

A GROUP IN MOTION TOWARDS HIGHER PERFORMANCES

ANNUAL REPORT 2003

ERAMET



ERAMET

Board of Directors
following the meeting
of March 17th, 2004

**CHAIRMAN AND
CHIEF EXECUTIVE OFFICER**

Jacques Bacardats

DIRECTORS

Rémy Autebert
Cyrille Duval
Edouard Duval
Georges Duval
Vice Chairman
Patrick Duval
Pierre-Noël Giraud
François Henrot
Pascal Lafleur
Jean-Lucien Lamy
Louis Mapou
Jacques Rossignol
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HONORARY CHAIRMAN

Yves Rambaud

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Eramet selected the work of Joe Ginsberg - photographs of metals on a macroscopic scale from *Metal Works* - to illustrate its 2003 Annual Report. Cover and pages 4, 14, 22 and 32.

FRONT-RANK GLOBAL POSITIONS SERVING GROWING MARKETS

A French mining and metallurgical group, Eramet produces and markets non-ferrous metals and their chemical derivatives, alloys and superalloys, and high value-added parts to serve many industrial sectors, including aerospace, mechanical construction, tooling, energy, chemistry, the medical sector and steel and stainless steel production.

With bases in Europe, America, Asia, Africa and Oceania, Eramet consolidates its international scope in line with the worldwide development of its markets. In 2003, the Group achieved over 80% of its sales outside France, with almost one quarter in Asia.

Eramet is active in three businesses:

- **Eramet Alliages** develops and manufactures high-performance alloys;
- **Eramet Manganèse** offers the broadest range of manganese-based products, from ore to chemical derivatives;
- **Eramet Nickel** produces nickel, ferronickel, nickel salts and nickel chlorides.

In these three businesses, Eramet has front-rank positions on markets that show structural growth, despite sharp cycles in some cases. Its strategy is to develop steadily its capacities to support that growth. To do so, Eramet invests in research on new materials and innovative processes. The Group constantly adapts to ensure that its activities are competitive on international markets. In parallel, Eramet implements a socially and environmentally responsible approach and high standards of corporate governance.



“OUR GROUP IS READY TO MEET ITS CHALLENGES AND CONTINUE ITS DEVELOPMENT”

WHAT IS YOUR OVERALL VIEW OF 2003?

The situation the Group faced in 2003 was more difficult than any we had experienced in recent years. It is true that the Nickel Division is benefiting from exceptionally high international prices, thanks to a regular capital investment policy that has enabled us to increase production to meet market needs. However, the other two businesses faced difficulties for different reasons. The Alloys Division had to address the crisis in the aerospace and energy sectors, while the Manganese Division had to adapt its industrial organisation to new market conditions.

INTERVIEW WITH JACQUES BACARDATS

CHAIRMAN & CEO OF THE ERAMET GROUP

HOW DID ERAMET RESPOND TO THIS DIFFICULT SITUATION?

In adverse periods, we have to hold out and make the Group more robust. This involves two key actions: reducing our costs, and continuing to invest in research & development and in the improvement of our industrial capabilities. In that context, we must ensure that each Division is competitive on its markets. We restructured our industrial assets in Manganese, in 2003 and we are continuing to implement a competitiveness improvement plan in Alloys.

The competitiveness of each of our businesses is the critical starting point. We are positioned on markets with structural growth and must be able to respond to rising demand. We invest to increase production capacity accordingly in all our activities. Under this strategy, our financial and industrial rationales form a virtuous circle: the profitability of our activities enables us to generate resources, which in turn safeguard the company's future and fund its growth.

“The profitability of our activities enables us to generate resources which, in turn, fund the company's growth.”

SOME OF YOUR MARKETS ARE IN A CRISIS. HOW DO YOU PLAN TO RETURN TO GROWTH?

Our markets are changing in depth. Many customers in our businesses are leaving the United States and, to a lesser extent, Europe to move to Asia. This shift in demand is gathering speed and represents a structural change that we have to follow. We must also take advantage of this trend to seize growth opportunities in our businesses.

Consequently, in 2003 we developed our bases in China. The Manganese Division has been active there for several years with very satisfactory results. In Alloys, Erasteel will soon be producing high speed steels for tooling in China. The Nickel Division has benefited from this experience by using the Group's Asian sales network to grow its business on the Chinese market.

“The Group's culture has always combined a quest for manufacturing excellence with financial discipline and a sense of responsibility.”

WHAT IS THE GROUP'S OUTLOOK FOR 2004? ARE THE BIGGEST RESTRUCTURING PROJECTS NOW BEHIND YOU?

International markets are fiercely contested in our businesses. We have to sustain our competitiveness and responsiveness. Having said that, the Group's culture has always combined a quest for manufacturing excellence with financial discipline and a sense of responsibility towards our employees and to the regions where we are based. This culture is an integral part of our identity. In carrying out the essential restructuring programmes, we have fostered dialogue with unions and implemented robust, responsible plans that favour internal and external placements.

Similarly, protecting the environment is a crucial objective that cannot be separated from our businesses. We factor it into all our capital expenditure programmes and strive for constant improvement on our mining and manufacturing sites.

We also decided to improve corporate governance and organisational efficiency. This led us not only to promote transparency, but also to review head office organisation and set all our teams to work on ambitious improvement projects and goals to prepare the Group for the challenges we have to meet.

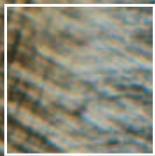
“By leveraging all our energies, we will achieve our ambitions.”

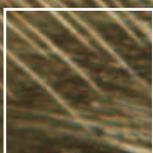
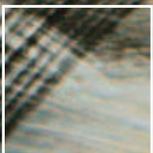
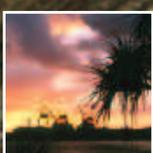
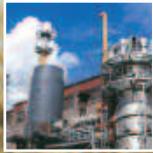
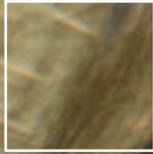
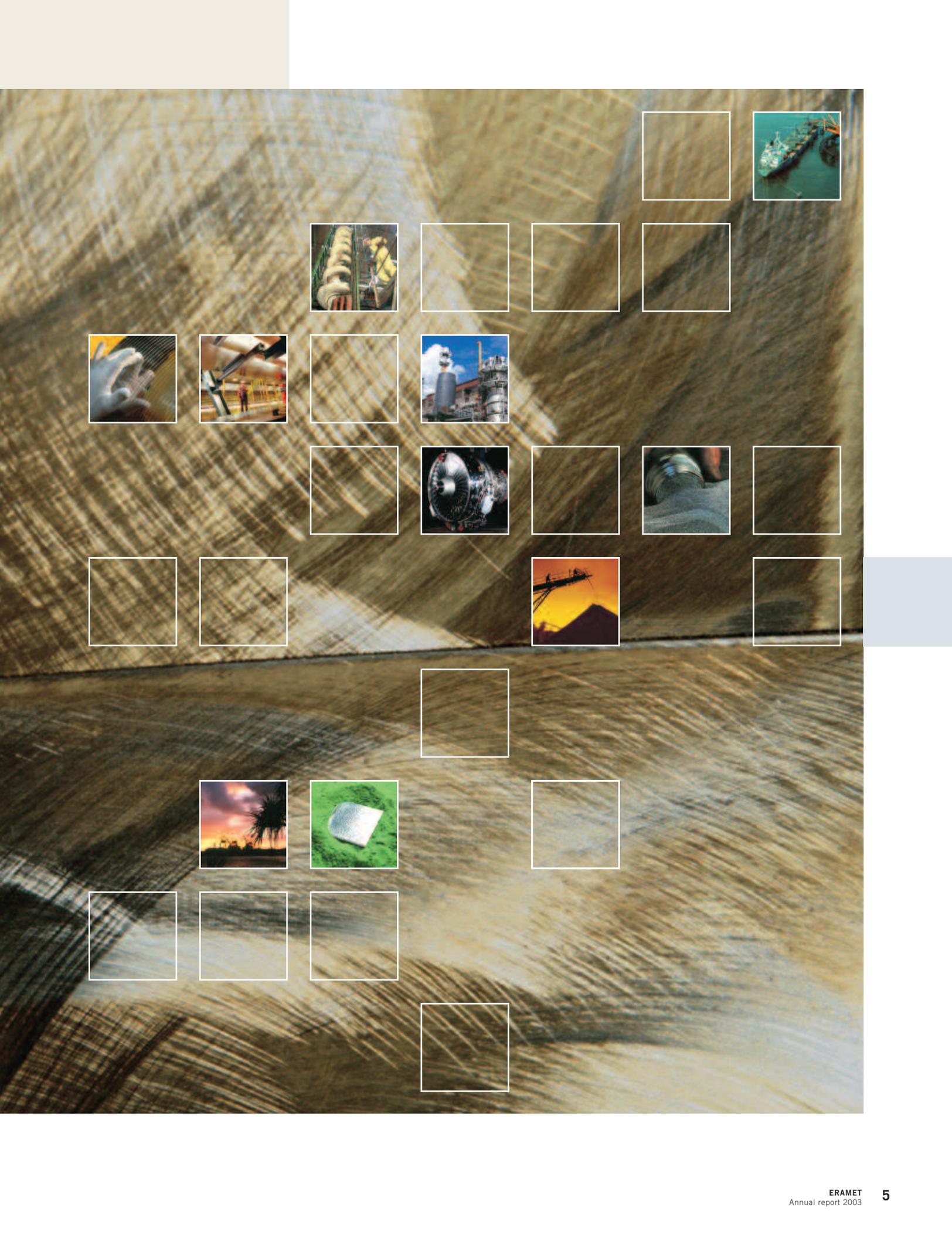
The economic situation remains difficult and we must remain mobilised. In that respect, 2004 will be a key year for the Group in terms of improving performance, completing the development projects in progress and implementing our growth strategy.

By leveraging all our energies and involving all our stakeholders, we will achieve our ambitions. ■



A GROUP IN MOTION TOWARDS HIGHER PERFORMANCES





STRONGER ORGANISATION

To support the overall improvement of its performance, Eramet has made its organisation more efficient. With a focus on cohesiveness, accountability, solidarity and teamwork, the new setup makes HQ-Division relations clearer and corporate functions more efficient.

THE EXECUTIVE COMMITTEE



Alain Robert



Dominique Franchot



Jacques Bacardats



Georges Duval



Jean-Didier Dujardin



Patrick André

THE EXECUTIVE COMMITTEE A DECISION-MAKING CENTRE FOR GROUP AND DIVISIONS

The Executive Committee, the Group's decision-making centre, is comprised of the Chairman & CEO, the three Division managers, the Group human resources manager and the chief financial officer. The Chairman & CEO of Erasteel, the CEO of ADh and the Chairman of Eramet International also participate on a regular basis. In liaison with the Executive Committee, Group decisions that affect the Divisions are made in monthly Division meetings. In addition, monthly reporting is monitored and essential choices concerning the Divisions are made at these meetings.

GEORGES DUVAL

"Outstanding teamwork in a spirit of great openness"

ALAIN ROBERT

"Improvements that capitalise on the Group's experience and practices"

PATRICK ANDRÉ

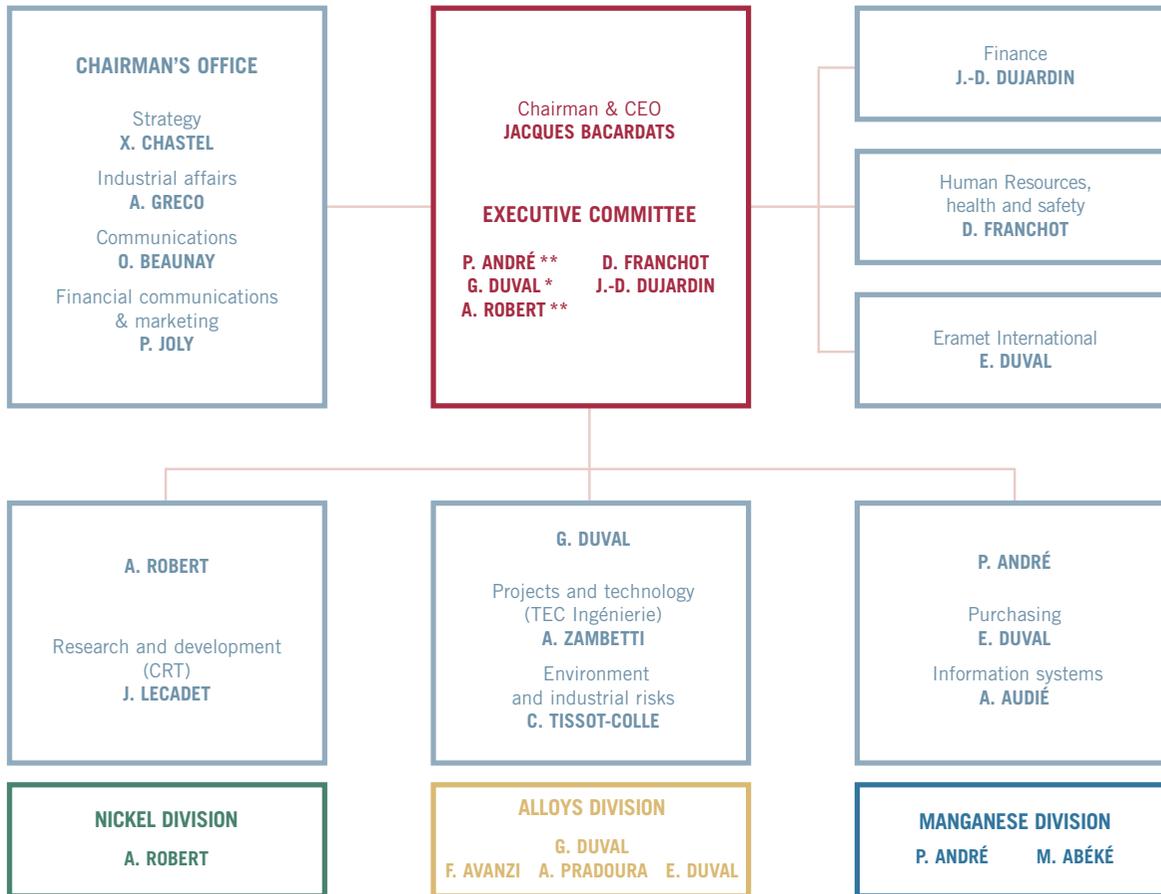
"Collaborative work, guided by the quest for efficiency and done with pragmatism"

CORPORATE DEPARTMENTS FOCUSED ON ASSISTANCE TO DIVISIONS

Each Division manager is also a delegate CEO, in charge of specific corporate functions as well as his/her Division. Georges Duval (Alloys) is responsible for engineering and environment & industrial risks, Alain Robert (Nickel) monitors research & development and Patrick André (Manganese) supervises information systems and purchasing. The finance and human resources functions, as well as Eramet International, continue to report to the Chairman & CEO.

Bringing corporate functions under Executive Committee supervision will make their action more effective and consistent. The aim is to enable them to carry out their three main missions: supporting operations, steering activities and providing services for the Divisions. Additionally, a Chairman's office has been set up, comprised of strategy, communications, marketing and industrial affairs. ■

REORGANISED CENTRAL MANAGEMENT



* Vice-president and delegate CEO

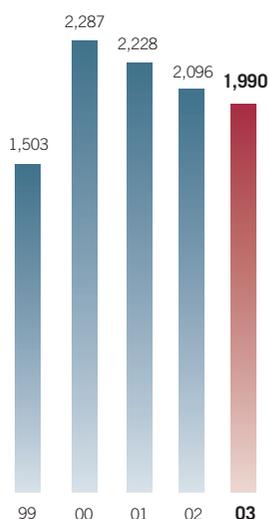
** Delegate CEO

IMPROVEMENT PROJECTS FIRST SIGNIFICANT RESULTS

- **In parallel to the setup of its new organisational structure**, the Group launched priority improvement projects, several of which began to achieve significant results in 2003.
- **In purchasing**, substantial savings were made, for example in landline telephones, office supplies and computer networks. The action taken also helped the Group to resist price rises in energy or raw materials such as coke as well as possible.
- **Engineering assignments were reviewed**, in particular to improve support for the Group's capital expenditure projects. A partnership approach was set up and an engineering committee was created to ensure that the Group's internal engineering resources match the Division's needs.
- **A production site safety drive**, supported by the health & safety function, which was centralised to address behavioural problems more effectively, was reflected in a one-third decrease in accident rates.
- In other areas, **the Group took organisational steps with a view to improving its performance in 2004**. In particular, recruitments were made in areas such as strategy, human resources and tax.

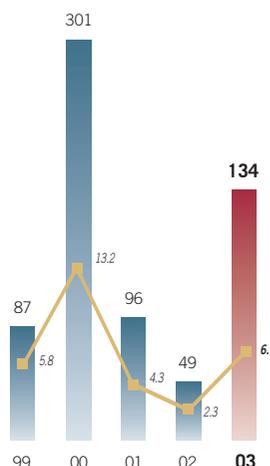
A MORE ROBUST GROUP

2003 results show the sharp contrast in business between the Alloys and Manganese Divisions on one hand, and Nickel on the other hand. They also reflect the restructuring programmes implemented in Alloys and Manganese, and the continuation of a capital expenditure programme in a Group that is now more robust and in a good position to improve its performance significantly in 2004.



TURNOVER
(€ millions)

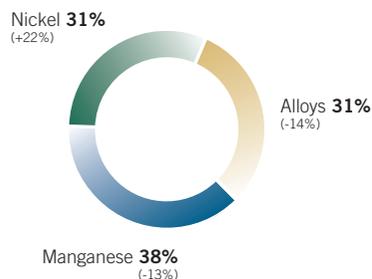
Consolidated turnover, at €1,990, decreased 5.1% compared with 2002. However, at constant scope of business and exchange rates, it increased 3.5%, mainly due to the Nickel Division.



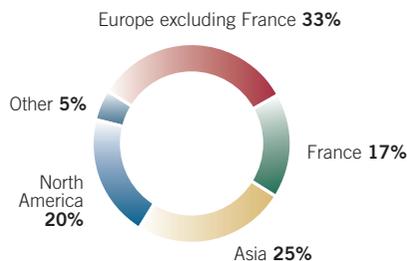
OPERATING INCOME
(€ millions)

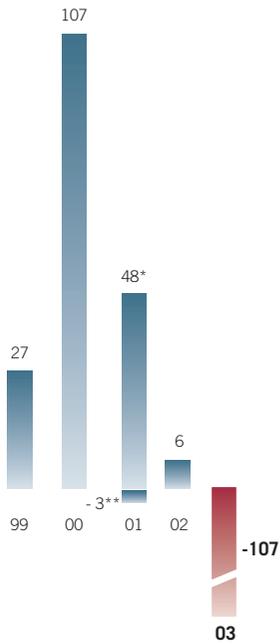
Despite the difficulties of the Manganese and Alloys Divisions, the Group's operating income rose substantially, thanks to higher nickel prices and to cost reduction efforts. The operating margin improved to 6.7%.

TURNOVER BY DIVISION
(vs.2002)



TURNOVER BY CONSUMING AREA

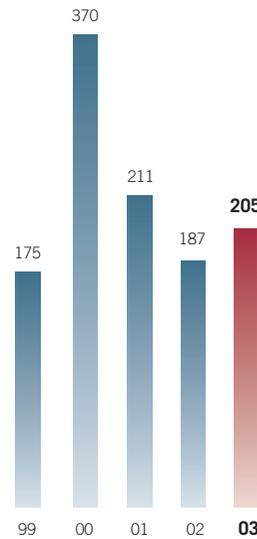




GROUP NET INCOME
(€ millions)

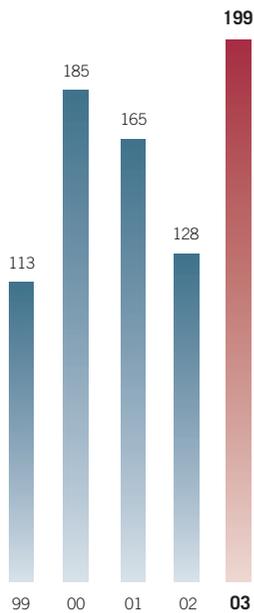
* Before provision for SMC.
** After provision for SMC.

2003 net income was affected by a non-recurring loss of €156 million, mostly generated by restructuring programmes undertaken in the Manganese and Alloys Divisions.



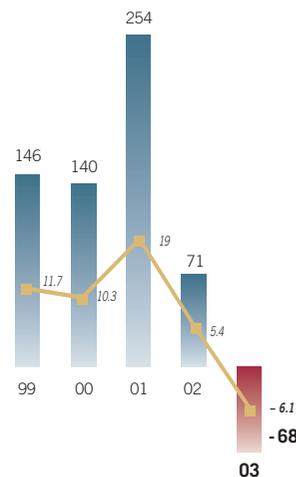
CASH FLOW
(€ millions)

Cash flow improved 9.6% and remained higher than capital expenditure.



CAPITAL EXPENDITURE
(€ millions)

Capital expenditure increased by 55%. Eramet continued its major investments – a source of future growth – with the 75,000-ton programme in the Nickel Division and the 40,000-ton unit in the Alloys Division's Pamiers (France) plant.



NET LONG-TERM DEBT
■ Debt-to-equity ratio (%)

The improvement on the nickel market, together with efforts to reduce costs and working capital, enabled the Group to strengthen its financial structure further, with positive net cash as on December 31st, 2003.

EVENTS IN 2003

Reorganisation and redeployment made 2003 an intensive year for the Group, as it aimed for maximum responsiveness to market challenges. Restructuring projects were in the news, with initiatives and successes pointing the way ahead.

JANUARY

Eramet strengthens its R&D resources

- On January 8th, Eramet strengthened its R&D resources by signing an agreement to buy out Metaleurop's stake in the Trappes research centre (CRT), which it had held 50/50 with Metaleurop since October 2001.

FEBRUARY

Mobilisation of senior management

- With the Executive Committee, Jacques Bacardats undertook a review of the Group's functioning methods. Objective: improve performance and develop accountability and cohesiveness, in compliance with Divisions' responsibility.

MARCH

Jacques Bacardats takes over from Yves Rambaud



- Succeeding Yves Rambaud, who ended a 30-year term at the head of Eramet, Jacques Bacardats was appointed Chairman & CEO. *"We shall strive to preserve the well-balanced, robust Group you built,"* stated the new Chairman, who paid tribute to *"the industrial mastery that guided the adventure."* Appointed Honorary Chairman, Yves Rambaud also became Chairman of the French Minerals and Non-Ferrous Metals Federation in April.

APRIL

Closure of Shaoxing plant

- On April 12th, Eramet signed an agreement with Chinese authorities for the shutdown of the Shaoxing site. Faced with heightened competition, Eramet Comilog began restructuring its assets to enable the Manganese Division to reduce its production costs and regain its balance from 2004.

MAY

Strategic focus

- At the Shareholders' General Meeting on May 22nd, Jacques Bacardats announced, *"given the poor performance of the Manganese and Alloys Divisions, as well as the downturn in the outlook for the second half of the year, we have undertaken a strategic examination of the two Divisions. Our aim is to determine the measures needed to return them to normal profitability."*

JUNE

Strengthened organisation

- After three months' work, the Group organisation task force submitted its findings. As part of the resulting changes, the efficiency and cohesiveness of central management were improved and HQ-Division relations were made clearer.

- On June 1st, an agreement was signed for the transfer of the Transgabonais operating licence, giving Comilog responsibility for management and upkeep of the railway from Moanda mine to Owendo port until August 2005.

JULY

Summit meeting in New Caledonia

- In Koné (Northern Province), Jacques Bacardats showed SLN's 75,000-ton programme to French President Jacques Chirac, who was visiting New Caledonia.

AUGUST

Eurotungstène now wholly-owned

- Following the divestment of Sadaci, the Manganese Division continued to refocus on its core business with Erachem SA's sale of its Carbon Black subsidiary to the Imerys group.

- After several years of joint shareholding with the Swedish group Sandvik, Eramet acquired a 100% stake in Eurotungstène, which specialises in the production of cobalt powders for tooling.

SEPTEMBER

Restructuring programmes launched at Comilog France and ADh

- On September 5th, the project for the Comilog France site's closure was presented at an extraordinary works council meeting. This marked the start of the procedure for informing and consulting personnel representatives and would lead to the site's shutdown in December.
- On the 16th, ADh presented its long-term competitiveness improvement plan. In addition to a job-saving plan, the project includes an aggressive plan for the company's industrial, commercial and technical reorganisation.
- At the Board of Directors meeting on September 17th, Georges Duval, Alain Robert and Patrick André were appointed delegate CEOs, reporting to Jacques Bacardats.
- On the same date in the United States, as part of the three-yearly renegotiation of the employment contract between the Marietta plant and its employees, an agreement was signed with the aim of controlling costs in the pension fund system and part of the healthcare system.

OCTOBER

Open house at Eurotungstène



- In Grenoble (France), Eurotungstène organised the largest information and communication campaign in its history. With 400 visitors – equivalent to three times the company's workforce – the October 10th open day was an outstanding success.
- After building trade relations with China, the Nickel Division went one stage further by developing its ferronickel sales with Baosteel and Tisco, two major local steel groups.
- The annual meeting of the French Minerals and Metals Federation, chaired by Yves Rambaud, focused on China. French Foreign Trade Minister François Loos attended the event, in which Air Liquide and Imerys, among other groups, participated alongside Eramet.

NOVEMBER

Erasteel sets out to conquer Chinese market



- After several months' work and negotiations, Erasteel signed a joint venture agreement with the Chinese group Tiangong, the leader on China's high speed steel market. Objective: capture growth on a fast-expanding market.
- Following on from Michelin in 2002, in Toulouse ADh accepted the French Aerospace Academy's 2003 Grand Prix for the 65,000-ton press at Issoire. This prestigious award is in recognition of ADh's grasp of precision forging techniques.

DECEMBER

Nickel prices soar

- Eurotungstène and Erachem Europe's efforts on quality paid off as they were certified ISO 9001, version 2000.
- Production ended at the Boulogne-sur-Mer (France) plant. A placement unit was set up as part of the job-saving plan finalised in late October. A local job market regeneration plan would be signed in January 2004, in the presence of Jean-Paul Delevoye, Minister for Civil Service, State Reform and Town & Country Planning.
- Average nickel prices on the London Metal Exchange (LME) climbed sharply from \$3.07/lb. in 2002 to \$4.37 for 2003, with a peak of \$6.45/lb in December. Nickel prices have only been as high twice before: during the late 60's nickel boom and in the late 80's.

A SIGNIFICANT UPTURN

The Eramet share recovered sharply in 2003 and significantly outperformed the CAC 40 index with an 83% rise. The upturn was achieved with growing trading volumes. The price of €38.50 on December 31st, 2003 corresponds to market capitalisation of approximately €1 billion.

SHARP RECOVERY BY ERAMET STOCK IN 2003

The Eramet share is listed on the primary market of the Euronext Paris stock exchange (ISIN code: FR 0000131757) and is part of Euronext SBF 250 index.

