



Press Release

Paris, July 30th, 2009

ERAMET

First-Half Results 2009

- **Net cash remains high (926 M€)**
- **Major measures implemented swiftly in response to crisis, as previously announced**
 - **Loss posted for 1st half 2009**
 - **The Group maintains its medium- and long-term development goals**

The Board of Directors of ERAMET, meeting on July 29th, 2009 under the chairmanship of Patrick BUFFET, prepared the financial statements for the first half of 2009.

ERAMET Chairman & CEO Patrick BUFFET stated, “The Group has sound financial capability, with in particular net cash of more than 900 M€ at the end of the 1st half of 2009, and will continue to implement the major measures planned in response to the crisis. That financial robustness must be sustained in order to fund our medium- and long-term projects. The current crisis, however deep it is, does not call into question the global economy’s substantial future needs in terms of alloying metals and high-performance alloys, first and foremost in emerging countries for their industrialisation and urbanisation. Thanks especially to the quality of its deposits, technologies and financial situation, the Group intends to maintain its medium- and long-term goals by continuing its major development projects, while adapting their implementation schedule in certain cases.”

Turnover (€millions)	H1 2009	H2 2008	H1 2008
<i>ERAMET Manganese</i>	565	1 175	1 173
<i>ERAMET Alloys</i>	420	510	592
<i>ERAMET Nickel</i>	310	342	555
<i> Holding company</i>	(3)	(2)	1
Group total	1 292	2 025	2 321

The economic crisis affected our three divisions severely in the 1st half of 2009. Nickel and manganese prices, in particular, decreased sharply while volumes fell because of lower demand and inventory reduction, compared with the 1st half of 2008, an historically high period for our main markets.

ERAMET’s turnover for the 1st half of 2009, at 1292 M€ was down 44% from the same period in 2008 and down 36% from the 2nd half of 2008.

Turnover (€millions)	Q2 2009	Q1 2009
<i>ERAMET Manganese</i>	277	288
<i>ERAMET Alloys</i>	198	222
<i>ERAMET Nickel</i>	154	156
<i>Holding company</i>	(1)	(2)
Group total	628	664

In the 2nd quarter of 2009, the decrease in the Group's turnover compared with the 1st quarter of 2009 was much more moderate (-5.4%), thanks to the relative improvement in nickel prices and manganese sales volumes.

€millions	H1 2009	H2 2008	H1 2008
Current operating income (loss)	- 223	552	769
Net income (loss), Group share	- 213	273	421
Earnings per share (€)	-8.23	10.59	16.44
Net cash	926	1133	1105

The ERAMET Group's current operating loss totalled – 223 M€ for the 1st half of 2009, compared with income of 769 M€ for the 1st half of 2008 and 552 M€ for the 2nd half of 2008. Current operating income for the 1st half of 2009 includes inventory depreciation for 27 M€

The Group's share of net loss was – 213 M€ in the 1st half of 2009, compared with net income of 421 M€ in the 1st half of 2008 and 273 M€ in the 2nd half of 2008.

As previously announced, major crisis response measures were implemented swiftly and a robust financial situation maintained with 926 M€ in net cash as on June 30, 2009.

In response to the crisis, the Group swiftly implemented the announced measures to protect its financial position:

- Output reduction in all three divisions
- 205 M€ reduction in the Group's working capital requirements compared with year-end 2008
- Cost reduction: excluding decreases resulting mechanically from lower activity, savings representing 68 M€ were achieved in the 1st half of 2009, in line with the annual target of 140 M€
- Capital expenditure reduction: the capex objective was reduced by 54% compared with the pre-crisis objective, to a maximum of 336 M€ In the 1st half of 2009, capital expenditure totalled 141 M€, in line with the maximum annual objective set by the Group.

Thanks to these stringent measures, the Group's net cash remained high at 926 M€ compared with 1,133 M€ at the end of 2008.

ERAMET Manganese: heavy slump in sales prices and volumes in the 1st half, compared with a record 2008

ERAMET Manganese's turnover, at 565 M€, was down 52% from both the 1st half of 2008 and the 2nd half of 2008.

In this context of sharp falls in manganese prices and sales volumes, ERAMET Manganese posted a current operating loss of -94 M€ for the 1st half of 2009.

