

Annual report

2007



ERAMET

ALLOYS, ORES AND PEOPLE.

A global player in nickel and manganese mining and conversion and in alloys, ERAMET contributes to the success of a wide range of sectors including steel, power, aerospace, electronics, automobiles and agriculture. The Group plans for future issues while achieving success today. Explore ERAMET's world through the pages of this portfolio.



EVERY DAY

A chrome-plated tap, a one-euro coin, a stainless steel coating, a battery.

Every day we do more than just use the essential objects that ERAMET helps to make efficient and attractive. These familiar companions are part of our lives.



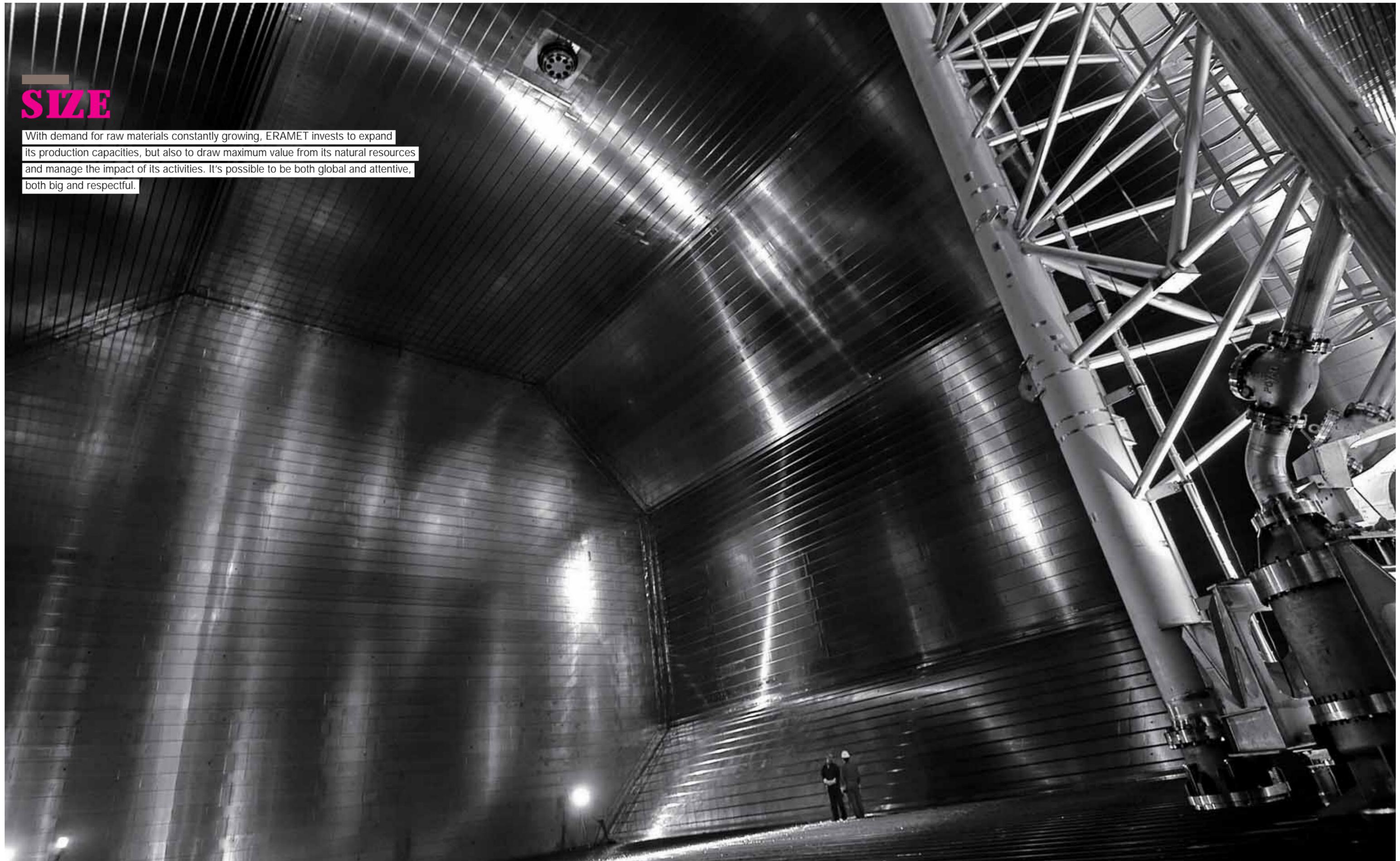
Environment: moving an endemic tree – New Caledonia.



Expertise: tapping manganese in Dunkirk – France.

SIZE

With demand for raw materials constantly growing, ERAMET invests to expand its production capacities, but also to draw maximum value from its natural resources and manage the impact of its activities. It's possible to be both global and attentive, both big and respectful.





Conversion: molten manganese alloy – China.

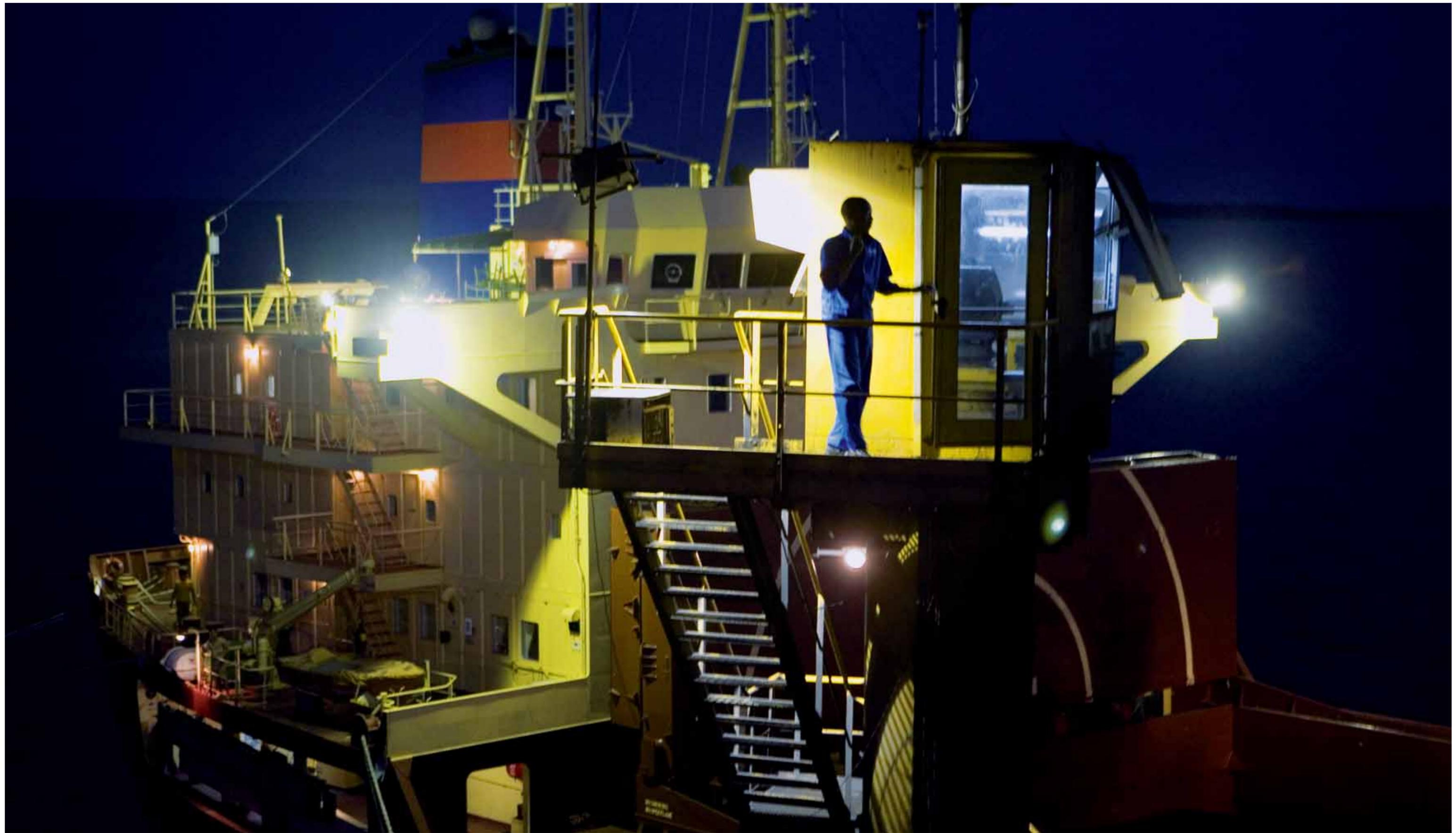


Openness: closed die-forged wire – Långshyttan plant – Sweden.



MOBILITY

From automobiles to aircraft, alloys that can withstand great stress make higher and higher performance possible. ERAMET's lighter, stronger superalloys are used in aircraft engines and structures, helping to make people more mobile.



Transport: loading an ore ship – Libreville – Gabon.

TOMORROW

The world is moving and history is picking up speed. An international Group, ERAMET reflects the positive aspects of that momentum: multicultural, rich through its diversity, aware of its responsibilities, innovative and actively combining economic growth, human progress and respect for the environment. In short, committed to a harmonious future.

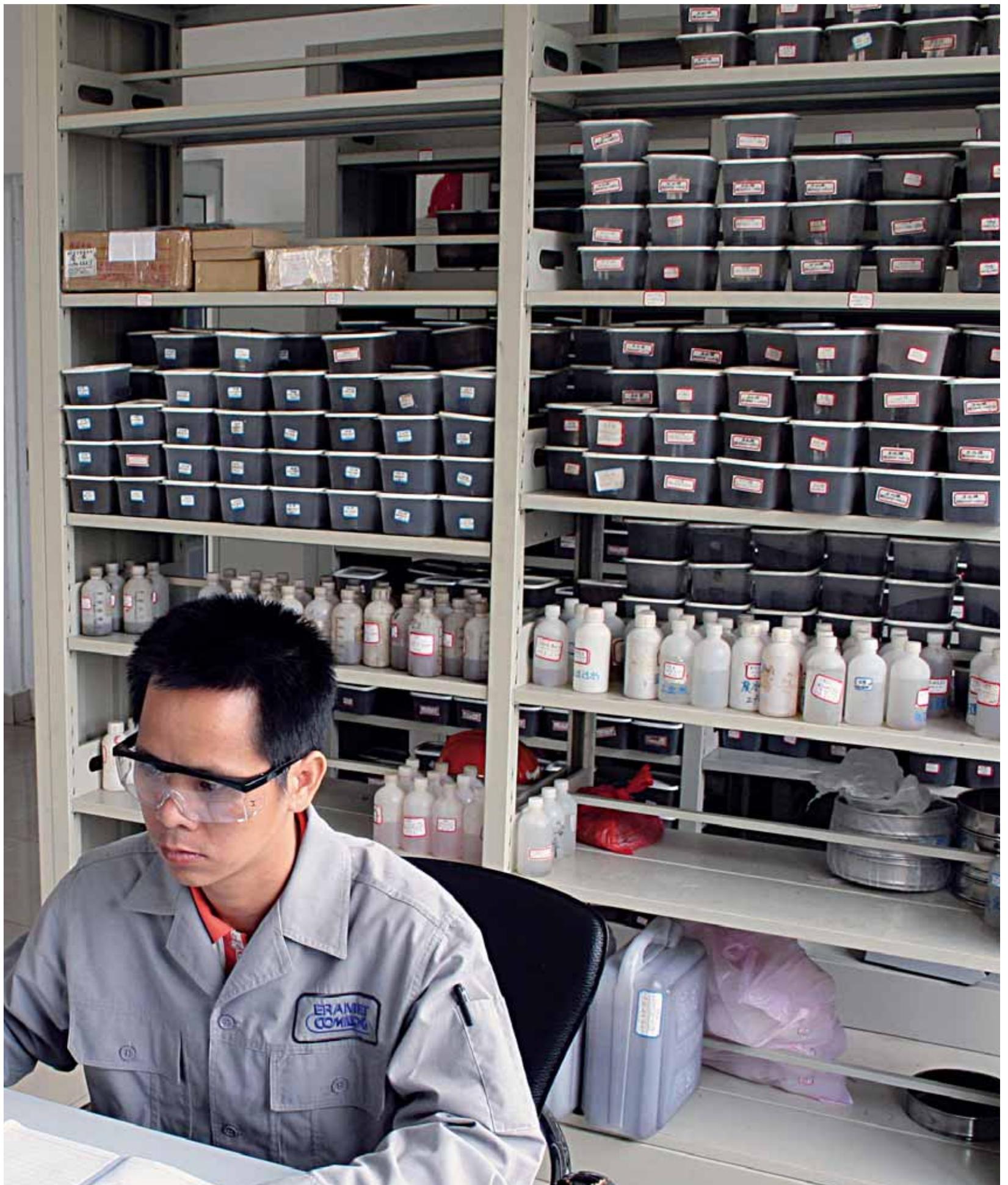




Innovation: recycling oil catalysts – GCMC plant – United States.



Produce: Aubert & Duval plant – Pamiers – France.



R&D: laboratory – Chongzuo plant – China.

2007
ANNUAL
REPORT

4. CHAIRMAN'S MESSAGE**6. HIGHLIGHTS****8. KEY FIGURES****10. GREAT STRENGTHS**

- 12. INTERNATIONAL DEVELOPMENT
- 14. MARKETS & APPLICATIONS
- 16. RESEARCH & DEVELOPMENT

18. EFFICIENT ORGANISATION

- 20. GOVERNANCE
- 22. SHAREHOLDING
- 24. LEADERS PROGRAMME
- 26. NICKEL DIVISION
- 28. MANGANESE DIVISION
- 30. ALLOYS DIVISION

32. HARMONIOUS GROWTH

- 34. ENVIRONMENT
- 36. HEALTH & SAFETY
- 38. HUMAN RESOURCES
- 42. COMMUNITY INTEGRATION

44. FINANCIAL STATEMENTS**52. GLOSSARY**

15,000

EMPLOYEES WORLDWIDE.

24%

TURNOVER GROWTH IN 2007,
I.E. €3.8 BILLION.

The mining and metallurgical group ERAMET is a global player in the production and conversion of non-ferrous metals and in alloys. On five continents, its three divisions – Nickel, Manganese and Alloys – have industrial and commercial bases close to their markets. Firm growth is a key long-term feature of those diverse markets. The skills and cultural diversity of its 15,000 employees, the high performance of its constantly evolving industrial assets and the effectiveness of its R&D programmes enable ERAMET to support its customers on the steel, aerospace, power, chemicals, electronics and tool markets in the steady growth of their business. Drawing on high profitability, the Group invests heavily to increase its production capacities, manage their environmental impact and seize opportunities for external growth and business diversification. That momentum is strengthened by an innovative human resources policy that favours customer focus, initiative and value creation.

