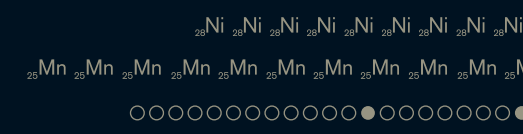




2008 ANNUAL REPORT



ERAMET
ALLOYS, ORES AND PEOPLE.



ERAMET, a mining and metallurgical Group, is a global player in the production and conversion of alloying metals and high-performance alloys. ERAMET is among the world leaders in all its specialties. The worldwide industrial and commercial bases of three divisions – Nickel, Manganese and Alloys – are located close to their markets.

Drawing on the skills of its multicultural teams, its high-tech facilities and its research & development capacities, the Group is able to give full satisfaction to its customers in steelmaking, aerospace, energy, tooling, chemistry and electronics. That momentum is sustained by its commitments on the environment, risk control and the development of the communities where it is based.

In the new context of global crisis, these strengths safeguard the solidity and future success of the ERAMET Group.

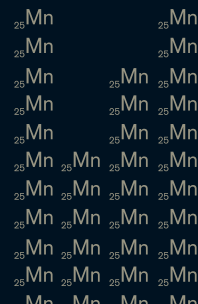


NORWAY

The process for integrating Tinfos into ERAMET was built up from acquisition onward. Workshops were organised on specific topics to allow around 50 people from the two organisations to exchange ideas. Through this process, synergies between the Norwegian units were identified in very practical terms within a few months. Over the longer term, constructive dialogue will be developed with the Group's other plants around the world.

Acquisition of Tinfos in Norway

The acquisition of 56% of the Norwegian company Tinfos significantly strengthened ERAMET Manganese with an approximately 20% increase in production of manganese alloys, particularly refined alloys, a strategic priority for the division. From 2008, the Group began to leverage synergy with ERAMET Manganese's industrial units in Norway (Sauda and Porsgrunn plants). Tinfos also has other activities, including titanium dioxide production.



1.

1. Silicomanganese is produced in Kvinesdal, as is ferromanganese.

2. and 3. The Tinfos Jernverk plant in Kvinesdal.



2.



3.



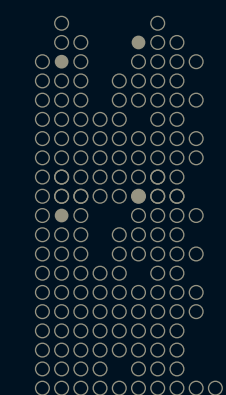
1. The agreement was signed on February 8th, 2008 in Astana, capital of Kazakhstan.
2. Aircraft parts are machined at several Aubert & Duval units, including Issoire.
3. Some titanium components for the Airbus A350 will be supplied by Aubert & Duval.



GROUP
Aubert & Duval has great know-how in aerospace. The company's products include landing gear, structure parts, rocket booster cylinders and engine disks and shafts.

Strategic partnership in titanium with UKTMP, EADS and Airbus

On February 8th, 2008, Aubert & Duval signed an agreement with UKTMP, a Kazakh partner specializing in titanium production, for the supply of the metal to EADS and its subsidiary Airbus. UKAD, a joint venture between Aubert & Duval and UKTMP via Ardor Holding UK, was created on December 24th, 2008 to meet growing demand in aerospace by developing the use of titanium in new programmes. In aircraft manufacturing, titanium is particularly used for landing gears, structure parts (wings, fuselages, etc.) and engines. The first stage for UKAD will be to build a plant that should be ready to supply EADS Airbus production by the end of 2011.





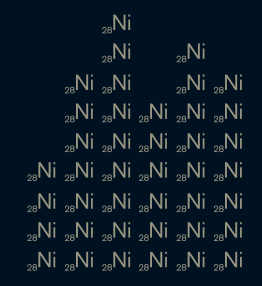
NEW CALEDONIA
Le Nickel-SLN
operates five mines
in New Caledonia:
Kouaoua, Népoui,
Poum, Thio and
Tiébaghi. It also
produces ferronickel
and nickel matte at
the Doniambo metal-
lurgical plant.

Renovation of furnace 9 in Doniambo

112 days' stoppage – the exact time forecast in the initial project: furnace 9 at the Doniambo, New Caledonia plant, was upgraded on schedule from May 25th to September 15th, 2008. The operation involved the facility's complete renovation for the first time since 1984. Following the makeover, the furnace came back on stream perfectly and ramp-up was excellent, exceeding 60 megawatts by the end of the year. This 90 M€ upgrade is part of a vast investment project by ERAMET Nickel in its New Caledonian assets. Since 2004, two melting furnaces and two calcination furnaces have been renovated.



- 1. The last metal tapped from the Demag 9 furnace before its overhaul.
- 2. 620 people were mobilised for the project.
- 3. The furnace is composed of 300,000 refractory bricks.





1. 2. 3. Namibia is one of the least populated countries in the world with 2.2 million inhabitants over 842,000 km².

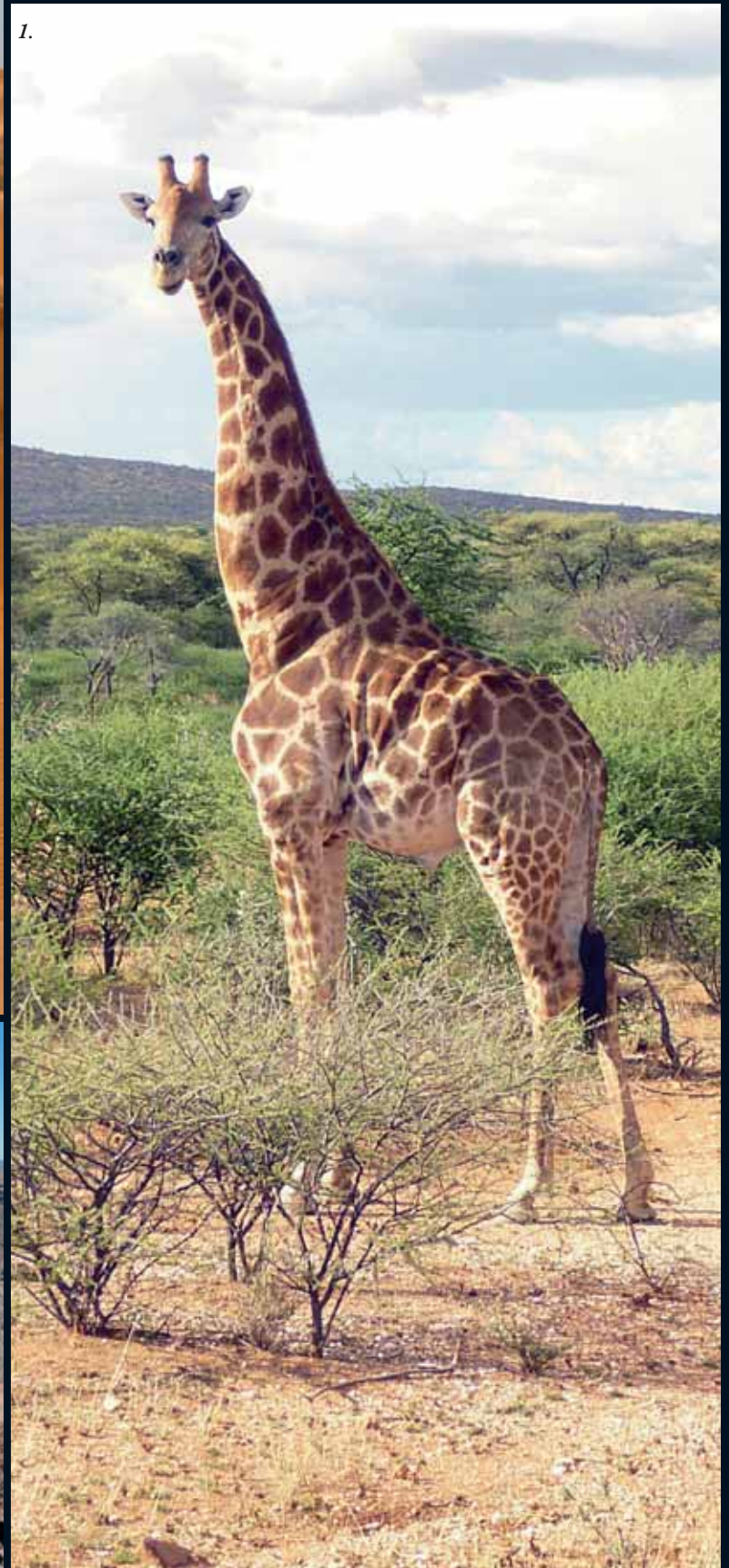


GROUP
Mining new deposits will safeguard the Group's long-term future. ERAMET examines acquisition possibilities when they appear strategic and financially attractive in addition to the development of our positions in New Caledonia and Gabon.

Study of a possible manganese project in Namibia

Immediately after the purchase of an option to acquire 75% plus 1 share in Otjonzondu Mining (Pty) Ltd in 2008, a feasibility study was launched on the development of a new manganese project in Namibia. For ERAMET, the Otjonzondu deposit represents the hope of developing mining capacity in addition to Gabon, in order to keep satisfying global demand, which is set to grow over the long term.

²⁵Mn
²⁵Mn
²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn



1.

3.

2.



1. 2. 80 locally recruited people work on the site.



2.

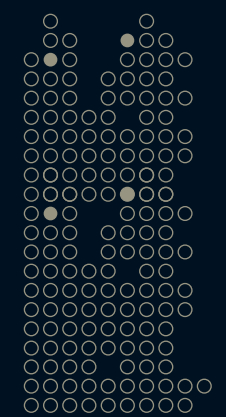
Tianjin, a new base in China

On April 2nd, 2008, Erasteel opened a new unit in China. Located in Tianjin, south of Beijing, the plant makes rectified drawn wire for the Asian tooling market. Production capacity will eventually amount to 2,500 tons per year. The second phase of the operation was launched in August with the start-up of high speed steel profile production. These steels are intended for the working part of bimetallic blades, a fast-growing market in Asia.



CHINA
 ERAMET develops its activities in several parts of China:

- Wuxi: Aubert & Duval distribution centre;
- Tianjin: Erasteel high speed steel wire drawing plant;
- Guilin and Guangxi: manganese alloy production;
- Chongzuo: electrolytic manganese dioxide (EMD) production.





GROUP
 In 2008, ERAMET turned the spotlight on the Pacific, sponsoring the Lapérouse operation and the “Living Coral” exhibition and communicating extensively on the New Caledonian lagoon’s recognition as a Unesco world heritage site.

Looking for Lapérouse

What became of the Astrolabe and the Boussole? The two ships set sail from Brest, France on August 1st, 1785 and were not heard from after January 1788. On board were botanists, physicians, zoologists and other scientists. Their mission was to build on Cook and Clarke’s discoveries in the Pacific. Led by Monsieur de Lapérouse, the expedition came to an abrupt end on the reefs of Vanikoro in the Solomon archipelago. Several searches have located the wrecks. Thanks to the Lapérouse 2008 operation, new avenues have been explored. ERAMET played a part in the adventure by funding the film of the expedition in its first sponsoring operation (see p. 47).

²⁸Ni ²⁸Ni
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²⁸Ni ²⁸Ni ²⁸Ni ²⁸Ni
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²⁸Ni ²⁸Ni
²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn ²⁵Mn ²⁵Mn ²⁵Mn
²⁵Mn
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1. Vanikoro belongs to the Solomon Islands despite its proximity to Vanuatu.

2. Alain Conan (left), Chairman of the Solomon Association, launches his eighth search campaign.

3. and 4. Marine archaeologists explore a fault in the reef where the ships ran aground.



1.

1. An awards ceremony attended by the Group's 150 top executives.

2. Eight teams from around the world were rewarded for their initiative.



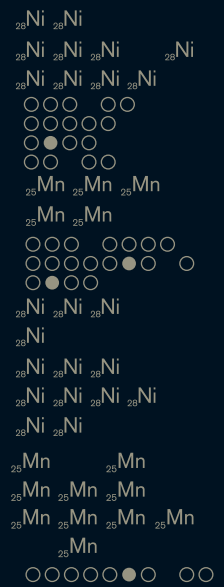
2.



GROUP
The Initiative
Challenge is
organised as part
of the Leaders
programme, which
mobilises all the
Group's people
worldwide around
seven common
values.

Initiative Challenge: innovation shared by all

Open to all the Group's employees, the Initiative Challenge encourages them to put forward and implement new value-creating ideas. The awards ceremony organised in 2008 in recognition of the best initiatives of 2007 attested to the innovation capability of ERAMET's people. More than 150 actions put into practice on every continent were selected, all with the same values and goal: constantly improve individual and collective performance.





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THE STRENGTHS OF A GLOBAL PLAYER

Excellent results in a
difficult environment

Governance and
shareholding that foster
efficiency and transparency

15%

sales growth
in 2008



THE
STRENGTHS
OF A GLOBAL
PLAYER

> Interview with the
Chairman & CEO



An excellent 2008

The ERAMET Group is well equipped to weather the crisis

How would you sum up 2008 for ERAMET?

Patrick Buffet: 2008 was an excellent year for the ERAMET Group despite a fourth quarter that was heavily penalised by the global crisis. Compared with 2007, sales increased 15% to €4.3 billion, current operating income rose 10% to more than €1.3 billion and the Group's share of net income grew 19% to almost €700 million. In 2008, our technical performance was supported by major progress in several areas. In Nickel, at Tiébaghi we successfully started up an ore beneficiation plant and, in early 2009, launched studies on the Prony deposit. We have just obtained the necessary research permits for this highly promising deposit, which is likely to safeguard our presence in New Caledonia for the very long term. In Indonesia, studies on the Weda Bay mining project progressed as expected. For manganese, the 3.5 million-ton production capacity, the ongoing modernisation of the Transgabonais railway, the ramp-up of the Chongzuo unit in China, the acquisition of Tinfos in Norway and the purchase of an option on a manganese deposit in Namibia in the exploration process are all important steps forward. In Alloys, as well as improving its profitability and working capital requirements, the Division achieved the swift start-up of the Tianjin plant in China, the development of new steel grades and the signing of a major strategic partnership in titanium to create, with the Kazakh Company UKTMP, the only integrated stream of its kind in the Western world. Finally, ERAMET entered into a partnership with the Bolloré group for the joint development of a lithium supply stream for electric vehicle batteries, a market expected to grow substantially in the future. So the Group has major potential growth vectors for the medium and long term.

