



Press release

Paris, February 19, 2009

Eramet

Excellent Results in 2008 despite Substantial Impact of Crisis in 4th Quarter

- Current operating income over €1.3 billion
- Group share of net income up 19% vs. 2007
- Swift response by Group to sharp downturn of its markets
- Financial situation stronger still at year-end 2008: net cash €1.1 billion
- Early 2009 to remain difficult but medium and long-term goals maintained
 - Partnership with the Bolloré Group in Lithium
- Weda Bay Project: new partnership with Mitsubishi Corporation

The Board of Directors of ERAMET, meeting on February 18th, 2009 under the chairmanship of Patrick Buffet, closed the financial statements for 2008, which will be submitted at the Annual General Meeting on May 13th, 2009.

Eramet Chairman & CEO Patrick Buffet stated, “*In the difficult current environment, ERAMET benefits from a very sound financial situation with net cash of €1.1 billion as at the end of 2008. The Group will continue to show responsiveness by adapting its production to demand trends, limiting its capital expenditure and reducing its costs in order to protect its financial room to manoeuvre and benefit fully from an upturn on its markets when it occurs. Medium- and long-term goals will be maintained with major development projects beyond the current crisis.*”

EUR m	2008*	2007	Change
Turnover	4,346	3,792	+ 15%
Current operating income	1,321	1,196	+ 10%
Net income, Group share	694	582	+ 19%
Income per share (€)	27.03	22.67	+ 19%
Operating cash flow	1,140	988	+ 15%
Net cash	1,133	954	+ 19%

Turnover (EUR m)	2008*	2007	Change
<i>Eramet Nickel</i>	897	1,290	-30%
<i>Eramet Manganese</i>	2,348	1,473	+ 59%
<i>Eramet Alloys</i>	1,102	1,033	+ 7%
<i>Holding company</i>	-1	-4	NS
Group total	4,346	3,792	+ 15%

* *Figures including Tinfos excluding Trading activities, recorded as assets to be divested.*

Group's current operating income up 10% to 1,321 M€

Despite the sharp fall in nickel prices, the Group's turnover in 2008 increased 15% from the previous year to 4,346 M€ including Tinfos, which was consolidated as from August 1st, 2008 with 5-month turnover of 159 M€(excluding Trading activities, which are recorded as assets to be divested).

The Group's current operating income, at 1,321 M€ rose 10% compared with 2007. Excluding Tinfos, it grew slightly, as announced, with an approximately 5% increase from 2007.

This increase in turnover and current operating income is mainly due to the very sharp rise in manganese prices and, to a lesser extent, the improvement in Eramet Alloys' performance.

Net income, Group share up 19% to 694 M€

The Group's share of net income rose 19% in 2008 compared with 2007. At 694 M€ it represents income of €7.03 per share compared with €2.67 in 2007.

Stronger financial situation at year-end 2008

The Group's financial situation was strengthened further with net cash totalling €1.133 billion at the end of 2008, compared with €54 million at the end of 2007, taking the acquisition of Tinfos into account.

A difficult fourth quarter 2008

The crisis had a particularly significant effect on the Group's markets and turnover in the 4th quarter of 2008. ERAMET's turnover decreased by 10% in the 4th quarter compared with the same period in 2007 and by 25% excluding Tinfos' contribution over five months.

The Group's swift response to the crisis

In response to the crisis, the Group quickly took measures to protect its financial situation:

- Outputs were reduced in line with the decrease in demand.
- Capital expenditure for 2008, at 419 M€, was revised downward by almost 100 M€ from the initial target, and all future programmes were re-examined, leading to substantial postponements and, in some cases, cancellations.
- It was decided to take cost reduction measures in all three divisions for implementation in late 2008 and in 2009.

→ **Eramet Manganese: current operating income up 147% to 1,088 M€ thanks to sharp rises in manganese prices and the consolidation of Tinfos over 5 months**

Thanks to the record levels reached by manganese ore and alloy prices, Eramet Manganese's turnover rose 59% in 2008 compared with 2007, totalling 2,348 M€ including Tinfos' consolidation as from August 1st. Tinfos' 5-month turnover, excluding the international trading activity (recorded as an asset to be divested), was 159 M€

The crisis had a heavy impact in the 4th quarter of 2008. Excluding Tinfos, Eramet Manganese recorded a 20% decrease in turnover compared with the 4th quarter of 2007. Including Tinfos' contribution over 5 months, Eramet Manganese's turnover totalled 522 M€ up 15% from the 4th quarter of 2007.