A NEW STAGE IN ERAMET'S DEVELOPMENT

➤ Interview with Patrick Buffet
Chairman & CEO, ERAMET Group

YOU TOOK OVER AT THE HEAD OF ERAMET IN APRIL 2007.
WHAT IS YOUR STRATEGIC VISION FOR THE GROUP?

I am determined to implement a profitable and sustainable growth strategy in an international environment with a long-term profitable outlook for the Group's businesses. Global growth in steel, driven by China and soon by India and other emerging countries, is highly favourable to the development of our activities, particularly manganese for carbon steel and nickel for stainless steel. Alloys are benefiting from a similar boom in aerospace and power. To carry out that growth strategy, the Group has outstanding strengths in terms of financing, human resources and technology. After an excellent year in which we achieved €3.8 billion in turnover (up 24% from 2006), €1.2 billion in current operating income (up 97%) and a Group share of net income of €582 million (up 82%), our cash totals €954 million, despite the increase in capital expenditure supporting our three divisions. So we have the resources needed for very ambitious growth in the coming years. This will mean both substantial increases in capital expenditure and value-creating acquisitions and partnerships for the Group.

“
TO CARRY OUT THAT GROWTH
STRATEGY, THE GROUP
HAS OUTSTANDING STRENGTHS
IN TERMS OF FINANCING,
HUMAN RESOURCES
AND TECHNOLOGY.
”

WHAT ARE THOSE AMBITIONS?

We must seize the growth opportunities that arise in our sectors of business, which are undergoing far-reaching change with the increasing consolidation of players in the raw materials industry. Moreover, the quality of our teams, our ability to innovate and our strategic positions enable us to realise significant projects. Worldwide, we are continuing and even stepping up programmes to upgrade our industrial facilities and our infrastructures to guarantee our production capacity's durability and reliability. In Nickel, we are investing substantially to modernise the Doniambo site in New Caledonia. A new, more competitive and environment-friendly coal-fired electric power station should replace the fuel oil plant that supplies the unit, provided that certain prior conditions are met. Also in New Caledonia, we hope to mine new, lower-grade deposits through a new hydrometallurgical process that offers high energy and environmental performance. We intend to develop the Weda Bay, Indonesia deposit through the same process. This should be operational in 2013 and will be used to produce 60,000 tons of nickel per year, as much as current production in New Caledonia.

In the Manganese division, our capital expenditure is intended to produce 3.5 million tons of ore in 2008 in Gabon compared with 3 million in 2006. Given the market's favourable outlook, major developments are possible in Gabon, but also elsewhere in both ore and alloys.



Patrick Buffet
Chairman & CEO

“
IN ADDITION TO THE DEVELOPMENT
OF NEW BUSINESSES, OUR
CONTINUED INTERNATIONAL
DEPLOYMENT WILL HELP TO
TIGHTEN OUR RISK MANAGEMENT.
”

In the Alloys division, we will continue an ambitious policy of development by internal and external growth to meet fast-rising demand from customers operating on high-tech markets. We also want to extend our offering in non-ferrous metals that add great value to steels. These metals currently represent approximately 15% of the value of steel and are increasingly important because of the performance improvements they deliver.

IS THE ALLOYS DIVISION RETURNING TO PROFITABILITY?

Its profitability has improved thanks to the strict action plans set up. These are designed to raise the yield of invested capital to the level achieved by our best competitors as soon as possible.

WILL YOUR PROJECTS INCREASE THE GROUP'S INTERNATIONAL DIMENSION?

The Group is already active in 12 countries through its industrial bases and around 20 countries including sales agencies as well. Its 15,000 employees come from every continent. We intend to broaden our geographic and cultural base with further diversification (in China, Indonesia, Canada, etc.). In addition to the development of new businesses, our continued international deployment will help to tighten our risk management. On that subject, I want to say that I'll always attach great importance to regular dialogue, based on trust and a partnership, with the local political authorities in the territories and countries where the ERAMET Group works every day and has not only rights but also duties. I also welcome Société Le Nickel's (SLN) stronger foundation in New Caledonia as STCPI, which represents the Territory's three Provinces, increased its stake to 34%.

ERAMET HAS ALWAYS EMPHASISED PEOPLE ASPECTS.
WHAT'S THE SITUATION TODAY?

People are the Group's most valuable asset. It makes me especially proud, but also makes me realise the full extent of my responsibilities, to be able to lead a new stage in the Group's development with a community of skilled, enthusiastic men and women. In that spirit I'd like to have frank, open discussions whenever possible in an atmosphere of calm cooperation with personnel representation bodies, with a concern for openness and clarity. Together, with our shareholders, our partners and our people, we'll succeed in developing and strengthening our current leadership positions and building up new ones, implementing a dynamic research & development policy and creating value in a business sector undergoing transformation, but full of promise for a competitive, effective player serving its customers.

A YEAR OF GROWTH AND HIGH PERFORMANCE

Patrick Buffet, Group Chairman & CEO

On April 25th, the Board of Directors appointed Patrick Buffet as Chairman & CEO of ERAMET. The new Chairman reasserted the Group's strategy of profitable, sustainable growth.

1 Centenary of Aubert & Duval

A hundred years of innovation and still *Leaders!* In the second half of the year, Aubert & Duval celebrated the event with events on every site. Federated around their common brand, employees promoted its image with customers, authorities and the public, who discovered the achievements and international scope of a high-tech company.

Deeper roots for SLN in New Caledonia

STCPI, representing New Caledonia's three provinces, increased its stake in the ERAMET subsidiary SLN (Société Le Nickel) to 34%, giving the company deeper roots in the Territory.

New plant in Canada

The new oil catalyst calcinations unit in Alberta, Canada will come on stream in the first quarter of 2008.

"ERAMET World" launched

The first issue of the new magazine, circulated to all ERAMET employees in four languages, was published in September. With the overhaul of the intranet, the launch is fully in line with the Leaders process as it fosters decompartmentalisation and Group-wide teamwork.

2 Start-up of new beneficiation unit in New Caledonia

In Tiébiaghi, an equipment failure delayed the ramp-up of a new beneficiation unit. However, the first small-scale industrial trials were completed.

Schedule set for ISO 14001 certification in every unit

Despite the time given over to REACH, Environment teams are carrying out other essential projects. These include defining a schedule for all units to begin an ISO 14001 certification process.

In 2007, the Pamiers, France unit obtained its certificate and the Tertre, Belgium copper recycling activity's certificate was renewed. The Les Ancizes, France site began the process and the Grenoble unit undertook an original programme combining both environmental and safety certification.

3 Hydrometallurgical trials a success

Carried out on pilot facilities at the Trappes, France research centre with the aim of mining the Weda Bay, Indonesia, nickel deposit in 2013, the trials progressed as expected. On site, geological studies bore out the estimate of reserves and mining tests began. The team has been formed and a final decision is scheduled in 2009.



Wider benefits

An agreement was signed in France to extend insurance to all accident risks.

4 3.3 million tons of manganese ore in Gabon

As expected, the production target was reached, compared with 3 million in 2006 and 2.7 million in 2005. The next milestone of 3.5 million tons is planned for 2008.

Rallying around REACH

In line with REACH European regulations, ERAMET surveyed the substances used in its processes and the products it markets. This extensive work was carried out by a crossfunctional team made up of sustainable development managers, sales staff, legal specialists, buyers, logisticians and plant representatives, etc.

5 New EMD plant in China

A new EMD (electrolytic manganese dioxide, an active agent in alkaline batteries) plant started up in Chongzuo. The initial production target is 10,000 tons per year.

6 High speed steel drawing unit on stream in China

The new plant went into service in late 2007 in Tianjin, a fast-growing zone near Beijing.

Attracting tomorrow's talent

A new recruitment campaign aimed at tomorrow's talent was launched in France, mainly in leading universities, but also in selected middle and high schools. The goal is to highlight the many possibilities and exciting variety of careers at ERAMET.

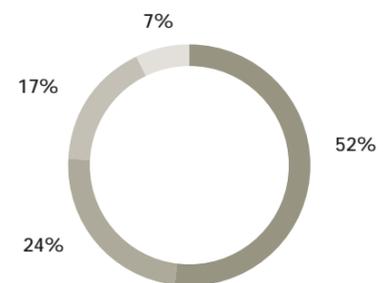
7 Ramp-up of new Alloys division press

At Aubert & Duval's Airforge plant in Pamiers (France), the 40,000-ton press is being ramped up gradually as planned because of approval times. Towards the end of the year, this unique tool began operating 24 hours a day, 5 days a week.

EraGreen rolled out in USA

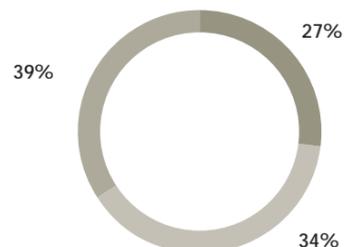
Following Europe and New Caledonia, the Group's US units now benefit from the environmental information management system that facilitates reporting and experience sharing.

ERAMET'S RESULTS IMPROVED SHARPLY IN 2007 COMPARED WITH AN OUTSTANDING 2006



TURNOVER BY GEOGRAPHIC ZONE

- EUROPE
- ASIA
- NORTH AMERICA
- OTHER

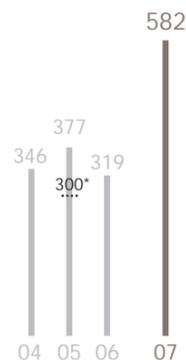


TURNOVER BY DIVISION

- ALLOYS (UP 15.8%)
- MANGANESE (UP 28.4%)
- NICKEL (UP 26.6%)



The Group's share of net income totalled €582 million, an 82% rise. This performance is due to sales price rises for all three divisions and the ramp-up of new capacities. Despite higher capital expenditure, ERAMET's financial situation again improved in 2007, with net cash amounting to €954 million at the end of the year.

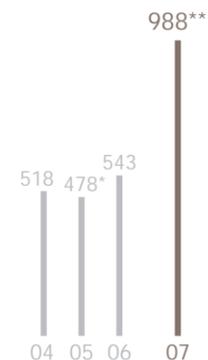


* Excluding mining indemnity.

Up 82%

Very high growth in the Group's share of net income.

NET INCOME, GROUP SHARE
(€ millions)



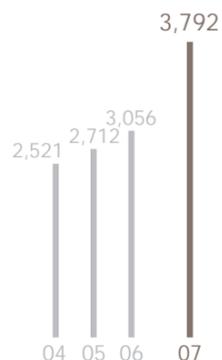
* Including 124 M€ with no impact on the Group's net cash with respect to the conclusion of the Bercy agreements.

** Including securitisation for 96 M€.

Up 82%

Very high increase in cash flow from operating activities; improved working capital/sales ratio.

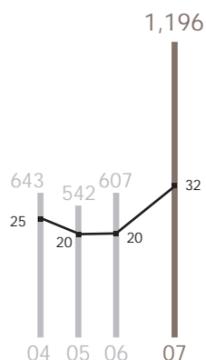
OPERATING CASH FLOW
(€ millions)



Up 24%

A 24% rise in turnover with sharp growth in all three divisions.

TURNOVER
(€ millions)

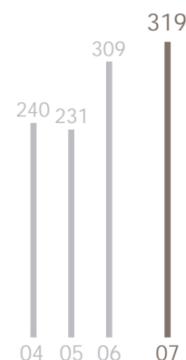


— Operating income as percentage.

Up 97%

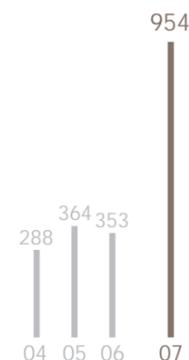
Very high growth in COI and operating margin thanks to higher sales prices and the ramp-up of new capacities.

CURRENT OPERATING INCOME (COI)
(€ millions)



319 M€

CAPITAL EXPENDITURE
(€ millions)

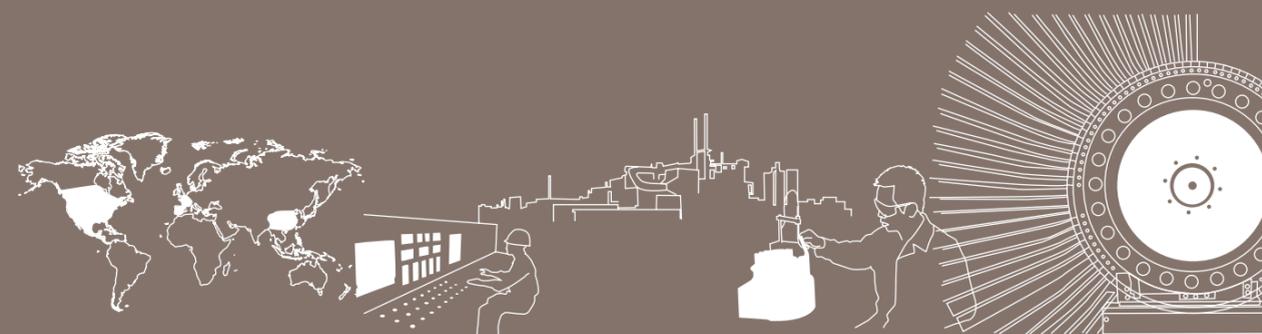


An even stronger financial situation making faster development possible.

NET CASH (NET DEBT)
(€ millions)

GREAT STRENGTHS

The ERAMET Group's profitable, sustainable and harmonious growth is driven by very buoyant markets – especially steel, aerospace and power –, its global industrial bases close to customers and the effectiveness of its R&D programmes, particularly those conducted at Trappes research centre.



