REFERENCE DOCUMENT 2008

ERAMET
ALLOYS, ORES AND PEOPLE.

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The structure of this Reference Document complies with Annex 1 of Commission Regulation (CE) n° 809/2004.

A public limited company with a share capital of €79,956,454.55

Registered office: Tour Maine Montparnasse, 33 avenue du Maine, 75015 Paris, France. Registered in the Paris trade register under number 632 045 381.

2008 REFERENCE DOCUMENT

This document, prepared on the basis of the 2008 financial statements, includes the material information subsequent to the approval of those financial statements to the date of its filing.

This Reference Document was filed with the AMF on 10 April 2009, pursuant to Article 212-13 of its General Regulations. It may not be used in support of a financial transaction unless accompanied by a prospectus approved by the AMF.

Person responsible for the Reference Document

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1.1. NAME AND POSITION OF PERSON RESPONSIBLE

Patrick Buffet

Chairman and Chief Executive Officer of ERAMET.

1.2. DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

I declare that to my knowledge the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of all the companies within the scope of consolidation and the Management Report* presents a true and fair view of the business developments, results and financial position of the Company and of all companies within the scope of consolidation as well as a description of the main risks and uncertainties they face.

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

The 2008 consolidated financial statements presented in the Reference Document were the subject of a report from the Statutory Auditors presented on page 199 of said document and contains an observation regarding the change in presentation in the balance sheet.

Name:	Patrick Buffet
Title:	Chairman and CEO
Signature:	Paris, 10 April 2009

* *Presented in Chapters 3, 4, 6, 11, 15 and 21 and in Appendix 3.*

Statutory Auditing – Name of Statutory Auditors

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The separate and consolidated financial statements for the past three financial years have been audited by the Statutory Auditors listed below.

2.1. STATUTORY AUDITORS

A. Ernst & Young Audit

Simplified joint-stock company with a variable share capital.

Part of the Ernst & Young group.

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

Represented by François Carrega.

Partner responsible for the audit: François Carrega.

First appointed by the Ordinary General Shareholders' Meeting of 21 June 1985, with its term of office renewed by the Meeting of 28 June 1991 and subsequently by the Meeting of 31 July 1997 and the Meeting of 21 May 2003. The renewal of this term of office for an additional six years is being proposed to the Ordinary General Shareholders' Meeting to be held in 2009 to approve the 2008 financial statements through the nomination of Ernst & Young et Autres, 41 rue Ybry – 92200 Neuilly-sur-Seine, Nanterre Trade Register 438 476 943, with the new partner responsible for the audit being Mr. Aymeric de la Morandière.

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

B. Deloitte & Associés

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

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

Represented by Nicholas L.E. Rolt;

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

First appointed by the Ordinary General Shareholders' Meeting of 31 July 1997, with its term of office being renewed by the Meeting of 21 May 2003. The renewal of this term of office for an additional six years will be proposed to the Ordinary General Shareholders' Meeting to be held in 2009 to approve the 2008 financial statements, with the new partner responsible for the audit being Alain Penanguer.

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

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

2.2. ALTERNATE AUDITORS

A. Jean-Marc Montserrat

Address: Tour Ernst & Young,

11 allée de l'Arche – Paris - La Défense cedex.

First appointed by the Ordinary General Shareholders' Meeting of 21 June 1985, with its term of office renewed by the Meeting of 28 June 1991, subsequently by the Meeting of 31 July 1997 and lastly by the Meeting of 21 May 2003. The Ordinary General Shareholders' Meeting called in 2009 to approve the 2008 financial statements will be asked to appoint as alternate auditors Auditex, Tour Ernst & Young, 11 allée de l'Arche – Paris – La Défense Cedex, for a further six-year term.

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

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

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

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

Represented by Mr. Alain Pons.

It should be noted that, because of the above-mentioned merger, the resignation of Deloitte Touche Tohmatsu Audit (now called Deloitte & Associés) from its position as alternate auditor resulted in its replacement by Bureau d'Études Administratives Sociales et Comptables - BEAS - being proposed to the General Shareholders' Meeting of 11 May 2005.

The renewal of this term of office for an additional six years will be proposed to the Ordinary General Shareholders' Meeting to be held in 2009 to approve the 2008 financial statements.

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

Selected financial information – key business figures

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3.1. SELECTED HISTORICAL INFORMATION

The ERAMET Group is a French mining and metallurgical group with leading global positions in each of its businesses. The Group, which employed close to 16,000 people in 2008 in some 20 countries, generated annual sales of €4.3 billion. All three businesses show long-term growth.

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

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

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

The Group has major competitive advantages:

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

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

- competitive capacity expansions in nickel and manganese, to maximise returns from its extensive mining resources while supporting the growth of its major global customers;
- ensuring at all times that its businesses are always world class in terms of competitiveness;
- a global presence via the ERAMET International sales network and strategic investments, particularly in China;
- a dynamic research and development policy, with regard to both processes and products;
- careful management, enabling the Group to weather the most difficult periods resulting from the cyclical nature of its markets and to invest against the cycle to maximise returns during the most dynamic periods;
- targeted, complementary acquisitions of existing businesses.

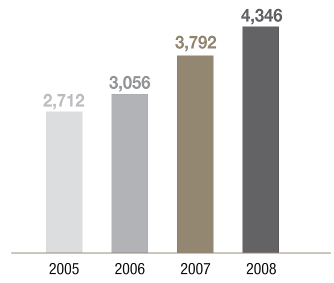
The Group's development is for the long-term. The Group acts responsibly towards its environment, employees and shareholders.

3.2. KEY BUSINESS FIGURES

All data is IFRS compliant.

3.2.1. Business items (consolidated data in millions of euros)

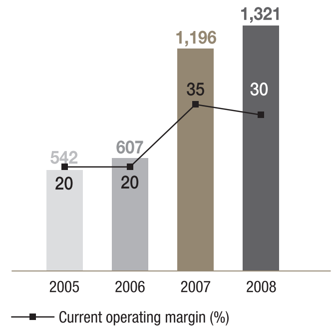
SALES
(MILLIONS OF EUROS)



+15%

Sales up 15% on the back of higher manganese prices and the consolidation of Tinfos.

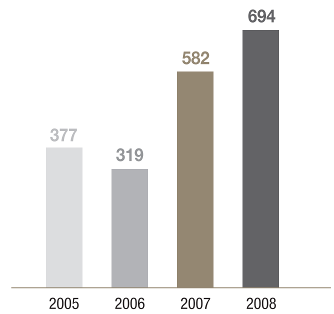
CURRENT OPERATING PROFIT
(MILLIONS OF EUROS)



+10%

Current operating profit up 10% despite the effect of the crisis in the second half of 2008.

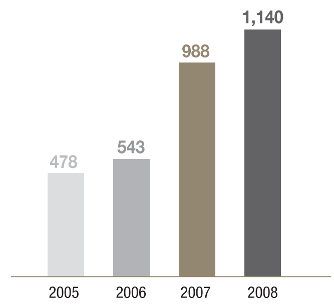
PROFIT (LOSS) FOR PERIOD, GROUP SHARE
(MILLIONS OF EUROS)



+19%

Profit (loss) for period, group share up 19% to €694 million.

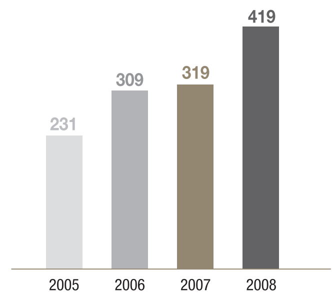
NET CASH FLOWS FROM OPERATING ACTIVITIES
(MILLIONS OF EUROS)



+15%

Up 15% on the back of higher manganese prices and control of working capital requirements.

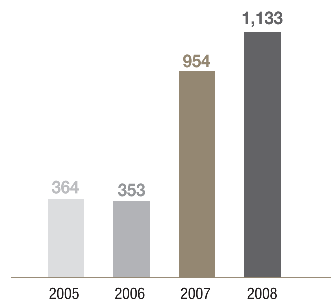
CAPITAL EXPENDITURE
(MILLIONS OF EUROS)



+31%

Capital expenditure up to €419 million despite being scaled back at the end of the year.

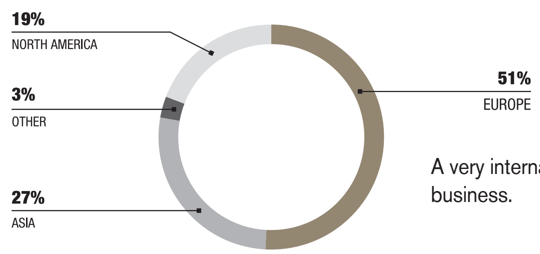
CONSOLIDATED NET CASH POSITION
(MILLIONS OF EUROS)



+19%

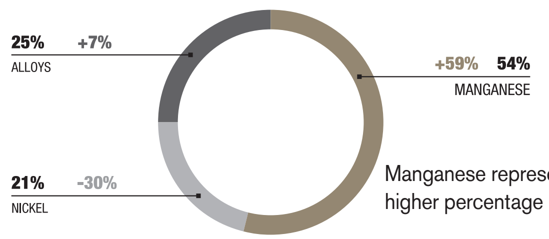
Strengthened financial position, with a consolidated net cash position of €1,133 million at the end of 2008.

GEOGRAPHIC BREAKDOWN OF SALES



A very international business.

BREAKDOWN OF SALES BY BUSINESS SEGMENT



Manganese represented a higher percentage in 2008.

SALES BY DIVISION

	2008	2007	2006
- Nickel	897	1,290	1,019
- Manganese	2,348	1,473	1,147
- Alloys	1,102	1,033	892
- Holding company and miscellaneous	(1)	(4)	(2)
Total	**4,346**	**3,792**	**3,056**
Sales by geographic region			
- Europe	2,224	1,985	1,532
- North America	812	643	638
- Asia	1,156	922	725
- Other regions	154	242	161
Total	**4,346**	**3,792**	**3,056**

3.2.2. Consolidated financial statements

(IFRS, millions of euros)	2008	2007	2006
Sales	4,346	3,792	3,056
Current operating profit	1,321	1,196	607
Net cash flow from operating activities	1,140	988	543
Capital employed*	2,637	2,046	2,001
Capital expenditure	419	319	309
Average workforce	14,702	14,175	13,739

* *Excluding Weda Bay capital expenditure.*

For the fifth year running, ERAMET posted excellent results (operating profit of €1,321 million, up 10% on 2007), due to very high manganese ore and alloy prices in the first three quarters of the year. The impact of the crisis was considerable in Q4 2008. 2008 was marked by the acquisition by the Manganese Division of a 56% economic interest and 59% of the voting rights in the Norwegian company Tinfos. ERAMET's financial position improved and its net cash position was €1,133 million.

Income statement

SALES

The Group's consolidated sales were €4,346 million compared to €3,792 million in 2007, up 15%.

This €554 million rise was mainly due to the higher manganese sale prices and the consolidation of Tinfos (excluding the trading business recognised in assets available for sale) as from 1 August 2008 (€159 million).

Meanwhile, ERAMET Nickel sale prices, after the effect of nickel hedges, were US$10.2/pound (US$22,440/ton), compared to US$13/pound (US$28,600/ton) in 2007.

CURRENT OPERATING PROFIT

Current operating profit was €1,321 million compared to €1,196 million in 2007, representing a current operating margin of 30%, slightly lower than in 2007 (32%).

The €125 million increase in current operating profit, including €62 million for Tinfos, was mainly due to:

- a €717 million positive sales price effect, including -€260 million at ERAMET Nickel, €945 million at ERAMET Manganese and €32 million at ERAMET Alloys;
- an €82 million negative volume effect, basically due to the fall-off in sales at ERAMET Manganese in Q4 2008;
- a very sharp €308 million increase in costs across all three Group Divisions (fuel, freight, coal, alloying raw materials, etc.);
- the negative effect of last quarter production cutbacks on business and productivity (€196 million) and one-off events such as SLN's overhaul of a furnace and extremely bad weather in New Caledonia in the first half;
- the fall in the USD/EUR exchange rate (€68 million): 1.4350 USD/EUR compared to 1.3170 in 2007, after the effect of hedging.

OPERATING PROFIT

Operating profit was €1,243 million, up on 2007 (€1,139 million). It included a €78 million deduction in other operating income and expenses primarily covering €48 million in asset impairment, including €41 million from impairment tests, €16 million in offsetting of the remeasurement of Tinfos finished product inventories, and a €14 million expense for changes to the supplementary pension plan.

PROFIT (LOSS) FOR PERIOD

Profit (loss) for period was €855 million compared to €814 million in 2007, after the effect of:

- positive net borrowing cost of €34 million as a result of investing cash in the market;
- other finance income and expenses, a €75 million expense, mostly due to a €35 million negative exchange rate effect, a €25 million negative remeasurement of financial instruments not eligible for hedging and a €10 million reversal of discounting;
- €347 million in income tax, representing an effective rate of 29% compared to 30% in 2007. In 2008, the continuing favourable tax rate enjoyed by ERAMET was due to the tax rate applicable in Norway (28%) and the use or recognition of previously unrecognised tax losses recognised by ERAMET Manganese.

PROFIT (LOSS) FOR PERIOD, GROUP SHARE

Profit (loss) for period, Group share was €694 million compared to €582 million in 2007, net of €161 million in minority interests.

Consolidated balance sheet

The consolidated balance sheet total as of 31 December 2008 was €5,969 million compared to €4,874 million as of 31 December 2007.

- The working capital requirement amounted to €823 million compared to €781 million as of 31 December 2007, including the Tinfos working capital requirement of €121 million, representing a decrease excluding Tinfos, as a result of the Group's efforts to control the working capital requirement and higher tax liabilities;
- Shareholders' equity, including minority interests, increased considerably: from €3,035 million at the end of 2007 to €3,732 million at the end of 2008.

3.3. INFORMATION ON THE GROUP'S SHAREHOLDERS' EQUITY

This section analyses the consolidated balance sheet as of 31 December 2008 compared to 31 December 2007.

3.3.1. Operating working capital

The operating working capital requirement (inventory + receivables - payables) was €1,216 million as of 31 December 2008 compared to €1,125 million as of 31 December 2007. The ratio of the working capital requirement to sales was 28% as of the end of 2008 compared to 29.7% as of the end of 2007, a slight decline despite a sharp increase in inventories (+€337 million), offset by the decline in trade receivables due to the sharp fall in sales in Q4 (-€115 million), as well as an increase in trade payables (+€130 million).

3.3.2. Consolidated net cash position

Financing (1)

The Group's net cash position (2) was €1,133 million as of 31 December 2008 compared to €954 million as of 31 December 2007. This increase was primarily the result of the following flows:

- €1,140 million in net cash flows from operating activities (€988 million in 2007);
- (€809) million in net cash flows from investing activities, primarily €419 million in capital expenditure and €425 million in financial investments, primarily stemming from the acquisition of Tinfos (including acquisition costs);
- (€86) million in net cash flows from financing activities, including €154 million in dividends paid to ERAMET shareholders and €51 million to minority shareholders of consolidated companies and €114 million from a capital increase to pay for part of the Tinfos acquisition.

(1) Net cash or borrowing position.

(2) Net cash comprises cash and cash equivalents and other financial assets less short and long-term borrowings. The bonds formerly recognised under "Cash and cash equivalents" were reclassified to "Other current financial assets" for a sum of €144 million as of 31 December 2007 and €103 million as of 31 December 2006. The balance sheets and cash flow statements for the 2007 and 2006 financial years were restated to take account of these changes.

3.3.3. Provisions

Provisions amounted to €424 million as of 31 December 2008 compared to €398 million as of 31 December 2007. They fall into two main categories:

Employee obligations

Employee obligations as of 31 December 2008 were measured in line with IAS 19. Pension liabilities are comprised of retirement benefits and supplementary pensions.

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

Obligations also include current restructuring and redundancy plans, particularly in France (Alloys and Manganese Divisions), Norway, Belgium and the United States (Marietta in 2008) for the Manganese Division.

The total provision for employee obligations was €121 million (less €5 million in plan assets classified as non-current financial assets), representing a net of €116 million compared to €112 million in 2007. This relative stability did, however, include material changes: consolidation of the Tinfos companies for €13 million and a decline in the provision in France (€5 million) and the United States (€4 million). The actuarial value of these obligations was €337 million (including €40 million for Tinfos) compared to €247 million in 2007, representing a 20% increase excluding Tinfos due to the change to the supplementary pension plan in France and a change to the pension plan in New Caledonia. Other obligations were flat overall, with the change explained by exchange rate differences, particularly the dollar and the Norwegian Krone.

Environmental contingencies and site restoration

As stated in Chapter 4.3., ERAMET records provisions for the restoration of mining sites in New Caledonia and Gabon on the basis of the estimated discounted cost (rate of 5.40% in New Caledonia and 6.5% in Gabon) of dismantling facilities and replanting sites. These costs are reviewed periodically to factor in mined tonnage and actual costs. The amount of the provision as of 31 December 2008 was €220 million compared to €198 million as of 31 December 2007 (see Note 17.5 to the consolidated financial statements in Chapter 20.1). Other environmental provisions include liabilities stemming from lawsuits or regulatory constraints. They amounted to €38 million as of 31 December 2008 compared to €27 million as of 31 December 2007. The increase was primarily due to an €11 million provision related to pollution of the Fedafjord at Tinfos charged to goodwill. It will be updated in 2009.

3.3.4. Other non-current liabilities

Other non-current liabilities amounted to €22 million comprising SETRAG SA's debt payable to the Gabonese State over a period of 25 years following the purchase of own property, a portion of the spare parts inventory for €12 million and tax benefits obtained in New Caledonia (€10 million) and staggered over 5 to 6 years.

3.3.5. Shareholders' equity

The Group's shareholders' equity was €3,732 million as of 31 December 2008 compared to €3,035 million as of 31 December 2007.

The changes over the year were primarily due to profit for the year (€855 million), dividends paid (€205 million), the capital increase (€119 million) notably following the acquisition of Tinfos paid for in shares (€114 million), and the impact of the change in the financial instrument remeasurement reserve pursuant to IAS 39 (-€123 million).

3.4. FINANCING AND CREDIT FACILITIES

3.4.1. Revolving credit facilities

On 24 May 2005, ERAMET entered into a five-year agreement for a €600 million syndicated multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. In 2006 and 2007, ERAMET asked the lenders to extend the agreement for an additional year. The expiry of this facility has thus been extended to 24 May 2012. The interest rate applicable to the sums borrowed is the benchmark rate, depending on the borrowing currency, plus the applicable spread. The spread is reduced on a sliding basis in line with the financial ratio of consolidated net debt to shareholders' equity. In addition, ERAMET pays a commitment fee of 30-32.5% of the applicable spread. ERAMET has agreed to a single covenant (net debt/Group shareholders' equity) as discussed in Chapter 4.1.1. This facility had not been drawn down as of 31 December 2008.

3.4.2. Commercial paper

In 2005, ERAMET established a €400 million commercial paper programme. Due to the surplus cash position and market conditions, the programme was suspended in early 2008. As of 31 December 2008, ERAMET had no outstanding commercial paper.

3.5. RECENT DEVELOPMENTS AND OUTLOOK

3.5.1. Information as of the date of the Board Meeting

On 18 February 2009, ERAMET and Mitsubishi Corporation announced their intention to enter into a partnership in respect of the project to develop the Weda Bay nickel deposit in Indonesia. Mitsubishi Corporation agreed to acquire from ERAMET a 33.4% interest in Strand Minerals, which holds a 90% interest in PT Weda Bay Nickel, alongside the Indonesian group Antam.

No other material events occurred up to the date of the Board Meeting.

3.5.2. New agreement allowing ERAMET to raise its interest in Eralloys (formerly Tinfos) to 100%

On 12 March 2009, a new agreement, constituting the second phase of the acquisition of Tinfos, to be executed through in-kind contributions, was entered into with Halvor H. Holta Holding AS pursuant to which the ERAMET's interest in Eralloys (production of alloys, manganese, titanium dioxide and trading) will rise to 94.3% and its interest in Tinfos-Notodden (electricity generation) will fall to 34%. As a result of these transactions, Halvor H. Holta Holding AS will hold a 1.46% interest in ERAMET and the minority interests in Eralloys, holding around 6% of the capital, may elect to sell back their shares for cash or for ERAMET shares. Eralloys which is fully consolidated at 55.78% since 1 August 2008 will be consolidated at 94.3% as from May 2009. This percentage could be raised later to 100% upon the buy-back of shares held by minority shareholders. There will be no significant impact on Group net cash, as the acquisition will be made by a contribution in kind. Provisional allocation as of 31 December 2008 will be adjusted during the 2009 financial year according to the definitive values of this second phase.

3.5.3. Outlook for 2009

Outlook for the Group and measures taken in light of the global crisis

Over the short-term, the deterioration in the economic climate and significant levels of inventory reduction will continue to weigh down our markets. Early 2009 will be difficult. LME nickel prices are still quite low, at US$4.92/pound in January and February, while stainless steel production was still weak. Manganese ore trading is very limited, as steel and manganese alloy producers continue their policy of inventory reduction. Manganese alloy prices continue to erode. The slowdown in most sectors of the Alloys Division also continues.

Given this situation, ERAMET has decided to redouble its efforts to adapt to changing demand:

- **ERAMET Manganese: further cuts in ore and manganese alloy production in Q1 2009**

  Considering the downward market trends, ERAMET Manganese will cut its Q1 2009 production to approximately 40% of its ore capacity (a 600,000 ton reduction for the quarter) and to approximately 35% of its alloys capacity (a 150,000 ton reduction for the quarter).

  Beyond Q1 2009, ERAMET Manganese will continue to adjust its ore and alloys production to changes in the market. Moreover, ERAMET Manganese will retain the ability to respond quickly to any rebound in the market.

- **ERAMET Nickel: confirmation of the reduction forecast for Q1 2009**

  Considering the current sales outlook, nickel production was cut in early 2009 to an annualised rate of approximately 50,000 tons.

  A further effort to cut costs will be implemented very shortly. Beyond Q1 2009, ERAMET Nickel will continue to adjust its production to changes in the market and will redouble its cost cutting efforts.

  In 2009, hedging will be put in place for close to 5,000 tons of nickel at approximately US$23,000/ton (US$10.5/pound).

- **ERAMET Alloys: reduction in the production of high-speed steels and adaptation measures throughout the Alloys Division**

  Given uncertainties in the aerospace market (slowdown of the A320, delays in programmes such as the B787, A400M, etc.), adjustment measures and strengthening of improvement plans were implemented in order to keep ERAMET Alloys competitive.

- **Group cost cutting and capital expenditure**

  Beyond the savings directly generated by production cuts, considerable cost cutting efforts have been agreed throughout the ERAMET Group. After a 19% cut in capital expenditure in 2008 compared to what was originally budgeted, the Group's 2009 capital expenditure target was scaled back to 54%, namely from the originally budgeted €736 million to €336 million. This figure may be cut further in 2009 depending on how the crisis unfolds.

  High-purity chromium production at the Marietta plant in the United States was halted.

  Over the coming quarters, the foreseeable end to inventory reduction measures and the progressive effect of the various stimulus plans should help increase demand for the Group's metal alloys.

  Over the medium term, efforts to cut production and capacity closures announced by various producers should help curtail excess supply, while the current lack of financing will result in considerable scaling back and delaying of capital expenditure, limiting the growth in production capacity.

  Over the longer-term, the continued urbanisation and industrialisation of emerging markets, particularly China and India, will continue to drive demand for metal alloys used in the production of steel, while the economic recovery in developed countries should further stimulate growth in demand. Given the under-investment expected over the coming years, this could trigger a new shortage in supply and result in price increases.

Partnership with the Bollore group in lithium

As part of its move into new metal markets with strong growth potential, ERAMET entered into a partnership with the Bolloré Group for the mining and transformation of lithium for the manufacture of batteries. The two groups are currently examining potential developments, particularly in South America.

An important milestone in the Weda Bay project in Indonesia: a new partnership with Mitsubishi Corporation

On 19 February 2009, ERAMET and Mitsubishi Corporation announced their partnership in respect of the project to develop the Weda Bay nickel deposit in Indonesia. Mitsubishi Corporation agreed to acquire from ERAMET a 33.4% interest in Strand Minerals, which holds a 90% interest in PT Weda Bay Nickel, alongside the Indonesian group Antam.

This partnership represents a very important milestone in the Weda Bay project. Mitsubishi Corporation is a leading industrial and commercial operator in Indonesia, as well as a major player in mining and metallurgy through its involvement in several major projects and operating assets throughout the world. Weda Bay is a world class deposit, the measured, indicated and inferred resources of which have just been adjusted upwards to 5.1 million tons of nickel content. Studies for Weda Bay will now be carried out with the support of Mitsubishi Corporation, with the full agreement of Antam.

Risk factors

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4.1. LIQUIDITY, MARKET AND COUNTERPARTY RISKS

4.1.1. Liquidity risk

The Group is not exposed to liquidity risks because of its clearly positive net cash position of €1,133 million as of 31 December 2008. Cash surpluses are mostly transferred to Metal Securities, the Group's special purpose entity responsible for pooling and investing Group cash surpluses.

In addition, the Group has two additional sources of financing, as required, from a revolving credit facility and the issue of commercial paper.

Revolving credit facilities

In 2005, ERAMET entered into a five-year agreement for a €600 million multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. In line with the terms of the agreement, the Group has twice asked the lenders to extend it for an additional year, in 2006 and 2007. This facility thus expires on 24 May 2012. It is designed to finance operations as well as capital expenditure on assets and was entered into on an arm's length basis. This facility is subject to a single covenant (see the section on covenants below).

Commercial paper

In 2005, ERAMET established a €400 million commercial paper programme.

Like at 31 December 2007, because of the cash surplus as of 31 December 2008, neither the revolving credit facility nor the commercial paper programme were used.

Other debts

In addition certain Group subsidiaries have access to credit facilities some of which have been drawn down as of 31 December 2008, notably in the form of finance leases and the borrowings of the Norwegian companies Eralloys Holding A/S and Tinfos A/S, consolidated as of 1 August 2008.

Covenants

The Group's main covenants are listed in the table below.

Company	Credit/bank facility		Ratios	Amounts
ERAMET	Syndicated loan	Net borrowings/Consolidated shareholders' equity	< 1	€600 million
Erachem Comilog Inc.	Miscellaneous bank facilities	EBITDA/Borrowings	> 3	2 M USD
GCMC	Miscellaneous bank facilities	Other borrowings Borrowings/Shareholders' equity Current assets/current liabilities Net property, plant and equipment	> 500 K USD < 1 < 1,15 < 90 M USD	5 M USD
Tinfos AS [(1)]	Miscellaneous bank facilities	Shareholders' equity/total balance sheet Shareholders' equity Net debt/Shareholders' equity (excluding Tinfos AS)	> 30% > 300 M NOK < 1	300 M NOK
Tinfos [(1)] Titan & Iron	Miscellaneous bank facilities	Shareholders' equity/total balance sheet Shareholders' equity EBITDA/Borrowings	> 35% > 200 M NOK > 0,15	150 M NOK
Tinfos Jernverk AS [(1)]	Credit facility	Shareholders' equity/total balance sheet Borrowings/ EBITDA	> 35% < 3	400 M NOK

(1) The addition of covenants for Tinfos Group companies follows the acquisition of these companies by the Group. The Group satisfied these various covenants as of 31 December 2008 and 31 December 2007. These loans were repaid as of the end of February 2009.

4.1.2. Market risks

The Group is primarily exposed to three types of market risk: foreign currency risk, interest rate risk and commodity risks. These three types of risks are monitored by the Group's Treasury Department.

4.1.2.1. Foreign currency risk

ERAMET is exposed to two types of foreign currency risks, namely:

- transactional foreign currency risks where a company has income in a currency other than its functional currency that is not offset by purchases in that currency;
- foreign currency risks to the balance sheet related to the changes in net assets of subsidiaries denominated in currencies other than the euro.

Since 2003, the Group has centralised the transactional foreign currency risk of its subsidiaries. Each Group company reports to Group Treasury its exposure in currencies other than its functional currency. This management is part of a multiyear policy with procedures approved by the Executive Committee along with monthly reporting to its members.

The Group hedges its balance sheet foreign currency risk wherever possible.

TRANSACTIONAL RISKS

Since 2007, transactions have been carried out via the special purpose entity Medal Currencies. The subsidiaries in question determine the amount of their net exposure. The associated risks are then hedged with a maximum horizon of thirty-six months if the amount is greater than €2,000,000 or the equivalent thereof per currency, except in the case of exemptions.

Currency hedging primarily involves the US dollar but also includes the Norwegian Krone, the pound sterling and the Swedish Krone.

The breakdown of these hedges is set out in the table below:

FOREIGN CURRENCY HEDGING AS OF 31 DECEMBER 2008

(in millions of foreign currency)	2008 sales			2009 sales			2010 sales and beyond		
	Amounts	Currency	Price	Amounts	Currency	Price	Amounts	Currency	Price
EUR/USD	693	USD	1.44	946	USD	1.40	505	USD	1.34
EUR/USD	(459)	USD	1.30	(49)	USD	1.32			
EUR/NOK	15	EUR	8.00	144	EUR	8.03	38	EUR	8.55
EUR/GBP	(1)	GBP	0.81	2	GBP	0.79	-	GBP	-
GBP/USD	2	USD	1.72	4	USD	1.90	-	USD	-
GBP/SEK	2	GBP	12.52	2	GBP	12.00	-	GBP	-
JPY/SEK	36	JPY	0.08	60	JPY	0.06	-	JPY	-
EUR/SEK	(14)	EUR	11.27	6	EUR	9.52	-	EUR	-
USD/SEK	18	USD	7.40	8	USD	7.41	-	USD	-
EUR/JPY	523	JPY	141.88	620	JPY	147.40	-	JPY	-

As of 31 December 2008, the fair value of the currency hedges in respect of transactional risks represented a €64 million liability (31 December 2007: a €69 million net asset), primarily due to the recovery of the dollar against all other currencies.

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

- the monthly exchange rate applied to recognise sales and receipts and purchases and payments; and
- the contractual rate for unwinding hedges, are recognised by each company under current operating profit (loss) on sales (under "Translation adjustments on sales" - Note 22.2) or purchases (under "Cost of goods sold").

A change of plus or minus 10% in the dollar rates would have an impact on the hedges charged to shareholders' equity of around -€83 million were rates to rise and approximately +€85 million were rates to fall.

BALANCE SHEET RISKS

In 2008, the US$232 million loan for the acquisition of Weda Bay Minerals Inc. was renewed. In addition, the Group hedged its Norwegian Krone risk in respect of the payment for the acquisition of the 55.78% interest in the Norwegian companies Eralloys Holding A/S and Tinfos A/S (controlling interest 58.93%). The Group used its surplus cash to finance the cash portion of this acquisition denominated in Norwegian Krone.

FOREIGN CURRENCY HEDGES AS ON DECEMBER 31, 2008

OTHER HEDGES 2008

(in millions of foreign currency)	Amounts	Currency	Price
EUR/USD	268	USD	1.42

BREAKDOWN OF FOREIGN CURRENCY HEDGES AS OF 31 DECEMBER 2008 (NOTIONAL AMOUNTS IN MILLIONS OF CURRENCY UNITS)

CURRENCY VS. EUR	Forward sales	Forward purchases	Call options	Put options
USD	1,580	509	2,472	1,582
JPY	828		315	520
GBP	3	1	2	4

CURRENCY VS. NOK	Forward sales	Forward purchases	Call options	Put options
EUR	79		117	117

CURRENCY VS. SEK	Forward sales	Forward purchases	Call options	Put options
JPY	66		60	30
GBP	3		2	1
USD	19		8	7
EUR	9	21	5	3

CURRENCY VS. GBP	Forward sales	Forward purchases	Call options	Put options
USD	3	0	3	2

4.1.2.2. Interest rate risk

a) As regards its gross debt position, the Group looks at its debt position and market trends when deciding whether or not interest rate hedging is necessary. The Group's Treasury Department is responsible for putting in place any hedges.

As of 31 December 2008, the Group had no interest rate hedges in place on its gross debt.

b) With respect to cash surpluses managed by Metal Securities, they are invested:

- in instruments bearing interest calculated on the basis of the EONIA (Euro OverNight Index Average) or EURIBOR (Euro InterBank Offered Rate) rates;
- in fixed-rate instruments swapped against EURIBOR.

On this basis, a 10 basis point drop in the EONIA/EURIBOR rate would have a negative impact of approximately €1 million on the net borrowing cost.

4.1.2.3. Commodity risk

The Group is exposed to commodity price volatility, with respect to its sales as a nickel and manganese producer and to its production costs, as an energy (fuel oil and electricity) and commodities (aluminium) consumer.

Neither exposure to manganese nor to coke is hedged since there is no organised market for these materials. Aluminium and electricity hedges are not material.

The Group uses various instruments to hedge and limit its exposure: forwards and options.

Risk management for fuel oil is part of the multiyear policy under the procedures approved by the Executive Committee and is subject to monthly reporting.

OUTSTANDING AMOUNTS UNDER COMMODITIES CONTRACTS AS OF 31 DECEMBER 2008 *(notional amounts in tons)*

Nickel	Swaps	Call options	Put options
Tons	180	4,500	4,500

Fuel oil	Swaps	Call options	Put options
Tons	131,000	292,000	274,000

As of 31 December 2008, the fair value of hedges put in place for these various commodities was:

- €32 million asset for nickel (€50 million asset as of 31 December 2007);
- €55 million liability for fuel oil (€4 million asset as of 31 December 2007);
- €1 million liability for aluminium (same as of 31 December 2007);
- €4 million liability for electricity (not hedged as of 31 December 2007).

A change of plus or minus 20% in commodity prices would impact the hedges, charged to shareholders' equity for nickel and to income for fuel oil as follows:

(in millions d'euros)	Nickel	Fuel oil	Aluminium	Electricity
Change of + 20% in commodity prices	(6)	15	n/s	n/s
Change of – 20% in commodity prices	6	(16)	n/s	n/s

4.1.3. Counterparty risk

The Group is exposed to several types of counterparty risks: for its customers and its financial partners notably because of its cash surpluses invested with the Group's special purpose entity Metal Securities.

- The Group has several means of monitoring and hedging its customer risk: gathering information ahead of transactions (from rating agencies, published financial statements, etc.), credit insurance and the putting in place of letters of credit and documentary credits. Specifically for trade receivables, there is a credit manager for each Group Division.
- For banking counterparties, the Group determines via the Metal Securities procedures the investment limits on the basis of counterparty ratings. Each counterparty is also subject to regular monitoring of the assessment of credit analysts and/or rating agencies and all risks are reviewed quarterly.

4.2. LEGAL RISKS AND LAWSUITS

4.2.1. The Group's dependency on the legislative and regulatory environment

Specific regulations

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

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

Since November 2005, the Gabonese railway has been operating under a concession. In addition, all Group plants comply with the regulations applicable to them (particularly operating permits).

Tax framework

The Group's business is subject in part to a special tax framework (fees, duties and taxes). Its companies and units in mainland France are subject to standard French tax legislation. The current income tax rate is 33.33%, excluding an additional social security contribution of 3.3%.

It should be noted that ERAMET is the parent company of a tax consolidation group that comprised 20 companies on 31 December 2008.

The following notes apply to subsidiaries outside mainland France.

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

- the Comilog subsidiary is subject to income tax at a rate of 35% and to export duty and a mining licence that represent approximately 6% of the pithead value of the mined products (close to FOB value) and to a 15% tax on dividends. This tax regime is frozen until 2032 under a mining agreement signed in October 2004 and ratified by the Gabonese parliament in 2005. The tax convention between Gabon and France signed in Libreville on 20 September 1995 took effect on 1 March 2008 and replaced the convention of 21 April 1966;
- in general, subsidiaries based outside France (Norway, Sweden, US, China, etc.) are subject to local tax legislation. Dividends paid by those subsidiaries to the parent company are in some cases subject to a withholding tax. On 13 January 2009, France and the United States signed a new amendment to the convention of 31 August 1994 which is currently in force. This provision basically provides for the possibility of American and French companies being under certain conditions exempted from the withholding tax on dividend payments made between the two countries. This amendment should be ratified in the United States and France in 2009. If the amendment ultimately comes into force in 2009, the exemption from withholding on dividends will retroactively apply to all payments made as from 1 January 2009;
- it should be noted that since 1 January 2008, Chinese taxation has been substantially reformed, in particular with the discontinuation of systems favouring certain foreign companies and a unification of the income tax rate at 25%. This reform has had no particular implications for the ERAMET Group's Chinese companies.

4.2.2. Risks stemming from contractual commitments to third parties

Supply and marketing contracts

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

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

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

Note on New Caledonian ore reserves

The French State is guarantor of the proper execution of the Bercy agreements. ERAMET and Le Nickel-SLN will pay close attention to the satisfactory conclusion of the matter, ensuring that Falconbridge (acquired by Xstrata of Switzerland) fulfils its commitments and that the transfer of mining rights is actually linked to the construction of a plant in the North of New Caledonia.

Le Nickel-SLN shareholders' agreement

Pursuant to the Le Nickel-SLN shareholders' agreement of 13 September 2000 between ERAMET and Société Territoriale Calédonienne de Participation Industrielle (STCPI), following the agreement of 17 July 2000 between the State, the provinces of New Caledonia and representatives of the island's main political parties, following the share swap of 23 July 2007 STCPI holds 34% of the share capital of Le Nickel-SLN, in which ERAMET holds a 56% interest and Nisshin Steel a 10% interest. The Le Nickel-SLN shareholders' agreement of 13 September 2007, which runs for ten years, renewable for five-year periods, covers:

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

Following a press release from STCPI on 27 June 2008, proposing the opening of discussions regarding the level of its interest in Le Nickel-SLN, ERAMET's Board Meeting of 11 July 2008 resolved that there was no reason to change the shareholder structure of Le Nickel-SLN, which represents a satisfactory balance.

4.2.3. Major lawsuits

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

4.2.3.1. Nickel Division

GROUND POLLUTION LAWSUITS

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

The Gauzère case resulted in the court of first instance ruling against Le Nickel-SLN in May 1999, but on 15 June 2000 the Nouméa Court of Appeal ordered a new investigation.

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

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

4.2.3.2. Manganese Division

CLAIM BY KAZAKH COMPANIES

Following a 2006 anti-dumping complaint filed with the European Union on behalf of its members by Euroalliages against Kazakh manganese alloy producers, which the latter considered unfounded and wrongful, the producers brought Euroalliages and its members (including ERAMET Comilog Manganèse) before the Court of Brussels on 9 May 2007, claiming €335 million in damages. ERAMET Comilog Manganèse, in association with Euroalliages, has done everything possible to fight this clearly excessive claim, which is actually intended to place indirect pressure on the European Union. As it currently stands, it has little chance of succeeding, the Commission already having placed customs duties on some of the products pursuant to a Regulation of 4 December 2007, a decision that has been challenged before the Court of First Instance of the European Community. On 17 February 2009, the Court of Brussels ruled in favour of Euroalliages and its members, ruling that only European Union courts have jurisdiction to hear this dispute pertaining to an anti-dumping complaint. This ruling may be appealed within one month of its notification.

FORMER EMPLOYEES OF COMILOG IN CONGO

Before the Transgabonais railway started operating, Comilog exported its manganese ore via the Republic of Congo, where it then employed nearly 1,000 people.

Following a very serious rail accident on 5 September 1991 in the Republic of Congo, Comilog's transportation of ore through this country was suspended. As this situation showed no sign of coming to an end, it resulted in the discontinuation of Comilog's operations in the Congo and the severance of its Congolese employees.

After several years of negotiations delayed by the civil war in the Republic of Congo, a *"memorandum of understanding for the final settlement of the dispute relating to the discontinuation of Comilog's operations in the Republic of Congo"* was agreed by the Republic of Congo, the Gabonese Republic and Comilog on 19 July 2003.

Under this agreement, Comilog and the Republic of Congo thus put an end to all past and future disputes, with the latter taking over all liabilities and obligations resulting from Comilog's operations in the Republic of Congo. Under the terms of this agreement, Comilog pays the Republic of Congo the sum of one billion two hundred million FCFA to compensate the employees who were let go. This sum is in addition to the considerable real and movable assets turned over for no consideration by Comilog.

Considering this compensation insufficient, 867 former employees of Comilog in the Republic of Congo summoned three French subsidiaries of Comilog, which never employed these people, and Comilog to appear on 9 October 2008 before the Conciliation Board of the Paris Labour Court.

After discussing the matter and finding a number of irregularities in the summonses, the Conciliation Board decided to schedule another conciliation hearing for 22 June 2009.

In view of the weak grounds for these actions, the various defendant companies have not funded any provision.

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

4.3. INDUSTRIAL RISKS

4.3.1. Industrial activity and Sustainable Development

Within ERAMET, the Communications and Sustainable Development Department (DC2D) is responsible for monitoring the technical aspects of Sustainable Development in close cooperation with the three operating Divisions and the Group's Human Resources Department.

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

Nevertheless, these, durable and recyclable, products may, at some stage in their conversion or use, present hazards or risks. The issue for the Group is, therefore, to identify all such potential hazards, prevent and control the resulting risks to its sites and the outside environment, while contributing to the sustainability and development of its business activity. The Group has an Environmental Charter (see appendices to this document).

With respect to regulatory compliance, ERAMET has set itself a goal of "zero disputes" as described below. Various industrial risk issues related to the Group's activities involving the status of polluted sites and soil, the Group's positioning with respect to global warming, as well as the adequate prevention of industrial risks are also reviewed.

4.3.2. "Zero dispute" goal

The ERAMET Group promotes a policy of strict regulatory compliance and dialogue with the relevant authorities in the event of special operating conditions or temporary difficulties. In this regard, in 2007 the so-called "Zero dispute" goal was set: this means aiming for zero formal notices or legal proceedings potentially arising from any breach on the Group's part of regulatory requirements of operating permits.

The scope of this "zero dispute" policy was broadened in 2008. It includes 12 additional sites and covers over 70% of the Group's industrial sites.

After the number of disputes was halved in 2007, it remained very low in 2008. Furthermore, the Group has had no environmental legal action filed against it within the scope reviewed.

It should be noted that a significant portion of the disputes date back to before the implementation of this policy and the industrial sites are no longer solely liable for them.

4.3.3. Polluted sites and soil – Restoration actions

The Group carefully monitors the management of issues that could have potential impact on soil and subsoil because of past or ongoing operations. Expertise in this field was developed with the experience gained from the discontinuation of operations at the Comilog France site in Boulogne-sur-Mer and is leveraged in the management of current dossiers or furthermore in asset disposals or acquisitions. Thus, whenever appropriate, tests were carried out and financial provisions funded.

In 2008, tests on the environment conditions were carried out at a number of sites, as part of responsible dossier management.

At Aubert & Duval in Gennevilliers, an approach complimentary to that taken in 2002 was taken for the section of the site where operations are currently suspended.

At Firminy, two old waste heaps are undergoing detailed testing. Similarly, the actions undertaken in 2007 with respect to the impact of hydrocarbon pollution at the site were completed in a fully satisfactory manner.

At other sites such as ERAMET Sandouville, the soil testing was brought up to date.

In the Manganese Division, the Freeport site saw the completion of an original restoration process on a waste storage facility via the complete recovery of metals found in the waste, thereby eliminating a storage area that had existed for many years.

Finally, the restoration work at the Comilog France production site at Boulogne sur Mer, closed in 2003, was completed within the agreed timeframe and in strict compliance with environmental protection and prevention requirements. The authorities signed off on the site restoration in May 2008, highlighting the excellent manner in which the dossier had been managed. The land was then returned to the regulatory authorities.

Meanwhile, the site having discontinued operations at its hazardous waste storage facility in Manihen in July 2007, work was able to begin from June 2008 following receipt of the site restoration permit from the Prefect in May 2008.

4.3.4. Contribution to greenhouse gas reduction policy

Since 2003, the Communications and Sustainable Development Department has had a unit responsible for climate change related issues for the Group as a whole, the primary responsibilities of which are:

- active participation in the climate change committees of French and European professional bodies (AFEP, MEDEF, FEDEM, FFA, Eurofer, Eurometaux and Euroalliages) that represent the industry vis-à-vis the European and French authorities in the drafting of related regulations;
- informing the relevant sites about such regulations and assisting them with their application;
- defining and rolling out the Group's policy with respect to climate change, in close cooperation with the "energy management" unit in the Industrial Affairs Department;
- providing information on CO_2 emissions and emission forecasts to the Group Purchasing Department, which is responsible for managing the accounts of the relevant Group sites in France vis-à-vis the French greenhouse gas allowance registry (SERINGAS).

Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a system for greenhouse gas emission allowance trading within the Community

The sites affected are the 4 steelworks in the Alloys Division: Aubert & Duval, Firminy (42) and Ancizes (63) sites and Erasteel, Commentry (03) and Söderfors (Sweden) sites.

First period: 2005–2007 (reminder)

Cumulative allowance for the 4 sites over the period (3 years) = 308,707 allowances

Cumulative CO_2 emissions = 289,230 tons of CO_2

Representing a surplus of 19,377 allowances for the period.

Second period: 2008–2012

Annual allowances for the 4 sites = 137,452 allowances

2008 emissions at the 4 sites = 95,146 tons of CO_2

Representing a surplus of 42,306 allowances for the first year.

It should be noted that between 2005 and 2008, specific total emissions at these sites fell from 1.03 to 0.88,tons of CO_2 per ton of liquid steel produced, representing a 15% decline over 4 years. This reduction was achieved through efforts to improve the energy efficiency of emitting facilities and through the switch from fuel oil to gas at several reheating and heat treatment furnaces in Erasteel Commentry.

Proposed amendment to Directive 2003/87/EC in order to enhance and extend the Community system for greenhouse gas emission allowance trading (post 2012)

The new proposed Directive has been adopted by the European Council and Parliament. The next period of application will cover 8 years (2013–2020).

