

Reference Document

2007



**ERAMET**

ALLOYS,  
ORES AND PEOPLE.

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The structure of this Reference Document complies with Annex I of Commission Regulation (EC) No. 809/2004.

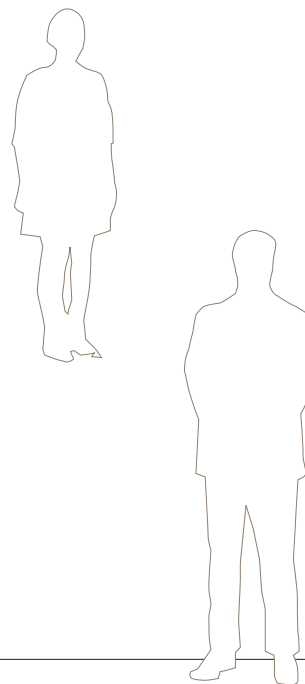
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**ERAMET**

A public limited company operating under French law with a share capital of €79,012,144.05.

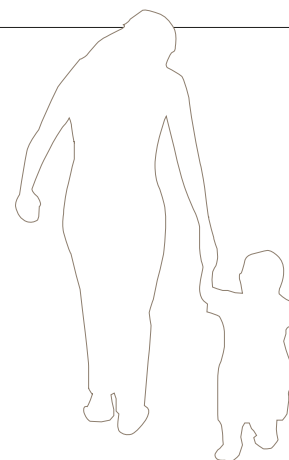
Registered office: Tour Maine Montparnasse, 33 Avenue du Maine, 75015 Paris, France. Paris trade register number 632,045,381.



## ➤ 2007 Reference Document

Drawn up in accordance with Articles 211-1 to 211-42 and 222-7 of the General Regulations of the French Financial Markets Authority, (Autorité des Marchés Financiers, hereinafter "AMF").

This document has been drawn up on the basis of the 2007 financial statements and includes material information subsequent to the approval of the financial statements as of the date of its filing.



Filing with the AMF.

AUTORITE  
DES MARCHÉS FINANCIERS  
**AMF**

This Reference Document was filed with the AMF on April 9, 2008 pursuant to Article 212-3 of its General Regulations. It may not be used in support of a financial transaction unless it is accompanied by a prospectus approved by the AMF.

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# Person responsible for the reference document



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## 1.1. NAME AND POSITION OF PERSON RESPONSIBLE

Patrick Buffet

Chairman and Chief Executive Officer of Eramet.

## 1.2. DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

To the best of my knowledge, and after having taken all reasonable measures in this regard, the information in this Reference Document is accurate and does not contain any omission that could affect its scope.

I declare that to my knowledge the financial statements have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and earnings of the Company and of all the companies within the scope of consolidation and the Management Report\* presents a true and fair view of business developments, earnings

and financial position of the Company and of all companies within the scope of consolidation as well as a description of the main risks and uncertainties they face.

The statutory auditors have provided me with a letter of completion of assignment in which they state that they checked the information relating to the financial position and the financial statements set out in this Reference Document and that they have read the document in its entirety.

Name: Patrick Buffet  
Position: Chairman and CEO  
Signature: Paris, April 9, 2008

\* *Appearing in Chapters 3, 4, 6, 7, 9, 10, 11 and 15 and in Appendix 6.*

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# Statutory audit – Name of statutory auditors



# 02.

The corporate and consolidated financial statements for the past three financial years have been audited by the auditors listed below.

## 2.1. STATUTORY AUDITORS

### ➤ A. Ernst & Young Audit

Simplified joint stock company (Société par Actions Simplifiée) with variable share capital.

Part of the Ernst & Young group.

Address: Tour Ernst & Young, 11 allée de l'Arche – Paris - La Défense cedex.

Represented by François Carrega.

Partner responsible for audit: François Carrega.

First appointed by the Ordinary General Shareholders' Meeting of June 21, 1985, with its mandate renewed by the General Shareholders' Meeting of June 28, 1991, subsequently by the General Shareholders' Meeting of July 31, 1997 and most recently by the General Shareholders' Meeting of May 21, 2003, for a further period of six financial years.

Date of end of term: General Shareholders' Meeting called in 2009 to approve the 2008 financial statements.

### ➤ B. Deloitte & Associés

Public limited company with share capital of €1,723,040.

Address: 185 avenue Charles de Gaulle, 92254 Neuilly sur Seine cedex, France

Represented by Mr. Nicholas L.E. Rolt.

Partner responsible for audit: Nicholas L.E. Rolt.

First appointed by the Ordinary General Shareholders' Meeting of July 31, 1997, with its mandate renewed by the General Shareholders' Meeting of May 21, 2003 for a further period of six financial years.

It should be noted that, because of the merger in 2004 of Deloitte Touche Tohmatsu (Statutory Auditors) and Deloitte Touche Tohmatsu Audit (Alternate Auditors), the position of Statutory Auditors is held by Deloitte Touche Tohmatsu Audit, which changed its name to Deloitte & Associés.

Date of end of term: General Shareholders' Meeting called in 2009 to approve the 2008 financial statements.

## 2.2. ALTERNATE AUDITORS

### ➤ A. Jean-Marc Montserrat

Address: Tour Ernst & Young,  
11 allée de l'Arche – Paris - La Défense cedex.

First appointed by the Ordinary General Shareholders' Meeting of June 21, 1985, with his mandate renewed by the General Shareholders' Meeting of June 28, 1991, subsequently by the General Shareholders' Meeting of

July 31, 1997 and most recently by the General Shareholders' Meeting of May 21, 2003, for a further period of six financial years.

Date of end of term: General Shareholders' Meeting called in 2009 to approve the 2008 financial statements.

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## ➤ B. Cabinet BEAS (Bureau d'Études Administratives Sociales et Comptables)

French public limited company with a share capital of €8,000.

Address: 7/9 Villa Houssay 92524 Neuilly-sur-Seine cedex.

Represented by Mr. Alain Pons.

It should be noted that, as a result of the above-mentioned merger, the resignation of Deloitte Touche Tohmatsu Audit (henceforth called Deloitte

& Associés) from its position as Alternate Auditors resulted in its replacement by Bureau d'Études Administratives Sociales et Comptables - BEAS being approved at the General Shareholders' Meeting of May 11, 2005.

Date of end of term: General Shareholders' Meeting called in 2009 to approve the 2008 financial statements.

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# Selected financial information – Key business figures



# 03.

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### 3.1. SELECTED HISTORICAL INFORMATION

The Eramet Group is a French mining and metallurgical group with leading global positions in each of its businesses. The Group, which employed close to 15,000 people in 2007 in some 20 countries, generated sales of €3.8 billion. All three businesses show long-term growth.

The Nickel Division has nickel mines in New Caledonia and transforms virtually all its ore itself. Eramet is the world's sixth-largest nickel producer, the largest ferronickel producer, one of the three leading high-purity nickel producers and the global leader in nickel chloride. In 2006, Eramet acquired the Weda Bay nickel deposit located on the island of Halmahera in Indonesia. This world class deposit could ultimately enable the Group to almost double its nickel production.

The Manganese Division is the world's second-largest producer of manganese alloys, the second-largest producer of high-grade manganese ore at its mine in Moanda (Gabon) and the world's leading producer of manganese chemical derivatives.

The Alloys Division is the world's foremost producer of high-speed steels and the second-largest global producer of closed die-forged parts for aeronautics and energy generation.

The Group has major competitive advantages:

- ✦ high-quality ore reserves in terms of both grades and lifespan;
- ✦ strong technological skills in mining, metallurgy, closed die-forging, metal chemistry and hydrometallurgy.

The Group's strategy is to sustainably strengthen its positions and profitability in markets with long-term growth:

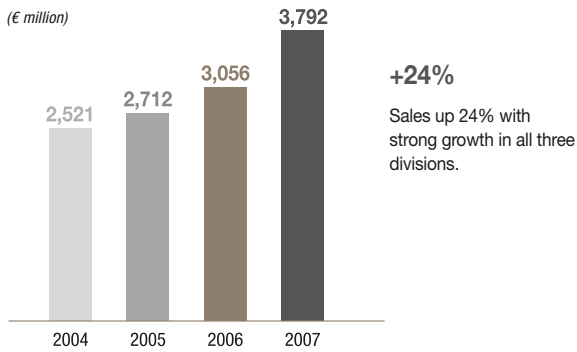
- ✦ via competitive capacity expansions in nickel and manganese, to maximise returns from its extensive mining resources while supporting the growth of its major global customers;
- ✦ constantly ensuring that its businesses are world-class in terms of competitiveness;
- ✦ a global presence, thanks to the Eramet International sales network and to strategic investments, particularly in China;
- ✦ a dynamic research and development policy, with regard to both processes and products;
- ✦ prudent management, enabling the Group to come through the more difficult periods resulting from the cyclical nature of its markets and to be able to invest against the cycle to maximise returns from the most dynamic periods;
- ✦ targeted and complementary acquisitions of outside businesses.

The Group's development is for the long-term. Eramet acts responsibly vis-à-vis its environment, employees and shareholders.

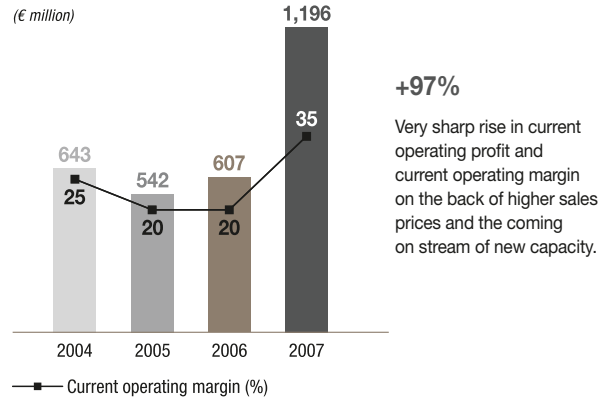
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## 3.2. KEY BUSINESS FIGURES

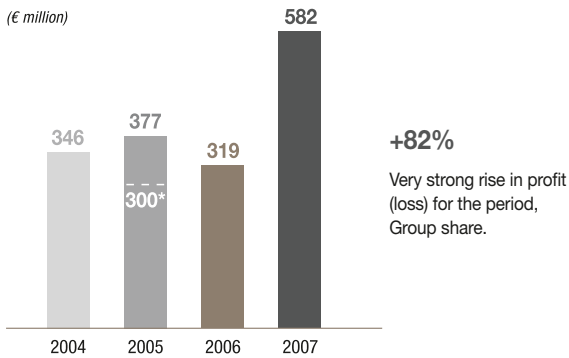
### SALES



### CURRENT OPERATING PROFIT

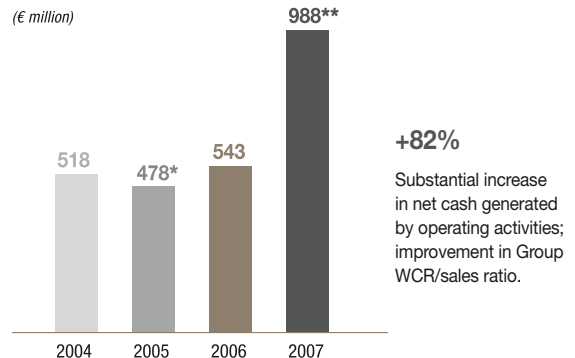


### PROFIT (LOSS) FOR THE PERIOD, GROUP SHARE



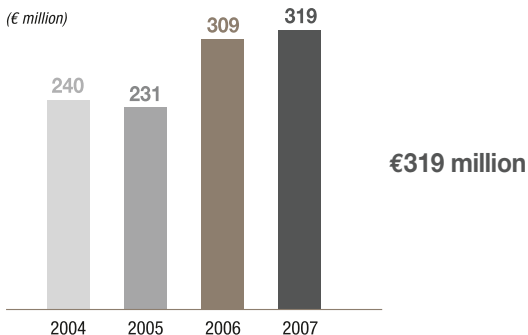
\* Excluding mining indemnity.

### NET CASH GENERATED BY OPERATING ACTIVITIES

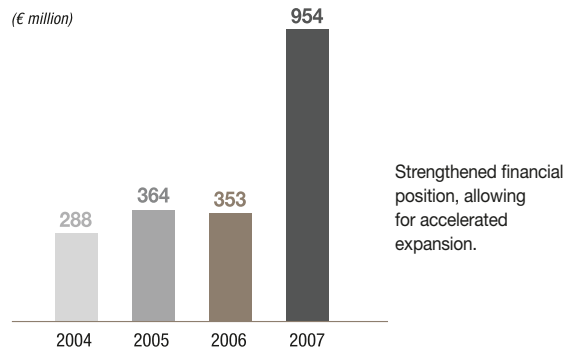


\* Including €124 million with no impact on the Group's cash position, resulting from conclusion of the Bercy agreements.  
\*\* Including €96 million for securitisation.

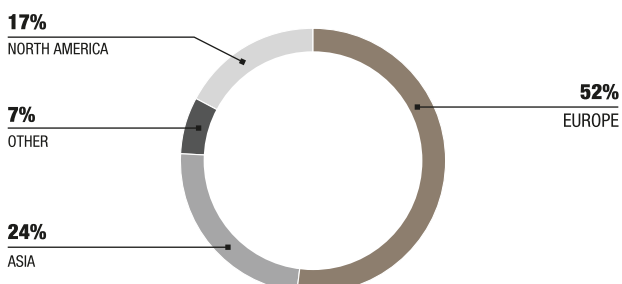
### CAPITAL EXPENDITURE



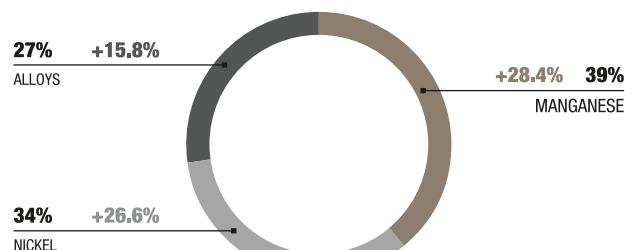
### NET CASH (OR NET BORROWING) POSITION



### AN INTERNATIONAL BUSINESS



### BALANCED SPLIT BETWEEN DIVISIONS



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### 3.3. INFORMATION ON THE COMPANY'S STOCK

#### ➤ 3.3.1. Listing market

The company's stock was floated (at a price of 310 francs, or approximately €47.26) on September 29, 1994 – following the decision of the Ordinary and Extraordinary General Shareholders' Meeting of June 15, 1994 - on the Second Marché of the Paris stock exchange.

As from June 26, 1995, the stock was transferred to the Cote Officielle (monthly settlement compartment).

The Company's shares are traded on NYSE Euronext on the Paris Euronext market (ISIN code: FR 0000131757) on which Eramet is part of Compartment A.

The stock is included in Euronext's SBF 250 index. No shares in any other Group company are traded on any other stock exchange. As of January 2005, the stock has been included in the CAC Mid-100 index.

In early 2006, Euronext Paris announced that Eramet stock would switch to the Deferred Settlement System as from March 28, 2006.

Eramet joined the Euronext Paris N 150 index on July 2, 2007, and from January 2, 2008, the N 100 index. Furthermore, on December 24, 2007, Eramet became part of the DJ STOXX 600 index.

#### ➤ 3.3.2. Share price trends

##### **Eramet stock sees record rise in 2007: +188%**

In 2007 the Eramet stock price rose by a record 188%, subsequent to a very strong 50% rise in 2006.

After having begun the year at €122.00, the price reached a low of €114.00 on January 10. Apart from a correction in August, it then rose steadily to reach a maximum of €391.26 on December 21, closing the year at €350.00.

This performance can be compared to the scant gains made by the CAC 40 (+1.31%) over the period and in 2006 when this index only rose by a third as much as Eramet.

Eramet's market capitalisation reached €9.1 billion on December 31, 2007, placing Eramet in approximately 40th position amongst French companies listed on Euronext Paris.

Taking into account the exercise of share subscription options by employees and the definitive vesting of bonus shares, the total number of shares issued on December 31, 2007 amounted to 25,905,621 compared to 25,880,894 on December 31, 2006.

In addition, average trading volumes in Eramet shares rose 62% on 2006, to 24,022 shares per day.

Financial Communications is responsible for implementing the Group disclosure policy vis-à-vis shareholders, investors and the financial community.

In addition to the two meetings for analysts and journalists upon publication of the annual and interim financial statements, several other briefings were held in Paris, London, Stockholm and Frankfurt.

The Eramet website ([www.Eramet.fr](http://www.Eramet.fr) - Investors section), designed to provide an overview of the Group and its business activities, provides access to all presentations, press releases (option of subscribing) and financial documents (reference documents and annual reports) published by the Group.

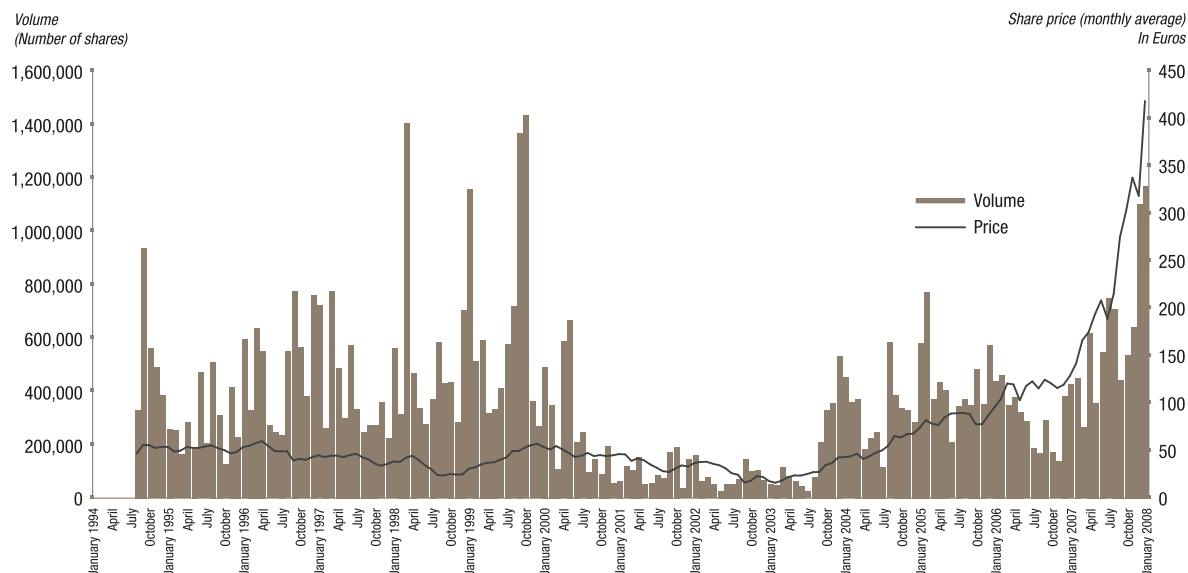
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## Renewal of shareholder agreement

On one hand, SORAME and CEIR (Duval Family) and, on the other hand, AREVA signed an Eramet shareholder agreement on June 17, 1999. This

agreement was signed for a period of seven years, renewable for one year periods. It expired on June 30, 2006 and was first renewed with effect from July 1, 2006 and secondly from July 1, 2007.

## SHARE PRICE TRENDS



## STOCK EXCHANGE DATA

	Price in euros			Stock market capitalisation as on 12/31 (millions of euros)	Volume (daily average)
	Maximum and minimum in period		Closing price on 12/31		
	high	low			
1994*	57.93	47.26	52.59	771	37,385
1995*	58.39	41.31	48.78	743	15,673
1996*	61.89	34.91	41.47	643	23,981
1997*	53.20	33.08	34.76	542	22,172
1998	47.72	22.11	25.60	399	24,176
1999	58.75	23.15	57.00	1,393	33,810
2000	61.75	41.90	43.55	1,076	14,100
2001	47.80	22.00	34.60	855	4,664
2002	39.80	13.90	21.05	527	4,928
2003	38.60	14.50	38.50	985	5,834
2004	72.90	36.70	66.20	1,704	15,953
2005	94.90	66.10	81.00	2,089	19,319
2006	147.40	79.00	121.40	3,142	14,806
2007	391.26	114.00	350.00	9,067	24,022

\* Recalculated in euros.

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	Price (in euros)			Volume
	low	high	Average (period)	(average/month)
<b>2008</b>				
February	328.00	509.96	418.39	1,168,588
January	249.00	367.90	318.37	1,101,950
<b>2007</b>				
December	297.00	391.26	337.68	641,029
November	265.00	333.00	302.97	535,937
October	250.43	322.80	274.95	442,298
September	193.03	255.40	215.18	709,482
August	163.40	219.99	189.11	748,051
July	197.17	233.50	208.45	548,907
June	176.02	209.00	193.66	357,674
May	163.00	181.90	174.95	619,138
April	154.00	177.99	166.48	264,651
March	125.50	158.30	141.99	449,879
February	123.10	132.00	128.83	426,275
January	114.00	127.50	119.60	382,460
<b>2006</b>				
December	111.30	124.70	116.13	138,274
November	114.00	130.20	121.00	171,773
October	115.00	132.00	124.90	293,343
September	106.80	125.20	115.71	170,284
August	118.10	129.00	123.16	188,297
July	110.00	126.00	118.22	287,598
June	87.00	117.20	103.21	323,317
May	100.40	137.30	119.93	379,998
April	107.10	147.40	120.90	350,107
March	97.15	114.70	104.69	461,964
February	88.20	103.70	96.24	438,666
January	79.00	91.40	87.53	571,899

Source: Euronext.

### ➤ 3.3.3. Security services

The Company's share register is maintained by:

BNP PARIBAS SECURITIES SERVICES

GCT - Services aux émetteurs

Immeuble Tolbiac

75450 Paris cedex 09 – France

Tel. + 33 (0) 826 109 119.

EXANE BNP PARIBAS was appointed to implement the liquidity contract.

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# Risk factors



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## 4.1. MARKET RISKS

### ➤ 4.1.1. General organisation

The Group uses financial derivatives to manage its risk exposure. Pursuant to delegation by the Executive Committee, the main risks are managed centrally by Eramet's Finance Department. This management is carried out either via Eramet or via ad hoc companies such as Metal Currencies, set up specifically to manage the Group's foreign currency risks.

In 2007, the Group maintained the arrangements established in 2003, based on centralised monitoring and hedging of currency exposure at Group companies, foreign currency risk management under a multi-year policy and procedures adopted by the Executive Committee, plus monthly reporting for Executive Committee members.

### ➤ 4.1.2. Foreign currency risk

The Eramet Group is exposed to various types of foreign currency risk, namely:

- ⊗ transactional foreign currency risks stemming from business operations denominated in currencies other than euro; and
- ⊗ balance sheet risks relating to changes in the net assets of subsidiaries measured in currencies other than the euro.

#### Transactional foreign currency risks

For transactional risks, the hedges almost exclusively involve the US dollar and are designed to cover the Group's structurally long current and future sales positions, where more than half are invoiced in foreign currencies while production costs are mostly denominated in euros. The net exposure is determined using multi-year sales budgets and forecasts and the related risks are hedged over a maximum of 36 months, using options or forwards. The management policy for these risks is centralised at Group level via Metal Currencies, its financial subsidiary.

#### Outstanding amounts under foreign currency hedges on December 31, 2007

(notional amounts in millions of currency units)

CURRENCY VS. EUR	Forward sales	Forward purchases	Call options	Put options
USD	908.4	1.2	1,287.5	1,319.0
JPY	340.0	-	250.0	125.0
GBP	5.5	1.6	5.2	2.4
NOK	-	-	-	-

CURRENCY VS. NOK	Forward sales	Forward purchases	Call options	Put options
EUR	99.0	-	58.0	31.5

CURRENCY VS. SEK	Forward sales	Forward purchases	Call options	Put options
EUR	9.0	-	-	-
USD	16.8	-	9.7	4.7
JPY	168.8	-	90.0	45.0
GBP	6.7	-	5.5	2.6

CURRENCY VS. GBP	Forward sales	Forward purchases	Call options	Put options
USD	4.2	-	3.2	1.5
EUR	-	-	-	-

CURRENCY VS. USD	Forward sales	Forward purchases	Call options	Put options
CAD	4.7	-	-	-

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## Sensitivity and fair value

The Group's policy is to hedge at least one year's worth of sales. The hedges listed below were made by the Group's Treasury Department on behalf of its various operating companies.

### FOREIGN CURRENCY HEDGING ON DECEMBER 31, 2007

(in millions of foreign currency)	2007 sales			2008 sales			2009 sales and beyond		
	Amount	Currency	Price	Amount	Currency	Price	Amount	Currency	Price
<b>Commercial hedges</b>									
EUR / USD	345	USD	1.3788	1,565	USD	1.3694	-	-	-
EUR / NOK	20	EUR	7.9461	110	EUR	7.8599	-	-	-
EUR / GBP	2	GBP	0.7099	6	GBP	0.7039	-	-	-
GBP / USD	3	USD	1.9785	3	USD	2.0153	-	-	-
GBP / SEK	2	GBP	13.0326	7	GBP	13.3023	-	-	-
JPY / SEK	47	JPY	0.0563	144	JPY	0.0608	-	-	-
EUR / SEK	4	EUR	9.3790	5	EUR	9.2151	-	-	-
USD / SEK	12	USD	6.5087	10	USD	6.5658	-	-	-
EUR / JPY	117	JPY	157.7304	230	JPY	151.4743	-	-	-
<b>Financial hedges</b>									
EUR / USD	158	USD	1.4596						
CAD / USD	5	CAD	1.0169						
EUR / JPY	118	JPY	162.2952						
EUR / GBP	1	GBP	0.7208						

On December 31, 2007, unrealised gains resulting from the difference between the closing rates and hedging rates of the transactions set out above gave rise to a net asset of €69 million (December 31, 2006: net asset of €26 million), mainly on the US dollar and Norwegian Kroner.

A 10% rise or fall in the exchange rates of the main currencies to which the Group is exposed would affect the financial hedges with an offset in shareholders' equity by around minus €13 million in the event of a rise in rates and a positive €103 million in the case of a fall.

## Accounting

Foreign-currency denominated sales and purchases (invoices issued, invoices received, collections and payments) are translated at a monthly average exchange rate that represents an accurate approximation of the market rate. At the end of each month, receivables, payables and bank account balances are restated at the opening exchange rate indicated by the Group's Treasury Department.

Any differences between:

- ⊕ the **monthly exchange rate** used to recognise sales and receipts, purchases and payments; and
- ⊕ the **contractual price** of unwinding hedging instruments;

are recognised by each company in income as sales or purchases: "Sales - foreign currency gain" or "Purchases - foreign currency loss."

## Foreign currency risk to the balance sheet

The Eramet Group partly manages balance sheet risks, mainly stemming from the US dollar, by taking out financial liabilities denominated in the same currency as the net assets concerned.

For this reason, in acquiring its subsidiary Weda Bay Minerals Inc., Eramet used part of its euro-denominated commercial paper programme. Subsequently, since the subsidiary's financial statements are denominated in US dollars, in 2006 Eramet put in place a US\$228 million loan in the form of a currency swap, renewing it for US\$233 in 2007. The €6 million exchange gain resulting from this transaction on December 31, 2006 was recognised in shareholders' equity under "Translation adjustments". On December 31, 2007, €15 million has been recognised in shareholders' equity. At end-2007, the Group began to cover this exchange gain against a rise in the US dollar. As a result, the position will continue to benefit from all US dollar depreciation up to 1.51.

Above 1.51, 34% of the gains recognised as on December 31, 2007 will be fixed, namely to the amount of €5 million.

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### ➤ 4.1.3. Interest rate risk

#### Management policy

The Group looks at its debt position and market trends when deciding whether interest rate hedging is necessary. The Group's Treasury Department is responsible for putting in place any hedges.

#### STRUCTURE OF DEBT ON DECEMBER 31, 2007, 2006 AND 2005

(€ million)	2007	2006	2005
<b>By currency</b>	<b>152</b>	<b>290</b>	<b>159</b>
Euro	88	261	110
US dollar	23	7	16
CFA franc	4	3	12
British pound	1	1	1
Other currencies	34	18	20
<b>By interest rate</b>	<b>152</b>	<b>290</b>	<b>159</b>
Interest free	6	8	3
Fixed rate	15	15	22
Variable rate	131	267	134
<b>By maturity</b>	<b>152</b>	<b>290</b>	<b>159</b>
Less than a year	87	218	110
One to five years	21	24	33
Over five years	44	48	16

#### Interest rate risk management

The Group takes out interest rate hedges based on its debt and expected market developments. The hedges are managed centrally by Eramet's Finance Department. Thus, up to March 2007, Eramet hedged part of its interest rate risk exposure, principally stemming from its borrowings, via 3M Euribor swaps for variable and fixed rates for durations of between three months and three years. This arrangement was set up in 2002 due to the

Group's net debt position and was renewed annually. All differences settled are recognised in finance income for the period. Eramet did not renew its interest rate hedges as a result of the Group's net cash position.

The Group's excess cash is invested short-term and its exposure to a 10% fall in interest rates (40 basis points) would have a €4 million negative impact on net borrowing costs.

### ➤ 4.1.4. Liquidity risk

Given the Group's clearly positive net cash position, it is not subject to liquidity risk. Moreover, on December 31, 2007, Eramet had €600 million in available confirmed credit lines (the same as on December 31, 2006). These credit lines have default clauses relating to the ratio of net debt to shareholders' equity, which in light of the Group's net cash position is satisfied in full. Eramet also had €400 million in unissued commercial paper on December 31, 2007 (€220 million December 31, 2006) that must be covered by the confirmed (back-up) long-term credit lines. As in previous

years, the amount of confirmed credit lines exceeded the unissued amount of commercial paper in 2007 so this condition was met.

	< one year	One to five years	> five years	Total
Variable-rate	-	600.0	0	600.0

### ➤ 4.1.5. Covenants

The Group's main covenants are listed in the table below. Eramet's covenants also apply to the unused credit facilities described in Section 1.1.3.

Company	Credit/Bank facilities	Ratios	Amounts
Eramet	Syndicated loan	Net borrowings/Consolidated shareholders' equity	< 1 €600 million
Erachem Comilog Inc	Miscellaneous bank facilities	EBITDA/Borrowings	>3 USD 2 million
GCMC	Miscellaneous bank facilities	Other borrowings Borrowings/shareholders' equity Current assets/current liabilities Net property, plant and equipment	> USD 500 thousand <1 <1.15 < USD 90 million

The Group satisfied these covenants on December 31, 2006 and December 2007. If the Group breaches them, all or part of its loans will have to be repaid.

### ➤ 4.1.6. Counterparty risk

The Group's counterparty risks mainly relate to its commercial transactions and, by extension, to trade receivables. Accordingly, the Group may be exposed to credit risk in the event of the default of a counterparty. In order to limit this risk, for which the maximum exposure is equal to the net amount of receivables recognised in the balance sheet, the Group collects and reviews information ahead of financial transactions, such as from rating agencies and published financial statements and as a result no systematic arrangement

is in place to hedge this counterparty risk. Nonetheless, the Group may have recourse to letters of credit to hedge certain specific inherent risks, for example, the geographic location of its customers. In addition, the Group's customer portfolio is primarily comprised of large international groups in the metallurgical, aerospace manufacturing and energy businesses for which insolvency risks are limited.

### ➤ 4.1.7. Main off-balance sheet commitments

The following table details Eramet's main off-balance sheet commitments as set out in the notes to the financial statements on December 31, 2005, December 31, 2006, and December 31, 2007:

Breakdown of off-balance sheet commitments	Dec-31-05	Dec-31-06	Dec-31-07
Bank guarantees	19,088	11,681	25,236
Supplier guarantees	432	–	–
Customs and tax guarantees	12,429	13,452	13,848
Subsidiary guarantees	0	99	1,000
Other guarantees	2,071	4,887	16,121
<b>Total guarantees</b>	<b>34,020</b>	<b>30,119</b>	<b>56,205</b>
Asset collateral for bank loans	100,649	30,764	1,695
Inventory collateral for bank loans	13,369	11,177	625
Other collateral for bank loans	2,308	10,253	–
<b>Total collateral on assets</b>	<b>116,326</b>	<b>52,194</b>	<b>2,320</b>
<b>Total off-balance sheet commitments given</b>	<b>150,346</b>	<b>82,313</b>	<b>58,525</b>

Breakdown by type of off-balance sheet commitments received	Dec-31-05	Dec-31-06	Dec-31-07
Supplier guarantees	8,306	1,021	2,369
Other	12,658	11,109	15,388
<b>Total off-balance sheet commitments received</b>	<b>20,964</b>	<b>12,130</b>	<b>17,757</b>



**“TransGabonais” railway concession** - SETRAG S.A.: pursuant to the terms of the November 2005 agreement, for an initial thirty year term, SETRAG S.A., the concessionaire, is required to satisfy operating capacity targets (volume of goods and number of passenger). The concessionaire is free to set its rates. Its major shareholder, Comilog S.A., undertook that the financing necessary for the capital expenditure that would enable the operating capacity targets to be achieved, would be put in place.

No material commitments have been entered into or received other than those listed in Section 4.2.2.

The decrease in off-balance sheet commitments largely stems from the restructuring of the Group’s sources of financing and a reduction in its debt.

In addition, several non-Group borrowings expired and/or were replaced with inter-company financing.

### ➤ 4.1.8. Equity risks

Eramet and subsidiaries do not speculate on the stock market and the interests held correspond to unlisted, controlled companies that are wholly dedicated to the Group’s activities. On December 31, 2007, Eramet owned 340,786 treasury shares (130,257 on December 31, 2006), representing a €53 million investment recognised as a deduction from shareholders’ equity (€5 million on December 31, 2006). Since Eramet shares have been traded

on the Euronext Paris Deferred Settlement System since March 28, 2006 and since July 2, 2007 on the N 150 index, this stock runs price volatility risk to the extent that the price may fall below the carrying amount. Nevertheless, Eramet has not set up any hedge for this equity risk. For information purposes, the unrealised capital gain on the market value of the treasury stock was €66 million in December 31, 2007 (€11 million on December 31, 2006).

## 4.2. LEGAL RISKS AND LAWSUITS

### ➤ 4.2.1. Group’s dependency vis-à-vis the legislative and regulatory framework

#### Specific regulations

Mining operations are subject to specific regulations depending on extraction locations and activities. These regulations relate mainly to:

- ✎ mining permit and concession regimes;
- ✎ operation-specific obligations;
- ✎ environmental limits and controls; and
- ✎ post-mining site restoration.

Since November 2005, the Gabonese railway has been operating under a concession.

#### Tax framework

The Group’s business is subject in part to a special tax framework (fees, duties and taxes). Its companies and units in mainland France are subject

to standard French tax legislation. The current income tax rate is 33.33%, excluding an additional social security contribution of 3.3%.

It should be noted that Eramet is the parent company of a tax consolidation group that comprised 20 companies on December 31, 2007.

The following notes apply to subsidiaries outside mainland France:

- ✎ Le Nickel-SLN is liable for the mining and metallurgical corporation tax in New Caledonia at a rate of 35%. Since 1975, the company has benefited from a tax freeze system that has been renewed several times. It was last renewed for 15 years as from January 1, 2002 pursuant to a local decree of June 13, 2002. Moreover, some of the subsidiary’s capital expenditure programmes in New Caledonia benefit from the tax exemption measures introduced by the Paul and Girardin Acts and from the relief granted under the New Caledonian Tax Code for capital expenditure in metallurgy;

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- ⊛ for its part, the Comilog subsidiary is subject to income tax at 35% and to export duty and mining royalties that represent approximately 6% of the pithead value of the mined products (close to FOB value) and to a 15% tax on dividends. This tax framework is frozen until 2032 under a mining agreement signed in October 2004 and ratified by the Gabonese parliament in 2005;
- ⊛ in general, subsidiaries based outside France (Norway, Sweden, USA, China, etc.) are subject to standard local tax legislation. The dividends paid by those subsidiaries to the parent company are in some cases subject to a withholding tax;

- ⊛ it should be noted that with effect from January 1, 2008, Chinese taxation has been substantially reformed, in particular with the discontinuation of systems favouring certain foreign companies and a unification of the income tax rate at 25%. This reform has had no specific implications for the Eramet Group's Chinese companies.

## ➤ 4.2.2. Risks stemming from contractual commitments to third parties

### Supply and marketing contracts

The Group has overall control of the contracts relating to the supply and marketing of ore and its by-products insofar as such contracts are entered into with companies it controls (such as the supply and marketing contract between Eramet and Le Nickel-SLN and the supply of Manganese Division plants by Comilog).

The other commercial agreements involving normal operations do not represent any particular risks or commitments for the Group. These mainly involve purchases of raw materials (electricity, coke and special alloys) and freight services (sea and land). As stated in Section 4.1, these purchases are partly hedged, generally on an annual basis.

The implementation of the Bercy agreements of February 1, 1998 was concluded at end-2005. The Koniambo massif mining rights went to SMSP and those of Poum to Nickel-SLN.

### Reminder on New Caledonian ore reserves

The French state is guarantor of the proper application of these agreements. Eramet and Le Nickel-SLN will pay close attention to the satisfactory conclusion of the affair to ensure that Falconbridge (acquired by Xstrata of Switzerland) fulfils its commitments and that the transfer of mining rights is actually linked to the construction of a plant in the North of New Caledonia.

### STCPI's exercise of its call option

Pursuant to the Le Nickel-SLN shareholder agreement of September 13, 2000 between Eramet and Société Territoriale Calédonienne de Participations Industrielles (STCPI), which followed the agreement of July 17, 2000 between the State, the New Caledonia provinces and representatives of the island's major political parties, on December 6, 2000 STCPI exercised the option granted by Eramet to acquire 4% of Le Nickel-SLN's share capital via a stock swap, at a ratio of three Eramet shares for five Le Nickel-SLN shares. STCPI sought to exercise its option via a formal deed executed by a bailiff on January 4, 2007.

On May 23, 2007, Eramet's Board of Directors authorised the swap at the ratios in the original agreement. The transaction was approved by the General Shareholders' Meeting of July 23, 2007. The accounting and tax impact of these transactions were recognised in the financial statements for the second half of 2007. The interest in Le Nickel-SLN is consolidated on a 56%-basis and the Eramet shares recovered in the stock swap recognised as a €52 million deduction from shareholders' equity.

### Le Nickel-SLN shareholder agreement: other commitments

Apart from the abovementioned call option, the Le Nickel-SLN shareholder agreement of September 13, 2000, which has a ten-year term and is renewable for five-year periods, includes:

- ⊛ a distribution of the directorships with, at present, eight for Eramet and four for STCPI, the latter also having the right to appoint an observer;
- ⊛ a reciprocal right of pre-emption for each party;
- ⊛ a reciprocal call option over the shares held by the party that falls under the control of a company, "the main activity of which or of the group to which it belongs competes with that of Le Nickel-SLN"; and
- ⊛ a non-dilution clause by virtue of which in the event of the sale of shares to another shareholder or a share capital increase, each party shall retain the same interest in the share capital or voting rights as they had previously, either through the retrocession of shares or joint exercise of the subscription rights in a share capital increase.

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### ➤ 4.2.3. Major lawsuits

The Group's major lawsuits involve the Nickel and Manganese Divisions.

#### 4.2.3.1. Nickel Division

##### GROUND POLLUTION LAWSUITS

Two lawsuits (one of which is ongoing) in New Caledonia involved the Le Nickel-SLN subsidiary and two land-owning stockbreeders, Mr. Gauzère and Mr. Newland, in the Northern and Southern Provinces, respectively, who sued for compensation for alleged damage resulting from pollution of their property by mining work.

The Gauzère case resulted in an unfavourable initial decision against Le Nickel-SLN in May 1999, but on June 15, 2000 the Nouméa Court of Appeal ordered a new investigation.

The Newland case was the subject of a similar investigative order. The expert's investigation involved other mining concessions and was expanded to include the local authorities. A preliminary report was issued in January 2007 for review by all parties.

The issue at stake in these two lawsuits, for which a €1.4 million provision had been recorded on December 31, 2004, is the risk that the plaintiffs' success would encourage other landowners neighbouring the mining massifs to bring proceedings. In a ruling on September 1, 2005 the Nouméa Court of Appeal dismissed the bulk of Mr. Gauzère's claims, overturning the initial court judgement of May 1999 on the basis of the expert's findings. In the dispute involving Le Nickel-SLN and Mr. Newland, the expert report was filed on December 28, 2007. It attributed a small portion of the liability to Le Nickel-SLN, but this was mainly shared between the local authorities and other miners. The €1.4 million provision has been maintained.

##### SUPPLIER LAWSUITS

Le Nickel-SLN entered into a turnkey fixed-price contract for a total of €24.6 million with Barclay-Mowlem New Caledonia for the construction of a storage and sea loading facility for the Tiébaghi mine. The facility was completed significantly behind schedule and Barclay-Mowlem New Caledonia brought a claim against Le Nickel-SLN for a price increase and/or damages that rose from €7 million to €20 million in the space of a year. After the claim was thrown out on motion on February 6, 2006, Barclay-Mowlem New Caledonia filed a request for arbitration with the International Chamber of Commerce. Le Nickel-SLN feels that it has suffered an estimated €5.3 million in damages and is seeking compensation. The arbitration process was undertaken and terms of reference were agreed in July 2006. After an exchange of pleadings, negotiations took place and a settlement was signed on September 20, 2007, ending the dispute.

#### 4.2.3.2. Manganese Division

##### DISPUTE WITH THE CARLO TASSARA GROUP AND MR. ZALESKI

Since 1994, several lawsuits have been ongoing between the Carlo Tassara group (Mr. Romain Zaleski) and Comilog and some of its subsidiaries. The main lawsuits involve the payment of the price for shares in Comilog France (formerly SFPO) bought in 1994 and the consequences of the cancellation of the commercial agency agreement existing at the time between Parofer and Comilog France. After a series of proceedings, a decision of the Gabonese Court of Cassation of January 3, 2008, made on a motion to reject by Mr. Zaleski, overturned the decision of June 28, 2007 and rejected the appeal against the decision of the Franceville Court of Appeal on April 7, 2006, acquitting Mr. Zaleski. Meanwhile, seizures in France and Gabon blocked any financial settlement. A decision of the Paris Court of Appeal on January 11, 2008 overturning the decision at first instance made Comilog France and Comilog Dunkerque liable for the financial settlement blocked by the seizures in Gabon. After these various decisions, the parties found a satisfactory solution and accordingly a settlement was signed on February 14, 2008.

##### CLAIM BY KAZAKH COMPANIES

Following an anti-dumping complaint by Euroalliages on behalf of its members to the European Union against Kazakh manganese alloy producers, which considered the complaint unfounded and wrongful, these summoned Euroalliages and its members (including Eramet Comilog Manganèse) before the Court of Brussels on May 9, 2007. They are claiming €335 million in damages. Eramet Comilog Manganèse, in association with Euroalliages, has taken all measures to fight this clearly excessive claim, which is actually intended to place indirect pressure on the European Union. As it currently stands, it has little chance of succeeding, the Commission already having placed customs duties on some of the products via a Regulation dated December 4, 2007.

Eramet feels that there are no legal or arbitration proceedings that, taken separately or together, would have a materially negative impact on its business, financial position or earnings, other than those set out above.

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## 4.3. INDUSTRIAL RISKS

### ➤ 4.3.1. Industrial activity and Sustainable Development

Given the unique nature of almost endlessly recyclable metals, the Group's business activities naturally dovetail with a sustainable development approach in a global context of scarcity and, accordingly, of the maximum reuse and optimisation of natural resources.

However, these durable and recyclable products may, at some stage in their transformation or use, present dangers or risks. The challenge for the Group is thus to exhaustively identify all such potential dangers and to prevent and control the resulting risks on the sites in question and on the outside environment, while contributing to the sustainability and development of its business activities.

### ➤ 4.3.2. A stronger Group environmental policy

The Group adopted an Environmental Charter (see Appendix 5) in July 2002, followed in June 2003 by the setting up of a department working exclusively on environmental and industrial risks (hereinafter the EIRD). In early 2007, the EIRD became part of a new Department combining Communications and Sustainable Development (Communications and Sustainable Development Department – or "DC2D") headed up by a member of the Executive Committee (or "COMEX").

In recent years, the Group has developed environmental improvement actions. In order to give its environmental policy tangible form, at the request of the Board of Directors, in January 2007 the Group set targets for 2007 and 2008, the nature and progress on which are described below. The goals set for 2007 were achieved.

### ➤ 4.3.3. Continued roll-out of EraGreen

At end-2006, the Group has an operational environmental system called EraGreen at its French, Belgian, Norwegian, Swedish and New Caledonian industrial sites, the goals of which are:

- ensuring the traceability and consolidation of the environmental data of sites in terms of air, water, waste, energy or substance management;
- organising and facilitating the sharing of experience and best practices between sites;
- improving regulatory and technical monitoring on issues of interest to the Group.

The roll-out of EraGreen at the Gabonese (Comilog) and US sites formed part of the 2007 environmental goals. To ensure the right and proper installation of this tool, each roll-out is preceded by an in-depth environmental audit at the site in question. As planned, all US and Gabonese sites were subject to such audits in 2007. EraGreen was subsequently rolled out at three US sites: Baltimore, New Johnsonville and Freeport. In 2008, it will be rolled out to the Marietta site and the software will be installed in Gabon.

The environmental data in the Management Report of the Board of Directors and Reference Document are aggregated for the sites in question on the basis of EraGreen.

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### ➤ 4.3.4. Adoption of a Group health policy

The Eramet Group has strengthened its health expertise by recruiting a Group medical officer in April 2007 and the COMEX adopted a health policy in August 2007.

This policy is based on the following guidelines:

- reducing work-related health risks or the health impact of Eramet products or industrial activities through the involvement of all concerned and in liaison with occupational health specialists, management and health and safety and working condition committees and/or similar bodies;
- complying with local regulations, applicable rules and health standards drawn up by the Group;
- fostering everybody's responsibility in safeguarding health via clear, transparent information on health risks and the preventive measures in place;
- contributing actively to scientific works on risks inherent in products and processes; and
- implementing the measures needed to safeguard this health policy.

To fulfil the above, the health policy set out priority areas of interest:

1. making health and working conditions a factor in all decisions on a day-to-day basis and at all management levels in the same way as safety and the environment;
2. drafting, distributing and applying the standards, guides and procedures necessary for the health policy in cooperation with the workforce and their representatives;
3. preparing a health and safety action plan for each unit;
4. ensuring monitoring enabling the early detection of health problems that could relate to current or former production processes or products marketed;
5. continuing scientific work and the benchmarking of new risks and best practices;
6. developing a policy to combat addictive behaviour;
7. identifying the worst work posts for lumbago and musculoskeletal disorders via an analysis method in order to achieve the ergonomic arrangement of the work posts in question.

### ➤ 4.3.5. Towards ISO 14000 certification of industrial sites

Major progress has been made in recent years towards the goal of progressively establishing Environmental Management System (EMS) initiatives as laid down in the 2002 Charter.

The goals set in early 2007 talked about a target schedule for all sites involved in the ISO 14001 certification processes, as well as receipt of certification for the Pamiers site.

On February 1, 2008, six sites were ISO certified, including Pamiers in November 2007: Tertre (copper recycling business, certification renewed in early 2008), Commentry, the two Eramet Norway plants and Sandouville. A target schedule has been prepared for the other sites.

The Group's Environmental Internal Audit framework was established in mid-2006 in its initial diagnostic role, but also as a genuine means of supporting, advancing and evaluating the initiatives undertaken.

### ➤ 4.3.6. Zero dispute goal

The Eramet Group is promoting a policy of strict compliance with regulations and dialogue with relevant authorities in the event of special operating conditions or temporary difficulties. In 2007, this came under the goal entitled "zero dispute": this means aiming for zero formal notices or legal proceedings potentially arising from any breach on our part of regulatory

obligations or operating permits. All situations were listed and the goal set was of halving such cases between 2006 and 2007. The goal was achieved in 2007 (scope initially chosen: France, Sweden, Norway, Gabon and New Caledonia).

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### ➤ 4.3.7. Planning and preparing for the implementation of REACH

In line with the principles of its Environmental Charter, the Group specifically focuses on monitoring the substances produced or used at its sites:

- active participation, in liaison with trade organisations and networks of relevant independent experts, in risk assessment and management work carried out in line with regulatory processes, particularly for nickel metal and compounds thereof;
- contributions to the research programme on health and manganese developed by the International Manganese Institute;
- monitoring and regular updating of Safety Data Sheets on hazardous substances;
- undertaking campaigns to inform and raise the awareness of employees, customers and stakeholders, in liaison with the Health and Safety Coordination Department, which is part of the Group Human Resources Department, and occupational physicians.

The Group also put major effort into REACH, a new European policy on chemical products that affects almost all of its products.

With a view to the coming into force of REACH on June 1, 2007, Eramet set itself the goal in January 2007 of exhaustively listing the products made and marketed by the Group that fall within the scope of REACH, as well as of

identifying their regulatory status: substances, intermediates, preparations, articles, etc. This considerable task, driven by an ad hoc working group called the "Progress Task Force Reach", was completed at year-end for the metal product family. It must be supplemented in 2008 with the listing and identification of substances used in the processes. It should be emphasised that the implementation of REACH represents a substantial new workload for the Group.

The main goal of REACH for 2008 is for preliminary registration of the substances produced and/or imported by Group entities before December 1, the final deadline. Although organised internally to face this new challenge, the Group has also worked in association with other manufacturers of the same substances as part of voluntary consortia. As of now, Eramet has joined the nickel, manganese, cobalt, molybdenum and tungsten consortia. Other linkups are planned in 2008.

The scientific work and toxicological or eco-toxicological tests undertaken as a result of REACH will provide an opportunity to obtain a more complete, in-depth knowledge of the products marketed. While the work performed on nickel and its components over the past ten years has allowed us to obtain a very comprehensive knowledge of it, the information must be supplemented for manganese in many respects.

### ➤ 4.3.8. Management of historical site pollution and site restoration

The Group was created from a combination of old and varied companies and carries on its business in regions and countries with diverse regulatory frameworks against a backdrop of increasingly stringent environmental standards. The Group has set itself the goal of managing, in a responsible and industrially sound manner, the heritage of previous periods of business activity that are often marked by historical pollution. As shown by the management of the discontinuation of activities at Boulogne-sur-Mer, it also endeavours to assume all responsibilities in these areas as part of the process of discontinuing and disposing of these activities.

The Group's policy includes the restoration of mining sites. In 2004 and 2005, a major review of the restoration data and estimates for mining sites in Gabon and New Caledonia was carried out to take account of the most

recent capital expenditure programmes. This assessment was also carried out under the new IFRS accounting basis, which requires in particular the recognition of a dismantling asset and the discounting of the provision (discount rate used: 5.25%).

In Gabon, the "3.5 million ton" project led to the lifespan of the Bangombé plateau being reviewed. The provision amounted to €7.7 million on December 31, 2007 (€7.1 million on December 31, 2006). In New Caledonia, the ramp-up of Tiébaghi mine and the construction of coastal facilities led to an increase in site restoration provisions. The amount on December 31, 2007 was €134.1 million (€57 million on December 31, 2006). The increase in 2007 is due to remeasurement of the cost of dismantling and replanting all surface areas, including the closed facilities, as well as the impact of discounting.

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### ➤ 4.3.9. Management of the closure of the Boulogne-sur-Mer site (Comilog France)

Discontinuation of Comilog France's activities at the Boulogne-sur-Mer site at end-2003 resulted in the Group recording an overall provision of €77 million (balance of €32.6 million on December 31, 2007). In addition to the payroll costs of the closure, this corresponds to the three main phases in the restoration process: demolition work, pollution control work and the closure of the Manihen storage facility.

The site restoration order issued by the prefect on November 22, 2004 set out the goals for the restoration work to be carried out with a view to

future industrial use. Undertaken in April 2005 and completed last October, the restoration work was carried out in complete compliance with the environmental prevention and protection requirements.

In addition, the site announced the discontinuation of its hazardous waste storage facility at Manihen in July 2007. The environmental and technical studies relating to its restoration were filed in December 2007, as a result of which Comilog France reviewed the estimates for its financial provisions based on the items arising from these additional studies.

### ➤ 4.3.10. Contribution to greenhouse gas reduction policy

European Directive 2003/87/EC of October 13, 2003 establishing a greenhouse gas emission quota system affects the three steelworks in France (Aubert & Duval - Les Ancizes, Aubert & Duval - Firminy and Erasteel Commentry) and the Söderfors (Erasteel Kloster) steelworks in Sweden.

The CO<sub>2</sub> emissions largely stem from the use of natural gas in reheating or in heat treatment furnaces.

Following receipt of a supplementary operating permit, Erasteel Commentry was granted 6,371 additional quotas for 2006 and 2007.

The table below summarises the totals for the first period of the Directive (2005-2007). It shows an overall surplus of 18,792 quotas.

In line with regulations, these quotas may not be transferred to the second period (2008-2012) and so must be sold on the quota market (current price under €0.10/tCO<sub>2</sub>).

#### SUMMARY OF FIRST-PERIOD CO<sub>2</sub> EMISSIONS (2005-2007) (amounts in tons of CO<sub>2</sub>)

Site	Annual allocation	2005	2006	2007	Cumulative difference
Aubert & Duval Les Ancizes	43,336	45,591	45,280	46,146	(7,009)
Aubert & Duval Firminy	25,934	20,725	21,979	23,173	11,925
Erasteel Commentry	26,203 + 6,371 = 32,574	27,791	26,817	24,259	12,484
Erasteel Kloster	3,182	2,347	2,230	3,577	1,392
<b>Eramet total</b>	<b>105,026</b>	<b>96,454</b>	<b>96,306</b>	<b>97,155</b>	<b>18,792</b>

The above emission statements have been verified by accredited auditors.

In April 2008, quotas will be reallocated between sites with surpluses and deficits. These transactions will be carried out at market prices on the date of the transaction. They are internal transactions and have no impact on the Group's financial position.

#### Second-period emission allocations and forecasts (2008-2012)

In line with the order of May 31, 2007, Erasteel Commentry obtained 19,590 annual quotas in addition to those initially granted under the National Quota Allocation Plan 2 for 2008-2012, namely an annual allocation of 55,795 quotas.

If the emission forecasts are correct, the quotas thus obtained should offset for the quota shortfall at the other sites and result in an approximate annual surplus of 12,750 quotas.

Site	Annual allocation	Estimated annual emissions (average)	Forecast annual difference
Aubert & Duval Les Ancizes	51,321	61,200	(9,879)
Aubert & Duval Firminy	27,154	30,000	(2,846)
Erasteel Commentry	36,205 + 19,590 = 55,795	28,000	27,795
Erasteel Kloster	3,182	5,500	(2,318)
<b>Eramet total</b>	<b>137,452</b>	<b>124,700</b>	<b>12,752</b>



### ➤ 4.3.11. Industrial risk prevention policy

Industrial risk prevention policy is focused on the following points:

- the rollout in 2006 and 2007 of Group crisis management procedures across all sites. These set out communication requirements and best practices in three scenarios:
  - **prevention of crises:** identification of local and national environment (authorities, elected representatives, media, etc.), contact plans, identification of weak indicators, Group reporting and simulations,
  - **management of serious incidents:** definition of a serious incident, Group reporting, feedback and communication,
  - **in a crisis:** criteria for identifying crisis situations, Group reporting, organisation during crises (operations management, communication, expertise and crisis unit) and feedback.
- A half-yearly summary of industrial risk incidents was introduced in 2007 at the French-speaking sites and will be extended to all others in 2008;
- **methodological assistance with risk analyses** carried out on sites with respect to studies of hazards. These analyses are used to exhaustively identify major accident scenarios and the causes and impacts thereof

and result in the establishment of prevention and/or protection (important safety items) to reduce the likelihood or seriousness of possible events;

- **as part of the Group's damage/business interruption insurance policy**, in 2007 Eramet continued its practice of carrying out annual or two-yearly engineering visits (preventive audits) to all industrial sites in close cooperation with the insurer. A new audit programme was to be drawn up at the beginning of February for 2008. These preventive visits are mainly centred on fire, machine breakage and natural disaster risks and the related business interruptions. The sites update the insurance recommendation follow-up tables three times a year. Indicators were put in place in 2007 to improve monitoring of sites' progress in fire/machine breakage risk controls from two important perspectives:
  - compliance with standard fire safety procedures, and
  - strategic facility protective measures;
- lastly, close involvement of the leading insurer's engineering teams in all capital expenditure programmes helps ensure that new facilities have optimum protection.

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## 4.4. INSURANCE/COVERAGE OF RISKS LIKELY TO BE INCURRED BY THE ISSUER

### ➤ 4.4.1. The Group's general coverage policy/risk coverage strategy

#### Group organisation

The Group Insurance Department was established in 2003 with the goal of putting in place Group schemes, monitoring prevention policy in liaison with the DC2D and seeking optimal risk-premium-retention solutions, including via the Group's captive reinsurance.

#### Risk identification and control

The Group has drawn up an audit programme in order to accurately map major risks, determine the impact that might result from their occurrence and, ultimately, to put in place the necessary arrangements to prevent them and limit their impact.

#### Use of insurance market

As risks are identified and their impact controlled, the Group seeks the most appropriate solutions on the market that offer an optimum balance between cost and coverage.

Through brokers, the Group has thus put in place global insurance schemes with pools of internationally renowned and financially solid insurers.

The Group also uses the market to cover risks that are specific to some of its subsidiaries' activities or non-recurring operations, as well as where insurance is required under local regulations.

#### Reinsurance

The Group, moreover, has a captive reinsurance company (ERAS) that enables it to provide primary coverage in some insurance programmes.

#### Coverage levels

The Group feels that it has established sufficient coverage, both in terms of scope and amounts insured or coverage limits, for the main risks relating to its global operations.



### ➤ 4.4.2. Different types of insurance taken out

The three main insurance schemes cover civil liability, property damage and business interruption and shipping risks.

#### Civil liability insurance

This scheme covers the civil liability incurred by the Group as a result of damage caused to third parties by its business operations or products, i.e. general operating liability, lessors' insurance, product liability including for aerospace products, professional civil liability and sudden and accidental pollution cover.

Coverage is comprehensive meaning that everything not excluded is covered, exclusions being those commonly applied for this type of risk.

Coverage is applied on a "claims" basis, meaning that it applies to any claim made during the insurance period (including the subsequent five year period, in line with French regulations).

For any claims received, the scheme applies from France. If applicable, when local regulations require local policies, it is used on top of these policies and to compensate for differences in conditions and/or limits on a DIC/DIL basis worldwide.

In excess of local policies, the scheme is based on a Master policy issued in France covering €50 million and on two additional Excess policy lines of €50 million each complementing the Master policy, bringing the total cover to €150 million; applicable excess levels may vary depending on local policies and are usually around €15,000 per claim.

This scheme also comes into play on top of the coverage and limits of several specific sub-schemes, particularly in North America, for motor insurance and employer's civil liability, and on top of mandatory insurance policies in the United Kingdom such as employer's civil liability.

The annual renewal date for this scheme is July 1.

This scheme was put in place on July 1, 2004 with AXA Corporate Solutions. It was renewed on July 1, 2006 for a period of three years with no increase in premiums.

In addition, in 2007, a specific environmental civil liability policy was taken out for €10 million for the subsidiaries in France and Europe. Another such policy was taken out for US\$25 million in early 2008 for the US and Canadian companies.

#### Property damage and business interruption insurance

This global scheme covers direct property damage caused suddenly and accidentally affecting the insured property, including machine breakage risk and any resulting business interruption losses for all Group entities. Coverage is comprehensive meaning that everything not excluded is covered, exclusions being those commonly applied for this type of risk.

The scheme is based on a Master policy issued in France that directly covers the following countries: France, Belgium, Italy, Norway, the United Kingdom and Sweden. It applies on a DIC/DIL basis on top of and to compensate for differences in conditions and/or limits for the local policies of companies in the scheme, as well as companies not included in the scheme. In 2008, only the companies located in China were not included in the scheme.

The scheme was taken out with a pool of insurers with AXA Corporate Solutions as leading insurer. It took effect on January 1, 2005 with maximum coverage of €250 million, subject to sub-limits applied to certain events and to commonly accepted exclusions.

It was renewed on January 1, 2006 for two years with very significant improvements such as the ceiling for machine breakage being doubled from €50 to €100 million and the excess for business interruption for mining activities being lowered from 20 to 10 days on virtually identical premium terms. Management of coverage of these risks entails prior site visits that result in recommendations, which allows the prevention programme to be customised. On the anniversary date of January 1, 2007, this scheme benefited from significant new technical improvements regarding excesses and coverage limits.

#### Shipping insurance

The Nickel and Manganese Divisions both benefit from a shipping insurance scheme for ore and product freight between industrial sites and to customers. The Alloys Division did not have a specific scheme.

At end-2007, a call for tenders was launched to establish a Group global shipping scheme.

This scheme covers the period from January 1, 2008 for all Group entities worldwide and for all types of shipping: sea, river, land or air. This covers all types of goods, freight or equipment shipped.

The programme comprises three policies: "marine cargo" for goods shipping with AIG, "charterer" with RAETS Club and "hull and machinery" with AXA.

The introduction of this programme provided for both particularly favourable coverage conditions and a very substantial reduction in premiums.

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## 4.5. OTHER SPECIFIC RISKS

### ➤ 4.5.1. Transportation-related risks

#### Sea freight

The Group makes extensive use of sea freight to ship its products first, in various stages, to production sites, and then for deliveries to customers, because of the long distances between the mines where raw materials are extracted and the sites where they are processed, and between those sites and markets.

To protect itself against sharp rises in freight costs, the Group strives to enter into long-term contracts at predefined prices and to reserve some ships on a long-term basis.

The risk of property damage is, moreover, covered by specific insurance coverage (see above).

#### Rail transport

The Group was awarded a concession to operate the TransGabonais train for a 30-year period. In addition to providing a public service and transporting miscellaneous goods, the railway carries manganese ore from the Moanda mine to the port in Owendo.

An interruption in sea or rail transportation or a sharp rise in transportation prices, notwithstanding long-term contracts, would have a negative impact on the Group's performance.

### ➤ 4.5.2. Energy-related risks

As energy represents a non-negligible portion of production costs, to protect itself against rises in those costs, the Group has adopted a policy of diversifying its energy sources (electricity, fuel oil, coal and gas), which does not exclude hedging whenever possible.

Nevertheless, a significant change in the price of energy resources could, notwithstanding the measures taken, have a negative impact on the Group's future performance.

### ➤ 4.5.3. Political risks

Some of the Group's activities are carried on in countries where political developments may lead to regulatory changes.

In particular, the Group produces and/or markets its products in non-OECD countries, some of which may be classed as countries without long-term political and economic stability.

While the Group ensures that appropriate measures are taken to avoid such risks, political and/or economic changes could have a significant impact on its business.

### ➤ 4.5.4. Asbestos risk

Eramet has set up an internal structure to track occupational illness cases related to asbestos. It can prove that it has never produced or transformed asbestos, nor sold equipment that is formed fully or partly of asbestos. Eramet has never used asbestos as a raw material; it only been used as a material in some of the company's employee protective gear and, more generally, heat transfer equipment.

For example, heat-resistant materials containing asbestos, used in the past at the Ancizes site, represent less than 1% of all heat-resistant materials used at the site.

In line with applicable regulations, most notably in France, technical asbestos audits were carried out by approved inspectors at all Eramet's industrial sites, and the audit findings and recommendations have been used to prepare detailed action plans.

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A survey carried out at Eramet's French sites on January 24, 2008 revealed 329 cases of asbestos-related occupational illnesses, primarily pleural plaques and pleural thickening, only 113 of which were recognised and attributed to Group companies. Some 70 allegations of criminal negligence

had been filed at this date and proceedings are underway. Provisions for asbestos-related risks have been recognised based on the compensation typically awarded in such cases.

## 4.6. THIRD PARTY RELATIONSHIPS

### 4.6.1. Nickel Division

#### Supply contract with Nisshin-Steel

Nisshin-Steel, a Japanese stainless steel producer, has been a shareholder in Le Nickel-SLN since 1991 and currently has a 10% stake (See Section 4.2.2.).

Eramet and Nisshin-Steel have had a ferronickel supply agreement in place since 1991. Nisshin-Steel is a major customer that accounts for 10% of sales at the Nickel Division. This agreement was renewed in 2001 and is designed to guarantee ferronickel deliveries for several years and smooth fluctuations in nickel prices. It was renegotiated at end-2007 for the 2008-2009 period and renewed under a third agreement for the 2010-2017 period. This agreement is in the process of being concluded.

#### Relationship with STCPI and New Caledonia

Société Territoriale Calédonienne de Participations Industrielles (STCPI) has a 34% stake in Le Nickel-SLN (in which Eramet has a 56% interest). The company represents the three New Caledonian provinces: the Southern Province (with a population of mostly European origin) on one hand and the Northern and Island Provinces (of mostly Melanesian population) on the other hand.

### 4.6.2. Manganese Division

#### With the Gabonese State

Comilog has had a special relationship with the State of Gabon since it was founded, with the latter being a shareholder since 1973 with an interest of just over 25% and represented by four members on the Board of Directors. From the outset, the government has supported Comilog through both tax (a mining agreement and special tax agreement to finance the sintering complex) and industrial measures (as Comilog's partner in building the Owendo Port). More recently, by granting a railway concession to SETRAG, in which Comilog is the main partner alongside other Gabonese shareholders.

This relationship, based on trust and the recognition of joint interests, makes it possible to work together on a constructive basis and to plan for the development of new industrial projects. The 3.5 million ton project will effectively contribute to social and economic growth in Gabon.

This 30% stake, sold by the French state when Eramet was privatised, has political, financial and strategic value because it aligns local interests with the Group's mining and industrial interests in New Caledonia.

The stake was raised to 34% subsequent to the General Shareholders' Meeting of July 23, 2007, pursuant to the terms of the shareholder agreement of September 13, 2000.

STCPI is a simplified limited liability company, the sole purpose of which is to hold shares in Le Nickel-SLN and Eramet (approximately 4%). Four out of twelve Board members, plus one observer, represent STCPI on Le Nickel-SLN's Board of Directors, while two others out of fourteen represent STCPI on the Eramet Board of Directors. The Board members and observer are selected so as to ensure that, on one hand, the Southern Province and, on the other hand, the Northern and Island Provinces, have balanced representation.

#### With the Carlo Tassara Group

Carlo Tassara France (a company belonging to Mr. Zaleski), currently has a 13.10% stake in Eramet, and replaced Maaldrift BV on December 20, 2004 (based on statements of intent filed with the AMF under numbers 204C1559, 207C0134 and 207C0137, see Section 21.2.6). Furthermore, Formang and Maaldrift BV (which also belong to Mr. Zaleski) are shareholders in Comilog. These companies, which had been in dispute (see Section 4.2.3.2.) with us, recently signed a settlement agreement on February 14, 2008 that resolved all differences.

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# Information about the issuer



05.

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## 5.1. INFORMATION ABOUT THE COMPANY

### ➤ 5.1.1. Company name (Article 2 of the Articles of Association)

Eramet. In this document, the Company is referred to as the “Company” or the “Issuer”. The group comprised of Eramet and its subsidiaries is referred to as the “Group”.

### ➤ 5.1.2. Company registration number

#### 5.1.2.1. Trade register / SIRET number

The Company is registered in the Paris trade register under number 632 045 381 and under SIRET number 632 045 381 000 27.

#### 5.1.2.2. NAF code and business sector

☛ NAF code: 515 C.

☛ Business sector: finding and exploiting mining deposits of any kind, metallurgy of all metals and alloys and trading thereof.

### ➤ 5.1.3. Date of incorporation and term of the Company (Article 5 of the Articles of Association)

The Company was incorporated for a term of 99 years from September 23, 1963, expiring on September 23, 2062, except in the event of early dissolution or extension.

### ➤ 5.1.4. Registered office (Article 4 of the Articles of Association)

Tour Maine Montparnasse  
33 avenue du Maine  
75015 Paris

Telephone +33 (0)1 45 38 42 42

Fax +33 (0)1 45 38 41 28

Website [www.eramet.fr](http://www.eramet.fr)

#### Statutory auditing of the Company (Article 20 of the Articles of Association)

As per the law, the Company is audited by two principal statutory auditors and two alternate auditors.

Pursuant to Article 20 of the Articles of Association, the auditors must be nationals of one of the member states of the European Union.

#### Legal form and applicable legislation

Eramet is a French public limited company with a Board of Directors, governed by the provisions of Articles L. 224-1 et seq. of the French Commercial Code (legislative and regulatory part) as well as by the provisions of its Articles of Association.

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## ➤ 5.1.5. History and development of the Company

The Company was incorporated in 1880 under the name Le Nickel, originally for the exploitation of nickel mines in New Caledonia.

Under the majority control of the Rothschild family since the end of the 19th century, in the late 1960s it became the parent company of all the Rothschild group's mining subsidiaries (Le Nickel-Penarroya-Mokta group). Later milestones in the life of the Company and Group are as follows:

**1974-** The nickel business is spun off into a subsidiary under the name Société Métallurgique Le Nickel-SLN: Elf Aquitaine acquires a 50% stake in the new company. The former company Le Nickel changes its name to Imétal and holds the remaining 50% in Société Métallurgique Le Nickel-SLN.

**1983-** As part of an industrial, shareholding and financial restructuring programme, ERAP, a French state-owned company, acquires a 70% stake in the Company's share capital. Imétal and Elf Aquitaine's stakes are reduced to 15% each.

**1985-** The assets located in New Caledonia are grouped together in Société Métallurgique Le Nickel-SLN, a wholly owned subsidiary of a new parent company called Eramet-SLN, in which the shareholders continue to be ERAP (70%), Imétal (15%) and Elf Aquitaine (15%).

From 1989 on, in order to smooth out the effects of nickel cycles, the Company adopted a strategy of diversifying into complementary business activities, with the goal of holding strong global positions in its main markets.

**1989-1991-** Acquisition of the French company La Commentryenne and the Swedish company Kloster Speedsteel, respectively the world's third-largest and largest producers of high-speed steels. The two companies were merged in 1992 into a new company called Erasteel, wholly owned by Eramet-SLN, making it the sector's global leader with over 25% market share.

**1991-** Long-term commercial and financial partnership with Nisshin Steel (one of the leading Japanese stainless steel producers), resulting in the gradual acquisition of a stake in Société Métallurgique Le Nickel-SLN. Nisshin Steel's stake reached its definitive 10% level at the end of October 1994.

**1992-** Société Métallurgique Le Nickel-SLN and Eramet-SLN took on their current names of Le Nickel-SLN and Eramet, respectively.

**1994-** Acquisition of a 51% stake in Eurotungstène, a cobalt and tungsten powder producer.

Private investment followed by Eramet's 30% listing on the Paris Stock Exchange Second Marché via disposals by ERAP, Elf and Imétal.

**1994-** The BRGM group (Bureau de Recherches Géologiques et Minières, a French state-owned company) contributes its Cofremmi subsidiary, owner of nickel ore reserves in New Caledonia, in return for granting shares representing 2.34% of Eramet's new share capital.

**1995-** Transfer of the Eramet stock to the Paris Stock Exchange Premier Marché (Monthly Settlement compartment).

**1995-1996-** Eramet acquires a 46% stake in Comilog (Gabon), the world's second-largest producer of high-grade manganese ore and also a leading global producer of ferromanganese for the steel industry and manganese-based chemicals.

**1997-** Agreement with GenGabon under which the Gencor group company sells Eramet a 15% stake in Comilog, in which Eramet now holds 61%.

**1998-** Agreement to swap Poup / Koniambo mining rights in New Caledonia.

**1999-** Several major transactions are carried out, resulting in the current capital structure and the Group's current business configuration:

- integration into the S.I.M.A. group (Duval family), a leading global producer and transformer of high-performance special steels and nickel alloys;
- disposal of 30% of Le Nickel-SLN to ERAP in exchange for Eramet shares. ERAP then transfers that stake to a New Caledonian state-owned entity, Société Territoriale Calédonienne de Participation Industrielle (STCPI). The French State transfers the remaining stake in ERAP to Cogema, which is then made part of the AREVA group;
- acquisition of the manganese business of the Norwegian group Elkem, making Eramet the world's foremost producer of manganese alloys and broadening its product range with high value-added refined alloys.

Following these transactions, the Eramet Group had been dramatically transformed. Its businesses are divided into three Divisions – Nickel, Manganese and Alloys – of similar size and the Group's share capital is mostly held by private shareholders, with the French state retaining a minority interest.

**2000-** Acquisition of the Mexican company Sulfamex, which produces manganese-based agrochemicals.

Inauguration of the Moanda industrial complex (Gabon), a manganese ore beneficiation and sintering plant that broadens Comilog's product range and extends the lifespan of its reserves.

**2001-** Launch of the programme designed to expand nickel production capacity by 25% in New Caledonia.

Launch of capital investment project for a new forging and closed die-forging plant in France with a 40,000-ton press.

Closure of a ferromanganese blast furnace in Boulogne-sur-Mer (France) and a silicomanganese electric furnace in Italy.

Impairment of Special Metals Corporation.

**2002-** Acquisition of the Guilin manganese alloy plant (China).

Erasteel acquires a controlling stake (78%) in Peter Stubs (UK).

**2003-** Launch of a restructuring programme in the Alloys and Manganese Divisions, as a result of heavy losses:

- closure of the Boulogne-sur-Mer ferromanganese plant and the Shaoxing (China) manganese alloys plant;
- disposal by Comilog of Sadaci (molybdenum roasting) and the carbon black business, both based in Belgium;

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➤ launch of a capital expenditure programme in a new high-speed steel plant in China, as a joint venture with the Chinese company Tiangong;

Acquisition of a 100% stake in Centre de Recherche de Trappes (research centre, France) and a 100% interest in Eurotungstène.

**2004-** New Caledonia: opening of new furnace.

Launch of a capital expenditure programme for a 50% expansion in manganese ore production by Comilog.

Launch of a capital expenditure programme in China for a new manganese derivatives plant serving the alkaline battery market.

Buyout of the AREVA group's minority interest in the Manganese Division.

Purchase from Comilog of 80% of Comilog Asia, the company holding the Guilin and Guangxi joint ventures in China.

**2005-** Decision to expand Comilog's ore production capacity to 3.5 million tons by 2008. Eramet bolsters its oil catalyst recycling business through two capital expenditure programmes by its Gulf Chemical and Metallurgical Corporation (GCMC) subsidiary: acquisition of a 100% stake in Bear Metallurgical and launch of the construction of a new oil catalyst recycling unit in Canada.

30-year concession granted in November 2005 for the TransGabonais railway (Gabon).

Erasteel: Joint venture with the Chinese company Tiangong called off.

**2006-** Aubert & Duval: Opening of the tool steels distribution centre in Wuxi (China).

Acquisition of Weda Bay Nickel.

Manganese ore production reaches 3 million tons.

Opening of the new closed die-forging plant in Pamiers (40,000-ton press)

**2007-** Electrolytic manganese dioxide plant in China: opening of new plant at Chongzuo, in southern China.

Tiébaghi (New Caledonia): opening of the nickel ore beneficiation plant in the second half, at reduced rate.

Erasteel in China: construction of a drawing workshop in Tianjin. The first deliveries took place in November 2007.

July 2007: swap of stock in Eramet for stock in SLN by STCPI as part of the SLN shareholder agreement.

New Caledonia: end-2007, opening of Poum mine.

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## 5.2. INVESTMENTS

### ➤ 5.2.1. Goals

For many years, the Group has implemented a sustained capital expenditure policy. The ultimate goal is both to improve competitiveness and to grow the business of the three strategic Divisions (Nickel, Manganese and Alloys).

The policy is based on product differentiation with a focus on markets with structural medium to long-term growth.

### ➤ 5.2.2. Main capital expenditure programmes

#### 5.2.2.1. Total amount of capital expenditure

Capital expenditure for property, plant and equipment recognised at Group level amounted to €231 million in 2005, €309 million in 2006 and €319 million in 2007. Financing methods for major projects vary depending on each programme. The Nickel Division development programme is funded from own resources and, in part, by a tax exemption granted under the Paul Act. The 40,000-ton programme in the Alloys Division is partly funded by a finance lease. The 3.5 million ton project is also funded from own resources.

Current capital expenditure is generally funded from own resources.

Financial investments of an industrial nature amounted to €164 million in 2006 and €32.3 million in 2005. In 2005, acquisitions comprised of the buyout of minority interests in Bear Chemicals, a GCMC subsidiary, for €10.3 million, the €12.7 million share capital increase in SETRAG (company holding the TransGabonais railway concession) and the €6.1 million share capital increase in SAS Poum, in line with the Bercy agreements (see Section 4.2.2.). In 2006, investments related to the acquisition of Weda Bay in Indonesia following a friendly takeover bid. There were no material financial investments in 2007.

## 5.2.2.2. Breakdown of capital expenditure by Division and description of major projects

### NICKEL DIVISION

Nickel Division	2004	2005	2006	2007
Recognised capital expenditure	€139 M	€68 M	€125 M	€135 M
• Of which:				
- Capacity expansion project	€94 M	€20 M	€60 M	€33 M
- Mobile equipment		€18 M	€17 M	€19 M
- Financial investments: Weda Bay			€164 M	

- **The capacity expansion project** of Le Nickel-SLN is comprised of the following two key components:

- renovation, now completed, of an electric furnace at the Doniambo plant in Nouméa (New Caledonia);
- the development of the Tiébaghi (New Caledonia) mine with, amongst other facilities, a plant for beneficiating mined ore, which should be completed with the opening of the Tiébaghi ore processing unit in 2008.

- **Modernisation of Le Nickel-SLN's production equipment.** In line with the production target, a major upgrade of production equipment at Doniambo and of mining facilities is being carried out in New Caledonia.

This programme began in 2006 with the renovation of two rotary furnaces in Doniambo. The renovation of electric furnace No. 9 was moreover given the green light, with work to begin in 2008. Finally, the two rotary furnaces will be renovated in 2009 and 2010. This programme contains a very important environmental component: the "Doniambo propre" project.

In the mines, the renewal of the mobile equipment is progressing fast, with the fixed installations of SLN's current centres being modernised, SLN's

Poum centre opening at end-2007 and the opening of several mines, the operations of which are to be outsourced, is being prepared.

- **New electricity plant C.** Detailed preliminary studies for the construction of a new coal-powered electricity plant using LFC technology are ongoing. The goal is to take a decision by end-2008, with construction lasting about three years.

- **Eurotungstène and Le Havre-Sandouville.** To benefit fully from synergies within the Nickel Division thanks to complete integration of production, from mine extraction through to the finished product, a capital expenditure programme was launched at the Le Havre-Sandouville refinery to start the manufacture of a new product primarily targeted at the electronics market. It was set to be operational in the first quarter of 2008. At Eurotungstène, several projects have been carried out that while small in scale should enable the production of new products.

- **Weda Bay project.** Preliminary feasibility studies began in July 2006 and should continue until around the end of 2008, both in Indonesia and in France. Technip is responsible for the bulk of these preliminary engineering studies.

### MANGANESE DIVISION

Manganese Division	2004	2005	2006	2007
Recognised capital expenditure	€39 M	€94 M	€122 M	€129 M
• Of which:				
- 3.5 mt project	€1 M	€24 M	€23 M	€11 M
- EMD project	-	€6 M	€17 M	€3 M
- Canadian Calciner project	-	-	€14 M	€26 M
- SETRAG upgrade project	-	€5 M	€9 M	€17 M

- **3.5 mt project.** This project began in 2004 with the goal of increasing the manganese mining capacity of Comilog S.A. in Moanda, Gabon. With an initial target of 3 million tons, the target was raised in 2005 with planned production capacity increased to 3.5 million tons of manganese per year. The project is carried out within Comilog S.A. and represents total capital expenditure of €61 million over the 2004-2008 period.

The project covers the full ore chain (mining, beneficiation, sintering, transportation and loading) from the Moanda mine (Gabon) to shipment from the port at Owendo (Gabon).

Production continued to rise, in line with goals, in 2006 and 2007 at a pace equivalent to 3.3 million tons per annum at the end of 2006 and 3.5 million tons per annum at the end of 2007. The estimated final cost is in line with the initial budget.

- **Electrolytic Manganese Dioxide (EMD) project, China.** The first phase of the project to establish an electrolytic manganese dioxide production unit in China has been implemented for initial capital investment of US\$28 million, on a US\$25 million budget.



Initial production tests were carried out in December 2006. Production ramped up in 2007 and was spread over the two halves, with the first sales reported in the second half.

The Chongzuo plant could see its EMD production capacity double, depending on market developments, and has the facilities to produce other manganese chemical derivatives.

- **Canadian Calciner project.** The planned extension by Gulf Chemical & Metallurgical Corporation (GCMC) in Canada, involving the construction of two calcination furnaces to process the used catalysts from oil refining, is continuing with certain challenges that have given rise to a budget overrun and a few months' delay.

This project aims to:

- secure current Canadian contracts and the use of GCMC's downstream capacities in Freeport;
- address market growth resulting from the development of tar sands in Canada.

The final cost is expected to be around CA\$73 million, on a budget of CA\$51 million.

The acceptance testing for the various subsystems is ongoing. General ramp-up is scheduled for April 2008.

- **SETRAG upgrade project.** The project to renovate tracks and infrastructure follows the granting of the concession to SETRAG, a subsidiary of Comilog S.A., to operate the TransGabonais railway. Amounting to €75 million over five years, the project involves upgrading and modernising tracks, rail facilities and rolling stock. It guarantees a long-term conduit for Comilog S.A.'s ore while improving service to other TransGabonais customers.

**ALLOYS DIVISION**

Alloys Division	2004	2005	2006	2007
Recognised capital expenditure	€60 M	€66 M	€58 M	€54 M
• Of which:				
- 40-kt project	€33 M	€21 M	€7.9 M	€2 M
- Tiangong Erasteel joint venture	€7 M*	-	-	

\* A financial investment.

- **"40,000-ton" project:** The capital expenditure project for a stamping press was completed in 2007, with a total of €104 million invested from 2002 to 2007. It consists of building a closed die-forging workshop with a 40,000-ton press. The project has been operational since the fourth quarter of 2006 and allows the group to respond to market growth in aerospace parts (structural components and engine disks).

The other capital expenditure by Aubert & Duval, for €36 million, regarding investments in capacity expansion (including unit parts on the Firminy site, forging furnaces and heat treatment on the Ancizes and d'Issoire sites),

Launched in 2005, it really took off in 2006. 2007 saw the pace of upgrade work quicken with 37,000 sleepers and 7,200 metres of rails laid.

In addition, preliminary feasibility studies have been commenced or continued on three major projects supporting the sustainability of the Manganese Division.

- **"OKOUMA" feasibility study.** This study is looking at the working of a plateau just a few kilometres from that currently being worked by Comilog S.A. in Gabon.

Containing ore as rich as that mined from the current plateau and allowing the reuse of some of the existing facilities, this plateau should make it possible to sustain ore production at around 3.5 Mt/annum beyond 2050. In particular, a test programme was established for the future plateau in 2007.

- **"MABOUMINE" feasibility study.** The preliminary study carried out involved possible exploitation of a niobium deposit in Gabon and its local transformation into niobium alloy. Niobium, a very high value-added product, is used as an alloying component in high-performance steels: the market for it is constantly growing.

Studies have concluded up to this point that the project is not viable as part of a two-stage process: mineralurgical then pyrometallurgical processing. A continuation of the studies has been decided with hydrometallurgical processing in mind.

- **Mn Metal and SiMn project feasibility study at Moanda.** These two studies were undertaken to analyse the profitability of projects in recycling poorer content mineral resources to make Mn metal and SiMn. The electricity supply would be obtained from a government hydro-electricity plant to be built in an area close to Moanda.

productivity and flow optimisation (including streamlining distribution at the Heyrieux site) to meet demand from Aubert & Duval's various markets, including Aerospace, Energy and Tooling.

In 2007, Erasteel invested around €15 million; this capital expenditure mainly relates to a €5.8 million investment in a drawing facility at Tianjin in China and for additional investments in productivity, energy cost optimisation and capacity to support the industrial plans, as well as safety and large-scale maintenance for all sites.

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# Business overview

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## 6.1. NICKEL DIVISION

### 6.1.1. Nickel market

#### 6.1.1.1. Nickel demand

##### PROPERTIES OF NICKEL

Nickel is a metal that is little known to the general public, as it is generally used in combination with other products. Nevertheless, nickel's rich array of properties make a key material for modern living especially given the fact that it is recyclable.

Nickel is an essential alloying element that, depending on the steel grades can provide:

- ✦ resistance to atmospheric corrosion, when combined with chromium;
- ✦ resistance to high temperatures without losing its good mechanical properties;
- ✦ ductility (ease of conversion);
- ✦ mechanical strength;
- ✦ electrical resistance;
- ✦ magnetic properties.

Nickel's electrochemical properties mean it can be plated by electrochemistry in the form of a thin deposit. It is used in rechargeable batteries and has catalytic properties.

The periodic table symbol for nickel, "Ni", is a commonly used abbreviation.

##### USES OF NICKEL

Stainless steel is by far the sector that consumes most nickel worldwide. Global nickel consumption in 2007 broke down as follows:

Stainless steel (8-12% nickel)*	61%
Nickel-based alloys (25-100% nickel)	12%
Electroplating	9%
Casting and alloy steels (less than 4% nickel)	9%
Rechargeable batteries	4%
Coins	2%
Other (including catalysis)	3%

\* Austenitic properties, including low-nickel 200 series.  
Source: Eramet estimates.

##### END USES OF NICKEL

End uses are highly varied and essential to modern life. Nickel is difficult to replace in its various applications.

##### Stainless steel

###### Food safety, hygiene

This is one of the major uses of stainless steel. Stainless steel has outstanding hygiene properties needed to guarantee consumer safety and is particularly used in the following forms: household equipment (sinks, cutlery, saucepans, dishes, etc.); domestic appliances (washing machines, microwave ovens, catering ovens); food industry and pharmaceutical production tools; surgical equipment etc. Stainless steel's properties mean its use is often legally prescribed in developed countries.

###### Heavy industries

Chemicals, petrochemicals, paper, power generation.

###### Building, construction

Lifts, ramps, street furniture, water cisterns, building decoration and accessories. Stainless steel is used for its aesthetic qualities, its low maintenance costs and its long-lasting nature.

###### Transportation

Trains (bodywork and interior fittings), ships, tanker trucks, aerospace, automotive catalytic converters.

##### Nickel alloys

###### Superalloys

The growth of modern aviation (jet engines) was driven by the development of superalloys, which have high nickel content (over 45%) combined with other metals (particularly cobalt and chromium). Superalloys can ensure good mechanical performance despite the increasingly high operating temperatures of jet engines. They are also used in gas turbines for power generation and for some oil industry applications.

###### Nickel/iron alloys

The production and transportation of industrial gases and liquid natural gas at very low temperatures require the use of certain nickel/iron alloys. Other nickel/iron alloys are used in measuring equipment, TV screens and semiconductors.

###### Corrosion-resistant nickel alloys

These alloys are used in chemical industries and in environmental facilities (smoke and gas processing, water treatment, etc.).

###### Electroplating (coating with pure metal)

Nickel provides a glossy appearance and resistance to atmospheric corrosion (taps, hardware, tubes, etc.).

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### **Casting and alloy steels**

Automobiles and mechanical construction.

### **Rechargeable batteries**

Back-up batteries, telephones, laptop computers, electronic and hybrid automobiles.

### **Coinage**

In many countries, coins are made from pure nickel (such as the French franc until the introduction of the euro) or in copper alloys containing nickel (1 and 2-euro coins).

### **Other**

Catalysis (petrochemicals, margarine production, colourings, etc.).

## **SUSTAINABLE DEVELOPMENT AND NICKEL**

In all its applications, nickel ensures a long lifespan for the components that contain it. In addition to its intrinsic qualities, the economic rationale for using nickel over other materials is evident from an analysis of the life cycle of the components.

Nickel is infinitely recyclable and its high economic value makes its collection and recycling worthwhile. The structure of the nickel recycling industry has been firmly established for many years. Products are usually collected for recycling (industrial scrap and products from the destruction of appliances and equipment) by small businesses that sell them on to the major companies in the nickel recycling industry. These firms put together the various alloys containing nickel (stainless steel, superalloys, alloy steels, etc.) in carefully defined proportions to make a new product that is wholly suitable for use by their stainless steel producing customers. In 2007, nickel from recycling accounted for approximately 47% of the nickel consumed in global stainless steel production.

Nickel is used in a great many environmental applications (gas and effluent treatment, etc.).

## **THE NICKEL MARKET**

Thanks to a high and growing number of applications, nickel has historically enjoyed average annual growth of 4% since 1950, which compares very favourably with the market for other industrial products. Stainless steel, the biggest nickel user, has itself grown by on average 5% per year.

As a growing share of the population in newly industrialised nations gains access to higher standards of living, the nickel demand in these countries rises sharply. Historically, Japan, and later the Asian "tigers" are testament to this. The current focus of development is China, where a middle class of several hundred million people is emerging.

More recently, substitution has begun between stainless steel grades. The very high nickel costs have given rise to the development of the low-nickel "200 series" grade (1-4% Ni content) and the nickel-free "400 series", while austenitic "300 series" stainless steel (with around 8-10% Ni content) has lost around 17 percent global market share in six years.

## **6.1.1.2. Nickel supply**

### **THE THREE TYPES OF NICKEL ORE**

Access to high-grade ore reserves (ore richness, chemical properties, deposit size) is a key factor in the nickel industry. The nickel content of ores mined today typically varies from 1% to 3% for the richest.

There are three types of ore:

- sulphide ore;
- lateritic oxide ore (limonite);
- garnieritic oxide ore (sapolite).

The different ore types have specific characteristics that determine the manner in which they are mined and their production cost structure.

#### ▶ **Sulphide ore.**

Sulphide ore mines are generally underground. Geographically they are mainly located to the North (Canada, Siberia, etc.) or South (South Africa, Australia, etc.). In these ores, nickel is found with several other metals such as copper, cobalt, gold, silver and often platinumoids.

The ore can be concentrated physically, increasing its nickel content to approximately 10 - 20%. The resulting concentrate goes through pyrometallurgical treatment in a furnace to obtain an intermediate product called matte. Complex chemical refining techniques are used to recover and make use of the various metals in the matte. The process usually ends with a reduction phase (production of powder and briquettes) or with electrolysis (sheet nickel). The carbonyl process (vapour metallurgy) is also used to produce nickel metal (nickel carbonyl powders and pellets).

#### ▶ **Oxide ores: laterites, upper mining levels.**

Laterites are mined in opencast mines and generally located in tropical zones (New Caledonia, Indonesia, Philippines, Cuba, etc.). Nickel content is low, usually around 1%. Oxide ores contain cobalt.

These ores cannot usually be beneficiated. They are put through hydrometallurgical processes (dissolving in ammonia or sulphuric acid) to separate out the nickel and recover the cobalt.

#### ▶ **Oxide ores: garnierites, lower mining levels.**

Opencast mines, generally in tropical zones (New Caledonia, Indonesia, Philippines, Colombia, Dominican Republic, etc.). Garnierites are located under laterites. They have higher nickel grades (approximately 1.5 - 3%) and cannot be substantially beneficiated.

The ore is treated by pyrometallurgy (electric furnaces), which usually gives a finished product, ferronickel (used to make stainless steel) or, more rarely, an intermediate product, matte (nickel sulphate), which is refined to make nickel metal.

Since 2006, China has imported large quantities of garnierites and laterites to produce low-grade ferronickel (called nickel pig iron or nickel basic feed) by converting old blast furnaces for smelting.

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## MINING PRODUCTION PER COUNTRY IN 2007

## 2007 MINING PRODUCTION IN THOUSANDS OF TONS OF NICKEL CONTENT

Russia	290.0	19%
Canada	240.0	15%
Indonesia	180.0	12%
Australia	159.8	10%
New Caledonia	110.0	7%
Colombia	95.0	6%
Philippines	90.0	6%
Cuba	80.0	5%
China	70.0	4%
South Africa	45.6	3%
Brazil	42.6	3%
Botswana	35.0	2%
Dominican Republic	28.7	2%
Greece	21.0	1%
Venezuela	16.5	1%
Macedonia	15.0	1%
Ukraine	12.0	1%
Spain	10.0	1%
Zimbabwe	9.0	1%
Finland	5.0	0%
Turkey	1.5	0%
Kazakhstan	1.0	0%
Serbia	1.0	0%
Norway	0.4	0%
WORLD	1,559.1	100%

Forecast - source: International Nickel Study Group, INSG.

## NICKEL INDUSTRY INVESTMENT COSTS

Capital expenditure levels are particularly high in the nickel industry. A new project comprising a new mine and an integrated plant with an annual capacity of 50 – 60,000 tons (i.e. some 4% of global supply) requires capital expenditure of approximately US\$3.5 billion. This corresponds to a cost of around US\$26-32/lb (i.e. US\$58,000-70,000 /ton) of annual capacity, whereas the average historical price of nickel on the LME from 1979 to 2007 was US\$4.12/lb i.e. US\$9,087 /ton.

Accordingly, the preferred path for existing producers is that of capacity expansion, in which the capital expenditure is only half that of a new plant.

Because of these very high costs, capital expenditure decisions are often taken by producers in periods of nickel price peaks.

As a result, nickel supply tends to come onto the market in successive waves of projects, adding to the cyclical nature of the market.

## INTEGRATED PROJECT DEVELOPMENT TIMELINES IN THE NICKEL INDUSTRY

Development timelines for new integrated projects (mine + plant) are long.

Several stages are essential:

- geological surveys: 2 to 5 years;
- preliminary feasibility study: 1 year;
- pilot plant for any new process: 2 years;
- bank feasibility study: 1 to 2 years;
- construction (mine and plant): 2 to 3 years.

The minimum development time, therefore, is nine to thirteen years, but can be extended by several years in some cases because of difficulties in negotiating tax or environmental terms and in obtaining the necessary funding.

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**NICKEL PROCESSING**

Acid leaching (dissolving) is now the preferred method for exploiting these ores. Indeed, it enables processing of the laterites not exploited pyrometallurgically and low-grade garnierites. Furthermore, this process is not very energy-intensive and enables the ore's cobalt content to be used. Eramet has developed its own proprietary hydrometallurgy process that

will be used industrially for the first time at its Weda Bay Nickel project in Indonesia and particularly suited to the New Caledonia ore that cannot be processed pyrometallurgically at Doniambo.

Acid leaching technology now seems the key means of delivering the nickel quantities the market needs.

**6.1.1.3. Nickel producers**

2007 <i>(thousands of tons of nickel content)</i>		Metallurgical production Finished products	
Norilsk	Russia/Finland	274.5	19%
Vale Inco	Indonesia/Canada	260.0	18%
BHP Billiton	Australia/Colombia	137.1	10%
Jinchuan	China	115.5	8%
Xstrata (Falconbridge)	Canada/Dominican Republic	115.1	8%
Eramet*	France/New Caledonia	60.0	4%
Sumitomo Metal Mining	Japan	55.0	4%
Cubaniquel	Cuba	43.0	3%
Pamco	Japan	33.2	2%
Sherritt	Cuba/USA	31.8	2%
Other		314.4	22%
<b>Total</b>		<b>1,439.6</b>	<b>100%</b>

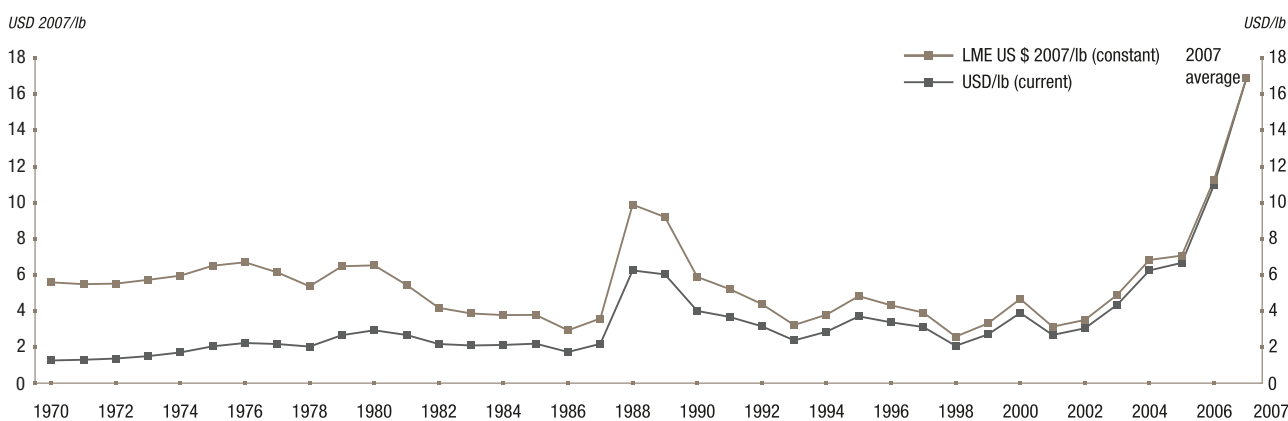
Sources: INSG (International Nickel Study Group) – Producers – Eramet estimates.  
\* Eramet: garnierite for the Doniambo plant (New Caledonia).

**6.1.1.4. Nickel prices**

Until 1979, nickel prices were set by the main nickel producers. Since 1979, nickel has been listed on the London Metal Exchange (LME), where players can trade futures and carry out hedging transactions. Every trade on the LME can in theory result in a physical delivery of metal. However, in practice, only a small fraction of trading results in physical delivery. Annual trading volumes for nickel on the LME represent from 15 to 30 times global physical demand.