INTERNATIONAL DEVELOPMENT

FURTHER
GLOBAL
EXPANSION

UNITED STATES

- 5 plants
 - Baltimore: manganese chemistry
 - Butler: ferromolybdenum and ferrovanadium production
 - Freeport: oil catalyst recycling to produce vanadium and molybdenum
 - Marietta: manganese alloy and special product manufacturing
 - New Johnsonville: manganese chemistry

- Erasteel Boonton plant (high speed steels)

CANADA

- Fort Saskatchewan (Alberta) plant: oil catalyst recycling unit

MEXICO

- Tampico plant: manganese chemistry

FRANCE

- Dunkirk plant: manganese alloy production
- Eurotungstène Grenoble plant: production of high value-added metal powders (cobalt, pre-alloyed, tungsten, etc.)
- Sandouville-Le Havre plant: cobalt and high purity nickel production
- 2 Erasteel plants (high speed steels)
 - Champagnole
 - Commentry
- 6 Aubert & Duval plants (closed die forging, long products, tooling, single parts)
 - Firminy
 - Gennevilliers
 - Imphy
 - Issoire
 - Les Ancizes
 - Pamiers

BELGIUM

- Tertre plant: manganese chemistry and copper solution recycling

SWEDEN

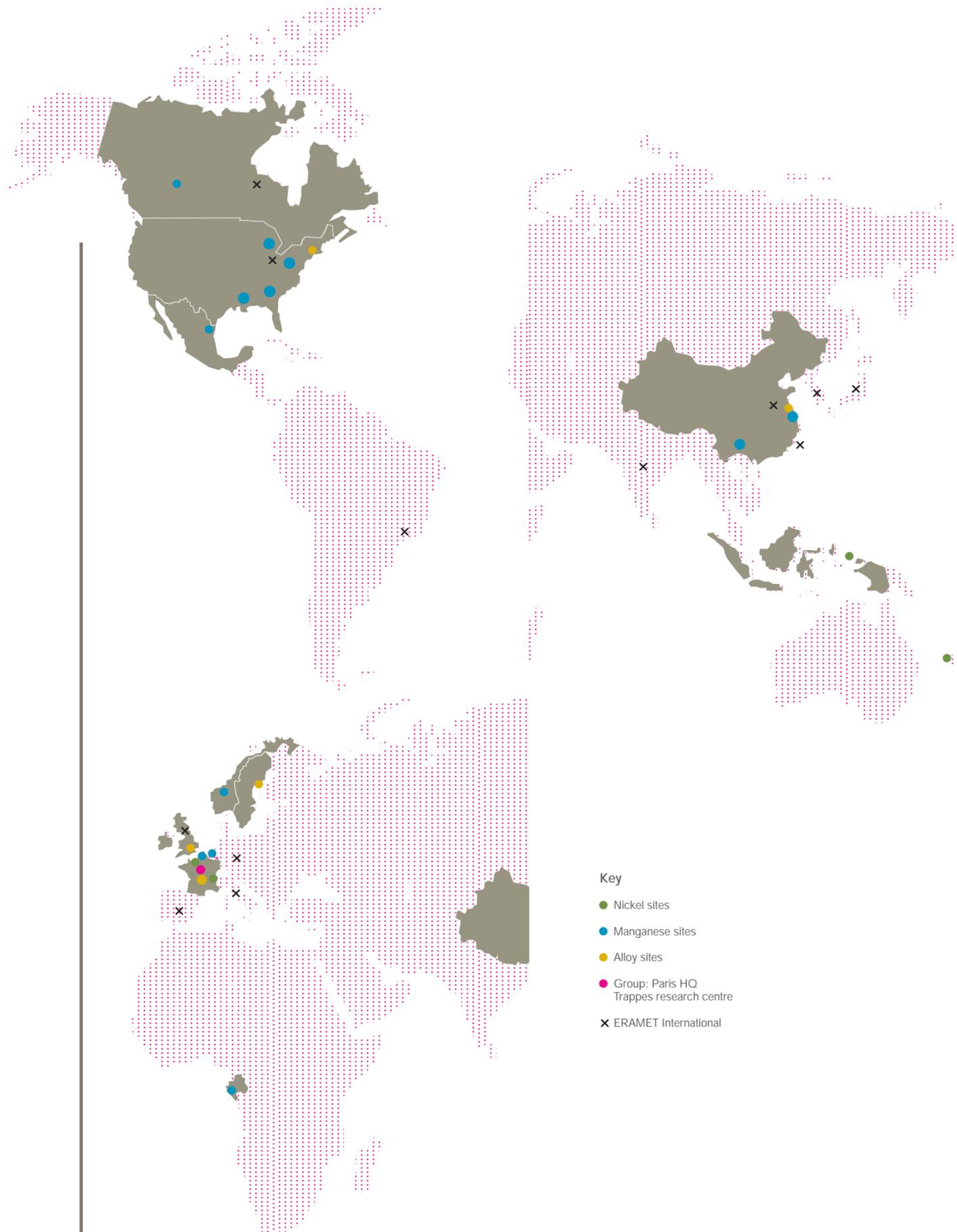
- 3 Erasteel plants (high speed steels)
 - Långshyttan
 - Söderfors
 - Vikmanshyttan

UNITED KINGDOM

- 1 Erasteel plant (high speed steels)
 - Warrington

NORWAY

- 2 manganese alloy production plants
 - Porsgrunn
 - Sauda



Key

- Nickel sites
- Manganese sites
- Alloy sites
- Group: Paris HQ Trappes research centre
- × ERAMET International

GABON (Comilog)

- Moanda Mine and beneficiation plant
- Owendo logistics site
- SETRAG, Transgabonais railway concession

INDONESIA (Halmahera island)

- Weda Bay nickel deposit

CHINA

- Wuxi distribution centre, Tianjin high speed steel drawing centre
- 2 manganese alloy production plants
 - Guilin (idem)
 - Shaoxing (province de Guangxi)
- 1 manganese chemistry plant in Chongzuo

NEW CALEDONIA (Société Le Nickel-SLN)

- 5 mines
 - Kouaoua
 - Népoui
 - Poom
 - Thio
 - Tiébaghi
- 1 plant
 - Doniambo metallurgical plant: ferronickel and nickel matte production



ERAMET INTERNATIONAL

A SALES TEAM SERVING THREE DIVISIONS

The Group's three divisions are supported in their global development by the organisation and sales network of a service company, ERAMET International. The aim is to call into play synergy between the Group's different activities and foster a consistent approach to common customers. ERAMET International also has a marketing activity that is managed in many cases by young recruits who form a pool of skills and experience for the three divisions' sales departments. While volume targets and price terms are set by the divisions, ERAMET International's teams carry out on-site negotiations. The structure's 12 offices in Asia, North America, South America and Europe employ more than 50 people.

ERAMET International offices: Germany, Italy, Spain, Canada, United States, Brazil, Japan, South Korea, Taiwan, China, United Kingdom, India.

MARKETS & APPLICATIONS

LEADERSHIP POSITIONS ON MARKETS WITH LONG-TERM PROFITABILITY

ERAMET has great expertise from end to end of the non-ferrous metal production and conversion chain: mining, metallurgy, alloy production, chemistry and recycling. These skills enable it to draw full benefit from vibrant markets with a vast range of applications.

> **ERAMET Nickel** produces and converts nickel ore from its five mining centres in New Caledonia and, soon, from the Weda Bay deposit in Indonesia. Stainless steel, the primary outlet, accounts for almost 60% of nickel consumption. ERAMET makes ferronickel for this market, which averages growth of 5% per year. Many other sectors use nickel, particularly superalloys, electronics and mobile energy. For these markets, in Sandouville, France, the division makes high-purity nickel, as well as nickel and cobalt chlorides. In Grenoble, France, it also makes ultra-fine tungsten carbide and cobalt powders.

APPLICATIONS

> **Stainless steel:** attractive and high-performance, largely thanks to nickel which, at 8-12% content, makes it easier to work, stainless steel is everywhere: industrial facilities, surgical equipment, transport, architecture (footbridges, escalators, coatings), kitchens (sinks, machine drums, cutlery), environmental protection, etc.

> **Superalloys:** containing more than 45% nickel, superalloys' mechanical properties remain intact even at very high temperatures and are used for aerospace, power turbines and the oil industry.

> **Corrosion resistance:** nickel can be used to coat objects in thin layers. This process, known as electroplating, gives them a glossy appearance and makes them resistant to air corrosion (taps, tubes, etc.). Most "chrome-plated" objects are in fact nickel-plated. Other applications include rechargeable batteries and one and two euro coins, which contain more than 25% nickel.

- World #1 ferronickel producer.
- A world top 3 high-purity nickel producer.
- World leader in nickel chloride.
- World #6 nickel producer.

> **ERAMET Manganèse**, the Group's manganese division, produces and markets one of the world's largest ranges of manganese derivatives with industrial bases close to consumption zones. In Gabon, ERAMET mines, enriches and sinters ore. With average growth of 5% per year, the steel market accounts for 90% of manganese outlets. Other markets are also profitable, such as batteries, chemicals, agrochemicals and metallurgy. The division also has a lucrative catalyst recycling activity, mainly in North America, and produces molybdenum and vanadium.

APPLICATIONS

> **Steel:** manganese is an essential component in steelmaking. It is used to fluidise steel and make it harder, stronger, more elastic and easier to weld.

> **Batteries and electronics:** mobile energy (rechargeable, alkaline and saline batteries), an essential part of modern life, depends on manganese. The metal is a component of transformers and inductors in high-power electronics.



Aubert & Duval closed die-forges parts for power turbines.



Manganese is used to make batteries and in high-tech electronic components.



Containing 8-12% nickel, stainless steel is by far the largest outlet for the nickel industry.

> **Agriculture:** manganese is needed to grow cereals, beets and citrus fruit and is a vital trace element. For high-quality cattle, manganese salts and oxides are also essential food supplements. Other applications include aluminium cans, which manganese strengthens.

- World #2 high-grade manganese ore producer.
- World #2 manganese alloy producer.
- World #1 refined manganese alloy producer.
- World leader in oil catalyst recycling.
- World leader in manganese chemical derivatives.

> **ERAMET Alliages**, the Group's alloys division, comprised of Aubert & Duval and Erasteel, makes special alloys, tool steels, high speed steels and superalloys and converts them by forging, rolling and closed die-forging. Its products serve demanding markets such as aerospace, power and tooling. While volumes are smaller than on the carbon or stainless steel markets, prices are higher as products are more sophisticated. Research and development make a substantial contribution to the success of the division, which ploughs back 2% of its sales to develop new alloy grades and constantly improve its manufacturing practices.

APPLICATIONS

> **Aerospace:** using high-power closed die-forging, Aubert & Duval produces a full range of structure parts (particularly landing gear) and engine parts. A large share of its steel and high performance alloy long products and some cast parts for large tools are also intended for the aerospace market.

> **Power and tooling:** Aubert & Duval forges parts for power generation, especially in the nuclear sector. Erasteel produces a broad range of high speed steels for cutting tools (drills, taps, milling cutters, reamers, etc.). Aubert & Duval steels are used for various types of tooling (cold working, hot working, plastic injection moulds, etc.).

> **Automotive:** some Aubert & Duval and Erasteel special steels are used by the automotive industry directly, such as engine valve steels. A large share of outlets for the company's tooling and cutting tool activities are also in this sector.

- World #1 producer of high speed steels.
- World #2 producer of closed die-forged parts for aerospace and power.
- A leading world producer of high performance special steels and superalloys.

RESEARCH & DEVELOPMENT

MORE EFFICIENT, MORE INNOVATIVE AND FURTHER AHEAD

The Group's research and development programmes, carried out in close cooperation with the Trappes research centre, help to constantly improve products, processes and productivity. The scope and effectiveness of the efforts made in this area lead to increasingly relevant solutions to customers' evolving needs.

For ERAMET's cutting-edge mining, metallurgical and chemical activities, efficient research is a key advantage. Because R&D programmes help to meet or even anticipate customers' needs more and more fully, they enable the Group to strengthen its positions, including on the most competitive markets.

CLOSE COOPERATION WITH LINE MANAGERS

These programmes are carried out within divisions or at the Trappes research centre (CRT). To make sure that results are entirely relevant, CRT's teams work closely with the different units' development teams, who in turn are in direct liaison with line managers. This leads to great efficiency from programme definition through to the setup of innovations that not only concern products, but also processes and productivity.

The sharp increase in R&D budgets reflects the issue's importance for ERAMET. Since 2004, CRT's expenditure has almost doubled from €6.1 million to €11 million. This is an extremely profitable investment given the results obtained, particularly in the development of a hydrometallurgical treatment process for oxidised nickel ores, one of CRT's biggest programmes.

HYDROMETALLURGICAL PROCESS: ENVIRONMENT-FRIENDLY EFFICIENCY

In just three years, thanks to the research centre's great experience in mining and purifying different metals and its teams' leading-edge skills, CRT has developed an efficient, environment-friendly method for processing oxidised nickel ore. Laboratory trials and the construction of a pilot facility in 2007 bore out the process' relevance to the characteristic mixture of low-grade laterites and garnierite that form the Weda Bay deposit in Indonesia and the new deposits in New Caledonia. The new process is autonomous and does not consume any fossil fuel. Even better, its solid residue is inert and storable, and its liquid effluent is neutral. The process is also atmospheric with no pressurisation and temperatures that do not exceed 100 °C. The ground ore is mixed with seawater before being treated with sulphuric acid. Nickel and cobalt are separated out and manganese is concentrated separately and isolated.

RECLAIMING COPPER

In the Manganese division, R&D has led, among other initiatives, to a copper recycling activity. Copper is reclaimed from solid and liquid waste from printed circuit manufacturing, the electronics industry and metallurgy. The innovative technology isolates metals that are then sold in chemical form to European pesticide and fungicide producers. The copper business employs around 30 people in Tertre, Belgium, an Erachem Comilog site that is certified ISO 14001 and approved for hazardous waste processing. The aim is to double the activity's turnover, currently \$14 million, within five years and broaden its scope to include zinc waste.

NEW GRADES FOR NEW CONSTRAINTS

In the Alloys division, in Söderfors, Les Ancizes and Pamiers, in liaison with CRT, new grades are constantly developed to meet the increasingly stringent demands of the aerospace, power and tooling sectors. MLX19, a technically advanced stainless steel, is ten times stronger than conventional stainless steel (1,900 MPA, i.e. 190 kg/mm²). Designed for landing gear, MLX19 replaces a steel that is also very strong but not stainless, so requires cadmium coating using a harmful process that will soon be prohibited. MLX17 is another grade for aircraft structures and parts, particularly the Airbus A400M military transport vehicle. To give an idea of their performance, a 2-3 mm-thick wire of these grades could lift up a family car. For aircraft turbine shafts, which rotate at extremely high speed, Aubert & Duval's research department has also developed the ML340 grade (2 300 MPA, i.e. 230 kg/mm²).

Another issue is the weight reduction of structure parts. Aubert & Duval's teams work in partnership with Alcan to cut aircraft weight by 5% by closed die-forging large parts made from aluminium-lithium 2050.



Research teams working closely with operating units.



Products resulting from the hydrometallurgical method for nickel ore beneficiation, processed in Group plants or elsewhere.



The hydrometallurgical pilot facility at Trappes research centre (near Paris), to be implemented first in Indonesia.

In addition, new, stronger grades that extend tool lifespans are now available. Examples include SDC for aluminium injection moulds (automotive parts) and XPOL for plastic moulds (household appliances).

In tool and high speed steels, the trend is to improve surface properties to increase the performance and lifespan of tools. This is achieved by reducing the quantity and size of non-metallic inclusions (powders by produced at Söderfors by the ultra-clean DvalinTM process) and decreasing the size of dispersed carbides in as homogenous a die as possible (ASP2055 for powder metallurgy or GindamaxV3 for conventional metallurgy).

ORGANISATION OF CRT AND ALLOYS DIVISION R&D

At CRT: 90 employees, of which 80 engineers and technicians.

4 study departments: pyrometallurgy; hydrometallurgy and mineralurgy; products; metallurgy, mechanics and physics.

2 support departments: analysis and characterisation; pilot trials.

CRT maintains relations with universities (it funded three theses in 2007).

For the Alloys division: more than 80 people take part in R&D.