Manganese demand was heavily impacted in the 1st half of 2009. The effect of the 22% decrease in world steel production in the 1st half of 2009 compared with the same period in 2008 was amplified by reductions in manganese ore and alloys inventory. However, a partial improvement in demand was observed at the end of the period, mainly in China, which could be explained by movements affecting inventories.

Manganese alloys shipments by ERAMET Manganese decreased 17% in the 1st half of 2009 compared with the same period in 2008, totalling 304,000 tons despite the contribution of Tinfos. Manganese alloys production was reduced to 243,000 tons in the 1st half of 2009, i.e. approximately 50% of capacity, in order to help reduce the inventory built up in the 2nd half of 2008. This includes a slight increase in the 2nd quarter to 135,000 tons in response to improved demand. Manganese alloys prices fell during the 1st half by over 40% on average from the 1st half of 2008, causing margins to shrink significantly.

Manganese ore and sinter production at Comilog (Gabon) was 62% down in the 1st half of 2009 compared with the same period in 2008, totalling 653,000 tons because of weak demand and the need to reduce inventory. External shipments of manganese ore and sinter decreased 46% in the 1st half of 2009 compared with the 1st half of 2008, despite an improvement in volumes in the 2nd quarter. Chinese imports of manganese ore increased substantially during the quarter, returning to 1st half 2008 levels. However, manganese ore prices decreased by 60% on average during the 1st half of 2009 compared with the 1st half of 2008, ending the period at around 3.5 USD/dmtu CIF on the Chinese market.

The turnover and profitability of the catalyst recycling activity were affected by a drop in molybdenum and vanadium prices, while manganese chemicals held out better, particularly electrolytic manganese dioxide for alkaline batteries in the United States. The chemicals/recycling business unit posted slightly positive income.

Beyond mechanical decreases arising from lower activity, the savings achieved by ERAMET Manganese during the 1st half of 2009 totalled 25 M€ with the annual target of 60 M€ maintained. Capital expenditure was in line with the lower objective set for the year.

ERAMET Alloys: lower demand, particularly for high speed steels

ERAMET Alloy's turnover fell 29% to 420 M€ in the 1st half of 2009 compared with the same period in 2008 and 18% compared with the 2nd half of 2008. Except for the energy sector, which remained stable, all business sectors slumped, particularly aerospace (-25%) and tooling (-57%). New orders fell sharply in the 1st half. The aerospace activity was affected by the slowdown in aircraft production (A320 and A380) and the postponement of some programmes (A400M, B787, etc.).

ERAMET Alloys posted a current operating loss of – 26 M€ for the 1st half of 2009.

In response to lower demand, production stoppages were carried out. The especially sharp fall in high speed steels and the revised, more negative outlook for the activity led the Group to write down 48 M€ in asset depreciation.

The reduction in working capital requirements obtained by a stringent approach totalled 78 M€ for the 1st half of 2009 and 109 M€ in a year, excluding the securitisation effect.

Beyond the decreases resulting mechanically from lower activity, the savings achieved by ERAMET Alloys to the end of June 2009 (25 M€) are in line with the annual goal of 45 M€ Capital expenditure for the 1st half of 2009 complied with the lower objective set for the year.

ERAMET Nickel: sharp decrease in prices and demand, despite a relative improvement towards the end of the period.

ERAMET Nickel's turnover fell 44% in the 1st half of 2009 compared with the 1st half of 2008 to 310 M€ In the 1st half of 2009, the nickel prices on the LME averaged 5.31 USD/lb. compared with 12.39 USD/lb. on average for the 1st half of 2008.

Moreover, during the first half of 2009, Eramet exercised 2,200 tons of tunnel put options on nickel at 22,900 USD/ton (10.4 USD/lb.), net of premiums.

ERAMET Nickel's current operating income decreased to - 89M€ for the 1st half of 2009, chiefly because of the sharp drop in nickel demand and prices.

Despite an improvement compared with the 4th quarter of 2008, particularly in China and some neighbouring countries, global output of stainless steel decreased by approximately 30% in the 1st half of 2009 compared with the same period in 2008. Despite the major restrictions implemented by nickel producers, including the closure of some sites, the global market remained in surplus for the 1st half of 2009. LME nickel inventory remained very high (approx. 110,000 tons as at the end of 1st half 2009).

The Doniambo (New Caledonia) plant's metallurgical output was deliberately limited to around 50,000 tons on an annual basis in the 1st half of 2009, i.e. approximately 80% of production capacity (a comparable rate to the industry average). Surplus inventory at Doniambo was reduced by the end of the period.