After a very good period, how are you affected by the global crisis?

P. B.: Its effects were sharply felt in early November 2008. The fall in carbon and stainless steel production – major outlets for both manganese and nickel – led us to react without delay. With caution and discipline, we stepped up our cost control efforts, adapted our outputs to market trends and conducted a highly selective re-examination of our capital expenditure priorities. This responsiveness reflects ERAMET's

ability to adapt to its environment in order to cope with a sharp downturn in economic conditions, and be ready, when the time comes, to benefit immediately from the upturn.

What are our strengths in response to the new context?

P. B.: First it should be pointed out that, after the acquisition of Tinfos and our substantial capital expenditure in the first half of 2008, we are not in debt and, as at the end of the year, have positive net cash of 1.1 billion euros. In the current climate, this is an essential advantage. In the first quarter of 2009, the economic situation on our markets deteriorated badly. We have set up the resources needed to manage this difficult period without losing sight of our ambitions. Our activities position us on lucrative markets over the long term and we remain confident in the significant potential for industrialisation and urbanisation in emerging countries such as China and India, to which we supply non-substitutable products.

Have you revised your goals?

P. B.: Thanks to the strengths I have just described and, once again, if we show caution and great discipline, ERAMET can maintain its medium- and long-term goals. Mine and plant output will, of course, be adjusted in line with demand trends, some of our projects will be postponed or cancelled and we will favour a stringent, selective approach in preparing our capital expenditure programmes. However, our capital expenditure in 2009 should be on a similar level to 2006 and 2007, which showed an increase on previous years. Our big long-term projects will not be abandoned. With a fall in some costs, they could even be rolled out in much more favourable conditions.

How are these projects strategic?

P. B.: They are first of all strategic for ERAMET. The future mining of new deposits will guarantee the Group's durability – some of its components are over 100 years old and it is our responsibility to safeguard their future. The Weda Bay and Prony nickel

deposits are potentially two of the largest worldwide. In that respect, I particularly welcome the signing in early 2009 of an essential partnership for the Weda Bay project with the Japanese group Mitsubishi, a front-rank industrial and commercial operator, particularly in Indonesia. Other medium- and long-term projects are being considered for manganese and the development of other alloy metals. These projects are also strategic for our customers in steel-making, aerospace, power generation and for some national defence markets. In Gabon, New Caledonia, more recently in Indonesia and in our future bases, our partnerships with local authorities will benefit fully from the development of our activities, both economically and socially.

And to conclude?

P. B.: The Group will continue in the short term to show responsiveness by adapting its output to demand trends, and by limiting its capital expenditure projects and reducing their cost, in order to protect its financial room to manoeuvre and be ready to take full advantage of the market upturn when it occurs. Medium- and long-term goals will be maintained, with major development projects beyond the current crisis. Thanks to our cautious, selective policy and our motivated, efficient people, I am convinced that ERAMET will emerge stronger from the global crisis that is hitting all of us.

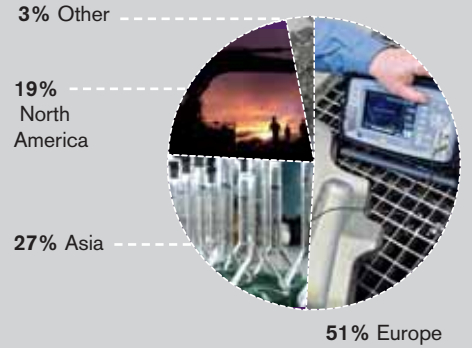
PATRICK BUFFET
FEBRUARY 2009

THE
STRENGTHS
OF A GLOBAL
PLAYER

> Key figures

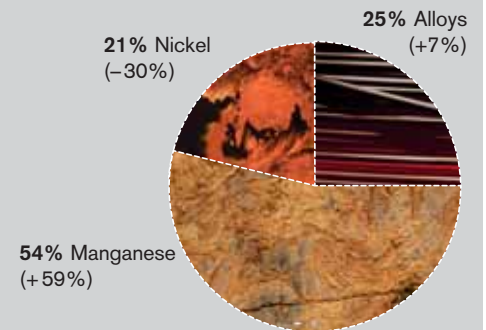
Excellent results despite the heavy impact of the crisis

The Group's turnover totalled €4,346 million, up 15% from 2007. Sales and current operating income increased mainly because of the sharp rise in manganese prices, the acquisition of Tinfos and, to a lesser extent, the results of ERAMET Alloys. The Group's financial situation improved with net cash of €1,133 million as at the end of 2008. The Group's share of net income rose 19% to €694 million.



Highly international activity

Turnover by geographic zone (%)

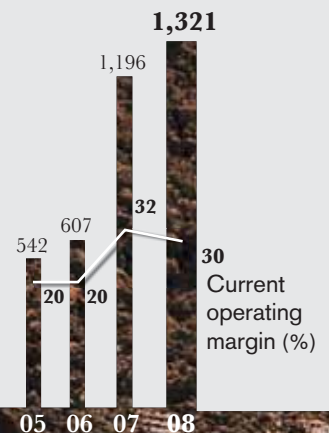


Greater weight of manganese in 2008

Turnover by division (%)

Up 10%
COI increased 10% despite the effect of the crisis in the second half of 2008.

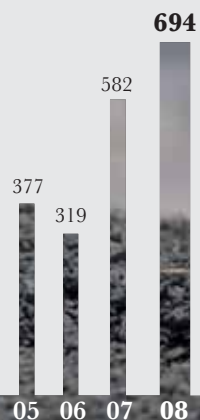
Current operating income

 (millions of euros)


Up 19%

The Group's share of net income rose 19% to 694 M€.

Net income, Group share (millions of euros)



Up 15%

A 15% increase thanks to manganese prices and control of working capital.

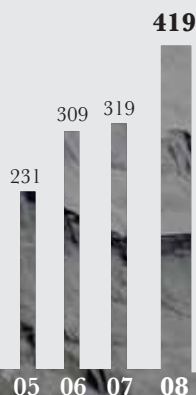
Net operating cashflow (millions of euros)



Up 31%

Capital expenditure grew to 419 M€, despite a reduction towards the end of the year because of the crisis.

Capital expenditure (millions of euros)



Up 19%

Even stronger financial position with 1,133 M€ consolidated net cash at year-end 2008.

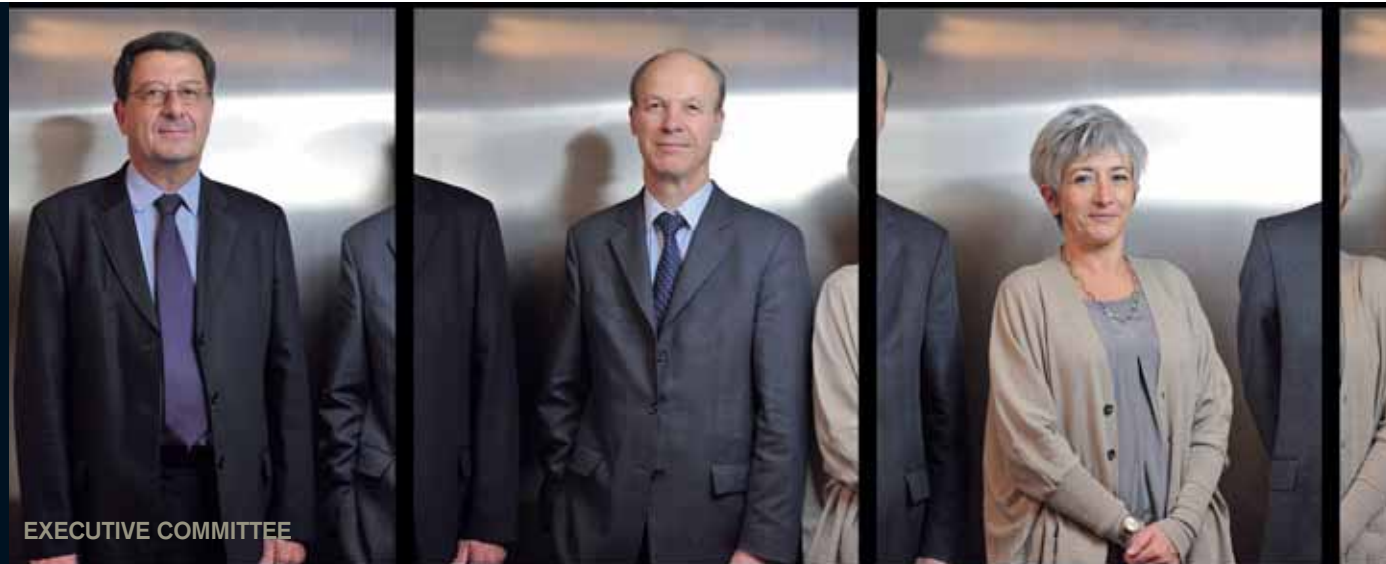
Net cash (millions of euros)



Management based on transparency and efficiency

THE STRENGTHS OF A GLOBAL PLAYER

> Governance



EXECUTIVE COMMITTEE

BERTRAND MADELIN
DELEGATE CEO,
ERAMET NICKEL

GEORGES DUVAL
VICE-CHAIRMAN,
DELEGATE CEO,
ERAMET ALLOYS

CATHERINE TISSOT-COLLE
EXECUTIVE VICE-PRESIDENT,
COMMUNICATIONS &
SUSTAINABLE DEVELOPMENT

For several years, ERAMET has striven to implement corporate governance that meets the highest standards. In accordance with the Board of Directors' decision of December 9th, 2008, ERAMET uses the AFEP/MEDEF corporate governance principles for stock market-listed companies as a reference.

The commitments made by ERAMET's corporate governance are particularly reflected in the organisation of the work of the Board of Directors and its committees and through its internal control actions.

GENERAL MANAGEMENT IN CLOSE TOUCH WITH OPERATIONS

The Executive Committee (Comex), chaired by Patrick Buffet, is the main decision centre for the Group and its divisions. In addition to the Chairman & CEO, it is comprised of the three Division managers (ERAMET Nickel, ERAMET Manganese, ERAMET Alloys), who are also Delegate CEO's, the Chief Financial Officer, the Vice-President Human Resources and the Vice-President Communications and Sustainable Development.

Some Comex members are responsible for a strategic cross-Group function: research & development, information systems, purchasing, internal audit, management control and legal. As a management body, the Comex is directly connected with all the Group's line and support activities and functions. It ensures that clear information is given

on ERAMET's strategic choices, both internally to employees and externally to its partners and stakeholders.

The Comex also carries out regular reviews of high-potential employees and international management. The "strategy & financial communications", "development" and "international" support functions are directly supervised by the Chairman & CEO.

AN INTERNATIONAL COMMITTEE TO LEVERAGE SYNERGY

Since 2004, the international management committee for the Group's various entities has brought together its main executives. The three divisions and main geographic zones for ERAMET's activity are all represented.

The committee supports the Group's active international development by fostering the sharing of information and experience between teams. This collective energy was reflected in the setup of common organisation for all ERAMET's activities in China.

AN AUDIT COMMITTEE WITH 2 OUT OF 3 INDEPENDENT MEMBERS

The audit committee has its own charter that was adopted by the Board of Directors at its meeting on December 10th, 2003 and is regularly updated. The charter sets down its composition (3 members), workings, missions and its members' compensation. The committee's role is to examine the relevance and correct application of the accounting methods used, examine internal audit



JEAN-DIDIER DUJARDIN
CHIEF FINANCIAL OFFICER

PHILIPPE VECTEN
DELEGATE CEO,
ERAMET MANGANESE

DOMINIQUE FRANCHOT
EXECUTIVE VICE-PRESIDENT,
HUMAN RESOURCES, HEALTH
& SAFETY

PATRICK BUFFET
CHAIRMAN & CEO, ERAMET
AND SOCIÉTÉ LE NICKEL-SLN

plans and findings, analyse semi-annual and annual financial statements, and monitor major lawsuits and the management policy for exchange rates, raw materials, hedging and investments. The committee met four times in 2008 with a 100% member attendance rate.

Composition of the audit committee as on December 31st, 2008: Antoine Treuille, Michel Somnolet, Gilbert Lehmann.

A COMPENSATION COMMITTEE WITH 2 OUT OF 3 INDEPENDENT MEMBERS

Composed of three directors, two of whom have independent status, the compensation committee may be assisted by the Group Vice-President Human Resources. Based on the in-depth examination of the results and actions taken in the different activities, the committee makes proposals to the Board on the fixed and variable compensation of corporate officers according to the results achieved and on their goals for the year ahead.

SELECTION COMMITTEE

The committee makes recommendations to the Board on the appointment of the corporate officers at the head of each of the ERAMET Group's three operating activities.

INTERNAL CONTROL FOR ALL GROUP ENTITIES

Launched in 2003, the audit action plan provides for regular control of all Group companies. Virtually all of the approximately 40 entities have benefited

from an in-depth diagnosis, followed by action and improvement plans that are monitored quarterly in reports to the Comex.