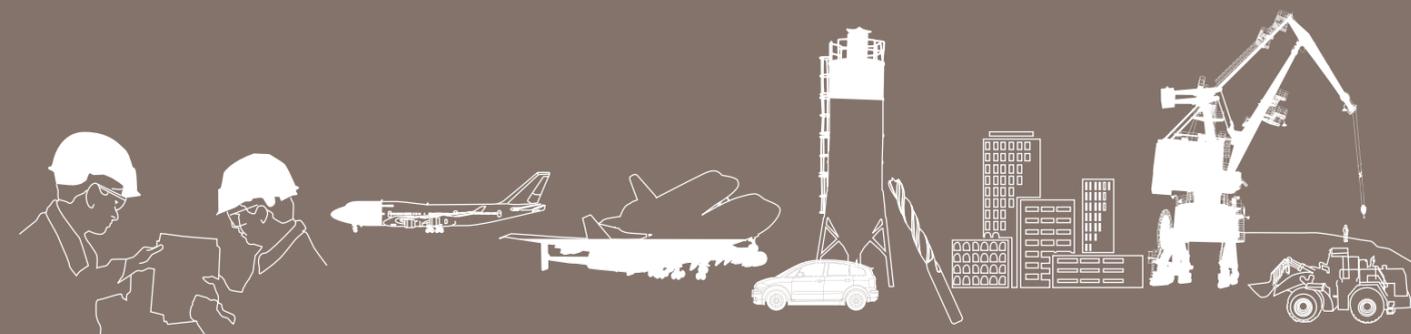
Some projects are extensively supported by the skills or resources of a network of Swedish (KTH, Kimab, etc.) or French (Écoles des mines, École centrale, etc.) academics or laboratories.

37 M€

INVESTED IN 2007 FOR THE ERAMET GROUP'S RESEARCH & DEVELOPMENT PROGRAMMES.

EFFICIENT ORGANISATION

With valuable support from its shareholders, ERAMET implements its growth strategy with a concern for openness and efficiency in both its governance and its working methods. The Group's methods benefit from the tangible progress made by its federative Leaders project. Combined with industrial performance, that strategy is reflected in excellent results for each Division.



GOVERNANCE

HIGH STANDARDS
AND TRANSPARENCY

The ERAMET Group is managed through a formal approach that meets the latest requirements in terms of corporate governance. At the head of the Group since April 2007, Patrick Buffet has confirmed both its profitable, sustainable growth strategy and the continuation of governance principles based on efficiency and transparency.

APPOINTMENT OF PATRICK BUFFET AS GROUP CHAIRMAN

At its meeting on April 25th, 2007, the Board of Directors appointed Patrick Buffet as Chairman and Chief Executive Officer (CEO) of the ERAMET Group. He is also Chairman & CEO of Société Le Nickel (SLN) and a Director of Comilog, the Group's Gabonese subsidiary.

EXECUTIVE COMMITTEE

The Executive Committee (Comex) chaired by Patrick Buffet defines a strategy for the Group, submits it to the Board of Directors and executes it. In addition to the Chairman & CEO, the Comex is comprised of the Division heads (Nickel, Manganese and Alloys), all three of whom are delegate CEOs, the Chief Financial Officer, the Executive Vice-President Human Resources and, as of 2007, the Executive Vice-President Communications and Sustainable Development. Some Comex members are responsible for a Group-wide function (research & development, engineering, information systems, purchasing). This brings the executive body into direct contact with all the Group's activities, operating functions and support departments. The Comex strives to provide clear information on ERAMET's strategic choices, both internally with its employees and externally with partners and stakeholders. The Comex also conducts regular reviews of high-potential managers and supervises international management. The Chairman & CEO oversees strategy and financial communications, development and industrial affairs.

INTERNATIONAL MANAGEMENT COMMITTEE

Created in 2004, the committee's mission is to leverage new synergies between the Group's entities. For that purpose, it is comprised of ERAMET's main executives. The three Divisions are represented, as are the main geographic zones.

The international management committee supports the Group's steady international development by facilitating the sharing of information and experience among teams. The setup of a common organisation for all ERAMET's activities in China is a good example.

AUDIT COMMITTEE

The Board of Directors' audit committee monitors all accounting operations and control and internal audit procedures, in liaison with the Company's statutory auditors. The audit committee met four times in 2007. On March 6th, the 2006 financial statements were presented; on August 28th, the first-half 2007 statements were examined. Presentations were also given on risk management, the civil liability insurance policy for corporate officers and the new quarterly communication rules, particularly on financial information; on October 29th, the financial situation in the 3rd quarter of 2007 and the draft press release were examined; on December 11th, the internal audit plan was studied and the future audit schedule was set, environmental provisions were reviewed and a general presentation was given on the management rules of the Metal Securities group's financing company.



EXECUTIVE COMMITTEE

1 **Philippe Vecten**
Delegate CEO
ERAMET Manganèse

2 **Catherine Tissot-Colle**
Executive Vice-President,
Communications & Sustainable
Development

3 **Georges Duval**
Vice-Chairman, Delegate CEO,
ERAMET Alliages

4 **Bertrand Madelin**
Delegate CEO, ERAMET Nickel
(as of January 2008)

5 **Patrick Buffet**
Chairman & CEO

6 **Jean-Didier Dujardin**
Chief Financial Officer

7 **Alain Robert**
Delegate CEO, ERAMET Nickel
(until January 2008)

8 **Dominique Franchot**
Executive Vice-President,
Human Resources, Health
& Safety

INTERNAL CONTROL

Launched in 2003, ERAMET's audit action plan provides for the regular auditing of all the Group's companies (approximately 40 entities). With the audits completed in 2007, virtually all those companies benefited from an in-depth diagnosis followed by action and improvement plans that are monitored by the Executive Committee on a quarterly basis.

COMPENSATION COMMITTEE

Based on an in-depth examination of the various activities' results and actions, the committee makes proposals to the Board of Directors on corporate officers' compensation, year-end bonuses and goals for the new year. Progress on safety, governance and management are particularly taken into account.

SELECTION COMMITTEE

The committee proposes appointments to top management positions in the company at the head of each of the ERAMET Group's three divisions.

INTERNATIONAL MANAGEMENT COMMITTEE

Comprised of the Executive Committee and the following top managers:

Marcel Abéké
Director & CEO, Comilog SA (Gabon)
Pierre Alla
Delegate CEO, SLN (New Caledonia)
Benoît Bied-Charreton
CEO, Nickel Chemistry BU
François Bour
CEO, Manganese Ore-Alloys BU
Joseph Chang
Chairman & CEO, ERAMET China
Xavier Chastel
CEO, Aubert & Duval
Édouard Duval
Chairman, ERAMET International
Philippe Gundermann
CEO, Erasteel
Alain Pradoura
CEO, Manganese Chemistry – Recycling – Special Products BU

SUPPORT FUNCTIONS

Philippe Bordarier
Development
Jean-Pierre Cescutti
Research & development (CRT)
Antoine Gréco
Industrial affairs
Philippe Joly
Strategy & financial communications
Olivier Mongrolle
Information systems
Alfred Rosalès
Purchasing
Alain Zambetti
Projects & technology
(TEC Ingénierie)

SHAREHOLDING

ANOTHER RECORD RISE FOR ERAMET STOCK

RECORD SHARE PRICE RISE
ERAMET IN 2007: UP 188%

In 2007, ERAMET shares gained a record 188% (the year's biggest rise on the deferred settlement market), following a very substantial 50% increase in 2006.

After starting the year at €122.00, the stock reached a low of €114.00 on January 10th. After that it climbed continuously, apart from a correction in August, to reach a high of €391.26 on December 21st before ending 2007 at €350.00. This performance can be contrasted with the slight rise in the CAC 40 index (+ 1.31%) over the period, after ERAMET stock gained three times as much as the index in 2006. ERAMET's market capitalisation totalled €9.1 billion on December 31st, 2007 putting the Group around 40th among French companies listed on Euronext Paris. Taking into account the new share subscription options exercised by employees, the total number of shares issued as on December 31st, 2007 was 25,905,621, compared with 25,880,894 as on December 31st, 2006.

Moreover, the average trading volume for ERAMET stock (24,022 shares/day) rose 62% from 2006.

SHARE SWAP UNDER SHAREHOLDERS' AGREEMENT

The shareholders' agreement between ERAMET and Société Territoriale Calédonienne de Participation Industrielle (STCPI) on September 13th, 2000 included the option for STCPI to acquire 4% of Société Le Nickel-SLN (SLN) by swapping SLN shares for ERAMET shares. Exercise of the option was approved unanimously by New Caledonia's three provinces and notified by STCPI on December 6th, 2006. At its May 23rd, 2007 meeting, the Board of Directors decided to execute the commitments in the shareholders' agreement by carrying out the share swap under the terms provided (three ERAMET shares for five SLN shares). That decision was made, in particular, following the presentation of the findings of an independent appraisal of the respective values of ERAMET and SLN as on December 6th, 2006. On July 23rd, 2007, ERAMET's shareholders approved the transaction at their general meeting. As a result, STCPI's stake in SLN increased from 30 to 34% and its interest in ERAMET decreased from 5.1% to approximately 4.1%. In line with the ERAMET Group's long-term development, the share exchange gave SLN deeper roots in New Caledonia.

SHAREHOLDERS' AGREEMENT RENEWED

Sorame and CEIR (the Duval family), on one hand, and Areva, on the other hand, signed an ERAMET shareholders' agreement on June 17th, 1999. The agreement was entered into for seven years and is renewable for successive one-year periods. It expired, therefore, on June 30th, 2006 and was renewed first on July 1st, 2006 and a second time from July 1st, 2007.

SHAREHOLDERS' DIARY

> **Thursday, February 21st, 2008**
2007 annual results,
published before trading

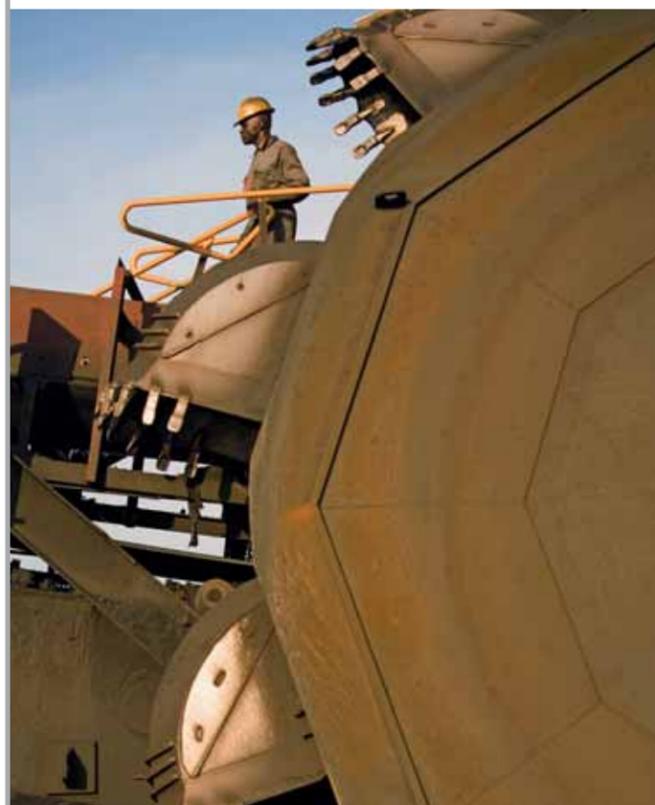
> **Wednesday, April 16th, 2008:**
Shareholders' general meeting

> **Tuesday, April 29th, 2008:**
Publication of 1st quarter
2008 turnover, before trading

> **Thursday, July 31st, 2008:**
Publication of 2nd quarter 2008
turnover and 1st half 2008
results, before trading

> **Wednesday, October 29th, 2008:**
Publication of 3rd quarter 2008
turnover, before trading

> **Thursday, January 29th, 2009:**
Publication of 4th quarter
and full-year 2008 turnover,
before trading



The Manganese division (pictured: Comilog, Gabon) contributed to the sharp growth in ERAMET's turnover in 2007.

ERAMET STOCK

> The ERAMET share is part of Euronext Paris compartment A.

> ERAMET is included in the CAC MID 100 and SBF 250 indices. The share is eligible for the deferred settlement system (SRD) as of March 28th, 2006. The Company joined Euronext Paris' N 150 index on July 2nd, 2007 and the N 100 index on January 2nd, 2008. Moreover, on December 24th, 2007, ERAMET was included on the DJ STOXX 600.

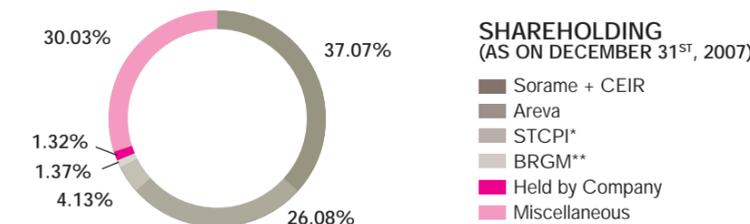
> ISIN code: FR 0000131757

> Mnemonic: ERA

> Number of shares as on December 31st, 2007: 25,905,621

> Nominal value: €3.05

> Tax year from January 1st to December 31st



*STCPI: Société Territoriale Calédonienne de Participation Industrielle (provinces of New Caledonia).
**BRGM: Bureau de Recherches Géologiques et Minières (French state).