Eramet Manganese's current operating income in 2008 was 147% higher than in 2007, totalling 1,088 M€ including Tinfos' contribution for 5 months, which amounted to 62 M€

Global production of carbon steel fell slightly in 2008 (- 1%), after several years of high growth. The decrease was concentrated on the 2nd half, especially the 4th quarter, when global carbon steel production slumped 19% from the same period in 2007 as a result of the global economic crisis and inventory reductions.

For manganese alloy and ore producers, the downturn in business was intensified by consumers' inventory reductions.

Eramet Manganese responded extremely swiftly by reducing its manganese ore and alloy outputs to adjust them to demand.

Comilog's ore and sinter production was reduced to 690,000 tonnes in the 4th quarter of 2008, down 23% compared with the same period in 2007. This limited annual output to 3,250,000 tonnes in 2008, down 3% from 2007.

Similarly, manganese alloy output, at 150,000 tonnes, was reduced by 23% compared with the 4th quarter of 2007. Over the year, it was limited to 708,000 tonnes, i.e. down 7% from 2007.

Spot prices for manganese ore increased sharply in 2008, with record levels in excess of 16 USD/dmtu CIF in the 3rd quarter of 2008, before a sharp decrease with much lower volumes towards the end of the year.

Spot prices for manganese alloys also reached record levels before falling sharply towards the end of the year with a substantial drop in volumes.

The catalyst recycling activity posted a sharp rise in turnover for the 1st half of 2008, followed by a fall in the 2nd half, particularly due to a significant drop in molybdenum and vanadium prices. In total for 2008 the activity's turnover decreased slightly (- 1%) year-on-year.

The new Canadian oil catalyst recycling plant started up in mid-2008. As a result of the crisis, the new profitability outlook for this project led the Group to record a 31 M€ write-down in ERAMET's books.

The manganese chemicals activity had a good 2008 in terms of both prices and volumes. The new plant in Chongzuo, China that produces electrolytic manganese dioxide for the alkaline battery market reached full capacity.

→ **Eramet Nickel: current operating income 169 M€, a sharp decrease from the very high level recorded in 2007, due to the fall in nickel prices**

Eramet Nickel's turnover fell 30% in 2008 compared with the previous year. In the 4th quarter of 2008, it totalled 176 M€, down 47% from the same period in 2007.

Current operating income totalled 169 M€, a 76% decrease from 2007, mainly as a result of the fall in nickel prices from their very high 2007 levels.

The nickel market experienced a very difficult year, due to a sharp downturn in both business and prices in the 2nd half of 2008. The slump was especially marked in the 4th quarter, when global stainless steel production decreased 24% and LME nickel prices fell 63% on average compared with the 4th quarter of 2007.

Nickel hedging in 2008 covered 16,500 tonnes at an average price of 10 USD/lb. It includes new hedging taken out since 2007 for 9,000 tonnes at an average price of 12.5 USD/lb.

Eramet Nickel's nickel shipments totalled 51,700 tonnes for 2008, a 6% decrease from 2007. Annual metallurgical nickel production was limited to 51,000 tonnes at year-end 2008 (down 14% vs. 2007), in response to lower demand.

→ **Eramet Alloys: current operating income up 10% to 86 M€**

The Alloys division's turnover for 2008 grew 7% compared with 2007. After firm demand on all Eramet Alloys' markets during the first 6 months of 2008, the 2nd half saw a downturn that intensified towards the end of the year. In the 4th quarter, Eramet Alloys' turnover decreased 7% compared with the same period in 2007.

Demand in the aerospace sector was affected by the 2-month strike at Boeing and the downward adjustment of some aircraft programmes.

Shipments of high-speed and tool steels were impacted by an increasingly sharp drop in orders over the last few months of 2008. Production in the Commentry (France) and Söderfors (Sweden) plants was stopped for three weeks at the end of 2008.

Eramet Alloys' current operating income grew 10% in 2008 to 86 M€, despite a 14% fall in the 2nd half compared with the same period in 2007.

Dividend of €5.25/share

Given the very good results for 2008, but also the deterioration in outlook in late 2008 and early 2009, at the Annual General Meeting the Board of Directors will put to ERAMET shareholders' vote the payment of a dividend of € 5.25 per share. The dividend paid with respect to the previous year was 6 €/share.