The considerable weight of financial players on the LME is reflected in short-term volatility and speculation as regards the outlook for the physical market.

The graph below illustrates historical trends in nickel prices (in current US\$/lb and constant 2007 US\$/lb).



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Nevertheless, over the long-term the physical market remains the main factor in nickel price fluctuations.

When the nickel price drops below critical profitability thresholds, the less competitive nickel producers are forced to cut production. Conversely, high nickel prices encourage the reopening of older, less competitive mines, as well as exploration and funding for new projects.

Historically, the average nickel price on the LME from 1979 to 2007 was US\$4.12/lb, i.e. US\$9,087/ton.

### 6.1.1.5. State of the nickel market

LME nickel prices reached new records in 2007, although with two very contrasting half-years. They rose sharply at the beginning of the year to a record of US\$54,200/ton or US\$24.585/lb on May 16, 2007. Then after the intervention of market authorities looking to ease the constraints from two parties with long positions, nickel prices underwent a rapid and sharp correction. By August, they had approximately halved from their May peak. The second half was more stable, with prices fluctuating between US\$25,500 and US\$35,000/ton (US\$11.60-15.90/lb) and ending the year at US\$25,805/ton (US\$11.70/lb).

The physical nickel market also had two very contrasting half-years. Stainless steel, the leading market for nickel, had a very robust first six months, with over-production and over-stocking taking place, followed by a sharp adjustment in the second half. Stainless steel production was only up 1.2% over the year.

#### SUMMARY OF NICKEL SUPPLY AND DEMAND

(thousands of tons)	2001	2002	2003	2004	2005	2006	2007
Stainless steel production	18,655	19,835	21,917	23,712	23,929	27,951	28,272
Austenitic stainless steel production	14,343	15,454	17,180	18,243	17,560	21,233	20,136
Primary nickel %	54.1%	56.5%	56.4%	54.3%	52.4%	53.3%	53.4%
Primary nickel in stainless steel, tons	681.6	767.4	842.1	841.5	811.5	892.0	847.3
Nickel - other sectors	415.0	386.8	405.9	415.5	470.2	499.2	530.0
Visible nickel consumption	1,096.6	1,154.2	1,248.0	1,257.0	1,256.1	1,381.1	1,377.3
Nickel supply	1,143.1	1,177.3	1,196.0	1,258.6	1,283.3	1,354.6	1,437.8
Net	46.5	23.2	(52)	1.6	27.1	(26.5)	60.5
Inventory in weeks' consumption (year-end)	12.9	10.5	7.6	7.4	8.8	6.7	10.0

Source: INSG – Producers – Eramet estimates.

## ➤ 6.1.2. Presentation of Eramet's Nickel Division

### 6.1.2.1. Nickel Division key points

- Eramet has a strong and extremely long-standing (1880) presence in New Caledonia.
- Eramet is the world's sixth-largest nickel producer.
- Eramet operates high-quality mines (in terms of both grade and reserves).
- All Eramet's metallurgical production uses ore from its own mines.

China continued to consolidate its leading role: its share of global stainless steel consumption rose from the previous year's 27% to 30%, while its production grew 43.8% to 27% of global output.

China has thus considerably reduced its net stainless steel imports.

The other major phenomenon is the increase in stainless steel grade substitution, in favour of nickel-free ferritic grades, or the low-nickel 200 series grades. Austenitic stainless steels, typically containing 8-10% nickel, have seen their market share plummet from 74% to around 57.6% in six years.

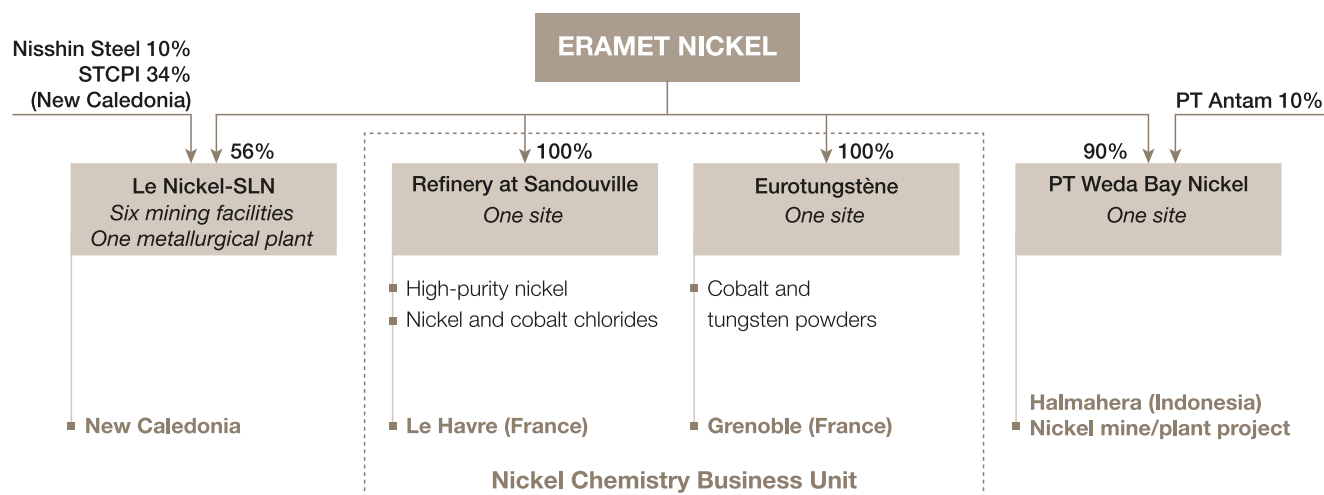
The performance of other nickel consuming sectors has been positive, particularly superalloys for aerospace. Overall, demand remained stable. The nickel supply grew 6.4% to 1,438 thousand tons. This was mainly due to the impact of nickel smelting development in China, which rose from roughly 26 thousand tons in 2006 to around 85 thousand tons in 2007. This production uses blast furnaces converted from smelting to the production of low-grade nickel alloys and electric furnaces and developed against a background of record prices in 2007 using low-grade ore imports. They are not considered very competitive, particularly for operators using very low-grade ore importers (approximately 1% for ore from the Philippines).

There was thus excess supply of around 60,000 tons in the nickel market in 2007. LME inventories rose sharply from 6,594 tons at end-2006 to 47,940 tons a year later.

- Eramet is the global leader in ferronickel, which is used in the stainless steel market.
- Eramet has developed a policy of gradual expansion, made possible by constant process improvements.
- Eramet is currently implementing a production capacity expansion at Doniambo (approximately 20% in a period of less than four years).
- Since 2006, Eramet has owned the world-class nickel deposit, Weda Bay Nickel, at Halmahera in Indonesia, enabling it over time to double its scale in nickel (capital expenditure decision planned for 2009).

## 6.1.2.2. Nickel Division structure

### ORGANISATIONAL STRUCTURE ON DECEMBER 31, 2007



Eramet Nickel, the Group's Nickel Division, is now split into four companies: Le Nickel-SLN, Eramet, Eurotungstène and Weda Bay Minerals Inc.:

#### Le Nickel-SLN

Le-Nickel-SLN, founded in 1880, has been mining nickel deposits continuously in New Caledonia for over 120 years. It now operates mines and a metallurgical plant in New Caledonia.

#### Weda Bay Minerals Inc.

On May 2, 2006, Eramet acquired Weda Bay Minerals Inc., listed on the Toronto stock exchange and owning the world-class Weda Bay nickel deposit at Halmahera in Indonesia. This deposit is 10% part-owned by the Indonesian company PT Antam. Eramet has undertaken the studies with a view to building a mine and a plant using the hydrometallurgical process developed by the Group at its research centre. Production is scheduled to begin in 2013.

#### Eramet

Eramet owns and operates a nickel refinery in Sandouville, mainland France, and markets all the Nickel Division's products except for ore sales, which are managed by Le Nickel-SLN. In addition, Eramet provides technical support for Le Nickel-SLN in several areas, particularly purchasing management, research, engineering, legal and financial.

Eramet is thus both the majority shareholder and the industrial and commercial operator of Le Nickel-SLN.

Le Nickel-SLN sells all metallurgical production at Doniambo to Eramet. The sale price of the ferronickel sold to Eramet depends on the average price at which Eramet sells to its customers, minus marketing costs and a mark-up for Eramet. The sale price of matte depends on Eramet's average selling price to its customers for Sandouville's products after deducting marketing costs and refining expenses.

Le Nickel-SLN is 56% owned by Eramet, 34% by STCPI (Société Territoriale Calédonienne de Participation Industrielle, which is jointly owned by the three Provinces of New Caledonia) and 10% by Nisshin Steel (Japan), as a result of the following transactions:

**1991:** Eramet entered into a long-term cooperation agreement with Japanese stainless steel producer Nisshin Steel, resulting in:

- Nisshin Steel's acquisition of a stake in Le Nickel-SLN: the initial 5% stake (resulting from a reserved capital increase) was increased to 6% in 1992, 8% in 1993 and reached its definitive 10% level at the end of 1994 following sales of shares by Eramet;
- the signing of a contract for the Eramet Group to supply ferronickel to Nisshin Steel. The agreement, which was entered into in 1991 and renewed in 2001, provides for ferronickel shipments over several years. This is being renegotiated for the period up to 2017.

**1999:** In parallel to the S.I.M.A. share contribution transaction, the Eramet Group restructured the capital of Le Nickel-SLN, resulting in a 30% stake for STCPI, a special purpose New Caledonian state-owned entity. STCPI simultaneously received a 5.1% stake in Eramet's share capital.

**2006:** In December, STCPI exercised a call option enabling it to increase its stake in Le Nickel-SLN to 34%. The transaction took place on July 23, 2007 via the swapping of Eramet/SLN stock, with STCPI only holding 4.1% of Eramet's share capital.

#### Eurotungstène

Since August 21, 2003 Eramet has wholly owned Eurotungstène Poudres S.A., a company based in Grenoble, France (Eramet had held a 51% stake in this company since July 1994).

Eurotungstène Poudres is specialised in the production of extra-fine cobalt powders and tungsten powders. These products are used, in particular, to make hardened carbides for machining metal and for diamond tools used to cut stones and building materials.

The research work done by the company over a number of years has led to the development of new product lines (Next® and Keen® polymetal powder ranges). These new products, in which cobalt is partly replaced by cheaper metals, have specific properties that drive their growth at the expense of conventional cobalt binders.

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Eurotungstène can source its cobalt from cobalt chloride supplied by Eramet's Sandouville plant.

**MINES AND INDUSTRIAL FACILITIES**

The Group is an integrated nickel producer from mining to product marketing.

It has undertaken a capital expenditure programme designed to expand production capacity at Doniambo by around 20% in under four years.

**Nickel mines**

The Nickel Division mines located in New Caledonia benefit from:

- extensive garnierite reserves;
- high nickel content (average 2.8%) after beneficiation;
- in-depth knowledge of the geology and mining methods developed by Le Nickel-SLN;
- environmentally friendly mining techniques.

The Group has furthermore developed its own process for beneficiating New Caledonian oxide ores. This technology was first implemented at the Népoui beneficiation plant and then adapted to make best use of the Tiébaghi deposit.

**Nickel ore reserves**

See Section 11.2.3.

**Operation of nickel mines**

Le Nickel-SLN's oxide ore deposits (garnierite) are opencast-mined. They are generally located at altitudes of 500–1,000 metres. Le Nickel-SLN currently has six working mines.

Five are directly operated by the company:

- Thio, operated since 1875;
- Kouaoua, operated since 1960, reopened in 1977;
- Népoui Kopéto, operated from 1970 to 1982, reopened in 1994;

Nickel-SLN's total mining output for the past three years was as follows:

<i>(in thousands of wet tons)</i>	2007	2006	2005
Direct production	2,885	2,344	2,546
Sub-contracted production	766	695	492
<b>Total</b>	<b>3,651</b>	<b>3,039</b>	<b>3,038</b>
Laterites bought from contractors	359	350	399

**Doniambo metallurgical plant**

The Doniambo plant produces directly marketable ferronickel (approx. 80% of its output) and nickel matte (20% of output), which is used in its entirety by the Sandouville plant.

The ore received from mines is standardised and then dried. It is then calcined in five rotary furnaces after addition of a reducing agent. The following stage involves melting the ore in three Demag electric furnaces. The resulting product is converted, either into marketable ferronickel (SLN 25) by ladle refining and then granulating, or into nickel matte through the addition of sulphur and refining in a Bessemer furnace.

• Tiébaghi, operated since 1997. The Tiébaghi mine's capacity should be 1.2 million wet tons by 2009;

• Poum: the mine opened at end-2007. It is currently undergoing preparatory work with outsourced and SLN teams.

The sixth mine, Étoile du Nord, has been operated since 1988 by a subcontractor, Société Minière Georges Montagnat. This operation is to end in 2008.

The Tiébaghi's mine's capacity was gradually increased in 2004 and 2005 to 1.2 million wet tons. In addition, Le Nickel-SLN owns the Poum deposit following the exchange of mining licences under the February 1998 agreement with the French State.

Le Nickel-SLN has tremendous experience in mining deposits in New Caledonia. Deposits are defined by geological, geochemical and geophysical surveys and their geological structures are modelled. Extraction is based on the mine's geology and carried out by hydraulic shovels. The ore is transported by trucks with payloads of 50 to 100 tons, depending on the model.

The mine's output is mostly sent to the Doniambo plant. The output is carried from the mine to the coast either by truck, or at Kouaoua, by an 11 kilometre-long conveyor, or at Népoui or Tiébaghi in the form of slurry. At the port, the ore is stored and standardised before it is loaded onto ships for transfer to the Doniambo plant.

Mining techniques factor in environmental requirements, with tailings stored in stabilised heaps, control of water run-off and revegetation/restoration.

**Népoui and Tiébaghi beneficiation plants**

In Népoui, ore is sent hydraulically through a seven-kilometre pipeline to the beneficiation plant. The plant was opened in 1994 and uses innovative technology based on sorting by particle size and density to increase ore grades. This enables a broader part of the deposit (including lower-grade ores) to be exploited, thus extending the lifespan of the reserves. This process has been adapted to process the ore from the Tiébaghi mine, where the new beneficiation plant will ramp up in 2008.

The Doniambo plant is one of the world's two largest ferronickel production units and sustained capital expenditure has enabled the technology and equipment used there to steadily evolve. Its close proximity to the port at Nouméa also gives the plant the benefit of direct access for cargo ships and ore carriers.

Major production equipment modernisation programme for Doniambo is in progress. Accordingly in 2007 two calcination furnaces were renovated and the rebuilding of an electric furnace is planned for 2008.

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**METALLURGICAL PRODUCTION (FERRONICKEL  
+ MATTE) AT THE DONIAMBO PLANT** *(in tons of nickel content)*

1994	50,129
1995	52,343
1996	53,413
1997	54,892
1998	56,502
1999	56,642
2000	57,463
2001	58,973
2002	59,867
2003	61,523
2004	55,180
2005	59,576
2006	62,383
<b>2007</b>	<b>59,796</b>

**Sandouville refinery**

The Sandouville-Le Havre refinery uses a high-performance hydrometallurgical process that was specially developed by Eramet's research teams. The 75% nickel matte used is completely sourced from Le Nickel-SLN's metallurgical plant in Doniambo, New Caledonia.

The matte is crushed and then corroded by an iron chloride solution using chlorine. Several successive extraction stages in mixer-settlers allow iron and cobalt to be separated out in the form of iron chloride and cobalt chloride, respectively. The various remaining impurities are then removed. The resulting nickel chloride is mostly processed by electrolysis. The very pure nickel cathode obtained is usually cut up and put into drums. The Sandouville refinery has undertaken a policy of making high value-added products for various applications such as electronics and chemicals.

The refinery makes high-purity nickel (over 99.97% nickel content) in metal form (sheet nickel), as well as nickel chloride, cobalt chloride and iron chloride.

**NICKEL DIVISION MARKETING POLICY AND PRODUCTS**

The Group has a global sales network, Eramet International, that markets most of its nickel. Ore is sold directly by Le Nickel-SLN.

The Group is active in all the major nickel consumption markets. The geographic breakdown of sales excluding Eurotungstène is as follows:

<i>(in % terms)</i>	2007	2006	2005	2004
European area*	46	42*	35	31
Americas	7	7	4	4
Asia and other regions	47	51	61	65
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* From 2006, eurozone. Prior to 2006, Western Europe excluding France.

The Nickel Division's sales strategy is based on a range of high value-added products that have been developed specifically to meet the technical needs of their users. The Group has leading global positions in its main products.

The Group provides its customers with significant technical support to help them derive maximum benefit from its products in their own production processes. Eramet has long-term partnerships with its customers. Ferronickel sales are usually covered by multi-year contracts with specific tonnage commitments.

Selling prices are determined with reference to LME nickel prices, to which significant "premiums" are added to reflect the value in use of these products. Premiums are reviewed annually or quarterly.

**Ferronickel: world's largest producer**

The Group's entire ferronickel production is sold to stainless steel producers. Ferronickel is a (23%-30%) nickel and iron alloy. Ferronickel SLN 25 provides stainless steel producers not only with nickel, but also with top quality iron. Steelmakers can use ferronickel in shot form in a converter to achieve substantial productivity gains. The Group is the world's largest ferronickel producer; most major stainless steel producers are Group customers.

The Group has entered into medium or long-term contracts with some Japanese and European customers that provide for volume commitments subject to periodic price reviews. These contracts guarantee Eramet relatively regular shipments. They account for the bulk of the Group's ferronickel shipments.

**Pure nickel and related products: one of only three high-purity nickel producers worldwide**

- Nickel Metal (HP Nickel): nickel cathodes are mainly sold to nickel alloy manufacturers (superalloys for aerospace and nuclear power, iron-nickel alloys for electronics, etc.) and nickel electroplating workshops;
- Nickel chloride (SELNIC): Eramet is the world's leading producer of nickel chloride, which is used in electroplating and in the chemicals industry (catalysts);
- Cobalt chloride: used in the tyre and chemicals industries (catalysts) and by Eurotungstène, Eramet's subsidiary.

**Ore**

Ore is mainly sold to ferronickel producers in Japan and to BHP Billiton in Australia.

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### NICKEL DIVISION RESEARCH AND DEVELOPMENT POLICY

The Nickel Division's research and development policy has brought about major developments over the past 30 years. The Group has its own research facilities in the Trappes Research Centre (see Chapter 11 – Research and development).

R&D work has led to the following developments:

- the hydrometallurgical process at the Sandouville plant in 1976;
- ferronickel shot in 1978;
- ore beneficiation processes for the Népoui (1991) and, soon, Tiébaghi (2008) plants;
- mining geology techniques.

### NICKEL DIVISION RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Restated operating profit\* / Capital employed\*\*

\* Operating profit – amortisation of goodwill net of impairment tests.

\*\* The Division's shareholders' equity, plus net borrowings, plus the Poup / Koniambo mining indemnity, plus provisions for major lawsuits, redundancy plans and restructuring, less non-current financial assets and excluding the Weda Bay investments.

#### Nickel ROCE

%	1991 <sup>(1)</sup>	2000	2001	2002	2003	2004*	2005*	2006*	2007*
Nickel	14	47	15	28	64.2	93.5	58.6	79.7	119.6

(1) 1999: calculated using pro forma operating profit and capital employed as at year-end.

\* IFRS.

### 6.1.2.3. The Nickel Division in 2007

#### KEY FIGURES

(IFRS, millions of euros)	2007	2006	2005
Sales	1,290	1,019	774
Current operating profit	693	388	243
Net cash flows from operating activities*	556	317	321
Capital employed*	703	580	487
Capital expenditure	135	125	68
Average workforce	2,875	2,668	2,551

(\*) Excluding Weda Bay capital expenditure (restated 2006 data).

#### COMMENTARY

Eramet Nickel benefited from record prices and results in 2007, enabling it to prepare the ground for a new phase in its development by stepping up capital expenditure, which rose to €135 million in 2007, or by 8% compared to 2006.

Sales soared 27% on 2006 to €1,290 million. Current operating profit was up 79% on 2006 at €693 million, representing an operating margin of 54%. The net cash flows from operating activities rose 76% to €556 million, partly held back by rebuilding of inventories of finished products.

LME nickel prices recorded an average of US\$37,240/ton (US\$16.90/lb) in 2007, peaking at a record of US\$54,200/ton or US\$24.60/lb on May 16, 2007.

Furthermore, the process improvements obtained through research and development have enabled the capacity of the three Demag furnaces to be expanded gradually and reliably with production rising from 40,000 tons in 1990 to 61,500 tons in 2003. The expansion programme underway is targeting capacity expansion of around 20% for what is modest capital expenditure in the nickel industry.

More recently, the group passed another major milestone in its development by establishing its own hydrometallurgical process for laterites. This will be applied industrially in the Weda Bay deposit, and could also be introduced for other deposits over time, particularly in New Caledonia.

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In 2007, Eramet's Nickel shipments fell 14.9% compared to 2006, to 55.1 thousand tons. Apart from market conditions, this partly reflected a reduction in metallurgical production, to 59.8 thousand tons compared to 62.4 thousand in 2006, and partly a need to rebuild inventories, which had been excessively reduced at end-2006 due to the long strike in the final quarter. Lastly, Eramet Nickel is preparing for the decommissioning of one its three electronic furnaces at Doniambo by increasing its inventories of saleable products in order to smooth sales.

Metallurgical production was restricted in 2007 due mainly to the delayed impact of the New Caledonia strike on ore content and on the renovation work on the two ore calcination furnaces. This work, which takes place every 15 to 20 years, has enabled the modernisation of the equipment, in particular with regard to environmental protection in the context of the "Doniambo propre" project.

An important milestone in the development of Le Nickel-SLN will be reached with the construction of the new ore beneficiation plant at Tiébaghi and its full coming on stream. This should enable optimal use of the deposit from a sustainable development perspective while increasing nickel output capacity by around 3,000 tons. However, a technical failure in the thickening vessel delayed the complete ramp up of the new plant, which should take place in 2008.

Eramet Nickel is continuing with its strategic capital investment to plan for the future in New Caledonia. For that reason studies have been undertaken regarding the construction of a new coal plant using circulating fluidised bed technology to replace the current very old fuel oil station. This plant should both strengthen Eramet Nickel's competitiveness and considerably reduce the site's environmental impact. The findings of these studies will be submitted for discussion by the Boards of Directors of SLN and Eramet at end-2008.

In addition, Eramet Nickel's Sandouville plant has achieved record output levels, helping to diversify into markets outside stainless steel.

Eramet Nickel has continued its development studies for the Weda Bay project in Indonesia. This project has moved forward in line with the planned schedule. Important milestones have been reached, in particular with the piloting of the new hydrometallurgical process developed by the Group for the Weda Bay ore, the confirmation of the level of resources with over four million tons of nickel content and the selection of Technip as the engineering firm for the design studies. Over time, the target is for 60,000 tons output, or almost double the Division's scale in nickel and the establishment of a second geographical base. Production is scheduled to begin in 2013 (capital expenditure decision expected in 2009).

The metallurgical process developed at the Eramet Group's research centre is wholly suited to optimal use of the New Caledonia oxide ores that cannot be economically processed pyrometallurgically at the Doniambo plant.

Talks have begun with the New Caledonia authorities to examine the conditions in which this ore could be exploited by SLN.

2007 was an important year for strengthening the relationship between SLN and New Caledonia. In fact, STCPI has increased its interest in SLN's capital from 30% to 34%, pursuant to the option granted to it in the September 2000 shareholder agreement.

#### STCPI'S EXERCISE OF THE CALL OPTION ON LE NICKEL-SLN SHARES

See Section 4.2.2.

## 6.2. THE MANGANESE DIVISION

### 6.2.1. The manganese market

#### 6.2.1.1. Manganese demand

##### 6.2.1.1.1. MAIN APPLICATIONS

###### Steel

Over 90% of manganese worldwide is used in steel production. All steelmakers use manganese in their production processes; on average, 6-7 kg of manganese are used per ton of steel. Manganese represents a very small portion of the cost of steelmaking.

Manganese is mainly used in steel as an alloying element to improve hardness, abrasion resistance, elasticity and surface condition when rolled. It is also used for deoxidation/desulphurisation in the manufacturing process. It is consumed in the form of manganese alloys (ferromanganese, silicomanganese).

###### Other applications

- rechargeable and disposable batteries: this mainly involves disposable alkaline batteries. A smaller percentage continues to be used in saline batteries, which are less efficient. Manganese derivatives are also used in rechargeable lithium batteries;
- ferrites: used in electronic circuits;
- agriculture: fertiliser and animal food;
- various chemicals: pigments, fine chemicals;
- other metallurgical uses: mainly as a hardening agent for aluminium (beverage cans).

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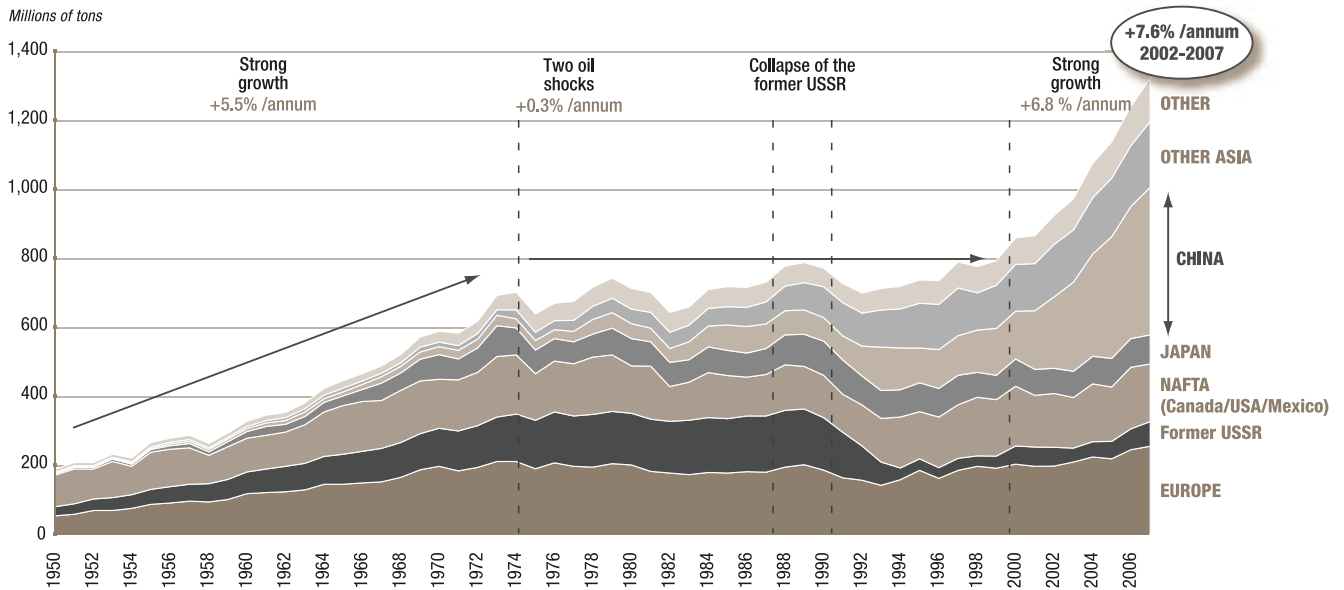
6.2.1.1.2. HISTORICAL CONSUMPTION TRENDS, OUTLOOK

Manganese demand is primarily influenced by trends in global carbon steel production. This market had long been considered stagnant or slow growing.

Since 1998, there has been strong growth in average global carbon steel consumption. This is due to the end of the downturn in steel consumption by the former soviet bloc, the slight upturn in demand in traditional regions and, above all, sharp growth in Chinese demand.

From 2002 to 2007, global demand grew by close to 7% annually, mainly driven by growth in Chinese demand, of almost 15% per annum.

VISIBLE CARBON STEEL CONSUMPTION BY GEOGRAPHIC REGION\*



\* 2007: estimates.  
Source: Eramet and International Iron and Steel Institute (IISI).

GLOBAL CARBON STEEL PRODUCTION BY GEOGRAPHIC REGION

(millions of tons)	2005	%	2006	%	2007	%
Europe (27)	195.5	17.1%	206.9	16.5%	210.1	15.6%
Former USSR	113.2	9.9%	119.8	9.6%	124.2	9.3%
NAFTA (Canada/USA/Mexico)	126.4	11.0%	130.3	10.4%	131.5	9.8%
JAPAN	112.5	9.8%	116.2	9.3%	120.2	9.0%
CHINA	355.8	31.0%	423.7	33.9%	487.6	36.3%
INDIA	45.8	4.0%	49.5	4.0%	53.1	4.0%
OTHER ASIA & OCEANIA	92.6	8.1%	96.1	7.7%	100.8	7.5%
OTHER	104.7	9.1%	108.7	8.7%	115.2	8.6%
<b>TOTAL</b>	<b>1,146.5</b>	<b>100.0%</b>	<b>1,251.2</b>	<b>100.0%</b>	<b>1,342.7</b>	<b>100.0%</b>

Source: International Iron and Steel Institute (IISI).

6.2.1.2. Manganese supply

MANGANESE ORE

Global ore production in 2007 was measured at 12.3 million tons of manganese content. Ore is mainly produced in eight countries: China, South Africa, Australia, Gabon, Brazil, Ukraine, India and Ghana.

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**MANGANESE ORE PRODUCTION IN 2007***(in thousands of metric tons of Mn content)*

China*	3,182
South Africa	2,098
Australia	2,201
Gabon	1,532
Brazil	849
Ukraine*	766
India*	489
Ghana*	350
Kazakhstan*	365
Mexico*	122
Georgia*	135
Vietnam*	42
Other*	158
Worldwide	12,289

\* Low grade ore.

Sources: International Manganese Institute and Eramet estimates.

The main manganese ore producers are BHP Billiton, Comilog (Eramet), VALE (CVRD) and Assmang.

**MANGANESE ALLOYS**

Manganese alloys are produced by reducing manganese ores at temperatures of approximately 1,600°C. This process is carried out by adding coke to one of two types of furnace:

- ⊕ electric furnaces: the most widely used process in the world today. Producers' relative competitiveness largely depends on the availability and cost of their electricity supply;
- ⊕ blast furnaces: most producers using this process are based in China, because of the local availability of coke. Outside China, blast furnaces are exclusively located in Japan and Eastern Europe.

There are three product families:

- ⊕ high carbon ferromanganese (HC FeMn): containing 65-79% manganese and 6-8% carbon, HC FeMn can be produced by two types of process, electric furnaces or blast furnaces;
- ⊕ silicomanganese (SiMn): with 60-77% manganese, SiMn can only be made in an electric furnace, using either ferromanganese slag or ore;
- ⊕ refined ferromanganese (MC FeMn, etc.). This higher value-added product contains less carbon. It is mainly produced by transferring molten HC FeMn alloy to an oxygen converter, which reduces the carbon content to the desired level. A distinction is made between medium carbon ferromanganese (1.5% carbon) and low-carbon ferromanganese (0.5% carbon). These products are especially used to make flat steel products and special steels.

**ERAMET MANGANESE IS THE WORLD'S LEADING PRODUCER OF REFINED ALLOYS****BREAKDOWN OF GLOBAL MANGANESE ALLOY PRODUCTION IN 2007**

Silicomanganese:	60%
High carbon ferromanganese:	30%
Refined ferromanganese:	10%

Source: Eramet estimates.

**GLOBAL MANGANESE ALLOY PRODUCTION IN 2007***(in thousands of tons of alloys)*

Europe	1,334
CIS	1,884
North America	235
China	6,098
Other Asia and Oceania	1,931
Other	1,582
<b>Globally</b>	<b>13,064</b>

Source: Eramet estimates.

The manganese alloy industry is highly fragmented. Producers are located in a large number of countries, although China seems dominant. There are no major technological barriers for high carbon ferromanganese and silicomanganese, which are standard products. The industry's capital expenditure levels are low, particularly in China.

**6.2.1.3. Manganese prices****MANGANESE ALLOYS**

There is no futures market for manganese alloys. Prices are agreed directly between producers and customers. For scheduled sales, alloy prices are often agreed on a quarterly basis. Non-scheduled sales are agreed on the basis of spot prices.

The manganese market is above all global and highly competitive. However, prices can sometimes vary between geographic regions (Europe, North America, Asia) because of movements in currency rates or out-of-step economic cycles. These differences are usually only temporary.

Furthermore, the positions of the various alloy groups also vary because of their relative values in use. In particular, refined alloys have higher selling prices than standard alloys.

Outside Europe, manganese alloy prices are mostly denominated in US dollars. In Europe, they are mainly traded in euros. Prices are stated per gross ton of alloy and not per manganese content. However, product quality, particularly manganese content, is taken into account when negotiating.

There are several specialised publications for the metals market that track manganese price trends through monthly spot price surveys. The graph below is based on data published in the CRU (London).

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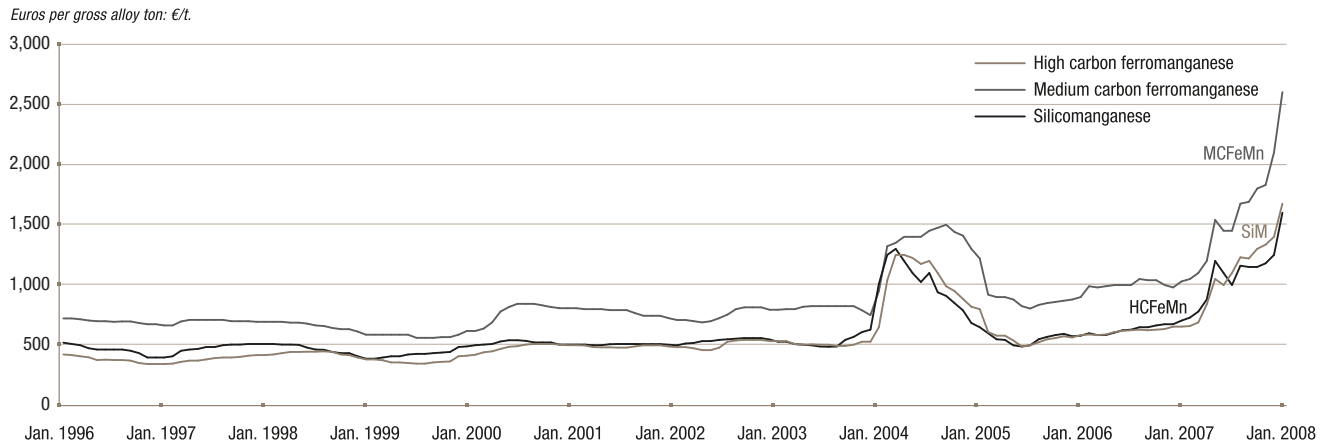
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**MANGANESE ALLOY PRICES IN EUROPE**

(euros per gross alloy ton: €/t.)



Source: CRU.

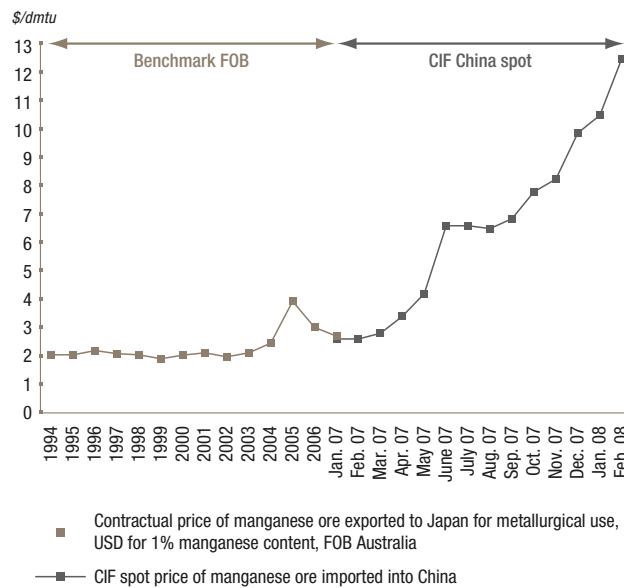
Manganese alloy prices are historically less volatile than those of LME-listed metals.

**MANGANESE ORE PRICES**

The selling price of manganese ore, as with alloys, is agreed directly between sellers and buyers. They are typically stated in USD / dmtu (dry metric ton unit) A dmtu corresponds to 10 kg of manganese content. The price of a dmtu is higher for rich ores and also depends on the granulosity and the presence or absence of impurities.

The graph below shows the historical trend in manganese ore prices agreed annually between BHP Billiton and Japanese customers (source: specialised Japanese publications), serving as the main point of reference on the global ore market. Given the growing importance of the Chinese market, which acts like a spot market, we more recently added the Chinese manganese ore spot price curve.

**CONTRACT PRICE FOR MANGANESE ORE EXPORTED TO JAPAN FOR METALLURGICAL USE AND CIF SPOT PRICE OF MANGANESE ORE IMPORTED INTO CHINA**



Source: CRU.

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#### 6.2.1.4. Recent market conditions

After long years of slow growth, global steel production has been accelerating since 2000, with annual average growth of 7%.

This has resulted in considerable structural manganese demand that fed through into an initial manganese price peak in 2004 for both alloys and ore.

The response on the supply side was swift and since 2005 prices have fallen back to their historical average.

Global carbon steel production rose 9.1% in 2006 and 7.3% in 2007, resulting in an upturn in prices that accelerated in the second half of 2007, achieving record levels.

Manganese ore supply is faced with certain logistical bottlenecks in the railways and ports of certain large producer countries like South Africa. Few large capital expenditure projects have been announced to meet rapid demand growth. However, high prices are likely to boost the output of the smaller producers exploiting low-grade ore.

In manganese alloy production, apart from logistical constraints, higher energy bills such as for electricity and coke are adding to the ore costs and thereby contributing to price increases. In addition, in China, where most new capacity has been built in recent years, a new policy has been introduced designed to limit exports of a certain number of metallurgical products, including manganese alloys. This has resulted in successive increases in export duties. The effect of these measures was, however, relatively limited in 2007.

### ➤ 6.2.2. Presentation of Eramet's Manganese Division

#### 6.2.2.1. Manganese Division key points

The Group is the world's second-largest producer of high-grade manganese ore and alloys, and the leading global producer of manganese chemical derivatives. It benefits from a long-standing presence in Gabon with high-quality mines (grades and reserves).

The Group undertook a programme to expand manganese ore production capacity with the goal of increasing it to 3 million tons in 2006, and to 3.5 million tons in 2008.

#### 6.2.2.2. Manganese Division history

**1957:** Founding of Comilog.

**1962:** Mining of the Moanda deposit begins in Gabon.

**1986:** Start-up of the TransGabonais railway allowing the transportation of ore from the Moanda mine to the port at Owendo near Libreville.

**1991-1994:** Comilog acquires Sadacem (manganese chemistry), SFPO (ferromanganese production by blast furnace in Boulogne-sur-Mer, France) and DEM (production of alloys by electric furnace in Dunkirk, France).

**1995:** Comilog acquires the Guangxi and Shaoxing manganese alloy plants (China).

**1996-1997:** Eramet becomes Comilog's main shareholder.

**1999:** Eramet acquires the Elkem group's manganese business, which are merged into Eramet Manganese Alliages.

**2000:** - Acquisition of the Mexican company Sulfamex, which produces manganese-based agrochemicals.

- Opening of the Moanda industrial complex (Gabon), a new manganese ore beneficiation and sintering plant, which enhances Comilog's product range and extends the lifespan of its reserves.

**2001:** Closure of a ferromanganese blast furnace in Boulogne-sur-Mer and a silicomanganese electric furnace in Italy.

**2002:** Acquisition of the Guilin manganese alloy plant (China).

**2003:** Implementation of a restructuring programme in the Manganese Division:

- closure of the Boulogne-sur-Mer ferromanganese plant and the Shaoxing (China) manganese alloy plant. Workforce reductions at most other Eramet Manganese sites;
- disposal by Comilog of Sadaci (molybdenum roasting) and the carbon black business, both based in Belgium;
- provisional management contract for the TransGabonais train granted to Comilog by the Gabonese government.

**2004:** Launch of a capital expenditure programme for a 50% expansion in manganese ore production at Comilog in Moanda to 3 million tons.

Launch of a capital expenditure programme in China for a new manganese derivatives plant to serve the alkaline battery market.

Effective July 1, 2004, the Group acquired the 30% and 7% stakes held by Cogema (AREVA group) in Eramet Manganese Alliages and Comilog, respectively. Following this transaction, the business activities of Eramet Manganese Alliages were split into two companies: Eramet Norway and Marietta.

**2005:** Decision to expand Comilog's ore production capacity to 3.5 million tons by 2008. Eramet bolsters its oil catalyst recycling business through two capital expenditure programmes at its Gulf Chemical and Metallurgical Corporation (GCMC) subsidiary: acquisition of a 100% stake in Bear Metallurgical and commencement of the construction of a new oil catalyst recycling unit in Canada.

In November 2005, Eramet was granted the concession to operate the TransGabonais railway for 30 years.

**2006:** Comilog production successfully increased to 3 Mt.

**2007:** In January, the Chongzuo (China) plant started producing Manganese chemical derivatives for the alkaline battery market.

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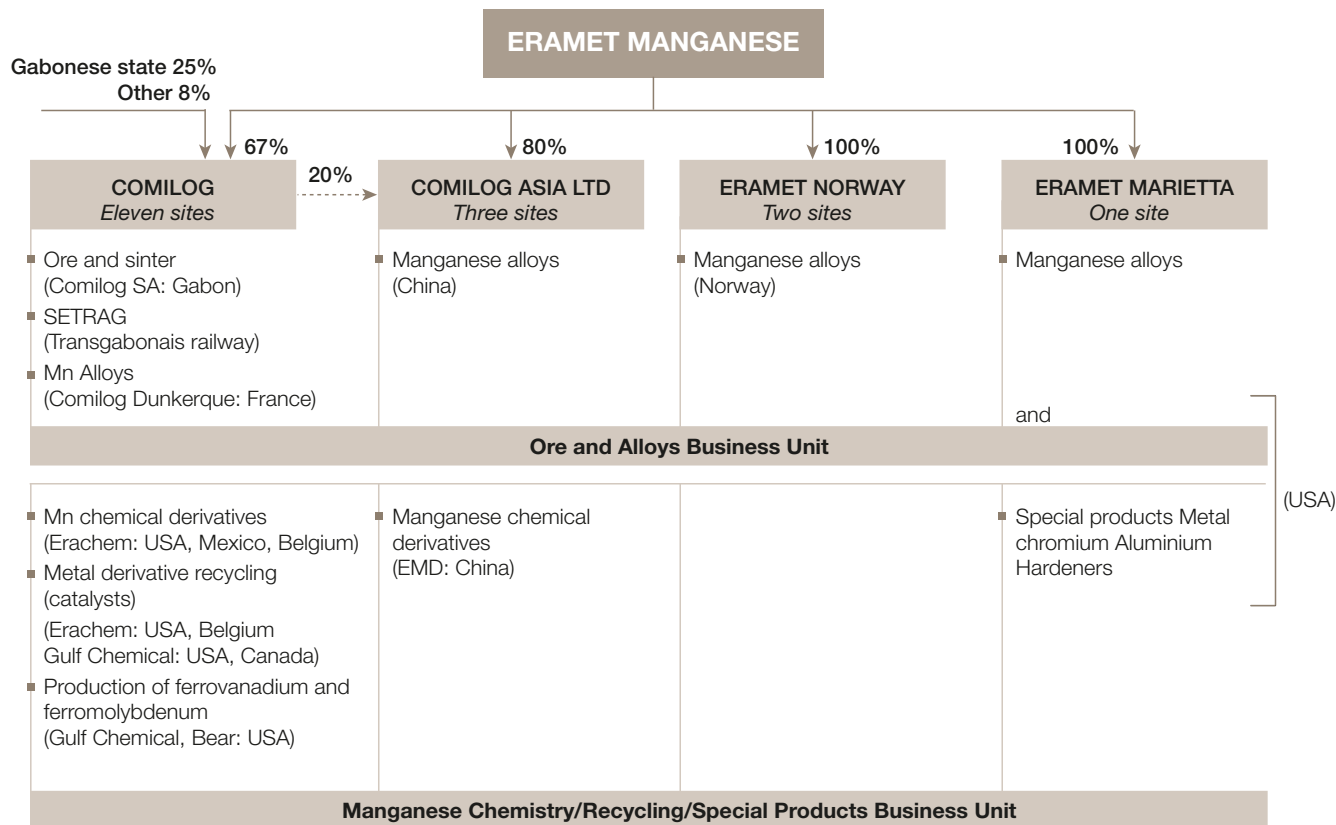
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### 6.2.2.3. Manganese Division structure

#### 6.2.2.3.1. ORGANISATIONAL STRUCTURE ON DECEMBER 31, 2007

Eramet Manganese, the Group's Manganese Division, is now organised into four main companies.



\* Of which 7.04% of Formang is owned by Mr. Romain Zaleski's group. (see Section 21.1.5.) – Last known share capital distribution).

- Comilog is a company operating under Gabonese law and 67% owned by Eramet. Its business activities include:
  - operation of the Moanda Manganese mine and sintering plant;
  - operation of SETRAG (TransGabonais railway);
  - production of manganese alloys in Dunkirk (France);
  - production of manganese-based chemical derivatives;
  - recycling of metals contained in oil catalysts and electronic industry products (copper);
  - production of ferrovandium and ferromolybdenum;
- Comilog Asia has the two manganese alloy plants at Guilin and Guangxi, as well as the manganese chemical derivatives plant at Chongzuo;
- Eramet Norway has two Norwegian alloy plants in Porsgrunn and Sauda;
- Eramet Marietta (USA) produces manganese alloys, manganese-based hardeners for the aluminium industry and high-purity chromium.

#### 6.2.2.3.2. ORE AND ALLOYS BUSINESS UNIT

##### The Moanda mine and sintering plant

The Moanda mine exploits one of the world's richest manganese ore deposits. The ore's manganese content varies from 44% to 52% and averages approximately 47%. Ore reserves are discussed in Section 4.5.

The mine is opencast. The 4-5 metre-thick layer of overburden covering the ore is extracted by draglines. The run-of-mine ore is extracted using hydraulic shovels and loaded onto 110-ton trucks. The ore is processed at the beneficiation plant. The beneficiated ore is subsequently transferred to Moanda railway station by conveyor.

Non-marketable ore fines were previously stored in heaps but are now dispatched to the Moanda industrial complex. There they go through dense medium beneficiation, which increases their content from 43% to 52%. This concentrate is then mixed with coke and sintered in a furnace at 1,300 degrees Celsius to obtain a product containing approximately 58% manganese. This is transferred by conveyor to Moanda railway station, where it is loaded onto wagons. The sintering plant has an annual production capacity of 600,000 tons.

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The TransGabonais railway runs from Franceville to Libreville over a distance of some 600 kilometres. In addition to Comilog's manganese ore, it carries wood and miscellaneous goods and transports passengers. Comilog has its own locomotives and wagons.

Furthermore, in May 2003, Comilog was provisionally granted the right to manage the TransGabonais by the Gabonese government, after the operator was stripped of its concession. This made it possible to considerably improve maintenance and traffic reliability, enabling higher quantities of manganese ore to be shipped.

In February 2004, the Gabonese government extended the management contract for a period of 18 months.

Finally, from November 2005 Comilog was granted the concession to operate the TransGabonais railway for 30 years. This enables it to secure its logistics and ship fast-growing amounts of ore.

Comilog has its own ore port, Owendo, with storage capacity that equates to some three months' production. The port can take in 60,000-ton ships and load them in three days.

### Manganese alloy production

The Group is the world's second-largest producer of manganese alloys and the leading global producer of refined alloys, high value-added products. Eramet, with six manganese alloy plants, is the only alloy maker with plants in all three main consuming regions (Europe, United States and Asia), which allows it to offer better customer service and further protects it from foreign exchange rate and market fluctuations.

The Group produces a very wide range of alloys: high-carbon ferromanganese, silicomanganese, medium and low-carbon ferromanganese, and low-carbon silicomanganese. The Group has its own plants in China, the fastest growing market. Eramet Manganese is gradually increasing the share of refined alloys in its production.

### PRODUCTION OF MANGANESE ALLOYS FOR THE STEEL INDUSTRY

(thousands of tons)	2007	2006	2005	2004	2003	2002
High-carbon ferromanganese (including China)	299	279	290	295	402	370
Silicomanganese	191	201	185	202	225	224
Refined alloys (medium and low-carbon FeMn)	270	271	252	233	247	205
<b>Total Mn alloy production</b>	<b>760</b>	<b>751</b>	<b>727</b>	<b>730</b>	<b>874</b>	<b>799</b>

### MANGANESE ALLOY PRODUCTION SITES

Site	Country	Production capacity	Furnace type	Products
Dunkirk	France	70 kt	Electric	SiMn
Sauda	Norway	180 kt	Electric	HC, MC, LC FeMn, SiMn
Porsgrunn	Norway	150 kt	Electric	HC, MC, LC FeMn, SiMn, LC SiMn
Marietta	United States	180 kt	Electric	HC, MC, LC FeMn, SiMn
Guangxi Prov.	China	95 kt	Blast	HC FeMn
Guilin	China	140 kt	Blast and electric	HC FeMn, SiMn

In Europe, two alloy plants are located in Norway, where they benefit from competitive electricity supply prices under long-term contracts. A third unit is in Dunkirk, France.

In China, the Guilin and Shaoxing plants are both located in Guangxi province, close to local manganese mines, which enables them to optimise their ore supply between Comilog and local sources.

In the USA, Eramet Marietta is the main manganese alloy producer.

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**6.2.2.3.3. MANGANESE CHEMISTRY/RECYCLING/SPECIAL PRODUCTS BUSINESS UNIT****Manganese chemistry business**

The Group is the global leader in manganese chemical derivatives. The manganese chemistry business is grouped together in Erachem Comilog and comprises five plants:

Location	Products
Terre (Belgium)	Manganese salts and oxides
Baltimore (USA)	Manganese salts and oxides
New Johnsonville (USA)	Electrolytic manganese dioxide (or "EMD")
Tampico (Mexico)	Manganese sulphate and oxide
Chongzuo (Guangxi Province) (China)	EMD (electrolytic manganese dioxide)

The main markets targeted by manganese chemical derivatives are:

- ✚ portable energy (rechargeable and disposable batteries);
- ✚ ferrites (electronics industry);
- ✚ agriculture (fertiliser and animal feed);
- ✚ fine chemistry.

**Recycling business**

This is currently carried on at three sites:

Terre (Belgium)	Recycling of copper solutions
Freeport (USA)	Recycling of oil catalysts and recovery of metal content (vanadium, molybdenum, etc.).
Butler (USA)	Ferromolybdenum and ferrovanadium production.
Fort Saskatchewan (Canada) – start-up expected end-April 2008	Oil catalyst recycling

**Manganese Division return on capital employed (ROCE)**

ROCE: Restated operating profit\* / Capital employed\*\*

\* Operating profit – amortisation of goodwill net of impairment tests.

\*\* The Division's shareholders' equity, plus net debt, plus provisions for major lawsuits, redundancy plans and restructuring, less non-current financial assets.

**MANGANESE ROCE**

%	1999 <sup>(1)</sup>	2000	2001	2002	2003 <sup>(2)</sup>	2004 <sup>(2)*</sup>	2005*	2006*	2007*
Manganese	4	11	0	(3)	1.2	77.0	65.6	32.7	75.9

(1) 1999: calculated using pro forma operating profit and capital employed as at year-end.

(2) Excluding provisions for restructuring.

\* IFRS.

**Special products business**

The Marietta plant also makes hardeners for aluminium and is the only producer of electrolytic chromium metal and vacuum-processed low-gas chromium metal in North America. Metal chromium is mainly for the superalloys industry.

Marietta (USA)	Aluminium hardeners, electrolytic and vacuum-processed low-gas chromium metal
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**Manganese Division marketing policy**

Thanks to its industrial network and very broad product range, the Manganese Division is able to provide a comprehensive offering and a flexible response to the various manganese needs of its customers.

The Group has partnerships with its customers and provides important technical support to help them derive maximum benefit from its products in their own production processes. It has a global sales network, Eramet International, that markets most of the Manganese Division's products. In countries where Eramet International does not operate, the Group is represented by agents.

**Extent of the Manganese Division's research and development**

The Group has extensive research and development facilities with the Trappes Research Centre (CRT). These have led, in particular, to the development and implementation of the process at the Moanda (Gabon) manganese fines sintering plant.

Manganese chemistry-related activities are highly dependent on the joint development of new products with customers, particularly in the electronics sector (see Chapter 4.7.).

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## 6.2.2.4. The Manganese Division in 2007

## KEY FIGURES

<i>(IFRS, millions of euros)</i>	2007	2006	2005
Sales	1,473	1,147	1,135
Current operating profit	440	170	264
Net cash flows from operating activities	307	193	184
Capital employed	685	587	528
Capital expenditure	129	122	94
Average workforce	6,503	6,415	5,147

## COMMENTARY

In 2007's very buoyant market, Eramet Manganese's results were sharply up on 2006. Sales were up 28% to €1,473 million. Current operating profit rose by a factor of 2.6 to €440 million, representing a 30% current operating margin. Net cash flows from operating activities thus rose 59% to €307 million, enabling slightly larger capital expenditure to be financed (€129 million compared to €122 million in 2006).

The prices of both manganese alloys and ore accelerated sharply in the second half of 2007. The manganese ore spot price closed the year at close to US\$10/dmtu CIF, while that of standard manganese alloys closed December at around €1200-1300/ton.

This increase took place against a background of rapidly rising demand, with global carbon steel production growing by 7% a year since 2000 and by 7.3% in 2007.

Global manganese ore supply has been limited by the fall in CVRD's production in Brazil and a certain number of logistical bottlenecks at railways, ports, etc. in several large producer countries such as South Africa. In contrast to what happened in 2004 and 2005, therefore, ore supply barely reacted to the price increase. In addition, CIF prices were sharply affected by the explosion in freight charges.

Alloy prices reflected both the strong demand and pressures on ore, the main cost factor in manganese alloy production. The upward trend in energy prices (electricity and coke) also fuelled the rise in production costs. Lastly, the Chinese policy of seeking to limit manganese alloy exports was reflected in increasingly high export duties.

Eramet Manganese's shipments of manganese alloy rose 4.3% to 756,000 tons.

Meanwhile, in Gabon, Comilog continued its production capacity expansion plan for manganese ore and sinter. Sinter itself achieved the 2007 target of 3.3 million tons. The ramp up will be continued in 2008 with the goal being 3.5 million tons output. Eramet Manganese has undertaken studies regarding a possible capacity increase to in excess of 3.5 million tons, to meet customer demand.

The catalyst recycling activity has benefited from the higher molybdenum prices but with stiffer competition. Sales rose 4%.

In Canada, the new catalyst recycling plant has been built against a background of overheating due to the rapid growth of the tar sand sector. It is expected to start operating in April 2008.

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## 6.3. ALLOYS DIVISION

### 6.3.1. Alloys Division businesses

The Alloys Division makes special steels, tool steels, high-speed steels and superalloys and converts them by forging and rolling. It has developed a sizeable business in the specialised field of closed die-forging. This process involves hot-shaping metal with a press or a ram, using specific tooling for every part to be manufactured.

The Group is the global leader in high-speed steels through its Erasteel subsidiary; and the world's second-largest producer of closed die-forged parts and one of the main suppliers of specialised steels for high-technology applications through its Aubert & Duval subsidiary.

### 6.3.2. Alloys Division markets

The materials and products marketed by the Alloys Division have much higher selling prices than carbon steel or even stainless steel. Market volumes are also far smaller.

However, in China, demand for tools containing high-speed steels is growing fast as a result of the country's rapid economic and industrial development (vehicle manufacturing, etc.).

#### ESTIMATED GLOBAL PRODUCTION

Carbon steel	1.3 billion tons
Stainless steel	28.4 million tons
Tool steels	1 million tons
High-speed steels	100,000 tons
Superalloys	60,000 tons

Source: Eramet estimates.

#### 6.3.2.1. High-speed steels

High-speed steels have high carbon content and also contain tungsten, molybdenum, vanadium, chromium and sometimes cobalt. They do not contain nickel. After thermal treatment, high-speed steels are extremely wear-resistant and so are mainly used to make cutting tools.

Long products account for most of the total market and are used to make bits, taps, cutters and trimming cutters and reamers, etc. Flat products are used to make saw blades, cutting disks and industrial knives.

Outside the cutting tools market, there are several other applications for high-speed steels, particularly for shaping metals and parts subject to wear and tear (nozzle needles for injection pumps, etc.).

Western consumption of high-speed steels has been affected by competition from tungsten carbide. Furthermore, in recent years high-speed steel-consuming industries have tended to relocate to countries such as China and, to a lesser extent, Brazil, particularly for less technologically sophisticated applications. The Western high-speed steel market has been in a slightly downward trend since the early 1980s.

#### 6.3.2.2. Tool steels

Tool steels are alloy steels containing approximately 5-15% alloying elements. These are chiefly vanadium, chromium, nickel, tungsten, cobalt and molybdenum.

Tool steels are used to make tools for shaping metals, plastics and glass. The users are generally subcontractors in automotive, domestic appliance and electronics industries, etc.

Their main characteristics are hardness, which provides great resistance to deformation during denting, perforation or shearing, resistance to wear and tear and tensile strength (ability to bear high stresses without sudden breakage), which is often accompanied with good fatigue resistance (ability to withstand repeated stress).

Demand for tool steels is mainly influenced by the launch of new models (vehicles, domestic appliances, etc.), which requires the creation of new tooling. The tool steels market is considered less cyclical than other steel sectors.

There are three families of application:

- cold working (manufacturing of tools for cutting and stamping);
- hot working (manufacturing of tools for embossing, extrusion, light alloy injection);
- plastic injection moulds.

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### 6.3.2.3. Nickel based alloys

There are several types of nickel alloys that can be grouped together on the basis of the specific property required:

- alloys with special physical properties: low-expansion alloys, alloys with magnetic properties mainly for electronic industries, electrical resistance elements (for industrial heating and domestic appliances) and alloys for the transportation of liquefied natural gas;
- alloys for corrosion resistance (chemistry, food industry, offshore platforms, nuclear power and environment);
- alloys with high mechanical strength at high temperatures (superalloys).

Superalloys contain 40 - 75% nickel. It is alloyed with chromium (15-30%) and, depending on the required grade, cobalt, molybdenum, titanium, aluminium or niobium. They are known for their good mechanical performance at high temperatures. Their main outlet is aerospace (engines). The gas turbine sector is also a major outlet for superalloys. The third market in terms of size is the automotive sector.

Demand for superalloys is mainly driven by aeronautics, where annual long-term growth is generally estimated at 5%. The sector does, however, go through marked cycles. The new engine business is also complemented by the maintenance of existing engines.

## 6.3.3. Alloy production processes

### 6.3.3.1. Alloy making

Alloy making involves the production of an alloy with a perfectly controlled composition by melting recycled alloy scrap and primary metals in an electric furnace.

Several types of processes are used, depending on the product:

#### AIR METALLURGY

The alloying elements are melted in an arc furnace. This is followed by metallurgical processing in an AOD converter or ladle furnace to add other alloying metals, remove impurities (inclusions and gases) and obtain the required chemical analysis.

Two solidification methods are conventionally used: ingot casting, which is more suited to small quantities and products with specific characteristics, and continuous casting, which is more suited to large quantities

#### VACUUM METALLURGY

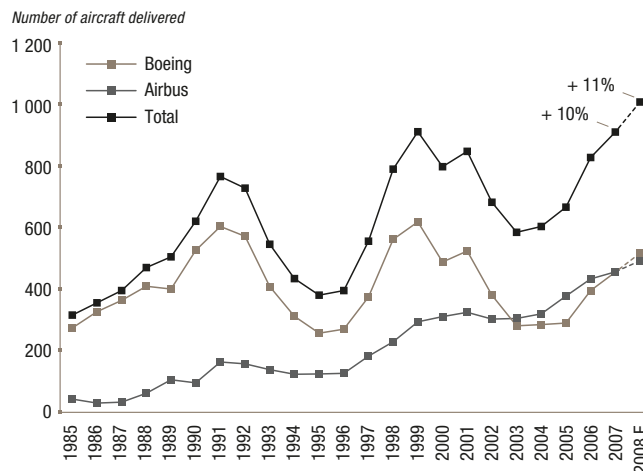
This process is used to make alloys that withstand higher stresses (nitrogen content, oxygen-reactive alloying elements, etc.). It is carried out in vacuum induction melting-type (VIM) furnaces).

#### REMELTING

Remelting takes place in slag (ESR -Electro Slag Remelting- furnace) or in a vacuum (VAR -Vacuum Arc Remelting- furnace). For some types of alloys for aerospace, the two processes are carried out one after the other.

## AEROSPACE MARKET: CONTINUED SUSTAINED GROWTH IN THE SECTOR

### BOEING-AIRBUS CIVIL AIRCRAFT DELIVERIES



Source : Airbus - Boeing

Source: Airbus - Boeing

Remelting enables better control of segregations and inclusion morphology and reduces gas content. This significantly improves the characteristics and mechanical reliability of materials. Remelting is needed for some critical parts for the aerospace, power generation and tooling sectors.

### POWDER METALLURGY

This process, which follows melting in a furnace, consists of atomising a jet of liquid metal in the form of fine droplets that cool to form a powder. This is then turned into a perfectly dense material by hot isostatic compacting. This process is suited to highly alloyed grades with very advanced properties.

### 6.3.3.2. Alloy shaping

After an alloy has been made, various techniques are used to shape the material by mechanical and, in most cases, hot processes. Beyond shaping the material, these operations also optimise its mechanical characteristics by work hardening (modification of its microstructure under the effect of deformation and temperature):

- Rolling consists of shaping the material into sheets, bars (typically 20-200mm in diameter) or wire (5-20mm in diameter) in order to ensure geometry (section), surface condition and use characteristics. The operation is carried out through a series of runs between rolling cylinders.

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➤ Forging involves shaping bars (typically 200-600mm in diameter) or simply-shaped blanks in order to guarantee geometry and properties. This operation is conducted using heat and a press, a forging machine or even a ram, with a series of pressing runs between simple tools.

➤ Closed die-forging consists of shaping and cold working the material into closed die-forged blanks by hot pressing between two moulds machined in the shape of the parts. Closed die-forging is carried out with a press or ram. It is usually followed by machining and finishing operations.

### ➤ 6.3.4. Alloy producers

The table below lists the main producers in the Alloys Division's main business activities. It highlights the special nature of Eramet's Alloys Division, which has the advantage of being present in every high value-added segment.

The Division's special nature is built on:

- its expertise in closed die-forging for the four main groups of material, that is, aluminium, titanium, steels and superalloys;
- upstream integration (production) in steels and superalloys.

Companies	ALLOY MAKING				HIGH-POWER CLOSED DIE-FORGING			
	High-speed steels	Tool steels	High performance special steels	Superalloys	High performance special steels	Superalloys	Aluminium	Titanium
Alcoa (USA)								
Allvac (USA)								
Böhler Uddeholm (BUAG) (Austria)								
Bosch Gothard & Hüttel (Germany)								
Carpenter (USA)								
Cogne (Italy)								
Crucible (USA)								
<b>ERAMET ALLOYS</b>								
Hitachi Tooling (Japan)								
Ladish (USA)								
Latrobe Steel (USA)								
Nachi Fujikochi (Japan)								
Otto Fuchs (Germany)/Weber (USA)								
Schultz (USA)								
Shanghai 5 Baosteel (China)								
Schmolze & Bickenbach (Germany)								
Snecma (France)								
Valbruna (Italy)								
VSMPO (Russia)								
Precision Castparts (USA)								

Source : Eramet.

 Active in the segment

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## ➤ 6.3.5. Alloys Division structure

### 6.3.5.1. Alloys Division key points

The key facts on the Alloys Division are as follows:

- global leadership: leading global producer of high-speed steels (Erasteel) and second-largest producer of closed die-forged parts (Aubert & Duval);
- a strategy based on technological expertise and niche markets;
- improving outlook;
- start-up of a new closed die-forging plant in 2006.

### 6.3.5.2. Alloys Division history

Within the Group, the development of the Alloys Division first began with the building up of Erasteel between 1990 and 1992. Subsequently in 1999, the various companies contributed by the S.I.M.A. group, most of which are now merged into Aubert & Duval, gave the Alloys Division its current scope.

#### HISTORY OF ERASTEEL

**1676:** Metallurgical production on the Söderfors (Sweden) site dates back to 1676 (anchor production).

**1846:** Metallurgical production on the Commentry (France) site dates back to 1846 (rail production).

**1956:** Founding of Commentryenne des Aciers Fins Vanadium Alloys.

**1982:** Kloster Speedsteel is founded in Sweden by merging the high-speed steel divisions of Uddeholm and Fagersta.

**1983:** Kloster Speedsteel acquires Les Aciers de Champagnole, a French high-speed steel production site founded in 1916.

**1990:** Eramet acquires Commentryenne des Aciers Fins Vanadium Alloys, the world's third-largest maker of high-speed steels.

**1991:** Eramet acquires Kloster Speedsteel, the world's largest maker of high-speed steels.

**1992:** Eramet founds Erasteel, comprised of Commentryenne and Kloster Speedsteel; industrial reorganisation and commercial integration.

#### HISTORY OF AUBERT & DUVAL

**1907:** Founding of Aubert & Duval, a company specialised in the sale and processing of special steels. At the time, special steels were little-known in France, while British steelworks had a substantial technical edge.

**1920/1939:** The development of special steels allows the company to take off. Plants are opened in Les Ancizes and Gennevilliers. Aubert & Duval takes part in the manufacturing boom in automobiles (engines, gearboxes) and in aircraft engines, which increasingly contain special steels.

**1945/1960:** The Group positions itself in cutting edge sectors, the development of which play an important role in the reconstruction of France, such as aerospace and nuclear power, which require high-quality steels and alloys. Aubert & Duval is one of the leading European companies in the development of vacuum processing and consumable electrode remelting, particularly for the jet engine market.

**1970/1980:** Aubert & Duval weathers the steel industry crisis (resulting from the fall in orders for the automotive, public works and construction sectors) thanks to its policy of specialities primarily for high-tech markets.

**1977:** Founding of Interforge (with a 13% stake for Aubert & Duval).

**1984:** Aubert & Duval is transformed into a holding company of the same name and a wholly owned operating company, Acieries Aubert & Duval, is founded.

**1987:** Stake taken in Special Metals Corporation (SMC).

**1989:** Aubert & Duval holding company is renamed S.I.M.A..

**1991:** Acieries Aubert & Duval operating company is renamed Aubert & Duval.

**1994:** Agreement by S.I.M.A. and Usinor to found an intermediate holding company by contributing assets: CIRAM, 55% held by S.I.M.A. and 45% by Usinor, is a group of five complementary companies: Aubert & Duval, Fortech, Tecphy, Interforge (94%) and Dembiermont.

**1997:** Dilution of S.I.M.A.'s stake in SMC from 48% to 38.5% following SMC's IPO on the NASDAQ via a capital increase. Usinor sells 40% of CIRAM's capital to S.I.M.A., which henceforth holds 95%. FISID, the Tecphy and Fortech holding company, is renamed HTM.

**1999:** Integration of S.I.M.A.'s activities into the Eramet Group, in which the shareholders of S.I.M.A. become the largest shareholder. The Alloys Division is formed, comprised of Erasteel and the companies contributed by S.I.M.A..

**2001:** Launch of capital expenditure in a new forging and closed die-forging plant with a 40,000-ton press in Pamiers.

SMC: the Group's stake in SMC is fully written off.

**2002:** Erasteel acquires a controlling stake (78%) in Peter Stubs (UK).

**2003:** A major restructuring programme is announced at Aubert & Duval. Launch of Erasteel's capital expenditure programme for a new high-speed steel plant in China in a joint venture with the Chinese company Tiangong.

**2004:** Stake in Peter Stubs increased to 100%. Implementation of restructuring and industrial reorganisation at Aubert & Duval. The merger of Aubert & Duval Holding, Fortech and Tecphy into a single company, Aubert & Duval, was completed on July 1, 2004, backdated to January 1, 2004 (merger under the preferable framework provided by Article 210 A and B of the French General Tax Code).

**2005:** Joint venture with the Chinese company Tiangong called off. Construction of a distribution centre begun in Wuxi (China).

**2006:** Opening of the new closed die-forging plant in Pamiers ("40,000-ton press").

Opening of the tool steels distribution centre in Wuxi (China).

**2007: Erasteel** - opening of high-speed steel drawing workshop at Tianjin in China.

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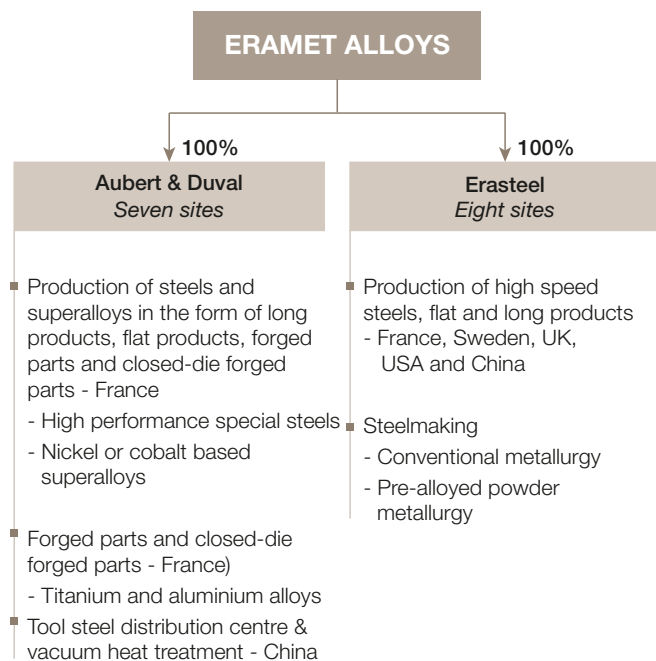
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### 6.3.5.3. Alloys Division organisational structure



### 6.3.5.4. Alloys Division production

#### 6.3.5.4.1. ERASTEEL

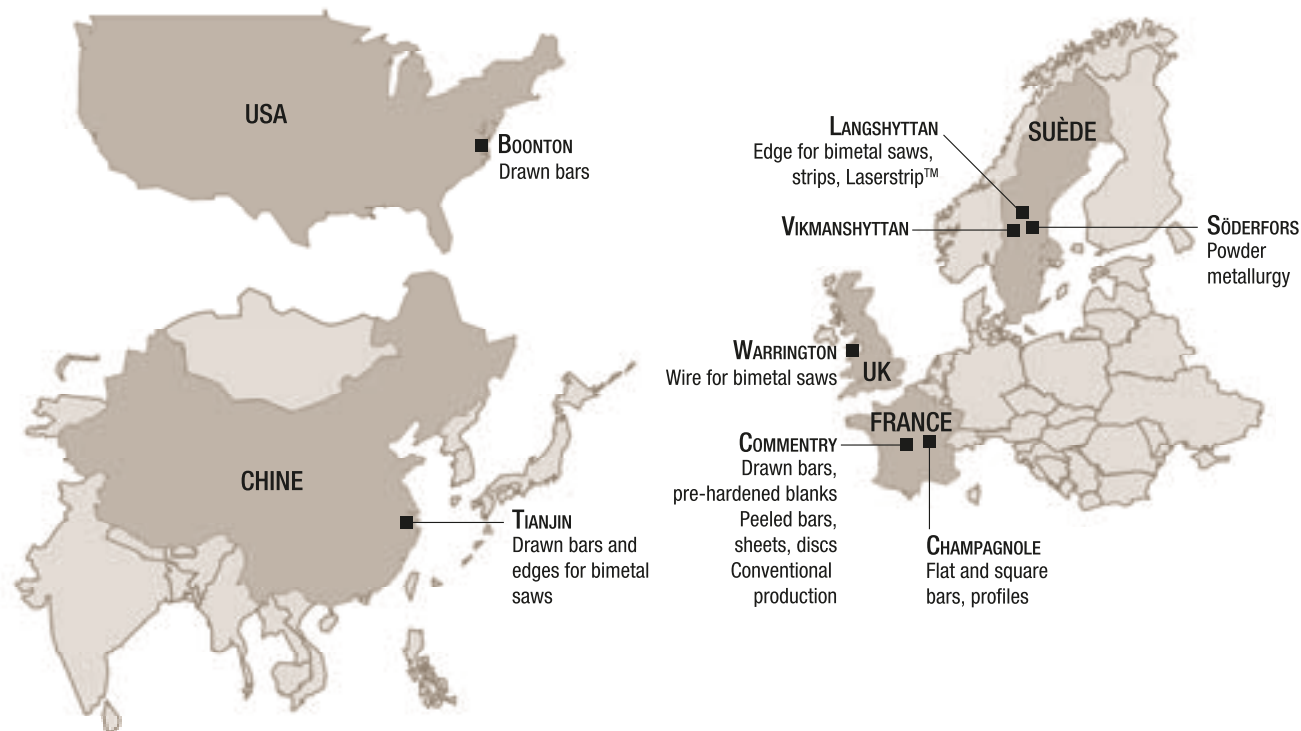
##### Erasteel's production

Erasteel is the only specialist producer of high-speed steels and is the global market leader. Its competitors are general steel companies: Bohler-Uddeholm (Austria), Latrobe (USA) and Hitachi (Japan).

This specialisation gives Erasteel great control over the quality of its production and enables it to optimise its processes. Its product catalogue covers all the grades and dimensions required by customers in the sector. Lastly, Erasteel is one of the few producers with a presence in all global markets.

##### Erasteel's industrial organisation

The Erasteel group's industrial activity is now organised around eight production sites in France, Sweden, the United Kingdom, the USA and China.



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6.3.5.4.2. AUBERT & DUVAL

Aubert & Duval's strategy has always been to focus on speciality products that are technically advanced and intended for customers seeking high repeatability and reliability in terms of product quality. In line with this strategy of high value-added specialities, Aubert & Duval has a comprehensive set of industrial assets that enable it to meet stringent and highly diverse requirements.

Aubert & Duval's business activities can be broken down into four sectors:

- ✎ closed die-forging;
- ✎ long products;
- ✎ tooling, a sector shared with Erasteel;
- ✎ individual forged parts and other specialities.

**Aubert & Duval's closed die-forging sector**

The closed die-forging sector is Aubert & Duval's top segment in terms of sales. Aubert & Duval is the world's second largest closed die-forging and specialises in large parts and high closed die-forging strength in excess of 12,000 tons.

Aubert & Duval is one of the few producers that close die-forges all four types of material: steels, superalloys, aluminium and titanium. Steels and some of the superalloys are produced internally at Aubert & Duval. Aluminium alloys and titanium are bought from third-party suppliers.

Closed die-forging is carried out at the Issoire and Pamiers sites.

**The closed die-forging sector's industrial assets**

The sector has the following tools:

- ✎ closed die-forging presses from 4.5 kt to 40 kt and 65 kt;
- ✎ 1 to 16 ton rams;
- ✎ various finishing (grinding), heat treatment, non-destructive testing and machining (towers, milling machines) facilities.

The Issoire site is specialised in closed die-forging of aluminium alloys and the Pamiers site in closed die-forging of steels, titanium and superalloys.

**The Interforge press**

Interforge, located in Issoire, was founded in 1977 around a 65,000-ton press that is the most powerful in the western world; Interforge carries out subcontracted closed die-forging, solely for its shareholders in proportion to their stakes (i.e. 94% for Aubert & Duval and 6% for SNECMA).

The press is a key strategic advantage, as it puts the Aubert & Duval group in a favourable situation vis-à-vis global and particularly US competition:

- ✎ its capacity enables it to make parts that would be difficult to produce on competitors' presses, which are limited to 40,000/50,000 tons. Only three western producers apart from Aubert & Duval have presses with capacities over 30,000 tons;
- ✎ two 75,000-ton presses exist in Russia (aluminium producer Rusal and titanium producer VSMPO).

**The Airforge press**

The new Airforge closed die-forging plant at Pamiers was completed in mid-2006. Built around a fully integrated 40,000 ton press, it is a tool particularly suited to the closed die-forging of aircraft engine parts. It has been fully operational since 2007.

**Closed die-forging markets**

In the large part market (closed die-forging power over 12,000 tons), the main outlets are:

- ✎ the aerospace industry: this market is split into two segments, engine parts (customers such as General Electric, SNECMA, Pratt & Whitney, Rolls Royce, etc.) and structure and equipment parts (Airbus, Boeing, Embraer, Spirit, Dassault Aviation, Dowty, etc.);
- ✎ the gas turbine industry: turbine makers such as General Electric Power Systems, Siemens and Alstom.

Aubert & Duval uses CAD software together with simulation software that, in direct liaison with the customer, enable the characteristics and costs of parts to be optimised. This also shortens research, development and production cycles considerably.

In recent years, Aubert & Duval has strengthened its strategic position in the closed die-forging segment through:

- ✎ an innovative research & development policy in terms of products: new steel and superalloy grades, expertise in large parts in line with growing equipment size (jumbo jets, high-power gas turbines, etc.);
- ✎ an innovative research & development policy in terms of processes: closed die-forging to near-final dimensions to optimise material use, high-speed machining;
- ✎ optimisation of industrial performance, in terms of both production costs and production quality and service reliability (specialising production plants, rollout of an ERP tool, etc.).

The closed die-forging business activity has been strengthened with the coming on stream in mid-2006 of a new plant with in particular a 40,000-ton press in Pamiers, France.

This new 40,000-ton press is designed to drive strategic development in aerospace engine parts. On the new site, Aubert & Duval has automated workshops and facilities with much shorter cycle times, which puts it in a favourable position to meet the ever more complex requirements of its customers.

Furthermore, Aubert & Duval is developing its role in the value chain by capitalising on its upstream integration capacity (production and closed die-forging) and growing downstream in machining functions.

**Closed die-forging competitors**

In the high-performance steel and superalloy field, Aubert & Duval's main competitors are the US groups PCC, Schultz and Ladish and the Austrian group Böhler.

For the closed die-forging of aluminium, its two main competitors are Alcoa (USA) and Otto Fuchs (Germany).

Finally, for the closed die-forging of titanium, its main competitors are the PCC, Ladish and VSMPO (Russia) groups.

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**Aubert & Duval's other business sectors**

Industrial assets for other sectors include:

- ✦ arc furnaces of up to 60 tons, combined with ladle metallurgy tools (ladle, AOD or VOD furnaces);
- ✦ VIM furnaces of up to 10 tons for vacuum alloy production;
- ✦ vacuum or slag remelting furnaces with capacity up to 30 tons;
- ✦ mill trains for making long products with 5.5mm-200mm diameter;
- ✦ forging presses and machines with force up to 4,500 tons;
- ✦ powder metallurgy production units;
- ✦ hot compacting enclosures via its TCS subsidiary (working diameters up to 1,200mm);
- ✦ machining facilities (for milling, turning, reaming or drilling) and finishing equipment (lapping, scalping, straightening, etc.);
- ✦ surface treatment equipment (case hardening or nitriding);
- ✦ heat treatment equipment, including for parts up to 50 tons in weight or 20 metres in length;
- ✦ non-destructive testing equipment (sweating, ultrasound, X-ray, magnetoscopy, etc.).

All these tools have computerised management and supervision systems and are certified in line with the requirements of high-technology markets (aerospace, energy, armaments, automotive, medical, etc.).

**Long products sector**

These semi-finished products have advanced characteristics and are intended for conversion. Aubert & Duval focuses on critical applications in the aerospace, medical and automotive (engine valves, etc.) sectors.

The number of customers is limited. Sales are characterised by ongoing contracts and a high number of marketed grades, often in small quantities.

The main competitors are the Carpenter (USA), Latrobe (USA), Allvac (USA), Corus (UK), and Böhler Uddeholm (Austria) groups, which are positioned more on relatively standardised products.

**Tooling sector**

This sector's products are large forged blocks, which may be pre-machined, and long products, usually with large sections. Target markets are the usual outlets for tool steels, i.e. hot working, cold working and plastic injection moulds. The market is both fragmented (large number of customers) and regional. As a result, distribution plays an important role. The main players on the tool steels market are the Böhler Uddeholm, Thyssen, Hitachi and Daido groups.

Aubert & Duval is specifically positioned up range, with significant levels of technical support. Moreover, Aubert & Duval plans to develop this business geographically by strengthening its distribution, particularly in China, with the tool steels distribution centre in Wuxi, opened on March 23, 2006.

**Individual forged parts and specialties sector**

This area combines various related activities of very specific expertise:

- ✦ individual forged parts, made in short runs for the defence, oil drilling and shipbuilding markets;
- ✦ cast parts intended for large tooling for aerospace;
- ✦ remelting alloys;
- ✦ powder Metallurgy: semi-finished products for turbine disk closed die-forging and surfacing powders.

**6.3.5.5. Marketing policy and products**

**ERASTEEL'S MARKETING POLICY AND PRODUCTS**

Erasteel works in close partnership with its customers on a long-term basis. It has its own sales subsidiaries in the main Western countries that consume high-speed steels offering a wide range of services. Elsewhere, Erasteel is supported by the Eramet International sales network wherever it operates.

In other countries, sales are organised by Erasteel salespeople based in Paris or by local agents. To support this sales network, product managers, mostly based at production sites, are responsible for the technical and commercial promotion of their product line. Erasteel has the most comprehensive product range.

**AUBERT & DUVAL'S COMMERCIAL POLICY: CLOSE RELATIONS WITH PRINCIPALS**

Multi-year contracts (typically three to five years) with aerospace principals usually specify the market shares to be ordered each year. Shipments are therefore related to aircraft production rates and, consequently, to the state of the aerospace market. Changes in raw material purchasing prices (cobalt, nickel, chromium, molybdenum, scrap iron, etc.) are usually passed on in selling prices.

Specific single-part tooling (the case for closed die-forging) is usually financed by customers. This situation is a barrier to entry for new competitors once the initial contract has been awarded.

A high level of integration, starting with part design in cooperation with the principal's research department, is a key requirement. Aubert & Duval's sales engineers work closely with such departments.

**6.3.5.6. Alloys Division research and development**

The Alloys Division carries out extensive research & development. This mostly takes place at its two research centres in Söderfors (Sweden) and Les Ancizes (France). These facilities are also supported by the Group's research centre in Trappes (France).

The Alloys Division ploughs back close to 2% of its sales into R&D. Work is conducted both on process improvement and the development of new alloys and products.

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**ALLOYS DIVISION'S RETURN ON CAPITAL EMPLOYED (ROCE)**

ROCE: Restated operating profit\* / Capital employed\*\*

\* Operating profit – amortisation of goodwill net of impairment tests.

\*\* The Division's shareholders' equity, plus net debt, plus provisions for major lawsuits, redundancy plans and restructuring, less non-current financial assets.

**ALLOYS ROCE**

%	1999 <sup>(1)</sup>	2000	2001	2002	2003 <sup>(2)</sup>	2004*	2005*	2006*	2007*
Alloys	14	16	12	0	(4.7)	3	7.9	9.0	10.8

(1) 1999: calculated using pro forma operating profit and capital employed as at year-end.

(2) Excluding provisions for restructuring.

\* IFRS.

**6.3.5.7. The Alloys Division in 2007****KEY FIGURES**

(IFRS, millions of euros)	2007	2006	2005
Sales	1,033	892	811
Current operating profit	78	62	47
Net cash flows from operating activities	125	35	(24)
Capital employed	687	730	661
Capital expenditure	54	58	66
Average workforce	4,684	4,573	4,555

**COMMENTARY**

The Alloys Division continued its growth in 2007 with annual sales rising 16% compared to 2006 to €1,033 million. The aerospace and energy markets performed particularly well in 2007. Aubert & Duval enjoyed strong growth in aircraft deliveries by Airbus and Boeing, both for structural and engine components. The segment continues to be buoyed by strong global economic growth and the need to modernise fleets with low fuel consumption engines and aircraft. The ramp up of the 40,000 ton press responds to this trend.

Energy is also broadly experiencing strong growth. Aubert & Duval is benefiting from the rise in orders for the nuclear sector, which has very bright prospects, but also from the upturn in the gas turbine business and strong demand for the mandrels used in tubing production.

Meanwhile, the high-speed steels market didn't perform well in 2007. Erasteel's deliveries declined. However, the second half saw a clear recovery in orders and this should have a positive impact on business in 2008.

The gradual improvement in profitability at Eramet Alloys continued. Current operating profit rose by close to 26% to €78 million, with a current operating margin of 8%.

Cash flows from operating activities also rose sharply to €125 million compared to €35 million in 2006. This includes the €96 million impact of the

trade receivable securitisation undertaken in 2007. Excluding securitisation, cash flows from operating activities would have been €29 million. Aubert & Duval is actively pursuing efforts to cut the WCR at all levels.

Capital expenditure was almost unchanged at €54 million, compared to €58 million in 2006, with 2006 seeing the completion of Aubert & Duval's 40,000 ton press at Pamiers.

Aubert & Duval has undertaken a programme of capital expenditure ahead of schedule to meet the continuing growth of its clients in the aerospace industry, while maintaining and developing activities outside this sector. This capital expenditure involves all sites and all stages of production (preparation, heat treatment, machining etc.).

In 2007, Erasteel built a new high-speed steel drawing site in China to meet the fast-growing Chinese and Asian demand for high-quality products. These facilities process semi-finished products imported from Erasteel's European plants.

In Europe, Erasteel has increased the specialisation of its industrial sites, focusing the production of conventional high-speed steel at Commentry (France) and rolling at the Langshyttan site in Sweden. The Kloster steelworks has focused on recycling activities, including for third parties.

In addition, Erasteel continued to develop its powder metallurgy business in Sweden.

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## 6.4. ORGANISATION OF ERAMET S.A./ERAMET HOLDING

Eramet S.A., the consolidating parent company, the corporate financial statements of which are set out in Section 20.2, has two main operational roles:

- a pure holding role called Eramet Holding bringing together the various support functions such as General Management, the Administration & Financial Department, the Legal Department, the Human Resources Department, the Purchasing Department and the Communications and Sustainable Development Department;
- a section of the Nickel Division (General Management and Sales and Marketing Department).

The costs of these various departments are re-invoiced to the three divisions under management fee contracts. The other operating costs relating to Nickel are directly allocated to the Nickel Division.

Eramet also has directly held subsidiaries, acting on behalf of the various entities or on behalf of the parent company. The main ones are:

- CRT: Trappes Research Centre which covers the research and development activities;

- TEC Ingénierie: a project and technologies company;
- Eramet International: a company that pools the Eramet sales network for certain activities of the three divisions. Eramet International has subsidiaries and branches across the globe. Eramet International is generally paid for its work under agency agreements;
- Metal Securities: the Group's treasury management company that pools surplus cash and short-term funding requirements for the Group as a whole;
- ERAS: reinsurance company.

At consolidated level, the Eramet Holding portion thus encompasses the holding role of Eramet S.A. and its consolidated subsidiaries (Metal Securities, Metal Currencies and ERAS).

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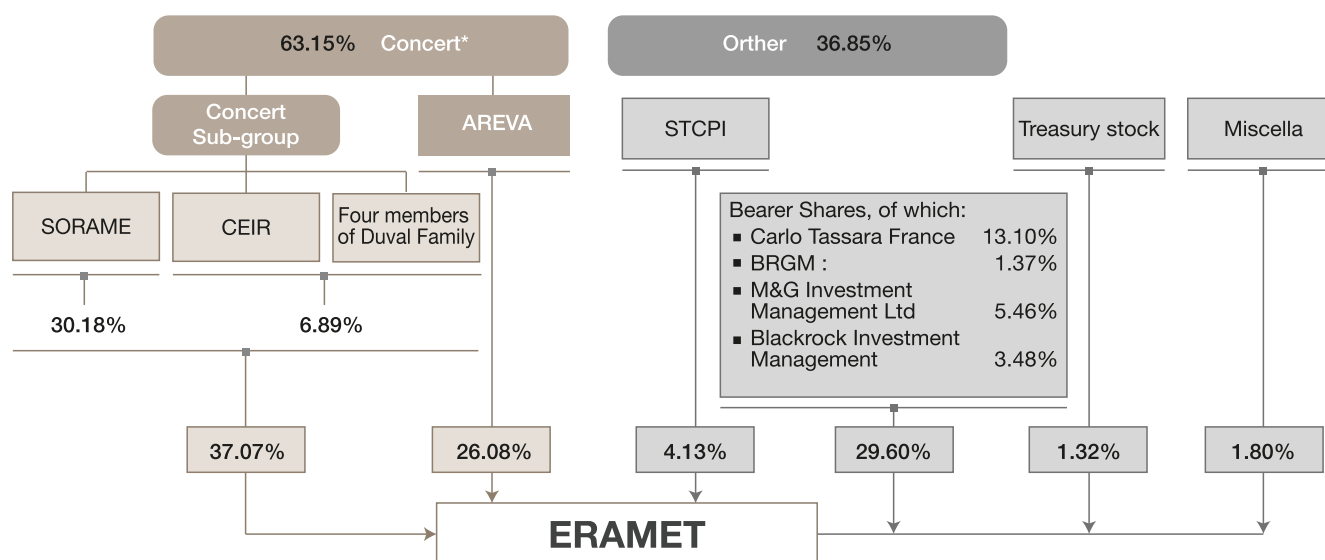




# Organisational structure

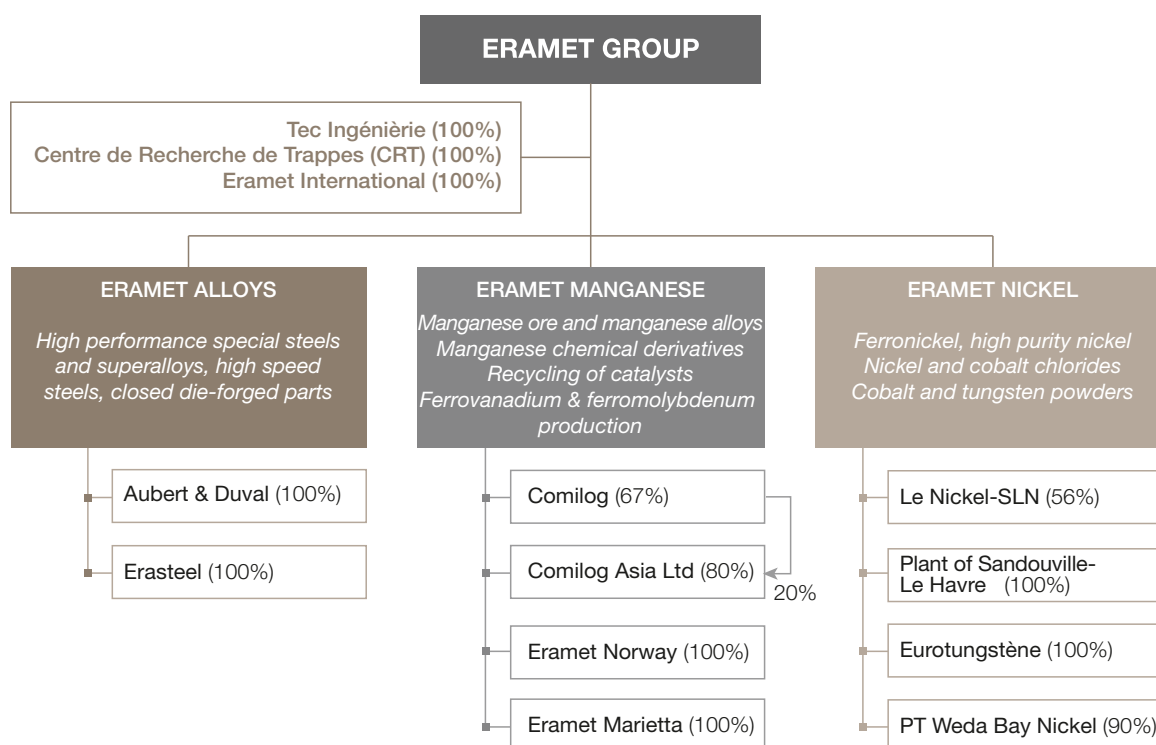
## 7.1. CONTROL CHART

Company shareholder base on December 31, 2007 (in % shares)



\* Pursuant to a shareholder agreement subject to CMF notice 199C0577 of May 18, 1999.

## 7.2. GROUP ORGANISATIONAL CHART ON DECEMBER 31, 2007



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# The Group's property, plant & equipment



08.

Generally speaking, the Group owns its plants and the equipment therein. Some large items of equipment are finance leased (40,000-ton press in the Alloys Division, furnaces in the Nickel Division) and are restated in the consolidated financial statements.

The breakdown of property, plant and equipment by Division and by unit is set out in the table below; 80% of the value of these items of property, plant and equipment belong to ten or so industrial sites.

<i>(millions of euros)</i>	<b>Gross amount</b>	<b>%</b>	<b>Net amount</b>	<b>%</b>
Le Nickel-SLN (New Caledonia)	1,307	38.28	597	39.67
Other	97		30	
<b>Nickel Division</b>	<b>1,404</b>	<b>41.12</b>	<b>627</b>	<b>41.67</b>
Comilog S.A. (Gabon)	441	12.92	197	13.12
Eramet Norway (Norway)	151	4.42	80	5.34
Eramet Marietta (USA)	89	2.61	33	2.20
GCMC (USA)	75	2.20	41	2.76
Other	374		155	
<b>Manganese Division</b>	<b>1,120</b>	<b>32.81</b>	<b>506</b>	<b>33.62</b>
Aubert & Duval (France)	441	12.92	175	11.65
Airforge (France)	101	2.96	92	6.09
Erasteel Kloster AB (Sweden)	117	3.43	30	2.00
Erasteel Commentry (France)	94	2.75	19	1.26
Other	116		40	
<b>Alloys Division</b>	<b>869</b>	<b>25.45</b>	<b>359</b>	<b>23.89</b>
<b>Holding Company</b>	<b>21</b>		<b>13</b>	
<b>Total</b>	<b>3,414</b>		<b>1,505</b>	

The main industrial sites and major commitments are set out in Chapter 6, "Overview of Business Activities."

Leased machinery & equipment (excluding finance leasing) is relatively insignificant (it represents an annual expense of some €30 million). The main leases are as follows:

- ✎ Nickel: leasing of ships carrying ore to the Doniambo plant (some €13 million) and of industrial machinery and equipment;
- ✎ Manganese: leasing of railway maintenance equipment and of industrial machinery and equipment;
- ✎ Alloys: leases have been put in place in the case of ordinary business activities (industrial equipment) and are generally renewed on an annual basis.

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# Operating and financial review



09.

All data is IFRS compliant.

## 9.1. KEY BUSINESS FIGURES

### 9.1.1. Business items (consolidated data in millions of euros)

	2007	2006	2005
Sales by division			
- Nickel	1,290	1,019	774
- Manganese	1,473	1,147	1,135
- Alloys	1,033	892	811
- Holding company and miscellaneous	(4)	(2)	(8)
<b>TOTAL</b>	<b>3,792</b>	<b>3,056</b>	<b>2,712</b>
Sales by geographic region			
- Europe	1,985	1,532	1,358
- North America	643	638	614
- Asia	922	725	666
- Other regions	242	161	74
<b>TOTAL</b>	<b>3,792</b>	<b>3,056</b>	<b>2,712</b>

### 9.1.2. Consolidated financial statements

(IFRS, millions of euros)	2007	2006	2005
Sales	3,792	3,056	2,712
Current operating profit	1,196	607	542
Net cash flows from operating activities*	988	543	478**
Capital employed*	2,046	2,001	1,664
Capital expenditure	319	309	231
Average workforce	14,175	13,739	12,353

\* Excluding Weda Bay capital expenditure.

\*\* Of which €124 million with no impact on the Group's 2005 cash position, resulting from the conclusion of the Bercy agreements.

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For the fourth consecutive year, Eramet generated strong profits and cash flows from operating activities, thanks to high performing industrial and commercial bases that enable it to fully profit from very strong growth in its main markets: steelmaking and aerospace. Its strong financial position and growth in operating cash flow allow it to fund its ambitious programme of organic growth and acquisitions.

### Income statement

#### SALES

The Group's consolidated sales amounted to €3,792 million up 24% from the €3,056 million in 2006.

This €736 million increase was due mostly to higher sales prices across the three divisions, with the fall in Eramet Nickel's sales being more than offset by the positive volume effects in the Manganese and Alloys Divisions.

After the impact of nickel hedging, Eramet Nickel's sales prices were US\$13/lb (US\$28,600/ton) compared to US\$8.10/lb (US\$17,820/ton) in 2006.

#### CURRENT OPERATING PROFIT

Current operating profit amounted to €1,196 million compared to €607 million in 2006. The current operating margin of 32% represented a strong increase on 2006's 20%.

The €589 million increase in current operating profit resulted from:

- a €921 million positive sales price effect, including €495 million at Eramet Nickel, €357 million at Eramet Manganese and €69 million at Eramet Alloys;
- a €58 million negative volume effect (see above comments on sales);

- higher operating costs at all three Divisions (€168 million): mostly for shipping, energy and raw materials used by Eramet Alloys, as well as Eramet Nickel's mining costs;
- the US dollar's fall against the euro (€76 million negative effect) to EUR/USD 1.31 from EUR/USD 1.26 in 2006, after hedging effects;
- €30 million increase in depreciation, amortisation, provisions and other expenses.