BOARD OF DIRECTORS

Members of the Board of Directors following the ordinary & extraordinary general shareholders' meeting of April 25th, 2007

Patrick Buffet Chairman & CEO⁽¹⁾
Yves Rambaud Honorary Chairman
Directors

Rémy Autebert Chairman, Areva Japan
Georges Duval Manager, Sorame (Vice-Chairman and Delegate CEO, ERAMET)

Edouard Duval Chairman of Management Board, Sorame

Cyrille Duval Manager, Sorame

Patrick Duval Chairman & CEO, CEIR

Pierre-Noël Giraud Lecturer, École supérieure des Mines de Paris

Gilbert Lehmann Member of the Supervisory Board, Assystem SA (Vice-Chairman, ERAMET)

Louis Mapou Chairman, STCPI (New Caledonia)

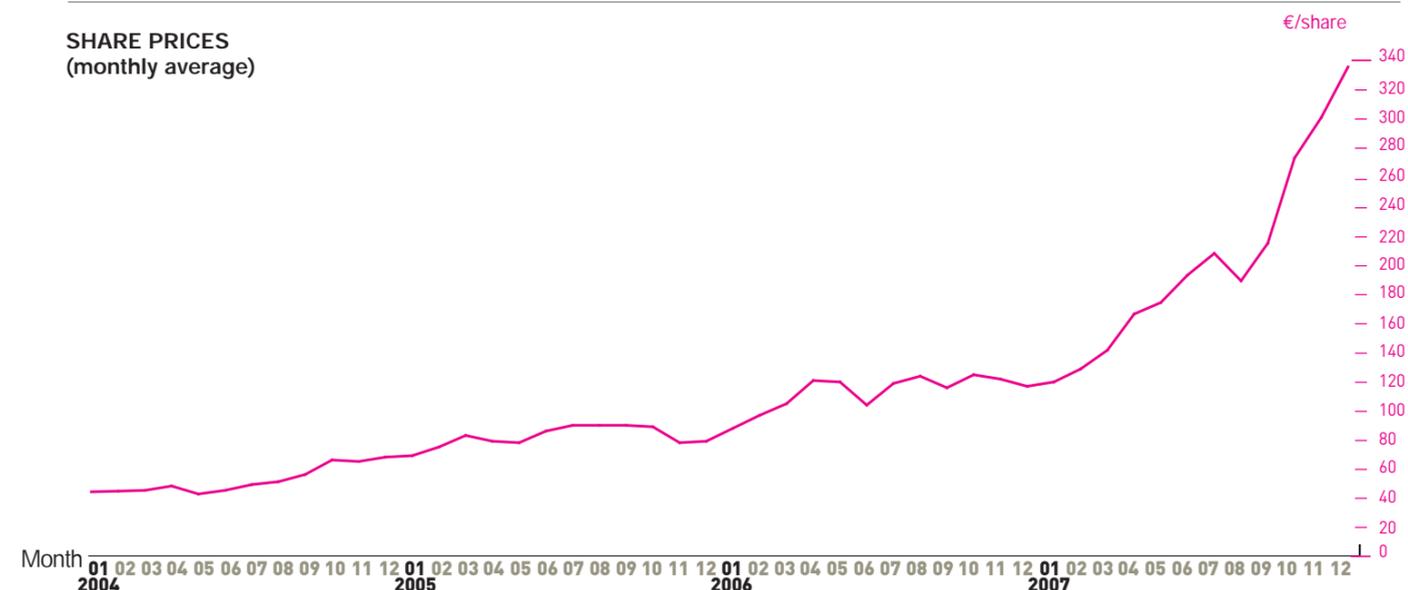
Harold Martin Chairman of the New Caledonian Government

Jacques Rossignol Former CEO, Snecma and Arianespace

Michel Sommolet Former Director, Vice-Chairman and Chief Financial Officer, L'Oréal
Antoine Treuille Executive Managing Director, Altamont Capital Partners LLC

Areva (represented by Frédéric Tona) Former Director, Mines-Chemistry-Beneficiation Sector, Areva/NC

⁽¹⁾ Director co-opted at Board of Directors' meeting on March 7th, 2007, in succession to Mr. François Henrot.

SHARE PRICES
(monthly average)

ERAMET's website www.Eramet.fr includes all presentations, press releases and financial documents.

LEADERS PROGRAMME

TANGIBLE PROGRESS

Leaders is a Group-wide process that unites ERAMET's people around its values. The aim is for everyone to play a part in the company's performance. The Leaders projects rolled out in 2006 came to fruition in 2007.

Leaders' key objective is to create a spirit of mobilisation that makes every employee a player in the Group's performance. Following its international deployment, the process became fully operational in 2007. Rooted in each entity in every business and every country, Leaders fosters the sharing of a common spirit and a momentum of success.

The actions taken are already shifting borders: collective borders to build teamwork and constantly improve performance; geographic borders to enable the Group to bring its global, multicultural scope into play as it wins new business; technical frontiers, to strengthen the knowledge and skills that form the foundation of the Group's industrial culture; and individual frontiers, to encourage all employees to challenge themselves and improve the way they do their jobs and fulfil their responsibilities.

PASSING ON ESSENTIAL SKILLS

The Technical Leadership project is aimed at developing and passing on the know-how and skills needed for units to function. An inventory has been made of this expertise and the people that hold it. In addition to recruitment plans, knowledge and breeding grounds have been created for skills, making sure they will be passed on to the next generation in the coming years. The resources committed reflect the issue's importance. At Erasteel, for example, one employee works full-time on the transmission of specific know-how in high speed steels.

DECOMPARTMENTALISATION: A REALITY FOR ALL

Another Leaders project is intended to develop cross-Group teamwork. Substantial progress has been made in this area. In the Manganese division, sales teams used to focus on selling either ore or alloys. Now they work together towards common goals and on shared action plans. At the Aubert & Duval unit in Pamiers, France, employees have mobilised to define relevant performance indicators for every department. A daily review of the selected topics lets them suggest improvements and find solutions to problems. At headquarters, administration & finance department teams took a survey of their internal customers in subsidiaries to find out about their aspirations and work together better. These are just a few examples of a process in which communication plays a particularly important role (see below).

LEADERS - A COMMUNICATIVE SPIRIT

Several of the Communications & Sustainable Development department's projects in 2007 come under the Leaders approach. The launch of *ERAMET World*, a new in-house magazine helps break down barriers within the Group. It also conveys the Leaders spirit around the world in four languages. The new intranet is a flexible, lively and attractive vehicle for sharing and interactivity. Collaborative sections will enable employees with the same job, project or even interest to find each other, exchange ideas and work together. These relations beyond technical, cultural and geographic borders leverage the Group's diverse assets to drive its constant progress.



The Leaders process and the Group's values are applied in its different sites worldwide.



Daily teamwork by personnel in Weda Bay, Indonesia.



Reaching for high performance to maintain leadership.

STRONGER PARTNERSHIPS WITH CUSTOMERS

Customer focus is another major project. For every activity, answers are being found to the question, how can we serve customers better? eurotungstène, for example, has long had an efficient marketing approach because of the specificity of its customers' demands. Other subsidiaries have now followed suit and developed a formal process. On the superalloys market, contacts have been intensified with customers' quality departments and with end users. In Nickel, closer partnerships help to highlight the service and quality of ERAMET's offering. The same approach is followed in Manganese, where personalised customer relations involve conferences and plant tours so the partners can get to know each other better. More generally, ERAMET's sales people are increasingly taking on the role of its ambassadors. In touch with global issues, they are better able to address them locally with high-level correspondents.

ERAMET'S SEVEN VALUES

- > Customer orientation.
- > Quest for value-creating performance.
- > Intellectual honesty, courage.
- > Initiative and open-mindedness.
- > Challenging the work status quo, mobility.
- > Teamwork and decompartmentalisation.
- > Maintaining, enhancing and passing on skills.

NICKEL DIVISION

RECORD RESULTS

In a difficult context due to the uneven stainless steel market, the Nickel division posted an excellent improvement in its results. This performance reflects a relevant diversification and growth strategy supported by substantial capital expenditure, particularly in New Caledonia and Indonesia.

The nickel market showed contrasting trends in 2007. After very high levels of stainless steel production in the first half of the year, particularly in China, inventory reductions in the second half led to a clear slowdown. However, other nickel-consuming businesses (more than 40% of the market) were steady with healthy trends including ongoing firm growth.

Another key fact was the rise in nickel prices at the start of the year, driven by very high demand, but also by speculation. In mid-year, prices were halved following action by London Metal Exchange authorities and stainless steel production cuts. Towards the end of the year, the division's customers continue to run down their inventory but orders are expected to pick up in 2008.

HIGHER ACTIVITY AT SANDOUILLE

These market difficulties were heightened by the development of nickel cast iron production in China, the world's biggest nickel consumer. This context bears out ERAMET's diversification strategy. Markets with a good business fit, particularly nickel chloride and high-purity nickel for electronics and mobile energy, are growing at a steady pace. The Sandouville, France plant has stepped up its output accordingly. The proportion of nickel produced by Sandouville has risen from 18 to 25% of the division's total production.

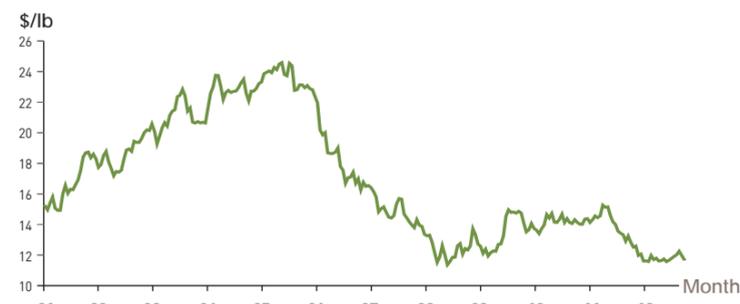
Moreover, the high value of ERAMET Nickel's customer service, especially through quality and contractual relations, has enabled it to avoid building up excess inventory compared with 2008 production needs. The division's results are excellent, with new records set for turnover and profitability.

MAJOR CAPITAL EXPENDITURE IN NEW CALEDONIA AND INDONESIA

Another highlight of 2007 was the continuation of major capital expenditure programmes. In New Caledonia, where almost €150 million is invested on average per year, the aim is to increase production and upgrade facilities. In Tiébaghi, equipment breakage led to a delay in ramping up a new unit. Two completely renovated rotary furnaces went into service with higher processing capacity.

In Indonesia, studies continued with a view to mining the Weda Bay deposit from 2013. The many pilot trials conducted at the Trappes (France) research centre are progressing on schedule. Choices have been made for engineering and are in progress for equipment. On site, geological surveys have confirmed the resource estimates and mining tests have begun with full-scale machines to define the right equipment setup conditions. The team has been formed and a decision on Weda Bay will be made in 2009.

LME NICKEL PRICE, JANUARY - DECEMBER 2007



The Sandouville, France plant achieved very high output in 2007.



New capital expenditure in New Caledonia is designed to increase production.



Great work was done on the Weda Bay, Indonesia mining site in 2007.

CONSOLIDATED POSITIONS ON A FAVOURABLE MARKET

The division has a twofold strategy: develop activity in New Caledonia and double total production in 2013 with the Indonesian deposit. New facilities and projects concern the French overseas territory: renovation of a furnace at the Doniambo plant; a project to replace the fuel oil power plant by a coal-fired unit - this should reduce costs, which should enable the site to use lower-grade ore and so extend its lifespan while dramatically cutting its environmental impact, if all the conditions required for the project are met; mining new deposits on the island; and studying the hydrometallurgical process in order to process more ore (cf. p. 16).

All these projects and studies will enhance the division's activity in New Caledonia and increase its production substantially, with Weda Bay, and so consolidate its market positions. Conditions on that market remain favourable for the next few years in terms of both volumes and prices.

NEW PRODUCTS AT EUROTUNGSTÈNE

In Grenoble, France, eurotungstène makes tungsten, cobalt and cobalt alloy powders, primarily with cobalt supplied by Sandouville, France. These products are intended for tooling and binders for diamond tools. The wealth of developments enables the global specialist to keep offering new products that meet customers' needs. Recently launched products include a metal powder that can be used in injection moulding, a process dedicated to small parts made in large runs such as wristwatch cases and eyewear side pieces.

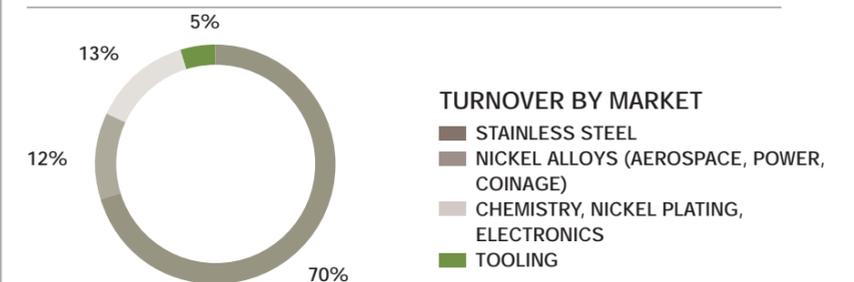
#1

WORLDWIDE IN FERRONICKEL PRODUCTION, ONE OF ONLY THREE PRODUCERS OF PURE NICKEL.

KEY FIGURES 2007

(IFRS standards, € millions)

	2006	2007
Turnover	1,019	1,290
Current operating income	388	693
Net cash flow from operations	317	556
Capital expenditure	125	135
Capital employed	580	703
Average workforce	2,668	2,875



MANGANESE DIVISION

SIGNIFICANT BUSINESS GROWTH,
SHARP IMPROVEMENT
IN PERFORMANCE

In a buoyant environment, the Manganese division drew full benefit in 2007 from higher demand and prices. Its capital expenditure in Gabon and elsewhere enabled it to develop its offering and so support its customers' growth.

Apart from a temporary rise in 2004, the price of manganese had not previously evolved significantly. 2007 was marked by sharp price rises, with a threefold increase in the spot price. Driven by China, steel demand led to greater orders of manganese ore, while the supply side struggled to keep up because of mostly logistical difficulties. The boom in freight costs partly absorbed the rise in metal prices.

3.3 MILLION TONS OF ORE

Another major trend was the ongoing consolidation of the sector's players. Thanks to its extensive deposits in Gabon and its constant capital expenditure efforts, ERAMET is ranked second among the world's high-grade manganese ore suppliers. The ramp-up of its production capacity increase programme is enabling the Group to grow alongside its customers. In 2007, 3.3 million tons of ore was produced, compared with 3 million in 2006 and 2.7 million in 2005. In line with targets, the 3.5 million ton mark should be reached in 2008.

Supported by continued high prices for molybdenum and vanadium, the rise in both prices and output is reflected in 28% turnover growth and current operating income that more than doubled.

NEW RANGE AND NEW RESERVES

The division's operating performance also includes alloy production and oil catalyst recycling. In this field, an action plan intended to improve yield further was launched during the year.

Other projects during the year include a review of the manganese ore range. In response to market trends, two grades are now offered instead of six: "ferromanganese" with 48.5% content and "silicomanganese" at 44.5%. In addition to optimising inventory management, this change, which closely involved geology, mining and sales teams, also makes a significant increase possible in deposit reserves.

On the edge of the currently mined plateau, extensive reserves are being appraised. This study also concerns the relevant working methods for the new land.

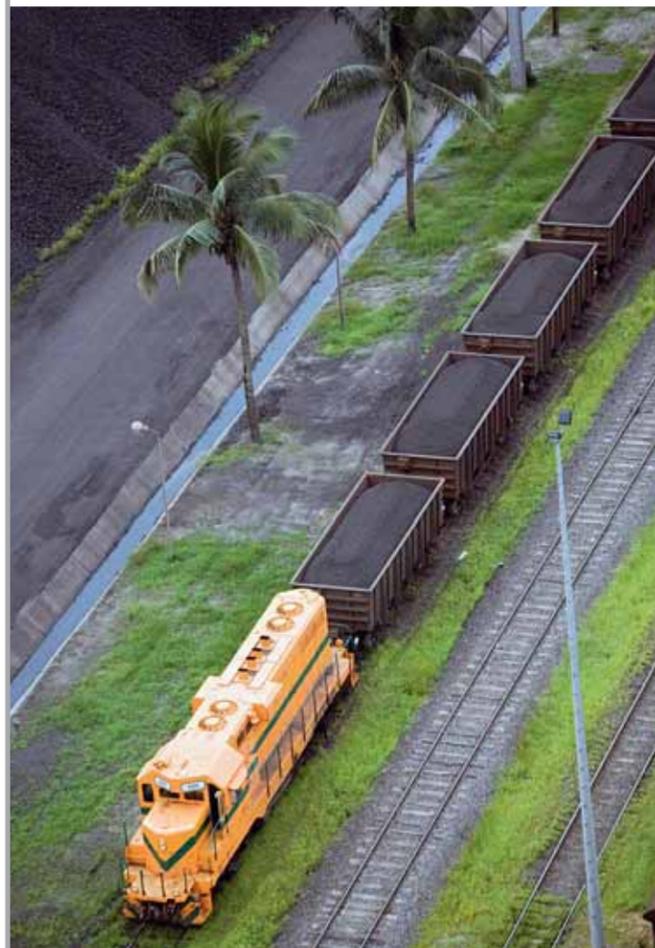
Another major study concerns the highly promising Okouma deposit. This is where the medium and long-term future of mining in Gabon is being prepared.