INTERNATIONAL MANAGEMENT COMMITTEE IN 2008

IN ADDITION TO COMEX MEMBERS, THE COMMITTEE IS MADE UP OF THE FOLLOWING PEOPLE:

MARCEL ABÉKÉ
DIRECTOR & CEO, COMILOG SA (GABON)

PIERRE ALLA
DELEGATE CEO, SLN (NEW CALEDONIA)

BENOÎT BIED-CHARRETON (until 30/9/08)
CEO, NICKEL CHEMISTRY BU

FRANÇOIS BOUR
CEO, MANGANESE ORE-ALLOYS BU

JOSEPH CHANG
CHAIRMAN & CEO, ERAMET CHINA

XAVIER CHASTEL
CEO, AUBERT & DUVAL

ÉDOUARD DUVAL
CHAIRMAN, ERAMET INTERNATIONAL

PHILIPPE GUNDERMANN
CEO, ERASTEEL

ALAIN PRADOURA
CEO, MANGANESE CHEMISTRY – RECYCLING – SPECIAL PRODUCTS BU

CROSS-GROUP SUPPORT FUNCTIONS

PHILIPPE BORDARIER
DEVELOPMENT

JEAN-PIERRE CESCUTTI
RESEARCH & DEVELOPMENT

ANTOINE GRÉCO
INDUSTRIAL AFFAIRS

PHILIPPE JOLY
STRATEGY & FINANCIAL COMMUNICATIONS

OLIVIER MONGROLLE
INFORMATION SYSTEMS

ALFRED ROSALÈS
PURCHASING

ALAIN ZAMBETTI
PROJECTS & TECHNOLOGY

THE
STRENGTHS
OF A GLOBAL
PLAYER

> Stock market and
shareholding

Dense financial news

ERAMET stock prices were very volatile in 2008. The share outperformed the mining sector. Over three years, it gained 70% compared with a 31% decrease in the CAC 40 index.

STOCK HOLDS OUT AT EARLY 2007 LEVELS

The ERAMET share felt the impact of the financial crisis affecting all the world's stock markets. After vibrant growth of 50% in 2006 and the record 188% gain recorded in 2007 (vs. + 1.31% for the CAC 40), it lost 61% in 2008 to return to its March 2007 level.

This decrease is lower than the CAC 40's for 2008 (- 43%), but in line with mining sector trends. Over the past three years, ERAMET stock has gained 70% while the CAC 40 has lost 31%.

After starting the year at €349.49, the share peaked at €669.98 on May 20th. It then slid to a low of €96.06 on November 20th before ending 2008 at €138.00.

ERAMET's market capitalisation totalled €3.6 billion as on December 31st, 2008, placing the Group among the top 55 French companies.

Moreover, the average trading volume on ERAMET stock (52,945 shares per day) was 120% higher than in 2007.

CAPITAL INCREASE FOR TINFOS ACQUISITION

In 2008 ERAMET acquired 56% of the Norwegian company Tinfos. The transaction was completed for 70% cash and 30% stock. In addition to cash, selling Tinfos shareholders received 241,491 new ERAMET shares. Based on the parameters used for the agreements (exchange rate 7.96 Norwegian kroner for 1 euro, reference value for ERAMET share €494), the value of the acquisition works out at €398,309,032.64.

On July 30th, 2008, the Board of Directors unanimously approved the capital increase of ERAMET for a

nominal amount of €736,547.55 resulting from such contribution in kind, by way of an issuance of 241,491 new ERAMET shares having a nominal value of €3.05, allotted to the Tinfos selling shareholders. The new ERAMET shares bear rights from their issue date and rank pari passu with existing ERAMET shares. Following the capital increase, ERAMET's share capital will amount to €79,748,691.60, divided into 26,147,112 shares of the same class, each having a nominal value of €3.05.

Taking into account the exercise by employees of subscription options on new shares and the vesting of free shares, the total number of issued shares as on December 31st, 2008 was 26,215,231 compared with 25,905,621 as on December 31st, 2007.

SHAREHOLDERS' AGREEMENT RENEWED

Sorame and CEIR (Duval family), on one hand, and Areva, on the other hand, signed an ERAMET shareholders' agreement on June 17th, 1999. The agreement was entered into for seven years, renewable for one-year periods. It was renewed as on May 29th, 2008 with adaptations, including the shortening of the renewal interval to six months.

COMPREHENSIVE FINANCIAL INFORMATION

The financial communications department is in charge of implementing the Group's information policy with the financial community, investors and shareholders.

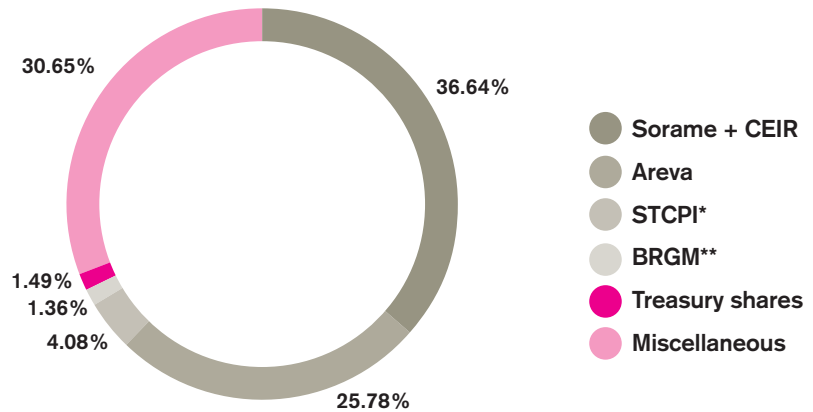
In addition to the two meetings for analysts and journalists in line with the publication of annual and semi-annual results, several other meetings were organised in Paris, London and Stockholm. A tour of Comilog in Gabon was also organised for financial

analysts to inform them about the Group's manganese activity.

ERAMET's website www.eramet.fr is designed to present the Group and its activities. Its "Investors" section gives all the presentations, press releases (with a subscription option) and financial reports (official reference documents and annual reports) produced by the Group, as well as any other information coming under the transparency directive.



SHAREHOLDING
(as on December 31st, 2008)



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

Financial analysts' tour in Gabon.

SHAREHOLDERS' DIARY

- THURSDAY, FEBRUARY 19TH, 2009: ANNUAL RESULTS 2008
- THURSDAY, APRIL 30TH, 2009: 1ST QUARTER 2009 TURNOVER
- WEDNESDAY, MAY 13TH, 2009: ANNUAL GENERAL MEETING
- THURSDAY, JULY 30TH, 2009 2ND QUARTER 2009 TURNOVER, 1ST HALF 2009 RESULTS
- WEDNESDAY, OCTOBER 28TH, 2009: 3RD QUARTER 2009 TURNOVER
- THURSDAY, JANUARY 28TH, 2010: 4TH QUARTER 2009 AND FULL-YEAR 2009 TURNOVER

COMPOSITION OF BOARD OF DIRECTORS

Board of Directors following the combined general meeting of April 16th 2008

Patrick Buffet Chairman & Chief Executive Officer
Yves Rambaud Honorary Chairman Directors
Rémy Autebert Chairman, Areva Japan
Georges Duval Manager, Sorame (Vice-Chairman and Delegate Chief Executive Officer, ERAMET)
Édouard Duval Chairman of the Management Board, Sorame
Cyrille Duval Manager, Sorame
Patrick Duval Chairman & Chief Executive Officer, CEIR
Pierre-Noël Giraud Professor, École Supérieure des Mines de Paris
Gilbert Lehmann Member of the Supervisory Board, Assystem SA (Vice-Chairman, ERAMET)

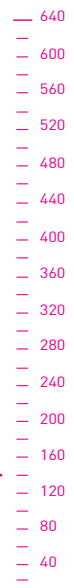
Louis Mapou Chairman, STCPI (New Caledonia)
Harold Martin Chairman of the Government of New Caledonia
Jacques Rossignol Former Chief Executive Officer, Snecma and Arianespace
Michel Somnolet Former Director, Vice-Chairman and Chief Financial Officer, L'Oréal
Antoine Treuille Chairman, French American Foundation, Executive Managing Director, Altamont Capital Partners LLC
Areva (represented by Frédéric Tona) former Director, Mining-Chemistry-Beneficiation Sector, Areva/NC

SHARE PRICES IN 2008
(monthly average)

THE ERAMET SHARE

- The ERAMET share is part of compartment A of the Euronext Paris single list.
- ERAMET is on the CAC Next20 index and the SBF 80, 120 and 250 indices. The stock has been part of the deferred settlement system (SRD) since March 28th, 2006. The Company joined the N150 index on July 2nd, 2007 and, more recently on January 2nd, 2008, the Euronext Paris N100 index. On December 24th, 2007, ERAMET also joined the DJ STOXX 600 index. Finally, ERAMET has been on the MSCI Standard index since May 6th, 2008.
- ISIN code: FR 0000131757
- Mnemonic: ERA
- Number of shares as on December 31st, 2008: 26,215,231
- Nominal value: € 3.05
- Fiscal year: January 1st– December 31st, 2008

euros/share



Month 01 02 03 04 05 06 07 08 09 10 11 12 01 02 03 04 05 06 07 08 09 10 11 12 01 02 03 04 05 06 07 08 09 10 11 12 2005 2006 2007 2008

NICKEL MANGANESE ALLOYS THREE LEADING DIVISIONS

New nickel deposits under examination in Indonesia and New Caledonia

Outstanding results for Manganese

Industrial assets optimised in Alloys



> **NICKEL**
MANGANESE
ALLOYS
THREE
LEADING
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Major strengths for long-term success

After an excellent first half continuing the momentum of the previous year, 2008 was marked by a turnaround from September due to the global crisis. Although 2009 is set to be difficult in that context, the Nickel division's investments to upgrade its industrial assets, prepare for the mining of new deposits and develop its know-how give it the best strengths for success in the longer term.

ERAMET Nickel produces and converts nickel ore from its five mining centres in New Caledonia. The division makes ferronickel for stainless steel, its primary outlet (almost 75% of production). For other sectors – superalloys, electronics, mobile energy – ERAMET Nickel produces high purity nickel and nickel and cobalt chlorides in Sandouville, France, and ultrafine cobalt powders and tungsten carbide in Grenoble.

CHANGING MARKET CONDITIONS IN 2008

The nickel market went through three different periods in 2008. From January to April, metal prices remained on a par with the previous five months at around US\$ 28,000 per ton. That level was driven by the shortfall in conventional production, offset by the production of lower quality Chinese pig iron with higher manufacturing costs. From May to September the market balanced, phasing out pig iron and adapting prices (up to US\$ 20,000), without sales running into any difficulty. In late September difficulties suddenly appeared with the worsening of the financial crisis in the United States: fall in demand, deliveries postponed by customers, etc. The result was a price drop down to US\$ 10,000 per ton.

CONTINUED INDUSTRIAL RENOVATION PROGRAMME

Another major factor in ERAMET Nickel's activity was the exceptional rainfall in New Caledonia. Exceeding the 1951 record, the heavy rain led to a decrease in production. Also taking into account the overhaul of furnace 9, output for the year totalled 51,130 tons. As forecast, furnace 9 at the Doniambo plant was stopped for 112 days from May 25th to September 15th for a complete renovation. It was last



Weda Bay in Indonesia is a major project for the Group.

> **NICKEL
MANGANESE
ALLOYS
THREE
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DIVISIONS**



overhauled 24 years previously in 1984. The 90 M€ project was carried out perfectly with an excellent ramp-up – the Division’s best to date – for the upgraded furnace. By the end of the year its power already exceeded 60 megawatts. Following on from the recent renovation of two rotary furnaces and two electric furnaces, the latest project is a milestone in ERAMET Nickel’s ambitious programme for its New Caledonian facilities.

NEW ORE PROCESSING UNIT

Another major capital project in New Caledonia was the start-up of a new ore processing plant in Tiébaghi. The high-performance enrichment unit was opened on November 19th, 2008. It allows poorer ores to be used, extending the deposit’s lifespan by 25%.

Along with the renovation of furnace 9 and all other modernisation investments, this project took capital expenditure in New Caledonia to a total of 164 M€ for 2008 alone.

In addition to nickel ore and ferronickel, ERAMET

1. The Tiébaghi mining centre has state-of-the-art facilities in terms of environmental performance.

2. Production assets at the Doniambo plant have been modernised through capital expenditure in recent years.

Nickel makes high-purity nickel and nickel and cobalt chlorides, mainly for the electronics and mobile energy market, in Sandouville, France. Throughout the year, Sandouville benefited from very firm business, allowing 27% of all nickel to be marketed through Sandouville, more than the already high level in 2007. A new workshop, dedicated to nickel salt production, was opened. The first batch of salts is in the validation process with the Japanese partner customer. In Grenoble, France, the Eurotungstène plant specialising in ultrafine cobalt and tungsten carbide powders, had a good year overall with, however, a decrease in the orders backlog towards the end of the period.