#### OPERATING PROFIT

Operating profit improved strongly on 2006 from €630 million to €1,139 million; this includes a €57 million deduction for other operating income and expenses, covering the remeasurement of the dismantling costs of certain mining sites in New Caledonia and environmental expenses at Eramet Manganese.

#### PROFIT (LOSS) FOR PERIOD

This amounted to €814 million compared to €460 million in 2006, after €350 million in income tax, representing an effective rate of 30% compared to 27% in 2006. The continuing favourable tax rate from which Eramet benefits is thanks to a tax credit for capital expenditure in New Caledonia and the use of previously unrecognised tax losses at Eramet Manganese.

#### PROFIT (LOSS) FOR PERIOD, GROUP SHARE

This figure amounted to €582 million, up from €319 million in 2006, net of €232 million in minority interests.

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# Capital resources – Market risk



# 10.

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## 10.1. INFORMATION ON GROUP SHAREHOLDERS' EQUITY

This section analyses the consolidated balance sheet on December 31, 2007 compared to December 2006.

### ➤ 10.1.1. Operating working capital

Operating working capital requirements (inventory + receivables – payables) amounted to €1,125 million on December 31, 2007 compared to €1,038 million on December 31, 2006. The ratio of the working capital requirement to sales was 29.7% at end-2007 compared to 34% a year earlier. The figure was very

slightly up on the back of the sharp increase in inventories at all Divisions, partly offset by the impact of securitisation that allowed for the derecognition of receivables at Aubert & Duval<sup>(2)</sup>.

### ➤ 10.1.2. Consolidated net cash position

#### Financing <sup>(1)</sup>

Group net cash amounted to €954 million on December 31, 2007 compared to €353 million on December 31, 2006. This improvement is mainly due to the following cash flows:

➤ €988 million in cash flows from operating activities (€543 million in 2006), taking into account a gross cash flow of €1,029 million and a net fall in current operating assets and liabilities of €41 million, including the impact of securitisation that allowed for the derecognition of €96 million in receivables <sup>(2)</sup> at the Aubert & Duval subsidiary;

➤ a negative €295 million in net cash flows from investing activities including a negative €319 million in capital expenditure;

➤ a negative €107 million in net cash flows from financing activities, including €74 million in dividends paid to Eramet shareholders and €33 million to minority shareholders.

### ➤ 10.1.3. Provisions

Provisions amounted to €398 million on December 31, 2007 compared to €324 million on December 31, 2006 and broke down into two major categories.

#### Employees

Commitments to employees on December 31, 2007 were measured pursuant to IAS 19. Pension liabilities are comprised of retirement indemnities and supplementary pensions.

The other employee benefits are comprised of long service bonuses and other benefits granted to employees, particularly in New Caledonia.

Liabilities also include restructuring and redundancy plans currently being implemented, particularly in France (Alloys and Manganese Divisions), Norway and Belgium (Manganese Division).

Total provisions for employee liabilities amounted to €112 million compared to €125 million in 2006. This reduction can be largely explained by payments to the various funds (USA and France). The actuarial value of liabilities amounted to €247 million (compared to €269 million in 2006), largely due to the dollar's exchange rate, the level of liabilities being stable in local currency.

(1) Debt flow statement.

(2) The Group securitised receivables at its Aubert & Duval subsidiary, the latter having signed a securitisation agreement for the derecognition of receivables on July 5, 2007 for a maximum of €115 million and US\$50 million. This agreement provides for the securitisation of receivables from major clients located mainly in Europe and North America for five years.

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## Environmental contingencies and site restoration

As stated in Section 4.3., Eramet records provisions for the restoration of mining sites in New Caledonia and Gabon, on the basis of estimated discounted costs (rate of 5.25% in New Caledonia and 6.5% in Gabon) of dismantling facilities and of replanting sites. These costs are periodically reviewed to factor in mined tonnage and actual costs. The amount of the

provision on December 31, 2007 was €198 million, compared to €95 million on December 31, 2006 (see Note 15.5 to the consolidated financial statements in Section 20.1). Other environmental provisions include liabilities stemming from lawsuits or regulatory constraints. They amounted to €27 million on December 31, 2007 compared to €25 million on December 2006. A provision for the restoration of impoundments was reclassified as a provision for site restoration in line with accounting regulations.

### ➤ 10.1.4. Other non-current liabilities

Other non-current liabilities amounted to €30 million and stem from SETRAG S.A.'s debt, payable to the Gabonese State over 25 years following the purchase of property and a portion of the spare parts inventory for €12 million

and tax benefits obtained in New Caledonia (€18 million) and spread over five to six years.

### ➤ 10.1.5. Shareholders' equity

The Group's shareholders' equity amounted to €3,035 million on December 31, 2006, compared to €2,139 million on December 31, 2006.

The changes over the period are largely explained by earnings for the year and dividends distributed as well as by the impact of the change in the financial instrument remeasurement reserve pursuant to IAS 39.

## 10.2. FINANCING AND CREDIT FACILITIES

### ➤ 10.2.1. Renewable credit facilities

On May 24, 2005, Eramet entered into a five-year agreement for a €600 million multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. Twice in 2006 and 2007, the issuer used the facility to ask lenders to extend the term by a year. The expiry of this credit line is thus pushed back to May 24, 2012. The interest rate on the borrowed amounts equates to the reference rate, depending on the

borrowing currency, plus the applicable spread. The spread is reduced on a sliding basis in line with the financial ratio of consolidated net debt to shareholders' equity. In addition, Eramet pays a commitment fee of 30–32.5% of the applicable spread. Eramet has agreed to a single covenant (net debt / Group shareholders' equity) as set out in Section 4.1.4. This facility had not been used on December 31, 2007.

### ➤ 10.2.2. Commercial paper

In 2005, Eramet set up a €400 million commercial paper programme. Due to the surplus cash position and market conditions, it was decided to cut outstanding amounts to a minimum. On December 31, 2007, the amount

of Eramet commercial paper in circulation was zero (€180 million on December 31, 2006).

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# Research and development and Mineral reserves and resources



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Process innovation and the development of new materials are key for the Group to differentiate itself and remain competitive, as well as acting as a growth driver.

## 11.1. RESEARCH AND DEVELOPMENT - DEDICATED ORGANISATION SERVING THE DIVISIONS

This organisation is based on:

- the CRT, a dedicated research centre (a wholly owned Eramet subsidiary since 2003), located in Trappes, near Paris, employs around 90 staff including 80 researchers, engineers and technicians and has an annual budget of approximately €11 million;
- it also has additional staff (approximately 90 people) within the Divisions focusing on more specialised areas and selected project study and industrial application phases;
- significant resources that represent around 1% of sales at the Nickel and Manganese Divisions and 2% at the Alloys Division (i.e. a total budget of close to €30 million);
- a central coordination unit designed to develop synergies and skills via the CRT and compliance with the Group's capital expenditure and development projects.

As from 2007 Eramet has been steadily stepping up its research and development efforts to meet the requirements of its industrial customers, improve its competitiveness and offer new services. A constant environmental concern governs the development of new processes; emission reduction is now a key selection criterion.

For Eramet's mining, metallurgical and chemical businesses, the effectiveness of the research is a key advantage. To meet or even exceed client expectations, the research and development programmes enable the Group to strengthen its positions, including in the most competitive markets.

These programmes are implemented either at the Divisions or the Trappes Research Centre (CRT). To ensure the full relevance of results, the CRT's teams work in close collaboration with those responsible for development at the various units, who in turn are in direct contact with operational teams. These results in considerable efficiency, from determining programmes to introducing innovations, whether involving products, process themselves or productivity.

In just three years, and thanks to its extensive experience in the extraction and purification processes for various metals and to the highly developed expertise of its teams, the CRT has developed a high-performance and environmentally-friendly hydrometallurgical treatment process for nickel

oxide ore for the Nickel Division. The laboratory tests and development of a pilot scheme in 2007 confirmed its suitability for the mix of low-grade laterites and garnierites seen in the ore from Weda Bay in Indonesia and the new deposits in New Caledonia. Operating on an independent basis, it does not use fossil fuels and its solid waste is inert and storable and its liquid effluent neutral. It is an atmospheric process: no pressurisation and temperatures not exceeding 100°C. The crushed ore is mixed with sea water before being treated with sulphuric acid. The nickel and cobalt are thus separated and the manganese separately concentrated and isolated.

In the manganese division, the R&D effort particularly enabled the launch of a recycling activity for solid and liquid waste containing copper, with such waste being from manufacturers of printed circuits, the electronics and metallurgy industries. Thanks to this innovative technology, the metals are isolated and recycled in chemical form to be sold to European pesticide and fungicide producers. This copper activity employs 30 people at Tertre, in Belgium, an Erachem Comilog ISO 14001 certified site authorised to treat hazardous waste. Its sales amounted to €15 million, with the goal being to double them within five years and extend the business to zinc waste.

Within the Alloys Division at Söderfors, Ancizes and Pamiers, in liaison with the CRT, new grades are developed to meet ever greater requirements from aerospace, energy and tooling. A stainless steel with very strong properties, MLX19 is ten times stronger than traditional stainless steel (1900 MPA, or 190kg/mm<sup>2</sup>). Designed for landing gear, it makes it possible to replace the steel previously used, which was also strong but was not stainless, requiring it to be coated in cadmium with the help of a process that has been banned due to toxicity. Another grade, MLX17, is once more for aircraft structures and equipment, in particular the Airbus A400M military transport plane. For the aircraft engine turbine shafts, which revolve at extremely high speeds, Aubert & Duval's Research Department has also just developed the ML340 grade (2,300MPa or 230kg/mm<sup>2</sup>).

The Alloys Division teams are working in partnership with Alcan to cut aircraft weight by 5% via the die-forging of large Alu-Lithium 2050 parts.

Stronger new grades are also being studied to lengthen the useful lives of tooling. Examples include the SDC for aluminium injection moulds (automotive parts) and XPOL for plastic moulds (domestic appliances).

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## 11.2. MINERAL RESERVES AND RESOURCES/EXPLOITATION OF DEPOSITS

### ➤ 11.2.1. General remarks

#### 11.2.1.1. Location

Through its subsidiaries, Le Nickel-SLN in New Caledonia and Comilog S.A. in Gabon, the Group respectively operates nickel and manganese deposits. With the acquisition of the Weda Bay Nickel project in Indonesia, Eramet has acquired the means to ultimately double its nickel production.

In New Caledonia, Le Nickel-SLN opencast mines nickel oxide deposits formed by superficial weathering of ultrabasic rocks. Mining and processing are currently concentrated in the saprolitic part of the weathering profile.

In Gabon, Comilog S.A. opencast mines a rich tabular manganese deposit, located under thin caprock and formed by superficial weathering of volcano-sedimentary rocks.

In Indonesia, the Weda Bay Nickel project preliminary feasibility study is underway.

#### 11.2.1.2. Legal claims

Reserves and resources are presented with regard to mining claims to which the Group has long-term rights, mainly perpetual concessions and rights granted for a renewable period of 75 years in New Caledonia, a renewable 75-year concession in Gabon and a renewable 30-year Contract of Work in Indonesia. The carrying amount of reserves is recognised at historical cost for purchased claims and granted concessions are not measured. The balance sheet amount does not necessarily reflect market value.

#### 11.2.1.3. Estimates

Estimates have been drawn up by professional full-time Group employees using conventional or geostatic calculation methods. Geological reconnaissance, resource and reserve estimation, exploitation planning and mining are supplemented by over 40 years' industrial-scale experience. The methods used evolve constantly to take advantage of technical progress in these areas.

#### BASIS OF ESTIMATES

Estimates are based on sampling that can never be fully representative of the entire deposit. As and when deposits are explored and/or exploited, estimates may move up or down in line with improvements in knowledge of the mass.

#### ESTIMATION METHODOLOGY

Given the Group's presence in New Caledonia, the estimates of the Group's reserves and mineral resources as presented herein were drawn up pursuant to the 2004 edition of the JORC Code (Australian Code for Reporting of Mineral Resources and Ore Reserves) for all aspects relating to estimation methods and classification levels.

#### MINERAL RESOURCES

Resources are calculated with the same cut-off grades as reserves (except where specified otherwise), but without guaranteeing that these recoverable resources will be wholly converted into reserves following additional technical-economic and marketing studies.

A drilling and/or intercept is considered positive if:

- it contains at least two metres of ore at a higher grade than the cut-off grade;
- is not isolated.

The mass defined by the drillings selected on that basis is included in mineral resources if its positioning and geometric and chemical characteristics are such that it is reasonably likely to be economically viable.

#### RECOVERABLE MINERAL RESOURCES

Recoverable resources are mineral resources into which mining recovery and ore dressing were factored on the basis of experience acquired on those sites. They are thus referred to as recoverable resources and the nickel or manganese tonnages given correspond to the quantity of metal present in the ore on leaving the mining units for shipment to metallurgical or chemical processing plants. The mining allowances for dilution and losses, those relating to the ore dressing, are established based on mining summaries comparing production to estimates of volumes already extracted. Recoverable resources are included in mineral resources.

#### EXPLORATION RESULTS

Exploration results are given on the same basis as resources.

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**RESERVES**

Reserves are estimated on the basis of medium to long-term economic conditions (fuel oil, coal, coke, electricity and metal prices, exchange rates, etc.), commercial constraints (grades, customers, etc.) and current or expected technical mining and processing techniques. Reserves are estimated based on a complete mining project. No assurance can be given as to the total recovery of the published reserves, insofar as market fluctuations and technical developments may make the recovery of certain deposits or parts of deposits economically viable or otherwise.

Reserves are included in mineral resources.

**PRESENTATION OF ESTIMATES**

Resource and reserve figures have been grouped together by main technical or geographical area. For recoverable resources and reserves, only metal tons are given. The results may also be compared to production levels, which gives an indication of the remaining lifespan of the sites.

**11.2.1.4. Definitions**

**DEFINITIONS OF RESOURCES**

A Mineral Resource is a concentration or occurrence of commercially valuable material in or on the Earth's crust in such grade and quantity that it is reasonably likely that mining will be economically viable. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An Inferred Mineral Resource is that part of a Mineral Resource for which the quantity and grade can be estimated from geological evidence, but with a low level of confidence. Geological and grade continuity are assumed but not verified. The estimate is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain grade and reliability.

An Indicated Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral

content can be estimated with a reasonable level of confidence. The estimate is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A Measured Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. The estimate is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological continuity and/or grade.

**DEFINITIONS OF RESERVES**

An Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. Reserves are estimated on the basis of a preliminary or actual feasibility study (a mining project in the broader sense), which takes account of any technical (shape of mine, dilution and losses depending on the mining method, yield of facilities), economic, marketing, legal, environmental, labour and governmental factors that exist or may be likely at the time of the estimate. The preliminary or actual feasibility study demonstrates at the time of reporting that extraction is viable. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proven Ore Reserves.

A Probable Ore Reserve is the economically mineable part of an Indicated reserve, and in some circumstances, a Measured Mineral Resource, whereas a Proven Ore Reserve is the economically mineable part of a Measured Mineral Resource.

**EXPLORATION RESULTS**

Exploration results correspond to the same commercially valuable materials as assessed for resources and reserves. The prospecting carried out suggests that an ore zone may be found, but available reconnaissance information is weak.

**↗ 11.2.2. Comilog S.A. reserves and resources**

**11.2.2.1. Mineral resources**

The table below sets out the figures for the mineral resources of Comilog S.A. on January 1, 2008. Only the Bangombé, which is being exploited, and Okouma plateaus were re-estimated in 2007. These figures are based on the following parameters:

- ↻ a 30% Mn cut-off grade for the Bangombé and Okouma plateaus for the measured and indicated mining resources;

- ↻ Comilog S.A.'s mining concession also covers other plateaus in the Moanda region, i.e. Bafoula, Massengo and Yéyé. Reconnaissance work carried out on Bafoula and Massengo indicates the existence of ore masses. The quantity and quality of available information is sufficient to estimate inferred resources. The reconnaissance work done on Yéyé indicates the existence of ore masses but the quantity and quality of available information are not sufficient to estimate inferred resources;

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- ⊛ a “Moullili” fine Manganese ore deposit was verified by drilling in 2006 and was assessed for mineral resources, which were included in measured resources;
- ⊛ recorded tonnages and grades characterise the entire ore layer (with no vertical selection);
- ⊛ tonnages of manganese content are calculated with 9% humidity for rock ore and 12% for fines (figures given in Dry Metric Ton Units: “millions of Mn DmtU” – 1 DmtU Mn = 10 kg of manganese).

#### MINERAL RESOURCES OF MANGANESE ROCK ORE AND FINES ON JANUARY 1, 2008

Deposit	Measured			Indicated			Inferred			Total		
	kt	% Mn	DMTU	kt	% Mn	DMTU	kt	% Mn	DMTU	kt	% Mn	DMTU
<b>Rock ore &gt; 10mm</b>												
Bangombé	25,000	46.3	1160							25,000	46.3	1,160
Okouma	18,800	49.0	920	34,600	47.0	1630				53,400	47.7	2,550
Bafoula							23,000	34.0	780	23,000	34.0	780
Massengo							12,000	40.0	480	12,000	40.0	480
<b>Total</b>	<b>43,800</b>	<b>47.3</b>	<b>2,070</b>	<b>34,600</b>	<b>47.0</b>	<b>1,630</b>	<b>35,000</b>	<b>36.7</b>	<b>1,260</b>	<b>113,400</b>	<b>43.7</b>	<b>4,960</b>
<b>Fines 2-10mm</b>												
Bangombé	20,100	44.0	880							20,100	44.0	880
Okouma	18,000	46.4	840	33,400	44.4	1480				51,400	45.1	2,320
Moullili	4,800	45.8	220							4,800	45.8	220
Bafoula							15,000	32.2	480	15,000	32.4	490
Massengo							7,900	37.8	300	7,900	38.1	300
<b>Total</b>	<b>42,900</b>	<b>45.2</b>	<b>1,940</b>	<b>33,400</b>	<b>44.4</b>	<b>1,480</b>	<b>22,900</b>	<b>34.1</b>	<b>780</b>	<b>99,200</b>	<b>42.4</b>	<b>4,200</b>

#### 11.2.2.2. Recoverable resources and reserves

The table below sets out the figures for recoverable resources and reserves in the Bangombé and Okouma plateaus on January 1, 2008. They include the mine dump comprised of surplus fines not previously marketable.

The “Moullili” deposit, included in recoverable measured resources, underwent test working and processing in 2006 which proved positive.

The figures are based on:

- ⊛ 30% manganese (Mn) cut-off grade;
- ⊛ similar processing to that currently used for Bangombé plateau ore, i.e. from a run-of-mine production of 10-80mm rock ore and 1-10mm fines;
- ⊛ commercial specifications amended on January 1, 2008 with the simplification of the product range.

#### MANGANESE ORE RESERVES AND RECOVERABLE RESOURCES ON JANUARY 1, 2008 (MILLIONS OF DMTU MN)

DEPOSIT		Reserves		Recoverable resources		Total	Production in 2007
		Proven	Probable	Measured	Indicated		
Bangombé	>10mm	1,090				1,090	
Okouma	>10mm				2,100	2,100	
<b>Total rock ore</b>		<b>1,090</b>			<b>2,100</b>	<b>3,190</b>	<b>93</b>
Bangombé	1-10mm		400		100	500	
Okouma	1-10mm				1,300	1,300	
Moullili	1-10mm			180		180	
Terril	1-10mm	70				70	
<b>Total fines and sinter</b>		<b>70</b>	<b>400</b>	<b>180</b>	<b>1,400</b>	<b>2,050</b>	<b>56</b>

Given the uncertainties regarding the ore recovery and dressing factors that may apply to inferred mineral resources, no recoverable resources have been calculated for the Bafoula and Massengo ore masses.

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### ➤ 11.2.3. Le Nickel-SLN's reserves and resources

#### 11.2.3.1. Saprolite reserves and resources for pyrometallurgy

##### 11.2.3.1.1. MINERAL RESOURCES

The mineral resources set out below have been grouped together by major geomorphologic unit, based on the official classification in effect in New Caledonia.

In accordance with the system for describing drilling data, the tonnages and grades given correspond solely to the weathered, ore-bearing phase of saprolite and not to the saprolitic column as a whole.

Humidities vary from 22% to 38% depending on the mass in question.

These figures were drawn up with:

- a cut-off grade of 1.7-1.8% and 2% nickel for the Tiébaghi and Népoui Kopeto centres with mineralurgical processing of run-of-mine;
- a cut-off grade of 2.2-2.4% nickel for all other sites with conventional treatment.

##### SAPROLITE MINERAL RESOURCES FOR THE DONIAMBO PYROMETALLURGICAL PLANT ON JANUARY 1, 2008

Geomorphologic units	Measured			Indicated			Inferred		
	kt	%Ni	kt Ni	kt	% Ni	kt Ni	kt	% Ni	kt Ni
Monéo Nord	-	-	-	-	-	-	3,446	2.59	89
Monéo Centre	-	-	-	-	-	-	5,083	2.55	130
Kouaoua	1,990	2.67	53	5,228	2.67	140	5,590	2.62	147
Poro	1,737	2.84	49	-	-	-	2,515	2.63	66
Boakaine	-	-	-	-	-	-	833	2.68	22
Nakety	25	3.06	1	188	2.94	6	153	2.61	4
Dothio	3,783	2.84	107	5,026	2.78	140	1,643	2.74	45
Thio	113	3.07	3	934	3.05	28	710	3.05	22
Ouenghi	-	-	-	84	3.40	3	56	2.84	2
Kombwi N'Goye	398	2.92	12	1,391	2.84	39	1,699	2.74	47
Tontouta	1,673	2.82	47	328	2.66	9	1,178	2.57	30
Me Adeo	-	-	-	-	-	-	131	3.74	5
Me Maoya	321	2.89	9	-	-	-	429	3.17	14
Kopeto - Boulinda	9,254	2.26	209	8,480	2.24	190	18,748	2.12	397
Tchingou	-	-	-	-	-	-	1,750	3.34	58
Kaala	312	2.61	8	1,028	2.92	30	196	2.79	5
Tiébaghi	10,319	2.57	265	28,045	2.30	646	1,029	2.71	28
Poum	10,952	2.64	290	337	2.60	9	218	2.59	6
<b>Total</b>	<b>40,878</b>	<b>2.58</b>	<b>1,054</b>	<b>51,069</b>	<b>2.43</b>	<b>1,240</b>	<b>45,407</b>	<b>2.46</b>	<b>1,116</b>

\* The Dothio geomorphologic unit includes the Theo Plateau.

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The exploration results set out below also correspond to the weathered phase of saprolite with 25% humidity and using the same regional classification. The exploration results represent approximately 391 kt Ni and include certain subjects not previously taken into consideration.

Geomorphologic units	Exploration results On January 1, 2008			01
	kt	%Ni	kt Ni	
Monéo Centre	1,500	2.51	37.7	02
Kouaoua	628	2.76	17.3	03
Bel Air	1,875	2.63	49.3	04
Poro	375	2.58	9.7	05
Boakaine	132	3.06	4.0	06
Mara	750	2.72	20.4	07
Nakety	300	2.80	8.4	08
Dothio	128	2.82	3.6	09
Thio	1,480	2.84	42.0	10
Ouenghi	146	3.02	4.4	11
Port Bouquet	194	3.05	5.9	12
Kombwi N'Goye	704	2.93	20.6	13
Pourina - Ounia	196	3.04	6.0	14
Oua Tilou	21	5.13	1.1	15
Southern laterite deposit	296	3.32	9.8	16
Tontouta	359	2.68	9.6	17
Mont Do	1,841	3.03	55.8	18
Me Adeo	516	3.07	15.8	19
Me Maoya	289	2.84	8.2	20
Kopeto - Boulinda	2,121	2.60	55.1	21
Kaala	120	2.87	3.4	22
Ile Pott	86	2.63	2.3	23
Ile Yande	32	2.63	0.8	24
<b>Total</b>	<b>14,089</b>	<b>2.78</b>	<b>391</b>	25

#### 11.2.3.1.2. RECOVERABLE MINERAL RESOURCES AND RESERVES

The table below sets out the figures for recoverable saprolite reserves and resources for the Doniambo pyrometallurgy plant on January 1, 2008. The data is in thousands of tons of nickel content in shipped ore, calculated at constant humidity for ongoing or estimated production. These figures come from the above-mentioned mineral resources and factor in the following:

- conventional treatment of run-of-mine similar to current practices on Le Nickel-SLN and/or subcontracted sites: approximately 80mm screening with or without recovery of part of coarser fractions depending on mineralisation;
- mineralurgical processing in Népoui Kopéto (in existence) and Tiébaghi (in the process of opening);
- mining projects in the case of reserves.

**SAPROLITE RECOVERABLE RESOURCES AND RESERVES (INCLUDED IN RECOVERABLE RESOURCES) FOR THE DONIAMBO PYROMETALLURGY PLANT ON JANUARY 1, 2008 (IN THOUSANDS OF TONS OF NICKEL)**

	Measured resources	Indicated resources	Inferred resources	Mining kt Ni 2007
<b>Total</b>	820	842	816	71.2
<i>Of which</i>	<b>Proven reserves</b>	<b>Probable reserves</b>		
<b>Total</b>	422	557		

The production given above relates to nickel tonnages (stated as thousands of tons of nickel: kt Ni) contained in the ore transported to the various ports (wharves or mechanical loading). It therefore includes the low tonnages of nickel relating to exported saprolitic ores (currently approximately 2 kt Ni per year).

Reserves on January 1, 2008 were estimated to be around 980 kt Ni. The major effort made on projects has enabled the transformation of resources into reserves at all mining centres. The reserves are included in recoverable resources.

The indicated and measured recoverable resources are estimated to be 1,662 kt Ni. Furthermore, reconnaissance work with a reduction of the mesh for the masses classed in inferred resources allowed these resources to be classified in indicated or measured resources.

Inferred recoverable resources are estimated to be 816 kt Ni. The major increase seen since January 1, 2007 stems from the results of prospection

in 2007, the inclusion of masses following additional studies and the declassification of certain indicated resources in inferred.

The recovery rate of saprolite recoverable reserves and resources for pyrometallurgy was 868%.

**11.2.3.2. Mineral resources for hydrometallurgy**

At the cut-off grade of 1.8% nickel and outside centres with mineralurgical processing, preliminary exploration results on low-grade saprolite zones, which are currently uneconomical for pyrometallurgical processing, point on a preliminary basis to 2,000 kt in nickel content.

Furthermore, for all the mineral deposits of Le Nickel-SLN and at a cut-off grade of 1.0% Ni, inferred to measured resources in laterites are currently estimated at 8,000 kt Ni.

**11.2.4. Resources of Pt Weda Bay Nickel****11.2.4.1. Overall mineral resources**

The table below sets out the saprolite and limonite mineral resources on January 1, 2008. The data is in thousands of tons of nickel content in the ore estimated at 1% Ni in the saprolites and laterites, without making any assumptions as to conversion or beneficiation factors.

The average dry densities are around 0.84 for laterites and 0.88 for saprolites, established based on measurements made in 1999-2001 and 2007. A series of additional measurements is underway.

**SAPROLITE AND LATERITE MINERAL RESOURCES ON JANUARY 1, 2008 (IN THOUSANDS OF TONS OF NICKEL)**

	Measured resources	Indicated resources	Inferred resources
<b>Total</b>	893	2,077	1,801

**11.2.4.2. Breakdown of mineral resources**

The mineral resources set out below are broken down by prospect and distinguishing between lateritic and saprolitic products.

## SAPROLITE AND LATERITE MINERAL RESOURCES ON JANUARY 1, 2008

Prospects	Measured			Indicated			Inferred			Total		
	Mt	%Ni	kt Ni	Mt	%Ni	kt Ni	Mt	%Ni	kt Ni	Mt	%Ni	kt Ni
<b>Laterites</b>												
Santa Monica Ouest	19.0	1.27	241	4.0	1.26	50				23.0	1.27	291
Santa Monica Est				14.4	1.22	175				14.4	1.22	175
Coastal Deposits				8.0	1.13	91				8.0	1.13	91
Big Kahuna							8.1	1.32	107	8.1	1.32	107
Jira River				7.7	1.16	89				7.7	1.16	89
Boki Mekot							12.3	1.27	156	12.3	1.27	156
Pintu				9.5	1.24	118	6.5	1.21	79	16.0	1.23	196
Jiguru							1.4	1.24	17	1.4	1.24	17
Tofu Blowen							7.4	1.23	92	7.4	1.23	92
<b>Total laterites</b>	<b>19.0</b>	<b>1.27</b>	<b>241</b>	<b>43.5</b>	<b>1.20</b>	<b>523</b>	<b>35.8</b>	<b>1.26</b>	<b>451</b>	<b>98.3</b>	<b>1.24</b>	<b>1,214</b>
<b>Saprolites</b>												
Santa Monica Ouest	41.6	1.57	653	9.5	1.61	153				51.1	1.58	805
Santa Monica Est				49.8	1.46	727				49.8	1.46	727
Coastal Deposits				24.3	1.56	379				24.3	1.56	379
Big Kahuna							8.6	1.76	152	8.6	1.76	152
Jira River				7.5	1.68	126				7.5	1.68	126
Boki Mekot							19.2	1.62	311	19.2	1.62	311
Pintu				11.1	1.52	169	14.5	1.71	249	25.7	1.63	418
Jiguru							4.4	1.36	60	4.4	1.36	60
Tofu Blowen							30.2	1.92	579	30.2	1.92	579
<b>Total saprolites</b>	<b>41.6</b>	<b>1.57</b>	<b>653</b>	<b>102.3</b>	<b>1.52</b>	<b>1,554</b>	<b>76.9</b>	<b>1.76</b>	<b>1,350</b>	<b>220.8</b>	<b>1.61</b>	<b>3,557</b>
<b>Total</b>	<b>60.5</b>	<b>1.48</b>	<b>893</b>	<b>145.8</b>	<b>1.42</b>	<b>2,077</b>	<b>112.7</b>	<b>1.60</b>	<b>1,801</b>	<b>319.0</b>	<b>1.50</b>	<b>4,772</b>

Given the low level of sound dividing rock, the tonnages and content provided in saprolites represent the saprolitic column as a whole.

Resources are estimated by 3D block modelling, with the content of measured and indicated resources estimated by ordinary kriging, with that of inferred resources estimated either by squared inverse distance or by kriging where the quality of the variogram so allowed.

The Tofu Blowen exploration results have been classed as inferred resources following the substantial reconnaissance work carried out in 2007 for the site.

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# Trend information

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## 12.1. RECENT DEVELOPMENTS AND OUTLOOK

### ➤ 12.1.1. Developments up to the date of the Board meeting

No material events took place up to the date of the meeting of the Board of Directors.

### ➤ 12.1.2. Outlook for 2008

Eramet expects shipments to grow across all three Divisions thanks to the ramping up of its new industrial base. In addition, markets have been performing well since the start of the year in the three divisions, in terms of both prices and demand.

Nickel prices remained at an average of US\$27,750/ton in January and February 2008. In 2008, Eramet Nickel forecasts metallurgical production of around 60,000 tons, while at the same time renovating one of the three Doniambo plant electric furnaces. 2008 nickel hedges involve around a third of estimated volumes at an average price of approximately US\$22,000/ton.

Manganese ore and alloy prices have continued to rise from the highs achieved at end-2007. Eramet Manganese is continuing to expand its

manganese ore production in Gabon with a 2008 target of 3.5 million tons. In addition, the new manganese dioxide plant at Chongzuo will reach nominal capacity in March 2008 and the new recycling plant in Alberta is set to be open at end-April 2008.

Eramet Alloys should benefit from continued strong demand in growth in aerospace and energy. Moreover, orders of high-speed steels have recovered over the past few months.

The Group's capital expenditure in the three divisions is set to rise substantially in 2008. Eramet has even greater financial resources to successfully implement new developments and seize opportunities for acquisitions in all of its long-term growth markets.

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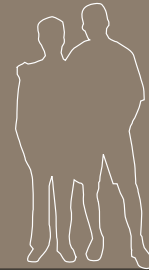
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# Profit forecasts or estimates



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# Administrative, management and supervisory bodies



# 14.

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## 14.1. COMPANY AND GROUP MANAGEMENT AND SUPERVISORY BODIES

### 14.1.1. General management

#### 14.1.1.1. Company management method (Article 15 of the Articles of Association)

The Company's Board of Directors, comprised in principle of 15 members since the General Shareholders' Meeting of July 21, 1999, adopted, in accordance with the deliberations of the General Shareholders' Meeting of May 23, 2002 pursuant to the provisions of the "NRE" Act and at its Meeting of March 26, 2003, a conventional organisation of the Company's management with a Chairman & Chief Executive Officer responsible for both the general management of the Company and the chairmanship of the Board of Directors.

In both cases, the Board may, on the proposal of the person in charge of the Company's general management, appoint up to five deputy CEOs to assist him/her. The Company's CEO and deputy CEOs must be nationals of a member state of the European Union and may not hold the position beyond the age of 70.

The Board may also, in accordance with Article 19 of the Articles of Association, appoint up to four non-voting observers. The observers may be chosen from among the company's employees.

#### 14.1.1.2. Composition

The general management of the Company and Group is organised as follows:

- Chairman and CEO: Patrick Buffet\* (since April 25, 2007).

At its Meeting of May 21, 2003, the Board of Directors, which combined the positions of Chairman of the Board of Directors and of Chief Executive Officer (CEO) of the Company, granted all the powers permitted by law to the Chairman and CEO of a public limited company under French law.

The Board also granted, on the same terms, the power to substitute and delegate, under his or her responsibility, to such persons as he sees fit, with the possibility of sub-delegating such part of his powers as he feels appropriate, by giving special powers for one or more specific purposes.

In line with the provisions of Article 14, Subsection 2 of the Articles of Association, the Chairman exercises full authority subject to the proviso that, "no decision relating to the Company's major strategic, economic, financial or technological issues may be taken without first being discussed by the Board."

In line with Article 14, Subsection 4 of the Articles of Association, "acts affecting the Company must be signed either by the CEO, the Deputy CEO or by any specially authorised person."

Deputy CEOs:

In line with Article 17.2, the CEO may propose to the Board of Directors the appointment of one or more Deputy CEOs, of which there may be no more than five (5).

The following were appointed in that capacity:

- ✦ Georges Duval (Board Meeting of May 23, 2002);
- ✦ Alain Robert (Board Meeting of September 17, 2003) (resigned with effect from December 12, 2007);
- ✦ Bertrand Madelin (with effect from January 1, 2008);
- ✦ Philippe Vecten (Board Meeting of May 23, 2007).

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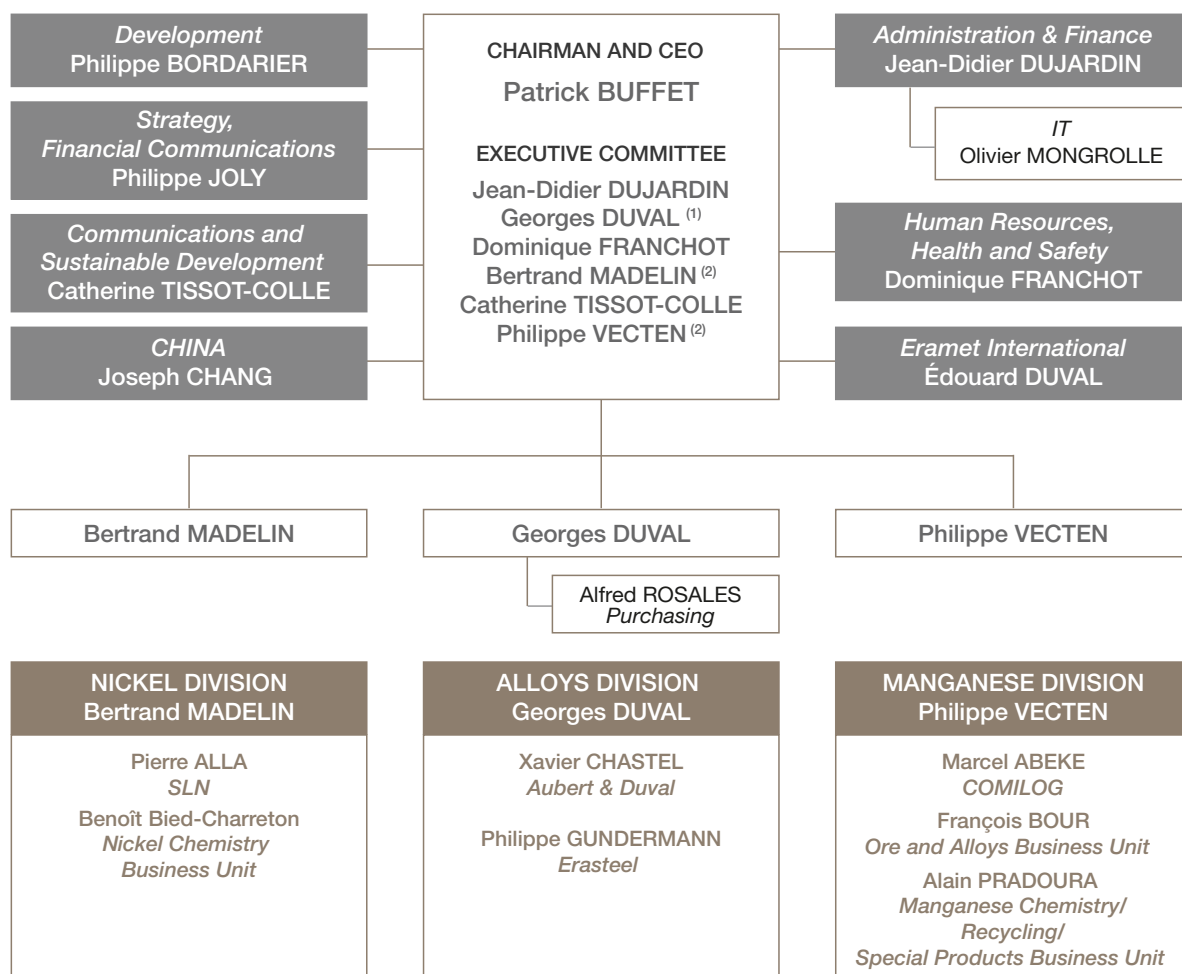
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### 14.1.1.3. Organisational chart on January 1, 2008



(1) Vice-Chairman, Deputy CEO  
(2) Deputy CEO

### 14.1.2. Board of Directors

Eramet abides by the corporate governance principles for listing companies set out in the July 1995 and July 1999 Vienot reports and the September 2002 Boutonne report.

#### 14.1.2.1. Appointment rules

In line with the shareholder agreement of June 17, 1999, and pursuant to Article 11 of the Articles of Association, Directors may not be over seventy (70) years of age when appointed and are appointed for a four (4) year term. There are currently fourteen (14) Directors but there may be up to fifteen (15).

Pursuant to the provisions of Article 11.3, the majority of members on the Board of Directors (including legal entities and their permanent representatives) must be nationals of a member state of the European Union.

Each Director must own at least one share.

Pursuant to the shareholder agreement, in addition to the Chairman, appointments are as follows:

- five directors put forward by the SORAME-CEIR concert party;
- three Directors put forward by AREVA;
- two Directors put forward by STCPI;
- lastly, four “qualified persons” are appointed, two by the SORAME CEIR concert party and two by AREVA, “in light of their expertise and their independence from the party that proposes their appointment and from the Company itself, in line with the recommendations of the Vienot report.”

The role and the responsibilities of the Directors are set out in the Directors’ charter, provided for in Article 12-5 of the Articles of Association, while Article 13, Subsection 6 states, “the role of the Directors is to defend the interests of Eramet in all circumstances and they must refrain, in the performance of their duties, from any action or inaction that would be likely to harm those interests.”

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### 14.1.2.2. Composition

Honorary Chairman: Yves Rambaud.

The Board of Directors is currently made up as follows:

Chairman of the Board of Directors: Patrick Buffet (since April 2007)

#### VICE-CHAIRMEN: 2

At its Meeting of September 13, 2000, the Board of Directors decided to appoint two Vice- Chairmen representing the two largest shareholders. The following were appointed in that capacity:

- ✦ Georges Duval, on behalf of SORAME (since September 13, 2000);
- ✦ Gilbert Lehmann, on behalf of AREVA (since December 13, 2005, succeeding Jean-Lucien Lamy).

#### DIRECTORS

- ✦ Rémy Autebert.
- ✦ Cyrille Duval.
- ✦ Édouard Duval.
- ✦ Georges Duval.
- ✦ Patrick Duval.
- ✦ Pierre-Noël Giraud (independent Director).
- ✦ Gilbert Lehmann.

- ✦ Louis Mapou.
- ✦ Harold Martin.
- ✦ Jacques Rossignol (independent Director).
- ✦ Michel Somnolet (independent Director).
- ✦ Antoine Treuille (independent Director).
- ✦ AREVA, represented by Frédéric Tona.

#### OTHER PARTICIPANTS IN BOARD MEETINGS

- ✦ **Observers:** The Board of Directors, at its Meeting of April 12, 2000, drawing on the option provided for in Article 19 of the Articles of Association, decided to offer two observer positions to Group employees, in addition to Works Council representatives. In practice, the two observers are nominated by the European Works Council. The Council proposed appointing Mats Nilsson (an employee of Erasteel Söderfors) and Daniel Signoret (an employee of Erasteel Commentry). These were appointed as observers at the September 13, 2000 Board Meeting for a term of four years, renewed by the meeting of the Board of Directors of May 12, 2004 for another four-year period. Mats Nilsson resigned and was replaced by Jean-Claude Dumontet (an employee of Erasteel Commentry) on September 11, 2002. As from the Board Meeting of August 2007, Jean Javelier (employee of Le Nickel-SLN) replaced Jean-Claude Dumontet.
- ✦ **Company Works Council Delegates:** Claudine Grossin, Didier Jacq, Christian Detreille, Yann Perrigault.

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## 14.2. PERSONAL SITUATION OF EXECUTIVES

### ➤ Other positions held within and outside the Group over the past five financial years

#### DIRECTORS AND GENERAL MANAGERS OF THE COMPANY ON FEBRUARY 20, 2008

Surname, forename or company name of member	Main position	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
<b>Patrick BUFFET</b>	<b>Director</b> <b>Chairman and CEO since April 25, 2007</b>	Director: Co-opted by the Board on March 7, 2007 replacing François Henrot, who resigned Chairman and CEO: Board Meeting of April 25, 2007	General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In Group companies</b> <ul style="list-style-type: none"> <li>• Chairman and CEO, Le Nickel-SLN</li> <li>• Director of Comilog S.A.</li> </ul> <b>In non-Group companies</b> <ul style="list-style-type: none"> <li>• Member of Supervisory Board of: Bureau Veritas; Arcole Industries (unlisted)</li> <li>• Director of Banimmo (Belgium)</li> <li>• Observer of Caravelle (unlisted)</li> </ul> <b>Posts held and left in previous five years</b> <ul style="list-style-type: none"> <li>• Member of Supervisory Board of: AREVA; Astorg-Partners                             <ul style="list-style-type: none"> <li>• Director of:                                     <ul style="list-style-type: none"> <li>– CDC Ixis</li> </ul> </li> </ul> </li> <li>– Majority owned Suez group subsidiaries: Suez Energy Services; Tractebel (Belgium), Electrabel (Belgium), Société Générale de Belgique (Belgium), Fluxys (Belgium)</li> </ul>
<b>Born October 19, 1953</b>				
<b>Work address:</b> <b>Tour Maine Montparnasse</b> <b>33, avenue du Maine</b> <b>75015 Paris – France</b>				



Surname, forename or company name of member	Date of first appointment	Last renewal date and expiry date of term of office	Other positions	
<b>Rémy AUTEBERT</b> <b>Director</b> Born July 20, 1953 Work address: AREVA Japan Co. Ltd. Urban Toranomon, Bld. 5-F 1-16-4, Toranomon Minato-Ku Tokyo 105-0001 Japan	General Shareholders' Meeting of May 21, 2003	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term. Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> Chairman of AREVA Japan Member of the Nuclear Executive Committee at AREVA <b>Posts held and left in previous five years</b> <ul style="list-style-type: none"> <li>• Director of Mines – Chemicals – Beneficiation                at Cogema (as from June 2004)</li> <li>• Manager of the Mines Business Unit, Cogema                (July 2000-May 2004)               <ul style="list-style-type: none"> <li>• Chairman &amp; CEO                    CFMM SA</li> <li>• Chairman of Management Board: Eurodif                    (until December 9, 2005)                   <ul style="list-style-type: none"> <li>• Chairman:                        COMUF (Gabon); Urangesellschaft GmbH                        (Germany); Somair (Niger); Cogema Australia</li> <li>• Manager: SMJ (until February 11, 2005)</li> </ul> </li> </ul> </li> <li>• Vice-Chairman of the Board: Cominak (Niger)               <ul style="list-style-type: none"> <li>• Member of the Supervisory Board: Eurodif                   <ul style="list-style-type: none"> <li>• Director of:                        Eurodif Pro; CFMM SA; SGN; Cominak (Niger);                        Comurh<sup>ex</sup> (until March 7, 2005);                        Katco (Kazakhstan); Cogema Resources                        Canada; SGN; CMA (Côte d'Ivoire)                        (until January 1, 2005); COMIN                        (USA); PMC (USA); UG Canada Ltd. (until                        February 1, 2005); MUL (Canada); Cogema                        Australia</li> <li>• Permanent representative of:                        – Cogema on the boards of:                        CFM SA; Comhurex SA; Sofidif; Somair (Niger);                        – CFMM on the Board of Cominor SA                        – CFM SA on Board of SMJ (until February 11,                        2005)</li> </ul> </li> </ul> </li> <li>• Member of the Board of Cogema Inc.;                Cogema Deutschland</li> </ul>	01 02 03 04 05 06 07 08 09 10 11 12 13 14
<b>Georges DUVAL</b> <b>Director</b> <b>Vice-Chairman</b> <b>Deputy CEO</b> Born May 3, 1946 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France Brother of Édouard DUVAL, cousin of Cyrille and Patrick DUVAL	General Shareholders' Meeting of July 21, 1999 Vice-Chairman of the Board: Board Meeting of September 13, 2000 Deputy CEO: Board Meeting of May 23, 2002	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In Group companies</b> <ul style="list-style-type: none"> <li>• Chairman:                Aubert &amp; Duval (SAS); S.I.M.A. (SAS);                Eramet Alloys; Erasteel (SAS)</li> </ul> <b>In non-Group companies</b> <ul style="list-style-type: none"> <li>• Manager of SORAME SCA</li> <li>• Director and Deputy CEO of CEIR</li> </ul>	15 16 17 18 19 20
<b>Édouard DUVAL</b> <b>Director</b> Born December 2, 1944 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France Brother of Georges DUVAL, cousin of Cyrille and Patrick DUVAL	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In Group companies</b> <ul style="list-style-type: none"> <li>• Director of Le Nickel-SLN</li> </ul> <ul style="list-style-type: none"> <li>• Chairman of Eramet International (SAS)               <ul style="list-style-type: none"> <li>• Deputy CEO of S.I.M.A. (SAS)</li> </ul> </li> </ul> <b>In non-Group companies</b> <ul style="list-style-type: none"> <li>• Chairman of the Management Board                of SORAME SCA</li> <li>• Director and Deputy CEO of CEIR</li> </ul>	21 22 23 24 25 A



Surname, forename or company name of member	Main position	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
<b>Patrick DUVAL</b> Director Born May 15, 1941 Address: c/o Eramet Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France Brother of Cyrille DUVAL, cousin of Georges and Édouard DUVAL	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In Group companies</b> • CEO of S.I.M.A.  <b>In non-Group companies</b> • Chairman of CEIR • Manager of SORAME SCA • Director of Cartonneries de Gondardennes SA • Manager of SCI Compagnie Franroval, SCI Les Wood de Batonceau, SCI de la Plaine, SCEA Les Terres d'Orphin
<b>Cyrille DUVAL</b> Director General Secretary of AUBERT & DUVAL Born July 18, 1948 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France Brother of Patrick DUVAL, cousin of Georges and Édouard DUVAL	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In Group companies</b> • Deputy CEO of S.I.M.A. • Permanent representative of S.I.M.A. • Director of Metal Securities • Director of Comilog • Joint manager of Aubert & Duval GmbH • Chairman of Forges de Montplaisir  <b>Manager of SCI Grande Plaine In non-Group companies</b> • Deputy CEO and director of CEIR • Manager: SORAME
<b>Pierre-Noël GIRAUD</b> Director Born March 8, 1949 Work address: CERNA 60, boulevard Saint-Michel 75272 Paris cedex 06	General Shareholders' Meeting of May 21, 2003	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> • Director of AREVA N.C. • Lecturer at the École des Mines de Paris • Member of the French Technology Academy
<b>Gilbert LEHMANN</b> Director Vice-Chairman Born September 28, 1945 Work address: AREVA 33, rue Lafayette 75009 Paris	Co-opted by the Board Meeting of December 13, 2005	Co-opting confirmed: General Shareholders' Meeting of April 27, 2006 called to approve the 2005 financial statements  Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	Co-opting confirmed: General Shareholders' Meeting of April 27, 2006 called to approve the 2005 financial statements  Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> • Director and Chairman of the Board of Directors of: ST Microelectronic Holding Company N.V. (Netherlands); SEPI (Switzerland) • Director and member of Audit Committee of: Assystem SA  <b>Posts held and left in previous five years</b> <i>In France:</i> • Director: Framatome ANP; Sofinel; Framatome Connectors International (FCI); Compagnie Technique d'Assurances (CTA); Framapare; CNS; Intercontrôle • Chairman of the Board of Directors of Compagnie d'Études et de Recherche pour l'Énergie (CERE) <i>Abroad: (USA)</i> • Director of Framatome Technologies; FC USA; Canberra
<b>Louis MAPOU</b> Director Born November 14, 1958 Work address: STCPI Immeuble Carcopino 3000 98845 Nouméa cedex	Co-opted by the Board Meeting of March 29, 2001 (Confirmation by General Shareholders' Meeting of May 30, 2001)	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In Group companies</b> • Director of Le Nickel-SLN  <b>In non-Group companies</b> • Chairman STCPI (New Caledonia) • CEO of Sofinor (New Caledonia)

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Surname, forename or company name of member	Date of first appointment	Last renewal date and expiry date of term of office	Other positions	
<b>Harold MARTIN</b> <b>Director</b> Born April 8, 1954 <b>Work address:</b> <b>President of the Congress of New Caledonia</b> 1, boulevard Vauban B.P. P3 98845 Nouméa cedex	Appointed by General Shareholders' Meeting of May 11, 2005	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2008 financial statements.	<b>In non-Group companies</b> (in New Caledonia) <ul style="list-style-type: none"> <li>• President of the Government of New Caledonia (Since August 21, 2007)</li> <li>• Member of Advisory Committee on Mining; of the Board of Mines; of the Advisory Committee on the Environment; of the Committee for Foreign Trade; of the Local Finance Committee (since August 21, 2007)               <ul style="list-style-type: none"> <li>• Director of SEUR</li> <li>• Mayor of Païta since 1995</li> </ul> </li> </ul> <b>Posts held and left in previous five years</b> <ul style="list-style-type: none"> <li>• President of the Congress of New Caledonia               <ul style="list-style-type: none"> <li>• Member of Southern Province Parliament                   <ul style="list-style-type: none"> <li>• Member of Adecap (Treasurer)</li> </ul> </li> </ul> </li> <li>• Chairman of Advisory Committee on Research</li> </ul>	01 02 03 04 05 06 07
<b>Jacques ROSSIGNOL</b> <b>Director</b> Born February 6, 1940 <b>Address:</b> c/o Eramet Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> <ul style="list-style-type: none"> <li>• Former CEO of SNECMA and Arianespace</li> </ul>	08 09 10 11
<b>Michel SOMNOLET</b> <b>Director</b> Born February 6, 1940 <b>Address:</b> c/o Eramet Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France	General Shareholders' Meeting of May 21, 2003	Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> <ul style="list-style-type: none"> <li>• Former Director of Sanofi-Synthélabo</li> <li>• Former Director, Deputy Chairman &amp; CFO of L'Oréal               <ul style="list-style-type: none"> <li>• Director of: L'Oréal USA; L'Oréal Maroc</li> </ul> </li> <li>• Perinvest Dividend Equity Fund</li> </ul>	12 13 14 15
<b>AREVA</b> <b>Director</b> <b>Represented by Frédéric TONA</b> <b>Permanent representative of AREVA on the Board of Directors</b> Born August 27, 1947 <b>Address</b> <b>AREVA</b> <b>For the attention of Frédéric TONA</b> 33, rue Lafayette 75009 Paris	Co-opted by Board Meeting of March 27, 2002	Co-opting confirmed: General Shareholders' Meeting of May 23, 2002  Reappointment: General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> <ul style="list-style-type: none"> <li>• Member of the Board of the Ecole Nationale Supérieure de Géologie in Nancy</li> <li>• Director of Osead (SAS), OMM (Morocco), CMT (Morocco), Uramin Inc (BVI) and Fondation d'Entreprise AREVA</li> </ul> <b>Posts held and left in previous five years</b> (All posts ended at the latest December 2004) <ul style="list-style-type: none"> <li>• Director of Mines and Chemistry at Cogema, then Director of Mines, Chemistry &amp; Beneficiation, Cogema, then special assistant to the Chairman of Cogema/AREVA (until January 31, 2005)               <ul style="list-style-type: none"> <li>• Chairman of Gomurhex, CFMM and CFM                   <ul style="list-style-type: none"> <li>• Chairman of Somaïr (Niger)</li> <li>• Vice-Chairman, Cominak (Niger)</li> </ul> </li> <li>• Director of SGN, Eurodif SA, Eurodif Pro, Sofidif, Urangesellschaft (Germany), COGEMA Australia, COGEMA Resources Canada, Pathfinder Mines Corp (USA) and COGEMA Inc (USA)</li> </ul> </li> <li>• Permanent representative of CFMM on the boards of Cominor SA and SMJ</li> </ul>	16 17 18 19 20 21 22 23 24 25 A



Surname, forename or company name of member	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
<b>Antoine TREUILLE</b> <b>Director</b> <b>Born October 7, 1948</b> <b>Work address:</b> <b>ALTAMONT CAPITAL PARTNERS</b> <b>780 Third Avenue, Floor 15</b> <b>New-York, NY 10022 10017</b> <b>USA</b>	General Shareholders' Meeting of July 21, 1999	Reappointment: General Shareholders' Meeting of May 21, 2003 and General Shareholders' Meeting of April 25, 2007 for a four-year term  Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements.	<b>In non-Group companies</b> <ul style="list-style-type: none"> <li>Executive Managing Director of: Altamont Capital Partners, LLC (USA); Mercantile Capital Partners LLC (USA)</li> <li>Chairman of Charter Pacific Corporation (USA)               <ul style="list-style-type: none"> <li>Director of: BIC SA (France); Harris Interactive, Inc. (USA), Partex Corporation (USA), Harlem Furniture, LLC (USA), Headwaer, Inc. (USA)</li> </ul> </li> </ul> <b>Posts held and left in previous five years</b> <ul style="list-style-type: none"> <li>Skip's Clothing, Inc. (up to May 2007)</li> </ul>
<b>Bertrand MADELIN</b> <b>Deputy CEO (as from January 1, 2008)</b> <b>(not a director)</b> <b>Born September 13, 1954</b> <b>Work address:</b> <b>Tour Maine Montparnasse</b> <b>33, avenue du Maine</b> <b>75015 Paris – France</b>	Appointed by Board Meeting of December 12, 2007		<b>In Group companies</b> <ul style="list-style-type: none"> <li>Director of Le Nickel-SLN</li> <li>Director of PT Weda Bay Nickel</li> <li>Chairman of Eurotungstène</li> </ul>
<b>Philippe VECTEN</b> <b>Deputy CEO</b> <b>(not a director)</b> <b>Born April 22, 1949</b> <b>Work address:</b> <b>Tour Maine Montparnasse</b> <b>33, avenue du Maine</b> <b>75015 Paris – France</b>	Appointed by Board Meeting of May 23, 2007		<b>In Group companies</b> <ul style="list-style-type: none"> <li>Director of Comilog S.A.; Comilog US; Société Le Nickel-SLN, SETRAG               <ul style="list-style-type: none"> <li>Chairman of ECM</li> </ul> </li> <li>Manager of Comilog Holding</li> </ul> <b>Posts held and ended in five previous years</b> <ul style="list-style-type: none"> <li>Deputy CEO of Le Nickel – SLN</li> </ul>

No information coming under part 14 "Administrative, Management and Supervisory Bodies" of regulation (EC) 809/2004 other than that set out above needs to be disclosed.

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# Total remuneration and benefits of corporate officers and Executive Committee



# 15.

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## 15.1. DIRECTORS' FEES

The amount of directors' fees paid to Eramet's corporate officers for 2007 amounted to €360,000 (€152,170 in 2006). This amount equals the total sum allocated to the Board of Directors in the General Shareholders' Meeting of April 15, 2007 (resolution V), to be distributed freely amongst these Directors.

The directors' fees for 2007 were distributed on the following bases:

- annual fixed amount of €12,000;
- amount of €1,000 for each actual attendance at Board Meetings;
- annual fixed amount of €8,000 for Audit Committee members;
- amount of €1,000 for each actual attendance at Audit Committee Meetings;

The directors' fees were distributed as follows:

<i>(in euros)</i>	Eramet	Other Companies	Total 2007	Total 2006	Total 2005
Rémy Autebert	21,575		21,575	8,623	12,686
Patrick Buffet	14,500	3,723	18,223	-	-
Jacques Bacardats	6,000	3,723	9,723	15,188	17,879
Cyrille Duval	19,000		19,000	7,623	7,623
Edouard Duval	19,000	1,830	20,830	7,623	7,623
Georges Duval	19,000		19,000	7,623	9,923
Patrick Duval	18,000		18,000	7,623	7,623
Pierre-Noël Giraud	14,000		14,000	7,623	7,623
François Henrot	2,000		2,000	7,623	7,623
Pascal Lafleur	-		-	-	3,431
Jean-Lucien Lamy	-		-	-	9,717
Gilbert Lehmann	31,000		31,000	9,623	1,906
Louis Mapou	20,575	1,830	22,405	12,503	12,503
Harold Martin	12,000		12,000	9,148	8,767
Jacques Rossignol	33,000		33,000	10,623	10,623
Michel Somnolet	58,725		58,725	22,773	14,198
Frédéric Tona	33,000		33,000	10,623	12,623
Antoine Treuille	38,625		38,625	16,723	18,248
<b>Total</b>	<b>360,000</b>	<b>11,106</b>	<b>371,106</b>	<b>161,565</b>	<b>170,619</b>

- annual fixed amount of €8,000 for members of the Remuneration Committee;
- amount of €1,000 for each actual attendance at Remuneration Committee Meetings.

In addition, €1,525 in travel expenses for each Director living abroad for each Board/Committee Meeting.

The directors' fees paid to Eramet's corporate officers by other companies in the Group amounted to €11,106 (€9,395 in 2006).

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## 15.2. MEMBERS OF THE EXECUTIVE COMMITTEE ("COMEX")

Remuneration of corporate officer Comex members is set annually by the Board of Directors based on the recommendation of the Remuneration Committee. For non-corporate officer members of the Comex, remuneration is set by general management. The remuneration proposals seek to ensure this compensation is reasonably competitive in respect of the outside market and are based on external comparisons regularly carried out by the Human Resources Department and external consultants using a large panel consistent with groups of a comparable size and business.

Remuneration of each Comex member is broken down into a fixed portion and a variable portion. The variable portion is based on a certain number of specific goals and conditions. The goals of the corporate officers are determined by the Remuneration Committee and submitted to the Board of Directors for approval.

In 2007, the variable portion could in no event exceed a maximum percentage of the gross annual fixed remuneration of:

- ✦ 80% for the Chairman and CEO (100% as from 2008)\*;
- ✦ 30% for the corporate officers and other members of the Comex (50% for the corporate officers as from 2008)\*;

\* Determined by the Remuneration Committee.

For the corporate officers, the changes in the variable ranges as from 2008 was proposed by the Remuneration Committee Meeting of December 11, 2007 and approved by the meeting of the Board of Directors of December 12, 2007.

The goals are set on the basis of the corporate officers and members of the Comex involved, using various criteria such as:

- ✦ actual economic performance (ROCE, operating profit, etc.);
- ✦ financial performance (debt, cash, working capital requirement, etc.);
- ✦ completion of major capital expenditure programmes on time and on budget;
- ✦ actions to be taken and achieved in terms of growth and development;
- ✦ managerial results in terms of team motivation and leadership;
- ✦ project and strategy proposals;
- ✦ health, safety, environmental and industrial risk goals.

Each year, the Remuneration Committee submits proposals to the Board of Directors for the Chairman and CEO and the three other corporate officers regarding a relative weighting of all or part of the abovementioned criteria as well as, if applicable, certain specific goals for each and the position of the Company. The 2008 goals for the corporate officers, including the Chairman and CEO, were set by the Remuneration Committee Meeting of January 24, 2008 and approved by the meeting of the Board of Directors of February 20, 2008.

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## ➤ 15.2.1. Amount

The gross amount of compensation allocated individually in 2007 to the members of the Group Executive Committee ("Comex" - eight people in all) amounted to €2,064,520 (€2,299,924) and was distributed as follows:

(in euros)	Period	Fixed portion <sup>(5)</sup>	Variable portion <sup>(6)</sup>	Benefit in kind	Other, including holiday awards	Directors' fees	Total
<b>Patrick BUFFET</b> <sup>(1) (2)</sup>	2007	406,922	325,538	1,383		18,223	752,066
Chairman and CEO	2006	-	-			-	0
<b>Jacques BACARDATS</b> <sup>(1) (3)</sup>	2007	181,850	83,180			9,723	274,753
Chairman and CEO	2006	505,245	252,038			15,188	772,471
<b>Georges DUVAL</b> <sup>(1)</sup>	2007	234,107	42,872	2,605		19,000	298,584
Deputy CEO	2006	224,438	43,129			7,623	275,190
<b>Alain ROBERT</b> <sup>(1) (4)</sup>	2007	277,823	45,628		100,770	7,445	431,666
Deputy CEO	2006	278,755	33,105			7,565	319,425
<b>Philippe VECTEN</b> <sup>(1) (7)</sup>	2007	210,260	43,003		9,145	9,020	271,428
Deputy CEO	2006	-	-			-	0
<b>Dominique FRANCHOT</b>	2007	259,141	66,079	3,323	33,287	1,372	363,202
Human Resources Manager	2006	265,929	37,465			0	303,394
<b>Jean-Didier DUJARDIN</b>	2007	222,317	30,347	3,461		5,615	261,740
Chief Financial Officer	2006	218,623	29,743			7,565	255,931
<b>Catherine TISSOT-COLLE</b>	2007	136,330	11,797	2,132	12,888		163,147
Director of Internal Communication and Sustainable Development	2006	-	-			-	0

(1) Corporate officers.

(2) As from April 25, 2007.

(3) Until April 25, 2007.

(4) Until December 12, 2007.

(5) Salaries paid in 2007.

(6) Amounts due in respect of 2007 and paid in 2008. In accordance with the French Economic Confidence and Modernisation Act of July 26, 2005, the variable portion now corresponds to the portion in respect of year N paid in N + 1.

(7) Corporate officer as from May 23, 2007 and member of the Comex since Janua<sup>r</sup> 1, 2007.

COMEX members also benefit from the collective profit-sharing scheme. The sums paid under the scheme in 2007 with respect to 2006 individually amounted to €15,534, in line with the legally prescribed ceiling.

The ten largest amounts of compensation paid by Eramet SA in respect of 2007 amounted to €3,800,828, as certified by the statutory auditors.

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### 15.3. CORPORATE OFFICERS - REMUNERATION

The gross remuneration paid to corporate officers in 2007 amounted to €2,749,412 (compared to €2,249,476 in 2006).

This breaks down as follows (in euros):

	2007	2006
Patrick BUFFET	752,066	-
Jacques BACARDATS*	274,753	772,471
Patrick ANDRÉ	-	353,488
Rémy AUTEBERT	21,575	8,623
Cyrille DUVAL	188,480	172,262
Edouard DUVAL*	248,105	233,132
Georges DUVAL*	298,584	275,190
Patrick DUVAL	18,000	7,623
Pierre-Noël GIRAUD	14,000	7,623
François HENROT	2,000	7,623
Gilbert LEHMANN	31,000	9,623
Louis MAPOU	22,405	12,503
Harold MARTIN	12,000	9,148
Alain ROBERT*	431,666	319,425
Jacques ROSSIGNOL	33,000	10,623
Michel SOMNOLET	58,725	22,773
Antoine TREUILLE	38,625	16,723
Frédéric TONA	33,000	10,623
Philippe VECTEN	271,428	-
<b>Total</b>	<b>2,749,412</b>	<b>2,249,476</b>

\* Individuals benefiting from a special supplementary scheme.

### 15.4. RETIREMENT COMMITMENTS

Several years ago, Eramet set up a collective supplementary defined benefit pension plan for a group of executives who met the required eligibility criteria. The plan is managed by an outside insurance company (AXA).

Certain corporate officers (see above table) benefit from this special top-up scheme which stipulates that they may benefit, in the event of a possible settlement at the full rate from the social security perspective, from full drawdown of their pension rights at Eramet SA (i.e. from age 60) at approximately 63% of their gross salary, with minimum seniority of

10 years and a ceiling defined by the internal plan regulations. This provision is necessarily uncertain as it only occurs on the actual date of retirement or leaving the company's employ. Based on the latest actuarial calculation, the present value of the estimated portion of the two corporate officers in question in the total amount of liabilities, relating to the past service of all beneficiaries of this supplementary pension plan, amounted to €1.3 million at the end of December 2007 (four corporate officers in 2006 for €5.6 million).

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## 15.5. OTHER COMMITMENTS

Under his corporate officer contract of April 26, 2007, Patrick Buffet is entitled to a severance payment, the settlement terms of which were brought into line with France's Labour, Employment and Purchasing Power Act of August 21, 2007 by the meeting of the Board of Directors of February 20, 2008, resulting in a new corporate officer contract being adopted by the Board of Directors and signed on February 20, 2008.

The Company has not made any commitment or pledge with respect to the granting of severance pay for the other corporate officers.

In the event of a hostile takeover bid, a special guarantee was decided in 2005 and put in place in favour of 16 non-corporate officer Group executives (primarily members of the Group Executive Committee and divisional Comex). This guarantee was estimated to be worth €5.6 million on December 31, 2007.

Under their employment agreements, certain employees and in particular executives benefit from contractual indemnities calculated on the basis of one to two years' salary and including the rights vested under the collective agreement to which they are subject. In 2007, Alain Robert received €0.7 million upon retirement. This amount corresponds to the legal and contractual rights vested after 38 years' service in Eramet Group. Upon his retirement, in addition to the €0.6 million pay in lieu of notice, Jacques Bacardats received €1.6 million relating in particular to the exercise of vested legal and contractual rights and will also benefit from a non-competition clause worth €0.8 million, payable in 2009. All these amounts, including the payroll charges, were paid or provided for on December 31, 2007.

## 15.6. SPECIAL REPORT ON BONUS SHARE ALLOTMENTS

Pursuant to Articles L. 225-197-1 to L. 225-197-3, a special report on bonus share grants has been prepared by the Board of Directors following the decision to grant 26,000 bonus shares, approved by the Board Meetings of April 25, 2007 and July 23, 2007, with the breakdown of grants set out

in Section 17.9.4. The meeting of the Board of Directors of July 23, 2007 updated the regulations governing the bonus plans to require the corporate officers to retain 20% of their shares for the terms of their appointments.

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# 16.

## Board practices

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Eramet complies with the corporate governance regime applicable in France.

## 16.1. MODE OF OPERATION

Since July 3, 2003, the Company's general management has been organised in the form of an Executive Committee ("Comex") and, since September 2004, an International Management Committee ("IMC"), both chaired by the Chairman and CEO.

The Executive Committee, a decision-making centre for the Group and the Divisions, is comprised of the Chairman and CEO, the three Division Managers, the Human Resources Manager, the Chief Financial Officer and the Communications and Sustainable Development Manager.

The International Management Committee meets quarterly and is comprised of the members of the Executive Committee, the CEO of Erasteel, the CEO of Aubert & Duval, the Chairman of Eramet International, the CEO of Le Nickel-SLN, the CEO of Comilog and the Eramet China Manager.

In liaison with the Executive Committee, important decisions that affect the Group are made at monthly Division meetings, chaired by the Chairman and CEO. In addition, monthly reporting is monitored and key decisions regarding the Divisions are made at these meetings.

Each of the three Division managers are also deputy CEOs, in charge of specific corporate functions at Group level. Georges Duval (Alloys) is responsible for Purchasing, Alain Robert (Nickel) covers Research and Development and Engineering; he was replaced by Dominique Franchot on January 1, 2008 in respect of finance, administration and human resource issues. The Administration and Finance and Human Resource Departments, along with Eramet International, report to the Chairman. In addition, Jean-Didier Dujardin, Chief Financial Officer, supervises IT systems. The Corporate Directors of support functions (Human Resources, Health and Safety Department, Administration and Finance Department and Communications and Sustainable Development Department) are Comex members, thereby strengthening the effectiveness and consistency of their actions. The goal is to enable the cross-department functions to carry out their three main tasks: supporting operations, steering activities and providing services to the Divisions. In addition, the Development Department, Strategy and Financial Communications Department and China Department report directly to the Chairman.

## 16.2. BYLAWS OF THE BOARD OF DIRECTORS

### 16.2.1. Director's charter

All new Directors elected by the General Shareholders' Meeting or co-opted by the Board, whether he or she is a Director in their own right or the permanent representative of a legal entity, signs up to a charter that gives a general description of the Directors' mission, the principles governing their actions and the rules of conduct imposed by current legislation and the Company's Articles of Association.

The charter, which was approved by the Board of Directors at its September 15, 1999 Meeting, particularly emphasises Directors' competence, their duties as regards disclosure, their attendance at Board Meetings and, insofar as possible, at General Shareholders' Meetings, and their independence. The

Board Members are especially urged, at all times, to ensure they are not in a direct or indirect conflict of interest between the Company and any company in which they hold a position. Such a situation, which must be notified to the Board, may result, as the case may be, in a refusal to appoint or a resignation (in the event of a structural conflict), or to their abstention (a one-off conflict). The duty of confidentiality and of refraining from dealing in the Company's shares when in possession of unpublished material information is also reiterated. The rule prohibiting dealing in the Company's shares is set down in a procedure that applies to corporate officers and executives. This procedure was adopted by the Board of Directors on March 9, 2005.

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## ➤ 16.2.2. Board Meetings

Convening: Meetings are called as often as necessary by the Chairman, in accordance with the law. Meeting notices may be given to members by any means, including electronic, in principle one week prior to the date of the Meeting. Meetings may now also be held by telephone, pursuant to Board procedures.

Process for Board Meetings:

- a dossier containing files on most of the items on the agenda is given to every participant at the beginning of the Meeting;
- the Meeting usually begins with a preliminary report by the Chairman on the main events in the previous period, followed by an update on business in each of the three Divisions. A particularly important project with respect to the Group's strategy may be presented;

- at the end of the Meeting, a draft press release is usually submitted to the Directors for their comments and is published at the end of the day or the next day before 8am to report the main developments at the Company that are likely to be of interest to the market.

Minutes: the Secretary of the Board (in principle, the Group General Counsel) drafts the minutes, which the Chairman submits to the Directors for approval at the next Meeting, the draft minutes being sent to each participant (Directors, observers and Group Works Council members), together with the Meeting notice and agenda, approximately one week prior to the date of the next Meeting.

Actual operation of the Board of Directors: a detailed report on the operation of the Board of Directors in 2007 has been included in the report of the Chairman, to be presented to the General Shareholders' Meeting of April 16, 2008, pursuant to Paragraph 6 of Article L. 225-37 of the French Commercial Code (see Appendix 1).

## ➤ 16.2.3. Procedures/committees

On September 6, 2006, the Board adopted procedures specifying its organisation, which is particularly based on the setting up of a series of internal committees. The procedures are available from the Secretary to the Board of Directors at the registered office of the Company.

At its Meeting of April 25, 2007, the Board of Directors confirmed the renewal of the three committees created in 2003, while modifying their membership in line with the appointment of new Directors. Reasserting its desire to turn the Company into a benchmark for best corporate governance practice by focusing more on the future than the past and in that regard implementing the recommendations of France's Bouton report, the Board specified the make-up, organisation and workings of the committees.

### Audit Committee

The Audit Committee has drawn up its own charter with a view to defining its composition (three members), workings, responsibilities and the remuneration of its members. The charter was definitively adopted by the Board of Directors at its Meeting of December 10, 2003. The committee set itself the mission, in addition to examining internal audit plans and analysing the interim and annual financial statements, of monitoring major disputes, foreign currency and investment policy, new accounting developments and the application of the French Financial Security Act. This Committee met on four occasions in 2007 (March 6, August 28, October 29 and December 11).

Current membership of the Committee: Antoine Treuille, Michel Somnolet and Gilbert Lehmann.

### Remuneration Committee

Comprised of three Directors, including two independents, it is assisted by an Administrative Secretary appointed by the Committee Members and nominated by the Chairman and CEO. Dominique Franchot, Group Human Resources Manager, was appointed to this position. Bylaws were also drawn up covering the operation of the Committee. This Committee met six times in 2007 (January 12, April 25, June 8, July 19, August 28 and December 11).

Current membership of the Committee: Jacques Rossignol, Michel Somnolet and Frédéric Tona.

### Selection Committee

Comprised of four Directors and the Chairman, the Selection Committee proposes the appointment of the corporate officers who head each of the Company's three Divisions. This Committee met twice in 2007 (May 15 and December 11).

Current membership of the Committee: Patrick Buffet, Cyrille Duval, Édouard Duval and Gilbert Lehmann.

Secretary to the Committee: Dominique Franchot.

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### ➤ 16.2.4. Attendance rate at Board/Committee Meetings

Attendance rate	2007	2006	2005
Board of Directors	82%	79%	87%
Audit Committee	100%	100%	78%
Remuneration Committee	100%	100%	89%
Selection Committee	100%	NA	NA

### ➤ 16.2.5. Activity of Committees in 2007

#### Audit Committee

As usual, the audit committee carried out a detailed review of the 2006 annual financial statements and the 2007 interim financial statements.

At its Meeting of March 6, 2007, there was a specific review of the various hedges put in place by the Group, particularly those relating to commodities (nickel and fuel oil).

At its Meeting of August 28, 2007, an analysis of the monitoring of risks, their accounting treatment and their impact on financial disclosures was presented and discussed. The new financial disclosure rules were raised, particularly regarding quarterly information, and it was decided to call the Audit Committee at the time of the disclosures for the third quarter. There was also a review of the corporate officer insurance policy and the impact of the sub-prime crisis on cash deposits.

At its Meeting of October 29, 2007, held by telephone, the quarterly information was reviewed in line with the recommendations of the AMF.

At its Meeting of December 11, 2007, a presentation of the internal work carried out in 2007 and audit proposals for 2008 was submitted to the Committee. In addition, the audit of all intra-group business agreements was presented. The monitoring, measurement and recognition of environmental provisions, in particular those relating to site restoration, were explained

to the Committee. Lastly, the management rules for Metal Securities, the Group's treasury management firm, were presented.

#### Remuneration Committee

The Remuneration Committee met on six occasions in 2007, to deal with questions relating to the fixed and variable compensation of Eramet's corporate officers and to look at the consequences of various changes and developments taking place during 2007, in particular the departure or arrival of certain corporate officers (Jacques Bacardats, Patrick Buffet, Alain Robert, Philippe Vecten and Bertrand Madelin). The details of these Meetings are set out in the report of the Chairman of the Board of Directors, included in the appendices.

#### Selection committee

The Selection Committee met six times, proposing the appointment of Philippe Vecten as Deputy CEO of Eramet responsible for the Manganese Division and Bertrand Madelin as Deputy CEO of Eramet in charge of the Nickel Division, as from January 1, 2008. The details of these Meetings are set out in the report of the Chairman of the Board of Directors, in Appendix 1.

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# Employees



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## 17.1. EMPLOYEE POLICY

The Eramet Group consists of companies, the activities of which must fit into specific local environments. The Eramet Group's business activities have a marked international dimension (over 65% of the Group's employees work outside mainland France) both in terms of marketing and management and industrial production. The Group's human resource management is thus decentralised, based on strong principles and shared tools for all Group companies and sites, key for the implementation of a long-term employee policy, with the necessary mobility and developments.

Eramet Group's employee policy is based on joint action frameworks, decentralised implementation with the corresponding reporting and the clearly demonstrated desire for:

- dialogue with social partners, both formally (remuneration policy, training, welfare and employment management) and on a day-to-day and informal basis on sites;

- involving all employees in the life of their Company and Group via regular, clear information (regularly distributed company and site newsletters, Group intranet);
- strong Group management involvement (information and discussion seminars, meetings with Group and company managers, intra and inter-divisional career development and mobility).

The Eramet Group feels that its employees genuinely drive its performance. They are responsible for the strength of the customer relationship, which is at the heart of the Group's business development. They are also responsible for future growth driven by enhanced technological leadership and on the most comprehensive possible demonstration of their managerial and technical capabilities. Lastly, they are responsible for controlling the management and operational excellence in each division.

## 17.2. HUMAN RESOURCE POLICY PRIORITIES IN 2007

The Group's human resource management operates on two levels. A shared Group level involving the management of executives and their mobility and the implementation of a certain number of employee guidelines (employee coverage against unforeseen events, health and safety, training, evaluation, etc.) A management level that is as close as possible to the field, employee concerns and the culture of the country and the company.

Human resource management at the Eramet Group is thus driven at these two levels.

In 2007, several HR initiatives undertaken as part of the Leaders project were concluded. They included the following:

- the introduction of a harmonised system of policies and support measures for national and international mobility;

- the mapping of mobile managers within the Group by business area and the guidance and management of actual and potential talent;
- the launch and rollout of Erajob, internal Group intranet job announcement portal;
- the introduction of a common, Group-wide and formalised manager performance evaluation system;
- for recruitment, the revitalisation of relations with further education institutions and of institutional communication via an image campaign to improve Group recognition and appeal and visibility among young graduates;
- the introduction of ELP management training, meeting with tremendous success.

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## 17.3. WORKFORCE

The workforce managed at year-end amounted to 14,992 people (14,439 on December 31, 2006) of which 14,507 in the consolidated companies (14,007 on December 31, 2006).

### ➤ 17.3.1. Changes in headcount by geographic region

Over the past three years (2005, 2006 and 2007) the Group's headcount has risen by 810. In 2007 alone the workforce expanded by 3.3%. All divisions have increased their staff in the past three years. Accordingly, the Nickel Division (+384 people) saw a 15% expansion in three years, the Manganese Division 3.6% growth (+235 people) and the Alloys Division a 3.4% gain (+164 people).

In the Nickel Division, employee numbers rose 6.3% in 2007. The Weda Bay workforce in Indonesia has been included in the figures as from this year.

After the 2002-2004 period, which saw a restructuring at the Manganese Division and a resulting headcount reduction, followed by a 2005 in which the headcount rose as a result of the inclusion of SETRAG (rail transportation in Gabon: +1,306 staff), 2006 saw the Division's employee numbers stabilise. The workforce grew once again in 2007, growing 3.3%.

Meanwhile, in the Alloys Division there was a slight increase in the workforce in 2007 (+77 people), as in 2006.

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	FRANCE			OTHER EUROPEAN COUNTRIES			NORTH AMERICA			ASIA			OTHER REGIONS			TOTAL		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
	Holding Company	214	232	244	0	0	0	13	11	11	19	18	18	1	0	1	247	261
Nickel Division	341	349	360	0	0	0	0	0	0	0	157	197	2,221	2,265	2,389	2,562	2,771	2,946
Alloys Division	4,159	4,165	4,242	589	643	629	37	45	34	25	43	68	9	10	10	4,819	4,906	4,983
Manganese Division	137	135	133	570	559	558	893	871	915	2,118	2,155	2,287	2,766	2,781	2,826	6,484	6,501	6,719
<b>Total</b>	<b>4,851</b>	<b>4,881</b>	<b>4,979</b>	<b>1,159</b>	<b>1,202</b>	<b>1,187</b>	<b>943</b>	<b>927</b>	<b>960</b>	<b>2,162</b>	<b>2,373</b>	<b>2,570</b>	<b>4,997</b>	<b>5,056</b>	<b>5,226</b>	<b>14,112</b>	<b>14,439</b>	<b>14,922</b>

### ➤ 17.3.2. Headcount by type of employment contract

The technical nature of mining and metallurgical jobs calls for a long period of professional training. Use of short-term employment contracts is thus relatively rare and involves some 3% of employees outside China, where short contracts are more common in line with the specific management policies in that country.

	Open-ended contracts			Fixed-term contracts			TOTAL		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Holding Company	234	249	262	13	12	12	247	261	274
Nickel Division	2,491	2,537	2,681	71	234	265	2,562	2,771	2,946
Alloys Division	4,693	4,747	4,815	126	159	168	4,819	4,906	4,983
Manganese Division	5,209	5,100	5,324	1,275	1,401	1,395	6,484	6,501	6,719
<b>Total</b>	<b>12,627</b>	<b>12,633</b>	<b>13,082</b>	<b>1,485</b>	<b>1,806</b>	<b>1,840</b>	<b>14,112</b>	<b>14,439</b>	<b>14,922</b>

### ➤ 17.3.3. Headcount by gender

Female employment in the mining and metallurgical sectors has traditionally been low, as can be seen from the table below, with women representing some 14% of all employees. It is China that has the highest proportion of women, accounting for close to one quarter of the workforce.

	Male			Female			TOTAL		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Holding Company	163	167	176	84	94	98	247	261	274
Nickel Division	2,352	2,526	2,654	210	245	292	2,562	2,771	2,946
Alloys Division	4,182	4,264	4,311	637	642	672	4,819	4,906	4,983
Manganese Division	5,377	5,428	5,628	1,107	1,073	1,091	6,484	6,501	6,719
<b>Total</b>	<b>12,074</b>	<b>12,385</b>	<b>12,769</b>	<b>2,038</b>	<b>2,054</b>	<b>2,153</b>	<b>14,112</b>	<b>14,439</b>	<b>14,922</b>

### ➤ 17.3.4. Breakdown of workforce by socioprofessional category

The concept of socioprofessional category in the French sense of the term is difficult to transpose to every country in which the Group operates. However, companies located in mainland France, New Caledonia and Gabon share the same concepts. Given that this represents some 70% of the headcount, it seems relevant to use the following definitions:

Management: *executives, managers, post-graduate staff, civil engineers (white collar).*

Supervisory staff: *clerks, technicians, foremen (white collar).*

Workers *(blue collar).*

The staff breakdown by category has been relatively stable over the past three years, although with a significant trend increase in the level of qualifications. Accordingly, blue-collar workers represented 63% in 2005 compared to 60.7% in 2007, supervisory level employees made up 26.3% in 2005 compared to the current 29% and, lastly, management formed 9.8% of staff in 2005 but represents 10.1% today. This relates both to the rapid increase in management and technical requirements and to the implementation of Group projects.

	WORKERS			SUPERVISORY STAFF			MANAGEMENT			TOTAL		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Holding Company	0	0	0	93	99	106	154	162	168	247	261	274
Nickel Division	1,600	1,627	1,717	780	944	998	182	200	231	2,562	2,771	2,946
Alloys Division	2,890	2,884	2,961	1,498	1,581	1,570	431	441	452	4,819	4,906	4,983
Manganese Division	4,427	4,391	4,394	1,430	1,479	1,657	627	631	668	6,484	6,501	6,719
<b>Total</b>	<b>8,917</b>	<b>8,902</b>	<b>9,072</b>	<b>3,801</b>	<b>4,103</b>	<b>4,331</b>	<b>1,394</b>	<b>1,434</b>	<b>1,519</b>	<b>14,112</b>	<b>14,439</b>	<b>14,922</b>

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### ➤ 17.3.5. Average age

The average age, as can be seen from the table below, is relatively constant across professional categories and Divisions, with the exception of Nickel Division workers (primarily in New Caledonia), where the average age is some four years younger than for the other Divisions and professional categories.

Furthermore, over the past three years it can be noted that the workforce has become significantly younger, particularly amongst supervisory staff and management.

Employees over 50 represent 24% of the workforce and those 30 or younger a little over 17% of the total, having slightly increased compared to previous years.

Future Employment and Expertise Management is an HR tool undergoing progressive and significant development.

	WORKERS			SUPERVISORY STAFF			MANAGEMENT		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Holding Company	0.00	0.00	0.00	45.00	44.30	43.46	46.00	44.59	45.44
Nickel Division	38.63	37.23	36.48	43.75	42.48	34.48	42.78	42.27	39.43
Alloys Division	41.76	40.59	41.10	43.94	42.95	43.58	45.41	45.61	44.72
Manganese Division	40.67	40.68	40.15	42.79	43.20	42.68	46.09	44.82	45.73
<b>Total</b>	<b>40.66</b>	<b>40.02</b>	<b>39.76</b>	<b>43.47</b>	<b>42.96</b>	<b>41.13</b>	<b>45.40</b>	<b>44.68</b>	<b>44.44</b>

### ➤ 17.3.6. Seniority

	WORKERS			SUPERVISORY STAFF			MANAGEMENT		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Holding Company	0.00	0.00	0.00	17.00	15.14	13.94	12.00	10.22	10.73
Nickel Division	12.19	11.56	10.45	18.16	15.74	13.77	9.95	9.65	8.36
Alloys Division	17.47	16.58	16.35	19.30	17.96	18.03	12.91	12.84	11.20
Manganese Division	16.26	15.90	15.33	18.25	18.06	16.95	15.79	16.22	15.29
<b>Total</b>	<b>15.92</b>	<b>15.33</b>	<b>14.74</b>	<b>18.59</b>	<b>17.42</b>	<b>16.53</b>	<b>13.73</b>	<b>13.59</b>	<b>12.51</b>

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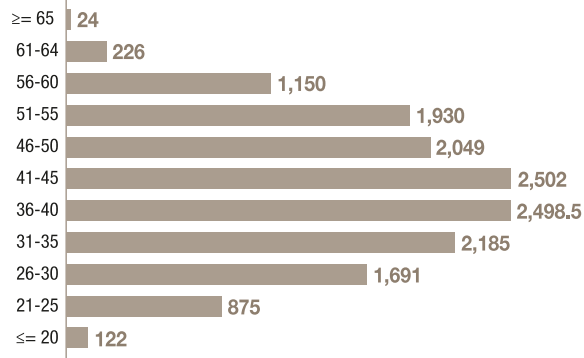
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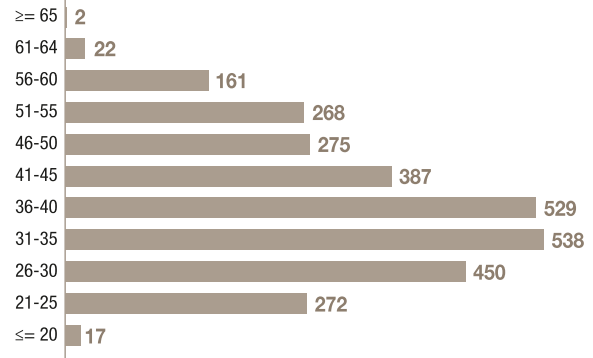




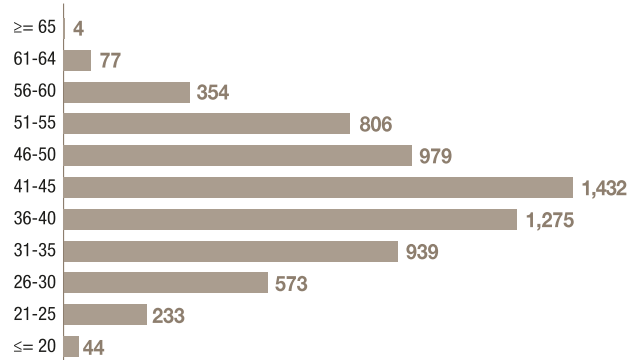
➤ 17.3.7. Group



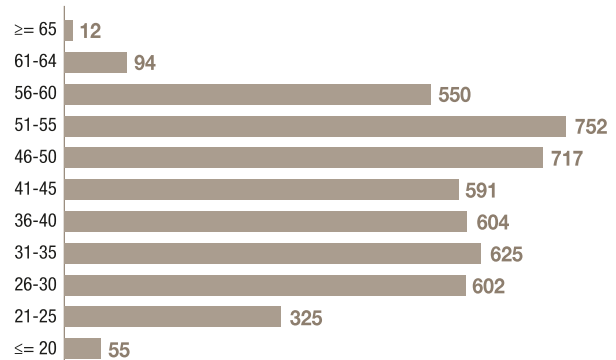
➤ 17.3.8. Nickel Division



➤ 17.3.9. Manganese Division



➤ 17.3.10. Alloys Division



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### ➤ 17.3.11. Workforce turnover and management

Le tableau ci-dessous donne une indication du turn-The table below gives an indication of employee turnover within the Group by country.

Defined as the sum of departures in the year (excluding death and the end of temporary contracts) divided by the number of employees at the end of the

year, workforce turnover was around 4.2% in 2005, then 5.1% in 2006 and then 6.2% in 2007.

The level of job creation (arrivals - departures) has risen sharply over the past three years, from 44 posts in 2005 to 290 in 2006 and 451 in 2007.

	JOINING									LEAVING								
	Outside hiring and others			Firings			Retirement and early retirement			Resignations			Other			Total		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Mainland France	469	527	656	104	37	59	107	141	156	85	89	105	191	207	230	487	474	550
New Caledonia	109	173	276	45	77	76	13	12	36	12	12	10	17	38	26	87	139	148
Europe ex. France	16	102	116	1	18	20	21	29	27	19	46	64	23	14	11	64	107	122
USA	45	81	130	11	12	20	20	16	28	17	35	43	11	10	27	59	73	118
Gabon	193	158	223	13	30	18	0	71	19	2	3	32	43	61	91	58	165	160
Asia	0	386	349	0	33	19	0	61	94	0	16	91	0	72	20	0	182	224
Other *	97	95	91	62	1	0	53	0	0	11	0	6	4	91	62	130	92	68
<b>TOTAL</b>	<b>929</b>	<b>1,522</b>	<b>1,841</b>	<b>236</b>	<b>208</b>	<b>212</b>	<b>214</b>	<b>330</b>	<b>360</b>	<b>146</b>	<b>201</b>	<b>351</b>	<b>289</b>	<b>493</b>	<b>467</b>	<b>885</b>	<b>1,232</b>	<b>1,390</b>

\* Includes Asia for 2005.

## 17.4. WORK ORGANISATION AND REMUNERATION

### ➤ 17.4.1 Working hours

The types of working-hour organisation vary by company, their type of business and locations and are defined to match business needs and employee preferences as much as possible. Wherever it operates, the Eramet Group complies with applicable legislation on working hours. For guidance, working hours are as follows:

- mainland France: 35 hours per week;
- Norway: 37 hours 30 minutes per week;
- New Caledonia: 37 hours 50 minutes per week;
- China, Gabon, USA, Sweden: 40 hours per 5-day week.

### ➤ 17.4.2. Remuneration policy

Employee expertise and level of responsibility are remunerated with a fixed salary in line with past experience and practice for each business in the sector. The Group's remuneration policy aims to be equitable and competitive but also tailored to the specific local factors of the country in which activities are carried on. Steps to adapt to markets in line with HR management tools, such as variable pay for management, were achieved in 2007.

#### Personnel – Payroll charges

Salaries account for the main part of personnel remuneration. The average rate of social contributions on wages and salaries at Group level was

42% in 2004, 39% in 2005 and 38.4% in 2006. In 2007, these contributions were 40-46% in mainland France and even more in countries like Sweden (48%). Meanwhile, they were lower in New Caledonia (39%) and Gabon (37%).

#### Employee benefits

In line with Group agreements on staff provident schemes for major risks and unforeseen events, the Eramet Group wants all mainland France employees to benefit from supplementary healthcare cover. On July 9, 2007, Eramet and the five unions represented in the Group signed a Group healthcare

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agreement. The principles underpinning the negotiations are of greater coherence, responsibility and solidarity:

- ✦ coherence across Eramet production sites, to favour a sense of equity;
- ✦ responsibility of the employer and employee in their shared desire to protect the health of the family, one of the most precious gifts there is;
- ✦ solidarity of employees and sites.

Thus, as from January 1, 2008, all mainland France production site employees have joined this scheme, which offers high-quality benefits.

The scheme is jointly financed by employees and Eramet Group companies, which make 55% of the contributions. It covers the employee and dependent family members.

Provisions have been recorded for all pensions, severance compensation, medical coverage, staff provident schemes and other benefits for working or retired personnel in line with current practices in each country.

Provisions are also recorded for the portion not covered by insurance companies or pension funds, particularly for US and Norwegian companies (generally defined-benefit plans). The liabilities under these specific plans are in the USA (42%), Norway (17%), New Caledonia (7%) and in France (very old specific plans). The other plans are defined-contribution or employer contributions are expensed in the period to which they relate. Details of

the main assumptions used to calculate these liabilities are set out in the consolidated financial statements (see Section 20.1 – Note 14).

Finally, a supplementary retirement plan for Group managers has also been fully provided for. The estimated actuarial value of the plan on December 31, 2007 was €6.9 million (compared to €9.6 million on December 2006).

### Stock option plans

There are two different types of plans:

- ✦ on one hand, there are plans that are open to a very large number of Group employees. One such plan, opened in September 1999, covered 5,646 employees. Under this plan, which matured in September 2007, 423,450 Eramet Group shares were granted. It was created to support the merger of the Eramet Group with the S.I.M.A. group in 1999. The plan offers each beneficiary the possibility of acquiring 75 Eramet shares at a predetermined price. The strong share price growth since the second half of 2004 has prompted many employees to exercise the right to sell their shares. Accordingly, 1,132 current or retired employees did so in 2005, 333 in 2006 and 283 in 2007;
- ✦ secondly, there are also special plans of which the beneficiaries are the Group's senior managers.

## 17.5. INDUSTRIAL DIALOGUE

Industrial relations in 2007 between management and stakeholders were robust, thanks to ongoing industrial dialogue above and beyond the disclosure and consultation obligations required by law and under collective agreements. Many company agreements are signed every year on working conditions, employment and remuneration.

At a corporate level, the Eramet Group facilitates two employee representative bodies. Firstly, there is the Group Works Council, comprised of 30 delegates from companies governed by French labour law and, by extension, New Caledonian labour law, which meets once a year. Secondly, the European

Works Council, which is comprised of delegates from companies based in Europe, plus New Caledonian delegates, totalling 34 delegates in all. The European countries currently represented on the European Works Council are France, Belgium, Sweden and Norway. This Council meets once a year. Its operation was streamlined through the creation of a select committee of six members, which meets more often in close cooperation with general management and human resources management out of a desire for regular communication and information.

## 17.6. TRAINING

As regards the vocational training of its employees, the Eramet Group prioritises training that focuses, firstly, on safety and, secondly, on the development of technical skills giving employees a better understanding of processes and their environment.

However, many training initiatives also relate to the use of computer tools and foreign languages.

In addition, capital investment programmes are always accompanied by very significant training in the use of new tools, as well as regarding work safety and organisation.

In line with previous years, the Group's training costs vary by unit but are generally between 3% and 5% of gross payroll.

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In 2007, as in previous years, safety training had pride of place. Thus in New Caledonia 25 members of Health and Safety and Working Conditions Committees were trained in introducing and monitoring preventive measures. Two employees in mainland France also attended a nine-month training course at France's Advanced Institute for Safety and the Environment (ESSEL). Lastly, the three-week training plans for security coordinators validated by a diploma from the French National Centre for Prevention and Protection (CNPP) continued. In Gabon, there was awareness training for almost all employees in the proper use of personal safety equipment. In Sandouville, a preventive behaviour plan to establish motor and pedestrian movement areas was also put in place.

Substantial training efforts continued to support large projects and capital expenditure. Accordingly, for the launch of the drawing plant at Erasteel Innovative Materials in Tianjin, two Chinese technicians travelled to Commentry for training and one engineer to Erasteel Stubs, with two specialist technicians from Commentry going to China.

Many job training sessions were organised in 2007: in New Caledonia, diploma training was stepped up with the Certificate of Expert Competence in Industrial System Use, Geosciences university vocational diploma in mining (equivalent to one year in higher education). Two technicians are currently in mainland France to take a master's, one at the Nancy Mining

School (École de Mines), and the other at ENSAM. There was also training programmes resulting in qualifications and diplomas at Aubert & Duval, in close partnership with France's National Education Ministry and Metallurgical Industry Association (UIMM), with vocational baccalaureat diplomas, professional qualifications and joint qualification certificates for the metal industry (CQPM). Some 44 Gabonese managers and technicians travelled to France to supplement their training, representing some 3,300 hours of training. At Aubert & Duval, specific metallurgical training continued and internet-based training on the foundations of metallurgy were set up with the Centre for Expertise and Study of Industrial Materials of the French National Academy of Arts and Professions (CNAM CACEMI). Efforts were also made in respect of the CRT's engineers and technicians on simulation and statistical software and in the ore treatment areas.

Last year saw a significant initiative taken by the Group. This concerned the "manage by values and annual assessment interview". The one-day training session designed by the Group HRD in close collaboration with the Cegos training group was attended by 1,265 Group managers representing 17 different nationalities. Carried out in ten countries and six languages, the implementation of this unique programme across Eramet will in particular create a common language linking Group managerial values around an issue such as the annual assessment interview.