From 2008, ore recovery from the Moulili river will provide for the rivers' remediation over several years.

In Alberta, Canada, an oil catalyst recycling site was built in a difficult context of labour shortage. The facility is scheduled to start up in the first quarter of 2008.



China is key to business growth in manganese.



Manganese ore is carried daily from Moanda mine to Libreville port.



2007 was a very good year for ore production in Moanda with 3.3 million tons.

ACTION ON ALL FRONTS

ERAMET Manganese's capital expenditure continues to grow, year in year out. As the 3.5 million ton programme is nearing completion, a new plan is keeping up the momentum. The aim of the plan, currently being finalised, is to produce 4 million and more tons by 2010. Other projects in progress include: making up delays in maintenance on the Transgabonais railway, to which Comilog was granted the concession two years ago; the study of a hydrometallurgical process to mine a niobium ore that is complex because of radioactivity, also in Gabon; a review of activities on the Marietta, USA site to improve economic and environmental performance; a furnace renovation in Norway, scheduled in 2008, which will be an opportunity to increase manganese alloy production capacity; and preparation for a silicomanganese unit in Gabon, a project combined with the increase in hydroelectric capacity announced by the Government. Made possible by the division's great profitability, these major investments and projects reflect its dynamism and innovation capability. This growth strategy is likely to benefit from the continuation of favourable market conditions into 2008 and beyond.

SIGNIFICANT CAPITAL EXPENDITURE IN CHINA

In Africa, America, Europe and Asia, the Manganese division is expanding globally. In China in particular, 2007 saw the start-up in Chongzuo of a plant that produces electrolytic manganese dioxide (EMD), an active agent in alkaline batteries. In a traditional steelmaking region in the north, a new manganese alloy production unit also came on stream in 2007.

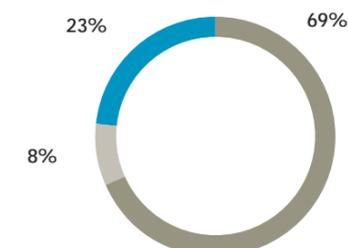
#2

WORLDWIDE IN HIGH-GRADE
MANGANESE ORE AND
MANGANESE ALLOY
PRODUCTION.

KEY FIGURES 2007

(IFRS standards, € millions)

	2006	2007
Turnover	1,147	1,473
Current operating income	170	440
Net cash flow from operations	193	307
Capital expenditure	122	129
Capital employed	587	685
Average workforce	6,415	6,503



TURNOVER BY MARKET

- ORE AND ALLOYS FOR STEELMAKING
- ORE AND PRODUCTS FOR CHEMISTRY
- RECYCLING

ALLOYS DIVISION

IMPROVED BUSINESS AND PROFITABILITY

With positive trends on all its markets, the Alloys division developed its business and improved its results. The continued implementation of its specialisation strategy and capital expenditure programmes enable the division to grow alongside its customers worldwide.

Comprised of the high-tech industrial companies Aubert & Duval and Erasteel, the Alloys division develops its business on growing markets. Global demand for high speed steels shows 3% annual growth. In aerospace, orders from Airbus and Boeing reached record levels in 2007. That healthy trend should continue until 2010 at least, with an unusually long cycle driven by international trade, China and low-cost companies. In addition, jumbo aircraft manufacturing accounts for high volumes of business. For instance, one Airbus A380 is equivalent to eight A320.

On the power market, rising demand and the need to manage greenhouse gases have boosted orders for nuclear plants and gas turbines.

INCREASING MARKET SHARE

In this highly favourable context, the division is following a strategy of specialising production units and stepping up its capital expenditure. For example, the new 40,000-ton press in Pamiers (France) will enable Aubert & Duval to increase its market share in aircraft engine parts.

Business growth, improved industrial performance and higher prices, related to rises in energy and raw material prices, mean better results despite the depreciation of the dollar.

STEPPING UP DEPLOYMENT IN CHINA

Highlights for the year include the centenary of Aubert & Duval, which forged stronger bonds between personnel and showcased the company's industrial excellence and global scale with customers, authorities and the public (cf. page 4).

In high speed steels, the new industrial setup based on specialised production sites proved its relevance.

In China, commercial and industrial deployment was intensified with the start-up in late 2007 of a drawing plant in Tianjin, a fast-growing zone near Beijing.

At the Airforge plant in Pamiers, the 40,000-ton press was ramped up on schedule. The facility was phased in gradually because of the periods required to obtain the necessary approvals. From the end of 2006 to the end of 2007, the press went from operating just a few hours a day to almost 24 hours per day, five days a week.

ANNUAL CIVIL AIRCRAFT DELIVERIES (AIRBUS AND BOEING)



Aubert & Duval's teams work to satisfy growing demand.



Cutting-edge research to develop products that address customers' needs.



Improving industrial organisation to increase plant productivity.

GREATER SYNERGY

Another development was the bolstering of the division Executive Committee to leverage synergy between Aubert & Duval and Erasteel. More than ever, the two teams dialog and focus on improving overall performance, particularly in terms of cost reduction. Synergies have already been set up for purchasing, but also industrial cooperation, joint work on powder metallurgy and combining national sales teams.

The division also keeps up constant R&D efforts. It ploughs 2% of its turnover back into R&D – twice the industry average (cf. pages 16-17).

Combined with the efficiency of the new industrial organization, the development of production capacities, improved competitiveness and personnel involvement, this ability to innovate gives the division decisive strengths. These should enable it to take full advantage of its dynamic markets, despite low dollar rates. The division produces in the euro zone and mostly sells in the dollar zone, whether directly or indirectly. That is why it does not rule out setting up bases for some downstream operations in dollar zone countries, as it has done in China, to benefit from lower costs and closeness to several customers. Core know-how will remain in Europe, on the industrial sites where the division continues to invest heavily.

HIGHER CAPITAL EXPENDITURE

In response to growth on its markets, the Alloys division is increasing its production through capital expenditure. Programmes are carried out strictly and efficiently, such as the €100 million investment in the 40,000-ton press in Pamiers, completed on budget and on schedule. Capital expenditure will be even higher in 2008, totalling €100 million. The goals are better use of industrial assets, more fluid downstream processes (machining, control, etc.) and shorter cycle times.

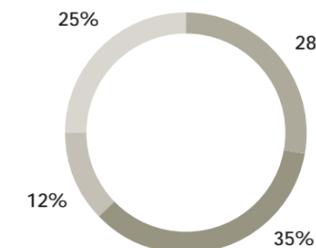
#1

WORLDWIDE IN HIGH SPEED STEELS, #2 PRODUCER OF CLOSED DIE-FORGED PARTS FOR AEROSPACE AND POWER.

KEY FIGURES 2007

(IFRS standards, € millions)

	2006	2007
Turnover	892	1,033
Current operating income	62	78
Net cash flow from operations	35	125
Capital expenditure	58	54
Capital employed	730	687
Average workforce	4,573	4,684



TURNOVER BY MARKET

- AERONAUTICS, SPACE AND DEFENCE
- CUTTING TOOLS, TOOLING
- POWER GENERATION
- SPECIALITIES AND MISCELLANEOUS (MEDICAL, TRANSPORT, MECHANICAL CONSTRUCTION)

HARMONIOUS GROWTH

ERAMET's quest for high performance does not just cover industrial and economic factors in the three divisions but applies to every function. Policies implemented on the environment, health, safety, human resources and community integration: all contribute to the Group's value creation.



ENVIRONMENT

MAJOR PROGRESS ON COMPLEX PROJECTS

From its setup on January 2007, the Communications & Sustainable Development Department (DC2D) has striven to complete major projects in close liaison with all the Group's teams. Foremost among them is REACH, as well as the continued rollout of EraGreen, implementing the Zero Disputes project and supporting units in their environmental programmes.

The creation of DC2D in January 2007 and its manager's participation in the Group Executive Committee reflect ERAMET's will to enhance its environmental actions. Under the general policy defined in the Group's Environmental Charter, the Board of Directors decided to set precise, measurable goals. These include the continued rollout of EraGreen, a dedicated information system that facilitates reporting and experience sharing. Operational in Europe and New Caledonia since 2006, EraGreen was deployed in the United States in 2007. In Gabon, an audit showed the need to formalise environmental management first. Completion of this stage will lead to EraGreen being rolled out in 2008.

TARGET: ZERO DISPUTES

The Zero Disputes project aims to prevent all disputes, compliance orders and criminal lawsuits from local authorities for any failures by the Group with respect to their operating permits. All permits were recently updated on the basis of in-depth impact and risk studies. For every site, the Zero Disputes programme means action plans covering both behaviour and the necessary capital expenditure.

SIGNIFICANT PROGRESS ON REACH

The biggest project of the year concerned REACH (Registration, evaluation and authorization of chemicals). The European regulations came into force in June 2007, requiring industrial companies to assess chemicals, including metals, their compounds and uses in processes and marketed products, as well as their impact. In 2007, ERAMET conducted a complete survey of the substances. This considerable task mobilised DC2D, but also sales staff, legal experts, buyers, logisticians and representatives of plants on a Progress Task Force.

During the year, consortium projects were also drafted to enable producers and importers of the same group of substances to carry out studies and tests together. This was again a difficult task, particularly in manganese because competitors are dispersed and competition is harsh. The diversity of ERAMET's activities mean that almost 15 consortium contracts must be drawn up with those for nickel, manganese, cobalt, molybdenum and tungsten already signed. In addition, ERAMET again worked actively on trade organisations to continue and speed up major scientific research, particularly on the impact of manganese and its compounds.

Thanks to this extensive effort, good progress has been made on the new regulatory system, with the first milestone – pre-registration – reached in 2008.



Industrial activities' impacts are thoroughly controlled and substantial capital expenditure is committed to the issue.



On the Weda Bay mining site, a nursery has been created with a view to replanting the mine area.

ISO 14001: OBJECTIVE 2010

Despite this busy period, other essential projects have been implemented. These include setting a schedule for units to begin work on obtaining ISO 14001 certification. In 2007, the Pamiers, France unit achieved this. The copper recycling activity in Tertre, Belgium renewed its certificate, the Les Ancizes, France plant began the process and the Grenoble, France unit undertook an original approach combining ISO 14001 and OHSAS 18001 (workplace health and safety) certification.

In New Caledonia, the Doniambo project requires major capital expenditure to renovate an electric furnace completely and replace the fuel oil-burning power plant by a more efficient coal-fired unit. More generally, the many equipment – particularly furnaces – upgrading projects in New Caledonia and the United States help to increase productivity and significantly reduce their environmental impact, in compliance with regulatory requirements. DC2D is also involved in a feasibility study on niobium mining in Gabon (cf. p. 29).

SYSTEMATIC RISK PREVENTION

Rolled out in 2007 on all sites, the industrial risk prevention programme entails preventive visits carried out with insurance company inspectors. Recommendations are systematically turned into action plans and crisis management procedures are formalised. Standard procedures are displayed as tables with indicators highlighting the progress made or to be made: emergency response teams, emergency plans, internal inspections, hot spot work and protection of electrical facilities.

HEALTH & SAFETY

SIGNIFICANT PROGRESS ON KEY ISSUES

Eramet's commitment to safety led to further improvement in the lost-time accident rate, with 5.2 accidents per million hours worked, down from 6.9 in 2006. Another highlight of the year was the adoption of the Group's health policy.

The further reduction in lost-time accident frequency was achieved in a difficult context, with the consolidation of two entities with high historical accident rates: SETRAG (Transgabonais railway) and the Erachem Mexico unit in Tampico (a port on Mexico's east coast). In that context, the target frequency rate was 8. Its reduction to 5.2 is above all the work of personnel and managers. It also reflects the effectiveness of the actions carried out on Group level. These include the safety club, which was founded in 2001 and became international in 2006. The club gives more room to dialogue, whether formal or informal, enabling safety facilitators to forge closer ties. In-house benchmarking also lets them share best practices.

SUBSTANTIAL IMPROVEMENT IN GABON AND NEW CALEDONIA

The year's successes include the milestone of one year without a lost-time accident reached by around 15 units, although only 9 of them kept up the performance through to the end of the year. In Gabon, Comilog continues to improve, with only one incident that ended an 18-month period without any lost-time accidents. The situation in New Caledonia has been turned around. For the previous four years the frequency rate had been around 17. In 2007, following a number of actions including bolstering the safety organisation, the rate was driven below the 10 mark.

These steps forward reflect the importance of Group-level safety facilitation and formal processes in keeping teams alert and giving them effective tools. At the safety club meeting in Sauda, Norway, safety facilitators were provided with Group standards – common rules for every site that can be adapted to local regulations. The new, stricter audit reference matrix was also rolled out successfully. These audits, in which 10 new auditors were trained, show how units address health and safety issues.



Constant vigilance on production sites keeps personnel, neighbours and facilities safe.



Some SEVESO-rated units, like Sandouville, abide by very strict safety rules.



In Gabon, Comilog and SETRAG have their own healthcare services for personnel and their families.

SYNERGY WITH THE ENVIRONMENT

Audit policy took on a new dimension through synergy with the sustainable development team, in line with the *Leaders* programme (cf. p. 24). Common audits were conducted in North America with the team, which includes two employees with a safety background. The benefits were time and manpower savings as well as the development of a common culture.

This momentum is illustrated by the launch of a workplace health & safety management system in Grenoble, France with the aim of certification under the OHSAS 18001 international standard in 2008. This reference matrix is the workplace health & safety equivalent of ISO 14001 for the environment. Other units such as Sandouville and Imphy (France) are developing similar projects.

Another significant initiative was taken to improve prevention, in partnership with two major temping companies. An analysis of how temporary staff are integrated on two pilot sites resulted in improvement actions including supplying individual protective gear, training and matching profiles to needs. The goal is to improve temps' accident frequency rate to bring it into line with Group employees'. The first achievement was to halve accident rates on a year on one site.

FORMAL HEALTH POLICY

A highlight of 2007 was the recruitment of a consultant physician in charge of the Group's health policy. The policy is validated by the Executive Committee and covers all employees, outside personnel, visitors and neighbours of industrial sites. The Group intends to ascertain exactly what hazards are related to its activities and help to build knowledge of them. ERAMET's goal is to reduce work-related health risks and the health impact of its activities and products. Consequently, health and working conditions are factored into every decision on every level in the chain of command. Other priorities are to disseminate and apply common standards, set up an action plan on every site, keep watch to detect any health problems that may be caused by manufacturing processes or marketed products and combat addictive behaviour.