The Group's outlook, measures taken in response to the global crisis

In the short term, the ongoing economic downturn and substantial inventory reductions continue to weigh on our markets. The first months of 2009 will remain very difficult. LME nickel prices remained very low at 5.13 USD/lb. in January, while stainless steel output is still slack. Sales activity in manganese ore is very limited as steel and manganese alloy producers

are still applying their inventory reduction policy. Manganese alloy prices are undergoing continuous erosion. The business slowdown for most sectors in the Alloys division is being confirmed.

In response to that situation, ERAMET decided to step up its measures to adjust to demand trends.

- Eramet Manganese: production cuts increased for 1st quarter 2009 in manganese ore and alloys

Given adverse market trends, in the 1st quarter of 2009 Eramet Manganese will reduce its output to approximately 40% of its capacity for ore (i.e. a 600,000-tonne reduction for the quarter) and approximately 35% of capacity for alloys (i.e. a 150,000-tonne reduction for the quarter).

Beyond the 1st quarter of 2009, Eramet Manganese will continue to adjust ore and alloy outputs according to demand trends. Furthermore, Eramet Manganese remains able to respond swiftly to the market upturn when it occurs.

- Eramet Nickel: expected decrease in production confirmed for 1st quarter 2009

In light of current sales prospects, nickel output was adjusted from the beginning of 2009 to a full-year rate of around 50,000 tonnes.

Additional cost reduction efforts will be made rapidly. Beyond the 1st quarter of 2009, Eramet Nickel will continue to adjust its output to market trends and will step up its cost reduction measures.

Nickel hedging in 2009 covers almost 5,000 tonnes at approximately 23,000 USD/tonne (10.5 USD/lb.).

- Eramet Alloys: cut in high speed steel output, adjustment measures throughout the division

In response to uncertainties over the aerospace market (slowdown of Airbus A320, postponement of programmes such as the B787 and the A400M, etc.), adjustment measures and tighter improvement plans are being set up to maintain Eramet Alloys' competitiveness.

- Reduction of the Group's costs and capital expenditure

Throughout the ERAMET Group, beyond the savings resulting directly from output cuts, it has been decided to take substantial cost reduction actions. Following a 19% reduction in capital expenditure for 2008 compared with the initial forecast, the Group's capital expenditure target for 2009 was cut by 54%, i.e. a reduction from the 736 M€ initially planned to 336 M€. This figure could be revised downward in 2009 depending on how the crisis evolves.

High purity chrome production operations at the Marietta (USA) plant have been suspended.

In the next few quarters, the likely end of the inventory reduction process and the gradual effect of the various stimulus plans should contribute to positive change in demand for the Group's alloying metals.

In the medium term, the output reduction efforts and capacity closures announced by many producers should help to limit excess supply, while the current financing shortage is leading to reductions and postponements of major capital projects, limiting the increase in production capacities.

In the longer term, the further urbanisation and industrialisation of emerging countries, particularly China and India, will continue to drive demand growth for alloying metals used to make steel, while the economic upturn in developed countries should intensify that growth. Given the likely underinvestment over the next few years, a supply shortfall may again occur, together with the corresponding price rises.

Partnership with the Bolloré Group in Lithium

As part of its development in new metals with high growth potential, Eramet has entered into a partnership with the Bolloré group for the mining and conversion of lithium for electric battery manufacturing. Both groups are currently looking into possible developments notably in South America.

A milestone in the Weda Bay Project in Indonesia: new partnership with Mitsubishi Corporation

ERAMET and Mitsubishi Corporation today announced a partnership with respect to the project to develop the Weda Bay nickel deposit in Indonesia. Mitsubishi Corporation has agreed to acquire from ERAMET 33.4% of Strand Minerals (Indonesia) Pte Ltd, which holds 90% of PT Weda Bay Nickel alongside the Indonesian group Antam.

Patrick Buffet stated, *“This partnership is a major milestone for the Weda Bay project. Mitsubishi Corporation is a front-rank industrial and commercial operator in Indonesia, as well as a major player in mining and metallurgy through its participation in several large projects and operating facilities worldwide. Weda Bay is a world-class deposit and the appraisal of its measured, indicated and inferred resources was recently adjusted upward to 5.1 million tonnes of nickel content. Studies for the Weda Bay project will now continue with the support of Mitsubishi Corporation and in complete agreement with Antam.”*

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Eramet’s Annual General Meeting will take place on May 13th, 2009 at Maison de l’Amérique Latine, 217 Bd St-Germain, 75007 Paris.

