



ERAMET

Press release

Paris, April 30th, 2009

Eramet

- **Sharp 41% fall in turnover for 1st quarter 2009 vs. same period in 2008**
 - **Market conditions remain extremely difficult**
 - **Measures taken to maintain a robust financial situation**
- **New projects and partnerships announced in first months of 2009**

EUR M	Q1 2009	Q1 2008	Change
Eramet Manganese*	288	519	- 45%
Eramet Nickel	156	308	- 49%
Eramet Alloys	222	292	- 24%
Holding company & eliminations	(2)	(1)	-
Eramet Group*	664	1 118	- 41%

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

The impact of the global economic crisis on the ERAMET Group's main markets was very significant in the 1st quarter of 2009. This was reflected in a sharp fall in nickel and manganese prices compared with the 1st quarter of 2008, and a heavy slump in manganese sales volumes. The Alloys division's activity was also severely affected.

As a result, the ERAMET Group's consolidated turnover decreased 41% in the 1st quarter of 2009 compared with the 1st quarter of 2008. Excluding the effect of changes in Group structure (acquisition of 56% of Tinfos), the decrease would have been 43%.

Compared with the 4th quarter of 2008, carbon steel and stainless steel markets stabilised at very low levels. Nickel prices remained very depressed and manganese alloys prices continued to slide.

In that context, the Group, as announced, swiftly succeeded in adapting its production volumes to market conditions. Moreover, it continued its cost reduction actions and, as planned, scaled down its capital expenditure programmes significantly, which enabled it to maintain a sound cash position and keep substantial financial room to manoeuvre.

- **ERAMET Manganese: turnover down 45% to 288 M€**

ERAMET Manganese's turnover fell 45% in the 1st quarter of 2009 compared with the same period in 2008, totalling 288 M€ as a result of falling prices and lower sales volumes for manganese, driven by the downturn on the carbon steel market. At constant structure, excluding the acquisition of Tinfos, the decrease would have been 50%.

Global steel production slumped 23% in the 1st quarter of 2009 compared with the 1st quarter of 2008. Excluding China, it fell as much as 37%.

Destocking continued on the manganese alloys market. In response to lower demand, as announced, ERAMET Manganese substantially reduced its manganese alloys production, which decreased 54% in the 1st quarter of 2009 compared with the same period in 2008, excluding Tinfos. Including Tinfos, it totalled 107,000 tons. Spot prices for manganese alloys fell by around 45% in the 1st quarter of 2009 compared with the same period in 2008 and 56% compared with the exceptionally high level of the 3rd quarter 2008.

Production of manganese ore and sinter by Comilog (Gabon) was reduced in line with the announced measures, decreasing 60% in the 1st quarter of 2009 compared with the same period in 2008, to 343,000 tons. External shipments fell 67% compared with the 1st quarter of 2008 as a result of ongoing destocking by customers. Manganese ore prices slumped 33% compared with the 1st quarter of 2008 and 55% compared with the exceptionally high level of the 3rd quarter of 2008.

Turnover for the catalyst recycling activity in the United States (GCMC and Bear Metallurgical) decreased 44% in the 1st quarter of 2009 compared with the same period in 2008, particularly due to the sharp fall in molybdenum and vanadium prices.

- **ERAMET Nickel: turnover down 49% to 156 M€**

At 156 M€, ERAMET Nickel's turnover decreased 49% in the 1st quarter of 2009 compared with the same period in 2008, due to the very sharp fall in nickel prices.

The physical market for nickel remained in surplus for the 1st quarter of 2009. LME nickel inventories are currently over 100,000 tons. Global production of austenitic stainless steel (containing nickel) is down 33% in the 1st quarter of 2009 from the 1st quarter of 2008. LME nickel prices slipped again in the 1st quarter of 2009 compared with the 4th quarter of 2008, averaging 4.75 USD/lb, down 64% from the 1st quarter of 2008 (13.13 USD/lb). The nickel hedging programme in the 1st quarter of 2009 covered 1,200 tons at an average price of 10.6 USD/lb.

Metallurgical production at the Doniambo (New Caledonia) plant was limited to a little over 13,000 tons in the 1st quarter of 2009, down 12% compared with the 4th quarter of 2008.

- **ERAMET Alloys: turnover down 24% to 222 M€**

The Alloys division's turnover fell 24% in the 1st quarter of 2009 compared with the same period in 2008.

This decrease reflects a sharp fall in business in cutting and tool steels and a less severe drop in turnover with other sectors such as aerospace and power generation. Trends in turnover are also due to the Division passing through lower prices for purchased raw materials into its sales prices.

ERAMET Alloys carried out major production stoppages in the 1st quarter of 2009, particularly on cutting steel manufacturing sites.