HUMAN RESOURCES

FORGE MORE LINKS, MAKE THE GROUP STILL MORE ATTRACTIVE

Because they take into account the particularities of every team worldwide and are supported by everyone's culture, profession and needs, Human Resources serve all ERAMET employees and build a common spirit. Based on openness and solidarity, that spirit focuses on individual fulfilment and collective success.

In a Group with bases on five continents and a wide variety of entities, businesses, sites, cultures and languages, Human Resources (HR) have the essential role of capitalising on diversity while fostering a shared spirit. This is the rationale for implementing HR department policy at ERAMET.

AN INNOVATIVE POLICY AND A DYNAMIC NETWORK

HR policy is often innovative, driven by the will to create and strengthen company ties in the Group, as well as a sense of acting for the benefit of all communities and employees. That policy also benefits from constant dialogue with the Group's other support departments, particularly Communications & Sustainable Development and the Legal department, and from a momentum born of close relations, joint thinking and sharing initiatives between HR teams at headquarters and in the Group's different structures and subsidiaries. The HR department's constant concern is to work closely with the Group's units and the people and communities that work and live there.

The HR network ensures it is able to serve ERAMET's 15,000 employees, counting the entire workforce including temporary staff.

AT EVERYONE'S SERVICE

In keeping with the Group's values, HR policy is intended not only to develop key skills, but to meet all employees' needs, with the idea that everyone, in his or her job, adds their own value to the Company. In ERAMET's mining and industrial businesses, that essential contribution and commitment from every employee are acknowledged.

WIDER BENEFITS

Among the year's major projects, the benefits system set up in 2006 covering death and disability risks was expanded in France to include all miscellaneous risks. Signed in early 2007 with personnel representation bodies, the agreement now covers health as well. For instance, the comprehensive benefits protocol allows an employee who has to care for a seriously ill relative to take time off while still receiving his or her salary (which gradually decreases according to the length of time away). As well as resulting in the agreement itself, the project led stakeholders to work together in a productive atmosphere and create "social value." The scale and quality of the benefits protocol are likely to foster employee motivation and retention. Based on the principles of individual contributions according to income, the well-controlled system also encourages beneficiaries to act responsibly.

MANPOWER GROWTH

48 ethnic groups in Gabon, 29 dialects in New Caledonia, more than 2,000 people in China in several regions... Just three examples of ERAMET's cultural diversity. The Group is active on all continents, growing, deploying and recruiting on each one. A new project launched in 2006, Weda Bay already occupies 400 people in Indonesia. The number of sites is rising in China and America. In Gabon and Europe, rising demand from customers is leading to a substantial increase in production. Hence the constant growth in the total workforce, with a clear majority of employees (60%) working outside France.



Crucial teamwork to tap metal at Comilog Dunkerque (France).



Forming new teams in Indonesia.



High-tech jobs, for example in this superalloy powder workshop.



Advanced qualifications, often acquired in the field.

MOBILISATION TO ATTRACT NEW TALENT

Another highlight of 2007 was a recruitment drive. To support their growth and complete a number of projects, all ERAMET's divisions are increasing their workforces (cf. box opposite on Group workforce). This is both a quantitative and qualitative development because of the advanced skills required. In the Group's businesses, personnel turnover, which used to be low, has risen in recent years. This trend is due to several factors: globalisation of activities and professions; consolidation of major mining and steelmaking players; and the growth of those groups, causing demand for skills. In addition to this general climate, events such as the arrival of new players in both the north and south of New Caledonia have intensified the trend. In that context, the job market is now global and engineering graduates are highly sought after. This has led ERAMET to deploy an aggressive industrial recruitment and attractiveness strategy. The Group has many exciting businesses, a wealth of diverse expertise and know-how and

DEQUELMETALETESVOUSFAIT.COM - AN ATTRACTIVE, ENTERTAINING WEBSITE

"You may have a will of iron and a steely wit or be good as gold. But do you know what metal you're made of? Why not find out right away?" This introduction sets the tone for visitors to the website dequelmetaletesvousfait.com. They know they're going to learn and have fun. Flown into space, participants set foot on an unexplored planet with exceptional metal resources: nickel, manganese, cobalt... By taking part in the quiz, visitors learn whether they are an extreme adventurer, a high-tech scientist or an industrial pioneer. All three profiles definitely have their place in the ERAMET galaxy.

15,000

EMPLOYEES IN THE GROUP COUNTING ALL MANAGED PERSONNEL.

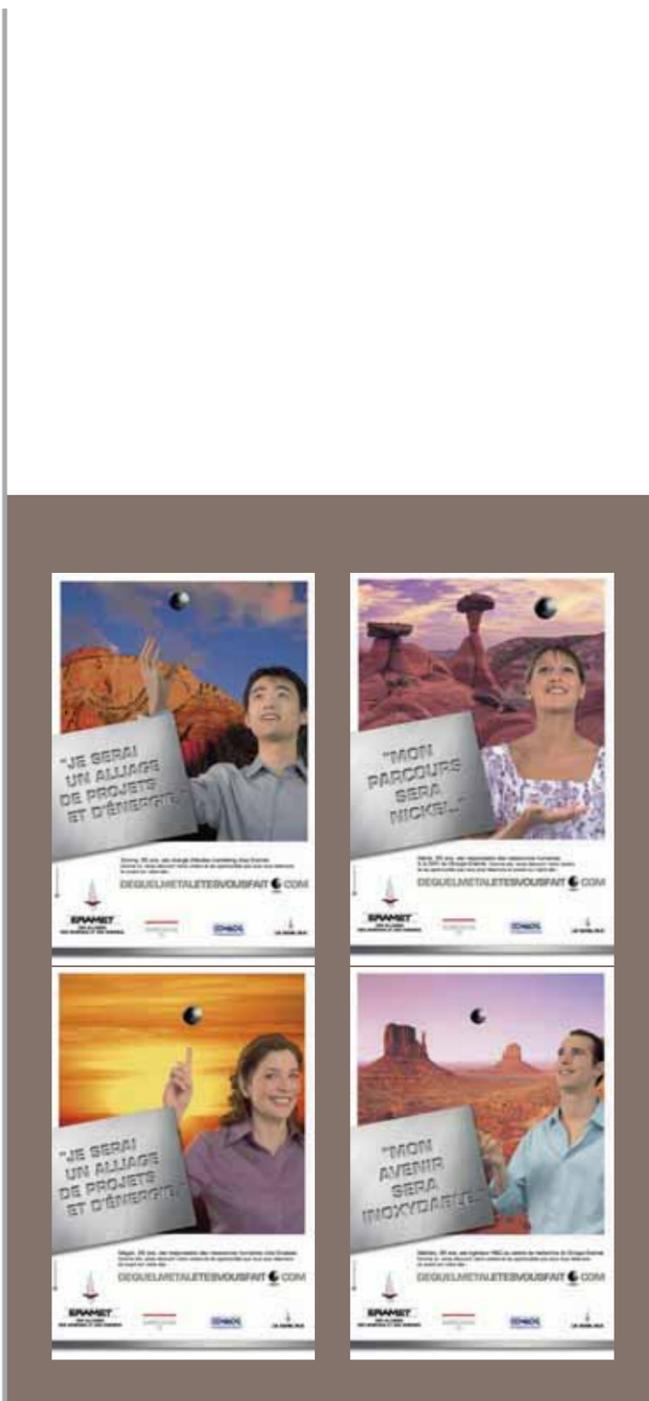
► a wide range of open career possibilities. All these and other advantages are crucial to attracting new talent, but candidates first have to know about them. This is the goal of a major campaign targeting leading colleges and universities but also, in regions such as New Caledonia, middle and high schools.

FREEDOM OF EXPRESSION, ACTION, TEAMWORK AND PERSONAL FULFILMENT

The structured campaign was firmly supported by the Group's three divisions. It also entailed training for dedicated personnel, with a Melanesian taking on the assignment for New Caledonia and a Swede covering France and English-language countries. Through actions in schools, participation in forums and events and the creation and circulation of communication vehicles, students and potential employees are asked, "Show us your metal." This is also the theme of a specific website (see box on previous page). The challenge lets them discover what alloy ERAMET's people are made of: "A combination of freedom of expression, action, teamwork and individual fulfilment, where everyone has his or her place and youth can have its say."

BUILDING A SKILL POOL

The campaign also helps to form the pool of technicians and engineers needed to ensure continuity of skills in ERAMET's different businesses. Beyond that necessity, intellectual and technical capital is being built up to meet the greater skill needs arising from the Group's many major projects: implementing the hydrometallurgical process in Indonesia and New Caledonia, developing and producing new alloy grades, innovating in manganese chemistry and substantially improving productivity, etc. This is in response to an essential *Leaders* project (cf. pages 24-25): maintaining, enhancing and passing on skills. In this area, again in the spirit of Human Resources taking all ERAMET employees into account, the emphasis on passing on skills concerns know-how on every level in the chain of command. Specific know-how in each job and on different sites, often developed by the operators themselves, is identified and recorded. The behavioural aspect of passing on skills is also addressed. Once again, fostering teamwork and solidarity as a way of life that characterises work at ERAMET is an important goal for the HR department.



The recruitment campaign launched in September 2007 targets young graduates.

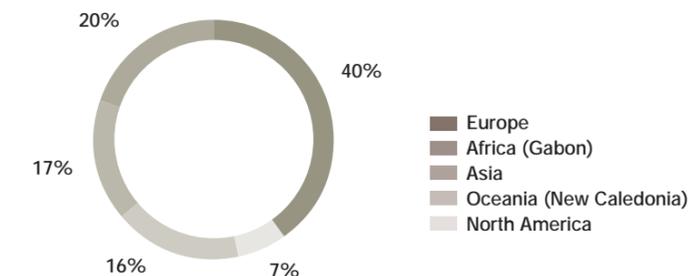


Passing on skills: a major challenge for the ERAMET Group.

EMPHASIS ON MANAGER TRAINING

As regards training, ERAMET of course rolls out major programs that meet its people's diverse needs. Special efforts have focused on managers and experts since the end of 2006. In addition to developing a managerial spirit, the training enhances skills and facilitates career development within the Group with more specific tracking for high-potential managers. As part of ELP (Education leader programme), four 7-day seminars brought together managers from every country. Based on case studies presented by Group managers, together with original activities at weekends, the seminars build strong ties between teams.

EMPLOYEES BY GEOGRAPHIC ZONE



COMMUNITY INTEGRATION

AN ECONOMIC, SOCIAL AND CULTURAL COMMITMENT

Eramet's relations with the countries and regions where it is active cover not only economic issues, but also social and cultural matters. As it does for the natural environment, the Group makes a commitment to the communities around its units. The Group's connections with countries, territories and local communities are based on common interests. The foremost of those shared interests is an economic one. The Gabonese State holds 25.4% of the Group subsidiary. One of Comilog's missions is to run Transgabonais railway, with positive effects for the entire country. In New Caledonia, Société Territoriale Calédonienne de Participation Industrielle (STCPI), which represents the three Provinces, increased its stake in SLN to 34%, giving the ERAMET subsidiary even deeper roots in the territory.

AN IMPORTANT SOCIAL ROLE

Relations with local populations also have a social aspect because of the large number of industrial jobs provided by ERAMET. To use the same examples, the Group employs more than 3,500 people in Gabon and 2,200 in New Caledonia, where it is the biggest employer. In addition, there are many indirect jobs, including around 1,000 in New Caledonia alone. The Group's high capital expenditure helps to maintain and develop those jobs, with many training and career development possibilities. More generally, ERAMET's approach to employee treatment and benefits places it clearly above local practices.

AIDS CAMPAIGN IN GABON

The Group's involvement also takes the form of large-scale actions. In Gabon, Gamma, an anti-AIDS programme launched in late 2006, was rolled out in 2007 in conjunction with national health authorities. The screening campaign, open to all Comilog personnel, was a great success with over half of all employees taking part. The programme doesn't stop there. Following prevention through the supply of condoms and anonymous testing, HIV-positive and sick employees receive medical treatment and support, while workstations are adapted accordingly. Extended to SETRAG (railway) personnel during the year, the operation's scope was broadened by the inclusion of employees' dependents and by initiatives with young people. As regards education, in addition to the nursery and primary schools provided for employees' children, Comilog funds 80% of Henri-Sylvoz high school in Moanda.

DRIVING INDUSTRIAL PROGRESS IN NEW CALEDONIA

SLN has been a part of life in New Caledonia since its activities began in 1880. The company has been behind every major step forward in the Territory's industrial relations: creation of the first works council and supplementary health insurance in 1969, supplementary pension for all employees in 1995, company savings plan, profit-sharing and, most recently, the benefits plan set up in 2006.

In the spirit of *Leaders* (cf. p. 24) one of the seven goals in SLN's corporate plan is to "integrate more deeply into the New Caledonian community through a sustainable development process." This fundamental wish is reflected in several initiatives: helping the creation of subcontracting businesses, participating in development assistance programmes in Northern Province, contributing to Adie (see opposite), a sponsoring programme in existence for 14 years ("Nickels de l'initiative"), partnering "Juvénats" and "Cadres avenir" for training local young people and supporting the Northern Province Women's association, etc.



The nursery school is attended by Moanda personnel's children.



SLN plays an important role in local life. It especially supports the Territory's education sector.



For the centenary of the Aubert & Duval trademark, the public and institutional visitors had a chance to tour plants like the Les Ancizes unit.



Pupils visit plants to discover professions they often know little about, such as here at Erasteel in Sweden.



Comilog-funded Henri-Sylvoz high school in Moanda has 400 students (from 1st to 6th form / 6th grade to senior).

GLOBAL INVOLVEMENT AND ACTIONS

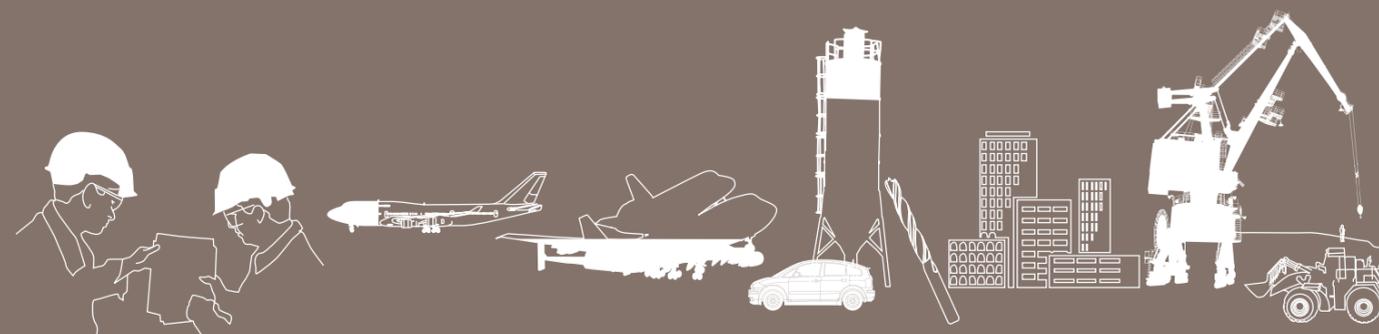
ERAMET shows similar commitment in every region of the world. In the United States, in Canada, Mexico, Norway, France and China, ongoing relations are forged with schools, through sports, cultural and scientific support, and local communities in order to listen to them, present projects and contribute to collective development. To give one of many examples, in Les Ancizes two business parks have been created to boost industrial development in the Combrailles region of Auvergne, France.