The extension of the emission allowances trading system will impact the Group, with in addition to the 4 steelworks already included under the original Directive (see above), the European manganese alloy production sites (ferromanganese and silicomanganese) also being included in the system, meaning Comilog Dunkirk, ERAMET Norway and Tinfos sites (Norway, although not part of the European Union, will be party to the new system).

The Group's total emissions thus subject to allowances will rise from approximately 100,000 tons of CO_2 per annum at present to around one million tons of CO_2 per annum during the third period.

Participation in European commission DG ENTR surveys made it possible to place our activities within the sectors at "risk of carbon leakage". This will mean that the facilities will qualify for free allowances instead of having to buy them at auction, representing a considerable reduction for the Group in the potential financial impact.

The Group still needs to work with the professional bodies and authorities in order to define the number of allowances that will be allocated to the Group. It is very likely that these allowances will be considerably lower than those allocated in periods 1 and 2, since the overall reduction target for European CO_2 emissions by industry is 21% in 2020 as compared to 2005 levels.

Energy savings

Since 2005, ERAMET has had an "energy savings" programme in place, designed to cut the Group's energy spend by 5% to 10%. This programme, which helps sites to define their "energy savings" action plans, was launched in the form of a pilot programme at six Group sites. It was then gradually rolled out to all Group sites with high levels of energy consumption.

A site's action plan is defined in cooperation with the Group Industrial Affairs Department, which may call upon independent experts if necessary. It requires three stages: identification/understanding of the process used by the plant, "brainstorming" of potential ideas, and definition of the action plan.

The actions generally adopted cover at least the following subjects:

- production equipment and its energy performance (improvement and maintenance);
- operation of the equipment (best practices, etc.);
- energy metering and monitoring of energy performance, etc.

Once the action plan has been drawn up, the Group Industrial Affairs Department continues to support the sites depending on their needs and asks them for a six-monthly progress report. Progress is also presented to the Group COMEX annually.

As of the end of 2008, 22 sites (out of the 26 targeted) had their action plan, and progress on them varies from one site to another. However, specific measures were implemented which not only allowed substantial gains to be made but sometimes also enabled the environmental impact to be reduced.

Group Carbon Balance

At its 10 December 2007 meeting, the COMEX approved the carrying out of a "Bilan Carbone®" (carbon balance) for the whole Group, using the method proposed by the ADEME (French Environment and Energy Management Agency).

The primary goal of a carbon balance is to provide a high-level overview of an activity with an indicator of greenhouse gas emissions that is no longer primarily economic but rather physical in nature. The review brings to light "physical" dependence that may not show up in a purely economic review, but which are nevertheless drivers of long-term constraints.

ERAMET's carbon balance was carried out jointly by the unit responsible for climate change, Carbone 4, a company in receipt of ADEME approval as regards methodology, the "energy management" unit of the Industrial Affairs Department, the Group Purchasing Department, the environmental contacts at all Group sites and the logistical units in the 3 Divisions (for CO_2 emissions relating to freight transportation).

A comprehensive report on the results of the review is expected in early 2009. It showed up annual emissions of approximately 4 million tons of CO_2 equivalent.

A detailed analysis of emission sources by the Group, by each Division and by each site will make it possible to identify reduction targets and to define appropriate action plans as well as to continue cutting specific emissions, like that already in place within the scope covered by the European directive.

4.3.5 Industrial risk prevention policy

Group crisis management procedures

These set out communication requirements and best practices for three scenarios:

- **prevention of crises:** identification of local and national landscape (authorities, elected representatives, media, etc.), contact plans, identification of poor indicators, Group reporting, simulations;
- **management of serious incidents:** definition of a serious incident, Group reporting, feedback, communication;
- **in a crisis:** criteria for identifying crisis situations, Group reporting, organisation during crises (operations management, communication, recourse to experts, crisis unit), feedback.

These procedures have been rolled out to all sites except China.

As part of the first procedure, a one-off action was taken in 2008, driven by the DC2D, in order to identify site and Group stakeholders.

Methodology assistance with risk analysis

DC2D gives support to the industrial sites with their hazard studies.

These analyses are used to exhaustively identify major accident scenarios and the causes and impacts thereof and leads to the establishment of prevention and/or protection barriers (important safety items) to reduce the likelihood or seriousness of possible events.

Preventive engineering as part of the Group's damage/business interruption insurance policy

In 2008, ERAMET continued its policy of biannual engineering visits (prevention audits) to all industrial sites in close cooperation with the insurer and the Group Insurance Department. All sites with real industrial risks are assessed every two years. The following 15 sites have been visited:

Alloys: AD Firminy, Erasteel Commentry, AD Les Ancizes, AD Issoire, Interforge.

Manganese: Erachem Comilog Inc. Baltimore and New Johnsonville, Comilog Dunkirk, Erachem Comilog Tertre, ERAMET Norway Porsgrunn and Sauda, Comilog Ferro Alloys Guilin and Guangxi, GECC Chongzuo.

Nickel: ERAMET Sandouville.

The action monitoring indicators agreed upon following these visits are updated 3 times a year, in line with standard fire safety procedures and the actions to protect strategic installations that have already been implemented at all sites.

For example, in the case of the standard Group procedures drawn up with the insurers, in 2 years the performance indicator for all industrial sites covered by the Group policy has gone from 39% to 68% for strict procedural compliance and fallen from 42% to 32% for partial procedural non-compliance.

Lastly, close involvement of the leading insurer's engineering teams in all capital expenditure programmes helps ensure that new facilities have optimum protection. Along with the prevention visits, 10 meetings were held to present the insurers with the major capital expenditure projects in order to include their recommendations in the facility design stage and there has been much contact for less significant projects.

Environmental insurance policy – Prevention visits

In 2007, ERAMET signed an extension of its Group Civil Liability policy including an Environmental Damage component (RCAE).

It was then agreed with the insurer that 3 site visits would be carried out, in cooperation with the DC2D for the initial July 2008 – July 2009 period. Three sites representative of the operations of each of the Group Divisions were selected.

This entails a one-day prevention visit to each site comprising an assessment of the regulatory position of the site, an analysis of documentation, and an inventory and assessment of environmental impact factors, a field visit with the operator, a technical analysis through the collection of the data necessary to assess the impact and a review of the action plans in place. A visit report including the identification of risk sensitivity and improvement recommendations will be prepared by the insurer with internal follow-up of the relevant action plan coordinated by the DC2D.

4.4. OTHER SPECIFIC RISKS

4.4.1. Transportation-related risks

Sea freight

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

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

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

Rail transport

The Group was awarded the concession to operate the Transgabonais train for a 30-year period beginning in November 2005. In addition to providing a public service and transporting miscellaneous goods, the railway carries manganese ore from the Moanda mine to the port in Owendo.

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

4.4.2. Energy-related risks

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

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

4.4.3. Political risks

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

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

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

4.4.4. Asbestos risk

Items related to asbestos risk are described in the "Health and Safety" Chapter in Section 17.8.5.

4.5. THIRD PARTY RELATIONSHIPS

4.5.1. Nickel Division

Supply contract with Nisshin-Steel

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

ERAMET and Nisshin-Steel have had a ferronickel supply agreement in place since 1991. Nisshin-Steel is a major customer that accounts for 10% of sales at the Nickel Division. This agreement was renewed in 2001 and 2007 and is designed to guarantee ferronickel deliveries for several years and smooth fluctuations in nickel prices.

Relationship with STCPI and New Caledonia

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

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

The interest was raised to 34% following the General Shareholders' Meeting of 23 July 2007, pursuant to the terms of the shareholders' agreement of 13 September 2000.

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

4.5.2. Manganese Division

With the Gabonese State

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

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

With the Carlo Tassara Group

Carlo Tassara France (belonging to the Group of Mr. Romain Zaleski) holds 3,394,146 ERAMET shares (namely 12.94% of the capital and 7.77% of the voting rights as of 31 December 2008, based on an estimate derived from the most recent threshold crossing declaration by this company, No. 207C0134 of 17 January 2007). On 17 January 2007, it replaced Carlo Tassara International, which had in turn on 20 December 2004 replaced Maaldrift BV (based on declarations of intent filed with the AMF under numbers 204C1559, 207C0134 and 207C0137 – Chapter 21.3.6). In addition, Carlo Tassara France is now also a shareholder in Comilog, replacing Formang and Maaldrift BV (also belonging to the Group of Mr. Romain Zaleski).

4.6 INSURANCE/COVERAGE OF RISKS LIKELY TO BE INCURRED BY THE ISSUER

4.6.1. The Group's general coverage policy/risk coverage strategy

Group organisation

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

Risk identification and control

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

Use of insurance market

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

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

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

Reinsurance

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

The Group is thus able to more effectively manage premiums via a retrocession mechanism and to decide limits. The Divisions are accordingly encouraged to develop their own prevention programmes.

Coverage levels

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

4.6.2. Various types of insurance taken out

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

Civil liability insurance

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

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

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

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

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

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

The annual renewal date for this programme is 1 July.

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

In addition, in 2007, a specific environmental civil liability policy was taken out for €10 million for certain subsidiaries in France and Europe and a similar policy was taken out for US$25 million in early 2008 for the US and Canada.

Property damage and business interruption insurance

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

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

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

It was renewed on 1 January 2006 for two years with very substantial improvements.

Subsequently, on each anniversary date, namely without waiting for the end of the two-year term, the programme benefited from significant new technical improvements regarding coverage and excesses. It is moreover expected to be renewed for additional 2-year periods. Particular attention is given to recommendations made by the insurers based on site prevention visits. This makes it possible to customise both the prevention programme and the coverage terms for the sites.

Shipping insurance

Up to the end of 2007, the Nickel and Manganese Divisions each had a shipping insurance programme for ore and product shipping between industrial sites and to customers; the Alloys Division did not have a specific programme.

At the end of 2007, a call for tenders was launched in order to establish a Group global shipping programme.

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

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

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

Information about the issuer

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5.1. INFORMATION ON THE COMPANY

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

ERAMET. In this document, the company is referred to as “the Company” or “the Issuer”; the group formed by ERAMET and its subsidiaries is referred to as “the Group”.

5.1.2. Company registration number

5.1.2.1. Trade register/SIRET number

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

5.1.2.2. NAF code and business sector

- NAF code: 515 C.
- Business sector: exploring for and operating mining deposits of any kind, metallurgy of all metals and alloys and trading thereof.

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

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

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

Tour Maine Montparnasse
33 avenue du Maine
75015 Paris

Telephone: + 33 (0) 1 45 38 42 42
Fax: + 33 (0) 1 45 38 41 28
Website: www.eramet.fr

Legal form and applicable legislation

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

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

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

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

5.1.5. History and development of the Company

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

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

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

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

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

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

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

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

1992- Société Métallurgique Le Nickel-SLN and ERAMET-SLN take on their current names of Le Nickel-SLN and ERAMET, respectively.

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

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

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

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

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

1997- Agreement with GenGabon under which this Gencor group company sells ERAMET a 15% interest in Comilog. ERAMET now holds 61% of Comilog.

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

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

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

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

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

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

2001- Launch of a programme to increase New Caledonian production capacity by 25%.

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

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

Impairment of Special Metals Corporation.

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

Erasteel takes a controlling interest (78%) in Peter Stubs (UK).

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

- closure of the Boulogne-sur-Mer ferromanganese plant and the Shaoxing (China) manganese alloys plant;

- disposal by Comilog of Sadaci (molybdenum roasting) and the carbon black business, both based in Belgium;
- launch of a capital expenditure programme in a new high-speed steel plant in China, as a joint venture with the Chinese company Tiangong.

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

2004- New Caledonia: commissioning of new furnace.

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

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

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

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

2005- Decision to expand Comilog's ore production capacity to 3.5 million tons by 2008. Oil catalyst recycling business strengthened through two projects by ERAMET's Gulf Chemical and Metallurgical Corporation (GCMC) subsidiary: 100% interest acquired in Bear Metallurgical and commencement of construction of a new oil catalyst recycling unit in Canada.

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

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

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

Acquisition of Weda Bay Nickel.

Manganese ore production reaches 3 million tons.

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

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

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

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

July 2007: swap of shares in ERAMET for those in SLN for STCPI as part of the SLN shareholders' agreement.

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

2008- July: acquisition of a 58.93% controlling interest in the Norwegian group Tinfos (55.78% economic interest).

October: agreement on the acquisition of a purchase option with the shareholders in Otzojondu Mining (Pty) with a view to studying the possible development of Namibia's Otzojondu manganese deposit.

2009- January: agreement signed with the Southern Province of New Caledonia with a view to studying the development of the Prony and Creek Pernod nickel deposits in New Caledonia.

February: Weda Bay project: partnership and agreement for the sale of 33.4% of Strand Minerals (Indonesia) to Mitsubishi Corporation.

5.2. INVESTMENTS

5.2.1. Goals

The Group's capital expenditure has risen considerably in recent years, to over €1.5 billion in five years. The ultimate aim is both to improve competitiveness and grow the business of the three strategic Divisions (Nickel, Manganese and Alloys). The policy is based on product differentiation with a focus on markets with structural medium to long-term growth.

5.2.2. Main capital expenditure programmes

5.2.2.1. Total amount of capital expenditure

Capital expenditure on property, plant and equipment recognised at Group level amounted to €231 million in 2005, €309 million in 2006, €319 million in 2007 and €419 million in 2008. In 2008, capital expenditure was sharply scaled back in the second half by almost €100 million compared to what had been planned, in response to the crisis. The capital expenditure priorities for 2009 have also been revised with the revised target down by over half.

Financing methods for major projects vary depending on each investment. The Nickel Division programme is funded from own resources and, in part, by a tax exemption granted under the Paul Act. The 40,000-ton programme in the Alloys Division is partly funded by a finance lease. The 3.5 million ton Gabon programme was also financed from own resources.

Current capital expenditure is generally funded from own resources.

Financial investments of an industrial nature amounted to €164 million in 2006 and €32 million in 2005. In 2005, acquisitions were mostly comprised of the buyout of minority interests in Bear Chemicals, a GCMC subsidiary, for €10 million, the €13 million share capital increase in Setrag (company holding the TransGabonais railway concession), and the €6 million acquisition of SAS Poum, in line with the Bercy agreements (see Chapter 4.2.2.). In 2006, investments involved the acquisition of Weda Bay in Indonesia following a friendly takeover bid. There were no material financial investments in 2007. In 2008 financial investments totalled €425 million, mainly relating to the purchase of a majority interest in Norway's Tinfos AS.

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

NICKEL DIVISION

Nickel Division	2005	2006	2007	2008
Recognised capital expenditure	€68 million	€125 million	€135 million	€189 million
▪ Of which:				
- Capacity expansion project				
- Mobile equipment				
- Furnace FD 9 SLN				
- Weda Bay studies				
- Financial investments: Weda Bay				

- **Le Nickel-SLN capacity increase.** The last part of this programme involving the commissioning of the Tiébaghi mine ore processing unit, concluded with its inauguration in November 2008. The facilities are currently being subject to tests/refinements and the transportation of output to Doniambo has begun.
- **Modernisation of Le Nickel-SLN's production equipment.** To achieve the production target, a major upgrade of production equipment at Doniambo and of mining facilities is also being carried out in New Caledonia.

  This programme began in 2006 with the renovation of two rotary furnaces in Doniambo. The N° 9 electric furnace was renovated in 2008 on schedule. This programme contains a very important environmental component: the "Clean Doniambo" project.

  In mines, the renewal of the mobile equipment is progressing, with the fixed facilities of SLN's current sites being modernised. The opening of several mines, the operation of which will be outsourced, is under preparation.
- **Study of a new Le Nickel SLN electricity plant.** Pre-project studies regarding the construction of a new electricity generation plant continued.
- **Eurotungstène and Le Havre-Sandouville.** At Sandouville, an investment in manufacturing a new product designed mainly for the electronics market came on stream. At Eurotungstène, several projects have been carried out that while small in scale should enable the production of new products.
- **Weda Bay project.** The studies are continuing in both Indonesia and France in order to bring together all items necessary for the various decisions relating to the project. The administrative permit process is in progress in line with local regulations.

  For the Nickel Division as a whole, the global crisis that arose at the end of 2008 resulted in the review of capital expenditure levels and plans for the end of 2008 and 2009. Certain transactions planned for the end of 2008 were pushed back to 2009 or later.

MANGANESE DIVISION

Manganese Division	2005	2006	2007	2008
Recognised capital expenditure	€94 million	€122 million	€129 million	€145 million
▪ Of which:				
- Comilog project				
- EMD project				
- Setrag upgrade project				
- Relining of furnace at Sauda				

➔ **Studies for a capacity increase in Gabon.** The project to increase capacity to 3.5 Mt/annum is complete. In 2008, a project was undertaken to move up to the next level. This has medium-term goals of:

- maximising the value of unexploited Moanda site resources (Moulili river sediment);
- ending all waste from the washing plant; and
- achieving 4 Mt/annum in annual capacity.

➔ **"Okouma" feasibility study.** This study is looking at working a plateau just a few kilometres from the plateau currently being worked by Comilog SA in Gabon. Containing ore as rich as that mined from the current plateau and allowing the reuse of some of the existing facilities, this plateau should make it possible to sustain ore production at around 4 Mt/annum (at current rates) beyond 2050.

In 2008, the test programme set up in 2007 was intensified. In parallel, steps were taken to learn more about the edges of the Bangombé plateau currently being worked. This has enabled additional reserves to be updated.

➔ **Setrag upgrade project.** The project to renovate track and infrastructure follows the granting of the concession to Setrag, a subsidiary of Comilog SA, to operate the TransGabonais railway. The project is staggered over a number of years and involves upgrading and modernising track, rail facilities and rolling stock. It guarantees the future conduit for Comilog SA's ore while improving service to other TransGabonais customers.

2007 saw the first significant achievements with 37,000 sleepers and 7,200 metres of rail laid. In 2008, this rate accelerated with the replacement of 64,000 sleepers and 29,000 metres of rails.

➔ **SiMn and Mn metal project feasibility study at Moanda:**

This new plant project, located near the Moanda mine, would make it possible to maximise the value of the currently unexploited low-grade mineral resources in order to produce SiMn and Mn metal. The electricity supply would be obtained from a government hydro-electricity plant to be built in an area close to Moanda.

➔ **Study of New Guilin project.** This project consists of building a new manganese alloy plant at Guilin, to replace the current obsolete plant, which is located in an area that the authorities want to designate for non-industrial activities. The new plant will be focused on producing refined alloys, in line with developments both in the Chinese market and in the Division's strategy.

➔ **"Electrolytic Manganese Dioxide" project ("EMD") China.** The project to build an Electrolytic Manganese Dioxide production unit in China has entered its second phase, which should be completed in 2009.

ALLOYS DIVISION

Alloys Division	2005	2006	2007	2008
Recognised capital expenditure	€66 million	€58 million	€54 million	€83 million
▪ Of which:				
- 40KT project				
- Expansion project at Ancizes steelwork				

The Alloys Division considerably stepped up its capital expenditure in 2008 to €83 million:

Aubert & Duval mostly invested in all plants as part of its cycle reduction, competitiveness improvement and capacity increase plan. Significant levels of capital expenditure were on the capacity/reliability improvements to the Ancizes steelworks and the renovation and expansion of the heat treatment furnaces at all plants. The 40,000 ton unit benefited from additional capital expenditure to round off the initial project.

Erasteel's capital expenditure mainly involved a project to improve electric furnace smoke emission capture and a shavings compacting and oil-removal unit at Commentry; the second phase of capital expenditure on a drawing workshop at Tianjin in China; and the installation of an SAP ERP system at the Swedish and Champagnole sites. There was further capital expenditure on productivity, quality improvements, energy cost optimisation and capacity increases to underpin the industrial plan.

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6.1. NICKEL DIVISION

6.1.1. Nickel market

6.1.1.1. Nickel demand

PROPERTIES OF NICKEL

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

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

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

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

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

USES OF NICKEL

Stainless steel is by far the sector that consumes most nickel worldwide. Global nickel consumption in 2008 broke down as follows:

Stainless steel (8-12% nickel)*	58%
Nickel-based alloys (25-100% nickel)	14%
Electroplating	9%
Casting and alloy steels (less than 4% nickel)	9%
Rechargeable batteries	5%
Coins	2%
Other (including catalysis)	3%

* *Austenitic properties, including low-nickel 200 series. Sources: ERAMET estimates.*

END USES OF NICKEL

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

Stainless steel

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

Heavy industries
Chemicals, petrochemicals, paper, power generation.

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

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

Nickel alloys

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

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

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

Electroplating (coating with pure metal)

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

Casting and alloy steels

Automobiles and mechanical construction.

Rechargeable batteries

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

Coinage

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

Other

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

SUSTAINABLE DEVELOPMENT AND NICKEL

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

Nickel is infinitely recyclable and its high economic value makes its collection and recycling worthwhile. The structure of the nickel recycling industry has been firmly established for many years. Products are usually collected for recycling (industrial scrap and products from the destruction of appliances and equipment) by small businesses that sell them on to the major companies in the nickel recycling industry. These firms put together the various alloys containing nickel (stainless steel, superalloys, alloy steels, etc.) in carefully defined proportions to make a new product that is suitable for use by their stainless steel producing customers. In 2008, recycled nickel accounted for approximately 47% of the nickel used in producing stainless steel worldwide.

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

THE NICKEL MARKET

Thanks to the number of fast-growing applications, nickel has historically enjoyed average annual growth of 4% since 1950, which compares very favourably with other industrial products. Stainless steel, the leading use of nickel, has itself seen growth of 5% per annum.

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

More recently, substitution has begun between stainless steel grades. The very high nickel prices up to 2007 gave rise to the development of the low-nickel "200 series" grade (1-4% Ni content) or the nickel-free "400 series", while austenitic "300 series" stainless steel (with around 8-10% Ni content) lost around 18 percentage points in global market share between 2002 and 2007. This trend towards substitution slowed sharply in 2008, with the "300 series" even regaining a percentage point market share.

6.1.1.2. Nickel supply

THE THREE TYPES OF NICKEL ORE

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

There are three types of ore:

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

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

Sulphide ore.

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

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

Oxide ores: laterites, upper mining levels.

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

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

Oxide ores: garnierites, lower mining levels.

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

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

Since 2006, China has imported large quantities of low-grade nickel garnierites and laterites to produce low-grade nickel cast iron (called nickel pig iron or nickel basic feed) by converting old blast furnaces for smelting. This is generally not a very competitive process and has a substantial environmental impact.

MINING PRODUCTION PER COUNTRY IN 2008

2008 MINING PRODUCTION IN THOUSANDS OF TONS OF NICKEL CONTENT

Russia	267,5	18%
Canada	257,1	17%
Indonesia	204,1	14%
Australia	191,0	13%
New-Caledonia	107,8	7%
Colombia	77,0	5%
Cuba	70,5	5%
China	68,4	5%
Brazil	38,4	3%
Botswana	34,9	2%
Philippines	34,8	2%
South Africa	31,7	2%
Dominican Republic	18,8	1%
Greece	18,6	1%
Macedonia	15,3	1%
Venezuela	10,9	1%
Ukraine	8,0	1%
Zimbabwe	7,9	1%
Spain	7,6	1%
Serbia	5,4	0%
Finland	3,3	0%
Turkey	1,2	0%
Zambia	1,2	0%
Kazakhstan	0,8	0%
Norway	0,4	0%
World	1,482,6	100%

Forecast - Source: International Nickel Study Group, INSG.

NICKEL INDUSTRY INVESTMENT COSTS

Capital expenditure levels are particularly high in the nickel industry. A new project comprising a new mine and a new integrated plant with an annual capacity of 55,000 – 70,000 tons (i.e. some 4% of global supply) requires capital expenditure of approximately USD 4 billion. This corresponds to a cost of around 28-36 USD/lb (US dollars per pound) (i.e. 62,000-80,000 USD/ton) of annual capacity.

It should be noted that the cost of a capacity expansion is estimated to be approximately just half that of a new plant.

INTEGRATED PROJECT DEVELOPMENT TIMELINES IN THE NICKEL INDUSTRY

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

Several stages are essential:

- geological surveys: three to seven years;
- pre-feasibility study: one to two years;
- pilot plant for any new process: two years;
- bank feasibility study: one to two years;
- construction (mine and plant): three to four years.

The minimum amount of time is thus 10-15 years, but it can sometimes be several years longer if there are difficulties in negotiating the tax and environmental terms and obtaining the necessary finance.

NICKEL PROCESSING

Acid leaching technology is now the favoured avenue for working new nickel deposits. Indeed, it enables processing of both laterites not exploited pyrometallurgically and low-grade garnierites. Furthermore, this process is not very energy-intensive and enables the ore's cobalt content to be used. ERAMET has developed a proprietary hydrometallurgy procedure to be introduced industrially for its Weda Bay Nickel project in Indonesia and that would be particularly suited to the New Caledonia ore that cannot be processed pyrometallurgically at Doniambo.

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

6.1.1.3. Nickel producers

2008 *(thousands of tons of nickel content)*		Metallurgical production	Finished products
Norilsk	Russia/Finland	254,6	19%
Vale Inco	Indonesia/Canada	237,9	17%
BHP Billiton	Australia/Colombia	120,1	9%
Xstrata (Falconbridge)	Canada/République Dominicaine	106,9	8%
Jinchuan	China	104,6	8%
Sumitomo Metal Mining	Japan	55,5	4%
ERAMET*	France/New-Caledonia	51,1	4%
Cubaniquel	Cuba	36,7	3%
Sherritt	Cuba/USA	32,0	2%
Pamco	Japon	30,5	2%
Other		332,9	24%
Total		**1,362,8**	**100%**

Sources: INSG (International Nickel Study Group) – Producers – ERAMET estimates.
* *ERAMET: garniérite for the Doniambo plant (New-Caledonia).*

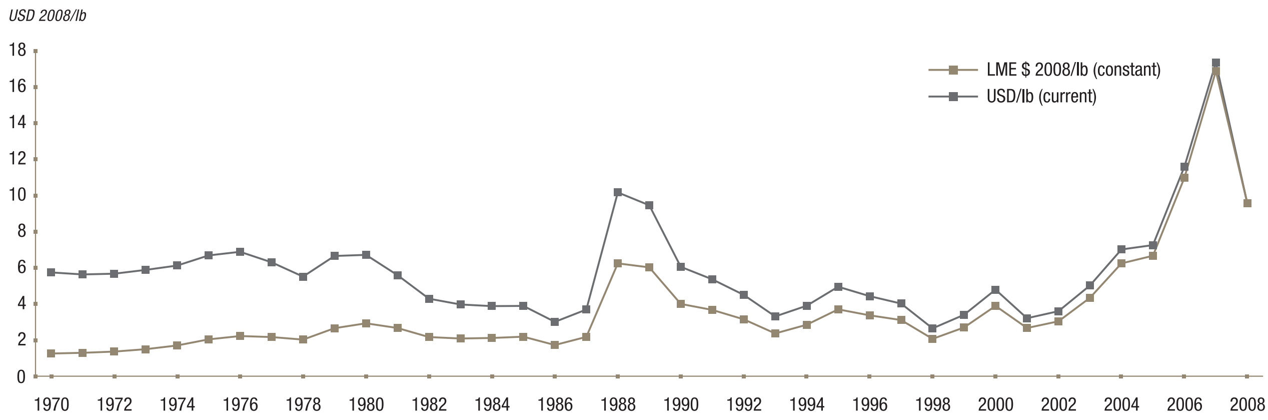
6.1.1.4. Nickel prices

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

In January 2007, ERAMET became an Associate Trade Member (Category 5) of the London Metal Exchange.

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

The chart below illustrates historical trends in nickel prices (in current USD/lb and constant 2008 USD/lb):



Source: London Metal Exchange - Thomson Financial

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

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

Historically, the average nickel price on the LME from 1979 to 2008 was USD 4.3/lb, namely USD 9,500 per ton. The long-term future price estimated by metal commodity analysts is in a range of roughly USD 8-9/lb, namely USD 17,600-USD 19,800/ton.

6.1.1.5. State of the nickel market

2008 saw a very sharp fall in the nickel price on the international market.

The average price in USD seen on the London Metal Exchange was USD 9.58/lb over the year, down 43% on the 2007 average of USD 16.89/lb. The nickel price fell in particular from April 2008 onwards, from USD 13.05/lb at the time to USD 4.39/lb in December (-66%). This sharp fall mainly stemmed from the significant contraction in nickel demand that worsened considerably in Q3. This phenomenon accelerated further in Q4 as the global economic crisis unfolded. In addition, amounts invested in non-ferrous metals by non-physical investors like pension and hedge funds also fell sharply, contributing to the downturn.

In 2008, the stainless steel market, which absorbs around 60% of primary nickel worldwide, saw a collapse in global demand in the second half of the year, whereas the market had held up relatively well in the first half. The stainless steel industry was directly impacted by the crises in the automotive and construction sectors, which are among its main markets. As a result, in Q3 2008 global stainless steel production shrank by 15% compared to Q2, followed by 25% in Q4 compared to Q3 2008, reaching the lowest quarterly output since Q1 2002. This very sharp slowdown affected all geographic areas, including China.

Unlike in previous years, the phenomenon of substituting for grades with less/no nickel alloy slowed considerably, with austenitic grades even regaining market share.

Worldwide, visible consumption of primary nickel in stainless steel was down 16% on 2007. Nickel demand in sectors outside stainless steel held up well, rising 4%.

Overall, visible nickel consumption contracted by 8% in 2008.

In the second half of the year, faced with the very significant contraction in demand and nickel prices no longer allowing the least competitive producers to cover costs, global nickel supply also fall 5% on 2007 to 1,363 thousand tons. Chinese nickel pig iron production thus slowed drastically in the second half, from 85 thousand tons in 2007 to an estimated 68 thousand in 2008 (-20%). High-cost producers suspended operations indefinitely (Ufaleinickel and Falcondo) and more and more production cutbacks were announced, particularly in Q4.

However, visible consumption contracted much more brutally than supply and the nickel market posted a considerable surplus in 2008, of over 100,000 tons. LME inventories increased sharply from 47,940 tons at the end of 2007 to 78,822 tons at the end of 2008.

NICKEL DEMAND AND SUPPLY SUMMARY

(thousands of tons)	2002	2003	2004	2005	2006	2007	2008 E
Stainless steel production	19,835	21,917	23,712	23,929	27,951	28,095	26,377
Austenitic stainless steel production	15,454	17,180	18,243	17,560	21,233	19,942	19,024
Primary nickel %	56.5%	56.4%	54.3%	52.4%	53.3%	53.7%	53.3%
Primary nickel in stainless steel, tons	767.4	842.1	841.5	811.5	892.0	791.6	742.0
Nickel - other sectors	386.8	405.9	415.5	470.2	499.2	523.8	544.0
Visible nickel consumption	1,154.2	1,248.0	1,257.0	1,256.1	1,381.1	1,369.9	1,255.8
Nickel supply	1,177.3	1,196.0	1,258.6	1,283.3	1,354.6	1,432.6	1,362.7
Net	23.2	(52)	1.6	27.1	(26.5)	62.7	107.0
Inventory in weeks' consumption (year-end)	10.5	7.6	7.4	8.8	6.7	9.5	18.7

Sources: INSG - Producers – ERAMET estimates.

6.1.2. Presentation of ERAMET's Nickel Division

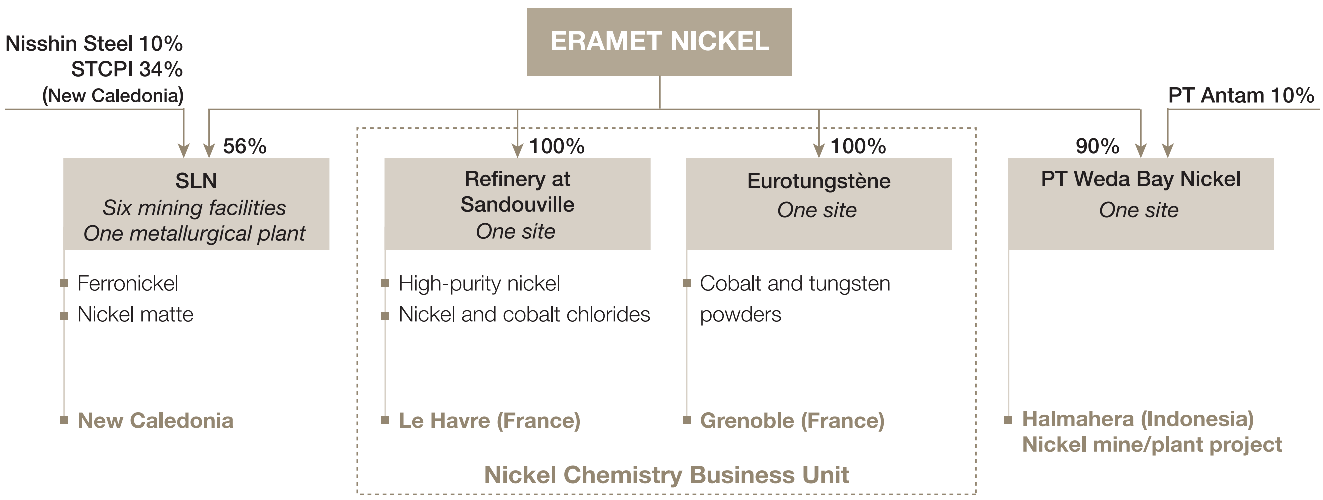
6.1.2.1. Nickel Division key points

- ERAMET has a strong and very long-standing (1880) presence in New Caledonia.
- ERAMET is the world's sixth-largest nickel producer, though it moved to seventh place in 2008 due to the renovation of one of the three Demag furnaces.
- ERAMET operates high-quality mines in both grade and reserves.
- All ERAMET's metallurgical production uses ore from its own mines.
- ERAMET is the world's second largest ferronickel producer, for the stainless steel market.

- ERAMET has developed a policy of gradual expansion, enabled by constant process improvements.
- ERAMET implemented capital expenditure programmes to increase its production capacity at Doniambo. Fulfilment of this goal will in particular depend on market developments.
- Since 2006, in partnership with the Indonesian company Antam (10% shareholder in PT Weda Bay Nickel) and Mitsubishi Corporation (shareholder since 18 February 2009 of 33.4% of Strand Minerals (Indonesia) Pte Ltd, which owns 90% of PT Weda Bay Nickel), ERAMET has owned Weda Bay Nickel, the world class nickel deposit at Halmahera in Indonesia, enabling it to double its size in nickel over time (project in the study phase).
- Prony/Creek Pernod: ERAMET and the Southern Province of New Caledonia signed an agreement in January 2009 with a view to developing the Prony and Creek Pernod deposits.
- The two projects at Weda Bay and Prony/Creek Pernod will use hydrometallurgical technology developed by ERAMET.

6.1.2.2. Nickel Division structure

ORGANISATIONAL STRUCTURE ON 31 DECEMBER 2008



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

Le Nickel-SLN

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

Weda Bay Minerals Inc.

On 2 May 2006, ERAMET acquired Weda Bay Minerals Inc., listed on the Toronto stock exchange and owner of the world class Weda Bay nickel deposit at Halmahera in Indonesia. This deposit is 10% part-owned by the Indonesian company PT Antam. ERAMET has undertaken the studies with a view to building a mine and a plant using the hydrometallurgical process developed by the Group at its research centre. In February 2009, ERAMET sold the Mitsubishi Corporation 33.4% of Strand Minerals (Indonesia) Pte Ltd, which owns 90% of PT Weda Bay Nickel, with the remaining 10% owned by PT Antam, an Indonesian company.

ERAMET

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

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

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

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

- **1991: ERAMET** entered into a long-term cooperation agreement with Japanese stainless steel producer Nisshin Steel, resulting in:
  - Nisshin Steel's acquisition of an interest in Le Nickel-SLN: the initial 5% interest (resulting from a reserved capital increase) was raised to 6% in 1992, 8% in 1993 and reached its definitive 10% level at the end of 1994 following sales of shares by ERAMET;
  - the signing of a contract for the ERAMET Group to supply ferronickel to Nisshin Steel. The agreement, which was entered into in 1991 and renewed in 2001 and subsequently in 2007, provides for ferronickel shipments over several years.
- **1999:** In parallel to the SIMA share contribution transaction, the ERAMET Group reorganised the capital of Le Nickel-SLN, resulting in a 30% interest for STCPI, a special purpose New Caledonian state-owned entity. STCPI simultaneously received a 5.1% interest in ERAMET's share capital.
- **2006:** In December, STCPI exercised a call option enabling it to raise its interest in Le Nickel-SLN to 34%. The transaction took place on 23 July 2007, via the exchange of ERAMET/SLN shares, with STCPI only owning 4.1% of ERAMET's share capital.

Eurotungstène

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

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

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

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

MINES AND INDUSTRIAL FACILITIES

The Group is an integrated nickel producer, from mining through to a marketable product.

Nickel mines

The Nickel Division mines located in New Caledonia benefit from:

- extensive garnierite reserves and resources;
- high nickel content (average 2.7%) with an ore processing unit for two mines;
- in-depth knowledge of the geology and mining methods developed by Le Nickel-SLN; and
- environmentally friendly mining techniques.

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

Nickel ore reserves

See Chapter 11.2.3.

Operation of nickel mines

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

Five are directly operated by the company:

- Thio, operated since 1875;
- Kouaoua, operated since 1960 and re-opened in 1977;
- Népoui Kopéto, operated from 1970 to 1982, reopened in 1994;
- Tiébaghi, operated since 1997; and
- Poum: the mine opened at the end of 2007. It is currently undergoing preparatory work with outsourced and SLN teams.

The sixth mine, Étoile du Nord, has been operated since 1988 by a subcontractor, Minière Georges Montagnat. This operation is to end in 2009.

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

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

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

Népoui and Tiébaghi beneficiation plants

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

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

(in thousands of wet tons)	2008	2007	2006
Direct production	2,430	2,885	2,344
Sub-contracted production	530	766	695
Total	**2,960**	**3,651**	**3,039**
Laterites bought from contractors	203	359	350

Doniambo metallurgical plant

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

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

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

A major production equipment modernisation programme for Doniambo is in progress. Accordingly, in 2007 two calcination furnaces were renovated and in 2008 one of the three electric furnaces was rebuilt, explaining the reduction in output.

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

1994	50,129
1995	52,343
1996	53,413
1997	54,892
1998	56,502
1999	56,642
2000	57,463
2001	58,973
2002	59,867
2003	61,523
2004	55,180
2005	59,576
2006	62,383
2007	59,796
2008	**51,131**

Sandouville refinery

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

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

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

NICKEL DIVISION MARKETING POLICY AND PRODUCTS

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

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

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

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

Ferronickel: world's number two producer

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

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

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

- Nickel Metal (HP Nickel): nickel cathodes are mainly sold to nickel alloy manufacturers (superalloys for aerospace and nuclear power and alloys produced to constraints that improve resistance to corrosion, expansion, pressure etc.), as well as nickel electroplating workshops;
- Nickel chloride (SELNIC): ERAMET is the world's leading producer of nickel chloride, a product used in electroplating and in the chemicals industry (catalysts);
- Nickel carbonate (Nickel ONE): NiCO3 is mainly used in the refining sector to make catalysts and in the ceramic industry as a pigment;
- Cobalt chloride: used in the tyre industry and in the chemicals industry (catalysts) and by ERAMET's Eurotungstène subsidiary.

Ore

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

Breakdown of Sales

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

(en%)	2008	2007	2006
Euro zone	40	46	42
Americas	6	7	7
Asia and other regions	54	47	51
Total	**100**	**100**	**100**

NICKEL DIVISION RESEARCH AND DEVELOPMENT POLICY

The Nickel Division's research and development policy has brought about major developments over the past 30 years The Group has research resources with ERAMET Research (see Chapter 11 – Research and Development).

R&D work has led to the following developments:

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

Furthermore, the process improvements attained through research and development have enabled the capacity of the three Demag furnaces to be expanded gradually and reliably with production advancing from 40,000 tons in 1990 to 62,300 tons in 2006.

More recently, the Group passed another major milestone in its development by creating its own hydrometallurgical process for laterites. This could be applied industrially in the Weda Bay deposit and could also be rolled out in other deposits over time, particularly in New Caledonia for working the Prony/Creek Pernod deposits.

NICKEL DIVISION RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Restated current operating profit*/Capital employed at 31/12, year N-1**

ROCE NICKEL

%	2004*	2005*	2006*	2007*	2008*
Nickel	93,5	58,6	79,7	119,6	23

* *Normes IFRS*

* *Current operating profit – net valuation differences from fair value tests.*

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

6.1.2.3. The Nickel Division in 2008

KEY FIGURES

(IFRS, millions of euros)	2008	2007	2006
Sales	897	1,290	1,019
Current operating profit	169	693	388
Net cash flows from operating activities*	165	556	317
Capital employed*	896	703	580
Capital expenditure	189	135	125
Average workforce	3,057	2,875	2,668

* *Excluding Weda Bay capital expenditure.*

COMMENTARY

ERAMET Nickel's sales were down 30% in 2008 compared to 2007 at €897 million. In Q4 2008, they amounted to €176 million, namely 47% down on Q4 2007.

2008 current operating profit amounted to €169 million, down 76% on 2007. The lower profit was due mainly to the fall in nickel prices from the very high levels in 2007.

The nickel market had a very difficult year due to a sharp reduction in business and prices in the second half of 2008. The decline was particularly marked in Q4, when global stainless steel production decreased by 24% on Q4 2007, and when LME nickel prices plummeted 63% on average compared to Q4 2007. Over the year prices declined 43% compared to 2007.

Nickel hedges in 2008 involved 16,500 tons at an average price of USD 10/lb. They included new hedges put in place since 2007 for 9,000 tons at an average of USD 12.5/lb.

ERAMET Nickel's nickel deliveries totalled 51,700 tons in 2008, 6% lower than in 2007. Annual nickel metallurgical production had been cut back to 51,000 tons by the end of 2008 (-14% on 2007) in response to falling demand.

Capital expenditure amounted to €189 million, namely 40% up on 2007, although this figure had been revised down during the year compared to the pre-crisis target.

In New Caledonia, ERAMET Nickel completed construction of the new Tiébaghi ore beneficiation plant and rebuilt one of the three electric furnaces at SLN. The latter has undergone significant modernisation in recent years thanks to large capital investment programmes, with nearly €710 million invested at SLN over the 2003-2008 period.

The studies for the Weda Bay project in Indonesia continued in 2008. Exploration work enabled an upward revision in resources to 5.1 million tons of nickel (total measured, indicated and inferred resources) while the proportion of measured resources rose to 25% compared to 5% at the time of the acquisition by ERAMET.

6.2. MANGANESE DIVISION

6.2.1. The manganese market

6.2.1.1. Manganese demand

6.2.1.1.1. MAIN APPLICATIONS

Steel

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

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

Other applications

- rechargeable and disposable batteries: mainly concerning disposable alkaline batteries. A smaller percentage continues to be used in saline batteries, which are less efficient. Manganese derivatives are also used in rechargeable lithium batteries;
- ferrites: used in electronic circuits;
- agriculture: fertiliser and animal food;
- various chemicals: pigments, fine chemistry;

➔ other metallurgical uses: mainly as a hardening agent for aluminium (beverage cans).

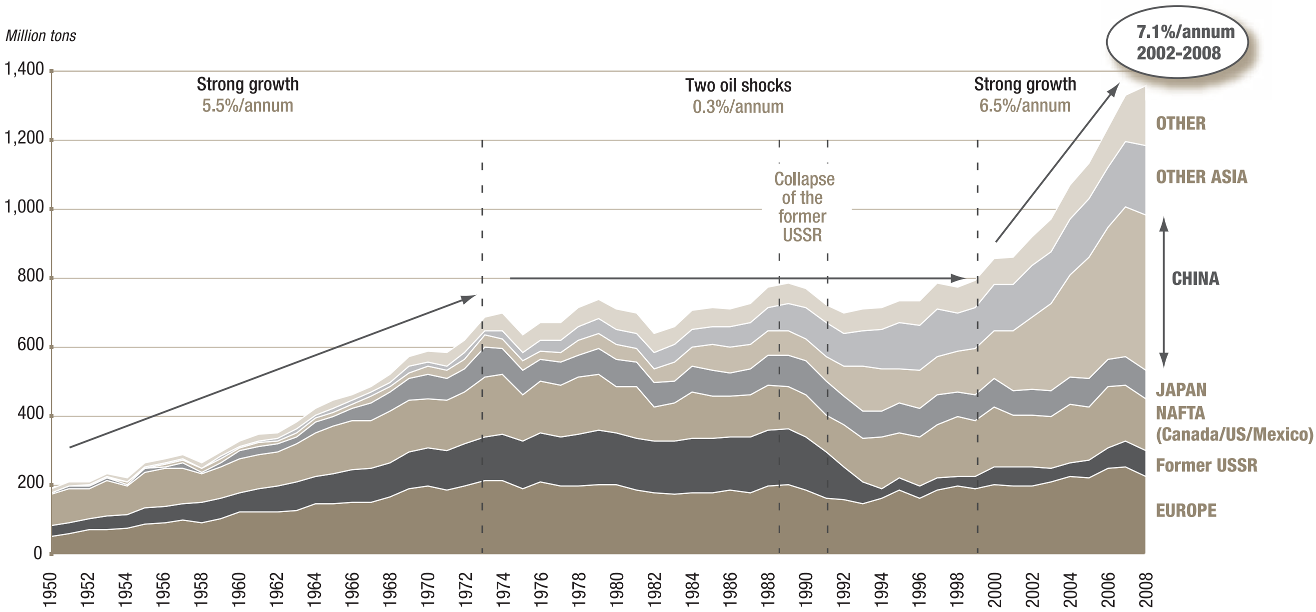
6.2.1.1.2. HISTORICAL CONSUMPTION TRENDS AND OUTLOOK

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

From 1998 to 2007, there has been strong average growth in global carbon steel consumption. This was due to the end of the downturn in steel consumption by the former soviet bloc, the slight upturn in demand in traditional regions and, above all, sharp growth in Chinese demand.