**DEPOSIT QUALITY CONFIRMED
IN WEDA BAY**

In 2008, the Nickel division went into greater depth in the studies on its three major projects: in Indonesia, mining the Weda Bay deposit; and in New Caledonia, building an electricity plant and preparing the exploration permit on the Prony deposit. The >

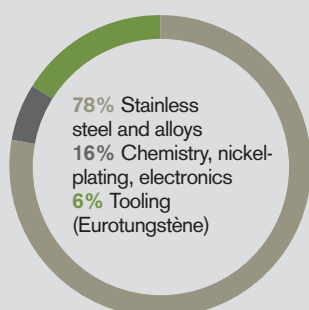
KEY FIGURES

WORLD'S

2nd

**BIGGEST PRODUCER
OF FERRONICKEL**

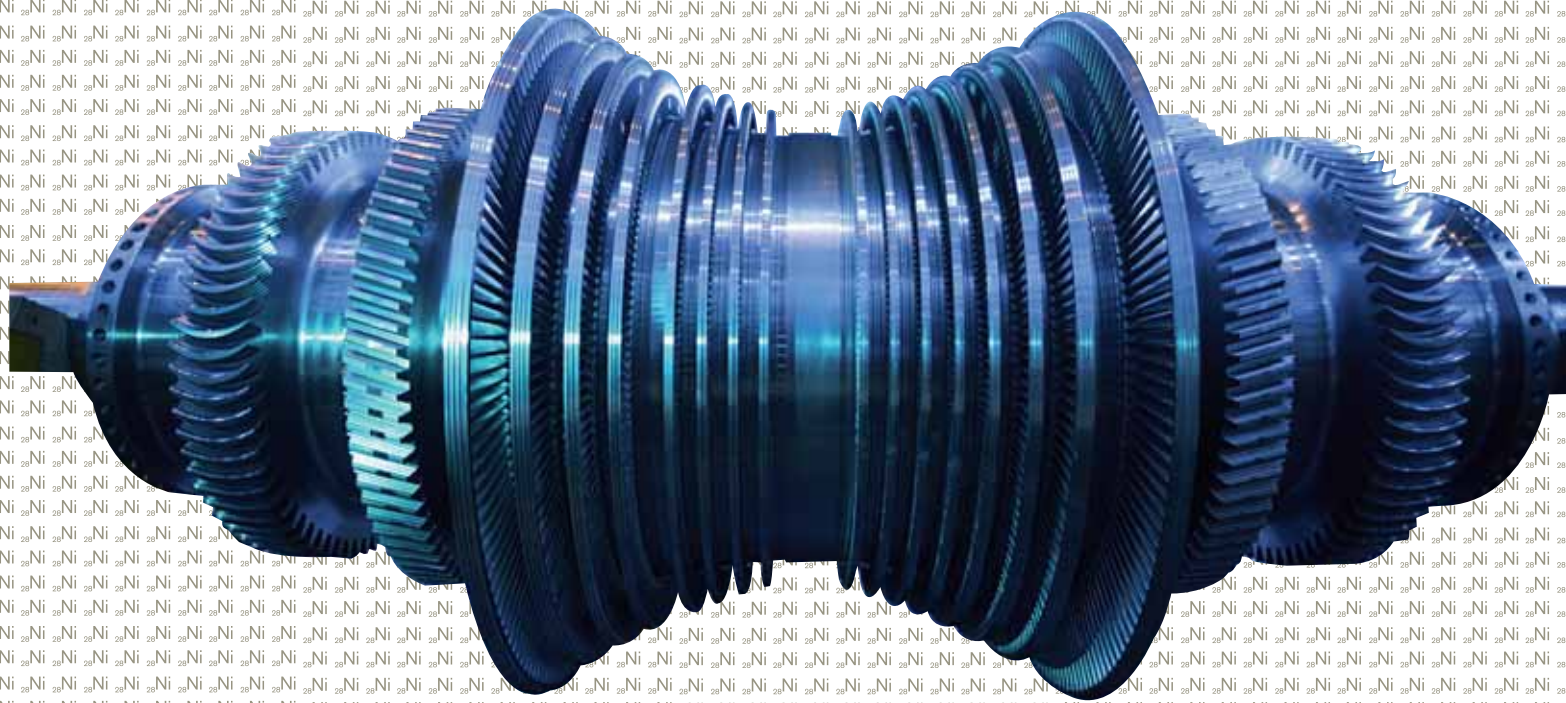
TURNOVER BY MARKET



(IFRS standards, millions of euros)

	2008	2007
Turnover	897	1,290
Current operating income	169	693
Net operating cashflow	165	556
Capital expenditure	189	135
Capital employed	896	703
Average headcount	3,057	2,875

2008 was a very difficult year for the nickel market because of a sharp drop in business and prices in the second half.



Superalloys: containing more than 45% nickel, superalloys keep their mechanical qualities at very high temperatures (aircraft, power generation turbines, oil industry, etc.).

Corrosion resistance: nickel's electronic properties allow it to be deposited in film layers (electroplating). Most "chrome-plated" objects are actually nickel-plated.

60%
Stainless steel: used worldwide, stainless steel accounts for 60% of nickel outlets.

NICKEL APPLICATIONS

> NICKEL MANGANESE ALLOYS THREE LEADING DIVISIONS

1. The Doniambo plant is located in the city of Nouméa.

2. Laterite will be treated by a hydrometallurgical process in Indonesia.

3. ERAMET produces all kinds of nickel derivatives.



1.



2.



3.

three projects reflect ERAMET's will to commit even more strongly to New Caledonia, while broadening its mining resources in other regions of the world.

The work done in Weda Bay confirmed the quality of resources and reserves. With tests ongoing on its hydrometallurgical process (see box opposite), ERAMET made progress on its simplified feasibility studies and will continue them in 2009. The Weda Bay project received powerful support from a new partner in February: Mitsubishi Corp., to which ERAMET transferred one third of its stake and which contributes US\$145 million.

In parallel, regular contacts have forged closer links with the Djakarta government, local authorities and ERAMET's Indonesian partner for the project.

RECONNAISSANCE OF A NEW DEPOSIT IN NEW CALEDONIA

An application was filed in July 2008 for an exploration permit on the Prony deposit in the South of New Caledonia. The initial phase of deposit reconnaissance and pilot trials for ERAMET's hydrometallurgical process phase, which could be applied to Prony ore, will start in 2009. An agreement giving SLN a three times three-year exploration permit for the deposit was signed on January 20th, 2009 by SLN and the Southern Province of New Caledonia

R&D AND SUSTAINABLE DEVELOPMENT HYDROMETALLURGY: A CLEAN, INNOVATIVE PROCESS

Developed by ERAMET Research, the hydrometallurgical process makes it possible to use low grade ores by dissolving them at atmospheric pressure rather than melting them. Ores are ground, then mixed with sea water and sulphuric acid (lixiviation). The liquid is neutralised with lime. Solvents are then used to extract and separate nickel, cobalt and manganese. The process is simpler than rival technologies, works at atmospheric pressure, does not require temperatures in excess of 100°C and consumes no fossil fuel. Its inert solid residue is easily stored and its residual liquid effluent is neutral.

THREE QUESTIONS FOR
BERTRAND MADELIN
DELEGATE CHIEF EXECUTIVE OFFICER,
ERAMET NICKEL

ERAMET'S VALUES

**MAINTAINING,
ENHANCING AND
PASSING ON SKILLS**

Passing the torch to the next generation.

As many ERAMET Nickel employees were recruited when the Sandouville, France plant was created just 30 years ago and in New Caledonia during the 1970's, extensive efforts have been made to foster the transmission of know-how. The verbal culture is giving way to an increasingly formal approach, based in particular on individuals who are dedicated to supporting new recruits. The aim is to avoid losing knowledge when positions are handed over and make sure that expertise lasts when new generations arrive.



How would you sum up 2008?

Our good results are mainly due to business levels in the first half of the year. But, from July and even more so from the end of September onward, we felt a sharp downturn when the global crisis broke out. On the market as a whole, the crisis led to a fall in nickel prices. In the second half, global nickel consumption slumped by 12%. As for stainless steel production (75% of our outlets), it fell 16% in the 2nd quarter then 24% in the 4th.

What's the outlook for 2009?

It will obviously be a very difficult year. The repercussions of the crisis will last all year long. That's why we reacted swiftly by deciding to adopt relevant, progressive measures. This does not stop us from keeping up our medium-term projects. For example, project studies on the new electricity plant in Doniambo will continue in 2009. These projects are among the many strengths that will guarantee our long-term success.

What are those strengths?

In addition to our people's advanced skills, on the industrial side I'll mention the continued modernisation and improvement of SLN's competitiveness and our projects for mining new deposits in Indonesia and New Caledonia, thanks to ERAMET's hydrometallurgical process, which is particularly suited to both projects. On the training side, I'd insist on the importance of our knowledge management programme. Finally, our relations with our New Caledonian partners are now stronger. All these points give us confidence for the future.



NICKEL
> MANGANESE
ALLOYS
THREE
LEADING
DIVISIONS



Record results in an unusual year

Until September, 2008 was characterised by exceptional growth in manganese sales and prices, followed by the sudden stop in demand. The year's excellent economic results came with major capital expenditure, including continued capacity extension programmes in Gabon, the acquisition of Tinfos in Norway, the opening of a plant in Canada, the start of renovation work on a US site and the launch of a project in China.



With approximately 500 employees, Norway is a major country for the Manganese division.

With industrial assets located close to consumption areas, ERAMET Manganese makes and markets one of the world's largest ranges of manganese derivatives. In Gabon, its subsidiary Comilog mines and enriches ore and produces sintered ore for the steelmaking market (90% of outlets). Other markets are promising, including batteries, chemistry and agrochemicals. The division also develops a highly profitable business in North America, where it recycles catalysts to produce molybdenum and vanadium.

RECORD SALES

From mid-2007 to mid-2008, manganese prices increased fivefold to reach record levels.

Manganese alloy prices also soared with an increasingly wide price gap between standard products and refined alloys, an ERAMET specialty. Driven by Chinese growth, steel production remained very high until September. The sharp downturn led to a fall in demand. Whereas for each of the first three quarters, global steel production totalled around 350-360 million tons, it slumped to 250 million tons in the last quarter. Manganese alloy sales were almost halved.

Overall, given the excellent first nine months, the Manganese division posted good sales results for 2008. This did not prevent it from reacting swiftly as soon as the crisis broke out by slowing production to avoid building up excess inventory. Moreover, manganese prices were still high at the end of the year. The manganese chemistry activity, on the other hand, was not as badly affected by the crisis, whether in Electrolytic Manganese Dioxide (EMD, the active component in alkaline batteries) or agronomical products. Prices rose in 2008, but >

NICKEL
> MANGANESE
ALLOYS
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to a lesser extent than for metal, and the activity continues to benefit from firm demand. Annual results were mixed for the oil catalyst recycling business, as prices for the metals it recovers, molybdenum and vanadium, fell sharply towards the end of the year.

**ONGOING CAPITAL EXPENDITURE
IN GABON...**

ERAMET Manganese's major capital expenditure programmes continued in 2008. In Gabon, the Comilog 2010 project to extend production capacity to 4 million tons was finalised and implementation began. It includes an environmental plan to address the build-up of discharges in the Moulili river by enriching and reusing the finest ore parts.

In parallel, renovation work on the Transgabonais railway, to which a subsidiary of ERAMET Comilog has the concession, made progress: 30 km of track was changed as planned and 60,000 new sleepers were laid, in excess of the target. The two entities that were in charge of maintaining the railway were

1. The Group has almost 2,800 employees in Gabon.

2. Thirty kilometres of track was replaced as planned.

combined into a specific Comilog department. Setrag, the Transgabonais operating company, remains the project owner. The result is greater clarity and efficiency.

The study of a niobium deposit also continued. As its radioactivity raises difficulties, an R&D programme is being conducted in partnership with Areva – the deposit contains uranium that could be recovered – at the ERAMET Research centre in Trappes, France. With the conventional pyrometallurgical process the niobium obtained remains radioactive, so work is focused on the development of a hydrometallurgical process. >

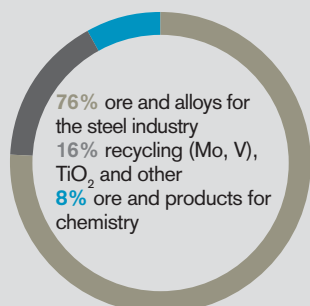
KEY FIGURES

WORLD

#1

WORLD PRODUCER
OF REFINED MANGANESE ALLOYS

TURNOVER BY MARKET



(IFRS standards, millions of euros)

	2008	2007
Turnover	2,348	1,473
Current operating income	1,088	440
Net operating cash flow	895	307
Capital expenditure	145	129
Capital employed	1,042	685
Average headcount	6,723	6,503

Thanks to record manganese ore and alloy prices, ERAMET Manganese's turnover grew 59% from 2007.



Steel production: an essential component in steelmaking, manganese increases steel's elasticity, hardness, strength and weldability.

Batteries and electronics: indispensable mobile energy (rechargeable, alkaline and saline batteries) for modern life works thanks to manganese. The metal is also used to manufacture transformers and inductors in high-power electronics.

Other applications include aluminium beverage cans, which are lighter and stronger thanks to manganese.

Agriculture: manganese, a vital trace element, is needed to grow cereals, beets and citrus fruit. Manganese salts and oxides are also essential food supplements for high quality cattle.

MANGANESE APPLICATIONS

NICKEL > MANGANESE ALLOYS THREE LEADING DIVISIONS

1. In Guilin (China), the old plant will be replaced by a new facility specialising in refined manganese alloys.

2. 15 M€ was invested to renovate a furnace at the Marietta, Ohio plant (USA).



... AND THE REST OF THE WORLD

A highlight of the year was the acquisition of a 56% stake in Tinfos. The operation leads to an approximately 20% increase in manganese alloy production and bolsters ERAMET Manganese's position in refined alloys. The Norwegian company's other activities include the production of titanium dioxide and high purity cast iron and the trading of metallurgical products for the steel and casting industries, as well as electricity generation assets in Norway.

In the United States, 15 M€ was invested in the Marietta, Ohio unit to renovate a furnace. In addition to improving productivity, the project substantially reduced dust emissions. The next stage is the overhaul of gas filtration on the same furnace.

The oil catalyst calcining plant built in Alberta, Canada, came on stream in 2008. Catalysts are calcined close to refineries, removing their hazardous status before transport to Freeport, Texas, where they are processed, to extract molybdenum and vanadium.

Another highlight was the 30th anniversary of the Dunkerque, France manganese production unit, giving rise to a number of events that federated its teams and enhanced its image with institutions and the general public. ●

R&D AND SUSTAINABLE DEVELOPMENT ORE CONVERSION PROJECT IN GABON

In 2008 ERAMET Manganese carried out a study on the construction in Gabon of new silicomanganese and manganese metal production plant. The project, which plans ore conversion on site, is coupled with Le Grand Poubara, the Gabonese government's hydroelectric dam building project. The study's findings will be completed in early 2009.

NEW PROJECT IN CHINA

In Chongzuo, the project to double EMD capacity at the site, which opened in 2007, was launched as planned. In Guilin, it was decided to shut down the old plant and build a new one. ERAMET Manganese will take the opportunity of the replacement, made necessary by the age of facilities, to specialise the new unit in refined manganese alloys. These higher value-added products are intended for better quality steels, which account for an increasing share of Chinese output. The land was acquired towards the end of the year.