The Eramet share price, at €21.05 at the end of 2002, fell during the first quarter of 2003 to reach a low of €14.50 on March 20th.

A significant upturn began in early April and the stock rose steadily until the end of the year.

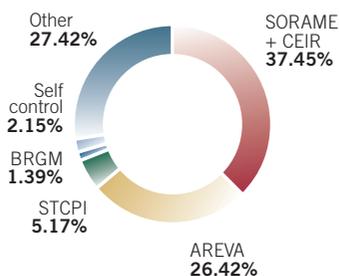
The 2003 high of €38.60 was reached on December 3rd. The Eramet share closed the year at €38.50.

Market capitalisation returned to near the €1 billion mark at the end of 2003.

For 2003 as a whole, the stock gained 82.90%, a much sharper rise than the Euronext CAC 40 index (16.12%). The SBF 250 index rose 17.45% during the year.

SHAREHOLDING

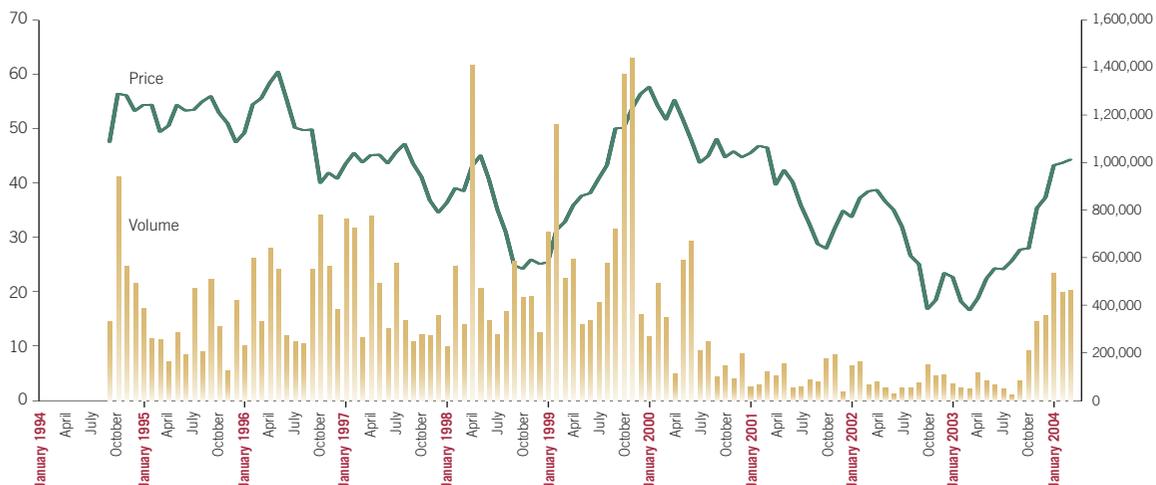
(as on November 21st, 2003)



RECOVERY IN TRADING VOLUMES TOWARDS YEAR-END

Trading in Eramet stock picked up towards the end of the year, with a daily average of 14,000 shares traded in the fourth quarter, on a par with volumes in 2000.

SHARE PRICE (MONTHLY AVERAGE) in Euros



STOCK MARKET DATA

Dec. 31 st	Closing price (€)			Market capitalisation (€ millions)	Volume (daily average)
	high	low	on Dec. 31 st		
1994 *	57.93	47.26	52.59	771	37,385
1995 *	58.39	41.31	48.78	743	15,673
1996 *	61.89	34.91	41.47	643	23,981
1997 *	53.20	33.08	34.76	542	22,172
1998	47.72	22.11	25.60	399	24,176
1999	58.75	23.15	57.00	1,393	33,810
2000	61.75	41.90	43.55	1,076	14,100
2001	47.80	22.00	34.60	855	4,664
2002	39.80	13.90	21.05	527	4,928
2003	38.60	14.50	38.50	985	5,834

* Recalculated in euros.

Income per share	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Euros per share	2.05	4.36	3.03	3.82	2.75	1.37	4.42	-0.13*	0,23	-4.35**

Dividend excluding tax credit

Euros per share	0.82	1.00	1.00	1.14	1.14	1.14	1.30	1.14	1.00	0.86
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Yield in %, including tax credit, based on the price as on Dec. 31 st	2.35	3.09	3.64	4.93	6.68	3.00	4.48	4.90	7.13	3.35 ⁽¹⁾
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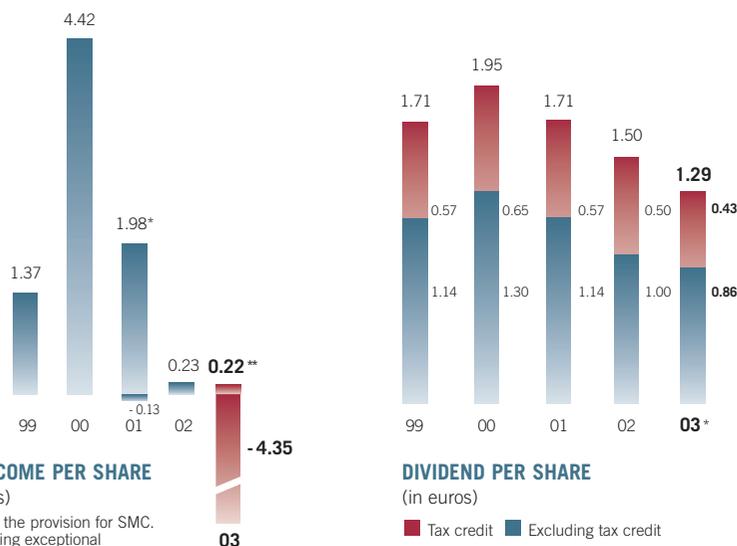
(1) On the basis of a 50% tax credit

* Before the effect of the provision for SMC, income per share was €1.98.

** I.e. €0.22 per share excluding exceptional restructuring-related items.

NUMBER OF SHARES

Following the payment of part of the dividend for financial 2002 in shares and the exercise of subscription options for new shares by employees, the total number of issued shares on December 31st, 2003 was 25,577,574, compared with 25,048,043 on December 31st, 2002.



NET INCOME PER SHARE

(in euros)

* Before the provision for SMC.

** Excluding exceptional restructuring-related items.

DIVIDEND PER SHARE

(in euros)

■ Tax credit ■ Excluding tax credit

* On the basis of a 50% tax credit.

KEY DATES IN 2004

■ Thursday, May 6th, 2004

publication of 1st quarter turnover, after stock exchange closing

■ Wednesday May 12th, 2004

Shareholders' General Meeting

■ Tuesday, August 10th, 2004

publication of 1st half turnover, after stock exchange closing

■ Thursday, September 16th, 2004

publication of 1st half results, before stock exchange opening

■ Tuesday, November 9th, 2004

publication of 9-month turnover, after stock exchange closing

■ Tuesday, February 8th, 2005

publication of 2004 turnover after stock exchange closing

INVESTOR RELATIONS

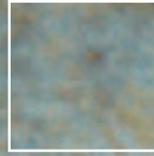
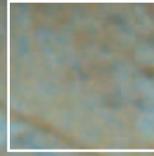
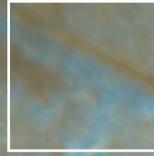
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GREAT RESPONSIVENESS

OUR FUNDAMENTALS

► HIGH INDUSTRIAL PERFORMANCE

In ten years of high growth, the Eramet Group has expanded by establishing global front-rank positions in its three businesses. In 2003, the Group adapted to changing market conditions. It redeployed its industrial assets to improve their performance and enhance their value.

► TECHNOLOGICAL EXCELLENCE

The search for new processes and the development of new products are at the centre of the Group's strategic focus and the action of its research teams. Eramet constantly invests in innovation to consolidate its own know-how and increase its technological edge.

► PERSONNEL MOBILISATION

With bases on five continents, Eramet unites teams from different countries around a shared ambition and a common project, in an international Group on a human scale. In 2003, the development of internal communications, networks and dialogue made the Group more cohesive.

MARKETS

NEW FRONTIERS

Industry went through a high-speed transformation in 2003. Asia, particularly China, now drives global growth on many of the Group's markets, including steel, mechanical engineering and construction. Eramet, with the long-standing advantage of its international scope, reacts swiftly to changing market conditions.

ASIA – AN OPPORTUNITY FOR THE GROUP

With production of 220 million tons of steel in 2003 (up 20% compared with 2002), China is now the world's largest steel producer. The rapid growth of its steel industry is also driven by rising imports, which totalled 37 million tons in 2003 (up 50% compared with 2002).

China consumes 20% and produces more and more of the world's stainless steel. Its nickel consumption is now on a par with North America's and could overtake Japanese consumption in 2005. Sharp growth in Chinese carbon steel production is boosting manganese production. In addition, toolmakers' relocations to China make it the world's only growth zone for high speed steel consumption. Whereas the market has been slipping 3% per annum in the West for 20 years, in China it is growing at a rate of 7-10%. American steelmakers are losing market share. Many manufacturers are leaving the United States and Europe, while new players are emerging in China, India and Brazil.

Rapid adaptation to these new market conditions is critical to Eramet's growth. The Group has developed its sales and



manufacturing activities in Asia for a decade, but the strategy was stepped up in 2003. Sales rose 21% in Asia in 2003 and the zone now accounts for two-thirds of the Nickel Division's turnover.

AN INDUSTRIAL AND COMMERCIAL CHALLENGE

The emergence of new industrial players in countries with low production costs is heightening competition and customers are putting increasing pressure on prices, especially in the aerospace sector. To meet this challenge, the Group significantly improved its competitiveness. The Manganese Division restructured all its sites; in Alloys, ADh began a long-term plan (2004/2008) that will be supported by substantial capital expenditure, while Erasteel stepped up its improvement process with the *Horizon Plan*.

As closeness to the Group's markets is key, Eramet also enhanced its industrial assets in China. A major event of

2003 was Erasteel's setup in China with the country's leader in high speed steels, Tiangong. The aim is to build a new high speed steel for tooling plant by the end of 2004 in order to capture the domestic market's high growth.

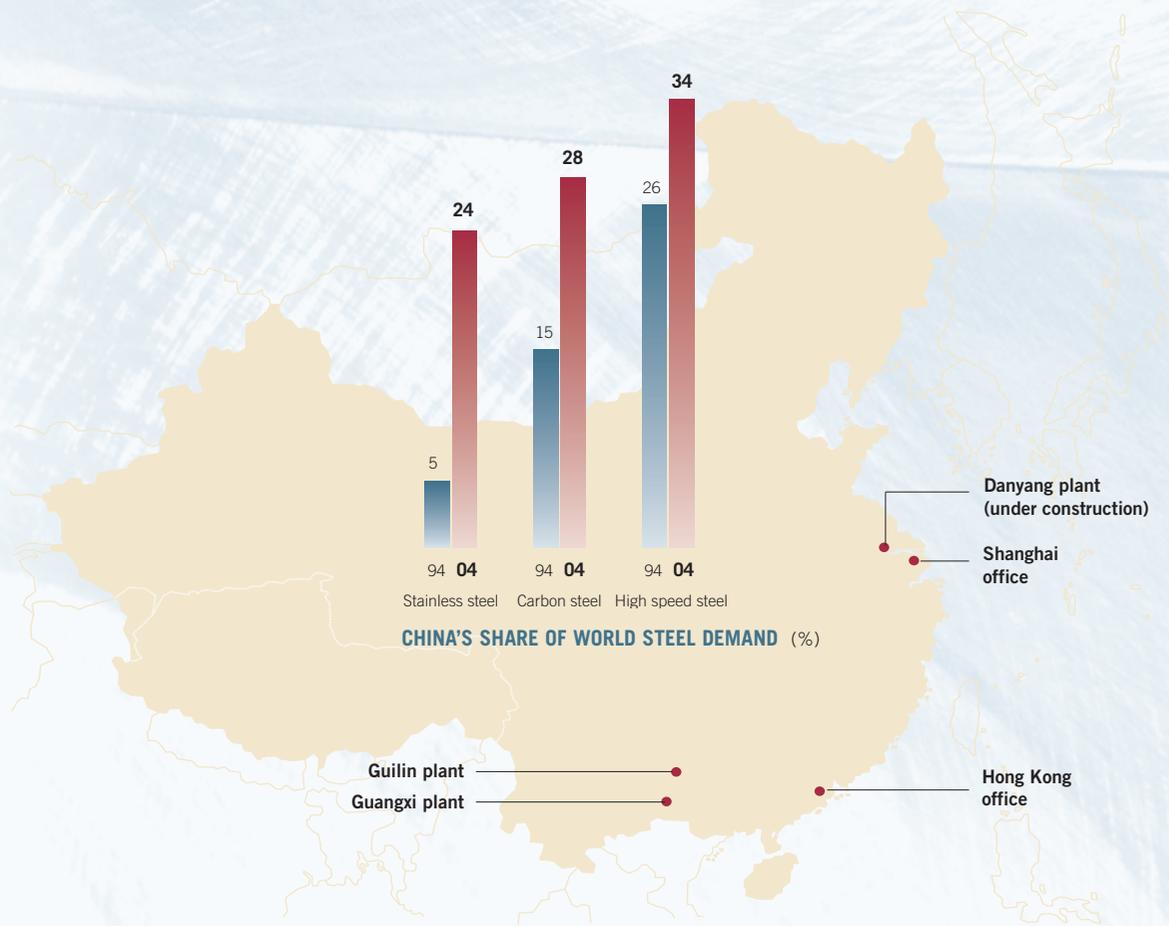
Eramet Manganèse, which has had bases in China for several years, continued to rationalise its assets around its two plants in Guangxi and Guilin. The sales network was strengthened in China, chiefly through Eramet International, leading to significant growth in the Group's sales. ■



CHINA A GROWING OUTLET FOR ERAMET'S NICKEL

- Production of stainless steel – considered a noble material until the late 90's because of its high cost – is growing sharply in China. **As of 2001, China is the world's largest consumer of stainless steel, exceeding the 4 million-ton mark in 2003.** Within a year, it could consume as much stainless steel as all European countries together.
- China's dependence on imports (80% of total consumption in 2002) led its government to **provide incentives for the construction of new stainless steel production capacities.** Approximately 1.3 million tons were produced in 2003 and the start-up of new plants should raise that figure to over 2 million in 2004. The "great stainless steel leap forward" should continue until 2007/2008, when output is likely to exceed 6 million tons.

- Thanks to its representative office, which provides customers with technical support that is second to none, **Eramet is now a preferred partner for two of China's largest stainless steel producers, Tisco and Baosteel.** These customers particularly appreciate the ferronickel produced by SLN, which provides iron and nickel simultaneously and makes substantial productivity gains possible.
- Eramet was still only selling limited trial tonnage in China in 2002, but **sales increased significantly in 2003.** The first major orders were taken in 2004 under medium-term contracts. This favourable positioning points to substantial growth in the coming years.



THE INNOVATION AND INVESTMENT LEVER

Process innovation and the development of new materials are standout, competitiveness and growth factors for Eramet. Despite difficult economic conditions, the Group, supported by the Trappes research centre in particular, kept up its R&D efforts in 2003 and continues to roll out its strategic investment programmes.

ENHANCED RESOURCES

By acquiring a 100% stake the Trappes research centre (Centre de Recherche de Trappes - CRT) in 2003, Eramet showed its determination to develop innovation and research to maintain its position on increasingly demanding markets. CRT, which employs approximately 60 researchers, engineers and technicians, is a centre of excellence for the mining, conversion and utilisation of non-ferrous metals and special steels and alloys. It also takes part in Group projects for the protection of the environment and the development of new applications and products. Supported by production site teams, CRT works with every Division, particularly during industrialisation.

TEC Ingénierie is the Group's engineering company and its second skill centre. Its mission, which was redefined in 2003, is to conduct full studies upstream of major projects in order to select the best solutions. TEC then prepares project implementation in partnership with external resources.

CRT and TEC are expertise and skill forums for the entire Group. Their role is to develop inter-Division synergy to sustain and enhance technological momentum. Highly attractive to young graduates, they are also breeding grounds for Eramet's technical managers.

WORLD #2 RECOGNISED BY FRENCH AEROSPACE ACADEMY ADh – A RENOWNED PLAYER IN MAJOR AEROSPACE PROJECTS



■ In Toulouse, ADh was awarded the French Aerospace Academy's prestigious Grand Prix 2003 for the 65,000-ton press in Issoire and its expertise in precision forging. In the presence of leading personalities from the aerospace sector including André Turcat, the first Concorde

pilot and Jean-Pierre Haigneré, astronaut and Soyuz project manager at Guyana space centre, the Academy's Chairman stated, "ADh has become the industry's number two, supplying all the major manufacturers with products of which the quality is crucial for safety, performance and economy – in short, for the success of major programmes."

■ According to the Academy, ADh's success stems from the combination of "technologically advanced processes, use of exceptional tools and highly rigorous operating." Referring to the

"flagships of our aerospace industry," he pointed out that their success "would have been impossible without the support of suppliers who, through a patient, determined policy, have become world-class competitors."

■ Issoire's 65,000-ton press, which was commissioned in 1977, has led to several technological breakthroughs. Landing gear boxes were made in three parts in the early 70's for the Airbus A-300, then in two parts ten years later for the A-310. In 1985 it was possible to make one-piece boxes for the A-320. Another example is residual stress in the production of battens. For these wing base parts - more than 7 meters long and weighing 1.5 tons for the A-380 – distortion during machining is now controlled through compression techniques. **This progress has been driven by a true industrial vision** and supported by a daring commitment to research and investment over the long term.

▶ INNOVATIVE PROJECTS

In 2003, Eramet invested almost €200 million in major development projects to extend its capacities and improve its competitiveness through major innovations.

For the 75,000-ton program in New Caledonia, research teams rallied round the definition of new ore beneficiation processes in Tiébaghi mine and the extension of the Doniambo plant's capacity. Engineering teams assessed mineralurgical processes for Tiébaghi, capitalising on the

know-how the Group has built up in this field, particularly in Népoui-Kopéto. This allowed in-depth studies to begin.

In the Moanda (Gabon) manganese ore sintering plant, research teams helped improve sinter quality. Programmes were also begun to optimise Comilog's use of ore in high-power electric furnaces. In parallel, TEC Ingénierie is carrying out upstream studies on processing and storing fines from Moanda mine.



▶ THE ALLOYS OF THE FUTURE

The Alloys Division is working with CRT on various developments for its processes, including modelling resources, studies on the mechanical transformations used in rolling and forging, and control of liquid metal refining cycles. Other subjects are the focus of common research work to reduce non-metallic impurities in some special steels or to improve the performance of high speed steels by developing new grades.

The Alloys Division also has its own research units that constantly develop new grades and new products to meet its customers' requirements. These laboratories are mainly located on the Les Ancizes (France) and Söderfors (Sweden) sites. Extensive work is also carried out in partnership with universities or leading engineering schools, including Ecole des Mines in Nancy and Albi (France). ■

A COMMON PROJECT MOMENTUM

Eramet favours a work dynamic based on shared experience and transverse relations between its businesses. Its new organisation increases solidarity and communication between teams and fosters mobility. The Group combines clear orientations, a decentralised approach and the development of teamwork to leverage common progress.



INCREASED COHESIVENESS

In 2003, Eramet began a series of projects that clearly define improvement objectives for the Group. Including strategy, human resources, safety, financial management, purchasing, communications, environment and engineering, the projects involved every team across the Group and fostered transverse working methods. Profession clubs were set up to promote sharing of experience between Divisions and networking was developed.

To support this new momentum, improve cohesiveness and consolidate the Group's construction, a meeting of 75 senior

managers was organised for the first time in September 2003 to focus on the issues facing Eramet and the policies implemented to address them. This especially concerned the restructuring programmes to be carried out in the Alloys and Manganese Divisions.

In addition to the organisation of this extended management meeting, in a situation marked by substantial changes, the Group began in-depth work on communications. The primary goal was to improve internal information and assistance to Divisions, and, consequently, to enhance cohesiveness.

A COMPREHENSIVE APPROACH TO MANAGEMENT RESOURCES

The Human Resources Department promotes creative and supportive management of teams between Divisions. Following substantial recruitment efforts that have led to the arrival of over 500 new managers since 1999, a comprehensive, dynamic approach to career management was set up. This process, which will be rolled out in 2004, involves identifying key positions and high-potential managers in the three Divisions, monitoring individual careers and developing career progression offers. Significant moves took place in 2003, particularly in the financial and sales functions.

In parallel to progress on management mobility and in line with restructuring programmes, job centres were set up, primarily for employees whose jobs have been cut. Comprehensive mobility assistance programmes and specialised placement units were created to give the employees concerned optimum support. Furthermore, the Group plays a very active part, especially in Boulogne-sur-Mer, in regenerating the local job markets affected by restructuring plans.

A UNIFIED NETWORK

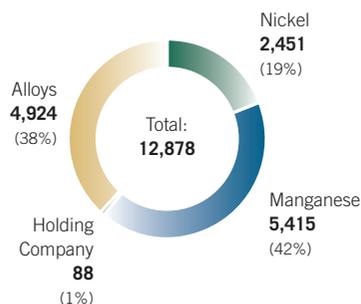
In 2003, Eramet began the rollout of a unified global information system. This is intended to integrate all the Group's sites into a common network and e-mail service. It will form the backbone of a network of information, exchange and applications across all Divisions and geographic zones. In the future, several applications will be supported by this common architecture, for example in purchasing, environment, finance, human resources and communications. ■

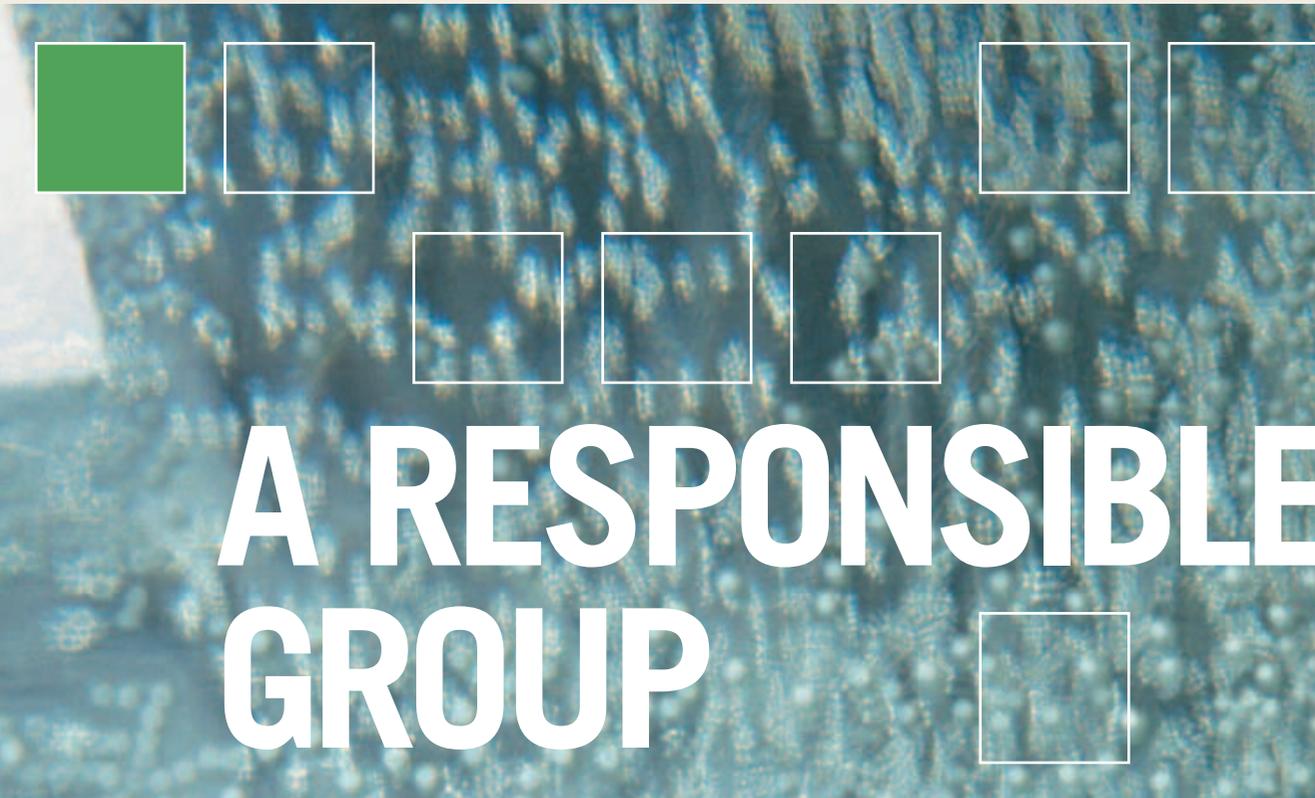


SEMINARS TO DEVELOP COHESIVENESS

- **Every year, several major seminars set the pace of the Group's life.** A sales convention in March enables the Group's sales forces to focus on their market situations and targets. It is also an opportunity for a general review of the Group's situation and outlook.
- **Eramet also organises an induction seminar for new recruits,** usually in June. It includes an overview of the Group with the participation of the Executive committee and corporate Department heads. In the light of the Group's developments in Asia, the 2003 seminar also featured a conference by sinologist François Jullien on the differences in strategic approach between Europe and China.
- **The first extended management seminar was organised in September 2003.** In a period overshadowed by the launch of major restructuring programmes in the Alloys and Manganese Divisions, the aim was to explain the Group's situation and policy thoroughly and responsively.
- **Alongside other more limited meetings, for example in the finance or strategy areas, and in parallel to the internal communication opportunities provided by semi-annual meetings with financial analysts, these seminars help to unite teams around the strategies defined by general management and to improve internal cohesiveness.**

WORKFORCE BY DIVISION





A RESPONSIBLE GROUP

OUR FUNDAMENTALS

► HIGH STANDARDS OF CORPORATE GOVERNANCE

In 1999, the Group drew up a Directors' Charter and defined its corporate governance practices. This initiative was developed and extended in 2003. The board of directors, of which more than one-third of members are independent, bases its decisions on the work of its three specialised committees (audit, compensation and appointments). In addition, a risk map was drawn up and the internal control system was assessed.

► SOCIAL COMMITMENT

Eramet's social policy - based on a culture of closeness, dialogue and responsibility – guided its actions in the restructuring programmes undertaken in 2003. This commitment is reflected in regular improvement in training, benefits, health and safety.

► ENVIRONMENTAL ETHICS

With all its teams, Eramet has begun work on the progress orientations defined by an environmental charter with the twin aims of protecting the outside environment more effectively and improving working conditions. This process is reflected in regular capital expenditure, tangible achievements, active contributions to scientific and regulatory work and transparent communications.

HIGH STANDARDS OF GOVERNANCE

Eramet is determined to implement the best practices defined for corporate governance. Adhering strictly to the framework set by article 117 of the August 1st, 2003 law on financial security, the Group has stepped up its action in this area in terms of preparing and organising the Board of Directors' work and of internal control procedures.