From 2002 to 2008, global demand even grew by over 7% annually, mainly driven by growth in Chinese demand of almost 14% per annum. In 2008, global carbon steel production decreased by 1%.

CHART OF VISIBLE CARBON STEEL CONSUMPTION BY GEOGRAPHIC AREA*



* 2008: Estimates.
Source: ERAMET and World Steel.

GLOBAL CARBON STEEL PRODUCTION BY GEOGRAPHIC AREA

(millions of tons)	2006	%	2007	%	2008	%
EUROPE (27)	206.9	16.5%	209.6	15.6%	198.6	14.9%
Former USSR	119.9	9.6%	124.2	9.2%	114.1	8.6%
NAFTA (Canada/USA/Mexico)	130.5	10.4%	131.3	9.8%	124.2	9.3%
JAPAN	116.2	9.3%	120.2	8.9%	118.7	8.9%
CHINA	423.0	33.8%	489.2	36.4%	502.0	37.8%
INDIA	49.5	4.0%	53.1	3.9%	55.0	4.1%
OTHER ASIA & OCEANIA	96.2	7.7%	102.6	7.6%	103.2	7.8%
OTHER	108.9	8.7%	115.2	8.6%	113.9	8.6%
Total	**1,250.9**	**100.0%**	**1,345.4**	**100.0%**	**1,329.7**	**100.0%**

Source: World Steel.

6.2.1.2. Manganese supply

MANGANESE ORE

Global ore production in 2008 was estimated to be 13.5 million tons of manganese content. Ore production is mainly from eight countries: South Africa, Australia, China, Gabon, Brazil, Ukraine, India and Ghana.

MANGANESE ORE PRODUCTION IN 2008 (IN THOUSANDS OF TONS OF MANGANESE CONTENT)

China*	3,064
South Africa	2,883
Australia	2,246
Gabon	1,441
Brazil	1,258
Ukraine*	609
India*	540
Kazakhstan*	408
Ghana*	327
Mexico*	153
Georgia*	132
Other*	464
World	13,524

* *Low grade ore. Sources: International Manganese Institute and ERAMET estimates.*

The main producers of high-grade manganese ore are BHP Billiton, Comilog (ERAMET), VALE (CVRD) and Assmang.

MANGANESE ALLOYS

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

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

There are four product families:

- high carbon ferromanganese (HC FeMn): containing 65-79% manganese and 6-8% carbon. HC FeMn can be produced by two types of process, electric furnaces or blast furnaces;
- silicomanganese (SiMn): with 60-77% manganese, SiMn can only be made in an electric furnace, using either ferromanganese slag or ore;
- refined ferromanganese (MC FeMn, etc.): this higher value-added product contains less carbon. It is mainly made by transferring molten HC FeMn alloy to an oxygen converter, which reduces the carbon content to the desired level. A distinction is made between medium carbon ferromanganese (1.5% carbon) and low-carbon ferromanganese (0.5% carbon). These products are used above all to make flat steel products and special steels;
- low-carbon silicomanganese (SiMnLC): with the acquisition of Tinfos, ERAMET Comilog Manganèse has strengthened its presence in the refined manganese alloy market, in particular low-carbon silicomanganese. Tinfos has developed unique expertise in this alloy, which is intended mainly for the production of stainless steel, one of the ERAMET Group's main markets.

ERAMET MANGANÈSE IS THE WORLD'S LEADING PRODUCER OF REFINED ALLOYS.

BREAKDOWN OF GLOBAL MANGANESE ALLOY PRODUCTION IN 2008

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

Sources: ERAMET estimates.

GLOBAL MANGANESE ALLOY PRODUCTION IN 2008 (IN THOUSANDS OF TONS OF ALLOY)

Europe	1,080
CIS	1,670
North America	210
China	6,380
Other Asia and Oceania	2,480
Other	1,600
Globally	13,420

Sources: ERAMET estimates.

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

6.2.1.3. Manganese prices

MANGANESE ALLOYS

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

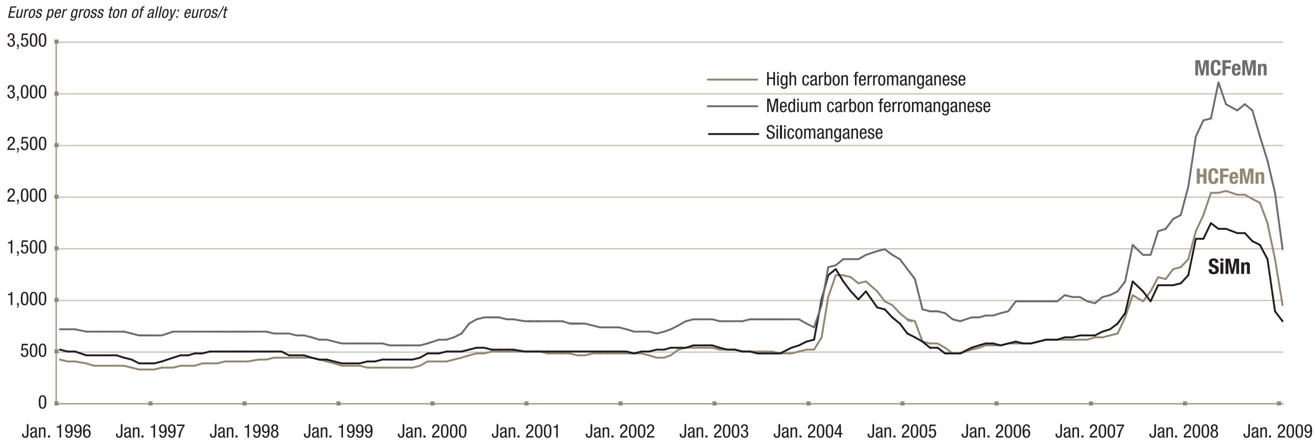
The manganese market is above all global and highly competitive. However, prices can sometimes vary between geographic areas (Europe, North America and Asia) because of movements in currency rates or out-of-step economic cycles. These differences are usually only temporary.

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

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

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

MANGANESE ALLOY PRICES IN EUROPE (EUROS PER GROSS TON OF ALLOY: EUROS/T)



Source: CRU.

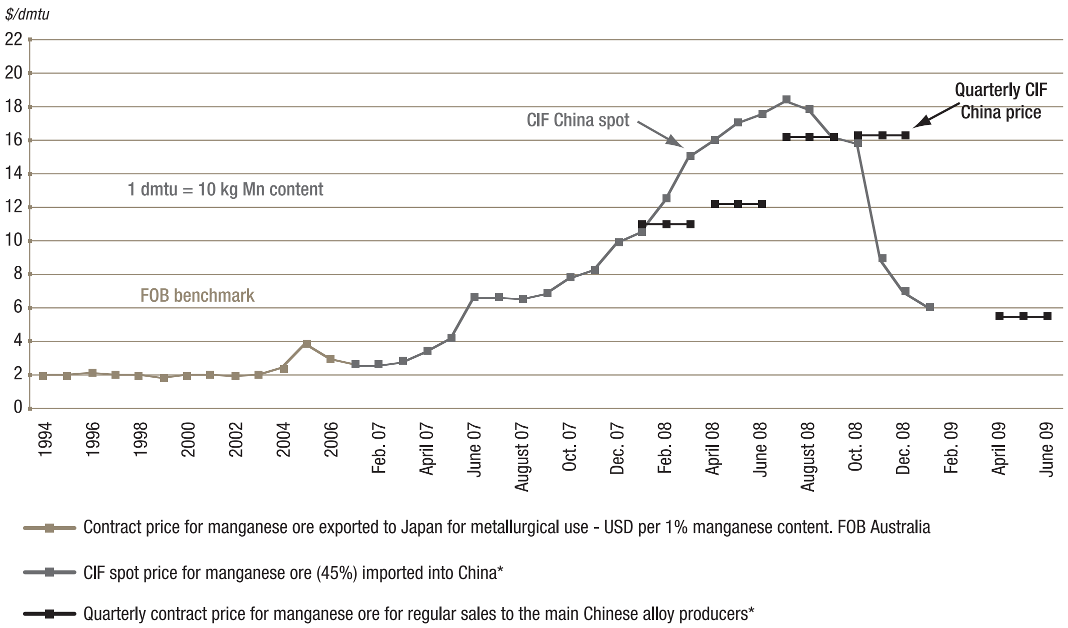
Manganese alloy prices are historically less volatile than those of LME-listed metals.

MANGANESE ORE PRICES

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

The graph below shows the historical trend in manganese ore prices agreed annually between BHP Billiton and Japanese consumers, which served as the main reference in the ore market worldwide (source: Tex Report, a specialised Japanese publication). Taking into account the growing importance of the Chinese market, we more recently added the Chinese manganese ore spot price curve, as followed by the CRU, as well as the quarterly price information monitored by the Tex Report.

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



Source: CRU and Tex Report.*

6.2.1.4. Recent market conditions

After long years of slow growth, world steel production accelerated from 2000 to 2007, with an annual average growth rate of approximately 7%.

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

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

Global carbon steel production increased by 9.1% in 2006 and 7.3% in 2007, resulting in an upturn in prices that accelerated in 2008, taking them to record levels.

Manganese ore supply has faced certain logistical bottlenecks in the railways and ports of certain large producer countries like South Africa. Few large capital expenditure projects have been announced to meet rapid demand growth.

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

In Q4 2008, global carbon steel production declined sharply, resulting in a considerable fall-off in manganese demand. Although manganese producers reacted by cutting output, spot prices for ore and manganese alloys fell sharply.

6.2.2. Presentation of ERAMET's Manganese Division

6.2.2.1. Manganese Division key points

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

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

6.2.2.2. Manganese Division history

1957: Founding of Comilog.

1962: Mining of the Moanda deposit begins in Gabon.

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

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

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

1996-1997: ERAMET becomes Comilog's main shareholder.

1999: ERAMET acquires the Elkem group's manganese businesses, which are merged into ERAMET Manganese Alliages.

2000:

- acquisition of the Mexican company Sulfamex, which produces manganese-based agrochemicals;
- inauguration of the Moanda industrial complex (Gabon), a new manganese ore beneficiation and sintering plant, which enhances Comilog's product range and extends the lifespan of its reserves.

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

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

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

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

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

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

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

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

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

2006: Comilog production successfully increased to 3 Mt.

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

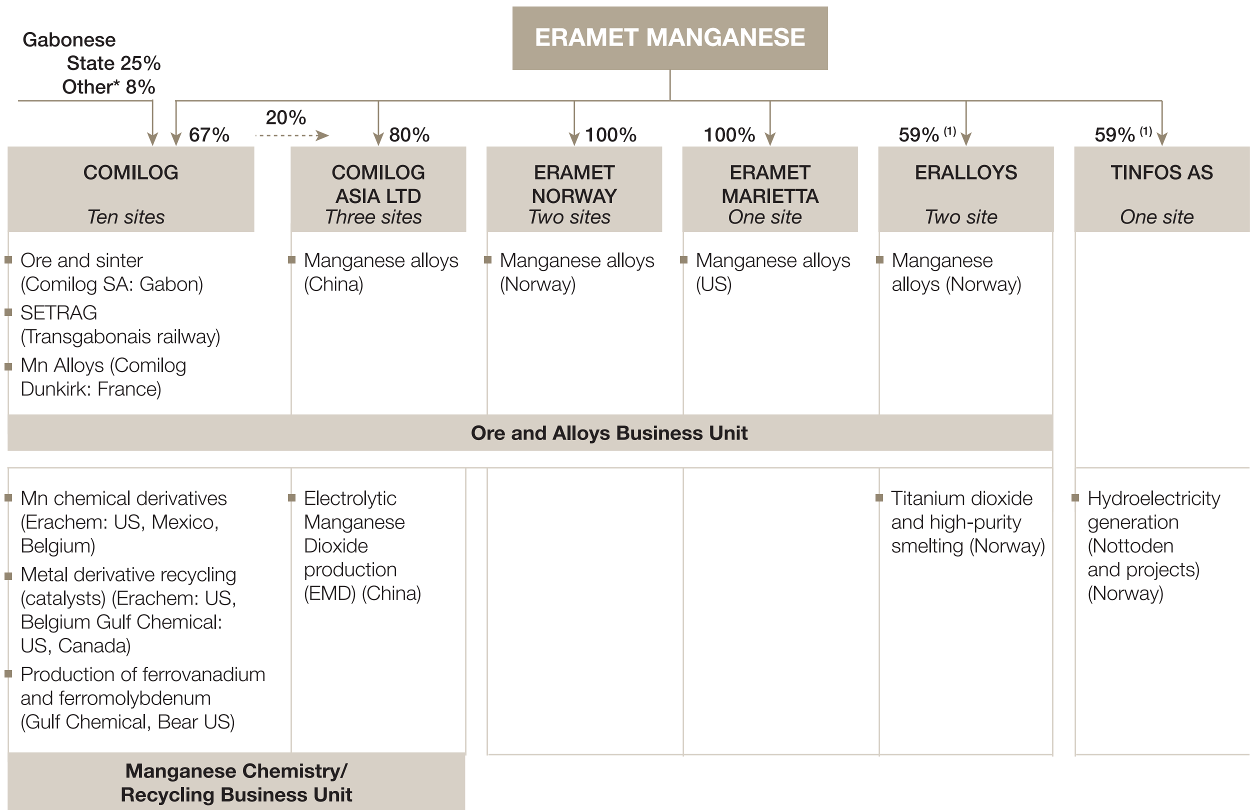
2008:

- acquisition of 58.93% of Tinfos, a Norwegian group (56% economic interest);
- start-up of the new Canadian catalyst recycling plant;
- agreement with the shareholders in Otjozondu Mining (Pty) Ltd (Namibia) to study the development of a manganese deposit in Otjozondu.

6.2.2.3. Manganese Division structure

6.2.2.3.1. ORGANISATIONAL STRUCTURE AS ON 31 DECEMBER 2008

ERAMET Manganese, the Group's Manganese Division, "ERAMET Manganèse", is now organised into six main companies, outlined below:



(1) 55.78% economic interest, percentage control 58.93%.
** Of which 7.04% is owned by Carlo Tassara France, belonging to the group of Mr Romain Zaleski. (see Chapter 21.2.5. – Capital structure).*

- Comilog is a company operating under Gabonese law and 67% owned by ERAMET. Its business activities include:
  - operation of the Moanda Manganese mine and sintering plant,
  - operation of Setrag (TransGabonais railway),
  - production of manganese alloys in Dunkirk (France),
  - production of manganese-based chemical derivatives,
  - recycling of metals contained in oil catalysts and electronic industry products (copper),
  - production of ferrovanadium and ferromolybdenum;
- Comilog Asia has the two manganese alloy plants at Guilin and Guangxi, as well as the manganese chemical derivatives plant at Chongzuo;
- ERAMET Norway has two Norwegian alloy plants at Porsgrunn and Sauda;
- ERAMET Marietta (US) produces manganese alloys;
- Eralloys includes the Kvinesdal manganese alloy plant and the Tyssedal titanium dioxide plant in Norway (see acquisition of Tinfos); and
- Tinfos AS: Hydroelectricity production - Nottoden plant in Norway and hydroelectricity development projects.

6.2.2.3.2. ORE AND ALLOYS BUSINESS UNIT

The Moanda mine and sintering plant

The Moanda mine exploits one of the world's richest manganese ore deposits. The ore's manganese content averages around 46%. Ore reserves are discussed in Section 11.2.

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

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

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

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

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

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

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

Manganese alloy production

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

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

PRODUCTION OF MANGANESE ALLOYS FOR THE STEEL INDUSTRY

(thousands of tons)	2008	2007	2006	2005	2004	2003	2002
High-carbon ferromanganese (including China)	287	299	279	290	295	402	370
Silicomanganese	172	191	201	185	202	225	224
Refined alloys (medium and low-carbon FeMn)	249	270	271	252	233	247	205
Total Mn alloy production	708*	760	751	727	730	874	799

* *Excluding Tinfos.*

MANGANESE ALLOY PRODUCTION SITES

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

In Europe, three alloy plants are located in Norway. The fourth plant is at Dunkirk in France.

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

In the US, ERAMET Marietta is the main manganese alloy producer.

6.2.2.3.3. MANGANESE CHEMISTRY/RECYCLING/SPECIAL PRODUCTS BUSINESS UNIT

Manganese chemistry business

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

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

The main markets targeted by manganese chemical derivatives are:

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

Recycling business

This is currently carried on at four sites:

Tertre (Belgium)	Recycling of copper solutions
Freeport (USA)	Recycling of oil catalysts and recovery of metal content (vanadium, molybdenum, etc.)
Butler (USA)	Ferromolybdenum and ferrovanadium production
Fort Saskatchewan (Canada)	Oil catalyst recycling

6.2.2.3.4. TITANIUM DIOXIDE AND HIGH-PURITY SMELTING BUSINESS

Tyssedal (Norway)	Titanium dioxide (pigment industry) and high purity smelting production

6.2.2.3.5. HYDROELECTRIC BUSINESS

Nottoden (Norway)	Hydroelectric production

Manganese Division marketing policy

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

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

Extent of the Manganese Division's research and development

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

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

Manganese Division return on capital employed (ROCE)

ROCE: Restated current operating profit*/Capital employed on 31/12 of year N-1**

ROCE MANGANÈSE

%	2004(1)*	2005*	2006*	2007*	2008*
Manganese	77.0	65.6	32.7	75.9	145

(1) Excluding provisions for resructuring.
** IFRS.*

* *Current operating profit – net valuation differences from fair value tests.*

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

6.2.2.4. The Manganese Division in 2008

KEY FIGURES

(IFRS, millions of euros)	2008	2007	2006
Sales	2,348	1,473	1,147
Current operating profit	1,088	440	170
Net cash flows from operating activities	895	307	193
Capital employed	1,042	685	587
Capital expenditure	145	129	122
Average workforce	6,723	6,503	6,415

COMMENTARY

Thanks to record manganese alloy and ore prices, ERAMET Manganese's sales were up 59% in 2008 compared to 2007 at €2,348 million, including the consolidation of Tinfos as from 1 August. Tinfos's sales over the five months, excluding the international trading business (recognised as assets held for sale) amounted to €159 million.

In Q4 2008, the crisis had a very significant impact. Excluding Tinfos, ERAMET Manganese's sales were down 20% on Q4 2007. Including the five-month contribution of Tinfos, ERAMET Manganese's sales amounted to €522 million, up 15% on Q4 2007.

ERAMET Manganese's 2008 current operating profit was up 147% on 2007 at €1,088 million, including the five-month contribution of Tinfos of €62 million.

Global carbon steel output shrank slightly in 2008 (-1%), following several years of strong growth. The decrease was concentrated in the second half and more particularly in Q4, when global carbon steel production was 19% down on Q4 2007, due to the effect of the worldwide crisis and inventory reduction.

Inventory reduction by purchasers exacerbated the fall-off in business for manganese alloy and ore producers.

ERAMET Manganese reacted swiftly by cutting manganese alloy and ore output to reflect demand.

In Q4 2008, Comilog's ore and sinter output was down 23% on Q4 2007 to 690,000 tons, with annual production in 2008 thus limited to 3,250,000 tons, namely 3% down on 2007.

Manganese alloy production was also down 23% on Q4 2007 at 150,000 tons. Over the year, it was thus limited to 708,000 tons, namely down 7% on 2007.

Spot manganese ore prices soared in 2008 to record levels in excess of USD 16 dmtu/CIF in Q3 2008, before declining due to a very pronounced contraction in volumes at the end of 2008.

Spot manganese alloy prices also reached record levels, before plummeting at the end of the year against a background of sharply declining volumes.

Furthermore, the catalyst recycling business saw sales rise sharply in the first half of 2008 before falling in the second half due in particular to tumbling molybdenum and vanadium prices. Over full-year 2008, its sales were down a modest 1% on 2007.

The new Canadian oil catalyst recycling plant began operating in mid-2008. Given the new earnings outlook for this investment as a result of the crisis the Group recorded €31 million in asset impairment in ERAMET's financial statements.

The manganese chemistry business had a good 2008 both in terms of prices and volumes. The new plant at Chongzuo in China producing electrolytic manganese dioxide for the alkaline battery market reached full capacity.

6.3. ALLOYS DIVISION

6.3.1. Alloys Division businesses

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

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

6.3.2. Alloys Division markets

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

ESTIMATED GLOBAL PRODUCTION

Carbon steel	1,3 billion tons
Stainless steel	26,4 millions tons
Tool steels	1 million tons
High-speed steels	125,000 tons
Superalloys	60,000 tons

Sources: ERAMET estimates.

6.3.2.1. High-speed steels

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

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

Outside the cutting tools market, there are several other applications for high-speed steels, particularly for shaping metals and auto parts subject to wear and tear.

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

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

6.3.2.2. Tool steels

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

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

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

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

There are three families of application:

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

6.3.2.3. Nickel based alloys

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

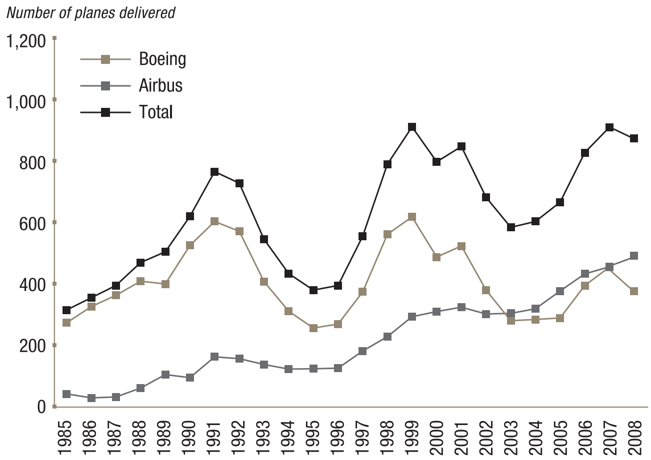
- alloys with special physical properties: low-expansion alloys, alloys with magnetic properties mainly for electronics industries, electrical elements (for industrial heating and domestic appliances) and alloys for the transportation of liquefied natural gas;
- alloys for corrosion resistance (chemistry,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

- alloys with high mechanical strength at high temperatures (superalloys).

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

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

AEROSPACE MARKET: SATISFACTORY PERFORMANCE IN 2008 BUT UNCERTAINTY REGARDING THE FUTURE BOEING-AIRBUS CIVIL AIRCRAFT DELIVERIES



Source: Airbus - Boeing

6.3.3. Production processes for steels with highly advanced characteristics and superalloys

6.3.3.1. Production of steels with highly advanced characteristics and superalloys

The production of steels with highly advanced characteristics and superalloys involves the production of an alloy with a perfectly controlled composition by melting recycled alloy scrap and primary metals in an electric furnace.

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

AIR METALLURGY

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

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

VACUUM METALLURGY

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

REMELTING

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

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

POWDER METALLURGY

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

6.3.3.2. Alloy shaping

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

- Rolling consists of shaping and work hardening the material into sheets, bars (typically 20-200 mm in diameter) or wire (5-20 mm in diameter) in order to ensure geometry (section), the surface condition and use characteristics. The operation is carried out through a series of runs between rolling cylinders.
- Forging involves shaping bars (typically 200-600 mm in diameter) or simply-shaped blanks in order to guarantee geometry and characteristics. This operation is conducted using heat and a press, a forging machine or even a ram, with a series of pressing runs between simple tools.

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

6.3.4. Alloy producers

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

The Division's special nature is built on:

➔ its expertise in closed die-forging for the four main groups of material: aluminium, titanium, steels and superalloys;

➔ upstream integration (production) in steels and superalloys.

	ALLOY MAKING				HIGH POWER CLOSED DIE-FORGING			
Companies	High-speed Steels	Tools steels	High performance special steels	Superalloys	High performance special steels	Superalloys	Aluminium	Titanium
Alcoa (USA & Russia)						■	■	■
Allvac (USA)		■	■	■				
Böhler Uddeholm (BUAG) (Austria) Voest Alpine	■	■	■	■	■	■		■
Bosch Gothard & Hüttel (Germany)		■	■					
Carpenter (USA)		■	■	■				
Cogne (Italia)		■	■					
Corus (UK)		■	■					
Crucible (USA)	■	■	■	■				
Dneprosptetsstal (Ukraine)		■	■	■				
ERAMET ALLOYS	■	■	■	■	■	■	■	■
Kalyani (India)	■	■	■					
Hitachi Tooling (Japan)	■	■	■					
Ladish (USA)					■	■		■
Latrobe Steel (USA)	■	■	■					
Midhani (India)			■	■				
Nachi Fujikochi (Japan)	■	■						
Otto Fuchs (Germany)/ Weber (USA)						■	■	■
Schultz (USA)					■	■		■
Shanghaï 5 Baosteel (China)	■	■	■					
Schmolz & Bickenbach (Germany & USA)	■	■	■					
Snecma (France)						■		■
Thyssen Krupp (Germany)		■	■	■				
Valbruna (Italia)		■	■	■				
VSMPO (Russia)					■	■	■	■
Precision Castparts (USA)				■	■	■		■

■ *Active in the segment.*

6.3.5. Alloys Division structure

6.3.5.1. Alloys Division key points

The key facts on the Alloys Division are as follows:

- global leadership: leading global producer of high-speed steels (Erasteel) and second-largest global producer of closed die-forged parts for aerospace (Aubert & Duval);
- a strategy based on technological expertise and niche markets;
- markets experiencing long-term growth;
- start-up of a new closed die-forging plant in 2006;
- a new titanium partnership (UKAD).

6.3.5.2. Alloys Division history

Within the Group, the development of the Alloys Division first began with the formation of Erasteel from 1990 to 1992. Subsequently in 1999, the various companies contributed by the SIMA group, most of which are now merged into Aubert & Duval, gave the Alloys Division its current scope.

HISTORY OF ERASTEEL

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

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

1956: Founding of Commentryenne des Aciers Fins Vanadium Alloys.

1982: Kloster Speedsteel is founded in Sweden by merging the high-speed steels divisions of Üddeholm and Fagersta.

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

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

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

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

HISTORY OF AUBERT & DUVAL

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

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

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

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

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

1984: Aubert & Duval is turned into a holding company of the same name and a wholly owned operating company is incorporated, Aciéries Aubert & Duval.

1987: Interest taken in Special Metals Corporation (SMC)

1989: The holding company Aubert & Duval is renamed SIMA

1991: The Aciéries Aubert & Duval operating company is renamed Aubert & Duval.

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

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

1999: Integration of SIMA's businesses into the ERAMET Group, in which the shareholders of SIMA become the largest shareholder. The Alloys Division, comprised of Erasteel and the companies contributed by SIMA, is formed.

ALLOYS DIVISION HISTORY

2001: Launch of capital investment project for a new forging and closed die-forging plant in France with a 40,000-ton press.

SMC: The Group's interest in SMC is fully written off.

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

2003: A major restructuring programme is announced at Aubert & Duval.

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

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

Aubert & Duval - opening of the tool steels distribution centre in Wuxi (China).

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

2008: Signing of a titanium partnership (UKAD).

6.3.5.3. Alloys Division organisational structure

ERAMET ALLOYS

100% — **Aubert & Duval**
Eight sites

- Production and transformation of steels and superalloys in the form of long products, flat products and forged and closed die forged parts - France
  - High-performance special steels
  - Nickel-based superalloys
- Forged and closed die forged parts – France
  - Titanium and aluminium alloys
  - Special steels
  - Superalloys
- Tool steel distribution centre and heat treatment – China
- Special steel distribution centre - France

100% — **Erasteel**
Eight sites

- Production of high-speed steels in the form of long products, flat products
  - France, Sweden, UK, US and China
- Steelmaking
  - Conventional metallurgy
  - Pre-alloyed powder metallurgy

6.3.5.4. Alloys Division production

6.3.5.4.1. ERASTEEL

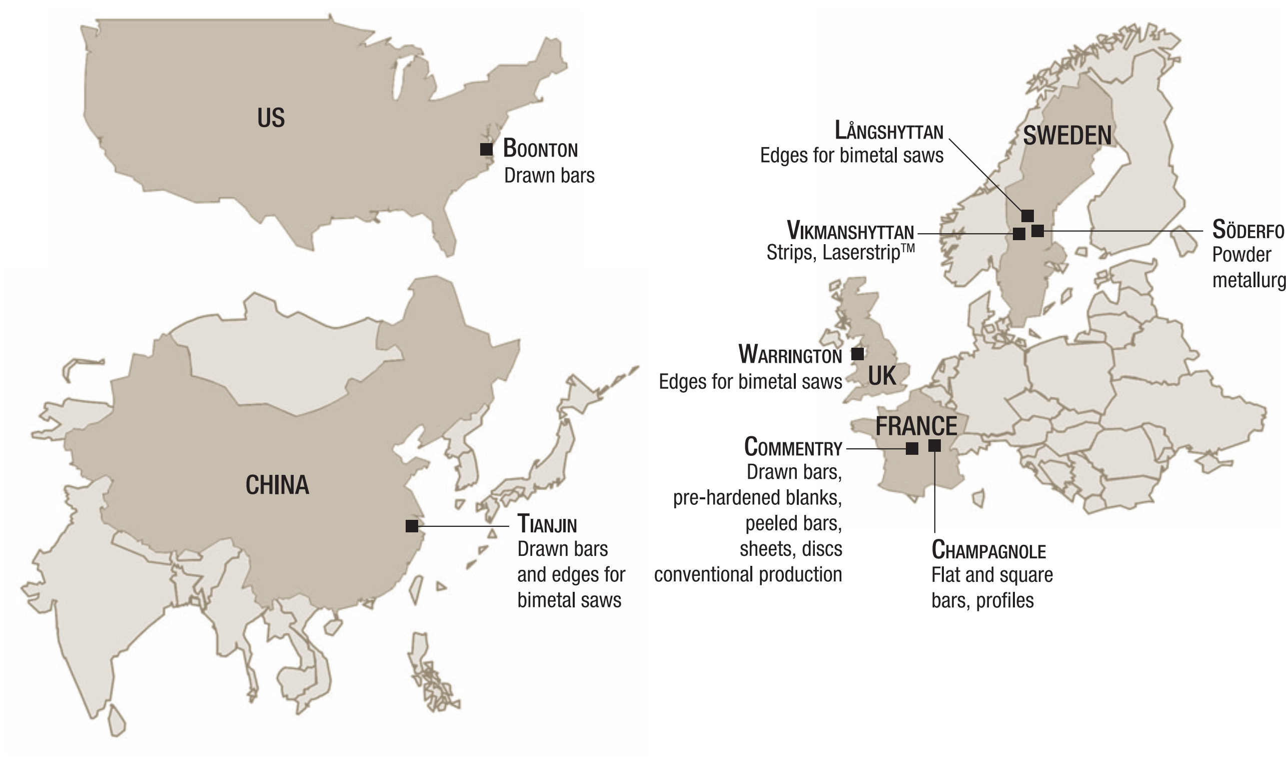
Erasteel's production

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

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

Erasteel's industrial organisation

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



6.3.5.4.2. AUBERT & DUVAL

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

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

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

Aubert & Duval's closed die-forging sector

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

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

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

The closed die-forging sector's industrial assets

The sector has the following equipment:

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

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

The Interforge press

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

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

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

The Airforge press

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

Closed die-forging markets

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

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

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

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

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

The closed die-forging business was strengthened in 2007 by a new plant with in particular a 40,000-ton press in Pamiers, France.

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

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

Closed die-forging competitors

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

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

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

Aubert & Duval's other business sectors

Industrial assets for other sectors include:

- arc furnaces of up to 60 tons, combined with ladle metallurgy tools (ladle, AOD or VOD furnaces);

- VIM furnaces of up to 10 tons for vacuum alloy production;
- powder metallurgy production units;
- vacuum or slag remelting furnaces with capacity up to 30 tons;
- mill trains for making long products with 5.5 mm-200 mm in diameter;
- forging presses and machines with force of up to 4,500 tons;
- machining facilities (for milling, turning, reaming or drilling);
- heat treatment equipment, including for parts up to 50 tons or 20 meters in length, as well as surface treatment equipment (case hardening or nitriding);
- non-destructive testing equipment (sweating, ultrasound, X-ray, magnetic particle inspection, etc).

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

Long products sector

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

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

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

Tooling sector

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

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

Individual forged parts and specialties sector

This area combines various related activities of very specific expertise:

- individual forged parts, made in short runs for the defence, oil drilling and shipbuilding markets;
- cast parts: highly technical small runs and SPF tools intended for aerospace;
- remelting alloys;
- powder metallurgy: semi-finished products for turbine disk closed die-forging and surfacing powders.

6.3.5.5. Marketing policy and products

ERASTEEL'S MARKETING POLICY AND PRODUCTS

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

In other countries, sales are made by local agents. To support this sales network, product managers are responsible for the technical and sales promotion of their product line. Erasteel has the most comprehensive product range.

AUBERT & DUVAL'S SALES POLICY: CLOSE RELATIONS WITH MAJOR BUYERS

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

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

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

6.3.5.6. Alloys Division research and development

The Alloys Division carries out extensive research & development. This mostly takes place at its two research centres in Söderfors (Sweden) and Les Ancizes (France). Both of these are also supported by ERAMET Research.

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

ALLOYS DIVISION'S RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE: Restated current operating profit*/Capital employed on 31/12 of year N-1**

ROCE ALLOYS

%	2004*	2005*	2006*	2007*	2008*
Alloys	3	7.9	9	10.8	13

* *IFRS.*

6.3.5.7. The Alloys Division in 2008

KEY FIGURES

(IFRS, millions of euros)	2008	2007	2006
Sales	1,102	1,033	892
Current operating profit	86	78	62
Net cash flows from operating activities	90	125	35
Capital employed	709	687	730
Capital expenditure	83	54	58
Average workforce	4,797	4,684	4,573

COMMENTARY

The Alloys Division's sales were up 7% in 2008 on 2007 at €1,102 million. After a first half of 2008 with sustained demand in all the ERAMET Alloys markets, the second half saw a downturn that intensified at the end of the year. In Q4 ERAMET Alloys posted sales that were 7% down on Q4 2007 at €265 million.

Aerospace sector demand was impacted by the two-month strike at Boeing and negative revisions and delays in certain aircraft programmes.

Deliveries of high-speed and tooling steels were affected by an accelerated decline in orders in the last few months of 2008. The Commentry and Söderfors (Sweden) steel plants were shutdown for three weeks at the end of 2008.

In the Energy sector, the gas turbine market gave clear signs of slowing although the nuclear sector continued to expand.

The current operating profit of ERAMET Alloys increased by 10% in 2008 to €86 million, despite a 16% fall in the second half compared to the second half of 2007. The current operating margin was stable in 2008 at 8% of sales.

The operating working capital requirement shrank by €30 million and at the end of 2008 represented 132 days of sales.

Meanwhile, capital expenditure was 54% up on 2007 at €83 million, though this was below the initial target.

* *Current operating profit – net valuation differences from fair value tests.*

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

6.4. ORGANISATION OF ERAMET SA/ERAMET HOLDING

ERAMET SA, the consolidating parent company, the separate financial statements of which are set out in Chapter 20.2, has two main operational roles:

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

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

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

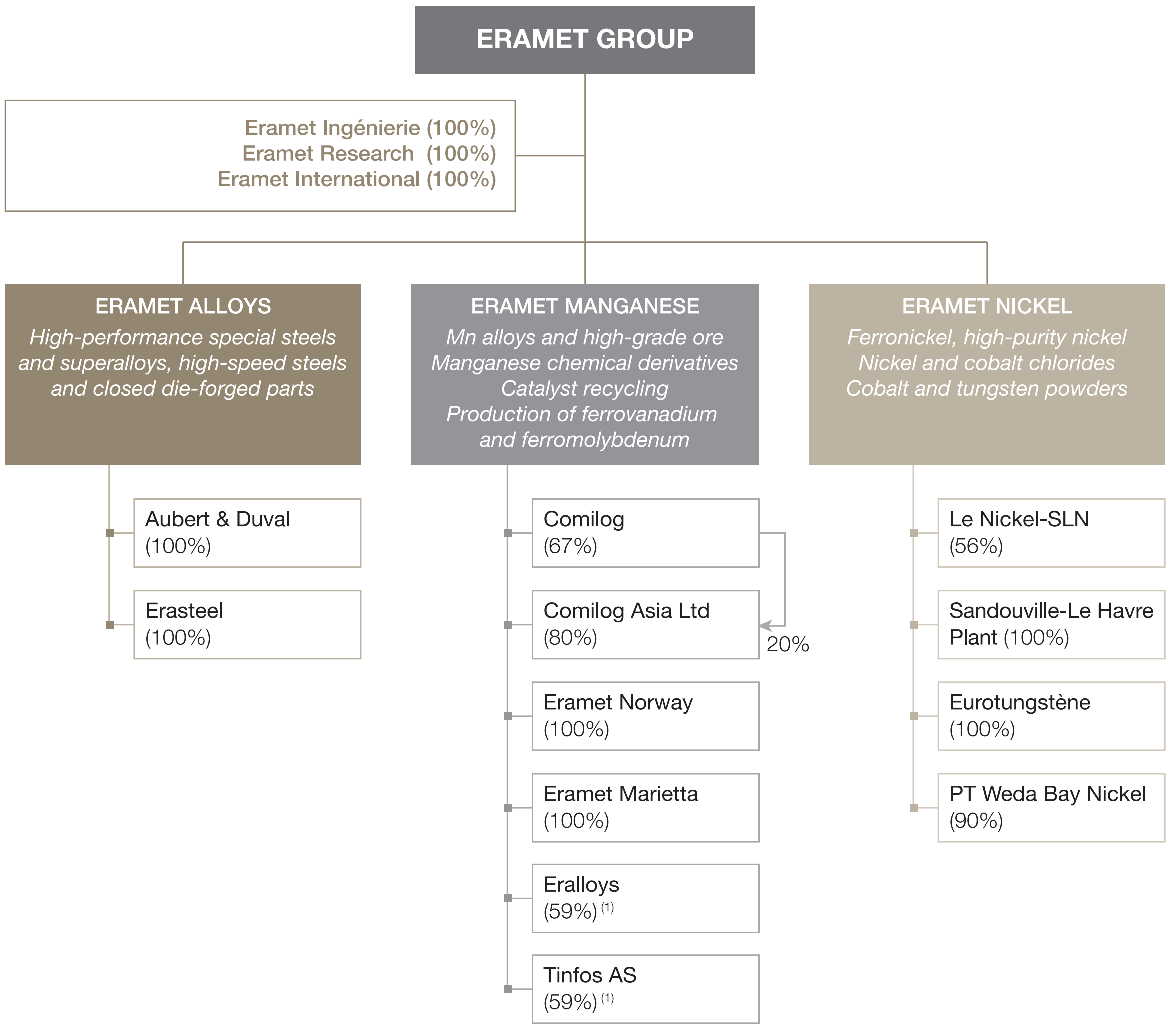
- ERAMET Research, ERAMET's research centre responsible for research and development;
- ERAMET Ingénierie: a project and technologies company;
- ERAMET International: a company that pools the ERAMET sales network for certain activities of the three divisions. ERAMET International has subsidiaries and branches across the globe. ERAMET International is generally paid for its work under agency agreements;
- Metal Securities: the Group's treasury management company which pools surplus cash and short-term funding requirements of the Group as a whole;
- Metal Securities: the Group's foreign exchange management company, which carries out the foreign exchange hedging for the Group as a whole;
- ERAS: reinsurance company.

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

Organisational chart

07

7.1. GROUP ORGANISATIONAL CHART ON 31 DECEMBER 2008



(1) 55.78% economic interest, percentage control 58.93%.

The Group's property, plant & equipment

08

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

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

(millions of euros)	Gross amount	%	Net amount	%
Le Nickel-SLN (New Caledonia)	1,448	37.25	696	39.48
Other	103		32	
Nickel Division	**1,551**	**39.90**	**728**	**41.29**
Comilog S.A. (Gabon)	441	11.35	210	11.91
ERAMET Norway (Norway)	145	3.73	79	4.48
ERAMET Marietta (USA)	101	2.60	37	2.10
GCMC (USA)	95	2.44	56	3.18
Other	575		242	
Manganese Division	**1,387**	**35.68**	**624**	**35.39**
Aubert & Duval (France)	492	12.66	210	11.91
Airforge (France)	107	2.75	92	5.22
Erasteel Kloster AB (Sweden)	104	2.68	25	1.42
Erasteel Commentry (France)	101	2.60	23	1.30
Other	123		50	
Alloys Division	**927**	**23.85**	**400**	**22.69**
Holding Company	**22**		**11**	
Total	**3,887**		**1,763**	

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

Leased machinery and equipment (excluding finance leasing) is relatively insignificant (it represents an annual expense of some €40 million). The main leases are as follows:

- Nickel Division: leasing of ships carrying ore to the Doniambo plant and of industrial machinery and equipment (some €20 million);
- Manganese Division: leasing of railway maintenance equipment and of industrial machinery and equipment;
- Alloys Division: leases have been put in place as part of ongoing business activities (industrial equipment) and are usually renewed on an annual basis.

Operating and financial review

09

See Chapter 3.

10 Capital resources – market risk

See Chapter 3.

Research & development, mineral resources and reserves

11

Table of contents

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

11.1. RESEARCH & DEVELOPMENT – A DEDICATED ORGANISATION SERVING THE DIVISIONS

This organisation is based on:

- a dedicated research centre (a wholly-owned subsidiary of ERAMET since 2003) based in Trappes, which changed its name to ERAMET Research in 2008. The centre employs some 100 employees, including 85 researchers, engineers and technicians. The operation currently represents €12 million, up 10% on 2007;
- additional divisional staff (around 150 employees) deal with more specific areas, such as products, coordination of industrial tests and, in particular, the critical final industrialisation phases of research projects;
- these significant resources represent around 1% of sales at the Nickel and Manganese Divisions and 2% at the Alloys Division (i.e. a total budget of close to €30 million).

Since 2008, ERAMET has been steadily increasing its research & development efforts in order to meet the needs of its industrial clients, improve its competitiveness, offer new services and identify new development opportunities. Potential environmental impact is a constant factor when developing new processes. The lowering and quality of waste are key factors when selecting a new process.

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

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

The flagship project at the Nickel Division is the continued development of the hydrometallurgical treatment process for oxidised nickel ores. For reference, this innovative process was developed between 2005 and 2007 on the back of extensive experience in processes for extracting and purifying various metals and the cutting-edge expertise of the teams at ERAMET Research. This process makes it possible to handle mixtures of the low-grade saprolites and laterites characteristic of ores from Weda Bay in Indonesia and the newer deposits in New Caledonia. The crushed ore is corroded with sulphuric acid at atmospheric pressure and at temperatures below 100°C. The dissolved nickel and cobalt are separated and the manganese is concentrated separately and isolated. This process does not use any fossil fuels, the solid waste produced is inert and storable and the liquid effluent meets the most stringent environmental standards. Work in 2008 was focused on essential fine tuning work regarding the development of the most robust operating conditions for each phase, reducing processing costs and validating peripheral stages. To do so, ERAMET Research ran its hydrometallurgical pilot equipment continuously, with pilot phases continually succeeding pilot equipment modification between phases. In total, the equipment was piloted for 17 weeks, a new record overtaking the one set for the piloting of the Sandouville process in the 1970s.

ERAMET Research worked hard in 2008 to increase direct reduction in the ferromanganese smelting furnaces. This is the most effective way of reducing the energy consumption of the process. Notably, it includes the design of a brand new pilot furnace that is tailored to the requirements of the process and five times larger than the existing furnaces.

2008 also saw the launch of the capital expenditure programme to extend the ERAMET Research pilot pyrometallurgy hall. In December 2007, ERAMET Research began a new phase in ferronickel production piloting in New Caledonia with a new, larger pilot furnace, the perfect tool for meeting the challenges related to the development of ore chemistry in New Caledonia. This expansion was undertaken to improve safety conditions when operating this larger furnace and in response to the need for a new installation to provide for low-impedance processes in the Manganese Division (direct reduction project), and will be completed in 2009.

ERAMET Research has also taken numerous steps to improve products and processes both for the Alloys (Erasteel high-speed steels) and Manganese Divisions.

ERAMET Research's role as incubator continued to expand in 2008. The pyrometallurgy and hydrometallurgy departments are now large enough to train two engineers in each area for the Group. In addition to normal staff turnover, 58 engineers and technicians have been recruited over the past three years to meet this target.

11.2. MINERAL RESOURCES AND RESERVES

11.2.1. General remarks

11.2.1.1. Location

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

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

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

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

11.2.1.2. Legal claims

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

11.2.1.3. Estimates

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

BASIS OF ESTIMATES

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

ESTIMATION METHODOLOGY

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

MINERAL RESOURCES

Resources are calculated with the same cut-off grades as reserves (except where specified otherwise), but without guaranteeing that these recoverable resources will be wholly converted into reserves following additional technical-economic and marketing studies.

A drilling and/or intercept is considered positive if:

- it contains at least two metres of ore at a higher grade than the cut-off grade;
- it's not isolated.

The mass defined by the drillings selected on that basis is included in mineral resources if its positioning and geometric and chemical characteristics are such that it is reasonably likely to be economically viable.

RECOVERABLE MINERAL RESOURCES

Recoverable resources are mineral resources into which mining recovery and ore dressing were factored on the basis of experience acquired on those sites. They are thus referred to as recoverable resources and the nickel or manganese tonnages given correspond to the quantity of metal present in the ore on leaving the mining units for shipment to metallurgical or chemical processing plants. The mining allowances for dilution and losses, those relating to the ore dressing, are established based on mining summaries comparing production to estimates of volumes already extracted. Recoverable resources are included in mineral resources.

