

2009 results: a year marked by the global crisis, but with an improvement in results in the 2nd half

- **The Group's great responsiveness in reaction to the crisis: cost-saving goals far exceeded**
- **Improvement in nickel and manganese market conditions in 2nd half of 2009**
- **A sound financial situation at year-end 2009**
- **ERAMET maintains its medium and long-term development strategy**

ERAMET's Board of Directors, meeting on February 17th, 2010 under the chairmanship of Patrick BUFFET, prepared the financial statements for 2009, which will be submitted to shareholders at their General Meeting on May 20th, 2010.

Patrick BUFFET, ERAMET Chairman & Chief Executive Officer, stated, *"In the 2nd half of 2009 manganese and nickel market conditions improved compared with the 1st half of the year, without yet returning to pre-crisis levels. Eramet Alloys' markets remained difficult, particular tooling-related sectors. The Group responsively implemented a tight management policy and exceeded its cost-saving goals. As a result, ERAMET posted positive current operating income again in the 2nd half and has a sound financial situation, with 946 M€ in net cash at year-end 2009. The Group will continue to show responsiveness by adjusting output to demand trends and continuing its competitiveness improvement plans. The Group's markets are driven in the medium and long terms by the development of emerging countries. ERAMET will adapt its capital expenditure in 2010 in order to complete several highly targeted growth projects. The Group's medium and long-term goals are maintained with major development projects beyond the current crisis."*

(€millions)	H1 2009	H2 2009	2009	2008
Turnover	1 292	1 397	2 689	4 346
Current operating income (loss)	- 223	60	- 163	1 321
Net income (loss), Group share	- 213	- 52	- 265	694
Earnings per share (€)	- 8.23	- 1.93	- 10.16	27.03
Operating cash flow	- 41	153	112	1 140
Net cash	926	946	946	1 133

Turnover (€millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2009	2008	Change
Group	664	628	637	760	2 689	4 346	- 38%
Manganese	288	277	324	400	1 289	2 348	- 45%
Nickel	156	154	155	190	655	897	- 27%
Alloys	222	198	157	173	750	1 102	- 32%

- **Group turnover down 38% in 2009 to 2,689 M€, but with improvement towards end of year with 19% rise to 760 M€ in 4th quarter 2009 compared with previous quarter,**

The ERAMET Group's turnover totalled 2,689 M€ in 2009, a 38% decrease from the very high levels of 2008, due to the fall in sales prices and volumes, particularly for manganese. Nevertheless, this reflects a 19% rise in Q4 2009 compared with the previous quarter, thanks to an improvement in nickel and manganese market conditions and the Group's ability to respond to the upturn in demand.

- **A current operating loss of -163 M€ in 2009, after the return to positive current operating income, at 60 M€ in the 2nd half of the year**

The Group's current operating income was once again positive at 60 M€ in the 2nd half of 2009, after a loss of -223 M€ in the 1st half, which was marked by the crisis.

The Group's share of net loss for full-year 2009, after taking into account other operating income and expense for - 104 M€, mainly including asset depreciation, amounted to - 265 M€

- **Responsive, disciplined management in relation to the crisis, enabling the Group to uphold a sound financial position**

The Group was quick to respond energetically to the crisis from the 4th quarter of 2008. For 2009 as a whole, the measures taken enabled it to maintain a robust financial situation:

- **The savings achieved in 2009 (172 M€) far exceeded the initial target (100 M€) set for the Group.**

- **The Group's working capital needs were reduced sharply** as at year-end 2009, thanks to tight management, including inventory reduction and the adjustment of output to market demand.

Operating activities generated positive cash at 112 M€, despite the crisis and the payment of income tax with respect to 2008.

- **The Group reduced its capital expenditure to 286 M€, down 32% from 2008.** This nevertheless safeguards ERAMET's future and its ability to benefit from the future upturn.

The dividends paid in 2009 to ERAMET shareholders and minority interests in some subsidiaries totalled 164 M€

Moreover, the Group recorded MITSUBISHI's contribution with respect to the Weda Bay project for 113 M€

As at the end of 2009, the Group's net cash was kept at the high level of 946 M€, compared with 1,133 M€ at year-end 2008 and 926 M€ in late June 2009. This is a great advantage in coping with the crisis while continuing ERAMET's development.