THE WORK OF THE BOARD

TRANSPARENT INFORMATION

In 2003, the Group's Board of Directors met five times – March 26th, May 21st (2 meetings), September 17th and December 10th - in line with the schedule set at the last Board meeting of the previous year. The meetings focused on the following main company issues:

- **The primary goal of the March 26th meeting was to pass the Company's accounts and convene the Shareholders' General Meeting of May 21st, 2003;**
- **On May 21st, the purpose of the meeting held in the morning was to prepare answers to shareholders' written questions for the subsequent Shareholders' Meeting; the second meeting, which followed the Shareholders' Meeting, was held to appoint the Chairman & CEO, define his powers and form the Board Committees;**
- **At the September 17th meeting, the half-yearly accounts, the interim accounts provided by the law of March 1st, 1984 and the capital increase resulting from the payment of dividend in shares were approved;**
- **On December 10th, the Directors discussed the 2003 income forecast and the 2004 budget.**

Board meetings usually begin with a presentation by the Chairman of the main events of the previous period, followed by a review of the situation in each of the three Divisions. A particularly important Company project may be presented in this framework. At the September meeting, for example, a syndicated loan operation was presented, as was Erasteel's joint venture project in China.

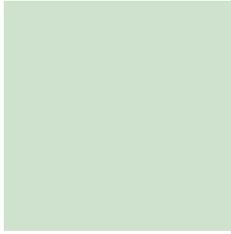
A folder containing factsheets on most of the items on the agenda is handed to each participant at the start of each Board meeting.

At the end of the meeting, a draft press release is generally submitted to the Directors for their opinion. It is released at the end of the day to inform the public of the main events at the Company that are likely to interest the market.

EXTENDED ROLE FOR COMMITTEES

In organising its work, the Board is supported by the committees it appoints from among its members.

At the May 21st meeting, the three existing committees were renewed and the role of the audit committee was enhanced. This was in line with the Board's intention to have Eramet become a benchmark in terms of corporate governance by focusing its concerns more on the future than the past and applying the recommendations of the Bouton Report.



For that purpose, the Board decided, in particular, that two-thirds of the members of the audit committee should be independent Directors, and assigned it the following tasks:

- **Hearing the statutory auditors and the representative of the accounting or treasury departments without the presence, as the case may be, of the Company's general management;**
- **Examining off-balance sheet risks and commitments by hearing internal auditors and giving opinions;**
- **Taking part in the selection of statutory auditors and giving an opinion on the amount of their fees;**
- **Examining accounts before Board meetings are held.**

- **Internal audit plans;**
- **Analysing half-yearly and annual accounts;**
- **Monitoring major lawsuits;**
- **Foreign exchange conventions;**
- **Transition to IAS standards;**
- **Application of the financial security law.**

At the same Board meeting on May 21st, the members of the committees were appointed. Their renewal was necessary because of the arrival of new Directors, elected by the Shareholders' General Meeting on that date.

The mission of each committee was then defined by the Board.

An audit committee charter was drawn up by its members and proposed to the Board on September 17th. It was approved definitively at the Board meeting of December 10th. The charter specifies the composition and functioning of the committee, sets out its missions and defines specific compensation.

The audit committee met twice in its new configuration, on September 16th and December 9th, 2003. At the latter meeting, the list of the committee's main duties was defined:

The committee plans to meet four times a year.

The compensation committee is made up of three Directors, one of whom is independent. It met once in 2003 and is preparing a charter.

The selection committee is composed of three Directors and the Chairman. Its role is to propose the appointment of the corporate officers at the head of each of Eramet's three Divisions. It met on September 2nd to recommend the appointment of the Group's three delegate CEOs.

The minutes of each Board of Directors meeting are drawn up by the Secretary of the Board and submitted by the Chairman for the Directors' approval at the following meeting. The draft minutes are sent to all participants (Directors, observers and Group Works Council delegates) with the notice of meeting and the agenda approximately one week before the date of the Board meeting.

Board meetings are usually held at the head office (Tour Maine-Montparnasse, Paris), except on the day of the General Meeting, when they are held in the same place as the General Meeting.

INTERNAL CONTROL

To meet the objective set by the financial security law, the Company began a gradual process to assess its internal control system. The first stage consisted in mapping out risks. This was done through interviews with the main managers of the Company's various processes, in order to measure their exposure to risks and the extent to which such risks were controlled by the related internal procedures. The resulting map was used to determine the action plan to be carried out from 2004 onwards.

A CONTROL SYSTEM SUPERVISED BY THE EXECUTIVE COMMITTEE

The internal control procedures in force at Eramet are intended, on one hand, to ensure that acts of management are in line with the orientations and legal framework of the Company's business and, on the other hand, check that the accounting, financial and management information provided to the Company's corporate bodies accurately reflects the Group's activity and situation.

Internal control is first of all based on the Executive Committee, the Group's decision-making centre. The Executive Committee is supported by the Internal Audit Department, which carries out assignments within the Group's various units, as defined in the annual audit plan and launched by the Chairman. The Internal Audit Department reports to the Executive Committee and the Audit Committee on the results of its assignments. The Executive Committee also calls on the Group's Planning, Financial Control, Legal, Finance, Treasury & Insurance and Tax Departments.

INTERNAL CONTROL 2004 ACTION PLAN

The 2004 internal control action plan has five main lines:

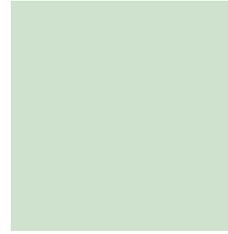
- Tightening the Group's accounting standards and procedures, particularly with respect to the IFRS standards rollout project;
- Overhauling the reporting system, with the adoption of a new consolidation and reporting software package;
- Setting up a new cash management software package across all Divisions;
- Drafting service charters for insurance and tax issues;
- Producing a multiyear auditing plan in line with the risk map drawn up in early 2004.

Other Departments also take part in internal control, chiefly the Environment & Industrial Risk Department and the Human Resources, Health & Safety Department.

More generally, every level of management in the Company, within its field of competence, is responsible for defining, implementing and steering components of internal control.

STRICT FORMALISED PROCEDURES

Control is based on charters, particularly the Audit Committee, Internal Auditing, Legal Department and Financial Control charters. It involves a strict system of delegations for signing authority and powers. As regards the workings of bank accounts, for example, signing authority has



been given to a restricted list of the Company's employees, with two people's signature required for any settlement and the definition of ceilings for any group of signatories.

Similarly, management, accounts and treasury meetings are held every month to ensure coordination between the Group and the Divisions.

It is also based on internal procedures manuals that are circulated throughout the Company and its subsidiaries and which mainly concern capital expenditure, exchange risk hedging, management procedures (budget, planning, new forecasts, variance analyses, etc.), consolidation and common accounting rules, travel and expense accounts.

Under the procedure for investments, all projects exceeding a certain amount are approved in precise conditions (presentation file, number of validation meetings, etc.). Strategic cases are presented to Eramet's Board of Directors.

An internal control action plan was drawn up for 2004.

Specific procedures are supervised with a focus on risk prevention by the relevant Departments. For example, a detailed procedure for foreign exchange issues is managed by the Group Treasury Department. This is also the case for the environmental and industrial risk field, where a process was begun in early 2004 to map out the main risks in order to detect improvement areas and define the annual audit plan.

The Chairman & CEO exercises his powers in accordance with the law and within the limits of the corporate purpose. No restriction on his powers has been set by the Company's Board of Directors.

All of these items were covered in a detailed report made by the Chairman to the Company's Board of Directors on March 17th, 2004. ■

A COORDINATED, CONSISTENT SYSTEM

The Group Information Systems Department was set up to improve consistency between the various information and management systems. In late 2003, work was begun to unify the network and tighten its security. Management system improvement projects are continuing in the different Divisions, with the setup of integrated applications, including for purchasing with the aim of better control of commitments and the separation of tasks across the entire supply chain.

The parent company has legal and operating control over its subsidiaries, under the main responsibility of the Administrative and Financial Department and the Legal Department. Because of the diversity of its businesses, each Division is managed autonomously and has its own management committee, which makes all Division-level decisions. Monthly meetings are organised with the management of each Division under supervision of the Executive Committee to examine the month's results and analyse any off-budget variances and the resulting action plans.



HUMAN RESOURCES

SHARED RESPONSIBILITIES, SHARED PROGRESS

Eramet's human resources policy is designed to involve employees in the Group's development, progress and initiatives, foster personal development and contribute to an environment based on respect for individuals and their health and safety.

SUPPORT FOSTER PERSONAL DEVELOPMENT

Eramet encourages personal development through the training provided for its employees. Four percent of the total payroll is invested in training to develop tools for transmitting and enriching knowledge and experience in the Group. In 2003, a training CD-ROM on electrical repairs was circulated to all sites. The quality of this learning tool led to its being chosen for all technical high schools in the Paris region. A training module for supervisors was also produced and offered to sites.

As regards healthcare, in 2003 Eramet began a review including several studies on benefit levels in the Group's companies (health insurance and coverage of major disability, incapacity and death risks).

DIALOGUE CONSTANT, OPEN INDUSTRIAL DIALOGUE

Internal and industrial communications have been developed to explain the Group's policy. Constant dialogue has been undertaken with trade unions on every level in the Group, including European, Group, company and unit works councils. In the particular case of the restructuring projects undertaken in the Alloys and Manganese Divisions, intensive, in-depth consultation was carried out with the personnel of the sites concerned. These information, dialogue and coordination efforts enabled Eramet to prepare optimum social support measures for the restructuring programmes and, more generally, to involve all personnel in the company's challenges.

PROTECTION SUBSTANTIAL IMPROVEMENT IN SAFETY

In 2003, workplace safety prevention and management were brought under the supervision of the Human Resources Department. As a result of this new positioning for the Group's coordination of hygiene, health and safety issues, their human aspects are taken into account more fully and on-site action by local safety teams has been stepped up.

For every incident, an analysis is made and corrective measures are defined. In parallel, extensive prevention and training programmes are being implemented with determination. Safety is systematically factored into work organisation. Health, safety & working conditions committees are the preferred partners for these processes.





A safety club, made up of occupational physicians, safety facilitators and human resources managers, meets two or three times a year to discuss an important topic. In 2003, this communication forum made progress, for example on health, ergonomic and noise issues, as well as on the relationship between health and work accidents.

In total, all the efforts made by the different sites in an area that was identified as a priority improvement project for the Group in early 2003 have led to a one-third decrease in the lost-time accident rate. From 20.7 in 2002 – a very poor performance, the Group's frequency rate (number of lost-time accidents per million hours worked) was reduced to 14 in 2003. The improvement is spread equally among the three Divisions: Nickel's accident rate decreased from 25 to 18.1, Alloys from 15.8 to 11.1 and Manganese from 23.9 to 16.

An overall improvement trend is clearly in motion. In 2004, the Group's action will focus on Gabon, Sweden, Grenoble (France) and Sandouville (France) and SLN (New Caledonia). ■

BOULOGNE RESPONSIBLE ACTIVITY SHUTDOWN MANAGEMENT

- **When the Eramet subsidiary Comilog presented its shut-down project for the Boulogne-sur-Mer plant, which represents 351 jobs, the site was no longer economically viable.** Despite the considerable financial efforts made in the previous five years and in spite of the personnel's skills, the plant had been running up heavy losses year after year.
- **In September 2003, Comilog began the consultation process with personnel representatives.** After three works council meetings and seven intermediary meetings, a job-saving plan was drawn up jointly. The plan goes far beyond legal requirements and includes comprehensive measures for employee placement. A specific unit was set up for 18 months with the objective of at least two proposals for each employee concerned. The plan also provides for six-month retraining leave – nine months for employees aged over 50 – and a substantial training budget. Comilog's shareholder, Eramet, which had frozen its recruiting, offered almost 70 relocation possibilities within the Group. By early 2004, almost 50 people were involved in an internal mobility process. Despite Comilog's financial difficulties, substantial efforts were also made to double supplementary severance payments.
- **A local job market regeneration agreement was signed with public authorities.** The plan includes the opening of a telephone call centre that will offer 200 - 250 new jobs. Furthermore, in accordance with the commitment made by the Group when the shutdown project was announced, the first stages in the site's dismantling and restoration began in 2004.
- **While restructuring programmes are sometimes necessary** in businesses that undergo wide-reaching and often rapid changes in terms of competition and markets, the Group strives to implement them with a strong sense of responsibility and solidarity.



ENVIRONMENT & INDUSTRIAL RISKS

A NEW STAGE

Eramet pursues its business under a Sustainable Development rationale, with protecting the environment a key orientation. For several years, the Group has invested to reduce gradually the environmental impact of its activities. To support these actions, a charter formalising this process and making all the Group's sites part of an improvement momentum was adopted in 2002. An Environment & Industrial Risk Department was set up in 2003. Reporting to the Executive Committee, the Department runs a network of correspondents in all the Group's entities.

➤ GREATER INFORMATION

In line with the capital expenditure committed and the improvements achieved, the Group broadened the scope of the environmental data given in its Annual Report in 2003. Eight sites that form a representative sample of its activities and geographic bases are included in this scope, which will continue to evolve in the future.

The Group also decided in 2003 to set up a new Environmental Information System, which is currently being rolled out on several pilot sites. This will be used to ensure the reliability and traceability of data and provide for systematic monitoring, but also to share experience, track new regulations and circulate benchmarking information among production sites.

The new information system is an instrument for analysis and for effective steering. It makes it easier to assess improvements, identify problems and implement solutions swiftly and will eventually be rolled out on every site in the Group.

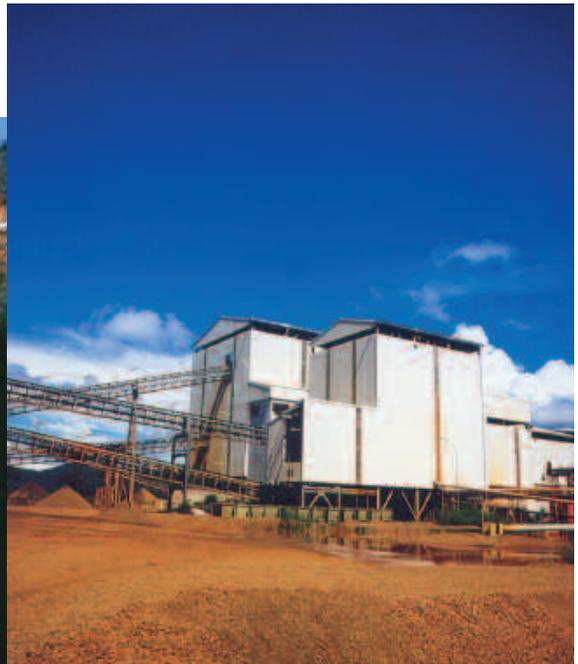
For more information, please refer to the environmental data in appendix (pages 93-101).

TANGIBLE PROGRESS

A significant share of the Group's capital expenditure is for the protection of the environment and its strategy is reflected in measurable improvements.

- **The programme for updating sites' operating permits was continued actively in 2003.** Implemented on eight French sites, it is intended to make sure that industrial developments at plants (changes of activity, new activities, etc.) are consistent in regulatory terms with the administrative situation of each plant.
- **On all Nickel Division sites, protecting the environment and improving safety account for a large part of capital expenditure.** The Division has also begun an auditing and certification process with its industrial and mining units in order to validate best environmental practices.
- **This process is designed to limit the external impact of the Group's industrial activities and to improve working conditions on its sites.** In New Caledonia, SLN is at the origin of the setup of a local air quality monitoring network. At the Doniambo plant, SLN has committed over 10% of capital expenditure under the 75,000-ton project to dividing the release of dust into the air by three.





PRODUCTION SITE MOBILISATION

In 2002, Eramet launched an internal environmental auditing process to identify areas of improvement and develop lateral cooperation. Action and development plans are recommended after each audit. The audits were continued in 2003.

The Environment Club, which is comprised of all environment managers for the Group's French-speaking sites, met several times to review regulations, share experience and draw up common solutions for the problems faced by sites.

In 2003, the Group's environment network also prepared for application of the directive on greenhouse gas emission quotas. An inventory of emissions was taken on the various sites and Eramet worked closely with trade organisations on the directive's future implementation.

Prevention of industrial risks also remained a major concern for the Group, which has three Seveso-classified sites: Sandouville (France), Eurotungstène (France) and Tertre (Belgium).

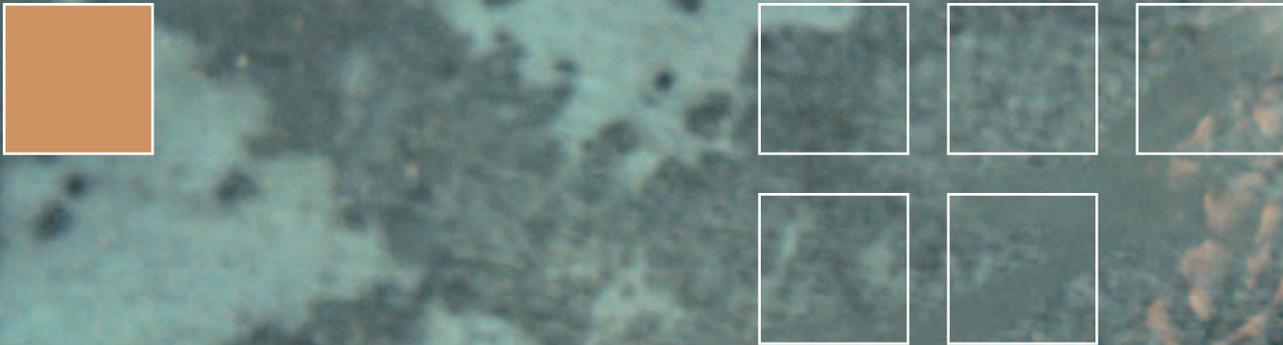
ACTIVE PARTICIPATION IN DRAWING UP REGULATIONS

Eramet increased its involvement in trade bodies by joining Eurométaux in 2003 and the Nickel Institute, a new institution comprised of nickel industry players, as of January 1st, 2004.

This participation is essential in order to contribute effectively to preparatory work on regulatory decisions, particularly on a European level, and to gain recognition for the Group's speci-

ficities. Eramet is also actively involved in matters such as REACH, the new EU legislation policy on chemicals, and the drafting of the fourth daughter directive on air.

The Group is also the leader in drawing up the assessment file for nickel chloride. Authorities have asked for the possible risk level of the product to be documented, as for all metals. ■



GREATER COMPETITIVENESS

OUR FUNDAMENTALS

➤ **BALANCED ACTIVITIES**

The Group's three Divisions have similar businesses, which fosters synergy, and economic cycles that are partly out of phase, which balances out their results. In 2003, Eramet implemented a competitiveness improvement programme that will enable the Manganese Division to improve its performance and the Alloys Division to address its market challenges.

➤ **LASTING CUSTOMER RELATIONSHIPS**

In all its businesses, while moving in line with worldwide growth trends, Eramet builds long-term relationships with its customers, based on the constant concern to meet their expectations as fully as possible and to develop innovative, customised solutions with them.

➤ **FOCUS ON PROFITABLE GROWTH**

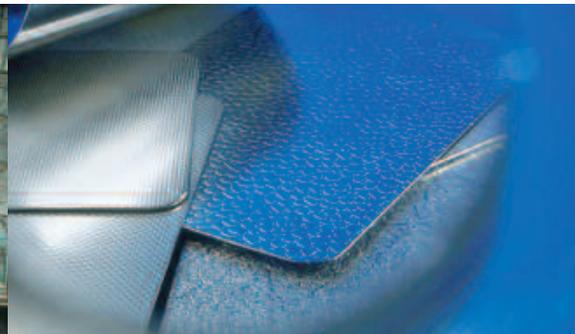
The poor global economic climate of the past two years has curbed the constant high growth that the Group had experienced since the early 90's. In 2003, Eramet worked to restore the conditions for its profitability in order to be able to develop on the international markets that still show structural growth.

NICKEL

OUTSTANDING PERFORMANCE ON A GROWING MARKET

Eramet Nickel produces and converts nickel ore. The Division also markets ferronickel for the production of stainless steel, high-purity nickel for use in superalloys, and nickel chlorides and salts for the electronics industry and decoration, among other applications. In addition, it produces ultrafine cobalt powders for the manufacture of diamond tools. The Nickel Division's industrial sites are located in New Caledonia (5 mines and 1 plant) and mainland France (Sandouville near Le Havre and Eurotungstène in Grenoble). Its strategy is to increase its capacities to keep pace with a fast-growing market.

APPLICATION EXAMPLES



Building materials **NEXT®, A BENCHMARK IN DIAMOND TOOLS**

Diamond saws are made up of a steel disc (the base) onto which cutting segments are welded. The metal powders made by Eurotungstène are used to manufacture segments. Their function is to hold synthetic diamonds onto the parts. NEXT® is a technological breakthrough in metal powders for the diamond tool industry. This original process invented by Eurotungstène is used to obtain pre-alloyed metal powders in which every grain is composed of three basic elements – iron, copper and cobalt. The lower cobalt content and the fine, homogenous grain of NEXT® mean that tool production can reconcile high technical performance with economic constraints. With a 32% share of the total powders market and specific demand for NEXT® growing by 20% per year, Eurotungstène is consolidating its position as technological leader in the diamond tools industry.

Architecture and decoration **STATE-OF-THE-ART DESIGN**

On building façades and in public facilities, architects and decorators have turned to stainless steel for its many qualities, most importantly corrosion resistance. Austenitic stainless steel is made from nickel in various forms, whether synthetic (recycled stainless steel cuttings) or virgin (pure nickel or ferronickel). SLN 25, produced in New Caledonia, enables stainless steel producers to improve their productivity by using it in an electric furnace or, better still, a converter (refining process) – the noblest use of this nickel grade.

Furnishing, automobiles, etc. **EVERYDAY COATINGS**

Electroplating consists of depositing layers of metal (nickel, chrome, copper, silver, etc.) onto an object by chemical processes or electrolysis. The aim is to improve the object's physical properties such as resistance to corrosion or wear, or to give it a glossy appearance for use in decorative applications (plumbing, furnishing, automobiles, motorcycles, electronic goods, etc.). Global nickel consumption for this market totals approximately 120,000 tons. SELNIC® (nickel chloride, in which the Group is the world leader) and Nickel HP® (nickel metal), both produced at the Sandouville, France, plant, drive Eramet's development in this market.

- World #1 producer of ferronickel
- One of the world's top 3 producers of high-purity nickel
- World #6 producer of nickel

KEY FIGURES

(€ millions)	2001	2002	2003
Turnover	485	501	610
Operating income	41	73	160
Cash flow	85	108	165
Capital expenditure	36	40	104
Employees	2,333	2,363	2,451

A METAL THAT DRIVES PROGRESS

Nickel is an alloy component that contributes essential properties to several special steels and alloys. It is used in the composition of austenitic stainless steels with approximately 8-12% content, providing the resistance to heat and cold needed in many fields. These steels are also used in the chemical industry and in all smoke treatment facilities for the protection of the environment, as well as the food industry and the medical field, where their ease of cleaning prevents the spread of bacteria.

Nickel is also a major component of special nickel base alloys, which have the mechanical strength and high-temperature corrosion resistance needed in the aerospace sector, for example.

RISING PRICES

2003 was marked by exceptionally high nickel prices on international markets. The average price on the London Metal Exchange (LME) for the year was 4.37 US dollars per pound, an over 40% increase on 2002 prices, which averaged 3.07 USD/lb. In December 2003, the average price was as high as 6.45 USD/lb.

This rise has continued into 2004. Partly driven by high speculation, it is sustained by the tension that gradually developed between nickel demand, which grew 7.8% compared with 2002, and supply, as global capacities only increased 1%.

The stainless steel sector, which absorbs two-thirds of global nickel, and more specifically the Chinese market, is behind this sharp growth in demand. Other nickel markets (superalloys, electroplating, electronics, etc.) remained stable in 2003.

In parallel, global production only increased slightly and was affected by a strike lasting several months at Inco. However, market supply was kept up, the substantial quantities of nickel that the Russian company Norilsk had used as a bank guarantee were removed from inventory in 2003. Most of that inventory has now been consumed.

Insofar as no new nickel supply project is planned before 2006, the imbalance is likely to persist. It has already led to a fall in inventory from 10.5 weeks' consumption in 2002 to less than 8 weeks at the end of 2003.

PRODUCTION GROWTH IN LINE WITH THE MARKET

In 2003, Eramet sold 48,620 tons of ferronickel, up from 47,800 tons in 2002, while building up inventory in preparation for the work planned in New Caledonia in 2004, which will require the temporary idling of three electric furnaces. Shipments of nickel metal and chlorides remained stable, enabling the Division to post a record total shipment volume of 60,000 tons, compared with the 50,000 that the Group shipped just ten years ago.

An ongoing, ambitious capital expenditure programme has enabled Eramet to regularly increase its output and take advantage of market growth. The Népoui-Kopeto and Tiébaghi mines (opened in 1994 and 2000, respectively), and





metallurgical developments in Doniambo, where the Group's research led to an increase in electric furnace power, contributed to this progress. On this structurally growing market, Eramet Nickel continues to invest in order to raise its production gradually to 75,000 tons by 2007.

While increasing its production, the Nickel Division adapted its sales organisation to geographical developments on its markets. Asia, which previously consumed 52% of Eramet's nickel, now buys almost two-thirds (63%).

To address these trends, the Division's strategy has been to follow market growth and support its customers by fostering long-term partnerships. Eramet-SLN's location in New Caledonia is an advantage in that respect, given its closeness to the Asian market. The Sandouville (France) refinery also refocused its commercial efforts, achieving significant growth in sales to Asia, particularly in salts for electroplating and electronics, which offset the drop in metal demand in the aerospace industry.

75,000-TON PROGRAMME ON THE RIGHT TRACK

The first tangible progress was made on Eramet-SLN's programme for the extension of its production capacity to 75,000 metric tons in 2003. The capital expenditure programme is intended to improve the production chain from end to end, from extending capacity at Tiébaghi mine to building a new furnace in the Doniambo plant. The project will also involve the removal of bottlenecks and the improvement of environmental protection and working conditions at the plant.

Construction of dust extraction facilities was completed in early 2004. All the new mechanical equipment has been set up in Tiébaghi mine. Studies and orders for the new furnace at Doniambo have been completed and the project has entered the construction phase. This will lead to a furnace being idled for four months in 2004. In preparation, Eramet has been building up inventory for two years to be able to continue meeting its customers' needs.