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Vice President Strategy and Investor Relations - Philippe Joly, Eramet (Paris):

tel. +33 (0) 1 45 38 42 02

Shareholder information: <http://www.eramet.fr>


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ERAMET 2008 CONSOLIDATED FINANCIAL STATEMENTS

Income statement

(millions of euros)	2008	2007	2006
Sales	4 346	3 792	3 056
Other income	126	62	10
Cost of products sold	(2 768)	(2 318)	(2 171)
Administrative & selling costs	(141)	(126)	(102)
Research & development expenditure	(58)	(37)	(35)
EBITDA	1 505	1 373	758
Depreciation, amortisation & impairment of non-current assets	(186)	(171)	(144)
Impairment losses and provisions	2	(6)	(7)
Current operating income	1 321	1 196	607
Other operating income and expenses	(78)	(57)	23
Operating income	1 243	1 139	630
Net cost of debt	34	19	7
Other finance income and expenses	(75)	6	(4)
Share in earnings of affiliates	-	-	1
Income tax	(347)	(350)	(174)
Net income	855	814	460
- minority part	161	232	141
- Group part	694	582	319
Basic earnings per share (EUR)	27,03	22,67	12,38
Diluted earnings per share (EUR)	26,96	22,54	12,28

ERAMET**Balance sheet****Assets**

(millions of euros)	2008	2007	2006
Goodwill	263	33	36
Intangible assets	345	309	320
Property, plant & equipment	1 763	1 505	1 331
Companies accounted for using the equity method	-	1	3
Other financial non-current assets	137	61	67
Deferred tax	32	13	74
Other non-current assets	6	6	6
Non-current assets	2 546	1 928	1 837
Inventories	1 242	905	769
Trade receivables and other current assets	597	675	631
Tax receivables	141	131	74
Financial derivatives	111	129	55
Other financial current assets	388	144	103
Cash and cash equivalents	944	962	540
Current assets	3 423	2 946	2 172
Total assets	5 969	4 874	4 009

Shareholders' equity and liabilities

(millions of euros)	2008	2007	2006
Share capital	80	79	79
Share premiums	345	223	222
Reserves	1 674	1 340	999
Translation adjustments	(132)	(30)	(5)
Net income (loss)	694	582	319
	2 661	2 194	1 614
Minority interests	1 071	841	525
Shareholders' equity	3 732	3 035	2 139
Employee benefits	121	112	125
Provisions	271	255	171
Deferred tax	240	246	148
Borrowings - due in more than one year	92	65	72
Other non-current liabilities	22	30	27
Non-current liabilities	746	708	543
Provisions - due in less than one year	32	31	28
Borrowings - due in less than one year	107	87	218
Trade payables and other current liabilities	907	656	569
Tax payables	287	276	145
Financial derivatives	158	81	367
Current liabilities	1 491	1 131	1 327
Total shareholders' equity and liabilities	5 969	4 874	4 009

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Statement of changes in net cash / borrowing position

(millions of euros)	2008	2007	2006
Operating activities			
EBITDA	1 505	1 373	758
Elimination of non-cash or non-business items:	(395)	(344)	(164)
Operating cash flow before changes in working capital	1 110	1 029	594
Changes in operating working capital requirement	30	(41)	(51)
Net cash flows from operating activities	1 140	988	543
Investing activities			
Capital expenditure	(419)	(319)	(309)
Non-current financial assets	(425)	7	(192)
Disposals of non-current assets	11	8	17
Investment subsidies received	-	-	14
Net change in non-current asset receivables / liabilities	(4)	4	(4)
Changes in scope of consolidation and loans	27	4	11
Dividends from equity accounted affiliates	1	1	1
Net cash flows from investing activities	(809)	(295)	(462)
Financing activities			
Dividends paid	(205)	(107)	(98)
Share capital increases	119	1	3
Changes in working capital requirement related to financing activities	-	(1)	2
Net cash flows from financing activities	(86)	(107)	(93)
Impact of translation adjustments	(66)	15	1
Decrease (increase) in net cash (borrowing) position	179	601	(11)
Opening net cash (borrowing) position	954	353	364
Closing net cash (borrowing) position	1 133	954	353