THREE QUESTIONS FOR
PHILIPPE VECTEN
DELEGATE CHIEF EXECUTIVE OFFICER,
ERAMET MANGANESE

ERAMET'S VALUES

CUSTOMER ORIENTATION

ERAMET's capital expenditure is intended to improve performance but also to adapt constantly to customers' needs. To serve them even better, ERAMET Manganese continued to deploy worldwide in 2008. This was the case in China with the opening of a plant to produce EMD for alkaline battery manufacturers. In the same country, the construction of a refined alloys production unit is designed to meet growth in local demand.



How is the global crisis affecting your projects?

Despite the crisis, our sales reached exceptional levels in 2008. Since October, we have reduced our output. The probable continuation of the crisis means business is likely to be slack in 2009. Which doesn't call our projects into question, even if many are rescheduled, whether the aim is to increase our production in Gabon or develop our activities in China. These programmes are strategic for the long term.

What are your development prospects now?

In Norway, synergy between Tinfos and other sites is very strong. In Africa, we are studying the setup of a

metallurgical site in Gabon and looking into the possible mining of a deposit in Namibia. We are maintaining these projects while adapting to the market.

How would you sum up 2008?

I'm extremely concerned by safety results. In the first half of the year, we had four fatal accidents and a serious one, then another serious accident in September. Although our accident frequency rate is very low, these tragedies reflect a weakness. That's why I called a meeting of all plant managers in June to make sure safety is a primary concern for us worldwide. With the division's other executives, I went to every site

especially to examine safety action plans with local teams. That costs money and takes time, but this work is an absolute priority that will continue into 2009.



NICKEL
MANGANESE
> **ALLOYS**
THREE
LEADING
DIVISIONS

Greater capacities on sound markets

ERAMET Alloys' 7% growth in 2008 attests to the relevance of a strategy founded on the constant development of its high-quality steels ranges, the upgrading of its industrial assets in France and abroad and the rationalisation of its facilities and procedures. The new capital expenditure programmes in progress will enable the division to take full benefit from the upturn in the global economy when the current period of disruption ends.



Erasteel has three plants in Sweden and one in France.

ERAMET Alloys (Aubert & Duval, Erasteel) makes special steels, tool steels, high speed steels and superalloys and converts them by forging, rolling and closed-die forging. Its products are intended for demanding markets such as aerospace, energy and tooling. While volumes are lower than on carbon or stainless steel markets, prices are higher. R&D makes a substantial contribution to the success of the division, which invests 2% of its turnover to develop new alloy grades and optimise its manufacturing processes.

HEALTHY MARKETS IN 2008

The 7% rise in ERAMET Alloys' turnover in 2008 is above all due to activity in the first half of the year. Carrying on from 2007, aerospace and power generation markets remained buoyant. The second-half slowdown resulted from different factors. Some aerospace programmes were postponed in order to settle technical issues. This was the case for the Boeing 787 and the Airbus A400M military transport aircraft. Moreover, the strike at Boeing in September and October led to the loss of 50 days' production. Finally, the global economic downturn led to a string of ramp-up stoppages, particularly for the Airbus A320. 36 aircraft are now planned per year instead of the initial forecast of 40.

Aubert & Duval's upstream position in the assembly cycle means it has to anticipate production, so the inventory build-up – equivalent to one month's production for the A320 – has to be absorbed. The downturn that began in September did not affect the energy sector. While demand for gas turbines slumped slightly, nuclear electricity programme continue and the activity continued to grow, including at the end of the year. >

NICKEL
MANGANESE
> **ALLOYS**
THREE
LEADING
DIVISIONS



In high speed steels for cutting tools, a slowdown occurred from the end of the first half. Since September, sales have been approximately 25% below normal.

SWIFT REACTIONS BY PRODUCTION SITES

The sudden slowdown in the second half of the year led to immediate measures. By making personnel extremely responsive, the rationalisation of production sites from 2004 to 2007 accelerated the decision-making process. Each unit rolled out organisation in line with the new context by anticipating a reduction in raw material purchases, not renewing temp work contracts and planning stoppages during the end-of-year holidays.

At the same time, as order levels remain sound, major capital expenditure programmes were maintained, totalling 80 M€ in 2008 compared with 54 M€ in 2007. The Erasteel Commentry (France) plant was fitted with a high-performance dust extraction system (cost: 5 M€). In Aubert & Duval's Les Ancizes and Firminy units (France), tap holes

1. High speed steels are Erasteel's speciality.

2. The Les Ancizes site benefited from substantial capital expenditure.

3. The know-how of Aubert & Duval's people is greatly appreciated by customers.

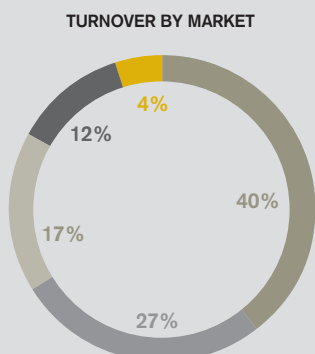
(troughs for ingot moulds where the metal solidifies) are under construction. And additional remelting furnaces were also installed in Les Ancizes (a second melting phase purifies metal by giving it a more compact, homogenous structure). In metal conversion, new furnaces were installed in Les Ancizes, Firminy and Issoire. At Aubert & Duval Issoire (France), a new 3,000-ton press was ordered. With the related furnaces, the project will total 30 M€ and its first phase will be completed in 2010.

NEW BASE IN CHINA

A new site was opened on April 2nd, 2008 in Tianjin, south of Beijing. Dedicated to the production of rectified drawn wire for the Asian tooling market (China, Korea, Taiwan, etc.), it will offer capacity of 2,500 tons per year. In August 2008, the second phase was launched with the production start-up of high speed steel for the working part of bimetallic blades, a growing market (for economic reasons only the cutting edge is made from high speed steel).

KEY FIGURES

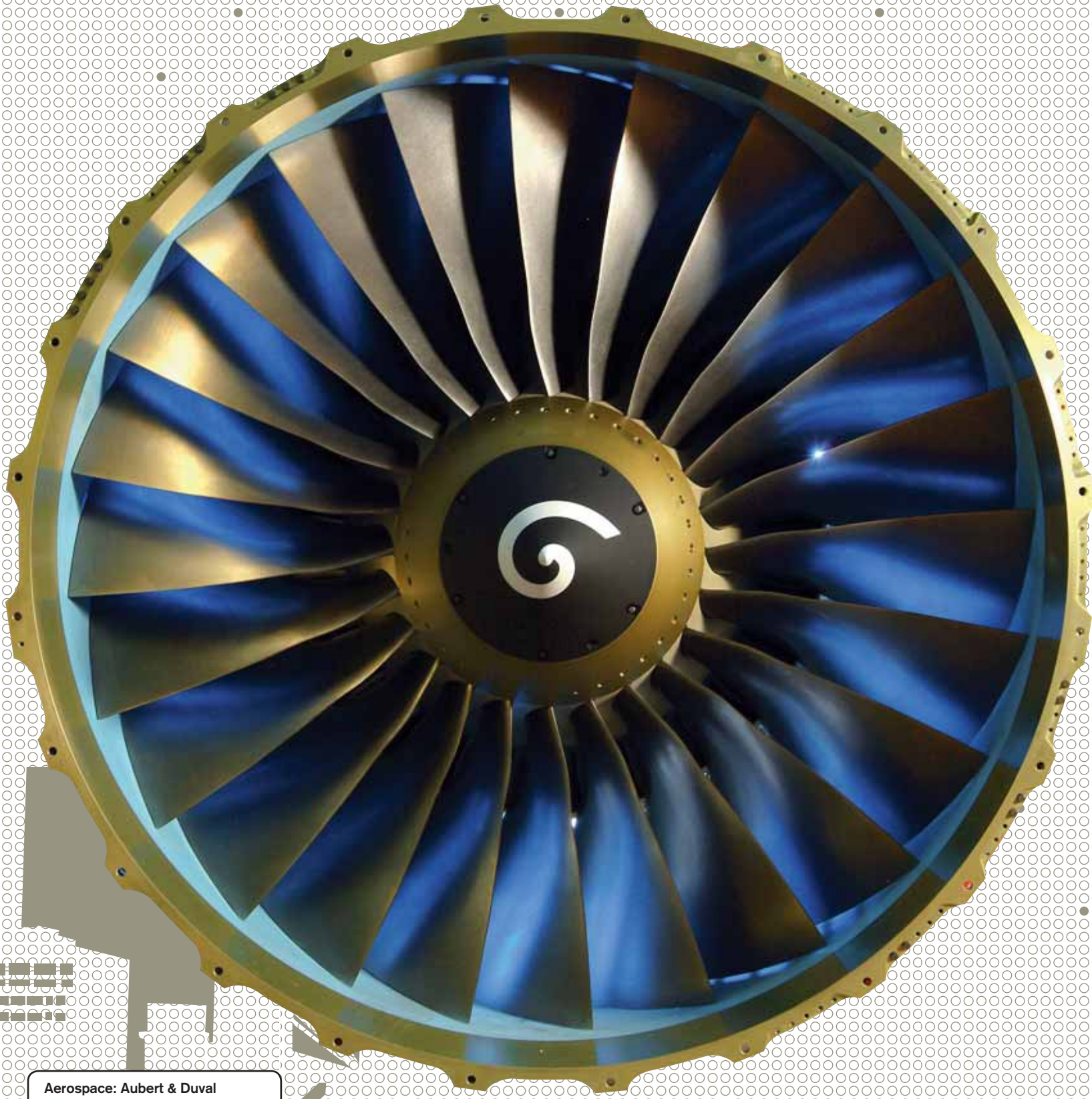
- Aeronautics, space and defence
- Cutting tools, tooling
- Power generation
- Specialties (medical, transport, mechanical construction, etc.)
- Other



(IFRS standards, millions of euros)

	2008	2007
Turnover	1,102	1,033
Current operating income	86	78
Net operating cashflow	90	125
Capital expenditure	83	54
Capital employed	709	687
Average headcount	4,797	4,684

The Alloys division's turnover grew 7% from 2007.



Aerospace: Aubert & Duval produces a full range of structure (e.g. landing gear) and engine parts. A large share of its long steel and high-performance alloy parts and some cast parts for special tooling are also intended for this market.

Power and tooling: Aubert & Duval closed-die forges parts for energy turbines, particularly for nuclear power. Erasteel produces high speed steels for cutting tools (drills, taps, milling cutters, reamers, etc.). Aubert & Duval steels are used for a wide range of tooling (cold working, hot working, plastic injection moulds, etc.).

Automotive sector: some special steels are used in vehicle manufacturing (engine valve steels, etc.). Indirectly, the industry represents a major outlet for cutting tool and tooling products.

ALLOYS APPLICATIONS

NICKEL
MANGANESE
> **ALLOYS**
THREE
LEADING
DIVISIONS

1. 2. Lean Manufacturing
has improved management
and production.



RESEARCH & DEVELOPMENT

NEW LABORATORY, NEW GRADES

To bolster its R&D, Aubert & Duval brought its strengths together in two laboratories in Les Ancizes and Pamiers (France). For high speed steels, Erasteel has a laboratory in Söderfors (Sweden) that works with ERAMET Research. Through its aircraft engine contracts, the division takes part in major development programmes, including TREN 900 and GP 7200 for the A380, TREN 1000 and GE nx-1B and 2B for the Boeing 787 and TREN XWB for the A350. Aubert & Duval regularly creates new grades such as MLX 19 very high performance, anti-corrosion steel for Messier-Dowty landing gear and extremely strong ML 1014 for turbine shafts. It also contributes to alloy developments alongside its customers, e.g. superalloy ARA 725 for gas turbines and the more lightweight Al-Li (aluminium and lithium) alloy for the A350 with Alcan and Airbus.

and the base, which is not subject to heating, is in conventional steel).

In another area, an ERP (Enterprise Resources Planning) system was rolled out on Erasteel's three Swedish sites. The high-performance tool, designed to improve activity management and tracking, will be extended to the Commentry plant in 2009.

ELIMINATING ANYTHING WORTHLESS

Another highlight of the year was the rollout of Lean management projects. The goal of the process is to grasp a sector of activity as a whole in order to think collectively about how to simplify its production and flows. In other words, remove anything that adds no value. The many benefits include shorter production cycles, higher productivity, lower inventory and more motivated teams. In addition, clearer and less cluttered workshop layouts improve safety and working conditions.

In practical terms, a leader holds a meeting with each team every morning to review what was done the day before and set the schedule for the day ahead. Every operator is encouraged to put forward suggestions, all of which are examined, commented and, as the

case may be, implemented.

From machine locations to modifying habits, the changes lead to improvements that everyone can see. Everything is overhauled and every issue is handled in depth rather than for the short term. The process has been set up in French plants with very positive results and will be rolled out in Sweden and support departments in 2009. ●

THREE QUESTIONS FOR
GEORGES DUVAL
 VICE-CHAIRMAN ERAMET AND DELEGATE
 CHIEF EXECUTIVE OFFICER, ERAMET
 ALLOYS

ERAMET'S VALUES

**TEAMWORK AND DECOM-
 PARTMENTALISATION**

In line with the Leaders process rolled out Group-wide, ERAMET Alloys strives to develop synergy between its teams. As part of that momentum, its managers attended a seminar on March 13th and 14th, 2008 to share, regardless of country, subsidiary or home site, the activity's common issues and goals. Areas of improvement were identified and workshops organised to help managers pool their best practices.



How did your markets evolve in 2008?

The healthy trends earlier in the year gave way to uncertainties in September, as in all our activities. However, for our two main markets the effects are still limited for now. Nuclear plant programmes are maintained and in aeronautics, while traffic has slumped, Airbus and Boeing still have substantial order backlogs. Nonetheless there are still significant risks of cancellations, particularly because of the credit crunch for airlines.