## 17.7. EMPLOYEE PROFIT-SHARING SCHEMES

### ➤ 17.7.1. Profit-sharing agreements

In mainland France and New Caledonia, discretionary profit-sharing agreements are regularly signed with labour organisations. They are on top of any regulatory provisions on profit-sharing. The discretionary profit-share is paid to employees with more than three months' seniority on December 31, broke down into a fixed standard amount and a portion that depends on the reference gross annual remuneration, representing up to 12% of the wage bill of the company in question.

Equivalent provisions in Sweden are based on the ratio of total payroll to profit.

In 2005, the total amount paid was €19,430 thousand, namely close to 6% of the Group's salaries but a little over 8% of salaries at the companies in question.

In 2006, the total amount paid out with respect to discretionary and mandatory profit-sharing schemes was €22,100 thousand, which represents over 6% of the Group's salary bill, but almost 10% of salaries of the companies in question.

In 2007, the total amount paid out was €26,400 thousand, namely around 6% of the Group's salary bill, but slightly more than 9% of salaries in the companies in question.

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Reminder of amounts for Eramet:

Year	thousands of euros
2007	2,620
2006	2,031
2005	1,898
2004	2,080
2003	1,149
2002	515

### Employee Savings Plan

In mainland France and New Caledonia, Eramet Group employees can sign up to a Company Savings Plan to set up salary savings. The sums paid

under mandatory and discretionary profit-sharing schemes may also be paid in, as many voluntary payments made monthly or on a one-off basis by employees. Group companies participate in the savings plan through a top-up to the sums paid by employees. The arrangements for paying the top-up vary from company to company. Savings are invested in mutual funds managed by financial institutions independent of the Group and controlled by equal-representation supervisory boards.

On December 31, 2007, over 1,200 employees in France were members of the Inter-Company Saving Plan, with assets totalling €32 million. Some 671 employees have placed their savings in funds invested in Eramet Group shares, with a total balance of over €14 million at end-2007.

## 17.8. HEALTH AND SAFETY

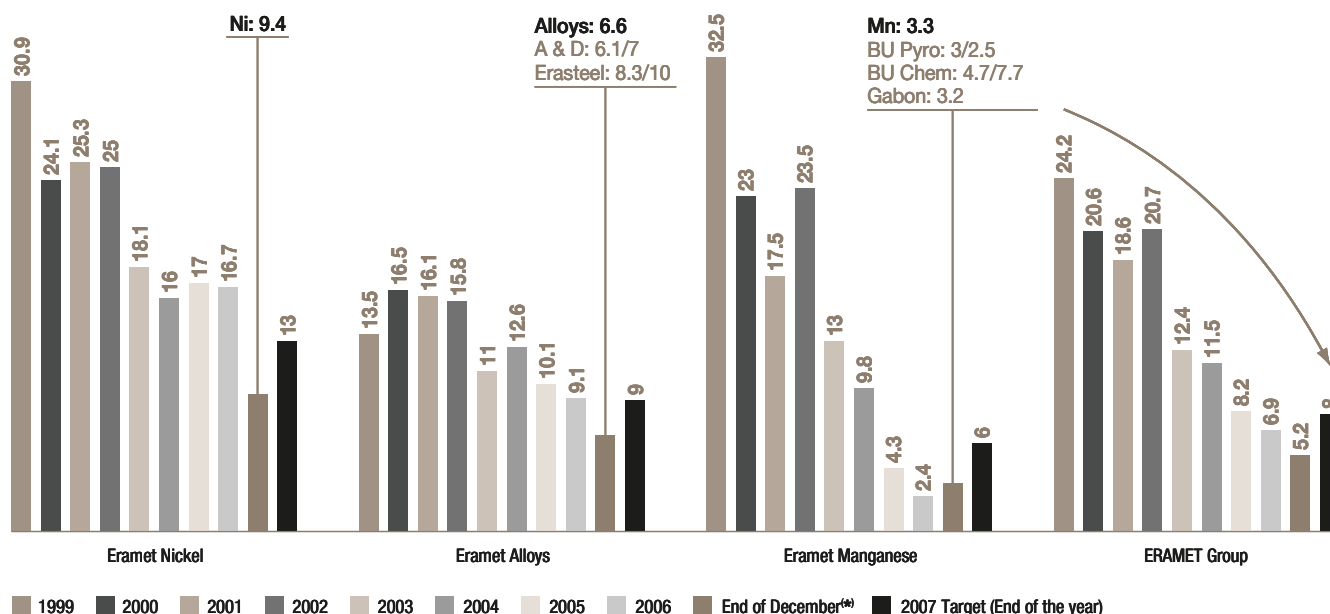
### 17.8.1. Safety

#### Frequency rate trends

The frequency rate is defined as the number of lost-time accidents per million hours worked.

The graph below shows the accident frequency rate for the past eight years at a virtually constant scope (excluding Chinese plants for 2003 to 2006 and including SETRAG for 2007).

A steady improvement in the accident frequency rate since 1999 (with the exception of 2002) can be seen, with the *Group rate falling by over a factor of four and a half in eight years*. This improvement is thanks mainly to initiatives in the Manganese Division (which accounts for close to half the hours worked in the Group), to a lesser extent the Alloys Division and, lastly, for 2007 to the Nickel Division and more specifically Le Nickel-SLN.



<sup>(\*)</sup> 12 months rolling.

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### ➤ 17.8.2. Safety audits

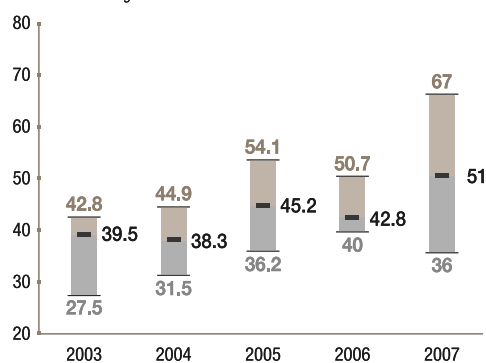
A site assessment policy is carried out through systematic audits at the rate of one audit every two years for every site worldwide. The audits are carried out by trained auditors who are also safety coordinators on sites steered by the Health and Safety Manager based on a customised framework for the Group. This framework was drawn up several years ago in cooperation with DNV and is based both on an international safety appraisal system and on the Group Health and Safety policy signed by the Chairman.

Introduction of updated Safety Audit Framework:

In 2007, we performed all H&S audits using the updated H&S Audit Framework, a version that includes the new requirements from integrating the international OHSAS 18001 standard, which is more stringent and had a negative impact, of on average 15%, on the framework integration level at a given industrial site.

The results of these audits serve as the basis for preparing the action plan of the Group and subsequently of the sites for the following two years.

% framework integration



#### Safety audits in 2007

18 auditors (systematically accompanied by the H&S Manager) carried out safety audits at 12 sites in 2007 (out of 13 initially planned):

- 10 sites already audited in 2005, of which the 2005 results in the above table were multiplied by 0.85 to enable comparison on a theoretically

constant framework with the 2007 results, and at which this initial review would have resulted in the implementation of the action plan. Compared to the previous audit in 2005, these sites improved, in terms of the percentage of compliance with the framework, by between three to five points for the sites that had made the least progress and 13-14 points for the sites that made the most;

- three US sites (Freeport, New-Johnsonville and Baltimore) were first audited in 2007, for which we performed a HSE Audit.

The results (in terms of percentage of compliance with the framework) presented graphically show:

- an average nine percentage point improvement between 2005 and 2007, compared to five points between 2004 and 2006; and
- 10 to 13 point improvements, respectively, in the minimum and maximum values between 2005 and 2007, compared to nine and six points respectively between 2003 and 2006.

Apart from the imprecise comparisons, given the change in framework and the approximation of an overall reduction level to apply to the results, we can see that the endorsed recommendations implemented at sites at end-2006, to respond to the results of these audits by developing and implementing an action plan, has had an effect.

#### Training new auditors

Two of the seven new (foreign) auditors trained in the theoretical aspects of H&S audits put their knowledge into practice in the audits at Baltimore, Freeport and New-Johnsonville. The investment in training has generated benefits for the audits of distant foreign sites with participation of local auditors aware of the country's or continent's culture for the site in question and cutting the cost of the assignment.

In addition, the Group Human Resources and the Group Health and Safety Director, who work together, perform spot health and safety and working organisation visits to sites with specific problems, for quick audits and action plans implemented once issues are noted, in close coordination and collaboration with personnel, management and stakeholders.

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### ➤ 17.8.3. Safety Club Meetings

The Safety Club, which became International in 2006, brings together all the safety coordinators of Eramet Group sites, who are sometimes also the human resource managers at their sites, and in October 2007 met for the second time in its new international form at Sauda in Norway.

We were pleased to bring together representatives from the five continents where our Group operates: the Americas (five), Africa (three), Asia (one), Europe (18) and Oceania (two).

Some 34 industrial sites were represented, of which 19 are abroad (five for New Caledonia, three for Gabon, three for Sweden, two for Norway, four for the USA, one for the UK and one for Indonesia).

It is interesting to note that participants indicated that the compliance rate of Eramet Group sites (vis-à-vis site requirements and assistance in implementing and checking these H&S requirements) is considered quite suitable (59%) or very suitable (38%) and this compliance is quite well applied (59%) or very well applied (15%) by the sites.

### ➤ 17.8.4. Health and Safety

Workplace physicians at Group sites (mostly inter-company physicians) established a "Health Club" that meets once or twice a year to share ideas, experience and best practices or work on changes in applicable regulations.

Dr. Robert Sahut, our new Group medical officer, brought together all Group French speaking occupational physicians from France, Gabon and New Caledonia in Le Havre in October 2007.

This meeting enabled subjects to be raised such as the Group Health Policy and experiences to be shared on subjects such as specific medical monitoring and additions to substances such as alcohol, tobacco and drugs.

## 17.9. INTERESTS HELD BY CORPORATE OFFICERS

Some Directors have a material interest in the Company's share capital.

### ➤ 17.9.1. Indirect interests

Patrick Duval is Chairman & CEO of CEIR.

Édouard Duval is Chairman of the Management Board of SORAME.

Georges, Édouard, Cyrille and Patrick Duval are shareholders of SORAME and CEIR.

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**➤ 17.9.2. Direct interests on December 2007**

	Shares	Voting rights
Patrick Buffet	10	10
Rémy Autebert	100	200
Cyrille Duval	207	413
édouard Duval	165	329
Georges Duval	1	2
Patrick Duval	50	100
Pierre-Noël Giraud	-	-
Gilbert Lehmann	100	100
Louis Mapou	1	1
Harold Martin	-	-
Jacques Rossignol	100	200
Michel Somnolet	100	200
Antoine Treuille	200	400
AREVA	6,757,277	13,514,554
Frédéric Tona	1	2

Some Directors hold executive positions in the Company:

- Patrick Buffet, Chairman and CEO since April 25, 2007;
- Georges Duval (Vice Chairman, Deputy CEO);
- Édouard Duval (Chairman of Eramet International);
- Cyrille Duval (General Secretary of the Alloys Division).

No Director has a direct material interest in any Group subsidiary. No Directors have a conflict of interest within the meaning of Article 16.1 of EC Regulation No. 809/2004 or have entered into a service agreement with Eramet.

**➤ 17.9.3. Loans and guarantees granted to or put in place for members of administrative, management or supervisory bodies**

None.

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## ➤ 17.9.4. Share purchase schemes

## HISTORY OF SHARE PURCHASE &amp; SUBSCRIPTION OPTIONS AND BONUS SHARE GRANTS

Plan	Plan D	Plan E	Plan F	Plan G	Plan H	Plan I	Plan J
Date of General Shareholders' Meeting	05/27/1998	05/27/1998	07/21/1999	05/23/2002	05/11/2005	05/11/2005	05/11/2005
Date of Board meeting	12/12/2001	12/14/1999	09/15/1999	12/15/2004	12/13/2005	04/25/2007	07/23/2007
Type of plan	Subscription	Purchase	Purchase	Subscription	Bonus shares	Bonus shares	Bonus shares
Number of options granted at outset	153,000	166,500	423,450	130,000	14,000	10,000	16,000
Number of beneficiaries at outset	61	80	5,646	81	90	1	61
Total number of shares that may be subscribed/acquired/vested							
- by corporate officers	66,000	60,000	1,200	31,500	3,400	13,550	13,550
- by top ten employee beneficiaries	30,000	29,000	750	27,000	3,700	6,265	6,265
Start of option exercise period	12/12/2003	12/14/2001	09/15/2001	12/15/2006	12/13/2007	04/25/2009	07/23/2009
Expiry date	12/11/2009	12/13/2007	09/14/2007	12/15/2012	-	-	-
Subscription or purchase price	32.6	54	47.14	64.63	-	-	-
Terms and conditions of exercise	-	-	-	-	-	-	-
Number of shares subscribed as on 12/31/2007	131,200	135,872	330,935	9,562	12,715	0	0
Subscription & purchase options and bonus shares cancelled	3,000	30,628	92,515	0	1,285		
Outstanding subscription & purchase options and bonus shares	18,800	0	0	120,438	0	10,000	16,000

## INFORMATION ON SHARE SUBSCRIPTION &amp; PURCHASE OPTIONS AND BONUS SHARES (CORPORATE OFFICERS)

Share subscription & purchase options and bonus shares granted to each corporate officers and options or shares exercised by them	Number of options or bonus shares granted/shares subscribed or purchased	Price (in euros)	Date of definitive expiry or vesting	Related plan
<b>Bonus shares granted during 2007 to each corporate officer by the issuer and by any Group company (list by name)</b>				
Patrick Buffet	10,000	155.19	April 25, 2009	I
Georges Duval	600	194.10	July 23, 2009	J
Edouard Duval	200	194.10	July 23, 2009	J
Cyrille Duval	200	194.10	July 23, 2009	J
Alain Robert	1,400	194.10	July 23, 2009	J
Philippe Vecten	1,000	194.10	July 23, 2009	J
Bertrand Madelin	150	194.10	July 23, 2009	J
<b>Options exercised in 2007 by each corporate officer (by name)</b>				
Jacques Bacardats	700	32.60	December 11, 2009	D
Philippe Vecten	1,500	32.60	December 11, 2009	D



## INFORMATION ON SHARE SUBSCRIPTION &amp; PURCHASE OPTIONS AND BONUS SHARES (NON-CORPORATE OFFICERS)

Share subscription & purchase options and bonus shares granted to top ten employee non-corporate officer beneficiaries and options exercised by them	Total number of options granted/shares subscribed or purchased or bonus shares	Price (in euros)	Date of definitive expiry or vesting	Related plan
Bonus shares granted in 2007 by the issuer and any company within the option grant scope to the ten employees of issuer and any company within this scope who received the most bonus shares (summary information)	6,265	194.10	July 23, 2009	J
Options vis-à-vis the issuer and companies referred to above exercised in 2007 by the ten employees of the issuer and these companies who exercised the most options (summary information)	6,000	32.60	December 11, 2009	D
	9,167	54.00	December 13, 2007	E
	75	47.14	September 14, 2007	F
	1,500	64.63	December 15, 2007	G

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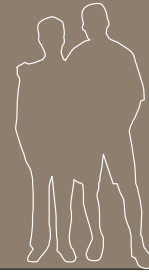
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# Major shareholders

## 18.1. SHAREHOLDER AGREEMENTS

Pursuant to a shareholder agreement dated June 17, 1999, which came into effect on July 21, 1999, the Company is under the majority control of a declared concert party of shareholders, comprised of:

- ✦ a concert sub-group comprised of SORAME and CEIR, pursuant to a simultaneous shareholder agreement that came into effect on July 21, 1999, it being specified that Georges, Édouard, Cyrille and Patrick Duval together held and continue to hold over half the share capital of SORAME, without any one of them controlling it alone, and that virtually all the share capital of CEIR is held by members of the Duval family (without any of them controlling it alone);
- ✦ AREVA, formerly called CEA Industries, which took over the rights and obligations of ERAP, the initial signatory, following a substitution made by an amendment dated July 27, 2001 to the concert agreement of June 17, 1999.

The agreement of June 17, 1999, which expired on June 30, 2006, is extended by tacit renewal for one year periods, unless terminated by the parties on one month's notice. On May 30, 2007, the shareholders (SORAME and CEIR) and AREVA announced the renewal of the shareholder agreement for one year.

This shareholder agreement (including a sub-agreement between SORAME and CEIR), which constitutes a concert party, was the subject of prior notice 199CO577 of May 18, 1999 to France's Financial Markets Board.

The main provisions of the agreement:

✦ Concert clauses:

The signatories of the concert sub-group undertook the following mutual commitments, as of the date of publication of this Reference Document:

- consultation before any General Shareholders' Meeting with a view to the harmonious exercise of their voting rights for the implementation of a common policy as regards Eramet,
- compliance with the stability commitments entered into under the wider concert party agreement,
- reciprocal pre-emptive rights;

✦ Concert sub-group clauses:

The concert sub-party will hold a permanent stake of at least 35% of Eramet's share capital and AREVA will hold close to 30% of the share capital.

To the best of Eramet's knowledge, there are no other shareholder agreements.

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# Related party transactions



# 19.

The contract signed in 1985 and amended on May 21, 1999 under which the Company provides Le Nickel-SLN with technical support on industrial, financial, legal, tax and human resource management matters falls under the procedure for related-party agreements as a result of the presence of common corporate officers.

Similarly, the 1985 agreement under which the Company is supplied by Le Nickel-SLN falls under the same procedure.

As a result of the scope and difficulty of assessing their impact on the Group, these agreements may or may not be subject to procedures for approval by the Board of Directors, following analyses carried out in liaison with Eramet's Auditors.

Details of these ongoing agreements are set out in the notes to the financial statements and the Auditors' report.

The stock swap between Le Nickel-SLN and Eramet, following the exercise on December 6, 2006 by STCPI of the option it held over 4% of the share capital of Le Nickel-SLN, was approved by the Board of Directors of Eramet on May 23, 2007 under the same procedure, followed by ratification by Eramet's General Shareholders' Meeting of July 23, 2007.

The commitments entered into by Eramet in favour of the new Chairman and CEO Patrick Buffet in the event of his leaving his position were approved by the Meeting of the Board of Directors of April 25, 2007 and brought into line with Article 17 of the French Labour, Employment and Purchasing Power Act of August 21, 2007 by the Board Meeting of February 20, 2008.

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# Financial information on the issuer's assets, financial position and results



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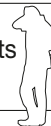
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**20.1. 2007 CONSOLIDATED FINANCIAL STATEMENTS****➤ 20.1.1. 2007 income statement, balance sheet and notes****20.1.1.1. Income statement**

<i>(millions of euros)</i>	Notes	FY 2007	FY 2006	FY 2005
<b>Sales</b>	20.1	<b>3,792</b>	<b>3,056</b>	<b>2,712</b>
Other income	20.2	62	10	36
Cost of sales		(2,318)	(2,171)	(1,916)
Administrative and selling expenses		(126)	(102)	(106)
Research and development expenditure		(37)	(35)	(32)
<b>EBITDA</b>		<b>1,373</b>	<b>758</b>	<b>694</b>
Depreciation and amortisation & impairment of non-current assets	21.1	(171)	(144)	(127)
Impairment charges and provisions	21.2	(6)	(7)	(25)
<b>Current operating profit</b>		<b>1,196</b>	<b>607</b>	<b>542</b>
Other operating income and expenses	22	(57)	23	112
<b>Operating profit</b>	-	<b>1,139</b>	<b>630</b>	<b>654</b>
Net borrowing cost	23.1	19	7	(3)
Other finance income and expense	23.2	6	(4)	(9)
Share of profit of associates	6	-	1	2
Income tax	24	(350)	(174)	(126)
<b>Profit (loss) for period</b>	-	<b>814</b>	<b>460</b>	<b>518</b>
• Minority interests	13	232	141	141
• <b>Group share</b>	-	<b>582</b>	<b>319</b>	<b>377</b>
Basic earnings per share (EUR)	25	22.67	12.38	14.76
Diluted earnings per share (EUR)	25	22.54	12.28	14.62

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### 20.1.1.2. Balance Sheet

#### ASSETS

<i>(millions of euros)</i>	Notes	12/31/2007	12/31/2006	12/31/2005
Goodwill	3	33	36	35
Intangible assets	4	309	320	72
Property, plant & equipment	5	1,505	1,331	1,193
Investments in associates	6	1	3	11
Other financial assets	7 & 8	61	67	62
Deferred tax assets	16	13	74	14
Other non-current assets	10	6	6	6
<b>Non-current assets</b>		<b>1,928</b>	<b>1,837</b>	<b>1,393</b>
Inventories	9	905	769	760
Trade receivables and other current assets	10	675	631	517
Current tax assets	-	131	74	85
Financial derivatives	19	129	55	25
Cash and cash equivalents	11	1,106	643	523
<b>Current assets</b>		<b>2,946</b>	<b>2,172</b>	<b>1,910</b>
<b>Total assets</b>		<b>4,874</b>	<b>4,009</b>	<b>3,303</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

<i>(millions of euros)</i>	Notes	12/31/2007	12/31/2006	12/31/2005
Share capital		79	79	79
Share premiums		223	222	219
Reserves		1,340	999	793
Translation adjustments		(30)	(5)	18
Profit (loss) for period		582	319	377
	12	<b>2,194</b>	<b>1,614</b>	<b>1,486</b>
Minority interests	13	841	525	499
<b>Shareholders' equity</b>		<b>3,035</b>	<b>2,139</b>	<b>1,985</b>
Employee liabilities	14	112	125	145
Provisions	15	255	171	187
Deferred tax	16	246	148	121
Borrowings - long-term portion	17	65	72	49
Other non-current liabilities	18	30	27	20
<b>Non-current liabilities</b>		<b>708</b>	<b>543</b>	<b>522</b>
Provisions - short-term portion	15	31	28	20
Borrowings - short-term portion	17	87	218	110
Trade payables and other current liabilities	18	656	569	543
Current tax liabilities	-	276	145	80
Financial derivatives	19	81	367	43
<b>Current liabilities</b>		<b>1,131</b>	<b>1,327</b>	<b>796</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,874</b>	<b>4,009</b>	<b>3,303</b>

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## 20.1.1.3. Cash flow statement

(millions of euros)	FY 2007	FY 2006	FY 2005
<b>Cash flows from operating activities</b>			
Profit (loss) for period	814	460	518
Elimination of non-cash and non-operating income and expenses:			
• Depreciation, amortisation and provisions	186	124	99
• Financial instruments	(15)	1	8
• Deferred tax	46	10	2
• Proceeds from asset disposals	(2)	-	6
• Share of profit of associates	-	(1)	(2)
<b>Cash generated from operations</b>	<b>1,029</b>	<b>594</b>	<b>631</b>
(Increase) / decrease in inventories	(155)	(32)	(151)
(Increase) / decrease in trade receivables	1	(115)	25
Increase / (decrease) in trade payables	52	18	1
Change in other assets and liabilities	287	172	158
Interest income	17	6	4
Interest paid	(14)	(15)	(8)
Tax paid	(229)	(85)	(182)
<b>Net change in current operating assets and liabilities</b>	<b>(41)</b>	<b>(51)</b>	<b>(153)</b>
<b>Net cash generated by operating activities</b>	<b>988</b>	<b>543</b>	<b>478</b>
<b>Cash flows from investing activities</b>			
Payments for non-current assets	(317)	(314)	(229)
Proceeds from non-current asset disposals	12	15	11
Capital grants received	-	14	-
Proceeds from / repayment of borrowings	4	(5)	7
Dividends received from associates	1	1	2
Impact of additions to scope	(1)	-	(15)
Impact of removals from scope	(2)	-	(3)
	(300)	(453)	(227)
New Caledonia mining indemnity	-	-	(124)
<b>Net cash used in investing activities</b>	<b>(300)</b>	<b>(453)</b>	<b>(351)</b>
<b>Financing activities</b>			
Dividends paid to Eramet SA shareholders	(74)	(54)	(51)
Dividends paid to minority interests in consolidated companies	(33)	(44)	(22)
Proceeds from share capital increases	1	3	1
Proceeds from and payment for treasury stock	(3)	2	8
Proceeds from borrowings	78	186	61
Repayment of borrowings	(202)	(61)	(41)
Net change in current financial assets and liabilities	(1)	2	1
<b>Net cash (used in) generated by financing activities</b>	<b>(227)</b>	<b>34</b>	<b>(43)</b>
Exchange rate impact	2	(4)	2
<b>Increase (decrease) in cash and cash equivalents</b>	<b>463</b>	<b>120</b>	<b>86</b>
<b>Cash and cash equivalents at January 1</b>	<b>643</b>	<b>523</b>	<b>437</b>
<b>Cash and cash equivalents at December 31</b>	<b>1,106</b>	<b>643</b>	<b>523</b>

\* Of which €124 million with no impact on the Eramet Group's cash position, the impact on the 2005 financial statements of the mining indemnity and the conclusion of the Bercy agreements (Notes 22 and 26).

The Eramet Group uses the concept of net cash / borrowing position as an internal management and performance indicator, as set out in Note 17.6.

<b>Net cash (or net borrowing) position</b>	<b>954</b>	<b>353</b>	<b>364</b>
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(1) Impact of new consolidations relates to:

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Consolidation of Weda Bay Mineral Inc. and subsidiaries	-	(164)	-
• Acquisition cost	-	(189)	-
• Cash acquired	-	25	-
• Debt on non-current assets	-	-	-
Consolidation of Poum SAS	-	-	-
• Acquisition cost	-	-	(6)
• Cash acquired	-	-	-
• Debt on non-current assets	-	-	6
Consolidation of Bear Metallurgical Corp.	-	-	(5)
• Acquisition cost	-	-	(10)
• Cash acquired	-	-	5
• Debt on non-current assets	-	-	-
Consolidation of SETRAG S.A.	-	-	(10)
• Acquisition cost	-	-	(13)
• Cash acquired	-	-	3
• Debt on non-current assets	-	-	-
<b>Total</b>	<b>-</b>	<b>(164)</b>	<b>(15)</b>

(2) Impact of deconsolidations relates to:

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Subsidiaries deconsolidated - cash divested	-	-	(3)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(3)</b>

(3) Changes in treasury stock include:

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Acquisitions and disposals - liquidity contract	2	-	-
Purchase option exercises by employees	2	2	8
<b>Total</b>	<b>4</b>	<b>2</b>	<b>8</b>

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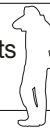
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## 20.1.1.4. Statement of changes in shareholders' equity



<i>(millions of euros)</i>	Number of shares	Share capital	Share premiums	Reserves	Translation adjustments	Profit (loss) for period	Total Group share	Minority interests	Total
<b>Shareholders' equity as on Janua<sup>ry</sup> 1, 2005</b>	<b>25,744,944</b>	<b>79</b>	<b>218</b>	<b>527</b>	<b>(6)</b>	<b>346</b>	<b>1,164</b>	<b>391</b>	<b>1,555</b>
Allocation to reserves	-	-	-	346	-	(346)	-	-	-
Dividends paid	-	-	-	(51)	-	-	(51)	(22)	(73)
Share capital increases	44,930	-	1	-	-	-	1	-	1
Translation adjustments	-	-	-	(1)	24	-	23	6	29
Treasury stock	-	-	-	8	-	-	8	-	8
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	(38)	-	-	(38)	(19)	(57)
Share-based payment	-	-	-	2	-	-	2	-	2
Other movements	-	-	-	-	-	-	-	2	2
Profit (loss) for period	-	-	-	-	-	377	377	141	518
<b>Shareholders' equity as on December 31, 2005</b>	<b>25,789,874</b>	<b>79</b>	<b>219</b>	<b>793</b>	<b>18</b>	<b>377</b>	<b>1,486</b>	<b>499</b>	<b>1,985</b>
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)
Treasury stock	-	-	-	2	-	-	2	-	2
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	(121)	-	-	(121)	(81)	(202)
Share-based payment	-	-	-	2	-	-	2	-	2
Other movements	-	-	-	-	-	-	-	16	16
Profit (loss) for period	-	-	-	-	-	319	319	141	460
<b>Shareholders' equity as on December 31, 2006</b>	<b>25,880,894</b>	<b>79</b>	<b>222</b>	<b>999</b>	<b>(5)</b>	<b>319</b>	<b>1,614</b>	<b>525</b>	<b>2,139</b>
Allocation to reserves	-	-	-	319	-	(319)	-	-	-
Dividends paid	-	-	-	(74)	-	-	(74)	(33)	(107)
Share capital increases	24,727	-	1	-	-	-	1	-	1
Translation adjustments	-	-	-	-	(22)	-	(22)	(6)	(28)
Treasury stock	-	-	-	(49)	-	-	(49)	-	(49)
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	140	-	-	140	78	218
Share-based payment	-	-	-	2	-	-	2	-	2
Other movements	-	-	-	3	(3)	-	-	45	45
Profit (loss) for period	-	-	-	-	-	582	582	232	814
<b>Shareholders' equity as on December 31, 2007</b>	<b>25,905,621</b>	<b>79</b>	<b>223</b>	<b>1,340</b>	<b>(30)</b>	<b>582</b>	<b>2,194</b>	<b>841</b>	<b>3,035</b>

Translation reserves relate to the translation differences stemming from the translation into euros of the financial statements of foreign subsidiaries. They also comprise the fair value changes of the net investment hedges of foreign subsidiaries (Notes 1.5 and 19).

Premiums essentially relate to issue premiums, representing the difference between the par value of the shares issued (Note 12) and the amount of the cash or in-kind contributions received on issue.

Reserves break down as follows:

<i>(millions of euros)</i>	Treasury stock	Share-based payment	Hedging instruments	Other reserves	Total
<b>As on January 1, 2005</b>	<b>(14)</b>	-	<b>37</b>	<b>504</b>	<b>527</b>
Allocation to reserves	-	-	-	346	<b>346</b>
Dividends paid	-	-	-	(51)	<b>(51)</b>
Purchase option exercises by employees	8	-	-	-	<b>8</b>
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	(38)	-	<b>(38)</b>
• Exchange-rate hedging derivatives			(41)		
• Interest-rate hedging derivatives			-		
• Commodity hedging derivatives			3		
Share-based payment	-	2	-	-	<b>2</b>
Other movements	-	-	-	(1)	<b>(1)</b>
<b>As on December 31, 2005</b>	<b>(6)</b>	<b>2</b>	<b>(1)</b>	<b>798</b>	<b>793</b>
Allocation to reserves	-	-	-	377	<b>377</b>
Dividends paid	-	-	-	(54)	<b>(54)</b>
Purchase option exercises by employees	2	-	-	-	<b>2</b>
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	(121)	-	<b>(121)</b>
• Exchange-rate hedging derivatives			17		
• Interest-rate hedging derivatives			-		
• Commodity hedging derivatives			(138)		
Share-based payment	-	2	-	-	<b>2</b>
Other movements	-	-	-	-	<b>-</b>
<b>As on December 31, 2006</b>	<b>(4)</b>	<b>4</b>	<b>(122)</b>	<b>1,121</b>	<b>999</b>
Allocation to reserves	-	-	-	319	<b>319</b>
Dividends paid	-	-	-	(74)	<b>(74)</b>
Purchase option exercises by employees	4	-	-	-	<b>4</b>
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	140	-	<b>140</b>
• Exchange-rate hedging derivatives			33		
• Interest-rate hedging derivatives			-		
• Commodity hedging derivatives			107		
Share-based payment	-	2	-	-	<b>2</b>
Eramet / STCPI stock swap	(52)	-	-	-	<b>(52)</b>
Other movements	(1)	(1)	-	4	<b>2</b>
<b>As on December 31, 2007</b>	<b>(53)</b>	<b>5</b>	<b>18</b>	<b>1,370</b>	<b>1,340</b>

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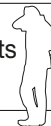
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IAS 32 and IAS 39 were only applied by the Eramet Group as from January 1, 2005 with an impact on shareholders' equity net of deferred tax of €37 million, mainly relating to cash flow hedging. It is offset in "Hedging instruments" under assets or liabilities, depending on whether hedging gains or losses are recognised (Note 19).

The "Hedging instruments" reserves comprise the cumulative change in the effective portion of the fair value of derivatives relating to future cash flows hedging in connection with transactions that have not yet impacted the income statement (Note 19).

Eramet treasury stock is shown on a different shareholders' equity line, called "treasury shares" and measured at its purchase cost (Notes 12 and 27).

### 20.1.1.5. Notes to the consolidated statements

Eramet is a French public limited company with a Board of Directors, governed by the provisions of Articles L 225-17 et seq. of the French Commercial Code, Decree 67-236 of March 22, 1967 as amended, and by the provisions of its Articles of Association. As required by law, the Company is audited by two statutory auditors and two alternate auditors.

Eramet's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since March 28, 2006. On July 2, 2007, Eramet joined the N150 index.

Via its subsidiaries and investments, the Eramet Group operates in the nickel and manganese mining and production sectors, as well as in the alloys production sector, in which it is amongst the market leaders. A detailed presentation of the Eramet Group's activities is provided in the Note on segment reporting (1.4).

The Eramet Group's consolidated financial statements for the year ended December 31, 2007, were reviewed by the Audit Committee on February 18, 2008, and approved by the Board of Directors on February 20, 2008. They will be submitted for the approval of the General Shareholders' Meeting on April 16, 2008.

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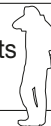
■■■■■■■■■■■■■■■■■■■■ Note 1. Accounting principles and measurement methods

1.1. General principles

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the international standards, the consolidated financial statements of the Eramet Group for the financial year ended December 31, 2007 have been prepared in millions of euros in accordance with IFRS, as well as the IFRIC and former SIC applicable as at December 31, 2007 as approved by the European Union as of the date of drafting of these financial statements. Accordingly, the recognition, measurement and presentation methods governing transactions comply with IFRS. The new mandatory standards and interpretations applicable as from January 1, 2007 are:

- IFRS 7, "Financial Instruments: Disclosures" on the risks to which the Company is exposed via financial instruments and on the management of such risks (Note 19);
- the amendment to IAS 1 relating to capital disclosures, enabling users of financial statements to assess the objectives, policies and procedures the Company implemented in the management of its capital;

- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", which does not currently apply to the Group;
- the interpretation of IFRIC 8 "Scope of IFRS 2" providing for the inclusion of transactions for which the consideration received is not identifiable and which would have limited impact on the Group's financial statements given the nature of the options (Notes 1.22 and 12.3);
- the interpretation of IFRIC 9 "Reassessment of Embedded Derivatives" requiring the analysis of the separable or non-separable nature of an embedded derivative after execution, prohibiting reassessment unless there is substantial change to the host contract;
- the interpretation of IFRIC 10 "Interim Financial Reporting and Impairment" stating that impairment losses recognised in interim financial statements must not be reversed in subsequent periods, which does not apply to the Group, with the impairment tests being carried out at the annual balance sheet dates (Note 1.11).



The Eramet Group consolidated financial statements are prepared on the historical cost basis, except for certain types of assets and liabilities as per IFRS guidelines. The categories concerned are specified where applicable in the following Notes.

The Eramet Group elected to apply IAS 32 and 39 on financial instruments as on January 1, 2005 without restating the comparative information (change in shareholders' equity and Note 19).

The Group has elected not to apply early any standards and interpretations adopted by the European Union that are not yet in force or any standards not yet adopted as of the close, namely:

- IFRS 8 "Operating Segments" applicable as from January 1, 2009, replacing IAS 14, the impact of which on the financial statements of the Eramet Group will be negligible, since internal reporting is similar to segment reporting;
- IAS 23 "Borrowing Costs", amended and applicable as from January 1, 2009, eliminating the option of expensing borrowing costs for qualifying assets;
- IAS 1 "Presentation of Financial Statements" applicable as from January 1, 2009, primarily redefining new presentations of the income statement and of the statement of changes in shareholders' equity;
- IFRIC 11 "Intragroup and Treasury Share Transactions", which does not relate to the Group, considering its structure and the nature of the options;
- IFRIC 12 "Service Concession Arrangements" applicable as from January 1, 2008, the impact of which on Eramet is still being assessed;
- IFRIC 13 "Customer Loyalty Programs" applicable as from January 1, 2008 but which does not currently have any impact on the Group;
- IFRIC 14 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" applicable as from January 1, 2008, the impact of which will not be very material on the Group with respect to employee benefits.

#### 1.1.1. ESTIMATES AND JUDGEMENTS

In preparing its financial statements under IFRS, the Eramet Group is required to make estimates and assumptions that affect the carrying amounts of some assets and liabilities and income and expenses, as well as the information set out in specific Notes.

The Eramet Group regularly reviews its estimates and assessments to take account of past experience and other factors that are deemed relevant with regard to economic conditions. As a result of changing assumptions and conditions, the amounts in future financial statements may differ from current estimates.

The main categories affected by changes to estimates are provisions for employee benefits and for site restoration, deferred taxes and impairment tests. In principle, the Eramet Group only reviews these estimates once a

year at each annual balance sheet date. However, when circumstances require, estimates may be updated at interim balance sheet dates.

**Impairment losses:** In accordance with IAS 36, when events or economic changes in the markets in which the Eramet Group operates indicate the possibility of impairment losses on its intangible assets and property, plant and equipment, these non-current assets are subject to impairment tests to determine whether their carrying amount has fallen below their recoverable amount or value in use and impairment may be recorded for any difference. The value in use is determined by applying the estimated future cash flow method over a five-year period with a terminal value (Note 1.11).

**Employee liabilities:** Eramet Group companies offer their employees various long-term benefits such as retirement packages, retirement plans and healthcare plans (Note 1.17). Under IAS 19, all these liabilities are estimated on the basis of assumptions such as discount rates, rates of return on related financial investments and future wage conditions and policies (salary growth, employee turnover and mortality tables). In principle, the Group updates these assumptions once a year and the latest assumptions used are included in the specific Note (Note 14).

**Provisions for site restoration:** Eramet Group companies must provide for their regulatory and constructive obligations with regard to the restoration of their mining sites at the end of operation. Accordingly, under IAS 16 and 37, when a mining site is opened, a restoration provision is allocated with an offsetting dismantling asset. These provisions are estimated on the basis of forecast cash flows by due date and discounted using inflation and discount rates determined in accordance with local economic conditions (Note 15.5). In the absence of regulatory and constructive obligations, the sites for which the end of their operation is not determined are not provided for (Note 1.19).

**Deferred tax:** Deferred tax assets recognised mainly relate to timing differences and tax loss carryforwards in accordance with IAS 12 (Note 16). These deferred tax assets are recognised whenever it is likely that the Eramet Group will have sufficient future taxable profit to absorb these timing differences and tax losses. The Group's ability to recover these capitalised items is estimated partly on the basis of an analytical assessment of the future flows for each fiscal entity (Note 1.18).

#### 1.1.2. FIRST-TIME APPLICATION OF STANDARDS

As from January 1, 2005, the Eramet Group applied IAS 32 and 39 pursuant to IFRS 1.36. The main adjustments made to ensure compliance with IAS 32 and 39 relate to foreign currency hedging, particularly in US dollars, and commodity price hedging for nickel, fuel oil and aluminium.

#### 1.1.3. "CURRENT" AND "NON-CURRENT" ASSETS AND LIABILITIES

"Current" refers to assets and liabilities that are part of the operating cycle, regardless of their maturity, and other assets and liabilities with a maturity of less than one year from their balance sheet entry date. "Non-current" assets and liabilities include other assets and liabilities, namely those with maturities of over one year that are not part of the operating cycle.

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## 1.2. Scope and method of consolidation

All material entities that Eramet exclusively controls, whether directly or indirectly, are fully consolidated. Companies over which Eramet has significant influence and in which it directly or indirectly holds a stake of over 20% are accounted for under the equity method (Note 6). Jointly controlled companies (joint ventures) are consolidated proportionally.

Certain interests meet the above criteria but are not consolidated since to do so would not have any material impact on the Group's financial statements and/or the benefits obtained from consolidating them are less than the costs required to do so (Notes 1.12.1 and 7). The list of consolidated companies is set out in Note 2. The material transactions between consolidated companies are eliminated in consolidation.

## 1.3. Business combinations

The Group recognises business combinations using the purchase method. The assets, liabilities and contingent liabilities of an acquired company are measured at their fair value and valuation differences are charged to the relevant assets and liabilities, including for the share of minority interests. Any difference between the cost of the business combination and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities is recognised as goodwill under balance sheet assets (Note 1.6).

When the Eramet Group acquires assets and liabilities from minority interests in a company already controlled, no additional fair value restatement is recognised and the difference between the purchase price and carrying amount of the net assets acquired is recognised in goodwill (Note 1.6).

## 1.4. Segment reporting

The Group presents its segment reporting as follows:

- ① primary level: Divisions;
- ② secondary level: geographic areas: Europe, North America, Asia, Oceania and Africa.

Primary segment reporting is on the basis of the following divisions:

- ① the Nickel Division, including mining, production and sales subsidiaries focused on nickel and its derivative applications (ferronickel, high purity nickel, cobalt and nickel salts, cobalt and tungsten powders);
- ② the Manganese Division, including mining, production and sales subsidiaries focussed on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil catalysts, electric batteries and acid solutions from the electronics industry;
- ③ the Alloys Division, including subsidiaries that produce and sell special high-performance steels, superalloys and pre-machined parts based on these materials or aluminium and titanium.

Each of these three divisions represents a distinct component that is exposed to specific risks and profitability. The Holding company and eliminations area are comprised of the Group's shared services as well as Metal Securities, Metal Currencies and Eras S.A.

Commercial relationships between the divisions are not material. The main relationships primarily relate to the billing of management fees and financial transactions.

Other relationships relate to the reinsurance company Eras S.A. and the financial company Metal Securities, both of which are fully consolidated via the Holding Division (Note 2):

- ① Eras S.A. is a captive reinsurance company that acts as a primary insurer in certain reinsurance programmes;
- ② Metal Securities is a financial company responsible for pooling subsidiaries' cash to optimise investments with financial organisations outside the Group;
- ③ Metal Currencies is a financial company responsible for managing the Group's exchange rate risks.

## 1.5. Translation of foreign currency denominated transactions and financial statements

Foreign currency transactions are translated at the applicable exchange rate at the time of the transaction. Foreign currency debts and receivables are measured at the closing rate under IAS 21. Translation adjustments resulting from this translation are recognised in income (Notes 1.24 and 1.25), except those involving loans and borrowings between Group companies considered an integral part of the net investment in a foreign subsidiary. These are recognised directly in shareholders' equity under "Translation adjustments" and linked to the foreign subsidiary.

The financial statements of foreign entities with functional currencies other than the euro are translated using the official exchange rates at the end of the period for balance sheet items, except for shareholders' equity, for which historical rates are applied. Income statement items and cash flows are translated at the average rate over the period. Goodwill arising from an acquisition is considered part of the acquiree and denominated in its functional currency; it is then translated in the same way as the other balance sheet items. Translation adjustments stemming from currency fluctuations used to translate shareholders' equity and profit (loss) for the period are allocated to reserves. Translation adjustments are carried as a change to shareholders' equity and broken down between Group and minority interests. Where a foreign subsidiary exits the scope of consolidation, the cumulative amount of translation adjustments is recognised in the income statement under "Other finance income and expenses" (Note 23.2).

## 1.6. Goodwill

The cost of a business combination recognised when taking an interest is allocated to the fair value of the assets, liabilities and identifiable contingent liabilities of the acquiree. The residual, unassigned part is recognised as "Goodwill" under balance sheet assets. Any resulting goodwill is allocated to the relevant cash generating units (CGU). Goodwill is not amortised under IFRS 3 - Business combinations, but is subject to an impairment test to detect any impairment loss (Note 1.11). These impairment losses are not reversible.

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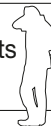
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If the cost of the business combination is less than the share in the net fair value of the assets, liabilities and contingent liabilities, the identification and measurement of the items acquired are reassessed and any remaining surplus (negative goodwill, or "badwill") is recognised directly in income for the period under "Other operating income and expenses" (Note 22).

Further acquisitions of interests in companies that are already controlled are recognised as goodwill equal to the difference between the acquisition price and the carrying amount of the minority interests received.

Goodwill in associates is recognised under investments in associates (Note 6).

The Group's commitments to buy out minority interests in its subsidiaries are recognised where necessary in financial liabilities pursuant to IAS 32. The difference between the value of the minority interests and the amount of the buyback option is recognised in goodwill as of the date of expiry of the put. Subsequent changes in the difference in value up to the exercise of the put are also recognised in goodwill.

### 1.7. Intangible assets

Intangible assets are measured at acquisition cost and amortised on a straight-line basis or on the basis of work units in current operating profit (loss) (Note 21.1).

Capitalised amounts with respect to mineral deposits relate to partial asset contributions or permit acquisitions since 1974. Depending on operating specificities, mining deposits are amortised on the basis of annual production vis-à-vis the reserves initially estimated or the length of the concession (Note 4). The Eramet Group does not perform valuations of mining resources separately from those conducted and recognised locally in the individual financial statements of the companies owning the resources. Geological and mining expenses are treated as research and development expenditure (Note 1.9) and the Group does not pay any exploration royalties as per IFRS 6 - Exploration for and Evaluation of Mineral Resources.

Computer software is amortised over a variable period not exceeding five years.

Intangible assets are allocated to cash generating units (hereinafter "CGU") and are subject to impairment tests just like property, plant and equipment (Note 1.11). Any impairment loss, identified as the difference between the recoverable and carrying amounts, is recognised in the income statement under "Other operating income and expenses" (Note 22). The recoverable amount is defined as the greater of the fair value less selling costs and the value in use. The value in use is determined by discounting the future cash flows expected from the use of the asset and its disposal.

### 1.8. Greenhouse gas emission quotas

The quotas received free of charge are recognised in amortisable intangible assets at their nominal value on the date granted (Note 4) and similarly in liabilities. Quotas subsequently acquired are valued at the acquisition cost and also form amortisable intangible assets that are not subsequently remeasured. Impairment losses may, however, be recognised where the price is less than the carrying amount, with this impairment recognised in current operating profit (loss) (Note 21). A liability is recognised for the quotas held

to be returned and measured at the initial value of these quotas to offset the liability originally recognised. Deficits are estimated at the market value of the quotas that must be acquired and a liability thereby recorded. Eramet does not speculate on greenhouse gas emission quotas but may sell any unused surplus. The proceeds from such disposals are subsequently recognised in "Other operating income and expenses" (Note 22).

### 1.9. Research and development expenditure

Research and development expenditure includes expenses for scientific and technical activities necessary for the development and implementation of new manufacturing processes or the improvement of existing processes.

Development expenditure is capitalised where it satisfies the restrictive criteria set out in IAS 38 – Intangible assets, namely, when and only when:

- the technical and industrial feasibility of the project has been proven;
- the intention is to finish the project and put the results of the project to use;
- the project is clearly identified and the costs attributed are broken down and reliably tracked;
- the likelihood of obtaining future economic benefits has been demonstrated;
- the technical, financial and other resources allocated for the development and use or sale of the intangible assets are available.

All other research expenditure not satisfying the IAS 38 criteria is expensed in the period in which it is recognised (Notes 1.24 and 4).

Mine stripping costs are capitalised under property, plant and equipment and depreciated on the basis of mined tonnage (Note 5).

Geology, exploration, prospecting and mining research expenses prior to operation are recognised in intangible assets under "mineral deposits" (Note 4). Geology expenses for mining sites already in operation are recognised in income under "Research and development expenditure" (Note 1.24). In line with IFRS 6, royalties paid for mining prospecting or exploration are capitalised under intangible assets (Note 4). They are measured at acquisition cost less amortisation and any impairment losses.

### 1.10. Property, plant & equipment

Items of property, plant and equipment are recognised in the balance sheet at acquisition or production cost (Note 5). Items of property, plant and equipment are depreciated on a straight-line basis over the estimated lifespan or useful life, having regard to the components of the asset, in current operating profit (loss) (Note 1.24). For reference:

Buildings	10-50 years
Industrial and mining facilities	5-50 years
Other intangible assets	2-10 years
Land is not depreciated.	

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Impairment may be recognised for items of property, plant and equipment should special circumstances so warrant, on the basis of impairment tests performed using the discounted future cash flow method to calculate their value in use. This impairment loss is calculated as the difference between the recoverable and carrying amounts and is recognised in the income statement under "Other operating income and expenses" (Note 22). The recoverable amount is defined as the greater of the fair value less selling costs and the value in use.

Capital grants are recognised as deductions from the gross amounts of the items of property, plant and equipment in question. Spare parts deemed to be items of property, plant and equipment are capitalised and depreciated on the basis of their actual use. Tooling specifically manufactured for certain customers is recognised as an item of property, plant and equipment and depreciated over its likely lifespan. Major repairs are deemed to be components of items of property, plant and equipment. Borrowing costs are not included in items of property, plant and equipment.

A provision was recorded upon the start-up of operations for the restoration of mining sites. This was via the recognition of an item of property, plant and equipment that is depreciated over the operation of the mine.

Leases transferring the risks and benefits inherent in ownership (finance leases) are recognised as items of property, plant and equipment, offset by a debt (Note 17). These are amortised over their expected useful life on the same basis as the items of property, plant and equipment held or, if shorter, the term of the corresponding lease. Similarly, other agreements, and primarily sub-contracting, involving the use of a specific asset and the right to use it, are reclassified where necessary as leases, pursuant to IFRIC 4 and IAS 17.

All items of property, plant and equipment were allocated to cash generating units (CGU) (Note 1.11).

### 1.11. Impairment of assets

At regular intervals, upon each balance sheet date, the Group determines whether there are indications of impairment of assets in line with IAS 36 – Impairment of assets.

Impairment tests are carried out regularly, at least once during the annual close process for goodwill and intangible assets with indefinite lives or where there are indications of impairment. For intangible assets and items of property, plant and equipment with finite lives, impairment tests are carried out where there are indications of impairment.

Impairment losses are calculated as the difference between the recoverable and carrying amounts and recognised in the income statement under "Other operating income and expenses" (Note 22). The recoverable amount is defined as the greater of the fair value less selling costs and the value in use. The Group uses the discounted estimated future cash flow method calculated over a five-year period with a terminal value to determine the value in use. The discount rate used to establish the value in use is the Group's average cost of capital, which is 9% and has been unchanged since 2004. Impairment tests are carried out at the level of the cash generating units (CGU). All intangible assets, including goodwill, and all items of property, plant and equipment are allocated to CGUs. CGUs are homogenous groupings of assets, the use of which continues to generate cash inflows that are largely independent of cash inflows generated by other assets or asset groupings. Eramet has identified 22 CGUs in total, representing the various production sites of the three main businesses: nickel, manganese and alloys.

### 1.12. Other financial assets

Other financial assets include non-consolidated subsidiaries (Notes 1.11.1 and 7) and other non-current financial assets (Notes 1.12.1 and 8).

#### 1.12.1. NON-CONSOLIDATED SUBSIDIARIES

Non-consolidated subsidiaries include the following:

- investments in associates that are controlled but not consolidated, retained in the balance sheet at their acquisition cost, less any impairment losses. This impairment is offset in the income statement under "Other finance income and expenses" (Note 23.2). Since the benefits obtained from consolidating them would be less than the cost of doing so, these investments are not consolidated;
- other investments are deemed to be available for sale assets and recognised at fair value. These investments relate to interests in companies over which the Group has no control or significant influence. Changes in the fair value of these investments are recognised in recyclable shareholders' equity except in the event of material and permanent impairment losses.

Fair value is measured on the basis of the listed share price or, if unavailable, the discounted future cash flow method or, in the absence of this, based on the Group share of shareholders' equity in the Company.

#### 1.12.2. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets relate to loans or current accounts granted to non-consolidated companies. They are initially recognised at fair value plus the acquisition expense and measured on each balance sheet date at amortised cost using the effective interest rate (definition in Note 1.15), less any impairment losses, offset in income under "Other finance income and expenses" (Note 23.2).

Financial assets as defined in IAS 32 are derecognised when the Group no longer expects future cash flows and all the risks and benefits relating to these assets are transferred.

### 1.13. Assets held for sale and discontinued operations

A non-current asset or asset group, and the directly related liabilities, are considered as held for sale where their carrying amount will be recovered from their sale and not their continued use. They must be immediately available and the sale highly probable. When several assets are intended for sale in a single transaction, the asset group is considered as a whole, including the related liabilities. The assets held for sale thereby determined are measured at the lesser of the carrying amount and the fair value less selling costs. Intangible assets and property, plant and equipment classified as held for sale are no longer depreciated.

A discontinued operation is considered as a material Group activity subject to disposal or classification in assets held for sale. The items making up the related financial statements are regrouped under a special heading in the Group's consolidated financial statements.

On each balance sheet date, the amount of assets held for sale must be reviewed to take into account any adjustments to their fair value less selling costs.

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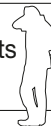
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### 1.14. Inventories

Inventories are measured using the weighted average cost or FIFO (first in, first out) method.

Inventories and work in progress are assessed at cost price and only include production costs, without nevertheless exceeding the realisable value. Costs stemming from sub-normal capacity usage are eliminated from inventory measurement at the end of the period.

The impairment of spare parts that do not qualify for capitalisation is calculated on the basis of their use during the year. Spare parts inventory in excess of one year's use is fully impaired.

### 1.15. Receivables and debts

Receivables and debts are measured upon initial recognition at fair value, plus any transaction expenses, and are subsequently re-measured at each balance sheet date at amortised cost using the EIR method. The EIR relates to the rate that precisely discounts the expected future cash movements. Foreign currency receivables and debts are re-measured at the rate on the last day of the period. Resultant translation adjustments are recognised in the income statement as exchange differences under current operating profit (loss) or net borrowing cost, depending on the type of receivable or debt.

Impairment losses are recognised for receivables when it is more than likely that they will not be recovered and it is possible to reasonably measure the amount of the loss based on past experience of losses on receivables, the age, and a risk analysis. This impairment, offset in income under the current operating profit (loss) (Note 21), reduces the nominal amount.

Receivables disposed of under a securitisation contract are recognised in cash for their "deconsolidating" portion in line with IAS 39, namely when the Group no longer expects future cash flows and when all the risks and benefits relating to these receivables have been transferred. For trade receivables, disposal with recourse against the transferor in the event of default on the receivable means that receivables disposed of may not be totally derecognised. Accordingly, the portion relating to the security deposits or the like is not derecognised and continues to be recognised as an asset under other operating receivables (Note 10).

### 1.16. Cash and cash equivalents

Cash includes cash on hand and demand deposits, excluding bank overdrafts, which appear under financial liabilities. Cash equivalents correspond to marketable securities and relate to investments held to meet short-term cash requirements and are not considered as held to maturity.

Marketable securities at less than three months are recognised at their fair value in the balance sheet in accordance with IAS 39. To be considered a cash equivalent, they must be readily convertible to cash and subject to negligible risk of fluctuations in value. Fair value changes are recognised in income under net borrowing cost (Note 23.1).

### 1.17. Employee liabilities

#### DEFINITION OF PLANS

Defined benefit plans: Eramet Group companies offer their employees various long-term benefits such as retirement packages or other additional post-employment benefits (pension plan or healthcare plan). The characteristics of these schemes vary in line with the laws and regulations in force in each country and/or subsidiary.

In some companies, these liabilities are wholly or partly covered by policies taken out with insurance companies or pension funds. In this case, liabilities and covering assets are assessed independently. The provision thereby recorded for the defined benefit pension plans represents the discounted value of the defined benefit liability adjusted for unrecognised actuarial gains and losses and the unrecognised past service cost, less the fair value of plan assets. The defined benefit pension plans are measured using the actuarial projected unit credit method.

Defined contribution plans: For the defined contribution plans granted in certain Group subsidiaries, employer contributions are expensed in the period to which they relate.

#### MAIN ACTUARIAL ASSUMPTIONS AND METHODS

The Group's liabilities are appraised by independent actuaries in line with the international standards (IFRS). The actuarial assumptions used (likelihood of working employees staying with the Group, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the countries in which the plan is in force. The discount rates used are based on the rate of government bonds or bonds in top-rated companies with a maturity equivalent to that of the liabilities on the appraisal date.

The expected long-term return on assets was calculated by taking account of the structure of the investment portfolio for each country.

Actuarial gains and losses resulting from the change in discount rates and rates of return that represent over 10% of the discounted value of liabilities or of the fair value of plan assets are amortised over the expected average remaining working life of the employees in the plan (corridor principle). Plan amendment costs are apportioned over the remaining rights vesting period.

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### 1.18. Deferred tax

The amount of tax actually owed at the balance sheet date is adjusted for deferred tax, which is calculated using the liability method with regard to timing differences between carrying amounts and tax amounts, as well as with regard to consolidation restatements. Deferred tax assets, including those related to loss carryforwards, which are determined by fiscal entity, are recognised whenever it can be shown that they are likely to be realised. Deferred tax is not discounted.

To assess the probability these assets will be realised, the Group reviews the following information:

- future forecast profitability;
- extraordinary losses not expected to recur in the future;
- past taxable profits; and
- tax strategies.

Provisions are recognised for non-recoverable levies on dividends planned with respect to the previous financial year. Deferred tax assets and liabilities are recognised as balance sheet assets and liabilities (Note 16). Deferred tax is deemed to be non-current and classified as such.

Deferred tax liabilities on investments in subsidiaries, associates and joint ventures are only recognised where the Group can determine the timetable for the reversal of the related timing differences.

### 1.19. Provisions

Provisions are recorded, once their amount can be reliably estimated, to cover all liabilities stemming from past events that are known at the balance sheet date for the period, where their settlement is likely to result in an outflow of resources representing economic benefits in order to settle the liability.

Provisions for mining site restoration are recognised when the mining sites open. Restoration costs are discounted over the period remaining to the expected end of operation of the mine and the reversal of discounting are recognised in the income statement under Other finance income and expenses (Note 23.2).

As regards industrial sites, insofar as there are no plans to discontinue operations, no provision is recognised for site restoration.

The costs of restructuring and redundancy plans are fully provided for when the decision to take such measures was taken and announced before the cut-off date.

### 1.20. Recognition of financial instruments

**Risks:** To manage its foreign currency risk, the Group uses foreign currency forwards, foreign currency swaps and, to a lesser extent, foreign currency options. Foreign currency forwards are recorded as hedges to the extent the Group has defined and documented the hedging relationship and demonstrated its effectiveness. Interest rate risk is generally managed using interest-rate swaps and options. Lastly, the Group also uses collars and swaps in hedging commodity purchases and sales (nickel, fuel oil and aluminium).

**Measurement and presentation:** Derivatives are measured at their fair value upon initial recognition. Subsequently, the fair value of derivatives is reviewed

at each balance sheet date. The fair value of foreign currency forwards is estimated on the basis of market conditions. The fair value of interest-rate derivatives is that which the Group would receive (or pay) to unwind current contracts on the balance sheet date. The fair value of commodity derivatives is estimated on the basis of market conditions. Derivatives are included in the balance sheet as current assets or current liabilities (Note 19).

**Hedge accounting:** The Group identifies the hedging item and hedged item when the hedge is set up and formally documents the hedging relationship by identifying the hedging strategy, the hedged risk and the hedge effectiveness measurement method:

- fair value hedge: the hedged item is remeasured in respect of the hedged risk and the hedging instrument is measured and recognised at fair value. Changes in these two items are recognised simultaneously under operating profit (loss);
- cash flow hedge: the hedged item is not re-measured. Only the hedging instrument is re-measured at fair value. To offset the remeasurement, the effective portion of the change in fair value that can be ascribed to the hedged risk is recognised net of tax in shareholders' equity. The cumulative shareholders' equity amounts are recycled to the income statement when it is affected by the hedged item. The ineffective portion is retained in income for the period;
- recognition of derivatives ineligible for hedge accounting: the Company only uses these derivatives to hedge future cash flows. Changes in fair value are immediately recognised in net finance income.

### 1.21. Concession

In the absence of the IASB's definitive publication of the IFRIC interpretations (IFRIC 12) and/or their adoption by the European Union regarding the recognition method for contracts appointing a third party to manage a public service, the Transgabonais railway concession is recognised as follows: the assets owned by the concession holder are recognised as assets in the balance sheet and depreciated over the shorter of their useful lives or the remaining period of the concession. Assets to be returned, namely the assets contributed to the concession by the State that must be returned in kind upon expiry of the agreement are not recognised in the balance sheet. Assets acquired by the concession holder following the signature of the concession agreement that must be turned over to the State at the end of the concession are recognised as property, plant and equipment and depreciated over the term of the concession.

### 1.22. Revenue

Revenue mainly comprises the following:

- sales, including the sale of merchandise, goods and services generated in the course of the Group's main business activities. This is part of current operating profit (loss) (Note 21);
- other income includes other revenue assigned to current operating profit (loss) (Note 21) such as translation adjustments on sales, capitalised production, lease income, operating subsidies and insurance premiums received;
- interest income recognised in the income statement under "Net borrowing costs" (Note 23.1);

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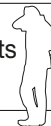
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- dividends included in the income statement under "Other finance income and expenses" (Note 23.2).

The revenue recognition criteria by category are as follows:

- sales and other income: income is recognised as revenue once the company has transferred the main risks and benefits inherent in ownership of the goods to the buyer. Sales are measured at the fair value of the consideration received or receivable. In the event of a deferred payment having a material impact on the calculation of the fair value, future payments are discounted accordingly;
- interest: income is recognised for the amount of accrued interest;
- dividends: income from investments in associates is recognised whenever the Group is entitled to receive payment as a shareholder.

### 1.23. Share-based payment

Various stock option plans have been set up. The fair value of the services received in consideration for the grant of these options is definitively measured with reference to the fair value of said options on the grant date and to the number of options that will have vested by the end of the vesting period. In this regard, the Group uses a Black-Scholes type mathematical valuation model.

During the vesting period, the total fair value thereby determined is apportioned on a straight-line basis over the full vesting period for the plan in question, with the assumed vested number of exercisable options reviewed at every balance sheet date.

This charge is recognised as a personnel cost, offset by an increase in shareholders' equity. When the options are exercised, the exercise price received by the Group is recognised in cash and offset in shareholders' equity.

In line with the transitional provisions in IFRS 1, only stock option plans subsequent to November 7, 2002 that have not vested by January 1, 2005 are recognised under the abovementioned principle and measured.

### 1.24. Current operating profit (loss) and other operating income and expenses

As from 2006 and in accordance with paragraphs 88 and 89 of IAS 1, Eramet presents its income statement in accordance with the mixed function/nature approach, so as to comply with the Group's internal management reporting. The Eramet Group specifically uses Ebitda and current operating profit (loss) as performance indicators. Ebitda includes the gross profit (difference between sales and the cost of sales), administrative and selling expenses and research and development expenditure before depreciation, amortisation and provisions, which are presented separately. Current operating profit (loss) includes Ebitda, depreciation, amortisation and provisions; it consists in particular of the cost of employee liabilities including the financial component, the cost of employee profit-sharing and translation adjustments between the rates upon recognition and those at the balance sheet date (trade receivables and payables).

Other operating income and expenses notably include:

- restructuring costs;
- capital gains/losses or impairment losses on assets;
- impairment losses on goodwill, intangible assets and property, plant and equipment.

### 1.25. Net finance income

Net finance income consists of the following items:

- net borrowing costs, these being income statement items relating to balance sheet components of net borrowing, namely, financial liabilities and cash and cash equivalents; and
- other finance income and expenses, such as dividends, provisions on securities, the reversal of discounting and gains/losses on hedging instruments).

### 1.26. Earnings per share

Basic earnings per share are obtained by dividing the Group profit (loss) for the period by the average number of shares in circulation in the period. This average number of shares in circulation excludes treasury stock.

Diluted earnings per share are obtained by adjusting Group profit (loss) for the period and the number of shares for potentially dilutive effects, mainly represented by employee subscription and purchase option plans (stock options).

### 1.27. Risks

**Environmental risks:** where there is a legal or contractual obligation to restore mining sites, a restoration provision is recorded, offset by a dismantling asset. The provision is based on site-by-site estimates of the cost of work, the total cost being apportioned over the operation of the mine (Notes 1.10, 1.18, 5 and 15.5).

Provisions are recorded for any other environmental contingencies on the basis of estimated future costs without, however, allowance for any insurance indemnities receivable (Note 15.5).

**Market risks:** to manage its interest rate and foreign currency risks, the Group has recourse to various financial instruments. The Group's policy is to reduce its exposure to interest rate and foreign currency fluctuations, but not to speculate. Positions are traded either on recognised markets, or by private contract with leading banking counterparties.

Gains or losses on hedging instruments are recognised symmetrically with the gains or losses on the hedged items. However, unrealised losses on financing hedging transactions ineligible under hedging standards are recognised in the income statement.

All transactions outstanding on the balance sheet date are recognised in the balance sheet, with no set-off (Note 19).

**Foreign currency risks:** when the exposure stemming from the borrowing taken out by Group companies in currencies other than their functional currencies is not offset by income in those currencies, the Group may have recourse to hedging (Note 19).

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**Interest-rate risks:** depending on market conditions and on forecast changes in net debt, the Group Finance Department checks the breakdown between fixed and variable rate debt and cash investments. The financial instruments used are interest rate swaps, caps, and floors.

**Commodity risks:** the Group only uses derivatives to reduce its exposure to the risks of fluctuations in commodity prices on firm or highly probable commitments. For this purpose, Eramet mainly uses forwards, combined call and put options and call options.

**Financial transaction counterparty risks:** the Group can be exposed to credit risk in the event of default by a counterparty. To limit this risk the Group collects and reviews information ahead of financial transactions such as that from rating agencies and published financial statements. No systematic arrangement is therefore in place to hedge counterparty risk.

## ■■■■■■■■■■■■■■■■■■■■ Note 2. Scope of consolidation

### 2.1. Changes in scope of consolidation

The scope of consolidation as of December 31, 2007, changed from December 31, 2006, as follows:

- ✦ incorporation of Metal Currencies in early 2007 to manage Eramet's foreign currency risks;
- ✦ as a result of the Eramet/Le Nickel-SLN stock swap, the Group's stake in Le Nickel-SLN went from 60% to 56% as of July 23, 2007 (Note 27).

### 2.2. List of consolidated companies as of December 31, 2007

As of December 31, 2007, the scope of consolidation included 54 companies (as of December 31, 2006: 53), of which 53 companies are fully consolidated and one accounted for under the equity method (as of December 31, 2006: 52 and one).

Company	Country	Consolidation method	Percentage (%)	
			control	interest
<b>Eramet</b>	<b>France</b>	<b>Consolidation</b>	-	-
<b>Nickel</b>				
Le Nickel-SLN	New Caledonia	Fully consolidated	56	56
Cominc	New Caledonia	Fully consolidated	56	56
Poum	New Caledonia	Fully consolidated	56	56
Weda Bay Minerals Inc.	Canada	Fully consolidated	100	100
Weda Bay Minerals Pty Ltd.	Australia	Fully consolidated	100	100
Strand Minerals Pte Ltd.	Singapore	Fully consolidated	100	100
Pt Weda Nickel Ltd.	Indonesia	Fully consolidated	90	90
Eramet Holding Nickel	France	Fully consolidated	100	100
Eurotungstène Poudres	France	Fully consolidated	100	100
<b>Manganese</b>				
Eramet Holding Manganèse	France	Fully consolidated	100	100
Eramet Comilog Manganèse	France	Fully consolidated	100	83.63
Eramet Marietta Inc.	USA	Fully consolidated	100	100
Eramet Norway A/S	Norway	Fully consolidated	100	100
Comilog S.A.	Gabon	Fully consolidated	67.25	67.25
SETRAG S.A.	Gabon	Fully consolidated	83.88	56.66
Comilog Holding	France	Fully consolidated	100	67.25
Comilog International	France	Fully consolidated	100	67.25
Comilog Lausanne	Switzerland	Fully consolidated	100	67.25
Port Minéralier d'Owendo S.A.	Gabon	Equity method	36.35	24.45
Unimin AG	Switzerland	Fully consolidated	100	67.25
Erachem Comilog S.A.	Belgium	Fully consolidated	100	67.25
Comilog US	USA	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp.	USA	Fully consolidated	100	67.25

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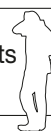
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Company	Country	Consolidation method	Percentage (%)	
			control	interest
Bear Metallurgical Corp.	USA	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Canada Corp.	Canada	Fully consolidated	100	67.25
Erachem Comilog Inc.	USA	Fully consolidated	100	67.25
Comilog France	France	Fully consolidated	100	67.25
Comilog Dunkerque	France	Fully consolidated	100	67.25
Miner Holding BV	The Netherlands	Fully consolidated	100	67.25
Erachem Mexico SA	Mexico	Fully consolidated	100	67.25
Comilog Asia Ltd.	Hong Kong	Fully consolidated	100	93.45
Comilog Asia Ferro Alloys Ltd.	Hong Kong	Fully consolidated	100	93.45
Guangxi Comilog Ferro Alloys Ltd.	China	Fully consolidated	70	65.42
Guilin Comilog Ferro Alloys Ltd.	China	Fully consolidated	100	93.45
Guangxi Eramet Comilog Chemicals Ltd.	China	Fully consolidated	100	93.45
Comilog Far East Development Ltd.	Hong Kong	Fully consolidated	100	93.45
Eramet Comilog Shanghai Trading Co. Ltd.	China	Fully consolidated	100	93.45
<b>Alloys</b>				
Eramet Alliaages	France	Fully consolidated	100	100
Erasteel	France	Fully consolidated	100	100
Erasteel Commentry	France	Fully consolidated	100	100
Erasteel Champagnole	France	Fully consolidated	100	100
Erasteel Kloster AB	Sweden	Fully consolidated	100	100
Erasteel Stubs Ltd.	United Kingdom	Fully consolidated	100	100
Erasteel UK Ltd.	United Kingdom	Fully consolidated	100	100
Erasteel Inc.	USA	Fully consolidated	100	100
Erasteel Innovative Materials Co Ltd.	China	Fully consolidated	100	100
Société Industrielle de Métallurgie Appliquée	France	Fully consolidated	100	100
Interforge	France	Fully consolidated	94	94
Aubert & Duval	France	Fully consolidated	100	100
Airforge	France	Fully consolidated	100	100
<b>Holding company and miscellaneous</b>				
Eras S.A.	Luxembourg	Fully consolidated	100	100
Metal Securities	France	Fully consolidated	100	100
Metal Currencies	France	Fully consolidated	100	100

All companies within the scope of consolidation share the same balance sheet date of December 31.

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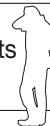
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## 4.2. Changes over the period

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>320</b>	<b>72</b>	<b>67</b>
Business combinations	-	254	10
Other changes in scope	-	-	-
Capital expenditure over the period	20	14	4
Depreciation, amortisation and impairment losses over the period	(8)	(8)	(7)
Translation adjustments and other movements	(23)	(12)	(2)
<b>At end of period</b>	<b>309</b>	<b>320</b>	<b>72</b>
• Gross amounts	409	410	155
• Depreciation & amortisation	(100)	(90)	(83)
• Impairment losses	-	-	-

The Group allocates the acquisition cost of a business combination to the fair value of the assets, liabilities and identifiable contingent liabilities, in particular to mineral deposits for the Nickel and Manganese Divisions.

Mineral deposits relate to Gabon (Manganese Division), New Caledonia and Indonesia (Nickel Division), for €41 million, €16 million and €235 million respectively (€44 million, €18 million and €246 million as of December 31, 2006).

The 2006 increase in mineral deposits followed the acquisition in early May 2006 of Weda Bay Minerals Inc., which owned nickel mines in Indonesia, while the 2005 increase concerned New Caledonia and the conclusion of the Bercy agreements at the end of 2005 (Note 26) with the granting of the Poum massif.

Investments included geology and exploration or prospecting expenses prior to the start-up of operations at mining sites, capitalised in line with IAS 38. Eramet did not pay any royalties for prospecting or exploration as per IFRS 6.

Investments for the period (€20 million) were essentially comprised of expenses in Indonesia (Pt Weda Bay Nickel) of €16 million (€5 million in 2006), and software of €2 million (€6 million in 2006).

## 4.3. Greenhouse gas emission quotas

Greenhouse gas emission quotas attributable to Group companies:

<i>(tons of CO<sub>2</sub>)</i>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
Quotas allocated	105,026	105,026	98,655
Actual emissions	97,155	96,306	96,449
Emission quota surplus / (deficit)	7,871	8,720	2,206
Quotas bought on the market	-	3,000	-
Quotas sold on the market	-	-	-

The quotas are allocated annually and involve the industrial sites of the Alloys Division in France and Sweden. In May 2007, Erasteel Commentry (Alloys division) was granted 19,590 quotas in addition to those allocated

under the National Quota Allocation Plan 2 (2008 – 2012). According to consumption forecasts, the Group should have an annual surplus of approximately 1,200 tons over this period (2008 – 2012).

## 4.4. Research & development expenditure – expenses during the period

<i>(millions of euros)</i>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
Non-capitalised research and development expenditure	37	35	32
of which, geological expenses:			
• Nickel	12	11	9
• Manganese	-	-	-
Percentage of sales	1.0%	1.1%	1.2%

Current expenses for mining sites already opened or in operation, geology expenses for the Nickel and Manganese Divisions are not capitalised and constitute expenses in the financial year in which they are incurred.

## ■■■■■■■■■■■■■■■■■■■■ Note 5. Property, plant & equipment

### 5.1. By category

<i>(millions of euros)</i>	Gross amounts	Depreciation & amortisation	Impairment losses	Net amounts 12/31/2007	Net amounts 12/31/2006	Net amounts 12/231/005
Land and buildings	615	(351)	(3)	261	289	237
Industrial and mining facilities *	2,135	(1,264)	(47)	824	695	690
Other property, plant and equipment	408	(244)	-	164	114	87
Work in progress, down-payments	256	-	-	256	233	179
<b>Total</b>	<b>3,414</b>	<b>(1,859)</b>	<b>(50)</b>	<b>1,505</b>	<b>1,331</b>	<b>1,193</b>
* Of which:						
• Capital grants deducted				(1)	(1)	(1)
• Dismantling assets - site restoration (Note 15.5)				69	17	18

Capital grants deducted from items of property, plant and equipment mainly relate to the strategic capital expenditure programmes discussed in section 5.3., details of which are set out below:

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
40,000-ton press - Aubert & Duval	(1)	(1)	(1)
Other	-	-	-
<b>Total</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>

### 5.2. Changes over the period

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>1,331</b>	<b>1,193</b>	<b>1,055</b>
Business combinations	-	-	17
Other changes in scope	-	-	(8)
Capital expenditure over the period	299	295	227
Capital grants received	-	-	-
Disposals over the period	(8)	(3)	(5)
Amortisation, depreciation and impairment losses over the period	(158)	(136)	(131)
Translation adjustments and other movements	41	(18)	38
<b>At end of period</b>	<b>1,505</b>	<b>1,331</b>	<b>1,193</b>
• Gross amounts	3,414	3,150	3,026
• Amortisation & depreciation	(1,859)	(1,763)	(1,773)
• Impairment losses	(50)	(56)	(60)

Impairment losses were recognised for non-current assets primarily in the Manganese and Alloys Divisions following impairment tests in 2003, 2004 and 2005, for €28 million and €17 million respectively (€36 million and €18 million as of December 31, 2006).

The recognition of liabilities for site restoration in New Caledonia (Nickel Division) and decontamination of impoundments in the US (Manganese

Division) gave rise to the establishing of a specific component in respect of provisions recognised (Note 15.5).

Business combinations in 2005 relate to Bear Metallurgical Corp. and SETRAG S.A., for €9 million and €8 million respectively. Other consolidation adjustments relate to the deconsolidation of non-material companies.

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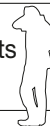
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### 5.3. Breakdown of main strategic capital expenditure programmes

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
Increase in nickel production - Le Nickel-SLN	33	60	20
Increase in manganese production (3.5 million ton project) - Comilog S.A.	11	23	24
EMD plant in China - Guangxi Eramet Chemicals Ltd.	3	17	6
Catalyst calcination plant in Canada - Gulf Chemical & Metallurgical Corp.	26	14	-
40,000-ton press - Aubert & Duval	-	8	21
Steel production plant in China - Erasteel Innovative Materials Ltd.	6	-	-
<b>Total</b>	<b>79</b>	<b>122</b>	<b>71</b>

The main strategic capital expenditure programmes are financed from cash and borrowings.

The amount of finance leased non-current assets in the balance sheet breaks down as follows:

<i>(millions of euros)</i>	Gross amounts	Depreciation & amortisation	Impairment losses	Net amounts 12/31/2007	Net amounts 12/31/2006	Net amounts 12/31/2005
40,000-ton press - Aubert & Duval	77	(5)	-	72	75	23
Industrial facilities - Aubert & Duval	15	(11)	-	4	5	6
Administrative buildings - Aubert & Duval	7	(2)	-	5	5	4
53 Tour Montparnasse - Eramet	5	(2)	-	3	3	3
<b>Total</b>	<b>104</b>	<b>(20)</b>	<b>-</b>	<b>84</b>	<b>88</b>	<b>36</b>

The increase in 2006 in finance leased property, plant and equipment in the balance sheet mainly stemmed from the 40,000 ton press capital expenditure programme at Pamiers (Aubert & Duval, Alloys Division). Future lease payments are set out in Note 28 – Off-balance sheet commitments.

### 5.4. Impairment tests

The data and assumptions used to carry out impairment tests on non-current assets included in cash generating units (CGU) are as follows:

- the discount rate used is the weighted average cost of capital (WACC), namely 9%;
- cash flows are prepared over five years taking into account a terminal value. The growth rates used are the same as those used in budgets and the growth rates to infinity used for the terminal values are between 0% and 1%, depending on the CGU.

The main impairment losses recognised were as follows:

<i>(millions of euros)</i>	Carrying amount before impairment			Value in use or fair value			Valuation method
	12/31/2007	12/31/2006	12/31/2005	12/31/2007	12/31/2006	12/31/2005	
CGU - Manganese Division	77	82	84	51	47	44	Discounted cash flow
CGU - Alloys Division	32	31	30	19	17	17	Discounted cash flow
CGU - Alloys Division	3	3	3	-	-	-	Indication of impairment loss

The impairment losses/indications of impairment losses in respect of the Alloys Division CGU relates to the shutdown of a production line.

No material additional impairment losses were recognised as of December 31, 2007 and December 31, 2006 with impairment losses respectively amounting

to €50 million and €56 million (Note 5.2). The changes primarily stem from a €5 million provision reversal in the Manganese Division, currency translation and depreciation over the period, which reduce the carrying amounts of assets.

## ■■■■■■■■■■■■■■■■■■■■ Note 6. Investments in associates

### 6.1. By category

<i>(millions of euros)</i> Companies	Country	% interest	Share of profit (loss)	Share of shareholders' equity		
				12/31/2007	12/31/2006	12/31/2005
Port Minéralier d'Owendo SA	Gabon	36.35%	-	1	3	4
Forges M. Dembiermont	France	33.2%	-	-	-	7
<b>Total</b>			-	<b>1</b>	<b>3</b>	<b>11</b>

The stake in Forges M. Dembiermont was disposed of in July 2006 and the capital loss realised recognised in "Other finance income and expenses" (Note 23.2).

### 6.2. Changes over the period

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>3</b>	<b>11</b>	<b>16</b>
Business combinations	-	(8)	(4)
Other changes in scope	(1)	-	(1)
Capital expenditure over the period	-	-	-
Disposals over the period	-	-	-
Share of profit (loss) for the period	-	1	2
Dividends paid	(1)	(1)	(2)
Translation adjustments and other movements	-	-	-
<b>At end of period</b>	<b>1</b>	<b>3</b>	<b>11</b>

The simplified financial statements as of December 31, 2007 (corporate data) for investments in associates are shown below:

<i>(millions of euros)</i>	Port Minéralier d'Owendo SA (B. Manganese)
Sales	9
Current operating profit	1
Profit (loss) for period	1
Non-current assets	2
Working capital requirement	-
Shareholders' equity	(3)
Provisions	(1)
Net borrowings	2

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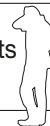
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**■■■■■■■■■■■■■■■■■■■■ Note 7. Non-consolidated subsidiaries****7.1. By category**

<i>(millions of euros)</i>					<b>Net</b>	<b>Net amounts</b>	<b>Net amounts</b>	
<b>Companies</b>	<b>Country</b>	<b>% interest</b>	<b>Gross amounts</b>	<b>Impairment losses</b>	<b>amounts</b>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
Brown Europe	France	100%	8	-	8	8	8	8
Aubert & Duval USA Inc. (ex Htm Inc.)	USA	100%	3	-	3	3	3	3
Erasteel GmbH	Germany	100%	3	(1)	2	3	-	-
Aubert & Duval Mold and Die Technology	China	85%	3	-	3	3	3	2
La Petite-Faye	New Caledonia	100%	2	-	2	2	2	2
Stahlschmidt GmbH	Germany	61.5%	2	-	2	2	2	2
Erasteel Italiana Srl	Italy	-	-	-	-	2	-	-
Eramet North America Inc. (ex Lni Inc.)	USA	-	-	-	-	1	1	1
Centre de Recherche de Trappes (CRT)	France	100%	1	-	1	1	1	1
Tec Ing�nerie	France	100%	1	-	1	1	1	1
Sogaferro	Gabon	69.99%	1	-	1	1	1	1
Microsteel	France	-	-	-	-	-	-	1
Traitement Compression Service	France	-	-	-	-	1	1	1
Erasteel Japan KK	Japan	-	-	-	-	-	-	1
Erasteel Korea Ltd.	South Korea	100%	1	-	1	1	1	1
Eramet Latin America	Brazil	100%	1	-	1	-	-	-
Other companies (less than a million euros)	-	-	26	(16)	10	8	12	12
<b>Total</b>			<b>52</b>	<b>(17)</b>	<b>35</b>	<b>37</b>	<b>37</b>	<b>37</b>

Non-consolidated subsidiaries chiefly relate to controlled companies and are recognised in the balance sheet at acquisition cost, less any provisions for impairment determined on the basis of the share of shareholders' equity held, with the Group unable to reliably measure the fair value.

Since January 1, 2006, non-consolidated subsidiaries include companies that were deconsolidated because they have little impact on the Group's financial statements (Erasteel GmbH & Erasteel Italiana Srl). These

investments are measured at their shareholders' equity stake value on the date of deconsolidation.

The stakes in Erasteel Italiana Srl, Traitement Compression Service (Tcs) and Eramet North America Inc. (formerly Lni Inc.) were disposed of in 2007, and the proceeds of the disposal were recognised in Other finance income and expenses (Note 23.2).

**7.2. Changes over the period**

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>37</b>	<b>37</b>	<b>24</b>
Business combinations	-	-	-
Other changes in scope	-	3	12
Capital expenditure over the period	1	1	5
Disposals over the period	(6)	(4)	(8)
Impairment losses over the period	2	(1)	3
Translation adjustments and other movements	1	1	1
<b>At end of period</b>	<b>35</b>	<b>37</b>	<b>37</b>



Simplified financial statements (corporate data) for the main controlled but non-consolidated companies as on December 31, 2006 are set out below:

<i>(millions of euros)</i> <b>(Basis: financial statements on December 31, 2006)</b>	<b>Stalhschmidt GmbH</b>	<b>Erasteel GmbH</b>	<b>Brown Europe</b>	<b>Erasteel Italiana Srl</b>	<b>Tec Ingegnerie</b>	<b>Centre Rech. Trappes (CRT)</b>	<b>Erasteel Korea Ltd.</b>
Sales	29	21	16	13	11	9	5
Current operating profit		(1)	3	-	1	-	-
Profit (loss) for period		-	9	-	1	-	-
Non-current assets	1	1	7	-	-	3	-
Working capital requirement	4	2	9	1		(1)	2
Shareholders' equity	(4)	(2)	(14)	(1)	(3)	(2)	(1)
Provisions		(1)	-	-	-	(1)	-
Net borrowings	(1)		(2)	-	3	1	(1)

These companies are mainly sales and research and development entities, the services of which are wholly for the Eramet Group and the industrial subsidiaries of S.I.M.A. (shaping, wiredrawing and drawing of metallurgical products).

## ■■■■■■■■■■■■■■■■■■■■ Note 8. Other non-current financial assets

### 8.1. By category

<i>(millions of euros)</i>	<b>Gross amounts</b>	<b>Impairment losses</b>	<b>Net amounts 12/31/2007</b>	<b>Net amounts 12/31/2006</b>	<b>Net amounts 12/31/2005</b>
Deposits and guarantees	13	-	13	11	7
Employee loans	6	-	6	6	2
Current accounts - Eramet International & subsidiaries	1	-	1	2	2
Financial investments / US pensions	2		2	2	3
Advances - Chine Bayi	-	-	-	-	1
Receivables, Sonadig (Gabon)	-	-	-	2	2
Current accounts - Microsteel	-	-	-	-	2
Current accounts - Stalhschmidt GmbH	2	-	2	2	-
Current accounts - Bronzavia Industries	2	(2)	-	-	1
Other loans and current accounts	3	(1)	2	5	5
<b>Total</b>	<b>29</b>	<b>(3)</b>	<b>26</b>	<b>30</b>	<b>25</b>

Other non-current financial assets primarily relate to loans and current accounts granted to non-consolidated companies and are measured at amortised cost.

Current accounts of Bronzavia Industries had previously been fully impaired in liabilities (Note 15.6); they were reclassified as a reduction to the nominal value on January 1, 2006.

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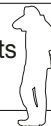
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## 8.2. Changes over the period

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>	
<b>At beginning of period</b>	<b>30</b>	<b>25</b>	<b>26</b>	<b>01</b>
Business combinations	-	-	-	<b>02</b>
Other changes in scope	-	-	-	<b>03</b>
Changes in cash	(4)	6	(2)	<b>04</b>
Impairment losses over the period	1	-	4	<b>05</b>
Translation adjustments and other movements	(1)	(1)	(3)	<b>06</b>
<b>At end of period</b>	<b>26</b>	<b>30</b>	<b>25</b>	<b>07</b>
Breakdown of impairment losses:				<b>08</b>
• <b>At beginning of period</b>	<b>(4)</b>	<b>(2)</b>	<b>(6)</b>	<b>09</b>
• Impairment losses	(1)	-	-	<b>10</b>
• Reversals of impairment, used	2	-	4	<b>11</b>
• Reversals of impairment, unused	-	-	-	<b>12</b>
• Translation adjustments and other movements	-	(2)	-	<b>13</b>
• <b>At end of period</b>	<b>(3)</b>	<b>(4)</b>	<b>(2)</b>	<b>14</b>

## 8.3. By currency

<i>(millions of euros)</i>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>	
Euro	16	18	15	<b>15</b>
US dollar	3	6	3	<b>16</b>
CFA franc	1	1	4	<b>17</b>
Pacific franc	6	5	3	<b>18</b>
<b>Total</b>	<b>26</b>	<b>30</b>	<b>25</b>	<b>19</b>

## 8.4. By interest rate

<i>(millions of euros)</i>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>	
Interest-free	10	15	15	<b>20</b>
Fixed interest rates	5	4	6	<b>21</b>
Variable interest rates	11	11	4	<b>22</b>
<b>Total</b>	<b>26</b>	<b>30</b>	<b>25</b>	<b>23</b>

Interest free items mainly relate to deposits and guarantees and certain loans to employees.

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## ■■■■■■■■■■■■■■■■■■■■ Note 9. Inventories

### 9.1. By category

<i>(millions of euros)</i>	<b>Net amounts 12/31/2007</b>	<b>Net amounts 12/31/2006</b>	<b>Net amounts 12/31/2005</b>
Raw materials	256	237	265
Merchandise and finished products	311	232	229
Work in progress and semi-finished products	321	283	256
Consumables and spare parts	17	17	10
<b>Total</b>	<b>905</b>	<b>769</b>	<b>760</b>
Of which: impairment losses	(112)	(131)	(68)

Impairment provisions mainly relate to raw materials and merchandise and finished products. Inventories pledged against liabilities appear in Note 28 – Off-balance sheet commitments.

### 9.2. Changes over the period

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>769</b>	<b>760</b>	<b>601</b>
Business combinations	-	-	3
Other changes in scope	-	(6)	(8)
Changes in working capital requirement	141	95	156
Impairment losses over the period	14	(63)	(5)
Translation adjustments and other movements	(19)	(17)	13
<b>At end of period</b>	<b>905</b>	<b>769</b>	<b>760</b>
Breakdown of impairment losses:			
• <b>At beginning of period</b>	<b>(131)</b>	<b>(68)</b>	<b>(64)</b>
• Impairment losses	(34)	(96)	(32)
• Reversals of impairment, used	48	33	27
• Reversals of impairment, unused	-	-	-
• Translation adjustments and other movements	5	-	1
• <b>At end of period</b>	<b>(112)</b>	<b>(131)</b>	<b>(68)</b>

The increase in inventories relates to all divisions, particularly the Nickel Division due to the replenishment of inventories in 2007, after the sharp decline in inventories in 2006 on the back of the strike in New Caledonia towards the end of the year. The increase in inventories of the Manganese Division was a result of the increase in inventories of ore related to the ramp-up of production in Gabon (project to extend production of manganese/3,500,000 tons – Note 5.3). And in the Alloys Division it was due to the continuing strong recovery at Aubert & Duval and in particular in the energy and aerospace

sectors. In 2006, changes in estimates at Aubert & Duval (Alloys Division) and Gulf Chemical & Metallurgical Corp. (Manganese Division) contributed to the increase in inventories by €17 million and €2 million respectively. These changes followed more precise measurements following the installation of a new IT system at Aubert & Duval and the recognition in inventories of catalysts for Gulf Chemical & Metallurgical Corp. They were recognised and offset in other operating income and expenses (Note 22).

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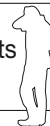
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## ■■■■■■■■■■■■■■■■■■■■ Note 10. Trade and other receivables

## 10.1. By category

<i>(millions of euros)</i>	Gross amounts	Impairment losses	Net amounts 12/31/2007	Net amounts 12/31/2006	Net amounts 12/31/2005
Trade receivables	561	(7)	554	557	449
Payroll and tax receivables	50	-	50	42	41
Other operating receivables	81	(30)	51	29	26
Receivables on non-current assets	1	-	1	-	-
Prepaid expenses	25	-	25	9	7
<b>Total</b>	<b>718</b>	<b>(37)</b>	<b>681</b>	<b>637</b>	<b>523</b>
- Non-current assets	6	-	6	6	6
- Current assets	712	(37)	675	631	517

## 10.2. Changes over the period

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>637</b>	<b>523</b>	<b>472</b>
Business combinations	-	3	15
Other changes in scope	-	3	14
Changes in working capital requirement	52	114	6
Impairment losses over the period	(4)	1	-
Translation adjustments and other movements	(4)	(7)	16
<b>At end of period</b>	<b>681</b>	<b>637</b>	<b>523</b>
Breakdown of impairment losses on receivables:			
• <b>At beginning of period</b>	<b>(34)</b>	<b>(36)</b>	<b>(31)</b>
• Impairment losses	(17)	(6)	(17)
• Reversals of impairment, used	13	7	17
• Reversals of impairment, unused	-	-	-
• Translation adjustments and other movements	1	1	(5)
• <b>At end of period</b>	<b>(37)</b>	<b>(34)</b>	<b>(36)</b>

Trade and other receivables are all at less than one year. Other non-current receivables of €6 million, unchanged on December 31, 2006, relate to a receivable of SETRAG S.A. from the Gabonese state under the concession agreement. The reduction in the trade receivables line item in the Alloys Division due to the securitisation is offset by the increase in the Manganese Division primarily related to the increase in sales of manganese ore and alloys. Foreign-currency denominated receivables are translated at the closing rate.

Eramet carried out the securitisation of receivables at its Aubert & Duval subsidiary (Alloys Division), the latter signing a securitisation contract enabling it to deconsolidate receivables on July 5, 2007 for a maximum of €115 million and US\$50 million. This agreement covers the securitisation of receivables of major customers, primarily located in Europe and North America, for a period of five years. €112 million in receivables were deconsolidated as of December 31, 2007.

Group credit risk exposure is limited and no third-party default with a material impact occurred during the period or is expected.

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## ■■■■■■■■■■■■■■■■■■■■ Note 11. Cash and cash equivalents

### 11.1. By category

<i>(millions of euros)</i>	Gross amounts	Impairment losses	Net amounts 12/31/2007	Net amounts 12/31/2006	Net amounts 12/31/2005
Cash	57	-	57	31	51
Cash equivalents	1,049	-	1,049	612	472
<b>Total</b>	<b>1,106</b>	<b>-</b>	<b>1,106</b>	<b>643</b>	<b>523</b>

### 11.2. By currency

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Euro	1,015	554	453
US dollar	69	79	57
Yuan Ren Min Bi (China)	15	2	4
Other currencies	7	8	9
<b>Total</b>	<b>1,106</b>	<b>643</b>	<b>523</b>

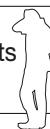
### 11.3. By interest rate

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Interest-free	16	15	13
Fixed interest rates	24	12	22
Variable interest rates	1,066	616	488
<b>Total</b>	<b>1,106</b>	<b>643</b>	<b>523</b>

Cash includes cash in bank and at hand and cash equivalents represent the marketable securities. Marketable securities are mainly comprised of money market funds in euros bearing interest at variable rates of less than 3%.

The change from one period to the next is analysed via a cash flow statement drawn up using the indirect method.

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**Note 12. Shareholders' equity****12.1. Changes in share capital**

The share capital is comprised of 25,905,621 fully paid-up shares with a €3.05 par value each, broken down as follows:

Breakdown	FY 2007				FY 2006				FY 2005			
	capital		voting rights		capital		voting rights		capital		voting rights	
	%	number shares	%	number shares	%	number shares	%	number shares	%	number shares		
Registered shares												
SORAME et Compagnie d'Études Industrielles du Rouvray (CEIR)	37.07	9,603,338	44.21	19,206,674	37.11	9,603,338	43.67	19,182,674	37.24	9,603,338	43.76	19,182,665
AREVA	26.08	6,757,277	31.11	13,514,554	26.11	6,757,277	30.77	13,514,554	26.20	6,757,277	30.83	13,514,554
STCPI	4.13	1,070,586	4.93	2,141,172	5.11	1,323,471	5.95	2,614,378	5.13	1,323,471	5.96	2,614,378
Société Minière G. MONTAGNAT	-	-	-	-	0.25	65,545	0.29	129,478	0.25	65,545	0.30	129,478
Eramet SA	1.32	340,786	-	-	0.44	114,701	-	-	0.59	151,212	-	-
Eramet SA share fund	0.16	40,470	0.19	80,940	0.18	46,970	0.21	92,190	0.18	45,220	0.21	90,440
Other	1.64	424,720	1.91	831,284	1.78	460,271	2.02	885,493	1.91	492,421	2.16	948,641
<b>Total registered shares</b>	<b>70.40</b>	<b>18,237,177</b>	<b>82.35</b>	<b>35,774,624</b>	<b>70.99</b>	<b>18,371,573</b>	<b>82.91</b>	<b>36,418,767</b>	<b>71.50</b>	<b>18,438,484</b>	<b>83.23</b>	<b>36,480,156</b>
Other bearer shares	29.60	7,668,444	17.65	7,668,444	29.01	7,509,321	17.09	7,509,321	28.50	7,351,390	16.77	7,351,390
<b>Total number of shares</b>	<b>100.00</b>	<b>25,905,621</b>	<b>100.00</b>	<b>43,443,068</b>	<b>100.00</b>	<b>25,880,894</b>	<b>100.00</b>	<b>43,928,088</b>	<b>100.00</b>	<b>25,789,874</b>	<b>100.00</b>	<b>43,831,546</b>
• Shares with single voting rights	32.30%	8,368,174	19.26%	8,368,174	30.27%	7,833,700	17.83%	7,833,700	30.04%	7,748,202	17.68%	7,748,202
• Shares with double voting rights	67.70%	17,537,447	80.74%	35,074,894	69.73%	18,047,194	82.17%	36,094,388	69.96%	18,041,672	82.32%	36,083,344

SORAME, Compagnie d'Études Industrielles du Rouvray (CEIR) and AREVA are signatories to a shareholders' agreement constituting a concert action that was subject to an opinion by the French financial markets regulator (Conseil des Marchés Financiers) on May 18, 1999 under reference number

199C0577. This agreement was signed for seven years terminating on June 30, 2006 and renewable for one-year periods in the absence of a cancellation one month prior to termination. It was renewed as from July 1, 2007. Shares giving double voting rights were issued in 2002.

**DIVIDENDS**

	FY 2007	FY 2006	FY 2005	FY 2004
Net dividends	2.90	2.10	2	0.86
Tax credit	-	-	-	0.43
Total return	2.90	2.10	2	1.29
<b>Total net distribution</b>	<b>74</b>	<b>54</b>	<b>51</b>	<b>22</b>

Eramet parent company distributable reserves amounted to €895 million before the allocation of 2007 earnings (€824 million as of December 31, 2006).

**TREASURY STOCK**

As of December 31, 2007, Eramet held 340,786 treasury shares (130,257 shares as of December 31, 2006). In July 2007, following the application of the Le Nickel-SLN shareholder agreement of September 13, 2000, Eramet received 252,885 shares (Note 27). 5,000 shares (16,862 shares as of

December 31, 2006) classed as bearer shares, relating to those bought under a liquidity contract signed with Exane BNP Paribas and not yet registered as of the date of drafting of this table. The total amount of buybacks was charged to shareholders' equity.