EXPLORATION RESULTS

Exploration results are given on the same basis as resources.

RESERVES

Reserve estimates are based on medium to long-term economic conditions (prices of fuel oil, coal, coke, electricity and metal and exchange rates, etc.), commercial constraints (quality, clients, etc.), environmental constraints (permits, mining limits, etc.) and constraints on current and future technical mining and treatment processes. Reserves are estimated based on a complete mining project. No assurance can be given as to the total recovery of the published reserves, insofar as market fluctuations and technical developments may make the recovery of certain deposits or parts of deposits economically viable or otherwise.

Reserves are included in mineral resources.

PRESENTATION OF ESTIMATES

Mineral resource estimates are broken down by major technical and geographical areas, whereas estimates for recoverable resources and reserves may be given for the mining deposit as a whole. Results may also be compared to production levels, which provides an indication of the remaining mine life.

11.2.1.4. Definitions

DEFINITIONS OF RESOURCES

A **Mineral Resource** is a concentration or occurrence of commercially valuable material in or on the Earth's crust in such grade and quantity that it is reasonably likely that mining will be economically viable. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An **Inferred Mineral Resource** is that part of a Mineral Resource for which the quantity and grade can be estimated from geological evidence, but with a low level of confidence. Geological and grade continuity are assumed but not verified. The estimate is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain grade and reliability.

An **Indicated Mineral Resource** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The estimate is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A **Measured Mineral Resource** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. The estimate is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological continuity and/or grade.

DEFINITIONS OF RESERVES

An **Ore Reserve** is the economically mineable part of a Measured and/or Indicated Mineral Resource. Reserves are estimated on the basis of a preliminary or actual feasibility study (a mining project in the broader sense), which takes account of any technical (shape of mine, dilution and losses depending on the mining method, yield of facilities), economic, marketing, legal, environmental, labour and governmental factors that exist or may be likely at the time of the estimate. The preliminary or actual feasibility study demonstrates at the time of reporting that extraction is viable. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proven Ore Reserves.

A **Probable Ore Reserve** is the economically mineable part of an Indicated reserve, and in some circumstances, a Measured Mineral Resource, whereas a **Proven Ore Reserve** is the economically mineable part of a Measured Mineral Resource.

EXPLORATION RESULTS

Exploration results correspond to the same commercially valuable materials as assessed for resources and reserves. The prospecting carried out suggests that an ore zone may be found, but available reconnaissance information is weak.

11.2.2. Comilog S.A. reserves and resources

11.2.2.1. Mineral resources

The table below sets out the figures for the mineral resources of Comilog S.A. on 1 January 2009. The Bangombé plateau, which is currently being mined, has been re-estimated. The estimate includes the data from several hundred additional holes drilled mainly in 2007 and 2008. These figures are based on the following parameters:

- a 30% Mn cut-off grade for the Bangombé and Okouma plateaus for the measured and indicated mining resources;
- Comilog SA's mining concession also covers other plateaus in the Moanda region, i.e. Bafoula, Massengo and Yéyé. Reconnaissance work carried out on Bafoula and Massengo indicates the existence of ore masses. The quantity and quality of available information is sufficient to estimate inferred resources. The reconnaissance work done on Yéyé indicates the existence of ore masses but the quantity and quality of available information are not sufficient to estimate inferred resources;
- a "Moulili" fine Manganese ore deposit was verified by drilling in 2006 and was assessed for mineral resources, which were included in measured resources;
- recorded tonnages and grades characterise the entire ore layer (with no vertical selection);
- tonnages of manganese content are calculated with 9% humidity for rock ore and 12% for fines (figures given in Dry Metric Ton Units: "millions of Mn DmtU" – 1 DmtU Mn = 10 kg of manganese).

MINERAL RESOURCES IN MANGANESE ROCK ORE AND FINES ON 1 JANUARY 2009 (MILLIONS OF DMTU)

	Measured			Indicated			Inferred			Total		
Deposit	Kts	% Mn	DMTU	Kts	% Mn	DMTU	Kts	% Mn	DMTU	Kts	% Mn	DMTU
Rock ore > 10 mm												
Bangombé	27,800	45.3	1,260	7,300	44.0	320				35,100	45.0	1,580
Okouma	18,800	49.0	920	34,600	47.9	1660				53,400	48.3	2,580
Bafoula							23,000	34.0	780	23,000	34.0	780
Massengo							12,000	40.0	480	12,000	40.0	480
Total	**46,600**	**46.8**	**2180**	**41,900**	**47.2**	**1,980**	**35,000**	**36.1**	**1,260**	**123,500**	**43.9**	**5,420**
Fines 2-10 mm												
Bangombé	23,850	42.9	1,020	5,750	41.3	240				29,600	42.6	1,260
Okouma	18,800	46.4	870	33,400	44.4	1,480				52,200	45.1	2,350
Moulili	4,800	45.8	220							4,800	45.8	220
Bafoula							15,000	32.4	490	15,000	32.4	490
Massengo							7,900	38.1	300	7,900	38.1	300
Total	**47,450**	**44.6**	**2,110**	**39,150**	**43.9**	**2,530**	**22,900**	**34.4**	**790**	**109,500**	**42.2**	**4,620**

11.2.2.2. Recoverable resources and reserves

The table below sets out the figures for recoverable resources and reserves in the Bangombé and Okouma plateaus on 1 January 2009. They include the mine dump comprised of surplus fines not previously marketable.

The "Moulili" deposit, included in recoverable measured resources, underwent test working and processing in 2006 which proved positive.

The figures are based on:

- 30% manganese (Mn) cut-off grade;
- similar processing to that currently used for Bangombé plateau ore, i.e. from a run-of-mine production of 10-80 mm rock ore and 1-10 mm fines;
- commercial specifications amended on 1 January 2009 with the simplification of the product range.

RECOVERABLE MANGANESE ORE RESERVES AND RESOURCES ON 1 JANUARY 2009 (IN MILLIONS OF DMTU)

		Reserves		Recoverable resources			
Deposit		Proven	Probable	Measured	Indicated		Production in 2008
Bangombé	> 10 mm	1,220	260			1,480	
Okouma	> 10 mm				2,100	2,100	
Total rock ore		**1,220**	**260**		**2,100**	**3 580**	**89**
Bangombé	1-10 mm	600	110			710	
Okouma	1-10 mm				1,300	1,300	
Moulili	1-10 mm			180		180	
Terril	1-10 mm	35				35	
Total fines and sinter		**635**	**110**	**180**	**1,300**	**2,225**	**53**

Given the uncertainties regarding the ore recovery and dressing factors that may apply to inferred mineral resources, no recoverable resources have been calculated for the Bafoula and Massengo ore masses.

The production figures indicated in the above table correspond to ore shipments made in 2008.

11.2.3. Le Nickel-SLN's reserves and resources

11.2.3.1. Saprolite reserves and resources for pyrometallurgy

11.2.3.1.1. MINERAL RESOURCES

The mineral resources set out below have been grouped together by major geomorphologic unit, based on the official classification in effect in New Caledonia.

In accordance with the system for describing drilling data, the tonnages and grades given correspond solely to the weathered, ore-bearing phase of saprolite and not to the saprolitic column as a whole.

Most mineral resource estimates are made using 3D block modelling.

Humidities vary from 22% to 38% depending on the mass in question.

These figures were drawn up with:

- a cut-off grade of 1.7-2.0% nickel for the Tiébaghi and Népoui Kopeto centres with mineralurgical processing of run-of-mine;
- a cut-off grade of 2.2-2.4% nickel for all sites with conventional treatment.

SAPROLITE MINERAL RESOURCES FOR THE DONIAMBO PYROMETALLURGY PLANT ON 1 JANUARY 2009

	Measured			Indicated			Inferred		
Geomorphologic units	**Kts**	**%Ni**	**KtNi**	**Kts**	**%Ni**	**KtNi**	**Kts**	**%Ni**	**KtNi**
Monéo Nord	-	-	-	-	-	-	3,446	2.59	89
Monéo Centre	-	-	-	-	-	-	5,083	2.55	130
Kouaoua	4,335	2.55	111	5,983	2.63	157	6,060	2.61	158
Poro	1,737	2.84	49	-	-	-	2,394	2.63	63
Boakaine	-	-	-	-	-	-	833	2.68	22
Nakety	279	2.44	7	153	3.05	5	363	2.77	10
Dothio	3,783	2.84	107	4,716	2.79	131	1,687	2.74	46
Thio	108	3.08	3	880	3.05	27	710	3.05	22
Ouenghi	-	-	-	84	3.40	3	56	2.84	2
Kombwi N'Goye	527	2.84	15	1,391	2.84	39	2,803	2.71	76
Tontouta	2,123	2.76	59	251	2.63	7	1,036	2.53	26
Me Adeo	-	-	-	-	-	-	131	3.74	5
Me Maoya	321	2.89	9	-	-	-	429	3.17	14
Kopeto - Boulinda	7,741	2.30	178	5,781	2.25	130	22,780	2.14	487
Tchingou	-	-	-	-	-	-	1,750	3.34	58
Kaala	351	2.70	9	1,797	2.68	48	252	2.77	7
Tiébaghi	8,872	2.54	225	28,042	2.31	647	900	2.75	25
Poum	441	2.57	11	11,441	2.65	303	424	2.42	10
Total	**30,618**	**2.56**	**784**	**60,518**	**2.47**	**1,497**	**51,137**	**2.44**	**1,250**

The major differences compared to the figures on 1 January 2008 concern Kouaoua, Tiébaghi and Poum, where the drilling pattern reduction work has resulted in a re-evaluation of mineral resources. On the Poum massif, some resources have been declassified following database review.

The exploration results set out below also correspond to the weathered phase of saprolite with 25% humidity and using the same regional classification. Exploration results represent 489kt Ni. The 100kt Ni increase on 2008 is a result of the intense prospecting work carried out in Tontouta, Poum and Dothio.

SAPROLITE EXPLORATION RESULTS FOR THE DONIAMBO PYROMETALLURGY PLANT ON 1 JANUARY 2009

	Exploration results at 1 January 2009		
Geomorphologic units	**Kts**	**% Ni**	**KtNi**
Monéo Centre	1,500	2.51	37.7
Kouaoua	601	2.74	16.5
Bel Air	1,875	2.63	49.3
Boakaine	132	3.06	4.0
Mara	750	2.72	20.4
Nakety	626	2.90	18.2
Dothio	108	2.86	3.1
Thio	1,480	2.84	42.0
Ouenghi	146	3.02	4.4
Port Bouquet	194	3.05	5.9
Kombwi N'Goye	704	2.93	20.6
Pourina - Ounia	196	3.04	6.0
Oua Tilou	21	5.13	1.1
Domaine latéritique du Sud	296	3.32	9.8
Tontouta	2,031	2.71	55.0
Mont Do	1,841	3.03	55.8
Me Adeo	516	3.07	15.8
Me Maoya	214	2.78	5.9
Kopeto - Boulinda	2,528	2.65	67.0
Kaala	184	2.79	5.1
Poum	1,610	2.65	42.7
Île Pott	86	2.63	2.3
Île Yande	32	2.63	0.8
Total	**17,671**	**2.77**	**489**

11.2.3.1.2. RECOVERABLE RESOURCES AND RESERVES

The table below sets out the figures for recoverable saprolite reserves and resources for the Doniambo pyrometallurgy plant on 1 January 2009. The data is in thousands of tons of nickel content in shipped ore, calculated at constant humidity for ongoing or estimated production. These figures come from the above-mentioned mineral resources and factor in the following:

- conventional treatment of run-of-mine similar to current practices on Le Nickel-SLN and/or subcontracted sites: approximately 80 mm screening with or without recovery of part of coarser fractions depending on mineralisation;
- mineralurgical processing in Népoui Kopéto (in existence) and Tiébaghi (in the process of opening);
- mining projects in the case of reserves. Saprolite reserves and recoverable resources for the Doniambo pyrometallurgy plant on 1 January 2009 (in thousands of tons of nickel).

Resources and reserves at 1 January 2009					2008 Production KTNi		54.7
Recoverable resources	**Mts**	**% Ni**	**KtNi**	**Reserves**	**Mts**	**% Ni**	**KtNi**
Measured	23.1	2.65	613	Proven	17.5	2.67	469
Indicated	39.9	2.65	1058	Probable	20.0	2.70	540
Inferred	32.0	2.60	832	-			

Recoverable resources and ore reserves intended for mineralurgical processing are estimated as washery concentrate.

The production given above relates to nickel tonnages (stated as thousands of tons of nickel: Kt Ni) contained in the ore transported to the various ports (wharves or mechanical loading). It therefore includes the low tonnages of nickel relating to exported saprolitic ores (currently approximately 2 Kt Ni per year).

Reserves on 1 January 2009 were estimated to be around 1009kt Ni. Significant efforts on projects made it possible to convert resources into reserves at Tontouta and Kouaoua, and to a lesser extent at Kaala, Poya and Dothio. The reserves are included in recoverable resources.

The indicated and measured recoverable resources are estimated to be 1,671kt Ni. The proportion of measured resources is lower than in 2008 as a result of changes to the classification criteria.

Inferred recoverable resources are estimated to be 832kt Ni. The increase on 1 January 2008 is attributable to the result of prospecting work carried out in 2008 and the inclusion of masses following additional studies primarily in Kouaoua, Poum and Kaala.

The recovery rate of saprolite recoverable resources for pyrometallurgy was 146%.

An external audit was carried out in 2008 by Melabar GeoConsulting, which certified that the resources and reserves estimated by Le Nickel-SLN have been evaluated satisfactorily in accordance with the recommendations of the JORC code.

11.2.3.2. Mineral resources for hydrometallurgy

In July 2008, Le Nickel-SLN submitted two research permit applications for Prony Ouest and Emouché. These permits cover the laterites located in the southern part of Grand Terre, with inferred and indicated mineral resources currently estimated at 6,000kt Ni, which Le Nickel-SLN plans to recover using hydrometallurgical technology. In December 2008, the Southern Province approved the granting of these permits to Le Nickel-SLN when it signed the development agreement.

Furthermore, for all the mineral deposits of Le Nickel-SLN and at a cut-off grade of 1.0% Ni, inferred to measured mineral resources in laterites are currently estimated at 6,000kt Ni.

At the cut-off grade of 1.8% nickel and outside centres with mineralurgical processing, preliminary exploration results on low-grade saprolite zones, which are currently uneconomical for pyrometallurgical processing, point on a preliminary basis to 2,000 kt in nickel content which may be recovered using the hydrometallurgical process developed by ERAMET.

11.2.4. Resources of Pt Weda Bay Nickel

11.2.4.1. Mineral resources

The data on mineral resources relates to the tonnages, Ni content and thousands of tons of nickel contained in the ore estimated to be in the 1% Ni strata in the laterites and saprolites, without applying any transformation or enrichment factors.

The average dry densities of the laterites are around 0.8-0.9 in the masses in question, and nearly 1 for the saprolites. The Bukit Limber Barat mass, which has a higher proportion of rock ore, has an average dry density of 1.26 in the saprolites. These figures are based on measurements taken in 1999-2001 and 2008 and which are ongoing in 2009.

Given the low level of sound dividing rock, the tonnages and content provided in saprolites represent the saprolitic column as a whole.

The resources are estimated using 3D block modelling. Measured and indicated resources are estimated by ordinary kriging, while inferred resources are estimated either by inverse square distance or by ordinary kriging when variogram quality permits it.

Tenzing PTY LTD, an external consultant specialising in geostatistics, made an estimate of local nickel resources in the Bukit Limber Barat deposit. The results obtained have made it possible to draw up tonnage-content graphs and to visualise the selectivity in the deposit. They have also made it possible to confirm, at the cut-off grade of 1% Ni, the results obtained internally using ordinary kriging and the measure the smoothing effect of this latter on higher cut-off grades.

Mineral resources are grouped together by prospect by identifying laterite and saprolite products. They are calculated at the cut-off grade of 1% Ni in the stratum modelled at 1% Ni. The figures set out below are the results of the study undertaken by Tenzing PTY LTD on the Bukit Limber Barat mass and the studies carried out by the Weda Bay Nickel team for the other masses.

SAPROLITE AND LATERITE MINERAL RESOURCES ON 1 JANUARY 2009

	Measured					Indicated					Inferred				
Prospects	**MTs**	**%Ni**	**KtNi**	**% Co**	**KTCo**	**MTs**	**%Ni**	**KtNi**	**% Co**	**KTCo**	**MTs**	**%Ni**	**KtNi**	**% Co**	**KTCo**
Laterites															
Bukit Limber Barat (Santa Monica West)	19.8	1.30	258	0.19	37.7	4.1	1.32	54	0.17	6.9					
Bukit Limber Timur (Santa Monica East)	6.6	1.23	81	0.16	10.5	8.8	1.21	106	0.18	15.8					
Coastal Deposits						7.8	1.13	88	0.19	14.8					
Big Kahuna											4.2	1.33	55	0.22	9.2
Ake Jira (Jira River)						7.2	1.14	82	0.20	14.4					
Boki Mekot											7.2	1.23	89	0.12	8.3
Pintu						9.2	1.23	113	0.18	16.5	5.0	1.18	59	0.22	11.0
Jiguru											1.1	1.23	14	0.16	1.8
Tofu Blowen											9.1	1.26	115	0.15	13.7
Total Laterites	**26.4**	**1.28**	**339**	**0.18**	**48.2**	**37.0**	**1.20**	**443**	**0.18**	**68.4**	**26.6**	**1.25**	**331**	**0.17**	**43.9**
Saprolites															
Bukit Limber Barat (Santa Monica West)	51.1	1.53	782	0.03	13.3	10.5	1.55	163	0.03	3.2					
Bukit Limber Timur (Santa Monica East)	11.1	1.46	162	0.03	3.3	42.2	1.41	595	0.03	12.7					
Coastal Deposits						28.7	1.59	456	0.04	11.5					
Big Kahuna											9.4	1.81	170	0.05	4.7
Ake Jira (Jira River)						14.9	1.64	244	0.04	6.0					
Boki Mekot											18.7	1.63	305	0.02	3.7
Pintu						13.5	1.53	206	0.03	4.0	15.9	1.59	253	0.03	4.8
Jiguru											4.4	1.25	55	0.03	1.3
Tofu Blowen											34.4	1.70	585	0.03	10.3
Total Saprolites	**62.2**	**1.52**	**943**	**0.03**	**16.6**	**109.7**	**1.52**	**1,664**	**0.03**	**37.3**	**82.8**	**1.65**	**1,368**	**0.03**	**24.9**
Total	**88.6**	**1.45**	**1,283**	**0.07**	**65**	**146.7**	**1.44**	**2,106**	**0.07**	**106**	**109.4**	**1.55**	**1,699**	**0.06**	**69**

At a constant cut-off grade, the measured, indicated and inferred resources were one million tons higher than the estimates made at the time of acquisition in May 2006 (5.1 Mt Ni compared to 4.1 Mt Ni).

An internal audit was carried out in November 2008 on the stages used to estimate mineral resources and an external audit, performed by Melabar GeoConsulting, is scheduled for March 2009, which will also be used to check the criteria applied to the transformation of resources into reserves.

11.2.4.2. Reserves

The figures below relate to the saprolite and limonite reserves intended for hydrometallurgical processing. They are calculated on the basis of the mineral resources described in the paragraph above. The masses grouped together as “coastal deposits” and the Bukit Limber Barat and Bukit Limber Timur deposits (Santa Monica West and East) were covered by mining projects in pre-feasibility study phase.

SAPROLITE AND LATERITE RESERVES ON 1 JANUARY 2009

	Proven					Probable				
Mass	**MTs**	**% Ni**	**KtNi**	**% Co**	**KTCo**	**MTs**	**% Ni**	**KtNi**	**% Co**	**KTCo**
Laterites										
Bukit Limber Barat (Santa Monica West)	16.4	1.30	214.1	0.17	27.5	2.0	1.33	26.3	0.15	3.0
Bukit Limber Timur (Santa Monica East)	5.2	1.25	64.2	0.15	7.9	5.4	1.24	67.1	0.18	9.9
Coastal Deposits						4.8	1.16	55.5	0.19	9.2
Total Laterites	**21.6**	**1.29**	**278.3**	**0.16**	**35.4**	**12.2**	**1.22**	**148.9**	**0.18**	**22.0**
Saprolites										
Bukit Limber Barat (Santa Monica West)	29.0	1.63	473.8	0.03	9.5	4.3	1.62	70.1	0.03	1.4
Bukit Limber Timur (Santa Monica East)	6.6	1.53	100.7	0.04	2.3	16.0	1.49	237.9	0.04	5.7
Coastal Deposits						17.9	1.66	297.0	0.04	6.7
Total Saprolites	**35.6**	**1.61**	**574.5**	**0.03**	**11.8**	**38.2**	**1.58**	**605.1**	**0.04**	**13.8**
Total	**57.2**	**1.49**	**852.9**	**0.08**	**47.2**	**50.4**	**1.49**	**754.0**	**0.07**	**35.9**

The data on reserves corresponds to the transformation of resources in the masses covered by a mining project and the application of mining factors based on the following criteria:

- reserves are calculated in mining projects with a cut-off grade of 1% Ni in the earthy saprolites and laterites and 1.4% Ni in rocky saprolites characterised by high MgO content and deemed more suitable for selective mining;
- the experience garnered from a mining test carried out in 2007 and the strong rain patterns observed at the deposits determined the choice of the geotechnical and environmental constraints currently in place. In particular, access issues and management of water drained from the mine resulted in zones presenting a natural incline greater than 30° being rejected from the project and the average pit slope being limited to 35°;
- minimum ore thickness was also used as a selection criterion for mineable zones. At this stage of the study, this varies from 3 m and 12 m according to the specific climatic, geomorphologic or environmental conditions at each mass.

Drilling will continue over the coming years to reduce the drilling pattern on certain strategic masses, which will result primarily in an improvement in confidence levels and resource/reserve classification.

Trend information

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See Chapter 3.

13 Profit forecasts or estimates

Not applicable.

Administrative, Management and Supervisory bodies

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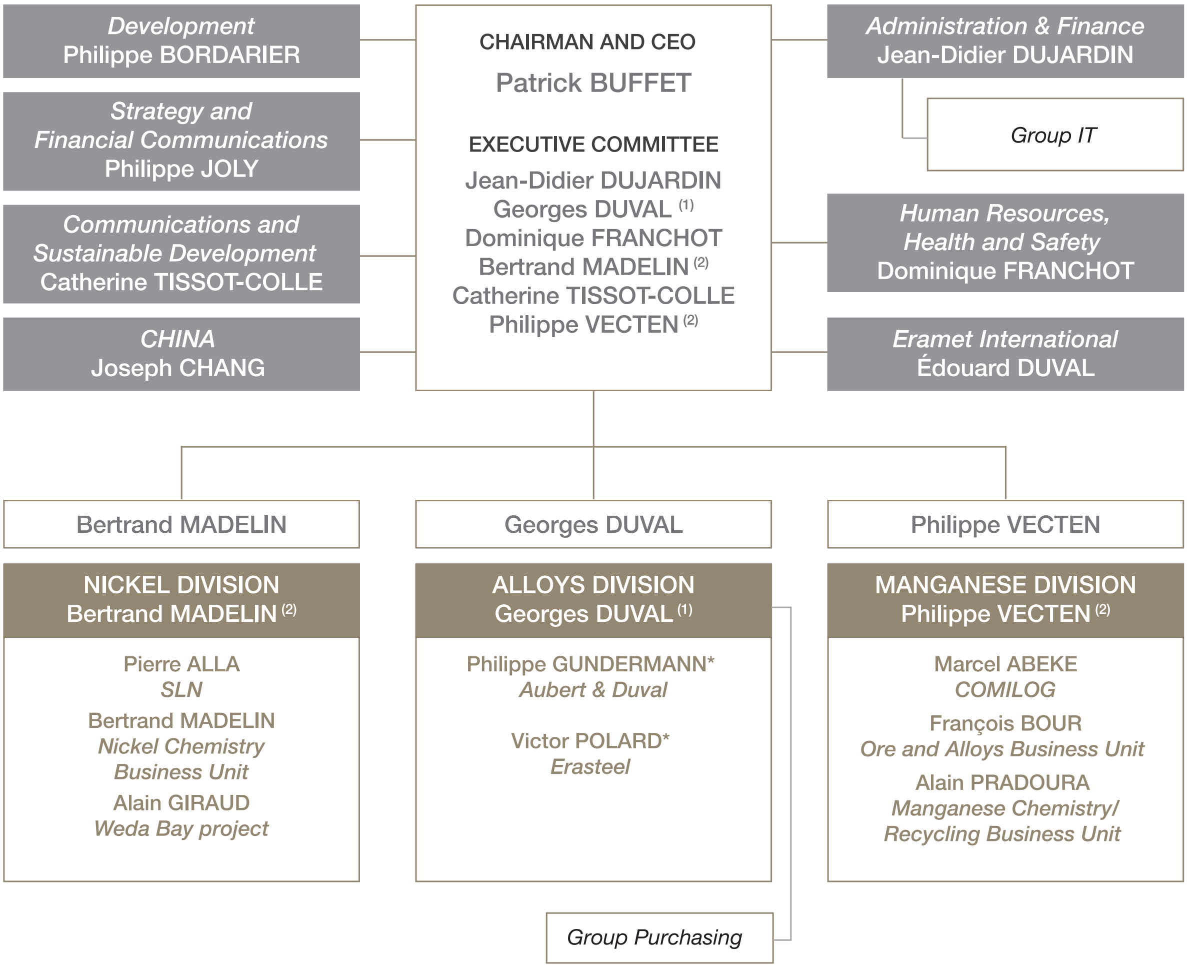
14.1. COMPANY AND GROUP MANAGEMENT AND SUPERVISORY BODIES

14.1.1. General Management

ORGANISATIONAL CHART ON 1 JANUARY 2009



(1) Vice Chairman, Deputy CEO.
(2) Deputy CEO.
* *As from 16 February 2009.*

The General Management is presented in Chapter 16.

14.1.2. Board of Directors

The Board of Directors is presented in Chapter 16.

14.2. PERSONAL SITUATION OF EXECUTIVES

Other positions held within and outside the Group over the past five financial years

DIRECTORS AND GENERAL MANAGERS OF THE COMPANY ON 1 JANUARY 2009

Surname, forename or company name or member Main position Family relationship Experience	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
BUFFET Patrick Director, Chairman and CEO since 25 April 2007 Born 19 October 1953 Busines address: Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France Mr BUFFET has an engineering degree from École des Mines. He has been General Manager at Suez until 2007.	Director: Co-opted by the Board on 7 March 2007 replacing François Henrot, who resigned Chairman and CEO: Board Meeting of 25 April 2007	General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** ▪ Chairman & CEO, Le Nickel-SLN ▪ Director of Comilog S.A. **In non- Group Companies** ▪ Member of Supervisory Board of: Bureau Veritas; Arcole Industries (unlisted) ▪ Director of Banimmo (Belgium) **Posts held and left in previous five years** ▪ Member of Supervisory Board of: AREVA; Astorg-Partners ▪ Director of: - CDC Ixis - Majority owned Suez group subsidiaries: Suez Energy Services; Tractebel (Belgium), Electrabel (Belgium), Société Générale de Belgique (Belgium), Fluxys (Belgium)
AUTEBERT Rémy Director Born 20 July 1953 Business address: AREVA Japan Co. Ltd. Urban Toranomon, Bld. 5-F 1-16-4, Toranomon Minato-Ku Tokyo 105-0001 Japan Mr AUTEBERT has held various positions for more than 30 years in the AREVA Group.	General Shareholders' Meeting of 21 May 2003	Renewal: General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Chairman of AREVA Japan ▪ Member of the nuclear executive committee of AREVA **Posts held and left in previous five years** ▪ Directors of Mines – Chemicals – Beneficiation at Cogema (as from June 2004) ▪ Manager of the Mines Business Unit at Cogema (July 2000-May 2004) ▪ Chairman and CEO CFMM SA ▪ Chairman of Management Board: Eurodif (until 9 December 2005) ▪ Chairman: COMUF (Gabon); Urangesellschaft GmbH (Germany); Somaïr (Niger); Cogema Australia ▪ Manager: SMJ (until 11 February 2005) ▪ Vice-Chairman of the Board: Cominak (Niger) ▪ Member of the Supervisory Board: Eurodif ▪ Director of: Eurodif Pro; CFMM SA; SGN; Cominak (Niger); Comurhex (until 7 March 2005); Katco (Kazakhstan); Cogema Resources Canada; SGN; CMA (Côte d'Ivoire) (until 1 January 2005); COMIN (USA); PMC (USA); UG Canada Ltd. (until 1 February 2005); MUL (Canada); Cogema Australia ▪ Permanent representative of: - Cogema on the boards of: CFM SA; Comhurex SA; Sofidif; Somaïr (Niger); - CFMM on the Board of Cominor SA - CFM SA on Board of SMJ (until 11 February 2005) ▪ Member of the Board of Cogema Inc.; Cogema Deutschland

Surname, forename or company name or member Main position Family relationship Experience	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
DUVAL Georges Director Vice-Chairman Deputy CEO Born 3 May 1946 Busines address: Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France Brother of Édouard Duval, cousin of Cyrille and Patrick Duval Mr DUVAL is Vice-Chairman to the Board and Deputy CEO of ERAMET, Manager of SORAME and General Manager of CEIR.	General Shareholders' Meeting of 21 July 1999 Vice-Chairman of the Board: Board Meeting of 13 September 2000 Deputy CEO: Board Meeting of 23 May 2002	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** ▪ Chairman: Aubert & Duval (SAS); S.I.M.A. (SAS); ERAMET Alloys; Erasteel (SAS); UKAD (SAS) **In non-Group companies** ▪ Manager of SORAME ▪ General Manager of CEIR
DUVAL Édouard Director Born 2 December 1944 Busines address: Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France Brother of Georges Duval, cousin of Cyrille and Patrick Duval Mr DUVAL is Chairman of ERAMET International and Chairman of the Management Board of SORAME and General Manager of CEIR.	General Shareholders' Meeting of 21 July 1999	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** ▪ Director of Le Nickel-SLN ▪ Chairman of ERAMET International (SAS) ▪ Deputy CEO of S.I.M.A. (SAS) **In non-Group companies** ▪ Chairman of the Management Board of SORAME ▪ General Manager of CEIR
DUVAL Patrick Director Born 15 May 1941 Busines address: c/o ERAMET - Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France Brother of Cyrille Duval, cousin of Georges and Édouard Duval Mr DUVAL is Chairman of CEIR and General Manager of SORAME.	General Shareholders' Meeting of 21 July 1999	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** ▪ CEO of S.I.M.A. **In non-Group companies** ▪ Chairman of CEIR ▪ Manager of SORAME ▪ Director of Cartonneries de Gondardennes SA ▪ Manager of SCI Compagnie Franroval, SCI Les Bois de Batonceau, SCI de la Plaine, SCEA Les Terres d'Orphin
DUVAL Cyrille Director Born 18 July 1948 Busines address: Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France Brother of Patrick Duval, cousin of Georges and Édouard Duval Mr DUVAL is Secretary General for the Alloys Division and General Manager of SORAME and CEIR.	General Shareholders' Meeting of 21 July 1999	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** ▪ Deputy CEO of S.I.M.A. ▪ Permanent representative of S.I.M.A. on the Board of Directors of Metal Securities ▪ Director of Comilog ▪ Chairman of Forges de Montplaisir Manager of SCI Grande Plaine **In non-Group companies** ▪ General Mananer of CEIR and SORAME

Surname, forename or company name or member Main position Family relationship Experience	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
GIRAUD Pierre-Noël Director Born 8 March 1949 Business address: CERNA – 60 boulevard Saint Michel – 75272 Paris Cedex 06 Mr GIRAUD is Professor in economics at École des Mines de Paris where he founded the Centre de Recherche en Économie Industrielle.	General Shareholders' Meeting of 21 May 2003	General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Director of AREVA N.C. ▪ Lecturer at the École des Mines de Paris ▪ Member of the French Technology Academy
LEHMANN Gilbert Director Vice Chairman Born 28 September 1945 Business address: AREVA 33, rue Lafayette 75009 Paris Mr LEHMANN has held various positions for more than 25 years in the AREVA Group.	Co-opted by the Board Meeting of 13 December 2005	Co-opting confirmed: General Shareholders' meeting of 27 April 2006 called to approve the 2005 financial statements General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Director and Chairman of the Board of Directors of SEPI (Switzerland) ▪ Director and Vice Chairman of the Board of Directors of ST Microelectronics N.V. (Netherlands); ▪ Director and member of Audit Committee of Assystem SA **Posts held and left in previous five years** *In France:* ▪ Director: Framatome ANP; Sofinel; Framatome Connectors International (FCI); Compagnie Technique d'Assurances (CTA); Framapare; CNS; Intercontrôle ▪ Chairman of the Board of Directors of Compagnie d'Études et de Recherche pour l'Énergie (CERE) *Abroad: (USA)* ▪ Director of Framatome Technologies; FC USA; Canberra
MAPOU Louis Director Born 14 November 1958 Business address: STCPI Immeuble Carcopino 3000 98845 Nouméa cedex Mr MAPOU is the Chairman of STCPI.	Co-opted by the Board Meeting of 29 March 2001 (Confirmation by General Shareholders' Meeting of 30 May 2001)	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In Group companies** ▪ Director of Le Nickel-SLN **In non-Group companies** ▪ Chairman STCPI (New Caledonia) ▪ CEO of Sofinor (New Caledonia)
MARTIN Harold Director Born 8 April 1954 Business address: President of the Government of New Caledonia 8 route des artifices B.P. M2 98849 Nouméa cedex Mr MARTIN is a company manager. He has been President of the Government of New Caledonai since 21 August 2007 and Mayor of Païta since 1995.	Appointed by General Shareholders' Meeting of 11 May 2005	Expiry: General Shareholders' Meeting called to approve the 2008 financial statements	**In non-Group companies** (in New Caledonia) ▪ President of the Government of New Caledonia (Since 21 August 2007) ▪ Member of Advisory Committee on Mining; of the Board of Mines; of Committee on "Nickel an dits environment", of the Advisory Committee on the Environment; of the Committee for Foreign Trade; of the Local Finance Committee ▪ Mayor of Païta since 1995 **Posts held and left in previous five years** ▪ President of the Congress of New Caledonia (from May 2004 until August 2007) ▪ Member of Southern Province Parliament ▪ Member of Adecal (Treasurer) ▪ Chairman of Advisory Committee on Research ▪ Director of SEUR

Surname, forename or company name or member Main position Family relationship Experience	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
ROSSIGNOL Jacques Director Born 6 February 1940 Business address: c/o ERAMET Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France Mr ROSSIGNOL is former CEO of SNECMA and Arianespace.	General Shareholders' Meeting of 21 July 1999	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Former CEO of SNECMA and Arianespace **Posts held and left in previous five years** ▪ CEO of CFMI ▪ Director of Imaprocess
SOMNOLET Michel Director Born 6 February 1940 Business address: c/o ERAMET Tour Maine Montparnasse 33, avenue du Maine 75015 Paris – France Mr SOMNOLET is former Director, Deputy Chairman and CFO of L'OREAL.	General Shareholders' Meeting of 21 May 2003	Renewal: General Shareholders' meeting of 21 May 21 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Former Director of Sanofi-Synthélabo: ▪ Former Director, Deputy Chairman & CFO of L'Oréal ▪ Director of: L'Oréal USA; L'Oréal Maroc ▪ Perinvest Dividend Equity Fund
AREVA Director Represented by Frédéric TONA Permanent representative of AREVA on the Board of Directors Born 27 August 1947 Business address: AREVA For the attention of Frédéric Tona 33, rue Lafayette 75009 Paris Mr TONA has held various positions for more than 30 years in the AREVA Group.	Co-opted by Board Meeting of 27 March 2002	Co-opting confirmed: General Shareholders' meeting of 23 May 2002 General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Member of the Board of the École Nationale Supérieure de Géologie in Nancy ▪ Chairman of SOMAÏR (Niger) ▪ Director of Osead (SAS), OMM (Morocco), CMT (Morocco), COMINAK (Niger) and Fondation d'Entreprise AREVA **Posts held and left in previous five years** (All posts ended at the latest December 2004) ▪ Director of Mines and Chemistry at Cogema, then Director of Mines, Chemistry & Beneficiation, Cogema, then special assistant to the Chairman of Cogema/AREVA (until 31 January, 2005) ▪ Chairman of Gomurhex, CFMM and CFM ▪ Vice-Chairman, Cominak (Niger) ▪ Director of SGN, Eurodif SA, Eurodif Pro, Sofidif, Urangesellshaft (Germany), COGEMA Australia, COGEMA Resources Canada, Pathfinder Mines Corp (USA), COGEMA Inc. (USA) and Uramin Inc. (BVI) ▪ Permanent representative of CFMM on the boards of Cominor SA and SMJ
TREUILLE Antoine Director Born 7 October 1948 Business address: French American Foundation 28 West 44th Street Suite 1420 New York, NY 10036 Mr TREUILLE is Executive Managing Director of Altamont Capital Partners LLC.	General Shareholders' Meeting of 21 July 1999	Renewal: General Shareholders' meeting of 21 May 2003 and General Shareholders' meeting of 25 April 2007 for a four-year term Expiry date: General Shareholders' Meeting called to approve the 2010 financial statements	**In non-Group companies** ▪ Chairman of the French American Foundation (USA) ▪ Executive Managing Director of: Altamont Capital Partners, LLC (USA); Mercantile Capital Partners LLC (USA) ▪ Chairman of Charter Pacific Corporation (USA) ▪ Director of: BIC SA (France); Harris Interactive, Inc. (USA), Partex Corporation (USA), Harlem Furniture, LLC (USA), Imperial Headwear, Inc. (USA) **Posts held and left in previous five years** Skip's Clothing, Inc. (up to May 2007)

Surname, forename or company name or member Main position Family relationship Experience	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
MADELIN Bertrand Deputy CEO (not a Director) Born 13 September 1954 Busines address: Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France Mr MADELIN is Deputy CEO.	Appointed by Board Meeting of 12 December 2007		**In Group companies** ▪ Director of Le Nickel-SLN ▪ Director of PT Weda Bay Nickel ▪ Chairman of Eurotungstène **Posts held and left in previous five years** ▪ Director: ERAMET Norway, ERAMET Marietta, Comilog France, Guanxi Comilog, Guilin Comilog, Comilog Asia, Comilog Far East Development ▪ Chairman Comilog Italia
VECTEN Philippe Deputy CEO (not a Director) Born 22 April 1949 Busines address: Tour Maine Montparnasse - 33 avenue du Maine - 75015 Paris - France M. VECTEN is Deputy CEO.	Appointed by Board Meeting of 23 May 2007		**In Group companies** ▪ Director of Comilog S.A.; Comilog US; Société Le Nickel-SLN, SETRAG, Tinfos AS, Tinfos International ▪ Chairman of ECM and Eralloys Holding AS ▪ Manager of Comilog Holding **Posts held and ended in five previous years** ▪ Deputy CEO of Le Nickel – SLN

No information falling within the scope of Section 14.1 of Appendix 1 of EC Regulation No. 809/2004, other than that set out above, needs to be disclosed.

14.3. INTERESTS HELD BY CORPORATE OFFICERS

Some directors have a material interest in the Company's share capital.

14.3.1. Indirect interests

Patrick Duval is Chairman & CEO of CEIR,

Édouard Duval is Chairman of the Management Board of SORAME,

Georges, Édouard, Cyrille and Patrick Duval are shareholders of SORAME and CEIR.

14.3.2. Direct interests on 31 December 2008

	Shares	Voting rights
Patrick Buffet	10	10
Rémy Autebert	100	200
Cyrille Duval	307	513
Édouard Duval	265	429
Georges Duval	601	602
Patrick Duval	102	152
Pierre-Noël Giraud	1	1
Gilbert Lehmann	100	100
Louis Mapou	1	1
Harold Martin	1	1
Jacques Rossignol	10	20
Michel Somnolet	100	200
Antoine Treuille	160	320
AREVA	6,757,277	13,514,554
Frédéric Tona	100	101
Bertrand Madelin	2250	2250
Philippe Vecten	150	150

No Director has a direct material interest in any Group subsidiary. No Director is subject to a conflict of interest within the meaning of Section 14.2 of Appendix 1 of EC Regulation No. 809/2004 or has entered into a service agreement with ERAMET.

14.3.3. Loans and guarantees granted to or put in place for members of administrative, management or supervisory bodies

None.

Total remuneration and benefits of corporate officers and Executive Committee

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15.1. DIRECTORS' FEES

The amount of directors' fees paid to ERAMET's corporate officers in respect of 2008 amounted to €375,100 (€360,000 in 2007). The total sum allocated to the Board of Directors was set at €550,000 at the General Shareholders' Meeting of 16 April 2008 (resolution Six), to be distributed freely amongst the Directors by the Board.

The directors' fees for 2008 were distributed on the following basis:

- annual fixed amount of €12,000;
- amount of €1,000 for each actual attendance at Board Meetings;
- annual fixed amount of €8,000 for Audit Committee members;
- amount of €1,000 for each actual attendance at Audit Committee Meetings;
- annual fixed amount of €8,000 for members of the Compensation Committee;
- amount of €1,000 for each actual attendance at Compensation Committee Meetings.

In addition, €1,525 in travel expenses is paid for each Director living abroad in respect of each Board/Committee Meeting.

The directors' fees paid to ERAMET's corporate officers by other companies in the Group amounted to an overall total of €40,340 in 2008 (€11,106 in 2007).

The directors' fees were distributed as follows (in euros):

	ERAMET	Other companies	Total 2008	Total 2007	Total 2006
Rémy AUTEBERT	16,525		16,525	21,575	8,623
Patrick BUFFET [(1)]	21,500	23,080	44,580	18,223	-
Jacques BACARDATS			-	9,723	15,188
Cyrille DUVAL [(1)]	19,000	13,600	32,600	19,000	7,623
Édouard DUVAL [(1)]	19,000	1,830	20,830	20,830	7,623
Georges DUVAL [(1)]	19,000		19,000	19,000	7,623
Patrick DUVAL	18,000		18,000	18,000	7,623
Pierre-Noël GIRAUD	17,000		17,000	14,000	7,623
François HENROT			-	2,000	7,623
Gilbert LEHMANN	31,000		31,000	31,000	9,623
Louis MAPOU	20,575	1,830	22,405	22,405	12,503
Harold MARTIN	18,050		18,050	12,000	9,148
Jacques ROSSIGNOL	35,000		35,000	33,000	10,623
Michel SOMNOLET	62,250		62,250	58,725	22,773
Frédéric TONA	35,000		35,000	33,000	10,623
Antoine TREUILLE	43,200		43,200	38,625	16,723
Total	**375,100**	**40,340**	**415,440**	**371,106**	**161,565**

(1) Other remuneration: see Chapter 15.2 below.

15.2. TOTAL REMUNERATION AND BENEFITS OF CORPORATE OFFICERS AND/OR MEMBERS OF THE EXECUTIVE COMMITTEE

The table below shows the individual breakdown of the gross amount of compensation allocated in 2008 to corporate officers and members of the Group Executive Committee ("Comex"):

SUMMARY TABLE OF THE COMPENSATION, OPTIONS AND SHARES ACCRUING TO EACH CORPORATE OFFICER AND/OR COMEX MEMBERS

	Compensation due in respect of the financial year (as detailed in the following table)		Valuation of the bonus shares/ stock options awarded during the financial year		Total	Total
(in euros)	2008	2007	2008	2007	2008	2007
Patrick Buffet (1) (2)	1,273,116	752,066		1,551,900	1,273,116	2,303,966
Chairman and CEO						
Georges Duval (1)	360,913	298,584		93,114	360,913	391,698
Deputy CEO						
Bertrand Madelin (1) (3)	244,991				244,991	0
Deputy CEO						
Philippe Vecten (1) (4)	397,124	271,428		155,190	397,124	426,618
Deputy CEO						
Édouard Duval	283,712	248,105		31,038	283,712	279,143
Chairman of ERAMET International						
Cyrille Duval	237,879	188,480		31,038	237,879	219,518
General Secretary – Alloys division						
Total Corporate officers	2,797,735	1,758,663	0	1,862,280	2,797,735	3,620,943
Dominique Franchot (1)	391,029	363,202		217,266	391,029	580,468
Human Resources Manager						
Jean-Didier Dujardin (1)	352,630	261,740		217,266	352,630	479,006
Chief Financial Officer						
Catherine Tissot-Colle (1)	195,099	163,147		124,152	195,099	287,299
Director of Communication and Sustainable Development						
Total Corporate officers and Comex members	3,756,493	2,546,752	0	2,420,964	3,756,493	4,967,716

(1) Member of the Comex.
(2) As from 25 April 2007.
(3) Member of the Comex and corporate officer as from 1 January 2008.
(4) Corporate officer as from 23 May 2007 and member of the Comex since 1 January 2007.