SLN (NEW CALEDONIA) EXTENSIVE PARTICIPATION IN COMMUNITY LIFE

- **SLN's integration with the New Caledonian community is a major objective for the company.** Several initiatives were taken for that purpose in 2003. SLN is involved in many of New Caledonia's socio-economic bodies, including the employers federation MEDEF, the port authority, the local social security organisation CAFAT, the chamber of commerce and the University of New Caledonia. Initiatives were taken, for example, at the Pacific Economic Cooperation Council (PECC) meeting in Brisbane and at events such as the symposium on sustainable development organised by the Customary Senate.
- **As a partner of the association for the right to economic initiative (ADIE),** SLN funds small business start-ups by private individuals in the territory's interior. With its sponsoring programme, "les Nickels de l'initiative," SLN supported ten projects in 2003, including the publication of a French-Iaai (the language of Ouvéa island) phrasebook and a brochure for raising local population's awareness of the danger of forest fires. SLN also sponsors a theatre company, which was able to organise a tour of the interior of Grande Terre, the main island, thanks to its support.



To support this substantial investment, SLN has begun a consultation process with trade unions to assess and deal with the issues related to the impact of the changes on work organisation, including workstation adaptations, significant progress on protecting the environment and technology training.

The specific team that SLN formed for this extensive programme has already reached agreements with trade unions, particularly in Doniambo. Personnel in New Caledonia have been closely involved in these innovations and will be able to grasp the new industrial tools through a gradual progress.

Eramet also decided to extend the Sandouville refinery from its current capacity of 13,500 tons to 15,000 tons. When completed, this project will enable Eramet Nickel to maintain the essential balance between its production of ferronickel and nickel metal, salts and chlorides.

The market is linked to the building and public works sectors and is benefiting from high growth in construction in China. Eurotungstène also produces cobalt and tungsten carbide powders for cemented carbides, which are used in the machining of metals.

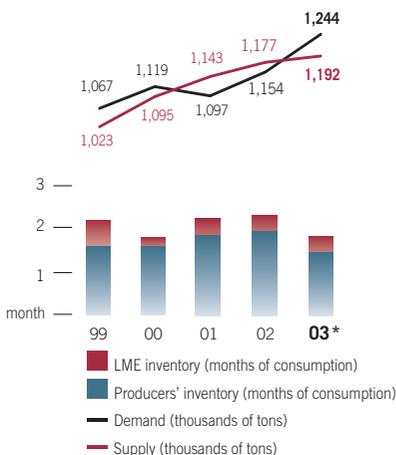
Cobalt is a by-product of nickel metallurgy. Sandouville (France) produces 150 - 200 tons of cobalt per year and will produce 300 on completion of the capacity extension programme. Eurotungstène's Grenoble (France) plant can consume the same tonnage. End-to-end control of the chain from production to use enables Eramet to optimise its competitiveness.

Eurotungstène ploughs back over 12% of its operating income into research and development. In 2003, this allowed the Group to launch new products that have won an almost 30% share of the global complex powder market. ■

HIGH GROWTH IN MARKET SHARE FOR EUROTUNGSTÈNE

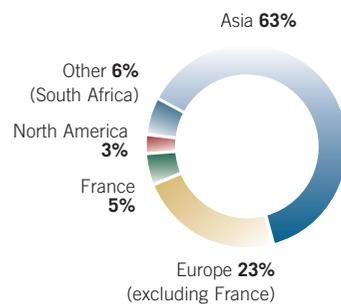
After buying out Sandvik's stake in 2003, Eramet now wholly owns Eurotungstène. Positioned on a niche market, the company is one of the two world leaders on the growing market for cobalt binders. These materials are used to make diamond tools for cutting stone and construction materials.

WORLD NICKEL SUPPLY AND DEMAND



* Eramet estimate.

CONSOLIDATED SALES OF FERRONICKEL BY CONSUMING AREA



AN ACTIVITY ON THE ROAD TO RECOVERY

On a growing market, Eramet Manganèse provides manganese-consuming industries with the world's broadest product range through a totally integrated production chain from ore mining to the manufacturing of alloys and products for the chemical industry. Produced from the Moanda deposit in Gabon, the ore is sold or processed in one of the Division's 11 plants in Europe, America and Asia. Eramet's Manganese Division has also developed catalyst reprocessing and metal recovery as environmental services for industry.

APPLICATION EXAMPLES



Batteries **POWER FOR NEW TECHNOLOGIES**

Primary (non-rechargeable) batteries have always been one of the main applications for manganese derivatives such as manganese dioxide. Despite the appearance of rechargeable batteries, the global primary battery market is still growing. On the technological side, alkaline batteries are replacing saline batteries as their higher durability and higher energy density make them more suited to new electric and electronic products. Therefore, the primary alkaline market is growing in all world areas. As regards geography, at the expense of other regions where the saline batteries production is stable or even shrinking, China accounts for about half of the world's production and is the fastest-growing zone.

Construction and cutlery **SERIES 200 STAINLESS STEEL**

Although carbon steel production is their main outlet, some manganese alloys (low and medium-carbon ferro- and silico-manganese) are increasingly consumed by stainless steel makers. The recent sharp growth in the Far Eastern and Indian markets for Series 200 stainless steel is heightening that demand. The main applications include construction and domestic applications such as cutlery and kitchen utensils. These grades can reduce manufacturing costs by replacing nickel with manganese (approximately 5% of the product's composition).

Household appliances, toy industry, etc. **ELECTRONIC COMPONENTS EVERYWHERE**

Manganese is a raw material in the production of ferrites. These passive electronic components have many applications in daily life. From TV sets to toys via other electronic goods (DIY tools, computers, ovens, fridges, etc.), ferrites are everywhere. They are also used in motorised vehicle parts (windscreen wipers, automatic sunroofs, etc.) and all equipment requiring electronic control (air conditioning, level gauges, etc.).

- World #1 producer of manganese alloys
- World #1 producer of manganese derivatives for chemistry
- World #2 producer of high-grade manganese ore

KEY FIGURES

(€ millions)	2001	2002	2003
Turnover	920	879	769
Operating income	(3)	(20)	9
Cash flow	43	26	60
Capital expenditure	93	46	35
Employees	5,322	7,060	5,415

RELATIVELY STABLE MARKETS

In 2003, the global steel industry continued its recovery and recorded almost 7% growth compared with 2002 (but only 3% excluding China). Once again, as in the two previous years, China was the main growth driver with an estimated 21% increase in steel production compared with 2002.

The inventory rebuilding begun in 2002 continued in early 2003, particularly in the United States and, to a lesser extent, in Western Europe. In the second half of the year, because of stable production and a sharp upturn in shipments, especially to export markets, inventory decreased again, helping to restore a healthier market balance. Moreover, the Asia zone, including Japan, benefited from the booming Chinese market.

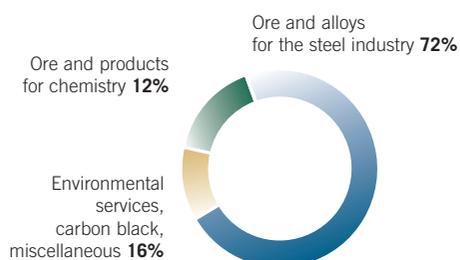
The relative firmness of the global steel market outside China was reflected in manganese alloy consumption, which, again excluding China, increased 3.4% in 2003 compared with 2002. Consumption of silicomanganese rose 4.6% outside China in 2003, high-carbon ferromanganese consumption increased 2.3% and refined ferromanganese consumption grew 1.8%.

After a slight downturn during the third quarter of 2003, manganese alloy prices rallied towards the end of the year, driven by faster growth in demand.

In that context, despite the Boulogne plant's difficulties, Eramet Manganèse's other plants reached full-capacity operation, enabling the company to keep up its alloy shipments, producing 874,000 tons in 2003. On the manganese ore market, the international benchmark price gained 7% in 2003 compared with the previous year to return to its 2001 level. Finally, manganese derivative and special product markets continued to slump in 2003, leading to a decrease in the Division's sales for the same scope of business. In total, Eramet Manganèse posted a 13% drop in total turnover in 2003 compared with 2002. However, the decrease was only 2.1% at constant scope of business and exchange rates.

Restructuring and refocusing actions, together with the ongoing efforts on working capital reduction efforts made for two years, enabled the Group's Manganese Division to achieve positive operating income of €9 million after two years of losses and to reduce its indebtedness by €62.5 million in 2003, which represents total debt reduction of almost €165 million for 2002 and 2003 combined.

TURNOVER BY ACTIVITY



AGGRESSIVE ACTION TO RESTORE COMPETITIVENESS

In 2003, Eramet Manganèse began and completed a restructuring plan covering its industrial assets to regain the competitiveness its activity needs on markets that are both highly contested and in structural growth. The Division entered 2004 in profitability conditions that will enable it to safeguard its business's future and generate the resources needed for its growth.

ERAMET COMILOG A BOOMING CHINESE MARKET



- In the first half of 2003, supply outweighed demand on the Chinese market and prices were low due to the substantial offering from domestic ferroalloy producers and cheap imports from South Africa. The second half was marked by growing tension, driven by the sharp rise in demand following massive inventory reduction and intensified by electricity supply restrictions from September onwards.
- Since the end of the year, prices for silicomanganese and high-carbon ferromanganese on the international market have mirrored price trends on the Chinese domestic market. In Europe and the United States, manganese prices are now equivalent to Chinese prices plus distribution costs. **China now makes the manganese market.**

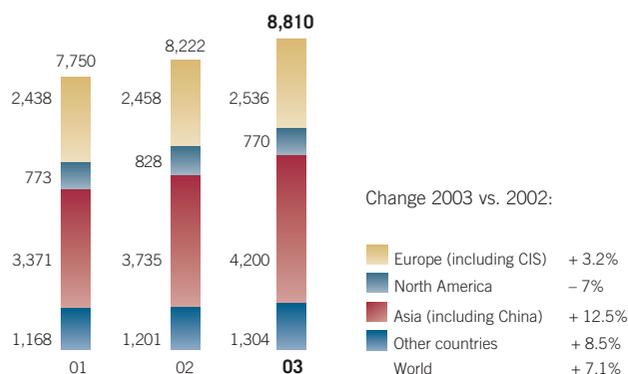
■ **Eramet Comilog is the only international player in manganese with bases in China.** It has two plants, including the Guilin unit, which it acquired in September 2002. Its Chinese market share is approximately 20% for high-carbon ferromanganese, making it the alloy's largest producer in China. Eramet Comilog increased its total manganese production in China from 171,000 tons in 2002 to 194,000 tons in 2003 despite the closure of the Shaoxing plant, thanks to the ramp-up of production at Guilin.

In 2003, Eramet Manganèse made the decision to close the Boulogne plant. Despite the capital invested and the efforts made in the past three years, the site was no longer economically viable, particularly because of unfavourable trends on the coke market. The site's recurrent losses, resulting from increasingly heavy production costs, due in particular to the increase in coke prices, and from growing competition from countries with low cost prices, jeopardised the entire Division's development as they became structurally worse. To support this shutdown, which entailed 351 redundancies, placement units were set up and an agreement for the regeneration of the local job market was signed with public authorities. Furthermore, in accordance with its commitment, Comilog will take care of the site's restoration.

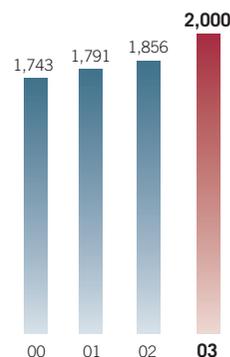
Eramet Manganèse also adjusted its industrial assets and reduced its manpower on most of its sites in Norway, in Belgium – where Erachem Comilog's Brussels headquarters were closed and the Tertre site reorganised - and at the New Johnsonville, Baltimore and Marietta sites in the United States. In China, the Shaoxing plant was closed with local authorities' agreement and the restructuring of the Guilin plant continued. Overall, Eramet Manganèse reduced its workforce by 1,650 across all its industrial sites in 2003.

In the United States, under the three-yearly renegotiation of the employment contract between the Marietta plant and its employees, the pension fund system and part of the healthcare system were renegotiated with the same aim of controlling costs.

**WORLD CONSUMPTION OF MANGANESE ALLOYS
IN THE STEEL INDUSTRY** (Eramet estimate – thousands of tons)



**ERAMET COMILOG
MANGANESE ORE PRODUCTION**
(including sinter – thousands of tons)





In parallel, the Division continued to refocus on its core business. Its strategic activities, located in Belgium – carbon black, a small activity serving the battery and polymer sectors, and Sadaci, specialised in molybdenum and vanadium – were sold to Imerys and Molymet, respectively.

HIGHER PERFORMANCE

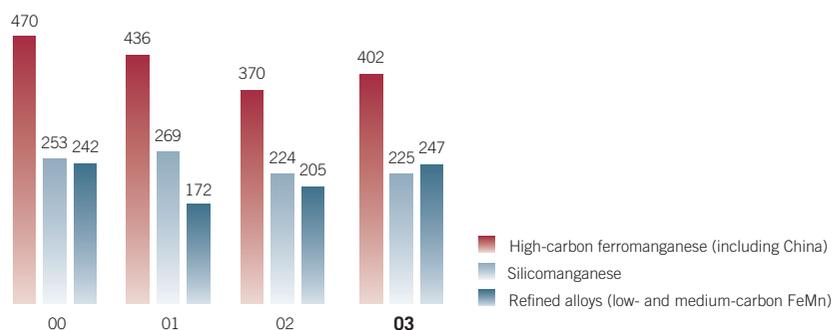
In parallel to these efforts to reduce the Division's operating costs, its total production increased in Europe, Africa and China.

In Norway, the problems that had restricted production in 2002 were solved and shipments totalled 292,000 tons in 2003, a 15% increase on the previous year. In China, the Guilin plant produced a total of 105,000 tons of manganese alloys, approximately two-and-a-half times the tonnage achieved before Eramet Comilog took over the unit. The plant should produce 138,000 tons in 2004. The Guangxi unit

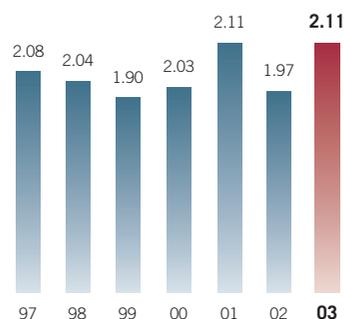
produced 78,000 tons of manganese alloy and will produce a similar amount in 2004.

In Gabon, Comilog SA produced 2 million tons of ore - almost equalling the production record set in 1998, including 400,000 tons of sinter. In accordance with predefined objectives, this progress came with an improvement in sintered ore quality that continues in 2004. Furthermore, Gabonese authorities entrusted Comilog with the provisional management of the Transgabonais railway – a strategic channel for ore from Moanda mine to Owendo port. As a result, track maintenance work could begin and the frequency of trains could be increased. These measures will contribute to better ore transport and allow the planned production increase to 2.5 million tons to go ahead in 2004. ■

**ERAMET COMILOG
PRODUCTION OF MANGANESE ALLOYS FOR THE STEEL INDUSTRY**
(thousands of tons)



MANGANESE ORE PRICES
(USD for 1% manganese content,
on basis of FOB Australia 48% grade)



ALLOYS

GREAT RESPONSIVENESS TO MARKET CHALLENGES

Eramet Alliages, the Group's Alloys Division, develops, produces and markets high-performance special steels and superalloys. Using those materials as well as other metals like titanium and aluminium, the Division also makes high value-added pre-machined parts with advanced technical characteristics, serving a wide range of industries including aerospace, power generation, tooling, transport, mechanical construction and the medical sector. Eramet Alliages' two components, Aubert & Duval and Erasteel, are active on fifteen main sites in France, Sweden, the United Kingdom, the United States and China.

APPLICATION EXAMPLES



Watchmaking

HIGH-PRECISION PARTS

Watchmaking and precision mechanics call on high speed steel micro-drills. For this type of use, in 2003 Erasteel launched the Linea™ range of very thin high speed steel rods (e.g. 0.7 mm in diameter) that are ready-to-use to manufacture drills. Linea™ products contribute real added value to the industries that use them by doing away with complex heat treatment methods. As a result, cycle times are shorter and manufacturing costs lower. The Alloys Division also supplies high-purity steel for manufacturing steel for watches.

Energy

INSIDE WIND TURBINES

Wind turbines contain large gears that turn the rotor to which the blades are attached. These gears are machined using high-performance cutting tools (hobs) that are usually made from ASP® – the high speed steel range developed through power metallurgy at Erasteel.

Glassware

LUXURY OBJECTS AND TABLE WARE

Whether it is for traditional glassware (mass production or designer ware), the manufacture of crystal glasses, vases or ornaments, pyrex dishes or ceramic cooking hobs, the glass manufacturing industry uses tools (moulds, punches, rolling cylinders, etc.) for processing the hot glass into finished products. These tools are made from stainless steel or nickel alloys melted by Aubert & Duval. With production in excess of a million pieces, such tools much satisfy the production and design constraints, as well as meeting the consumers' quality expectations.

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

KEY FIGURES

(€ millions)	2001	2002	2003
Turnover	827	720	616
Operating income	67	1	(26)
Cash flow	80	32	(16)
Capital expenditure	36	41	60
Employees	5,509	5,157	4,924

CYCLICAL AND STRUCTURAL MARKET CHALLENGES

Since the second half of 2001, Eramet Alliages has been faced with a sharp slump on its markets, as has the entire sector. The overall volume of the power generation market has been divided by three since 2001, while the aerospace market has slackened off significantly. This unfavourable trend, which the Division offset until mid-2002 by a high orders backlog, was heightened in 2003.

The high speed steel market has also been through a difficult situation, although it did pick up slightly overall in 2003. Erasteel has been affected by the downturn in the American market following several toolmakers' relocation to China. Conversely, the company benefited from market growth in the Far East, driven by rising Chinese demand. Despite the price rises announced in September and an increase in its sales

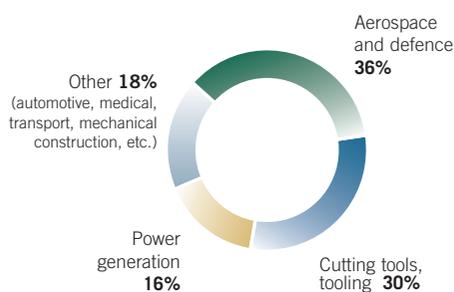
volumes, Erasteel was penalised by euro/dollar rates for all its exports invoiced in dollars or local currency and by a general price decrease.

The depreciation of the dollar, the pressure on prices and the rise in raw material and energy costs combined to create difficult conditions and a structural challenge that weighed on the Alloys Division's performance. Turnover for 2003 was 14% lower than in 2002. In that context, the Division stepped up the adaptation, improvement and redeployment actions taken to turn its performance around.

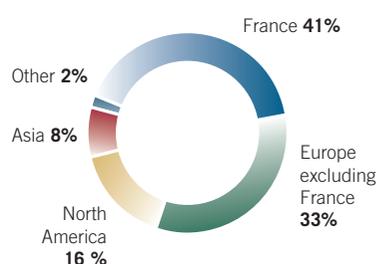
RECONFIGURATION OF AUBERT & DUVAL HOLDING

In 2003, ADh began a long-term competitiveness improvement plan. Under the plan, which involves merging the different industrial subsidiaries into a single company, manufacturing sites will be refocused on centres of excellence - alloy production, forging, rolling and closed-die forging - and production will be rationalised. The plan provides for coordinated operation between different sites with, for example, an alloy production centre combining the Les Ancizes unit with the skills of Imphy and Firminy.

2003 TURNOVER BY MARKET



2003 TURNOVER BY CONSUMING AREA





In line with its industrial reorganisation, ADh's aggressive sales strategy is designed to win back customers and capture new markets. In addition to the ramp-up of engine parts for aerospace around the future 40,000-ton unit in Pamiers (France), this strategy includes the development of long products and the manufacture of tooling for China, the United States and Germany, in particular.

The competitiveness improvement plan requires manpower adjustments concerning 750 jobs. This was in the negotiation process in early 2004. The new configuration should enable the company to improve its performance significantly by mobilising its resources more effectively and consolidating the skills it has grouped together. €24 million in savings should be generated from 2005 onward.

AGGRESSIVE REPOSITIONING BY ERASTEEL

With the aim of even greater responsiveness, Erasteel continued its action on flows, cycles and inventory, particularly through the Horizon improvement plan. In the United States, the activities of the former McKeesport (Pennsylvania) and Fairfield (New Jersey) units were grouped together in early 2003 on the Boonton (New Jersey) site, where a controlled atmosphere furnace guarantees exceptional product quality. In France, the Commentry sheet rolling mill doubled its capacity. Furthermore, a new product line entitled Linea™ was set up for the sale of pre-treated high speed steel bars and segments for cutting tool manufacturers. Finally, progress was also made on environmental issues, with for example the installation of new particle filters in Sweden.

NEW SYNERGIES

A new organisation was set up in the Alloys Division to ensure consistency between ADh and Erasteel's activities in the field of tool steels. The new team achieved its first successes, including an order of large blocks for the production of tooling for making light alloy vehicle doors. Additionally, Eramet Alliages reorganised its purchasing in coordination with the Group Purchasing Department in order to achieve its cost reduction goals.

ONGOING STRATEGIC CAPITAL EXPENDITURE

In this difficult economic climate, Eramet Alliages continued to implement its strategic capital investment programme. These include the creation of a 40,000-ton unit on the Pamiers, France site. This €90 million programme is going to schedule. The first trials will take place in early 2005, with commissioning planned for the second quarter. Aubert & Duval should then be ready for the expected upturn in the aerospace market in early 2006.

Erasteel entered into a joint venture with the Chinese company Jiangsu Tiangong Tools Corp., the high speed steel market leader in China. The new company, in which Erasteel holds 60%, will develop production of high-volume high speed steel grades to meet the firm growth in local demand through the construction of a new plant, scheduled to come on stream by the end of 2004. This partnership will also enable Erasteel to market its European-made upscale grades in China.



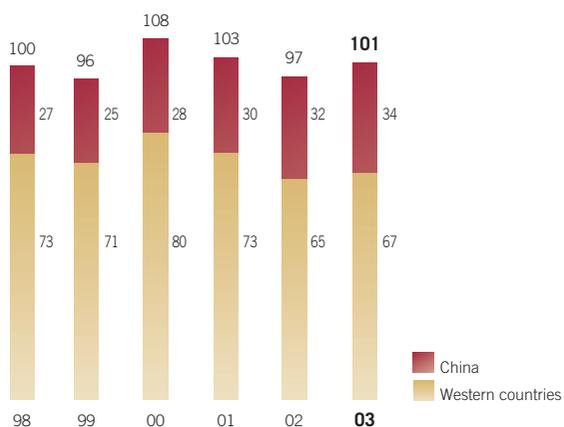
ENCOURAGING RESULTS

The Division has taken many initiatives to address difficult economic conditions, adapt to market trends and prepare for the upturn. Lower cycle times, reduced inventory and shorter payment times have led to reductions of €50 million in working capital and €15 million in debts. The improvement processes launched on production sites under ADh's *Réussir Ensemble* (Succeeding Together) programme and Erasteel's *Horizon* plan continued. These actions led to total savings of €30 million for the two entities in 2003. Finally, ISO 9001 sites obtained version 2000 certification. On extremely demanding markets, this certification attests to the high standard of quality at ADh and Erasteel.

Over the long term, the Alloys Division should be in a position to seize every upswing opportunity on its markets in good profitability conditions. Despite the unfavourable economic climate, ADh is positioned in markets with overall growth. After the crisis, aerospace will return to its average normal growth of 3-5% per year. Furthermore, while relocation to Eastern Europe, Brazil and China has intensified the recession in Western countries, the market is in sharp growth in the rest of the world, particularly Asia, where the Division is developing its industrial and commercial base. ■

WORLD HIGH SPEED STEEL CONSUMPTION

(Eramet estimate) Index base 100 = 1998



AEROSPACE

A-380 – PARTS FOR FLYING TO THE FUTURE



■ In 2003, ADh delivered stainless steel closed-die forgings which are used for the fabrication of ball screws for the A-380. Closed-die forging is a manufacturing process used to convert billets – small lengths of bars - into parts of complex shapes by mean of a die where the shape of the part is engraved. The ball screw – exceptionally

long (2.8m)- fits into the actuator operating the horizontal tailplane of the aircraft stabiliser. These parts are case-hardened after machining i.e. they go through a thermo chemical treatment using the diffusion of carbon to harden the surface of the steel. The setting-up of the optimised treatment conditions has required a very close collaboration between Aubert & Duval and Ratier-Figeac, the aerospace oem.

FINANCIAL COMMENTARY

2003 was marked by significant improvement in operating income, essentially in the Nickel Division, and by restructuring costs in the Manganese and Alloys Divisions that weighed heavily on exceptional and net income. The Group's financial structure improved further because of operating cashflow that more than covered the high amount of capital expenditure.

INCOME STATEMENT

TURNOVER

Turnover, at €1,990 million, decreased 5.1% from 2002. However, at constant scope of business and exchange rates, it rose 3.5%, mainly thanks to the Nickel Division.

OPERATING INCOME

Operating income increased substantially to €134 million (6.7% of turnover), compared with €49 million (2.3% of turnover) in 2002, as a result of the rise in nickel prices and substantial productivity gains. The depreciation of the US dollar was partly offset by favourable currency hedging.

This increase results from very good performance by the Nickel Division, for which operating income increased by €87 million (€160 M in 2003 vs. €73 M in 2002), and from the significant improvement in the Manganese Division's results (€9 M vs. -€20 M in 2002), particularly due to operating improvements in

the Norwegian ferromanganese subsidiary. The downturn in business, however, weighed heavily on the Alloys Division's results (-€26 M in 2003 vs. €1 M in 2002).

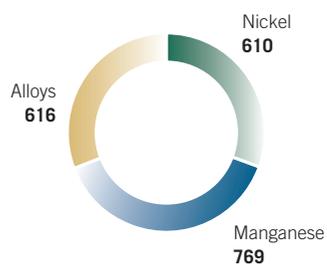
FINANCIAL COSTS

Financial costs totalled €23 million, compared with financial income of €14 million in 2002, as a result of foreign exchange losses and capital gains on investment securities (exceptional capital gains had been realised in 2002).

EXCEPTIONAL ITEMS

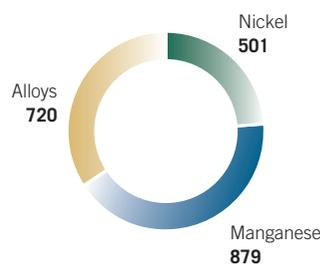
An exceptional charge of €156 million was recorded. It includes the consequences of the restructuring programmes begun in 2003 in the Alloys Division (Aubert & Duval holding) and the Manganese Division (Belgium, Norway and Comilog France) for €154 million, of which €55 million in asset depreciation.

2003 TURNOVER
(€ millions)



(excluding holding company, eliminations and miscellaneous)

2002 TURNOVER
(€ millions)



(excluding holding company, eliminations and miscellaneous)

CONSOLIDATED INCOME STATEMENT (€ millions)

	2002	2003
Turnover	2,096	1,990
Gross operating profit	184	293
Depreciation and provisions	(137)	(159)
Operating income	49	134
Financial (costs) income	14	(23)
Income before exceptional items and tax	63	111
Exceptional items	(16)	(156)
Income tax	(22)	(75)
Share in net income of equity accounted affiliates	2	2
Amortisation of goodwill	(15)	(9)
Consolidated income	12	(127)
Minority interests	(6)	20



After reviewing the Group's main industrial assets, fair value adjustment provisions for €34 million were also recorded.