- **ERAMET Manganese: improvement in manganese market, return to positive current operating income at 67 M€ in the 2nd half of 2009, i.e. a loss of -27 M€ for full-year 2009**

ERAMET Manganese's turnover rose 23% in the 4th quarter of 2009 compared with the previous quarter. Over the year, it slid 45% compared with a record 2008, totalling 1,289 M€ chiefly as a result of the sharp fall in sales prices.

Global production of carbon steels decreased 8% in 2009 compared with 2008. However, it gradually recovered. Chinese production continued to rise in 2009, with a 13% increase from the previous year. It accounted for 47% of global production in 2009.

Demand for manganese ore and alloys was affected in the 1st half of 2009 by the drop in global steel production, but also by substantial inventory reduction. The global supply of manganese ore was cut to almost 50% of capacity in the 1st half of 2009, contributing to the absorption of global inventories. During the 3rd quarter of 2009, the upturn in global steel production and the end of inventory reduction led to a significant improvement in demand for manganese ore and alloys.

Spot prices for manganese ore (CIF China, high-grade ore) reached a low of around 3.5 USD/dmtu during the 3rd quarter 2009, then picked up sharply to exceed 6 USD/dmtu, which is significantly below the record level of the 3rd quarter 2008 but relatively high compared with previous years.

Manganese alloys prices reached a low in the 1st half of 2009, then gradually recovered while remaining significantly lower than 2008's record levels.

ERAMET Manganese efficiently implemented a highly responsive production policy according to demand trends on its different markets.

Manganese ore and sinter production in Gabon by COMILOG, a 67% ERAMET Group subsidiary, which had been reduced to approximately 37% of the capacity during the 1st half 2009, was increased to 734 000 tons in the 4th quarter 2009 .i.e. approximately 84% of production capacity. Over the year, it totalled 2 million tons, compared with 3.2 million tons in 2008. External ore shipments only decreased slightly (-3%) in 2009 compared with 2008, when the 4th quarter was affected by a significant drop in sales.

ERAMET Manganese's production of manganese alloys, which had been reduced to approximately 240,000 tons in the 1st half of 2009, was increased to 211,000 tons in the 4th quarter of 2009 alone, i.e. around 90% of production capacity. Over the year, manganese alloys production totalled 617,000 tons, compared with 772,000 tons in 2008. Manganese alloys shipments rose very slightly to 705,000 tons.

The Manganese Chemicals activity made a positive contribution to ERAMET Manganese's current operating income.

In Namibia, the findings of the geological studies on the Otjozundu project led the Group not to take up the call option on the deposit.

Moreover, the Group continued to integrate Tinfos:

- ERAMET Manganese increased its stake from 56% to 100% in Eralloys, a company grouping together the former Tinfos' activities excluding the Nottoden power plant, in which ERAMET's interest was taken to 34%.
 - Following the agreement announced in December 2009, the international trading activity "Tinfos-NIZI" was divested, in accordance with the goal set last year.
 - Annual synergies were reassessed at 20 M€, up from an initially announced target of 10-15M€before tax.
- **ERAMET Nickel: current operating loss - 62 M€for 2009, but positive income of 27 M€posted for the 2nd half; competitiveness improvement plan at SLN.**

ERAMET Nickel's turnover fell 27% in 2009 compared with 2008, to 655 M€ but it recovered in the 2nd half of 2009 to 345 M€ compared with 310 M€in the 1st half 2009.

The two halves of the year were contrasting in terms of LME nickel prices, which rose from 5.31 USD/lb. in the 1st half of 2009 to 7.99 USD/lb. in the 2nd half. Over the year, prices fell 31% on average to 6.65 USD/lb.

Nickel hedges covered 6,800 tons in 2009 at an average rate of 9.34 USD/lb.

Global production of stainless steel fell 4% in 2009. Business was brisk in the 3rd quarter of 2009, followed by a correction in the 4th quarter of 2009. Chinese output rose 28% to account for 37% of global production.

The nickel market was kept almost in balance thanks to manufacturers' production stoppages. Global inventories decreased during the year from 19 to 15 weeks' consumption, which is still high.

At Doniambo (New Caledonia), metallurgical nickel production was kept at a reduced level in 2009 at 52,100 tons. Excess nickel inventory was absorbed in this way and sales rose 5% to 54,500 tons.