ERAMET**Segment reporting**

(millions of euros)	Nickel	Manganèse	Alloys	Holding & eliminations	Total
Full year 2008					
Non-Group sales	896	2 347	1 102	1	4 346
Intra-Group sales	1	1	-	(2)	-
Sales	897	2 348	1 102	(1)	4 346
Cash flows from operating activities	249	814	74	(27)	1 110
EBITDA	239	1 163	122	(19)	1 505
Current operating income	169	1 088	86	(22)	1 321
Other operating income and expenses	-	-	-	-	(78)
Operating income	-	-	-	-	1 243
Cost of borrowed capital	-	-	-	-	34
Other finance income and expenses	-	-	-	-	(75)
Share of income from equity accounted companies	-	-	-	-	-
Income tax	-	-	-	-	(347)
Minority interests	-	-	-	-	(161)
Group net income (loss)	-	-	-	-	694
Non-cash expenses	(117)	(84)	(38)	(16)	(255)
- depreciation & amortisation	(72)	(62)	(41)	(2)	(177)
- provisions	(9)	21	2	6	20
- impairment losses	(7)	(41)	-	-	(48)
Capital expenditure (intangibles and property, plant & equipment)	189	145	83	2	419
Total balance sheet assets (current and non-current)	2 465	2 998	1 109	(603)	5 969
Total balance sheet liabilities (current and non-current excluding shareholders)	765	1 058	638	(225)	2 236
Full year 2007					
Non-Group sales	1 285	1 473	1 033	1	3 792
Intra-Group sales	5	-	-	(5)	-
Sales	1 290	1 473	1 033	(4)	3 792
Cash flows from operating activities	574	389	84	(18)	1 029
EBITDA	758	515	112	(12)	1 373
Current operating income	693	440	78	(15)	1 196
Other operating income and expenses	-	-	-	-	(57)
Operating income	-	-	-	-	1 139
Cost of borrowed capital	-	-	-	-	19
Other finance income and expenses	-	-	-	-	6
Share of income from equity accounted companies	-	-	-	-	-
Income tax	-	-	-	-	(350)
Minority interests	-	-	-	-	(232)
Group net income (loss)	-	-	-	-	582
Non-cash expenses	(89)	(106)	(41)	21	(215)
- depreciation & amortisation	(62)	(66)	(39)	(2)	(169)
- provisions	(13)	(13)	4	(2)	(24)
- impairment losses	-	2	1	-	3
Capital expenditure (intangibles and property, plant & equipment)	135	129	54	1	319
Total balance sheet assets (current and non-current)	2 600	1 492	1 047	(265)	4 874
Total balance sheet liabilities (current and non-current excluding shareholders)	912	597	553	(223)	1 839

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(millions of euros)	Nickel	Manganèse	Alloys	Holding & eliminations	Total
Full year 2006					
Non-Group sales	1 015	1 147	892	2	3 056
Intra-Group sales	4	-	-	(4)	-
Sales	1 019	1 147	892	(2)	3 056
Cash flows from operating activities	327	176	93	(2)	594
EBITDA	441	230	97	(10)	758
Current operating income	388	170	62	(13)	607
Other operating income and expenses	-	-	-	-	23
Operating income	-	-	-	-	630
Cost of borrowed capital	-	-	-	-	7
Other finance income and expenses	-	-	-	-	(4)
Share of income from equity accounted companies	-	-	-	-	1
Income tax	-	-	-	-	(174)
Minority interests	-	-	-	-	(141)
Group net income (loss)	-	-	-	-	319
Non-cash expenses	(49)	(26)	(49)	(10)	(134)
- depreciation & amortisation	(53)	(54)	(37)	(1)	(145)
- provisions	(9)	24	3	(1)	17
- impairment losses	-	1	(2)	-	(1)
Capital expenditure (intangibles and property, plant & equipment)	125	122	58	4	309
Total balance sheet assets (current and non-current)	1 959	1 119	1 097	(166)	4 009
Total balance sheet liabilities (current and non-current excluding shareholders)	736	433	720	(19)	1 870

Segment reporting

(millions of euros)	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (destination of sales)							
Full year 2008	2 224	812	1 156	44	91	19	4 346
Full year 2007	1 985	643	922	58	150	34	3 792
Full year 2006	1 532	638	725	42	98	21	3 056
Capital expenditure (intangibles and property, plant & equipment)							
Full year 2008	122	47	34	156	60	-	419
Full year 2007	76	46	28	111	58	-	319
Full year 2006	86	33	29	113	48	-	309
Total balance sheet assets (current and non-current)							
Full year 2008	3 725	430	587	1 017	210	-	5 969
Full year 2007	2 916	346	425	825	362	-	4 874
Full year 2006	2 370	292	362	698	287	-	4 009