Furthermore, the Group benefited from €39 million in gains on the sale of assets.

INCOME TAX

Recorded income tax totals €75 million. This includes, for the sake of caution, on one hand the non-admission in accounts of tax assets generated by the losses recorded in

the Manganese and Alloys Divisions and, on the other hand, the write-off of previous tax assets in those Divisions.

It should be noted that the tax to be actually paid with respect to 2003 amounts to €58 million.

GROUP NET INCOME

The Group share of net income is negative at -€107 million, compared with positive net before-tax income of €111 million (€63 M in 2002).

FINANCING

The Group's cash flow, which totals €205 million (€187 M in 2002), and the further €76 million reduction in working capital (excluding changes in payables to fixed asset suppliers and the effect of exchange rate movements) result in cash flow from operations of €281 million.

This flow covered capital expenditure outlay of €144 million. Almost €200 million in capital expenditure was recorded in 2003, nearly half of which was earmarked for the two major capacity extension programmes begun in the Group: the 75,000-ton programme in New Caledonia and the 40,000-ton unit at the Pamiers (France) plant.

The dividends paid out in 2003, by both Eramet SA and the non wholly-owned companies in the Group, amounted to €30 million (€36 M in 2002).

Share capital was increased by €10 million following shareholders' exercise of the option offered for payment of the Eramet dividend.

The Group's debt reduction continued in 2003 for a total of almost €139 million. At the end of the year, Eramet had positive cash of €68 million.

CASH FLOW STATEMENT (€ millions)

	2002	2003
Operating cash flow	187	205
Changes in working capital requirements (and miscellaneous)	153	76
Net cash flow from operating activities	340	281
Net investments	(141)	(144)
– Industrial investments	(128)	(199)
– Financial investments	(20)	(27)
– Disposals of fixed assets	17	61
– Changes in payables to fixed asset suppliers and scope of business	(10)	21
Dividends paid	(36)	(30)
Capital increase	10	10
Impact of exchange rate fluctuations and miscellaneous	10	22
Change in net debt	183	139

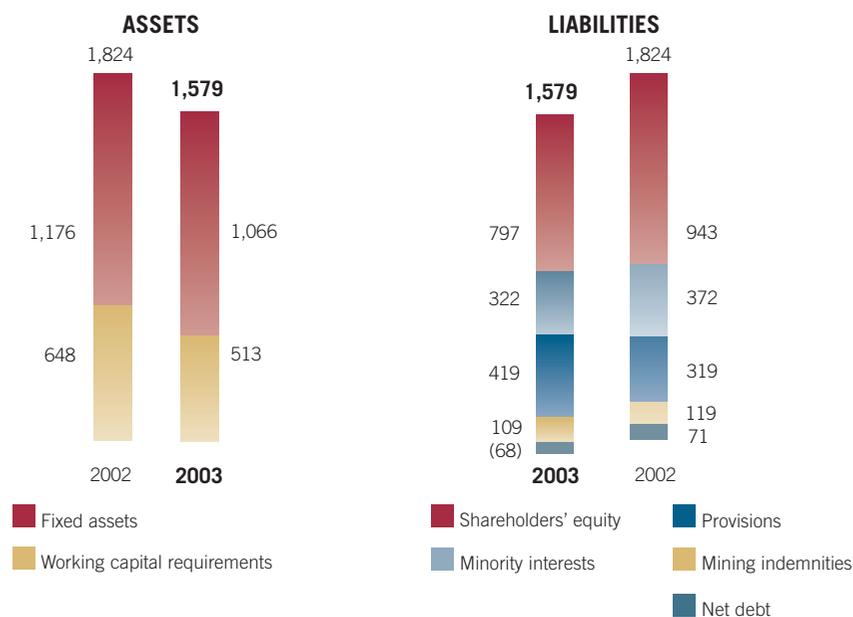
BALANCE SHEET

The amount of tangible fixed assets decreased by €110 million, mainly due to depreciations in relation to the restructuring of Comilog France and provisions made to adjust industrial assets to their fair value.

Working capital (including changes in payables to fixed asset suppliers and the effect of exchange rate movements)

amounts to €513 million as on December 31st, 2003, compared with €648 million at the end of 2002. This change is due to the decrease in the Alloys Division's working capital as a result of a slump in business and of inventory reduction efforts, an increase in the credits granted by fixed asset suppliers and the effect of exchange rate movements, mainly on account of the depreciation of the dollar.

CONSOLIDATED BALANCE SHEET (€ millions)



ANNUAL REPORT 2003

Financial statements, notes and resolutions
proposed by the board of directors dated
March 17, 2004

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■ This annual report is not intended as a management report. A management report will be filed separately with the clerk's office of the tribunal of commerce and with Autorité des Marchés Financiers.

THE BOARD OF DIRECTORS FOLLOWING THE MEETING OF MARCH 17, 2004

Chairman and Chief
Executive Officer
Jacques Bacardats

Honorary Chairman
Yves Rambaud

DIRECTORS

Rémy Autebert

Cyrille Duval

Edouard Duval

Georges Duval

Patrick Duval

Pierre-Noël Giraud

François Henrot

Pascal Lafleur

Jean-Lucien Lamy

Louis Mapou

Michel Somnolet

Jacques Rossignol

Antoine Treuille

AREVA

represented by

Frédéric Tona

PRINCIPAL RESPONSIBILITIES

COGEMA's Executive Vice President of Mines Business Unit ⁽¹⁾

Chief Executive Officer of SORAME and CEIR

Chairman and Chief Executive Officer of SORAME

Director of SORAME and CEIR (Deputy Chairman of Eramet)

Chairman and Chief Executive Officer of CEIR

Vice President of CERNA ⁽²⁾

Managing Partner of Rothschild & Cie

Company Director

Chairman and Chief Executive Officer of FCI

Chief Executive Officer of ADRAF (New Caledonia)

Former Administrative and Financial Vice President of L'OREAL ⁽³⁾

Former Chief Operating Officer of Arianespace

Executive Managing Director of Mercantile Capital Partners

Executive Vice President of COGEMA's Mines and Chemistry Sector

STATUTORY AUDITORS

Ernst & Young Audit

Tour Ernst & Young - Faubourg de l'Arche 11, allée de l'Arche
92037 Paris La Défense Cedex

Deloitte Touche Tohmatsu

185, avenue Charles-de-Gaulle 92200 Neuilly sur Seine

(1) Director appointed by the General Meeting of Shareholders on May 21, 2003 to replace Mr Robert Castaigne.

(2) Director appointed by the General Meeting of Shareholders on May 21, 2003 to replace Dr Wilhelm Scheider.

(3) Director appointed by the General Meeting of Shareholders on May 21, 2003 to replace Mr George Lowy.

CONSOLIDATED BALANCE SHEET (in millions of euros)

ASSETS	Notes	as at December 31		
		2003	2002	2001
Goodwill	4	40	46	49
Intangible assets	5	81	87	69
Property, plant and equipment	6	876	977	1,014
Equity accounted affiliates	7	19	19	12
Non consolidated subsidiaries	8	23	23	32
Other investments	9	27	24	22
Total fixed assets		1,066	1,176	1,198
Inventories	10	596	672	797
Trade accounts receivable	11	303	354	413
Other receivables	11	108	131	147
Cash	12	463	364	435
Total current assets		1,470	1,521	1,792
TOTAL ASSETS		2,536	2,697	2,990

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	as at December 31		
		2003	2002	2001
Share capital		78	76	75
Share premium		212	204	195
Reserves		628	647	661
Currency translation adjustment		(14)	10	17
Net (loss) income		(107)	6	(3)
Group shareholders' equity	13	797	943	945
Minority interests	14	322	372	392
Total consolidated net equity		1,119	1,315	1,337
Provisions for contingencies and expenses	15	419	319	307
Borrowings	16	395	435	689
Trade accounts payable	17	167	209	271
Other payables	17	436	419	386
Total liabilities		998	1,063	1,346
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,536	2,697	2,990

CONSOLIDATED INCOME STATEMENT (in millions of euros)

At December 31

	Notes	2003	2002	2001
Turnover	18	1,990	2,096	2,228
Other operating income		33	34	33
External purchases and charges		(724)	(858)	(837)
Personnel costs	25	(477)	(496)	(508)
Other operating costs		(475)	(539)	(609)
Miscellaneous taxes and levies		(54)	(52)	(56)
Depreciation of fixed assets		(145)	(151)	(145)
Provisions (net)		(14)	15	(10)
Operating income		134	49	96
Financial (costs) income (net)	19	(23)	14	(18)
Income before exceptional items		111	63	78
Exceptional items	20	(156)	(16)	(67)
Taxation on profits	21	(75)	(22)	(10)
Net (loss) income of consolidated entities		(120)	25	1
Share in net income of equity accounted affiliates	7	2	2	2
Amortisation of goodwill	4	(9)	(15)	(1)
Total consolidated net (loss) income		(127)	12	2
Minority interests	14	20	(6)	(5)
Group net (loss) income		(107)	6	(3)
Net (loss) income per share (EUR)		(4.35)	0.23	(0.13)
Net (loss) income per share fully diluted (EUR)		(4.35)	0.23	(0.13)

CONSOLIDATED CASH FLOW STATEMENT (in millions of euros)

	At December 31		
	2003	2002	2001
Operating activities			
Net income of consolidated entities	(120)	25	1
Elimination of non-cash items			
– Amortisation, depreciation and provisions	346	144	215
– Change in deferred taxation	10	14	(5)
– Losses (gains) on disposal of fixed assets	(31)	4	–
Operating cash flow before changes in working capital	205	187	211
Dividends from equity accounted companies	1	1	2
Changes in operating working capital	75	152	(62)
Net cash flow from operating activities	281	340	151
Investing activities			
Purchases of fixed assets	(226)	(148)	(201)
Disposals of fixed assets	61	17	16
Net change in deferred charges and accounts payable for fixed assets	25	4	(23)
Consolidation adjustments	–	(3)	(2)
	(140)	(130)	(210)
Indemnity New Caledonia mining reserves amount included in net income	(10)	(6)	(5)
Net cash used in investing activities	(150)	(136)	(215)
Financing activities			
Dividends paid: to Group shareholders	(25)	(28)	(31)
Dividends paid: to minority shareholders	(5)	(8)	(14)
Increases in share capital	10	10	1
(Decrease) increase in borrowings	(9)	(228)	61
Changes in financial working capital			
Net cash used in financing activities	(29)	(254)	17
Currency translation adjustments	(3)	(21)	1
Increase (decrease) in net cash position	99	(71)	(46)
Opening balance	364	435	481
Closing balance	463	364	435

STATEMENT OF CHANGE IN NET BORROWINGS (in millions of euros)

	At December 31		
	2003	2002	2001
Operating activities			
Net income of consolidated entities	(120)	25	1
Elimination of non-cash items			
– Amortisation, depreciation and provisions	346	144	215
– Change in deferred taxation	10	14	(5)
– Losses (gains) on disposal of fixed assets	(31)	4	–
Operating cash flow before changes in working capital	205	187	211
Dividends from equity accounted companies	1	1	2
Changes in operating working capital	75	152	(62)
Net cash flow from operating activities	281	340	151
Investing activities			
Purchases of fixed assets	(226)	(148)	(201)
Disposals of fixed assets	61	17	16
Net change in deferred charges and accounts payable for fixed assets	25	4	(23)
Changes in Group composition	6	(8)	(2)
	(134)	(135)	(210)
Indemnity New Caledonia mining reserves amount included in net income	(10)	(6)	(5)
Net cash used in investing activities	(144)	(141)	(215)
Financing activities			
Dividends paid: to Group shareholders	(25)	(28)	(31)
Dividends paid: to minority shareholders	(5)	(8)	(14)
Increases in share capital	10	10	1
Changes in financial working capital			
Net cash used in financing activities	(20)	(26)	(44)
Currency translation adjustments	22	10	(6)
Decrease (increase) in net borrowing position	139	183	(114)
Opening net (borrowing) position	(71)	(254)	(140)
Closing net cash (borrowing) position	68	(71)	(254)

CHANGES IN GROUP SHAREHOLDERS' EQUITY

(in millions of euros)	Number of shares		Share capital	Share premium	Consolidated reserves	Currency adjustments	Net income for the year	Total
	Weighted average	As at year-end						
Shareholders' equity as at December 31, 2000	24,699,360		75	194	594	11	107	981
Dividends paid					76		(76)	
Appropriations to retained earnings and reserves							(31)	(31)
Capital increase		24,000		1				1
Currency translation adjustments						6		6
Purchase of own shares					(7)			(7)
Other adjustments					(2)			(2)
Net loss for 2001		24,172,050					(3)	(3)
Shareholders' equity as at December 31, 2001	24,723,360		75	195	661	17	(3)	945
Dividends paid					(3)		3	
Appropriations to retained earnings and reserves					(28)			(28)
Capital increase		324,683	1	9				10
Currency translation adjustments						(7)		(7)
Purchase of own shares								
Other adjustments					17			17
Net income for 2002		24,275,188					6	6
Shareholders' equity as at December 31, 2002	25,048,043		76	204	647	10	6	943
Dividends paid					6		(6)	
Appropriations to retained earnings and reserves					(25)			(25)
Capital increase		529,531	2	8				10
Currency translation adjustments						(26)		(26)
Purchase of own shares								
Other adjustments					4	(2)		2
Net income for 2003		24,647,285					(107)	(107)
Shareholders' equity as at December 31, 2003	25,577,574		78	212	632	(18)	(107)	797

OTHER ADJUSTMENTS (in millions of euros)

	At December 31		
	2003	2002	2001
Adoption of new accounting standards	2	20	–
Changes valuation methods	–	(3)	(2)
Total	2	17	(2)

NOTES TO THE FINANCIAL STATEMENTS

1. Principal events

1.1 Activities

Group turnover was down 5% from 2002, 3.4% on a comparable basis. The principle changes in the composition of the Group consolidation relate to the Manganese division and arise from the disposal of Sadaci, a Belgium subsidiary, and of Erachem Comilog Europe's Carbon Black business.

The trend in sales and in results varies significantly between the Group's three divisions.

The Nickel division benefited from a very favourable upward trend in average dollar prices throughout the year, which increased by 40%, and achieved output of 61,500 tonnes representing an improvement of 3% over 2002.

The Manganese division experienced a decline of over 12.5% in sales, notably in manganese chemicals. This contrasts with manganese ore production which reached its 1998 level of 2 million tonnes and the creditable performance by the Norwegian and Chinese companies which enabled alloys production to be improved by almost 5%. The significant charge for exceptional items arises from the restructuring of the Boulogne-sur-Mer site and the redundancy plans introduced in Belgium and Norway. Gains were realised on the disposal of the carbon black activity.

The Alloys division, whose sales declined by 14% compared to 2002, has yet again seen its markets deteriorate. The restructuring plan announced in September and put into effect at Aubert & Duval Holding's principal sites has contributed significantly to the higher charge for exceptional items. This charge was partially offset by the gain of EUR 21 million realised on the sale of Sima's former head office in Neuilly sur Seine.

Net financial income in prior years has been transformed into a net charge by the effect of exchange differences and a decline in gains on the disposal of marketable securities.

The Group's two major capital investment programmes – the project to increase production capacity at Doniambo and construction of a 40,000-tonne press at Pamiers – have advanced according to plan. The total accounted for in 2003 was EUR 91 million (note 6.3).

1.2 IAS/ IFRS

The transition to full adoption of International Accounting Standards/ International Financial Reporting Standards (IAS/ IFRS) in 2005 is the subject of a Group project code-named "Eranorm". As from June 2005 the Group will present its financial statements in compliance with IAS/ IFRS and during the sec-

ond quarter of 2004 will have ascertained the principal adjustments to the opening balance sheet.

Following a preliminary phase to identify the standards likely to result in significant differences from the rules and methods currently employed by Eramet, the project group performed an analysis of these standards during the second half of 2003.

After identification of the entities to be included in the consolidated financial statements and determination of the business segments to comply with IAS 14, the principal Group locations are participating in work connected with standards relative to Property, Plant and Equipment (IAS 16) and Inventories (IAS 2). Concurrently, standards concerning the Impairment of Assets (IAS 36) and Financial Instruments (IAS 32 and 39) are being analysed and evaluated at corporate level. Further, standards concerning Employee Benefits (IAS 19) and Provisions, Contingent Liabilities and Contingent Assets (IAS 37) will complete where necessary, work performed in 2002 on the introduction of the French accounting standard relative to provisions.

The Group is considering the use of the various options offered by the standards for the preparation of the opening balance sheet as at January 1, 2004.

2. Accounting principles and policies

2.1 General principles

The Group consolidated financial statements have been prepared on the basis of the accounting policies described in Note 2.2 and in accordance with pre-scribed French accounting practices.

French accounting standard 1999-02 was implemented as from 1999 and standard 2000-06 as from January 1, 2002.

2.2 Consolidation

The consolidation is prepared on the basis on annual financial statements drawn up as at December 31.

The Eramet Group fully consolidates all significant subsidiaries in which it controls, directly or indirectly, over 50% of the issued share capital.

Other companies over which the Group exercises a significant influence are accounted for by the equity method (note 7).

Certain investments which meet the above criteria are not consolidated, but they would not have a material impact on the Group's financial statements (note 8).

The list of consolidated companies is provided in note 3.

2.3 Foreign currency translation

Foreign currency transactions are converted into euros at the current rate of exchange.

Accounts payable and receivable denominated in foreign currency are restated in euros at the closing rate of exchange and the resulting difference included in the income statement.

CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities of foreign subsidiaries are translated at the official year-end exchange rate, shareholders' equity being retained at the historical rate.

Operating revenues and costs, and cash flows, denominated in foreign currencies are translated at the average exchange rate for the year.

Resulting exchange differences are included, as appropriate, in shareholders' equity and minority interests (notes 13 and 14).

2.4 Goodwill on consolidation

The excess of the consideration paid for a new subsidiary over the Group's share of net equity, restated in accordance with the Group's accounting policies, is apportioned, fully or partially, over the assets and liabilities acquired. Any balance, representing goodwill, is capitalised and amortised by the straight-line method over a fixed period determined in the light of the economic activity and the factors surrounding the investment, but not exceeding 20 years (note 4).

Regular value impairment tests are performed by comparison with valuations based on discounted estimated future cash flows and a provision booked if appropriate in respect of any shortfall.

2.5 Intangible assets

Mineral deposits include only costs relative to the acquisition of mineral deposits in 1974 and to permits acquired subsequently. The gross value of mineral deposits is amortised by reference to production, expressed as a proportion of reserves as originally assessed (note 5).

Computer software is amortised over periods not exceeding 5 years.

Prepaid costs resulting from actuarial changes in pension plans in the United States of America are included in intangible assets and amortised by the straight-line method over the expected remaining life of the plans' members (notes 5 and 15).

2.6 Research and development costs

Geological and research costs are capitalised and entirely amortised in the year in which the expenditure is incurred (note 5). Other research expenditure is charged against revenue in the year in which it is incurred (note 5).

2.7 Property, Plant and Equipment

Property, plant and equipment are stated at acquisition cost less depreciation (note 6).

Depreciation is provided by the straight-line method over the estimated useful life of the assets as follows:

Buildings	20 to 30 years
Technical installations (industrial and mining)	10 to 15 years
General installations, fittings and fixtures	5 to 10 years
Transportation equipment	4 to 8 years
Machinery, equipment and tooling	3 to 10 years
Office furniture and equipment and computing installations	3 to 8 years

Regular impairment tests are performed by comparison with valuations based on discounted estimated future cash flows and a provision booked if appropriate in respect of any shortfall.

Assets financed by hire purchase or finance leases which have been capitalised are depreciated in accordance with the Group's relevant accounting policies. The resulting financial liabilities are included under borrowings (note 16).

2.8 Non consolidated subsidiaries

Investments in non-consolidated entities are stated at the lower of cost and current value. Current value is estimated by reference to both the value of net assets and expected future earnings (note 8).

2.9 Inventories

Inventories are stated at the lower of cost, which includes only production costs, and realisable value. Any costs associated with under-activity are excluded.

Cost corresponds principally to weighted average cost or to first-in-first-out (FIFO) which, given the rapid turnover of inventories, approximates latest actual cost at the year-end (note 10).

Inventories of nickel-ferrous products are stated at the lower of cost and realisable value. Given the high price volatility of nickel, the Group values these inventories using the LIFO (last-in-first-out) method; the base year is 1988. This somewhat uncommon approach minimises the effect of price changes on net income.

2.10 Accounts receivable and payable

Accounts receivable denominated in euros are stated at nominal value.

Accounts receivable and payable denominated in other currencies are restated in euros at the year-end rate of exchange, or at the forward contracted rate, as appropriate. Resulting unrealised exchange losses and gains are included in the income statement.

2.11 Marketable securities

Marketable securities are stated at the lower of cost or market value. A provision is booked to cover any potential capital loss. No account is taken of unrealised gains.

Marketable securities are included on the balance sheet in cash (note 12).

2.12 Investment grants

Investment grants received are credited to the income statement over the same period as which the corresponding assets are depreciated (note 17).

2.13 Employee-related commitments

Employee benefits

Provision has been made for that part of pensions, retirement indemnities, medical care, life insurance and other benefits payable to both current and retired former employees and not covered by insurance policies (note 15).

The provision is estimated based on length of service, current remuneration and on the expectation of employees remaining with the Group until their retirement age.

Prepaid costs (or gains) resulting from actuarial revaluations of pension plans in the United States of America are, in compliance with international accounting standards, included in intangible assets and amortised over the expected remaining life of the plans' members (note 5).

Restructuring and redundancy plans

Costs related to restructuring and redundancy plans are fully provided if such measures were decided upon and announced prior to the year-end.

2.14 Deferred taxation

Deferred taxation is accounted for, using the liability method, in respect of timing differences between the accounting and tax records and of consolidation adjustments. Deferred tax assets, including amounts in respect of tax losses carried forward, are determined for each fiscal entity and recognised only to the extent they are considered recoverable.

A provision is recorded against irrecoverable distribution tax on proposed dividends payable out of net income for the year.

The net balance between deferred tax assets and liabilities is included, as appropriate, in provisions (note 15).

2.15 Provision for contingencies and expenses

These provisions cover all contingencies and expenses known at the time the financial statements are finalised.

The special segment contingency provisions booked in prior years to recognise specific business risks have been cancelled and reclassified under shareholders' equity as at January 1, 2002 in compliance with French accounting standard 2000-06 (note 15).

The adoption of French accounting standard 2000-06 resulted in the cancellation of the technical reinsurance provision which has been reclassified under shareholders' equity as at January 1, 2002 (note 15).

2.16 Financial instruments

The outcome on maturity of hedging instruments in respect of specific commercial transactions is neutral.

Where the commercial position and the hedges are not identical, the unrealised losses on the hedging instruments are charged against net income.

All transactions outstanding as at the date of the balance sheet are disclosed in the notes to the financial statements under commitments, no set-off being made between commitments given and received.

2.17 Exceptional items

Exceptional items are non current operating revenues and costs which are, by definition, unusual and rare.

2.18 Earnings per share

Earnings per share is calculated by dividing the Group net (loss) income by the weighted average number of shares outstanding in the year (note 13), those shares held by the Company being excluded.

A fully diluted earnings per share is obtained by correcting Group net (loss) income and the number of shares for the effects of potential dilution.

2.19 Contingencies

Environmental

Where there exists a legal or contractual obligation to restore mining sites, a corresponding provision is made. The provision is based on site by site cost estimates, the total cost being spread over the active life of the mine (§ 2.5).

All other potential environmental liabilities are provided on the basis of estimated future costs without, however, allowance for any insurance indemnities receivable.

Market

To manage its interest and exchange rate risks, the Group has recourse to various financial instruments.

The Group's policy is to reduce its exposure to interest and exchange rate fluctuations, but not to speculate.

Positions are negotiated either in recognised markets, or by private contract with reputable banks.

The outcome on maturity of hedging instruments in respect of specific commercial transactions is neutral. However, certain transactions not meeting the generally accepted criteria are charged to the net income statement as unrealised losses.

All transactions outstanding as at the date of the balance sheet are disclosed in the notes to the financial statements under commitments, no set-off being made between commitments given and received (note 23).

CONSOLIDATED FINANCIAL STATEMENTS

Exchange risks

Exchange risks arising from commercial activity are analysed and managed from the time of their identification as estimates. A hedging strategy is put into place employing either currency futures (forward purchases and sales) or options, depending upon the likelihood of the risk materialising, expectations regarding future currency movements and the trend in futures rates (premium – discount).

Exchange risks arising from financing contracts entered into by Group companies in currencies other than their own accounting currency are usually hedged either by receipts in those currencies, or by means of currency swaps.

Exceptionally, and in clearly defined cases, the Group may enter into arbitrage involving interest or exchange rates.

Interest rate risks

The interest rate risk is managed currency by currency through instruments adapted to the market characteristics of the currency.

The Group employs hedging strategies using fixed cover (interest rate swaps, forward exchange agreements), or options (caps, floors).

Depending upon the relative importance of each currency and expected trends in interest rates, the Group determines objectives for each currency in terms of volume of cover, timing and split between fixed contracts and options.

3. Group consolidation

On the basis of a comparable composition of the Group consolidation and unchanged exchange rates, turnover and operating income have evolved as follows:

(in millions of euros)	Turnover		Operating income	
As published - Year 2002		2,096		49
Effect of currency movements	(89)		1	
Consolidation adjustments	(36)		(2)	
As published - Year 2003		1,990		134
Organic growth - Year 2003	19	1.0%	86	187.8%

Currency movements relate essentially to the American dollar, whilst consolidation adjustments result from the disposals of Sadaci and of Erachem Comilog Europe's carbon black business and the inclusion of the Chinese company Guilin Comilog Ferro Alloys Ltd.

3.1 Changes in the Group consolidation

The published financial statements as at December 31, 2003 reflect the following material changes as compared with those as at December 31, 2002:

Consolidated in 2003

Alloys: the creation of Airforge as at January 1, 2003; fully consolidated (100%).

Deconsolidated in 2003

Alloys: following its entry into Chapter 7 of the American bankruptcy law, Special Metal Corp. has been deconsolidated.

Manganese: following its disposal at the beginning of 2003, Sadaci has been deconsolidated.

Changes in percentage holdings

Alloys: acquisition of the additional 15% in Financière Brown Europe in July 2003.

Nickel: acquisition of the remaining 48.85% in Eurotungstène Poudres at the end of August 2003, making it a fully owned subsidiary.

3.2 Consolidated subsidiaries as at December 31, 2003

As at December 31, 2003 the consolidation included 65 companies (2002: 65), 61 being fully consolidated and 4 accounted for under the equity method (2002: 60 and 5).