- **1st quarter 2009 highlights: ERAMET maintains its medium and long-term development goals**

. New Caledonia: Partnership with Southern Province to develop Prony and Creek Pernod nickel deposits

January 20th, 2009. Société Le Nickel (SLN), a 56% subsidiary of the ERAMET Group, and the Southern Province of New Caledonia signed an exploration agreement for the purposes of the long-term development of the Prony and Creek Pernod deposits in the south of New Caledonia, which form one of the largest oxidised nickel deposits in the world. The prior exploration phase on the two deposits should take a maximum of nine years.

. Weda Bay Project: Partnership with Mitsubishi Corporation

February 19th, 2009. ERAMET announced an agreement to sell 33.4% of Strand Minerals (Indonesia) Pte Ltd., to Mitsubishi Corporation. Strand Minerals holds 90% of PT Weda Bay Nickel, with the remaining 10% owned by the Indonesian partner Antam. PT Weda Bay Nickel is the exploration project company created to develop the nickel and cobalt project in Weda Bay on Halmahera Island, Indonesia.

With respect to this transaction, Mitsubishi Corporation paid ERAMET 145 M USD.

ERAMET and Mitsubishi Corporation, whose skills are a very good fit, joined forces to conduct the studies needed to make, at a later date, the final decision on the project's development.

. Lithium: Partnership with Bolloré group

February 19th, 2009. In line with its development on new metal markets with high growth potential, ERAMET announced it had entered into a partnership with the Bolloré group. The agreement concerns the mining and processing of lithium for the manufacture of rechargeable electric batteries for the automotive sector.

. Tinfos: New agreement for ERAMET to raise its stake to 100%

March 12th, 2009. ERAMET announced a new agreement allowing it to increase its interest in Eralloys (company grouping together the activities of the former company Tinfos, excluding Nottoden electricity plant) from 56 to 94.3% while reducing its stake in Notodden from 56 to 34%. The operation, completed through a share swap, must obtain the relevant regulatory authorisations, while contributions in kind are subject to the approval of ERAMET's Board of Directors, ruling by delegation from the ERAMET Shareholders' General Meeting of April 16th, 2008. The holders of minority interest in Eralloys will then be offered the buyout of their shares, payable at their choice in cash or in ERAMET shares. This will enable ERAMET to raise its stake to 100%.

- **Events since the 1st quarter 2009 cut-off date**

- **COMILOG: First stone laid at Moanda Metallurgical Complex**

April 7th, 2009. The first stone was laid at the future Metallurgical Complex of COMILOG, a 67%-held ERAMET subsidiary based in Moanda (Gabon). The project consists of a silicomanganese plant with 65,000-ton annual capacity and a 20,000 ton per year manganese metal plant. The Complex will benefit from the Gabonese government's development of a new hydroelectric plant as part of the upgrading of the national electricity grid. Capital expenditure for Moanda Metallurgical Complex will total €200 million, spread over the 2009 – 2013 period.

- **UKAD: Constitution of an integrated titanium stream**

April 10th, 2009. Aubert & Duval, a fully-owned ERAMET subsidiary, announced the choice of the Saint-Georges de Mons, Auvergne, France site for its future titanium ingot conversion activity, to be carried out with its partner, the Kazakh company UKTMP, under a 50/50 joint venture (UKAD). UKTMP is one of the world's leading producers of titanium sponge. The 47 M€ project will be completed by the joint venture from 2009 and 2011 and will enable the partners to strengthen their role as a strategic titanium supplier to the aerospace industry.

- **Financial position**

ERAMET's net cash remained stable overall in the 1st quarter of 2009, at almost €1.2 billion, before the payment with respect to 2008 of the remainder of taxes due and any dividend. This high level of net cash was kept up, in particular, thanks to the 145 M USD cash contribution from Mitsubishi Corporation under the Weda Bay project, and the actions taken to reduce costs, reduce working capital and limit industrial capital expenditure.

- **Outlook**

ERAMET Manganese

Manganese alloy prices continued their downward trend in April. Given the current state of demand, ERAMET Manganese expects to keep its manganese ore and alloy output at substantially reduced levels in the 2nd quarter of 2009, on a par with the 1st quarter of the year.

ERAMET Nickel

ERAMET Nickel will continue to adjust its metallurgical nickel production to market trends, taking into account the market surplus as well as nickel prices, which remain very low. For the last three quarters of 2009, nickel hedging concerned 3,600 tons at an average price of 10.5 USD/ton.

ERAMET Alloys

As a result of the significant decrease in orders received, ERAMET Alloys will continue to make significant production stoppages. These will be particularly extensive in cutting and tool steels.

The Group's overall situation

In the current market environment, in terms of both demand and prices, and taking into account the depreciation of some inventories in particular, the Group is likely to post a very significant current operating loss for the 1st half of 2009.

The Group will continue to constantly adapt its productions to market trends and take the necessary measures (production cost and inventory reduction, limitation of capital expenditure, in particular) in order to maintain a sound financial position.

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