SUMMARY TABLE OF THE COMPENSATION OF EACH CORPORATE OFFICER AND/OR MEMBER OF COMEX

	Amounts for financial year 2008		Amounts for financial year 2007	
	Due	**Paid (2)**	**Due**	**Paid**
Patrick Buffet				
Chairman & CEO				
Fixed compensation	615,600	615,600	406,922	406,922
Variable compensation	604,636	326,174	325,538	
Directors' fees	44,580	18,223	18,223	
Fringe benefits (1)	8,300	8,300	1,383	1,383
Total	**1,273,116**	**968,297**	**752,066**	**408,305**
Georges Duval				
Deputy CEO				
Fixed compensation	254,917	254,917	234,107	234,107
Variable compensation	84,407	42,872	42,872	43,129
Directors' fees	19,000	19,000	19,000	7,623
Fringe benefits (1)	2,589	2,589	2,605	2,605
Total	**360,913**	**319,378**	**298,584**	**287,464**
Bertrand Madelin				
Deputy CEO				
Fixed compensation	190,000	190,000		
Variable compensation	49,638	17,058		
Directors' fees	1,830	0		
Fringe benefits (1)	3,523	3,523		
Total	**244,991**	**210,581**	**0**	**0**
Philippe Vecten				
Deputy CEO				
Fixed compensation	252,300	252,300	210,260	210,260
Variable compensation	112,274	45,756	43,003	0
Directors' fees	28,006	9,020	9,020	0
Fringe benefits (1)	4,544	4,544	9,145	9,145
Total	**397,124**	**311,620**	**271,428**	**219,405**
Édouard Duval				
Chairman of ERAMET International				
Fixed compensation	253,567	253,567	219,775	219,775
Variable compensation	9,315	7,763	7,500	7,763
Directors' fees	20,830	20,830	20,830	7,623
Fringe benefits (1)	0	0	0	0
Total	**283,712**	**282,160**	**248,105**	**235,161**
Cyrille Duval				
General Secretary – Alloys division				
Fixed compensation	176,880	189,748	166,905	166,905
Variable compensation	25,824	0	0	0
Directors' fees	32,600	19,000	19,000	7,623
Fringe benefits (1)	2,575	2,575	2,575	2,575
Total	**237,879**	**211,323**	**188,480**	**177,103**
Sub-total Corporate officers	**2,797,735**	**2,303,359**	**1,758,663**	**1,327,438**
Dominique Franchot				
Human Resources Manager				
Fixed compensation	275,139	275,139	259,141	259,141
Variable compensation	73,820	66,079	66,079	37,465
Exceptionnal Bonus	21,033	21,033	33,287	33,287
Directors' fees	15,430	1,372	1,372	0
Fruige benefits (1)	5,607	5,607	3,323	3,323
Total	**391,029**	**369,230**	**363,202**	**333,216**
Jean-Didier Dujardin				
Chief Financial Officer				
Fixed compensation	270,000	270,000	222,317	222,317
Variable compensation	55,120	30,347	30,347	29,743
Directors' fees	22,100	3,615	5,615	7,565
Fruige benefits (1)	5,410	5,410	3,461	3,461
Total	**352,630**	**309,372**	**261,740**	**263,086**
Catherine Tissot-Colle				
Director of Communication and Sustainable Development				
Fixed compensation	150,000	150,000	136,330	136,330
Variable compensation	38,272	11,797	11,797	3,303
Exceptionnal Bonus	3,888	3,888	12,888	12,888
Directors' fees	0	0	0	0
Fruige benefits (1)	2,939	2,939	2,132	2,132
Total	**195,099**	**168,624**	**163,147**	**154,653**
Total Corporate officers and Comex members	**3,736,493**	**3,150,585**	**2,546,752**	**2,078,393**

(1) This relates to the provision of a company car.

(2) Any differences between the amount paid in 2008 and that shown as owing in respect of the 2007 financial year stem from the final calculation of variable remuneration based on actual results.

The top ten earners at ERAMET in respect of 2008 received total remuneration of €4,071,232, as certified by the Statutory Auditors.

Information on the directors' fees received by the other corporate officers is provided in Chapter 15.1 (directors' fees). Information on options or bonus share grants to corporate officers and employees is provided in Chapter 15.6. No options or bonus shares were granted to corporate officers or employees during the financial year. Information on the supplementary pension plan and indemnities or benefits owed, or that may be owed as a result of leaving or changing positions, is provided in Chapter 15.5.

RECORD OF SHARE SUBSCRIPTION OPTION/PURCHASE OPTION/BONUS SHARE GRANTS

Plan	Plan D	Plan G	Plan H	Plan I	Plan J
Date of General Shareholders' Meeting	27/05/1998	23/05/2002	11/05/2005	11/05/2005	11/05/2005
Date of Board meeting	12/12/2001	15/12/2004	13/12/2005	25/04/2007	23/07/2007
Type of plan	Subscription	Subscription	Bonus shares	Bonus shares	Bonus shares
Number of options granted at outset	153,000	130,000	14,000	10,000	16,000
Number of beneficiaries at outset	61	80	90	1	61
Total number of shares that may be subscribed/acquired/vested					
- by corporate officers at outset, including:	66,000	31,500	3,400	10,000	13,550
▪ Patrick Buffet	-	-	-	10,000	-
Of which remaining on 1/1/09				10,000	
▪ Georges Duval	6000	6000	600	-	600
Of which remaining on 1/1/09	0	6000	0		600
▪ Bertrand Madelin	2500	2000	250	-	150
Of which remaining on 1/1/09	0	0	0		150
▪ Philippe Vecten	4000	3000	150	-	1,000
Of which remaining on 1/1/09	0	3000	0		1000
▪ Édouard Duval	2500	2000	100	-	200
Of which remaining on 1/1/09	0	2000	0		200
▪ Cyrille Duval	2500	2000	100	-	200
Of which remaining on 1/1/09	0	2000	0		200
- by top ten employee beneficiaries	30,000	27,000	3,700	0	6,265
Start of option exercise period/final acquisition of shares	12/12/2003	15/12/2006	13/12/2007	25/04/2009	23/07/2009
Expiry date	11/12/2009	15/12/2012	-	-	-
Subscription or purchase price	32.6	64.63	-	-	-
Terms and conditions of exercise	-	-	-	-	-
Number of shares subscribed/granted as on 31/12/2008	142,250	66,631	14,000	0	0
Subscription and purchase options and bonus shares cancelled	3,000	3,700	0	0	170
Outstanding subscription and purchase options and bonus shares	7,750	59,669	0	10,000	15,830

INFORMATION ON SHARE SUBSCRIPTION OPTIONS/PURCHASE OPTIONS/BONUS SHARES (EXCLUDING CORPORATE OFFICERS)

Share subscription and purchase options and bonus shares granted to top ten employee beneficiaries (excluding corporate officers) and options exercised by them	Number of options/ shares acquired or granted	Average weighted price *(in euros)*	Related Plan
Bonus shares or share subscription or purchase options granted in 2008 by the issuer and any company within the option grant scope to the ten employees of the issuer and any company within this scope, who received the most options or bonus shares (aggregate information)	0		
Options vis-à-vis the issuer and companies referred to above, exercised in 2008 by the ten employees of the issuer and these companies, who exercised the most options (aggregate information)	9,300	32.60	D
	34,000	64.63	
	Total 43,300	57.75	G

SUMMARY TABLE FOR EACH EXECUTIVE CORPORATE OFFICER

Corporate officers	Employment contract	Supplementary pension plan (see details in Chapter 15.5)	Payments or benefits due or liable to be due upon severance or change of employment (see details in Chapter 15.5)	Payments related to non-competition clauses (see details in Chapter 15.5)
Patrick Buffet Chairman and CEO Start of term of office: 25/04/07 Expiry date of term of office as Director: GSM on 2010 accounts	No	Yes	Yes	No
Georges Duval Deputy CEO Vice Chairman of the Board of Directors Start of term of office: 23/05/02 Expiry date of term of office as Director: GSM on 2010 accounts	Yes – suspended	Yes	Yes (limited to suspended employment contract)	No
Bertrand Madelin Deputy CEO Start of term of office: 01/01/08 Expiry date of term of office: undefined	Yes – suspended	Yes	Yes (limited to suspended employment contract)	No
Philippe Vecten Deputy CEO Start of term of office: 23/05/07 Expiry date of term of office: undefined	Yes – suspended	Yes	Yes (limited to suspended employment contract)	No
Édouard Duval Chairman ERAMET International Director Start of term of office: 21/07/99 Expiry date of term of office as Director: GSM on 2010 accounts	Yes	Yes	Yes (limited to suspended employment contract)	No
Cyrille Duval General Secretary Alloys division Director Start of term of office: 21/07/99 Expiry date of term of office as Director: GSM on 2010 accounts	Yes	No	No	Yes (limited to employment contract)

15.3. REMUNERATION OF COMEX MEMBERS

Remuneration of corporate officer Comex members is set annually by the Board of Directors based on the recommendation of the Compensation Committee. For non-corporate officer members of the Comex, remuneration is set by general management.

Remuneration of each Comex member is broken down into a fixed portion and a variable portion. The variable portion is based on a certain number of specific goals and conditions. The goals of the corporate officers are determined by the Compensation Committee and submitted to the Board of Directors for approval.

The variable portion is based on a certain number of specific criteria and goals, the choice and weighting of which are approved by the Board of Directors every year, on the basis of a recommendation from the Compensation Committee, such as, for example: (i) actual economic performance (ROC, ROCE, etc.), (ii) financial performance (debt, working capital requirement, etc.), (iii) the completion vis-à-vis the budget and schedule of major capital expenditure programmes, industrial projects or acquisition and development activities, (iv) "managerial" results in terms of team motivation and leadership, project and strategy proposals and goals in the field of health, safety, environmental and industrial risks. As from 2008, the variable portion may not exceed 50% of the gross annual fixed remuneration (100% for the Chairman and CEO).

The members of the "COMEX" who are not corporate officers also benefited from a collective discretionary profit-sharing scheme. The sums paid under the scheme in 2008, with respect to 2007, individually amounted to €16,092, in line with the legally prescribed ceiling.

15.4. RETIREMENT COMMITMENTS

Several years ago, ERAMET set up a collective defined benefit supplementary pension plan for a group of executives who met the required restrictive eligibility criteria. The plan is managed by an outside insurance company.

Corporate officers are eligible for the existing defined benefit supplementary pension plan for ERAMET executives, a plan for which new regulations, bringing it into line with the new legal and regulatory provisions, came into effect on 1 July 2008, following a decision by ERAMET's Board of Directors on 30 July 2008, made on the basis of a recommendation from the Compensation Committee. In the event of a settlement of their pension rights vis-à-vis the social security, they may be entitled to a supplementary pension that may not exceed 35% of the reference salary defined in the internal plan regulations, with said reference salary being limited, in the same regulations, to twenty-five times the annual social security ceiling.

Based on the latest actuarial calculation, the present value of the estimated portion of the five corporate officers in question and still working as at 31 December 2008 out of the total commitments in respect of the past service of all beneficiaries of this supplementary pension plan amounted to €12.6 million at the end of December 2008, with the total amount of commitments being measured under IFRS at €25.6 million.

15.5. OTHER COMMITMENTS

Under his corporate officer contract of 26 April 2007, Patrick Buffet is entitled to a severance payment, the settlement terms of which were brought into line with France's Labour, Employment and Purchasing Power Act of 21 August 2007 by the meeting of the Board of Directors of 20 February 2008, resulting in a new corporate officer contract being adopted by the Board of Directors and signed on 20 February 2008. Consequently, as from 1 January 2009, should the Chairman and CEO leave the Company, entitlement to the severance payment is subject to meeting performance conditions: the total gross variable remuneration (itself subject to specific performance conditions) received over the final three full financial years of the term of office (or if the term is less than three years, during the full financial year(s) of the term of office) must be 20% or more of the total gross fixed annual remuneration received during said financial years. As a result, these arrangements exclude payment of such an indemnity should the Chairman and CEO fail to achieve his targets. This change was approved by the General Shareholders' Meeting of 16 April 2008 as part of related-party agreements. Moreover, in accordance with the recommendations of the Afep/Medef corporate governance code, Patrick Buffet does not hold an employment contract with the Company.

The other corporate officers do not benefit from a commitment or promise relating to the granting of a severance payment in respect of their offices. The employment contract between the Deputy CEOs and the Company is suspended until their terms of office expire. The suspended employment contracts of Messrs Madelin and Vecten provide for the payment, in the event of dismissal, retirement or pensioning-off, of a customary payment, calculated on the basis of the national collective bargaining agreement for executives in the metallurgy industry and on the basis of their reference remuneration (fixed plus variable) as employees. The collective bargaining agreement provides for a maximum of 18 months' remuneration for maximum length of service of 28 or 30 years depending on the age of the parties upon their departure. The suspended employment contract of Georges Duval contains a clause providing, in the event of dismissal, retirement or pensioning-off, for the payment of a contractual payment of 18 months' salary, calculated on the basis of his reference remuneration (fixed plus variable) as an employee, which is not cumulative with the customary payments calculated on the basis of the national collective bargaining agreement for executives in the metallurgy industry. Édouard Duval's employment contract contains an identical clause.

No payment relating to a non-competition commitment has been provided for corporate officers at the end of their terms of office, with the exception of Cyrille Duval whose employment contract provides for the right for his employer to invoke a one-year non-competition obligation, renewable once for the same term, in consideration for the payment of an indemnity of 50% of his average fixed remuneration for the twelve months preceding the termination of the contract, regardless of the reason. In the event of dismissal, this indemnity is raised to 60% of this average.

It is hereby noted that in respect of the departure of Jacques Bacardats, the previous Chairman and CEO of the ERAMET Group, the latter notably benefited from a non-competition clause providing entitlement to an indemnity of €0.8 million (fully provided for in the financial statements as at 31 December 2007 and 31 December 2008). This indemnity was implemented for the period from 1 May 2008 to 30 April 2009.

In the event of a change in control at ERAMET and the termination of an employment contract that is considered as being attributable to the employer, a special guarantee, which is not cumulative with the other applicable contractual or customary guarantees, was decided on in 2005 and put in place in favour of 19 Group executives (Messrs Madelin and Vecten, the only corporate officer beneficiaries, primarily non-corporate officer members of the Group Executive Committee and divisional Comex). This guarantee, which represents an indemnity of three years' remuneration (fixed plus variable) for each beneficiary manager, was estimated at a total of €6.4 million on 31 December 2008. Patrick Buffet does not benefit from this guarantee.

Under their employment contracts, certain employees also benefit from contractual indemnities, including when they retire, calculated on the basis of one to two years' salary (fixed plus variable) and including the rights vested under the collective bargaining agreement to which they are subject.

15.6. SPECIAL REPORTS ON SUBSCRIPTION OPTION AND BONUS SHARE GRANTS

The Board Meeting of 23 July 2007 updated the regulations governing the bonus share plans requiring corporate officers to retain 20% of their shares for the term of their appointments.

15.6.1. Special report on share subscription and purchase options (Article L. 225-184 of the French Commercial Code)

2008 Financial Year

Dear Shareholders,

Pursuant to the provisions of Article L. 225-184 of the French Commercial Code, this report is presented to the General Shareholders' Meeting.

A. Options granted

No share purchase or subscription options were granted during the 2008 financial year.

B. Option exercises

The table below sets out the number and price of shares subscribed for or purchased during the financial year by the Company's corporate officers and by the ten employees of ERAMET or Group companies, who are not corporate officers and who subscribed for or purchased the largest number of shares.

Exercices 2008	Plan D 12/12/01 – Nb of shares	Exercice price – in euros	Plan G 15/12/04 – Nb of shares	Exercice price – in euros
Corporate officers				
Bertrand Madelin	-	-	2000	64.63
10 employees who are not corporate offices and who subscribed for or purchased the largest number of shares				
J. Bacardats	300	32,6	10,000	64.63
D. Franchot	6,000	32.6	3,000	64.63
JD. Dujardin	-	-	6,000	64.63
A. Pradoura	-	-	4,000	64.63
J. Koeleman	3,000	32.6	-	-
X. Chastel	-	-	3,000	64.63
B. Demay	-	-	2,500	64.63
M. Granget	-	-	2,000	64.63
A. Zambetti	-	-	2,000	64.63
B. Bied Charreton	-	-	1,500	64.63

The Board of Directors

15.6.2. Special report on bonus share grants (Article L. 225-197-4 of the French Commercial Code)

2008 Financial Year

Dear Shareholders,

Pursuant to the provisions of Article L. 225-197-4 of the French Commercial Code, this report is presented to the General Shareholders' Meeting.

A. Grants to corporate officers

No bonus shares were granted during the 2008 financial year.

B. Grants to non-corporate officer employees

No bonus shares were granted during the 2008 financial year.

The Board of Directors

Board practices

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16.1. REPORT OF THE CHAIRMAN OF THE BOARD

(Article L. 225-37 of the French Commercial Code, as amended by Act 2008-649 of 3 July 2008)

Dear Shareholders,

As Chairman of the Company's Board of Directors, I hereby present you with the report provided for under Article L. 225-37 of the French Commercial Code. This report was approved by the Board of Directors at its meeting of 18 February 2009.

As required by law, this report firstly covers the preparation and organisation of the work of the Board of Directors and indicates, where applicable, the limits on the powers of the Chairman and CEO. It will subsequently cover internal control procedures.

16.1.1. Conditions for the preparation and organisation of the work of the Board of Directors

In line with the decision of the Board of Directors on 9 December 2008, ERAMET uses as its reference framework the December 2008 Afep/Medef corporate governance code for listed companies, resulting from the consolidation of the October 2003 Afep/Medef report and their recommendations of January 2007 and October 2008 on the remuneration of the corporate officers of listed companies. A copy of this code is available from the Legal Department at head office.

General Management (See Section 14.1 of the 2007 Document)

COMPANY MANAGEMENT METHOD

At its meeting of 26 March 2003, the Company's Board of Directors adopted, in line with the discussions of the General Shareholders' Meeting of 23 May 2002 and Article 15 of its Articles of Association, a traditional organisation of the Company's management with a Chairman & Chief Executive Officer responsible for both the general management of the Company and the chairmanship of the Board of Directors.

In accordance with Article 17 of the Articles of Association, the Board may, on the proposal of the person in charge of the Company's general management, appoint up to five deputy CEOs to assist him/her. The Company's CEO and deputy CEOs must be nationals of a member state of the European Union and may not hold the position beyond the age of 70.

The Board may also, in accordance with Article 19 of the Articles of Association, appoint up to four non-voting observers. The observers may be chosen from among the Company's employees.

MEMBERSHIP

The general management of the Company and Group is organised as follows:

Chairman and CEO: Patrick Buffet

At its Meeting of 25 April 2007, the Board of Directors granted him all the powers permitted by French law to a Chairman and CEO of a public limited company. The Board also granted, on the same terms, the power to substitute and delegate, under his responsibility, to such persons as he sees fit, with the possibility of sub-delegating such part of his powers as he feels appropriate, by giving special powers for one or more specific purposes.

In line with the provisions of Article 14, Subsection 2 of the Articles of Association, the Chairman exercises full authority subject to the proviso that, "no decision relating to the Company's major strategic, economic, financial or technological issues may be taken without first being discussed by the Board."

In line with Article 14, Subsection 4 of the Articles of Association, "decisions affecting the Company must be signed either by the CEO, the Deputy CEO or by any specially authorised person."

Deputy CEOs:

The following were appointed in that capacity:

- Georges Duval (with effect from 23 May 2002), Alloys Division;
- Bertrand Madelin (with effect from 1 January 2008), Nickel Division;
- Philippe Vecten (with effect from 23 May 2007), Manganese Division.

The three Deputy CEOs are also Division Managers and Georges Duval is also responsible for purchasing. The employment contracts of the three Deputy CEOs were suspended when they were appointed corporate officers. The Administration and Finance, Human Resources – Health & Safety Departments, the Development Department, the Strategy and Financial Communications Department, and ERAMET International and the China Department report to the Chairman. The Chief Financial Officer, Jean-Didier Dujardin, also supervises IT systems, internal audit, management control and legal affairs.

The monthly meetings of the Divisions, chaired by the Chairman and CEO, provide a forum for important Group-related decisions. They allow monthly reporting to be monitored and the critical operating decisions facing the Divisions to be established.

Since September 2004, the Company's general management has also included an Executive Committee (COMEX) and an International Management Committee (IMC), which are both chaired by the Chairman and CEO.

The Executive Committee, which is the decision-making body for the Group and the Divisions, is comprised of the Chairman and CEO, the three Division Managers, the Human Resources – Health & Safety Manager, the Chief Financial Officer and the Communications and Sustainable Development Manager. The fact that the "Corporate" Managers of the support departments (Human Resources – Health & Safety Department, Administration and Finance Department and Communications and Sustainable Development Department) are COMEX members increases the effectiveness and coherence of their efforts. The aim is to enable the cross-company departments to carry out three essential roles: an operational role, a supervisory role and a service role for the Divisions.

The International Management Committee meets quarterly and is comprised of the members of the Executive Committee, the CEO of Erasteel, the CEO of Aubert & Duval, the Chairman of ERAMET International, the Deputy CEO of Le Nickel-SLN, the CEO of Comilog, the Managers of the Nickel and Manganese Division business units, the Weda Bay project manager and the Manager of ERAMET in China.

Board of Directors

MEMBERSHIP/INDEPENDENCE

In line with the shareholders' agreement of 17 June 1999, as amended on 29 May 2008, between SORAME and CEIR on the one hand, and AREVA, on the other hand, since the Meeting of 21 July 1999, the Board of Directors has in principle been comprised of fifteen members, as follows, not including the Chairman:

- five Directors put forward by the SORAME-CEIR concert party;
- three Directors put forward by AREVA;
- two Directors put forward by STCPI;
- four "qualified persons", two put forward by the SORAME CEIR concert party and two by AREVA, "in light of their expertise and their independence from the party nominating them and from the Company itself, in line with the recommendations of the Viénot report" (under the terms of the shareholders' agreement).

The Board currently has fourteen members:

- **Honorary Chairman:** Yves Rambaud
- **Chairman of the Board of Directors:** Patrick Buffet, since 25 April 2007.
- **Vice-Chairmen:**

At its Meeting of 13 September 2000, the Board of Directors decided to appoint two Vice-Chairmen representing the two largest shareholders:

- Georges Duval, on behalf of SORAME, since 13 September 2000;
- Gilbert Lehmann, on behalf of AREVA, since 13 December 2005.

- **Directors:**

- Rémy Autebert;
- Cyrille Duval;
- Édouard Duval;
- Georges Duval;
- Patrick Duval;
- Pierre-Noël Giraud (independent director);
- Gilbert Lehmann;
- Louis Mapou;
- Harold Martin;
- Jacques Rossignol (independent director);
- Michel Somnolet (independent director);
- Antoine Treuille (independent director);
- AREVA, represented by Frédéric Tona.

The Afep/Medef report considers that a director is independent "when he has no relations whatsoever with the company, its group or its management, that could compromise the exercising of his freedom of judgement" and also identifies a certain number of criteria that have to be analysed in order to decide whether a director may be classified as independent:

- "not being a salaried employee or corporate officer of the company, a salaried employee or director of its parent company or of a company which it consolidates, and not having been so during the course of the previous five years";
- "not being a corporate officer of a company in which the company directly or indirectly holds a directorship or in which a salaried employee designated as such or a corporate officer of the company (currently or having held such a position within the past five years) holds a directorship";
- "not being (or being directly or indirectly associated with) a major customer, supplier, merchant banker, financing banker of the company or its group, or for which the company or its group represents a significant percentage of its business activity";
- "not having any close family ties with a corporate officer";
- "not having been company auditor during the past five years";
- "not having been a company director for more than twelve years".

On the basis of an analysis of these criteria by the Board, it currently has four independent directors out of a total of 14 members. In this respect, during the 2008 financial year, the Company did not fully comply with the recommendations of the Afep/Medef corporate governance code for listed companies which recommends that one third of the members of a Board of Directors should be independent. This is due to both the specific rules governing the membership of its Board of Directors under the shareholders' agreement (to wit, besides the Chairman, ten members representing the SORAME/CEIR, AREVA and STCPI shareholders and four members, two put forward by AREVA and two put forward by SORAME/CEIR on the basis of their independence) and the current vacancy. As a result, the appointment of a 15th member, having the status of independent director, will be put to the next General Shareholders' Meeting, thus increasing the number of independent directors on the Board to five (i.e. one third independent directors on the Board).

Under Article 11 of the Articles of Association, directors may not be over seventy years of age when they are appointed and are so appointed for a four-year term of office. The Chairman and a majority of members of the Board of Directors (including legal entities and their permanent representatives) must be nationals of a member state of the European Union. All directors must own at least one share.

OTHER PARTICIPANTS IN BOARD MEETINGS

Observers:

The Board of Directors, at its Meeting of 12 April 2000, drawing on the option provided for in Article 19 of the Articles of Association, decided to offer two observer positions to Group employees, in addition to Works Council representatives. In practice, the two observers are nominated by the European Works Council. On 30 July 2008, the Board reappointed Jean Javelier and Daniel Signoret as observers for a further four years.

Company Works Council Delegates: Christian Detreille, Claudine Grossin, Didier Jacq, Yann Perrigault.

CHARTER

The duties and obligations of the directors are set out in the directors' charter, provided for under Article 12-4 of the Articles of Association. Paragraph 6 of Article 13 of the Articles of Association also states that "it is the directors' duty to defend ERAMET's interests in all circumstances and they shall refrain, whilst carrying out their duties, from any and all action, or inaction, that may compromise it".

All new Directors elected by the General Shareholders' Meeting or co-opted by the Board, whether he or she is a Director in their own right or the permanent representative of a legal entity, signs up to a charter that gives a general description of the Directors' mission, the principles governing their actions and the rules of conduct imposed by current legislation and the Company's Articles of Association.

The charter, which was adopted for the first time in 1999, particularly emphasises Directors' competence, their duties as regards disclosure and obtaining information, their attendance both at Board Meetings and, insofar as possible, at General Shareholders' Meetings, and their independence. Board Members are notably asked, at all times, to ensure they are not in a direct or indirect conflict of interest with the Company and any company in which they hold a position. Such a situation, which must be notified to the Board, may result, as the case may be, in a refusal to appoint or a resignation (structural conflict), or in their abstention (one-off conflict). The duty of confidentiality and of refraining from dealing in the Company's shares when in possession of unpublished material information is also reiterated. Since 2005, the rule prohibiting dealing in the Company's shares has been set down in a procedure that applies to corporate officers and executives.

BY-LAWS

The Board adopted By-laws on 6 September 2006 which specify its organisation. The By-laws are available from the Secretary of the Board of Directors at the Company's head office. In particular, the By-laws specify the membership, organisation and operation of the Committees.

ASSESSMENT OF THE BOARD'S WORK

A process for assessing the operation of the Board of Directors, in particular, by means of a questionnaire given to Board members and interviews by the Secretary of the Board of each Board member, and an analysis of the conclusions of these interviews will be undertaken over the coming months.

MEETINGS

Calling:

Meetings are called as often as necessary by the Chairman sending an invitation to its members, in accordance with the law. Invitations may be sent to members by any means, including electronic, in principle one week prior to the date of the Meeting. With the exception of meetings held by telephone during the year, the Board's Meetings are usually held at the Company's head office (Tour Maine-Montparnasse).

Process for Board Meetings:

At each Board Meeting, a dossier containing files on most of the items on the agenda is given to every participant in the Meeting.

The Meeting usually begins with a preliminary report by the Chairman on the main events having occurred since the last Meeting, followed by an update on business in each of the three Divisions. Particularly important projects with respect to the Group's strategy may be presented.

At the end of the Meeting, in particular when the Board is approving the financial statements, a draft press release is usually submitted to Directors for their approval and is published at the end of the day or the next day before the markets open in order to report to the market on the main developments affecting the Company and the Group.

Minutes:

The Secretary of the Board (in principle, the Group General Counsel Affairs) draws up the minutes for each Board Meeting, which the Chairman submits to Directors for approval at the next Meeting, the draft minutes being sent to each participant (Directors, observers and Group Works Council members), together with the invitation and agenda, approximately one week prior to the scheduled Meeting date.

WORK IN 2008

The Board of Directors met 7 times in 2008. The attendance rate of its members was 84%.

In addition to examining recurring items relating to the Group's business activity and, in particular:

- the approval of the 2007 financial statements of the Company and the Group and the calling of the General Shareholders' Meeting;
- the review of the 2008 interim financial statements;
- the review of the key events affecting the Company and its Divisions during the previous quarter;
- the review of the 2009-2013 Strategic Plan;
- planned investment in or development of existing facilities.

This year, the Board also focussed on the following issues:

- the long-term strategic partnership project with UKTMP and EADS for the supply of titanium (Alloys Division's "UKAD" project;
- the planned acquisition of the majority of the share capital of the Norwegian company, Tinfos, remunerated partly in cash and partly by issuing new Company shares in July 2008, via a capital increase carried out by the contribution of Tinfos shares to the Company;
- the development of the Otjozondu manganese project in Namibia and the acquisition of a corresponding purchase option;

- consideration of the request from STCPI relating to the capital structure of Nickel-SLN, which concluded that there was no need to change the current capital structure;
- the review of the Company's corporate governance policy, pursuant to the Act of 3 July 2008.

Finally, during the second half of 2008 and in the light of the global economic slowdown, the Board also reviewed:

- the plans to adapt the ERAMET Group's business activities, the aim of which is to adjust production to match demand, to cut costs and to review investment priorities;
- the assessment of the Group's financial risks and, in particular, its financial investment security policy.

In order to carry out its work, the Board is also aided by the work of three Committees which it appoints from amongst its members.

AUDIT COMMITTEE

A charter specifying its membership (three members), its operation and its responsibilities was adopted by the Board on 10 December 2003. It was last updated on 9 December 2008, to take account of the Act of 3 July 2008.

In particular, this Committee is responsible for (i) reviewing the suitability and proper application of the accounting methods used, (ii) analysing the interim and annual financial statements, (iii) examining the internal audit plans and conclusions, (iv) monitoring major disputes (v) and examining the Group's change-management, raw materials, hedging and investment policies. Since December 2008, the Committee has also been responsible for reviewing the Chairman's report on the preparation and organisation of the work of the Board and internal control procedures.

In particular, the Chief Financial Officer, the Statutory Auditors and the Group's Internal Audit Manager attend Committee meetings.

The Audit Committee is currently comprised of three directors: Gilbert Lehmann, Michel Somnolet (independent director) and Antoine Treuille (independent director).

The Audit Committee met four times during 2008 and the attendance rate of its members was 100%.

In addition to presenting the financial statements in February and examining the interim financial statements in July, in December of each year the Committee reviews the report on the audits conducted during the year and the audit programme for the following year.

In particular, during the year, the Committee reviewed the following points:

- in view of the worsening economic climate, an examination of the Group's investment policy and the financial investment security policy; changes to the valuation of the Group's pension fund assets and the solvency of customers in the various countries in which the Group operates;
- the conclusions of the audit carried out on the Group's Purchasing Department and post-investment audits;
- the proposed terms for the reappointment of the two Statutory Auditors, the terms of office of which expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2008;
- the programme for drawing up a Group code of conduct.

COMPENSATION COMMITTEE

A charter setting out its membership (three members), its operation and its responsibilities has been adopted by the Board. This Committee is mainly responsible for making suggestions as regards the remuneration of the corporate officers of the ERAMET Group appointed by the Board of Directors.

The Committee is assisted in its work by the Group Human Resources – Health and Safety Manager, Dominique Franchot, who also holds the position of Committee secretary.

The Compensation Committee is currently comprised of three members: Frédéric Tona, Jacques Rossignol (independent director) and Michel Somnolet (independent director).

The compensation policy for corporate officers, as set by the Board of Directors, is based on the following items:

- remuneration is comprised of a fixed portion and a variable portion, decided annually by the Board following recommendations from the Compensation Committee;
- the variable portion is based on a certain number of specific criteria and goals, the choice and weighting of which are approved by the Board of Directors every year, on the basis of a recommendation from the Compensation Committee, such as, for example: (i) actual economic performance (ROC, ROCE, etc.), (ii) financial performance (debt, working capital requirement, etc.), (iii) the completion vis-à-vis the budget and schedule of major capital expenditure programmes, industrial projects or acquisition and development activities, (iv) "managerial" results in terms of team motivation and leadership, project and strategy proposals and goals in the field of health, safety, environmental and industrial risks. As from 2008, the variable portion may not exceed 50% of the gross annual fixed remuneration (100% for the Chairman and CEO);
- in addition, in respect of share incentures, corporate officers may benefit from bonus share plans or share subscription or purchase option plans, the terms and conditions of which are decided upon by the Board of Directors, on the basis of a recommendation from the Compensation Committee. Since the Board Meeting of 23 July 2007, corporate officers are required to retain 20% of the shares acquired under these plans for the term of their appointments. In 2008, there were no share subscription or purchase options or bonus share grants;
- corporate officers are eligible for the existing defined benefit supplementary pension plan for ERAMET executives, a plan for which the new arrangements became applicable as from 1 July 2008. In the event of a settlement of their pension rights vis-à-vis the social security, they may be entitled to a supplementary pension that may not exceed 35% of the reference salary defined in the internal plan regulations, with said reference salary being limited, in the same regulations, to twenty-five times the annual social security ceiling.

The Compensation Committee met eight times during 2008 and the attendance rate of its members was 100%.

During the financial year, besides the 2007 bonuses, the updating of fixed compensation and the 2008 goals for corporate officers, which were approved by the Board of Directors, the Committee:

- proposed to the Board of Directors, in February 2008, the updating of the corporate officer contract of the Chairman and CEO, mainly in order to make it compliant with Article 17 of the French Labour, Employment and Purchasing Power Act of 21 August 2007. This update was authorised by the Board of Directors on 20 February 2008. Consequently, as from 1 January 2009, should the Chairman and CEO leave the Company, entitlement to the severance payment is subject to meeting performance conditions: the total gross variable remuneration (itself subject to specific performance conditions) received over the final three full financial years of the term of office (or if the term is less than three years, during the full financial year(s) of the term of office) must be 20% or more of the total gross annual fixed remuneration received during said financial years. As a result, these arrangements exclude payment of such an indemnity should the Chairman and CEO fail to achieve his targets. This change was approved by the General Shareholders' Meeting of 16 April 2008 as part of the related-party agreements;

- reviewed the changes to be made to ERAMET's defined benefit supplementary pension plan, to take account of recent regulatory changes applying to collective defined benefit supplementary pension plans. These changes were approved by the Board of Directors on 30 July 2008 and, as regards the application of this plan to three corporate officers who were not previously entitled to it, will be submitted, pursuant to the regulations applicable to related-party agreements, to the 2009 General Shareholders' Meeting for approval;
- examined the Afep/Medef recommendations on compensation for corporate officers of listed companies which were published on 6 October 2008. It was concluded that the arrangements for the Chairman and CEO's severance payment, which are perfectly in-line with these recommendations with the sole exception of the number of annuities taken into account in order to calculate the amount of the payment (three years), should be revised when his term of office is renewed, while preserving the general balance of the corporate officer's contract drawn-up when he joined the ERAMET Group. In order to make its conclusions, the Compensation Committee looked at all the components of the Chairman and CEO's compensation (including the severance payment) versus the Chairman's overall reference compensation, itself assessed on the basis of the compensation of the managers of companies of comparable size and having similar business activities. Moreover, in line with the recommendations of the Afep/Medef corporate governance code for listed companies, the Chairman and CEO does not have an employment contract with the Company;

The Committee also proposed, and this was approved by the General Shareholders' Meeting of 16 April 2008, a new global directors' fee allowance, keeping the same allocation and calculation methods as before. Finally, the Committee was kept informed of the negotiations which took place concerning the arrangements for profit-sharing within the Group and announced that it was in favour of starting negotiations for the introduction of a collective pensions savings plan.

SELECTION COMMITTEE

Comprised of four members (three directors and the Chairman), it recommends the appointment of the corporate officers heading up each of the Group's three Divisions.

The Committee is currently comprised of Patrick Buffet, Cyrille Duval, Édouard Duval and Gilbert Lehmann. Contrary to the recommendations of the Afep/Medef corporate governance code for listed companies, none of the members of this Committee are independent directors. This is due to the specific rules of the shareholders' agreement designed to structure the relations between the various Company shareholders. The Secretary of the Committee is the Group Human Resources – Health and Safety Manager, Dominique Franchot.

The Selection Committee did not meet in 2008.

16.1.2. Internal control procedures

In early 2004, the ERAMET Group (comprised of ERAMET SA and its fully consolidated subsidiaries) undertook a progressive review of its internal control system, with the first stage of this programme consisting of mapping risks. The project was carried out through interviews with the main managers of the Company's various processes, to measure their exposure to risks and the effectiveness of the related internal controls. The mapping made it possible to draw up an improvement action plan for implementation in 2004 and beyond. Audit Plans are drawn up on the basis of that mapping. The latter was partially updated during Q4 2006. In order to enable more people to be involved in its drafting, its full updating was partly postponed to 2009 and partly to 2010. In addition, the various audits carried out allow the Company to improve this mapping. Finally, the systems needed to draw up the multi-annual audit plans were implemented during 2008.

The work carried out in 2008 did not reveal any serious failings or weaknesses in the way in which internal control is organised.

16.1.2.1. The Company's internal control goals

In accordance with the AMF's January 2007 reference framework, the goals of the internal control procedures in force at ERAMET are to:

- ensure that management actions, the carrying out of transactions and employee behaviour all comply with the policies laid down by the Company's governing bodies, with applicable legislation and regulations and with the Company's values, standards and internal rules;
- check that the accounting, financial and management information provided to the Company's governing bodies accurately reflects the Company's business activities and position;
- ensure that assets are protected against the various risks of losses resulting from theft, fire, improper or illegal actions and natural risks.

One of the goals of the internal control system is to prevent and control the risks resulting from the Company's business activities and risks of error or fraud, particularly in the accounting and financial areas. However, as with any control system, it cannot provide an absolute guarantee that these risks have been totally eliminated.

16.1.2.2. Overview of the audit procedures in place

A) INTERNAL CONTROL PLAYERS

Owing to the diversity of its business activities, ERAMET is organised into three independent Divisions, each with all the functions required for its operations (management, production, sales, purchasing, finance, etc.) In addition to its general management function, the head office provides support and carries out the control work required for the Group's cohesion. The following are the main internal control players:

- the Executive Committee (Comex), the membership of which is set out in the "General Management" section above, is the Group's decision-making centre and meets every two weeks. The International Management Committee, the membership of which is also set out in the "General Management" section above, deals, more specifically, with organisational matters. It meets four times a year;
- the Internal Audit Department reports to the Chief Financial Officer (CFO). Based on an annual Audit Plan approved by the Comex, the department carries out in the various Group units the activities defined in the Plan and ordered by the Chairman. It reports quarterly to the Comex and annually to the Audit Committee on the results of its work and progress on the resulting action plans. Each year the Audit Committee reviews the internal audit plan of the Group and of its subsidiaries (current plan and plan for the following year) and proposes any changes it feels are necessary;
- the Group Planning and Management Control Department reports to the CFO. It sets out the structure of ERAMET's management controls and monitors the Division's management systems projects to ensure they are consistent with the Group's goals. The department defines for the Group and helps implement for every Division and entity the relevant key performance indicators for each level. It is also responsible for Group reporting;
- the Legal Department reports to the CFO. As a service centre, it provides the whole Group with legal support on all issues within its area of expertise;
- the Finance, Treasury and Insurance Department reports to the CFO. As a service centre, it looks after on behalf of the whole Group the hedging of foreign exchange and commodity risk, particularly nickel and fuel, manages financial resources (investments and borrowings), and also sets up and monitors all the insurance contracts taken out by the Group. It supervises the commodity hedging contracts taken out directly by its subsidiary, Aubert & Duval, for its own purposes;
- the Tax Department is part of the Accounting, Tax and Consolidation Department and reports to the CFO. As a service centre, it assists the Group's various subsidiaries with their respective tax obligations and fulfils those of the parent company;
- the Environment and Industrial Risks Department is part of the Communications and Sustainable Development Department. It assists the various Divisions to control and reduce the Group's environmental impact, thereby ensuring the sustainability of ERAMET's business activities, products and markets in line with regulatory, political and labour developments;
- the Group Human Resources, Health and Safety Department. It manages the Company's human resources and ensures that HR policies are consistent across the Group's various entities. The department coordinates Health and Safety policies within the Group and formalises health issues via a network of local contacts at the sites;
- more generally, every management level in the Company is responsible within its field of expertise for defining, implementing and steering internal control items, under the management of the relevant Manager who is a member of the COMEX.

B) RISK MANAGEMENT

The analysis process introduced by ERAMET should enable it to anticipate the main risks the Group faces, to examine the suitability of the existing internal controls, and to implement the appropriate action plans to improve the effectiveness of these audits.

First and foremost, risk analysis is based on the mapping carried out in 2004 and updated in 2006. It is supplemented by an annual review, together with the main operational managers of the Group's various Divisions, of processes requiring special analysis. These various initiatives enable annual internal audit plans to be drawn up, which are followed by action plans, the progress of which is examined every quarter by ERAMET's Executive Committee and by its Audit Committee.

The main risks faced by the Group are described in the notes to the Group's 2008 consolidated financial statements.

The operational risks are mainly managed at Division level, in a manner adapted to the specific business activities.

The financial liquidity, interest rate and foreign exchange risks for the whole Group are managed by the Finance, Treasury and Insurance Department. Together with the Legal Department, this Department monitors the insurable risk coverage policy for all the Group's companies. The main insurance programmes are themselves described in the Group's 2007 Reference Document.

C) SUMMARY OF INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

- **Existing charters:**

  The Audit Committee, Internal Audit, the Legal Department, Management Control, the Tax Department, the IT Department and the Environment and Industrial Risks Department have all published a charter. The purpose of these charters is to specify the operating rules of the various committees or departments and to formalise relationships with other parties.

- **Signing authority, other powers:**

  The three Division Managers, who are Deputy CEOs have all the powers granted by law. The CFO has the power granted by the Chairman and CEO to operate the Company's various bank accounts and to execute with a co-signer all financial transactions, up to a maximum of one hundred million euros. He may also carry out alone, up to a maximum of the same amount, exchange, loan, advance or borrowing transactions over the telephone, and send any transfer order by fax, in favour of third parties with a confirmation call by the bank should the fax systems not be operational. These transactions must be confirmed in writing with a co-signer. The Manager of the ERAMET Sandouville plant has the power granted by the Chairman and CEO to carry out any transaction necessary to run the plant, as well as powers with respect to health and safety. Signing authority has been given to a limited number of Company employees to operate bank accounts, with two signatories required for any payment and specified ceilings (one million euros, ten million euros and one hundred million euros) for each group of signatories.

➔ **IT systems:**

The role of the Group IT Department is to make IT systems more harmonised across the Group and to assist the various subsidiaries. It has set up a worldwide network and a single Group email system. Security has been improved through the auditing of certain systems and the implementation of specific tools. A standard is also being drafted for office technology (hardware and software packages). Several projects to improve management systems are ongoing in the Divisions, including the implementation of integrated procurement applications for better control of liabilities and separation of tasks throughout the supply chain.

➔ **General organisation of procedures:**

ERAMET has drawn up, and published within the Company and its subsidiaries, internal procedure manuals on capital expenditure, foreign currency hedging, management procedures (budgeting, planning, updating forecasts, analysis of over/under-runs, etc.), the consolidation manual and shared accounting rules, travel and expense accounts and financial procedures for cash. Three procedures relating to crisis scenario prevention and management have been established and distributed. These relate to the anticipation and identification of weak signals, major incidents and crisis management in respect of issues or events relating to the safety of facilities, property or persons, and the control of industrial and environmental risks.

➔ **Legal and operational control of subsidiaries by the parent company:**

- owing to the diversity of their businesses, the Divisions are managed independently for their day-to-day management. Each Division has a Management Committee that makes all the decisions within its area of responsibility, reporting to the Group COMEX on a regular basis;
- under the authority of the CFO, the Legal Department, to which s/he reports, acts as Secretary to the Board for the main companies (Le Nickel-SLN, Comilog SA) and participates in Board Meetings on major transactions undertaken by the subsidiaries;
- in 2008, the Board of Directors of Comilog SA set up an Audit Committee and a Compensation Committee. At the meeting of the Board of Directors of Le Nickel (SLN), held in November 2008, the directors representing ERAMET also proposed establishing three committees: a Strategy Committee, an Audit Committee and a Compensation Committee, as part of a modernised corporate governance structure;
- management meetings: Monthly meetings are organised with the management of each Division to review monthly performance and analyse budget over/under-runs and the resulting action plans. Management/Accounting and Treasury Committee Meetings are also held monthly, bringing together Division and parent company accountants, management controllers and treasurers, respectively, to deal with common issues and provide the necessary coordination. Specific meetings take place every month to discuss sales, accounting, treasury, insurance and other issues with the Divisions. Finally, specific budgeting, forecast updating and planning meetings are organised with the same participants as Division meetings to address these issues;
- systematic disclosure in the event of strategic decisions: Under the Capital Expenditure Procedure, all projects exceeding €4 million are submitted for approval at Division meetings on the basis of specific procedures (presentation dossier, approval meetings, follow-up, etc.). Capital expenditure projects are controlled and approved from a technical perspective by the Engineering Department, which reports to the Group Development Manager and, from a financial perspective, by the Administration & Financial Department. Strategic projects are presented to the Board of Directors of ERAMET;
- disclosure of commitments given and received: Independently of the above procedure, quarterly consolidation reporting includes disclosure of any such commitments. Moreover, the Legal Department provides support for major contract negotiations or in the event of disputes.

D) INTERNAL CONTROL OF THE PRODUCTION OF THE PARENT COMPANY'S FINANCIAL AND ACCOUNTING INFORMATION

➔ **Organisation of the accounting department within the Group:**

The Accounting, Tax & Consolidation Department is part of the Administration and Financial Department and is organised into five units: General Accounting, Third Party & Management Accounting, Bank Accounting, Tax and Consolidation. It updates the Company's financial records, issues its tax returns and all those relating to tax consolidation and publishes ERAMET's separate and consolidated financial statements. The necessary coordination with subsidiaries is provided by the Accounting/Management Committee, through monthly meetings attended by the CFOs, accountants and management controllers of the main Divisions and Subsidiaries.

➔ **Accounting IT systems:**

The financial records are kept in the Baan integrated software package. This includes a Sales module that is interfaced with the Accounting module. Other transactions (procurement/payroll) are not interfaced because of their low number. Treasury software is partly interfaced. The Group uses BusinessObjects Finance (formerly Magnitude) consolidation software, published by BusinessObjects (formerly Cartesis).