A proposed Competitiveness Improvement plan for SLN is being examined by personnel representatives. The plan is designed to cut SLN's cash cost by around 1 USD/lb. by 2012 compared with 2008 at constant economic conditions, in order to position SLN at the average for ferronickel producers in 2012. It includes a target workforce of 2,100 people, i.e. approximately 300 fewer jobs than the current situation.

Moreover, Société le Nickel-SLN decided to appeal against the judgements that cancelled, at Vale Inco's request, the resolutions of the Southern Province Assembly that assigned mining exploration permits to SLN for the operation of the Prony and Creek Pernod deposits in New Caledonia.

In Indonesia, the Weda Bay project made progress in 2009 with the MITSUBISHI Corporation's acquisition of a 33.4% stake in Strand, the holding company that controls PT Weda Bay Nickel. Studies are ongoing with the aim of making a decision in late 2011 or in 2012 on the completion of this investment project.

- **ERAMET Alloys: current operating loss - 49 M€ in 2009, of which - 23 M€ in the 2nd half of 2009. Extremely difficult markets throughout 2009.**

In a market context of heavy slumps, particularly in tooling, ERAMET Alloys posted a current operating loss of – 49 M€ in 2009 compared with 86 M€ in 2008. The current operating income for the 2nd half of 2009 was on a par with the figure for the 1st half, at -23 M€ compared with – 26 M€

ERAMET Alloys' turnover decreased 32% in 2009 compared with 2008, totalling 750 M€. Turnover for the tooling sector recorded a severe 52% fall from 2008 to 2009, reflecting in particular the slump of the automotive market and major inventory reduction throughout the chain. ERASTEEL's financial situation was particularly affected by the drop in turnover. ERAMET depreciated the asset by 48 M€ in the 1st half of 2009.

Sales in the aerospace sector fell 28% in 2009 compared with 2008. Aircraft and parts manufacturers began to reduce their inventory and supplies following delays and postponements in some programmes, particularly for new aircraft such as the A380 and B787.

Energy sector sales held out better with an erosion of gas turbine-related markets and moderate growth in nuclear power.

In titanium, a fast-growing sector as it is increasingly used in new aircraft models, ERAMET Alloys entered into a partnership with the Kazakh group UKTMP, one of the world's leading titanium producers. A 50/50 joint venture will produce forged products in France using titanium ingots supplied by UKTMP. The partnership forms an integrated titanium operation. The future site, which represents approximately 50 M€ in capital expenditure, is scheduled to start production in 2011.

- **A €1,80 dividend per share**

At the Shareholders' General Meeting of May 20th, 2010, the Board of Directors will propose a dividend of €1,80 per share to be paid in shares or cash. By maintaining a dividend, the Group is showing its confidence in the outlook beyond the crisis.

- **Outlook**

- ERAMET Manganese

The global steel business continues to improve, supported in particular by the end of inventory reduction and by stimulus plans, especially in China. Manganese demand is currently healthy, while spot prices continued to improve early in the year. ERAMET Manganese is continuing to ramp up production to meet its customers' needs.

Given the competitiveness of its Moanda mine, it was decided to resume the project to increase ore and sinter production capacity at COMILOG, Gabon to 4 million tons, which is now the target for 2012.

Moreover, a milestone was reached for the completion of the future Moanda Metallurgical

Complex, with agreements signed on January 7th, 2010 by COMILOG and Gabonese authorities setting down the framework for the development of this major industrial project in terms of taxation and hydroelectricity supply. With the construction of a 20,000-ton manganese metal plant and a 65,000-ton silico-manganese plant, a new stage in industrial value creation from Moanda ore will be achieved in Gabon for approximately €200 million in capital investment. The plant is scheduled to start up in 2013, at the same time as electricity production at Poubara dam.

ERAMET Manganese will also continue to implement the “New Guilin” project in China in 2010, with production scheduled to begin in the 1st half of 2011. The project consists of replacing the former Guilin unit, which produces standard manganese alloys in blast furnaces, with a new plant that will use electric furnaces and produce a very significant share of refined alloys. This will enable ERAMET Manganese to consolidate its global leadership in the highly promising area of refined alloys and to enter the fast-growing Chinese market, driven by the development of flat steels for the automotive industry.