Excluding the mechanical decreases resulting from lower activity, the 18 M€ in savings achieved by ERAMET Nickel in the 1st half of 2009 is in line with the savings target of 34 M€ for 2009 as a whole. Capital expenditure in the 1st half of 2009 was also in line with the lower target set for the year.

- **1st half 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%-held subsidiary of the ERAMET Group, and the Southern Province of New Caledonia signed an exploration agreement with a view to the long-term development of the Prony and Creek Pernod deposits located in the south of New Caledonia, which form one of the world's largest nickel oxide resources. The prior exploration phase on the two deposits should take place over a maximum of nine years. It should be noted that the Vale Inco Group has filed proceedings with Nouméa administrative court against this decision by the Southern Province of New Caledonia.

➤ **Weda Bay Project: Partnership with Mitsubishi Corporation**

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

Mitsubishi Corporation paid ERAMET US\$ 145 million with respect to this transaction.

ERAMET and Mitsubishi Corporation, which have a closely matching skill set, have joined forces to complete the studies needed to make the final decision on project development at a later stage.

➤ **Lithium: Partnership with the Bolloré group**

February 19th, 2009. As part of its development on markets for new, high-potential metals, ERAMET announced that it had entered into a partnership with the Bolloré group. The agreement covers the mining and conversion of lithium for the production of rechargeable electric batteries for motor vehicles.

➤ **Tinfos: ERAMET raises its stake in ERALLOYS to 100%**

March 12th, 2009. ERAMET announced a new agreement enabling it to increase its interest in ERALLOYS (which groups together the activities of the former company Tinfos, except for the Notodden electricity plant) from 56 to 94.3% while reducing its stake in Notodden from 56 to 34%. This transaction was completed on May 14th, 2009 through a share swap.

June 2nd, 2009. Launch of a procedure to buy out the remaining minority interests, making ERALLOYS a wholly-owned subsidiary of ERAMET.

The implementation of synergies, particularly in manganese alloys, continues satisfactorily.

➤ **COMILOG: First stone laid for Moanda Metallurgical Complex**

April 7th, 2009. The first stone of the future Metallurgical Complex for COMILOG, a 67% ERAMET subsidiary located in Moanda (Gabon), was laid. The project consists of a silico-manganese plant with 65,000 tons annual capacity and a 20,000-ton per year manganese metal facility. It will benefit from the Gabonese government's development of a new hydroelectric power station as part of the development of the national electricity grid. Capital expenditure for Moanda Metallurgical Complex will total €200 million and be spread over the 2009–2013 period, if the conditions required to carry out this major project are met beforehand.

➤ **UKAD: Integrated titanium source created**

April 10th, 2009. ERAMET Alloys announced the choice of the Saint-Georges de Mons site in Auvergne, France for its future titanium ingot conversion activity. This will be created with its partner, the Kazakh company UKTMP, one of the world's largest producers of titanium sponge. 50% of the approximately 50 M€ capital expenditure will be committed by ERAMET Alloys from 2009 to 2011. The project will enable the partners to strengthen their role as a strategic supplier of titanium to the aerospace industry. Requirements for the main capital items have been finalised, with orders to be placed by the end of 2009 for industrial commissioning at the end of 2011.

➤ Outlook for the 2nd half of 2009

The improvement recently observed on some markets, particularly nickel and manganese, seems mainly driven by China and by the combined effects of stimulus plans and inventory movements. Prospects for an upturn in activity outside China are highly uncertain, beyond the two positive but temporary effects mentioned above.

ERAMET Manganese

Since the beginning of the 2nd half, ERAMET Manganese has benefited from a partial improvement in sales volumes and from the stabilising of prices at low levels. Global steel production seems to be gradually improving. In June 2009, it rose 7% from May 2009 but was still 16% down on June 2008. ERAMET Manganese's ore and alloy output will be gradually adjusted to demand while continuing to reduce inventories. In the 3rd quarter of 2009, alloys production will be increased to approximately 65% of capacity, and ore and sinter production to 55% of capacity.

ERAMET Alloys

Given the trends in orders taken in the 1st half of 2009, activity is likely to be slacker for the 2nd half of 2009 than in the 1st half. Implementation of the ongoing production cost-cutting measures will be continued.