➔ **Main internal control players involved in checking this information:**

- the Accounting Department approves the Company's monthly sales figures. It receives payroll entries from the HR Department. Finally, procurement invoices must be approved by authorised signatories, a list of whom is kept by the Accounting Department. Payments are made by the Treasury Department and must be counter-signed;
- the Group Treasury Department centralises and hedges the foreign currency and commodity risk for all companies. It supervises the commodity hedging contracts taken out directly by its subsidiary, Aubert & Duval, for its own purposes;
- the Management Control Department provides the relevant managers with budget control information. It organises the budget cycle and forecast updates (3 times a year). The Department compares budgeted and actual figures and analyses over/under-runs;
- the Consolidation Department coordinates and controls the Divisions' consolidations and provides technical support as required. It carries out the Group's final consolidation;

- the Management/Accounting Committee takes care of the necessary coordination between the Company and its subsidiaries;
- the Audit Committee, as mentioned above, analyses the interim and annual financial statements, monitors major disputes, the foreign currency and commodity management policy as well as hedging policies. It reviews the internal audit plans and the actions decided upon based on the audits carried out.

➔ **General reference materials:**

The consolidation manual includes common accounting rules for the whole Group and a single consolidation return. It sets out the measurement methods used by the Group and specifies the rules to be followed for consolidation milestones. The accounts are closed out monthly, except in January and July. Financial statements are consolidated quarterly.

➔ **Cash and Financing control:**

The Group Treasury Department, in addition to its role in centralising the management of the foreign currency and commodity risk, sets up financing for the Group's main subsidiaries and carries out financial investments. It centralises the cash forecasting of the main companies and assists them to determine payment methods for at-risk countries. At the end of 2004, the Group incorporated Metal Securities, a cash-pooling company for all Group companies. At the end of 2006, an "exchange rate guarantee" company, Metal Currencies was established to centralise foreign exchange transactions, which had in the past been recognised in the financial statements of each Group entity.

➔ **Budget and management control:**

The Company's budgetary control is published monthly. Budget/Actual reporting is monthly and includes management consolidation. The Company's and the Group's budgets are determined at the end of each year for the following year and three forecast updates are carried out during the year. These budgets and forecast updates, as well as the related action plans, are formally approved by Division management and the Chairman and CEO at special Division meetings. The Group's budgets and forecast updates are approved by the Executive Committee and the Chairman and CEO.

➔ **Financial statement consolidation preparation procedure:**

As indicated above, the consolidation manual is distributed to all subsidiaries and includes common accounting rules and the consolidation return. Consolidation returns are input into the BusinessObjects Finance software by each subsidiary and Division-level consolidation is carried out by each Division under the supervision and with the support of the central consolidation department. This department also carries out Group consolidation. Consolidation is quarterly with annual items (taxes, provisions, etc.) estimated at various times during the year.

➔ **Liaison with the Statutory Auditors:**

The auditors carry out six-monthly reviews of the financial statements, for which approval meetings are organised with the auditors of the main subsidiaries.

E) OTHER MECHANISMS CONTRIBUTING TO THE GROUP'S INTERNAL CONTROL

➔ The Environment and Industrial Risk Department was set up in 2003 and organises prevention plans and safety actions in these areas within the Group. A position of environment manager has been created at all Group sites.

➔ In December 2006, a "Nickel Committee" was created. It is comprised of representatives appointed by AREVA, SORAME and CEIR, on one hand, and by the Group's General Management, on the other hand. It is responsible for advising the latter as regards the definition and implementation of policies to control the risks relating to Nickel price fluctuations.

16.1.3. Other disclosures

Means of shareholder participation at General Shareholders' Meetings

The means by which shareholders may participate at General Shareholders' Meetings are set out in Articles 8, 21, 22 and 23 of the Articles of Association.

Information required under Article L. 225-100-3 of the French Commercial Code

The information required under Article L. 225-100-3 of the French Commercial Code (factors likely to have an impact in the event of a public offer) is published in ERAMET's Management Report and Reference Document.

Paris, 18 February 2009

The Chairman of the Board of Directors

16.2. REPORT OF THE STATUTORY AUDITORS DRAWN UP PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ERAMET – 2008 FINANCIAL YEAR

Dear Shareholders,

In our capacity as statutory auditors of ERAMET and in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 December 2008.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, 3 March 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

Employees

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17.1. EMPLOYEE POLICY

The ERAMET Group consists of companies, the activities of which must fit into specific local environments. The ERAMET Group's business activities have a marked international dimension (over 65% of the Group's employees work outside mainland France) both in terms of marketing and management and industrial production. The Group's human resource management is thus decentralised, based on strong principles and shared tools for all Group companies and sites, key for the implementation of a long-term employee policy, with the necessary mobility and development.

ERAMET Group's employee policy is based on joint action frameworks, decentralised implementation with the corresponding reporting and the clearly demonstrated desire for:

- dialogue with social partners, both formally (remuneration policy, training, welfare and employment management) and on a day-to-day and informal basis on sites;
- strong Group management involvement (information and discussion seminars, meetings with Group and company managers, intra and inter-divisional career development and mobility);
- involving all employees in the life of their Company and Group via regular, clear information (regularly distributed company and site newsletters, Group intranet, integration days for new hires).

The ERAMET Group feels that its employees genuinely drive its performance. They are responsible for the strength of the customer relationship, which is at the heart of the Group's business development. They are also responsible for future growth driven by enhanced technological leadership and on the most comprehensive possible demonstration of their managerial and technical capabilities. Lastly, they are responsible for controlling the management and operational excellence in each division.

17.2. HUMAN RESOURCE POLICY PRIORITIES IN 2008

The Group's human resource management operates on two levels. A shared Group level involving the management of executives and their mobility and the implementation of a certain number of employee guidelines (employee coverage against unforeseen events, health and safety, training, evaluation, etc.). A management level that is as close as possible to the field, employee concerns and the culture of the country and the company.

Human resource management at the ERAMET Group is thus driven at these two levels.

In 2008, several HR initiatives, begun in 2007, continued to be implemented. They included the following:

- the introduction of a harmonised system of policies and support measures for national and international mobility;
- for recruitment, the revitalisation of relations with higher education institutions and of institutional communication via a promotion campaign to raise the Group's profile and appeal and visibility among young graduates;
- the introduction of the ERAMET Leaders Program for management training, which is still enjoying tremendous success;
- the continuation of the Leadership technique policy, with the aim, in particular, of defining the succession plans by domain for the Group's key professions.

New projects were also implemented during 2008 with, on the one hand, the launch of a discussion process on the worldwide rollout of dynamic and modern tools for managing the personal data of managers and, on the other hand, the implementation of tangible initiatives aimed at guaranteeing the safety and security of our employees: in-depth health checks for frequent travellers, expatriates and their families, training sessions on personal safety when travelling.

17.3. WORKFORCE

The workforce managed at the year-end amounted to 15,741 people (14,922 on 31 December 2007).

17.3.1. Changes in headcount by geographic region

Over the past three years (2006, 2007 and 2008), the Group's headcount has risen by 1,302. In 2008 alone, the workforce expanded by 5.5%. All Divisions have increased their staff numbers in the past three years. Accordingly, the Nickel Division (+355 people) saw a 13% rise in three years, the Manganese Division (+680 people) 11% growth, notably due to the integration of Tinfos in 2008 while the Alloys Division (+176 people) was up 3.6%.

In the Nickel Division, employee numbers rose 6.1% in 2008, almost the same as in 2007. The Weda Bay workforce in Indonesia has been included in the figures since 2007.

The Manganese Division's headcount has been increasing since 2007. This increase was 6.9% in 2008, in particular with the integration of Tinfos.

Meanwhile, in the Alloys Division there was, like in 2007, a slight increase in the workforce in 2008 (+99 people).

	FRANCE			OTHER EUROPEAN COUNTRIES			NORTH AMERICA			ASIA			OTHER REGIONS			TOTAL		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Holding Company	232	244	278	0	0	19	11	11	12	18	18	34	0	1	9	261	274	352
Nickel Division	349	360	366	0	0	0	0	0	0	157	197	258	2,265	2,389	2,502	2,771	2,946	3,126
Alloys Division	4,165	4,242	4,298	643	629	619	45	34	37	43	68	128	10	10	0	4,906	4,983	5,082
Manganese Division	135	133	142	559	558	1083	871	915	786	2,155	2,287	2226	2,781	2,826	2944	6,501	6,719	7,181
Total	**4,881**	**4,979**	**5,084**	**1,202**	**1,187**	**1,721**	**927**	**960**	**835**	**2,373**	**2,570**	**2,646**	**5,056**	**5,226**	**5,455**	**14,439**	**14,922**	**15,741**

17.3.2. Headcount by type of employment contract

The technical nature of mining and metallurgical jobs calls for a long period of professional training. Use of short-term employment contracts is thus relatively rare and involves some 3% of employees outside China, where short contracts are more common in line with the specific management policies in that country.

	Open-ended contracts			Fixed-term contracts			TOTAL		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Holding Company	249	262	319	12	12	32	261	274	352
Nickel Division	2,537	2,681	3,016	234	265	110	2,771	2,946	3,126
Alloys Division	4,747	4,815	4,838	159	168	244	4,906	4,983	5,082
Manganese Division	5,100	5,324	5,715	1,401	1,395	1,466	6,501	6,719	7,181
Total	**12,633**	**13,082**	**13,889**	**1,806**	**1,840**	**1,852**	**14,439**	**14,922**	**15,741**

17.3.3. Headcount by gender

Female employment in the mining and metallurgical sectors has traditionally been low, as can be seen from the table below, with women representing some 17% of all employees. It is Europe (outside France) that has the highest proportion of women, accounting for close to one quarter of the workforce.

	MALE			FEMALE			TOTAL		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Holding Company	167	176	218	94	98	134	261	274	352
Nickel Division	2,526	2,654	2,798	245	292	328	2,771	2,946	3,126
Alloys Division	4,264	4,311	4,406	642	672	676	4,906	4,983	5,082
Manganese Division	5,428	5,628	5,855	1,073	1,091	1,326	6,501	6,719	7,181
Total	**12,385**	**12,769**	**13,277**	**2,054**	**2,153**	**2,464**	**14,439**	**14,922**	**15,741**

17.3.4. Breakdown of workforce by socio-professional category

The concept of socio-professional category in the French sense of the term is difficult to transpose to every country in which the Group operates. However, companies located in mainland France, New Caledonia and Gabon share the same concepts. Given that this represents some 70% of the headcount, it seems relevant to use the following definitions:

Management	executives, managers, post-graduate staff, civil engineers (white collars).
Supervisory staff	(employés, Techniciens, Agents de Maîtrise): clerks, technicians, foremen (white collars).
Workers	workers (blue collars).

The staff breakdown by category has been relatively stable over the past three years, although with a significant upward trend in the level of qualifications. Accordingly, blue collar workers represented 63% in 2005 compared to 60.2% in 2008, supervisory level employees made up 26.3% in 2005 compared to the current 29% and, lastly, management accounted for 9.8% of headcount in 2005 but represents 10.9% today. This stemmed both from the rapid increase in management and technical requirements and the progression of Group plans.

	WORKERS			SUPERVISORY STAFF			MANAGEMENT			TOTAL		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Holding Company	0	0	3	99	106	138	162	168	211	261	274	352
Nickel Division	1,627	1,717	1,782	944	998	1,092	200	231	252	2,771	2,946	3,126
Alloys Division	2,884	2,961	3,081	1,581	1,570	1,543	441	452	458	4,906	4,983	5,082
Manganese Division	4,391	4,394	4,622	1,479	1,657	1,751	631	668	808	6,501	6,719	7,181
Total	**8,902**	**9,072**	**9,488**	**4,103**	**4,331**	**4,524**	**1,434**	**1,519**	**1,729**	**14,439**	**14,922**	**15,741**

17.3.5. Average age

The average age, as can be seen from the table below, is relatively constant across professional categories and Divisions, with the exception of Nickel Division workers (primarily in New Caledonia), where the average age is some four years younger than for the other Divisions and professional categories.

Furthermore, over the past three years it can be noted that the workforce has become significantly younger, particularly amongst supervisory staff and management.

Employees over 50 account for 21% of the total workforce and those 30 or younger a little over 19% of the total, slightly up on previous years.

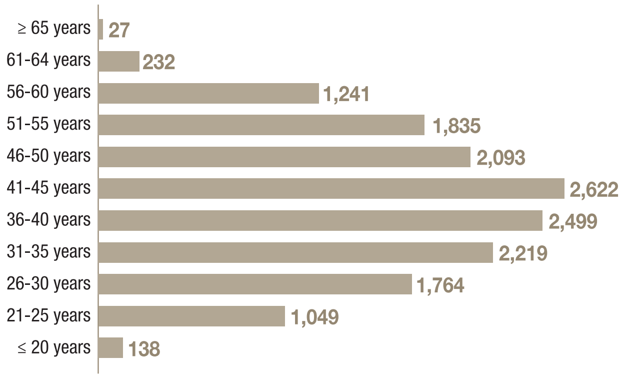
Future Employment and Expertise Management is an HR tool undergoing progressive and significant development.

	WORKERS			SUPERVISORY STAFF			MANAGEMENT		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Holding Company	0.00	0.00	26.3	44.30	43.46	41.24	44.59	45.44	43.99
Nickel Division	37.23	36.48	36.18	42.48	34.48	32.52	42.27	39.43	41.48
Alloys Division	40.59	41.10	37.98	42.95	43.58	42.91	45.61	44.72	43.80
Manganese Division	40.68	40.15	40.61	43.20	42.68	43.45	44.82	45.73	45.41
Total	**40.02**	**39.76**	**38.92**	**42.96**	**41.13**	**40.56**	**44.68**	**44.44**	**44.24**

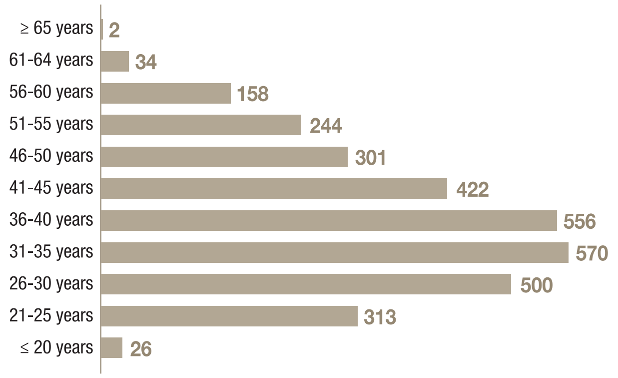
17.3.6. Length of service

	WORKERS			SUPERVISORY STAFF			MANAGEMENT		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Holding Company	0.00	0.00	1.00	15.14	13.94	11.39	10.22	10.73	8.94
Nickel Division	11.56	10.45	9.92	15.74	13.77	12.58	9.65	8.36	7.80
Alloys Division	16.58	16.35	15.13	17.96	18.03	17.33	12.84	11.20	10.53
Manganese Division	15.90	15.33	15.02	18.06	16.95	17.09	16.22	15.29	14.10
Total	**15.33**	**14.74**	**14.09**	**17.42**	**16.53**	**15.91**	**13.59**	**12.51**	**11.61**

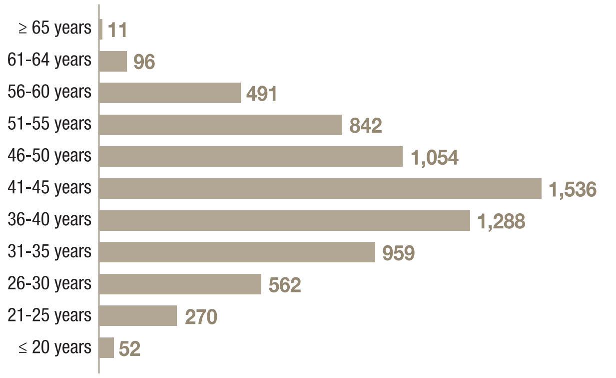
17.3.7. Group



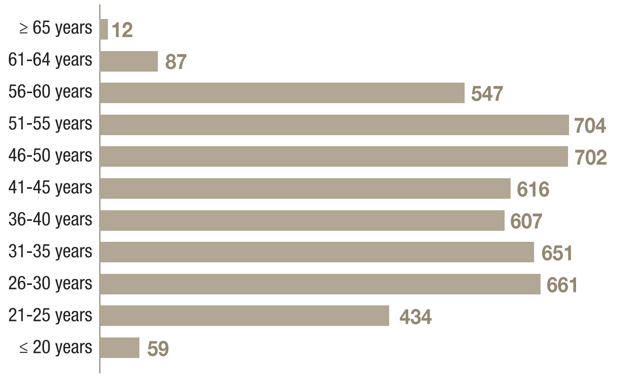
17.3.8. Nickel Division



17.3.9. Manganese Division



17.3.10. Alloys Division



17.3.11. Workforce turnover and management

The table below gives an indication of employee turnover within the Group by country.

Defined as the sum of departures during the year (excluding death and the end of temporary contracts) divided by the number of employees at the end of the year, workforce turnover was around 5.1% in 2006, 6.2% in 2007 and finally 6.7% in 2008.

The level of job creation (arrivals - departures) has remained positive over the past three years: 290 posts in 2006, 451 in 2007 and 322 in 2008.

	JOINING			LEAVING														
	Outside hiring and others			Firings			Retirement and early retirement			Resignations			Autres			Total		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Mainland France	527	656	573	37	59	57	141	156	171	89	105	94	207	230	91	474	550	413
New Caledonia	173	276	243	77	76	62	12	36	15	12	10	21	38	26	21	139	148	119
Europe ex. France	102	116	64	18	20	4	29	27	27	46	64	36	14	11	19	107	122	86
USA	81	130	144	12	20	27	16	28	18	35	43	58	10	27	20	73	118	123
Gabon	158	223	116	30	18	7	71	19	47	3	32	22	61	91	64	165	160	140
Asia	386	349	354	33	19	43	61	94	77	16	91	141	72	20	30	182	224	291
Other	95	91	86	1	0	7	0	0	2	0	6	4	91	62	73	92	68	86
Total	**1,522**	**1,841**	**1,580**	**208**	**212**	**207**	**330**	**360**	**357**	**201**	**351**	**376**	**493**	**467**	**318**	**1,232**	**1,390**	**1,258**

17.4. WORK ORGANISATION AND REMUNERATION

17.4.1. Working hours

The types of working-hour organisation vary by company, their type of business and locations and are defined to match business needs and employee preferences as much possible. Wherever it operates, the ERAMET Group complies with applicable legislation on working hours. For guidance, working hours are as follows:

- mainland France: 35 hours per week;
- Norway: 37 hours 30 minutes per week;
- New Caledonia: 37 hours 50 minutes per week;
- China, Gabon, US, Sweden: 40 hours per 5-day week.

It should be noted that in China, the ERAMET Group applies the new regulation on mandatory paid leave, which took effect on 1 January 2008, and which now provides for 15 days paid leave in addition to national bank holidays. This regulation has had a major impact on work organisation in the Group's major plants in China, which operate 365 days a year, with both day and night shifts. It was only able to be applied by reconciling the level of overtime, manufacturing and safety constraints and costs.

17.4.2. Remuneration policy

Employee expertise and level of responsibility are remunerated with a fixed salary in line with past experience and practice for each business in the sector. The Group's remuneration policy aims to be equitable and competitive but also tailored to the specific local factors of the country in which activities are carried on. Steps to adapt to markets in line with HR management tools, such as variable pay for management, were achieved in 2008. To this end, several remuneration surveys were conducted in 2008 to analyse the competitiveness of the remuneration offered by the Group, not only in France for managers and non-managers but also for example in Sweden.

Specifically in China, as a continuation of the action plans launched 2 years ago, the HR teams continued with efforts to standardise remuneration policies and to make them consistent across all the Group's Chinese sites.

Personnel – payroll charges

Salaries account for the main part of employee remuneration. The average rate of social security contributions on wages and salaries at Group level is around 38%.

These contributions represent between 40-50% of the payroll in mainland France but are lower in the other countries where the Group operates (38% in New Caledonia and in the United States, 30% in Norway, 28% in Belgium and 15% in Gabon).

Employee benefits

In line with Group agreements on staff provident schemes for major risks and unforeseen events, the ERAMET Group wants all mainland France employees to benefit from supplementary healthcare cover. On 9 July 2007, ERAMET and the five unions represented in the Group signed a Group healthcare agreement. The principles underpinning the negotiations are of greater coherence, responsibility and solidarity:

- coherence across ERAMET production sites, to favour a sense of equity;
- responsibility of the employer and employee in their shared desire to protect the health of the family, one of the most precious gifts there is;
- solidarity of employees and sites.

Thus, as from 1 January 2008, all mainland France production site employees have joined this scheme, which offers high-quality benefits.

The scheme is jointly financed by employees and ERAMET Group companies, which make 55% of the contributions. It covers the employee and dependent family members.

Provisions have been recorded for all pensions, severance compensation, medical coverage, staff provident schemes and other benefits for working or retired personnel in line with current practices in each country.

Provisions are also recorded for the portion not covered by insurance companies or pension funds, particularly for US and Norwegian companies (generally defined-benefit plans). The liabilities under these specific plans are in the US (42%), Norway (17%), New Caledonia (7%) and in France (very old specific plans). The other plans are defined contribution or employer contributions are expensed in the period to which they relate. Details of the main assumptions used to calculate these liabilities are set out in the consolidated financial statements.

Finally, a supplementary pension plan for a group of managers has also been fully provided for. The estimated actuarial value of the plan for staff working on 31 December 2008 was €25.6 million.

Stock-option plans

There are two different types of plans:

- on the one hand, there are plans that are open to a very large number of Group employees. One such plan, opened in September 1999, covered 5,646 employees. Under this plan, which expired in September 2007, 423,450 ERAMET Group shares were granted. It was created to support the merger of the ERAMET Group with the Sima group in 1999. The plan offered each beneficiary the possibility of acquiring 75 ERAMET shares at a predetermined price. The strong share price growth since the second half of 2004 has prompted many employees to exercise the right to sell their shares;
- secondly, there are also special plans of which the beneficiaries are the Group's senior managers.

17.5. INDUSTRIAL DIALOGUE

Industrial relations in 2008 between management and social partners remained good, thanks to ongoing industrial dialogue both at local and Group level.

Negotiations were commenced on a range of issues (employee savings and retirement savings, forward jobs and skills planning) and a number of company-wide agreements were signed, in particular, on employment and remuneration.

At corporate level, the ERAMET Group hosts two employee representative bodies. Firstly, there is the Group Works Council, comprised of 30 delegates from companies operating under French labour law and, by extension, New Caledonian labour law, which meets once a year. Secondly, the European Works Council, which is comprised of delegates from companies based in Europe (France, Belgium and Sweden) plus the representatives of New Caledonia and Norway, totalling 34 delegates in all. This Council meets once a year. Its operation was streamlined through the creation of a select committee of six members, which meets more often in close cooperation with general management and human resources management out of a desire for regular communication and information sharing.

17.6. TRAINING

As regards the vocational training of its employees, the ERAMET Group prioritises training that focuses, firstly, on safety and, secondly, on the development of technical skills giving employees a better understanding of processes and their environment.

However, many training initiatives also relate to the use of computer tools and foreign languages.

In addition, capital investment programmes are always accompanied by very significant training in the use of new tools, as well as regarding work safety and organisation.

In line with previous years, the Group's training costs vary by unit but are generally between 3% and 5% of gross payroll.

In 2008, over 8,500 ERAMET Group employees worldwide were provided with training, representing in excess of 610,000 hours.

17.7. EMPLOYEE PROFIT-SHARING SCHEMES

17.7.1. Profit-sharing agreements

In mainland France and New Caledonia, discretionary profit-sharing agreements are regularly negotiated and signed with the social partners. They supplement any regulatory provisions on profit-sharing. The discretionary profit-share is paid to employees with over three months' service on 31 December broken down into a fixed standard amount and a portion that depends on the reference gross annual remuneration, and can represent up to 15% of the wage bill of the company in question. All the discretionary profit-sharing agreements for the French sites were renegotiated in 2008 in order to raise the maximum discretionary profit-sharing from 12 to 15% of payroll.

Equivalent provisions in Sweden are based on the ratio of total payroll to profit.

In 2006, the total amount paid out with respect to discretionary and mandatory profit-sharing schemes was €22,100 thousand, which represents over 6% of the Group's salary bill, but almost 10% of salaries of the companies in question.

In 2007, the total amount paid was €26,400 thousand, namely close to 6% of the Group's salaries but a little over 9% of salaries at the companies in question.

In 2008, the total amount paid out was €29,967 thousand.

Reminder of amounts for ERAMET:

Year	*Thousands of euros*
2008	3,605
2007	2,620
2006	2,031
2005	1,898
2004	2,080
2003	1,149
2002	515

Employee savings plan

In mainland France and New Caledonia, ERAMET Group employees can sign up to a Company Savings Plan to set up salary savings. The sums paid under mandatory and discretionary profit-sharing schemes may also be paid in, as well as voluntary payments made monthly or on a one-off basis by employees. Group companies participate in the savings plan through a top-up to the sums paid by employees. The arrangements for paying the top-up vary from company to company.

In 2008, several companies in mainland France paid in a one-off top-up to the amounts saved by employees.

Savings are invested in mutual funds managed by financial institutions independent of the Group and controlled by equal-representation supervisory boards.

On 31 December 2008, 4,428 employees in France were members of the Company Savings Plan, with assets totalling over €44 million, i.e. an average of €9,937 per saver. In New Caledonia, 2,148 employees are members of the Company Savings Plan, representing total assets of over €33 million on 31 December 2008, namely an average of €15,401 per saver.

17.8. HEALTH AND SAFETY

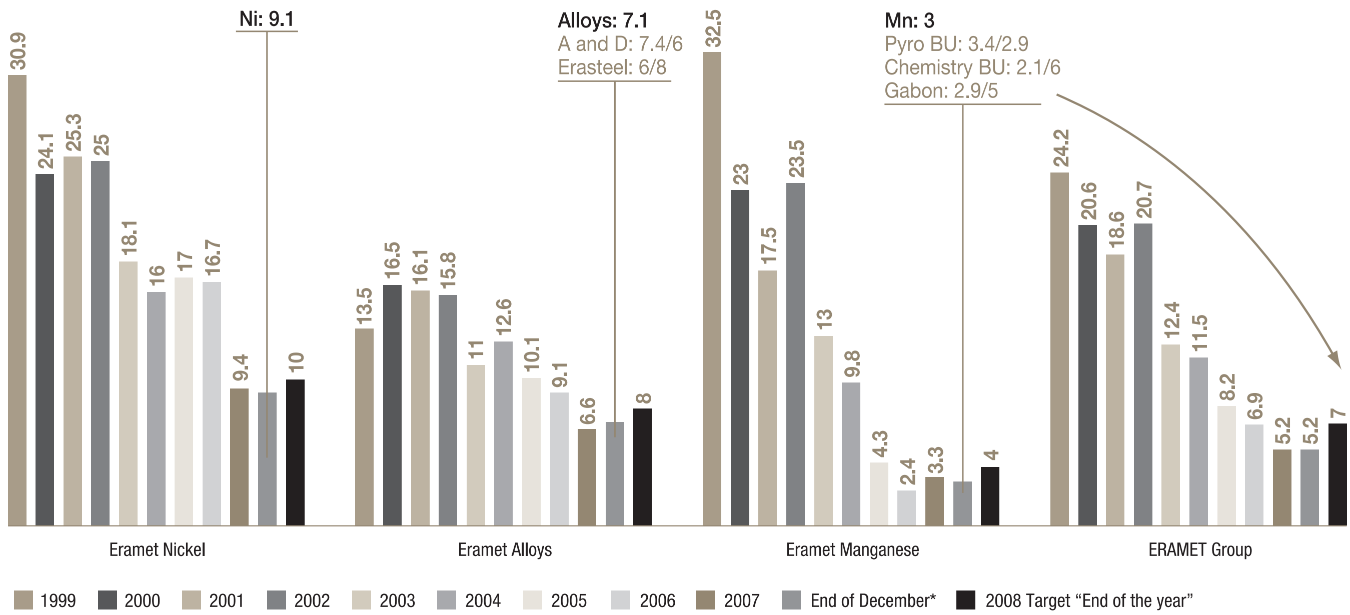
17.8.1. Safety

Frequency rate trends

The frequency rate is defined as the number of lost-time accidents per million hours worked.

The graph below shows the accident frequency rate for the past eight years at a virtually constant scope (excluding Chinese plants for 2003 to 2006 and including Setrag for 2007, and Weda-Bay for 2008).

A steady improvement in the accident frequency rate since 1999 (with the exception of 2002) can be seen, with the Group rate falling by a factor of over four and a half in eight years. This improvement is thanks mainly to initiatives in the Manganese Division (which accounts for close to half the hours worked in the Group), to a lesser extent the Alloys Division and, lastly, for 2007 and 2008, to the Nickel Division and more specifically Le Nickel-SLN in 2007 (2008 having witnessed the inclusion of the Weda-Bay site in the Group's scope of consolidation).



** 12 Rolling months.*

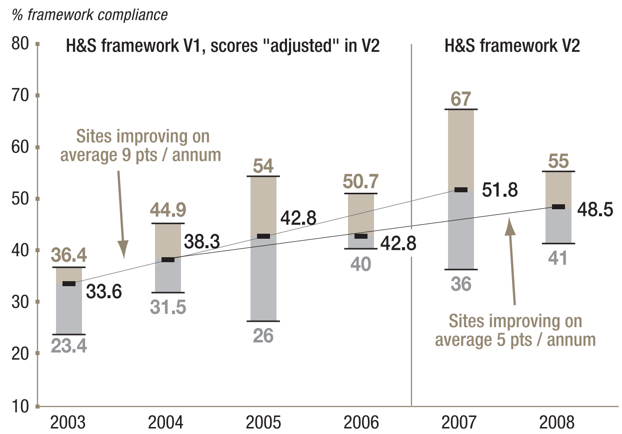
2008 was marked by an improvement in the frequency rate which levelled off (in spite of a low point of 4.8 during the year and on a rolling 12-month basis) and, particularly by the occurrence of 5 fatal accidents during the first six months whereas, on average over the last ten years, the Group had only seen one fatal accident per annum.

17.8.2. Safety audits

A site assessment policy is carried out through systematic audits at the rate of one audit every two years for every site worldwide. The audits are carried out by the safety coordinators on sites overseen by the Health and Safety Manager based on a customised framework for the Group. This framework was drawn up several years ago in cooperation with DNV and is based both on the International Safety Rating System and on the Group Health and Safety policy signed by the Chairman.

Introduction of the V2 Safety Audit Framework:

In 2008, continuing on from 2007, the ERAMET Group performed all H&S audits using the V2 H&S Audit Framework (that includes, compared to V1, new requirements including those of the international OHSAS 18001-1999 standard).



The results of these audits partly serve as the basis for preparing the action plans of the Group and subsequently and particularly those of the sites for the following two years and, for example, in 2003, they enabled a major risk to be detected, with a specific initiative taken at Group level in 2004 in order to control it (planned and budgeted initiative carried out across a set of pilot sites, rollout to all sites scheduled for 2005 and 2006 and for the most part carried out).

Safety audits in 2008

26 auditors (systematically accompanied by the Group H&S Manager and backed up by senior auditors such as the Group medical officer or the Environment Coordinators) carried out safety audits at 19 sites in 2008:

- 11 sites already audited in 2006. Compared to the previous audit in 2006, these sites had improved, in terms of the percentage of compliance with the framework, by between zero to three points for the sites that had made the least progress and 8-13 points for the sites that made the most progress;
- 3 sites (Tertre and Imphy for HSE (Health, Safety and the Environment) and Setrag for H&S (Health and Safety), were used as a test base for the V3 framework;
- 2 sites were audited for the first time (ERAMET Mexico and Setrag in Gabon), following a specific request from management at these sites;
- a specific approach was adopted in New Caledonia: During 2 assignments, 7 auditors were trained, together with Mine Safety coordinators, and in that way 3 of the 4 mining sites were audited.

The results (in terms of percentage compliance with the framework) show:

- an improvement of almost 6 points in the average value between 2006 and 2008 (compared to 9 points between 2004 and 2006);
- respective increases of 1 and 4 points, in the minimum and maximum values between 2006 and 2008 (compared to 10 and 13 points respectively between 2005 and 2007).

More generally, a review of the past 6 years of results of this policy of H&S audits regularly carried out at sites every two years, shows two groups of sites that have, respectively, improved, on a straight-line basis, by 5 and 9 points per annum.

Training new auditors

11 new French-speaking auditors (7 of whom are based in New Caledonia) were trained in 2008. In addition, the attendance of foreign and English-speaking H&S coordinators at the International HSE Club meeting also enabled the following new auditors to be trained: 2 Mexicans, 2 Norwegians, 4 Americans and 2 Indonesians.

Investments in training have also reaped benefits for the audits of foreign and/or distant sites with the participation of local auditors who understand the culture of the country or continent in which the site is located.

17.8.3. Meetings of the "Safety Club" which became the "HSE Club" (Health, Safety and the Environment) in 2008

The Safety Club, which went international in 2006, and which brings together all the safety coordinators of ERAMET Group sites, met for the third time in its international form in Grenoble in September 2008. For the first time in 2008, and in cooperation with the DC2D, this meeting involved the Safety and Environment contacts and coordinators of the Group's sites worldwide.

Representatives attended from the five continents on which the ERAMET Group operates: America, Africa, Asia, Europe and Oceania, with representatives from the Chinese sites participating for the first time. In all, 43 industrial sites were represented, 32 of which are established abroad.

The choice of Grenoble as the host city for this event was logical. Indeed, in July 2008, the Eurotungstène site (Grenoble) obtained the dual certification of its Environmental Management System (EMS) and its Occupational Health and Safety Management System (OHSMS) in compliance, respectively, with the ISO 14001 and OHSAS 18001 standards.

Special training programmes

In addition to "regulatory" training programmes (handling fire extinguishers, driving handling equipment, basic life-savings skills, prevention of physical activity-related risks, etc.), in recent years the ERAMET Group has developed special training programmes for supervisors and/or operators.

The purpose of these modules is to explain and inform the Company's employees about a certain number of topics such as shared definitions for frequently used terms (accident, incident, danger, risk, etc.), accident occurrence methods (risk tolerance), roles and responsibility ("ordinary" and criminal) of supervisors, the rights and duties of operators, statistics, the increasing incidence of behavioural causes in the occurrence of accidents, management tools (BIRD pyramid, safety minute, audits, etc.), occupational health and safety management systems, Prevention Plans for external companies, the employer account, etc.

For example, in 2008, sites such as the Thio Mining Centre in New Caledonia benefited from training for all their supervisory staff, while all staff (3 teams of 8 people trained in line with their workload) at SUPA (an AD Pamiers subsidiary) received this training.

As happened in 2008, this type of training was also given to newly-promoted Production (Commentry) or Company (Eurotungstène) Managers, in the form of special and personalised coaching.

17.8.4. Health and Safety

The health security of employees, whatever their status, of personnel of external companies, of visitors and people living in the vicinity of the industrial sites is a priority for the ERAMET Group.

The goal of the Group health policy is to control all health risks in order to minimise their frequency and seriousness.

The ERAMET Group wants to have detailed and in-depth information on all the dangers associated with its activities. It wants to contribute to the development of knowledge on these subjects, distribute it and promote dialogue.

To this end, a Group health policy was drawn up in 2007 and approved by the COMEX (see Appendix 4). The Group medical officer is responsible for its coordination.

Health policy guiding principles

These guiding principles are as follows:

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

Priority actions applying the principles of this health policy

These priority actions are as follows:

- making health and working conditions a factor in all decisions on a day-to-day basis and at all management levels in the same way as safety and the environment;
- drafting, distributing and applying the standards, guides and procedures necessary for the health policy in cooperation with the workforce and its representatives;
- preparing a health action plan for each unit making it possible to respond to risk assessments. The putting in place of the most suitable work equipment to protect health, informing employees and raising their awareness of the risks and listening to staff representative bodies, are all aspects of this approach;

- ensuring monitoring enabling the early detection of health problems that could relate to production processes or products marketed. Measuring exposure and suitable medical monitoring of risks in line with current scientific data are essential to ensuring the traceability of occupational exposure;
- continuing scientific monitoring and benchmarking of new risks and best practices by means of an active contribution, especially within professional bodies, to the development of scientific knowledge relating to the health impact of the Group's activities and products;
- developing a policy to combat addictive behaviour;
- identifying the worst work posts for lumbago and musculoskeletal disorders via an analysis method in order to achieve the ergonomic set-up of the work posts in question.

The resources put in place

The Group's health-related initiatives are implemented in line with the Health Policy using the network of Group doctors and health unit managers overseen by the Group Medical Officer, and also with the support of the site safety and/or environment contacts.

The Group Medical Officer is also responsible for coordinating the network of occupational doctors and health department managers, for putting in place strategies for knowledge/skills sharing between the health units and the safety and/or environment units, for making the main operational managers aware of these initiatives and for providing advice on the use of toxic or hazardous products. He acts as a go-between between professional and environmental health aspects and contributes to drafting the health sections of impact studies.

Tangible initiatives

The Group's determination to ensure early detection of health problems that may be related to production processes has led to improvements in monitoring employees' exposure to chemical risks, in particular, atmospheric measurement and bio-monitoring. The traceability of exposure in certain establishment is ensured. In 2009, work to implement these practices in other sites will continue and will be adapted in line with changes to the classification of substances.

Scientific monitoring, benchmarking of new risks and best practices are developed thanks to involvement in professional organisations, national and international conferences and enable occupational health and environmental health to be monitored. All this work enables the health and safety standards established and shared by the Group to be enhanced.

AWARENESS OF RISKS AND DANGERS

As regards Manganese, ERAMET is carrying out a certain amount of work to enhance knowledge.

In 2008, the initiatives to introduce specific medical monitoring of exposure to Manganese (Mn) were reflected in ERAMET's involvement in, and coordination of, a working group comprising Mn industrial operators under the auspices of the International Manganese Institute (IMnI). All the IMnI member establishments were interviewed in order to review the methods for monitoring exposed staff. The exchange of these practices, together with scientific advice, have made sufficient progress for a protocol to be published in 2009.

Similarly, work is being carried out to develop a standardised atmospheric measurement method for Manganese within the IMnI, together with the Institute of Occupational Medicine (Edinburgh). Measurement methods vary greatly from one country to another owing to local regulations and existing protocols. This means that it is difficult to compare situations and to understand the correlation between exposure levels and medical diagnosis.

Through the IMnI, ERAMET is involved in the Manganese Health Research Programme in order to push forward science as regards knowledge of the health effects of Manganese. The work of this multi-annual programme will be presented at a conference in 2009.

With respect to Nickel, ERAMET is particularly active in the scientific field involving studies to assess the toxicity of Nickel compounds. For several years, together with other Nickel producers, the Group has contributed to the development, and subsequently the completion, of a dossier on the risk assessment of 5 Nickel substances leading the European authorities to regard the dossier (health and environment) as a reference in terms of content and quality. This dossier was submitted to the European Union and ratified last October by the OECD.

Through its active involvement in the activities of Eurometaux, ERAMET has also contributed to establishing a new methodology for assessing the impact of metals on health (HERAG).

At the same time, in 2007, ERAMET was behind the establishment of the IEHP (Industry, Environment and Health Panel) within the global nickel industry association (Nickel Institute), an expert group chaired by the Manager of the Group's Nickel Division. This Panel meets twice a year and discusses specific issues including:

- development of advanced techniques for the speciation of nickel compounds, allowing the limits of certain existing methods, or even their inability to identify the actual species present, to be highlighted. Consequently, a special group is working on improving and interpreting the combined information from these various techniques;
- identification of the Occupational Exposure Limits (OELs) built on a scientific base, in particular with a view to the future revision of European values;
- classification methodologies by analogy under the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation, without carrying out the full range of tests. The aim is to identify and apply relevant parameters in order to establish chemical assessment dossiers by analogy with existing dossiers. The emphasis is placed on the importance of reference scientific data and relevant criteria as regards nickel substances such as exposure to the Ni ion, solubility in water, solubility in certain body fluids, bio-availability, etc.

ERAMET is also involved in preventing environmental health problems relating to its business activities:

- the improvement of the mineralogical knowledge of mining sites through the work of geologists enables risk prevention to be continued and made more effective, in particular regarding environmental asbestos risks. Health impact studies and quantitative studies of health risks are carried out when required. These studies enable risk management to be clarified and are intended to provide estimates of risks to human health in cases of chronic exposure, of low intensity, to hazardous agents present in the environment;

- the prior obligation on all manufacturers, importers or downstream users that manufacture, import or use the substances or market them in Europe, to ensure that they are not harmful to health or to the environment is central to REACH. ERAMET has complied with the first stage deadlines for the pre-registration of its substances. The studies conducted and the measurement of exposure taking account of exposure scenarios will make it possible to improve protection measures for employees and users. ERAMET has actively committed itself to this approach through its involvement in over a dozen consortia and around one hundred discussion forums.

ACTIONS AT SITE LEVEL

Being aware of its corporate social responsibility, for certain of its establishments, ERAMET is involved in health policies and acts as a good corporate citizen:

- the Chinese establishments have dispensaries and the health unit at the Doniambo plant in New Caledonia provides consultations for employees and their families;
- through its medical, surgical and maternity units, Comilog's Moanda hospital in Gabon provides healthcare to the company's employees, to their beneficiaries and to a part of the population. Since 2008, the reorganisation of its units and a partnership with other entities have enabled gynaecology services to be provided;
- in Owendo (Gabon), Setrag has a dispensary which provides consultations for employees and their beneficiaries thanks to the presence of three doctors. These two establishments have x-ray equipment and laboratories and ensure the supply of medicines necessary for treatment. Setrag's health infrastructure, based in the stations along the railway line was provided with more equipment and expertise in 2008 via agreements with local doctors;
- the GAMMA plan for raising awareness, preventing, screening and treating AIDS was launched in 2006 for Comilog Gabon and in November 2007 for Setrag. It continued to be actively rolled out in 2008 in liaison with Gabonese and international organisations (UNAIDS). An initial awareness-raising phase for members of staff and their families and school children, advice on prevention and the distribution of condoms has been implemented and is ongoing. The medical component of GAMMA is currently reliant on the services of the Moanda hospital and the Owendo dispensary and on the infrastructure set up by the Gabonese state. Over a thousand people have been screened anonymously, enabling the therapeutic treatment of several dozen HIV-positive or sick people;
- in 2008, ERAMET introduced the Go Care program to provide better medical monitoring and preparation for the risks relating to foreign travel or expatriation for its travellers/emissaries and expatriates.

In 2008, additional health considerations were added to the internal audit framework developed by the Group in order to identify the necessary areas for improvement at each site as regards health management in compliance with regulations and the Group health policy.

The second meeting of the secretaries of the health and safety and working condition committees of French-speaking sites, organised by the Group HRD and the H&S Department with the active involvement of the Group Medical Officer, enabled discussion of the health issues of concern to staff such as stress, shift work, repetitive and arduous work and CMR (Cancerous, Mutagenic, Repro-toxic) products.

This meeting enabled the constructive dialogue between the health and safety and working condition committees and the Group (Health, Safety and Environment players) to be consolidated. It was decided to provide the site health and safety and working condition committees with information on REACH.

17.8.5. Asbestos Risk

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

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

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

A survey carried out at ERAMET's French sites (including New Caledonia) from 1983 to 2008, revealed 381 cases of asbestos-related occupational illnesses, primarily pleural plaques and pleural thickening (80%), 119 of which were recognised and attributed to Group companies. Some 74 claims of criminal negligence had been filed by the end of 2008 and proceedings are underway. Provisions for asbestos-related risks have been recognised based on the compensation typically awarded in such cases.

Major shareholders

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18.1. SHAREHOLDERS’ AGREEMENTS

Pursuant to a shareholders’ agreement dated 17 June 1999, which came into effect on 21 July 1999, the Company is under the majority control of a declared concert party of shareholders, comprised of:

- a concert sub-group comprised of Sorame and CEIR, pursuant to a simultaneous shareholders’ agreement that came into effect on 21 July 1999, it being specified that Georges, Édouard, Cyrille and Patrick Duval together held and continue to hold over half the share capital of Sorame, without any one of them controlling it alone, and that virtually all the share capital of CEIR is held by members of the Duval family (without any of them controlling it alone);
- Areva, formerly called CEA Industries, which took over the rights and obligations of ERAP, the initial signatory, following a substitution made by an amendment dated 27 July 2001 to the concert agreement of 17 June 1999.

The agreement of 17 June 1999, which expired on 30 June 2006, was extended by tacit renewal for one year periods. On 29 May 2008, the shareholders (Sorame and CEIR) and Areva announced the signing of an amendment to the shareholders’ agreement. The amended shareholders’ agreement, initially entered into for a term ending on 31 December 2008, may be tacitly renewed for six-month periods, unless it is terminated by one of the parties on fifteen calendar days’ notice. It was renewed for six months as from 1 January 2009.

This shareholders’ agreement (including a sub-agreement between Sorame and CEIR), which constitutes a concert party, was the subject of prior notice 199CO577 of 18 May 1999 to France’s Financial Markets Board. The amendment of 29 May 2008 was subject to AMF approval and notice no. 208C1042.

The main provisions of the agreement:

- Concert clauses:

  The signatories of the concert sub-group undertook the following mutual commitments, as of the date of publication of this Reference Document:

  - consultation before any General Shareholders’ Meeting with a view to the harmonious exercise of their voting rights for the implementation of a common policy as regards ERAMET;
  - compliance with the stability commitments entered into under the wider concert party agreement;
  - reciprocal pre-emptive rights;
  - purchase option for Areva over all Sorame’s shares held by the individuals in the concert party, should the disposal of Sorame shares cause their overall interest in this company (capital or voting rights) to fall below 50%.
- Concert sub-group clauses:

  The concert sub-party will hold a permanent stake of at least 35% of ERAMET’s share capital and Areva will hold close to 30% of the share capital.

