



ERAMET

- **Turnover up 18% in the 3rd quarter 2008 compared with the 3rd quarter 2007, excluding Tinfos**
 - **Outlook of significant growth in current operating income confirmed for full-year 2008 compared with 2007, excluding Tinfos**
- **The Group is robust despite the deteriorating economic and financial climate, thanks notably to net cash of EUR1bn at end-September**

Turnover in EUR m	Q3 2008	Q3 2007	Change	9 months 2008	9 months 2007	Change
Eramet Manganese*	653	437	+ 49 %	1,826	1,021	+ 79 %
Eramet Nickel	166	235	- 29 %	721	955	- 24 %
Eramet Alloys	245	225	+ 9 %	837	748	+ 12 %
Holding & eliminations	(2)	-	-	(1)	(1)	-
ERAMET Group*	1,062	897	+ 18 %	3,383	2,723	+ 24 %

*Data exclude Tinfos. Tinfos will be fully consolidated in the 2008 annual financial statements of the ERAMET Group with effect from 1st August 2008.

Patrick Buffet, Chairman and Chief Executive Officer of the ERAMET Group, commented: *“The Group remains confident about the medium- and long-term outlook for its key markets, particularly steelmaking, aeronautics and energy production, which will benefit from the continuing development of the major emerging economies. Thanks to its careful management and substantial available net cash, the Group’s finances are very sound. Nevertheless, in view of the global economic slowdown, the duration of which is hard to predict at this stage, the Group will be prudent and rigorous, stepping up its cost-cutting efforts, adjusting production to keep step with changes in its markets and reviewing its investment priorities. ERAMET is well-equipped to respond to this situation, due to its leadership positions in its various business lines, positioning in high added-value products, high quality teams and robust financial situation.”*

Excluding Tinfos, the consolidated turnover of the ERAMET Group grew by 18% in the 3rd quarter 2008 compared with the 3rd quarter 2007, and by 24% in the first nine months of 2008 compared with the same period in 2007.

- **Eramet Manganese: turnover up 49% in the 3rd quarter 2008, at EUR653m**

Eramet Manganese registered a 49% increase in turnover in the 3rd quarter 2008 compared with the 3rd quarter 2007, to EUR653m, mainly due to the sharp rise in manganese ore and alloy prices. Over nine months, turnover rose by 79% compared with the same period a year earlier, to EUR1,826m.

Growth in global carbon steel production slowed, rising 4.6% over the first nine months of the year compared with the same period in 2007, (6.2% in China). In August and September, Chinese steel production was affected by restrictions imposed by the authorities during the Olympic Games. The Chinese economy is also slowing, although it continues to grow significantly.

Average manganese alloy prices rose by more than 100% in euros in the 3rd quarter 2008 compared with the 3rd quarter 2007. Manganese alloy deliveries by Eramet Manganese were affected by the slowdown in China, falling by 12.6% in the 3rd quarter 2008 compared with the 3rd quarter 2007, to 164,000 tonnes. Over nine months, they were down 5.4% compared with the same period in 2007.

The average manganese ore price rose by more than 120% in euros in the 3rd quarter 2008 compared with the 3rd quarter 2007. Production of manganese ore and sinter by Comilog (Gabon) increased by 8.8% in the 3rd quarter, to 864,000 tonnes, and by 4.7% in the first nine months of the year.

Turnover in euros generated by the recycling business grew by 5.9% over nine months compared with the same period in 2007, while turnover in euros from manganese chemicals grew by 42% in the same period.

- **Eramet Nickel: turnover down 29% in the 3rd quarter, at EUR166m**

Eramet Nickel registered a 29% decline in turnover in the 3rd quarter 2008 compared with the 3rd quarter 2007, to EUR166m, and a 24% decline over nine months compared with the same period in 2007, mainly due to falling nickel prices.

Nickel prices on the LME continued their descent, dropping to 8.60 USD/lb on average in the 3rd quarter 2008, which was 37% lower than in the 3rd quarter 2007. Eramet Nickel's hedging programme on nickel applied to about 4,500 tonnes in the 3rd quarter 2008, at an average price of 22,100 USD/tonne (10.02 USD/lb), which partially offset this price decline.

Global nickel demand was affected by reduced global production of stainless steel in the 3rd quarter 2008, due to a decline in activity in some areas as well as a running down of stocks.

Nickel deliveries by Eramet Nickel reached 10,066 tonnes in the 3rd quarter 2008, down 9% compared with the 3rd quarter 2007. Over nine months, deliveries stood at 38,288 tonnes, down 3.1% on the same period in 2007.

In Doniambo (New Caledonia), rebuilding work on one of three electric furnaces, which began during the 2nd quarter 2008, was completed on schedule, and the first metal production took place on 6 October 2008. Metallurgical nickel output at Doniambo reached 11,409 tonnes despite this work, in the 3rd quarter 2008. Over nine months, output reached 36,055 tonnes,

down 20% on the same period in 2007, due mainly to particularly unfavourable weather conditions in the 1st half 2008 and the rebuilding of the electric furnace.