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The table below summarises the treasury stock transactions:

	Market making	Stock options granted	Other goals	Total	
<b>Position as on December 31, 2004</b>	<b>12,773</b>	<b>313,028</b>	<b>8,682</b>	<b>334,483</b>	
As a percentage of share capital	25,744,944	0.05%	1.22%	0.03%	1.30%
Allocated to stock options:					
• Granted	-	(10,225)	10,225	-	
• Other	(350)	350	-	-	
Purchase option exercises	-	(170,848)	-	(170,848)	
Purchases	45,854	-	-	45,854	
Sales	(42,668)	-	-	(42,668)	
<b>Position as on December 31, 2005</b>	<b>15,609</b>	<b>132,305</b>	<b>18,907</b>	<b>166,821</b>	
As a percentage of share capital	25,789,874	0.06%	0.51%	0.07%	0.65%
Allocated to stock options:					
• Granted	-	(31,649)	31,649	-	
• Other	239	-	(239)	-	
Purchase option exercises	-	(37,578)	-	(37,578)	
Purchases	59,837	-	-	59,837	
Sales	(58,823)	-	-	(58,823)	
<b>Position as on December 31, 2006</b>	<b>16,862</b>	<b>63,078</b>	<b>50,317</b>	<b>130,257</b>	
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%
Allocated to stock options:					
• Granted	-	(32,584)	32,584	-	
• Other	-	-	-	-	
Purchase option exercises	-	(30,494)	-	(30,494)	
Purchases	69,332	-	252,885	322,217	
Sales	(81,194)	-	-	(81,194)	
<b>Position as on December 31, 2007</b>	<b>5,000</b>	<b>-</b>	<b>335,786</b>	<b>340,786</b>	
As a percentage of share capital	25,905,621	0.02%	-	1.30%	1.32%

Purchases for "other purposes" include the 252,885 shares Eramet received from Société Territoriale Calédonienne de Participation Industrielle (STCPI) in exchange for 4% of the shares in Le Nickel-SLN (Notes 2, 13 and 27).

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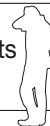
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## 12.2. Stock subscription and purchase option plans and bonus shares

### 12.2.1. SUBSCRIPTION OPTIONS

Date of GSM	Date of Board Meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01.01.2007	Exercised in 2007	Lapsed in 2007	Outstanding as from 01.01.2008	Number of beneficiaries on 01.01.2008	Maturity of plans	
			at outset	on 01.01.2007								
1	27.05.1998	12.12.2001	32.60 EUR	61	13	153,000	(125,750)	(8,450)	-	18,800	8	11.12.2009 <sup>(1)</sup>
2	23.05.2002	15.12.2004	64.63 EUR	81	80	130,000	(6,000)	(3,562)	-	120,438	75	15.12.2012 <sup>(2)</sup>
<b>Total</b>						<b>283,000</b>	<b>(131,750)</b>	<b>(12,012)</b>	<b>-</b>	<b>139,238</b>		

(1) Only exercisable as from December 12, 2003. Shares could not be sold prior to December 14, 2005.

(2) Only exercisable as from December 12, 2006. Shares cannot be sold prior to December 14, 2008.

The exercise of 12,012 subscription options during the financial year at an average price of €42.10 contributed to the increase in shareholders' equity offset in cash by the creation of the same number of shares.

### 12.2.2. BONUS SHARES

Date of GSM <sup>(1)</sup>	Date of Board Meeting	Subscription price	Number of beneficiaries		Granted at outset	Subscribed for or lapsed prior to 01.01.2007	Actually granted in 2007	Lapsed in 2007	Outstanding as from 01.01.2008	Number of beneficiaries on 01.01.2008	Maturity of plans	
			at outset	on 01.01.2007								
1	11.05.2005	13.12.2005	Bonus	90	89	14,000	(800)	(12,715)	(485)	-	82	-
2	11.05.2005	25.04.2007	Bonus	1	-	10,000	-	-	-	10,000	1	25.04.2009
3	11.05.2005	23.07.2007	Bonus	61	-	16,000	-	-	-	16,000	61	23.07.2009
<b>Total</b>						<b>40,000</b>	<b>(800)</b>	<b>-</b>	<b>(485)</b>	<b>26,000</b>		

(1) Definitive vesting date: 1 = 13.12.2007, 2 = 25.04.2009 and 3 = 23.07.2009. The shares cannot be sold prior to: 1 = 13.12.2009, 2 = 25.04.2011 and 3 = 23.07.2011.

### 12.2.3. PURCHASE OPTIONS

Date of GSM	Date of Board Meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01.01.2007	Exercised in 2007	Lapsed in 2007	Outstanding as from 01.01.2008	Number of beneficiaries on 01.01.2008	Maturity of plans	
			at outset	on 01.01.2007								
1	21.07.1999	15.09.1999	47.14 EUR	5,646	560	423,450	(383,780)	(21,214)	(18,456)	-	-	14.09.2007 <sup>(1)</sup>
2	27.05.1998	14.12.1999	54.00 EUR	80	19	166,500	(143,092)	(9,280)	(14,128)	-	-	13.12.2007 <sup>(2)</sup>
<b>Total</b>						<b>589,950</b>	<b>(526,872)</b>	<b>(30,494)</b>	<b>(32,584)</b>	<b>-</b>	<b>-</b>	

(1) Only exercisable as from September 15, 2001. Shares could not be sold prior to September 15, 2004.

(2) Only exercisable as from December 14, 2001. Shares could not be sold prior to December 14, 2004.

The exercise of 30,494 call options during the period at an average price of €49.23 resulted in the sale of treasury shares in consideration for cash. The income from this disposal was allocated to shareholders' equity. The expiry of 32,584 options was primarily due to the closing of plans in the final quarter of 2007.

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### 12.3. Share-based compensation

Share-based compensation only relates to stock option and bonus share plans granted to employees. They represent a charge of €2 million (€2 million as on December 31, 2006).

The applicable rules are common to all plans:

- vesting or granting of rights relates to the date of the Board Meeting;
- the exercise period follows a two-year lock-out period from the date of the grant.

When an option is exercised, it is settled in shares. Only stock option plans established subsequent to November 7, 2002 and where the rights have not vested by January 1, 2005 are recognised pursuant to IFRS 2. Accordingly, only the plans allocated at the Board Meetings of December 15, 2004 (plan

2, Note 12.2.1) and December 13, 2005 (plan 1, Note 12.2.2) and April 25, 2007 (plan 2, Note 12.2.2.) fall within the scope of IFRS 2. The fair values of stock options are calculated using the Black-Scholes method. They are apportioned on a straight-line basis over the vesting period of the plan under personnel costs and offset in shareholders' equity.

Plan measurement: the assumptions used for plan measurement are based on:

- expected volatility determined on the basis of an observation of the stock's historic performance;
- a risk-free zero coupon OT rate over the term of the plan;
- a future distribution rate based on the average for the past five years.

Based on these assumptions, the performance of each plan is shown in the following below:

(millions of euros)	Number of options	Exercise price (euros)	Maturity (years)	Expected volatility	Risk free rate	Average dividend rate	Fair value of option (euros)	Accounting expenses of plans over three years			
								Total	FY 2007	FY 2006	FY 2005
Plan no. 2 - Note 12.2.1.	130,000	64.63	6	40.00%	2.80%	3.28%	20.75	2.7	-	1.3	1.3
Plan no. 1 - Note 12.2.2.	14,000	Bonus	4	40.00%	2.80%	3.28%	68.04	0.9	0.4	0.5	-
Plan no. 2 - Note 12.2.2.	10,000	Bonus	4	40.75%	4.15%	3.00%	155.19	1.6	0.5	-	-
Plan no. 3 - Note 12.2.2.	16,000	Bonus	4	40.75%	4.15%	3.00%	194.10	3.1	0.7	-	-

## ■■■■■■■■■■■■■■■■■■■■ Note 13. Minority interests

### 13.1. By category

(millions of euros)	%	12/31/2007		12/31/2006 Total	12/31/2005 Total	
		minority interest	Profit (loss)			Total
Le Nickel-SLN	44%		184	640	357	376
Comilog S.A.	32.75%		46	183	150	118
Pt Weda Nickel Ltd	10%		-	14	15	-
Guangxi Comilog Ferro Aloys Ltd	30%		2	3	2	4
Interforge	6%		-	1	1	1
<b>Total</b>			<b>232</b>	<b>841</b>	<b>525</b>	<b>499</b>

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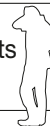
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## 13.2. Changes over the period

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>525</b>	<b>499</b>	<b>375</b>
Business combinations	-	16	2
Other changes in scope	45	-	-
Dividends paid	(33)	(44)	(22)
Profit (loss) for the period	232	141	141
First-time application of IAS 32 & 39	-	-	16
Change in financial instrument revaluation reserve – IAS 32 & 39			
Translation adjustments and other movements	(6)	(6)	6
<b>At end of period</b>	<b>841</b>	<b>525</b>	<b>499</b>

Business combinations in 2005 involved the end-2005 consolidation of SETRAG SA (Note 3) and in 2006 the acquisition of Weda Bay Minerals Inc. in early May. Other changes in scope in 2007 related to the exercise of the option over 4% of Le Nickel-SLN's shares on July 23, 2007, under

the shareholders' agreement of September 13, 2000 entered into by Eramet and Société Territoriale Calédonienne de Participation Industrielle (STCPI) (Note 27).

## ■■■■■■■■■■■■■■■■■■■■ Note 14. Employee liabilities

Eramet Group companies offer their employees various long-term benefits in accordance with the rules and practices in force in the countries where they operate. An actuarial appraisal of the liabilities of all Group companies was carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee Benefits. This appraisal is performed on a multi-annual basis (two or three years, except for non-recurring events requiring a new appraisal on a case-by-case basis).

The main Group liabilities in respect of employee benefits over the period were as follows:

### Belgium:

- ✦ retirement plan providing for the payment of benefits from the age of 65 for managerial staff with 25 years' seniority, including possible advances with reductions;
- ✦ long-service bonuses: payment of a month's salary to all employees after 25 years of service.

### United States:

- ✦ retirement plan providing for the payment of a pension, the amount of which depends on seniority at the time of retirement (62 or 65, depending on the plans). Possibility of early retirement and eligibility for disability benefits depending on seniority and the plan in question;
- ✦ healthcare for retirees of certain sites, part of a closed plan;
- ✦ life insurance plan for employees of certain sites.

### France:

- ✦ retirement packages providing for the payment of a lump sum varying on the basis of seniority and final salary;

- ✦ healthcare for employees and retirees at Eramet's Sandouville site;
- ✦ long-service bonuses: payment of a lump sum varying on the basis of the site after 20, 30, 35 and 40 years' seniority;
- ✦ supplementary pension plan for certain senior managers of Eramet.

### Gabon:

- ✦ retirement plan providing for the payment of an employee termination benefit after three years' seniority calculated on the basis of the salary and seniority;
- ✦ plan providing for the payment of an employee termination benefit (retirement, death, redundancy) after two years' seniority based on a percentage of the average monthly salary over the previous 12 months per year of seniority;
- ✦ long-service bonuses: payment of a lump sum after 10, 20 and 30 years' seniority.

### Mexico:

- ✦ retirement plan providing for 12 days' salary paid to all employees aged over 60 and with 15 years' seniority.

### Norway:

- ✦ long-service bonuses: payment of a lump sum to all employees after 25, 30, 40 and 50 years' seniority and upon retirement;
- ✦ retirement package;
- ✦ early retirement plan and supplementary pension plan.

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**New Caledonia:**

- retirement plan providing for the payment of a lump sum depending on salary and seniority;
- loyalty bonuses paid after ten years' seniority and then every five and ten years, calculated as a percentage of the basic salary;
- long-service bonuses: payment of a lump sum after 15-20, 22.5-30, 26.1/4-35 and 30-40 years' seniority.

**United Kingdom:**

- retirement plan providing for the payment of a lump sum or benefits based on final salary, revised annually for inflation.

The actuarial assumptions used for appraisals are as follows:

As on December 31, 2007	Europe	North America	New Caledonia	Gabon
Discount rate	4.3% – 5.25%	6.25% – 7.9%	5.25%	6.5%
Inflation rate	1.9% – 3.2%	2.1% – 3.4%	3%	3%
Salary increase rate	2.5% – 4.5%	3% – 5.75%	4%	5%
Return on plan financial assets	4.9% – 7%	7.8% – 8%	5%	n/a

As on December 31, 2006	Europe	North America	New Caledonia	Gabon
Discount rate	3.9% – 5.2%	5.9% – 7.5%	4.4%	6.5%
Inflation rate	2% – 2.8%	2.4% – 3.75%	3%	2.3%
Salary increase rate	2% – 4.25%	3% – 5.75%	4%	3.3%
Return on plan financial assets	4.9% – 7%	7.8% – 8%	5%	n/a

As on December 31, 2005	Europe	North America	New Caledonia	Gabon
Discount rate	3.6% – 4.9%	5.5% – 9.8%	3.9%	6.5%
Inflation rate	2% – 2.7%	2.4% – 3.5%	2%	2.3%
Salary increase rate	2% – 3.5%	3% – 4.5%	4.5%	3.3%
Return on plan financial assets	5% – 7.2%	7.7% – 7.75%	5.3%	n/a

The outcome of the appraisals are as follows:

(millions of euros)	Fair value of plan assets			Actuarial value of liabilities			Financial position Surplus/(deficit)		
	FY 2007	FY 2006	FY 2005	FY 2007	FY 2006	FY 2005	FY 2007	FY 2006	FY 2005
Pension plans	99	101	93	130	153	173	(31)	(52)	(80)
Retirement package	44	42	39	76	71	67	(32)	(29)	(28)
Awards and bonuses	-	-	-	19	19	20	(19)	(19)	(20)
Healthcare plans	-	-	-	22	26	29	(22)	(26)	(29)
<b>Total</b>	<b>143</b>	<b>143</b>	<b>132</b>	<b>247</b>	<b>269</b>	<b>289</b>	<b>(104)</b>	<b>(126)</b>	<b>(157)</b>

**Sweden:**

- retirement plan offered to former employees of Stora providing for the payment of an income corresponding to a percentage (over 65%) of the final salary.

The Eramet Group's defined benefit plan liabilities presented above break down as follows: the US (42% of liabilities), France (22% of liabilities), Norway (17% of liabilities) and New Caledonia (7% of liabilities).

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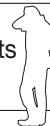
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<i>(millions of euros)</i>	Unrecognised actuarial (gains)/ losses			Unrecognised past service			Balance sheet provision (Asset)/liability		
	FY 2007	FY 2006	FY 2005	FY 2007	FY 2006	FY 2005	FY 2007	FY 2006	FY 2005
Pension plans	(6)	2	9	-	-	-	37	50	71
Retirement package	-	(3)	1	-	1	1	32	31	26
Awards and bonuses	-	-	-	-	-	-	19	19	20
Healthcare plans	(2)	1	1	-	-	-	24	25	28
<b>Total</b>	<b>(8)</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>112</b>	<b>125</b>	<b>145</b>

Total liabilities amounted to €247 million as of December 31, 2007 (€269 million as of December 31, 2006) and the fair value of plan assets was €143 million as of December 31, 2007 (the same as of December 31, 2006). The residual value of the liabilities, which was €104 million as of December 31, 2007 (€126 million as of December 31, 2006), does not include the impact of plan changes (€8 million as of December 31, 2007). Indeed, actuarial differences in excess of 10% of the present value of the

liability in respect of defined benefits or 10% of the fair value of plan assets at the previous closing date, whichever is greater, are apportioned over the remaining working life of plan members. In the event of changes to the plan, the past service cost is apportioned on a straight-line basis over the average remaining period until the corresponding rights vest for employees. Liabilities for which there are no supporting assets amount to €65 million (€81 million as on December 31, 2006).

The pension funds are invested as follows:

<i>(millions of euros)</i>	FY 2007		FY 2006		FY 2005	
Shares	70	49%	68	48%	62	47%
Europe	18	13%	17	12%	14	11%
North America	50	35%	50	35%	47	36%
New Caledonia	2	1%	1	1%	1	1%
Gabon	-	-	-	-	-	-
Bonds	57	40%	65	45%	60	45%
Europe	22	15%	29	20%	26	20%
North America	30	21%	30	21%	28	21%
New Caledonia	5	3%	6	4%	6	5%
Gabon	-	-	-	-	-	-
Other investments	16	11%	10	7%	10	8%
Europe	14	10%	8	6%	8	6%
North America	1	1%	1	1%	1	1%
New Caledonia	1	1%	1	1%	1	1%
Gabon	-	-	-	-	-	-
<b>Total</b>	<b>143</b>	<b>100%</b>	<b>143</b>	<b>100%</b>	<b>132</b>	<b>100%</b>

The pension fund asset allocation policy depends on country specific practices.

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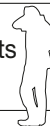
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The change in employee benefits over the period was as follows:

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>125</b>	<b>145</b>	<b>131</b>
Business combinations	-	-	8
Other changes in scope	-	(1)	-
Expenses recognised:	10	8	19
• Service cost	8	9	8
• Net interest expense	13	12	13
• Return on plan assets	(9)	(8)	(8)
• Depreciation and amortisation of actuarial gains and losses and past service cost	-	(1)	6
• Other	(2)	(4)	-
Contributions paid	(19)	(21)	(24)
Translation adjustments and other movements	(4)	(6)	11
<b>At end of period</b>	<b>112</b>	<b>125</b>	<b>145</b>

The detailed change by provision component in respect of 2007 was as follows:

<i>(millions of euros)</i>	Present value of liabilities	Fair value of plan assets	Financial position surplus/ (deficit)	Unrecognised actuarial (gains)/losses	Unrecognised past service cost	Balance sheet provisions (Assets)/ liabilities
<b>Position as on December 31, 2005</b>	<b>289</b>	<b>132</b>	<b>(157)</b>	<b>11</b>	<b>1</b>	<b>145</b>
Business combinations	-	-	-	-	-	-
Other changes in scope	(1)	-	1	-	-	(1)
Expenses recognised:	12	15	3	(11)	-	8
• Service cost	9	-	(9)	-	-	9
• Net interest expense	12	-	(12)	-	-	12
• Return on plan assets	-	15	15	(7)	-	(8)
• Depreciation and amortisation of actuarial gains and losses	(4)	-	4	(3)	-	(1)
• Depreciation and amortisation of past service cost						
• Other	(5)	-	5	(1)	-	(4)
Contributions paid	(15)	6	21	-	-	(21)
Translation adjustments and other movements	(16)	(10)	6	-	-	(6)
<b>Position as on December 31, 2006</b>	<b>269</b>	<b>143</b>	<b>(126)</b>	<b>-</b>	<b>1</b>	<b>125</b>
Business combinations	-	-	-	-	-	-
Other changes in scope	-	-	-	-	-	-
Expenses recognised:	7	7		(9)	(1)	10
• Service cost	8	-	(8)	-	-	8
• Net interest expense	13	-	(13)	-	-	13
• Return on plan assets	-	11	11	(2)	-	(9)
• Depreciation and amortisation of actuarial gains and losses	(7)	-	7	(7)	-	-
• Depreciation and amortisation of past service cost	(1)	-	1	-	(1)	-
• Other	(6)	(4)	2	-	-	(2)
Contributions paid	(17)	2	19	-	-	(19)
Translation adjustments and other movements	(12)	(9)	3	1	-	(4)
<b>Position as on December 31, 2007</b>	<b>247</b>	<b>143</b>	<b>(104)</b>	<b>(8)</b>	<b>-</b>	<b>112</b>



The breakdown of actuarial differences related to experience is shown below:

<i>(millions of euros)</i>	FY 2007
Actuarial value of liabilities	247
Fair value of plan assets	143
<b>Total</b>	<b>104</b>
Experience gains and losses on liabilities	7
Other gains or losses on liabilities	(14)
Experience gains and losses on assets	2
Other gains and losses on assets	-

A change of one point in the contribution rate for the healthcare plans would have had an impact of plus or minus €2 million on the liability as of December 31, 2007, primarily in the United States.

## ■■■■■■■■■■■■■■■■■■■■ Note 15. Provisions

### 15.1. By category

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Employees	23	25	33
Major lawsuits	-	12	12
Environmental contingencies and site restoration	225	120	127
Other contingencies and losses	38	42	35
<b>Total</b>	<b>286</b>	<b>199</b>	<b>207</b>
• Long-term portion	255	171	187
• Short-term portion	31	28	20

### 15.2. Changes over the period

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>199</b>	<b>207</b>	<b>213</b>
Business combinations	-	-	-
Other changes in scope	-	-	7
Allowances (reversals) over the period	30	(4)	(20)
• Allowances over the period	74	34	48
• (Reversals) over the period, used	(42)	(37)	(67)
• (Reversals) over the period, unused	(8)	(4)	(4)
• Reversal of discounting	6	3	3
Dismantling assets	60	-	-
Translation adjustments and other movements	(3)	(4)	7
<b>At end of period</b>	<b>286</b>	<b>199</b>	<b>207</b>

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**15.3. Employees**

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Restructuring and redundancy plans	7	9	18
Other payroll contingencies and losses	16	16	15
<b>Total</b>	<b>23</b>	<b>25</b>	<b>33</b>
• Long-term portion	15	20	24
• Short-term portion	8	5	9

**Restructuring and redundancy plans:** All restructuring and redundancy costs are fully provided for whenever the IFRS criteria are satisfied. The following table summarises these liabilities:

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Aubert & Duval redundancy plan	2	2	7
Closure of the Boulogne-sur-Mer plant – Comilog France	-	-	1
Other restructuring and redundancy plans – Manganese division	5	6	8
Other restructuring and redundancy plans – Alloys division	-	1	2
<b>Total</b>	<b>7</b>	<b>9</b>	<b>18</b>

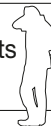
The changes over the period were as follows:

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>9</b>	<b>18</b>	<b>32</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	(2)	(8)	(14)
• Allowances over the period	-	1	3
• (Reversals) over the period, used	(2)	(5)	(17)
• (Reversals) over the period, unused	-	(4)	-
Translation adjustments and other movements	-	(1)	-
<b>At end of period</b>	<b>7</b>	<b>9</b>	<b>18</b>

The fall in provisions for restructuring as on December 31, 2007 (€7 million compared to €9 million as of December 31, 2006) was due to primarily to redundancy plans carried out in France, Belgium and Norway in the Alloys and Manganese Divisions.

**Other labour contingencies and losses:** These provisions largely relate to disputes with employees and social security bodies, the changes in which break down as follows:

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>16</b>	<b>15</b>	<b>8</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	1	1	6
• Allowances over the period	7	5	9
• (Reversals) over the period, used	(6)	(4)	(3)
• (Reversals) over the period, unused	-	-	-
Translation adjustments and other movements	(1)	-	1
<b>At end of period</b>	<b>16</b>	<b>16</b>	<b>15</b>



## 15.4. Major lawsuits

Pursuant to an outline settlement signed in early 2008 between Comilog S.A. and certain of its subsidiaries and the Carlo Tassara Group bringing an end to all the disputes (and specifically settling the Comilog France – formerly SFPO – suits, the settling of dividends and non-convertible bonds), the

provisions for major lawsuits funded in 1996/1997 were used to cover liabilities payable by Comilog S.A. and its subsidiaries, with no impact on earnings. The settlement of the transaction took place on February 15, 2008.

## 15.5. Environmental contingencies and site restoration

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Environmental contingencies	27	25	47
Site restoration *	198	95	80
<b>Total</b>	<b>225</b>	<b>120</b>	<b>127</b>
* Of which, provisions with offsetting dismantling asset	122	70	54
Long-term portion	216	120	127
Short-term portion	9	-	-

**Environmental contingencies:** The provision was €27 million as of December 31, 2007 (€25 million as of December 31, 2006) and primarily related to the Manganese Division (€8 million as of December 31, 2006) and the Alloys Division (€11 million as of December 31, 2006).

Marietta (USA), the provisions specifically cover obligations with regard to impoundments. These provisions were appraised on the basis of expert reports and technical analyses; they have been reclassified in site restoration as from 2006.

Provisions were recognised in the Manganese Division to meet environmental undertakings arising from regulatory and legal measures or obligations. In

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>25</b>	<b>47</b>	<b>36</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	2	(8)	(2)
• Allowances over the period	6	3	12
• (Reversals) over the period, used	(4)	(11)	(14)
• (Reversals) over the period, unused	-	-	-
Translation adjustments and other movements	-	(14)	13
<b>At end of period</b>	<b>27</b>	<b>25</b>	<b>47</b>

**Site restoration:** Site restoration for mines currently in operation involved Le Nickel-SLN in New Caledonia (Nickel Division) for €134 million (December 31, 2006: €57 million), Comilog S.A. in Gabon (Manganese Division) for €8 million (December 31, 2006: €7 million) and since 2006 Eramet Mariette Inc. in the USA for €26 million (December 31, 2006: €13 million). The increase in the provision for New Caledonia is due to the re-measurement of certain dismantling costs and the increase in the areas to be treated. For facilities in operation, a dismantling asset was recognised for €60 million. At Boulogne-sur-Mer, provisions were recognised in 2003 and 2007 for regulatory and constructive obligations with regard to the demolition and restoration of the site following the decision to shut down the plant (Notes 15.3 and 15.6).

Restoration costs are discounted over the remaining period to the expected end of operation of the mine, with averages of nine years and a maximum of 14 in New Caledonia, eight years and a maximum of 15 in Gabon and 63 years and a maximum of 72 in the US. These provisions are discounted at a rate of 5.25% in New Caledonia, 6.5% in Gabon and 5% in the United States. A one percentage point increase or decrease in the discount rate would result in a €15 million decrease and an €18 million increase in provisions.

The Group has no decommissioning fund as defined by IFRIC 5.

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<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>95</b>	<b>80</b>	<b>83</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	46	-	(8)
• Allowances over the period	50	1	1
• (Reversals) over the period, used	(10)	(4)	(12)
• (Reversals) over the period, unused	-	-	-
• Reversal of discounting	6	3	3
Dismantling assets	60	-	-
Translation adjustments and other movements	(3)	15	5
<b>At end of period</b>	<b>198</b>	<b>95</b>	<b>80</b>

### 15.6. Other contingencies and losses

The other provisions spread across the three divisions cover miscellaneous contingencies, including the cost of closing the Boulogne-sur-Mer plant for €5 million (unchanged on the end of 2006), financial risks for Bronzavia

Industries (€1 million as in 2006), commercial risks/disputes (€10 million versus €13 million at the end of 2006), various supplier lawsuits in New Caledonia for €4 million (unchanged on December 31, 2006) and provisions for insurance excesses for €4 million (unchanged on the end of 2006).

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>42</b>	<b>35</b>	<b>42</b>
Business combinations	-	-	-
Other changes in scope	-	-	7
Allowances (reversals) over the period	(11)	11	(2)
• Allowances over the period	11	24	23
• (Reversals) over the period, used	(14)	(13)	(21)
• (Reversals) over the period, unused	(8)	-	(4)
• Reversal of discounting	-	-	-
Translation adjustments and other movements	7	(4)	(12)
<b>At end of period</b>	<b>38</b>	<b>42</b>	<b>35</b>

### 15.7. Ongoing disputes

To the best of the Company's knowledge, there are no other extraordinary situations or disputes that are likely to have a material impact on the financial position, earnings or assets of the Company or Group.

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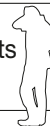
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## ■■■■■■■■■■■■■■■■■■■■ Note 16. Deferred tax

## 16.1. By category

(millions of euros)	12/31/2007	12/31/2006	12/31/2005
Difference between tax and consolidated amounts of non-current assets	121	129	66
Restatement of tax entries	148	107	105
Other timing differences	108	87	54
Hedging instruments	35	13	7
Other	8	4	2
<b>Deferred tax liabilities</b>	<b>420</b>	<b>340</b>	<b>234</b>
Timing differences	123	107	85
Tax loss carry-forwards - *	2	6	12
Elimination of gains (losses) on internal disposals	34	25	18
Hedging instruments	28	128	12
Other	-	-	-
<b>Deferred tax assets</b>	<b>187</b>	<b>266</b>	<b>127</b>
<b>Total</b>	<b>233</b>	<b>74</b>	<b>107</b>
* Limited or written off deferred tax assets	20	24	47
Capitalised deferred tax assets	2	6	12

The increased difference between the tax and consolidated amounts of non-current assets in 2006 resulted predominantly from the €65 million deferred tax liability recognised on the revaluation of the mining site of Pt Weda Bay Nickel.

The increase in deferred tax relating to the restatement of tax-related entries is due to the statutory provisions recorded in Gabon, New Caledonia and France.

The other timing differences recognised in liabilities as on December 31, 2007 (€108 million) mostly related to leases (€47 million), the portion of future

taxable profit in Sweden (€11 million) technical provisions for reinsurance (€8 million) and unrealised UCITS capital gains (€12 million).

The timing differences recognised in assets (€123 million) primarily relate to employee benefits and mostly in the USA and Norway (€11 million), provisions (€18 million) and leases (€39 million).

The reduction in deferred tax assets for hedging instruments is primarily due to the fall in negative positions on commodity hedges, primarily nickel (Note 19).

## 16.2. Changes over the period

(millions of euros)	Liabilities	Assets	Net FY 2007	Net FY 2006	Net FY 2005
<b>At beginning of period</b>	<b>340</b>	<b>266</b>	<b>74</b>	<b>107</b>	<b>106</b>
Business combinations	-	-	-	68	2
Other changes in scope	-	-	-	-	1
Deferred tax offset in shareholders' equity	26	(92)	118	(109)	(3)
Deferred tax on profit (loss) for the period	63	17	46	10	2
Translation adjustments and other movements	(9)	(4)	(5)	(2)	(1)
<b>At end of period</b>	<b>420</b>	<b>187</b>	<b>233</b>	<b>74</b>	<b>107</b>
Net deferred tax after offsetting by tax entity					
• Deferred tax assets			13	74	14
• Deferred tax liabilities			246	148	121

Pursuant to IAS 12, since 2007, deferred tax assets and liabilities have been presented separately in the balance sheet following offsetting within each fiscal entity, with age being restated accordingly. Except for tax consolidation

in France (Note 16.3) and the United States (Note 16.4), every company is an independent tax entity.

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### 16.3. Tax consolidation in France

Tax consolidation in France is comprised of the following companies:

Companies within the scope of tax consolidation	12/31/2007	12/31/2006	12/31/2005
<b>Consolidated companies</b>			
Eramet	x	x	x
Metal Securities	x	x	x
Metal Currencies	x	-	-
Erasteel	x	x	x
Erasteel Commeny	x	x	x
Erasteel Champagne	x	x	x
Eramet Holding Nickel	x	x	x
Eramet Holding Manganèse	x	x	x
Société Industrielle de Métallurgie Avancée	x	x	x
Aubert et Duval	x	x	x
Airforge	x	x	x
Eramet Alliages	x	x	x
Eurotungstène Poudres	x	x	x
<b>Non-consolidated companies</b>			
Eramet International & Eramet Japan	x	x	x
Tec Ingénierie	x	x	x
Centre de Recherches de Trappes (Crt)	x	x	x
Eramine	x	x	x
Forges de Montplaisir	x	x	x
Supa	x	x	x
Microsteel	-	-	x
Transmet	x	x	x
Brown Europe	x	x	x

All tax loss carryforwards were used as of December 31, 2006 and there were no new losses in financial year 2007. On December 31, 2005, the capitalised tax loss carryforwards represented €33 million in total (€11 million in deferred tax assets) in accordance with the assumptions for their recovery estimated

from the business plans of the companies in question. Furthermore, the net deferred tax position of the tax consolidation in France was a €77 million liability (€129 million in liabilities; €52 million in assets).

### 16.4. Tax consolidation in the United States

The scope of the tax consolidation in the USA is comprised of the following companies:

Companies within the scope of tax consolidation	12/31/2007	12/31/2006	12/31/2005
<b>Consolidated companies</b>			
Comilog US & Eramet Comilog North America Inc. (Ecna)	x	x	x
Erachem Comilog Inc.	x	x	x
Gulf Chemical & Metallurgical Corp. (Gcmc)	x	x	x

The tax consolidation in the USA currently shows a net tax liability of €8 million (€30 million in liabilities; €22 million in assets). There were no tax loss carryforwards as on December 31, 2007.

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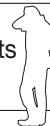
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## ■■■■■■■■■■■■■■■■■■■■ Note 17. Borrowings

## 17.1. By category

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Bank loans *	4	185	85
Bank overdrafts and creditor banks	58	18	36
Finance lease liabilities	56	62	22
Other borrowings and financial liabilities	34	25	16
<b>Total</b>	<b>152</b>	<b>290</b>	<b>159</b>

\* Of which commercial paper

- 180 55

Since 2005, Eramet has had a commercial paper programme. The amount of commercial paper issued is included under "Bank loans". The commercial

paper issued in 2006 served mainly to finance the acquisition of shares in Weda Bay Minerals Inc. in early May 2006. They were repaid in Q4 2007.

## 17.2. By currency

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Euro	88	261	110
US dollar	25	7	16
CFA franc	4	3	12
British pound	1	1	1
Other currencies	34	18	20
<b>Total</b>	<b>152</b>	<b>290</b>	<b>159</b>

## 17.3. By maturity

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Less than a year	87	218	110
One to five years	21	24	33
Over five years	44	48	16
<b>Total</b>	<b>152</b>	<b>290</b>	<b>159</b>

Eramet enjoys confirmed medium and long-term credit facilities (with maturities ranging from one to five years). The unused amounts of these credit facilities on the balance sheet date would allow the Group to refinance its short-term debt on a longer-term basis.

<b>Unused credit facilities</b>	<b>600</b>	<b>600</b>	<b>600</b>
Unissued commercial paper	400	220	345

Bank covenants relating to these credit lines are wholly satisfied. The covenants related to the ratio of net debt to shareholders' equity.

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**17.4. By interest rate**

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Interest-free	6	8	3
Fixed interest rates	15	15	22
• Under 5%	1	1	4
• 5%-10%	14	14	17
• Over 10%	-	-	1
Variable interest rates	131	267	134
• Under 5%	114	267	121
• 5%-10%	17	-	12
• Over 10%	-	-	1
<b>Total</b>	<b>152</b>	<b>290</b>	<b>159</b>

**17.5. Finance leases**

<i>(millions of euros)</i>	12/31/2007		12/31/2006		12/31/2005	
	Nominal value	Present value	Nominal value	Present value	Nominal value	Present value
Less than a year	7	5	7	5	3	2
One to five years	25	20	26	21	11	9
Over five years	32	31	39	36	12	11
<b>Total</b>	<b>64</b>	<b>56</b>	<b>72</b>	<b>62</b>	<b>26</b>	<b>22</b>
Interest expense	-	8	-	10	-	4
<b>Total</b>	<b>64</b>	<b>64</b>	<b>72</b>	<b>72</b>	<b>26</b>	<b>26</b>

Finance leases mainly relate to capital expenditure for the 40,000-ton press in Pamiers (Airforge – Alloys Division) for €54 million, €41 million of which was for capital expenditure in 2006 (Note 5.3).

**17.6. Net cash or net borrowing position****17.6.1. BY CATEGORY**

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Borrowings and financial liabilities	(152)	(290)	(159)
Cash equivalents	1,049	612	472
Cash	57	31	51
<b>Total</b>	<b>954</b>	<b>353</b>	<b>364</b>

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## 17.6.2. NET CASH OR BORROWING POSITION

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>Cash flows from operating activities</b>			
EBITDA	1,373	758	694
Elimination of non-cash and non-operating income and expenses:	(344)	(164)	(63)
<b>Cash generated by operating activities*</b>	<b>1,029</b>	<b>594</b>	<b>631</b>
Net change in current operating assets and liabilities	(41)	(51)	(153)
<b>Net cash generated by operating activities*</b>	<b>988</b>	<b>543</b>	<b>478</b>
<b>Cash flows from investing activities</b>			
Industrial capital expenditure	(319)	(309)	(231)
Payments for financial investments	7	(192)	(32)
Proceeds from non-current asset disposals	8	17	19
Capital grants received	-	14	-
Changes in debt and receivables on non-current assets*	4	(4)	(113)
Changes in scope and loans	4	11	21
Dividends received from associates	1	1	2
<b>Net cash used in investing activities</b>	<b>(295)</b>	<b>(462)</b>	<b>(334)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(107)	(98)	(73)
Proceeds from share capital increases	1	3	1
Change in working capital requirement stemming from financing activities	(1)	2	1
<b>Net cash used in financing activities</b>	<b>(107)</b>	<b>(93)</b>	<b>(71)</b>
Exchange rate impact	15	1	3
<b>Increase (decrease) in net cash or borrowings</b>	<b>601</b>	<b>(11)</b>	<b>76</b>
<b>Net cash (borrowings) at January 1</b>	<b>353</b>	<b>364</b>	<b>288</b>
<b>Net cash (borrowings) at December 31</b>	<b>954</b>	<b>353</b>	<b>364</b>

\* Of which €124 million with no impact on the Group's cash position, the impact on the 2005 financial statements of the conclusion of the Bercy agreements (Notes 22 and 26).

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## ■■■■■■■■■■■■■■■■■■■■ Note 18. Trade and other payables

### 18.1. By category

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
Trade payables	334	288	279
Tax and payroll liabilities	196	177	171
Other operating liabilities	106	71	37
Debts on non-current assets	35	49	53
Debts of associates – dividends	6	5	4
Prepaid income	9	6	19
<b>Total</b>	<b>686</b>	<b>596</b>	<b>563</b>
• Non-current liabilities	30	27	20
• Current liabilities	656	569	543

The €30 million in debts (€27 million as of December 31, 2006) in non-current liabilities relates to SETRAG SA's 25-year debt to the Gabonese State for the purchase of own property and a portion of the spare parts inventory for €12 million (€11 million as of December 31, 2006) as well as to the

€18 million (€16 million as of December 31, 2006) in tax breaks relating to the financing of furnace No. 10 (2004 agreement) and of the beneficiation plant (2006 agreement) as part of the Le Nickel-SLN project, apportioned over five to six years.

### 18.2. Changes over the period

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>At beginning of period</b>	<b>596</b>	<b>563</b>	<b>594</b>
Business combinations	-	1	11
Other changes in scope	-	(1)	34
Changes in working capital requirement	97	61	(88)
Translation adjustments and other movements	(7)	(28)	12
<b>At end of period</b>	<b>686</b>	<b>596</b>	<b>563</b>

Foreign-currency denominated debt is translated at the closing rate.

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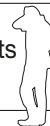
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## ■■■■■■■■■■■■■■■■■■■■ Note 19. Financial derivatives

## 19.1. Financial instruments in the balance sheet

<i>(millions of euros)</i>	12/31/2007		Breakdown by type of instrument			
	Balance sheet value	Fair value via income	Assets available	Loans and receivables	Liabilities at amortised	Derivatives
Investment securities	35	35	-	-	-	-
Other financial assets	26	-	-	26	-	-
Other non-current assets	6	-	-	6	-	-
Trade receivables	554	-	-	554	-	-
Other current assets	252	-	-	252	-	-
Financial derivatives	129	-	-	-	-	129
Cash and cash equivalents	1,106	1,106	-	-	-	-
<b>Assets</b>	<b>2,108</b>	<b>1,141</b>	<b>-</b>	<b>838</b>	<b>-</b>	<b>129</b>
Borrowings – long-term portion	65	-	-	-	65	-
Other non-current liabilities	30	-	-	30	-	-
Borrowings – short-term portion	87	58	-	-	29	-
Trade payables	334	-	-	334	-	-
Other current liabilities	598	-	-	598	-	-
Financial derivatives	81	-	-	-	-	81
<b>Liabilities</b>	<b>1,195</b>	<b>58</b>	<b>-</b>	<b>962</b>	<b>94</b>	<b>81</b>

<i>(millions of euros)</i>	12/31/2006		Breakdown by type of instrument			
	Balance sheet value	Fair value via income	Assets available	Loans and receivables	Liabilities at amortised	Derivatives
Investment securities	37	37	-	-	-	-
Other financial assets	30	-	-	30	-	-
Other non-current assets	6	-	-	6	-	-
Trade receivables	557	-	-	557	-	-
Other current assets	148	-	-	148	-	-
Financial derivatives	55	-	-	-	-	55
Cash and cash equivalents	643	643	-	-	-	-
<b>Assets</b>	<b>1,476</b>	<b>680</b>	<b>-</b>	<b>741</b>	<b>-</b>	<b>55</b>
Borrowings – long-term portion	72	-	-	-	72	-
Other non-current liabilities	27	-	-	27	-	-
Borrowings – short-term portion	218	18	-	-	200	-
Trade payables	288	-	-	288	-	-
Other current liabilities	426	-	-	426	-	-
Financial derivatives	367	-	-	-	-	367
<b>Liabilities</b>	<b>1,398</b>	<b>18</b>	<b>-</b>	<b>741</b>	<b>272</b>	<b>367</b>

No reclassification amongst categories of financial instruments was carried out during the period. Investments in associates are recognised at fair value in the balance sheet (Note 1/12/1). Other financial assets are measured at amortised cost calculated using the effective interest rate or EIR (Note 1/12/2) and are not subject to interest rate hedges.

Borrowings are recognised at amortised cost calculated using the effective interest rate or EIR (Note 1.15). Borrowings may, as appropriate, be subject

to interest rate hedges and are remeasured with respect to the portion linked to the interest rate changes and their fair value is close to their value shown in the balance sheet due to their small amount and the hedges (Notes 17 and 19.4.2).

The fair value of trade receivables and trade payables is equal to the value shown in the balance sheet, since for the most part they fall due in under a year (Notes 10 and 18).

**19.2. The impact of financial instruments on the income statement**

<i>(millions of euros)</i>	<b>FY 2007 Impact on income</b>	<b>Finance income and expenses</b>	<b>Fair value</b>	<b>Translation</b>	<b>Gain (loss) on disposal</b>	<b>Net impairment</b>
Investment securities	7	2	-	-	3	2
Other financial assets	(2)	(1)	-	-	-	(1)
Financial derivatives	(228)	-	(228)	-	-	-
Cash/net financial liabilities	19	3	(4)	1	19	-
<b>Total</b>	<b>(204)</b>	<b>4</b>	<b>(232)</b>	<b>1</b>	<b>22</b>	<b>1</b>

Finance income on investments in associates stems from dividends. Gains or losses on currency and commodity hedges are for the most part recognised in current operating profit (loss) (Note 1.24). The portion ineligible for hedging

pursuant to IAS 39 is recognised in Other finance income and expenses (Notes 1.25 and 23.2).

Breakdown of hedges – assets:

<i>(millions of euros)</i>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
Financial instrument assets	28	19	4
Financial instruments – currency hedges	87	33	6
Financial instruments – interest-rate hedges	-	-	-
Financial instruments – commodity hedges	14	3	15
<b>Total</b>	<b>129</b>	<b>55</b>	<b>25</b>

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>55</b>	<b>25</b>	<b>15</b>
Hedging instruments measured at fair value stemming from first-time application of IAS 39	-	-	82
Changes in hedging instruments over the period – shareholders' equity	49	16	(58)
Changes in hedging instruments over the period – finance expense	16	(1)	(3)
Changes in financial instrument assets	9	15	(11)
<b>At end of period</b>	<b>129</b>	<b>55</b>	<b>25</b>

Breakdown of hedges – liabilities:

<i>(millions of euros)</i>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
Financial instrument liabilities	2	3	7
Financial instruments – currency hedges	18	7	29
Financial instruments – interest rate hedges	-	-	1
Financial instruments – commodity hedges	61	357	6
<b>Total</b>	<b>81</b>	<b>367</b>	<b>43</b>

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>At beginning of period</b>	<b>367</b>	<b>43</b>	<b>2</b>
Hedging instruments measured at fair value stemming from first-time application of IAS 39	-	-	2
Changes in hedging instruments over the period – shareholders' equity	(286)	328	30
Changes in hedging instruments over the period – finance expense	1	-	4
Changes in financial instrument liabilities	(1)	(4)	5
<b>At end of period</b>	<b>81</b>	<b>367</b>	<b>43</b>

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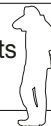
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Foreign currency denominated receivables and debt are translated at the closing rate. The hedging instrument is measured and recognised at fair

value. The breakdown of the change in this fair value, covering the assets and liabilities, is split out in the financial instruments – assets or liabilities line item.

The first-time application of IAS 32 and 39 as on January 1, 2005, recognised in opening shareholders' equity, had the following impact on the balance sheet:

### CURRENCY HEDGES

(millions of euros)	01/01/2005	Hedging	Non-hedging
Hedging instruments	82	76	6
<b>Total assets</b>	<b>82</b>	<b>76</b>	<b>6</b>
Reserves	38	35	3
Minority interests	15	14	1
<b>Shareholders' equity</b>	<b>53</b>	<b>49</b>	<b>4</b>
Deferred tax	29	27	2
Hedging instruments	-	-	-
<b>Total liabilities</b>	<b>82</b>	<b>76</b>	<b>6</b>

Interest rate hedging had no impact as on January 1, 2005 and commodity hedging was not material on that date either.

### 19.3. Risk management

The Group uses derivatives to control its risk exposure. Management of the principal risks, following delegation by the Executive Committee, is centralised in Eramet's Finance Department. This management is carried out directly by Eramet or via special purpose entities such as Metal Currencies, created specifically to manage the Group's foreign currency risk (Notes 1.4 and 2).

#### 19.3.1. FOREIGN CURRENCY RISKS

Eramet is exposed to various types of foreign currency risks, namely:

- transactional foreign currency risks related to commercial transactions denominated in currencies other than the euro;
- foreign currency risks to the balance sheet related to the changes in net assets of subsidiaries measured in currencies other than the euro.

For transactional risks, currency hedging is almost wholly related to the US dollar and is designed to cover the Group's structurally long present and future positions on business transactions, in excess of 50% of which are invoiced in foreign currencies, while production costs are for the most part denominated in euros. Net exposure is determined on the basis of forecasts or multi-annual sales budgets and the associated risks are hedged for a maximum period of 18 months using forwards and options.

The policy for managing these risks is centralised Group-wide through its financial subsidiary Metal Currencies. The breakdown of the hedging portfolio by currency is set out below:

As of December 31, 2007:

(in foreign currency millions)	2007 sales			2008 sales			2009 sales and beyond		
	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
<b>Commercial hedges</b>									
EUR/USD	345	USD	1.3788	1,565	USD	1.3694	-	-	-
EUR/NOK	20	EUR	7.9461	110	EUR	7.8599	-	-	-
EUR/GBP	2	GBP	0.7099	6	GBP	0.7039	-	-	-
GBP/USD	3	USD	1.9785	3	USD	2.0153	-	-	-
GBP/SEK	2	GBP	13.0326	7	GBP	13.3023	-	-	-
JPY/SEK	47	JPY	0.0563	144	JPY	0.0608	-	-	-
EUR/SEK	4	EUR	9.3790	5	EUR	9.2151	-	-	-
USD/SEK	12	USD	6.5087	10	USD	6.5658	-	-	-
EUR/JPY	117	JPY	157.7304	230	JPY	151.4743	-	-	-
<b>Financial hedges</b>									
EUR/USD	158	USD	1.4596						
CAD/USD	5	CAD	1.0169						
EUR/JPY	118	JPY	162.2952						
EUR/GBP	1	GBP	0.7208						



As of December 31, 2006:

(in foreign currency millions)	2006 sales			2007 sales			2008 sales and beyond		
	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
<b>Commercial hedges</b>									
EUR/USD	393	USD	1.2691	895	USD	1.2786	6	USD	1.0518
EUR/NOK	25	EUR	8.2529	79	EUR	8.1546	-	-	-
EUR/GBP	3	GBP	0.6869	4	GBP	0.6830	-	-	-
	-	-	-	2	EUR	0.6896	-	-	-
GBP/USD	3	USD	1.9344	5	USD	1.8846	-	-	-
GBP/SEK	4	GBP	13.2024	6	GBP	13.4349	-	-	-
JPY/SEK	14	JPY	0.1077	219	JPY	0.0633	-	-	-
EUR/SEK	3	EUR	9.7387	22	EUR	9.2519	-	-	-
USD/SEK	12	USD	7.1022	10	USD	6.9775	-	-	-
EUR/JPY	126	JPY	141.9972	276	JPY	140.4317	-	-	-
<b>Financial hedges</b>									
EUR/USD	234	USD	1.3191						
CAD/USD	26	CAD	1.1490						
EUR/NOK	1,250	NOK	8.1000						

As of December 31, 2005:

(in foreign currency millions)	2005 sales			2006 sales			2007 sales and beyond		
	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
<b>Commercial hedges</b>									
EUR/USD	187	USD	1.2172	555	USD	1.2620	13	USD	1.0497
USD/NOK	14	USD	6.6129	3	USD	6.5152	-	-	-
EUR/NOK	3	EUR	7.8373	90	EUR	8.2232	-	-	-
EUR/GBP	3	GBP	0.6921	3	GBP	0.6876	-	-	-
	1	EUR	0.6899	3	EUR	0.7016	-	-	-
GBP/USD	3	USD	1.7923	4	USD	1.7608	-	-	-
GBP/SEK	4	GBP	13.3176	4	GBP	13.6011	-	-	-
JPY/SEK	79	JPY	0.0686	293	JPY	0.0690	-	-	-
EUR/SEK	81	EUR	9.1802	26	EUR	9.4079	-	-	-
	25	SEK	9.2021	-	-	-	-	-	-
USD/SEK	10	USD	7.4477	3	USD	7.6769	-	-	-
EUR/JPY	145	JPY	138.7172	505	JPY	133.9093	-	-	-
<b>Financial hedges</b>									
EUR/SEK	37	SEK	9.4345	-	-	-	-	-	-

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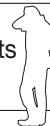
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As of December 31, 2007, unrealised gains resulting from the difference between the closing rates and hedging rates of the transactions set out above resulted in a net asset of €69 million (December 31, 2006: net asset of €26 million), primarily on the USD and the Norwegian Kroner.

A change of plus or minus 10% in the rates of the principal currencies to which Eramet is exposed would have an impact on the hedges offsetting shareholders' equity of -€13 million should rates rise and approximately +€103 million should rates fall.

Eramet partially manages foreign currency risks to the balance sheet, primarily related to the U.S. dollar, by issuing financial liabilities denominated in the same currency as the net assets in question.

The pre-tax impact of financial instruments on shareholders' equity and earnings related to foreign currency risks are set out below:

<i>(millions of euros)</i>	<b>FY 2007</b>	
	<b>Currency hedges</b>	
	<b>transaction risks</b>	<b>balance sheet risks</b>
<b>At beginning of period</b>	<b>42</b>	<b>(5)</b>
Change in unexpired hedging portion	68	-
Change in ineffective portion via income	2	-
Change in effective portion via income	(17)	-
Translation adjustments and other movements	-	(25)
<b>At end of period</b>	<b>95</b>	<b>(30)</b>
Changes recognised in shareholders' equity:		
• Fair value reserve	-	-
• Hedging reserve	41	-
• Translation adjustments	-	(25)
<b>Total</b>	<b>41</b>	<b>(25)</b>
Changes recognised via income:		
• Current operating profit	17	-
• Net finance income	2	-
<b>Total</b>	<b>19</b>	<b>-</b>

To such end, for the acquisition of its subsidiary Weda Bay Minerals Inc., Eramet used part of its euro-denominated commercial paper programme (Note 17.1). Subsequently, because the financial statements of its subsidiary were denominated in USD, Eramet executed a USD currency swap for a sum as of December 31, 2006 of USD 228 million, which was rolled over in 2007. The €6 million translation gain on this transaction as of December 31, 2006, was recognised in shareholders' equity under "translation adjustments". As of December 31, 2007, the amount recognised in shareholders' equity was €15 million.

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### 19.3.2. INTEREST-RATE RISKS

The Group puts in place interest rate hedges on the basis of its debt position and expected market developments. Management of hedging transactions is centralised in Eramet's Finance Department. Thus, until March 2007, Eramet hedged part of its interest rate risk exposure, primarily stemming from its borrowings, via Euribor 3-month rate swaps against variable and fixed rates, for periods of between three months and three years. This arrangement was implemented at the end of 2002 because of the Group's net borrowing position and renewed every year. Differences on settlement are fully recognised in finance income for the period. Eramet did not renew its interest rate hedges because of the Group's positive net cash position (Note 17.6).

The Group's excess cash is invested on a short-term basis and its exposure to a 10% (or 10 basis point) fall in interest rates would have a negative impact of around €4 million on the net borrowing cost.

### 19.3.3. COMMODITY RISKS

The Group is exposed to commodity price volatility, impacting its sales as a nickel producer and its production costs as an energy (fuel oil) or commodities (aluminium) consumer.

Eramet hedges a portion of its nickel sales on the basis of 1 or 2 year forecast budgets, with the closing fair value being a liability of €50 million (€354 million as of December 31, 2006). Accordingly, as of December 31, 2007, 31% of planned deliveries in 2008 were hedged at an average price of around USD22,300/ton (USD10.00/lb) and 5% of planned deliveries in 2009 at an average price of USD20,700/ton (USD9.30/lb). Eramet mainly uses forwards, combined calls and puts and purchase options.

In 2007, Eramet hedged approximately 30% of its planned 2008 fuel purchases for Le Nickel-SLN, with the closing fair value being a €4 million asset (a liability of €3 million as of December 31, 2006).

Some of Aubert & Duval's aluminium purchases during the year were hedged and the fair value as of the end of December 2007 amounted to a liability of €1 million (a €3 million asset as of December 31, 2006).

The pre-tax impact of financial instruments on shareholders' equity and earnings in respect of commodity risks is set out below:

<i>(millions of euros)</i>	FY 2007		
	Commodity hedges		
	Nickel	Fuel oil	Aluminium
<b>At beginning of period</b>	<b>(354)</b>	<b>(3)</b>	<b>3</b>
Change in unexpired hedging portion	38	-	(4)
Change in ineffective portion via income	6	7	-
Change in effective portion via income	260	-	-
Translation adjustments and other movements	-	-	-
<b>At end of period</b>	<b>(50)</b>	<b>4</b>	<b>(1)</b>
Changes recognised in shareholders' equity:			
• Fair value reserve	-	-	-
• Hedging reserve	298	-	(4)
• Translation adjustments	-	-	-
<b>Total</b>	<b>298</b>	<b>-</b>	<b>(4)</b>
Changes recognised via income:			
• Current operating profit	(260)	-	-
• Net finance income	6	7	-
<b>Total</b>	<b>(254)</b>	<b>7</b>	<b>-</b>

A change of plus or minus 20% in commodity prices would impact the hedges offsetting shareholders' equity for nickel and the income statement for fuel oil as follows:

<i>(millions of euros)</i>	Nickel	Fuel oil	Aluminium
+20% change in price	(46)	7	n/a
-20% change in price	62	(5)	n/a

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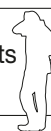
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#### 19.3.4. LIQUIDITY RISKS

The Group is not exposed to liquidity risks because of its clearly positive net cash position. Furthermore, as on December 31, 2007, Eramet had available confirmed credit facilities of €600 million (the same as of December 31, 2006). These credit facilities include a default clause linked to the net debt to shareholders' equity ratio. Considering the Group's positive net

cash position, this ratio is wholly satisfied (Note 17.3). Eramet also had outstanding unissued commercial paper of €400 million as of December 31, 2007 (€220 million as of December 31, 2006) which must be covered by long-term confirmed credit facilities (back-up facilities). Since the amount of the confirmed credit facilities exceeds the amount of the unissued commercial paper, this covenant was satisfied in 2007 as in prior years (Note 17.3).

In addition, while its net cash position is considerably positive, the Group must repay its borrowings, primarily comprised of finance leases (Note 17), as well as derivatives, the maturity schedule of which is set out below:

(millions of euros)	Future payment schedule			Total
	Less than a year	Between a year and five years	Over five years	
Bank loans	4	-	-	4
Bank overdrafts and creditor banks	58	-	-	58
Finance lease liabilities	7	25	32	64
Other borrowings and financial liabilities	20	1	13	34
<b>Total borrowings</b>	<b>89</b>	<b>26</b>	<b>45</b>	<b>160</b>
Financial derivatives – currencies	(111)	-	-	(111)
Financial derivatives – commodities	41	-	-	41
<b>Total financial derivatives</b>	<b>(70)</b>	<b>-</b>	<b>-</b>	<b>70</b>

#### 19.3.5. CREDIT OR COUNTERPARTY RISKS

The Group's counterparty risks mainly relate to its commercial transactions and, by extension, to trade receivables. Accordingly, the Group may be exposed to credit risk in the event of the default of a counterparty. In order to limit this risk, for which the maximum exposure is equal to the net amount of receivables recognised in the balance sheet (Note 10), the Group collects and reviews information ahead of financial transactions such as that from rating agencies and published financial statements and as a

result no systematic arrangement is in place to hedge this counterparty risk. Nonetheless, the Group may have recourse to letters of credit to hedge certain specific inherent risks, for example, the geographic location of its customers (Note 27 – commitments received). In addition, the Group's customer portfolio is primarily comprised of leading international metallurgy, aerospace manufacturing and energy groups for which insolvency risks are limited.

The age of the Group's trade receivables and past due receivables is set out below:

(millions of euros)	12/31/2007		12/31/2006	
	Gross amounts	Impairment losses	Gross amounts	Impairment losses
On-time or not due	415	(4)	463	(3)
Delays:				
• Less than a month	104	(1)	81	-
• Between one and three months	35	-	12	-
• Between three and six months	4	-	3	-
• Between six and nine months	1	-	2	(2)
• Between nine and twelve months	1	(1)	-	-
• Over a year	1	(1)	3	(2)

No material unpaid or written off receivables have been renegotiated.

#### 19.3.6. STOCK RISKS

Eramet and its subsidiaries do not engage in speculative stock market transactions; the equity interests held relate to unlisted controlled companies entirely related to the Group's business activities (Note 7). As of December 31, 2007, Eramet held 340,786 treasury shares (130,257 shares as of December 31, 2006), representing an investment recognised as a

€53 million reduction in shareholders' equity (€5 million as of December 31, 2006) (Note 12). Eramet's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since March 28, 2006 and since July 2, 2007 on the N150 index. Thus, there is a risk related to the volatility of its stock price to the extent that such price may be lower than the carrying amount. Nevertheless, Eramet has not hedged any stock risks. However, as of December 31, 2007, the carrying amount of the treasury stock was €66 million higher than its market value (€11 million as of December 31, 2006).

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## ■■■■■■■■■■■■■■■■■■■■ Note 20. Sales and other income

## 20.1. Sales

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Sales of goods	3,669	2,938	2,659
Sales of services	123	118	53
<b>Total</b>	<b>3,792</b>	<b>3,056</b>	<b>2,712</b>

## 20.2. Other income

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Translation adjustments on sales	37	(13)	1
Capitalised production	11	7	15
Other	14	16	20
<b>Total</b>	<b>62</b>	<b>10</b>	<b>36</b>

The "Translation adjustments on sales" heading contains the differences between the monthly exchange rate used to recognise sales and the monthly exchange rate used to recognise receipts as well as the differences between

the contractual exchange rate for unwinding hedge (or guaranteed rate) positions and the monthly exchange rate used to recognise receipts.

## ■■■■■■■■■■■■■■■■■■■■ Note 21. Depreciation, amortisation and provisions

## 21.1. Amortisation and depreciation of and provisions for non-current assets

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Intangible assets	(8)	(8)	(7)
Property, plant & equipment	(163)	(136)	(120)
<b>Total</b>	<b>(171)</b>	<b>(144)</b>	<b>(127)</b>

## 21.2. Provisions

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Pension and related liabilities	(4)	(4)	(9)
Other payroll contingencies and losses	(5)	(4)	(8)
Environmental contingencies	(1)	3	(3)
Site restoration	-	(2)	(1)
Other contingencies and losses	4	-	(4)
<b>Total</b>	<b>(6)</b>	<b>(7)</b>	<b>(25)</b>

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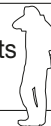
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## ■■■■■■■■■■■■■■■■■■■■ Note 22. Other operating income and expenses

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
Gains on asset disposals	3	2	-
Restructuring and redundancy plans	1	4	3
Losses on impairment tests	3	(1)	(9)
Changes in estimates – inventories	-	17	-
Site restoration	(50)	-	-
Other items – income	8	10	126
Other items – expenses	(22)	(9)	(8)
<b>Total</b>	<b>(57)</b>	<b>23</b>	<b>112</b>

**Restructuring and redundancy plans:** the various redundancy plans announced and being implemented in France, Belgium and Norway gave rise to the recognition of a €74 million provision in 2003. Assets no longer used in the Alloys and Manganese Divisions with a carrying amount of €55 million were fully impaired. A €34 million provision was recognised for the net cost of site closures and restoration. In 2007, 2006 and 2005, the costs disbursed for the period relating to these restructuring plans were subject to reversals of provisions of €2 million, €8 million and €14 million, respectively (Note 15.3).

**Losses on impairment tests:** in 2005, estimated future industrial performance was reviewed for the main sites. This resulted in the creation of a net provision of €9 million in the Manganese and Alloys Division to reduce the amount of these non-current assets to their fair value. No material additional impairment was recognised on December 31, 2007, as in 2006.

**Changes in estimates – inventories:** in 2006, changes in estimates affected Aubert & Duval (Alloys Division) and Gulf Chemical & Metallurgical Corp (Manganese Division) by €13 million and €4 million respectively. They stemmed from more accurate inventory valuations following the installation of a new IT system at Aubert & Duval and the recognition of catalysts in inventories at Gulf Chemical & Metallurgical Corp. (Note 9).

**Site restoration:** as of December 31, 2007, additional provisions were recorded, primarily for the Nickel Division (€13 million) in order to reflect the

costs and areas to be restored at the closed mining facilities. Provisions were also recorded for the Manganese Division (€34 million) to cover environmental obligations and contingencies for European and US sites.

**Other items – income:** at end-2005, the vested portion for the Poupoum/Koniambo indemnity (Note 26) amounted to €8 million, on top of the impact of concluding the Bercy agreements (Note 26) for €116 million (€92 million for the main indemnity and €24 million in interest) and the reversal in income of the €2 million in goodwill resulting from the acquisition of Poupoum SAS. In 2006, a €4 million reversal was recognised for pension liabilities at the Gabonese company SETRAG SA after a post-acquisition assessment carried out by an independent expert.

**Other items – expenses:** as of December 31, 2005, €6 million in additional provisions were recorded in the Manganese and Alloys Divisions for environmental contingencies and lawsuits (waste heaps and occupational illnesses). Aligning the long service bonus scales between the various sites in the Alloys Division also resulted in an additional allowance of €1 million. In 2007, non-recurring costs of €6 million were incurred in connection with a lawsuit involving a Nickel Division supplier, along with expenses for development and health projects in Gabon (€7 million).

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## ■■■■■■■■■■■■■■■■■■■■ Note 23. Net borrowing cost and other finance income and expenses

### 23.1. Net borrowing cost

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Interest income	17	6	4
Interest expense	(14)	(15)	(8)
Net income on marketable securities	19	13	15
Changes in fair value of marketable securities	(4)	(1)	(8)
Net translation adjustments	1	4	(5)
Other	-	-	(1)
<b>Total</b>	<b>19</b>	<b>7</b>	<b>(3)</b>

### 23.2. Other finance income and expenses

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
Investment and dividend income	2	2	3
Gains (losses) on disposals of investments in associates	(1)	-	-
Net allowances to/reversals of financial provisions	-	-	(2)
Net translation adjustments	-	-	-
Reversal of discounting	(6)	(3)	(3)
Financial instruments ineligible as hedges	15	(1)	(7)
Financial securitisation expense	(3)	-	-
Other	(1)	(2)	-
<b>Total</b>	<b>6</b>	<b>(4)</b>	<b>(9)</b>

Reversal of discounting relates to provisions for mining site restoration (Note 15.5). The financial instruments ineligible as hedges correspond to the portion of hedging instruments (currencies/commodities/interest rates) recognised in income pursuant to IAS 32 and 39 (Note 19).

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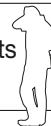
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## ■■■■■■■■■■■■■■■■■■■■ Note 24. Income tax

## 24.1. By category

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
Current tax	(304)	(164)	(124)
Deferred tax	(46)	(10)	(2)
<b>Total</b>	<b>(350)</b>	<b>(174)</b>	<b>(126)</b>

## 24.2. Effective tax rate

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
Operating profit (loss)	1,139	630	654
Net borrowing cost and other finance income and expense	25	3	(12)
<b>Profit (loss) for period before tax of consolidated companies</b>	<b>1,164</b>	<b>633</b>	<b>642</b>
Standard tax rate in France (%)	33.33%	33.33%	33.33%
<b>Theoretical tax expense:</b>	<b>(388)</b>	<b>(211)</b>	<b>(214)</b>
Impact on theoretical tax:			
• Of permanent differences between accounting and taxable profit	16	10	43
• Of additional contributions in France	(2)	(1)	-
• Of standard tax differences in foreign countries	(5)	(7)	(4)
• Of reduced tax rates	3	1	4
• Of tax credits	17	1	5
• Of withholding tax on dividends	(11)	(9)	(4)
• Of unrecognised or limited deferred tax assets	17	35	40
• Of miscellaneous items	3	7	4
<b>Actual tax charge</b>	<b>(350)</b>	<b>(174)</b>	<b>(126)</b>
<b>Effective tax rate</b>	<b>30%</b>	<b>27%</b>	<b>20%</b>

The current income tax rate applicable in France is 33.33%, excluding an additional social security contribution of 3.3%, recognised under "Additional contributions in France".

Major permanent differences in 2005 chiefly related to untaxed extraordinary income stemming from the conclusion of the Poum/Koniambo mining

The "Standard tax differences in foreign countries" relates to the impact of the current income tax rate applicable in the foreign countries where Group subsidiaries are located. The primary rates are shown below:

<i>(%)</i>	FY 2007	FY 2006	FY 2005
Sweden	28%	28%	28%
Norway	28%	28%	28%
USA	34% – 45%	34% – 39.3%	34% – 39.3%
New Caledonia	35%	35%	35%
Gabon	35%	35%	35%
China	7.5% – 33%	7.5% – 17.5%	7.5% – 17.5%

In 2007, Le Nickel-SLN obtained a €15 million tax credit in New Caledonia for the Tiebaghi beneficiation plant investment project (75,000 ton nickel production expansion project – Note 5.3).

The withholding tax on dividends primarily relates to dividends paid during the financial year by Eramet's foreign subsidiaries, particularly in New Caledonia (5%, for €2 million), Gabon (15%, for €2 million) and the United States (5%, for €2 million).

indemnity (Notes 22 and 26); they are customarily recognised for the fully vested portion of the provision for reconstituting mining reserves in New Caledonia.

Previously unrecognised tax losses used in 2007 amounted to €10 million (Comilog S.A., Erachem Comilog S.A., Comilog France) compared to €26 million in 2006. Deferred tax assets relating to previously unrecognised timing differences amounted to €7 million euros in 2007 (Eramet Marietta Inc., Erachem Comilog S.A.) compared to €9 million in 2006.

Miscellaneous items mostly concern prior year tax adjustments.





## ■■■■■■■■■■■■■■■■■■■■ Note 25. Earnings per share

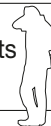
	FY 2007			FY 2006			FY 2005		
	Earnings	Number of shares	Earnings per share	Earnings	Number of shares	Earnings per share	Earnings	Number of shares	Earnings per share
Basic earnings per share	582	25,666,698	22.67	319	25,720,704	12.38	377	25,543,203	14.76
Subscription options	-	151,953	-	-	151,250	-	-	112,270	-
Purchase options	-	-	-	-	63,078	-	-	132,305	-
<b>Diluted earnings per share</b>	<b>582</b>	<b>25,818,651</b>	<b>22.54</b>	<b>319</b>	<b>25,935,032</b>	<b>12.28</b>	<b>377</b>	<b>25,787,778</b>	<b>14.62</b>

The basic number of shares corresponds to the weighted average number of shares, less the weighted number of treasury shares:

	Ordinary shares		Treasury stock		Shares in circulation	
	At end of period	Weighted average	At end of period	Weighted average	At end of period	Weighted average
<b>Number of shares as on December 31, 2004</b>	<b>25,744,944</b>	<b>25,744,944</b>	<b>334,483</b>	<b>334,483</b>	<b>25,410,461</b>	<b>25,410,461</b>
Acquisitions and disposals – liquidity contract	-	-	3,186	(3,787)	(3,186)	3,787
Subscription option exercises by employees	44,930	11,708	-	-	44,930	11,708
Purchase option exercises by employees	-	-	(170,848)	(117,247)	170,848	117,247
Bonus shares granted to employees	-	-	-	-	-	-
<b>Number of shares on December 31, 2005</b>						
• <b>Weighted average</b>	-	<b>25,756,652</b>	-	<b>213,449</b>	-	<b>25,543,203</b>
• <b>At end of period</b>	<b>25,789,874</b>	<b>25,789,874</b>	<b>166,821</b>	<b>166,821</b>	<b>25,623,053</b>	<b>25,623,053</b>
Acquisitions and disposals – liquidity contract	-	-	1,014	(97)	(1,014)	97
Subscription option exercises by employees	91,020	70,728	-	-	91,020	70,728
Purchase option exercises by employees	-	-	(37,578)	(26,826)	37,578	26,826
Bonus shares granted to employees	-	-	-	-	-	-
<b>Number of shares as on December 31, 2006</b>						
• <b>Weighted average</b>	-	<b>25,860,602</b>	-	<b>139,898</b>	-	<b>25,720,704</b>
• <b>At end of period</b>	<b>25,880,894</b>	<b>25,880,894</b>	<b>130,257</b>	<b>130,257</b>	<b>25,750,637</b>	<b>25,750,637</b>
Acquisitions and disposals – liquidity contract	-	-	(11,862)	(4,986)	11,862	4,986
STCPI stock swap	-	-	252,885	111,547	(252,885)	(111,547)
Subscription option exercises by employees	12,012	6,344	-	-	12,012	6,344
Purchase option exercises by employees	-	-	(30,494)	(16,278)	30,494	16,278
Bonus shares granted to employees	12,715	-	-	-	12,715	-
<b>Number of shares as on December 31, 2007</b>						
• <b>Weighted average</b>	-	<b>25,887,238</b>	-	<b>220,540</b>	-	<b>25,666,698</b>
• <b>At end of period</b>	<b>25,905,621</b>	<b>25,905,621</b>	<b>340,786</b>	<b>340,786</b>	<b>25,564,835</b>	<b>25,564,835</b>

The number of unexercised stock subscription and purchase options as of December 31, 2007 numbered 177,953 and zero, respectively (165,250 and 63,078 options as of December 31, 2006). Only 151,953 potentially subscribable shares (151,250 shares as of December 31, 2006) were

included in diluted earnings per share, allowing for the 26,000 options not exercisable at the end of 2007 (13,200 at year-end 2006). Eramet has not issued any other financial instruments that would be likely to result in the dilution of earnings per share.



■■■■■■■■■■■■■■■■■■■■ Note 26. New Caledonian ore reserves issue

**Summary of the facts**

The issue stemmed from a claim by SMSP, a Caledonian mining company controlled by the Northern Province, in association with the Canadian nickel producer Falconbridge, one of Eramet's major global competitors, to part of Le Nickel-SLN's mining reserves in order to supply a new plant to be built in the Northern Province.

The agreement reached with the authorities in February 1998 provided for an exchange of mining rights provided that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo massif owned by Le Nickel-SLN in exchange for SMSP's poorer Poum reserves.

This exchange came with an indemnity from the State to compensate for the impact of the difference in reserves between the two deposits to Le Nickel-SLN's and Eramet's businesses.

**First Stage**

In the second half of 1998, Le Nickel-SLN and SMSP transferred their mining rights in Koniambo and Poum respectively to SAS Poum-Koniambo, an independent entity responsible for holding them until their final assignment. The transfer of Koniambo, for a gross selling price of €8 million, was included as an extraordinary item in the 1998 consolidated financial statements.

The indemnity, calculated following a valuation by the State's and Group's banking advisers at €152 million net of tax (€125 million for Le Nickel-SLN and €27 million for Eramet), was paid to the two companies.

**Second stage**

The second stage was to take place as soon as the promoters began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons to appear in expedited proceedings before the Paris High Court in December 2005, on the 28th of that month the court unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In parallel, Le Nickel-SLN acquired Poum SAS, the company holding the Poum massif for a contractually agreed amount of €6 million from SAS Poum-Koniambo. A €4.1 million payment was made in 2006, with Le Nickel-SLN contractually assuming the site restoration liabilities of Poum for an estimated €1.9 million.

**Transaction recognition**

In accordance with the 1998 agreements, the indemnity is wholly vested and was recognised in other operating income and expenses for €99.7 million plus interest for which €24.2 million in provisions had been recorded in previous years.

In the IFRS consolidated financial statements, the Poum massif was measured using the discounted cash flow method on the basis of reserves estimated to the best of the Company's knowledge. Assumptions regarding price, capital expenditure, cost price and discounting, etc. were applied based on the assessments usually made by the Group in its strategic plans. The fair value of €10 million generated after-tax badwill of €2.5 million, recognised directly in income. The conclusion of these transactions in 2005 resulted in a gain of €126 million, recognised in other operating income and expenses (Note 22) and a gain of €77 million in profit (loss) for the period, Group share.

■■■■■■■■■■■■■■■■■■■■ Note 27. Eramet/STCPI stock swap

Pursuant to the Le Nickel-SLN shareholder agreement of September 12 and 13, 2000 between Eramet and Société Territoriale Calédonienne de Participation Industrielle (STCPI), following the agreement of July 17 between the State, the provinces of New Caledonia and the representatives of the island's main political parties, on December 6, 2006, STCPI exercised its option from Eramet to sell it 4% of the share capital of Le Nickel-SLN, via a swap of Eramet shares at a rate of three Eramet shares for every five of Nickel-SLN. The Board of Directors decided to proceed with this stock swap under the terms set forth in the shareholders' agreement. The finalisation of

this transaction was approved at the General Shareholders' Meeting held on July 23, 2007. Eramet's stake in Le Nickel-SLN was thus consolidated at 56% as of that date (previously 60%). The disposal of the 4% generated a capital gain of €4 million. Eramet received 252,885 treasury shares, for an amount valued at a purchase price of €52 million (Note 12.1). Minority interests rose from 40% to 44%, for a sum of €45 million (Note 13).

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## ■■■■■■■■■■■■■■■■■■■■ Note 28. Off-balance sheet commitments

<i>(millions of euros)</i>	12/31/2007	12/31/2006	12/31/2005
<b>Commitments given</b>			
Endorsements, pledges and guarantees	56	30	34
Collateral security:	2	52	162
• Property, plant & equipment	2	29	35
• Non-current financial assets	-	2	89
• Inventories	-	11	25
• Receivables and other assets	-	10	13
Non-current asset orders	5	37	75
<b>Commitments received</b>			
Endorsements, pledges and guarantees	18	12	21
Collateral security	None	None	None
Credit lines	600	600	600

Commitments for orders of non-current assets only relate to strategic capital expenditure projects (discussed in Note 5.3). The above table does not include current business orders (from customers or with suppliers). The drop-off in commitments for orders of non-current assets is due to the progression of certain projects from the project phase to the operational phase.

The large reduction in warranties is mostly due to early debt repayments in the Manganese Division.

**Finance leases:**

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
<b>Amounts recognised in income statement:</b>	9	3	3
• Lease payments	9	3	3
• Sub-lease income	-	-	-
<b>Future commitments:</b>	64	72	26
• Less than a year	7	7	3
• One to five years	25	26	11
• Over five years	32	39	12

Finance leases mainly concern property leases in the Alloys Division, relating in particular to the financing of the 40,000-ton press in Pamiers (Notes 5.3 and 17.5); €48 million of which relates to capital expenditure in financial year 2006.

**"Transgabonais" railway concession – SETRAG S.A.:**

Pursuant to the terms of the November 2005 agreement, for an initial thirty year term, SETRAG S.A., the concessionaire, is required to satisfy operating capacity targets (volume of goods and number of passengers). The concessionaire is free to set its rates. Its major shareholder, Comilog S. A., undertook that the financing necessary for the capital expenditure that would enable the operating capacity targets to be achieved, would be put in place.

**Operating leases:**

Operating leases, of which the amount recognised in the income statement amounted to €38 million (€34 million as of December 31, 2006), mainly concerned property and transport equipment leases, in particular in New Caledonia and Gabon.

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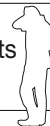
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**■■■■■■■■■■■■■■■■■■■■ Note 29. Other liabilities**

The Indonesian state company Pt Antam, owner of 10% of Pt Weda Bay Nickel, has a call option on securities exercisable between the submission date of a feasibility study by an independent banking institution and 30 days later. The price of this option on 15% of the share capital in Pt Weda Bay Nickel will be valued on the basis of 150% of the expenses incurred as on the date of the construction decision. Pt Antam also has an additional stock option exercisable during the first 60 days of the 14th year of output

on an additional minimum stake of 5% and the percentage required to hold a maximum stake of 40%. If Pt Weda Bay Nickel is listed on a stock exchange, the price of the shareholding shall be established by determining the average price in the 60 days prior and 60 days subsequent to exercising the option. If Pt Weda Bay Nickel is not listed, the shareholding will be valued by independent experts.

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**■■■■■■■■■■■■■■■■■■■■ Note 30. Related party transactions**

To the best of the Group's knowledge, there were no transactions with shareholders owning more than 5% of the share capital. Details of related party transactions in 2007 are set out below.

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>Sales</b>			
- Non-consolidated controlled subsidiaries	60	55	23
- Associates	-	-	1
<b>Cost of sales and administrative and selling expenses</b>			
- Non-consolidated controlled subsidiaries	(4)	(3)	(19)
- Associates	(4)	(4)	(8)
<b>Net borrowing cost</b>			
- Non-consolidated controlled subsidiaries	-	-	-
- Associates	-	-	-

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In 2007, balance sheet assets and liabilities resulting from related party transactions are as follows:

<i>(millions of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>Trade and other receivables</b>			
- Non-consolidated controlled subsidiaries	16	13	10
- Associates	-	-	-
<b>Trade and other payables</b>			
- Non-consolidated controlled subsidiaries	-	5	4
- Associates	-	-	1
<b>Net financial assets (liabilities)</b>			
- Non-consolidated controlled subsidiaries	(2)	2	4
- Associates	-	-	-

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Eramet does not provide any guarantees on related party debts.

In 2007, the gross compensation and benefits to Directors and members of the Executive Committee included in the Group's profit (loss) for the period were as follows:

<i>(thousands of euros)</i>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>Short-term benefits</b>			
- Fixed remuneration	2,331	2,173	2,011
- Variable remuneration	812	451	337
- Directors' fees	394	184	199
<b>Other benefits</b>			
- Post-employment benefits	3,066	286	555
- Share-based payment	1,019	428	332
<b>Total</b>	<b>7,622</b>	<b>3,522</b>	<b>3,434</b>



## ■■■■■■■■■■■■■■■■■■■■ Note 31. Workforce and personnel costs

### 31.1. Average workforce by division

	FY 2007	FY 2006	FY 2005
Nickel	2,875	2,668	2,551
Manganese	6,503	6,415	5,147
Alloys	4,684	4,573	4,555
Holding company and miscellaneous	113	105	100
<b>Total</b>	<b>14,175</b>	<b>13,761</b>	<b>12,353</b>

### 31.2. Workforce by division at end of period

	12/31/2007	12/31/2006	12/31/2005
Nickel	2,946	2,771	2,562
Manganese	6,719	6,501	6,484
Alloys	4,724	4,621	4,542
Holding company and miscellaneous	118	114	103
<b>Total</b>	<b>14,507</b>	<b>14,007</b>	<b>13,691</b>

### 31.3. Personnel costs by category

<i>(millions of euros)</i>	FY 2007	FY 2006	FY 2005
Wages and salaries	(394)	(353)	(336)
Profit-sharing	(26)	(22)	(19)
Other payroll charges	(140)	(135)	(131)
Employee benefits	7	13	5
Share-based payment	(2)	(2)	(2)
<b>Total</b>	<b>(555)</b>	<b>(499)</b>	<b>(483)</b>
Personnel costs – temporary staff	(31)	(30)	(26)
<b>Personnel costs – income statement</b>	<b>(586)</b>	<b>(529)</b>	<b>(509)</b>
Payroll to sales (including temporary staff)	15%	17%	19%
Average personnel cost (excluding temporary staff) – thousands of euros	(39)	(36)	(39)

## ■■■■■■■■■■■■■■■■■■■■ Note 32. Events after the balance sheet date

To the best of the Company's knowledge, there are no events to report after the balance sheet date.

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## ■■■■■■■■■■■■■■■■■■■■ Note 33. Segment reporting

## 33.1. By business segment

<i>(millions of euros)</i>	Nickel	Manganese	Alloys	Holding company & eliminations	Total
<b>FY 2007</b>					
External sales	1,285	1,473	1,033	1	3,792
Inter-segment sales	5	-	-	(5)	-
Sales	1,290	1,473	1,033	(4)	3,792
Cash generated from operations	574	389	84	(18)	1,029
EBITDA	758	515	112	(12)	1,373
Current operating profit	693	440	78	(15)	1,196
Other operating income and expenses	-	-	-	-	(57)
Operating profit	-	-	-	-	1,139
Net borrowing cost	-	-	-	-	19
Other finance income and expense	-	-	-	-	6
Share of profit of associates	-	-	-	-	-
Income tax	-	-	-	-	(350)
Minority interests	-	-	-	-	(232)
Profit (loss) for the period, Group share	-	-	-	-	582
Non-cash expenses	(89)	(106)	(41)	21	(215)
- Depreciation and amortisation	(62)	(66)	(39)	(2)	(169)
- Provisions	(13)	(13)	4	(2)	(24)
- Impairment losses	-	2	1	-	3
Industrial capital expenditure (intangible assets and property, plant and equipment)	135	129	54	1	319
<b>Total balance sheet assets (current and non-current)</b>	<b>2,600</b>	<b>1,492</b>	<b>1,047</b>	<b>(265)</b>	<b>4,874</b>
<b>Total balance sheet liabilities (current and non-current, excluding shareholders' equity)</b>	<b>912</b>	<b>597</b>	<b>553</b>	<b>(223)</b>	<b>1,839</b>
<b>FY 2006</b>					
External sales	1,015	1,147	892	2	3,056
Inter-segment sales	4	-	-	(4)	-
Sales	1,019	1,147	892	(2)	3,056
Cash generated from operations	327	176	93	(2)	594
EBITDA	441	230	97	(10)	758
Current operating profit	388	170	62	(13)	607
Other operating income and expenses	-	-	-	-	23
Operating profit	-	-	-	-	630
Net borrowing cost	-	-	-	-	7
Other finance income and expense	-	-	-	-	(4)
Share of profit of associates	-	-	-	-	1
Income tax	-	-	-	-	(174)
Minority interests	-	-	-	-	(141)
Profit (loss) for the period, Group share	-	-	-	-	319
Depreciation and amortisation	(49)	(26)	(49)	(10)	(134)
- Amortisation & depreciation	(53)	(54)	(37)	(1)	(145)
- Provisions	(9)	24	3	(1)	17
- Impairment losses	-	1	(2)	-	(1)
Industrial capital expenditure (intangible assets and property, plant and equipment)	125	122	58	4	309
<b>Total balance sheet assets (current and non-current)</b>	<b>1,959</b>	<b>1,119</b>	<b>1,097</b>	<b>(166)</b>	<b>4,009</b>
<b>Total balance sheet liabilities (current and non-current, excluding shareholders' equity)</b>	<b>736</b>	<b>433</b>	<b>720</b>	<b>(19)</b>	<b>1,870</b>

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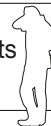
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<i>(millions of euros)</i>	Nickel	Manganese	Alloys	Holding company & eliminations	Total
<b>FY 2005</b>					
External sales	766	1,134	811	1	2,712
Inter-segment sales	8	1	-	(9)	-
Sales	774	1,135	811	(8)	2,712
Cash generated from operations	355	223	59	(6)	631
EBITDA	299	316	86	(7)	694
Current operating profit	243	264	47	(12)	542
Other operating income and expense	-	-	-	-	112
Operating profit	-	-	-	-	654
Net borrowing cost	-	-	-	-	(3)
Other finance income and expense	-	-	-	-	(9)
Share of profit of associates	-	-	-	-	2
Income tax	-	-	-	-	(126)
Minority interests	-	-	-	-	(141)
Profit (loss) for the period, Group share	-	-	-	-	377
Non-cash expenses	(59)	(21)	(29)	(4)	(113)
- Depreciation and amortisation	(51)	(39)	(36)	(3)	(129)
- Provisions	(8)	16	11	6	25
- Impairment losses	-	(7)	(2)	-	(9)
Industrial capital expenditure (intangible assets and property, plant and equipment)	68	94	66	3	231
<b>Total balance sheet assets (current and non-current)</b>	<b>1,433</b>	<b>1,098</b>	<b>1,007</b>	<b>(235)</b>	<b>3,303</b>
<b>Total balance sheet liabilities (current and non-current, excluding shareholders' equity)</b>	<b>409</b>	<b>480</b>	<b>667</b>	<b>(238)</b>	<b>1,318</b>

### 33.2. By geographic region

<i>(millions of euros)</i>	Europe	North America	Asia	Oceania	Africa	South America	Total
<b>Sales (location of sales)</b>							
FY 2007	1,985	643	922	58	150	34	3,792
FY 2006	1,532	638	725	42	98	21	3,056
FY 2005	1,358	614	666	27	29	18	2,712
<b>Industrial capital expenditure (intangible assets and property, plant and equipment)</b>							
FY 2007	76	46	28	111	58	-	319
FY 2006	86	33	29	113	48	-	309
FY 2005	98	21	10	60	42	-	231
<b>Total balance sheet assets (current and non-current)</b>							
FY 2007	2,916	346	425	825	362	-	4,874
FY 2006	2,370	292	362	698	287	-	4,009
FY 2005	1,943	334	115	642	269	-	3,303



### ➤ 20.1.3. Report from the Statutory Auditors on the Consolidated Financial Statements – Year Ended December 31, 2007

Dear shareholders,

In accordance with the assignment entrusted to us at your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Eramet for the year ended December 31, 2007.

The consolidated financial statements were drawn up by the Board of Directors. Our task is to express an opinion on these financial statements based on our audit.

#### I. Opinion on the consolidated financial statements

We carried out our audit in accordance with professional standards applicable in France. These standards require that we carry out our audit in such a manner as to obtain a reasonable assurance that the annual financial statements do not contain any material misstatements. An audit involves examining, by sampling, documentation supporting the information in these financial statements. An audit also includes reviewing the accounting principles and material estimates used in drawing up the financial statements, as well as evaluating their overall presentation. We believe our audit provides a reasonable basis for the opinion set out below.

We certify that the consolidated financial statements for the financial year are, with respect to the IFRS system adopted by the European Union, reasonable and accurate, and that they give a true and fair view of the assets, financial position and profit (loss) for the period of the group comprised of the companies and entities within the scope of consolidation.

#### II. Explanation of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the explanation of our assessments, we would like to bring the following items to your attention:

- financial instruments are analysed with a view to their classification as hedging instruments and are recognised and measured on the basis of Group policies set out in Note 1.20 to the consolidated financial statements. Our work involved, based on the documentation available, assessing the suitability of classifying them as hedges and the reasonability of the assumptions used to determine the fair value of financial instruments as on the balance sheet date;
- as specified in Notes 1.1.1 and 1.19 to the consolidated financial statements, the Group has recognised provisions to cover the costs required to restore mining sites. Our work involved reviewing the approach taken by the Group to measure these commitments based on items available at this date. On this basis, we assessed the reasonable nature of those estimates.

The assessments thus made are part of our audit process on the consolidated financial statements as a whole and, therefore, contributed to forming the opinion set out in the first part hereof.

#### III. Special check

We also checked the information set out in the Group's management report in line with professional standards applicable in France. We have no observations to make regarding its fairness or consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-Sur-Seine, March 14, 2008

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

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**20.2. 2007 CORPORATE FINANCIAL STATEMENTS****➤ 20.2.1. Commentary on the corporate financial statements**

<i>(millions of euros)</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Sales	1,370	1,083	843
Operating profit (loss)	72	38	23
Net finance income	181	122	186
Profit (loss) for the period	207	144	247
Average workforce	347	336	325

**Commentary**

Total sales rose sharply by 26.5%. Nickel sales rose 31.1% on the back of the post-hedge price effect (USD13/lb in 2007 compared to USD8.1/lb in 2006) despite a 9.6% decline in tons sold, dropping from 64,700 tons in 2006 to 55,100 tons in 2007.

Operating profit rose sharply, from €38 million in 2006 to €72 million in 2007, due to the price effect and to the very good industrial performance of the Sandouville plant, which achieved record production.

Finance income amounted to €181 million compared to €122 million, comprised of dividends from Eramet Manganèse (€48.7 million), Eramet Nickel (€78 million) and Erasteel (€15 million), as well as the €30.9 million reversal of the provision for S.I.M.A. shares as a result of the turnaround at Aubert & Duval.

Following a €19 million increase in provisions for price rises, profit sharing of €2.6 million and a tax consolidation charge of €22 million, the profit for the period was €207 million, representing a 44% increase on 2006.

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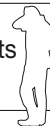
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## 20.2.2. 2007 Corporate financial statements

### 1. Balance sheet



ASSETS <i>(thousands of euros)</i>	Notes	Gross amounts	Depreciation, amortisation and provisions	12/31/2007 Net amounts	12/31/2006 Net amounts	12/31/2005 Net amounts
<b>Intangible non-current assets</b>						
Concessions, patents, licences, trademarks, processes, rights and similar assets		6,074	5,480	594	209	474
Other		190	0	190	0	0
Intangible non-current assets in progress		0	0		969	616
<b>Subtotal</b>		<b>6,264</b>	<b>5,480</b>	<b>784</b>	<b>1,178</b>	<b>1,090</b>
<b>Tangible non-current assets</b>						
Land		1,131	0	1,131	1,131	1,131
Buildings		20,059	12,287	7,772	6,913	7,211
Technical installations, machinery and equipment		47,294	38,641	8,653	5,961	6,216
Other		9,668	4,905	4,763	4,903	2,646
Tangible non-current assets in progress		4,690	0	4,690	4,037	443
Down-payments		0	0	0	0	0
<b>Subtotal</b>		<b>82,842</b>	<b>55,833</b>	<b>27,009</b>	<b>22,945</b>	<b>17,647</b>
<b>Non-current financial assets</b>						
Investments in associates		1,268,835	14,984	1,253,851	1,127,102	931,976
Receivables on investments in associates		169,032	0	169,032	365,627	327,591
Other capitalised investments		53,266	0	53,266	5,114	6,466
Other		5,408	0	5,408	2,785	1,837
<b>Subtotal</b>		<b>1,496,541</b>	<b>14,984</b>	<b>1,481,557</b>	<b>1,500,628</b>	<b>1,267,870</b>
<b>Non-current assets</b>	1	<b>1,585,647</b>	<b>76,297</b>	<b>1,509,350</b>	<b>1,524,751</b>	<b>1,286,607</b>
<b>Inventories and work in progress</b>						
Raw materials and other supplies		48,956	3,132	45,824	42,364	23,625
Work in progress		10,703	0	10,703	6,461	5,235
Semi-finished and finished products		22,118	0	22,118	22,190	15,777
Goods		74,024	0	74,025	21,132	34,417
<b>Subtotal</b>		<b>155,801</b>	<b>3,132</b>	<b>152,670</b>	<b>92,147</b>	<b>79,054</b>
<b>Down-payments</b>		<b>2,398</b>	<b>0</b>	<b>2,398</b>	<b>1,565</b>	<b>15,875</b>
<b>Operating receivables</b>						
Trade receivables	2 & 7	160,813	774	160,039	177,433	54,341
Other receivables		21,003	8,097	12,906	35,383	20,094
<b>Subtotal</b>		<b>181,816</b>	<b>8,871</b>	<b>172,945</b>	<b>212,816</b>	<b>74,435</b>
Inter-company current accounts		0		0	21,077	0
<b>Cash &amp; cash equivalents</b>	3	<b>1,690</b>	<b>0</b>	<b>1,690</b>	<b>831</b>	<b>3,330</b>
<b>Prepaid expenses and accruals</b>	4	<b>6,309</b>	<b>0</b>	<b>6,309</b>	<b>5,453</b>	<b>1,752</b>
<b>Current assets</b>		<b>348,014</b>	<b>12,003</b>	<b>336,011</b>	<b>333,889</b>	<b>174,446</b>
Translation adjustments		18		18	19	20
<b>Total assets</b>		<b>1,933,679</b>	<b>88,300</b>	<b>1,845,379</b>	<b>1,858,659</b>	<b>1,461,073</b>

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<b>LIABILITIES</b>	<b>Notes</b>	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2005</b>
<i>(thousands of euros)</i>				
Share capital	6	79,012	78,937	78,659
Issue, merger and contribution premiums		222,431	221,962	219,081
Legal reserve		7,894	7,866	7,852
Statutory reserves			53,529	53,529
Other reserves		253,839	200,311	200,311
Retained earnings		418,313	348,205	155,501
Profit (loss) for the period		206,516	144,198	246,770
<b>Net assets</b>	<b>5</b>	<b>1,188,005</b>	<b>1,055,008</b>	<b>961,703</b>
Capital grants			8	25
Statutory provisions	8	53,387	33,364	22,967
<b>Shareholders' equity</b>		<b>1,241,392</b>	<b>1,088,380</b>	<b>984,695</b>
Provisions for contingencies		0	0	0
Provisions for losses	8	7,279	6,745	7,987
<b>Provisions for contingencies and losses</b>		<b>7,279</b>	<b>6,745</b>	<b>7,987</b>
<b>Borrowings</b>				
Bank loans		9,617	2	610
Miscellaneous borrowings		139	181,576	55,139
Inter-company current accounts		386,450	440,715	320,511
Down-payments received on orders		1,823	1,121	1,308
<b>Operating payables</b>				
Trade payables		161,108	109,291	76,427
Tax and payroll liabilities		25,479	17,025	10,088
<b>Miscellaneous liabilities</b>				
Liabilities on non-current assets		3,456	2,803	1,059
Other liabilities		8,636	11,001	3,249
<b>Liabilities</b>	<b>10</b>	<b>596,708</b>	<b>763,534</b>	<b>468,391</b>
Translation adjustments		0	0	0
<b>Total liabilities and shareholders' equity</b>		<b>1,845,379</b>	<b>1,858,659</b>	<b>1,461,073</b>

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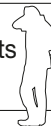
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## 2. Income statement



<i>(thousands of euros)</i>	Notes	12/31/2007	12/31/2006	12/31/2005	
<b>Operating income</b>					<b>01</b>
Sales		1,313,119	1,028,525	795,301	
Income from ancillary activities		56,878	54,146	47,647	<b>02</b>
<b>Net sales</b>	12	<b>1,369,997</b>	<b>1,082,671</b>	<b>842,948</b>	<b>03</b>
Change in inventories of finished products and work in-progress		4,170	7,639	2,528	
Capitalised production		29	62	59	<b>04</b>
Operating subsidies		52	13	20	
Reversal of provisions, excess depreciation & amortisation & expense transfers		6,354	5,521	6,366	<b>05</b>
Other income		58	0	2,425	<b>06</b>
<b>Other income</b>		<b>10,663</b>	<b>13,235</b>	<b>11,398</b>	<b>07</b>
<b>Total income</b>		<b>1,380,660</b>	<b>1,095,906</b>	<b>854,346</b>	<b>08</b>
<b>Operating expenses</b>					<b>09</b>
Purchases of goods		1,025,311	765,062	624,456	
Change in inventory		(52,893)	13,285	(14,037)	<b>10</b>
Raw materials and consumables used		229,124	201,321	128,350	
Change in inventory		(3,781)	(19,063)	3,690	<b>11</b>
External purchases and expenses		60,268	57,368	48,342	
Taxes and levies		4,500	3,886	3,196	<b>12</b>
Wages and salaries		25,295	18,902	17,516	
Payroll charges		10,165	8,983	8,271	<b>13</b>
Depreciation and amortisation expense		4,565	4,092	6,934	
Provisions for losses on current assets		3,344	2,980	2,880	<b>14</b>
Provisions for contingencies and losses		668	848	1,414	
Other expenses		1,815	576	631	<b>15</b>
<b>Total expenses</b>		<b>1,308,381</b>	<b>1,058,240</b>	<b>831,643</b>	<b>16</b>
<b>Operating profit (loss)</b>		<b>72,279</b>	<b>37,666</b>	<b>22,703</b>	<b>17</b>
<b>Net finance income</b>	14	<b>181,109</b>	<b>121,787</b>	<b>185,572</b>	<b>18</b>
<b>Profit (loss) before tax and extraordinary items</b>		<b>253,388</b>	<b>159,454</b>	<b>208,276</b>	<b>19</b>
<b>Extraordinary items</b>	15	<b>(22,225)</b>	<b>(9,691)</b>	<b>36,264</b>	<b>20</b>
Employee profit-sharing		(2,620)	(2,031)	(1,898)	<b>21</b>
Income tax	13	(22,027)	(3,534)	4,128	<b>22</b>
<b>Profit (loss) for the period</b>		<b>206,516</b>	<b>144,198</b>	<b>246,770</b>	<b>23</b>
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### 3. Cash flow statement



<i>(thousands of euros)</i>	2007	2006	2005
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	206,516	144,198	246,767
Elimination of non-cash and non-operating income and expenses	(6,445)	(25,174)	(59,521)
<b>Cash generated from operations</b>	<b>200,071</b>	<b>119,024</b>	<b>187,246</b>
Change in operating working capital requirement	36,269	(92,154)	(42,867)
<b>Net cash generated by operating activities</b>	<b>236,340</b>	<b>26,870</b>	<b>144,379</b>
<b>Cash flows from investing activities</b>			
Payments for non-current financial assets	(145,764)	(189,859)	(73,454)
Payments for non-current tangible and intangible assets	(8,479)	(7,792)	0
Proceeds from non-current asset disposals	43	1,970	12,108
Debt repayments		31,613	0
Increases in deferred expenses and change in receivables and liabilities on non-current assets	653	0	0
<b>Subtotal</b>	<b>(153,547)</b>	<b>(164,068)</b>	<b>(61,346)</b>
Other movements		0	(15,556)
<b>Net cash used in investing activities</b>	<b>(153,547)</b>	<b>(164,068)</b>	<b>(76,902)</b>
<b>Cash flows from financial activities</b>			
Dividends paid to Eramet SA shareholders	(74,061)	(54,053)	(51,153)
Proceeds from share capital increases	545	3,158	1,476
Change in financing activities working capital requirement		0	0
<b>Net cash used in financing activities</b>	<b>(73,516)</b>	<b>(50,895)</b>	<b>(49,677)</b>
Other movements	1,394	0	(40)
<b>Increase (decrease) in net cash or borrowings</b>	<b>10,671</b>	<b>(188,093)</b>	<b>17760</b>
<b>Net cash (borrowings) at January 1</b>	<b>(236,155)</b>	<b>(48,062)</b>	<b>(65,822)</b>
<b>Net cash (borrowings) at December 31</b>	<b>(225,484)</b>	<b>(236,155)</b>	<b>(48,062)</b>

### 4. Material facts

#### SALES

Nickel sales rose 31.1% on the back of the high (post-hedge) price throughout the year (USD13/lb in 2007 compared to USD8.1/lb in 2006).