Did you take measures to adapt to this context?

Our production units were quick to react and reduce their workloads and tighten control of their inventory and work in process. But we aim to keep up the capital expenditure programmes either begun or planned in 2008. These programmes will result in the start-up of new industrial facilities in 2009 and 2010. While improving our productivity, they will give us more flexibility, which is an advantage in any economic climate. And they will allow us to take full advantage of the global economic upturn.

Where are those capex programmes carried out?

Both in France and internationally. While we are looking into the possibility of setting up bases in low-cost zones, for machining and some controls, unlike other manufacturers we are investing heavily in France. Which of course has a very positive social and economic impact. Moreover, we're working in close partnership with local authorities on training, housing and recruiting issues (see page 47).

MEN AND WOMEN IN A SAFE ENVIRON- MENT

Carbon footprint and
launch of in-depth work on
sustainable development

Optimising social
programmes, skill
management and profit-
sharing



ISSUES AND PROJECTS

MEN AND WOMEN IN A SAFE ENVIRON- MENT

A year of thought and action



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

Actions on the different aspects of sustainable development (environment, human resources, safety, health, community integration, etc.) were supported in 2008 by reviews and examinations. The goal is continuous improvement, as Catherine Tissot-Colle, Executive Vice-President, Communications & Sustainable Development, and Dominique Franchot, Executive Vice-President, Human Resources, Health & Safety, explain.

What place does sustainable development have in ERAMET's overall strategy?

Catherine Tissot-Colle: A central place in both the facts and our orientations, as the formalisation of the Group's sustainable development strategy shows. After the creation of a dedicated department in 2007, in-depth work on the issue began in 2008. The aim is to specify the main lines of our sustainable development policy so that it is anchored even more firmly in our activities. In addition to a benchmarking study, interviews with ERAMET's top managers and the work of the September management seminar, a collaborative workspace provides for dialogue with personnel on the issue. In parallel, we're working with the statutory auditors on the evolution of our sustainable development reporting. This mobilisation will enable us to identify our issues and action plans more clearly.

Dominique Franchot: In general, environmental, human resources and health & safety issues are factored into every project

in the Group. So both our departments are closely involved in the divisions' developments worldwide. The ERAMET Group is aware of its responsibilities. It strives to promote social, economic and environmental progress, sharing the benefits with employees and local populations. Human Resources is now a global support department, with companies and units calling on HR managers and experts for practical assistance on day-to-day matters and in strategic and organisational thinking.

What are the synergies between your departments?

D. F.: A highlight of 2008 was the leveraging of synergy, not just between our departments but among all support functions. On all issues, ERAMET develops an overarching strategic and operating approach. This growing trend is easy to see in our units, particularly through common actions. An excellent example is the definition in 2008 of a formal audit reference matrix for environmental, health & safety matters with

mixed teams of certified auditors from both departments. This approach even goes beyond support departments with the participation of operating units in our projects – such as when we invited them to define the new audit reference matrix with us.

C. T.-C.: Another example of that synergy is our health approach. The Group's consultant physician, who takes part in site audits, is assigned to both our departments.

What's your assessment of the year's projects?

C. T.-C.: Through its complexity and the mobilisation created, the REACH (Registration, evaluation and authorization of chemicals) project was a highlight of 2008 and will continue to be a core issue in 2009 (see following pages).

Beyond the success of the pre-registration of all our chemicals on November 30th as planned, REACH forms a new language for all the Group's activities. We learnt to speak it in 2008. ERAMET adopted a REACH mindset, consolidating the importance given to our activities' environmental framework.

D. F.: In human resources, the major achievements of the previous years give ERAMET the benefit of comprehensive, effective systems for benefits, skill management and manager development and mobility. Today that enables us to go further. In 2008 we began to extend skill management to supervisors, improved profit-sharing schemes, formalised common rules for monitoring and compensating managers and executives, optimised our recruiting strategy and reenergised relations with leading schools and universities.

How do you integrate operating units into their social environment?

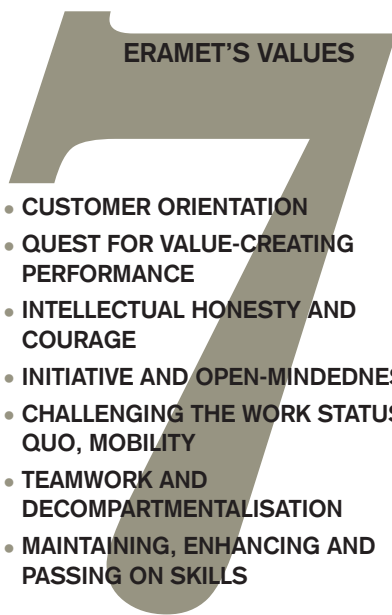
D. F.: As regards compensation, social benefits, safety, working and generally living conditions, we make sure we roll out a common, demanding approach worldwide, while letting companies and units adapt those guidelines to the local context. That ensures great efficiency, of course, but also consistency and fairness as there is a real foundation of shared values.

C. T.-C.: In every region where the Group is based, specific programmes are implemented for the benefit of stakeholders, particularly local populations. These programmes concern information on our activities, the involvement of local authorities and elected representatives in our development projects, training and education actions for children and young people, and mobilisation on major health and safety issues such as AIDS. ERAMET is also very active

on international, European and French trade organisations that aim to conduct major scientific studies on the impact of metals and their compounds*.

* In 2008 Catherine Tissot-Colle was elected Vice-Chairman of the European organisation Eurométaux and Chairman of Fedem, the French metals federation.

Dominique Franchot
Vice-President, Human Resources,
Health & Safety



ENVIRONMENT

MEN AND
WOMEN
IN A SAFE
ENVIRON-
MENT

Mobilisation around REACH and major projects

The Grenoble, France site was certified ISO 14001 and OHSAS 18001 in 2008.

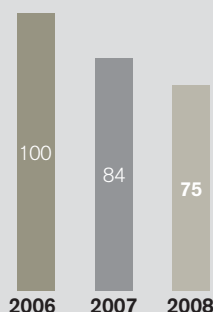


Across the Group, ERAMET's people rallied around REACH, enabling it to mark the first milestone on this complex issue in 2008. Another highlight of the year was further progress on many priority subjects, including ISO 14001 certification, audit policy, site environmental rehabilitation programmes, systematic risk prevention or defining the Group's carbon footprint.

KEY FIGURES

25%
CUT IN DUST
EMISSIONS
SINCE 2006

CHANGE IN TOTAL AIR EMISSIONS OF DUST (%)



The amount of dust released into the air has decreased substantially since 2006. This achievement results from the Group's determination to reduce emissions through extensive capital expenditure, including the installation of dust removal systems.

Launched in 2007, the work on REACH European regulations was again a major project in 2008. In addition to employees in the communications and sustainable development departments, many of the Group's teams mobilised around a REACH Manager in each division, including buyers and sales staff, plant representatives, logisticians and legal specialists. REACH obliges industrial companies to appraise all the chemical substances (including metals) and their compounds and uses that enter into their processes and marketed products, as well as their impacts.

GROUP MOBILISATION AROUND REACH

The full, complex survey of those substances led to their timely pre-registration on November 30th, 2008. To achieve that result, a specific mechanism was set up with division and Group steering committees and dedicated personnel. More than just organisation, REACH represents in-depth mobilisation by the company that brings out new synergies (see Catherine Tissot-Colle's remarks in the interview on pages 34 & 35).

In parallel, the consortia that allow producers of the same substance to conduct their studies and tests together began their work. Because of the diversity of its activities, ERAMET entered into seven consortium contracts and may join others. These agreements result from tricky negotiations, given the fragmented market in terms of competition. The consortia must now define how they work in the forums set up under REACH to allow manufacturers to exchange information on their products. Successful pre-registration was a prior condition for benefiting from the REACH timeframe that allows time for definitive registration. The second stage calls for ongoing mobilisation at the highest levels. As the results of the first phase show, this is a vast, gruelling task: the European agency in charge of REACH had expected 300,000-400,000 pre-registrations but received 2 million.

CERTIFICATION SCHEDULE FOR ALL SITES

Beyond legal obligations, ERAMET has its own standards for constantly reducing and controlling its environmental impacts. The Group has defined a timeframe for all its sites to prepare for ISO 14001 certification by 2010. In that respect, a highlight of 2008 was the success of the programme at the Eurotungstène Grenoble plant (France). The

Seveso-classified, metal powder production site was certified for both ISO 14001 and OHSAS 18001 for health, working conditions and safety.

As regards risk management, a new approach was formalised. The previously separate audit matrices for the environment, health and safety were amalgamated into a single framework. The new, more efficient yet extremely flexible matrix allows for audits that cover all three aspects or are specific to one of them. Line managers took part in its definition. The first tests, carried out in November at Tertre, (Belgium – manganese chemistry) and Setrag (Gabon – operating company for the Transgabonais railway, to which the ERAMET Comilog subsidiary has the concession), proved the new tool's effectiveness. >



R&D AND SUSTAINABLE DEVELOPMENT
GLOBAL COVERAGE FOR ERAGREEN

The Group's environmental information system has been in operation on some sites since 2006 and has now been rolled out worldwide, including China. Eragreen makes reporting data and sharing experience easier. In every country, its setup was supported by a formalised procedure for environmental management in line with the Group's guidelines, especially its environmental charter.

ENVIRONMENT

MEN AND WOMEN IN A SAFE ENVIRON- MENT

SITES' INVOLVEMENT IN AUDIT PROGRAMMES

To make units even more part of the process, audit teams include their representatives as well as members of central support departments. This involvement fosters the sharing of experience between line teams.

After each audit, the unit receives immediate feedback and is asked to launch a relevant action plan that is validated and monitored by the audit team. Each site is audited every two or three years. In addition, inspections are carried out under the insurance programme, to which an environmental part was added in 2008. The new policy provides for coverage in the event of accidental pollution, provided, of course, that every measure is taken to reduce risks to a minimum. In addition to payment of damages, the contact provides for the immediate

implementation of practical measures to limit the incident's effects, for example setting up a dam to stem effluent.

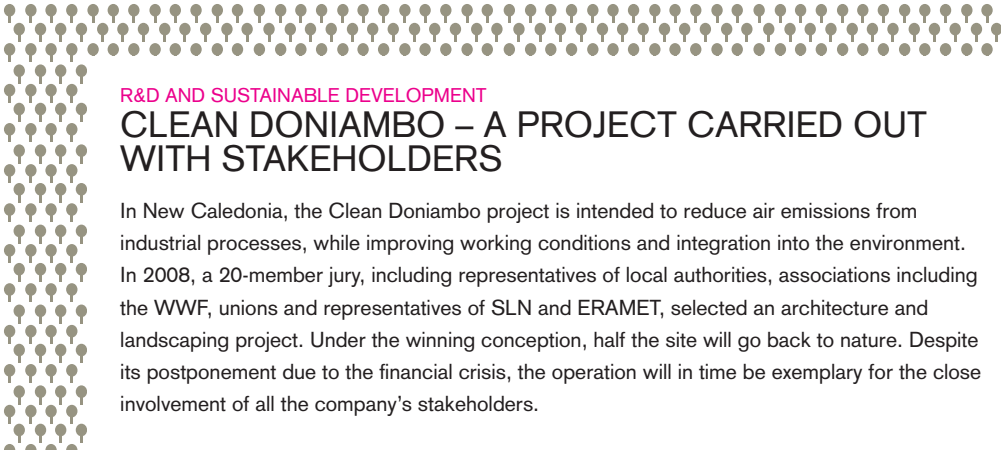
TRANSPARENCY, DIALOGUE AND ACTION WITH LOCAL AUTHORITIES

This risk prevention also covers legal and administrative aspects. The "zero lawsuits" programme halved disputes in 2007 and kept them very low in 2008. The operation is above all designed to encourage plants to focus more on the operating permits. The aim is not only to eliminate lawsuits, orders to comply and criminal proceedings by authorities due to operations' failings with respect to permits, but also to promote transparent, effective dialogue with the relevant authorities in a spirit of cooperation and action in order to solve some of the more difficult cases, particularly when heavy capital expenditure proves necessary. ●

ERAMET'S VALUES

INTELLECTUAL HONESTY AND COURAGE

A carbon footprint for self-knowledge. The carbon issue will lead to more and more constraints on any human activity. ERAMET decided to assess its own carbon footprint in advance of future regulatory or ethical constraints. The aim is to have a comprehensive picture of all its activities with a physical rather than economic indicator: greenhouse gases. The study was conducted in 2008 and the findings will be published in early 2009. It will enable the Group to take relevant actions to make further progress on protecting the environment.



R&D AND SUSTAINABLE DEVELOPMENT

CLEAN DONIAMBO – A PROJECT CARRIED OUT WITH STAKEHOLDERS

In New Caledonia, the Clean Doniambo project is intended to reduce air emissions from industrial processes, while improving working conditions and integration into the environment. In 2008, a 20-member jury, including representatives of local authorities, associations including the WWF, unions and representatives of SLN and ERAMET, selected an architecture and landscaping project. Under the winning conception, half the site will go back to nature. Despite its postponement due to the financial crisis, the operation will in time be exemplary for the close involvement of all the company's stakeholders.

90%

RECYCLED METAL

The Group's four steelworks (Les Ancizes, Firminy and Commentry in France, Söderfors in Sweden) use more than 90% recycled metal, including approximately 40% from internal sources.



French architect Rudy Ricciotti won the international competition initiated by SLN for the redesign of the Doniambo site in Nouméa, New Caledonia.

HEALTH & SAFETY

MEN AND
WOMEN
IN A SAFE
ENVIRON-
MENT

Greater vigilance on safety

Working with fire calls for high-performance protective gear.



The workplace accident rate at ERAMET has been divided by four in recent years, reflecting the effectiveness of the group's safety policy. However, the accidents in 2008 are a reminder that mobilisation has to be sustained at all times. Beyond expenditure on equipment, formalising procedures, tightening audits and stepping up training, safety depends on every individual's commitment.