To the best of ERAMET’s knowledge, there are no other shareholders’ agreements.

18.2. SHAREHOLDERS AND VOTING RIGHTS

The Company’s shareholder structure and related voting rights are detailed in Chapter 21.

Related party transactions

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The contract signed in 1985 and amended on 21 May 1999 under which the Company provides Le Nickel-SLN with technical support on industrial, financial, legal, tax and human resource management matters falls under the procedure for related-party agreements as a result of the presence of common corporate officers.

Similarly, the 1985 agreement under which the Company is supplied by Le Nickel-SLN falls under the same procedure.

As a result of their scope and the difficulty of assessing their impact on the Group, these agreements may or may not be subject to procedures for approval by the Board of Directors, following analyses carried out in liaison with ERAMET's Statutory Auditors.

Details of these ongoing agreements are set out in the notes to the financial statements and the report of the Statutory Auditors.

The commitments entered into by ERAMET in favour of the new Chairman and CEO, Patrick, Buffet in the event of his leaving his position were approved by the Meeting of the Board of Directors of 25 April 2007 and brought into line with Article 17 of the French Labour, Employment and Purchasing Power Act of 21 August 2007 by the Board Meeting of 20 February 2008 and ratified at ERAMET's General Shareholders' Meeting of 16 April 2008.

On 30 July 2008, the Board of Directors approved the changes to be made to ERAMET's collective supplementary defined benefit pension plan to take account of recent regulatory changes applying to collective defined benefit pension plans and, as regards the application of this plan to three corporate officers who were not previously entitled to it, these changes will be submitted, pursuant to the regulations applicable to related-party agreements, to the 2009 General Shareholders' Meeting for approval.

Financial information on the issuer's assets and liabilities, financial position and results

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20.1. 2008 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1. 2008 income statement, balance sheet and notes

20.1.1.1. Income statement

(millions of euros)	Notes	FY 2008	FY 2007	FY 2006
Sales	*22.1*	**4,346**	**3,792**	**3,056**
Other income	*22.2*	126	62	10
Cost of sales		(2,768)	(2,318)	(2,171)
Administrative and selling expenses		(141)	(126)	(102)
Research and development expenditure		(58)	(37)	(35)
EBITDA		**1,505**	**1,373**	**758**
Amortisation and depreciation for non-current assets	*23.1*	(186)	(171)	(144)
Impairment charges and provisions	*23.2*	2	(6)	(7)
Current operating profit		**1,321**	**1,196**	**607**
Other operating income and expenses	*24*	(78)	(57)	23
Operating profit	-	**1,243**	**1,139**	**630**
Net borrowing cost	*25.1*	34	19	7
Other finance income and expenses	*25.2*	(75)	6	(4)
Share of profit of associates	*8*	-	-	1
Income tax	*26*	(347)	(350)	(174)
Profit (loss) for period	-	**855**	**814**	**460**
▪ Minority interests	*15*	161	232	141
▪ Group share	-	**694**	**582**	**319**
Basic earnings per share (EUR)		27.03	22.67	12.38
Diluted earnings per share (EUR)	27	26.96	22.54	12.28

20.1.1.2. Balance sheet

ASSETS

(millions of euros)	Notes	31/12/2008	31/12/2007	31/12/2006
Goodwill	4	263	33	36
Intangible assets	5	345	309	320
Property, plant & equipment	6	1,763	1,505	1,331
Investments in associates	8	-	1	3
Other non-current assets	9 & 10	137	61	67
Deferred tax	18	32	13	74
Other non-current assets	12	6	6	6
Non-current assets		**2,546**	**1,928**	**1,837**
Inventories	11	1,242	905	769
Trade receivables and other current assets	12	597	675	631
Current tax receivables	-	141	131	74
Derivatives	21	111	129	55
Other non-current assets	13	388	144	103
Cash and cash equivalents	13	944	962	540
Current assets		**3,423**	**2,946**	**2,172**
Total assets		**5,969**	**4,874**	**4,009**

EQUITY & LIABILITIES

(millions of euros)	Notes	31/12/2008	31/12/2007	31/12/2006
Share capital		80	79	79
Share premiums		345	223	222
Reserves		1,674	1,340	999
Translation adjustments		(132)	(30)	(5)
Profit (loss) for period		694	582	319
	14	**2,661**	**2,194**	**1,614**
Minority interests	15	1,071	841	525
Shareholders' equity		**3,732**	**3,035**	**2,139**
Employee liabilities	16	121	112	125
Provisions	17	271	255	171
Deferred tax	18	240	246	148
Borrowings - long-term portion	19	92	65	72
Other non-current liabilities	20	22	30	27
Non-current liabilities		**746**	**708**	**543**
Provisions - short-term portion	17	32	31	28
Borrowings - short-term portion	19	107	87	218
Trade payables and other current liabilities	20	907	656	569
Current tax liabilities	-	287	276	145
Derivatives	21	158	81	367
Current liabilities		**1,491**	**1,131**	**1,327**
Total shareholders' equity & liabilities		**5,969**	**4,874**	**4,009**

The consolidated balance sheets as of 31 December 2007 and 31 December 2006 were restated to reflect the effects of the changes in presentation described in note 3.

20.1.1.3. Cash flow statement

(millions of euros)	FY 2008	FY 2007	FY 2006
Cash flows from operating activities			
Profit (loss) for period	855	814	460
Elimination of non-cash and non-operating income and expenses:			
▪ Depreciation, amortisation and provisions	205	186	124
▪ Financial instruments	26	(15)	1
▪ Deferred tax	15	46	10
▪ Proceeds from asset disposals	9	(2)	-
▪ Share of profit of associates	-	-	(1)
Cash generated from operations	**1,110**	**1,029**	**594**
(Increase)/decrease in inventories	(273)	(155)	(32)
(Increase)/decrease in trade receivables	181	1	(115)
Increase/(decrease) in trade payables	93	52	18
Change in other assets and liabilities	321	287	172
Interest income	47	17	6
Interest paid	(11)	(14)	(15)
Tax paid	(328)	(229)	(85)
Net change in current operating assets and liabilities	**30**	**(41)**	**(51)**
Net cash generated by operating activities	**1,140**	**988**	**543**
Cash flows from investing activities			
Payments for non-current assets	(678)	(358)	(321)
Proceeds from non-current asset disposals	6	12	15
Capital grants received	-	-	14
Proceeds from/repayment of borrowings	(24)	4	(5)
Dividends received from associates	1	1	1
Impact of additions to scope [(1)]	(165)	-	(164)
Impact of removals from scope	-	-	-
Net cash used in investing activities	**(860)**	**(341)**	**(460)**
Financing activities			
Dividends paid to ERAMET SA shareholders	(154)	(74)	(54)
Dividends paid to minority interests in consolidated companies	(51)	(33)	(44)
Proceeds from share capital increases	5	1	3
Proceeds from and payment for treasury stock [(2)]	(10)	4	2
Proceeds from borrowings	57	78	186
Repayment of borrowings	(122)	(202)	(61)
Net change in current financial assets and liabilities	-	(1)	2
Net cash (used in) generated by financing activities	**(275)**	**(227)**	**34**
Exchange rate impact	(23)	2	(4)
Increase (decrease) in cash and cash equivalents	**(18)**	**422**	**113**
Cash and cash equivalents at 1 January	**962**	**540**	**427**
Cash and cash equivalents at 31 December	**944**	**962**	**540**

The 2007 and 2006 consolidated cash flow statements were restated to reflect the effects of the changes in presentation described in Note 3.

The ERAMET Group uses the concept of net cash/borrowing position as an internal management and performance indicator, as presented in Note 19.6.

Net cash (or net debt) position	**1,133**	**954**	**353**

(1) Impact of new consolidations relates to:

(millions of euros)	FY 2008	FY 2007	FY 2006
Consolidation of Eralloys Holding A/S & Tinfos A/S	(155)	-	-
▪ Acquisition cost	(400)	-	-
▪ Cash acquired	131	-	-
▪ ERAMET share issue	114	-	-
▪ Debt on non-current assets	-	-	-
Consolidation of Port Minéralier d'Owendo SA	(10)	-	-
▪ Acquisition cost	(12)	-	-
▪ Cash acquired	2	-	-
▪ ERAMET share issue	-	-	-
▪ Debt on non-current assets	-	-	-
Consolidation of Weda Bay Mineral Inc. and subsidiaries	-	-	(164)
▪ Acquisition cost	-	-	(189)
▪ Cash acquired	-	-	25
▪ ERAMET share issue	-	-	-
▪ Debt on non-current assets	-	-	-
Total	**(165)**	**-**	**(164)**

(2) Changes in treasury stock include:

(millions of euros)	FY 2008	FY 2007	FY 2006
Purchases and sales - liquidity contract	(10)	2	-
Purchase options exercises by employees	-	2	2
Total	**(10)**	**4**	**2**

20.1.1.4. Statement of changes in shareholders' equity

(millions of euros)	Number of shares	Share capital	Share premiums	Reserves	Translation adjustments	Profit (loss) for period	Total, Group share	Minority interests	Total
Shareholders' equity as on 1 January 2006	**25,789,874**	**79**	**219**	**793**	**18**	**377**	**1,486**	**499**	**1,985**
Allocation to reserves	-	-	-	377	-	(377)	-	-	-
Dividends paid	-	-	-	(54)	-	-	(54)	(44)	(98)
Proceeds from share capital increases	91,020	-	3	-	-	-	3	-	3
Treasury stock	-	-	-	2	-	-	2	-	2
Share-based payment	-	-	-	2	-	-	2	-	2
Other movements	-	-	-	-	-	-	-	16	16
Translation adjustments	-	-	-	-	(23)	-	(23)	(6)	(29)
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	(121)	-	-	(121)	(81)	(202)
Change in fair value of financial assets held for sale	-	-	-	-	-	-	-	-	-
Total period income and expenses recognised in shareholders' equity	-	-	-	(121)	(23)	-	(144)	(87)	(231)
Profit (loss) for period	-	-	-	-	-	319	319	141	460
Shareholders' equity as at 31 December 2006	**25,880,894**	**79**	**222**	**999**	**(5)**	**319**	**1,614**	**525**	**2,139**
Allocation to reserves	-	-	-	319	-	(319)	-	-	-
Dividends paid	-	-	-	(74)	-	-	(74)	(33)	(107)
Proceeds from share capital increases	24,727	-	1	-	-	-	1	-	1
Treasury stock	-	-	-	(49)	-	-	(49)	-	(49)
Share-based payment	-	-	-	2	-	-	2	-	2
Other movements	-	-	-	3	(3)	-	-	45	45
Translation adjustments	-	-	-	-	(22)	-	(22)	(6)	(28)
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	140	-	-	140	78	218
Change in fair value of financial assets held for sale	-	-	-	-	-	-	-	-	-
Total period income and expenses recognised in shareholders' equity	**-**	**-**	**-**	**140**	**(22)**	**-**	**118**	**72**	**190**
Profit (loss) for period	-	-	-	-	-	582	582	232	814
Shareholders' equity as at 31 December 2007	**25,905,621**	**79**	**223**	**1,340**	**(30)**	**582**	**2,194**	**841**	**3,035**
Allocation to reserves	-	-	-	582	-	(582)	-	-	-
Dividends paid	-	-	-	(154)	-	-	(154)	(51)	(205)
Proceeds from share capital increases	309,610	1	122	(5)	-	-	118	1	119
Treasury stock	-	-	-	(10)	-	-	(10)	-	(10)
Share-based payment	-	-	-	2	-	-	2	-	2
Other movements	-	-	-	(1)	-	-	(1)	136	135
Translation adjustments	-	-	-	-	(102)	-	(102)	(21)	(123)
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	(72)	-	-	(72)	4	(68)
Change in fair value of financial assets held for sale	-	-	-	(8)	-	-	(8)	-	(8)
Total period income and expenses recognised in equity	**-**	**-**	**-**	**(80)**	**(102)**	**-**	**(182)**	**(17)**	**(199)**
Profit (loss) for period	-	-	-	-	-	694	694	161	855
Shareholders' equity as at 31 December 2008	**26,215,231**	**80**	**345**	**1,674**	**(132)**	**694**	**2,661**	**1,071**	**3,732**

Translation reserves relate to the translation differences deriving from the translation into euros of the financial statements of foreign subsidiaries. They also comprise the fair value changes of the net investment hedges of foreign subsidiaries (Notes 1.5 and 21).

Premiums essentially relate to issue premiums, representing the difference between the par value of the shares issued (Note 14) and the amount of the cash or in-kind contributions received on issue. In 2008, €118 million related to the premium associated with the capital increase carried out as part of the acquisition of Eralloys Holding A/S and Tinfos A/S (Note 2).

Reserves break down as follows:

(millions of euros)	Treasury shares	Share-based payment	Hedging instruments	Held for sale assets	Other Reserves	Total
As at 1 January 2006	**(6)**	**2**	**(1)**	**-**	**798**	**793**
Allocation to reserves	-	-	-	-	377	377
Dividends paid	-	-	-	-	(54)	(54)
Purchases and sales - liquidity contract	-	-	-	-	-	-
Purchase option exercises by employees	2	-	-	-	-	2
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	(121)	-	-	(121)
▪ Foreign currency hedging derivatives			17			
▪ Interest rate hedging derivatives			-			
▪ Commodity hedging derivatives			(138)			
Change in fair value of financial assets held for sale	-	-	-	-	-	-
Share-based payment	-	2	-	-	-	2
Other movements	-	-	-	-	-	-
As at 31 December 2006	**(4)**	**4**	**(122)**	**-**	**1,121**	**999**
Allocation to reserves	-	-	-	-	319	319
Dividends paid	-	-	-	-	(74)	(74)
Purchases and sales - liquidity contract	2	-	-	-	-	2
Purchase option exercises by employees	2	-	-	-	-	2
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	140	-	-	140
▪ Foreign currency hedging derivatives			33			
▪ Interest rate hedging derivatives			-			
▪ Commodity hedging derivatives			107			
Change in fair value of financial assets held for sale	-	-	-	-	-	-
Share-based payment	-	2	-	-	-	2
ERAMET/STCPI stock swap	(52)	-	-	-	-	(52)
Other movements	(1)	(1)	-	-	4	2
As at 31 December 2007	**(53)**	**5**	**18**	**-**	**1,370**	**1,340**
Allocation to reserves	-	-	-		582	582
Dividends paid	-	-	-		(154)	(154)
Purchases and sales - liquidity contract	(10)	-	-		-	(10)
Purchase option exercises by employees	-	-	-		-	-
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	(72)		-	(72)
▪ Foreign currency hedging derivatives			(75)			
▪ Interest rate hedging derivatives			(6)			
▪ Commodity hedging derivatives			9			
Change in fair value of financial assets held for sale	-	-	-	(8)	-	(8)
Share-based payment	-	2	-	-	-	2
Other movements	-	-	-	-	(6)	(6)
As at 31 December 2008	**(63)**	**7**	**(54)**	**(8)**	**1,792**	**1,674**

IAS 32 and 39, on financial instruments, applied by the ERAMET Group primarily involve cash flow hedges. It is offset in "Hedging instruments" under assets or liabilities, depending on whether hedging gains or losses are recognised (Note 21).

The "Hedging instruments" reserves comprise the cumulative change in the effective portion of the fair value of derivatives relating to future cash flow hedging in connection with transactions that have not yet impacted the income statement (Note 21).

ERAMET treasury stock is shown on a separate shareholders' equity line, called "Treasury shares" and measured at purchase cost (Notes 14 and 28).

The reserves called "Assets held for sale" include the cumulative changes to the fair value of the obligations classified as "Other current financial assets" (Notes 3 and 13).

20.1.1.5. Notes

ERAMET is a French public limited company with a Board of Directors, governed by the provisions of Articles L. 225-17 and R. 225-1 et seq. of the French Commercial Code as well as by the provisions of its Articles of Association. As required by law, the Company is audited by two Statutory Auditors and two alternate auditors.

Through its subsidiaries and investments, the ERAMET Group operates in the nickel and manganese mining and production sectors, as well as in the alloys production sector, in which it is among the market leaders. A detailed description of the ERAMET Group's activities is presented in Note 1.4 on segment reporting.

ERAMET's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since 28 March 2006. On 2 January 2008, ERAMET joined the Euronext Paris N100 index.

The ERAMET Group's consolidated financial statements for the year ended 31 December 2008, were reviewed by the Audit Committee on 17 February 2009 and approved by the Board of Directors on 18 February 2009. They will be submitted for the approval of the General Shareholders' Meeting of 13 May 2009.

20.1.2. Notes to the consolidated statements

Note 1. Accounting principles and measurement methods

1.1. General principles

Pursuant to European Regulation 1606/2002 of 19 July 2002 on the international standards, the consolidated financial statements of the ERAMET Group for the financial year ended 31 December 2008, have been prepared in millions of euros in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union as of 31 December 2008. These standards include the standards approved by the International Accounting Standards Board (IASB, i.e. IFRS, IAS – International Accounting Standards and their interpretations issued by the International Financial Reporting Interpretations Committee – IFRIC or the former Standing Interpretations Committee – SIC).

2008 was marked by an economic and financial crisis, the length and future impact of which cannot be accurately assessed. This background was factored in when preparing the consolidated financial statements as of 31 December 2008, particularly with regard to the valuation of investments, deposits and financial instruments. On the other hand, where the valuations of asset and liability items are based on a long-term view, such as asset impairment, provisions for site restoration and employee-related liabilities, the assumptions factor in this economic and financial crisis with a limited duration.

The accounting principles applied for the preparation of the separate financial statements are in line with IFRS and the related interpretations as adopted by the European Union as of 31 December 2008 and available on the website: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

The new mandatory standards and interpretations applicable as from 1 January 2008 are:

- the amendment to IAS 39 and IFRS 7 "Reclassification of financial assets" in force as from 1 July 2008, removes the prohibition on reclassifying certain non-derivative financial assets to a class other than that to which they were originally posted and thus, under rate circumstances, authorises certain changes to the intentions of the holder. The Group has not reclassified any financial assets presented.

The following standards and interpretations, which came into force as from 1 January 2008 but which are optional, do not have a significant impact on the financial information presented:

- IFRIC 13 "Customer Loyalty Programmes" applicable as from 1 July 2008, which does not impact the Group's business activities;
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" applicable as from 1 January 2008,

the impact of which would not be material for the Group given the benefits granted to employees.

The ERAMET Group did not elect to adopt early any standards or interpretations, the application of which was not mandatory as of 1 January 2008, namely:

- IAS 1 "Presentation of Financial Statements" revised and applicable as of 1 January 2009;
- IAS 23 "Borrowing Costs", amended and applicable as of 1 January 2009;
- IFRS 8 "Operating Segments" applicable as from 1 January 2009, replacing IAS 14;
- IFRIC Interpretation 11 "Group and Treasury Share Transactions" applicable as of 1 January 2009;
- IFRIC Interpretation 12 "Service Concession Arrangements" applicable as of 1 January 2008, but not yet adopted by the European Union;
- IFRIC Interpretation 15 "Agreements for the Construction of Real Estate" applicable as of 1 January 2009;
- IFRIC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" applicable as of 1 January 2009;
- IFRS 3 "Business Combinations" revised and applicable as of 1 January 2009;
- IAS 27 "Consolidated and Separate Financial Statements" amended and applicable as of 1 July 2009;
- IFRS 2 "Share-based Payment" amended and applicable as of 1 January 2009;
- IAS 32 "Financial Instruments: Disclosure and Presentation" amended and applicable as of 1 January 2009.

The application of these standards and interpretations should not have a material impact on the ERAMET Group's consolidated financial statements. In particular, the application of IFRS 8 "Operating Segments" will not change the structure of the data disclosed under segment reporting or the amount of goodwill allocated to each business segment.

The ERAMET Group's consolidated financial statements are prepared on a historical cost basis, except for certain types of assets and liabilities as per IFRS guidelines. The categories concerned are specified where applicable in the following Notes.

1.1.1. ESTIMATES

In preparing its financial statements under IFRS, the ERAMET Group is required to make estimates and assumptions that affect the carrying amounts of some assets and liabilities and income and expenses, as well as the information provided in certain Notes.

The ERAMET Group regularly reviews its estimates and assessments to take account of past experience and other factors that are deemed relevant with regard to economic conditions. As a result of changing assumptions and conditions, the amounts in future financial statements may differ from current estimates.

The main categories affected by changes to estimates are provisions for employee benefits and for site restoration, deferred taxes and impairment tests. In principle, the ERAMET Group only reviews these estimates once a year at each annual balance sheet date. However, when circumstances require, estimates may be updated at interim balance sheet dates.

Impairment losses:

In accordance with IAS 36 – Impairment of Assets, when events or economic changes in the markets in which the ERAMET Group operates indicate the possibility of impairment losses on its goodwill, intangible assets and property, plant and equipment, these assets are subject to impairment tests to determine whether their carrying amount has fallen below their recoverable amount or value in use. In the event the recoverable amount is below the net carrying amount, an impairment loss is recorded for the difference. The value in use is determined by applying the method of future cash flows expected from the use of the assets or their disposal over a five-year period with a terminal value (Note 1.10).

Employee liabilities:

ERAMET Group companies offer their employees various long-term benefits such as retirement packages, pension plans and healthcare plans (Note 1.17). Under IAS 19 – Employee Benefits, all these liabilities are estimated on the basis of assumptions such as discount rates, rates of return on financial investments under these plans, salary increases, employee turnover rates and mortality tables. The Group generally updates these assumptions once a year and the most recent assumptions used are included in the specific note (Note 16).

Provisions for site restoration:

ERAMET Group companies must provide for their regulatory and constructive obligations with regard to the restoration of their mining sites at the end of operation. Accordingly, under IAS 16 – Property, Plant and Equipment and 37 - Provisions, Contingent Liabilities and Contingent Assets, when a mining site is opened, a restoration provision is funded, offsetting a dismantling asset. These provisions are estimated on the basis of forecast cash flows by maturity and discounted using inflation and discount rates determined in accordance with local economic conditions (Note 17.5). In the absence of regulatory and constructive obligations, the sites for which the end of their operation is not determined are not provided for (Note 1.19).

Deferred tax:

Deferred tax assets recognised mainly relate to deductible temporary differences and tax loss carry-forwards in accordance with IAS 12 – Income Taxes (Note 18). These deferred tax assets are recognised whenever it is likely that the ERAMET Group will have sufficient future taxable profit to absorb these temporary differences and tax losses. The Group's ability to recover these capitalised items is estimated partly on the basis of an analytical assessment of the future flows for each fiscal entity (Note 1.18).

1.1.2. CHANGES IN ACCOUNTING METHODS, ERRORS AND ESTIMATES

A change in accounting methods is only applied where required under a standard or interpretation and where it provides for more reliable and more pertinent information. Accounting changes are applied retrospectively, except in the event of transitory provisions specific to the standard or interpretation. The financial statements affected by a change in accounting method are adjusted for all the periods presented, as if the new method had always been applied.

Once an error is detected, it is likewise adjusted retrospectively.

Changes to estimates are recorded prospectively; they affect the financial year in which they arise and, as the case may be, future financial years.

The changes in accounting methods, errors and changes to estimates occurring during the year are presented in detail in Note 3.

1.1.3. "CURRENT" AND "NON-CURRENT" ASSETS AND LIABILITIES

"Current" refers to assets and liabilities that are part of the operating cycle, regardless of their maturity, and other assets and liabilities with a maturity of less than one year from their balance sheet entry date. "Non-current" assets and liabilities include other assets and liabilities, namely those with maturities longer than one year that are not part of the operating cycle.

1.2. Scope and method of consolidation

All material entities that ERAMET exclusively controls either directly or indirectly are fully consolidated. Companies over which ERAMET has significant influence and in which it directly or indirectly holds an interest of over 20% are accounted for under the equity method (Note 8). Jointly controlled companies (joint ventures) are consolidated proportionally.

The list of consolidated companies is provided in Note 2. Material transactions between consolidated companies are eliminated in consolidation.

1.3. Business combinations

The Group recognises business combinations using the purchase method. The assets, liabilities and contingent liabilities of an acquired company are measured at their fair value and valuation differences are charged to the relevant assets and liabilities, including for the share of minority interests. Any difference between the cost of the business combination and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities is recognised as goodwill under balance sheet assets (Note 1.6).

When ERAMET Group acquires assets and liabilities from minority interests in a company already controlled, no additional fair value restatement is recognised and the difference between the purchase price and carrying amount of the net assets acquired is recognised in goodwill (Note 1.6).

1.4. Segment reporting

The Group presents its segment reporting as follows:

- primary level: Divisions;
- secondary level: geographic areas: Europe, North America, Asia, Oceania and Africa.

Primary segment reporting is on the basis of the following divisions:

- the Nickel Division, including mining, production and sales subsidiaries focused on nickel and its derivative applications (ferronickel, high purity nickel, cobalt and nickel salts, cobalt and tungsten powders);
- the Manganese Division, including mining, production and sales subsidiaries focused on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, and chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil catalysts, electric batteries and acid solutions from the electronics industry;
- the Alloys Division, including subsidiaries that produce and market special high-performance steels, superalloys and pre-machined parts based on these materials or aluminium and titanium.

Each of these three divisions represents a distinct component that is exposed to specific risks and profitability. The Holding company and eliminations area are comprised of the Group's shared services as well as Metal Securities, Metal Currencies and Eras SA.

Commercial relationships between the divisions are not material. The main relationships primarily relate to the billing of management fees and financial transactions.

Other relationships relate to the reinsurance company Eras SA and the financial companies Metal Securities and Metal Currencies, all three of which are fully consolidated via the Holding Division (Note 2):

- Eras SA is a captive reinsurance company that acts as a primary insurer in certain reinsurance programmes;
- Metal Securities is a financial company responsible for pooling subsidiaries' cash to optimise investments with financial organisations outside the Group;
- Metal Currencies is a financial company responsible for managing the Group's exchange rate risks.

1.5. Translation of foreign currency denominated transactions and financial statements

Foreign currency transactions are translated at the applicable exchange rate at the time of the transaction. Foreign currency debts and receivables are measured at the closing rate under IAS 21 – The Effects of Changes in Foreign Exchange Rates. Translation adjustments resulting from this translation are recognised in income (Notes 1.24 and 1.25), except those involving loans and borrowings between Group companies considered an integral part of the net investment in a foreign subsidiary. These are recognised directly in shareholders' equity under "Translation adjustments" and linked to the foreign subsidiary.

The financial statements of foreign entities with functional currencies other than the euro are translated using the official exchange rates at the end of the period for balance sheet items, except for shareholders' equity, for which historical rates are applied. Income statement items and cash flows are translated at the average rate over the period. Goodwill arising from an acquisition is considered part of the acquiree and therefore denominated in its functional currency; it is then translated in the same way as the other balance sheet items. Translation adjustments stemming from currency fluctuations used to translate shareholders' equity and profit (loss) for the period are allocated to reserves. Translation adjustments are carried as a change to shareholders' equity and broken down between Group and minority interests. Where a foreign subsidiary exits the scope of consolidation, the cumulative amount of translation adjustments is recognised in the income statement under "Other finance income and expenses" (Note 25.2).

1.6. Goodwill

The cost of a business combination recognised when taking an interest is allocated to the fair value of the assets, liabilities and identifiable contingent liabilities of the acquiree. The residual, unassigned portion is recognised as "Goodwill" under balance sheet assets. Any resulting goodwill is allocated to the relevant cash generating units (CGU). Goodwill is not amortised under IFRS 3 - Business combinations, but is instead subject to an impairment test to detect any impairment loss (Note 1.10). Goodwill is subject to an impairment test at least once a year at the annual balance sheet date. These impairment losses are not reversible.

If the cost of the business combination is less than the share in the net fair value of the assets, liabilities and contingent liabilities, the identification and measurement of the items acquired are reassessed and any remaining surplus (negative goodwill, or "badwill") is recognised directly in income for the period under "Other operating income and expenses" (Note 24).

Further acquisitions of interests in companies that are already controlled are recognised as goodwill equal to the difference between the acquisition price and the carrying amount of the minority interests received.

Goodwill in associates is recognised under investments in associates (Note 8).

The Group's commitments to buy out minority interests in its subsidiaries are, where appropriate, recognised as financial liabilities pursuant to IAS 32 – Financial Instruments. The difference between the value of the minority interests and the present value of the buyout option is recognised in goodwill at the expiry date of the put. Subsequent changes in the liability up to the exercise of the put are also recognised in goodwill.

1.7. Intangible assets

Intangible assets are measured at acquisition cost and amortised on a straight-line basis or on the basis of work units in current operating profit (loss) (Note 23.1).

Amounts capitalised with respect to mineral deposits relate to partial asset contributions or permits acquired since 1974. Depending on operating specificities, mining deposits are amortised on the basis of annual production vis-à-vis the reserves initially estimated or the length of the concession (Note 5). The ERAMET Group does not perform valuations of mining resources separately from those conducted and recognised locally in the separate financial statements of the companies owning these resources. Geological and mining expenses are treated as research and development expenditure (Note 1.8) and the Group does not pay any exploration royalties as per IFRS 6 - Exploration for and Evaluation of Mineral Resources.

Computer software is amortised over a variable period not exceeding five years.

Intangible assets are allocated to cash generating units (CGUs) (Note 1.10). When the net carrying amount of an intangible asset exceeds its recoverable amount, an impairment is recorded (Note 1.10).

1.8. Research and development expenditure

Research and development expenditure includes expenses for scientific and technical activities necessary for the development and implementation of new manufacturing processes or the improvement of existing processes.

Development expenditure is capitalised where it satisfies the restrictive criteria set out in IAS 38 – Intangible assets, namely, when and only when:

- the technical and industrial feasibility of the project has been proven;
- the intention is to finish the project and put the results of the project to use;
- the project is clearly identified and the costs attributed are broken down and measured reliably;
- the likelihood of obtaining future economic benefits has been demonstrated;
- the technical, financial and other resources allocated for the development and use or sale of the intangible assets are available.

Any other research expenditure not satisfying the criteria of IAS 38 – Intangible Assets is expensed in the period in which it is recognised (Notes 1.24 and 5).

Mine stripping costs are capitalised under property, plant and equipment and depreciated on the basis of mined tonnage (Note 6).

Geology, exploration, prospecting and mining research expenses incurred prior to operation are recognised as intangible assets under "mineral deposits" (Note 5). Geology expenses for mining sites already in operation are recognised in income under "Research and development expenditure" (Note 1.24). In line with IFRS 6 – Exploration for and Evaluation of Mineral Resources, royalties paid for mining prospecting and exploration are capitalised as intangible assets (Note 5). They are measured at acquisition cost less amortisation and any impairment losses.

1.9. Property, plant & equipment

Items of property, plant and equipment are recognised in the balance sheet at acquisition or production cost (Note 6). Items of property, plant and equipment are depreciated on a straight-line basis over the estimated lifespan or useful life, based on the components of the asset, in current operating profit (loss) (Note 1.24). For reference:

Buildings	10-50 years
Industrial and mining facilities	5-50 years
Other intangible assets	2-10 years

Land is not depreciated.

Capital grants are recognised as deductions from the gross amounts of the items of property, plant and equipment in question. Spare parts deemed to be items of property, plant and equipment are capitalised and depreciated on the basis of their actual use. Tooling specifically manufactured for certain customers is recognised as an item of property, plant and equipment and depreciated over its likely lifespan. Major repairs are deemed to be components of items of property, plant and equipment. Borrowing costs are not included in items of property, plant and equipment.

A provision is funded upon start-up of operations for the restoration of mining sites, offsetting a component of an item of property, plant and equipment depreciated on a straight-line basis over the course of the operation of the mine.

Leases transferring the risks and benefits inherent in ownership (finance leases) are recognised as items of property, plant and equipment, offset by a debt (Note 19). These are amortised over their expected useful life on the same basis as the items of property, plant and equipment held or, if shorter, the term of the corresponding lease. Similarly, other agreements, and primarily sub-contracting, involving the use of a specific asset and the right to use it, are reclassified where necessary as leases, pursuant to IFRIC 4 – Determining Whether an Arrangement Contains a Lease and pursuant to IAS 17 - Leases.

All items of property, plant and equipment have been allocated to cash generating units (CGUs) (Note 1.10). Where the net carrying amount of an item of property, plant and equipment exceeds its recoverable amount, an impairment loss is recorded (Note 1.10).

1.10. Impairment of assets

At regular intervals, at each balance sheet date, the Group determines whether there are indications of asset impairment in line with IAS 36 – Impairment of Assets.

Impairment tests are performed regularly, systematically at least once a year at the annual balance sheet date for goodwill and intangible assets with indefinite lives, and where there are indications of impairment. For intangible assets and items of property, plant and equipment with finite lives, impairment tests are carried out where there are indications of impairment.

The impairment test consists of comparing the carrying amount of the assets with their recoverable amount. Impairment losses are calculated as the difference between the recoverable and carrying amounts and recognised in income under "Other operating income and expenses" (Note 24). The recoverable amount is defined as the greater of the fair value less selling costs and the value in use. The fair value is the resale value determined, as appropriate, by reference to similar recent transactions or to appraisals carried out by independent appraisers with a view to disposal.

In order to determine the value in use, the Group uses the method of discounted future cash flows generated from their use or their disposal. The data used to calculate the discounted forecast cash flows is taken from the annual and multiyear budgets prepared by management at the business segments in question. These plans are created on the basis of 5-year projections plus a terminal value relating to the capitalisation to infinity of the cash flows deriving essentially from the last year of the plan.

The discount rate used to determine the value in use is the Group's average cost of capital, which is 10% (compared to 9% in the financial years since 2004).

Impairment tests are performed at the level of the cash generating units (CGUs). All intangible assets, including goodwill, and all items of property, plant and equipment are allocated to CGUs. CGUs are homogenous groupings of assets, the use of which continues to generate cash inflows that are largely independent of cash inflows generated by other assets or asset groupings. The ERAMET Group has identified 22 CGUs in total, corresponding to the various production sites of the three main businesses: nickel, manganese and alloys.

1.11. Other non-current financial assets

Other non-current financial assets include financial assets available for sale (Notes 1.11.19 and 9) and other investments (Notes 1.11.2 and 10).

1.11.1. FINANCIAL ASSETS AVAILABLE FOR SALE

These assets primarily comprise equity interests in non-consolidated subsidiaries (Note 9), notably:

Investments in associates that are controlled but not consolidated, retained in the balance sheet at their acquisition cost, less any impairment losses. These impairment losses are charged to shareholders' equity, except for material permanent impairment losses that are recognised in income under "Other finance income and expenses" (Note 25.2). Since the benefits obtained from consolidating them would be less than the cost of doing so, these investments are not consolidated.

Other investments are deemed to be available for sale assets and also recognised at fair value. These investments relate to interests in companies over which the Group has no control or significant influence.

Fair value is measured on the basis of the listed share price or, if unavailable, the discounted future cash flow method or, in the absence of this, based on the Group share in the company's shareholders' equity.

1.11.2. OTHER INVESTMENTS

Other investments (Note 10) relate to loans or current accounts extended to non-consolidated companies. They are initially recognised at fair value plus the acquisition expense and measured on each balance sheet date at amortised cost using the effective interest rate (definition in Note 1.14), less any impairment losses, offset in income under "Other finance income and expenses" (Note 25.2).

Financial assets as defined in IFRS 7 – Financial Instruments, are derecognised when the Group no longer expects future cash flows and all the risks and rewards relating to these assets have been transferred.

1.12. Assets held for sale and discontinued operations

A non-current asset or asset group, and the directly related liabilities, are considered as held for sale where their carrying amount will be recovered from their sale and not their continued use. They must be immediately available and the sale highly likely. When several assets are intended for sale in a single transaction, the asset group is considered as a whole, including the related liabilities. The assets held for sale thereby determined are measured at the lesser of the carrying amount and the fair value less selling costs. Intangible assets and property, plant and equipment classified as held for sale are no longer depreciated.

A discontinued operation is defined as a material Group activity subject to disposal or classification in assets held for sale. The assets and liabilities relating to this operation are presented on a special line in the Group's consolidated financial statements.

On each balance sheet date, the amount of assets held for sale must be reviewed to take account of any adjustments to their fair value less selling costs.

1.13. Inventories

Inventories are measured using the weighted average cost or FIFO (first in, first out) method.

Inventories and work in progress are assessed at cost price and only include production costs, without nevertheless exceeding the realisable value. Costs stemming from sub-normal capacity usage are eliminated from inventory measurement at the end of the period.

The impairment of spare parts that do not qualify for capitalisation is calculated on the basis of their use during the year. Spare parts inventory in excess of one year's use is fully impaired.

1.14. Receivables and debts

Receivables and debts are measured upon initial recognition at fair value plus any transaction expenses and are subsequently remeasured at each balance sheet date at amortised cost using the effective interest rate method. The effective interest rate relates to the rate that precisely discounts the expected future cash movements. Foreign currency receivables and debts are remeasured at the rate prevailing on the last day of the period. Resultant translation adjustments are recognised in the income statement as exchange differences under current operating profit (loss) or net borrowing cost, depending on the type of receivable or debt.

Impairment losses are recognised for receivables where it is more than likely that they will not be recovered and it is possible to reasonably measure the amount of the loss based on past experience of losses on receivables, aging and a risk assessment. This impairment, offset in income under "current operating profit (loss)" (Note 22), reduces the nominal amount.

Receivables disposed of under a securitisation contract are recognised in cash with respect to their "deconsolidating" portion in line with IAS 39 – Financial Instruments, that is to say when the Group no longer expects future cash flows and all the risks and rewards relating to these receivables are transferred. For trade receivables, disposal with recourse against the transferor in the event of default on the receivable means that receivables disposed of may not be totally derecognised. Accordingly, the portion relating to the security deposits or the like is not derecognised and continues to be recognised as an asset under other operating receivables (Note 12).

1.15. Other current financial assets

These assets primarily comprise securities (Note 13.1) that do not meet the criteria for cash equivalents as defined by IAS 7. Changes in the fair value of these assets are recognised in transferable shareholders' equity. In the event of material permanent impairment, the impairment losses are recognised in income. Where the securities are disposed of or impaired, the cumulative unrealised gains and losses, previously recorded under shareholders' equity, are recognised in income under "Other finance income and expenses" (Note 25.2).

1.16. Cash and cash equivalents

Cash includes cash on hand and demand deposits, excluding bank overdrafts, which appear under financial liabilities. Cash equivalents correspond to marketable securities and relate to investments held to meet short-term cash requirements and are not considered as held to maturity.

Marketable securities of under three months are recognised at their fair value in the balance sheet in accordance with IAS 39 – Financial Instruments. To be considered a cash equivalent, they must be readily convertible to cash and subject to negligible risk of fluctuations in value. Fair value changes are recognised in income under net borrowing cost (Note 25.1).

1.17. Employee liabilities

DESCRIPTION OF PLANS

Defined contribution plans:

For the defined contribution plans granted in certain Group subsidiaries, employer contributions are expensed in the period to which they relate.

Defined benefit plans:

ERAMET Group companies offer their employees various long-term benefits, such as retirement packages or other additional post-employment benefits (pension plan or healthcare plan). The characteristics of these plans vary in line with the laws and regulations in force in each country and/or subsidiary.

At some companies, these liabilities are wholly or partly covered by policies taken out with insurance companies or pension funds. In this case, the liabilities and covering assets are assessed independently. The defined benefit pension plans are measured using the actuarial projected unit credit method. The provision recorded for the defined benefit pension plans represents the present value of the defined benefit liability adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, less the fair value of plan assets.

MAIN ACTUARIAL ASSUMPTIONS AND METHODS

The Group's liabilities are measured by independent actuaries in line with IAS 19 – Employee Benefits. The actuarial assumptions used (employee turnover, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the countries in which the plan is in force. The discount rates used are based on the rate of government bonds or bonds of top notch companies with a maturity equivalent to that of the liabilities on the measurement date. The expected return on plan assets was calculated by taking into account the structure of the investment portfolio for each country.

Actuarial differences arise where the estimates differ from actual performance (for example, the expected value of plan assets versus the actual closing value) and where actuarial assumptions (such as the discount rate) are adjusted.

For long-term benefits (such as long-service bonuses), actuarial differences are immediately recognised at each balance sheet date. For post-employment benefits, actuarial differences are not recognised unless they represent over 10% of the higher of the present value of liabilities and the fair value of plan assets; this excess is amortised over the expected average remaining working life of employees in the plan (corridor method). Plan amendment costs are apportioned over the remaining rights vesting period.

1.18. Deferred tax

The amount of tax actually owed at the balance sheet date is adjusted for deferred tax, which is calculated using the liability method with regard to temporary differences between carrying amounts and tax amounts, as well as with regard to consolidation restatements. Deferred tax assets, including those related to loss carry-forwards, which are determined by fiscal entity, are recognised whenever it can be shown that they are likely to be realised. Deferred tax is not discounted.

To assess the likelihood that these assets will be realised, the Group reviews the following information:

- future forecast profitability;
- extraordinary losses not expected to recur in the future;
- past taxable profits; and
- tax strategies.

Provisions are recognised for non-recoverable levies on dividends planned with respect to the previous financial year. Deferred tax assets and liabilities are recognised as balance sheet assets and liabilities (Note 18). Deferred tax is deemed to be non-current and classified as such.

In the consolidated balance sheet, deferred tax assets and liabilities are offset by tax entity, namely by the legal entity or tax consolidation group (Note 18).

Deferred tax liabilities on investments in subsidiaries, associates and joint ventures are only recognised where the Group can determine the timetable for the reversal of the related temporary differences.

1.19. Provisions

Provisions are recorded, where their amount can be reliably estimated, to cover all liabilities stemming from past events that are known at the balance sheet date and the settlement of which is likely to result in an outflow of resources representing economic benefits in order to settle the liability.

Provisions for mining site restoration are recognised when the mining sites open. Restoration costs are discounted over the period remaining to the expected end of operation of the mine and the reversal of discounting are recognised in the income statement under Other finance income and expenses (Note 25.2).

As regards industrial sites, insofar as there are no plans to discontinue operations, no provision is recognised for site restoration.

The costs of restructuring and redundancy plans are fully provisioned where the decision to take such measures is taken and announced before the cut-off date.

1.20. Recognition of financial instruments

Financial instruments are recognised in the financial statements in line with IAS 39 – Financial Instruments.

Risks: To manage its foreign currency risk, the Group uses foreign currency forwards, foreign currency swaps and, to a lesser extent, foreign currency options. Foreign currency forwards are recorded as hedges to the extent the Group has defined and documented the hedging relationship and demonstrated its effectiveness. Interest rate risk is generally managed using interest rate swaps and options. Lastly, the Group also uses collars and swaps when hedging commodity purchases and sales (nickel, fuel oil, aluminium and electricity).

Measurement and presentation: Derivatives are measured at their fair value upon initial recognition. Subsequently, the fair value of derivatives is reviewed at each balance sheet date. The fair value of foreign currency forwards is estimated on the basis of market conditions. The fair value of interest rate derivatives is that which the Group would receive (or pay) to unwind current contracts on the balance sheet date. The fair value of commodity derivatives is estimated on the basis of market conditions. Derivatives are included in the balance sheet as current assets or current liabilities (Note 21).

Hedge accounting: The Group identifies the hedging item and hedged item when the hedge is set up and formally documents the hedging relationship by identifying the hedging strategy, the hedged risk and the hedge effectiveness measurement method:

- fair value hedge: the hedged item is remeasured in respect of the hedged risk and the hedging instrument is measured and recognised at fair value. Changes in these two items are simultaneously recognised under operating profit (loss);
- cash flow hedge: the hedged item is not remeasured. Only the hedging instrument is remeasured at fair value. To offset the remeasurement, the effective portion of the change in fair value that can be ascribed to the hedged risk is recognised net of tax in shareholders' equity. The cumulative shareholders' equity amounts are recycled to the income statement when it is affected by the hedged item. The ineffective portion is retained in income for the period;
- recognition of derivatives ineligible for hedge accounting: the Company only uses these derivatives to hedge future cash flows. Changes in fair value are immediately recognised in net finance income.

1.21. Concession arrangements

In the absence of the IASB's definitive publication of IFRIC interpretations (IFRIC 12) and/or their adoption by the European Union regarding the recognition method for contracts appointing a third party to manage a public service, the Transgabonais railway concession is recognised as follows: own property held by the company holding the concession is recognised as a balance sheet asset and depreciated over the shorter of its useful life or the remaining period of the concession. Return assets representing the assets contributed to the concession by the State that must be returned in kind upon expiry of the agreement are not recognised in the balance sheet. Assets acquired by the concession holder following the signing of the concession agreement that must be turned over to the State at the end of the concession are recognised as property, plant and equipment and depreciated over the term of the concession. A provision is funded to cover the risk of non-renewal of the concession in line with investment assumptions.

1.22. Revenue

Revenue mainly comprises the following:

- sales, including the sale of merchandise, goods and services generated in the course of the Group's main business activities. This is a component of "current operating profit (loss)" (Note 22);
- other income includes other revenue assigned to current operating profit (loss) (Note 22) such as translation adjustments on sales, capitalised production, lease income, operating subsidies and insurance premiums received;
- interest income recognised in the income statement under "Net borrowing costs" (Note 25.1);
- dividends included in income under "Other finance income and expenses" (Note 25.2);

The revenue recognition criteria by category are as follows:

- sales and other income: income is recognised as revenue once the company has transferred the main risks and benefits inherent in ownership of the goods to the buyer. Sales are measured at the fair value of the consideration received or receivable. In the event of a deferred payment having a material impact on the calculation of the fair value, future payments are discounted accordingly;
- interest: income is recognised for the amount of accrued interest;
- dividends: income from investments in associates is recognised whenever the Group is entitled to receive payment as a shareholder.

