were up in the first half of 2010 [€64 million compared to a loss of €18 million in the first half of 2009], automatically reflecting the improved results across all businesses, the percentage interests being unchanged over the period.

4.1.4 Basic earnings per share

Earnings per share amounted to €6.65 compared to (€8.23) in the first half of 2009. The average number of shares outstanding in the first half of 2010 stood at 26,290,022 compared to 25,896,046 in the first half of 2009. The appreciable increase in the average number of shares was basically due to the impact of the capital increase resulting from the stock dividend payout involving 129,965 shares.

4.2 Statement of net cash flows or (net debt)

The table below summarises the cash flow statements for the periods ended June 30, 2010 and June 30, 2009.

(millions of euros)	***Period ended June 30***	
	2010	**2009**
Net cash generated by operating activities	288	(41)
Industrial capital expenditure	(109)	(141)
Net financial investments	(2)	12
Dividends	(74)	(156)
Other	13	119
Decrease (increase) in cash position	116	(207)
Opening cash position	946	1,133
Closing cash position	1,062	926

The net cash position as of June 30, 2010 was up at €1,062 million as of end-June 2010, compared to €946 million as of December 31, 2009.

Net cash generated by operating activities: up a very sharp €329 million [€288 million compared to (€41) million] with a positive €385 million in cash generated from operations being partly offset by a (€97) million working capital requirement.

Industrial capital expenditure: industrial capital expenditure amounted to €109 million, breaking down into 45% for ERAMET Nickel, 36% for ERAMET Manganese and 19% for ERAMET Alloys.

Dividends: the €47 million in dividends paid out in the first half of 2010 broke down into:

- ✓ €47 million for ERAMET shareholders, representing a dividend of €1.80 per share (compared to a dividend of €5.25 per share in 2008) including €17 million in cash payments and €30 million in the form of stock dividends (129,965 shares);
- ✓ €27 million paid to non-controlling interests in Le Nickel-SLN and Comilog SA.

4.3 Consolidated balance sheet

The Group had consolidated net assets of €5,788 million as of June 30, 2010 compared to €5,270 million as of December 31, 2009.
Non-current assets stood at €2,682 million compared to €2,582 million.
The simplified working capital requirement (inventory plus trade receivables less trade payables) was €1,125 million as of June 30, 2010 compared to €901 million as of December 31, 2009.
Consolidated shareholders' equity was up at €3,751 million at end-June 2010 compared to €3,505 million at end-2009. The change was primarily due to the profit for the period, the negative impact of financial instruments recognised directly in shareholders' equity and the positive effect of translation adjustments, dividends paid out in the first half of 2010 in respect of the 2009 financial year as well as the capital increase resulting from the stock dividend payouts.

5. RISK MANAGEMENT

The Group uses derivatives to control its risk exposure. Responsibility for the management of the main risks was delegated by the Executive Committee to ERAMET's Finance Department, which manages them centrally. This management is done directly by ERAMET or via ad hoc companies such as Metal Currencies specifically created to manage the Group's exchange risks.
The presentation of these risks and their assessment by the Group is set out in the 2009 Reference Document in Note 21 "Risk management and derivatives" to the consolidated financial statements and in Chapter 3 – Risk factors.

Cash surpluses of subsidiaries are pooled at Group level via a wholly owned subsidiary: Metal Securities. As in previous years, cash reserves were prudently managed in 2010 (51% in monetary UCITS, and 32% in bonds and 16% in negotiable debt securities); this enabled ERAMET to generate a return of 1.10% in the first half of 2010, namely Eonia + 0.76%.

The Group has not identified other risk factors during the first half of 2010 or in respect of the upcoming second half.

6. RELATED PARTIES

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

7. EVENTS AFTER THE BALANCE SHEET DATE

Société Territoriale Calédonienne de Participation Industrielle (STCPI) and the ERAMET Group jointly agreed on July 13th, 2010 to renew, on its end date September 13th, 2010 and for a further period running to December 31st, 2011, their shareholders' agreement with respect to Société Le Nickel-SLN. The agreement will continue for this period in all its provisions, plus the measures implemented in 2009 as regards the modernised governance of SLN.

The parties also agreed to enter into discussions in order to make, by December 31st, 2011, amendments to the agreement, the guiding principles of which will be unchanged, with the aim of taking account of the industrial, commercial and technological changes that have occurred at SLN and in its environment since the initial agreement was entered into.