SUPPORTING MICROFINANCE

The aim of Adie, the association for the right to economic initiative, is to promote microcredit. Without guarantees, even people with little resources who have a business project have no access to bank loans. For many years, SLN, ERAMET's New Caledonian subsidiary, has made an annual donation of €15,000 to Adie. This makes microcredit available to several people – the amounts involved are often small – and helps them move forward.

FINANCIAL STATEMENTS

ROCE*
Up 68%



CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

Turnover

The Group's consolidated turnover totalled €3,792 million, up 24% from €3,056 in 2006.

This €736 million increase is chiefly due to sales price rises in all three divisions, with positive volume effects in Manganese and Alloys more than offset by lower sales in the Nickel division.

The Nickel division's sales prices, after the effect of nickel hedging, averaged \$13/lb. (\$28,600/t), compared with \$8.10/lb, (\$17,820/t) in 2006.

Current operating income

Current operating income amounted to €1,196 million, up from €607 million in 2006. This represents a current operating margin of 32%, a sharp increase on 2006 (20%).

The €589 million rise in current operating income results from:

- positive sales price impact of €921 million, of which €495 million at ERAMET Nickel, €357 million at ERAMET Manganèse and €69 million at ERAMET Alliages;
- negative volume effect of €58 million (cf. remarks on turnover above);
- the increase in operating costs recorded in the three divisions (€168 million), mainly in freight, energy, the raw materials consumed by ERAMET Alliages and ERAMET Nickel's mining costs;
- depreciation of the US dollar vs. the euro (-€76 million), at €1.31 vs. €1.26 in 2006, after hedging effect;
- higher depreciation, amortisation, provisions and other expenses for €30 million.

Operating income

At €1,139 million, operating income rose sharply compared with 2006 (€630 million). It includes €57 million in other operating income and expense, which covers the revaluation of certain mining site dismantling costs in New Caledonia and environmental costs at ERAMET Manganèse.

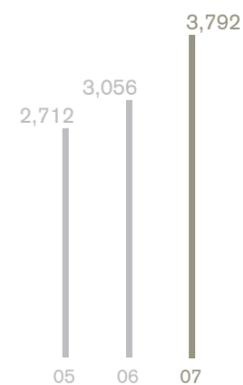
Net income

Net income totals €814 million, compared with €460 million in 2006, after taking into account €350 million in income tax, i.e. an effective tax rate of 30% vs. 27% in 2006. ERAMET's tax rate is still favourable because of a tax credit on capital expenditure in New Caledonia and the use of deficits not previously written down at ERAMET Manganèse.

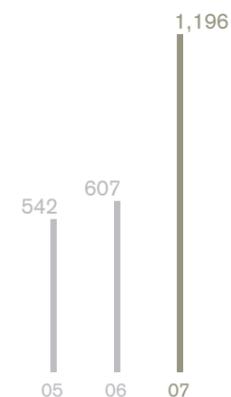
Net income, Group share

The Group's share of net income amounts to €582 million, compared with €319 in 2006, after €232 million in minority interests in net income.

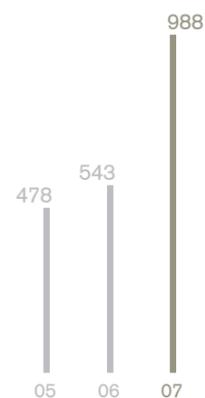
(IFRS standards, € millions)



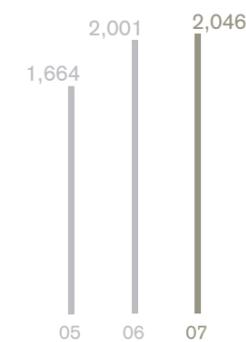
TURNOVER



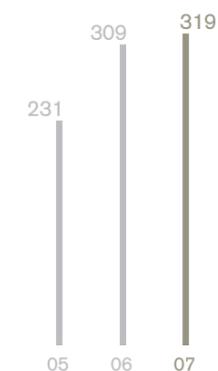
CURRENT OPERATING INCOME



NET CASH FLOW FROM OPERATING ACTIVITIES



CAPITAL EMPLOYED



CAPITAL EXPENDITURE

FINANCING ⁽¹⁾

The Group's net cash amounted to €954 million as on December 31st, 2007, compared with €353 million at year-end 2006. This increase is the result of the following flows:

- €988 million in net cash flow from operating activities (€543 million in 2006), taking into account €1,029 in cash flow and €-41 million in net change in current operating assets and liabilities, including the impact of a securitisation intended to deconsolidate the receivables⁽²⁾ of its subsidiary Aubert & Duval for €96 million;
- - €295 million in net cash used in investing activities, of which €-319 million in capital expenditure;
- - €107 million in net cash used in financing activities, of which €-73 million in dividends paid to ERAMET SA shareholders and €33 million to minority shareholders in consolidated companies.

CONSOLIDATED BALANCE SHEET

The Group's consolidated balance sheet assets as on December 31st, 2007 amounted to €4,874 million, compared with €4,009 million as at year-end 2006.

Simplified working capital (inventory, receivables, operating payables) was €1,125 million as on December 31st, 2007, after securitisation of receivables (cf. above), vs. €1,038 million as on December 31st, 2006.

Shareholders' equity, including minority interests, increased significantly from €2,139 million at the end of 2006 to €3,035 million on December 31st, 2007.

(1) Cash flow statement.

(2) The Group carried out a receivables securitisation operation on its subsidiary Aubert & Duval, which entered into a securitisation contract deconsolidating receivables on July 5th, 2007 for a maximum amount of €115 million and US\$50 million. This contract provides for the securitisation for five years of receivables from major customers located primarily in Europe and North America.

BALANCE SHEET

(IFRS standards, € millions)

	2007	2006
Assets		
Goodwill	33	36
Intangible assets	309	320
Property, plant and equipment	1,505	1,331
Equity accounted companies	1	3
Other financial assets	61	67
Deferred tax	13	74
Other fixed assets	6	6
Total fixed assets	1,928	1,837
Inventories	905	769
Trade receivables	675	631
Tax receivables	131	74
Financial derivatives	129	55
Cash and cash equivalents	1,106	643
Total current assets	2,946	2,172
Total assets	4,874	4,009
Shareholders' equity and liabilities		
Share capital	79	79
Share premiums	223	222
Reserves	1,340	999
Translation adjustments	(30)	(5)
Net (loss) income	582	319
	2,194	1,614
Minority interests	841	525
Shareholders' equity	3,035	2,139
Personnel commitments	112	125
Provisions	255	171
Deferred tax	246	148
Borrowings – long-term portion	65	72
Other non-current liabilities	30	27
Total non-current liabilities	708	543
Provisions – short-term portion	31	28
Borrowings – short-term portion	87	218
Current trade payables	656	569
Tax payables	276	145
Financial derivatives	81	367
Total current liabilities	1,131	1,327
Total shareholders' equity and liabilities	4,874	4,009

INCOME STATEMENT

(IFRS standards, € millions)

	2007	2006
Turnover	3,792	3,056
Other income	62	10
Cost of products sold	(2,318)	(2,171)
Administrative & selling costs	(126)	(102)
Research & development expenditure	(37)	(35)
EBITDA	1,373	758
Fixed asset amortisation and depreciation	(171)	(144)
Depreciation expense, provisions	(6)	(7)
Current operating income	1,196	607
Other operating income and expense	(57)	23
Operating income	1,139	630
Net cost of debt	19	7
Other financial income and expense	6	(4)
Share in earnings of affiliates	-	1
Income tax	(350)	(174)
Net income	814	460
- minority interests	232	141
- Group share	582	319
Net (loss) income per share (EUR)	22.67	12.38
Net (loss) income per share fully diluted (EUR)	22.54	12.28

CASH FLOW STATEMENT

(IFRS standards, € millions)

	2007	2006
Operating activities		
EBITDA	1,373	758
Elimination of non-cash or non-business items	(344)	(164)
Cash flow	1,029	594
Net change in operating assets and liabilities	(41)	(51)
Net cash flow from operating activities	988	543
Investing activities		
Capital expenditure	(319)	(309)
Financial investments	7	(192)
Disposals of long-term assets	8	17
Investment subsidies received	-	14
Changes in accounts payable and liabilities on long-term assets	4	(4)
Consolidation adjustments and financial loans	4	11
Dividends from equity accounted companies	1	1
Net cash flow used in investing activities	(295)	(462)
Financing activities		
Dividends paid	(107)	(98)
Share capital increases	1	3
Net change in working capital with respect to financing activities	(1)	2
Net cash flow used in financing activities	(107)	(93)
Currency translation adjustments	15	1
Increase (decreased) in net cash position	601	(11)
Opening cash (debt) balance	353	364
Closing cash (debt) balance	954	353

CHANGES IN SHAREHOLDERS' EQUITY

(IFRS standards, € millions)

	Number of shares	Share capital	Premiums	Reserves	Translation	Net income	Total Group share	Minority interests	Total
Shareholders' equity as on December 31st, 2005	25,789,874	79	219	793	18	377	1,486	499	1,985
Allocation to reserves	-	-	-	377	-	(377)	-	-	-
Dividends paid	-	-	-	(54)	-	-	(54)	(44)	(98)
Share capital increases	91,020	-	3	-	-	-	3	-	3
Translation adjustments	-	-	-	-	(23)	-	(23)	(6)	(29)
Purchase of treasury shares	-	-	-	2	-	-	2	-	2
Change in financial instrument reappraisal reserve – IAS 32 & 39	-	-	-	(121)	-	-	(121)	(81)	(202)
Payments in shares	-	-	-	2	-	-	2	-	2
Other adjustments	-	-	-	-	-	-	-	16	16
Net (loss) income	-	-	-	-	-	319	319	141	460
Shareholders' equity as on December 31st, 2006	25,880,894	79	222	999	(5)	319	1,614	525	2,139
Allocation to reserves	-	-	-	319	-	(319)	-	-	-
Dividends paid	-	-	-	(74)	-	-	(74)	(33)	(107)
Increase in capital	24,727	-	1	-	-	-	1	-	1
Translation adjustments	-	-	-	-	(22)	-	(22)	(6)	(28)
Purchase of treasury shares	-	-	-	(49)	-	-	(49)	-	(49)
Change in financial instrument reappraisal reserve – IAS 32 & 39	-	-	-	140	-	-	140	78	218
Payment in shares	-	-	-	2	-	-	2	-	-
Other adjustments	-	-	-	3	(3)	-	-	45	45
Net income	-	-	-	-	-	582	582	232	814
Shareholders' equity as on December 31st, 2007	25,905,621	79	223	1,340	(30)	582	2,194	841	3,035

GLOSSARY

PROCESSES

Ore beneficiation

Used by Le Nickel-SLN, this innovative technology uses particle size and density sorting to increase ore grade in order to use a larger share of a deposit and so extend the lifespan of reserves.

Forging

The hot shaping of metal between two flat tools to produce parts with simple shapes.

Hydrometallurgy

Reduction of metal oxides and metal-oxide separation by chemical processes (leaching, solvent extraction, electrolysis).

Rolling

An operation that reduces the thickness of an ingot, a bar, a sheet, etc. by passing it between the rollers of a mill.

Closed die-forging

The process of shaping a piece of metal by hot pressing it between two engraved dies to produce complex forms, in one stroke and at a slow speed.

Alloy metallurgy

> Air metallurgy: melting takes place in an arc furnace and is followed by metallurgical treatment to add alloying metals, eliminate impurities and obtain the required chemical analysis.

> Vacuum metallurgy: used for alloys undergoing higher constraints (nitrogen content, oxygen-reactive alloying elements), this process is carried out in vacuum induction melting (VIM) furnaces.

> Remelting: essential for some critical parts intended for the aerospace and power markets, this process gives tighter control over segregations and inclusion morphology and reduces gas content for a significant improvement in characteristics and mechanical reliability.

> Powder metallurgy: The production of high grade alloys by pulverising a stream of liquid metal, thus producing powder which is compacted at very high pressure and high temperature.

Press

Industrial tool used for closed-die forging (cf. definition above). A press's power is measured in thousands of tons.

Pyrometallurgy

Metal oxide reduction and metal-oxide separation by melting in a blast furnace or electric furnace.

PRODUCTS

High speed steels

Steels with high wear resistance and high hardness hot or cold, used principally in the manufacture of cutting tools (drills, taps, milling cutters, saws, etc.) for machining metals.

Alloys

Metallic substances composed of various metals, each with specific properties, to meet certain requirements, e.g. resistance to wear or corrosion, mechanical strength at high temperatures, etc.

Electrolytic Manganese Dioxide (EMD)

Active agent in alkaline batteries.

Ferroalloys

Alloys containing iron and at least one other metal that is added to liquid steel to produce alloy steels with the desired properties

Manganèse

Consumed in alloy form (ferromanganese, silicomanganese), this metal is a component of steel in a proportion of 6-7% in order to improve its hardness, abrasion resistance, elasticity and surface state in rolling. It is also used in the steel production process for deoxidation/desulphurising. Other applications include chemistry, batteries, electronic circuits, fertiliser and aluminium hardening.

Nickel

An essential alloy element, this metal gives steel a number of properties that vary according to grades, e.g. resistance to air corrosion in combination with chrome (stainless steel), high temperature resistance, ductility, mechanical resistance, electrical resistivity and magnetic properties. Nickel is infinitely recyclable.

Grades

Different qualities of steel obtained by varying the alloys of their component metals to obtain specific characteristics. Each grade is adapted to particular needs.

Cobalt and tungsten powders

Powders that are mainly used to manufacture cemented carbides for use in metal machining and diamond tools for cutting stone and building materials.

Long products

Semi-finished alloy products with advanced characteristics, intended for conversion.

Superalloys

Alloys of several metals, in which nickel is generally predominant (nickel-based superalloys), that have high mechanical strength at elevated temperatures and are resistant to corrosion. Superalloys are used in aerospace parts manufacturing, power generation, the chemical industry and environmental protection.



ERAMET

ALLOYS, ORES AND PEOPLE.

Tour Maine-Montparnasse
33, avenue du Maine
F-75755 Paris Cedex 15

Tel: (33) 01 45 38 42 42
Fax: (33) 01 45 38 41 28
www.eramet.fr