SAFETY

ACTION PLANS UNDER AUDITORS' SCRUTINY

In 2008, 19 sites – or departments on the same scale – were audited. The inspections, conducted by a team of 26 auditors, included the examination of the annual safety action plan. The audit teams checked that corrective actions had been taken to address any variances observed in the previous audit two years before. The V3 audit framework drawn up jointly by the H&S department and communications & sustainable development teams in 2008 was tested in the first three audits of the year, confirming its efficiency.

ERAMET's activities are labour-intensive and often carried out in an environment with safety risks: machines, moving equipment, extreme heat, corrosive substances, vapours, etc. To reduce those risks, substantial capital expenditure has been committed in recent years. The Group has invested not only in equipment but also in the setup of procedures to guarantee maximum safety for employees.

FIGHTING BAD HABITS

The Group-wide grief caused by the five fatal accidents in the first half of 2008 was a dramatic reminder that nothing can ever be taken for granted when it comes to safety. Analysis of the five accidents, of which two concerned the rail transport activity and one was an internal road traffic incident, brought out failings in terms of analysis and individual behaviour in response to work situations. The behaviour in question proved fatal, despite the experience and professionalism of the people involved. More generally, the great majority of accidents are caused by behavioural problems. However appropriate procedures and standards are, the great danger lies in habits and reflexive reactions without analysing a situation. Hence the health & safety department's constant will to reenergise its action programmes

IMPROVED FREQUENCY RATE

The safety policy implemented in the Group is particularly stringent, especially as regards the systematic analysis of risks and scrupulous compliance with the rules set down in standards.

This is reflected in conclusive results, as seen in trends in lost-time frequency (i.e. accidents per million hours worked). The rate decreased from 20.7 in 2002 to 6.9 in 2006 then 5.2 in 2007 and 2008. This very significant improvement, even if the figures stood still in 2008, reflects the quality of prevention programmes.

TOWARDS SAFETY MANAGEMENT

The 2008 accident immediately led the Group to step up the process. Preventive risk analyses were intensified and management involvement was emphasised. Managers need to mobilise their teams more to ensure commitment from all personnel. Safety is largely down to nearby management. On every level and in all teams, this has to be grasped as a priority. The key preventive role of health, safety & working conditions committees was confirmed at the second meeting of their secretaries from France, Belgium and New Caledonia in Tertre, Belgium on October 14th, 2008. In practical terms, safety management is strengthened by developing training and information with video sessions, regular meetings on precise points, clear, widely disseminated instructions and dialogue. This is reflected in regular reminders of the overriding importance of everyone's compliance with safety rules and procedures. •



Safety awareness campaign on the Marietta site (Ohio, USA).



The Group's health, safety & environment specialists focused on common issues for two days.

SAFETY
A GROUP-WIDE MOMENTUM

Safety facilitation has to be kept up at all times to prevent bad habits from forming. The health & safety club plays an important part at ERAMET by fostering the sharing of best practices. On September 23rd-25th, 2008, health & safety facilitators from every ERAMET site on five continents met in Grenoble, France. Almost 500 people addressed common issues to identify the most relevant behaviour and action in each situation.

HUMAN RESOURCES

MEN AND
WOMEN
IN A SAFE
ENVIRON-
MENT

Higher social standards and reliability

Some of the participants in the renovation of an electric furnace at the Nouméa, New Caledonia plant.



The many projects led in 2008 by ERAMET's Human Resources department – enhancement of manager and supervisor development, improvements to profit-sharing, a dynamic salary policy, a focus on training and mobility and active recruitment – contributed to the Group's consistency, performance and social reliability.

HUMAN RESOURCES
A DYNAMIC RECRUITMENT POLICY

In 2008, ERAMET's recruitment policy was particularly dynamic. More than 160 managers joined the Group, bringing the total to approximately 1,500. The difficulty of finding profiles that perfectly match ERAMET's activities led the Group to review its recruitment strategy. At ERAMET Research, the Group's R&D centre in Trappes, near Paris, the managers and technicians workforce increased 31% from 80 to 105 in 2008. Managers at ERAMET Research are mostly recruited upon graduation from leading, often world-class, schools and universities, with additional practical training provided in the company.

The maturity of the mechanisms, tools and methods available to ERAMET Human Resources enable them to raise standards with a focus on the Group's social reliability. As regards general management, norms and arrangements for compensation, bonuses, setting and tracking objectives and executive career management (corporate officers and others) were formalised, as was employee mobility management. In line with the most demanding principles applied in this field today, this action was carried out with a concern for consistency, transparency, traceability and performance.

MANAGING POTENTIAL AND SUPPORTING SUPERVISORS

As part of the Leaders process, ERAMET set up "Technical Leadership", an extremely efficient tool covering all the Group's managers. The approach is disciplined and systematic. Dedicated to the development and transmission of know-how and skills, it facilitates potential management as well as recruitment targeting, a valuable advantage in periods of economic difficulty. In 2008, management development tools were extended to supervisors and foremen. As many of them are retiring, professions are more and more technical and engineers are more and more occupied by strategic thinking, the supervisor's role is increasingly important. As local line managers, they have to manage work organisation and any conflicts and make the right decisions in degraded operating mode. To address those issues, ERAMET launched a project that was first rolled out in New Caledonia this year. The aim is to provide supervisors with all the support they need.

PROFIT-SHARING INCREASED TO 15%

The Group's social reliability also entails developing programmes for social protection – current schemes provide very broad coverage – and motivation. A highlight of 2008 as regards motivation was the

renegotiation of all profit-sharing schemes in France. Only half of them had to be re-examined during the year, but it was decided to adjust them all upwards. The profit-sharing ceiling was increased from 12% to 15%. Before the law was passed giving tax incentives in the event ceilings are exceeded, supplementary profit-sharing and an exceptional top-up with respect to the outstanding results in 2007 were also granted.

Virtually all trade unions signed those agreements and amendments. The progress of negotiations once again reflected the quality of industrial dialogue in the Group. More generally, unions are involved in the HR Department's thinking on social issues. Furthermore, the Department organises objective training on social protection, pensions, welfare insurance and collective savings plans, as well as on field actions such as site audits.

PASSING THROUGH COLLECTIVE SUCCESS

Salary policy drew on the year's very good results through the implementation of significant growth in spending power. The good profit-sharing scores indexed on performance and results substantially enhanced compensation policy. The budget for professional training averaged more than 5% of the total salary bill in 2008, whereas the legal obligation in France is 1.10%. Programmes accompanied the many capital expenditure projects carried out on every continent. Supported by annual performance appraisals in particular, they are becoming standard practice worldwide. As at the end of 2008, more than 60% of employees benefited from the programmes, including foremen and operators on some sites.

A NEW MOMENTUM FOR LEADERS

The Leaders programme was rolled out worldwide in 2007. Based on sharing ERAMET's seven values, it aims to enable everyone to act responsibly and make a greater contribution to collective performance. A project inventory drawn up in 2008 at the request of the Leaders Steering Committee showed >

ERAMET'S VALUES

CHALLENGING THE WORK STATUS QUO, MOBILITY

Rules for mobility.

Within Group companies and between divisions, the HR department supports employees who have opted to change countries. In-depth work is being done to harmonise practices on compensation packages and support measures for international mobility. For example, the HR department is setting up specific procedures such as a comprehensive medical check-up for the employee and his/her family or intercultural training in some countries.

HUMAN RESOURCES

MEN AND WOMEN IN A SAFE ENVIRONMENT

Professional training represents more than 5% of the Group's salary bill.



significant progress in key areas, as seen in the actions rewarded under the Initiative Challenge (see opposite). 96% of the 50 units surveyed reported one or more Leaders projects in their scope. More generally, ERAMET's values are now known and shared by all employees.

While Leaders has become a benchmark for the Group's teams, the process has been made clearer for the sake of efficiency. Four orientations, centred on the seven values, have been defined.

- Knowledge Management: harmoniously conserving, developing and passing on the Group's knowledge;
- Best Practices of ERAMET: sharing best practices in order to enrich them;
- Initiative Challenge: a demonstration of teams' vitality, worldwide;
- Continuation of local projects, facilitated by divisions and monitored by the Steering Committee. •

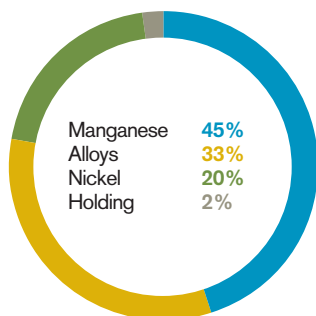
ERAMET'S VALUES

INITIATIVE AND OPEN-MINDEDNESS

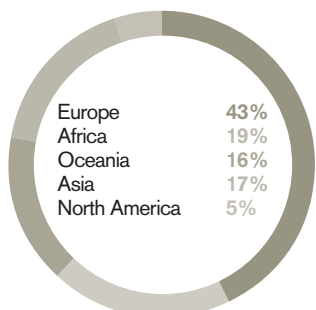
Fostering initiative.

The Initiative Challenge encourages employees to put forward and implement their value-creating initiatives. For 2007, more than 150 actions were selected locally, with the winners awarded their trophy at a ceremony in 2008. The successful projects – replacing a rotary converter in Commentry, France, cathode cost reduction in China, changing fume hood doors in New Caledonia, reducing oil waste in Issoire, France, defining a mining test in Indonesia, creating an HR Dept. charter in Gabon, setting up an assistants' forum in Paris – all attest to the innovation capability of the Group's people.

EMPLOYEES BY DIVISION AT YEAR-END 2008



EMPLOYEES BY GEOGRAPHIC ZONE AT YEAR-END 2008



16,000 people



The Nickel division's workforce is shared between New Caledonia, France and Indonesia.

COMMUNITY INTEGRATION

MEN AND
WOMEN
IN A SAFE
ENVIRON-
MENT


Active participation in local life

1. The Gamma programme contributes to the fight against AIDS in Gabon.

2. Eramet sponsored the "Terre de Corail" exhibition.

In every region where it is based, ERAMET forges close links with neighbouring communities. Beyond the positive economic and social impact of its activities, it seeks to involve public authorities and local populations in its development projects through their representatives. The Group plays an active part in local life, particularly by commitments to education, culture and health.

The integration of the Group's subsidiaries into their host country is facilitated through common interests. The provinces of New Caledonia hold a 34% interest, through STCPI, in ERAMET's local subsidiary SLN. Because of the opening of the Tiébaghi ore beneficiation plant, the SLN Board of Directors meeting on November 20th, 2008 was held at Koumac town hall in the Northern Province. This was an opportunity for Patrick Buffet to present his proposal for new governance of the subsidiary to involve STCPI more. This development should strengthen the Group's bonds with its New Caledonian partners.



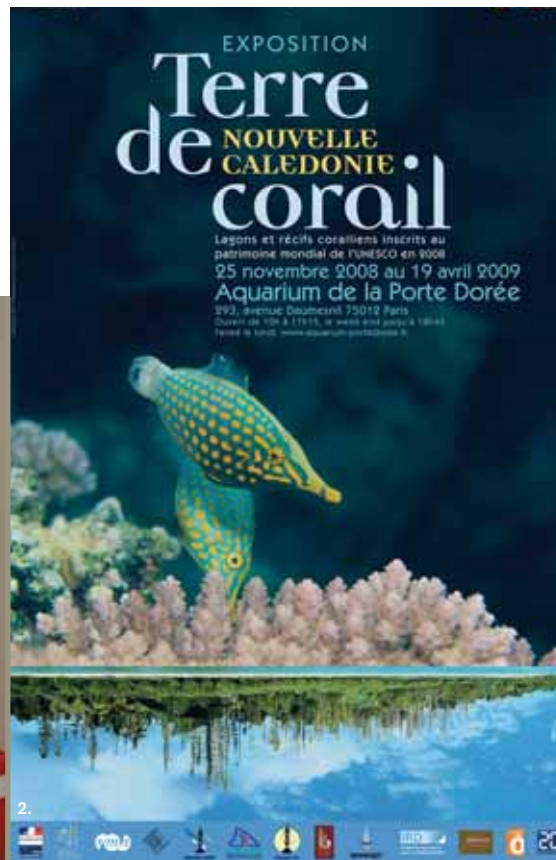
LOCAL DEVELOPMENT
ERAMET'S COMMITMENTS IN NORWAY

In Sauda, ERAMET Norway gives time to the local committees that support innovation and industrial development. The company is also on the boards of the industrial development society and a local training firm.

ERAMET Norway sponsors education through a primary school maths programme and buys scientific equipment for the high school. It also helps to fund regional water and air quality monitoring and is a member of regional and national energy committees.



1.



2.

GAMMA MOBILISATION CONTINUES IN GABON

The Gabonese state holds 25% of Comilog, an ERAMET subsidiary specialising in manganese. On behalf of public authorities, Comilog also manages the railway. The improved reliability of the Transgabonais service makes a significant contribution to the country's social and economic development.

Also in Gabon, ERAMET is committed to the Gamma campaign on AIDS, in liaison with the country's health authorities. After the success of voluntary anonymous screening campaigns (more than two-thirds of employees took part), distribution of condoms to employees and their families continued, with more than 45,000 given out. HIV-positive individuals are given relevant healthcare and their workstation is adapted as needed.

Another action is the broadcasting every other Friday evening of a programme with an AIDS-related theme on Radio Moanda.

At the start of the new school year, a meeting organised with parents of pupils in the final six classes at Henry Sylvoz high school helped to raise awareness. The aim was to encourage parents to talk to their children about the disease. Several other operations were carried out, including the launch of a newsletter, a games stand at the Sainte-Barbe fete on December 4th and a "Gamma minute" providing recurrent information on the workplace. All these initiatives are supported by a civil volunteer dedicated to the programme.