#### OPERATING PROFIT (LOSS)

Operating profit rose 92%, on the back of the nickel price effect and the good industrial performance at the Sandouville plant (record production).

#### NET FINANCE INCOME

Net finance income mostly consisted of dividends received from subsidiaries (Nickel: €78 million, Manganese: €48.7 million and Alloys €15 million). The improved performance of the Alloys Division (Aubert & Duval) resulted in profits and a €30.9 million reversal of the provision for the impairment of investments in associates.

#### EXTRAORDINARY ITEMS

Extraordinary items were comprised of the €19 million increase in the provision for price increases.

#### DEVELOPMENTS WITH REGARD TO INVESTMENTS IN ASSOCIATES

- S.I.M.A.'s capital was increased by €95 million on December 17, 2007 via the capitalisation of a portion of the financial receivables.
- Eramet North America (ENA) was reclassified under Eramet International in order to group together all the Eramet group marketing subsidiaries.
- In early 2007, Metal Currencies, a wholly owned Eramet subsidiary, was incorporated in order to carry out all of Eramet's foreign currency transactions, particularly with respect to the dollar.

#### DEVELOPMENTS WITH REGARD TO THE CASH POSITION

- The commercial paper issued in 2006 was fully repaid in 2007.

#### EXERCISE OF THE ERAMET/STCPI OPTION

As indicated in Note 20, the Eramet/SLN stock swap with STCPI took place on July 23, 2007. Eramet recovered 252,885 treasury shares, valued at €51.8 million.

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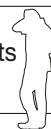
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## 5. Notes to the corporate financial statements – Accounting principles, rules and methods

### 5.1. RECAP OF PRINCIPLES

Generally accepted accounting principles were applied, while complying with the principle of prudence, in line with underlying assumptions, i.e. going concern, consistency of accounting methods from one period to another, application of the matching principle and in line with the rules for drawing up and presenting annual financial statements.

The historical cost policy is used to value items.

### 5.2. CHANGES IN METHODS

Regulation no. 2002-10 from the French Accounting Regulations Committee (Comité de la Réglementation Comptable) introduced the following changes as from January 1, 2005:

- ⊕ review of depreciation and amortisation periods of certain non-current assets resulting in a reduction in economic depreciation and amortisation, offset by an increase in excess depreciation and amortisation;
- ⊕ cancellation via shareholders' equity of the provision for major repairs. Major repairs are now either expensed or recognised as items of property, plant and equipment in the case of replacement expenses.

### 5.3. RULES AND METHODS APPLIED TO THE VARIOUS BALANCE SHEET AND INCOME STATEMENT LINES

#### 5.3.1. Property, plant and equipment and intangible assets

The gross amount of assets is the amount at which the items were first recognised in the Company's balance sheet and includes any expenses required to bring them into working order. These items have not been re-measured.

Unused assets or assets with fair market values lower than the carrying amount are, as a general rule, impaired or provisioned.

Economically justified depreciation is calculated using the straight-line method. This depreciation is calculated over the asset's useful life.

Depreciation periods for property, plant and equipment are as follows, except in exceptional circumstances:

- ⊕ buildings: 20 – 30 years;
- ⊕ technical installations: 12 – 20 years;
- ⊕ machinery, equipment and tooling: 3 – 10 years;
- ⊕ general installations, fittings and fixtures: 5 – 10 years;
- ⊕ transportation equipment: 5 – 8 years;
- ⊕ office furniture and equipment and computer equipment: 3 – 8 years.

The impact of any difference between the period over which it is used and the useful life is recognised via excess depreciation.

#### 5.3.2. Non-current financial assets

As from January 1, 2006, the gross amount includes the purchase cost excluding incidental expenses. Borrowings are recognised at their nominal value. Securities are estimated at their value in use, which takes account of both their net asset value and likely returns. If the value in use is lower than their gross amount, an impairment loss is recognised for the difference.

#### 5.3.3. Inventories

Inventories of nickeliferous products are measured at cost, calculated on a first-in-first-out (FIFO) basis. If the value thereby obtained is greater than the net realisable value (i.e. selling price less selling expenses), a provision is recognised for the difference.

Consumables are measured at cost, which is calculated using the weighted average price method.

Spare parts inventories are fully impaired for any item where they exceed one year's supply.

#### 5.3.4. Receivables and debts

Foreign currency receivables and debts are re-measured at the closing rate or at the forward hedging rate, as the case may be.

Any unrealised foreign currency gains or losses resulting from re-measurements at the closing rate are recognised under "translation adjustments" in the balance sheet. A provision for contingencies and losses is recognised for any unrealised losses.

Impairment losses on trade receivables are assessed on a customer-by-customer basis in accordance with the estimated risk.

#### 5.3.5. Investment securities

Investment securities are measured at acquisition cost, with an impairment loss being recognised where their net asset value is lower. Unrealised capital gains are not recognised.

#### 5.3.6. Provisions for contingencies and losses

These allow for all known contingencies and losses up to the date on which the final financial statements are drawn up.

#### 5.3.7. Employee indemnities and benefits

Eramet offers its employees various long-term benefits such as retirement packages or other additional post-employment benefits and long-service bonuses.

Some liabilities are wholly or partly covered by contracts taken out with insurance companies. In this case, liabilities and covering assets are assessed independently. A provision is then recognised on the basis of the amount of financial assets and liabilities.

Eramet's liabilities are appraised by independent actuaries. The actuarial assumptions used (likelihood of working employees staying with Eramet, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the country. The discount rates used are based on the rate of government bonds or bonds

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in top-rated companies with a maturity equivalent to that of the liabilities on the appraisal date.

The expected long-term return on assets was calculated by taking account of the structure of the investment portfolio for each country.

The actuarial assumptions used for appraisals are as follows:

	2007	2006	2005
Discount rate	5.25%	4.40%	3.90%
Inflation rate	2.00%	2.00%	2.00%
Salary increase rate	3.00%	2.00%	4.50%
Return on plan financial assets	5.00%	5.00%	5.30%

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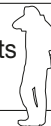
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### ■■■■■■■■■■■■■■■■■■■■ Note 1. Non-current assets

#### Acquisition values

<i>(thousands of euros)</i>	Acquisition values 01/01/2007	Acquisitions	Disposals, retirements and adjustments	Acquisition values 12/31/2007
<b>Intangible non-current assets</b>				
Concessions, patents, licences, trademarks, processes, rights and similar assets	4,924	371	779	6,074
Intangible non-current assets in progress	969		(779)	190
<b>Subtotal</b>	<b>5,893</b>	<b>371</b>	<b>0</b>	<b>6,264</b>
<b>Tangible non-current assets</b>				
Land	1,131			1,131
Buildings	18,416	1,659	(16)	20,059
Technical installations, machinery and equipment	43,232	4,062		47,294
Other	8,814	854		9,668
Tangible non-current assets in progress	4,037	754	(101)	4,690
<b>Subtotal</b>	<b>75,630</b>	<b>7,329</b>	<b>(117)</b>	<b>82,842</b>
<b>Non-current financial assets</b>				
Investments in associates <sup>(1)</sup>	1,173,838	95,000	(3)	1,268,835
Receivables on investments in associates	365,627		(196,595)	169,032
Other capitalised investments <sup>(2)</sup>	5,129	52,731	(4,594)	53,266
Other	2,785	2,630	(7)	5,408
<b>Subtotal</b>	<b>1,547,379</b>	<b>150,361</b>	<b>(201,199)</b>	<b>1,496,541</b>
<b>Total</b>	<b>1,628,902</b>	<b>158,061</b>	<b>(201,316)</b>	<b>1,585,647</b>

(1) The "Investments" line relates to S.I.M.A.'s €95 million capital increase on December 17, 2007.

(2) Includes the treasury shares received in the Eramet/STCPI stock swap as well as the adjustment for their disposal under options exercised.



## Depreciation, amortisation and provisions

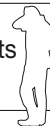
(thousands of euros)	Depreciation, amortisation and provisions 01/01/2007	Increase in depreciation, amortisation and provisions	Reversals of depreciation, amortisation and provisions	Disposals, retirements and adjustments	Depreciation, amortisation and provisions 12/31/2007	Net amounts 12/31/2007
<b>Intangible non-current assets</b>						
Concessions, patents, licences, trademarks, processes, rights and similar assets	4,715	1,001		(236)	5,480	594
Intangible non-current assets in progress						190
<b>Subtotal</b>	<b>4,715</b>	<b>1,001</b>	<b>-</b>	<b>(236)</b>	<b>5,480</b>	<b>784</b>
<b>Tangible non-current assets</b>						
Land						1,131
Buildings	11,504	814		(31)	12,287	7,772
Technical installations, machinery and equipment	37,271	1,743	(94)	(279)	38,641	8,653
Other	3,911	1,006		(12)	4,905	4,763
Tangible non-current assets in progress						4,690
<b>Subtotal</b>	<b>52,686</b>	<b>3,563</b>	<b>(94)</b>	<b>(322)</b>	<b>55,833</b>	<b>27,009</b>
<b>Non-current financial assets</b>						
Investments in associates <sup>(1)</sup>	46,736		(31,752)		14,984	1,253,851
Receivables on investments in associates					-	169,032
Other capitalised investments	15		(15)		-	53,266
Other						5,408
<b>Subtotal</b>	<b>46,751</b>	<b>-</b>	<b>(31,767)</b>	<b>-</b>	<b>14,984</b>	<b>1,481,557</b>
<b>Total</b>	<b>104,152</b>	<b>4,564</b>	<b>(31,861)</b>	<b>(558)</b>	<b>76,297</b>	<b>1,509,350</b>

(1) Reversal of a provision for S.I.M.A. shares of €30,900,000 and for ENA of €852,000 as a result of its sale by Eramet International.

## Note 2. Schedule of receivables

(thousands of euros)	Gross amount 12/31/2007	Up to a year	Over a year
Receivables on investments in associates <sup>(1)</sup>	169,032	169,032	
Other non-current financial assets	5,408	5,408	
Trade receivables	160,813	160,813	
Other receivables	21,003	21,003	
Subscribed called up capital – not paid up			
Prepaid expenses	6,309	6,309	
Current accounts			
<b>Total</b>	<b>362,565</b>	<b>362,565</b>	<b>0</b>

(1) Balance of loans extended by Eramet in 2007 to S.I.M.A., (€120 million), Eramet Marietta (USD 25 million) and Eramet Norway (€27 million) which were financed internally.

**■■■■■■■■■■■■■■■■■■■■ Note 3. Cash**

Solely comprised of demand bank accounts.

**■■■■■■■■■■■■■■■■■■■■ Note 4. Prepaid expenses and accruals**

<i>(thousands of euros)</i>	<b>Gross amount 12/31/2007</b>
Prepaid expenses <sup>(1)</sup>	6,309
Translation adjustments	18
<b>Total</b>	<b>6,327</b>

*(1) Almost all the prepaid expenses relate to the payment of the hedging premium in 2007.***■■■■■■■■■■■■■■■■■■■■ Note 5. Shareholders' equity**

<i>(thousands of euros)</i>	<b>Number of shares</b>	<b>Share capital</b>	<b>Reserves and retained earnings</b>	<b>Profit (loss) for the period</b>	<b>Total</b>
<b>Shareholders' equity as on December 31, 2005</b>	<b>25,789,874</b>	<b>78,659</b>	<b>636,273</b>	<b>246,770</b>	<b>961,702</b>
Dividend distribution			(54,053)		(54,053)
Allocation to retained earnings and reserves			246,770	(246,770)	0
Withholding			0		0
Other transactions			0		0
Share capital increases for cash	91,020	278	2,882		3,160
Share capital increases via capitalisation of reserves					0
Contributions in cash					0
Dividends paid in shares					0
Share capital increases in kind					0
Profit (loss) for the 2006 financial year				144,198	144,198
<b>Shareholders' equity as on December 31, 2006</b>	<b>25,880,894</b>	<b>78,937</b>	<b>831,872</b>	<b>144,198</b>	<b>1,055,008</b>
Dividend distribution			(74,061)		(74,061)
Allocation to retained earnings and reserves			144,198	(144,198)	0
Withholding					0
Other transactions					0
Share capital increases for cash	24,727	75	470		545
Share capital increases via capitalisation of reserves					0
Contributions in cash					0
Dividends paid in shares					0
Share capital increases in kind					0
Profit (loss) for the 2007 financial year				206,516	206,516
<b>Shareholders' equity as on December 31, 2007</b>	<b>25,905,621</b>	<b>79,012</b>	<b>902,479</b>	<b>206,516</b>	<b>1,188,005</b>

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The share capital breaks down as follows:

	12/31/2007	12/31/2006
AREVA	26.08%	26.11%
SORAME/CEIR	37.07%	37.11%
STCPI	4.13%	5.11%
Miscellaneous	32.72%	31.67%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Eramet distributable reserves amounted to €895 million prior to the allocation of 2007 earnings (€824 million as of December 31, 2006).

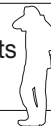
## ■■■■■■■■■■■■■■■■■■■■ Note 6. Treasury stock

As of December 31, 2007, Eramet held 340,786 treasury shares (130,257 shares as of December 31, 2006). In July 2007, following the application of the Le Nickel-SLN shareholder agreement of September 13, 2000, Eramet received 252,885 shares (Note 20). 5,000 shares (16,862 shares

as of December 31, 2006) classed as bearer shares, relating to those bought under a liquidity contract signed with Exane BNP Paribas and not yet registered as of the date of drafting of this table.

The table below summarises the treasury stock transactions:

	Number of shares	Market making	Stock options granted	Other goals	Total
<b>Position as on December 31, 2005</b>		<b>15,609</b>	<b>132,305</b>	<b>18,907</b>	<b>166,821</b>
As a percentage of share capital	25,789,874	0.06%	0.51%	0.07%	0.65%
Allocated to stock options:					
- Granted		-	(31,649)	31,649	-
- Other		239	-	(239)	-
Purchase option exercises		-	(37,578)	-	(37,578)
Purchases		59,837	-	-	59,837
Sales		(58,823)	-	-	(58,823)
<b>Position as on December 31, 2006</b>		<b>16,862</b>	<b>63,078</b>	<b>50,317</b>	<b>130,257</b>
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%
Allocated to stock options:					
- Granted		-	(32,584)	32,584	-
- Other		-	-	-	-
Purchase option exercises		-	(30,494)	-	(30,494)
Purchases		69,332	-	252,885	322,217
Sales		(81,194)	-	-	(81,194)
<b>Position as on December 31, 2007</b>		<b>5,000</b>	<b>-</b>	<b>335,786</b>	<b>340,786</b>
As a percentage of share capital	25,905,621	0.02%	0.00%	1.30%	1.32%



## ■■■■■■■■■■■■■■■■■■■■ Note 7. Provisions for impairment of current assets

<i>(thousands of euros)</i>	01/01/2007	Allowances	Reversals	12/31/2007
Raw materials				
Other supplies <sup>(1)</sup>	2,811	321		3,132
Trade receivables <sup>(2)</sup>	562	212		774
Miscellaneous receivables	9,351	1,897	(3,151)	8,097
<b>Total</b>	<b>12,724</b>	<b>2,430</b>	<b>(3,151)</b>	<b>12,003</b>

(1) Spare parts inventories are fully provided for where they exceed one year's supply.

(2) The trade receivables provision was increased to 100% of the receivable following a lawsuit with an Italian customer.

## ■■■■■■■■■■■■■■■■■■■■ Note 8. Provisions for liabilities

<i>(thousands of euros)</i>	01/01/2007	Allowances	Reversals		12/31/2007
			Used in year	Unused in year	
Provisions for price increases <sup>(1)</sup>	30,595	19,066			49,661
Excess depreciation and amortisation	2,769	1,402		(445)	3,726
Provisions for reconstituting mining reserves					
<b>Total statutory provisions</b>	<b>33,364</b>	<b>20,468</b>	<b>-</b>	<b>(445)</b>	<b>53,387</b>
Personnel <sup>(2)</sup>	6,669	1,008		(473)	7,204
Environment	76				76
<b>Total provisions for contingencies and losses</b>	<b>6,745</b>	<b>1,008</b>	<b>-</b>	<b>(473)</b>	<b>7,280</b>
<b>Provisions for liabilities</b>	<b>40,109</b>	<b>21,476</b>	<b>-</b>	<b>(918)</b>	<b>60,667</b>

(1) A further 19 million increase in the provision for price rises was recognised as of December 31, 2007.

(2) Eramet recognises provisions for pension and related liabilities on the basis of an actuarial appraisal by an outside firm. The data was forecast as of December 31, 2007 based on calculations carried out as of December 31, 2006.

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## ■■■■■■■■■■■■■■■■■■■■ Note 9. Employee liabilities

<i>(thousands of euros)</i>	Fair value of plan assets	Actuarial value of liabilities	Financial position surplus/(deficit)
Pension plan	6,005	6,881	(876)
Retirement package	1,994	2,575	(581)
Awards and bonuses		2,180	(2,180)
Healthcare plans		2,756	(2,756)
<b>Total</b>	<b>7,999</b>	<b>14,392</b>	<b>(6,393)</b>

<i>(thousands of euros)</i>	Unrecognised actuarial (gains)/ losses	Unrecognised past service cost	Balance sheet provisions (asset)/liability
Pension plan	(1,192)		2,068
Retirement package	(48)	231	398
Awards and bonuses			2,180
Healthcare plans	199		2,558
<b>Total</b>	<b>(1,041)</b>	<b>231</b>	<b>7,204</b>

### Actuarial assumptions:

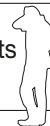
Discount rate	5.25%
Inflation rate	2%
Salary increase rate	3%
Return on plan financial assets	5%

### Breakdown of pension fund investments:

<i>(thousands of euros)</i>	Shares	Bonds	Other investments	Total
Amount	1,924	5,229	846	7,999
Percentage	24%	65%	11%	100%

### Change in pension liabilities:

<i>(thousands of euros)</i>	FY 2007
<b>At January 1</b>	<b>6,669</b>
Expenses recognised:	1,494
• Service cost	893
• Net interest expense	697
• Return on plan assets	(493)
• Depreciation and amortisation of actuarial gains and losses and past service cost	45
• Other	352
Contributions paid	(959)
Translation adjustments and other movements	
<b>At December 31</b>	<b>7,204</b>



## ■■■■■■■■■■■■■■■■■■■■ Note 10. Debt schedule

<i>(thousands of euros)</i>	Net amount	Under a year	Over a year and up to five years	Over five years
Bank loans	9,617	9,617		
Miscellaneous borrowings <sup>(1)</sup>	386,589	386,537	52	
Down-payments from customers on orders	1,823	1,823		
Trade payables	161,108	161,108		
Tax and payroll liabilities	25,479	25,479		
Liabilities on non-current assets	3,456	3,456		
Other miscellaneous liabilities	8,636	8,636		
<b>Total</b>	<b>596,708</b>	<b>596,656</b>	<b>52</b>	<b>0</b>

*(1) Eramet is partly financed by Metal Securities, its 87.92%-owned subsidiary. The amount as on December 31, 2007 was €386 million (compared to €440 million as of December 31, 2006). In addition, Eramet repaid all the commercial paper during the year.*

## ■■■■■■■■■■■■■■■■■■■■ Note 11. Breakdown of liabilities and accrued expenses

<i>(thousands of euros)</i>	Gross amount
Miscellaneous borrowings	398,029
Trade payables	161,108
Tax and payroll liabilities	25,479
Liabilities on non-current assets	3,456
Other miscellaneous liabilities	8,636
<b>Total</b>	<b>596,708</b>

## ■■■■■■■■■■■■■■■■■■■■ Note 12. Items relating to associates

<i>(thousands of euros)</i>	Net amount
<b>Balance sheet</b>	
Investments in associates	1,253,851
Trade receivables	2,059
Miscellaneous receivables	780
Financial receivables	180,282
Miscellaneous borrowings	566,779
Trade payables	149,704
Other debts	95
<b>Income statement</b>	
Finance income	16,016
Financial expenses	(17,485)

*Companies are considered associates where Eramet holds a stake that gives it significant influence over them.*

## ■■■■■■■■■■■■■■■■■■■■ Note 13. Sales

<i>(thousands of euros)</i>	<b>Total</b>	<b>France</b>	<b>Abroad</b>
Sales	1,313,119	52,884	1,260,235
Income from ancillary activities	56,878	17,949	38,929
<b>Total sales</b>	<b>1,369,997</b>	<b>70,833</b>	<b>1,299,164</b>

Sales include a foreign currency gain of €30.8 million (compared to -€10.6 million in 2006) resulting from hedging in 2007, i.e. an average dollar rate of 1.3140 (compared to 1.2772 in 2006).

## ■■■■■■■■■■■■■■■■■■■■ Note 14. Increases and reductions in future tax liabilities

<i>(thousands of euros)</i>	<b>12/31/2007</b>
<b>Increases in taxable base</b>	
• Statutory provisions	53,387
• Translation adjustment gains at close	18
• Deferred charges	533
<b>Reductions in taxable base</b>	
• Provisions not deductible in financial period	(30,955)
• Accrued expenses	5,677
• Translation adjustment losses at close	
• Unrealised finance income	
<b>Net increase in taxable base</b>	<b>28,660</b>
<b>Increase in future taxation</b>	<b>10,031</b>
Breakdown of income tax	35%

<b>Breakdown of income tax</b>	<b>Gross amount</b>	<b>Tax owed</b>	<b>Net profit (loss)</b>
<i>(thousands of euros)</i>			
Current profit (loss)	253,388		253,388
Extraordinary items	(22,225)		(22,225)
Profit-sharing	(2,620)		(2,620)
Effects of tax consolidation		(22,027)	(22,027)
<b>Total</b>	<b>228,543</b>	<b>(22,027)</b>	<b>206,516</b>

### Income tax:

The tax consolidation agreement signed between Eramet and its subsidiaries complies with the principle of neutrality and places the subsidiaries in the situation in which they would have been in the absence of such consolidation. Each subsidiary calculates its tax as if it did not form part of a consolidated tax group and pays its income tax contribution to Eramet as Group parent company. The subsidiaries retain their losses to determine the amount of the income tax contribution they should pay Eramet.

In the absence of tax consolidation, Eramet would have had to pay income tax of €24.160 million. As a result of the tax consolidation, the income tax line item broke down as follows: tax consolidation charge of €37.328 million, savings from tax consolidation of €13.211 million and a €2.090 million tax adjustment, namely, a net charge of €22.027 million.

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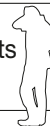
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**■■■■■■■■■■■■■■■■■■■■ Note 15. Tax consolidation**

All French subsidiaries that are at least 95% owned are consolidated for tax purposes, Eramet being the Group parent. In 2002, the Eramet Group chose to renew its tax consolidation system for a period of five financial years.

Tax consolidation in France is comprised of the following companies:

Companies within the scope of tax consolidation	12/31/2007	12/31/2006	12/31/2005
<b>Consolidated companies</b>			
Eramet SA	x	x	x
Metal Securities	x	x	x
Erasteel	x	x	x
Erasteel Commentry	x	x	x
Erasteel Champagnole	x	x	x
Eramet Holding Nickel (Ehn)	x	x	x
Eramet Holding Manganèse (Ehm)	x	x	x
Société Industrielle de Métallurgie Avancée (S.I.M.A.)	x	x	x
Aubert et Duval (ad)	x	x	x
Airforge	x	x	x
Eramet Alliages	x	x	x
Eurotungstène Poudres (Etp)	x	x	x
<b>Non-consolidated companies</b>			
Eramet International	x	x	x
Tec Ingénierie	x	x	x
Centre de Recherches de Trappes (Crt)	x	x	x
Eramine	x	x	x
Forges de Montplaisir	x	x	x
Supa	x	x	x
Microsteel	x	x	x
Transmet	x	x	x
Brown Europe	x	x	x

Group tax loss carryforwards were used in full as of December 31, 2006.

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## ■■■■■■■■■■■■■■■■■■■■ Note 16. Net finance income

<i>(thousands of euros)</i>	12/31/2007	12/31/2006
Investments in associates <sup>(1)</sup>	157,859	96,261
Other dividends and interest	3,012	1,117
Reversal of provisions <sup>(2)</sup>	31,767	38,000
Foreign currency gains	12,937	7,022
Net gains on disposal of marketable securities	-	1,858
<b>Finance income</b>	<b>205,575</b>	<b>144,258</b>
Depreciation and amortisation expense and allocation to provisions	-	-
Interest and similar expenses <sup>(3)</sup>	(24,466)	(21,029)
Foreign currency losses	-	-
Net losses on disposal of marketable securities	-	(1,442)
<b>Finance expenses</b>	<b>(24,466)</b>	<b>(22,471)</b>
<b>Net finance income</b>	<b>181,109</b>	<b>121,787</b>

(1) Finance income is comprised of dividends received from the Nickel (€78 million) and Manganese (€48.7 million) Divisions and from Erasteel (€15 million) and interest income on Group current accounts.

(2) The reversal of the provision for S.I.M.A. shares amounted to €38 million in 2006 and €30.9 million in 2007.

(3) Interest in particular relates to Metal Securities internal financing (-€17.4 million) and commercial paper (-€5.2 million).

## ■■■■■■■■■■■■■■■■■■■■ Note 17. Extraordinary items

<i>(thousands of euros)</i>	12/31/2007	12/31/2006
Hedging gains	-	1,020
Gains on share capital transactions	2,212	19
Reversal of provisions and expense transfer	832	8,252
<b>Extraordinary gains</b>	<b>3,044</b>	<b>9,291</b>
Hedging losses	(4)	(49)
Losses on share capital transactions	(2,514)	(281)
Extraordinary depreciation and amortisation charge and allocation to provisions	(22,751)	(18,652)
<b>Extraordinary losses</b>	<b>(25,269)</b>	<b>(18,982)</b>
<b>Extraordinary items</b>	<b>(22,225)</b>	<b>(9,691)</b>

Most of the extraordinary items are comprised of the €19 million increase in the provision for price rises.

## ■■■■■■■■■■■■■■■■■■■■ Note 18. Workforce

	FY 2007	FY 2006
Management	124	114
Supervisory staff	232	228
<b>Workforce at end of period</b>	<b>356</b>	<b>342</b>
<b>Average workforce</b>	<b>347</b>	<b>336</b>



**■■■■■■■■■■■■■■■■■■■■ Note 20. Exercise of STCPI/Eramet option**

Pursuant to the Le Nickel-SLN shareholder agreement of September 12 and 13, 2000 between Eramet and Société Territoriale Calédonienne de Participations Industrielles (STCPI), following the agreement of July 17 between the State, the provinces of New Caledonia and the representatives of the island's main political parties, on December 6, 2006, STCPI exercised its option from Eramet to sell it 4% of the share capital of Le Nickel-SLN, via

a swap of Eramet shares at the rate of three Eramet shares for every five of Le Nickel-SLN. The Board of Directors decided to proceed with this stock swap under the terms set forth in the shareholders' agreement. The finalisation of this transaction was approved at the General Shareholders' Meeting held on July 23, 2007. The Eramet shares recovered under this swap were recognised in treasury stock at €51,841,425.

**■■■■■■■■■■■■■■■■■■■■ Note 21. Property leases**

<i>(thousands of euros)</i>		<b>12/31/2007</b>
<b>Finance leased non-current assets</b>		
Land		683
Buildings		4,199
Depreciation and amortisation expense for the period		168
Cumulative depreciation and amortisation expense		1,988
<b>Finance lease commitments</b>		
Lease payments paid:	during period	429
	cumulative	6,114
Outstanding lease payments:	up to a year	207
	over one and up to five years	-
	over five years	-
Residual purchase price		-

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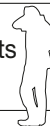
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■■■■■■■■■■■■■■■■■■■■ Note 22. New Caledonian ore reserves issue

**Summary of the facts**

The issue stemmed from a claim by SMSP, a Caledonian mining company controlled by the Northern Province, in association with the Canadian nickel producer Falconbridge, one of Eramet's major global competitors, to part of Le Nickel-SLN's mining reserves in order to supply a new plant to be built in the Northern Province.

The agreement reached with the authorities in February 1998 provided for an exchange of mining rights provided that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo massif owned by Le Nickel-SLN in exchange for SMSP's poorer Poum reserves.

This exchange came with an indemnity from the State to compensate for the impact of the difference in reserves between the two deposits to Le Nickel-SLN's and Eramet's businesses.

**First Stage**

In the second half of 1998, Le Nickel-SLN and SMSP transferred their mining rights in Koniambo and Poum respectively to SAS Poum-Koniambo, an independent entity responsible for holding them until their final assignment. The transfer of Koniambo, for a gross selling price of €8 million, was included as an extraordinary item in the 1998 consolidated financial statements.

The indemnity, calculated following a valuation by the State's and Group's banking advisers at €152 million net of tax (€125 million for Le Nickel-SLN and €27 million for Eramet), was paid to the two companies.

**Second stage**

The second stage was to take place as soon as the promoters began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons to appear in expedited proceedings before the Paris High Court in December 2005, on the 28th of that month the court unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In parallel, Le Nickel-SLN acquired Poum SAS, the company holding the Poum massif for a contractually agreed amount of €6 million from SAS Poum-Koniambo. A €4.1 million payment was made in 2006, with Le Nickel-SLN contractually assuming the site restoration liabilities of Poum for an estimated €1.9 million.

**Transaction recognition**

In accordance with the 1998 agreements, the indemnity is wholly vested and was recognised in other operating income and expenses for €12.95 million plus interest, for which €2.95 million in provisions had been recorded in previous years. These amounts were recognised in extraordinary items in 2005.

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■■■■■■■■■■■■■■■■■■■■ Note 23. Patrick Buffet appointed Eramet Chairman and Chief Executive Officer

The Eramet General Shareholders' Meeting of April 25, 2007 decided not to reappoint Jacques Bacardats' to the Board. The Board of Directors, which met after the General Shareholders' Meeting, appointed Patrick Buffet as Eramet Chairman and Chief Executive Officer.

■■■■■■■■■■■■■■■■■■■■ Note 24. Events after the balance sheet date

To the best of the Company's knowledge, there are no events to report after the balance sheet date.



■■■■■■■■■■■■■■■■■■■■ Note 25. Consolidation of the corporate financial statements

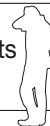
The Company is consolidated within the Eramet Group, of which it is the parent company.

■■■■■■■■■■■■■■■■■■■■ Note 26. Compensation of management and supervisory bodies

<i>(thousands of euros)</i>	FY 2007	FY 2006
<b>Short-term benefits</b>		
• Fixed remuneration	1,823	2,173
• Variable remuneration	805	451
• Directors' fees	371	184
<b>Other benefits</b>		
• Post-employment benefits	3,066	286
<b>Total</b>	<b>6,065</b>	<b>3,094</b>

The amount paid to the ten best paid people amounted to €3.8 million.

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## ■■■■■■■■■■■■■■■■■■■■ Note 27. Share subscription and purchase options, bonus shares

## SUBSCRIPTION OPTIONS

	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2007	Exercised in 2007	Lapsed in 2007	Outstanding as from 01/01/2008	Number of beneficiaries on 01/01/2008	Expiry of plans
				at outset	on 01/01/2007							
1	05/27/1998	12/12/2001	32.60 EUR	61	13	153,000	(125,750)	(8,450)	-	18,800	8	12/11/2009 <sup>(1)</sup>
2	05/23/2002	12/15/2004	64.63 EUR	81	80	130,000	(6,000)	(3,562)	-	120,438	75	12/15/2012 <sup>(2)</sup>
<b>Total</b>						<b>283,000</b>	<b>(131,750)</b>	<b>(12,012)</b>	<b>-</b>	<b>139,238</b>		

(1) Only exercisable as from December 12, 2003. Shares could not be sold prior to December 14, 2005.

(2) Only exercisable as from December 12, 2006. Shares cannot be sold prior to December 14, 2008.

## BONUS SHARES

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2007	Actually granted in 2007	Lapsed in 2007	Outstanding as from 01/01/2008	Number of beneficiaries on 01/01/2008	Expiry of plans
				at outset	on 01/01/2007							
1	05/11/2005	12/13/2005	Bonus	90	89	14,000	(800)	(12,715)	(485)	-	82	-
2	05/11/2005	04/25/2007	Bonus	1	-	10,000	-	-	-	10,000	1	04/25/2009
3	05/11/2005	07/23/2007	Bonus	61	-	16,000	-	-	-	16,000	61	07/23/2009
<b>Total</b>						<b>40,000</b>	<b>(800)</b>	<b>-</b>	<b>(485)</b>	<b>26,000</b>		

(1) Definitive vesting date: 1 = 13/12/2007, 2 = 25/04/2009 and 3 = 23/07/2009. The shares cannot be sold prior to: 1 = 13/12/2009, 2 = 25/04/2011 and 3 = 23/07/2011.

## SHARE PURCHASE OPTIONS

	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2007	Exercised in 2007	Lapsed in 2007	Outstanding as from 01/01/2008	Number of beneficiaries on 01/01/2008	Expiry of plans
				at outset	on 01/01/2007							
1	07/21/1999	09/15/1999	47.14 EUR	5,646	560	423,450	(383,780)	(21,214)	(18,456)	-	-	09/14/2007 <sup>(1)</sup>
2	05/27/1998	12/14/1999	54.00 EUR	80	19	166,500	(143,092)	(9,280)	(14,128)	-	-	12/13/2007 <sup>(2)</sup>
<b>Total</b>						<b>589,950</b>	<b>(526,872)</b>	<b>(30,494)</b>	<b>(32,584)</b>	<b>-</b>	<b>-</b>	

(1) Only exercisable as from September 15, 2001. Shares could not be sold prior to September 15, 2004.

(2) Only exercisable as from December 14, 2001. Shares could not be sold prior to December 14, 2004.

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Individual training rights vested for a full year total 20 hours per full-time employee and pro rata for those working part-time or beginning during the year.

Having regard to the workforce as on December 31, 2007, the individual training rights totalled 16,182 hours.

### TABLE OF SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

	Share capital	Share-holders' equity other than share capital	Percentage of share capital owned	Gross carrying amount of shares owned	Net carrying amount of shares owned	Loans and advances granted and not repaid	Endorsements and guarantees provided	Dividends collected during the period	Sales over the past year	Profit (loss) over past year
		Currency	Currency	%	EUR	EUR	EUR	EUR	EUR	Currency
<i>(thousands of euros or foreign currency except millions of XAF)</i>										
I - Detailed information on each stock (gross amount in excess of 1% of the Company's share capital)										
<b>- Subsidiaries (at least 50% of share capital owned)</b>										
Erasteel SAS	EUR	15,245	99,541	100.00	143,169	143,169		15,000	23,228	964
Eras	EUR	1,264	0	100.00	1,250	1,250			-	-
Tec Ingénierie	EUR	525	2,471	100.00	838	838			9,007	427
Eramet Holding Nickel	EUR	227,104	11,298	100.00	229,652	229,652		78,067	-	72,888
S.I.M.A.	EUR	148,000	55,496	100.00	329,584	314,600	120,000		4,173	296
Eramet Holding Manganèse	EUR	310,156	8,637	100.00	310,156	310,156		43,507	-	33,503
Centre de Recherche de Trappes	EUR	1,410	393	100.00	1,161	1,161	240		11,782	1,496
Metal Securities	EUR	38	(3,079)	87.92	66	66			-	(3,092)
Weda Bay	USD	81	(19)	100.00	189,058	189,058			-	(77)
					<b>1,204,934</b>	<b>1,189,950</b>				
<b>- Investments in associates (between 10% and 50% owned)</b>										
Comilog	XAF	40,812	87,006	26.77	61,874	61,874		5,215	415,395	35,239
II - General information on other stocks (gross amount at most equal to 1% of the Company's share capital)										
• French subsidiaries	EUR				974	974				
• Foreign subsidiaries	EUR									
• Investments in associates	EUR				1,052	1,052		45		
<b>Total</b>					<b>1,268,834</b>	<b>1,253,850</b>	<b>120,240</b>	<b>-</b>	<b>141,834</b>	

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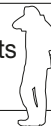
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### ➤ 20.2.3. Report from the Statutory Auditors on the Annual Financial Statements – Year Ended December 31, 2007

Dear shareholders,

In accordance with the assignment entrusted to us at your General Shareholders' Meeting, we hereby present our report for the year ended December 31, 2007 on:

- the auditing of Eramet's annual financial statements, as set out herein;
- the explanation of our assessments;
- the special checks and the disclosures required by law.

The annual financial statements were drawn up by the Board of Directors. Our task is to express an opinion on these financial statements based on our audit.

#### I. Opinion on the annual financial statements

We carried out our audit in accordance with professional standards applicable in France. These standards require that we carry out our audit in such a manner as to obtain reasonable assurance that the annual financial statements do not contain any material misstatements. An audit involves examining, by sampling, documentation supporting the information in these financial statements. An audit also includes reviewing the accounting principles and material estimates used in drawing up the financial statements, as well as evaluating their overall presentation. We believe our audit provides a reasonable basis for the opinion set out below.

We certify that the annual financial statements are, with respect to French accounting rules and principles, reasonable and accurate and give a true and fair view of the transactions carried out over the past financial year and of the company's financial position and assets at the end of that financial year.

#### II. Explanation of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the explanation of our assessments, we would like to bring the following items to your attention:

As indicated in Note 5.3 of the accounting principles, rules and methods for non-current financial assets, investments in subsidiaries are valued having regard not only to the value of the assets owned but also the expected returns. Our work involved reviewing the data and assumptions on which those estimates are based and examining the calculations made by the company. On this basis, we assessed the reasonable nature of those estimates.

The assessments thus made are part of our audit process on the annual financial statements as a whole and, therefore, contributed to forming the opinion set out in the first part hereof.

#### III. Special checks and disclosures

We furthermore carried out the special checks provided for by law in accordance with professional standards applicable in France.

We have no observations to make on:

- the accuracy or consistency with the annual financial statements of the information set out in the management report of the Board of Directors or in the documents sent to the shareholders on the financial position and annual financial statements; or
- the accuracy of the information in the management report relating to compensation and benefits paid to the corporate officers concerned or benefits granted to them when taking up, leaving or changing posts or subsequently.

As prescribed by law, we checked that the various disclosures on the acquisition of investments in associates and controlling interests and the identity of shareholders has been provided to you in the management report.

Paris-La Défense and Neuilly-Sur-Seine, March 19, 2008

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

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## ➤ 20.2.4. Special report of the statutory auditors on related-party agreements and commitments during the year ended December 31, 2007

Dear shareholders,

As your company's statutory auditors, we hereby present our report on related-party agreements and commitments.

### Agreements and commitments authorised during the financial year and up to the date of this report

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the agreements and commitments authorised by your Board of Directors.

Our task is not to search for any agreements or commitments but to inform you, on the basis of the information provided to us, of the essential characteristics and terms of those agreements disclosed to us, without making any judgement as to their usefulness or merit. It is up to you, pursuant to the terms of Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from the signing of such agreements and commitments with a view to their approval.

We carried out our work in accordance with professional standards applicable in France. These require us to perform procedures to verify the consistency of the information provided to us with the underlying documentation on which it is based.

At a meeting held on April 25, 2007 (No. 149) your Board of Directors authorised the compensation package and the various items of the employment status of Patrick Buffet, appointed Eramet's Chairman and Chief Executive Officer at the General Shareholders' Meeting held the same day. These items include the awarding of a severance payment.

Pursuant to the provisions of Article 17 of the Act of April 21, 2007, known as the TEPA Act, the corporate officer contract entered into with Patrick Buffet was reviewed and authorised by your Board of Directors on February 20, 2008. The amount of the severance payment that may be payable shall be the equivalent of three years' gross total compensation. In the event service is terminated prior to January 1, 2009, the Board resolved as a transitory measure, having regard to Eramet's performance in 2007, that the severance payment would amount to three million three hundred thousand euros, pursuant to the provisions agreed with Patrick Buffet when he took up office.

The payment of the severance payment that may be owed to Patrick Buffet is, however, contingent on the achievement of targets linked to his variable annual compensation, the components of which are set out in the management report.

In the event service is terminated prior to January 1, 2009, the severance package is contingent on the sum of the gross variable compensation

received over the last three full financial years of service (or, in any event, over the full year(s) of service, should they be less than three) being greater than or equal to 20% of the sum of the gross fixed annual compensation received over those years.

### Agreements and commitments approved in previous years and still in force over the past year

Furthermore, pursuant to the French Commercial Code, we have been notified of the continued performance of the following agreements and commitments that were approved in previous years and were still in force over the past year.

#### With Le Nickel-SLN

#### A. NATURE AND PURPOSE

Under a technical support contract executed in 1999, Eramet provides SLN-Le Nickel with general strategic, industrial, financial, tax and human resources management support. This agreement remained in force and unchanged in 2007.

#### Terms

The amount invoiced under this contract was €10,908,000 in 2007 compared to €10,536,000 in 2006.

#### B. NATURE AND PURPOSE

The Eramet/Le Nickel-SLN marketing agreement entered into in 1985 under which Eramet markets SLN-Le Nickel products (other than ore) remained in force and unchanged in 2007.

#### Terms

Under this agreement, Eramet buys nickel matte and ferronickel from SLN-Le Nickel at a purchase price allowing Eramet to generate a mark-up of 1.5%, plus a bonus when the price of nickel exceeds a certain level. The total amount of purchases invoiced by SLN-Le Nickel to Eramet amounted to €1,139,852,255 in 2007 compared to €854,881,076 in 2006.

Also under this agreement, Eramet invoiced SLN-Le Nickel a fixed fee of €26,940,000 in 2007 compared to €26,172,000 in 2006, designed to cover the fixed costs of nickel matte conversion incurred by Eramet prior to marketing the finished products.

Paris-La Défense and Neuilly-Sur-Seine, March 20, 2008

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

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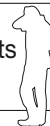
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## ➤ 20.2.5. Corporate financial results over the past five financial years

			2003	2004	2005	2006	2007	
<b>Share capital at year-end</b>	a)	Share capital	EUR 78,011,601	EUR 78,522,079	EUR 78,659,116	EUR 78,936,727	EUR 79,012,144	01
	b)	Number of shares issued	25,557,574	25,744,944	25,789,874	25,880,894	25,905,621	02
<b>Transactions and profit (loss) for the year (thousands of euros)</b>	a)	Sales ex. tax	658,411	829,840	845,373	1,082,671	1,369,986	03
	b)	Profit (loss) before tax, employee profit-sharing depreciation, amortisation and provisions	73,523	44,869	193,615	123,189	221,083	04
	c)	Income tax	(23,212)	2,214	4,128	(3,534)	22,027	05
	d)	Employee profit-sharing	0	0	0	0	0	06
	e)	Profit (loss) after tax, employee profit-sharing depreciation, amortisation and provisions	(162,552)	154,347	246,770	144,198	206,516	07
	f)	Proposed dividend	24,970	51,490	54,159	75,055	155,434	08
<b>Earnings per share (in euros)</b>	a)	Profit (loss) after tax, employee profit-sharing but before depreciation, amortisation and provisions	2.29	1.82	7.23	4.78	0.00	09
	b)	Profit (loss) after tax, employee profit-sharing, depreciation, amortisation and provisions	(6.36)	6.00	9.57	5.57	0.00	10
	c)	Proposed dividend per share	0.86	2.00	2.10	2.90	6.00	11
<b>Employees</b>	a)	Number of employees	302	306	326	336	347	12
	b)	Total payroll (thousands of euros)	16,863	17,949	19,414	20,933	27,914	13
	c)	Amounts paid out in employee benefits (thousands of euros)	8,260	8,617	8,271	8,983	10,165	14

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## 20.3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2006 AND 2005

Pursuant to Article 28 of Commission Regulation (EC) 809/2004, the following data is included for information purposes in this Reference Document:

- a) the 2006 consolidated financial statements, the related audit report and the overview of business activities appearing respectively in sections 20.1.1., 20.1.2. and 6 of the 2006 Reference Document filed with the AMF on July 20, 2007;
- b) the 2005 consolidated financial statements, the related audit report and the overview of business activities appearing respectively in sections 20.1.1., 20.1.2. and 6 of the 2005 Reference Document filed with the AMF on May 11, 2006 under No. R. 06-056.

The portions of the 2006 and 2005 Reference Documents not included are either of no relevance to the investor or covered by another section of this Reference Document.

The two above-mentioned reference documents are available on the Company's website ([www.eramet.fr](http://www.eramet.fr)) and that of the AMF ([www.amf-france.org](http://www.amf-france.org)).

## 20.4. ORDINARY GENERAL SHAREHOLDERS' MEETING OF APRIL 16, 2008 – TEXT OF MOTIONS

### 20.4.1. Those within the ambit of the ordinary general shareholders' meeting

#### Resolution 1 (2007 annual financial statements)

The General Shareholders' Meeting, after having heard the report from the Board of Directors and the report from the Statutory Auditors on the financial statements for the financial year ended December 31, 2007, approves, as presented, the financial statements for said year, as well as the transactions included in said financial statements or summarised in these reports.

#### Resolution 2 (2007 consolidated financial statements)

The General Shareholders' Meeting, after having heard the report from the Board of Directors and the report from the Statutory Auditors on the consolidated financial statements for the financial year ended December 31, 2007, approves, as presented, said consolidated financial statements, as well as the transactions included in said financial statements or summarised in said reports.

#### Resolution 3 (Regulated agreements)

The General Shareholders' Meeting, after having heard the special report drawn-up by the Statutory Auditors on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code, approves said report and the transactions set out therein.

#### Resolution 4 (Regulated agreements)

In order to implement the corporate officer agreement approved on April 25, 2007 and updated by the Board of Directors on February 20, 2008, in accordance with the French law on employment and purchasing power (Law 2007-1223, called the TEPA Law) passed on August 21, 2007, the General Shareholders' Meeting, after having heard the special report drawn-up by the Statutory Auditors on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code, approves said report and the provisions set out therein related to the severance payment to which the Chairman and Chief Executive Officer, Patrick Buffet, could be entitled.

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## Resolution 5 (Allocation of earnings – Setting the dividends)

The General Shareholders' Meeting approves the allocation of earnings as proposed by the Board of Directors.

Earnings for the past financial year	€206,516,278.29
Plus retained earnings as on December 31, 2007 *:	€418,312,761.90 *

\* Retained earnings as on December 31, 2007 include €992,465.03 relating to the amount of the approved but unpaid dividend with respect to Eramet treasury shares as of the General Shareholders' Meeting of April 25, 2007.

The General Shareholders' Meeting resolves to allocate:

To the legal reserve:	€7,451.74
Leaving the remainder:	€624,821,588.45
The General Shareholders' Meeting resolves to distribute an amount of €6 per share, namely for the 25,905,621 shares comprising the share capital on the date of the Meeting, the amount of:	€155,433,726.00
Leaving retained earnings of:	€469,387,862.45

The dividend will be paid out on May 15, 2008.

If, at the time of payment of the dividend, new shares have been created as a result of the exercise of share options by employee beneficiaries, the amount of the dividend corresponding to those shares shall be automatically deducted from retained earnings.

The General Shareholders' Meeting, acting as an Ordinary General Shareholders' Meeting, notes that the dividends per share with respect to the past financial year, and to the previous three financial years, were as follows:

	2004	2005	2006	2007
Number of shares eligible for payment	25,544,944	25,789,874	25,880,894	25,905,621
Net dividend	€2.00	€2.10	€2.90	€6.00
Total return	€2.00	€2.10	€2.90	€6.00

## Resolution 6 (Directors' fees)

In accordance with the provisions of the Articles of Association, the General Shareholders' Meeting sets the maximum amount of directors' fees that may be allocated each year to the Board of Directors at five hundred and fifty thousand euros (€550,000). This provision shall be applicable for the first time to fees paid during the 2008 financial year.

## Resolution 7 (Authorisation to trade in the Company's shares)

The General Shareholders' Meeting, after examining the prospectus on trading in the Company's shares, exercising the option provided for in Article L. 225-209 of the French Commercial Code, authorises the Board of Directors to have the company buy back its shares up to a limit of 10% of its share capital, in order to:

- support the share prices via a liquidity contract with a market maker, in accordance with the AFEI code of conduct recognised by the AMF;
- retain the shares or swap them, in particular in the case of acquisitions or the issue of securities giving rights over the share capital;
- grant stock options to employees of the Company or of the companies in which Eramet directly or indirectly holds 50% of the share capital; and/or

- cancel these shares in accordance with Resolution 21 of the Combined Shareholders' Meeting on April 25, 2007, which granted the Board authorisation over a period of 24 months to reduce the Company's share capital.

Purchases, sales, transfers or swaps of these shares may be carried out by any means, including, as the case may be, using derivatives, and the maximum proportion that may be acquired or transferred in the form of a block of shares may be equal to the full amount of the authorised share buyback programme. Payment may be in any form. The maximum purchase price may not exceed €550 per share.

This authorisation is granted for a period expiring at the General Shareholders' Meeting called to approve the 2008 financial statements.

On the basis of the number of shares comprising the share capital on February 29, 2008, the theoretical maximum investment, assuming a price of €550 per share, would amount to €1,424,809,100.

For the purposes of implementing this resolution, the Board of Directors is granted full powers, which it may delegate, to:

- place stock market orders, enter into agreements, particularly in order to keep records of share purchases and sales,
- file declarations with the AMF,
- complete all formalities and, in general, do whatever is necessary.



## ➤ 20.4.2. Those within the ambit of the Extraordinary General Shareholders' Meeting

### Resolution 8 (Use of authorisations during public takeover bids as provided for by the reciprocity exception)

The General Shareholders' Meeting authorises the Board of Directors, during public takeover bids or securities exchange transactions involving the Company's securities, to use the authorisations granted in Resolutions 22 and 24 of the General Shareholders' Meeting on April 25, 2007, provided that Paragraph 1 of Article L. 233-33 of the French Commercial Code applies, and in accordance with all regulations.

This authorisation is valid for the period set forth by law.

### Resolution 9 (Authorisation to issue securities convertible into equity for use during in-kind contributions)

The General Shareholders' Meeting, after having heard the Board of Directors' report and in accordance with Paragraph 6 of Article L. 225-147 of the French Commercial Code:

1. authorises the Board to issue securities convertible into equity (with the exception of preference shares), in one or several transactions, for use during in-kind contributions involving the Company's securities when Article L. 225-148 of the French Commercial Code does not apply. This authorisation is limited to [10%] of the company's share capital on the issue date (i.e., after taking into account any transactions occurring after this General Shareholders' Meeting);

### Resolution 10 (Update to Article 22 of the Articles of Association concerning Ordinary Shareholders' Meetings)

The General Shareholders' Meeting, after having heard the Board of Directors' report, resolves to update Article 22 of the Articles of Association, which relates to Ordinary Shareholders' Meetings, as indicated in the following table:

Current Version	New Version
<b>Article 22 - Ordinary Shareholders' Meetings</b>	<b>Article 22 - Ordinary Shareholders' Meetings</b>
<p>1. The quorum required for an Ordinary Shareholders' Meeting upon first convocation is shareholders representing <b>one-fourth</b> of the voting rights. These shareholders may be either present in person, represented by proxy, or represented by a ballot sent in by mail before the deadline for that Meeting. No quorum is required for Meetings upon second convocation, although only items on the agenda of the initial Meeting may be discussed. Resolutions are passed by a majority of the votes present, represented, or sent in by mail before the given deadline.</p> <p>2. The Ordinary Shareholders' Meeting hears reports from the Board of Directors and Statutory Auditors, reviews, approves, or rectifies individual company or consolidated financial statements, establishes the dividend payout, appoints or removes Board Members or Statutory Auditors, discharges Board Members and Statutory Auditors from their duties, ratifies Board Member co-options, resolves on agreements submitted for approval, and decides on items that are on its agenda and not within the scope of the Extraordinary Shareholders' Meeting.</p>	<p>1. The quorum required for an Ordinary Shareholders' Meeting upon first convocation is shareholders representing <b>one-fifth</b> of the voting rights. These shareholders may be either present in person, represented by proxy, or represented by a ballot sent in by mail before the deadline for that Meeting. No quorum is required for Meetings upon second convocation, although only items on the agenda of the initial Meeting may be discussed. Resolutions are passed by a majority of the votes present, represented, or sent in by mail before the given deadline.</p> <p>2. The Ordinary Shareholders' Meeting hears reports from the Board of Directors and Statutory Auditors, reviews, approves, or rectifies individual company or consolidated financial statements, establishes the dividend payout, appoints or removes Board Members or Statutory Auditors, discharges Board Members and Statutory Auditors from their duties, ratifies Board Member co-options, resolves on agreements submitted for approval, and decides on items that are on its agenda and not within the scope of the Extraordinary Shareholders' Meeting.</p>

2. grants the Board all powers to carry out this Resolution, such as setting the procedure for the securities issue, approving a list of possible contributors, valuing the contributions, recording any resulting share issues, recognising charges to the additional paid-in capital (i.e., for transaction fees or in order to bring the reserve up to its maximum amount), and updating the Company's Articles of Association;
3. notes that this Resolution does not include pre-emptive rights for existing shareholders, in accordance with French law;
4. notes that the nominal value of any share issues stemming from this Resolution will be added to the total maximum authorisation granted in Resolution 25 of the General Shareholders' Meeting on April 25, 2007; and
5. decides that this authorisation will be valid for 14 months from the close of this General Shareholders' Meeting.

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### Resolution 11 (Update to Article 23 of the Articles of Association concerning Extraordinary Shareholders' Meetings)

The General Shareholders' Meeting, after having heard the Board of Directors' report, resolves to update Article 23 of the Articles of Association, which relates to Extraordinary Shareholders' Meetings, as indicated in the following table:

Current Version	New Version
<b>Article 23 – Extraordinary Shareholders' Meetings</b>	<b>Article 23 – Extraordinary Shareholders' Meetings</b>
<p>1. The quorum required for an Extraordinary Shareholders' Meeting is shareholders representing <b>one-third</b> of the voting rights upon first convocation, and <b>one-fourth</b> of the voting rights upon second convocation. These shareholders may be either present in person, represented by proxy, or represented by a ballot sent in by mail before the deadline for that Meeting. If a quorum is not reached upon second convocation, the Meeting can be rescheduled to a date no more than two months in the future. Resolutions are passed by two-thirds of the votes present, represented, or sent in by mail before the given deadline</p> <p>2. The Extraordinary Shareholders' Meeting can amend any of the Company's Articles of Association provided that it does not increase shareholders' liabilities, apart from possibly requiring shareholders to buy or sell fractional shares during a reverse stock split, share issue, share cancellation, merger, or demerger.</p>	<p>1. The quorum required for an Extraordinary Shareholders' Meeting is shareholders representing <b>one-fourth</b> of the voting rights upon first convocation, and <b>one-fifth</b> of the voting rights upon second convocation. These shareholders may be either present in person, represented by proxy, or represented by a ballot sent in by mail before the deadline for that Meeting. If a quorum is not reached upon second convocation, the Meeting can be rescheduled to a date no more than two months in the future. Resolutions are passed by two-thirds of the votes present, represented, or sent in by mail before the given deadline.</p> <p>2. The Extraordinary Shareholders' Meeting can amend any of the Company's Articles of Association provided that it does not increase shareholders' liabilities, apart from possibly requiring shareholders to buy or sell fractional shares during a reverse stock split, share issue, share cancellation, merger, or demerger.</p>

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### Resolution 12 (Update to Article 12 of the Articles of Association concerning the Composition of the Board of Directors)

The General Shareholders' Meeting, after having heard the Board of Directors' report, resolves to update Article 12 of the Articles of Association, which relates to the Composition of the Board of Directors, as indicated in the following table:

Current Version	New Version
<b>Article 12 – Composition of the Board of Directors</b>	<b>Article 12 – Composition of the Board of Directors</b>
<p>1. The Chairman of the Board of Directors is appointed by the Board from among the Board Members. The Chairman must be a citizen of an EU member state and cannot be more than 70 years old. However, the Chairman can remain in office until the first General Shareholders' Meeting following his or her 70<sup>th</sup> birthday.</p> <p>2. The Board of Directors can form Board Committees.</p> <p>3. The Board of Directors can appoint two Vice Chairmen from among the Board Members, following a proposal from the Chairman. One of the Vice Chairmen will preside over Board Meetings and General Shareholders' Meetings if the Chairman is unable to attend.</p> <p>4. The Board of Directors can appoint a Secretary, who does not have to be a Board Member, and set the Secretary's term of office.</p> <p>5. The Board of Directors has drafted a charter that each Board Member and Permanent Representative must sign upon taking office. This charter sets forth Board Member duties, Board rules of procedure and operating principles, and the behaviour guidelines that must be followed by Board Members.</p>	<p>1. The Board of Directors can form Board Committees.</p> <p>2. The Board of Directors can appoint two Vice Chairmen from among the Board Members, following a proposal from the Chairman. One of the Vice Chairmen will preside over Board Meetings and General Shareholders' Meetings if the Chairman is unable to attend.</p> <p>3. The Board of Directors can appoint a Secretary, who does not have to be a Board Member, and set the Secretary's term of office.</p> <p>4. The Board of Directors has drafted a charter that each Board Member and Permanent Representative must sign upon taking office. This charter sets forth Board Member duties, Board rules of procedure and operating principles, and the behaviour guidelines that must be followed by Board Members.</p>



### Resolution 13 (Update to Article 16 of the Articles of Association concerning the Chairman of the Board of Directors)

The General Shareholders' Meeting, after having heard the Board of Directors' report, resolves to update Article 16 of the Articles of Association, which relates to the Chairman of the Board of Directors, as indicated in the following table:

Current Version	New Version
<b>Article 16 – Chairman of the Board of Directors</b>	<b>Article 16 – Chairman of the Board of Directors</b>
<p>The Board of Directors appoints a Chairman, who must be a physical person, from among its Members and sets the Chairman's compensation. The Chairman's term of office cannot be longer than his or her Board Member term of office, although the term as Chairman can be renewed. The Board of Directors can remove the Chairman at any time; any clauses to the contrary will be considered invalid.</p> <p>The Chairman represents the Board of Directors, arranges and oversees its work, and reports on its work to the General Shareholders' Meeting. The Chairman ensures that the Company's management bodies function properly and that Board Members are capable of performing their duties.</p>	<p>The Board of Directors appoints a Chairman, who must be a physical person, from among its Members and sets the Chairman's compensation. The Chairman's term of office cannot be longer than his or her Board Member term of office, although the term as Chairman can be renewed.</p> <p><b>The Chairman must be a citizen of an EU member state and cannot be more than 70 years old. However, the Chairman can remain in office until the first General Shareholders' Meeting following his or her 70<sup>th</sup> birthday.</b></p> <p>The Board of Directors can remove the Chairman at any time; any clauses to the contrary will be considered invalid.</p> <p>The Chairman represents the Board of Directors, arranges and oversees its work, and reports on its work to the General Shareholders' Meeting. The Chairman ensures that the Company's management bodies function properly and that Board Members are capable of performing their duties.</p>

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### Resolution 14 (Powers)

The Combined Ordinary and Extraordinary General Shareholders' Meeting, fully empowers the bearer of an original, an extract or a copy of the minutes of this Meeting to carry out any filing or formality that may be necessary.

## 20.5. DIVIDEND POLICY

### 20.5.1. Dividend payment arrangements

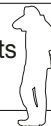
Dividends are paid annually at the time and in the places specified by the General Shareholders' Meeting, or failing that by the Board of Directors within nine months of the end of the financial year at the latest. Properly paid dividends cannot be repeated.

Interim dividend payments may be made prior to the date of the Meeting setting the amount thereof. The amount of such interim payments is set by the Board of Directors pursuant to the provisions of Article L. 232-12, subsection 2, of the French Commercial Code.

Shareholders may be given the option of payment in whole or in part in new shares in the Company, pursuant to the provisions of Article L. 232-18, subsection 1, of the French Commercial Code.

In line with applicable provisions in France, the right to claim dividends lapses five years from the date of payment.

Unpaid amounts are paid over to the French State during the first 20 days of January of the year following that lapse, pursuant to the provisions of Articles L. 27 and R. 46 of the French Public Property Code.



## ➤ 20.5.2. Allocation and distribution of earnings/Dividend payment arrangements (Article 25 of the Articles of Association)

"5% of earnings, as defined by law, less any past losses, where applicable, are withheld to comprise the legal reserve, until such reserve is equal to 10% of the share capital.

Distributable earnings are comprised of earnings for the financial year, less any past losses and the abovementioned withheld amount, plus any retained earnings. Out of the distributable earnings, the Ordinary General Shareholders' Meeting may withhold any sum it deems appropriate, either to be carried forward to the following financial year or to be added to one

or more special or general reserves of which it determines the allocation or use.

Any surplus is divided equally between all shares.

The General Shareholders' Meeting may grant each shareholder, for all or part of the dividend being distributed, the option to be paid in shares in the legally prescribed manner, or in cash. "

## ➤ 20.5.3. Dividend policy

### 20.5.3.1. Policy applied

#### PAYMENT ARRANGEMENTS

As the Company does not usually make interim payments, dividends are paid annually after the General Shareholders' Meeting called to approve the management activities and financial statements for the past financial year (in 2007 and 2008: as from May 15).

Mixed payments in cash and shares are sometimes offered at the shareholder's option. Accordingly, with respect to the 1999 financial year, the Company proposed a cash payment of €0.60, with the option of receiving

the balance, namely €0.54, as a new share grant; with respect to the 2001 financial year, it again proposed a cash payment of €0.60, with the option of receiving the balance, namely €0.54, as a new share grant; finally, with respect to 2002, it proposed a cash payment of €0.50, with the option of receiving the balance, namely €0.50, as a new share grant.

#### AMOUNT OF DIVIDEND

In recent years, the Company has endeavoured to pay a stable and substantial dividend. The dividend proposed in 2008 is 106.9% up on that paid in 2007.

### 20.5.3.2. Dividends paid out in recent years

The following dividends were paid out in the past five financial years:

	2007	2006	2005	2004	2003
Number of shares eligible for payment	25,905,621	25,880,894	25,789,874	25,744,944	25,577,574
Profit (loss) for the period, Group share	€582 M	€319 M	€377 M	€346 M	(€107 M)**
Net dividends	€6.00	€2.90	€2.10	€2.00	€0.86
Tax credit	--	--	--	--	€0.43*
Total return	€6.00	€2.90	€2.10	€2.00	€1.29
Total net payment	€155 M	€75 M	€54.2 M	€51.4 M	€21.9 M

\* Based on a 50% tax credit.

\*\* Under French GAAP.

### 20.5.3.3. Outlook

The Company intends to continue to follow the policy applied over recent financial years, including as regards the option of part-payment in shares.

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## 20.6. STATUTORY AUDITOR FEES

### 20.6.1. Organisation of external auditing

The General Shareholders' Meeting of May 21, 2003, decided to renew the terms of office of the Statutory Auditors for six financial years, namely until the 2008 financial statements are approved.

In recent years, the Group has asked its Statutory Auditors in preference to audit its main global subsidiaries. However, for historical or practical reasons, other firms carry out audits as seen from the following table.

<i>(thousands of euros)</i>	2007	2006	2005
Ernst & Young	1,388	1,176	1,598
Deloitte & Associés	817	1,267	463
Other	710	502	567
<b>Total</b>	<b>2,915</b>	<b>2,945</b>	<b>2,628</b>

### 20.6.2. Fees paid to the various auditors

Full details of all fees paid to the various audit firms with respect to 2005 and 2006 are provided in the table below, broken down by type of service.

<i>(thousands of euros)</i>	ERNST & YOUNG				DELOITTE & ASSOCIÉS				OTHER			
	Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Audit</b>												
Statutory auditing, certification, examination of the separate and consolidated financial statements												
Issuer	189	153	13%	13%	201	163	23%	13%	60		8%	0%
Fully consolidated subsidiaries	1,168	908	80%	77%	637	432	74%	34%	410	484	58%	96%
Other work and services directly related to the statutory auditing												
Issuer	6		0%	0%	3	225	0%	18%			0%	0%
Fully consolidated subsidiaries		38	0%	3%	2	439	0%	35%	31		4%	0%
<b>Subtotal (1)</b>	<b>1,363</b>	<b>1,099</b>	<b>93%</b>	<b>93%</b>	<b>843</b>	<b>1,259</b>	<b>98%</b>	<b>99%</b>	<b>501</b>	<b>484</b>	<b>71%</b>	<b>96%</b>
<b>Other services provided by networks to fully consolidated subsidiaries</b>												
Legal, tax, labour	7	47	0%	4%		8	0%	1%	196	9	28%	2%
Other	94	30	6%	3%	19		2%	0%	13	9	2%	2%
<b>Subtotal (2)</b>	<b>101</b>	<b>77</b>	<b>7%</b>	<b>7%</b>	<b>19</b>	<b>8</b>	<b>2%</b>	<b>1%</b>	<b>209</b>	<b>18</b>	<b>29%</b>	<b>4%</b>
<b>Total (1) + (2)</b>	<b>1,464</b>	<b>1,176</b>	<b>100%</b>	<b>100%</b>	<b>862</b>	<b>1,267</b>	<b>100%</b>	<b>100%</b>	<b>710</b>	<b>502</b>	<b>100%</b>	<b>100%</b>

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# Additional Information



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## 21.1. SHARE CAPITAL

### ➤ 21.1.1. Subscribed share capital

#### Amount and equivalent shares

As of January 1, 2008, the share capital amounted to €79,012,144.05 and was comprised of 25,905,621 fully paid-up shares in the same class with a par value of €3.05 each.

#### Actual changes to the share capital since the beginning of the 2008 financial year

As a result of the options exercised since the start of the financial year, the share capital has changed as follows:

	Number of options exercised or bonus shares actually granted	Number of shares after exercise	Amount of share capital after exercise (euros)
As of January 1, 2007		25,880,894	78,936,726,70
As of December 31, 2007	12,012 + 12,715 = 24,727	25,905,621	79,012,144,05
As of February 29, 2008	1,600	25,907,221	79,017,024,05

#### Rights attached to shares

Every share gives the right, as regards ownership of the Company's assets and sharing in its earnings, to an amount in proportion to the percentage of the share capital it represents, taking into account, as necessary, redeemed and unredeemed, paid-up and unpaid-up share capital, and the par value and rights of shares in the various classes.

Every share gives the right, whether as a going concern or in the event of liquidation, to the payment of the same net sum for any distribution or redemption, in such a way that all shares are considered as a whole, regardless of any tax exemptions or tax to which the Company may be subject.

#### Share capital subscribed for and not paid-up

Nil.

### ➤ 21.1.2. Securities not representing share capital

#### 21.1.2.1. Founders' shares, voting rights certificates

None.

#### 21.1.2.2. Other securities

The Company has not issued any other currently valid financial instruments that do not represent share capital but which may grant rights over the share capital in the future or provide options. Authorisations do, however, exist for such issues, following a decision of the Board. No use to date has been made of such authorisations.

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### ➤ 21.1.3. Changes in share capital

Year	Transaction	Number of shares created	Amount in euros	Issue or contribution premium	Amount of the share capital after the transaction	Number of shares after the transaction
2000	Option exercises	323,602	986,656		74,491,456	24,431,596
	Payment of dividend in shares	222,336	677,898		75,169,354	24,653,932
2001	Option exercises	45,428	138,509	-	75,307,863	24,699,360
	Switchover to euro	0	25,184.83	-	75,333,048	24,699,360
2002	Option exercises	24,000	73,200	-	75,406,248	24,723,360
	Payment of dividend in shares	324,333	989,216	-	76,395,464	25,047,693
2003	Option exercises	350	1,067.5	-	76,396,531	25,048,043
	Payment of dividend in shares	526,231	1,605,004	-	78,001,535	25,574,274
2004	Option exercises	3,300	520,544	-	78,522,079	25,577,574
		167,370				25,744,944
2005	Option exercises	44,930	137,037	-	78,659,116	25,789,874
2006	Option exercises	91,020	277,611	-	78,936,727	25,880,894
2007	Option exercises + bonus shares	12,012	0	36,636	78,973,363	25,892,906
		12,715		38,781	79,012,144	25,905,621

### ➤ 21.1.4. Changes in distribution over the past three years

The distribution of the share capital has not changed materially over the past three years, not even as a result of the substitution in 2001 of AREVA for Cogema, which had itself taken on ERAP's rights in 1999.

Since the end of the 2007 financial year, the Company has not been notified of any material change in shareholdings.

Forthcoming changes will probably stem from the exercise of options granted under stock option plans or the automatic vesting of double voting rights for shares that have been registered for over two years.

### ➤ 21.1.5. Last known share capital distribution

The last known distribution of the Company's share capital as of December 31, 2007 results from a study carried out on that date by the banking house responsible for maintaining the share register, from disclosures of thresholds

crossed since that date and the exercise of options and bonus shares still valid by their beneficiaries as of December 31, 2007.

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## AS OF DECEMBER 31, 2007 (INCLUDING SHAREHOLDERS HOLDING, OR LIKELY TO HOLD, AT LEAST 1% OF THE SHARE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

Major shareholders	Number of shares	Percentage of share capital	Number of votes	Percentage of voting rights
<b>SORAME*</b>				
(Société de Recherche et d'Applications Métallurgiques)	7,818,919	30.18%	15,637,838	36.00%
<b>CEIR*</b>				
(Compagnie d'Études Industrielles de Rouvray)	1,783,996	6.89%	3,567,992	8.21%
Other private individuals party to the concert: Cyrille, Georges, Édouard and Patrick Duval	423	0.002%	844	0.002%
<b>Total SORAME/CEIR sub-group</b>	<b>9,603,338</b>	<b>37.07%</b>	<b>19,206,674</b>	<b>44.21%</b>
<b>AREVA*</b>	<b>6,757,277</b>	<b>26.08%</b>	<b>13,514,554</b>	<b>31.11%</b>
<b>Total concert (sub-group/AREVA)</b>	<b>16,360,615</b>	<b>63.15%</b>	<b>32,721,228</b>	<b>75.32%</b>
<b>STCPI</b>				
(Société Territoriale Calédonienne de Participations Industrielles)	1,070,586	4.13%	2,141,172	4.93%
Employees (Eramet share fund)	40,470	0.16%	80,940	0.19%
Eramet treasury stock**	340,786	1.32%	0	0.00%
Corporate officers (excluding concert)	612	0.002%	1,303	0.003%
Miscellaneous registered shareholders	424,108	1.64%	829,981	1.91%
<b>Total registered shares</b>	<b>18,237,177</b>	<b>70.40%</b>	<b>35,774,624</b>	<b>82.35%</b>
Carlo Tassara France (Company belonging to the Romain Zaleski group)	3,394,146	13.10%	3,394,146	7.81%
M&G Investment Management Ltd***	1,413,773	5.46%	1,413,773	3.25%
Blackrock Investment Management (UK) Ltd.***	901,832	3.48%	901,832	2.08%
BRGM	356,044	1.37%	356,044	0.82%
Other bearer shares	1,602,649	6.19%	1,602,649	3.69%
<b>Total bearer shares***</b>	<b>7,668,444</b>	<b>29.60%</b>	<b>7,668,444</b>	<b>17.65%</b>
<b>Total shares</b>	<b>25,905,621</b>	<b>100.00%</b>	<b>43,443,068</b>	<b>100.00%</b>

\* SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party which was subject to an opinion from the Conseil des Marchés Financiers (French Financial Markets Regulator) on May 18, 1999 under reference number 199C0577.

\*\* Taking into account the 5,000 shares purchased under the liquidity contract signed with Exane BNP Paribas.

\*\*\* Based on the latest disclosures of thresholds crossed, reconciled with the most recent survey of identifiable bearer shares (TPI).

To the best of the Company's knowledge, no other shareholders directly or indirectly hold over 1% of the share capital or voting rights in the Company. Apart from the treasury shares referred to in the above table, the Company does not own any other own shares. To the best of the Company's

knowledge, employees and members of the Board of Directors hold less than 3% of the share capital and voting rights in the Company, with it being specified that securities giving rights over the share capital have been granted to employees and executives, as described in Chapter 17.9.2.

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## ➤ 21.1.6. Stock option plans and bonus shares

### 21.1.6.1. Authorisations granted to the Board of Directors

On several occasions, the Company's General Shareholders' Meeting has authorised the Board of Directors to grant options to employees.

Under resolution 5, the Meeting of May 27, 1998 authorised the Board of Directors to grant, on one or more occasions, options that give the right to subscribe for new shares or to purchase existing shares in the Company to employees and executives of the Company and, potentially, of any company in which Eramet directly or indirectly holds at least 50% of the share capital.

Terms: subscription or purchase price for the shares to be set by the Board, it being understood that the price must be at least equal to the minimum amount provided for under applicable legislation, namely, as of that date, 80% of the average share price over the twenty trading days prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 350,000 shares; option exercise period: 8 years; term of authorisation: 5 years, namely until May 26, 2003. The plan expired on December 13, 2007.

Under resolution 22, the Meeting of July 21, 1999 authorised the Board of Directors to grant, on one or more occasions, call options on existing shares from purchases made by the Company to employees of the Company and, potentially, of any company in which Eramet directly or indirectly holds at least 50% of the share capital.

Terms: subscription price for the shares to be set by the Board, it being understood that the price must be at least equal to the minimum amount provided for under applicable legislation and at the average share price over the twenty trading days prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 500,000 shares; option exercise period: 8 years; term of authorisation: 5 years, namely until July 20, 2004. The plan expired on September 14, 2007.

Under resolution 21, the Meeting of May 23, 2002 authorised the Board of Directors to grant, on one or more occasions, subscription or purchase options for new shares in the Company to employees of the Company and, potentially, of any company of which Eramet directly or indirectly controls over 50%.

Terms: subscription price for the shares on the day the options were created: to be set by the Board, it being understood that the price must be at least equal to the minimum amount provided for under applicable legislation and pegged to the average share price over the twenty trading days prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 500,000 shares; option exercise period: 8 years; term of authorisation: 38 months, namely until July 22, 2005. At its December 15, 2004 Meeting, the Board of Directors set the subscription price at €64.63, with 130,000 shares able to be issued under these arrangements; option exercise period: 8 years – term of plan, namely until December 14, 2012.

Under resolution 13, the Extraordinary General Shareholders' Meeting of May 11, 2005 authorised the Board of Directors to allocate existing shares, or those to be issued, free of charge, to corporate officers and certain employees. The total number may not exceed 40,000 shares.

Terms: the term of the so-called "vesting" period was set at two years from allocation of the bonus shares.

At its December 13, 2005 Meeting, the Board of Directors allocated 14,000 shares to be issued under a capital increase. The actual vesting as of December 13, 2007 involved 12,715 shares.

At its April 25, 2007 Meeting, the Board of Directors allocated 10,000 shares to the new Chairman and Chief Executive Office and the balance of the shares to be issued (16,000) pursuant to the authorisation of the Extraordinary General Shareholders' Meeting of May 11, 2005 was allocated to some sixty executives by decision of the Board of Directors at its July 23, 2007 Meeting.

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**21.1.6.2. Stock subscription and purchase option plans and bonus shares****SUBSCRIPTION OPTIONS**

	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2007	Exercised in 2007	Lapsed in 2007	Outstanding as from 01/01/2008	Number of beneficiaries on 01/01/2008	Expiry of plans
				At outset	On 01/01/2007							
1	05/27/1998	12/12/2001	32.60 EUR	61	13	153,000	(125,750)	(8,450)	-	18,800	8	12/11/2009 <sup>(1)</sup>
2	05/23/2002	12/15/2004	64.63 EUR	81	80	130,000	(6,000)	(3,562)	-	120,438	75	12/15/2012 <sup>(2)</sup>
<b>Total</b>						<b>283,000</b>	<b>(131,750)</b>	<b>(12,012)</b>	<b>-</b>	<b>139,238</b>		

(1) Only exercisable as from December 12, 2003. Shares could not be sold prior to December 14, 2005.

(2) Only exercisable as from December 12, 2006. Shares cannot be sold prior to December 14, 2008.

The exercise of 12,012 subscription options during the financial year at an average price of €42.10 contributed to the increase in shareholders' equity offset in cash by the creation of the same number of shares.

**BONUS SHARES**

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2007	Actually allocated in 2007	Lapsed in 2007	Outstanding as from 01/01/2008	Number of beneficiaries on 01/01/2008	Expiry of plans
				At outset	On 01/01/2007							
1	05/11/2005	12/13/2005	Bonus	90	89	14,000	(800)	(12,715)	(485)	-	82	-
2	05/11/2005	04/25/2007	Bonus	1	-	10,000	-	-	-	10,000	1	04/25/2009
3	05/11/2005	07/23/2007	Bonus	61	-	16,000	-	-	-	16,000	61	07/23/2009
<b>Total</b>						<b>40,000</b>	<b>(800)</b>	<b>-</b>	<b>(485)</b>	<b>26,000</b>		

(1) Definitive vesting date: 1 = 12/13/2007, 2 = 04/25/2009 and 3 = 07/23/2009. The shares cannot be sold prior to: 1 = 12/13/2009, 2 = 04/25/2011 and 3 = 07/23/2011.

**PURCHASE OPTIONS**

	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2007	Exercised in 2007	Lapsed in 2007	Outstanding as from 01/01/2008	Number of beneficiaries on 01/01/2008	Expiry of plans
				At outset	On 01/01/2007							
1	07/21/1999	09/15/1999	47.14 EUR	5,646	560	423,450	(383,780)	(21,214)	(18,456)	-	-	09/14/2007 <sup>(1)</sup>
2	05/27/1998	12/14/1999	54.00 EUR	80	19	166,500	(143,092)	(9,280)	(14,128)	-	-	12/13/2007 <sup>(2)</sup>
<b>Total</b>						<b>589,950</b>	<b>(526,872)</b>	<b>(30,494)</b>	<b>(32,584)</b>	<b>-</b>	<b>-</b>	

(1) Only exercisable as from December 15, 2001. Shares could not be sold prior to September 15, 2004.

(2) Only exercisable as from December 14, 2001. Shares could not be sold prior to December 14, 2004.

The exercise of 30,494 call options during the period at an average price of €49.23 resulted in the sale of treasury shares in consideration for cash. The income from this disposal was allocated to shareholders' equity. The expiry of 32,584 options was primarily due to the closing of plans in the final quarter of 2007.

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**21.1.6.3. Potential dilution resulting from the exercise of all stock options issued and not yet exercised**

Assuming the exercise of all valid options not yet exercised as of January 1, 2008, or as of February 29, 2008, at a rate of one share per option, 139,238 shares\* would be created, resulting in the following number of shares, share capital and number of voting rights:

Number of shares:	26,044,859 shares
Share capital:	€79,436,819.95
Number of voting rights:	43,582,306 voting rights

\* Plus the 26,000 bonus shares as from April 25 and July 23, 2009.

**21.1.7. Table summarising existing financial authorisations****TABLE SUMMARISING EXISTING FINANCIAL AUTHORISATIONS**

<b>Authorised share capital increases</b>			<b>Use of existing authorisations</b>
A – By issuing shares, various transferable securities and/or subscription warrants, with retention of preferential shareholder rights. Art. L. 225-129 of the French Civil Code			
By EGM	May 11, 2005 (Resolution 14)	April 25, 2007 (Resolution 22)	NA
B – By issuing shares, various transferable securities and/or subscription warrants, with waiver of preferential shareholder rights.			
By EGM	May 11, 2005 (Resolution 16)	April 25, 2007 (Resolution 24)	NA
C – By capitalising reserves, earnings, premiums or other capitalisable items.			
By EGM	May 11, 2005 (Resolution 15)	April 25, 2007 (Resolution 23)	NA
A/B/C			
Maximum par amount	€24,000,000	€24,000,000	NA
Board period of authorisation	Legal period	Legal period	
<b>Limits on total issues (total A+B)</b>			
By EGM	May 11, 2005 (Resolution 17)	April 25, 2007 (Resolution 25)	NA
Maximum amount	€24,000,000	€24,000,000	
<b>Bonus share grants</b>			
(Art. L. 225-197-1 and L. 225-197-2 of the French Civil Code)			May 11, 2005
Maximum number of shares			40,000 shares
Authorisation period			38 months
Used in 2005			14,000
Used in 2007			26,000
Outstanding amount			0

A motion will be submitted for the consideration of the General Shareholders' Meeting to be held on April 16, 2008, in order to authorise the Board to increase the share capital in consideration for a contribution in kind (see text of motions).

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### ➤ 21.1.8. Description of share buyback programme

#### 21.1.8.1. Results of 2007 buyback programme

The Combined Ordinary and Extraordinary General Shareholders' Meeting of May 11, 2005 authorised the Company to buy back its shares up to a maximum of 5% of the share capital (prospectus given AMF approval number 05-228 on April 7, 2005). This authorisation expires at the Ordinary General Shareholders' Meeting called to approve the 2007 financial statements. Under said authorisation, on February 29, 2008, the Company bought back 319,507 shares, namely 1.23% of the share capital, at an average unit price of €207. No shares have been cancelled over the past 24 months. For reference, as on February 29, 2008, the Company held 339,936 shares (1.31% of the share capital).

#### 21.1.8.2. Goals of the 2008 buyback programme

The resolution put to Eramet's General Shareholders' Meeting is under the maximum legal threshold and is designed to authorise a share buyback programme up to at most 10% of the Company's share capital. Eramet will use the share buyback programme in descending order of priority to:

- support the share price via a liquidity contract with a market maker, in accordance with the AFEI code of conduct recognised by the AMF;
- retain the shares or swap them, in particular in the event of acquisitions or the issue of securities giving rights over the share capital;
- grant stock options to the employees of the Company, or of the companies in which Eramet directly or indirectly holds 50% of the share capital;
- cancel the shares pursuant to resolution 21 of the Combined Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2007 authorising a share capital reduction for a period of 24 months.

#### LEGAL FRAMEWORK

The implementation of this programme, falling under the legislative framework established by French Act no. 98-546 of July 2, 1998 (Article L. 225-209 of the French Commercial Code), which includes various economic and financial provisions, was submitted to the Ordinary General Shareholders' Meeting of April 16, 2008, adopting resolutions on the basis of the quorum and majority rules set out for ordinary general shareholders' meetings (see resolution 20).

#### TERMS

Shares may be bought back by trading in the market or by private agreement, in particular via the acquisition of blocks of securities or by using derivatives. The Company shall ensure that it does not cause share prices to become more volatile. The draft authorisation submitted to the Ordinary General Shareholder's Meeting of April 16, 2008, does not limit the portion of the

programme that may be carried out via the acquisition of blocks of securities. The Company specifies that, in the possible event of the use of derivatives, the aim would be to cover the options granted by the issuer (share subscription and purchase options granted to the Group's employees, debt securities granting rights over the issuer's share capital). More specifically, the use of derivatives involves buying purchase options and the Company should not be obliged to use the sale of puts.

#### PRICE

- maximum purchase price: €550\*;

\* Amount increased from €300 to €550 at the General Shareholders' Meeting of April 16, 2008.

- theoretical maximum amount payable by the Company:

- €1,424,809,100 for 2,590,562 shares representing 10% of the Company's share capital,
- €1,237,844,300 for 2,250,626 shares representing 8.69% of the share capital, taking into account the shares already held by the Company.

#### TERM AND SCHEDULE OF BUYBACK PROGRAMME

The programme will cease to be valid at the General Shareholders' Meeting called to approve the 2008 financial statements.

Moreover, it is specified that, pursuant to resolution 21 put to the Combined Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2007, the Board of Directors is authorised, for a period of 24 months as from that date, to reduce the share capital by cancelling shares up to a maximum of 5% of the share capital.

#### FINANCING THE PROGRAMME

The share buyback programme will be financed from the Company's own resources, and by borrowings for any additional requirements in excess of its cash flow from operations.

#### ITEMS MAKING IT POSSIBLE TO ASSESS THE IMPACT OF THE PROGRAMME ON ERAMET'S FINANCIAL POSITION

For reference, the table below sets out the impact that the buyback programme would have on the Company's financial statements (consolidated financial statements as on December 31, 2007). The calculation was based on the following assumptions:

- buyback of 8.69% (namely 2,250,626 shares) of the number of shares comprising the share capital on February 29, 2008;
- bought back at a price of €418.39 per share, the average price during February 2008;
- finance expenses: 5.5% before tax;
- tax rate: 35%.

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## THEORETICAL IMPACT OF THE SHARE BUYBACK PROGRAMME ON THE COMPANY'S FINANCIAL POSITION

(millions of euros unless otherwise stated)	Consolidated financial statements December 31, 2007	Buyback of 8.69% of the share capital	Pro forma after buyback of 8.69% of the share capital	Effect of buyback in% terms
Shareholders' equity, Group share	2,194	(942)	1,252	(44.93)%
Total shareholders' equity	3,035	(942)	2,093	(31.03)%
Net cash	954	(975)	(21)	(102.27)%
Profit (loss) for the period, Group share	582	(34)	548	(5.78)%
Weighted average number of outstanding shares (excluding treasury shares)	25,666,698	(2,250,626)	23,416,072	(8.77)%
Earnings per share	22.67	0.75	23.42	3.27%
Weighted average number of outstanding shares (excluding treasury shares), allowing for the effect of dilutive instruments*	25,818,651	(2,250,626)	23,568,025	(8.72)%
Earnings per share, fully diluted	22.54	0.73	23.27	3.21%

\* Potential subscriptions (including allocations of bonus shares) and share purchases by employees under the option plans total 151,953 shares.

## TAX FRAMEWORK OF SHARE BUYBACKS

For the transferee: Eramet's buyback of its shares with a view to their subsequent cancellation has no impact on its taxable income. Any revaluation of the shares recognised between their buyback date and cancellation date does not result in a capital gain for tax purposes.

Only Eramet's buyback of its shares without their subsequent cancellation would have an impact on its taxable income, insofar as the shares would then be sold or transferred at a different price from the buyback price.

For the transferor: As repurchases are carried out on the basis of Article L. 225-209 of the French Commercial Code, the resulting gains are subject to the capital gains tax regime pursuant to the provisions of Article 112-6 of the French General Tax Code. The tax regime described below applies to French residents in France and may be different for non-residents.

The gains made by legal entities will be subject to the professional capital gains regime provided for in Article 39 duodécies of the French General Tax Code.

The gains made by individuals will be subject to the capital gains regime for the sale of securities or equities, namely proportional taxation at 18% (29% with social security contributions), pursuant to Article 150-0-A of the French General Tax Code, whenever the annual disposal threshold is exceeded (current threshold: €25,000).

Non-resident shareholders are not generally subject to taxation in France.

It should be noted that this information is merely a summary of the current tax regimes and the specific circumstances of transferors should be reviewed together with their tax advisors.

## 21.2. MEMORANDUM AND ARTICLES OF ASSOCIATION

## 21.2.1. Corporate purpose (Article 3 of the Articles of Association)

"The purpose of the Company in all countries is finding and exploiting mining deposits of all kinds, the metallurgy of all metals and alloys and their trading.

For this purpose, it is involved in the following activities, whether directly or indirectly through investments:

- ① the uncovering, acquisition, subcontracting, disposal, concession and exploitation of all mines and quarries of any kind whatsoever;
- ② the processing, transformation and trading of all ores, mineral and metal substances and their by-products, alloys and any derivatives;
- ③ the manufacture and marketing of any products of which the abovementioned materials or substances are components;

- ④ more generally, any transactions directly or indirectly related to the above purposes or which may aid the development of the Company's business.

To achieve this purpose, the Company may, in particular:

- ① create, acquire, sell, swap, take on lease or lease-out, with or without a purchase option, manage and operate directly or indirectly any industrial or commercial companies, plants, construction sites and premises whatsoever, and any movable and tangible objects;
- ② obtain or acquire any patents, licences, processes and trademarks, exploit, transfer or contribute them, and grant all manner of operating licences in any country;



and, in general, carry out any commercial, industrial or financial transaction, whether for movable assets or property, that may directly or indirectly relate or contribute to the corporate purpose or that may facilitate the achievement thereof. It may directly or indirectly act on its own behalf or on behalf of third parties, whether alone or via a partnership, joint venture or company, with any other company or person, and carry out, directly or indirectly, in France or other countries, in any form whatsoever, the transactions that are within the scope of the corporate purpose. It may take any interest or stake, in any form and in any French or foreign company that may aid the development of its own business. ”

### ➤ 21.2.2. Financial year (Article 24 of the Articles of Association)

The financial year lasts 12 months, beginning on January 1 and ending on December 31 every year.

### ➤ 21.2.3. General Shareholders’ Meetings

#### 21.2.3.1. Calling meetings and terms of admission (Articles 21, 22 and 23 of the Articles of Association)

**Composition:** General Shareholders’ Meetings are comprised of all shareholders in the Company, regardless of the number of shares they hold.

**Calling:** General Shareholders’ Meetings are called and are held pursuant to the provisions of the French Commercial Code and Articles 21 to 23 of the Articles of Association.

Meetings are held either at the registered office or in any other place in the same French department specified in the Meeting notice.

**Terms of admission:** all shareholders are entitled to take part in General Shareholders’ Meetings, subject to the obligation of proving their identity, either in person or by proxy through another shareholder or their spouse.

Holders of registered shares and holders of bearer shares must carry out the formalities provided for in the applicable regulations. In both cases, said formalities must have been completed at least five days prior to the Meeting. Shareholders may also vote by correspondence pursuant to the provisions of Article L. 225-107 of the French Commercial Code and Article 131-1 of the Decree of March 23, 1967, as amended, using a form that must reach the Company at least three days prior to the date of the Meeting.

Jointly owned, split, pledged or sequestrated shares:

In the absence of any other statutory provisions, and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, any holder of a jointly owned share, a split share – bare ownership and life interest (usufruct), a pledged share or a sequestrated share, is invited to the Meeting and may attend, subject to compliance with the legal or statutory provisions below with regard to the exercise of voting rights.

#### 21.2.3.2. Conditions for exercising voting rights (Articles 8 and 21 of the Articles of Association)

Shareholders have as many voting rights as the shares they own or represent, subject to the double voting rights attached to some shares. The

Extraordinary General Shareholders’ Meeting of July 21, 1999 granted a double voting right, with effect from January 1, 2002, to every fully paid-up share for which it can be demonstrated that it has been registered in the name of the same shareholder for over two years.

Shares that are allotted free of charge following the incorporation of reserves, earnings or issue premiums on the basis of old shares benefiting from double voting rights only gain such a right following a two-year period.

Double voting rights cease for any shares that are converted to bearer shares or transferred, except, in accordance with legislation, any registered to registered transfer following a succession or family gift.

By law, double voting rights may only be cancelled by a resolution of the Extraordinary General Shareholders’ Meeting, and following approval by a Special Meeting of Beneficiary Shareholders.

Jointly owned, split, pledged or sequestrated shares:

In the absence of any other statutory provisions, and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, the voting right is exercised by the holder of a life interest at Ordinary General Shareholders’ Meetings, by the bare owner at Extraordinary General Shareholders’ Meetings, by one of the joint owners or by a proxy in the case of co-owned shares and by the owner of pledged or sequestrated shares.

Limitation of voting rights: none.

Expiry: none, except where otherwise decided by the Extraordinary General Shareholders’ Meeting, or the transfer from registered to bearer form.

### ➤ 21.2.4. Transmission of shares

Since the deletion of the approval clause by the Shareholders’ Meeting of June 15, 1994, shares may be traded freely, subject to compliance with the rules applicable to companies that are listed on regulated markets.

### ➤ 21.2.5. Identification of shareholders

#### 21.2.5.1. Crossing thresholds/Declaration of intent

**Legal declarations:** pursuant to Articles L. 233-7 to L. 233-11 of the French Commercial Code, any individual or legal entity, whether acting alone or in concert, who/that comes to hold a number of shares representing over one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the Company’s share capital and/or voting rights, must inform the AMF and the Company within five trading days, by registered letter with acknowledgement of receipt, of the total number of shares and/or voting rights owned. The same persons or entities are also required to inform the Company within five days whenever their interest falls below any of the abovementioned thresholds.

Finally, in addition to this duty of disclosure, any person crossing the abovementioned thresholds of one-tenth and one-fifth of the share capital is legally required to declare their intentions for the coming twelve months, within 10 trading days.

In the event of non-compliance with such disclosure obligations, the provisions of Article L. 233-14 of said Code shall apply.

**Additional statutory declarations:** since the amendment of Article 9 of the Articles of Association by the Shareholders’ Meeting of June 15, 1994, any individual or legal entity, whether acting alone or in concert, who/that comes

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to hold, or ceases to hold, a fraction equal to 1% of the share capital and/or voting rights, or any multiple of that percentage, must inform the Company within 10 days, by registered letter with acknowledgement of receipt, sent to the Company's registered office, stating the number of shares and voting rights held.

Failure to make this disclosure shall result in a loss of voting rights for the shares or voting rights in excess of the fraction that should have been disclosed for a period of two years from the date the situation is rectified upon the mere request at a Shareholders' Meeting of one or more shareholders

holding 5% of the share capital or voting rights at a Shareholders' Meeting.

### 21.2.5.2. Identifiable bearer shares

Pursuant to Article L. 228-2 of the French Commercial Code and Article 9 of the Articles of Association, the Company may at any time ask Euroclear SA to carry out the "identifiable bearer share" procedure to identify the holders of such shares.

## ➤ 21.2.6. Bearer shares

As on December 31, 2007, the breakdown between registered and bearer shares was as follows:

	On December 31, 2007	On December 31, 2006
Registered shares	18,237,177 (70.40%)	18,371,573 (70.99%)
Bearer shares	7,668,444 (29.60%)	7,509,321 (29.01%)
<b>Total</b>	<b>25,905,621</b> <b>(100%)</b>	<b>25,880,894</b> <b>(100%)</b>

### Liquidity contract

Since July 18, 2003, so as to ensure minimum liquidity levels at all times for its stock, the Company has had a liquidity contract with EXANE BNP PARIBAS. The contract was notified to the Euronext Paris market and to the AMF. This liquidity contract complies with the AEFI charter.

### Pledged securities: none

### Probable changes in voting rights

The double voting rights attached to shares that have been registered for over two years were mostly created in 2002.

As of December 31, 2007, a total of 18,158 registered shares, which have not been registered for two years, do not have double voting rights. In this scenario, the number of double voting rights would rise to 35,792,782, to which the single voting rights of bearer shares should be added, namely 7,668,444 additional votes as of December 31, 2007.

Treasury shares (340,786 as of December 31, 2007) do not have voting rights.

### RECAP OF PUBLIC DECLARATIONS

Date	AMF decision number	Subject
08/03/1999	199C1045	Declaration of crossing of threshold (ERAP – CEIR – SORAME). Declaration of intent. Appointment of 5 qualified persons as Directors. Reminder: dispensation from obligation to file a planned public offer.
12/29/1999	199C2064	Declaration of crossing of threshold. Cogema replaces ERAP.
12/30/1999	199C2068	Declaration of crossing of threshold. AFD replaces ERAP.
07/25/2001	199C0921	Planned amendment to shareholders' agreement: Eramet shares held by Cogema assigned to CEA Industrie.
09/12/2001	201C1140	Declaration of crossing of threshold. Amendment to shareholders' agreement following AREVA's replacement of Cogema.
12/20/2004	204C1559	Declaration of crossing of threshold and declaration of intent. Maaldrift BV replaced by Carlo Tassara International.
02/14/2006	206C0296	Declaration of crossing of threshold by M&G Investments Management Limited of 5.0034% of the share capital and 2.98% of voting rights.
01/17/2007	207C0134	Declaration of crossing over threshold and declaration of intent by Carlo Tassara France.
01/18/2007	207C0137	Declaration of crossing under threshold by Carlo Tassara France.
02/27/2007	--	Declaration of crossing over threshold (1%) by Amber Master Fund (Cayman) SPC.
07/16/2007	--	Declaration of crossing under threshold by Amber Master Fund (Cayman) SPC.
07/24/2007	207C1569	Declaration of crossing under threshold by STCPI.
12/17/2007	--	Declaration of crossing of threshold by Merrill Lynch International Investment Fund.