Entity	Country incorporation	Consolidated (C) Equity accounted (EA)	Percentage holding	Percentage interest
Eramet	France	Parent company	–	–
Nickel				
Société Le Nickel SLN	New Caledonia	C	60.00	60.00
Cominc	New Caledonia	C	60.00	60.00
Eramet Holding Nickel (EHN)	France	C	100.00	100.00
Eurotungstène Poudres (ETP)	France	C	100.00	100.00
Alloys				
Eramet Alliages	France	C	100.00	100.00
Erasteel	France	C	100.00	100.00
Erasteel Commentry	France	C	100.00	100.00
Erasteel Champagnole	France	C	100.00	100.00
Erasteel Kloster AB	Sweden	C	100.00	100.00
Peter Stubs Ltd.	United Kingdom	C	78.00	78.00
Erasteel UK Ltd.	United Kingdom	C	100.00	100.00
Erasteel Inc.	U.S.A.	C	100.00	100.00
Erasteel GmbH	Germany	C	100.00	100.00
Erasteel Italiana Srl	Italy	C	100.00	100.00
Erasteel Japan KK	Japan	C	100.00	100.00
Erasteel Korea Ltd.	Korea	C	100.00	100.00
Erasteel Far East Ltd.	Taiwan	C	100.00	100.00
Erasteel Latin America	Brazil	C	100.00	100.00
Société Industrielle de Métallurgie Appliquée (SIMA)	France	C	100.00	100.00
Stahlschmidt GmbH	Germany	EA	50.00	50.00
Forges M. Dembiermont	France	EA	33.20	33.20
Interforge	France	C	94.00	94.00
Traitement Compression Service (TCS)	France	C	51.00	51.00
Bronzavia Industries (ex-Ms-P2)	France	C	100.00	100.00
Aubert & Duval Holding (ADh)	France	C	100.00	100.00
Aubert & Duval Alliages (ADa)	France	C	100.00	100.00
Aubert & Duval Fortech (ADf)	France	C	100.00	100.00
Aubert & Duval Tecphy (ADt)	France	C	100.00	100.00
Airforge	France	C	100.00	100.00
Financière Brown Europe (SFBE)	France	C	100.00	100.00
Brown Europe	France	C	100.00	100.00

C = Consolidated.

EA = Equity accounted.

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Entity	Country incorporation	Consolidated (C) Equity accounted (EA)	Percentage holding	Percentage interest
Eramet	France	Consolidante	–	–
Manganese				
Eramet Holding Manganèse (EHM)	France	C	100.00	100.00
Eramet Comilog Manganèse (ECM)	France	C	100.00	64.99
Eramet Manganèse Alliages (EMA)	France	C	69.50	69.50
Eramet Marietta Inc.	U.S.A.	C	100.00	69.50
Eramet Norway AS	Norway	C	100.00	69.50
Comilog SA	Gabon	C	60.47	60.47
Comilog Holding	France	C	100.00	60.47
Comilog International	France	C	100.00	60.47
Comilog Lausanne	Switzerland	C	100.00	60.47
Port Minéralier d'Owendo SA (PMO)	Gabon	EA	36.35	21.98
MMM Immo SA	Belgium	C	100.00	60.47
Unimin AG	Switzerland	C	100.00	60.47
Sodepal	Gabon	C	100.00	60.47
Erachem Comilog Europe	Belgium	C	100.00	60.47
Comilog US	U.S.A.	C	100.00	60.47
Gulf Comilog & Metallurgical Corp. (GCMC)	U.S.A.	C	100.00	60.47
Bear Matellurgical Corp.	U.S.A.	EA	49.50	29.97
Erachem Comilog Inc.	U.S.A.	C	100.00	60.47
Eramet Comilog North America Inc. (ECNA)	U.S.A.	C	100.00	60.47
Comilog France	France	C	97.76	59.12
Comilog Dunkerque	France	C	97.76	59.12
Comilog Italie	Italy	C	97.76	59.12
Miner Holding BV	Holland	C	100.00	60.47
Comilog Asia Ltd.	Hong Kong	C	100.00	60.47
Comilog Asia Ferro Alloys Ltd.	Hong Kong	C	100.00	60.47
Shaoxing Comilog Ferro Alloys Ltd.	China	C	70.00	42.33
Guangxi Comilog Ferro Alloys Ltd.	China	C	70.00	42.33
Guilin Comilog Ferro Alloys Ltd.	China	C	100.00	60.47
Comilog Far East Development Ltd. (CFED)	Hong Kong	C	100.00	60.47
Eramet Canada Inc.	Canada	C	100.00	60.47
Industrias Sulfamex	Mexico	C	100.00	60.47
Holding and others				
Eras SA	Luxemburg	C	100.00	100.00
Port Minéralier d'Owendo SA (PMO)	Switzerland	C	100.00	100.00

C = Consolidated.

EA = Equity accounted.

4. Goodwill

4.1 By origin (in millions of euros)

	Cost	Amortisation and provisions	Net Dec. 31, 2003	Net Dec. 31, 2002	Net Dec. 31, 2001
Eramet Norway A/S	19	(4)	15	18	18
Peter Stubs Ltd.	15	(8)	7	13	5
Eramet Marietta Inc.	11	(11)			14
Aubert & Duval Fortech (ADf)	19	(8)	11	11	13
Eurotungstène Poudres (ETP)	6		6		
Other companies (under 1 million euros)	9	(8)	1	4	(1)
TOTAL	79	(39)	40	46	49

4.2 By period of depreciation (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Five years	(3)	(5)	(8)
Ten years	8	17	8
Twenty years	35	34	49
TOTAL	40	46	49

4.3 Movements in the year (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
As at January 1	46	49	43
Consolidation adjustments		7	5
Acquisitions	7	5	
Amortisation and provisions – charge for the year	(9)	(15)	(1)
Exchange differences and other movements	(4)		2
As at December 31	40	46	49

Negative goodwill of EUR 5 million as at December 31, 2002 and EUR 8 million as at December 31, 2001, included in prior years in Provisions for contingencies and expenses, has been reclassified under Goodwill. The increase of EUR 7 million in the year relates essentially to the acquisition of a 48.85% interest in Eurotungstène Poudres (Nickel division) and is being amortised over 20 years. Goodwill on acquisition of Peter Stubs Ltd. and Bronzavia Industries (Alloys division) has been written down by EUR 4 million and EUR 2 million respectively as the result of a value impairment test. Goodwill on acquisition of Eramet Marietta Inc., previously amortised over 20 years, had been the object of an impairment test at the end of 2002 and its net book value of EUR 13 million consequently fully provided against.

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5. Intangible assets

5.1 By category (in millions of euros)

	Cost	Amortisation and provisions	Net Dec. 31, 2003	Net Dec. 31, 2002	Net Dec. 31, 2001
Mineral reserves	105	(45)	60	62	64
Computer software	21	(19)	2	2	4
Research and expenditure	25	(25)	–	–	–
Other intangibles	28	(9)	19	23	1
Work in progress, advances and down payments					
TOTAL	179	(98)	81	87	69

5.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	87	69	72
Consolidation adjustments	–	–	1
Acquisitions	10	8	6
Amortisation and provisions – charge for the year	(15)	(14)	(10)
Exchange differences and other movements	(1)	24	–
As at December 31	81	87	69

5.3 Research and development – expenditure for the year (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Geological costs capitalised	7	6	5
Other research and development costs capitalised	–	–	–
Other research and development costs not capitalised	27	22	19
TOTAL	34	28	24
Percentage of turnover	1,7%	1,3%	1,1%

The excess of the consideration paid for a new subsidiary over the Group's share of restated net equity is first apportioned over identifiable intangible assets. For the Nickel and Manganese divisions in particular, this excess has been attributed to mining reserves.

Mining reserves in Gabon (the Manganese division) account for EUR 48 million (2002: EUR 49 million) and in New Caledonia (the Nickel division) for EUR 12 million (2002: EUR 13 million).

Since December 31, 2002 other intangibles include a part of the Manganese division's American pensions to be amortised over 10 years. As at December, 2003 the outstanding balance was EUR 18 million (2002: EUR 22 million) and the charge for amortisation was EUR 3 million (2002: EUR 3 million).

The geological costs included in research and development costs (Nickel division) are fully amortised in the year in which the expenditure is capitalised.

6. Property, plant and equipment

6.1 By category (in millions of euros)

	Cost	Depreciation and provisions	Net Dec. 31, 2003	Net Dec. 31, 2002	Net Dec. 31, 2001
Land and buildings	503	(283)	220	251	253
Industrial and mining installations	1,554	(1,087)	467	611	655
Other plant and equipment	243	(188)	55	51	56
Assets in progress and payments on account	134	–	134	64	50
TOTAL	2,434	(1,558)	876	977	1,014

6.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	977	1,014	971
Consolidation adjustments	(20)	10	13
Acquisitions	188	120	159
Disposals	(11)	(6)	(3)
Depreciation and provisions – charge for the year	(215)	(132)	(137)
Exchange differences and other movements	(43)	(29)	11
As at December 31	876	977	1,014

6.3 Details of principal strategic investments (in millions of euros)

	At December 31		
	2003	2002	2001
Increase in nickel production (75,000 tons) – Société Le Nickel (SLN)	61	14	2
Press (40,000 tons) - Aubert & Duval Holding (ADh)	30	6	–
Moanda Industrial Centre (CIM) - Comilog SA	–	–	24
TOTAL	91	20	26

Principal strategic investments are financed by borrowings.

The net book value of assets acquired under finance leases is EUR 9 million (2002: EUR 10 million).

Consolidation adjustments arise from the disposal of Sadaci (Manganese division) at the beginning of 2003 disposals include Erachem Comilog Europe's carbon black business at the end of August 2003 and the closure of Shaoxing Comilog Ferro Alloys Ltd. at the end of 2003.

Assets in the Manganese division, as the result of a value impairment test, were written down by EUR 34 million at the end of 2003.

An exceptional depreciation charge of EUR 49 million has been made to write off the residual balance of Comilog France's assets owing to the closure of its Boulogne-sur-Mer location.

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7. Equity accounted affiliates

7.1 By entity (in millions of euros)

Entity	Country	% Holding	Share in net income	Share in net equity		
				Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Forges M. Dembiermont	France	33.20	–	7	8	–
Port Minéralier d'Owendo SA	Gabon	36.35	2	8	7	7
Bear Metallurgical Corp.	USA	49.50	–	3	3	4
Stahlschmidt GmbH	Germany	50.00	–	1	1	1
Special Metal Corp. (SMC)	USA	38.45	–	–	–	–
TOTAL			2	19	19	12

7.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	19	12	14
Consolidation adjustments	–	7	(2)
Investments	–	–	–
Disposals	–	–	–
Share in net income for the year	2	2	2
Dividends paid	(1)	(1)	(2)
Exchange differences and other movements	(1)	(1)	–
As at December 31	19	19	12

The investment in Special Metals Corp. (SMC) was fully provided in 2001 and has been totally excluded from the Group's financial statements in 2003 since leaving protection under chapter 11.

A simplified summary of the local published financial statements of the principal equity accounted affiliates as at December 31, 2003, i.e. Forges M. Dembiermont (Alloys division) and Port Minéralier d'Owendo SA (Manganese division) is presented below:

(in millions of euros)	Forges M. Dembiermont	Port Minéralier d'Owendo SA
Turnover	11	7
Operating (loss) profit	(1)	5
Net income	–	6
Fixed assets	19	7
Working capital	5	11
Shareholders' equity	(25)	(18)
Provisions for contingencies and expenses	(2)	–
Net borrowings	3	–

Data provide for Forges M. Dembiermont relates to December 31, 2002.

8. Non consolidated subsidiaries

8.1 By entity (in millions of euros)

Entity	Country	% Holding	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Aubert & Duval USA Inc. (ex-HTM Inc.)	USA	100.00	3	3	–
La Petite-Faye	New Caledonia	100.00	2	2	2
Eramet North America Inc. (ex-LNI Inc.)	USA	100.00	1	2	2
SAS Extract Ion	France	50.00	1	1	1
Centre de Recherche de Trappes (CRT)	France	100.00	1	1	1
Sogaferro	Gabon	69.99	1	1	1
Microsteel	France	100.00	1	1	–
Comilog SA	Gabon	–	–	–	14
Other companies (under EUR 1 million)	–	–	13	12	11
TOTAL			23	23	32

8.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	23	32	30
Consolidation adjustments	–	(10)	4
Acquisitions	2	3	9
Disposals	(1)	(2)	(10)
Provisions – charge for the year	–	–	–
Exchange differences and other movements	(1)	–	(1)
As at December 31	23	23	32

The investment in Comilog SA (4.2%), which had been excluded from the consolidation in prior years, was included in 2002 following the non performance within the planned timeframe of an initial contract to sell the holding to the State of Gabon. An amount of EUR 14 million was included in non consolidated subsidiaries as at December 31, 2001.

A simplified summary of the local published financial statements of the principal non consolidated subsidiaries as at December 31, 2003 is presented below:

(in millions of euros) (Basis: accounts as at December 31, 2002)	Microsteel & CIMD	Eramet North America Inc.	Centre Rech. Trappes (CRT)	Tec Ingénierie
Turnover	8	3	8	6
Operating (loss)	(1)	–	–	(1)
Net income	(1)	–	–	(1)
Fixed assets	1	–	2	1
Working capital	2	–	–	–
Shareholders' equity	(1)	(1)	(3)	(1)
Provisions for contingencies and expenses	–	–	–	(1)
Net borrowings	(2)	1	1	1

These companies are mainly engaged in sales and research and development activities on behalf of the Group.

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9. Other investments

9.1 By category (in millions of euros)

	Cost	Provisions	Net	Net	Net
			Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Deposits	12	(4)	8	7	7
Loans to personnel	2	–	2	1	–
Current accounts - Eramet International	1	–	1	2	2
Financial investments / American pensions	3	–	3	3	2
Advances - Chine Bayi	2	–	2	2	2
Accounts receivable - Sonadig (Gabon)	2	–	2	2	2
Loans - Sadaci	3	–	3	–	–
Current accounts - Cimd & Microsteel	2	–	2	2	–
Other loans and current accounts	7	(3)	4	5	7
TOTAL	34	(7)	27	24	22

9.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	24	22	87
Consolidation adjustments	3	–	(4)
Cash movements	(3)	(4)	24
Provisions – charge for the year	2	6	(80)
Exchange differences and other movements	1	–	(5)
As at December 31	27	24	22

9.3 By currency (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002
Euros	11	12
US Dollars	5	5
CFA Francs	8	5
Pacific Francs	3	2
TOTAL	27	24

9.4 By interest rate (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002
Interest free	14	18
Fixed rates	4	4
Variable rates	9	2
TOTAL	27	24

10. Inventories

10.1 By category (in millions of euros)

	Cost	Provisions	Net Dec. 31, 2003	Net Dec. 31, 2002	Net Dec. 31, 2001
Raw materials and consumables	199	(25)	174	210	282
Merchandise, finished goods and work-in-progress	456	(34)	422	462	515
TOTAL	655	(59)	596	672	797

10.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	672	797	725
Consolidation adjustments	(6)	–	7
Net inventory movements	(42)	(105)	68
Provisions – charge for the year	(3)	(6)	(13)
Exchange differences and other movements	(25)	(14)	10
As at December 31	596	672	797

10.3 By method of valuation (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002
First-in-first-out (F.I.F.O.)	495	574
Last-in-first-out (L.I.F.O.)	61	57
Market or net selling price	40	41
TOTAL	596	672

In compliance with French accounting standard 2000-06, the inventory price fluctuation provision, booked in prior years as an insurance against a possible fall in the price of nickel, was cancelled in 2002. A provision of EUR 7 million (2002: EUR 9 million) has been retained to reduce the inventories concerned to a value based on LIFO (last-in-first-out).

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With the exception of nickel-ferrous products discussed above, inventories are valued essentially on the basis of weighted average price or FIFO. Consolidation adjustments correspond to the disposal of Sadaci (Manganese division) at the beginning of the year. The decrease in inventories is accounted for by the Alloys and Manganese divisions.

11. Trade accounts and other receivables

11.1 By category (in millions of euros)

	Gross	Provisions	Net Dec. 31, 2003	Net Dec. 31, 2002	Net Dec. 31, 2001
Trade accounts	319	(16)	303	354	413
Social and tax receivables	31	–	31	26	45
Taxation on profits recoverable	21	–	21	28	29
Other trade receivables	55	(13)	42	54	44
Fixed asset receivables	–	–	–	–	1
Shareholder receivables - dividends	–	–	–	1	–
Prepayments	7	–	7	5	16
Deferred charges	16	(9)	7	17	12
TOTAL	449	(38)	411	485	560

11.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	485	560	570
Consolidation adjustments	(3)	(2)	4
Net (decrease) increase in accounts receivable	(29)	(59)	(32)
Provisions – charge for the year	(10)	2	3
Exchange differences and other movements	(32)	(16)	15
As at December 31	411	485	560

Deferred charges correspond to costs associated with the opening of mines in the Nickel division, which are charged against income as a function of production, and to costs associated with the commissioning of industrial installations in the Manganese and Alloys divisions.

A net amount of EUR 10 million of taxation on profits recoverable arising from group tax relief in France is reclassified as a deferred tax asset; this includes EUR 3 million in respect of 2003 (other movements).

Trade accounts and other receivables are all due in under one year.

12. Cash

12.1 By category (in millions of euros)

	Gross	Provisions	Net Dec. 31, 2003	Net Dec. 31, 2002	Net Dec. 31, 2001
Marketable securities	394	–	394	308	357
Cash	68	–	68	56	64
Miscellaneous financial assets	1	–	1	–	14
TOTAL	463	–	463	364	435
Unrecorded unrealised gain on marketable securities			10	7	29

12.2 By currency (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002
Euros	417	327
US Dollars	26	23
Yuan Ren Min Bi (China)	4	4
Miscellaneous currencies	16	10
TOTAL	463	364

12.3 By interest rate (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002
Interest free	53	59
Fixed rates	11	11
Variable rates	399	294
TOTAL	463	364

Included with cash are marketable securities which consist mainly of monetary funds in euros remunerated at variable rates of interest of under 5%.

As at December 31, 2001, also included under this heading were miscellaneous financial assets of EUR 14 million representing current accounts with non consolidated entities. Such items are now included under other investments (note 9).

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13. Shareholders' equity

13.1 Share capital

The share capital is made up of 25,577,574 shares with a nominal value of EUR 3.05 euros each, held as follows:

Distribution	2003				2002				2001			
	Capital		Voting rights		Capital		Voting rights		Capital		Voting rights	
	%	No. of shares										
Registered shares												
Sorame, Compagnie d'Etudes Industrielles du Rouvray (CEIR) et famille Duval	40.53	10,365,822	47.55	20,405,111	40.68	10,188,549	41.48	11,112,412	41.27	10,200,544	41.27	10,200,544
Areva	26.42	6,757,277	30.84	13,231,726	26.28	6,582,590	24.57	6,582,590	26.19	6,474,449	26.19	6,474,449
S.T.C.P.I.	5.17	1,323,471	6.04	2,594,214	5.15	1,290,907	9.56	2,561,650	5.14	1,270,743	5.14	1,270,743
Société Minière G. Montagnat	0.26	65,545	0.30	128,480	0.25	63,933	0.47	126,868	0.25	62,935	0.25	62,935
Eramet SA	2.18	556,825	-	-	2.19	549,932	-	-	1.85	457,521	1.85	457,521
Fonds Actions Eramet SA	0.19	49,290	0.20	83,901	0.20	49,290	0.29	77,855	0.14	34,611	0.14	34,611
Other	0.03	7,379	0.03	12,791	0.03	6,677	0.04	10,831	0.03	6,761	0.03	6,761
Total registered shares	74.78	19,125,609	84.96	36,456,223	74.78	18,731,878	76.41	20,472,206	74.87	18,507,564	74.87	18,507,564
Other bearer shares	25.22	6,451,965	15.04	6,451,965	25.22	6,316,165	23.59	6,316,165	25.13	6,215,796	25.13	6,215,796
TOTAL SHARES	100.00	25,577,574	100.00	42,908,188	100.00	25,048,043	100.00	26,788,371	100.00	24,723,360	100.00	24,723,360

Sorame, Compagnie d'Etudes Industrielles du Rouvray (C.E.I.R.) and Areva are signatories to a shareholders' agreement constituting a concert party which was subject to an opinion by the council of the French financial markets (Autorités des Marchés Financiers) on May 18, 1999 under the reference number 199C0577.

Shares giving the right to a double vote were issued during 2002.

In 2003, dividends distributed out of net income for 2002 amounted to EUR 25 million, of which EUR 10 million was in the form of 526,231 shares, resulting in a corresponding increase in the share capital and thus a modification in the percentages held.

As at December 31, 2003, Eramet SA held 556,825 of its own shares. These had been purchased essentially in 2000 and 2001 in the context of a share buy-back programme which had been officially announced on July 2, 1999 and approved by the Meeting of Shareholders on July 21, 1999. In accordance with terms of the official public announcement, the total amount invested in the share buy-back programme has been deducted from shareholders' equity.

13.2 Share subscription and purchase options

Date of shareholders' meeting or authorisation	Expiry date of authorisation accorded to the Board	Date of Board meeting or offer	Opening date for the exercise of options	Option price	Original number of beneficiaries	Maximum number of allottable shares	Number of allottable shares	Number of beneficiaries Jan. 1, 2003	Type ⁽¹⁾	Number of shares allotted	Exercised or expired prior to Jan. 1, 2003	Exercised in 2003	Expired in 2003	Exercisable as from Jan. 1, 2004	Number of beneficiaries Jan. 1, 2004	Expiry date of schemes
06.15.1994	09.30.1994	09.15.1994	09.15.1996	€35.83	3,791	771,657	-	-	S	770,253	(770,253)	-	-	-	-	09.14.2001
		06.08.1995	09.15.1996	€45.73	31		-	25	S	70,000	(12,800)	-	(57,200)	-	-	06.07.2003
06.08.1995	06.07.2000	12.17.1996	12.17.1997	€37.50	38	350,000	-	31	S	114,400	(23,880)	-	-	90,520	30	12.16.2004
		12.16.1997	12.16.1999	€33.08	39		-	36	S	104,500	(9,150)	(3,300)	-	92,050	33	12.15.2005
05.27.1998	05.26.2003	12.14.1999	12.14.2001	€54.00	80	350,000	-	76	P	166,500	(16,500)	-	-	150,000	71	12.13.2007 ⁽²⁾
		12.12.2001	12.12.2003	€32.60	61		-	61	S	153,000	-	-	(3,300)	150,000	60	12.11.2009 ⁽³⁾
07.21.1999	07.20.2004	09.15.1999	09.15.1999	€47.14	5,646	500,000	76,550	5,259	P	423,450	(29,175)	-	-	394,275	5,257	09.14.2007
TOTAL						1,971,657	76,550			1,802,103	(861,758)	(3,300)	(60,200)	876,845		

⁽¹⁾ S = subscription option, P = purchase option.

⁽²⁾ The shares may not be sold before December 14, 2004.

⁽³⁾ May be exercised only as from December 12, 2003. The shares may not be sold prior to December 14, 2005

The exercise of 3,300 subscription options during the year also contributed to the increase in shareholders' equity.

14. Minority interests

14.1 By entity

	Minority Interest (%)	Dec. 31, 2003		Dec. 31, 2002	Dec. 31, 2001
		Net income	Total	Total	Total
Société Le Nickel (SLN)	40.00	43	206	170	150
Comilog SA	39.53	(62)	66	130	156
Eramet Manganèse Alliages (EMA)	30.50	(1)	45	53	64
Shaoxing Comilog Ferro Aloys Ltd.	30.00	–	2	3	3
Guangxi Comilog Ferro Aloys Ltd.	30.00	–	2	1	1
Traitement Compression Service (TCS)	49.00	–	1	1	1
Financière Brown Europe	–	–	–	1	3
Eurotungstène Poudres (ETP)	–	–	–	12	11
Other entities (under EUR 1 million)	–	–	–	1	3
TOTAL		(20)	322	372	392

14.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	372	392	373
Consolidation adjustments	(14)	(16)	23
Dividends paid	(6)	(8)	(14)
Net income for the year	(20)	6	5
Exchange differences and other movements	(10)	(2)	5
As at December 31	322	372	392
Other movements include			
Adoption of new accounting standards	2	5	–
Changes in methods of valuation	–	–	–
TOTAL	2	5	–

As at December 31, 2001, minority interests in Comilog SA included 4.2% of the shares previously excluded from consolidation and included as at December 31, 2002 following the non performance of the contract of sale.

Consolidation adjustments reflect the acquisition of 15% in Financière Brown Europe (Alloys division) and 48.85% in Eurotungstène Poudres (Nickel division) for EUR 1 million and EUR 13 million respectively.

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15. Provisions for contingencies and expenses

15.1 By category (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Personnel	179	122	101
Major repairs and refurbishments	17	25	32
Segment contingencies	11	9	17
Major disputes	13	12	12
Environmental contingencies and refurbishment of sites	64	34	27
Other contingencies and expenses	41	37	65
Deferred taxation (net)	94	80	53
TOTAL	419	319	307

15.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	319	307	313
Consolidation adjustments	(2)	4	1
Charge (credit) for the year	123	14	(18)
Exchange differences and other movements	(21)	(6)	11
As at December 31	419	319	307

Analysis of the charge (credit) for the year:

	At December 31		
	2003	2002	2001
Charge for the year	148	56	36
Credit to income statement – provision used	(33)	(52)	(49)
Credited to income statement – provision not used	(2)	(4)	
Deferred taxation – charge for the year	10	14	(5)
TOTAL	123	14	(18)

15.3 Personnel (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Pensions and other employee benefits	99	99	76
Restructuring and redundancy plans	72	13	20
Other contingencies and payroll charges	8	10	5
TOTAL	179	122	101

Pensions and other employee benefits: in all Group companies an actuarial valuation has been performed in compliance with the rules applicable in each country in which they are present.

In the Manganese division, differences totalling EUR 18 million (2002: EUR 22 million) arising from the actuarial valuation of the US pensions have been included in intangible assets and amortised over 10 year (note 5).

Restructuring and redundancy plans: the increase in the provision to EUR 72 million (2002: EUR 13 million) is explained by the redundancy plans being implemented in France, Belgium and Norway in the Alloys and Manganese divisions.

15.4 Major repairs and refurbishments

Provisions for major repairs and refurbishments take into account cyclic maintenance expenditure, particularly in the Nickel division for EUR 10 million (2002: EUR 10 million) and the Manganese division for EUR 7 million (2002: EUR 15 million).

15.5 Segment contingencies

In compliance with French accounting standard 2000-06, the tax deductible segment provisions in the Nickel division, which included an inventory price fluctuation provision, a provision for the cost of stripping mine overburden and a provision for prospecting new mining reserves, were cancelled. The resulting positive impact on shareholders' equity was EUR 9 million net of tax. The provision as at December 31, 2003 relates particularly to risks associated with the transport of mineral in Gabon.