ERAMET Nickel

LME nickel prices continued to rise in July 2009 to more than 7 USD/lb. However, nickel inventory grew substantially in China, while the recent price increases seem to have encouraged production to resume, particularly for nickel pig iron in China.

ERAMET Nickel's production of nickel should stay at the low level of the 2nd quarter of 2009 during the 3rd quarter. As on June 30th, 2009, 8,500 tons of nickel are covered at a minimum price of 14,800 USD/ton (6.71 USD/lb.), net of premiums. Moreover, our coverage and hedging leave us exposed to market prices for 85% of planned billings. For the remaining 15%, call options may be exercised at an average of 16,800 USD/ton (7.62 USD/lb.), net of premiums.

ERAMET Group

Given this outlook, the Group is likely to post a current operating loss for the 2nd half of 2009.

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Statement of comprehensive income

(millions of euros)	06/30/2009 Half year	06/30/2008 Half year	12/31/2008 Full year
Sales	1 292	2 321	4 346
Other income	(35)	55	126
Cost of products sold	(1 274)	(1 422)	(2 768)
Administrative & selling costs	(73)	(61)	(141)
Research & development expenditure	(21)	(25)	(58)
EBITDA	(111)	868	1 505
Depreciation, amortisation & impairment of non-current assets	(103)	(86)	(186)
Impairment losses and provisions	(9)	(13)	2
Current operating income	(223)	769	1 321
Other operating income and expenses	(59)	-	(78)
Operating income	(282)	769	1 243
Net cost of debt	11	14	34
Other finance income and expenses	(6)	7	(75)
Share in earnings of affiliates	-	-	-
Income tax	46	(245)	(347)
Net income	(231)	545	855
- Minority interests	(18)	124	161
- Equity holders of the parent	(213)	421	694
Basic earnings per share (EUR)	(8,23)	16,44	27,03
Diluted earnings per share (EUR)	(8,23)	16,38	26,96
Net income	(231)	545	855
Exchange differences on translation of foreign operations	65	(25)	(123)
Net (loss) / gain on cash flow hedges	118	105	(109)
Net (loss) / gain on available for sale financial assets	6	-	(13)
Income tax	(43)	(36)	46
Other comprehensive income (loss)	146	44	(199)
Total comprehensive income	(85)	589	656
- Minority interests	-	141	144
- Equity holders of the parent	(85)	448	512

Statement of financial position

Assets			
(millions of euros)	06/30/2009	06/30/2008	12/31/2008
Goodwill	219	33	263
Intangible assets	359	307	345
Property, plant & equipment	1 747	1 575	1 763
Companies accounted for using the equity method	7	1	-
Other financial non-current assets	127	66	137
Deferred tax	54	22	32
Other non-current assets	6	6	6
Non-current assets	2 519	2 010	2 546
Inventories	967	997	1 242
Trade receivables and other current assets	472	735	597
Tax receivables	18	105	141
Financial derivatives	136	162	111
Other financial current assets	388	374	388
Cash and cash equivalents	759	904	944
Current assets	2 740	3 277	3 423
Total assets	5 259	5 287	5 969
Shareholders' equity and liabilities			
(millions of euros)	06/30/2009	06/30/2008	12/31/2008
Share capital	81	79	80
Share premiums	392	225	345
Available for sale reserve	(6)	-	(8)
Cash flow hedge reserve	15	66	(54)
Foreign currency translation reserve	(75)	(51)	(132)
Other reserves	2 112	2 174	2 430
	2 519	2 493	2 661
Minority interests	956	931	1 071
Shareholders' equity	3 475	3 424	3 732
Employee benefits	122	112	121
Provisions	315	252	271
Deferred tax	242	313	240
Borrowings - due in more than one year	175	65	92
Other non-current liabilities	37	25	22
Non-current liabilities	891	767	746
Provisions - due in less than one year	32	30	32
Borrowings - due in less than one year	46	108	107
Trade payables and other current liabilities	667	765	907
Tax payables	98	183	287
Financial derivatives	50	10	158
Current liabilities	893	1 096	1 491
Total shareholders' equity and liabilities	5 259	5 287	5 969