## 21.3. CHANGES TO THE SHARE CAPITAL

Changes to the share capital occur in the legally prescribed manner.

### ➤ 21.3.1. Authorised share capital reduction through the cancellation of shares

Resolution 21 of the Combined Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2007 authorised the Board of Directors to cancel, at its sole discretion and on one or more occasions, all or part

of the treasury shares held under the authorisations to buy back the Company's shares. This authorisation is valid for 24 months from the date of the Meeting, up to a maximum of 5% of the share capital.

### ➤ 21.3.2. Unissued authorised share capital

#### Share capital increase(s) reserved for employees

Resolution 11 of the General Shareholders' Meeting of May 11, 2005, was resubmitted to the General Shareholders' Meeting of April 25, 2007 (resolution 27) which, pursuant to Articles L. 225-129 and L. 225-129-6 of the French Commercial Code, delegated to the Board, with the option of further delegating, the powers required to increase the share capital, on one or more occasions, by a maximum par amount of €500,000, via the issue of new cash shares reserved for current and former employees of the Company who join a company savings plan or a voluntary employee savings plan.

- ⊕ Subscription price: to be set pursuant to the provisions of Article 443-5 of the French Labour Code.
- ⊕ Term: 26 months from the date of the Shareholders' Meeting.

#### Share capital increase(s) via the issue of shares, various securities and/or share subscription warrants with retention of shareholders' subscription right

The General Shareholders' Meeting of April 25, 2007 (resolution 22), readopted resolution 14 from the General Shareholders' Meeting of May 11, 2005, in resolution 14, pursuant to the provisions of Article L. 225-129 of the French Commercial Code, and granted the Board of Directors the power to increase the share capital, at its sole discretion, by a maximum par amount of €24,000,000, through successive or simultaneous issues, on one or more occasions, both in France and abroad, of securities giving rights, whether immediately or over time, over a fraction of the share capital.

This authorisation may be used in the following manner:

- ⊕ Issue by the Company in the form of:
  - a) shares, by:
    - either issuing new shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium, or
    - by incorporating into the capital all or part of the reserves or issue premiums existing at that time, to be carried out by the allocation of bonus shares or by increasing the par value of existing shares, or
    - by the simultaneous use of a number of these mechanism;

- b) securities other than shares giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of allocation, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital. Such securities shall be in the form of convertible bonds, bonds with share subscription warrants, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, up to a maximum total par amount of €24,000,000 or the equivalent of said amount calculated on the date of the decision to issue such securities;

- c) warrants granting their holders the right to subscribe for securities representing a fraction of the Company's share capital, it being hereby stipulated that the issue of such warrants may take place either by subscription for cash, or by bonus allocation and that, moreover, said warrants may be issued on their own or attached both to the shares and securities referred to in (a) and (b) above that are issued simultaneously.

The owners of existing shares on the date of issue for cash of the securities referred to in (a), (b) and (c) shall have, as of right and in proportion to the number of shares they own at that time, a preferential subscription right for said securities. The Board may introduce a subscription right for excess shares for shareholders to be exercised in proportion to their rights and up to the amount subscribed for.

The Shareholders' Meeting resolves that the amount accruing immediately, or that may subsequently accrue, to the Company for each of the securities representing a fraction of the capital, issued or created by subscription, conversion, swap, the exercise of warrants or in any other manner under the authorisations granted in (b) and (c) shall be at least equal to the average Company share price, recorded during ten consecutive trading days, selected from the twenty days prior to the commencement of the share or security or warrant issue giving rights over the share capital after adjustment, if appropriate, of this average for any difference in vesting dates.

Other arrangements: timing and terms and conditions of issues, setting the prices and interest rates, amounts to be issued, types of securities, vesting dates, even retroactive, conditions for redemption and/or buyback, sundry adjustments: powers delegated to the Board, with the right to further delegate to its Chairman.

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## Share capital increase(s) by incorporation of reserves, earnings or other reserves that may be capitalised

In resolution 23, the General Shareholders' Meeting of April 25, 2007 readopted resolution 15, which had originally been adopted by the General Shareholders' Meeting of May 11, 2005, and granted the Board the power to increase the share capital, at its sole discretion and on one or more occasions, in the proportions and at the timing of its choosing, by the incorporation of reserves, earnings or other reserves that may be capitalised, or even in tandem with a share capital increase in cash carried out under resolution 13, and in the form of bonus share grants or by increasing the par value of existing shares, or by combining both such mechanisms;

Maximum par amount: €24,000,000.

Other arrangements: powers delegated to the Board, with the right to further delegate to its Chairman during the legally prescribed term.

## Share capital increase(s) via the issue of shares, various securities and/or share subscription warrants with waiver of shareholders' subscription right

In resolution 24, and under the provisions of Article L. 225-129.1 of the French Commercial Code, the General Shareholder's Meeting of April 25, 2007 granted the Board the power to increase the share capital, at its sole discretion, by a maximum par amount of €24,000,000, through successive or simultaneous issues, on one or more occasions, both in France and abroad, of securities giving rights, whether immediately or over time, over a fraction of the share capital.

This authorisation may be used on the basis to the following terms and conditions:

- ⊕ Issue by the Company in the form of:
  - a) new shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium;
  - b) securities other than shares giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of allocation, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital. Such securities shall be in the form of convertible bonds, bonds with share subscription warrants, bonds redeemable in shares, or any other form that does not breach applicable legal provisions;

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, up to a maximum total par amount of €24,000,000 or the equivalent of said amount calculated on the date of the decision to issue such securities;

- c) warrants granting their holders the right to subscribe for securities representing a fraction of the Company's share capital, it being hereby stipulated that said warrants may be issued on their own or attached both to the shares and securities referred to in (a) and (b) above that are issued simultaneously.

The securities referred to in (a) and (b) above may be issued in consideration for securities that may be contributed to the Company as part of a public offer involving a stock swap pursuant to the provisions of Article L. 225-148 of the French Commercial Code.

The par value of the securities created under the issues provided for in (b) and (c) above: the abovementioned issues may not, under any circumstances, result in the share capital increasing by more than €24,000,000 for the issues referred to in (b) and more than €24,000,000 for the issues referred to in (c), an amount to which the par value of the securities to be issued to preserve the rights of the owners of the securities referred to in (b) and (c) above may ultimately be added.

- ⊕ Issues by the company(ies) in which Eramet directly or indirectly holds over 50% of the share capital, carried out by said companies, on one or more occasions, either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, on the French market or the international market of:
  - a) bonds with Eramet share subscription warrants;
  - b) securities giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of grant, at any time or on specific dates, to the allocation of securities which, in this respect, shall be issued to represent a fraction of the share capital of Eramet; such securities may be in the form of shares with share subscription warrants, bonds convertible into shares, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

The par value of the securities created under the issues provided for in (a) and (b) above: the abovementioned issues may not, under any circumstances, result in the share capital increasing by a par amount of more than €24,000,000 to which the par value of the securities to be issued to preserve the rights of the owners of the warrants referred to in (a) and (b) and the securities referred to in (b) above may ultimately be added.

## Preferential subscription right

However, for issues carried out on the French market and for a period and pursuant to the terms and conditions that it sets out, the Board may grant shareholders a preferential period during which to subscribe for the shares, securities and warrants issued, without giving rise to the creation of tradable and transferable rights.

## Method for determining subscription prices of securities

The General Shareholders' Meeting resolves that the amount accruing immediately, or that may subsequently accrue, to the Company:

- 1) for each share issued under the authorisation granted in (a) of section I above;
- 2) for each of the securities representing a fraction of the capital, issued or created by subscription, conversion, swap, the exercise of warrants or in any other manner under the authorisations granted in (b) of sections I and II above;
- 3) and for the exercise of each of the warrants issued pursuant to the powers granted in (c) of section I and in (a) and (b) of section II above; shall at least be equal to the weighted average of the share price for the last three trading days prior to its being set (possibly reduced by a maximum of 5%) after adjustment, if appropriate, of this average for any difference in the vesting dates, it being hereby stipulated that the price of standalone warrants shall, for each security representing the capital to be created, be such that the total of this price and the exercise price of each warrant is at least equal to 105% of said average.

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### Limits on the total amount of authorised issues

In resolution 25, the General Shareholders' Meeting of April 25, 2007, proposed limiting the share capital increases that may result from the use of the authorisations governing the issue of shares, other securities or warrants, as granted under resolutions 22 to 24, to a maximum par amount of €24,000,000, adding to this amount the additional share capital increases, made necessary by the preservation of the rights of holders of securities granting the right, in any manner, to the allocation of securities representing a fraction of the capital, and to holders of share subscription warrants. The Board of Directors shall report to the Extraordinary General Shareholders' Meeting in the event of the non-use of said authorisations.

The issue of securities other than the shares authorised under resolutions 22 and 24 above may not result in a share capital increase with a par value of over €24,000,000; where applicable, the euro equivalent of the security

issues denominated in foreign currencies or in monetary units established with reference to a basket of currencies, shall be included in this amount.

### Entitlement to use the authorisations during public offer periods

In resolution 26, the General Shareholders' Meeting of April 25, 2007 proposed to grant the Board, for the term thereof, the authority to make use, pursuant to legal provisions, of the various authorisations granted under resolutions 22 and 24, "in the event that one or more public offers including those involving stock swaps were to be made with regard to securities issued by the Company".

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# Major contracts



# 22.

To date, Eramet has not entered into any major contracts entailing a major obligation or commitment for the Group as a whole, other than those entered into in the normal course of its business.

As regards the contracts entered into the normal course of business, please see, in particular, the financial contracts mentioned in Chapter 4.

Aubert & Duval executed a contract for the securitisation of receivables on July 5, 2007 for a total amount of €115 million and US\$50 million. This contract took effect on September 1, 2007.

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# Information from third parties, expert statements and declarations of interest



# 23.

Not applicable.

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# Documents available to the public



# 24.

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## 24.1. DISCLOSURE POLICY

### ➤ 24.1.1. Person responsible for disclosure

Name: Philippe Joly.  
 Position : Strategy and Financial Communications Manager.  
 Address: Eramet  
 Tour Maine – Montparnasse  
 33 avenue du Maine  
 75 755 Paris cedex 15 – France  
 Telephone: +33 (0)1 45 38 42 02

### ➤ 24.1.2. Communications process

Frequency: in line with regulations, Eramet publishes its interim and annual financial statements and its quarterly sales.

Publication of information: in addition to legal announcements in financial publications, the latest press releases as well as all mandated financial

information are available to the public on the Company's website (<http://www.eramet.fr> – Investors section) and disclosed in accordance with the AMF transparency directive.

### ➤ 24.1.3. Diary: key dates in FY 2008, 2007 and 2006

#### 2008 diary

Publication of 2007 earnings:	Thursday, February 21, 2008	(before trading).
General Shareholders' Meeting:	Wednesday, April 16, 2008	
Publication of Q1 sales:	Tuesday, April 29, 2008	(before trading).
Publication of H1 sales and earnings:	Thursday, July 31, 2008	(before trading).
Publication of Q3 sales:	Wednesday, October 29, 2008	(before trading).
Publication of Q4 sales:	Thursday, January 29, 2009	(before trading).

#### 2007 diary

Publication of 2006 earnings:	Thursday, March 8, 2007	(before trading).
General Shareholders' Meeting:	Wednesday, April 25, 2007	
Publication of Q1 sales:	Thursday, May 3, 2007	(before trading).
General Shareholders' Meeting:	Monday, July 23, 2007	
Publication of Q2 sales:	Tuesday, July 31, 2007	(before trading).
Publication of H1 earnings:	Thursday, August 30, 2007	(before trading).
Publication of 9-month sales:	Wednesday, October 31, 2007	(before trading).
Publication of 2007 sales:	Thursday, January 31, 2008	(before trading).

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## Recap of 2006 diary

Publication of 2005 earnings:	Thursday, March 9, 2006	(before trading).
General Shareholders' Meeting:	Thursday, April 27, 2006	
Publication of Q1 sales:	Wednesday, May 3, 2006	(before trading).
Publication of Q2 sales:	Tuesday, August 1, 2006	(before trading).
Publication of H1 earnings:	Thursday, September 7, 2006	(before trading).
Publication of 9-month sales:	Friday, November 3, 2006	(before trading).
Publication of 2006 sales:	Thursday, February 1, 2007	(before trading).

## 24.2. PLACE WHERE DOCUMENTS AND INFORMATION ON THE COMPANY MAY BE CONSULTED

The Articles of Association, minutes of Shareholders' Meetings, corporate and consolidated financial statements, reports from the Statutory Auditors and all documents provided to shareholders may be consulted at the Company's registered office.

All the data set out in this document, for which the source is not specifically indicated, came from the Company's internal data and reporting.

All copies of the documents included in this reference document may be consulted either on Eramet's website (<http://www.eramet.fr>) or by submitting a request to the Head of the Company's Legal Department at its registered office: Tour Maine Montparnasse – 33, avenue du Maine 75015 Paris – France.

### 24.2.1. List of press releases

#### 24.2.1.1. FY 2008

**April 2, 2008:** Erasteel, an Eramet subsidiary, opens its new plant in China.

**February 21, 2008:** Eramet – record earnings in 2007.

Doubling of current operating profit (+97%). Profit for the period, Group share up 82% and dividend raised to €6 per share.

Positive outlook and continued pursuit of growth strategy in 2008.

**February 8, 2008:** Aubert & Duval, an Eramet subsidiary, announces a strategic partnership in titanium with EADS, Airbus and UKTMP (Kazakhstan).

**January 31, 2008:** 2007 sales up 24.1% to €3.8 billion. Sharp rise in the Group's sales (+30.5%) in Q4 2007 compared to Q4 2006, with Eramet Manganèse's sales rising 53.2%.

#### 24.2.1.2. FY 2007

**October 31, 2007:** Q3 sales up sharply: 21.4%.

Eramet Manganèse's sales up 51.2%.

H2 2007 current operating profit expected to be sharply higher than in H2 2006.

**September 10, 2007:** Investments.

Erasteel, an Eramet subsidiary, invests more than €10 million in China in high-speed steels.

**August 30, 2007:** Eramet: H1 2007 earnings.

Operating profit up 123.5%.

Profit for the period, Group share up 124.0%.

**August 2, 2007:** technical problem at SLN in New Caledonia.

**July 31, 2007:** H1 2007 sales: +21%.

Current operating profit expected to be sharply higher.

**July 23, 2007:** exercise of the STCPI option – General Shareholders' Meeting of July 23, 2007.

**July 19, 2007:** Eramet – comments following press articles.

**May 23, 2007:** Eramet – exercise of the STCPI option.

**May 3, 2007:** Eramet – sales up by 13% in Q1 2007.

Current operating profit expected to be higher in H1 2007 compared to H2 2006.

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**April 25, 2007:** Eramet – Combined Ordinary and Extraordinary General Shareholders’ Meeting of April 25, 2007.

Appointment of Patrick Buffet as Chairman and CEO of Eramet.

Chairman’s speech to the Combined Ordinary and Extraordinary General Shareholders’ Meeting of April 25, 2007.

**March 8, 2007:** Eramet – 2006 earnings.

Eramet reaps the fruits of its profitable growth strategy.

12% rise in current operating profit to €607 million.

Dividend up 38% to €2.90 per share.

**February 1, 2007:** Eramet – strong Q4, annual sales up almost 13% in 2006.

Forecast current operating profit for 2007 revised upwards, expected to be higher than in 2006.

**24.2.1.3. FY 2006**

**December 6, 2006:** STCPI exercises 4% option in Le Nickel-SLN.

**November 30, 2006:** Eramet – STCPI announcement.

**November 3, 2006:** Eramet – significant increase in Q3 2006 sales (17%).

Markets still very buoyant.

**September 7, 2006:** Eramet – H1 2006 earnings.

Current operating profit: €206 million (17% of sales).

Profit (loss) for the period, Group share: €121 million.

**August 1, 2006:** Eramet – significant increase in Q2 2006 sales (11.9%).

Sales for H1 up 8.2%.

**May 3, 2006:** Eramet: sales up 4.4% in Q1 2006.

Positive outlook for 2006.

**May 2, 2006:** Eramet takes control of Weda Bay and will eventually double output at its nickel division.

**April 27, 2006:** Eramet – Chairman’s speech – General Shareholders’ Meeting of April 27, 2006.

**April 27, 2006:** Eramet – Ordinary General Shareholders’ Meeting of April 27, 2006.

Dividend of €2.10 per share compared with €2.00 per share for 2004.

**March 28, 2006:** Eramet – Information on the offer to acquire Weda Bay Minerals.

**March 15, 2006:** Eramet bids for Weda Bay Minerals.

**March 9, 2006:** Eramet – 2005 earnings.

Profit for the period, Group share rose 9% to €377 million.

The current operating margin remains high, at 20%.

**February 2, 2006:** Eramet – sales up close to 8% in 2005.

Market stronger in early 2006.

**January 12, 2006:** Eramet shareholder letter.

The Koniambo dossier is not closed.

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➤ 24.2.2. List of publications in B.A.L.O. (Official Journal)

**FY 2008**

➤ 2007 annual financial statements:	➤ April 4, 2008;
➤ Notice of calling the General Shareholders' Meeting:	➤ March 28, 2008;
➤ General Shareholders' Meeting Notice:	➤ March 10, 2008;
➤ Sales as of December 31, 2007:	➤ February 08, 2008.

**FY 2007**

➤ Sales as of December 31, 2007:	➤ November 7, 2007;
➤ 2007 interim financial statements:	➤ September 10, 2007;
➤ Sales as of June 30, 2007:	➤ August 8, 2007;
➤ Notice of calling the General Shareholders' Meeting:	➤ June 15, 2007;
➤ Notice of approval of financial statements without amendment:	➤ May 11, 2007;
➤ Q1 sales:	➤ May 11, 2007;
➤ 2006 annual financial statements:	➤ April 18, 2007;
➤ Notice of calling the General Shareholders' Meeting:	➤ April 6, 2007;
➤ General Shareholders' Meeting Notice:	➤ March 16, 2007;
➤ Sales as of December 31, 2006:	➤ February 9, 2007.

**FY 2006**

➤ Sales as of September 30, 2006:	➤ November 20, 2006;
➤ 2006 interim financial statements:	➤ September 22, 2006;
➤ Sales as of June 30, 2006:	➤ August 11, 2006;
➤ Q1 sales:	➤ May 15, 2006;
➤ Notice of publication of 2005 reference document:	➤ May 11, 2006;
➤ Notice of approval of financial statements without amendment:	➤ May 8, 2006;
➤ Number of voting rights at the General Shareholders' Meeting:	➤ May 8, 2006;
➤ 2005 annual financial statements:	➤ April 12, 2006;
➤ Notice of calling the General Shareholders' Meeting:	➤ April 10, 2006;
➤ General Shareholders' Meeting Notice:	➤ March 24, 2006;
➤ Sales as of December 31, 2005:	➤ February 10, 2006.

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# Information on investments in associates



# 25.

The companies in which Eramet holds a significant portion of the share capital are set out in Chapter 6, "Presentation of business activities." The scope of consolidation is set out in the consolidated financial statements as on December 31, 2006 (Chapter 20.1). The names and contact details of all the companies are listed in Appendix 4.

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## APPENDIX 1. REPORT OF THE CHAIRMAN OF THE BOARD – FINANCIAL YEAR 2007

(Art. 117 of the French Financial Security Act of August 1, 2003)

Dear shareholders,

As Chairman of the Board of Directors of the Company, I am delighted to present you with the report provided for in Article L. 225-37, subsection 6, of the French Commercial Code.

As required by law, the report firstly covers the preparation and organisation of the work of the Board of Directors, before covering internal control procedures. Finally, it will set out the limits on the powers of the Chairman and CEO.

### I. Work of the board of directors

In 2007, the Board of Directors met eight times, namely on:

- ✶ March 7, 2007;
- ✶ April 25, 2007 (twice);
- ✶ May 23, 2007;
- ✶ July 23, 2007;
- ✶ August 29, 2007;
- ✶ October 17, 2007;
- ✶ December 12, 2007.

These dates correspond in part to the diary set at the final Board Meeting the previous year and in part to pressing needs. On three occasions (May 23, July 23 and October 17) meetings of the Board of Directors took place via conference call, pursuant to internal Board rules.

The Board Meeting of March 7 was held to approve the Company's 2006 financial statements and to call the General Shareholders' Meeting of April 25, 2007. The Board also co-opted Patrick Buffet as Director to replace François Henrot, who resigned.

The first Board Meeting of April 25 was held prior to the Shareholders' Meeting and primarily dealt with answers to written questions from shareholders.

The second Board Meeting of April 25, which was held after the Shareholders' Meeting, decided not to reappoint Jacques Bacardats' to the Board and appointed Patrick Buffet as Eramet's new Chairman and Chief Executive Officer. It also reappointed the members of the Board Committees. The Board approved a bonus share plan for the balance of the programme authorised at the General Shareholders' Meeting of May 11, 2005.

The Board of Directors Meeting of May 23, 2007 authorised the Eramet/SLN and STCPI stock swap and for that reason called a General Shareholders' Meeting for July 23, 2007. It also reviewed a Manganese chemistry capital expenditure project and appointed Philippe Vecten as new Deputy CEO and Manager of the Manganese Division.

The Board Meeting of July 23, 2007 was held prior to the Shareholders' Meeting and it dealt with answers to written questions from shareholders. It also discussed the proposals of the Compensation Committee.

The Board Meeting of August 29, 2007 primarily dealt with the financial statements for H1 2007 and approved them. It also approved Eramet's long-term plan. It appointed an observer, Jean Javelier, to replace Jean-Claude Dumontet, who resigned.

The Board Meeting of October 17, 2007 discussed capital expenditure projects in South Africa (Manganese) and the United States (catalysts for Gulf).

The Board Meeting of December 12, 2007 approved the 2008 budget presented by the Company. It agreed a capital increase resulting from the bonus share programme established on December 13, 2005. It also appointed a new Deputy CEO responsible for the Nickel Division, Bertrand Madelin, as of January 1, 2008, to replace Alain Robert, who retired.

In addition, at the Board Meetings of March 7, April 25, August 29 and December 12, the Chairman first outlined the key events affecting the Group. This was followed by a report on business in each of the Divisions by their respective managers.

The Board is supported in its work by Committees that it appoints from amongst its members:

**A. The Audit Committee**, which usually meets the day before each Board Meeting. It met four times in 2007 and dealt with the following issues:

- 1) at the March 6 Meeting, the 2006 financial statements were presented;
- 2) at the August 28 Meeting, the 2006 interim financial statements were reviewed. There were presentations on risk management and on the Executive Civil Liability insurance policy;
- 3) at the October 29 Meeting (via conference call), Q3 2007 financial information was reviewed in light of the new legal provisions;

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4) at the December 11 meeting, the internal audit plan was examined as was its future schedule.

**B. The Compensation Committee** met six times, on January 12, April 25, June 8, July 19, August 28 and December 11, 2007.

In January it proposed the 2007 bonuses for corporate officers on the basis of the principles approved at the Compensation Committee Meeting of December 12, 2006.

On April 25, it proposed the compensation structure and package for the new Chairman and Chief Executive Officer, as set out in his corporate officer contract approved by the Board of Directors at its Meeting of April 25, 2007, as well as a new bonus share programme covering the balance of the authorisation of the General Shareholders' Meeting of May 11, 2005. The Meeting proposed the approval of the regulations regarding the bonus share plan granted to the Chairman and Chief Executive Officer on April 25, 2007. These regulations as well as those set out below were updated on July 23 to require corporate officers to hold 20% of their shares for the duration of their service. The various proposals at the April 25 Meeting were approved by the Board of Directors at its April 25, 2007 Meeting.

On June 8, the Meeting proposed setting the compensation of the new Deputy CEO responsible for the Manganese Division.

On July 19, the Meeting proposed the approval of the regulations governing the bonus share plan granted on April 25 to the beneficiaries other than the Chairman and Chief Executive Officer as well as the list of these beneficiaries.

The proposals of the June 8 and July 19 Meetings were approved at the July 23, 2007 Meeting.

On August 28, the Meeting agreed to propose to the Board of Directors that it vote in favour of the motion for the transaction to be carried out with Jacques Bacardats, in the presence of Georges Terrier, legal counsel. This proposed transaction was approved by the Board of Directors on August 29, 2007.

On December 11, 2007, the Meeting reviewed the terms of the departure of Alain Robert and the compensation for his successor, Bertrand Madelin. It also estimated the 2007 bonuses on the basis of a detailed analysis of forecast earnings and the initiatives implemented, Division by Division and at Group level. It also determined the fixed portion and the range of the variable portion of the compensation package for corporate officers for the 2008 financial year. The proposals of the Compensation Committee were approved by the Board of Directors at its December 12, 2007 Meeting\*.

\* The principles and rules for determining the compensation of corporate officers are set out in Chapter 10.2 of the 2007 Management Report.

**C. The Selection Committee** met twice:

- ⊕ on May 15, 2007, to propose the nomination of Philippe Vecten as Eramet's Deputy CEO responsible for the Manganese Division;
- ⊕ on December 11, 2007, to propose the nomination of Bertrand Madelin as Eramet's Deputy CEO responsible for the Nickel Division as from January 1, 2008.

At each Meeting, the members of the Board of Directors present receive a folder containing files on the items on the agenda.

At the end of Meetings, especially when the Board approves the financial statements, a draft press release is submitted to Directors and published (online with the AMF) in order to inform the market of the main items impacting the Company's and Group's development.

A press release was also issued by the Company following the Board Meeting and Shareholders' Meeting of July 23 on the Eramet/SLN and STCPI stock swap.

The Secretary to the Board drafts the minutes of each Meeting, which the Chairman submits to the Directors for approval at the subsequent Meeting, with the draft minutes being sent to each participant (Directors, Observers and the Works Council representatives), together with the Meeting notice and agenda, approximately one week prior to the date scheduled for the subsequent Meeting.

Apart from the Board Meetings held by conference call in 2007, Board Meetings are usually held at the Company's registered office (Tour Maine-Montparnasse).

## II. Internal control procedures

In early 2004, the Company undertook a progressive review of its internal control system. The first stage of this programme consisted of mapping risks. The project was carried out through interviews with the main managers of the Company's various processes, to measure their exposure to risks and the effectiveness of the related internal controls. The mapping made it possible to draw up an improvement action plan for implementation in 2004 and thereafter. Audit Plans are drawn up on the basis of that mapping process. The latter was partially updated during the final quarter of 2006. In addition, the various audits carried out allow the Company to improve this mapping.

The work carried out in 2007 did not reveal any serious failings or weaknesses in the way in which internal control is organised.

### 1. THE COMPANY'S INTERNAL CONTROL GOALS

The purpose of the internal control procedures in force at Eramet is to:

- ⊕ ensure that management actions, the carrying out of transactions and employee behaviour all comply with the policies laid down by the Company's governing bodies, with applicable legislation and regulations and with the Company's values, standards and internal rules;
- ⊕ check that the accounting, financial and management information provided to the Company's governing bodies accurately reflects the Company's business activities and position;
- ⊕ ensure that assets are protected against the various risks of losses resulting from theft, fire, improper or illegal actions and natural risks.

One of the goals of the internal control system is to prevent and control the risks resulting from the Company's business activities and risks of error or fraud, particularly in the accounting and financial areas. However, as with any control system, it cannot provide an absolute guarantee that these risks have been totally eliminated.

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## 2. OVERVIEW OF THE AUDIT PROCEDURES IN PLACE

### a) Internal control players

Owing to the diversity of its business activities, Eramet is organised into three independent Divisions, each with all the functions required for its operations (management, production, sales, purchasing, finance, etc.) In addition to its general management function, the head office provides support and carries out the control work required for the Group's cohesion. The following are the main internal control players:

- the Executive Committee (Comex), which is comprised of the Chairman and CEO, three Deputy CEOs, the managers of the Nickel, Manganese and Alloys Divisions, the Chief Financial Officer (CFO), the Group Human Resources Manager and the Communications and Sustainable Development Manager. The COMEX is the Group's decision-making centre and meets every two weeks. An International Management Committee, which also includes the CEOs of Aubert & Duval, Comilog, Erasteel and SLN, as well as the Manager of the China region and the Chairman of Eramet International deals, more specifically with organisational matters. It meets four times a year;
- the Internal Audit Department reports to the CFO. Based on an annual Audit Plan approved by the COMEX, the department carries out assignments in the various Group units as defined in the Plan and instructed by the Chairman. It reports quarterly to the COMEX and annually to the Audit Committee on the results of its assignments and the progress of the resulting action plans. Each year the Audit Committee reviews the internal audit plan of the Group and of its subsidiaries (current plan and plan for the following year) and proposes any changes it sees necessary;
- the Group Planning and Management Control Department reports to the CFO. It sets out the structure of Eramet's management controls and monitors the Division's management systems projects to ensure they are consistent with the Group's goals. The department defines for the Group and helps implement for every Division and entity the relevant key performance indicators for each level. It is also responsible for Group reporting;
- the Legal Department reports to the CFO. As a service centre, it provides the whole Group with legal support on all issues within its area of expertise;
- the Finance, Treasury and Insurance Department reports to the CFO. As a service centre, it manages hedging with regard to foreign currency and commodities, particularly nickel and fuel, and financial resources (investments and borrowings) for the whole Group, and it also sets up and monitors all the insurance contracts taken out by the Group;
- the Tax Department is part of the Accounting, Tax and Consolidation Department and reports to the CFO. As a service centre, it assists the Group's various subsidiaries with their respective tax obligations and fulfils those of the parent company;
- the Environment and Industrial Risks Department is part of the Communications and Sustainable Development Department. It assists the various Divisions to control and reduce the Group's environmental impact, thereby ensuring the sustainability of Eramet's business activities, products and markets in line with regulatory, political and labour developments;

- the Group Human Resources, Health and Safety Department. It manages the Company's human resources and ensures that HR policies are consistent across the Group's various entities. The department coordinates Health and Safety policies within the Group and formalises health issues via a network of local contacts at the sites;
- more generally, every management level in the Company is responsible within its field of expertise for defining, implementing and steering internal control items, under the management of the relevant Manager who is a member of the COMEX.

### b) Summary of internal control procedures implemented by the Company

- Existing charters: the Audit Committee, Internal Audit, the Legal Department, Management Control, the Tax Department and the Environment and Industrial Risks Department have all published a charter. The purpose of these charters is to specify the operating rules of the various committees or departments and to formalise relationships with other parties.
- Powers of attorney, other powers: the three Division Managers, Deputy CEOs have all the powers granted by law. The CFO has the power granted by the Chairman and CEO to operate the Company's various bank accounts and to execute with a co-signer all financial transactions, with a limit of sixty million euros. The Manager of the Eramet Sandouville plant has the power granted by the Chairman and CEO to carry out any transaction necessary to run the plant, as well as powers with respect to health and safety. Powers of attorney have been given to a limited number of Company employees to operate bank accounts, with two signatories required for any payment and specified ceilings (two hundred thousand euros, two million euros and sixty million euros) for each group of signatories.
- Risk-control: major risks were mapped out in early 2004 in order to detect areas for improvement and form a basis for the annual audit plan. The approach by Division and by major process enabled risks to be classified by main theme (strategic, operating, support, etc.) and processes to be ranked on the basis of their importance in terms of achieving the Company's strategic goals. At the end of 2006, this mapping was partially updated.
- IT systems: the role of the Group IT Department is to make IT systems more harmonised across the Group and to assist the various subsidiaries. It has set up a worldwide network and a single Group email system. Security has been improved through the auditing of certain systems and the implementation of specific tools. A standard is also being drafted for office technology (hardware and software packages). Several projects to improve management systems are ongoing in the Divisions, including the implementation of integrated procurement applications for better control of liabilities and separation of tasks throughout the supply chain.

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➤ General organisation of procedures: Eramet has drawn up, and published within the Company and its subsidiaries, internal procedure manuals on capital expenditure, foreign currency hedging, management procedures (budgeting, planning, updating forecasts, analysis of over/under-runs, etc.), the consolidation manual and shared accounting rules, travel and expense accounts and financial procedures for cash. Three procedures relating to crisis scenario prevention and management have been established and distributed.

➤ Legal and operational control of subsidiaries by the parent company:

➤ owing to the diversity of their businesses, the Divisions are managed independently for their day-to-day management. Each Division has a Management Committee that makes all the decisions within its area of responsibility, reporting to the Group COMEX on a regular basis;

➤ under the authority of the CFO, the Legal Department, to which s/he reports, acts as Secretary to the Board for the main companies (Le Nickel-SLN, Comilog S.A.) and participates in Board Meetings on major transactions undertaken by the subsidiaries;

➤ management meetings: Monthly meetings are organised with the management of each Division to review monthly performance and analyse budget over/under-runs and the resulting action plans. Management/Accounting and Treasury Committee Meetings are also held monthly, bringing together Division and parent company accountants, management controllers and treasurers, respectively, to deal with common issues and provide the necessary coordination. Specific meetings take place every month to discuss sales, accounting, treasury, insurance and other issues with the Divisions. Finally, specific budgeting, forecast updating and planning meetings are organised with the same participants as Division meetings to address these issues;

➤ systematic disclosure in the event of strategic decisions: Under the Capital Expenditure Procedure, all projects exceeding €2 million are submitted for approval at Division meetings on the basis of specific procedures (presentation file, approval meetings, follow-up, etc.);

➤ capital expenditure projects are controlled and approved from a technical perspective by the Engineering Department, which reports to the Group Development Manager and, from a financial perspective, by the Administration & Financial Department; strategic projects are presented to the Board of Directors of Eramet;

➤ disclosure of commitments given and received: Independently of the above procedure, quarterly consolidation reporting includes disclosure of any such commitments. Moreover, the Legal Department provides support for major contract negotiations or in the event of disputes.

**c) Internal control of the production of the parent company's financial and accounting information**

➤ Organisation of the accounting department within the Group: The Accounting, Tax & Consolidation Department is part of the Administration and Financial Department and is organised into five units: General Accounting, Third Party & Management Accounting, Bank Accounting, Tax and Consolidation. It updates the Company's financial records, issues its tax returns and all those relating to tax consolidation and

publishes Eramet's corporate and consolidated financial statements. The necessary coordination with subsidiaries is provided by the Accounting/Management Committee, through monthly meetings attended by the CFOs, accountants and management controllers of the main Divisions and Subsidiaries.

➤ Accounting IT systems: the financial records are kept in the Baan integrated software package. This includes a Sales module that is interfaced with the Accounting module. Other transactions (procurement/payroll) are not interfaced because of their low number. Treasury software is partly interfaced. The Group uses Magnitude consolidation software, published by Cartesis.

➤ Main internal control players involved in checking this information:

➤ the Accounting Department approves the Company's monthly sales figures. It receives payroll entries from the HR Department. Finally, procurement invoices must be approved by authorised signatories, a list of whom is kept by the Accounting Department. Payments are made by the Treasury Department and must be counter-signed;

➤ the Group Treasury Department centralises and hedges the foreign currency and commodity risk for all companies;

➤ the Management Control Department provides the relevant managers with budget control information. It organises the budget cycle and forecast updates (3 times a year). The Department compares budgeted and actual figures and analyses over/under-runs;

➤ the Consolidation Department coordinates and controls the Divisions' consolidations and provides technical support as required. It carries out the Group's final consolidation;

➤ the Management/Accounting Committee takes care of the necessary coordination between the Company and its subsidiaries;

➤ the Audit Committee, as mentioned above, analyses the interim and annual financial statements, monitors major disputes, the foreign currency and commodity management policy as well as hedging policies. It reviews the internal audit plans and the actions decided upon based on the audits carried out.

➤ General reference materials: The consolidation manual includes common accounting rules for the whole Group and a single consolidation return. It sets out the measurement methods used by the Group and specifies the rules to be followed for consolidation milestones. The accounts are closed out monthly, except in January and July. Financial statements are consolidated quarterly.

➤ Cash and Financing control: The Group Treasury Department, in addition to its role in centralising the management of the foreign currency and commodity risk, sets up financing for the Group's main subsidiaries and carries out financial investments. It centralises the cash forecasting of the main companies and assists them to determine payment methods for at-risk countries. At the end of 2004, the Group incorporated Metal Securities, a cash-pooling company for all Group companies. At the end of 2006, an "exchange rate guarantee" company, Metal Currencies was established to centralise foreign exchange transactions, which had in the past been recognised in the financial statements of each Group entity.

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- Budget and management control: The Company's budgetary control is published monthly. Budget/Actual reporting is monthly and includes management consolidation. The Company's and the Group's budgets are determined at the end of each year for the following year and three forecast updates are carried out during the year. These budgets and forecast updates, as well as the related action plans, are formally approved by Division management and the Chairman and CEO at special Division meetings. The Group's budgets and forecast updates are approved by the Executive Committee.
- Financial statement consolidation preparation procedure: As indicated above, the consolidation manual is distributed to all subsidiaries and includes common accounting rules and the consolidation return. Consolidation returns are input into Magnitude by each subsidiary and Division-level consolidation is carried out by each Division under the supervision and with the support of the central consolidation department. This department also carries out Group consolidation. Consolidation is quarterly with annual items (taxes, provisions, etc.) estimated at various times during the year.
- Liaison with the Statutory Auditors: the auditors carry out six-monthly reviews of the financial statements, for which approval meetings are organised with the auditors of the main subsidiaries.

**d) Other mechanisms contributing to the Group's internal control**

- The Environment and Industrial Risk Department was set up in 2003 and organises prevention plans and safety actions in these areas within the Group. A position of environment manager has been created at all Group sites.
- In December 2006, a "Nickel Committee" was created. It is comprised of representatives appointed by AREVA, SORAME and CEIR, on one hand, and by the Group's General Management, on the other hand. It is responsible for advising the latter as regards the definition and implementation of policies to control the risks relating to Nickel price fluctuations.

**3. MAIN ACTIONS CARRIED OUT IN 2007**

- The overhaul of the Group reporting system continued. Following the implementation of the consolidation and financial results module of the new software package, the introduction of the reporting module continued with the roll-out of operational indicators.
- The progressive introduction of the centralised foreign exchange hedging policy by Metal Currencies.
- The Company rolled out an Environmental Information System at the various Group sites.
- After the working group established by the AMF published a reference and application guide for internal control of accounting and financial information, the questionnaires appended to this application guide were submitted to the Group's main finance managers. The responses to these questionnaires did not reveal any major malfunctions or serious deficiencies in the internal control of published accounting and financial information or in the estimate or management of the major risks.

**4. 2008 ACTION PLAN**

The main actions scheduled for 2008 relate to:

- further modernisation of the IT systems in the various Divisions;
- reviewing the risk mapping and drafting a resulting multi-annual Audit Plan.

**III – Limits on the powers of the chairman and CEO**

The Chairman and CEO exercises his powers in the legally prescribed manner and within the scope of the corporate purpose. No limits have been placed on these powers by the Board of Directors of the Company.

Paris, February 18, 2008.

The Chairman of the Board of Directors

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## **APPENDIX 2. REPORT FROM THE STATUTORY AUDITORS, ESTABLISHED PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ERAMET ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE DRAWING UP AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION FOR THE 2007 FINANCIAL YEAR**

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Dear shareholders,

In our capacity as Statutory Auditors of Eramet, and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby submit our report on the report from the Chairman of Eramet, in compliance with the provisions of Article L. 225-37 of the French Commercial Code, for the financial year ended December 31, 2007.

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In his report, the Chairman is required to describe the conditions for preparing and organising the work of the Board of Directors and the internal control procedures introduced by the Company.

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It is our responsibility to provide you with our observations on the information set out in the report from the Chairman on internal control procedures for the drawing up and processing of accounting and financial information.

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We carried out our work in line with the professional standards applicable in France. These standards require us to carry out our audit in such a manner as to assess the accuracy of the information set out in the report from the Chairman on internal control procedures for the drawing up and processing of accounting and financial information. In particular, this work involved:

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- reviewing the internal control procedures with respect to the drawing up and processing of accounting and financial information underlying the information presented in the report from the Chairman as well as the existing documentation;
- reviewing the work enabling the preparation of such information and of the existing documentation;
- determining if the major deficiencies in internal control with respect to the drawing up and processing of the accounting and financial information that we disclosed as part of our assignment have been duly reported in the report from the Chairman.

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Based on our audit, we have no comments to make on the information on the company's internal control procedures relating to the drawing up and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors drawn up pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

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Paris-La Défense and Neuilly-Sur-Seine, March 14, 2008

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

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**APPENDIX 3. LIST OF 2007 REPORTS****Internal reports**

	Chapter
Report from the Chairman on internal control procedures.	27.1.

**External reports**

	Chapter
Report from the Statutory Auditors on the consolidated financial statements .	20.1.2.
Report from the Statutory Auditors on the corporate financial statements .	20.2.2.
Special report from the Statutory Auditors on related-party agreements and commitments.	20.2.3.
Special report from the Statutory Auditors on internal control.	Appendix 2.

**APPENDIX 4. LIST AND ADDRESSES OF THE CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2007**

	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
<b>Australia</b>						
<b>Weda Bay Minerals Pty Ltd. (Nickel)</b> Unit 5, 46 Hillside Crescent Hamilton Qld 4007 PO Box 508 Fortitude Valley Qld 4006	✓				FC	100.00%
<b>Australia</b> (617) 3624 8103						
<b>Belgium</b>						
<b>Erachem Comilog S.A.</b> Rue du Bois 7334 Saint Ghislain		✓			FC	67.25%
<b>Belgium</b>						
<b>Canada</b>						
<b>Gulf Chemical and Metallurgical Canada Corporation</b> P. O. Box 3510 55418 Range Road 214 Fort Saskatchewan, Alberta		✓			FC	67.25%
<b>Canada</b> T8L4A4 +1 (780) 998 8700						
<b>Weda Bay Minerals Inc. (Nickel)</b> 14th Floor, 220 Bay Street Toronto Ontario, M5J2W4	✓				FC	100.00%
<b>Canada</b> (416) 603 0591						

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	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
<b>China</b>						
<b>Comilog Asia Ltd.</b> Unit 1201, Huaneng Union Tower No. 139 Yin Cheng Dong Road, Pudong 200120 Shanghai P.R.C. 86-21 6881-0241		✓			FC	93.45%
<b>Comilog Far East Development Ltd.</b> Unit 1201, Huaneng Union Tower No. 139 Yin Cheng Dong Road, Pudong 200120 Shanghai P.R.C. 86-21 6881-0241		✓			FC	93.45%
<b>Eramet Comilog Shanghai Trading Co. Ltd.</b> Room 2612, 26 Floor Bank of China Tower No. 200 Yin Cheng Zhong Road, Pudong, Shanghai <b>China</b> 86-21-6100 6161		✓			FC	93.45%
<b>Erasteel Innovative Material Co Ltd.</b> Room 2607-2612 Bank of China Tower No. 200 Yin Cheng Zhong Road Pudong 200-120, Shanghai <b>China</b>			✓		FC	100%
<b>Guangxi Eramet Comilog Chemicals</b> Room 2612-26F China Bank Tower 200 Yincheng Road Central Pudong Shanghai 200120 <b>China</b> 86- 21 6100 6161		✓			FC	93.45%
<b>Guangxi Comilog Ferro Alloys Ltd.</b> Fenghuang Town, Laibin County, Guangxi, 546102 Province <b>China</b> 86- 7724 812 288		✓			FC	65.42%
<b>Guilin Comilog Ferro Alloys Ltd.</b> Unit 1201, Huaneng Union Tower No. 139 Yin Cheng Dong Road, Pudong 200120 Shanghai P.R.C. <b>China</b> 86-21 6881-0625		✓			FC	93.45%
<b>United states</b>						
<b>Bear Metallurgical Corp.</b> 302 Midway Road – P.O. Box 2290 Freeport Texas 77541 <b>United States</b> 1-979 233 7882		✓			FC	67.25%
<b>Comilog US</b> 610 Pittman Road MD 21226 Baltimore-Maryland <b>United States</b> 1-410 636 71 26		✓			FC	67.25%
<b>Eramet Marietta Inc.</b> P.O. Box 299 State Route 7 – South Marietta, Ohio 45750-0299 <b>United States</b> 1-740 374 1000		✓			FC	100.00%
<b>Erachem Comilog Inc.</b> 610 Pittman Road Baltimore-Maryland MD 21226-1788 <b>United States</b> 1-410 789 8800		✓			FC	67.25%
<b>Erasteel Inc.</b> 95 Fulton street Boonton NJ 07005 – 1909 <b>United States</b> 1-973 335 8400			✓		FC	100.00%

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	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
<b>Gulf Chemical and Metallurgical Corp.</b> 302 Midway Road – P.O. Box 2290 Freeport Texas 77541 <b>United States</b> 1-979 233 7882		✓			FC	67.25%
<b>France</b>						
<b>Airforge</b> 75, Bd de la Libération BP 173 09102 Pamiers Cedex <b>France</b> 33 (0) 4 77 40 36 47 33 (0) 5 61 68 44 24/22			✓		FC	100.00%
<b>Aubert &amp; Duval</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42			✓		FC	100.00%
<b>Comilog Dunkerque</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 53 91 24 05		✓			FC	67.25%
<b>Comilog Holding</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42		✓			FC	67.25%
<b>Comilog International</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42		✓			FC	67.25%
<b>Eramet</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42					Parent company	
<b>Eramet Alliages</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42			✓		FC	100.00%
<b>Eramet Comilog Manganèse</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42		✓			FC	83.63%
<b>Eramet Holding Nickel</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42	✓				FC	100.00%

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	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
<b>Eramet Holding Manganèse</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42		✓			FC	100.00%
<b>Erasteel</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42			✓		FC	100.00%
<b>Erasteel Commentry</b> 1, Place Martenot BP 1 03600 Commentry <b>France</b> 33 (0) 4 70 28 78 00			✓		FC	100.00%
<b>Erasteel Champagnole</b> 23, rue Georges Clémenceau BP 104 39300 Champagnole <b>France</b> 33 (0) 3 84 52 64 44			✓		FC	100.00%
<b>Eurotungstène</b> 9, rue André Sibellas BP 152X 38042 Grenoble Cedex 9 <b>France</b> 33 (0) 4 76 70 54 54	✓				FC	100.00%
<b>Interforge</b> Z.I. de la Maze BP 75 63501 Issoire <b>France</b> 33 (0) 4 73 89 07 83			✓		FC	94.00%
<b>Metal Currencies</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42				✓	FC	100.00%
<b>Metal Securities</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 45 38 42 42				✓	FC	100.00%
<b>S.I.M.A.</b> Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 <b>France</b> 33 (0) 1 40 88 20 55			✓		FC	100.00%
<b>Gabon</b>						
<b>Comilog S.A.</b> Compagnie minière de l'Ogooué Z.I. de Moanda BP 27-28 <b>Gabon</b> 241-66 10 00		✓			FC	67.25%

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	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
<b>PMO</b> Compagnie minière de l'Ogooué Z.I. de Moanda BP 27-28 <b>Gabon</b> 241-66 10 00		✓			Equity method	24.45%
<b>SETRAG</b> BP 578 Libreville <b>Gabon</b> 00241708049		✓			FC	56.66%
<b>Hong Kong</b>						
<b>Comilog Asia Ferro Alloys Ltd.</b> Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty <b>Hong Kong</b> 852-2 529 60 60 46		✓			FC	93.45%
<b>Comilog Asia Ltd.</b> Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty <b>Hong Kong</b> 852-2 529 31 99		✓			FC	93.45%
<b>Comilog Far East Development Ltd.</b> Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty <b>Hong Kong</b> 852-2 529 31 99		✓			FC	93.45%
<b>Indonesia</b>						
<b>Pt Weda Bay Nickel</b> Wisma Raharja 8th Floor Jl. TB. Simatupang, Kav. 1 Cilandak Timur – Jakarta Selatan 12560 <b>Indonesia</b> +62 (21) 788 49 866	✓				FC	90.00%
<b>Luxembourg</b>						
<b>Eras S.A.</b> 6 B Route de Trève L-2633 Luxembourg <b>Luxembourg</b>				✓	FC	100.00%
<b>Mexico</b>						
<b>Industrias Sulfamex/Erachem Mexico</b> Carretera Tampico – Valles km. 28 Tamos, Panuco, Vert. CP 92018 Mexico <b>Mexico</b> 52-1 210 27 62		✓			FC	67.25%
<b>Norway</b>						
<b>Eramet Norway A/S</b> N – 4201 Sauda <b>Norway</b> 1-410 789 8800		✓			FC	100.00%
<b>Eramet Norway A/S</b> P.O. Box 82 – N-3901 Porsgrunn <b>Norway</b> 47 35 56 18 00		✓			FC	100.00%
<b>New Caledonia</b>						
<b>Cominc</b> BP E5 98848 Nouméa Cedex <b>New Caledonia</b> 687-24 55 55	✓				FC	56.00%
<b>Société</b> Le Nickel-SLN BP E5 98848 Nouméa Cedex <b>New Caledonia</b> 687-24 55 55	✓				FC	56.00%

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	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
<b>Poum SAS</b> 98848 Nouméa Cedex <b>New Caledonia</b> 687-24 55 55	✓				FC	56.00%
<b>The Netherlands</b>						
<b>Miner Holding BV</b> Rokin 55 Amsterdam <b>The Netherlands</b>		✓			FC	67.25%
<b>United Kingdom</b>						
<b>Erasteel Ltd.</b> 371, Coleford Road Darnall UK – Sheffield S9 5NF <b>United Kingdom</b> 44 (0) 114 261 04 10			✓		FC	100.00%
<b>Erasteel Stubs Ltd.</b> Causeway Avenue WA4 6QB Warrington <b>United Kingdom</b> 44 (0) 1925 41 3870			✓		FC	100.00%
<b>Singapore</b>						
<b>Strand Minerals Pte Ltd. (Nickel)</b> 1 TEMASEK Avenue #27-01 Millenia Singapore SINGAPORE 039192 <b>Singapore</b>	✓				FC	100.00%
<b>Sweden</b>						
<b>Erasteel Kloster AB</b> Box 100 815 82 Söderfors <b>Sweden</b> 46 (0) 293 17 000			✓		FC	100.00%
<b>Switzerland</b>						
<b>Comilog Lausanne</b> Avenue C.F. Ramuz 43 1009 Pully <b>Switzerland</b> 41 21 – 729 45 03		✓			FC	67.25%
<b>Unimim AG</b> Industriestrasse 47 6304 Zug <b>Switzerland</b>		✓			FC	67.25%

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## APPENDIX 5. ENVIRONMENTAL CHARTER

### ➤ Control and reduce the environmental impact of the Group's industrial activities

As a responsible industrial operator, the Eramet Group carries on its business activities in such a way as to keep its health and environmental impact as low as possible, while ensuring that the cost of such efforts remains economically viable.

### ➤ Control the risks and impact stemming from products sold by the Group

The Eramet Group's environmental policy includes a specific portion relating to the potential risks and impact stemming from the characteristics and use of its products. Controlled and reasonable management of these risks is one of its priorities.

### ➤ Encourage ongoing improvement

The Group is continuously looking to improve its environmental performance. This commitment is one of its responsibilities, on a par with ensuring the health and safety of its employees, complying with commercial agreements or identifying optimised technologies at the lowest possible cost.

### ➤ Factor the environment into every aspect of the Group's activities

This determination to make the environment a part of the Group's activities is demonstrated in every aspect of the company's activities:

➤ when designing and starting up new activities, projects or capital expenditure programmes;

➤ throughout the day-to-day operation of facilities;

➤ when discontinuing activities.

### ➤ Strictly comply with regulations

Strict compliance with regulations that are applicable to sites is the first guarantee of responsible management of their impact. Any non-compliance must be temporary, justified and notified to the relevant administrative body.

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## ➤ Develop self-knowledge to improve and disclose

Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both progress and difficulties is key to the implementation of a policy. Disclosing actual performance is becoming a

regulatory requirement. By setting up an Environmental Information System (EIS), the Eramet Group is equipping itself with the resources necessary to achieve its goal.

## ➤ Anticipate regulatory changes from a sustainable development perspective

The Eramet Group is subject to a series of complex and ever more stringent environmental regulations. We owe it to ourselves to acquire full knowledge of these regulations, anticipate changes to them and act to raise awareness of our situation from a perspective of sustainable development that protects our competitiveness.

## ➤ Contribute to scientific know-how

Scientific knowledge of the health or environmental impact of our activities is complex and constantly evolving. The Eramet Group helps to further research and knowledge on its activities.

# APPENDIX 6. ENVIRONMENTAL DATA

## ➤ Introduction

The Group is constantly looking to improve its environmental performance.

Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both progress and difficulties is key to the implementation of our environmental policy. By setting up an Environmental Information System (EraGreen – Eramet Environment Exchange Network), the Eramet Group is equipping itself with the means necessary to achieve its goal.

For the second year running, the various environmental parameters for 2007 have been included in the management report of the Eramet Board of Directors. The overall results and trends shown are aggregated on the basis of EraGreen (information that will also be included in the Reference Document).

EraGreen is designed to collect and consolidate key data on the environment of the industrial sites and constitutes a genuine technical reporting tool at Group level. This computer application also allows the networking of environmental documentation management.

The data input into EraGreen satisfies the terms of the various site operating permits and of the various and sometimes numerous other regulatory requirements, operating in a manner in line with the expectations of the supervisory authorities.

The roll-out of EraGreen continued in 2007. It was installed at three US sites and the SLN Doniambo plant, where it was partially rolled out in 2006,

continued the installation process. These four sites have thus joined the eighteen others that are already using this tool. This roll-out should continue in 2008 at another US site and at the Comilog operations in Gabon.

The main issues covered are water, air, energy and waste. To date EraGreen is managing some 300 indicators and compiled a set of 36,000 individual figures for 2007 alone.

This application allows sites, divisions or the Group to produce management reports and to view data by segment and allows a cross view of environmental performance.

The Group has also reaffirmed its desire to act and to improve with the setting up in early 2007 of a Communications and Sustainable Development Department within the Executive Committee. On the sites, the Group is strengthening the teams in place, either by expanding them or by recruiting specialised young engineers.

The Group has continued its ISO 14 001 certification policy for the industrial sites. At year end, seven sites have been certified and the process is underway for 90% of the Group's sites (excluding China). It should also be noted that two sites also renewed their certification, three years after obtaining it.

The significant improvement in the quality of measurements carried out, already seen in 2006, continued in 2007. In fact, no matter what issue is involved, the mechanisms put in place to measure the environmental indicators are being improved.

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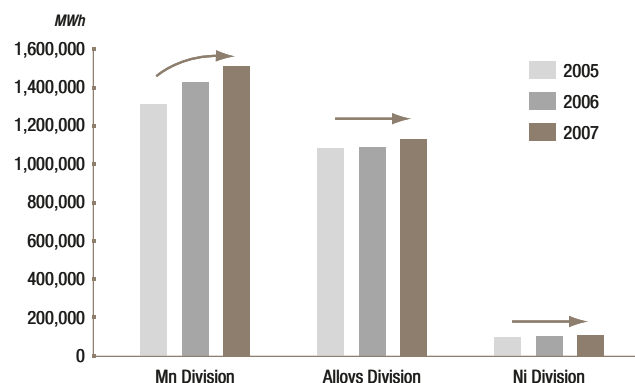
The scope of the Group used for this report, spread across four continents, consists of the following Norwegian, Swedish, Gabonese, US, Belgian, French and Caledonian sites:

Norway:	Porsgrunn and Sauda.
Sweden:	Söderfors, Långshyttan and Vikmanshyttan.
Belgium:	Terre.
France:	Dunkirk, Sandouville, Gennevilliers, Les Ancizes, Interforge, Issoire, Commentry, Imphy, Firminy, Champagnole, Grenoble and Pamiers.
New Caledonia:	Doniambo.
USA:	Marietta, Baltimore, Freeport and New Johnsonville.
Gabon:	Moanda.

For all the sites at which the system is installed, the quantitative data provided (environmental indicators) is output from EraGreen and comes solely from data consolidated by the application.

Including data in the EraGreen format may sometimes generate slight discrepancies with the data previously published (appreciably different calculation methods).

**FIGURE 1 CHANGES IN ENERGY CONSUMPTION**



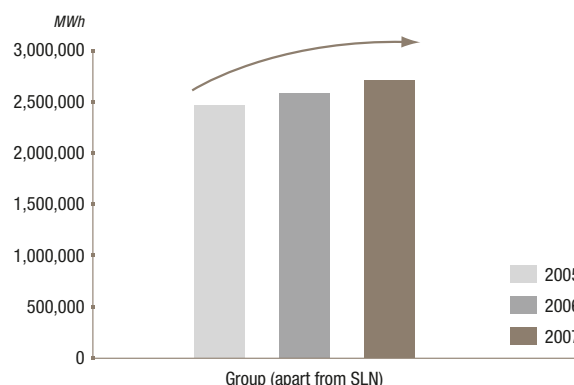
## Energy

### CONSUMPTION

The heat treatment furnaces, as well as the melting installations, which lie at the heart of the metallurgical activities of all three divisions of the Eramet Group, are the main consumers of large quantities of energy.

The main energy requirements are at Manganese Division sites, which on their own account for about 50% of the requirements of the scope in question (apart from SLN). Any change, however slight, at one of the Division's sites impacts the performance of the Group as a whole.

In 2007, the increase in energy consumption at the three divisions can be explained by rising production levels. This increase is most marked in the Manganese Division. It should be noted, however, that the energy saving plans have paid off and that countless sites are reducing their specific energy consumption per ton produced or per unit of work.



(SCOPE: FRANCE, BELGIUM, NORWAY AND SWEDEN)

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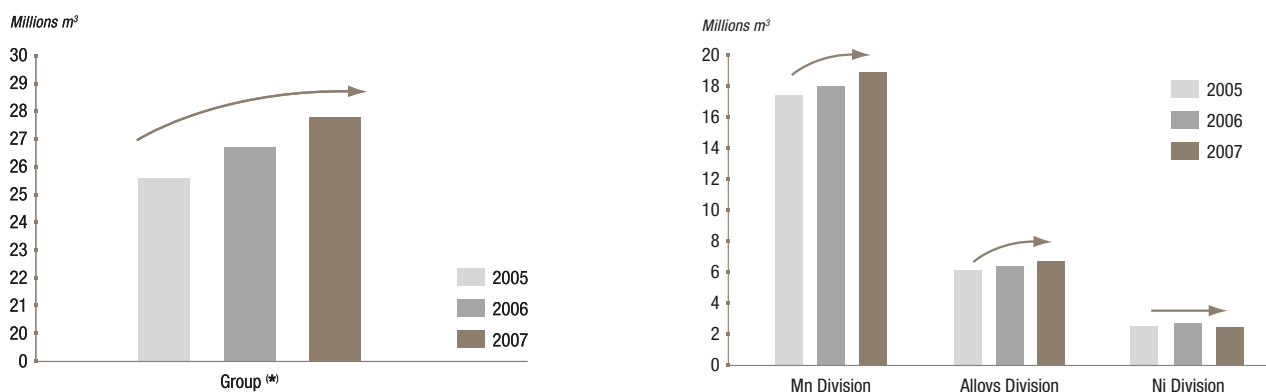
## Water

### CONSUMPTION

Metallurgy, hydrometallurgy and chemicals are three activities that consume water for a range of purposes:

- washing of ore, raw materials and by-products;
- cooling of furnaces and other metallurgical installations;
- hydrometallurgy processes: solubilisation and reaction environments.

FIGURE 2 CHANGES IN WATER CONSUMPTION



(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

The increase in the Group's water requirements seen in 2006 continued in 2007. In the Manganese Division, the increase noted is directly connected to a further increase in production capacity in Norway. In the Alloys Division, the ramping up of the Airforge site in Pamiers has led to an increased water

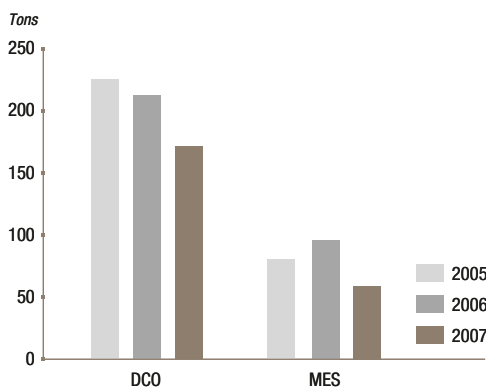
requirement. Finally, in the Nickel Division, streamlining has taken place at the Doniambo site in New Caledonia, resulting in overall stability despite a slight increase in consumption at the Sandouville site.

### AQUEOUS DISCHARGES

The renewal of a large number of operating permits combined with an aggressive improvement policy led the Group to look into new, less polluting processes, in order to limit environmental impact and modernise the technology and equipment used to monitor aqueous discharges.

The work undertaken over the past three years has shown that it is possible to reduce the environmental impact of industrial activities.

FIGURE 3 CHANGES IN AQUEOUS DISCHARGES (SUSPENDED SOLIDS/COD)



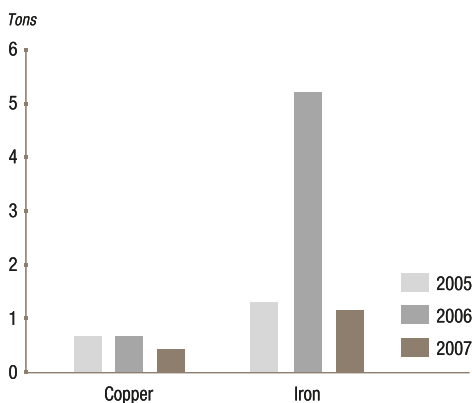
(SCOPE: FRANCE, BELGIUM, NORWAY AND SWEDEN)

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The 2006 management report mentioned a very significant increase in iron waste following a failure in pH measurement in Sweden which gave rise to an abnormally high discharge over a short period. The 2007 results show that the situation has returned to normal and that the action plans put in place have been successful.

FIGURE 4-A CHANGES IN AQUEOUS DISCHARGES (METALS)

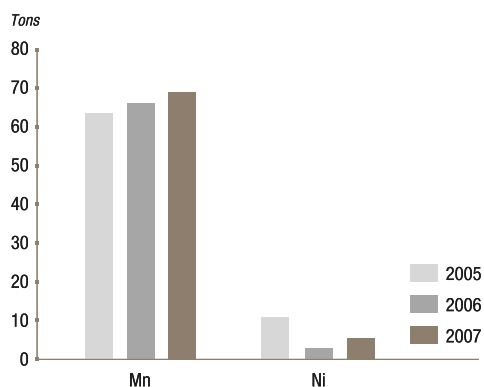


(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

The changes in manganese discharges in the graph below are essentially due to production volumes at the Erachem Comilog plant in Tertre, Belgium. Production volumes rose in 2006 and at even a faster pace in 2007. The manganese aqueous discharges are proportional to the manufacture of manganese salts.

The quality of ore treated in New Caledonia explains the levels of nickel aqueous discharges. The very marked fall in 2006 did not continue in 2007. The quantity of nickel discharged into the water is nevertheless half what it was in 2005.

FIGURE 4-B CHANGES IN AQUEOUS DISCHARGES OF NI AND MN



(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

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## Air

### AIR EMISSIONS

The Group's air emissions fall into two main categories:

- ⊕ energy consumption;
- ⊕ production of ferrous and non-ferrous alloys.

Metallurgical activities use large quantities of energy in the melting processes, as well as for the heating of metal parts during heat treatment.

Other sources of carbon dioxide also contribute, though to a lesser extent, such as building heating systems and handling equipment.

The Group as a whole has embarked on a world-wide energy saving programme, with a twofold aim:

- ⊕ cut energy costs and consequently make our activities more sustainable;

- ⊕ promote less polluting solutions (upgrading facilities).

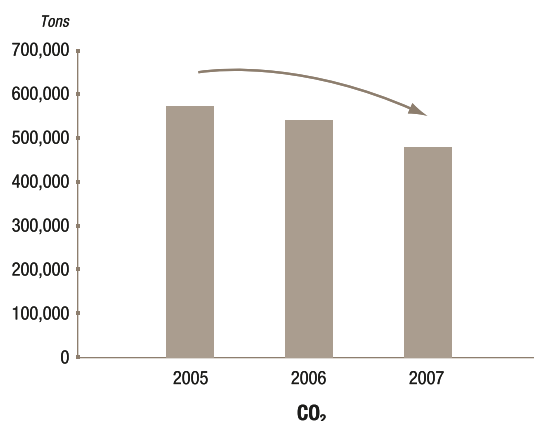
In this regard, a number of pre-heating or heat treatment furnaces powered by fuel oil that were up for renewal, were replaced with machinery that uses a less polluting type of fuel (natural gas).

This energy-saving programme, which is clearly accompanied by a reduction in greenhouse gas emissions, continued in 2007.

The trend already noted in the 2006 report of a very sharp drop in carbon dioxide and sulphur dioxide emissions over the past three years for the scope in question was further accentuated in 2007.

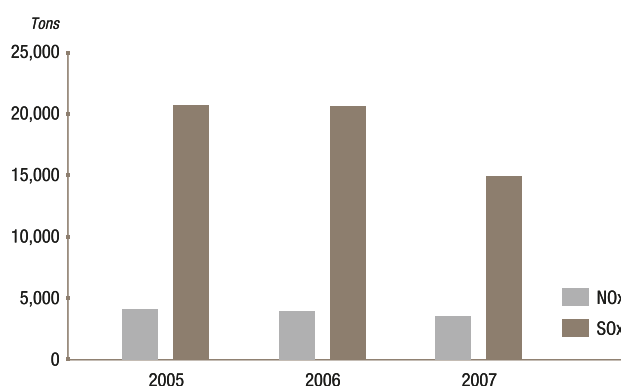
The very sharp fall in sulphur dioxide emissions is thanks to the operations in New Caledonia where energy sources with a lower sulphur content have meant that emissions could be cut by around 25%.

FIGURE 5A CHANGES IN CO<sub>2</sub> EMISSIONS



(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

FIGURE 5B CHANGES IN NO<sub>x</sub> AND SO<sub>x</sub> EMISSIONS

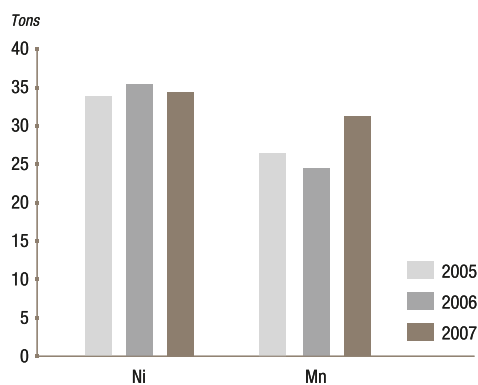


(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

The main contributor to nickel air emissions is the SLN site in New Caledonia. The increase seen in 2006 was brought under control in 2007, even though the overall figures indicate that nickel emissions have remained stable.

As with aqueous discharges, the manganese emissions, excluding Gabon, are affected by the increase in the production at Erachem Comilog's Belgian plant. Manganese emissions at Alloys Division sites are very low.

FIGURE 5C CHANGES IN NI & MN EMISSIONS



(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

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## Solid waste

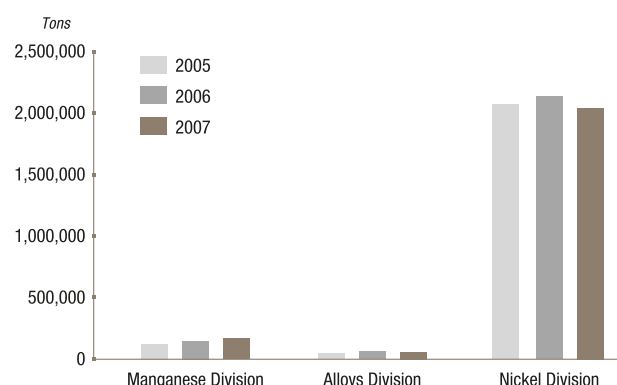
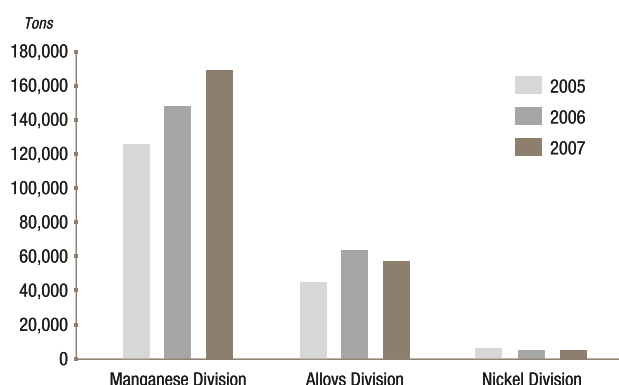
### NON-HAZARDOUS WASTE

The concept of hazardous and non-hazardous waste was defined by Europe in the list published by the European Commission (C (2001)108 amending decision 2000/532/EC). By extrapolating the regulations, this classification applies to all sites with the EraGreen system.

The steel-making and melting-reduction industrial activities generate a significant quantity of non-hazardous waste. A large proportion takes the form of slag, some of which has a commercial value as a raw material for road ballast and construction backfill or inert slag, which is usually stored in internal dumps.

On many sites, waste sorting has expanded in recent years, resulting in greater tonnage being treated, indicating that this problem is being better handled.

FIGURE 6A CHANGES IN NON-HAZARDOUS WASTE RECORDED



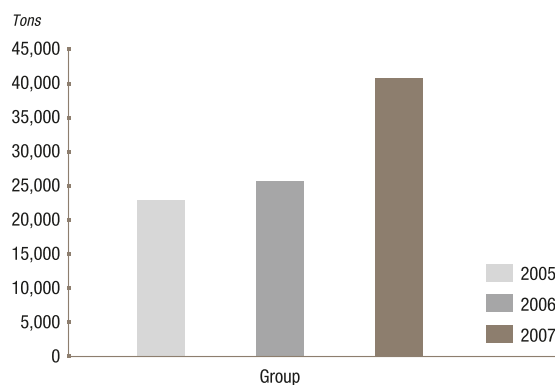
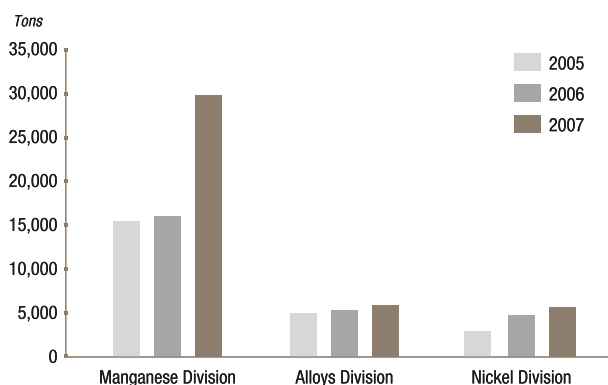
(SCOPE: FRANCE, BELGIUM, NORWAY AND SWEDEN WITH OR WITHOUT NEW CALEDONIA)

### HAZARDOUS WASTE

The “chemicals” operations of the Group’s Manganese Division generates a large quantity of production and purification residues. The increase in

production at Erachem Comilog’s Belgian plant has very significantly affected the quantity of hazardous residues. These are discharged to approved technical landfill sites and are therefore in compliance with the regulations.

FIGURE 6B CHANGES IN HAZARDOUS WASTE GENERATED



(SCOPE: FRANCE, BELGIUM, NORWAY, SWEDEN AND NEW CALEDONIA)

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## ➤ Environmental data on various sites

### Aubert & Duval – Firminy

The Aubert & Duval Firminy industrial site has five main workshops:

- an electric steelworks with an arc furnace, a ladle furnace for preparing alloy steels and a vacuum refining furnace for the preparation of stainless steels; it allows casting of up to 45 tons;
- a forge with a 4,500-ton press, several heating furnaces and finishing tools installed;
- a heat treatment workshop equipped with 13 furnaces and 3 quenching tanks;
- a machining workshop mainly equipped with horizontal lathes, drilling machines and band saws for the production of long parts of up to 22 metres;
- a finishing workshop consisting of a heat treatment furnace, a roughing lathe, three band saws and an inspection area.

The Firminy plant's markets are primarily split into 5 product lines:

- "unit forged parts" line for the oil, nuclear, shipping and agri-foodstuffs industries;
- "artillery" line for arms tubes;
- "chucks" line for tube mills;
- "tools" line;
- "semi-finished products" line.

The plant is a Classified Facility for the Protection of the Environment and is subject to authorisation and filings. The plant's classification was unchanged in 2007. An analysis for a new heat treatment furnace, which will come on stream in 2008, was filed with the Prefecture at the end of 2007 (installation subject to filing).

The plant production is shown in two different forms: in tons of liquid steel cast by the steelworks and in "work units", comprising all the activities that create added value. This production has risen over the past three years.

Production	Unit	2005	2006	2007
Liquid steel	t	25,430	25,613	26,946
Work units	WU	365,981	402,783	443,426

### BREAKDOWN BY FIELD

#### Energy

Consumption	Unit	2005	2006	2007
Electricity + fuel oil + gas	MWh	142,045 (0.39 MWh/WU)	151,691 (0.38 MWh/WU)	159,793 (0.36 MWh/WU)

The increase in energy consumption between 2006 and 2007 relates to the increase in activities at the site. The energy-saving measures taken have made it possible to slightly reduce the energy consumption per work unit.

#### Water

##### Consumption

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	32,024	26,482	28,688
Industrial water	m <sup>3</sup>	16,812	27,773	25,315
<b>Total</b>	<b>m<sup>3</sup></b>	<b>48,836</b> <b>(0.13 m<sup>3</sup>/WU)</b>	<b>54,255</b> <b>(0.13 m<sup>3</sup>/WU)</b>	<b>54,003</b> <b>(0.12 m<sup>3</sup>/WU)</b>

The plant's total water consumption has risen in absolute terms but, as a result of the monitoring of consumption and of the restoration of the cooling tower in August that had caused the increase in industrial water consumption in 2006, the consumption per work unit produced has fallen very slightly over the year.

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### Aqueous discharges

Compounds	Unit	2005	2006	2007
Nickel	kg	0.4	1.9	0
Total chromium	kg	0	0	0
Iron	kg	8.0	15.9	9.9
Cadmium	kg	0	0	0
Total suspended solids	t	0.2	0.3	0.2
COD	t	1.7	2.6	1.2
Hydrocarbons	t	0.1	0.6	0.4

All waste discharged complies with the limits set in the plant's permit issued by the prefect, except for hydrocarbons. Further treatment for these will be introduced during the first half of 2008.

The increase in hydrocarbon discharges compared to 2005 stems from the pumping into the drainage trenches carried out to control oil pollution

of the plant soil. Although hydrocarbon discharges into the Ondaine river fell between 2006 and 2007, those measured in 2007 are still too high and accordingly the treatment currently carried out by the plant's oil separator will shortly be supplemented.

### Air

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub> (Quotas allocated: 25,943 t/year)	t	20,725 (57 kg/WU)	21,979 (55 kg/WU)	23,174 (52 kg/WU)
SO <sub>2</sub>	t	4.9	3.3	0
NO <sub>x</sub>	t	13.8	19.3	2.2
Total dust	t	18.2	18.5	28.2
Nickel	t	0.2	0.004	0.02

For 2006, the level of greenhouse gas emissions confirmed by the certification body differs very slightly from the provisional level published in the Reference Document (21,979 tons confirmed, compared to 21,943 initially published).

In 2007, with greenhouse gas emissions estimated at 23,174 tons of CO<sub>2</sub> (not yet confirmed by the certification body), the Firminy plant is observing the quotas allocated to it. The rise on 2006 is directly connected to the increase in production at the plant. The improvements made have nevertheless reduced the level of greenhouse gas emissions per work unit produced.

The reduction in emissions of sulphur and nitrogen oxide stem from a reduction in the scope monitored by the administration.

The increase in total dust and nickel emissions is essentially due to a calculation issue: at the time of the January measurements, filter bags were punctured and the higher concentration (in compliance with the operating permit) measured at that time is "prolonged" over time by the calculation up to the following measurement, even though these bags were changed once the results of analyses were known.

### Waste

	Unit	2005	2006	2007
Hazardous waste	t	336	243	371
Non-hazardous waste	t	7,157	6,566	9,089

The increase seen in the disposal of hazardous waste mainly stems from the interannual variability in the production of this type of waste.

The increase in the disposal of non-hazardous waste is mainly due to two factors:

- a 2,000 ton increase (on 2006) in the disposal of slag and refractories from the steelworks, connected with the increase in steel production;
- one substantial disposal (530 tons) of scrap iron stored for several years with a view to recycling in the steelworks, but unfit for use under current operating conditions.

### Soil

The work undertaken to control the pollution of the Ondaine river by oil seeping into the subsoil of two workshops (machining and heat treatment workshops) was completed and have proved to be effective with the disappearance of hydrocarbon iridescence in that river. Despite the inadequate treatment provided by the plant's oil separator (see section 2.2.2), the quality of the Ondaine downstream from the plant has significantly improved in this regard, on which account the plant's influence could be measured.

A detailed study of the soil of the two waste heaps operated by Aubert & Duval's predecessors and still belonging to the plant is underway. The results will be known in 2008.



## Aubert & Duval – Gennevilliers

The Aubert & Duval establishment in Gennevilliers has been operating in the suburbs of Paris since 1919. The site specialises in the heat treatment of steels. The site is a Classified Facility for the Protection of the Environment and is subject to authorisation.

It is comprised of several workshops:

- ✎ a heat treatment workshop equipped with 8 roller hearth furnaces, 2 bell furnaces and 2 pot furnaces;
- ✎ a finishing workshop;
- ✎ a workshop for manufacturing Anti-Vibration Bars;
- ✎ a contract processing workshop (case hardening, nitriding and vacuum treatment);
- ✎ a steel bar distribution centre;
- ✎ a laboratory.

The products sold are for the aerospace, nuclear, power, automotive (especially Formula 1), defence, tooling and medical sectors.

Following the request for the administrative regularisation of its operating permit, the hazards and impact studies carried out in 2003-2004 were updated. A new operating permit was issued at the end of May 2006.

### KEY EVENTS IN 2007

2007 was initially marked by strong compliance with regulatory requirements, regarding both aqueous discharges and air emissions.

New trichloroethylene degreasing equipment was installed. It complies with the current regulations and represents a significant improvement in the reduction of air pollution.

Much investment has been made regarding noise pollution. In fact, in addition to installing individual protectors (individual moulded plugs, etc.), group protectors have been particularly favoured (restoration of racks for receiving bars, etc.).

### ENERGY

Electricity consumption has fallen since 2006 while production has risen by 5%. This drop is due to optimisation of furnace filling. Awareness amongst cleaning and surveillance staff has also been increased.

Gas consumption has risen, owing to the increase in individual heaters at workstations in order to improve working conditions during the winter.

When the various sources of energy are taken into consideration, the overall figures indicate stability over the past three years.

Power	Unit	2005	2006	2007
Electricity + gas + fuel oil	MWh	23,176	23,543	23,405

### WATER

The main water-consuming facilities are the quenching baths and the quenching oil cooling circuits.

The water derived from natural sources is used in the quenching bath and cooling bath activities and in an air-conditioning water condenser during the summer period.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	16,618	14,765	14,170
Water derived from natural sources	m <sup>3</sup>	28,093	49,638	40,137

### AQUEOUS DISCHARGES

Five sampling points were used for water analyses on site:

- ✎ one well: water derived from natural sources;
- ✎ two piezometers;
- ✎ two water discharge points.

Annual measurements are taken by an external service provider. The results comply with the limits set in the permit issued by the prefect.

By way of example, the following table shows the values of several parameters for the years 2006 and 2007.

Parameters	Units	RESULTS			
		Discharge point 1		Discharge point 2	
		2006	2007	2006	2007
Suspended solids	mg/l	35	50	19	92
COD	mg/l O <sub>2</sub>	120	449	<30	107
BOD <sub>5</sub>	mg/l O <sub>2</sub>	40	170	<3	53
Fe	mg/l	1.88	0.45	0.42	0.23
Ni	mg/l	0.026	0.023	0.10	0.075

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It should also be noted that an authorised laboratory takes samples and carries out analyses to monitor Legionnaire's Disease. The levels measured comply with the regulations.

In 2008, in order to better control oil waste, the site will install an oil separation system and a shutter on the establishment outlet.

### AIR EMISSIONS

The site's air emissions essentially stem from various heat treatment and finishing operations.

Air analyses were carried out at the end of 2006 and at the end of 2007.

The results of the analyses done in December 2006 showed compliance with the limits set in the permit issued by the prefect. The results of the air samplings in December 2007 were not available as of the date of drafting of this report.

Substantial investment was made in 2007. A trichloroethylene degreasing machine complying with the various applicable regulations has been

installed. It came on stream in September 2007 and was accompanied by air controls, which confirmed the effectiveness of this equipment ensuring that regulatory levels were complied with.

### WASTE

Waste production is clearly lower in 2007 than in 2006. This difference partly stems from the fact that no furnace restoration work was carried out in 2007.

Wood sorting had commenced early in 2006 and continued in 2007. The following table shows the impact of this action. In 2008, this sorting will be extended to paper and dirty rags.

Waste	Unit	2005	2006	2007
Hazardous waste	t	80	90.35	80.3
Non-hazardous waste	t	216.73	345.12	223.3
Of which metal		43	86	50.75
Of which wood and cardboard	t	24	90	30

The quantity of hazardous waste in 2005 included categories 100299 and 061399.

The quantity of non-hazardous waste in 2005 is not entirely comparable with that of 2006 and 2007 as metal, wood and category 100299 waste (waste not specified elsewhere) is not included.

## Aubert & Duval – Imphy

Although the presence of a forge can be traced back to around 1580, the site's industrial operations began in 1816 with the opening of the Imphy forge by Louis Boigues. Nowadays, Aubert & Duval's Imphy site specialises in the production and conversion of special steels and superalloys.

The site has two special characteristics:

- ✦ it produces very high value-added metal powders for surfacing or post-compacting applications for the aerospace, shipbuilding and glassmaking industries, in particular;
- ✦ Aubert & Duval Imphy are tenants of Imphy Alloys (Arcelor-Mittal group), which is responsible for the common areas, as well as for supplying energy to Aubert & Duval, with the two company's buildings being closely interlinked.

The site has three production units:

- ✦ special processing (electrode remelting and preparation);
- ✦ metal powder production;
- ✦ cold working (machining and Non Destructive Testing).

2007 was characterised by an increase in remelting production and by an overall stabilisation in the levels of powder production and cold working.

### ORGANISATION

The Health, Safety and Environment Department was strengthened in 2007 with the hiring of a specialist engineer.

### ENERGY

The increased consumption in 2007 was essentially due to the new remelting furnace, which came on stream in June 2006 and which has been fully operational over the entire period.

Fuel oil is only used for the handling equipment. The increase is also due to greater remelting activities.

A slight fall in gas consumption was recorded.

Consumption	Unit	2005	2006	2007
Electricity	MWh	16,938	20,509	22,767
Fuel oil	MWh	218	250	270
Gas	MWh	10,940	10,136	9,440

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## WATER

The use of a closed circuit for cooling the powder pump and better control of water supplies to the air cooling tower circuits enabled the consumption of both drinking and industrial water to be cut by over 1/3.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	26,705	32,906	17,835
Industrial water	m <sup>3</sup>	76,389	55,705	39,442

Overall, the main aqueous discharge parameters are stable:

Aqueous discharges	Unit	2005	2006	2007
Nickel	kg	8	6	7
Chromium VI	kg	2	2	1
Iron	kg	17	13	10
Total suspended solids	t	0.16	0.2	0.3
COD	t	1	0.6	0.4

## PREVENTION OF LEGIONNAIRE'S DISEASE

Circuits were cleaned and fully disinfected during site shutdown. No reading above 100,000 CFU/l was recorded in 2007.

DRIRE carried out a spot check in July 2007. The samplings taken during this check proved to be in compliance.

## AIR

The steady fall in CO<sub>2</sub> emissions continues. This value is related to the fall in gas consumption.

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	4,000	3,700	3,420

At DRIRE's request, measurements of all air emissions were taken. Following several non-compliant results, an action plan was drawn up and a dust filtering system will be installed during the first half of 2008.

## WASTE

The reduction in the quantity of soluble oil is having a significant, positive effect on the volume of hazardous waste.

Following a sharp fall in 2006, the quantity of non-hazardous waste remained stable between 2007 and 2006.

Waste	Unit	2005	2006	2007
Hazardous waste	t	84	75	50
Non-hazardous waste	t	436	310	310
Of which wood and paper recycling	t	52	45	49

## CERTIFICATION

At the end of 2007, the site decided to seek both ISO 14001 and OHSAS 18001 certification. The official launch took place on January 9, 2008 with the combined support of the Communications and Sustainable Development Department and of the Group Health and Safety Department.

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## Aubert & Duval – Interforge

The Interforge plant, which was set up in 1975, specialises in the closed die-forging of parts made from aluminium alloys, superalloys and titanium, specifically for the aerospace market. The plant has a 65,000-ton press (the only one in the western world) and a complex for the stripping and heat treatment of aluminium parts

All the products are semi-finished products and are passed on to the firm's partners Aubert & Duval and SNECMA.

### KEY EVENTS AND MEASURES IN 2007

#### Administration

Interforge filed its application to renew its operating permit with the administration in 2006. This application is still in progress.

#### Air

The circuit cooling tower for the furnaces was replaced with a closed tower in order to fully control the risk of Legionnaire's Disease.

Several production parts are now lubricated under the press with a water-based lubricant. This limits the use of solvents.

#### Water

The installation of the new rinsing water treatment plant for stripping was completed in December and the plant will come on stream in January 2008. The new stripping facility will also come on stream during the first quarter of 2008. The goal is to better control water consumption and to improve the quality of aqueous discharges.

#### Energy

Consumption	Unit	2005	2006	2007
Electricity	MWh	11,633	10,752	11,049
Fuel	MWh	864	874	916
Gas	MWh	66,024	61,289	63,388

The energy saving action plan, which will continue in 2008, has already generated real improvements. The table below provides a good overview of the major trend in energy/production ratios.

Power	Unit	2005	2006	2007
Electricity	kWh/press time	1,790	1,650	1,493
Gas	kWh/tons of heated parts	2,430	2,225	2,018

#### Water

A slight increase in water consumption was due to the replacement of the tower where dilution has previously been carried out manually. Automated dilution will be possible as from the end of the year. Water consumption on the tower is now under control.

The sharp increase in drinking water consumption is connected with the replacement of industrial water with drinking water in the cooling of tools under the press (industrial water posed a problem as it blocked the coolers) and the accidental opening of an emergency valve.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	7,518	3,933	12,494
Industrial water	m <sup>3</sup>	36,159	32,132	25,629

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## LIQUID EFFLUENT FROM THE PLANT OUTLET

Measures to reduce soluble oil waste in order to eliminate or limit the quantity of water to be discharged continued in 2007. A waste water study will commence in 2008 to better understand the COD and suspended solids issue.

The reduction in suspended solids stemmed from better waste water control resulting from the more effective treatment of soluble oil.

Aqueous discharges	Unit	2005	2006	2007
COD	kg	7,657	4,623	6,260
Suspended solids	kg	9,020	1,299	2,257
Iron	kg	30.3	21.5	26.88
Aluminium	kg	50.2	37.5	21.64
Fluorine	kg	12	8.24	16.22
Chromium	kg	0.5	2.25	0

## Air

Air emissions are connected with the use of reheating gas furnaces and are stable.

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	12,096	11,167	11,600

## Waste

Waste	Unit	2005	2006	2007
<b>Hazardous waste</b>	<b>t</b>	<b>492</b>	<b>746</b>	<b>720</b>
of which:				
Soluble oils	t	78	149	99.08
Oily sludge	t	22	119	124.54
Almunia sludge	t	279	287	228
Soda	t	113	148	182
<b>Non-hazardous waste</b>	<b>t</b>	<b>380</b>	<b>492</b>	<b>430</b>
of which:				
Non-hazardous industrial waste	t	125	170	67
Wood	t	125	167	173.24
Shot	t	130	130.2	164.3

The improvement in waste control led to an increase in the volume of waste in 2006. Since then, the site has been working to control and reduce the volume of waste produced. At the end of 2007, this work proved effective.

Special industrial waste, aerosols and refractory ceramic fibres were specifically sorted during 2007. Further improvement in sorting in 2008 will generate new categories, particularly of greases, soil cleaning residues and whole oils.

The installation of soluble oil recovery valves on the press has made it possible to limit the production of soluble oil waste, despite the increase in cleaning and the reduction in aqueous discharges following separation

(quality of waste difficult to control). In 2008, the treatment and recycling of this soluble oil waste should improve even further.

The production of waste soda lye includes a quantity remaining from 2006 stored on site for technical reasons.

## Management

A person was recruited to take responsibility for Health, Safety and the Environment at the Aubert & Duval and Interforge sites in Issoire, in order to lead the site to ISO 14001 certification by the end of 2009.

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## Aubert & Duval – Issoire

Aubert & Duval's Issoire operation was founded in 1939, and specialises in the closed die-forging of medium and large-sized aluminium alloy parts primarily for the aerospace industry. The plant has two closed die-forging presses of 20,000 tons and 4,600 tons and two forging presses of 10,000 tons and 1,200 tons. Sales have been steadily and sharply growing since 2004 (+42%).

Following the discontinuation in 2006 of the use of chromium VI, in the control surface treatment workshop, it was possible to stop the use of nitrohydrofluoric acid in 2007. Completion of this measure, which has taken several years, allows the safety conditions in this workshop to be optimised.

Renewal of the operating permit was obtained on March 16, 2007, following many exchanges and constructive discussions with DRIRE.

Work on ISO 14001 certification began in 2007. The action plan to obtain it has been in place since June 2007.

### ENERGY

Initial energy saving measures, which began in 2006 as part of the Eramet group strategy, had already caused energy consumption to fall, despite the increase in activity. In 2007, a new plan was drawn up in close collaboration with the Group in order to continue this improvement.

Consumption	Unit	2005	2006	2007
Electricity	MWh	16,467	16,170	17,077
Gas	MWh	15,275	14,937	16,061
Fuel	MWh	965	1,231	1,194

### WATER

Water consumption has been optimised over the past ten years on the surface treatment lines (introduction of rinsing water flow regulation).

The very marked increase in 2007 is unfortunately due to two specific problems: a valve on the cooling circuit remaining open and defective floats on the press circuit. Remedial measures were taken and remote surveillance will be installed during the first half of 2008 on the entry meter to immediately detect abnormal consumption and thereby avoid such situations.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	29,335	32,826	46,625

Since nitrohydrofluoric acid is no longer used, in the absence of fluorides the treatment plant has needed to use more iron chloride to improve the sintering of sludge (increase in iron and suspended solids). The total metals have increased on account of the increase in iron and aluminium (in line with the increases in production levels and etching treatments).

Aqueous discharges	Unit	Regulatory limit	2005	2006	2007
Total metals*	kg		24	20.3	56.3
Total chromium	kg	20	1.8	0.2	0.0
Iron	kg		7.5	7.9	20.6
Suspended solids	t	1	0.098	0.110	0.229
COD	t	4.4	0.200	0.340	0.352

\* The metals include: aluminium, copper, iron and zinc.

### AIR

The air emissions stem from the use of reheating gas furnaces, stripping lines, handling equipment and the heating of workshops.

Values have been stable over the past three years. For new investments being made in the furnaces, the site favours electrical solutions to limit greenhouse gas emissions.

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	1,265	1,238	1,310
SO <sub>2</sub>	t	0.35	0.44	0.43
NO <sub>x</sub>	t	5.70	5.60	5.93
Total dust	t	0.07	0.06	0.06

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## WASTE

As the sludge from the treatment plant no longer contains chromium traces, since 2006 it has been classified as non-hazardous waste. The increase in non-hazardous waste in 2007 is due to the fact that the removal of wood, paper, cardboard and non-hazardous industrial waste, not included in previous years, is now taken into account, following the introduction of selective sorting in 2006.

Waste	Unit	2005	2006	2007
Hazardous waste	t	160	142 <sup>(1)</sup>	135.8
Non-hazardous waste	t	22	35	159

(1) The 134 T of hazardous waste reported in 2006 has been amended to take account of the additional quantity following the publication of the Reference Document.

## SOIL

Soil is protected as the entire waste collection area has been tarred. All tanks and cisterns are in secondary containment areas.

## MANAGEMENT

The site's strength lies in its selective sorting system, which began in 2007 and has continued and intensified.

Since the management system is designed to obtain ISO 14 001 certification, it has been equipped with an integrated HSE structure. The environment policy has been defined, environmental analyses have been carried out on pilot sectors and the training of environment teams is underway.

## Aubert & Duval - Les Ancizes

The construction, firstly, of the Fades hydroelectric plant (1912-1917) together, secondly, with the crossing of the Sioule valley via the Fades railway viaduct, linking Lapeyrouse and Clermont-Ferrand, almost certainly drove the Compagnie hydro-métallique d'Auvergne to start work on the Ancizes plant as early as 1917.

By 1918, the plant was already producing ferroalloys and a little later high-grade carbon steels.

Aubert & Duval, which already had a wide range of special steels at its disposal, took an interest in the Ancizes plant in 1926.

The site soon became not only Aubert & Duval's main production centre, but also a special steels plant that housed some of the most powerful production, conversion and finishing facilities in Europe on the same site.

The Ancizes steelworks stands out because of its expertise in every aspect of the steelmaking process. Its main activities are as follows:

- ✎ research;
- ✎ production of steels and superalloys;
- ✎ hot conversion by rolling and forging;
- ✎ heat treatment;
- ✎ finishing;
- ✎ destructive and non-destructive testing;
- ✎ analysis laboratories;
- ✎ special steel casting, etc.

The commencement of work on ISO 14001 certification was announced for the Ancizes site on October 26, 2007. Beyond being a quality label, this certification is also and above all a guarantee of effective organisation favouring ongoing improvement in all aspects of the environmental performance of the site (protection of persons, water, air, waste, noise, etc.).

The goal of seeking ISO 14001 certification for the Ancizes site by November 2009 is an ambitious one.

This measure, consistent with the Health, Safety and Quality policies, is perfectly in line with Eramet Group's goals and will contribute to customer satisfaction, product competitiveness and respect for the environment.

## ENERGY

The steelworks' furnaces are electric while the reheating and heat treatment furnaces are mainly powered by natural gas and a few by electricity.

Use of domestic fuel oil is restricted to vehicle operation, heating domestic buildings, and the occasional use of generators. In order to bring fuel oil consumption into line with the air emissions that have to be disclosed to the authorities, fuel oil consumption by vehicles has been omitted. However, in 2006 there was a sharp increase in the consumption of domestic fuel oil due to the use of an additional compressor. In 2007, generators and a standby compressor were brought into use for the repair of facilities, which accounts for the slight increase in the consumption of fuel oil compared to 2005.

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Consumption	Unit	2005	2006	2007
Total energy	MWh	356,335	355,652	364,024
Electricity	MWh	131,009	133,234	136,416
Fuel oil*	MWh	206	1,269	448
Gas	MWh PCS	225,120	221,149	227,162

\* Excluding vehicle consumption.

The rise in electricity consumption is essentially due to the operational start-up of the dust trapping and removal facility for the steelworks electric furnaces, two flash furnace heating furnaces at the forge and a grinding facility for the steelworks finishing unit.

Similarly, the actual start-up of two reheating furnaces in the steelworks finishing premises in 2007 and the installation of a special processing stove all played a part in the increase in the natural gas consumption.

### GREENHOUSE GASES

The Ancizes steelworks is one of the three French electric steelworks in the Eramet Group to fall under the scope of the European Directive on greenhouse gas emission quotas. In 2007, ingots bought and treated on the Ancizes site generated an increase in CO<sub>2</sub> emissions with a ratio of 1t of CO<sub>2</sub>/t to liquid steel produced compared to 0.98 in 2006.

### WATER

The work of separating the Viouze river from the ponds began in 2007 and will be completed in January 2008. The rebuilding of the river bed will

recreate the low-water channel on the right bank of the ponds, thus reverting as far as possible to the appearance of a natural watercourse. A fish ladder downstream of the existing weir will allow fish to move freely upstream.

The water discharges were brought together to feed into the ponds in March 2007.

The only discharge into the natural environment will be equipped with a self-monitoring station in January 2008, allowing constant monitoring of different parameters such as the rate of flow, pH and temperature and water to be sampled 24 hours a day with a view to analysing the quality of the water discharged. Discharge monitoring will then be more accurate than at present.

The main sources of industrial water consumption are the electric furnaces, the rolling mill and the forge. As from 2008, the industrial water will only be pumped into the ponds. In fact, since the river has been cut off from the ponds, the site no longer derives water from natural sources.

Use of drinking water is mainly for sanitary purposes, topping up induction furnace cooling circuits and various activities such as producing soluble oil and supplying the etching workshop baths.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	299,545	331,001	300,000
Water derived from natural sources	m <sup>3</sup>	56,107	56,281	55,232

The water saving measures enabled water consumption to be cut by 10% in 2007.

Aqueous discharges	Unit	2005	2006	2007
Ni	kg	10	15	20
Mn	kg	33	39	3
Fe + Al	kg	107	316	<1
Total suspended solids	t	0.74	5.29	<1
COD	t	5.21	11.21	1.655

The discharges comply with the limits set in the operating permit issued by the prefect.