15.6 Major disputes

The provision for major disputes associated with the acquisition of Comilog in 1996/1997 remains unchanged at EUR 12 million. The Group considers that it should be more than adequate to cover all the outstanding issues of contention.

15.7 Environmental contingencies and refurbishment of sites

Of the EUR 64 million provided as at December 31, 2003 for environmental contingencies, the Nickel division accounts for EUR 14 million (2002: EUR 2 million) and the Manganese division for EUR 50 million.

The only company concerned in the Nickel division is Le Nickel (SLN) which provides for the refurbishment of its sites under French accounting standard 2000-06.

The Manganese division has booked provisions in accordance with its responsibilities arising from contractual undertakings and legal obligations. At Marietta in the USA, provisions cover contingencies and disputes concerning in particular the decanting basins and environmental issues involving the quality of the air and water. At Boulogne-sur-Mer provisions have been made to take account of regulatory and implied obligations to demolish installations and restore the site to its original state. These provisions have been determined on the basis of experts' reports and technical analyses.

15.8 Other contingencies and expenses

Other provisions booked in all three divisions cover various contingencies including a tax audit at Comilog SA (EUR 10 million) and the cost of closing Boulogne-sur-Mer (EUR 10 million).

The technical reinsurance provision concerning Eras (Holding and miscellaneous), which, in prior years, was included in other provisions, was also cancelled as at December 31, 2002 in compliance with this standard, with a net of tax effect of EUR 14 million.

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15.9 Deferred taxation (net) (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Cancellation of tax-related items	89	100	105
Timing differences re fixed assets	28	28	26
Other timing differences	42	51	43
Miscellaneous	1	1	5
Provision for deferred taxation	160	180	179
Timing differences	40	72	101
Tax losses carried forward	4	18	12
Elimination of inter-company profits	20	10	12
Miscellaneous	2	–	1
Deferred tax asset	66	100	126
TOTAL	94	80	53
Deferred tax asset not recognised	126	74	70

The application for Group tax relief in France covers the consolidated companies of Eramet SA, Erasteel SA, Erasteel Commentry, Erasteel Champagnole, Eramet Alliances, Aubert et Duval Holding, Aubert et Duval Alliances, Aubert et Duval Fortech, Aubert et Duval Tecphy, Sima, Eramet Holding Nickel et Eramet Holding Manganèse. In 2003, a deferred tax asset of EUR 22 million in respect of tax losses was fully written off. The Group has tax receivable of EUR 3 million. No deferred tax asset has been accounted for in respect of fiscal losses of EUR 14 million incurred in 2003. Net deferred taxation comes out at EUR 11 million (2002: EUR 12 million) representing a liability of EUR 29 million and an asset of EUR 18 million.

Movements in net deferred taxation are made up as follows:
(in millions of euros)

	Liability	Asset	Net 2003	Net 2002	Net 2001
As at January 1	180	100	80	53	62
Consolidation adjustments			–	14	(3)
Deferred tax – charge for the year	(11)	(21)	10	14	(5)
Exchange difference and other movements	(9)	(13)	4	(1)	(1)
As at December 31	160	66	94	80	53

15.10 Disputes in progress

Comilog SA has been audited by the tax authorities for the years 1998 to 2001. The additional assessment received by the company totals CFA 31 thousand million (EUR 47 million) and is contested by the company in its entirety. Comilog SA has lodged an appeal and, based on the terms of its right of establishment, has demanded the nomination of an expert. A provision of EUR 10 million has been made as at December 31, 2003.

To the Company's knowledge, there exists no other exceptional situation or dispute likely to have a significant impact on the financial situation, net income or on the assets of the Company or of the Group.

16. Borrowings

16.1 By category (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Borrowings from finance houses	298	260	412
Bank overdrafts	76	140	210
Finance leases	7	8	10
Other borrowings	14	27	57
TOTAL	395	435	689

16.2 By currency (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Euros	294	318	450
US Dollars	50	66	185
CFA Francs	24	27	25
Pounds Sterling	12	12	16
Miscellaneous currencies	15	12	13
TOTAL	395	435	689

16.3 By interest rate (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002
Interest free	11	11
Fixed rates	32	42
Variable rates	352	382
TOTAL	395	435

16.4 By repayment date (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Under 1 year	186	198	530
1 to 5 years	194	212	100
Over 5 years	15	25	59
TOTAL	395	435	689

Eramet benefits from medium and long term confirmed credit facilities. The unused facilities as at the balance sheet date would enable the Group to refinance its short term debts on a longer term basis.

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Unused credit facilities	299	120	203

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16.5 Net borrowings (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Borrowings	(395)	(435)	(689)
Marketable securities	394	308	357
Cash	68	56	64
Miscellaneous	1	–	14
TOTAL	68	(71)	(254)

17. Trade accounts and other payables

17.1 By category (in millions of euros)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Trade accounts	167	209	271
Payroll and fiscal	137	127	133
Taxation on profits	53	20	11
Other trade payables	66	114	76
Accounts payable for fixed assets	64	32	26
Shareholders - dividends	3	3	3
Unearned income	2	1	8
Investment grants	2	2	3
Poum / Koniambo indemnity	109	120	126
TOTAL	603	628	657

17.2 Movements in the year (in millions of euros)

	At December 31		
	2003	2002	2001
As at January 1	628	657	705
Consolidation adjustments	(10)	12	3
Net increase (decrease) in the year	11	(16)	(61)
Exchange differences and other movements	(26)	(25)	10
As at December 31	603	628	657

Consolidation adjustments relate to Sadaci (Manganese division) which was sold at the beginning of the year.

Trade accounts and other payables are all due in under one year with the exception of the Koniambo indemnity for which the payments schedule is detailed in Note 22 – Caledonian mining reserves.

18. Turnover

(in millions of euros)	At December 31		
	2003	2002	2001
Sales of products	1,952	2,047	2,151
Services rendered	38	49	77
TOTAL	1,990	2,096	2,228

19. Financial (costs) income (net)

(in millions of euros)	At December 31		
	2003	2002	2001
Dividends	–	–	1
Net gains on disposal of marketable securities	8	31	–
Exchange differences	(9)	5	–
Provisions against investments (net)	(1)	5	–
Interest (net)	(21)	(27)	(19)
TOTAL	(23)	14	(18)

Net gains on marketable securities include EUR 7 million for Le Nickel (SLN) (2002: EUR 28 million for Eramet and Le Nickel).

20. Exceptional items

(in millions of euros)	At December 31		
	2003	2002	2001
Gain (loss) on disposal of fixed assets	35	(4)	–
Restructuring and redundancy plans	(154)	(6)	(2)
Depreciation of assets	(34)	–	–
Other exceptional items (net)	(3)	(6)	(65)
TOTAL	(156)	(16)	(67)

Disposal of fixed assets includes notably the sale of Sima's former head office in Neuilly sur Seine (EUR 21 million) and of the carbon black activity (EUR 18 million).

The various redundancy plans announced and being implemented in France, Belgium and Norway have necessitated provisions of EUR 74 million. Assets no longer exploited in the Alloys and Manganese divisions with a book value of EUR 55 million have been fully depreciated. A provision of EUR 34 million has been made for the net costs of closure and restoration of sites.

A forecast of industrial performance has been undertaken at the principal sites. This has resulted in the booking of additional depreciation totalling EUR 34 million in the Manganese division to reduce these assets to their current value.

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21. Taxation on profits

21.1 By category (in millions of euros)

	At December 31		
	2003	2002	2001
Current taxation	(65)	(8)	(14)
Deferred taxation	(10)	(14)	5
Distribution tax	–	–	(1)
TOTAL	(75)	(22)	(10)

21.2 Effective rate of taxation (in millions of euros)

	At December 31		
	2003	2002	2001
Consolidated income before exceptional items	111	63	78
Exceptional items	(156)	(16)	(67)
Consolidated income before tax	(45)	47	11
Standard rate of French taxation	33.33	33.33	33.33
Notional tax charge	15	(16)	(4)
Adjustments to notional tax charge:			
– permanent differences between accounting and taxable profits	4	14	12
– additional contributions in France	1	1	–
– difference in rates payable in other countries	2	1	–
– reduced tax rates	–	2	1
– tax credits	1	1	1
– deferred tax assets not, or only partly, recognised	(95)	(25)	(19)
– miscellaneous items	(3)	–	(1)
Tax charge	(75)	(22)	(10)
Effective rate	n/a	46	98

Deferred tax assets not or only partly recognised relates mainly to 2003 tax losses within the context of group tax relief in France (note 15.9) and of companies in the Manganese division (essentially Comilog SA, Erachem Comilog Europe and Eramet Marietta Inc.) which are not considered as constituting an asset, and also to provisions against deferred tax assets booked in prior years (notably Comilog SA, Erachem Comilog Europe and Aubert et Duval Tecphy).

22. Caledonian mining reserves

The Caledonian mining reserves issue, which, in view of the high stakes involved, considerably preoccupied the management of both SLN and the Group between 1996 and 1998, was satisfactorily resolved in 1998.

The issue originated in a claim by SMSP, a Caledonian mining company controlled by the Northern Province, in association with the Canadian nickel producer Falconbridge, one of Eramet's major global competitors, to part of SLN's mining reserves in order to supply a new plant to be built in the Northern Province.

The agreement concluded in February 1998 with government officials provides for an exchange of mining rights on condition that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo mine owned by SLN, in exchange for SMSP's poorer Poum reserves. This exchange is accompanied by an indemnity from the French State to compensate for the effect on SLN's and Eramet's businesses of the difference in reserves between the two deposits.

- The first stage of the agreement was implemented in the second half of 1998:
 - SLN and SMSP transferred their mining rights in Koniambo and Poum respectively to SAS Poum-Koniambo, an independent entity responsible for holding them until their final assignment. The transfer of Koniambo, for a gross sales price of EUR 8 million, was included under exceptional items in the consolidated financial statements for 1998;
 - the indemnity, determined following a valuation by the Group's bankers and the French State at EUR 152 million net of tax (EUR 125 million for SLN and EUR 27 million for Eramet), was paid to the two companies.
- The second stage will be accomplished when the promoters commence construction of the Northern plant, provided this takes place before January 2006. SAS Poum-Koniambo will then transfer Poum and Koniambo to SLN and SMSP respectively with SLN and Eramet consequently acquiring an irrevocable right to the full amount of the indemnity.

This second stage could be implemented earlier by Eramet and SLN, since the latter could, as from the end of 2002, exercise the option to unconditionally renounce its claim to the Koniambo reserves, thereby acquiring an irrevocable right to the indemnity received.

- Should the promoters of the Northern plant, Falconbridge and SMSP, abandon their project, or if it is not commenced before January 2006, the Poum and Koniambo deposits would be returned respectively to SMSP and SLN.

Eramet and SLN would then be obliged to repay that part of the indemnity to which they have not acquired an irrevocable right (unearned) plus interest for the period from the date of receipt.

This unearned balance, which as at December 31, 2003 totalled EUR 109 million, will progressively diminish so as to compensate for loss of use of the reserves. It would fall to EUR 92 million if these were to be restored at the final deadline of January 2006.

	Unearned indemnity (*) (in millions of euros)		
	SLN	Eramet	Total
December 2003	94	15	109
September 2004	88	14	102
September 2005	80	12	92

(*) Excluding interest which has been provided for in the financial statements.

23. Commitments

(in millions of euros)	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Commitments given			
Endorsements, pledges and guarantees	123	85	85
Warranties	151	146	153
Commitments received			
Endorsements, pledges and guarantees	10	5	3
Warranties	n/a	n/a	n/a
Credit facilities	305	128	88

These figures do not include routine business-related orders (i.e. orders received from customers or placed with suppliers), orders for the acquisition of fixed assets in the normal course of business, or commitments arising from shareholder agreements within companies which are not fully owned (reciprocal intra group agreements to acquire minority interests estimated, on the basis of the book value of shareholders' equity, at approximately EUR 60 million relating to Comilog, SLN and Eramet

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Manganèse Alliages). Commitments in respect of purchase orders placed for assets in the context of the strategic investments project (defined in note 6.3) total EUR 125 million.

Following an increase in Comilog SA's share capital at the end of 2002, the state of Gabon has an option to acquire, prior to the end of 2005, 75,302 shares representing 3.23% of the capital at the subscription price.

Interest rate risk: Eramet hedges part of its exposure to movements in interest rates, arising essentially from its borrowings, by the use of EURIBOR 3-month interest rate swaps against variable and fixed interest rates for periods of between 3 months and 3 years. This arrangement is renewed each year and the resulting differences included in Financial (costs) income for the year.

(in millions of euros)	2004	2005	2006
Amounts hedged	80	60	20
Maximum rate	3.97	3.94	3.94

Exchange rate risk: Forward exchange contracts relate almost entirely to the American dollar and are taken out to cover the Group's present and future positions; they are thus of a long term nature.

As at December 31, 2003, dollar-denominated outstanding forward exchange contracts totalled USD 870 million (2002: USD 446 million), these being in the form of forward sales, tunnels or sales options at a minimum average rate of 1.1421 EUR/USD (2002: 0.9326 EUR/USD). The objective of these hedges is to protect a part of future cash flows, principally commercial transactions in 2004 (USD 755 million). Longer term hedges concern transactions of the Alloys and Nickel divisions from 2005 to 2007 (USD 115 million) corresponding to long term contracts.

24. Management remuneration

(in millions of euros)	At December 31		
	2003	2002	2001
Total remuneration of the 10 highest paid employees	2.4	2.4	2.1
Directors' fees	0.1	0.1	0.1
TOTAL	2.5	2.5	2.2

These amounts relate only to the parent company, Eramet SA.

25. Number of employees and personnel costs

25.1 Average number of employees by division

	At December 31		
	2003	2002	2001
Alloys	5,021	5,069	5,503
Nickel	2,395	2,356	2,342
Manganese	6,115	5,174	5,292
Holding and miscellaneous	81	74	74
TOTAL	13,612	12,673	13,211

25.2 Number of employees at the year-end by division

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Alloys	4,924	5,157	5,509
Nickel	2,451	2,363	2,333
Manganese	5,415	7,060	5,322
Holding and miscellaneous	88	74	74
TOTAL	12,878	14,654	13,238

25.3 Personnel costs by category (in millions of euros)

	At December 31		
	2003	2002	2001
Wages and salaries	(329)	(349)	(358)
Bonuses and profit sharing schemes	(11)	(8)	(10)
Contributions to pension schemes (*)	(10)	(11)	(1)
Other payroll charges	(136)	(136)	(140)
TOTAL	(486)	(504)	(509)
(*) Including net (charge) or credit to provisions for pension contributions	(9)	(8)	(1)
Personnel costs – income statement	(477)	(496)	(508)
Percentage of personnel costs on turnover	24%	24%	23%
Average cost of personnel	(36)	(40)	(39)

26. Post balance sheet events

To the Company's knowledge, are no post balance sheet events to report.

CONSOLIDATED FINANCIAL STATEMENTS

27. Sectorial information

(in millions of euros)	At December 31		
	2003	2002	2001
Turnover			
By division			
Nickel	610	501	485
Alloys	616	720	827
Manganese	769	879	920
Holding company and miscellaneous	(5)	(4)	(4)
By region			
France	337	401	387
Europe excluding France	654	690	780
North America	407	526	603
Asia	500	412	375
Other	92	67	83
TOTAL	1,990	2,096	2,228
Operating income			
By division			
Nickel	160	73	41
Alloys	(26)	1	67
Manganese	9	(20)	(3)
Holding company and miscellaneous	(9)	(5)	(9)
TOTAL	134	49	96
Gross operating cash flow ⁽¹⁾			
By division			
Nickel	165	108	85
Alloys	(16)	32	80
Manganese	60	27	43
Holding company and miscellaneous	(4)	20	3
TOTAL	205	187	211
Fixed assets			
By division			
Nickel	311	245	246
Alloys	289	282	268
Manganese	449	637	662
Holding company and miscellaneous	17	17	30
TOTAL	1,066	1,181	1,206

27. Sectorial information (continued)

(in millions of euros)	At December 31		
	2003	2002	2001
Industrial investments			
By division			
Nickel	104	40	36
Alloys	60	41	36
Manganese	35	46	93
Holding company and miscellaneous	–	1	–
TOTAL	199	128	165
Average number of employees in consolidated companies			
By division			
Nickel	2,395	2,356	2,342
Alloys	5,021	5,069	5,503
Manganese	6,115	5,174	5,292
Holding company and miscellaneous	81	74	74
TOTAL	13,612	12,673	13,211

CONSOLIDATED FINANCIAL STATEMENTS

28. Summarised financial statements of Eramet S.A. (Parent company)

BALANCE SHEET (in millions of euros)

ASSETS

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Intangible assets	–	1	1
Property, plant and equipment	15	15	16
Non consolidated subsidiaries	720	934	871
Other investments	22	13	19
Total fixed assets	757	963	907
Inventories	109	63	59
Trade accounts receivable	59	50	42
Other receivables	25	31	21
Intra-group current accounts	145	93	182
Cash	1	–	48
Total current assets	339	237	352
TOTAL ASSETS	1,096	1,200	1,259

SHAREHOLDERS' EQUITY AND LIABILITIES

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Share capital	78	76	75
Share premium	212	204	195
Reserves	503	511	291
Net income	(163)	16	247
Shareholders' equity	630	807	808
Investment subsidies	–	–	–
Tax related provisions	43	44	45
Total net equity	673	851	853
Provisions for contingencies and expenses	12	6	7
Borrowings	225	148	238
Intra-group current accounts	65	72	65
Trade accounts payable	89	68	51
Other payables	32	55	45
Total liabilities	411	343	399
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,096	1,200	1,259

INCOME STATEMENT (in millions of euros)

	At December 31		
	2003	2002	2001
Turnover	659	543	513
Other operating income	5	5	4
External purchases and charges	(612)	(510)	(487)
Personnel costs	(25)	(25)	(21)
Miscellaneous taxes and levies	(3)	(3)	(3)
Depreciation of fixed assets	(4)	(4)	(4)
Provisions (net)	(7)	(2)	(1)
Operating income	13	4	1
Financial (costs) income (net)	(155)	10	19
(Loss) income before exceptional items	(142)	14	20
Exceptional items	3	2	226
Employee profit sharing	(1)	–	(1)
Taxation on profits	(23)	–	2
Net (loss) income	(163)	16	247
Net (loss) income per share (EUR)	(6.35)	0.63	9.99

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CASH FLOW STATEMENT (in millions of euros)

	At December 31		
	2003	2002	2001
Operating activities			
Net income	(163)	16	247
Elimination of non-cash items	215	24	(218)
Operating cash flow before changes in working capital	52	40	29
Changes in operating working capital	(50)	8	31
Net cash flow from operating activities	2	48	60
Investing activities			
Purchases of fixed assets	(3)	(82)	(336)
Disposals of fixed assets	–	–	324
Net change in deferred charges and accounts payable for fixed assets	1	(1)	–
	(2)	(83)	(12)
Indemnity New Caledonia mining reserves	(2)	(1)	(1)
Net cash used in investing activities	(4)	(84)	(13)
Financing activities			
Dividends paid to the shareholders of Erament SA	(25)	(28)	(31)
Increases in share capital	10	10	1
Changes in financial working capital			
Net cash used in financing activities	(15)	(18)	(30)
Others	–	–	–
(Decrease) increase in net borrowing position	(17)	(54)	17
Opening net borrowing position	(127)	(73)	(90)
Closing net borrowing position	(144)	(127)	(73)

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2003

To the shareholders of ERAMET

In our capacity as statutory auditors, we have audited the accompanying consolidated financial statements of Eramet, expressed in euros, for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with French auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in France, the financial position of the Group as at December 31, 2003 and the results of its operations for the year then ended.

II – Our assessment of accounting principles and significant estimates

In compliance with new provisions in the French commercial code requiring us to report this year, for the first time, on our assessment referred to in the opinion above, we bring to your attention the following information.

As indicated in note 20 to the consolidated financial statements your company has constituted, as at December 31, 2003, the following provisions:

- EUR 74 million for redundancy plans
- EUR 55 million in respect of unexploited assets
- EUR 34 million costs associated with the closure and restoration of sites
- EUR 34 million for the impairment in value of certain assets.

In accordance with relevant French professional auditing standards, we have in particular:

- In so far as concerns provisions against the book value of fixed assets, assessed the data and assumptions justifying these provisions, reviewed the calculations made by the company and examined the management approval procedures,
- In so far as concerns provisions for contingencies and expenses, assessed the bases justifying these provisions, reviewed the information concerning these contingencies contained in the notes to the consolidated financial statements and examined the management approval procedures.

Based on the above, we have concluded that the provisions detailed above are reasonable.

Our procedures relating to the above information are included as part of our approach to the audit of the consolidated financial statements taken as a whole and contribute to the formation of the unqualified opinion expressed in section 1 of our report.

III – Other reporting responsibilities

We have also examined the information provided in the Group management report. We have nothing to report with respect to the fairness of such information and its consistency with the consolidated financial statements.

Neuilly and Paris, April 23, 2004
Statutory auditors

Deloitte Touche Tohmatsu
Nicholas L.E. ROLT

Ernst & Young Audit
François CARREGA

COMBINED ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2004

AGENDA **FOR THE ORDINARY GENERAL MEETING**

1. Report of the Board of Directors on the Company's performance during 2003.

Chairman's report on the Board's work and on internal control procedures.

Report of the Statutory Auditors on the Company's annual financial statements for the year.

Report of the Statutory Auditors on the consolidated annual financial statements for the year.

Adoption of the Company's and consolidated annual financial statements for the year ended December 31, 2003

2. Special report of the Statutory Auditors on related party agreements as defined in article L225-38 and subsequent articles of the French Commercial Code.

Ratification of the transactions referred to in the report.

3. Appropriations of net income and payment of dividend.

4. Authorisation for the Company to deal in its own shares.

FOR THE EXTRAORDINARY GENERAL MEETING

5. Use of authorisations given during a take-over bid.

6. Formalities.

PROPOSED RESOLUTIONS

ORDINARY GENERAL MEETING

The following is a translation of the original french to wich reference should be made

First resolution (2003 annual financial statements)

Having considered the reports of the Board and of the Statutory Auditors, the Meeting adopts the annual financial statements of the Company for the year ended December 31, 2003 as presented, and ratifies the operations reflected or summarised in the said reports and statements.

Second resolution

(2003 consolidated financial statements)

Having considered the reports of the Board and of the Statutory Auditors, the Meeting adopts the consolidated annual financial statements for the year ended December 31, 2003 as presented, and ratifies the operations reflected or summarised in the said reports and statements.

Third resolution

(related party agreements as defined by the French Commercial Code)

Having considered the special report of the Statutory Auditors on related party agreements as defined in article L225-38 and subsequent articles of the French Commercial Code, the Meeting approves the report and ratifies the transactions referred to therein.

Fourth resolution

(Appropriations of net income and payment of dividend)

The Meeting approves the following appropriations of net income for the year as proposed by the Board:

(in euros)	
Net income	(€162,552,344.97)
Retained earnings brought forward as at December 31, 2003 (*)	€239,628,536.45
Available for distribution	€77,076,191.48

Distribution:

Dividend of EUR 0.86 per share, net of tax deducted at source (with an attached tax credit of EUR 0.43**) on 25,577,574 shares outstanding as at the date of the General Meeting (total net dividend: EUR 21,996,713.64) €24,970,148.46

Retained earnings carried forward €52,106,043.02

Should, when the dividend becomes payable, new shares have been created following the exercise by employees of subscription options, retained earnings carried forward would be correspondingly reduced.

The Meeting takes note of the dividends distributable in respect of 2003 and of the previous three years:

	At December 31			
	2000	2001	2002	2003
Number of shares remunerated	24,699,360	24,723,360	25,048,043	25,577,574
Net dividend	€1.30	€1.14	€1.00	€0.86
Tax credit	€0.65	€0.57	€0.50 **	€0.43 **
Gross dividend	€1.95	€1.71	€1.50	€1.29

* Retained earnings brought forward as at December 31, 2003 include an amount of EUR 539,931.99 corresponding to the unpaid dividend on its own shares held by Eramet and voted at the Annual General Meeting on May 21, 2003.)

** On the basis of a tax credit of 50%.

COMBINED ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2004

Fifth resolution

(Authorisation to deal in the Company's shares)

Having considered the information circular submitted for approval to the financial market's regulatory authorities, the General Meeting, pursuant to articles L225-209 of the French Commercial Code, authorises the Company, through its Board, to purchase up to a maximum of 5% of its own shares with a view to:

- stabilising the share price by, if necessary, intervention in the market,
- trading in its shares in the light of market conditions,
- using the shares as a means of exchange, notably in the context of growth by acquisition or the issue of shares to new shareholders,
- their retention or, if appropriate, their sale or transfer by whatever means,
- the granting of share purchase options to employees of the Company and/or companies in which Eramet controls, directly or indirectly, 50%,
- their cancellation, in accordance with the fifth resolution of the combined ordinary and extraordinary meeting of shareholders on May 21, 2003 authorising, for a period of twenty four months, a reduction in the Company's capital.

The purchase, sale, transfer or exchange of these shares may be executed by any means, including, when appropriate, the use of derivatives; the maximum number of shares which may be included in a block acquired or transferred can represent the total of the share buy-back programme authorised.

Payment may be effected by any means.

The maximum purchase price may not exceed EUR 70 per share and the minimum selling price may not be less than EUR 10 per share.

This authorisation is valid only until the close of the Shareholders' Meeting held to adopt the annual financial statements for 2004.

To permit compliance with this resolution, all necessary powers are conferred on the Board, who may delegate those powers, to enable it to:

- pass all trading orders, make all necessary arrangements notably for the maintaining of share registers recording the purchase and sale of shares,
- make all necessary declarations to the financial market's regulatory authorities,
- comply with all other formalities and generally take all necessary steps.

EXTRAORDINARY GENERAL MEETING

Sixth resolution

(Use of authorisations during a take-over bid)

The Meeting expressly authorises the Board to make full or part use, within the constraints of the law, of the various powers resulting from resolutions 13 and 15 adopted by the Shareholders' Meeting on May 21, 2003, in the event of a public offer or offers being received for the Company's outstanding capital, whether in the form of a cash or a share offer.

This authority is valid until the Shareholders' Meeting held to adopt the financial statements for the year ended December 31, 2004.

Seventh resolution (Formalities)

This combined Ordinary and Extraordinary Meeting empowers any bearer of an original version, an extract or a copy of the minutes of this meeting to proceed with all necessary filings or formalities.

APPENDIX

ENVIRONMENTAL & SOCIAL DATA

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ENVIRONMENTAL DATA

COMMENTRY (ALLOYS DIVISION, FRANCE)

Erasteel Commentry is located on a very old industrial site with steelmaking activity dating back to 1843. At the time, "Les Forges de Commentry" used iron ore from Berry and coal from Commentry to produce rails and rolled bars.

The plant is now specialised in the manufacture of round, rolled or drawn bars and wires and high speed steel sheets for cutting tools, as well as the conversion of sheets for the aerospace sector. It includes a steelworks and various conversion and finishing workshops.