- **Eramet Alloys: turnover up 9% in the 3rd quarter, at EUR245m**

Eramet Alloys registered a 9% increase in turnover in the 3rd quarter 2008 compared with the third quarter 2007, to EUR245m. Over nine months, turnover grew by 12% on the same period last year, due to increased volumes and higher prices, despite the negative effect of the euro/dollar parity.

The aeronautics and energy markets, particularly gas turbines and nuclear, continued to drive business at Aubert & Duval. Demand for tool steel remained high. However, demand for high-speed steel was affected by slowing economic activity.

Management measures enabled the division to achieve a further reduction of its working capital requirement both in absolute terms and in turnover days.

- **Key events**

- **Tinfos**

Pursuant to the agreements of 15 April 2008, ERAMET acquired 56% of the Norwegian group Tinfos on 30 July 2008, for a sum of EUR398m, of which EUR279m in cash.

The remainder of the operation, which mainly involves the separation of the Nottoden plant, of which ERAMET will retain 40% when the transaction is complete, should be carried out by the end of 2008. About half the total acquisition sum will be paid in cash and the balance settled via allocation of ERAMET shares to Tinfos shareholders.

Full consolidation of Tinfos in ERAMET's accounts will be implemented in the 2008 annual financial statements, with effect from 1 August 2008.

Tinfos generated turnover of EUR540m in the 1st half 2008 (EUR218m excluding trading), up 18% on the first half 2007 (+ 40% excluding trading). It employs over 500 people. Tinfos's activities include production in Norway of silico-manganese, titanium dioxide and high-purity pig iron, power generation and international trading in metallurgical products for the steel and foundry industries.

This acquisition boosts the manganese alloy production capacity of Eramet Manganese by about 20%, and strengthens its position as the world's leading producer of refined, high added-value manganese alloys.

Operational integration of Tinfos into the ERAMET Group is under way and proceeding as planned.

- **Otjozondou Mining**

In line with the agreement revealed on 29 July 2008, ERAMET announced on 10 October 2008 the purchase of a call option on 75.1% of the capital of Otjozondou Mining. This opened a period of 18 months during which ERAMET, with its partners Otjozondou Holdings and

Oreport, will carry out a feasibility study into the possibility of developing the Otjozundu manganese mine in Namibia.

- **Financial situation of ERAMET Group**

Despite the acquisition of 56% of the capital of Tinfos and the pursuit of a major programme of capital expenditure, the Group's net cash remained at EUR1bn at the end of September 2008 (it was at EUR1.1bn at end-June 2008). This strong net cash situation is a substantial advantage in the current economic environment.

- **Outlook**

Eramet Manganese

Spot prices for high-grade manganese ore and manganese alloys are still sustained, although they have fallen slightly. However, the global market for carbon steel continues to be affected by a slowdown in activity as well as widespread running down of inventories. Steel manufacturers in several geographical areas have announced reductions in output for the coming months. In this context, Eramet Manganese has taken preliminary steps to adjust its production to market needs.

Eramet Nickel

Stainless steel manufacturers have lowered production levels compared with the 1st half 2008. Nickel prices on the LME have declined more steeply, falling to 4 USD/lb at end-October, which is increasing the running down of stainless steel inventories. This price level is not durably sustainable for the nickel industry and it will therefore have to adjust its output to market requirements. Eramet Nickel is benefiting in the 4th quarter 2008 from hedging on 3,200 tonnes of nickel at an average price of 23,750 USD/tonne (10.8 USD/lb), which will partly soften the effects of the decline.

In this market context, Eramet Nickel has taken the necessary steps to limit its nickel deliveries and production to about 52,000 tonnes in the full-year 2008.

Eramet Alloys

The strike under way at Boeing since September will affect the business of suppliers such as Aubert & Duval. Furthermore, Airbus has announced that it will stabilise A320 production at 36 aircraft, rather than upping it to 39 as planned, while the ramping-up of other models continues. This is likely to mean a stabilization of turnover for Aubert & Duval in the coming months, while demand for high-speed steel for Erasteel continues to be affected by the economic slowdown.

ERAMET Group

The Group confirms that its current operating income in the full-year 2008 should be significantly higher than in 2007, excluding the contribution of Tinfos.

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Turnover in EUR m	Q2 2008	Q2 2007	Change	Q1 2008	Q1 2007	Change
Eramet Manganese	654	315	+ 108 %	519	269	+ 93 %
Eramet Nickel	247	439	- 44 %	308	281	+ 10 %
Eramet Alliages	300	261	+ 15 %	292	262	+ 11 %
Holding & eliminations	2	-		(1)	(1)	-
ERAMET Group	1 203	1 015	+ 19 %	1 118	811	+ 38 %

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