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**AIR**

The industrial start-up of the dust trapping and removal facility shared by electric furnaces S40 and S60 in December 2006 enabled dust emissions to be cut by 98% from an annual flow of 340T in 2006 to an annual flow of 7.1T in 2007.

The investment made amounted to €7 million. This facility also required an investment of €5 million to secure its electricity supply.

In 2007, a study of canalised and released dust emissions was carried out, enabling the quantities of dust released, i.e. emitted directly into the air, to be measured.

Following this study, work to optimise the trapping of emissions from the AOD converter began in December 2007 and will be completed in August 2008. They involve the installation of a hood above the AOD converter in order to improve the trapping of dust emitted when the facility is tilted. This hood will be connected to the dust remover shared by the ladle furnace and the AOD converter.

The changes in SO<sub>2</sub> and NO<sub>x</sub> levels is partly due to better readings of the various sources of gas emissions including:

- coal coke and pitch coke (since 2005);
- building heating boilers (since 2005);
- generators (since 2005);
- the etching workshop (since 2006 for NO<sub>x</sub>);

and secondly factoring in the number of hours each installation is in operation.

The reduction in SO<sub>x</sub> emissions is due to the absence of consumption of coal coke and to the reduction in the consumption of domestic fuel oil in 2007.

The improved monitoring of consumption of hazardous products and the measures taken to reduce the consumption of solvents continued in 2007.

Discharges of hydrochloric acid (HCl) and hydrofluoric acid (HF) were produced by the etching workshop (non-destructive testing of parts). Measurements are taken once a year.

Modifications were made to the acid vapour washers in order to improve the effectiveness of their treatment.

Air emissions	Unit	2005	2006	2007
Total dust	T	335	340	7.1
CO <sub>2</sub>	T	45,591	45,279	45,558
SO <sub>2</sub>	t	1.44	3.2	0.83
NO <sub>x</sub>	t	54.8	61.8	55.5
VOC	t	8.49	7.54	6.5
HCl	t	0.103	2.27	0.212
HF	t	0.028	0.018	0.014

**WASTE**

Since June 2006, the waste collection area has been in operation under the responsibility of a manager who plays a role in the improvement of waste sorting at source (monitoring, compliance testing, storage rules, etc.).

Waste	Unit	2005	2006	2007
Hazardous waste	t	1,045	1,265	1,812 <sup>(1)</sup>
Non-hazardous waste	t	20,874	40,156	29,364
of which wood, cardboard and plastic recycling	t	630	639	537 <sup>(2)</sup>
of which other non-hazardous waste	t	231	306	1,614 <sup>(3)</sup>
of which external metal recycling	t	4,369	4,817	4,764
of which Ancizes dump waste	t	15,644	34,394	22,449 <sup>(4)</sup>
Internal metal recycling	t	26,026	22,652	25,566 <sup>(5)</sup>

(1) The installation of shared dust removal equipment for the electric furnaces produces an average of 500t of dust per annum, which explains the increase in the production of hazardous waste in 2007.

Recycling lines were installed in 2007 for certain types of hazardous waste. Their recycling rate thus rose from 0% to 15% in 2007.

Since 2005, training in waste sorting and staff information and awareness campaigns aimed at identifying hazardous waste and sorting at source also explain the changes seen in the production of hazardous waste.

(2) The drop in wood, cardboard and plastic recycled externally is explained by the greater internal reuse of packing and bracing wood.

(3) Since March 2007, baked casting sands are no longer deposited in the Ancizes dump and are thus included in the non-hazardous waste.

(4) Steelworks waste recycling trials, particularly for refractories and graphite electrodes were also carried out in 2007 and will continue in 2008.

(5) The increase in the recycling rate of metal internally is directly connected with the action plan to reduce working capital requirements.

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## Aubert & Duval - Pamiers

Activities on the Pamiers site continued to grow in 2007 and environmental efforts focused on the awareness of all site staff (including permanent subcontractors) and the roll-out of the Environmental Management System (EMS).

In conclusion of the work undertaken in 2004, the Pamiers site obtained ISO 14001 certification in November 2007. This project was one of the 9 major "Pamiers 2010" management projects.

Taking into account the gradual ramp up of Airforge's operations in 2007, the figures in the accompanying tables relate to all Pamiers activities.

The main measures and results relating to environmental issues are broken down by subject.

The following are worth mentioning:

- carrying out of the initial work to streamline industrial water consumption, aimed at protecting the natural environment;
- the setting up of shared working groups to deal with issues relating to health and safety, working conditions and the environment by workshop and division (HSE groups);
- the launch of a study partly financed by ADEME on the use of waste wood as a heating fuel;
- drawing up of the "energy saving" action plan for the site in line with Group strategy.

### MANAGEMENT

The head of environmental management is also responsible for maintenance and new works.

He is assisted by two technicians in the management of quality, safety and the environment, one of whom is undergoing training under an early starter employment contract. All three form the Environment Unit.

This Unit is in charge of the EMS and in particular for the preparation of the management review.

To better track the development of the EMS in its early stages, it was decided to carry out two annual reviews in order to examine all 8 subjects covered by ISO 14001.

Environmental performance indicators concerning the quality of waste water and the production of greenhouse gases and waste were introduced.

The level of achievement of the goals and targets is 77% for the first year (secondary containment of tanks, staff awareness, etc.).

Members of the Environment Unit take part in meetings of the HSE groups of the departments and workshops. Twelve groups have been set up.

Each month, the HSE groups summarise the data provided by the users on the production tools on the back of the work done on the "Pamiers 2010" strategy.

These groups, which are veritable management tools, draw up action plans to be put into action depending on the results, analyse performance indicators, follow the number of proposals made per field, etc.

The ISO 14001 certification audit took place between October 22 and 25, 2007. Seven non-blocking comments were made and the site has been certified since November 21.

2007 was strongly impacted by this project. The awareness measures were aimed at all staff working on site, including permanent subcontractors.

A guide presenting the principal environmental data on the site was drawn up and circulated.

It should be noted that there was close cooperation with the Safety Department, particularly in the handling of shared issues such as the updating of the hazards study (which was a requirement of the new operating permit issued for the Aubert & Duval site) or the preparation of the Emergency Intervention Plan (EIP).

A stand dedicated to the environment enabled the presentation of the measures taken and the results obtained to all institutional visitors and the public at the open day on October 20, 2007.

A survey was carried out on that occasion to find out what local residents thought of the plant, from an environmental point of view. Most people are satisfied with the way the site has treated the environment. Noise and vibration were, however, the most frequently cited issues.

### WATER AND AQUEOUS DISCHARGES

The first phase of the project to streamline industrial water consumption is nearing completion, in line with the obligations of the new operating permit.

It already allows for the protection of the natural environment with the installation of hydrocarbon separators at the two most sensitive discharge points.

The second phase is included in the 2008 budget and will enable 80% of the water derived from natural sources to be recycled. It mainly consists of the burial of the new collection network. The 2008 phase of the project also includes the demolition of an old unused water tower and will improve the site's integration into the landscape.

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This project required close collaboration with all the departments of the Prefecture and the Town Hall, particularly for work to be done on the public road.

Consumption	Unit	2005	2006	2007
Industrial water	m <sup>3</sup>	3,848,019	4,120,400	4,521,230
Drinking water	m <sup>3</sup>	33,970	36,277	36,410

With regard to the industrial water consumption, the correlation between the metering method and an actual flow measurement must be undertaken in 2008, in line with the requirements of the operating permit.

Waste <sup>(1)</sup>	Unit	2005	2006	2007
Main metals <sup>(2)</sup>	kg	409	1,910	738
Total hydrocarbons	kg	186	685	636
Suspended solids	t	12.36	36.83	16.29
COD	t	68.43	88.92	73.4

(1) Values estimated is based on three measurement cycles.

(2) "Main metals" are deemed to include: Nickel (Ni), Iron (Fe), Titanium (Ti) and Aluminium (Al).

The sampling methods have been unchanged since 2005. The change in readings is therefore directly correlated with a limited number of measurements which are thus very sensitive to the external parameters (temperature, rain, etc.) and to the operating conditions at the time the measurements are taken.

## ENERGY

Consumption	Unit	2005	2006	2007
Total	MWh	134,484	132,589	160,960
Electricity	MWh	36,752	38,551	45,404
Gas	MWh	96,432	92,313	113,760
Road diesel oil	MWh	1,300	1,725	1,796

All tools and production facilities were operating under a very heavy load, thereby resulting in the recorded increase in energy consumption.

The renewal of the gas heating appliances did not continue in 2007. There are many investment projects in this field, which should materialise in 2008.

The number of fork-lifts stabilised, as did the consumption of road diesel oil.

A study was awarded to APAVE to see whether the remains of bracing and transportation wood could be used as heating fuel.

The current level of this waste, around 400 tons per annum, might allow one of the gas boilers heating the buildings to be replaced with a wood boiler.

ADEME subsidised 50% of the costs of this study.

The first "energy saving" action plan was drawn up with Eramet's assistance. It includes various types of savings. A major part involves the amendment of the natural gas supply contract. This issue has been dealt with and the new contract will come into force as from April 2008. Other measures are currently being explored, particularly with regard to the generation of compressed air and the awarding of energy saving certificates for lighting improvement measures. These topics will be dealt with in a study in which Eramet wanted EDF to be involved. Pamiers is the pilot site for this collaboration.

## AIR EMISSIONS

Gas	Unit	2005	2006	2007
CO <sub>2</sub>	t	16,288	15,592	19,405
SO <sub>2</sub>	t	0.163	0.156	0.175
NO <sub>x</sub>	t	20.8	19.91	24.77

The increase in gas consumption in 2007 resulted in an increase in CO<sub>2</sub> levels.

The chimneys of the main furnaces were fitted with trap doors allowing measurements to be taken and compared to the values estimated by calculations based on consumption.

At present, the waste estimates are established by calculations based on gas consumption. The first actual measurements were taken in December 2007. The comparisons will be made in 2008.

**WASTE**

Waste	Unit	2005	2006	2007
Hazardous	t	1,172	1,120	1,265
Non-hazardous	t	1,227	1,308	1,271

The overall management of waste has been outsourced to an external service provider for several years.

The hazardous liquid waste treatment plant is now operational and the analyses of effluent discharged into the natural environment were submitted to DRIRE on December 19 during an inspection visit. An additional order will be drawn up to confirm the parameters to be monitored and the thresholds to be observed following the analyses carried out.

Operating improvements to the plant relating to the content of suspended solids and the chemical oxygen demand (COD) were also submitted to DRIRE, which accepted the principles.

It should be noted that, on completion of the project to streamline industrial water consumption scheduled for June 2010, the treatment plant will be incorporated into the network circuit, which recycles the water. There will thus no longer be any risk to the natural environment.

An improvement to the sorting of solid waste at source was made in the machining workshops by introducing a pre-sorting system with mini-containers perfectly suited to the workstations in those workshops.

**Comilog Dunkirk**

An industrial site built in 1978 to produce ferrosilicon, Comilog's plant in Dunkirk (France) followed market trends and focused on manufacturing a new alloy, silicomanganese, in 1988.

This is a ferroalloy that combines the properties of ferrosilicon and ferromanganese and is used to deoxidise steel and improve its mechanical properties.

The plant is situated in the heart of an industrial area. The ores imported mainly come from Gabon and arrive by boat in a sea port close to the plant.

**PRODUCTION**

1,359 castings were produced in 2006, 5% up on 2006.

In 2007, the operating rate of the furnace was particularly high, with 360 days of operation.

**KEY EVENTS IN 2007**

Participation in the research project undertaken in the Manganese Division regarding the recycling of by-products generated during the manufacture of iron alloys. This project enabled Comilog to achieve greater recycling of its slag and to identify several potential avenues for the recycling of dust. This latter measure will continue in 2008.

Installation of a 250KW heat exchanger that recovers some of the heat from the furnace for heating the buildings as a fuel oil replacement.

**ENERGY**

The main process of the Dunkirk site is based on the use of the 35 MW reducing furnace. The increase in propane consumption is due to the increase in the number of castings (propane is used to heat the casting sand).

The increased consumption of gas and electricity is due to the higher silicomanganese production levels (rate of operation in 2005 = 80%, in 2006 = 92%, in 2007 = 96%).

There was a drop in fuel oil consumption in 2007, essentially due to the drop in consumption in December, following the installation of the exchanger.

Consumption	Unit	2005	2006	2007
Electricity	MWh	236,282	275,841	287,131
Fuel oil	MWh	2,510	3,185	2,480
Propane	MWh	142	231	238

**WATER**

Drinking water is used to produce demineralised water and to top up the process, as well as for sanitary purposes.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	35,075	43,826	56,688

Consumption increased during 2007, mainly as a result of spraying the crystallised slag which did not previously exist. In 2008 a second pump will be installed in the unused pumping well. Sampling will be carried out in the brackish waters. Leaks in the network were also repaired.

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Aqueous discharges	Unit	2005	2006	2007
Mn and compounds	kg	11.2	8.85	26.13
Total suspended solids	t	0.17	0.07	0.12
COD	t	1.06	0.63	0.39

Extrapolated values calculated based on the regulatory values and average flows discharged, based on 365 days of operation.

No process water is discharged.

The very low rate of estimated discharge (~11 m<sup>3</sup>/day) considerably affects the representativeness of the extrapolated values.

In 2007, high values of manganese in particular were measured.

#### AIR

Furnace smoke is drawn through several ventilators and transferred for processing in a baghouse. The reduction in dust emissions is directly linked to better management of the filter compartments.

The quantity of CO<sub>2</sub> emitted in 2006 and 2007 is calculated on the basis of a complete review of the materials used, including the carbonaceous elements introduced into the process (coke, limestone).

Emissions	Units	Regulatory limit	2005	2006	2007 <sup>(1)</sup>
CO <sub>2</sub>	t		76,003	99,790	119,386
SO <sub>2</sub>	t		11	10.7	9.674
NO <sub>x</sub>	t	289	37	12.23	29.25
Total dust	t	58	11	13.3	11.15
Lead and compounds	t	2.89	0.14	0.094	0.075
Mn + Co + Cu + Cr + Zn + Sb + Sn + Ni + V	t	14.4 <sup>(2)</sup>	6.6	2.37	1.95

(1) In 2007, all the values are extrapolated on the basis of a single analysis.

(2) Based on a regulatory emission limit of less than 5 mg/Nm<sup>3</sup>.

#### WASTE

A waste sorting system is used on site.

The dust generated at the dust remover outlet is usually recycled internally and not discharged. In 2007, 1,800t were recycled at Revatech in Belgium. Further recycling lines are also under examination.

Slag is recycled externally as backfill. In 2007, slag sales rose as a result of inventory reduction and, following a modification to the metallurgy operating point, the ratio of slag per ton of metal is now higher.

Waste	Unit	2005	2006	2007
Hazardous waste	t	48.4	8.88	14
Non-hazardous waste	t	43,048	46,561	67,720
of which metal	t	192	134	85
of which paper and wood	t	1.6	1.04	1.1
of which slag	t	37,968	41,745	63,121
of which dust	t	4,398	4,652	4,493

### Comilog Gabon – Moanda

The Comilog S.A. Gabon mining and industrial site has three distinct operations:

- ⊗ mining and processing: Bangombé plateau in Moanda (mining Division);
- ⊗ production of manganese sinter: CIM (Complexe Industriel de Moanda) in Moanda;
- ⊗ rail transportation and loading of ships in the port of Owendo, Libreville (Rail and Port Installations Division – DFIP).

The figures presented in the second part of this report include the environmental data for the Owendo site.

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**KEY EVENTS IN 2007**

**SYSMIN Programme**

The various aspects of the SYSMIN programme were continued. The Steering and Management Unit (SMU) supervised the programme. In addition to periodic meetings of Comilog and the SMU, the Moanda site was visited by two European Union evaluation missions: a technical evaluation mission halfway through the 8th FED SYSMIN programme in June, followed by another mission in September as part of a financial audit.

**Introduction of an environmental management system**

The Environment Unit was audited by Ortec Générale de Dépollution in November 2007. An interim report was issued in April, which essentially focused on the bases of the "Moullili" project. The final report was issued in December 2007.

The site brought mine waste collection pools on stream in February and then had to face technical control concerns associated with the extremely dry summer followed by concerns over the technical design that led to a return to original operations (discharge directly into the Moullili for 4 months).

The construction of the second pool, which is expected to come on stream in February 2008, should optimise the operating conditions of the first pool.

2007 was a year of marked change in the organisation of environmental responsibilities and activities at Comilog with the creation of a HSE Unit (Health, Safety, Environment) within the IAD (Industrial Affairs Department). This unit has been strengthened with the appointment of an Environment technician recruited on March 1, 2007, with the position of specialised environment engineer to be filled and with the support of environmental contacts within the three operational departments, namely DFIP (Owendo), CIM and Mine.

**Moullili environmental study**

The stage 3 report was issued on December 15, 2007. The final report is expected in the first quarter 2008. The general conclusions confirm the usefulness of carrying out the entire project with the integration of a cyclone

**Energy**

The increase in overall energy consumption between 2005 and 2007 is directly related to the increase in production capacity.

Consumption	Unit	2005	2006	2007
Electricity + fuel oil	MWh	75,000	78,000	82,000

**Water**

Checks and analyses of surface water, discharges and process water are part of the Moanda Environmental Action Plan (EAP). They are carried out annually on the basis of an 18-point sampling plan.

The various regular analyses of Moullili valley surface water, and of some of the discharge water and process water from the Comilog treatment plants are carried out either internally or by the Gabon Mining Ministry's DGEL laboratory. During the course of 2007, the site was unable to carry out one

washer allowing the contribution of materials that can be used directly by CIM and extending its operating life to 2015.

During the course of 2007, several studies were carried out by TEC and ORTEC/GSI as part of the Moullili rehabilitation project, to supplement the basic data on the estimate of resources, topography and geological, geotechnical and hydrological knowledge.

As part of this project for the recovery of manganese deposits that have accumulated in the upper pool of the river for subsequent recycling at CIM, the TEC and ORTEC/GSI studies have enabled:

- consolidation of basic data;
- establishment of the operating methods for the first section (MT1) of the deposit;
- analysis of the impact of the operation on the existing installations and on the environment;
- the definition of river restoration work.

**Periodic environmental checks**

The following checks were carried out:

- samplings and analyses of dust at the three sites (DFIP, DCIM and MINE) by the Environment Unit;
- samplings and analyses of the surface water in the Moullili valley, discharge water and washing plant process water by the Mining Ministry Laboratory (Directorate General for Studies and Laboratory – DGEL) in partnership with the Environment Unit between November 28 and 30, 2007.

**Works and developments**

- The first industrial pool came on stream on February 14, 2007. The construction of the second pool has been completed. The installation of the pipes and other equipment is in the process of being completed. The study for the construction of the third pool has commenced.

of the two measurement cycles; only the cycle carried out by DGEL could be completed.

The figures obtained at the various sampling points are compared with WHO (World Health Organisation) guidelines and disclosed annually to the Gabonese authorities. Excessive readings were recorded for suspended solids at three sampling points stemming from the mining operations (direct discharge into the Moullili river during the final four months of the year at the time the check was made).

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Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	590,000	600,000	650,000
Industrial water	m <sup>3</sup>	4,800,000*	7,400,000*	12,156,000 of which 9,000,000 for mining**

\* In 2005 and 2006, excluding the Owendo site

\*\* In 2007, the consumption of industrial water on the Owendo site was included in the overall consumption, which also includes mining activities.

After a water metering system was installed in 2006, it was found that the consumption of industrial water had been under-estimated in previous years. The monitoring and recording procedures were tightened up in 2007.

### Air

The canalised emissions at Comilog are checked on an ongoing basis. To meet the requirements of the EAP, air emissions are sampled and analysed at the CIM and in the industrial areas.

Emissions	Units	2005	2006	2007
CO <sub>2</sub> <sup>(1)</sup>	t	242,714	260,115	260,172
SO <sub>2</sub> <sup>(1)</sup>	t	1,300	1,387	1,339
NO <sub>x</sub> <sup>(2)</sup>	t	718	780	699
VOC <sup>(2)</sup>	t	Unreliable measurement	59	53
Manganese dust <sup>(2)</sup>	t	427	249	227

(1) Order of magnitude – Values calculated on the basis of quantities of coke and anthracite and on volumes of diesel oil consumed in 2007 (1 litre of diesel oil consumed ó 2.7 kg CO<sub>2</sub>) and 2006 reference emissions (no measurement in 2007).

(2) Order of magnitude – Values extrapolated on the basis of measurements taken in the CIM chimney in 2006.

The figures for the CO<sub>2</sub> emissions include the consumption of coke and anthracite.

Since no significant changes were made to the process that might affect NO<sub>x</sub> and VOC emissions, the changes in the table stem from inaccuracies in the extrapolation and calculation methods (no measurements). The order of magnitude of these emissions is unchanged.

### Waste

The management of solid and liquid waste continued in 2007 with particular attention paid to used oil, vehicle batteries and toxic substances.

Both at Moanda and at Owendo, tyres and rubber are collected, transported and stored after sorting in purpose-built yards. Scrap iron is sorted and partly recycled (export from Libreville, more difficult from Moanda).

Waste	Unit	2005	2006	2007
Non-hazardous waste	kt	30.7	15	6 of which 3 kt in civil engineering for homes
Total hazardous waste	t	30.7	30.7	141
of which toxic	t	0.7	0.7	21
of which oils	t	30	30	60

A huge effort in the selective sorting of non-hazardous waste enabled monitoring and recording to commence, allowing initial optimisation of the recycling lines leading to a marked reduction in the quantities involved. Moreover, 50% of the quantities recorded relate to civil engineering work on the houses of Comilog staff as a whole. The data includes the figures for the Owendo site, which was not the case in previous years and the scope is therefore not constant.

### Soil

Some soil is contaminated by various hydrocarbon discharges and soil protection remains a sensitive issue on the three sites.

An action plan is being examined by the Industrial Affairs Department in association with Total in order to upgrade the hydrocarbons distribution area of the mine, prior to the examination of the restoration of the soil. This study was undertaken in 2007 and should be completed in 2008.

The equipment and restoration of the installations on the Moanda sites is currently under examination. The Owendo site has hydrocarbon separators and collection pools with retaining walls at the main strategic points.

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## Erachem Comilog Tertre

Since 1964, Erachem Comilog has been producing manganese salts and oxides, which are chiefly used by the agrochemical and electronic industries. In the early 1980s, the company's business activities were diversified to produce copper and zinc oxides, by reusing various types of waste from the electronics industry and recycling spent batteries.

Its geographic location in the Tertre industrial zone is warranted by the existence since 1930 on the site of an extensive fertiliser production business, with which Erachem Comilog has developed close synergies through its ammoniac, sulphuric and nitric chemical processes.

Since August 2002, Erachem Comilog has been classified as Seveso – high threshold, following the grading of certain substances as environmentally hazardous under European legislation, in this case mostly manganese sulphate-based aqueous solutions.

the key events in 2007 at Erachem Comilog were as follows:

- ➊ firstly, the fire in early February at the nitric acid facility in Kémira, the neighbour and supplier of nitrous gases required for the normal operation of Erachem's "nitrate" production workshops;
- ➋ the resulting adaptation of the means of production and resumption of operation of certain sulphate workshops to meet customer demand and to in particular satisfy the major new contract for the supply of manganese sulphate signed at the end of 2005;

- ➌ the continuation of various action plans for improving the energy efficiency of the overall site;
- ➍ renewal of ISO 14000 certification for its non-ferrous waste recycling centre;
- ➎ and finally, investment in and commencement of the first stage of diversification of supplies of several types of non-ferrous waste that could be recycled at the site.

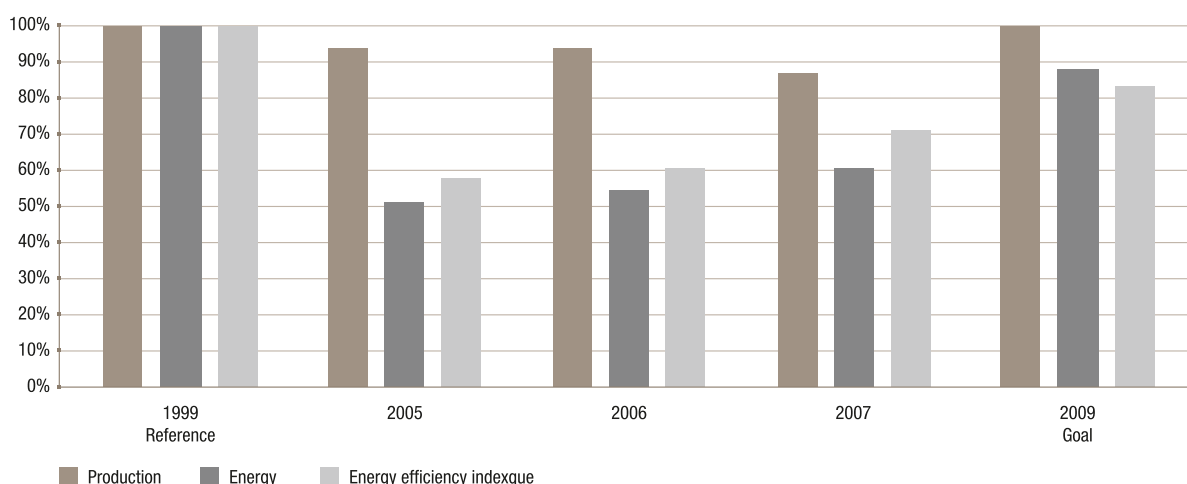
### ENERGY

In line with the Kyoto Protocol for greenhouse gas reductions, in June 2003, Erachem Comilog signed a Belgian chemistry sector agreement with the relevant regional authorities, with the goal of achieving a 17% improvement in Erachem's energy efficiency by 2009, as compared with the benchmark data for 1999.

Up to 2005, and on a like-for-like basis, the gradual implementation of these two improvement plans have enabled Erachem to meet and substantially exceed these general and specific energy reduction targets. The rise in consumption in 2006 is the result of the coming back on stream of the workshop that uses natural gas to reduce manganese ore, as part of the new contract for the supply of manganese sulphate. In 2007, this energy-consuming workshop was operating at full capacity in order to offset the fall in nitric production caused by the shortage of reducing nitrous gases following the fire at Kémira. This crisis situation had a major impact on the consumption and energy efficiency of the site.

Consumption	Unit	2005	2006	2007
Electricity + Steam + Fuel oil + Gas + Coal	MWh	124,577	135,922	161,899

### ENERGY CONSUMPTION INDICATOR



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## WATER

### Consumption

Water consumption has been falling significantly over the past number of years, and the site constantly endeavours to restrict its consumption from outside sources, in line mainly with its intake of liquid waste and its facilities for recycling process water and steam condensates.

	Unit	2005	2006	2007
<b>Water derived from natural sources + drinking water from the public supply</b>	m <sup>3</sup>	243,728	193,826	187,208

### Discharges

Erachem Comilog has a single wastewater release point without internal separating networks. This sole surface water discharge point is checked on a weekly basis using average daily samples in proportion to the discharge flow.

The change in aqueous discharges over the 2005 – 2007 period mainly stems from the following:

- in 2005, switching from the sulphate process to the nitrate process;

- in 2006, the coming back on stream of some of the sulphate workshops in order to satisfy the major new contract for the supply of manganese sulphate;
- and in 2007, production changes to offset the lack of supply of nitrous gases (Kémira fire).

Aqueous discharges	Unit	Regulatory limit	2005	2006	2007
Manganese	kg	109,500	62,750	65,726	68,651
Chloride	t	2,920	1,616	1,434	964
Copper	kg	2,738	394	409	135
Total nitrogen	t	365	235	170	99
Suspended solids	t	58	42	31	29
COD	t	219	27	15	15

COD: Chemical oxygen demand.

### AIR

The site's air emissions are directly related to the various workshops involved in producing, drying and transferring fine metal salt and oxide powders. These are processed and filtered by dust removers or by gas absorption and washing facilities.

CO<sub>2</sub> emissions, which had been falling sharply until 2005 following the implementation of the energy efficiency improvement plan, rose again in 2006. This increase is due to the coming back on stream of the workshop that uses natural gas to reduce manganese ore (new manganese sulphate supply contract) and its boosting in 2007 (lack of supply of nitrous gas – Kémira fire).

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	10,736	14,441	20,048
VOC	t	0.20	0.19	0.19
Cl <sub>2</sub> (HCl equivalent)	t	0.08	0.10	0.06
Mn	t	21	22	27
PM10 dust	t	6.1	6.2	7.4

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**WASTE**

The hazardous waste generated relates to purification residue from solutions recovered by the Recycling Unit. This is collected, made inert and placed in the external technical landfill via an approved disposal channel.

The waste put in the internal technical landfill relates to manganese ore gangue resulting from the sulphuric or nitric acid attacking of ore. It should be noted that the gradual transition from the sulphate process to the nitrate process since 2004 resulted in a significant fall in this type of waste. In 2006, the resumption of manganese sulphate production in the sulphate line and ore with a lower manganese content led to an increase in the quantities of ore gangues.

Waste	Unit	2005	2006	2007
Hazardous*	t	5,623	7,575	15,460
Non-hazardous waste**	t	232	226	241

\* Hazardous waste + mineral gangues stored in internal technical landfill.  
\*\* Non-hazardous industrial waste + Recycled paper + Recycled metals.

**HSE MANAGEMENT**

Since September 2001, Erachem Comilog has had an ISO 14000-certified environmental management system (EMS) for its copper waste recycling business. The EMS was re-certified in September 2007 for a further three years in line with the new ISO 14000: 2004 standard.

In 2007 Erachem continued to adapt the EMS in order to gradually phase in, for all its business activities, analyses and action plans regarding the management of:

- Health and Safety;

- Seveso, Industrial Risks and Insurance;
- Energy saving;
- Waste placed in internal technical landfills.

In 2007, Erachem Comilog was not the subject of any disputes and did not receive any complaints from neighbours. Erachem continued to work with the local authorities and community through the Safety & Environment Commission for the Tertre industrial zone.

**Eramet Comilog Inc. – New Johnsonville**

Since acquiring the site in 1985, Erachem Comilog Inc. NJV has more than doubled its production capacity for electrolytic manganese dioxide (EMD) for the alkaline battery market in USA. The location of the site in New Johnsonville, Tennessee, is central in relation to US battery manufacturers and near the Tennessee Valley Authority (TVA) heating plant which offers competitive electricity prices.

From an environmental perspective, the various discharges and uses are in line with the site's EMD production capacity. In 2007, site production was around 10% down on the previous year. The fall in production levels was necessary following a rise in inventories, itself due to a slowdown in sales.

**ENERGY CONSUMPTION**

Erachem Comilog Inc. NJV consumes natural gas, electricity and fuel oil. 80% of the site's natural gas is used to generate steam. The remaining gas supplies the ore, coal and product dryers. 65% of the site's electricity supplies the electrolytic rectifiers and the ore reducing furnaces. Diesel oil and petrol are the site's main fuels. They are used to run vehicles. The energy consumption in 2007 was unfavourable from a unit perspective as a result of a fall in production levels.

Consumption	Units	2005	2006	2007
Energy	MWh	210,221	207,929	187,697

In 2007, Erachem Comilog Inc. NJV replaced two open-topped wooden tanks with closed concrete tanks. In September 2007, a second economiser was installed on one of the natural gas boilers to recover more heat from the combustion gases. Good energy management, particularly with regard to natural gas, remains essential on the NJV site owing to the instability of prices. In 2008, Erachem Comilog Inc. NJV will install a new ore crushing/drying system. This system will replace two devices, the external ore dryer and the ball mill, with a vertical cylinder crusher of the same size as the

current product preparation process. This new cylinder crusher will use the heat generated by the crusher and an air flow heated by natural gas to carry and dry the crushed ore from the crusher to a product cyclone and a dust trapping system. This system will require a natural gas burner only 79% the size of the current ore dryer.

Authorisation and estimates for a wood boiler are in progress. This should replace the natural gas boiler as the site's main steam generator.

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**WATER CONSUMPTION**

Consumption	Units	2005	2006	2007
Running water	m <sup>3</sup>	504,099	457,435	367,006

Erachem Comilog Inc. NJV uses drinking water for areas where the quality of water is critical, namely the boiler supply, the product neutralisation stage during preparation, reduction of suspended ore and polymer activation. NJV reuses the water from its processing pools in order to place the gangue in suspension after filtering and in order to wash the filter press. The use of water in 2007 was slightly better, despite the changes in production volume and thanks to ongoing good management efforts. The pre-treated effluent is reused to place sodium carbonate in suspension in the treatment of water throughout the year and for the cooling tower in the ore store during the coldest months. Running water is used during the hottest months. The reuse of running water in the ore store cooling tower will be analysed in 2008 owing to clogging problems when the process uses pre-treated effluent

water. This may lead to the use of chemicals to treat the water currently used in the cooling tower. The potential savings will target lower running water consumption and an increase in the rate of production of the ore furnaces by optimising their cooling efficiency.

**AQUEOUS DISCHARGES**

The volume of water treated and discharged from the NJV site changed in line with production levels between 2006 and 2007. However, treatment of manganese waste was not as efficient in 2007. Consequently, the site's discharge permit, relating to the mass of manganese that can be discharged daily, was exceeded on occasions.

Compounds discharged	Units	2005	2006	2007
Suspended solids	t	1.48	1.99	1.33
Manganese	t	1.04	1.11	1.26

The plant experienced several difficulties connected with the atmospheric temperature and its effect on the performance of polymers during the flocculation stage. Engineers are currently looking for other polymers and other ways of ensuring optimum efficiency during this stage. The use of a water supply produced from pre-treated effluent will be tested in 2008. This could reduce the quantity of waste water requiring treatment.

**AIR EMISSIONS**

Air emissions for the NJV site are wholly in line with production levels for the year. The improvements in air quality in 2007 include the elimination of the pneumatic conveyance of reduced ore to the following stage of treatment of suspended ore.

Emissions	Units	2005	2006	2007
CO	t	14.40	14.71	12.44
SO <sub>2</sub>	t	10.69	10.92	9.24
NO <sub>x</sub>	t	53.30	54.47	46.05
VOC	t	2.59	2.65	2.24
Mn	t	9.60	9.84	8.46
Total dust (including Mn)	t	18.35	18.72	16.82

Erachem Comilog Inc. NJV will continue to improve the management of air emissions with the installation of the new roller mill/ore dryer in 2008. The combustion gases will be reduced as the burner of the new unit represents 79% of the burner of the old unit. A new wood boiler is currently being designed to allow the cost of the natural gas consumed by the current boiler

to be offset. The 2008 wood boiler project will require a substantial change to Title V of the site's operating permit as well as authorisation from the State of Tennessee before construction begins. The authorisation procedure will begin once the design has been completed.

**WASTE GENERATED**

Waste	Units	2005	2006	2007
Total hazardous waste	t	0	0.28	0
Total non-hazardous waste (gangue)	t	12,912	21,914	17,255

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Most of the waste (between 89% and 99%) generated by the NJV site consists of the gangue remaining after the leaching stage of the reduced ore. This non-hazardous waste is stored on site in a settling pool rendered watertight by several layers of clay. This waste flow is proportional to the volume and the manganese content of the ore received on site. In June 2007, the site used another type of ore. Even at 80% of the site's operating capacity, the filter press treating this gangue became the plant's choke point. Owing to the lower manganese content of the ore, the quantity of gangue rose by

between 60% to 70%. This handicapped efforts to produce manganese during this stage of the manufacturing process; it aims to achieve optimum washing of the filter cakes in order to eliminate any soluble manganese before the gangue is sent to the pools. In 2008, a new filter press with a greater capacity will be installed. It will satisfy not only the requirements for filtering the increased quantity of gangue, at 100% of the site's operating levels, but it should also allow the concentration of soluble manganese to be reduced to a minimum.

## Eramet Marietta Inc.

Eramet Marietta Incorporated (EMI) is the largest producer of ferromanganese alloys in USA and one of the largest producers of ferromanganese alloys in the world.

Eramet Marietta Incorporated (EMI) makes an active contribution to a large number of environmental protection initiatives, covering not only the prevention of pollution and planning of safety measures, but also programmes promoting the general welfare of its employees and the local community. In 2007, EMI accepted an invitation from the Ohio Environmental Protection Agency (EPA) to participate in the Tox-Minus programme. By participating in this programme, EMI and 41 other sites in Ohio are committed to improving their operations, to reducing their emissions and to improving the quality of life in Ohio and the neighbouring States.

### CAPITAL EXPENDITURE ON ENVIRONMENTAL PROTECTION

Each year, EMI spends over \$5 million operating emissions abatement systems that capture the vast majority of emissions and reduce their impact outside the site. Process waste is collected and safely deposited in special internal impoundments, instead of being discharged into the air or water. The impoundments are closely monitored to ensure there is no impact on the environment.

In 2007, EMI completed the restoration of the dust trapping system for the MOR unit, particularly with the replacement of over 1,000 filter bags. To the north of the site, new dust trapping systems have been installed for the manganese nitride and chromium plating packaging operations.

The renewal of the site's waste water discharge permit requires a commitment to substantially reduce ammonia emissions into the environment. Although the use of proven technology constitutes a major investment staggered over a period of three to four years, it will also significantly improve treatment operations in terms of reuse and recovery of raw materials.

### EMERGENCY PLAN

EMI remains an active member of the Washington County Local Emergency Planning Committee (LEPC) and of the Central Ohio Valley Industrial Emergency Organization (COVIEO). These bodies were set up to promote awareness in the community and in industry of the potential risks involved in the operation of local production facilities and the need for effective planning for these risks in the unlikely event of an accident or pollution. One of the EMI's environment engineers recently had the honour to be re-elected Secretary of COVIEO for 2008.

### ENVIRONMENTAL MANAGEMENT

Since January 2007, EMI's Environment Department has merged with Safety in order to form the Health, Safety and Environment Department. This merger facilitates the sharing of available resources and enables the Department to operate with optimum efficiency.

EMI's very first senior environment engineer retired at the end of 2007 after over 32 years' service at the Marietta site. A new recruit from the Health, Safety and Environment Department is now responsible for maintaining the occupational hygiene improvement programme.

EMI is currently involved in the renewal of its NPDES permit relating to the discharge of waste water and Title V of the permit concerning air quality. Its applications are currently being examined by the Ohio EPA. Temporary permits should be submitted for a public inquiry in 2008. The annual assessment of ground water for EMI's north pool still shows no significant migration of constituents from the pool to the ground water.

### ENERGY

The three arc furnaces and the chromium plating unit are the largest electricity consumers. The preheating and drying furnaces use natural gas as a source of energy. The drop in the energy consumption in 2007 may be largely attributed to the operation of the furnaces, particularly to the two borings in the wall of furnace 1.

Consumption	Unit	2005	2006	2007
Energy <sup>(1)</sup>	MWh	835,550	799,844	754,077

(1) Including around 70,000 MWh redistributed to other companies established near the site.

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## WATER

The site has a dividing network for domestic waters and cooling waters. The effluents are collected together and, after treatment, are discharged into the natural environment (Ohio river). The measured values show pollutant levels much lower than the authorised limits.

The consumption of industrial water was lower in 2006 and remained low in 2007 thanks to the installation of a closed circuit on two of the three furnace cooling systems. Given that only the consumption of water from the public mains supply was taken into account (the quantity of water taken from the river for cooling is not measured), this reduction cannot be calculated accurately.

Consumption	Unit	2005	2006	2007
Industrial water (public mains supply)	m <sup>3</sup>	225,857	210,363	226,326

Discharges of manganese, chromium (non-hexavalent), lead and suspended particles are calculated on the basis of the actual analytical results during authorised emissions. In 2007, the almost permanent dry period resulted in a lower level of discharges, which may be the reason for the fall in overall mass loads in the river.

purchases. The calculations for emissions of ammonia into the air are based on the mass balance. Generally speaking, an increase in the discharge of ammonia into the water is reflected in a reduction in emissions of ammonia into the air, and vice versa.

The discharge of ammonia into the Ohio river is measured by means of analysis and varies depending on the production level of the chromium plating unit (number of cells operating), on the pH and the temperature of the treatment facilities, as well as on the means of accounting for ammonia

Feasibility studies designed to assess the recovery/reuse of ammonia effluent in chromium plating have been carried out in recent years. To implement such a system, the Company is awaiting EPA approval and the terms of the NPDES permit on waste water discharges.

Aqueous discharges	Unit	Limits	2005	2006	2007
Chromium	t	0.63	0.044	0.054	0.069
Manganese <sup>(1)</sup>	t	70.4	12.05	7.2	6.1
Lead	t		0.089	0.091	0.101
Suspended solids	t	299	21	7	16
Ammonia	t		464	515	389

(1) Excluding average rainwater run-off.

## AIR

CO<sub>2</sub> emissions are calculated on the basis of the production assessment (HCFeMn + MCFeMn + LCFeMn + SiMn) with specific CO<sub>2</sub> correlation factors.

operation, the scale of the machinery, the characteristics of the materials used, and the average meteorological conditions. In the USA, it is mandatory to take account of all non-measurable emissions by applying these factors.

The level of ammonia used and emitted depends on the number of cells operating in the chromium plating unit. The average number of cells operating in each calendar year has risen over the past three years. In 2007, the number of operating units was in excess of that in 2006. The calculations for ammonia emissions are based on a mass balance.

Although CO<sub>2</sub> is regarded as a greenhouse gas, it is not treated as a primary pollutant in the USA, unlike CO, which is an indicator of incomplete or inefficient combustion in most processes. The quantities of CO<sub>2</sub> and CO emitted, as well as the CO/CO<sub>2</sub> ratio, depend to some extent on the quantity, quality and type of non-metallic raw materials added to the furnaces.

Manganese dust emission estimates are mainly derived from stack test data. Stack tests are carried out on an annual basis, as required by the facility's Title V operating permit on air quality. Some dust emission levels are estimated on the basis of directive US-EPA (AP-42): set emission factors, which take account of the production capacity of the process, the number of hours of

CO<sub>2</sub>, VOC and dust emissions are mainly generated by the furnaces, whereas ammonia and CO (largely) are produced by the plating operations. CO<sub>2</sub> and ammonia emissions are calculated on the basis of the mass balance. VOC emissions are estimated on the basis of emission factors and the emissions of dust produced by the furnaces are assessed on the basis of actual measurements of losses at the stack and approved emission factors.

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	199,000	159,855	157,293
SO <sub>2</sub>	t	5.1	4.9	4.7
NO <sub>x</sub>	t	16	16	15
Volatile organic compounds	t	343	416	349
Ammonia	t	444	321	568
Total weight of dust:	t	428	476	369
Of which manganese dust		155	170	127

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## WASTE

The amount of waste generated from one year to the next varies significantly due to project impacts, including maintenance, construction and demolition activities.

Waste	Unit	2005	2006	2007
Hazardous waste	t	80	132	113
Non-hazardous waste	t	706	662	502

## Eramet Norway Porsgrunn – Sauda

Eramet Norway operates two plants in Norway.

One of these (ENS) is located in Sauda in the south-western part of Norway. This plant employs 217 people and is the principal private employer in the local community. The population in the community is close to 5,000, and has been falling over the past few years. Besides the plant, there are some machine shops, a safety-glass producer and other, mainly service-related, businesses in the area. The plant was set up in the early 1920s and the location was chosen because of the hydro-electric power production in the area. The plant has been producing manganese alloys throughout its history.

The other Eramet Norway plant (ENP) is located in Porsgrunn in the south-eastern part of Norway. The plant, which employs 178 persons, is close to the big industrial site of Yara at Herøya. In the Greenland area (in which Porsgrunn is located), there are several big industrial sites producing fertilisers, petrochemical products, cement and other products. The plant started up around 1920, and it has been producing various kinds of ferroalloys over the years.

ENS now operates two furnaces producing high carbon (HC) ferromanganese, and in addition a refining plant producing refined ferromanganese alloys with a medium and low carbon content from HCFeMn. The total annual tonnage produced at ENS is about 230,000 tons.

ENP also operates two furnaces, one producing silicomanganese (SiMn), and the other high-carbon ferromanganese (HCFeMn). The plant also refines SiMn into low carbon (LC) SiMn. It also operates an HCFeMn refining unit. ENP's annual production is approximately 172,000 tons.

The activities at the plants include raw-material handling, draining and casting of alloys leaving the furnaces, draining and casting of alloys from the refining plant, draining and casting of slag from the furnaces, crushing and handling of finished products, and collection and handling of waste materials (for example dust from filters and sludge from water treatment).

The most important environmental aspects of the plants are as follow:

- ✎ dust emissions from material handling, furnaces, handling of liquid metal and slag, casting and crushing;
- ✎ emissions of canalised dust produced by material handling, furnaces, handling of liquid metal and slag, casting and crushing;
- ✎ noise (continuous and discontinuous) from the plants affecting the neighbourhood (noise from fixed sources and noise from vehicles);
- ✎ air emissions of HAP and metals in both gas and particulate phase;
- ✎ CO<sub>2</sub> emissions;

- ✎ emissions of HAP, suspended solids and inorganic compounds (heavy metals, zinc, etc.) into the sea;
- ✎ depositing sludge in landfills close to the plants.

### CAPITAL EXPENDITURE ON ENVIRONMENTAL PROTECTION IN 2007

At ENP:

- ✎ noise reduction;
- ✎ elimination of PCBs (in electrical equipment);
- ✎ new filter (MOR Unit);
- ✎ system for discharging dust into lorries (MOR unit);
- ✎ asbestos removal;
- ✎ completion of installation of the ENP10 pilot flame burners;
- ✎ improvement of the gas purification tower.

At ENS:

- ✎ water treatment;
- ✎ noise reduction;
- ✎ demolition of the sinter production unit;
- ✎ renovation of old buildings.

### ENVIRONMENTAL MANAGEMENT APPROACHES

- ✎ Eramet Norway's environmental management system has been ISO 14001 certified since June 6, 2005.

### KEY COMMITMENTS AND INITIATIVES OF THE STAKEHOLDERS

In 2007, the main environmental goals of Eramet Norway were as follows:

- ✎ reduction in plant air emissions. One of the specific targets of ENS was to reduce the levels of dust fall-out in the vicinity of the plant to what they had been before the switch-over to 100% FeMn production;
- ✎ reduction in Pb, Zn and Cu discharges into the water;
- ✎ noise reduction;
- ✎ improvements in waste treatment;
- ✎ various improvements relating to the establishment of ISO 14001 certification (procedures, roles and work instructions).

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## ENERGY

The electric furnaces are the main users of electricity. The pre-heating furnaces are gas-powered.

Consumption	Unit	2005	2006	2007
Electricity + Gas + Fuel oil	MWh	1,022,000	1,088,000	1,123,063

## WATER

The industrial water consumption increases in proportion to the quantity refined.

A new water treatment system came on stream at the beginning of 2006 and ENS has been obtaining results below the authorised thresholds since July 2006. An isolated incident gave rise to an increase in Zn emissions in December 2007, but without exceeding the limits.

On the EPN site, total emissions (As, Cd, Cr, Pb) remained below the authorised limit of 10 kg over twelve months to the end of April 2007. Daily emissions have remained low since July 2006. However, an increase in Cr in July 2007 caused total emissions to rise to 10 kg at the end of November 2007.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	151,263	159,000	140,000
Industrial water	m <sup>3</sup>	16,777,000	17,602,000	18,520,000

Aqueous discharges	Unit	2005	2006	2007
Suspended solids	t	3.3	2.6	3.2
Manganese	t	0.59	0.10	0.27
Zinc	t	0.57	0.09	0.32
Cadmium	kg	1.7	0.2	0.3
Chromium	kg	3.7	1	9
Lead	kg	38	14	7
HAP	kg	11.3	4	8

## AIR

At the ENS site, the Phönix modernisation project was completed in March 2007, reducing dust fall-out in the neighbourhood. However, a few adjustments are still necessary for the facility to give optimum results. Dust emissions also posed problems for ENS in 2007.

ENP encountered problems with increased emissions of canalised dust at the MRU (mercury recovery unit) and MOR (metal oxygen refinery unit) in 2006. As a result, the threshold for total dust emissions from the plant was exceeded.

In 2007, ENP continued to improve its dust collection equipment in the MOR and MRU workshops. Dust emissions fell below the limit of 35 tons over twelve months during the final quarter of 2007.

The calculation of NO<sub>x</sub> emissions is based on an estimate. The results obtained in 2005 were doubtful and did not take all effluent into account. The increase in 2007 on 2006 is mainly due to higher production levels, particularly in the MOR Unit.

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	356,000	327,000	350,000
SO <sub>2</sub>	t	58 <sup>(1)</sup>	86 <sup>(1)</sup>	79
NO <sub>x</sub>	t	16	31	48
Total weight of dust	t	68	85	53
Lead	t	0.06	0.08	0.05

(1) Values corrected compared to the 2006 annual report.

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## WASTE

The demolition of the old machinery at the Sauda plant continued in 2007.

At the Porsgrunn plant, a final solution for the storage of sludge was put in place in January 2007. The old dump was closed in September 2007.

Waste	Unit	2005	2006	2007
Hazardous waste	t	10,197	8,365	14,310
Non-hazardous waste	t	81,564 <sup>(1)</sup>	101,081 <sup>(1)</sup>	101,174 <sup>(1)</sup>
Part of the wood waste generated	t	263	343	230
Part of the metal waste generated	t	1,435	719	863

(1) Including slag from the production of silicomanganese for ENP.

## Eramet Sandouville

The Le Havre-Sandouville plant operates a refining line that processes nickel concentrate (matte) produced by Le Nickel-SLN in Nouméa.

From that basic nickel matte, the plant produces:

- high-purity nickel metal;
- liquid nickel chloride;
- crystallised nickel chloride;
- nickel hydroxycarbonate.

The nickel hydroxycarbonate production unit came on stream during the course of 2007 and thus forms part of the site's development policy.

Nickel metal is used in steelmaking to manufacture special alloys, stainless steel and coinage.

### INDUSTRIAL RISK CONTROL

In 2007, Eramet's Sandouville site continued to improve its safety management system set up pursuant to the Seveso II directive.

The site regularly carries out exercises to assess and improve industrial risk-related procedures in liaison with local authorities (5 tests on the Internal Operation Plan were carried out in 2007).

500 training hours on industrial risks were provided in 2007.

### ENVIRONMENTAL MANAGEMENT

In 2005, there was a reassessment of the site and its stakeholders with a view to sustainable development. This reassessment, together with a strong impulse from Management, made it possible to obtain ISO 14001 certification, which was issued by LRQA in October 2006.

The first audit took place in October 2007, simply generating a few remarks and opportunities for improvement.

The environmental programme resulting from this approach primarily focused on the following aspects:

- prevention of ground and water pollution;
- improvement in air emission controls;
- improvement in the operating parameters of the purification plant.

### ENERGY

The site essentially uses electricity for nickel electrolysis.

The slight increase in consumption is related to the increase in production levels in 2007.

The second energy use is heat for the process distributed in the form of steam, either generated internally from heavy fuel oil or bought from the neighbouring industrial waste incineration plant.

Heavy fuel oil is used for steam production.

Consumption	Unit	2005	2006	2007
Electricity + fuel oil + gas	MWh	85,067	91,460	94,052

Energy saving measures are carried out on the Sandouville site in partnership with the Group's energy coordinator.

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## WATER

Production of softened water and demineralised water are the two main areas of water consumption.

The consumption of industrial water was higher in 2007, in line with the higher production levels.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	4,488	4,089	3,045
Industrial water	m <sup>3</sup>	695,954	757,929	844,920

Aqueous discharges	Unit	Regulatory limits	2005	2006	2007
Nickel	t	1.113 <sup>(1)</sup>	0.47	0.23	0.42
Suspended solids	t	7.42 <sup>(1)</sup>	3.26	2.43	3.03
COD	t	148 <sup>(1)</sup>	45.1	28.1	39.9

(1) Value calculated based on 330 days' operation per annum.  
COD: Chemical oxygen demand.

The flows discharged are on average way below the regulatory limits.

Nevertheless, a few specific incidents caused the limits to be exceeded occasionally.

These problems were analysed and controlled and corrective measures taken to avoid a repetition of those incidents.

## AIR

The boiler operates on very low sulphur fuel oil, which enables us to reduce our SO<sub>2</sub> emissions.

VOC emissions have fallen as measures to cut sanitation air flows have been undertaken successfully since 2006.

Chlorine emissions are now completely controlled, thanks to the measures taken in 2006-2007, namely:

- installation of a heating system when samples are being taken for continuous measurement, and purging of condensates, which improved measuring;

- installation of an automated system for adding extra soda to one of the scourers where the concentration exceeds 1.5 ppm;
- safety shutdown of the chlorine network (valves) where the level exceeds 5 ppm;
- improved reliability of the system of introducing chlorine into the oxidation columns of the attack units.

As a result of the proper application of these various measures, chlorine emissions fell from 140kg/annum in 2005 to less than 1 kg in 2007, i.e. a one hundred fold reduction.

Nickel matte (raw material) is finely crushed to make it more readily reactive during the etching stages. This stage of the process generates dust that is filtered before discharge.

Air emissions	Unit	Regulatory limit	2005	2006	2007
SO <sub>2</sub>	t	585.3 <sup>(1)</sup>	53.8	51.3	52.2
CO <sub>2</sub>	t		8,640	8,234	8,863
NO <sub>x</sub>	t	258.2 <sup>(1)</sup>	20.0	19.1	20.5
VOC <sup>(2)</sup>	t	79	76	50	35.8
Cl <sub>2</sub> (HCl equivalent)	kg	1,550 <sup>(1)</sup>	140	3	<1
Nickel dust	t	1.3 <sup>(1)</sup>	0.47	0.36	0.36

(1) Value calculated based on the number of days of operation: between 329 and 331 depending on the indicators.  
(2) Volatile Organic Compounds.

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## WASTE

All substances input into the plant's process are recycled. The process as such does not generate any waste.

The amount of hazardous waste, mainly comprising concrete and polluted soil, varies depending on the type of work done during technical stoppages. In 2007, the construction of the new anhydrous nickel chloride manufacturing unit led to the removal of large quantities of concrete and rubble.

Waste	Unit	2005	2006	2007
Hazardous <sup>(1)</sup>	t	149	767	717
Non-hazardous waste <sup>(2)</sup>	t	851	196	345
Of which metal recycling	t	60	65	73

(1) Excluding iron hydroxides.

(2) Excluding sulphur.

In 2005, the large volume of non-hazardous waste stemmed from the removal of non-polluted concrete and rubble, which was re-used.

## BY-PRODUCTS

By-products	Unit	2005	2006	2007
Sulphur (classified as non-hazardous)	t	4,890	5,005	4,819
Iron hydroxides (classified as hazardous)	t	501	387	355

A large amount of impure sulphur is obtained by physical-chemical processing of ground nickel matte. This by-product is used by an outside company to make sulphuric acid.

Iron hydroxides are sold to an outside company for re-use.

## Erasteel Champagnole

The site, located in Jura, in the commune of Champagnole, was founded in 1911.

Erasteel's Champagnole plant receives billets and coils from Commentry (France) and Söderfors (Sweden). Billets and machine wire are prepared and rolled to obtain rectangular section bars. These undergo heat treatment to bring their metallurgical properties to the required level, then go through a finishing workshop where they are given the desired shape by drawing, gauging and straightening.

Erasteel Champagnole has been part of the Eramet Group's Alloys Division since 1993.

### MANAGEMENT

The quality management system has been certified under ISO 9001:2000 for this business activity since 2001.

On the regulatory side, two new orders were issued by the Prefect in 2005, setting out the rehabilitation requirements for the "Chalet" area and the restoration of the former slag heap.

The operating permit issued by the prefect is still under review. The authorisation file was forwarded to DRIRE in June 2006.

Following the increase in night work on the rolling line, one complaint regarding night-time disturbances was lodged by local residents.

Additional checks will be carried out in 2008 on this matter.

(1) The figures published in 2005 for Hazardous Waste included all the waste disposed of as per the industrial waste tracking sheets, and not hazardous waste within the meaning of the Decree of April 18, 2002.

(2) The data published in the 2005 reference document only covered waste belonging to the code 20 group of waste (municipal and similar waste) set out in the regulatory schedule.



## ENERGY

Electricity is used to heat products by induction and for the reheating and annealing furnaces.

Fuel oil and gas are used to heat buildings, for handling equipment and to soften products to be converted.

The figures for electricity consumption are directly related to the production levels.

Consumption	Unit	2005	2006	2007
Electricity	MWh	7,445	6,945	7,428
Fuel oil	MWh	102	46	43
Gas <sup>(1)</sup>	MWh	557	650	729

(1) The gas consumption shown in the table above takes all propane and mains gas into account. Bottled gas consumption has therefore been added to natural gas consumption.

## WATER

Industrial water is mainly used to cool the rolling line and the annealing furnace.

Various factors may account for the reduction in water consumption, such as improved functioning of the closed circuits and optimisation of the sluices on these circuits.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	906	849	877
Industrial water	m <sup>3</sup>	46,460	39,100	30,960

The improvement in the quality of water discharged since 2006 is due to the separation of the rolling line process water flows: the cooling water for the cages has been separated from the cooling water for the hydraulic circuits and other exchangers, and is now conveyed to a settling tank.

Discharges	Unit	2005	2006	2007
Iron	kg	11.0	9.5	5.30
Total suspended solids	t	2.41	0.77	0.35
COD	t	7.65	2.05	1.04
BOD5	t	1.12	0.24	0.16
Hydrocarbons	t	2.96	0.37	0.18

## AIR

Although the site is not governed by any regulatory obligation to monitor air emissions, all air emissions likely to contain dust are treated.

A filtration system using a cassette dust remover (installed in 2003) limits metal dust emissions from the forging.

The shot blasting machines and chainsaws are fitted with cyclone separators.

Emissions	Units	2005	2006	2007
CO <sub>2</sub>	t	149	145	148

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## WASTE

The volume of metal recycled depends on the site's operating levels.

The increase in hazardous waste disposed of in 2007 is the result of two main measures:

- disposal of old stocks;
- increase in sludge type waste, following treatment by separating the process waters of the mills.

Waste	Unit	2005	2006	2007
Hazardous waste	t	41.3	29.3	57.7
Non-hazardous waste	t	278	207	223
Of which recycled metal		224	191	215.2

Erasteel Champagnole thus recycles more than 70% of the waste produced.

## SLAG HEAP ZONE

This area, which is now closed off, was transferred to the Champagnole municipality following the shutdown of the steelworks in 1985.

A risk study was carried out in 2004 on the basis of a future site use determined in cooperation with the municipality of Champagnole. This environmentally satisfactory solution involved narrowing the river running at the bottom of the thalweg, backfilling the zone and creating a municipal platform. (Prefectoral Order 1723 of November 22, 2005).

The narrowing and backfilling work in the area was completed in December 2006.

Discussions are currently underway with the Champagnole town hall to draw up the schedule for coating the area, the final stage in the compliance of this area.

## PREVENTION OF LEGIONNAIRES' DISEASE

The Champagnole site is subject to a permit with regard to the operation of the air-cooling towers.

In accordance with the new regulations, the installations were checked by an approved authority at the beginning of 2007. Analytical monitoring is carried out. Samplings are compliant.

## Erasteel Commentry

Erasteel Commentry is located on an industrial site involved in steelmaking as far back as 1846. Since 2006, the plant, which specialises in the manufacture of high-speed steel bars and sheets, has experienced a substantial increase in business through its production of ingots for Erasteel in Sweden.

The finished products from this site are used to make cutting and sawing tools, injectors for diesel engines and parts subject to wear and tear. The facilities are also used for the conversion of sheets for the aerospace sector. The site houses a wide range of activities: steelmaking, hot and cold conversion and finishing, with a corresponding variety of skills.

## MANAGEMENT

Located in Commentry town centre, Erasteel has been actively involved in the protection of the environment for a long number of years, and makes every effort to build a sustainable relationship with the community. ISO 14001 certification originally obtained in 2004 was renewed during an audit in January 2008. Three non-blocking comments will form the subject of improvements to the system.

On account of the considerable increase in its production since 2005, an application for the update of its operating permit filed by the site with the prefect led to the adoption of a new operating permit issued by the prefect in December 2007, authorising the site to produce 35,000 tons of high-speed steel ingots.

## ENERGY

The site's energy consumption mainly stems from the use of the melting, reheating and heat treatment furnaces located upstream of the site. Despite the increase in activities taking place in this part of the plant, the site's overall energy consumption has been brought under control. Optimisation of the process and the use of the furnaces and the changeover of four furnaces from fuel oil to gas have enabled the site's energy consumption to be optimised. The ratio of MWh/t to ingots has been falling steadily since 2004.

Consumption	Unit	2005	2006	2007
Electricity	MWh	48,271	47,646	49,831
Total fuel oil	MWh	44,820	40,434	27,472
Gas	MWh	78,625	79,533	83,726

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## GREENHOUSE GASES

The Commentry steelworks is one of Eramet's three French electric steelworks to fall under the scope of the European Directive on greenhouse gas emission quotas.

Switching four furnaces from fuel oil to gas and the efforts made to optimise the consumption of all the furnaces have enabled the site's emissions to be reduced while increasing production by 25%.

Air emissions	Unit	2005	2006	2007
CO <sub>2</sub>	t	27,790	26,818	24,259

## WATER

In January 2004, the site set up a monthly self-monitoring system at its main discharge point. The increases seen in 2006 in total suspended solids, COD and metals is due to the fact that all effluents are now included in the figures. The first phase of the single discharge project was completed in 2006. The storm drainage pool will be completed in 2007, and this will improve the treatment of discharges.

Adjustments were made in 2006 and 2007 to improve the trapping of hydrocarbons at the wire mill pool and the industrial water pools. An analysis of the groundwater revealed an improvement in the situation as regards metals.

Discharges	Unit	2005	2006	2007
Fe + Zn + Mo + Al	kg	411	514	428
Cobalt	kg	24.5	22.7	16.9
Iron	kg	164	189	121
Zn	kg	71.6	64.6	67.4
Manganese	kg	12.7	10.9	13.3
Total suspended solids	t	4.22	8.24	2.59
COD	t	12.4	26.3	8.1

The switch-over to drinking water for the cooling towers brought about a transition to drinking water from industrial water. In addition, work carried out to ensure the reliability of the network made it possible to limit leakages and thereby reduce the overall water consumption by more than a quarter over three years.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	51,743	69,417	61,367
Industrial water	m <sup>3</sup>	204,363	164,456	123,030

## AIR

Trends in SO<sub>2</sub>, NO<sub>x</sub>, VOC and dust emissions are directly related to the increase in production but the parallel fall in fuel oil consumption has made it possible to significantly reduce SO<sub>x</sub> emissions.

In terms of dust, the installation of a primary trapping system on the electric melting furnace and optimisation of dust removal operations enabled site emissions to improve by increasing the dust recovery rate per ton of liquid steel produced. The installation of a new dust remover for the steelworks in 2008 will enable further progress to be made on dust emissions.

Air emissions	Unit	2005	2006	2007
SO <sub>x</sub>	t	62	52	35.8
NO <sub>x</sub>	t	12	19	19
VOC	t	9.6	2.9	4.3
Total dust	t	30	17	16

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## WASTE

The drop in the quantity of hazardous waste is due to the drop in whole and soluble oil consumption and in that of metal hydroxide sludge in the stripping workshops. The improvement in selective sorting in the workshops has made it possible to optimise the recovery of polluted waste. Finally, with regard to non-hazardous waste, a greater portion of wood has been reused by a new treatment line.

Waste	Unit	2005	2006	2007
Hazardous waste	t	605	762	558
Non-hazardous waste	t	8,980	10,840	12,145

## INTERNAL LANDFILL

9,000 m<sup>3</sup> of backfill was put in place in the internal landfill to permit optimum storage of the 10,400 tons of slag and spent refractories placed there in 2007.

## Erasteel Kloster AB

Erasteel Kloster is the Swedish subsidiary of Erasteel, which produces high-speed steel at three sites in Sweden:

- ✦ Söderfors for powder metallurgy, arc furnace metallurgy, scale recycling and bar products;
- ✦ Långshyttan for wire drawing and hot rolling of steel strip and wire;
- ✦ Vikmanshyttan for cold-rolled and bimetallic products.

High-speed steel is mainly used to manufacture tools such as bits, taps, cutters and saws.

Steel production starts with the melting of steel offcuts and alloy materials.

Most of the powder steel load consists of recycled waste generated by the treatment activities of the site and its clients. Erasteel Kloster also buys special metal waste and alloy materials. The recycling of scale in the steelworks is mainly used for the production of high-speed steel in Commentry.

With regard to the environment, a project to improve neutralisation on the stripping line was implemented at Långshyttan.

At Söderfors, three reports made over an observation period had been submitted to the authorities in 2006 on dust recycling, industrial noise and dust emission conditions. As of now, no response has been received with regard to these dossiers.

A preliminary study was carried out at Söderfors on potentially contaminated ground.

Finally, a study of the development of an environmental management system was initiated for Kloster as a whole, a first step in seeking ISO 14001 certification.

## ENERGY

Energy consumption levels at Söderfors mainly stem from the melting, heating and heat treatment furnaces. Fuel oil is used for vacuum furnace steel refining and building heating. The production of high-speed steel at the steelworks is declining, which explains the fall in fuel oil consumption. Propane is used for the heat treatment of powder. Powder production has increased; consequently, propane consumption is higher than in previous years.

Energy consumption levels at Långshyttan are mainly linked to the activities of the rolling mills and the furnaces, with the fuel oil used to heat buildings.

Energy consumption levels at Vikmanshyttan are mainly linked to the activities of the cold rolling mills, the furnaces and building heating.

Overall consumption is directly proportional to the production levels and the severity of the winter.

Consumption	Unit	2005	2006	2007
Electricity	MWh	99,716	104,614	104,339
Total fuel oil	MWh	7,590	6,716	5,482
Propane gas	MWh	1,548	1,772	1,994

## WATER

The major sources of industrial water consumption are the cooling of the electric furnaces, the forge and the rolling mills at the sites. Consumption remains stable.

Consumption	Unit	2005	2006	2007
Drinking water	m <sup>3</sup>	22,626	26,839	26,496
Industrial water <sup>(1)</sup>	m <sup>3</sup>	1,300,814	1,300,800	1,300,800

(1) Industrial water is pumped into the river. Consumption is stable and represents an estimate.

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At Långshyttan, neutralisation on the stripping line stabilised the levels of iron, chromium and molybdenum. Lead and zinc content fell at Söderfors because less low-gas high-speed steel is produced. Following a specific problem in 2006, the levels of chromium, molybdenum and iron were checked throughout 2007.

Discharges	Unit	2005	2006	2007
Suspended solids <sup>(1)</sup>	kg	8,150	7,753	7,977
Iron	kg	642	3,275	388
Total chromium	kg	16	195	9
Molybdenum	kg	2,042	2,538	1,434
Lead	kg	16	2	1
Zinc	kg	126	27	16

(1) The suspended solids shown in the table below are from Söderfors and Långshyttan.

### GREENHOUSE GASES

The Söderfors steelworks falls under the scope of the European Directive on greenhouse gas emission quotas. Söderfors steelworks alone was allocated 3,182 annual quotas of CO<sub>2</sub> for the 2005 to 2007 period and complies with that level. Söderfors also made use of previously allocated quotas in 2007.

### AIR

The main sources of dust emissions are the electric furnaces, the shot blasting machines, the stripping lines, the forges and the rolling mills located at the sites.

All sources of air emissions are equipped with dust trapping systems.

Problems with the dust trapping system of the shot blasting machine, which occurred at the end of 2005 and at the beginning of 2006 at Långshyttan, are now resolved. In 2007 there was a considerable fall in the quantities of dust emitted.

Air emissions	Unit	2005	2006	2007
Dust	kg	1,235	1,295	754
CO <sub>2</sub>	t	4,647	3,491	3,476
NO <sub>x</sub>	t	14	10	14

### WASTE

The Söderfors steelworks recycled 2,577 tons of scale in 2007.

The quantities of hazardous and non-hazardous waste were stable between 2006 and 2007.

Waste	Unit	2005	2006	2007
Hazardous waste	t	903	861	856
Non-hazardous waste	t	5,503	3,480	3,900

### INTERNAL LANDFILL

The internal landfill at Söderfors is in a closed-off area and complies with the European directive.

At Långshyttan, the landfills will be closed off in 2008.

## Eurotungstène – Grenoble France

Located in the heart of the Grenoble urban district since 1947, the Eurotungstène Poudres plant produces cobalt- and tungsten-based metal powders for the diamond tools and cemented carbides market. The unit has a definite international focus with over 95% of its production exported.

As the management system has been certified for several years in the realm of quality under the ISO 9001 standard, Eurotungstène decided in 2007 to extend this approach to Health, Safety, the Environment and Sustainable Development by launching the OdiC project.

To satisfy its clients, its local partners and its shareholder, all employees will be involved in 2008 in pushing forward this project in order to obtain certification of the systems under the 14001 and 18001 standards. The site has planned to obtain these two certifications in 2008.

Between 2006 and 2007, the various production levels were stable overall as were the results of the environmental parameters.

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**ENERGY**

Total energy consumption (electricity and natural gas) has been stable since 2005.

Energy	Unit	2005	2006	2007
Total electricity	MWh	10,587	11,047	11,390
Total energy	MWh	16,659	16,386	17,352

**WATER**

The main uses of industrial water are process gas cleaning and the production of demineralised water.

Consumption	Unit	2005	2006	2007
Drinking water <sup>(1)</sup>	m <sup>3</sup>	19,079	34,823	21,188
Industrial water	m <sup>3</sup>	414,107	448,136	453,624

(1) The figure for drinking water consumption in 2006 has been corrected.

The increase in industrial water requirements remains very low.

After high drinking water consumption in 2006 following a problem with the pumps in the industrial water network, it returned to the same level as in previous years.

The results of the analyses carried out on the company's aqueous discharges are 99.9% below the maximum regulatory thresholds. One specific minor

difference in one of the weekly measurements is connected with a possible analytical problem and is not consistent with the other results.

At the beginning of 2007, the system for separating water coming from the research centre became fully operational and thus improved the quality of the water discharges. Similarly in 2007, Eurotungstène improved the neutralisation of effluent coming from the "Next" workshop.

Aqueous discharges	Unit	2005	2006	2007
Cobalt	kg	160	551	428
Iron	kg	100	109	56
Total suspended solids <sup>(1)</sup>	t	2.6	2.4	1.97
COD <sup>(2)</sup>	t	48	32	24

(1) Total suspended solids.

(2) Chemical Oxygen Demand; the COD value for 2006 has been corrected.

A reduction in the quantity of discharged metals, resulting in a steady fall in COD, was recorded in 2007. The improvements described above enabled these good results to be obtained despite an increase in production. Since January 1, 2007, the installation of an automatic sampling device attached to the outflow makes it possible to obtain fully representative results for the discharges, which also explains the marked variations between 2006 and 2007. The 2007 values remain below the thresholds prescribed in the permit.

**AIR**

The quantities of CO<sub>2</sub> and NO<sub>x</sub> discharged are obtained by a calculation based on energy consumption. They remained stable over 2005, 2006 and 2007, varying in proportion to the quantities of powder produced.

Air emissions	Unit	2005	2006	2007
Cobalt (dust)	t	0.005	0.007	0.031
CO <sub>2</sub> (gas)	t	1,246	985	1,103
NO <sub>x</sub> (gas)	t	1.3	1	0.98

In 2007 there was an increase in the total quantity of cobalt discharged by plant chimneys. This increase is due to a fast and unforeseeable deterioration in certain filtering agents but the cobalt values are still under the threshold in the permit issued by the prefect. New equipment will be tested in 2008.

**WASTE**

Waste	Unit	2005	2006	2007
Hazardous	t	19	2.8	33
Non-hazardous	t	427	211	172
Of which recycled metal	t	333	78	89

In 2007, Eurotungstène installed a waste sorting system at the plant. The increase in the quantity of hazardous waste is due to a particular cleaning and storage measure (laboratory products, various reagents, etc.) and to a better division of hazardous and non-hazardous waste.

**EXTERNAL RELATIONS**

The Eurotungstène site maintains good relations with the supervisory bodies and with its neighbours. In 2007, the site did not have any disputes with the administration and regularly met the residents' associations.

**Gulf Chemical & Metallurgical Corporation – Freeport**

The GCMC catalyst recycling plant is situated in Freeport, Texas. This site, which opened in 1973, now employs 154 people. The GCMC process uses a combination of hydrometallurgy and pyrometallurgy to produce vanadium pentoxide, molybdenum trioxide, aluminium/nickel concentrates which are then treated to produce nickel/cobalt alloys and aluminium slag. Vanadium pentoxide is converted into ferovanadium at the BEAR site in Pennsylvania. Molybdenum oxide is produced in a manner required for metallurgical uses and in another manner for use in catalysts. The used catalysts are received loose and in containers from refineries in North America, Europe and Latin America. The treatment process includes roasting, crushing, leaching, chemical precipitation, solvent extraction, drying and melting. Air emissions are checked using bag filters, electrostatic filters and washing devices. The waste water is treated by solvent extraction, sedimentation and filtering before being discharged via weirs authorised by the Environmental Protection Agency.

**KEY ENVIRONMENTAL-RELATED FEATURES IN 2007**

GCMC Freeport implemented several corrective measures to deal with certain recent cases of non-compliance. GCMC also initiated several projects designed to promote respect for the environment. GCMC began preparing an environmental management system. Certification is scheduled for 2009.

GCMC will allocate resources and capital over the next five years to voluntarily implement several projects designed to promote respect for the environment. The projects under development include a system for reducing

the SO<sub>2</sub> content, which will reduce SO<sub>2</sub> emissions from the plant by 95% compared to current levels. The system for checking solid particle emissions by the electric arc furnace (EAF) will be improved although the existing system is currently in compliance. Although the electrostatic filters currently comply with the applicable regulations, their performance is being studied and they will be improved, if necessary, in order to exceed the current compliance standards.

Noise measurements are taken at the plant as required by the Occupational Safety & Health Administration (OSHA). The immediate surroundings of the plant consist of properties mainly used for industrial purposes, which is why no noise levels have been recorded outside the GCMC property. To date, GCMC has never received any complaints about noise from its neighbours.

A dust check was carried out on the ground in September 2007. The results were compared with the reference levels (Effect Screening Levels – ESLs) and no significant impact was subsequently recorded.

**ENERGY**

The main natural gas consumption units include the used catalyst roasting furnaces, the vanadium and molybdenum decomposition furnaces, and the flash drying unit for aluminium concentrate with its CO and VOC checks in the post-combustion chamber within the EAF. The peak recorded in 2006 is due to the increase in hydrometallurgy production. The fall in natural gas consumption in 2007 is due to the stoppages and maintenance of the roasting furnaces.

Consumption	Units	2005	2006	2007
Natural gas	MM Btu	386,717	420,876	330,650

The electric arc furnace (EAF), which is a pyrometallurgy process, is the largest electricity consumer at the GCMC plant. The EAF represents around 65% of total consumption; the rest is consumed by the hydrometallurgy process units and by other supporting installations. The electricity consumption indicated below is directly proportional to the increase in the production of nickel/cobalt alloys by the EAF in 2007.

Consumption	Units	2005	2006	2007
Electricity	MWh	71,117	39,890	61,971

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**WATER**

GCMC Freeport uses both industrial water and treated water in the process. GCMC also collects a certain quantity of rainwater which is used in the process in order to supplement the water consumption from external sources.

The water consumption was relatively stable despite the increase in production. This is partly due to the use of rainwater in the process. The main consumption is connected with the molybdenum and vanadium production units.

Consumption	Units	2005	2006	2007
Running water	m <sup>3</sup>	19,252	12,166	12,000
Industrial water	m <sup>3</sup>	77,000	90,850	90,000

The effluent in the waste water and rain water flows from the plant is discharged via two authorised discharge points. The concentrations in effluent of the permissible components are regularly checked by the on-site laboratory and compliance is automatically notified to the agency

concerned. The components discharged, shown in the table below, are based on ongoing checks of discharges carried out internally on the plant's two discharge points.

Compounds discharged	Units	2005	2006	2007
Suspended solids	t	10	10	14
Iron	kg	30	31	35
Chromium	kg	14	15	18
Nickel	kg	1.0	0.9	2.9

GCMC constantly monitors the ratios (weight by weight) of Mo and V discharges into the water on the basis of production levels or the quantity of catalysts treated, showing a reduction in discharges into the water.

**AIR**

The main operations producing air emissions on the site are the used catalyst roasting, molybdenum and vanadium production, electric air furnace (production of nickel/cobalt alloy) and general operations for the treatment and transfer of substances.

The calculations for emissions in 2007 shown in the table below are estimated on the basis of historic trends:

Air emissions	Units	2005	2006	2007
SO <sub>2</sub>	t	2,195	2,316	2,300
NO <sub>x</sub>	t	15	21	21
CO	t	26	28	30

The site is subject to a federal operating permit comprised of four separate permits concerning each operating unit or area. The main emissions from the plant are SO<sub>2</sub>, CO, NO<sub>x</sub>, Particulate Matter (PM), VOC and other specific site compounds such as molybdenum, vanadium pentoxide, nickel and cobalt.

Air emissions have remained substantially stable since 2005 when compared with the sum of the Mo and Vanadium productions or with used catalyst consumption.

Given that SO<sub>2</sub> is a major part of the plant's emissions, GCMC implemented a project to cut the SO<sub>2</sub> content. Other projects, particularly the improvement in the PM washing performance and the improvement of the electrostatic filters, have also been carried out.

**WASTE**

GCMC Freeport receives used catalysts from refineries and recycles the metal content. During the used catalyst handling and metal recovery operations, GCMC regularly generates hazardous and non-hazardous waste. This waste is isolated and stored and then recycled in authorised off-site facilities.

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The following table provides a summary of the waste generated on site and disposed of or recycled off site:

Waste	Units	2005	2006	2007
Total hazardous waste generated and disposed of	t	1,583	1,210	1,403
Total non-hazardous waste generated	t	8,165	6,661	3,830
Recycled				
Hazardous waste recycled	t	855	243	387
Non-hazardous waste recycled	t	3,019	3,860	3,100

The hazardous waste essentially consists of magnesium ammonium phosphate filter cake from the refractory product purification process in the roasting furnaces and sludge from water treatment. The non-hazardous waste includes soil contaminated as a result of the closure of pool 1 in 2005 and closure activities currently being carried out on two other pools.

Around 50% of all waste generated on site is disposed of off site through recycling or reuse. This recycled waste includes the oils present in the used catalysts (hazardous waste converted into energy – used in fuel mixtures), and the ceramic supports (recycled to make catalysts). Other substances, such as wooden pallets, steel drums and various types of steel waste, are also recycled. The residual waste is dumped in specific hazardous and non-hazardous waste dumps.

## Le Nickel-SLN/Doniambo site – New Caledonia

Le Nickel-SLN (SLN) extracts nickel ore and produces ferrous nickel and nickel matte at its Doniambo plant, which is situated in an urban, tourist area and it has adopted a policy for improving its environmental performance with a programme to increase production combined with a renovation policy designed to fit its activities as best it can into its environment and satisfy the expectations of its neighbours (specific Doniambo programme).

The rules applied go beyond New Caledonian regulations and are inspired by those applicable in France, being the subject of regularly updated ICPE (Classified Facility for the Protection of the Environment) permits.

### MAIN MEASURES TAKEN IN 2007

Of all the key environmental aspects, that concerning air emissions has proven to be the most sensitive and this is the area in which the site is investing the most.

Since July 2007, the SCAL'AIR network (an ASQUA type air quality association) took over from the industrial plants that measured the conventional pollutants at three points (SO<sub>2</sub>, NO<sub>x</sub>, and "sedimentable" PM10 dust).

The results obtained by this body are consistent with the industrial values previously measured by SLN and confirm an average air quality ranging from good to very good, thanks in particular to a preventive voluntary policy regarding the use of fuel oils with differing levels of sulphur content in the heating plant depending on weather conditions.

Fugitive dust emissions remain a very sensitive issue, however, as they have a marked visual impact and tend to mask these good results.

A vast project to ensure the compliance of aqueous discharges was successfully concluded and certain improvements should not be underestimated.

Although, overall, 2007 was a year of consolidation, it was also the starting point for a vast operation known as "Doniambo Propre". This will begin in 2008

GCMC is about to close several settlement pools situated both on site and off site that were used to store product or rainwater. In 2005, pool 1 situated on the property was closed, removing the product and restoring the affected ground. This area was filled in and is now used for storing various pieces of equipment and products. Around 110,000 tons of aluminium oxide concentrate were extracted from pool 4 for reuse. Restoration will be completed in 2008, leading to the final closure of this off-site pool. The product currently stored in pool 3 and in pool 2 will also be removed and the pools will be restored and closed in 2008 and 2009, respectively.

with the aid of the Communication Department, assisted by a consultancy comprised of a group of urban planners and landscape designers. 2008 will see the rebuilding of a new furnace. The programme will last until 2012 and includes, in particular, a planned new electricity plant. These projects are accompanied by a real desire to improve the visual aspect, both internally and externally.

### ENERGY

In 2007, production levels fell 4% on 2006. This situation is the result of an ore supply of inadequate quality resulting from labour problems at the end of 2006.

Despite that, and thanks to an excellent energy ratio in the electric furnaces, the specific consumption (kWh/kg Ni) remains stable from one year to the next.

It should be noted that the hydraulic energy contribution made a good impact.

### WATER

Industrial water consumption is down slightly this year.

This is partly due to the fall in production levels, but also to the efforts made to cut losses from leaks and to encourage recycling.

Besides evaporation in the air coolers, the main remaining loss areas are:

- humidification of dust (trapping and compacting);
- emptying and cleaning circuits in order to combat Legionnaire's Disease.

With regard to drinking water consumption, the reverse trend is due to a relatively hot year but also to specific consumers.

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Consumption	Unit	2005	2006	2007
Drinking water	km <sup>3</sup>	175	160	214
Industrial water	km <sup>3</sup>	1,233	1,260	1,186

The water network was improved and seven discharge points were equipped with automatic samplers. The regulatory parameters requested are systematically measured.

The initial results show several known irregularities such as the marked suspended solids content on the main flow (poor filtering of the DEMAG

slag) but also specific problems such as sharp increases in COD connected with molasses loss (a sugar cane product aiding the separation of metal from the ingot moulds).

These points form the subject of an improvement plan.

Aqueous discharges	Unit	2005	2006	2007
Metals	t	116	98	83
Nickel	t	10.4	2.6	5.0
Suspended solids	t	2,356	1,246	4,018
COD	t	92	54	36

COD: Chemical oxygen demand.

It should be noted that the main flow (central cooling and slag granulation) (29,000 m<sup>3</sup>/h on average) consists of seawater taken from Nouméa port. The plant is therefore dependent on its characteristics (temperature, Sn content, suspended solids, etc.).

#### AIR

The dust levels in the smoke filtered from the process is around the same as in previous years (141 grams of dust per ton of ore treated compared to 136 in 2006).

Pre-drying sustains the combined effects of the rapid ageing of one of its two electrofilters and a substantial increase in the smoke to be treated.

On melting, the volcanism due to very variable ores was accentuated by the quantities of gas to be treated, which can be very high on occasions and are most certainly the cause of damage to smoke treatment tools.

Calcination continues to improve thanks to the renewal and expansion of two of its electrofilters but also on account of better control over the operation of its tools.

2008 will see the start of the "Doniambo propre" programme with the continued renovation of the electrofilters, fitting of filters in the refining workshops and combating emissions from the Demag furnaces (canalised and released dust).

Air emissions	Unit	2005	2006	2007
SO <sub>2</sub>	t	20,796	20,767	15,023
CO <sub>2</sub>	kt	1,958	1,751	1,680
NO <sub>x</sub>	t	3,958	3,833	3,415
VOC	t	<9.3	<13.1	4.9
HCl	t	21	24	9.9
Total dust	t	1,142	1,220	1,250
Of which Ni and compounds	t	33	35	34

The fall in SO<sub>2</sub> stems from the use of fuel carriers with a lower S content (coal, hydraulic, TBTS fuel oil) and obviously a lower energy requirement.

#### SLAG MANAGEMENT

The internal storage and external delivery of slag from the Demag furnaces, which represents 96% of production, does not present any difficulties as it is inert. However, the treatment of desulphurisation slag is the object of considerable discussion with a view to reducing its leaching effects.

Slag (kT)	2005	2006	2007
Stored in internal <sup>(1)</sup> + external <sup>(2)</sup> landfills	2,059	2,130	2,036

(1) Pre-refining, desulphurisation, Bessemer, Demag furnace and brick slag.

(2) Demag furnace slag.

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**WASTE MANAGEMENT**

Waste (in tons)	2005	2006	2007
Hazardous waste	170	118	809 (of which 774 t of S)
Non-hazardous waste	1,790	966	1,094
Metal recycling	16,600	18,452	20,047
PCB, scrap iron and polluted products	2,083	3,465	3,711

In 2007 the site managed to find an outlet (New Zealand) for a stock of unusable sulphur that had accumulated over several years.

Substantial recycling of fuel oil and hydrocarbon sludge from the whole territory should also be noted.

**ADMINISTRATIVE SITUATION**

With the retirement of two former members of the team and their replacement with two young executives, SLN has continued its efforts to promote sustainable development with a view to obtaining ISO 14000 certification in 2012.

**MINES AND KEY EVENTS**

Although the future mining regulations are not yet in force, the new operating projects are already the subject of increasingly more sophisticated initial condition studies (flora, fauna, erosion, hydrology, etc.). These studies are then included in the notices and environmental impact studies accompanying the mining works declaration dossiers.

The main studies carried out in 2007 were as follows:

- ▶ the initial condition studies of the Poum massif carried out as part of the environmental impact study for the plateau operating project;
- ▶ additional studies carried out on the Tiébaghi massif as part of the Dôme project (geotechnical tests, fauna inventories, hydrogeological monitoring);
- ▶ various inventories of massifs currently unused, anticipating a resumption of operations (Monéo, outlying districts of Kouaoua);
- ▶ the preparation of water management plans on the Plateau and Camp des Sapins sites (Thio centre);

**Erachem Comilog plant – Baltimore**

This site is situated in Baltimore, Maryland, one of the States in the centre of the US Atlantic coast. This plant opened in 1962 and now employs 71 people. It produces a wide variety of special manganese-based compounds such as manganese chloride, manganous oxide, manganese dioxide, manganese carbonate, etc. The products vary in terms of purity (ranging from the reduced ore to a manganese nitrate solution with a very high degree of purity for electronics), form and size (liquids, powders, granules, flakes), and in terms of type of packaging (bags, flexible containers and drums). This range of products is produced over the course of several production campaigns

▶ implementation of the plan to close the extension to the Bonini mine in Poro;

▶ a CEMAGREF appraisal of the combating of erosion in the mineral deposits (problems of alluviation of water courses by the old operations).

⊕ The following measures will be taken on site:

- ▶ commencement of work to close the Bonini mine (Poro), the operation of which should be completed by the end of 2009;
- ▶ commencement of operations work on the deposit located under the Pandop peak (Etoile du Nord mine) with geotechnical support underway;
- ▶ the continuation of development work in the Kabar creek in Kouaoua;
- ▶ completion of the stabilisation work in the Ouamango and Carrière des Sapins quarries as part of the Gaüzere/SLN dispute in Népoui;
- ▶ an increase in planted areas with 19 hectares of hydraulic seed beds (of which 6 hectares have been planted as part of the Tiébaghi UTM project) and 10,900 plants across the four mining sites.

⊕ The increase in environmental constraints associated with the phenomenal biodiversity of New Caledonia was confirmed in 2007 with several major events taking place: examination of the dossier for the inclusion of the Caledonian lagoon in the UNESCO World Heritage, workshops organised by the WWF on the Caledonian marine environment, Grenelle de l'environnement. Discussions with experts (IRD) and the relevant administrative departments (Province and Government) were undertaken by SLN and should intensify in 2008. More globally, the definition of a company vision on sustainable development and the protection of biodiversity, focused on mining activities, continues.

over the year, thanks to shared resources and equipment. The plant activities include ore reduction, acid leaching, oxidation/reduction reactions, treatment of impurities, filtering, evaporation, drying, calcination and others. Various purifiers, dust collectors and a waste water treatment system control emissions from the site.

The Baltimore plant observes all Federal, local and State environmental regulations and satisfies the necessary requirements for receipt of a permit.

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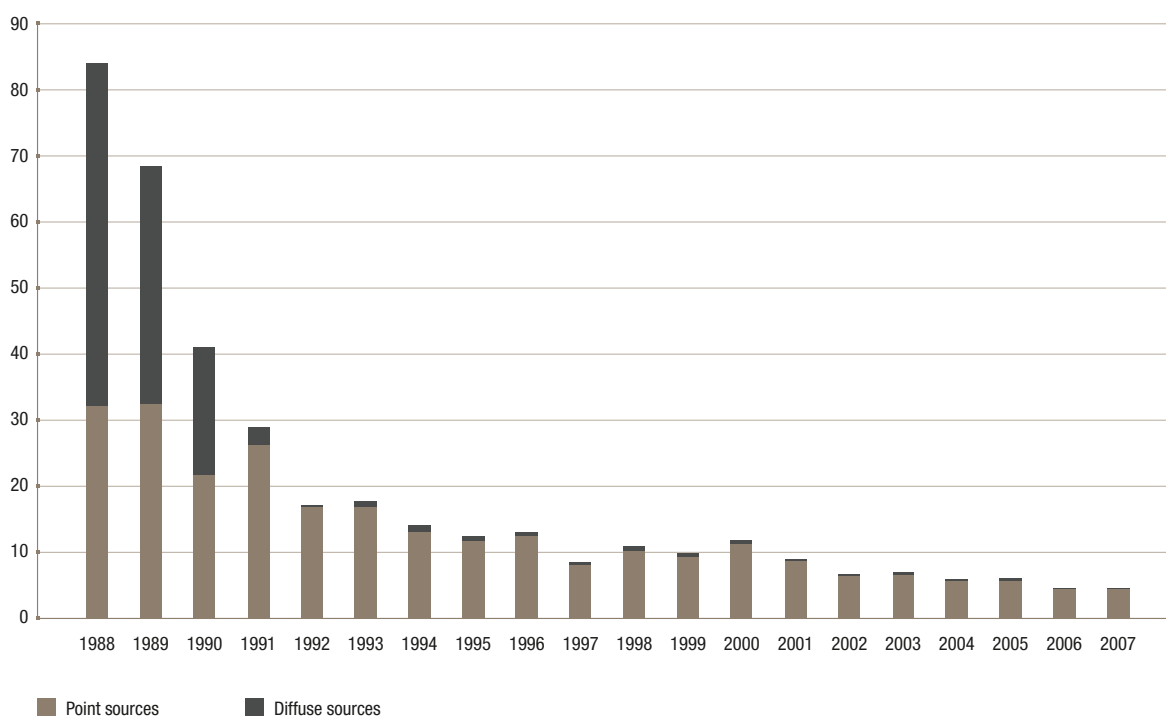
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### CAPITAL EXPENDITURE ON ENVIRONMENTAL PROTECTION

Over the past 15 years, the site has made substantial investments (in terms of both capital and time) in order to improve its overall performance with regard to environmental protection. It is currently seeing diminishing returns. This means that substantial expenditure would be necessary to obtain any further moderate cut in emissions. See the graph below.

### AIR EMISSIONS AT THE BALTIMORE PLANT (MANGANESE + HYDROCHLORIC ACID + NITRIC ACID + AMMONIA)



In 2007, a small amount of expenditure was granted for minor work designed to cut emissions by improving the efficiency of the process (reduction at source).

### ENERGY

Energy consumption at the Baltimore site generally depends on the volume and type of production. This plant produces a wide variety of special chemicals and the annual production volumes for each product varies from one year to the next. The results below show lower production volumes in 2007 and a trend towards products with lower energy requirements. Nevertheless, projects designed to save energy have been implemented, particularly the addition of a refractory coating pipe and the replacement of a catalyst in the ore reduction process, as well as insulation of the steam pipes throughout the plant. Changing the catalyst and adding the refractory coating pipe made it possible to reduce energy consumption by 2,636 MWh, and insulating the steam pipes resulted in a further reduction of 2,079 MWh. This represents around 1/3 of the reduction seen on 2006, the remaining 2/3 being the result of the volume and the type of production, as well as improvements in the overall equipment efficiency (OEE), which is a tool for measuring efficiency.

Consumption	Units	2005	2006	2007
Energy	MWh	84,019	79,596	65,452

### WATER

Water consumption at the site remained stable. Attempts were made to use less water by improving the reliability of the water recycling system. However, certain problems remain with the pumps, level sensors and fouling due to the presence of iron in the well water.

Consumption	Units	2005	2006	2007
Mains water	m <sup>3</sup>	124,669	119,414	132,364
Well water	m <sup>3</sup>	39,482	52,492	28,291

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The effluent emissions of the compounds below remained relatively unchanged with minor variations due to the analysis and again to the volume by type of production. In recent years, the quantity of copper emissions has risen slightly, but the cause of this increase has not been identified. It is possible that the analysis techniques developed are better able to quantify copper and nickel traces.

Compounds discharged	Units	2005	2006	2007
Suspended solids	kg	502	610	427
Manganese	kg	15.5	30	9.6
Copper	kg	1.0	1.7	1.1
Nickel	kg	1.3	0.9	2.9
Nitrate-N	t	74.7	76.9	45.0

In 2002, the "nitrate" process was modified with the use of MOR smoke instead of crude ore. This modification involved substantial capital expenditure and enabled nitrate emissions to be cut by 60%. Any further reduction in the discharge levels would require further substantial expenditure.

## AIR

Most of the air emissions shown below are calculated, in line with the regulations in force in USA, on the basis of emission factors associated with the use of fuel, operating hours and production volumes. Accordingly, the variation in air emissions from one year to the next is mainly associated with the volume by type of production, the OEE (overall equipment efficiency) also having minor impact. Thus, by increasing the efficiency of the equipment, one can produce the same volume in a shorter time, which limits overall emissions.

Emissions	Units	2005	2006	2007
CO	t	281	259	237
SO <sub>2</sub>	t	0.15	0.15	0.13
NO <sub>x</sub>	t	11.0	10.4	8.42
VOC	t	0.35	0.33	0.28
HCl (or Cl <sub>2</sub> )	t	0.38	0.32	0.16
Mn	t	4.0	2.9	2.8
Total particles (including Mn)	t	7.9	6.0	5.4

Note: The CO<sub>2</sub> emissions at the Baltimore site are not reported to the relevant government agencies. The plant's CO<sub>2</sub> emissions can be assessed by subtracting the estimated value of CO emissions above from that of the fuel used (natural gas).

Emissions	Units	2005	2006	2007
CO <sub>2</sub>	t	13,550	12,870	10,320

Assuming that 1 Therm of natural gas emits 5.57 kg of CO<sub>2</sub>

## WASTE

The Baltimore plant generates fairly low quantities of waste. The etching residues produced by our processes (referred to as gangue) are either sold to the farming sector or recycled off site into a material used for road building. The small quantity of methanol used to quantify the water content of various products is the only hazardous waste. This is mixed for use as fuel and recycled off site. The wooden pallets are also recycled, as is the corrugated cardboard, aluminium cans, paper, plastic, used lubricating oil, antifreeze and industrial metal waste.

Waste	Units	2005	2006	2007
Methanol (recycled as fuel off site)	t	0.66	1.17	0.83
Gangue (recycled off site)	t	1,313	2,082	1,583
Other products recycled (metals, oil, paper, glycol, etc.)	t	230	78	186
Unusable waste (disposed of)	t	248	210	185

## MANAGEMENT

The Baltimore site is looking to obtain ISO 14001 certification. An action plan has been drawn up and the plant's aim is to obtain ISO 14001 certification in September 2009. The site is currently following a programme for compliance with environmental standards and has a system of constantly updated documented environmental procedures.

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**APPENDIX 7. CONCORDANCE TABLE**

This Reference Document contains all the information that must be included in annual financial reports pursuant to the provisions of Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the AMF.

In order to facilitate the reading of this annual financial report, the concordance table below makes it possible to identify the sections contained herein.

No.	Annual financial report information	Reference document
1	Statement from management regarding the fairness of the information	Chapter 1
2	Consolidated financial statements	Chapter 20.1.1.
3	Report from the statutory auditors on the consolidated financial statements – Financial year ended December 31, 2007	Chapter 20.1.2.
4	Corporate financial statements of the parent company – Financial year ended December 31, 2007	Chapter 20.2.2.
5	Report from the statutory auditors on the annual financial statements – Financial year ended December 31, 2007	Chapters 20.2.3. & 20.2.4.
6	Excerpts from the Management Report: <ul style="list-style-type: none"> <li>- Business activities,</li> <li>- Financial commentary,</li> <li>- Research and Development,</li> <li>- Organisational chart,</li> <li>- Information on workforce and management remuneration,</li> <li>- Environmental information.</li> </ul>	<ul style="list-style-type: none"> <li>- Chapters 3, 4 &amp; 6</li> <li>- Chapters 9 &amp; 10</li> <li>- Chapter 11.1</li> <li>- Chapter 7</li> <li>- Chapter 15</li> <li>- Appendix 6</li> </ul>

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Conception, création et réalisation :  Labrador 00 33 1 53 06 30 80

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Couverture : SEQUOIA Photo couverture : REA/B.Decout

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