Erasteel Commentry is a subsidiary of Erasteel, which also has a production unit in Champagnole (Jura, France), three in Sweden and two in the United Kingdom.

A new operating permit is in the examination process.

Energy

The Commentry site's energy consumption is mainly related to the use of furnaces for melting, heating and heat treatments.

Variations in consumption are related to fluctuations in business.

Consumption	2001	2002	2003
Electricity (MWh)	41,059	35,783	40,719
Natural gas (MWh GCV)	65,178	58,388	64,028
Fuel (t)	3,826	3,011	3,439

Water

The main use of water is for cooling circuits. The modernisation of some equipment, together with heightened monitoring, has led to a significant reduction in water consumption in recent years.

Consumption	2001	2002	2003
Industrial water (m ³)	314,746	148,719	167,925
Drinking water (m ³)	37,925	39,929	41,046

COD: Chemical oxygen demand

OIW: Ordinary industrial waste

SIW: Special industrial waste

Discharges

The annual discharges of pollutants given in the table below are estimated on the basis of the first monthly analyses carried out under the self-monitoring system set up on the main discharge in late 2003 and on previous occasional analyses.

The decrease in suspended solids in 2003 is due to the replacement of filters and the treatment of the filter washing water.

Metals (t)	2001	2002	2003
(Fe + Zn + Al + Mo)	1	1	1
Suspended solids (t)	20	20	6
COD (t)	14	14	14

Air

Air discharges are mainly dust from the steelworks (melting furnace AOD converter) and heating furnace combustion gases.

The steelworks is equipped with a dust remover (bag filter). The recovered dust is recycled in the arc furnace.

Atmospheric discharges (t)	2001	2002	2003
SO ₂ ⁽¹⁾	60.9	46.4	54
CO ₂ ⁽¹⁾	24,315	20,440	22,822
NO _x ⁽²⁾	10.3	7.6	8 ⁽⁴⁾
VOC ⁽¹⁾	8	7.4	7 ⁽⁴⁾
Dust ⁽³⁾	2.5	1.9	2.2

(1) calculated by balance sheet.

(2) calculated by emissive power.

(3) calculated for the steelworks on the basis of 150 g per ton of steel.

(4) estimates.

Internal landfill

Erasteel Commentry operates an internal landfill located near the plant, in which only the following inert waste is admitted:

- Slag from the steelworks, which is sorted beforehand in the plant to recover its reusable metal content;
- Used refractories from the steelworks and furnaces;
- Inert earth and rubble from digs or demolitions.

The quantity of inert waste deposited in the landfill is approximately 5,000 tons per annum.

Waste

The high tonnage of hazardous waste in 2003 is due to the one-off disposal of scrap iron (old machines, 5S operation)

Waste (t)	2001	2002	2003
Hazardous waste	408	616	421
Non-hazardous waste	584	594	991
of which Wood–paper recycling	55	81	105
of which Metal recycling	341	399	757

DONIAMBO (NICKEL DIVISION, NEW CALEDONIA)

In Nouméa, Société Le Nickel (SLN) carried out a programme of work in 2003 in order to reduce the environmental impact of its activities. Through capital expenditure, SLN clearly asserted its goal of significantly decreasing the amount of dust released into the atmosphere in 2003. In particular, a workshop for treating the dust released from calcining tubes and electric furnaces was commissioned and an additional bag filter was built. In addition to this capital expenditure, a major electrostatic repair programme was carried out.

As regards aqueous effluent, in 2003 an oil treatment plant went into service. This facility is capable of meeting all New Caledonia's needs, not just the plant's own requirements. Another highlight was the start-up of a laboratory discharge treatment plant. For waste, a set of filters went into operation that is adapted to New Caledonia's geographic remoteness and lack of relevant industrial environment. Some products will be sent to Australia or even to mainland France for destruction.

Operations at Doniambo are not subject to European Union regulations. New Caledonia has its own environmental regulations that are largely based on mainland France's.

Energy

The Doniambo site generates a large part of the electrical energy the plant needs using a fuel oil-fired thermal power station. Additional energy is provided by a hydroelectric dam. The station also

Commitment to ISO 14001 process

An environmental management process has been undertaken and should lead to the site's ISO 14001 certification by the end of 2004.

produces a share of New Caledonia's electricity. The site's consumption has been stable for the past three years. Fuel oil is also used for drying, calcining and for preheating casting ladles.

Equipment for recovering sensible heat from the electric gases sent to the rotating tubes and the boiler helps to keep energy consumption down.

Water

The plant's water is mainly used to cool furnace walls and ingotting machines, feed boilers and make sludge from dust recovered from pre-drying electrostatic filters.

The widespread use of water meters and the improvement of the watertightness of recycled water circuits led to significantly lower consumption (*cf. table below*). A project for recovering and recycling water from the sludge infiltration basin should reduce consumption further.

Sea water represents the largest share of effluents. It is used to cool the thermal power station and to granulate slag with a very slight temperature increase when the water enters the harbour.

Industrial water consumption since 2001

	2001	2002	2003
Industrial water (m ³)	1,103,742	1,029,038	986,376
Change %	–	– 7%	– 4%

APPENDIX ENVIRONMENTAL & SOCIAL DATA

Aqueous consumption and discharge in 2003

	Annual quantity
Industrial water (m ³)	986,376
Drinking water (m ³)	315,929
Metals (t)	177
Suspended solids (t)	7,380
COD (t)	0.26

Air

The Doniambo plant is located by the sea on the outskirts of Nouméa. Air releases come from the thermal power station, the pre-drying, calcining and melting furnaces and the boiler.

Specific monitoring of air quality is carried out to ascertain and control the effects of the site's activity on the town. The thermal power station automatically switches to low sulphur-content fuel in response to the data provided constantly by sensors in measurement stations outside the site. These sensors also measure concentrations of dust and (on request) NO_x.

	Atmospheric discharges (t)
SO ₂	26,000
CO ₂	2,011,470
NO _x	2,889
VOC	< 10.4
HCl	22
Total dust	1,415
Of which nickel and compounds	39.9 ⁽¹⁾
Regulatory maximum dust	1,438

(1) Value extrapolated from measurement in 2003.

Slag management

Thermal treatment of ore generates a very large quantity of slag. This by-product is mainly used as a raw material for road ballast and construction backfill. In the melting process, 1 ton of ore produces 110 kg of ferronickel and 750 kg of slag.

Tons	2001	2002	2003
Waste stored in internal landfill			
+ slag ⁽²⁾	1,957,000	1,986,000	2,035,000

(2) Pre-refinery, desulphurising, Bessemer and melting slag (96% of total).

Waste management

Waste (t)	2003
Hazardous waste ⁽³⁾	24.3
Non-hazardous waste	868
Metal recycling	17,000

(3) Mainly electric batteries.

EUROTUNGSTÈNE (NICKEL DIVISION, FRANCE)

Located in the centre of the Grenoble urban area since the mid-50's, the Eurotungstene plant produces cobalt- and tungsten-based metal powders for the diamond tools market, and cemented carbides. The unit has a definite international outlook as over 95% of its production is exported.

Classified Seveso low threshold for the storage of metal chloride solutions, the site has to combine high technology with safety.

In 2002-2003, Eurotungstene regularised the administrative requirements of its operating permit. In line with the public survey that this entailed, an open day and a local communication campaign were organised, enabling the local population and elected representatives to discuss safety issues with the site's personnel.

Energy

The site's power consumption (electric and natural gas) has decreased over the past 3 years (22,152,443 kWh in 2001 vs. 19,636,000 kWh in 2003) following the shutdown of three screw furnaces in 2002.

Water

To protect the soil and the aquatic environment, in 2003 the site fully renovated the hold-up tanks in the vats containing liquid products by coating them with a chemical attack-resistant resin. In addition, to avoid any pollution from tubing breakage, hold-up tanks were also set up in the vat decanting area.

The results of the analyses carried out on the company's aqueous discharge are well within regulatory limits.

	Aqueous discharge	Aqueous discharge ⁽¹⁾	Regulatory limits ⁽²⁾
Cobalt (kg)	516	698	3,290
Iron (kg)	134	698	3,290
Copper (kg)	48	698	3,290
COD (t)	–	10.4	246.7
Suspended solids (t)	–	6.4	197.4

(1) Annual flow estimated from average 24-hour analyses, extrapolated to 329 days/year (329 production days per year).

(2) Regulatory limits calculated from maximum defined concentrations in relation to measured flow, extrapolated to 329 days/year.

Underground water monitoring piezometers were set up in 2003. The results of the analyses did not show any concentrations higher than the impact observation values for non-significant uses, i.e. with no direct or indirect influence on the health of the populations concerned.

Air

The site's atmospheric discharges are directly related to the nature of its activity.

They are treated and filtered by dust removers or by gas washing systems.

The health study required for the administrative regularisation process showed that cobalt metal dust discharges had no effect on the neighbouring population's health.

CO₂ emissions, the main discharge from the steam production boilers, have been constantly decreasing for 3 years. (2001: 1,809 t, 2002: 1,740 t, 2003: 1,647 t) following process readjustments (filter washing temperature, cake drying temperature).

Mg/Nm ³	Atmospheric discharges	Regulatory limits
SO ₂	0	35
NO _x	10	100
Cobalt	0.4	5

Waste

Selective sorting was set up in recent years to utilise waste through recycling. This reduces the quantity of natural resources used and prevents clogging of subsurface containment facilities. Metal waste comes from the collection of metal drums containing raw materials. Wood mainly comes from transport palletes.

Waste (t)	2001	2002	2003
Hazardous waste	52	32	31
Non-hazardous waste	164.6	164	173
recycling			
Wood-Paper	80.4	79.1	107.3
recycling			
Metal	80.2	84.8	65.4

Other issues

Following local residents' report of a noise nuisance from one of the smoke extraction ventilators on the site's roof, a silencer was fitted in the ventilator exit, which achieved the required results.

APPENDIX ENVIRONMENTAL & SOCIAL DATA

MARIETTA (MANGANESE DIVISION, UNITED STATES)

The Marietta plant is one of the world's largest manganese ferroalloy production sites. The site also produces electrolytic chrome used for superalloy production and in the aluminium industry. The site is closely involved in local life. It takes part in the Washington County Local Emergency Planning Committee and in the Central Ohio Valley Industrial Emergency Organization. The company is an active member of the region's taskforce on smells. It also contributes to the "Clean River" campaign.

In addition to its commitments to local environmental initiatives, Eramet Marietta actively supports the community on education and youth issues.

The essential data on the main environmental issues are given below.

Energy

The 3 arc furnaces and the chrome electrolysis department are the biggest consumers of electrical energy. The re-heating and drying furnaces use gas as an energy source.

kWh consumption	2001	2002	2003
Electricity + gas ⁽¹⁾	855,736,074	816,261,055	808,470,947

(1) of which approximately 70,000,000 kWh redistributed to other companies close to the site.

Water

The site has a separating network for sanitary water and cooling water. Aqueous effluents are collected, treated then discharged into the natural environment.

Measured values show pollutant content that is far below authorised limits.

Aqueous discharges	2001	2002	2003	Regulatory limits
Purchased industrial water (m ³)	118,623	138,247	184,095	–
Chrome (t)	< 0.1	< 0.1	< 0.1	0.62
Lead (t)	0.191	0.109	0.184	–
Manganese (t)	2.62	7.18	8.84	70.4
Suspended solids (t)	12	18	19	330

In 1999, the plant sold the drilling wells that had supplied most of its industrial water until then. The use of filtered water to replace drill water proved unsatisfactory. From 2001 to 2003, this quality problem led the site to gradually buy more water and use less filtered water. This situation explains the approximately 50% increase in the quantity of industrial water purchased from 2001 to 2003.

Air

Atmospheric discharges (t)	2001	2002	2003
SO ₂	6.7	6.9	5.9
NO _x	19.4	19.6	18.1
Dust (t)	678	638	622
of which Manganese	241	233	248

Waste

Waste (t)	2001	2002	2003
Hazardous waste	47.9	134.8	50.4
Non-hazardous waste	901	722	752

The sharp increase in the quantity of hazardous waste produced in 2002 is due to maintenance operations on 66 cells in the chrome electrolysis workshop. During this operation, the cells' coating was changed and the former coating was disposed of as hazardous waste.

PAMIERIS (ALLOYS DIVISION, FRANCE)

Aubert & Duval Fortech Pamiers' industrial calling is to design, manufacture and market forged and closed-die forged parts from very high-quality special steels, titanium alloys and superalloys. Its know-how is centred on the conversion of materials by forging, closed-die forging, heat treatments and machining and includes the control of products and processes.

Energy

Furnaces are the main consumers of electrical energy and natural gas. Work is in process to ensure facilities are gas-compliant. The use of regeneration gas burners and the replacement of two old furnaces in 2004 should soon lead to lower energy consumption.

The reduction in energy consumption was relatively slight in 2003, despite a significant decrease in business. The power supply for the workshop in construction on the site (Airforge – 40 kt) is the main reason for this situation.

The previous decrease (2001 – 2002) corresponded to a downturn in business and the shutdown of old facilities such as electric furnaces.

The business downturn in 2002 and 2003 particularly concerned parts that call for relatively few heating operations in those furnaces. The relationship between gas consumption and business depends heavily on the nature of the manufactured products and the relative weight of the various main product groups.

Potential sources of gas and electricity consumption reduction include the replacement or shutdown of old furnaces and the shutdown of high-consuming electrical facilities (electroslag remelting - ESR) from 2004 onward.

Total energy consumption in 2003 was the same as in 2002.

kWh consumption	2001	2002	2003
Electricity + gas + fuel oil	143,986,000	109,075,000	110,204,000

Water

Consumption of industrial water, which is closely related to gas furnace cooling circuits, was stable overall in 2003.

The water network is very old with many repaired sections. A study is on progress to reduce the number of outlets into the natural environment (the Ariège River). This study, which is difficult because of the site's age and the lack of separating networks, will look into the feasibility of closed-circuit operation. The cost of the work requires planning over several years, from studies in 2004 through to completion in 2008.

The increase in metal discharges in 2003 is a consequence of the project for the new 40 kt press, which led to the slag heap

being moved in 2002, in particular. Rain water leaching of the zone in question, together with excavation work related to the project, caused the values observed.

	2001	2002	2003
Industrial water (m ³)	4,638,926	3,366,864	3,706,220
Drinking water (m ³)	35,742	51,403	34,328
Metals (t)	1.022	1.476	2.726
Suspended solids (t)	0.044	0.073	0.148
COD (t)	0.083	0.079	0.085

Air

Gas furnaces are the main generators of diffuse discharges. Surface treatment workshops have chimney collection facilities. The discharges thus collected are treated by gas scrubbers.

The decrease in NO_x discharges is due to the commissioning of a new "low NO_x" furnace in 2002.

Atmospheric discharges (t)

	2001	2002	2003
SO ₂	0.140	0.131	0.117
CO ₂	16,457	12,662	13,138
NO _x	19.174	22.215	17.161

Waste

Selective collection of OIW and SIW was set up in the plant in 1996. The high value of SIW in 2002 reflects the quantity of waste resulting from cleaning the slagheap.

Waste (t)	2001	2002	2003
Hazardous waste (t)	860	2,543	1,261
Non-hazardous waste (t)	504	222	279
Wood-paper recycling	290	238	226
Metal recycling	0	0	0.16

Organisation

The workforce of the environment unit was increased by one person on a short-term training contract.

Pamiers was appointed the pilot site for the setup of the Group's Environmental Information System. An operating permit renewal application has been in the examination process since 2000.

APPENDIX ENVIRONMENTAL & SOCIAL DATA

PORSGRUNN & SAUDA (MANGANESE DIVISION, NORWAY)

Eramet Norway operates two plants.

- The Sauda site is specialised in the production of various grades of ferromanganese. Created in the 1920's, one of the main reasons for its geographic location was the site's proximity to a hydroelectric power station;
- The Porsgrunn site produces various grades of ferromanganese and silicomanganese.

Energy

Electric furnaces are the main items that use electrical energy. Pre-heating furnaces use fuel oil or propane.

Energy consumption has been stable for 3 years.

kWh consumption	2001	2002	2003
Electricity + gas			
+ fuel oil	1,143,373,777	1,019,213,808	1,079,673,610

Water

Water is mainly used to cool furnaces.

Aqueous discharges	2001	2002	2003
Industrial water (m ³)	–	–	14,406,000
Drinking water (m ³)	–	–	193,000
Cadmium (kg)	0.15	0.338	0.52
Chrome (kg)	–	0.269	0.9
Lead (kg)	9.9	3.837	5.3
Manganese (kg)	201.9	234.8	305
HAP (kg)	34	23	6.6
Suspended solids (t)	3.488	2.27	3.4

The increase in aqueous discharges in 2003 (except for lead) is related to production levels of finished or semi-finished products and to the use of a slightly different mix of raw materials in 2003 from the mix used the previous year.

Air

The plant's fugitive dust emissions result from the handling of materials throughout the production process, particularly the handling of liquid metal and slag. A dust collection optimisation programme is in progress, with the setup of a new filter scheduled for 2004.

Atmospheric discharges (t)	2001	2002	2003
SO ₂	73	73	38
CO ₂	393,137	385,446	356,000
NO _x	–	7.4	17
Dust	60	40	52.6
of which lead	0.131	0.071	0.107

Waste

Waste (t)	2002	2003
Hazardous waste	10,360	7,324
Non-hazardous waste ⁽¹⁾	132,660	124,558
Wood recycling	74	83
Metal recycling	164.5	72

(1) Values including silicomanganese production slag.

From 2002 to 2003, the decrease in the quantity of hazardous waste is mainly due to the following:

- On one hand, the Porsgrunn plant's disposal of 1,244 tons of old products and waste containing tarred components in 2002;
- On the other hand, approximately 1,500 tons less sludge production on the Sauda site in 2003 than in 2002.

Commitment to the ISO 14001 process

The Sauda and Porsgrunn sites have begun an environmental management process that should lead to their ISO 14001 certification in late 2004.

SANDOUVILLE (NICKEL DIVISION, FRANCE)

In terms of production, 2003 was similar to 2002, with output of 11,000 tons of nickel per year. The site continued to improve the safety management system set up with respect to the Seveso II directive. In particular, it carried out 4 internal organisation plan exercises with outside observers present, including mayors, the Le Havre port authority safety manager, representatives of local authorities and the chief fire officer.

The third-party hazard assessment begun in 2002 was completed in 2003 and a new local ruling should be applicable in 2004. The insurers' action plan launched in 2002 was validated by a new inspection by insurers in late 2003.

A sewer network inspection plan was also launched. The inspection, done by remote-controlled robot, showed that some points required repairs. A 10-year programme was drawn up. The first section will be completed in 2004.

Under a partnership with Air Normand, the Seine estuary air quality observatory, and industrial companies in Le Havre, Sandouville took part in a smell detection operation with the aim of decreasing nuisances at source. The inspection report will be released in 2004.

Action was taken to reduce costs and improve service in terms of waste collection and disposal. Savings of almost 20% were obtained and advanced selective sorting with paper and board recycling should be set up in the first half of 2004.

Energy

The high quantity of electricity consumed in 2003 is directly related to the electrolysis process used to make nickel. This process is based on the use of electricity to reduce nickel salts into high-purity nickel metal.

In line with French regulations, the exclusive use in 2003 of very low sulphur content fuel oil led to a significant decrease in SO₂ discharges.

This fuel oil is used for steam production.

kWh consumption	2001	2002	2003
Electricity + fuel oil	84,370,131	77,785,784	76,444,859

Water

Production of softened water and demineralised water are the two main areas of water consumption. The volumes utilised have been constant for the last 3 years.

2003	Annual quantities	Regulatory limits ⁽¹⁾
Industrial water (m ³)	585,848	–
Drinking water (m ³)	16,197	–
Nickel (t)	0.279	1.114
Suspended solids (t)	2.438	7.425
COD (t)	52.929	96.525

(1) Value calculated on the basis of 330 days' operating per year.

The quantity of metal discharges into water decreased by 66% in 2003 (0.28 t in 2003 vs. 0.83 t in 2002). A new recovery basin for the plant's effluents went into service, contributing to this reduction.

Air

Nickel matte (raw material) is finely ground to make it more reactive during chemical attack phases. This stage in the process generates dust that is treated by filters before discharge. In 2003, this dust discharge, while far lower than the regulatory limits set by the site, increased significantly following a malfunction of the bag filters in unit 11 (nickel matte grinding).

The substantial decrease in sulphur dioxide discharges (SO₂) in 2003 corresponds to the use of low sulphur content fuel oil.

The increase in chloride emissions is due to the installation of new, more accurate detectors that posed calibration problems, leading to an initial overestimate of emission quantities.

Atmospheric discharges 2001-2003

Atmospheric discharges (t)	2001	2002	2003	Regulatory limits (t) ⁽²⁾
SO ₂	106	96	60.8	1,149
CO ₂	8,373	7,589	7,746	–
NO _x	19.4	17.5	17.9	169
VOC ⁽⁴⁾	123	97	88	109.6
Cl ₂ (HCl equivalent)	0.180	0.150	0.524	1.395 ⁽³⁾
Nickel dust	0.18	0.11	0.29	0.99

(2) Value calculated on the basis of 323 days' operating per year.

(3) Value calculated from unit U25.

(4) The indicated value is deducted from the materials balance sheet.

Waste

In 2003, SIW returned to similar levels to 2001. In 2002, extensive disposal of polluted earth (a project organised for the purposes of industrial risk prevention) increased the quantities of SIW and OIW processed that year on a non-recurring basis.

Impure sulphur is obtained after chemical processing of ground matte. This product is used to make sulphuric acid. 5,296 tons were utilised in 2003 with recovery of nickel content.

Waste	2001	2002	2003
Hazardous waste (t)	280.4	371.4	245.8
Non-hazardous waste (t)	199.4	216.7	138.2

SOCIAL DATA

WORKFORCE BY COMPANY AND BY GEOGRAPHIC ZONE

Workforce as on december 31st, 2003

Number of employees on cut-off date	Total consolidated balance sheet	France	Rest of Europe	North America	Asia	Other zones
Eramet (Nickel)	214	214				
Société Le Nickel (SLN) & Cominc	2,118					2,118
Nickel subtotal	2,332	214	0	0	0	2,118
Eurotungstène Poudres (ETP)	119	119				
Eramet Holding Nickel (EHN)		0				
Nickel Division (1)	2,451	333	0	0	0	2,118
Erasteel	30	30				
Erasteel Commentry	368	368				
Erasteel Champagne	62	62				
Erasteel Kloster AB	489		489			
Peter Stubs Ltd.	57		57			
Erasteel Ltd.	32		32			
Erasteel Inc.	30			30		
Erasteel GmbH	13		13			
Erasteel Srl	5		5			
Erasteel Japan KK	4				4	
Erasteel Korea Ltd.	3				3	
Erasteel Latin America	5					5
Erasteel Far East Ltd.	4				4	
Erasteel subtotal	1,102	460	596	30	11	5
Aubert & Duval (Holding)	127	127				
Aubert & Duval (Alliages)	1,837	1,837				
Aubert & Duval (Fortech)	1,009	1,009				
Aubert & Duval (Tecphy)	545	545				
Airforge		0				
Adh subtotal	3,518	3,518	0	0	0	0
Financière Brown Europe		0				
Brown Europe	49	49				
Sfbe subtotal	49	49	0	0	0	0
Interforge	143	143				
Traitement Conversion Services (TCS)	12	12				
SIMA	1	1				
Bronzavia Industries	93	93				
Sima subtotal	3,816	3,816	0	0	0	0
Eramet Alliages	6	6				
Alloys Division (2)	4,924	4,282	596	30	11	5
Eramet Norway AS	467		467			
Eramet Marietta Inc.	438			438		
Eramet Manganèse Alliages (EMA)		0				

Number of employees on cut-off date	Total consolidated balance sheet	France	Rest of Europe	North America	Asia	Other zones
EMA subtotal ⁽³⁾	905	0	467	438	0	0
Comilog SA	1,308					1,308
Comilog France	346	346				
Comilog Dunkerque	67	67				
Comilog Italia	1		1			
Shaoxing Comilog Ferro Alloys Ltd.					0	
Guangxi Comilog Ferro Alloys Ltd.	778				778	
Guilin Comilog Ferro Alloys Ltd.	1,193				1,193	
Erachem Comilog Europe	211		211			
Erachem Comilog Inc.	219			219		
Sulfamex	118					118
GCMC	110			110		
Eramet Comilog North America				0		
Eramet Canada				0		
Comilog Far East Development Ltd.	25				25	
Comilog Holding		0				
Comilog International	1	1				
Comilog Lausanne			0			
MMM Immo			0			
Unimin AG			0			
Sodepal	76					76
Comilog US				0		
Miner BV			0			
Comilog Asia Ltd.					0	
Comilog Asia Ferro Alloys Ltd.					0	
Port Minéralier d'Owendo SA						0
Comilog subtotal	4,453	414	212	329	1,996	1,502
Eramet Comilog Manganèse (ECM)	57	57				
Manganese Division ⁽⁴⁾	5,415	471	679	767	1,996	1,502
Eramet (Holding)	88	88				
Eras SA			0			
Port Minéralier d'Owendo SA (PMO)			0			
Division holding and miscellaneous	88	88	0	0	0	0
Eramet Group ⁽¹⁾⁺⁽²⁾⁺⁽³⁾⁺⁽⁴⁾	12,878	5,174	1,275	797	2,007	3,625

SENIOR MANAGERS' COMPENSATION

The total amount of net compensation paid in 2003 to the members of the Group's Executive Committee (6 people in total) was €1,285,953.

DIRECTORS' ATTENDANCE FEES

The total of attendance fees paid to Eramet's corporate officers for financial 2003 is €142,861. This is less than the maximum amount of €152,449 that may be distributed to the Board of Directors, which has not been modified since authorisation by the Shareholders' General Meeting of May 2000.

Attendance fees paid to Eramet's corporate officers by other Group companies total €37,881.

Attendance fees are capped at €152,449 per year and are allotted by the Board of Directors.

The amount of attendance fees with respect to 2003 was paid on the basis of an individual fixed amount of €7,623 for participation in all the Board meetings held during the financial year, plus €763 for participation in the various Committees and travel indemnity of €1,525 per Board meeting for non-French resident Directors.

GLOSSARY

PROCESSES

PYROMETALLURGY

A high temperature process for reducing oxides to metal by mixing them with a reducing agent and melting them in a blast furnace or an electric furnace.

HYDROMETALLURGY

A chemical process for separating metal from oxide in an aqueous medium by leaching, followed by solvent extraction and electrolysis.

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.

FORGING

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

CLOSE 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).

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.

FERROALLOYS

Alloys containing iron and at least one other metal, such as nickel, manganese and chromium, which are added to liquid steel to produce alloy steels with the desired properties.

SUPERALLOYS

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

HIGH SPEED STEELS

A family of alloy 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.

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