Statement of changes in net cash / borrowing position

(millions of euros)	06/30/2009 Half year	06/30/2008 Half year	12/31/2008 Full year
Operating activities			
EBITDA	(111)	868	1 505
Elimination of non-cash or non-business items:	(33)	(213)	(395)
Operating cash flow before changes in working capital	(144)	655	1 110
Changes in operating working capital requirement	103	(120)	30
Net cash flows from operating activities	(41)	535	1 140
Investing activities			
Capital expenditure	(141)	(183)	(419)
Non-current financial assets	12	1	(425)
Disposals of non-current assets	-	1	11
Investment subsidies received	-	-	-
Net change in non-current asset receivables / liabilities	(7)	(9)	(4)
Changes in scope of consolidation and loans	(10)	(5)	27
Dividends from equity accounted affiliates	-	1	1
Net cash flows from investing activities	(146)	(194)	(809)
Financing activities			
Dividends paid	(156)	(205)	(205)
Share capital increases	72	2	119
Changes in working capital requirement related to financing activities	20	-	-
Net cash flows from financing activities	(64)	(203)	(86)
Impact of translation adjustments	44	13	(66)
Decrease (increase) in net cash (borrowing) position	(207)	151	179
Opening net cash (borrowing) position	1 133	954	954
Closing net cash (borrowing) position	926	1 105	1 133

Segment reporting

(millions of euros)	Nickel	Manganèse	Alloys	Holding & eliminations	Total
Half year 2009					
Non-Group sales	308	564	420	-	1 292
Intra-Group sales	2	1	-	(3)	-
Sales	310	565	420	(3)	1 292
Cash flows from operating activities	(46)	(74)	(13)	(11)	(144)
EBITDA	(52)	(48)	(1)	(10)	(111)
Current operating income	(89)	(94)	(26)	(14)	(223)
Other operating income and expenses	-	-	-	-	(59)
Operating income	-	-	-	-	(282)
Cost of borrowed capital	-	-	-	-	11
Other finance income and expenses	-	-	-	-	(6)
Share of income from equity accounted companies	-	-	-	-	-
Income tax	-	-	-	-	46
Minority interests	-	-	-	-	18
Group net income (loss)	-	-	-	-	(213)
Non-cash expenses	(5)	(15)	(77)	10	(87)
- depreciation & amortisation	(39)	(45)	(22)	-	(106)
- provisions	(53)	3	(3)	-	(53)
- impairment losses	-	-	(48)	-	(48)
Capital expenditure (intangibles and property, plant & equipment)	50	57	33	1	141
Total balance sheet assets (current and non-current)	2 329	2 740	930	(740)	5 259
Total balance sheet liabilities (current and non-current excluding shareholders)	636	1 029	551	(432)	1 784
Half year 2008					
Non-Group sales	555	1 173	592	1	2 321
Intra-Group sales	-	-	-	-	-
Sales	555	1 173	592	1	2 321
Cash flows from operating activities	203	411	45	(4)	655
EBITDA	240	566	69	(7)	868
Current operating income	208	527	48	(14)	769
Other operating income and expenses	-	-	-	-	-
Operating income	-	-	-	-	769
Cost of borrowed capital	-	-	-	-	14
Other finance income and expenses	-	-	-	-	7
Share of income from equity accounted companies	-	-	-	-	-
Income tax	-	-	-	-	(245)
Minority interests	-	-	-	-	(124)
Group net income (loss)	-	-	-	-	421
Non-cash expenses	(53)	(36)	(17)	(4)	(110)
- depreciation & amortisation	(33)	(32)	(20)	(2)	(87)
- provisions	(3)	9	(1)	(5)	-
- impairment losses	-	(2)	-	-	(2)
Capital expenditure (intangibles and property, plant & equipment)	93	62	27	1	183
Total balance sheet assets (current and non-current)	2 489	1 844	1 107	(153)	5 287
Total balance sheet liabilities (current and non-current excluding shareholders)	783	696	640	(256)	1 863
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

Segment reporting

(millions of euros)	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (destination of sales)							
Half year 2009	643	208	401	2	31	7	1 292
Half year 2008	1 171	430	640	23	50	7	2 321
Full year 2008	2 224	812	1 156	44	91	19	4 346
Capital expenditure (intangibles and property, plant & equipment)							
Half year 2009	39	6	26	35	35	-	141
Half year 2008	39	26	16	77	25	-	183
Full year 2008	122	47	34	156	60	-	419
Total balance sheet assets (current and non-current)							
Half year 2009	3 210	367	514	887	281	-	5 259
Half year 2008	3 152	385	504	937	309	-	5 287
Full year 2008	3 725	430	587	1 017	210	-	5 969