DISCUSSIONS AND ACTIONS WITH LOCAL AUTHORITIES

ERAMET also strives to build relations with local populations in Europe, by working closely with elected representatives. In France, almost 40 mayors accepted an invitation from Les Ancizes (Aubert & Duval) management to review ongoing developments and future projects in November 2008. More generally, ERAMET Alloys forges partnerships with local authorities on all levels to carry out initiatives in training and recruitment, but also public transport and housing. In that area, the accommodation owned by the company is to be transferred to the relevant public services for conversion to social housing. ●

SPONSORING SUPPORTING THE LAPÉROUSE EXPEDITION 2008

In the first action of the kind for the Group, ERAMET sponsored the Lapérouse 2008 operation. Under the patronage of the President of France and with the support of several ministries, the expedition explored the wrecks of the *Astrolabe* and the *Boussole*, two ships that vanished at sea in the Solomon Islands in the late 18th century. The aim was to clear up the mystery of the shipwreck, from which survivors escaped to Vanikoro island. ERAMET is funding Yves Bourgeois' film of the expedition, which will be aired in 2009 in "Thalassa" on France 3 and on France 5 and RFO. The Group opted for this operation because of its historical roots in the South Pacific, but also because the expedition's values are close to its own and the image it seeks to convey: innovation, a taste for challenge, perseverance, team spirit and adventure, etc.

FINANCIAL STATEMENTS

Turnover up 15% to €4.3 billion in 2008

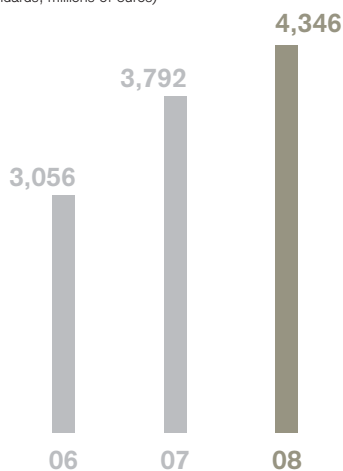
Consolidated net cash up 19% to €1.1 billion



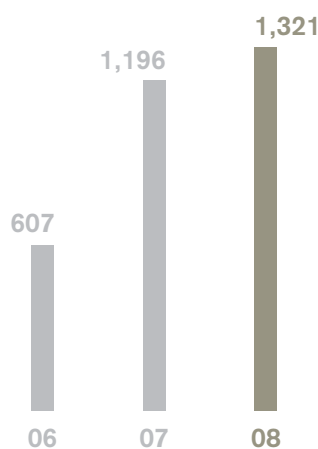
FINANCIAL
STATEMENTS

Consolidated financial statements

(IFRS standards, millions of euros)



TURNOVER



CURRENT OPERATING INCOME

INCOME STATEMENT

TURNOVER

The Group's consolidated turnover totalled €4,346 million, up 15% from €3,792 million in 2007.

This €554 million increase is mainly due to the rise in manganese prices and takes into account the integration of Tinfos (excluding trading activities, recorded as assets to be divested) as from August 1st, 2008 (€159 million).

On the other hand, ERAMET Nickel's sale prices, allowing for the effect of nickel hedging, averaged 10.2 \$/Lb (22,440 \$/t) compared with 13 \$/Lb (28,600 \$/t) in 2007.

CURRENT OPERATING INCOME

Current operating income totalled €1,321 million, compared with €1,196 million in 2007. The current operating margin worked out at 30%, down slightly from the previous year (32%).

The €125 million increase in current operating income, which includes €62 million for Tinfos, mainly results from:

- a positive sales price effect of €717 million, of which – €260 million for ERAMET Nickel, €945 million for ERAMET Manganese and €32 million for ERAMET Alloys;
- a negative volume effect of €82 million, chiefly due to lower sales at ERAMET Manganese in the 4th quarter of 2008;
- a sharp rise in costs (fuel oil, freight, coal, alloy raw materials, etc.) recorded in all three divisions for €308 million;

- the negative impact on activity and productivity (€196 million) of the production decreases in the last quarter and non-recurrent events such as the renovation of a furnace at SLN and extreme weather in New Caledonia in the first half;
- the decrease in the \$/€ rate (€68 million): 1.4350 \$/€ vs. 1.3170 in 2007, after hedging.

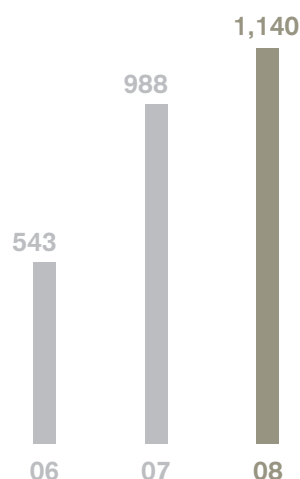
OPERATING INCOME

Operating income totalled €1,243 million, up from €1,139 million in 2007. It takes into account a €78 million deduction for other operating income and expense, which mainly covers the effect of asset depreciations for €48 million (of which €41 million for impairment tests), consideration for the revaluation of Tinfos' finished product inventory for €16 million, and €14 million in expense with respect to the adaptation of the supplementary pension scheme.

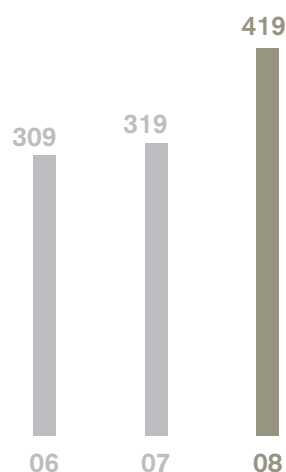
NET INCOME

Net income amounted to €855 million, compared with €814 million in 2007, after allowance for:

- positive net debt cost for €34 million, resulting from cash invested on the market;
- other financial income and expense, which represent expense of €75 million, of which chiefly €35 million in negative exchange effects, €25 million in negative valuation of financial instruments not qualified as hedging and €10 million in accretion expense;
- income tax of €347 million, i.e. an effective rate of 29% compared with 30% in 2007. ERAMET still benefits from a favourable tax rate because of



OPERATING CASH FLOW



CAPITAL EXPENDITURE

the applicable rate in Norway (28%) and the use of deficits not previously written down at ERAMET Manganese.

NET INCOME, GROUP SHARE

The Group's share of net income totalled €694 million compared with €582 million, after €161 million in minority interests.

FINANCING ⁽¹⁾

The Group's net cash ⁽²⁾ amounted to €1,133 million as on December 31st, 2008, compared with €954 million as at year-end 2007. This improvement results from the following flows in particular:

- €1,140 million in net cash flow from operating activities (€988 million in 2007);
- -€809 million net cash used in investing activities, of which €419 million in capital expenditure and €400 million in financial investments, mainly with respect to the acquisition of Tinfos (including acquisition expenses);
- -€86 million net cash used in financing activities, of which chiefly €154 million in dividends paid to ERAMET shareholders and €51 million to minority shareholders of consolidated companies and €114 million in capital increase in consideration for part of the acquisition of Tinfos.

CONSOLIDATED BALANCE SHEET

The Group's consolidated balance sheet assets as on December 31st, 2008 totalled €5,969 million, as against €4,874 million on the same date in 2007. Working capital requirements totalled €823 million, compared with €781 million as on December 31st, 2007 (including Tinfos' working capital requirements for €121 million), i.e. a decrease excluding Tinfos, reflecting the Group's efforts to control working capital and an increase in the tax debt.

Shareholders' equity, including minority interests, rose sharply from €3,035 million at year-end 2007 to €3,732 million as on December 31st, 2008.

(1) Cash flow statement

(2) Net cash is made up of cash and cash equivalents, and of other financial assets minus borrowings at less than one year. Bonds previously recorded under "Cash and cash equivalents" were reclassified under "Other current financial assets" for €144 million as on December 31st, 2007 and €103 million as on December 31st, 2006. The balance sheets and cash flow statements for financial 2007 and 2006 were reprocessed to allow for these changes.

FINANCIAL
STATEMENTS

Balance sheet

(IFRS standards, millions of euros)

	2008	2007
Assets		
Goodwill	263	33
Intangible assets	345	309
Property, plant and equipment	1,763	1,505
Equity accounted companies	-	1
Other non-current financial assets	137	61
Deferred tax	32	13
Other fixed assets	6	6
Total fixed assets	2,546	1,928
Inventories	1,242	905
Trade receivables	597	675
Tax receivables	141	131
Financial derivatives	111	129
Other current financial assets	388	144
Cash and cash equivalents	944	962
Total current assets	3,423	2,946
Total assets	5,969	4,874
Shareholders' equity and liabilities		
Share capital	80	79
Share premiums	345	223
Reserves	1,674	1,340
Translation adjustments	(132)	(30)
Net (loss) income	694	582
	2,661	2,194
Minority interests	1,071	841
Shareholders' equity	3,732	3,035
Personnel commitments	121	112
Provisions	271	255
Deferred tax	240	246
Borrowings – long-term portion	92	65
Other non-current liabilities	22	30
Total non-current liabilities	746	708
Provisions – short-term portion	32	31
Borrowings – short-term portion	107	87
Current trade payables	907	656
Tax payables	287	276
Financial derivatives	158	81
Total current liabilities	1,491	1,131
Total shareholders' equity and liabilities	5,969	4,874

Income statement

(IFRS standards, millions of euros)

	2008	2007
Turnover	4,346	3,792
Other income	126	62
Cost of products sold	(2,768)	(2,318)
Administrative & selling costs	(141)	(126)
Research & development expenditure	(58)	(37)
EBITDA	1,505	1,373
Fixed asset amortisation and depreciation	(186)	(171)
Depreciation expense, provisions	2	(6)
Current operating income	1,321	1,196
Other operating income and expense	(78)	(57)
Operating income	1,243	1,139
Net cost of debt	34	19
Other financial income and expense	(75)	6
Share in earnings of affiliates	-	-
Income tax	(347)	(350)
Net income	855	814
- minority interests	161	232
- Group share	694	582
Net (loss) income per share (EUR)	27.03	22.67
Net (loss) income per share fully diluted (EUR)	26.96	22.54

Cash flow statement

(IFRS standards, millions of euros)

	2008	2007
Operating activities		
EBITDA	1,505	1,373
Elimination of non-cash or non-business items	(395)	(344)
Cash flow	1,110	1,029
Net change in operating assets and liabilities	30	(41)
Net cash flow from operating activities	1,140	988
Investing activities		
Capital expenditure	(419)	(319)
Financial investments	(425)	7
Disposals of long-term assets	11	8
Investment subsidies received	-	-
Changes in accounts payable and liabilities on long-term assets	(4)	4
Consolidation adjustments and financial loans	27	4
Dividends from equity accounted companies	1	1
Net cash flow used in investing activities	(809)	(295)
Financing activities		
Dividends paid	(205)	(107)
Share capital increases	119	1
Net change in working capital with respect to financing activities	-	(1)
Net cash flow used in financing activities	(86)	(107)
Currency translation adjustments	(66)	15
Increase (decrease) in net cash position	179	601
Opening cash (debt) balance	954	353
Closing cash (debt) balance	1,133	954

Changes in shareholders' equity

(IFRS standards, millions of euros)

	Number of shares	Share capital	Premiums	Reserves	Translation	Net income	Total Group share	Minority interests	Total
Shareholders' equity as on December 31st, 2006	25,880,894	79	222	999	(5)	319	1,614	525	2,139
Allocation to reserves	-	-	-	319	-	(319)	-	-	-
Dividends paid	-	-	-	(74)	-	-	(74)	(33)	(107)
Share capital increases	24,727	-	1	-	-	-	1	-	1
Purchase of treasury shares	-	-	-	(49)	-	-	(49)	-	(49)
Payments in shares	-	-	-	2	-	-	2	-	2
Other adjustments	-	-	-	3	(3)	-	-	45	45
Translation adjustments	-	-	-	-	(22)	-	(22)	(6)	(28)
Change in financial instrument reappraisal reserve – IAS 32 & 39	-	-	-	140	-	-	140	78	218
Change in fair value of assets	-	-	-	-	-	-	-	-	-
Total income and expense for the year recorded as shareholders' equity	-	-	-	140	(22)	-	118	72	190
Net (loss) income	-	-	-	-	-	582	582	232	814
Shareholders' equity as on December 31st, 2007	25,905,621	79	223	1,340	(30)	582	2,194	841	3,035
Allocation to reserves	-	-	-	582	-	(582)	-	-	-
Dividends paid	-	-	-	(154)	-	-	(154)	(51)	(205)
Share capital increases	309,610	1	122	(5)	-	-	118	1	119
Purchase of treasury shares	-	-	-	(10)	-	-	(10)	-	(10)
Payments in shares	-	-	-	2	-	-	2	-	2
Other adjustments	-	-	-	(1)	-	-	(1)	136	135
Translation adjustments	-	-	-	-	(102)	-	(102)	(21)	(123)
Change in financial instrument reappraisal reserve – IAS 32 & 39	-	-	-	(72)	-	-	(72)	4	(68)
Change in fair value of assets	-	-	-	(8)	-	-	(8)	-	(8)
Total income and expense for the year recorded as shareholders' equity	-	-	-	(80)	(102)	-	(182)	(17)	(199)
Net (loss) income	-	-	-	-	-	694	694	161	855
Shareholders' equity as on December 31st, 2008	26,215,231	80	345	1,674	(132)	694	2,661	1,071	3,732

Glossary

PROCESSES

Alloy metallurgy

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

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

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

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

Closed-die forging

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

Forging

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

Hydrometallurgy

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

Ore beneficiation

Used by Le Nickel-SLN and Comilog, this innovative technology sorts particles by size and density to improve ore grade in order to use a larger share of a deposit and so extend the lifespan of reserves.

Press

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

Pyrometallurgy

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

Rolling

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

PRODUCTS

Alloys

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

Cobalt and tungsten powders

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

Electrolytic Manganese Dioxide (EMD)

Active agent in alkaline batteries.

Ferroalloys

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

Grades

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

High speed steels

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

Long products

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

Manganese

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

Nickel

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

Superalloys

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



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