- ERAMET Nickel

The stainless steel market is improving in all areas after the correction in the 4th quarter of 2009, without however regaining 1st half 2008 levels. LME nickel prices climbed to 8.36 USD/lb. in January. Nickel demand is currently firm. However, nickel inventory, particularly on the LME, remains high. The nickel market, therefore, could remain volatile in the next few months and will depend heavily on supply being kept low.

SLN’s metallurgical output should increase slightly in the 1st half of 2010 if market conditions remain the same.

- ERAMET Alloys

The outlook for the ERAMET Alloys will remain very difficult in 2010.

ERAMET Alloys will keep up its programmes to control its costs and working capital, while continuing to prepare for the future by maintaining strategic capital expenditure and structurally improving its profitability.

Moreover, ERAMET Alloys will strengthen its positions in powder metallurgy, with the construction in Sweden of a new atomisation tower, which will enable it to produce a wide range of steels in a fast-growing sector from 2011.

- ERAMET Group

In current market conditions for nickel and manganese, the Group’s operating income should continue to recover in the 1st half of 2010 compared with the 2nd half of 2009.

The Group also continues, in addition to studies on its major strategic projects (particularly Weda Bay Nickel in Indonesia), to seek development opportunities in new metals with high growth potential, such as lithium in partnership with the Bolloré group, or niobium, with further studies on a process for the Mabounié deposit in Gabon.

Also in lithium, ERAMET and BOLLORE announced on Tuesday, February 16th that they had signed an agreement to explore lithium deposits in Argentina. The agreement, which includes a call option on the deposits after the 24-month period of exploration and studies on a lithium

carbonate plant, is the first stage in the BOLLORE-ERAMET consortium's development strategy in lithium.

The Group is also developing in recycling, in synergy with its existing businesses. In particular, it recently acquired Valdi, a French company that specialises in recycling oil catalysts, steelmaking waste and batteries.

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Eramet's Annual General Meeting will take place on May 20th, 2010
at Maison de l'Amérique Latine, 217 Bd St-Germain, 75007 Paris.

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Audit procedures have been carried out on the consolidated and corporate financial statements. The certification report on the consolidated and corporate financial statements is in the issue process.

Statement of comprehensive income

(millions of euros)	2009	2008	2007
	Full year	Full year	Full year
Sales	2 689	4 346	3 792
Other income	(20)	126	62
Cost of products sold	(2 429)	(2 768)	(2 318)
Administrative & selling costs	(142)	(141)	(126)
Research & development expenditure	(39)	(58)	(37)
EBITDA	59	1 505	1 373
Depreciation, amortisation & impairment of non-current assets	(210)	(186)	(171)
Impairment losses and provisions	(12)	2	(6)
Current operating income	(163)	1 321	1 196
Other operating income and expenses	(104)	(78)	(57)
Operating income	(267)	1 243	1 139
Net cost of debt	11	34	19
Other finance income and expenses	(12)	(75)	6
Share in earnings of affiliates	-	-	-
Income tax	7	(347)	(350)
Net income	(261)	855	814
- Minority interests	4	161	232
- Equity holders of the parent	(265)	694	582
Basic earnings per share (EUR)	(10,16)	27,03	22,67
Diluted earnings per share (EUR)	(10,16)	26,96	22,54
Net income	(261)	855	814
Exchange differences on translation of foreign operations	109	(123)	(28)
Net (loss) / gain on cash flow hedges	135	(109)	335
Net (loss) / gain on available for sale financial assets	21	(13)	-
Income tax	(53)	46	(117)
Other comprehensive income (loss)	212	(199)	190
Total comprehensive income	(49)	656	1 004
- Minority interests	24	144	304
- Equity holders of the parent	(73)	512	700