There are no other events after the balance sheet date to report.

8. FINANCIAL STATEMENTS OF ERAMET SA

(millions of euros)	**06/30/2010**	**06/30/2009**	**12/31/2009**
Sales	527	346	751
Operating profit (loss)	3	(18)	(18)
Net finance income	3	133	28
Profit (loss) for the period	4	113	(30)

Sales were up 52% on the back of the very strong rise in nickel prices (LME of USD 9.62 / lb compared to USD 5.31 / lb in the first half of 2009).
The operating profit amounted to €3 million compared to a loss of (€18) million as of June 30, 2009.
The net finance income of €3 million compared to €133 million in 2009 stemmed from the dividends received from ERAMET Manganese (€14.1 million), from SIMA [ERAMET Alloys (€4.6 million)] compared to €117.35 million received in the first half of 2009 (€114.15 million for ERAMET Manganese and €3.2 million for SIMA) and the interest income on loans to Group subsidiaries as well as an exchange loss of (€13) million.

The profit for the period amounted to €4 million compared to €113 million as of June 30, 2009.

9. OUTLOOK FOR THE SECOND HALF OF 2010

- **ERAMET Manganese**

Global steel production is expected to slow down in the 3rd quarter of 2010 compared with the 1st half of the year. Apparent demand for manganese ore and alloys may slow down more sharply than steel demand in the 3rd quarter because of the excess build-up of alloy and ore inventories in China.

- **ERAMET Nickel**

LME nickel prices fell slightly in July to below 9 USD/lb. Global stainless steel production is expected to slow in the 3rd quarter 2010 compared with the average for 1st half 2010.

- **ERAMET Alloys**

The gradual business upturn is uneven and continues in some sectors at levels that remain significantly below pre-crisis levels.

- **ERAMET Group**

The outlook for the 2nd half of 2010 is uncertain. The Group's markets are likely to be volatile, given inventory reduction movements in particular.

ERAMET is keeping up its productivity, cost reduction and working capital control efforts, while carrying out the capital expenditure projects that correspond to its development strategy.

III- CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2010

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

Table of Contents

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of comprehensive income

(millions of euros)	Notes	H1 2010	H1 2009	FY 2009
Sales	-	**1,788**	**1,292**	**2,689**
Other income	-	33	(35)	(20)
Cost of sales	-	(1,259)	(1,274)	(2,429)
Administrative and selling expenses	-	(75)	(73)	(142)
Research and development expenditure	-	(20)	(21)	(39)
EBITDA	-	**467**	**(111)**	**59**
Depreciation, amortisation & impairment of non-current assets (*)	-	(109)	(103)	(210)
Impairment charges and provisions	-	(17)	(9)	(12)
Current operating profit	-	**341**	**(223)**	**(163)**
Other operating income and expenses	4	(5)	(59)	(104)
Operating profit (loss)	-	**336**	**(282)**	**(267)**
Net borrowing cost	4.2.1	8	11	11
Other finance income and expenses	4.2.2	(15)	(6)	(12)
Share of profit of associates	-	-	-	-
Income tax	4	(90)	46	7
Profit (loss) for the period	-	**239**	**(231)**	**(261)**
- Attributable to non-controlling interests	-	64	(18)	4
- Attributable to equity holders of the parent	-	**175**	**(213)**	**(265)**
Basic earnings per share (EUR)	4	6.65	(8.23)	(10.16)
Diluted earnings per share (EUR)		6.64	(8.23)	(10.16)
Profit (loss) for the period	**-**	**239**	**(231)**	**(261)**
Translation adjustments for foreign-currency denominated financial statements of subsidiaries	-	78	65	109
Change in hedging instrument revaluation reserve	-	(49)	118	135
Change in fair value of held-for-sale financial assets	-	(2)	6	21
Income tax	4	24	(43)	(53)
Other components of comprehensive income	-	**51**	**146**	**212**
Total comprehensive income	**-**	**290**	**(85)**	**(49)**
- Attributable to non-controlling interests	-	80	-	24
- Attributable to equity holders of the parent	**-**	**210**	**(85)**	**(73)**

(*) Including (€5) million in respect of the allocation to intangible assets and property, plant and equipment of the acquisition price of Eralloys Holding A/S (as of December 31, 2009: (€10) million).