Statement of financial position**Assets**

(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Goodwill	161	263	33
Intangible assets	432	345	309
Property, plant & equipment	1 795	1 763	1 505
Companies accounted for using the equity method	21	-	1
Other financial non-current assets	100	137	61
Deferred tax	68	32	13
Other non-current assets	5	6	6
Non-current assets	2 582	2 546	1 928
Inventories	824	1 242	905
Trade receivables and other current assets	514	597	675
Tax receivables	43	141	131
Financial derivatives	90	111	129
Other financial current assets	405	388	144
Cash and cash equivalents	812	944	962
Current assets	2 688	3 423	2 946
Total assets	5 270	5 969	4 874
Shareholders' equity and liabilities			
(millions of euros)	12/31/2009	12/31/2008	12/31/2007
Share capital	80	80	79
Share premiums	341	345	223
Available for sale reserve	6	(8)	-
Cash flow hedge reserve	24	(54)	18
Foreign currency translation reserve	(32)	(132)	(30)
Other reserves	2 116	2 430	1 904
	2 535	2 661	2 194
Minority interests	970	1 071	841
Shareholders' equity	3 505	3 732	3 035
Employee benefits	128	121	112
Provisions	314	271	255
Deferred tax	297	240	246
Borrowings - due in more than one year	199	92	65
Other non-current liabilities	36	22	30
Non-current liabilities	974	746	708
Provisions - due in less than one year	29	32	31
Borrowings - due in less than one year	72	107	87
Trade payables and other current liabilities	590	907	656
Tax payables	74	287	276
Financial derivatives	26	158	81
Current liabilities	791	1 491	1 131
Total shareholders' equity and liabilities	5 270	5 969	4 874

Statement of changes in net cash / borrowing position

(millions of euros)	2009 Full year	2008 Full year	2007 Full year
Operating activities			
EBITDA	59	1 505	1 373
Elimination of non-cash or non-business items:	(101)	(395)	(344)
Operating cash flow before changes in working capital	(42)	1 110	1 029
Changes in operating working capital requirement	154	30	(41)
Net cash flows from operating activities	112	1 140	988
Investing activities			
Capital expenditure	(286)	(419)	(319)
Non-current financial assets	11	(425)	7
Disposals of non-current assets	3	11	8
Investment subsidies received	-	-	-
Net change in non-current asset receivables / liabilities	(11)	(4)	4
Changes in scope of consolidation and loans	(10)	27	4
Dividends from equity accounted affiliates	-	1	1
Net cash flows from investing activities	(293)	(809)	(295)
Financing activities			
Dividends paid	(164)	(205)	(107)
Share capital increases	74	119	1
Changes in working capital requirement related to financing activities	19	-	(1)
Net cash flows from financing activities	(71)	(86)	(107)
Impact of translation adjustments	65	(66)	15
Decrease (increase) in net cash (borrowing) position	(187)	179	601
Opening net cash (borrowing) position	1 133	954	353
Closing net cash (borrowing) position	946	1 133	954

Segment reporting**By division**

(millions of euros)	Nickel	Manganèse	Alloys	Holding & eliminations	Total
Full year 2009					
Non-Group sales	649	1 289	750	1	2 689
Intra-Group sales	6	-	-	(6)	-
Sales	655	1 289	750	(5)	2 689
Cash flows from operating activities	(15)	13	(21)	(19)	(42)
EBITDA	13	72	(5)	(21)	59
Current operating income	(62)	(27)	(49)	(25)	(163)
Other operating income and expenses	-	-	-	-	(104)
Operating income	-	-	-	-	(267)
Cost of borrowed capital	-	-	-	-	11
Other finance income and expenses	-	-	-	-	(12)
Share of income from equity accounted companies	-	-	-	-	-
Income tax	-	-	-	-	7
Minority interests	-	-	-	-	(4)
Group net income (loss)	-	-	-	-	(265)
Non-cash expenses	(57)	(86)	(90)	14	(219)
- depreciation & amortisation	(75)	(92)	(47)	(17)	(231)
- provisions	(57)	(3)	2	-	(58)
- impairment losses	-	(3)	(48)	-	(51)
Capital expenditure (intangibles and property, plant & equipment)	107	110	67	2	286
Total balance sheet assets (current and non-current)	2 406	2 765	895	(796)	5 270
Total balance sheet liabilities (current and non-current excluding shareholders)	748	972	537	(492)	1 765
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

Segment reporting**By geographic area**

(millions of euros)	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (destination of sales)							
Full year 2009	1 270	466	840	24	72	17	2 689
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
Capital expenditure (intangibles and property, plant & equipment)							
Full year 2009	83	16	54	65	68	-	286
Full year 2008	122	47	34	156	60	-	419
Full year 2007	76	46	28	111	58	-	319
Total balance sheet assets (current and non-current)							
Full year 2009	3 157	352	533	903	325	-	5 270
Full year 2008	3 725	430	587	1 017	210	-	5 969
Full year 2007	2 916	346	425	825	362	-	4 874