1.23. Share-based payment

Various share subscription and purchase option plans have been established by the Group and are all equity-settled plans. The fair value of the services received in consideration for the granting of these options is definitively measured with reference to the fair value of the options on the grant date and to the number of options that will have vested by the end of the vesting period. In this regard, the Group uses a Black-Scholes type mathematical valuation model.

During the vesting period, the total fair value thereby determined is apportioned on a straight-line basis over the full vesting period for the plan in question, with the number of vested exercisable options assumed at the beginning of the vesting period being reviewed at every balance sheet date.

This fair value is recognised as a personnel cost, offset by an increase in shareholders' equity. When the options are exercised, the exercise price received by the Group is recognised in cash and offset in shareholders' equity.

In line with the transitory provisions in IFRS 1, only stock option plans subsequent to 7 November 2002 that had not vested by 1 January 2005 were recognised using the above-mentioned measurement and recognition principles laid down in IFRS 2 – Share-based Payment and are subject to measurement.

1.24. Current operating profit (loss) and other operating income and expenses

As from 2006, and in accordance with Paragraphs 88 and 89 of IAS 1, ERAMET presents its income statement in accordance with the mixed function/nature approach, so as to comply with the Group's internal management reporting. The ERAMET Group specifically uses EBITDA and current operating profit (loss) as performance indicators. EBITDA includes the gross profit (difference between sales and the cost of sales), administrative and selling expenses and research and development expenditure before depreciation, amortisation and provisions, which are presented separately. Current operating profit (loss) includes EBITDA, depreciation, amortisation and provisions; it consists in particular of the cost of employee liabilities including the financial component, the cost of employee profit-sharing and translation adjustments between the rates upon recognition and those at the balance sheet date (trade receivables and payables).

Other operating income and expenses only include very limited, unusual, abnormal and infrequent income and expenses for particularly material amounts that the Group presents separately in its income statement in order to facilitate understanding of current operating performance. It primarily consists of:

- restructuring costs;
- capital gains/losses or impairment losses on assets;
- impairment losses on goodwill, intangible assets and property, plant and equipment.

1.25. Net finance income

Net finance income consists of the following items:

- net borrowing costs, these being income statement items relating to balance sheet components of net borrowing, namely, financial liabilities and cash and cash equivalents; and
- other finance income and expenses, such as dividends, provisions for securities, the reversal of discounting and gains/losses on hedging instruments that do not qualify as per IAS 39).

1.26. Earnings per share

Basic earnings per share are obtained by dividing the Group profit (loss) for the period by the average number of shares outstanding in the period. This average number of shares outstanding excludes treasury stock.

Diluted earnings per share are obtained by adjusting Group profit (loss) for the period and the number of shares for potentially dilutive effects, mainly represented by employee subscription and purchase option plans (stock options).

1.27. Risks

Environmental risks: where there is a legal or contractual obligation to restore mining sites, a restoration provision is recorded, offset by a dismantling asset. The provision is based on site-by-site estimates of the cost of this work, the total cost being apportioned over the life of the operation of the mine (Notes 1.9, 1.19, 6 and 17.5).

Provisions are funded for any other environmental contingencies on the basis of estimated future costs without, however, making any allowance for insurance indemnities receivable (Note 17.5).

Market risks: to manage its interest rate and foreign currency risks, the Group has recourse to various financial instruments. The Group's policy is to reduce its exposure to interest rate and foreign currency fluctuations, but not to speculate. Positions are traded either on organised markets, or over the counter with top notch banking counterparties.

Gains or losses on hedging instruments are recognised symmetrically with the gains or losses on the hedged items. However, unrealised losses on financing hedging transactions ineligible under hedging standards are recognised in the income statement.

All transactions outstanding at the balance sheet date are recognised in the balance sheet, with no offset (Note 21).

Foreign currency risks: when the exposure stemming from borrowings taken out by Group companies in currencies other than their functional currencies is not offset by income in those currencies, the Group may have recourse to hedging (Note 21).

Interest rate risks: depending on market conditions and on forecast changes in net debt, the Group Finance Department monitors the breakdown between fixed and floating rate debt and cash investments. The financial instruments used are interest rate swaps, caps, and floors.

Commodities risks: the Group only uses derivatives to reduce its exposure to risks of fluctuations in commodity prices on firm or highly likely commitments. For this purpose, ERAMET mainly uses forwards, combined call and put options and call options.

Financial transaction counterparty risks: the Group can be exposed to credit risk in the event of default by a counterparty. To limit this risk the Group collects and reviews information ahead of financial transactions such as that from rating agencies and published financial statements. No systematic arrangement is therefore in place to hedge counterparty risk.

Note 2. Scope of consolidation

2.1. Changes in scope of consolidation

The scope of consolidation as of 31 December 2008 changed as follows from 31 December 2007:

- acquisition by ERAMET of a 55.78% interest (controlling interest 58.93%) in the Norwegian companies Eralloys Holding A/S and Tinfos A/S. These companies were consolidated as of 1 August 2008;
- acquisition by Comilog SA in late September 2008 of a 60.89% interest in the Gabonese company Port Minéralier d'Owendo SA, taking its interest to 97.24% compared to 36.35% previously.

The main business combinations during the financial year were primarily represented by the acquisition of Eralloys Holding A/S and Tinfos A/S with the following characteristics:

(millions of euros)		Eralloys Holding A/S & Tinfos A/S
Acquisition price		400
Percentage acquired (% interest)		55.78%
Acquisition date		30/07/08
Nature of acquisition price		
▪ in cash		286
▪ in ERAMET shares		119
Number of ERAMET shares issued		241,491
Voting rights granted		0.55%
Fair value of number of securities issued (stock market price)		114
Residual unallocated goodwill and (badwill)		229
2008 income statement	**12 months**	**5 months***
▪ Sales	346	141
▪ Current operating profit	126	57
▪ Profit for period	55	31
Balance sheet at acquisition date	**Fair value**	**Carrying amount**
▪ Non-current assets	168	136
▪ Working capital requirement	141	122
▪ Shareholders' equity	(327)	(297)
▪ Provisions and deferred taxes	(32)	(11)
▪ Net financial liabilities	50	50

* *Data included in ERAMET Group financial statements after elimination of intercompany accounts.*

The €400 million price tag includes €8 million in capitalised expenses relating to the acquisition, primarily comprising bank fees, legal fees and audit and consultancy fees.

The business activities of Eralloys Holding A/S and Tinfos A/S include:

- the production of silicomanganese in Norway via Tinfos Jernverks A/S, wholly owned by Eralloys Holding A/S;
- the production of titanium dioxide and high-purity smelting in Norway via Tinfos Titan & Iron A/S, wholly owned by Eralloys Holding A/S;
- the generation of electricity in Norway via the wholly owned subsidiary of Eralloys Holding A/S, DNN Industrier A/S and the Notodden power station, owned by Tinfos A/S;
- the international trading in metallurgical products for the steel and smelting industries via the subsidiary of Eralloys Holding A/S in Luxembourg. Tinfos Nizi Luxembourg SA is not included in the scope of consolidation and there are plans to dispose of this business.

The allocation of the acquisition price of Eralloys Holding A/S and Tinfos A/S is provisional and will be charged primarily to non-current assets on the basis of appraisals performed by independent appraisers in 2009.

For purposes of comparability, and even though the required thresholds have not been met, pro forma information was prepared for the 2008 income statement.

The pro forma information presented below was prepared on the basis of historic data for the acquired companies, adjusted for the additional financing expense stemming from their acquisition, including them as from 1 January 2008:

(millions of euros)	FY 2008 Published	Eralloys Holding A/S & Tinfos A/S 7 months	FY 2008 Pro forma
Total sales	**4,346**	**205**	**4,551**
Other income	126	5	131
Cost of sales	(2,768)	(124)	(2,892)
Administrative and selling expenses	(141)	(11)	(152)
Research and development expenditure	(58)	-	(58)
EBITDA	**1,505**	**75**	**1,580**
Depreciation and amortisation of non-current assets	(186)	(5)	(191)
Impairment charges and provisions	2	(1)	1
Current operating profit	**1,321**	**69**	**1,390**
Other operating income and expenses	(78)	(20)	(98)
Operating profit	**1,243**	**49**	**1,292**
Net borrowing cost	34	(6)	28
Other finance income and expenses	(75)	(3)	(78)
Share of profit of associates	-	-	0
Income tax	(347)	(15)	(362)
Profit (loss) for period	**855**	**25**	**880**
▪ Minority interests	161	15	176
▪ **Group share**	**694**	**10**	**704**

2.2. List of consolidated companies as of 31 December 2008

As of 31 December 2008, the scope of consolidation included 62 companies (as of 31 December 2007: 54), all of them fully consolidated (as of 31 December 2007: 53 fully consolidated and 1 accounted for under the equity method).

			Percentage (%)	
Company	**Country**	**Consolidation method**	**control**	**interest**
ERAMET	**France**	**Consolidating company**	**-**	**-**
Nickel				
Le Nickel-SLN	New Caledonia	Fully consolidated	56	56
Cominc	New Caledonia	Fully consolidated	56	56
Poum	New Caledonia	Fully consolidated	56	56
Weda Bay Minerals Inc.	Canada	Fully consolidated	100	100
Weda Bay Minerals Pty Ltd	Australia	Fully consolidated	100	100
Strand Minerals Pte Ltd	Singapore	Fully consolidated	100	100
Pt Weda Nickel Ltd	Indonesia	Fully consolidated	90	90
ERAMET Holding Nickel	France	Fully consolidated	100	100
Eurotungstène Poudres	France	Fully consolidated	100	100
Unimin AG	Switzerland	Fully consolidated	100	100
Manganese				
ERAMET Holding Manganèse	France	Fully consolidated	100	100
ERAMET Comilog Manganèse	France	Fully consolidated	100	83.63
ERAMET Marietta Inc.	USA	Fully consolidated	100	100
ERAMET Norway A/S	Norway	Fully consolidated	100	100
Eralloys Holding A/S	Norway	Fully consolidated	58.93	55.78
Tinfos Energi A/S	Norway	Fully consolidated	58.93	55.78
DNN Industrier A/S	Norway	Fully consolidated	58.93	55.78
Tinfos Titan A/S	Norway	Fully consolidated	58.93	55.78

Company	Country	Consolidation method	Percentage (%) control	Percentage (%) interest
Tinfos Titan & Iron A/S	Norway	Fully consolidated	58.93	55.78
Tinfos Jernverks A/S	Norway	Fully consolidated	58.93	55.78
Tinfos A/S	Norway	Fully consolidated	58.93	55.78
Notodden Calcium Carbifabrik A/S	Norway	Fully consolidated	49.88	49.88
Comilog SA	Gabon	Fully consolidated	67.25	67.25
Setrag SA	Gabon	Fully consolidated	83.88	56.66
Comilog Holding	France	Fully consolidated	100	67.25
Comilog International	France	Fully consolidated	100	67.25
Comilog Lausanne	Switzerland	Fully consolidated	100	67.25
Port Minéralier d'Owendo SA	Gabon	Fully consolidated	97.24	65.40
Erachem Comilog SA	Belgium	Fully consolidated	100	67.25
Comilog US	USA	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp.	USA	Fully consolidated	100	67.25
Bear Metallurgical Corp.	USA	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp.	Canada	Fully consolidated	100	67.25
Erachem Comilog Inc.	USA	Fully consolidated	100	67.25
Comilog France	France	Fully consolidated	100	67.25
Comilog Dunkerque	France	Fully consolidated	100	67.25
Miner Holding BV	The Netherlands	Fully consolidated	100	67.25
Erachem Mexico SA	Mexico	Fully consolidated	100	67.25
Comilog Asia Ltd	Hong Kong	Fully consolidated	100	93.45
Comilog Asia Ferro Alloys Ltd	Hong Kong	Fully consolidated	100	93.45
Guangxi Comilog Ferro Alloys Ltd	China	Fully consolidated	70	65.42
Guilin Comilog Ferro Alloys Ltd	China	Fully consolidated	100	93.45
Guangxi ERAMET Comilog Chemicals Ltd	China	Fully consolidated	100	93.45
Comilog Far East Development Ltd	Hong Kong	Fully consolidated	100	93.45
ERAMET Comilog Shangai Trading Co. Ltd	China	Fully consolidated	100	93.45
Alloys				
ERAMET Alliages	France	Fully consolidated	100	100
Erasteel	France	Fully consolidated	100	100
Erasteel Commentry	France	Fully consolidated	100	100
Erasteel Champagnole	France	Fully consolidated	100	100
Erasteel Kloster AB	Sweden	Fully consolidated	100	100
Erasteel Stubs Ltd	United Kingdom	Fully consolidated	100	100
Erasteel UK Ltd	United Kingdom	Fully consolidated	100	100
Erasteel Inc.	US	Fully consolidated	100	100
Erasteel Innovative Materials Co Ltd	China	Fully consolidated	100	100
Société Industrielle de Métallurgie Appliquée	France	Fully consolidated	100	100
Interforge	France	Fully consolidated	94	94
Aubert & Duval	France	Fully consolidated	100	100
Airforge	France	Fully consolidated	100	100
Holding company and miscellaneous				
Eras SA	Luxembourg	Fully consolidated	100	100
Metal Securities	France	Fully consolidated	100	100
Metal Currencies	France	Fully consolidated	100	100

All companies within the scope of consolidation share the same balance sheet date of 31 December.

Note 3. Presentation of the balance sheet

The bonds formerly recognised under "Cash and cash equivalents" were reclassified to "Other current financial assets" for a sum of €144 million as of 31 December 2007 and €103 million as of 31 December 2006. The balance sheets and cash flow statements for the 2007 and 2006 financial years were restated to take account of these changes.

Net cash as defined in Note 19.6 was unchanged.

Note 4. Goodwill

4.1. By category

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Eralloys Holding A/S & Tinfos A/S	229	-	-
ERAMET Norway A/S	13	15	15
Eurotungstène Poudres (Etp)	6	6	6
Erasteel Stubs Ltd	5	6	7
Port Minéralier d'Owendo SA	5	-	-
Bear Metallurgical Corp.	2	2	2
Erachem Mexico SA	-	-	3
Aubert & Duval (Ad)	3	3	2
Other companies (less than a million euros)	1	1	1
Total	**264**	**33**	**36**
Of which impairment losses	(19)	(14)	(12)

Non-recurring impairment losses were recognised on goodwill in Aubert & Duval and Peter Stubs Ltd (Alloys Division) for €8 million and €4 million, respectively, following impairment tests in 2003 and 2004. As of 31 December 2007, goodwill in the Mexican company Erachem Mexico SA (Manganese Division) was written off.

4.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**33**	**36**	**35**
Business combinations	239	-	2
Other changes in scope	-	-	-
Impairment losses in period	(5)	(2)	-
Translation adjustments and other movements	(3)	(1)	(1)
At 31 December	**264**	**33**	**36**

The goodwill stemming from the acquisition of Bear Metallurgical Corp. was provisionally allocated in full to property, plant and equipment at the 2005 balance sheet date. On 1 January 2006, after definitive measurement of the fair value of the assets, residual goodwill of €2 million was reclassified in property, plant and equipment.

2008 business combinations include goodwill relating to the acquisition of the Norwegian company Eralloys Holding A/S for €229 million, and the additional interest in Port Minéralier d'Owendo SA in Gabon for €10 million (Note 2). This acquisition triggered an impairment expense of €5 million, representing 50% of its value; the remainder will be written off in 2009 to reflect the expiry of the ore port concession as of 31 December 2009.

No other impairment loss was recognised as of 31 December 2008.

Note 5. Intangible assets

5.1. By category

(millions of euros)	Gross amounts	Amortisation	Impairment losses	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Mining reserves	390	(61)	-	329	292	308
Software	45	(39)	-	6	6	7
Other intangible assets	12	(7)	-	5	10	3
Work in progress, down-payments	5	-	-	5	1	2
Total	**452**	**(107)**	**-**	**345**	**309**	**320**

5.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**309**	**320**	**72**
Business combinations	-	-	254
Other changes in scope	-	-	-
Capital expenditure over the period	32	20	14
Amortisation, depreciation and impairment losses over the period	(8)	(8)	(8)
Translation adjustments and other movements	12	(23)	(12)
At 31 December	**345**	**309**	**320**
▪ Gross amounts	452	409	410
▪ Amortisation & depreciation	(107)	(100)	(90)
▪ Impairment losses	-	-	-

The Group allocates the acquisition cost of a business combination to the fair value of the assets, liabilities and identifiable contingent liabilities, in particular to mineral deposits for the Nickel and Manganese Divisions.

Mineral deposits relate to Gabon (Manganese Division), New Caledonia and Indonesia (Nickel Division), for the sums of €39 million, €15 million and €275 million, respectively (€41 million, €16 million and €235 million as of 31 December 2007).

The 2006 increase in mineral deposits followed the acquisition in early May 2006 of Weda Bay Minerals Inc., the owner of nickel mines in Indonesia.

Investments include geology and exploration or prospecting expenses incurred prior to the start-up of operations of mining sites, capitalised in line with IAS 38. ERAMET did not pay any royalties for prospecting or exploring as per IFRS 6.

Investments over the period (€32 million) were primarily comprised of expenses in Indonesia (Pt Weda Bay Nickel) of €25 million (€16 million in 2007) and €4 million on software (€2 million in 2007).

No impairment loss was recognised in 2008.

5.3. Research & development expenditure – expenses during the period

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Non-capitalised research and development expenditure	58	37	35
of which, geological expenses:			
▪ Nickel	19	12	11
▪ Manganese	-	-	-
Percentage of sales	**1.3%**	**1.0%**	**1.1%**

Ordinary expenses for mining sites already opened or in operation (Nickel and Manganese Divisions) are not capitalised and represent expenses in the financial year in which they are incurred.

Note 6. Property, plant & equipment

6.1. By category

(millions of euros)	Gross amounts	Depreciation	Impairment losses	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Land and buildings	702	(401)	(9)	292	261	289
Industrial and mining facilities*	2,392	(1,347)	(77)	968	824	695
Other property, plant and equipment	475	(285)	-	190	164	114
Work in progress, down-payments	318	(1)	(4)	313	256	233
Total	**3,887**	**(2,034)**	**(90)**	**1,763**	**1,505**	**1,331**
* *Of which:*						
▪ Capital grants deducted				(1)	(1)	(1)
▪ Dismantling assets - site restoration (Note 17.5)				79	69	17

Capital grants deducted from items of property, plant and equipment mainly relate to the strategic capital expenditure programmes discussed in Section 6.3., details of which are set out below:

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
40,000-ton press - Aubert & Duval	(1)	(1)	(1)
Other	-	-	-
Total	**(1)**	**(1)**	**(1)**

6.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**1,505**	**1,331**	**1,193**
Business combinations	101	-	-
Other changes in scope	-	-	-
Capital expenditure over the period	387	299	295
Investment grants received	-	-	-
Disposals over the period	(10)	(8)	(3)
Amortisation, depreciation and impairment losses over the period	(221)	(158)	(136)
Translation adjustments and other movements	1	41	(18)
At 31 December	**1,763**	**1,505**	**1,331**
▪ Gross amounts	3,887	3,414	3,150
▪ Amortisation & depreciation	(2,034)	(1,859)	(1,763)
▪ Impairment losses	(90)	(50)	(56)

Over the past years, following impairment tests, property, plant and equipment, primarily in the Manganese and Alloys Divisions, were respectively written down by €28 and €17 million. In 2008, the Manganese Division recycling business was the subject of a €31 million writedown following an impairment test. €4 million in additional writedowns was recognised for the "Special Products" business in the United States. A €7 million writedown was recognised for assets no longer used in the Nickel Division.

The recognition of liabilities for mining site restoration in New Caledonia (Nickel Division) and decontamination of impoundments in the US (Manganese Division) gave rise to the establishment of a specific component with respect to provisions recorded (Note 17.5).

6.3. Breakdown of main strategic capital expenditure programmes

(millions of euros)	FY 2008	FY 2007	FY 2006
Increase in nickel production - Le Nickel-SLN	7	33	60
Increase in manganese production (3.5 million ton project) - Comilog SA	31	11	23
EMD plant in China - Guangxi ERAMET Chemetals Ltd	1	3	17
Catalyst calcination plant in Canada - Gulf Chemical & Metallurgical Corp.	13	26	14
40,000-ton press - Aubert & Duval	-	-	8
Steel production plant in China - Erasteel Innovative Materials Ltd	-	6	-
Total	**52**	**79**	**122**

The main capital expenditure programmes are financed from cash and borrowings.

The amount of finance leased non-current assets in the balance sheet breaks down as follows:

(millions of euros)	Gross amounts	Depreciation	Impairment losses	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
40,000-ton press - Aubert & Duval	77	(9)	-	68	72	75
Industrial facilities - Aubert & Duval	15	(12)	-	3	4	5
Administrative buildings - Aubert & Duval	7	(3)	-	4	5	5
53th floor Tour Montparnasse - ERAMET	5	(2)	-	3	3	3
Total	**104**	**(26)**	**-**	**78**	**84**	**88**

Future finance lease payments are presented in Note 19 – Borrowings.

Note 7. Impairment of assets

The data and assumptions used to carry out impairment tests on non-current assets in cash generating units (CGUs) are as follows:

- the discount rate used is the weighted average cost of capital (WACC), namely 10%;
- cash flows are prepared over five years taking into account a terminal value. The growth rates used are the same as those used in budgets; the growth rates to infinity used for the terminal values are between 0% and 1%, depending on the CGU.

The main impairment losses recognised were as follows:

(millions of euros)	Carrying amount before impairment			Value in use or fair value			Measurement method
	31/12/2008	31/12/2007	31/12/2006	31/12/2008	31/12/2007	31/12/2006	
Cash generating units							
Manganese Division	137	77	82	72	51	47	Discounted cash flow
Alloys Division	36	32	31	23	19	17	Discounted cash flow
Individual assets							
Nickel Division	7	-	-	-	-	-	Indication of impairment loss
Manganese Division	10	-	-	5	-	-	Indication of impairment loss
Alloys Division	3	3	3	-	-	-	Indication of impairment loss
Total	**193**	**112**	**116**	**100**	**70**	**64**	

Impairment losses on goodwill amounted to €19 million compared to €14 million (Note 4) and on property, plant and equipment to €90 million compared to €50 million (Note 6). The changes were primarily due to the following items:

➔ Cash generating units:

Impairment losses in the Manganese Division primarily included €31 million in writedowns at the recycling business in 2008 and €4 million in writedowns at the "Special product" business in the US (Notes 6 and 24).

There were no other material writedowns in 2008.

➔ Individual assets:

The impairment losses/indications of impairment in respect of individual assets at the Alloys Division related to the shutdown of a production line, unchanged on previous years.

The €7 million writedown recognised for the Nickel Division in 2008 mainly related to unused property, plant and equipment (Note 24). In the Manganese Division, the Gabonese company Port Minéralier d'Owendo SA was the subject of a €5 million impairment loss (Notes 4 and 24).

No other material impairment losses were recognised as of 31 December 2008.

Note 8. Investments in associates

8.1. By category

(millions of euros) Companies	Country	% interest	Share of profit (loss)	Share of shareholders' equity 31/12/2008	31/12/2007	31/12/2006
Port Minéralier d'Owendo SA	Gabon	-	-	-	1	3
Total			**-**	**-**	**1**	**3**

The Gabonese company Port Minéralier d'Owendo SA, previously accounted for under the equity method at 36.35%, has been fully consolidated since 1 October 2008, following the acquisition of an additional 60.89% interest (Note 2).

8.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**1**	**3**	**11**
Business combinations	-	-	(8)
Other changes in scope	-	(1)	-
Capital expenditure over the period	-	-	-
Disposals over the period	-	-	-
Share of profit (loss) for the period	-	-	1
Dividends paid	(1)	(1)	(1)
Translation adjustments and other movements	-	-	-
At 31 December	**-**	**1**	**3**

Note 9. Non-consolidated subsidiaries

9.1. By category

(millions of euros) Companies	Country	% interest	Gross amounts	Impairment	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Tinfos International A/S	Norway	100%	33	-	33	-	-
Brown Europe	France	100%	8	-	8	8	8
UKAD	France	50%	4	-	4	-	-
Tinfos Aqua A/S	Norway	100%	3		3	-	-
Aubert & Duval USA Inc. (ex Htm Inc.)	US	100%	3	-	3	3	3
Erasteel GmbH	Germany	100%	3	-	3	2	3
Aubert & Duval Mold and Die Technology	China	85%	3	-	3	3	3
Stahlschmidt GmbH	Germany	70%	3	-	3	2	2
La Petite-Faye	New Caledonia	100%	2	-	2	2	2
Erasteel Italiana Srl	Italy	-	-	-	-	-	2
ERAMET North America Inc. (ex Lni Inc.)	US	-	-	-	-	-	1
SOMIVAB	Gabon	60,85%	1	-	1	-	-
ERAMET Research (ex Crt)	France	100%	1	-	1	1	1
ERAMET Ingénerie (ex Tec)	France	100%	1	-	1	1	1
Sogaferro	Gabon	69,99%	1	-	1	1	1
Traitement Compression Service	France	-	-	-	-	-	1
ERAMET Korea Ltd	South Korea	-	-	-	-	1	1
ERAMET Latin America	Brazil	-	-	-	-	1	-
Other companies (less than a million euros)	-	-	15	(7)	8	10	8
Total			**81**	**(7)**	**74**	**35**	**37**

Non-consolidated subsidiaries chiefly relate to controlled companies and are recognised in the balance sheet at acquisition cost, less any provisions for impairment determined on the basis of the share of shareholders' equity held, with the Group unable to reliably measure the fair value.

Since 1 January 2006, non-consolidated subsidiaries include companies that were deconsolidated because they have little impact on the Group's financial statements (Erasteel GmbH & Erasteel Italiana Srl). These investments are measured at their shareholders' equity interest value on the date of deconsolidation.

The interests in Erasteel Italiana Srl, Traitement Compression Service (Tcs) and ERAMET North America Inc. (formerly Lni Inc.) were disposed of in 2007, and the proceeds of the disposal were recognised in Other finance income and expenses (Note 24.2).

In 2008, business combinations primarily related to the acquisition as of 1 August of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (Note 2). Tinfos International A/S, wholly owned by Eralloys Holding A/S, and mainly involved in the international trading of metallurgical products for the steel and smelting industries via its subsidiary in Luxembourg, is not included in the scope of consolidation because there are plans to dispose of it. Its shares are valued at their carrying amount of €33 million and classified as non-consolidated subsidiaries.

9.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**35**	**37**	**37**
Business combinations	38	-	-
Other changes in scope	-	-	3
Capital expenditure over the period	6	1	1
Disposals over the period	(2)	(6)	(4)
Period impairment via profit and loss	(2)	2	(1)
Period impairment via shareholders' equity	-	-	-
Translation adjustments and other movements	(1)	1	1
At 31 December	**74**	**35**	**37**

Simplified financial statements (corporate data) for the main controlled but non-consolidated companies as of 31 December 2007 are presented below:

(millions of euros) **(Basis: financial statements on 31 December 2007)**	Tinfos Intern. A/S (5 months/2008)	Stahlschmidt GmbH	Erasteel GmbH	Brown Europe	ERAMET Ingenierie	ERAMET Research
Sales	310	34	26	19	9	12
Current operating profit	2	1	-	6	1	-
Profit (loss) for period	1	1	-	3	-	1
Non-current assets	5	1	1	7	-	4
Working capital requirement	134	4	2	10	-	-
Shareholders' equity	(36)	(4)	(2)	(17)	(3)	(3)
Provisions	(3)	(1)	(1)	(1)	-	(1)
Net financial liabilities	(100)	-	-	1	3	-

These companies are mainly sales and research and development entities, the services of which are wholly for the ERAMET Group and the industrial subsidiaries of SIMA (shaping, wiredrawing and drawing of metallurgical products).

The financial statements of the Norwegian company Tinfos International A/S present the consolidated data as of 31 December 2008, for 5 months of trading beginning on 1 August 2008, including the subsidiaries in Luxembourg, Tinfos International SA and Tinfos Nizi Luxembourg SA (Note 2).

Note 10. Other investments

10.1. By category

(millions of euros)	Gross amounts	Impairment	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Deposits and guarantees	32	-	32	13	11
Pension plan assets	5	-	5	-	-
Employee loans	6	-	6	6	6
Current accounts - Tinfos International A/S	7	-	7	-	-
Current accounts - Fjellsikring A/S	2	-	2	-	-
Current accounts - Enercal	2	-	2	-	-
Current accounts - ERAMET International & subsidiaries	1	-	1	1	2
Financial investments/US pensions	2	-	2	2	2
Receivables, Sonadig (Gabon)	-	-	-	-	2
Current accounts - A&D Mold and Die Technology	2	-	2	-	-
Current accounts - Stahlschmidt GmbH	-	-	-	2	2
Current accounts - Bronzavia Industries	2	(2)	-	-	-
Other loans and current accounts	5	(1)	4	2	5
Total	**66**	**(3)**	**63**	**26**	**30**

Other investments primarily relate to loans and current accounts extended to non-consolidated companies and are measured at amortised cost.

Since 10 October, deposits and guarantees consist of €14 million (US$20 million) paid by ERAMET for the call option on 75.1% of the manganese mining project of Otjozondu in Namibia and €16 million in additional deposits paid by ERAMET under the liquidity contract entered into with Exane BNP Paribas (Note 14).

10.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**26**	**30**	**25**
Business combinations	10	-	-
Other changes in scope	-	-	-
Changes in cash	24	(4)	6
Impairment losses over the period	-	1	-
Translation adjustments and other movements	3	(1)	(1)
At 31 December	**63**	**26**	**30**
Breakdown of impairment losses:			
▪ **At 1 January**	**(3)**	**(4)**	**(2)**
▪ Impairment losses	-	(1)	-
▪ Reversals of impairment, used	-	2	-
▪ Reversals of impairment, unused	-	-	-
▪ Translation adjustments and other movements	-	-	(2)
▪ **At 31 December**	**(3)**	**(3)**	**(4)**

10.3. By currency

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Euro	26	16	18
US dollar	17	3	6
CFA franc	1	1	1
Pacific franc	8	6	5
Norwegian krone	11	-	-
Total	**63**	**26**	**30**

10.4 By interest rate

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Interest-free	39	10	15
Fixed interest rates	13	5	4
Floating interest rates	11	11	11
Total	**63**	**26**	**30**

Interest free items mainly relate to deposits and guarantees and certain loans to employees.

Note 11. Inventories

11.1. By category

(millions of euros)	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Raw materials	538	256	237
Merchandise and finished products	357	311	232
Work in progress and semi-finished products	324	321	283
Consumables and spare parts	23	17	17
Total	**1,242**	**905**	**769**
Of which: impairment losses	(163)	(112)	(131)

Impairment provisions mainly relate to raw materials and merchandise and finished products. Inventories pledged to secure liabilities appear in Note 28 – Off-balance sheet commitments.

11.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**905**	**769**	**760**
Business combinations	121	-	-
Other changes in scope	-	-	(6)
Changes in working capital requirement	324	141	95
Impairment losses over the period	(51)	14	(63)
Translation adjustments and other movements	(57)	(19)	(17)
At 31 December	**1,242**	**905**	**769**
Breakdown of impairment losses:			
▪ **At 1 January**	**(112)**	**(131)**	**(68)**
▪ Impairment losses	(91)	(34)	(96)
▪ Reversals of impairment, used	40	48	33
▪ Reversals of impairment, unused	-	-	-
▪ Translation adjustments and other movements	-	5	-
▪ **At 31 December**	**(163)**	**(112)**	**(131)**

Inventories rose by close to €340 million as a result of the integration of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (€110 million at the end of 2008) and the very sharp decline in non-Group sales in Q4, which resulted in an increase in our work in progress and inventories of finished products in the Nickel Division and particularly in the Manganese Division (an additional 400,000 tons of Comilog ore inventories and over 75,000 tons of manganese alloys inventories). In 2006, changes in estimates at Aubert & Duval (Alloys Division) and Gulf Chemical & Metallurgical Corp. (Manganese Division) respectively contributed €17 million and €2 million to the increase in inventories. These changes stemmed from more precise measurements following the installation of a new IT system at Aubert & Duval and the recognition in inventories of catalysts for Gulf Chemical & Metallurgical Corp. They had been recognised and offset in other operating income and expenses (Note 24).

Note 12. Trade and other receivables

12.1. By category

(millions of euros)	Gross amounts	Impairment	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Trade receivables	472	(33)	439	554	557
Payroll and tax receivables	62	-	62	50	42
Other operating receivables	95	(21)	74	51	29
Receivables on non-current assets	9	-	9	1	-
Prepaid expenses	19	-	19	25	9
Total	**657**	**(54)**	**603**	**681**	**637**
▪ Non-current assets	6	-	6	6	6
▪ Current assets	651	(54)	597	675	631

12.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**681**	**637**	**523**
Business combinations	79	-	3
Other changes in scope	-	-	3
Changes in working capital requirement	(136)	52	114
Impairment losses over the period	7	(4)	1
Translation adjustments and other movements	(28)	(4)	(7)
At 31 December	**603**	**681**	**637**
Breakdown of impairment losses on receivables:			
▪ **At 1 January**	**(37)**	**(34)**	**(36)**
▪ Impairment losses	(15)	(17)	(6)
▪ Reversals of impairment, used	22	13	7
▪ Reversals of impairment, unused	-	-	-
▪ Business combinations	(24)	-	-
▪ Translation adjustments and other movements	-	1	1
▪ **At 31 December**	**(54)**	**(37)**	**(34)**

The bulk of trade and other receivables are due in less than one year. Other non-current receivables of €5 million compared to €6 million as of 31 December 2007, relate to an Setrag SA receivable vis-à-vis the Gabonese State in connection with the concession agreement. Trade receivables fell by €115 million despite the €46 million in outstanding amounts resulting from the consolidation of Eralloys Holding A/S and Tinfos A/S. There was no material change in trade receivable collection periods; this decline was primarily due to the poor performance at the end of the year and the fall-off in the price of certain materials, including nickel.

Foreign-currency denominated receivables are translated at the closing rate.

The ERAMET Group carried out the securitisation of receivables at its Aubert & Duval subsidiary (Alloys Division), with the latter entering into a securitisation contract that enabled it to deconsolidate receivables on 5 July 2007 for a maximum of €115 million and US$50 million. This contract provided for the securitisation for a period of five years of receivables from major customers, primarily located in Europe and North America.

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Trade receivables - invoices assigned and de-consolidated	(119)	(112)	-
Other operating receivables - security deposits	26	16	-

Group credit risk exposure is limited and no third-party default with a material impact occurred during the period or is expected.

Note 13. Other current financial assets and cash and cash equivalents

13.1. Other current financial assets

13.1.1 BY CATEGORY

Other current financial assets consisted of bonds issued by some twenty listed European companies.

13.1.2 CHANGES OVER THE PERIOD

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**144**	**103**	**96**
Business combinations	-	-	-
Other changes in scope	-	-	-
Capital expenditure over the period	257	41	7
Disposals over the period	-	-	-
Period impairment in profit and loss	-	-	-
Period impairment in shareholders' equity	(13)	-	-
Translation adjustments and other movements	-	-	-
At 31 December	**388**	**144**	**103**

As of 31 December 2008, an impairment loss of €13 million was recorded with respect to the fair value of bonds (€401 million face value), offset in shareholders' equity.

13.2. Cash and cash equivalents

13.2.1 BY CATEGORY

(millions of euros)	Gross amounts	Impairment	Carrying amounts 31/12/2008	Carrying amounts 31/12/2007	Carrying amounts 31/12/2006
Cash	75	-	75	57	31
Cash equivalents	878	(9)	869	905	509
Total	**953**	**(9)**	**944**	**962**	**540**

13.2.2 BY CURRENCY

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Euro	716	871	451
US dollar	61	69	79
Yuan Ren Min Bi (China)	17	15	2
Norwegian krone	140	2	-
Other currencies	10	5	8
Total	**944**	**962**	**540**

13.2.3 BY INTEREST RATE

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Interest free	72	16	15
Fixed interest rates	24	24	12
Floating interest rates	848	922	513
Total	**944**	**962**	**540**

Cash includes cash at hand and in bank. Cash equivalents, primarily managed by Metal Securities, are comprised of €247 million in money market and other securities, bearing interest calculated on the basis of the EONIA (Euro OverNight Index Average) rate, and €492 million in negotiable debt securities, bearing interest on the basis of the EONIA rate.

The change from one period to the next is analysed via a cash flow statement drawn up using the indirect method.

Note 14. Shareholders' equity

14.1. Changes in share capital

The share capital is comprised of 26,215,231 fully paid-up shares with a €3.05 par value each, broken down as follows:

	FY 2008				FY 2007				FY 2006			
		Capital		Voting rights		Capital		Voting rights		Capital		Voting rights
Breakdown	%	number of shares	%	number of shares	%	number of shares	%	number of shares	%	number of shares	%	number of shares
Registered shares												
SORAME et Compagnie d'Etudes Industrielles du Rouvray (CEIR)	36.64	9,604,138	43.97	19,207,474	37.07	9,603,338	44.21	19,206,674	37.11	9,603,338	43.67	19,182,674
AREVA	25.78	6,757,277	30.94	13,514,554	26.08	6,757,277	31.11	13,514,554	26.11	6,757,277	30.77	13,514,554
S.T.C.P.I.	4.08	1,070,586	4.90	2,141,172	4.13	1,070,586	4.93	2,141,172	5.11	1,323,471	5.95	2,614,378
Holta Investment SA	0.76	198,126	0.45	198,126	-	-	-	-	-	-	-	-
Société Minière G. Montagnat	-	-	-	-	-	-	-	-	0.25	65,545	0.29	129,478
ERAMET SA	1.49	389,475	-	-	1.32	340,786	-	-	0.44	114,701	-	-
ERAMET SA share fund	0.07	19,610	0.09	39,220	0.16	40,470	0.19	80,940	0.18	46,970	0.21	92,190
Other	1.43	373,863	1.79	784,108	1.64	424,720	1.91	831,284	1.78	460,271	2.02	885,493
Total registered shares	**70.24**	**18,413,075**	**82.14**	**35,884,654**	**70.40**	**18,237,177**	**82.35**	**35,774,624**	**70.99**	**18,371,573**	**82.91**	**36,418,767**
Other bearer shares	29.76	7,802,156	17.86	7,802,156	29.60	7,668,444	17.65	7,668,444	29.01	7,509,321	17.09	7,509,321
Total number of shares	**100.00**	**26,215,231**	**100.00**	**43,686,810**	**100.00**	**25,905,621**	**100.00**	**43,443,068**	**100.00**	**25,880,894**	**100.00**	**43,928,088**
▪ Shares with single voting rights	33.35%	8,743,652	20.01%	8,743,652	32.30%	8,368,174	19.26%	8,368,174	30.27%	7,833,700	17.83%	7,833,700
▪ Shares with double voting rights	66.65%	17,471,579	79.99%	34,943,158	67.70%	17,537,447	80.74%	35,074,894	69.73%	18,047,194	82.17%	36,094,388

The 17 June 1999 agreement, which expired on 30 June 2006, was tacitly extended for one-year periods. On 29 May 2008, the shareholders (SORAME and CEIR) and AREVA announced the signing of an amendment to the shareholders' agreement. The amended shareholders' agreement, initially entered into for a term expiring on 31 December 2008, is tacitly renewable for six-month periods, unless one of the parties gives fifteen calendar days' notice of termination. It was renewed for six months as from 1 January 2009.

This shareholders' agreement (including a sub-agreement between SORAME and CEIR), which constitutes an agreement to act in concert, was the subject of prior notice 199CO577 of 18 May 1999 from the French Financial Markets Board. The amendment of 29 May 2008 was the subject of AMF approval and notice No. 208C1042.

Since 1 January 2002, registered shares meeting the required conditions have qualified for double voting rights.

DIVIDENDS

	FY 2008	FY 2007	FY 2006	FY 2005
Net dividends *(in euros per share)*	6.00	2.90	2.10	2
Tax credit	-	-	-	-
Total yield *(in euros per share)*	6.00	2.90	2.10	2
Total net distribution *(in millions of euros)*	**154**	**74**	**54**	**51**

The ERAMET SA parent company's distributable reserves amounted to €1,070 million prior to the allocation of 2007 earnings (€895 million as of 31 December 2007).

TREASURY STOCK

As of 31 December 2008, ERAMET held 389,475 treasury shares (340,786 shares as of 31 December 2007). In July 2007, following the exercise of the Le Nickel-SLN shareholders' agreement of 13 September 2000, ERAMET received 252,885 shares (Note 27). 53,689 shares (5,000 shares as of 31 December 2007) relate to shares bought under a liquidity contract entered into with Exane BNP Paribas and not yet registered as of the date of drafting of this table. The total amount of buybacks was charged to shareholders' equity.

The table below summarises the treasury stock transactions:

		Market making	Stocks options granted	Other goals	Total
Position as on 31 December 2005		**15,609**	**132,305**	**18,907**	**166,821**
As a percentage of share capital	25,789,874	0.06%	0.51%	0.07%	0.65%
Allocated to stock options:					
▪ Granted		-	(31,649)	31,649	-
▪ Other		239	-	(239)	-
Purchase option exercises		-	(37,578)	-	(37,578)
Purchases		59,837	-	-	59,837
Sales		(58,823)	-	-	(58,823)
Position as on 31 December 2006		**16,862**	**63,078**	**50,317**	**130,257**
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%
Allocated to stock options:					
▪ Granted		-	(32,584)	32,584	-
▪ Other			-		-
Purchase option exercises		-	(30,494)	-	(30,494)
Purchases		69,332	-	252,885	322,217
Sales		(81,194)	-	-	(81,194)
Position as on 31 December 2007		**5,000**	**-**	**335,786**	**340,786**
As a percentage of share capital	25,905,621	0.02%	-	1.30%	1.32%
Allocated to stock options:					
▪ Granted		-	-	-	-
▪ Other		-	-	-	-
Purchase option exercises		-	-	-	-
Purchases		210,141	-	-	210,141
Sales		(161,452)	-	-	(161,452)
Position as on 31 December 2008		**53,689**	**-**	**335,786**	**389,475**
As a percentage of share capital	26,215,231	0.20%	-	1.28%	1.49%

Share purchases for "other goals" in 2007 include the 252,885 shares ERAMET received from Société Territoriale Calédonienne de Participation Industrielle (STCPI) in exchange for 4% of the shares in Le Nickel-SLN (Notes 15 and 28).

14.2. Stock subscription and purchase option plans and bonus shares

14.2.1. SUBSCRIPTION OPTIONS

	Meeting date	Board Meeting date	Subscrip-tion price	Number of beneficiaries At outset	At 01.01.2008	Allocated at outset	Exercised or lapsed prior to 01.01.2008	Exercised in 2008	Lapsed in 2008	Still to be exercised as from 01.01.2009	Number of benefi-ciaries at 01.01.2009	Expiry of plans
1	27.05.1998	12.12.2001	32.60 EUR	61	8	153,000	(134,200)	(11,050)	-	7,750	5	11.12.2009 (1)
2	23.05.2002	15.12.2004	64.63 EUR	81	75	130,000	(9,562)	(57,069)	(3,700)	59,669	41	15.12.2012 (2)
Total						**283,000**	**(143,762)**	**(68,119)**	**(3,700)**	**67,419**		

(1) Only exercisable as from 12 December 2003. Shares could not be sold prior to 14 December 2005.
(2) Only exercisable as from 12 December 2006. Shares could not be sold prior to 14 December 2008.

The exercise of 68,119 subscription options during the financial year at an average price of €59.43 contributed to the increase in shareholders' equity, offset in cash by the creation of the same number of shares.

14.2.2. BONUS SHARES

(1)	Meeting date	Board Meeting date	Subs-cription price	Number of beneficiaries At outset	At 01.01.2008	Allocated at outset	Subscribed or lapsed prior to 01.01.2008	Defini-tively granted in 2008	Lapsed in 2008	Still to be exercised as from 01.01.2009	Number of beneficiaries at 01.01.2009	Expiry of plans
1	11.05.2005	13.12.2005	Bonus	90	-	14,000	(14,000)	-	-	-	-	-
2	11.05.2005	25.04 2007	Bonus	1	-	10,000	-	-	-	10,000	1	25.04.2009
3	11.05.2005	23.07.2007	Bonus	61	-	16,000	-	-	(170)	15,830	59	23.07.2009
Total						**40,000**	**(14,000)**	**-**	**(170)**	**25,830**		

(1) Definitive vesting date: 1 = 13.12.2007, 2 = 25.04.2009 and 3 = 23.07.2009. The shares cannot be sold prior to: 1 = 13.12.2009, 2 = 25.04.2011 and 3 = 23.07.2011.

14.3. Share-based compensation

Share-based compensation only relates to stock option and bonus share plans granted to employees. They represented a €2 million expense (€2 million as of 31 December 2007) recognised in income under current operating profit (loss).

The applicable rules are common to all plans:

- the rights vesting or grant date is the date of the Board Meeting;
- the exercise period follows a two-year lock-in period from the date of the grant.

All the plans are equity settled. Only stock option plans established subsequent to 7 November 2002, for which the rights have not vested by 1 January 2005, are recognised in accordance with IFRS 2 – Share-Based Payment. Accordingly, only the stock subscription option plans established at the 15 December 2004 Board Meeting (plan No. 2, Note 14.2.1) and all the bonus share grant plans (Note 14.2.2.) fall within the scope of IFRS 2. The fair values of stock options are calculated using the Black & Scholes method. They are apportioned on a straight-line basis over the vesting period of the plan under personnel costs and offset by an increase in shareholders' equity.

Plan measurement: the assumptions used to measure the plans are based on:

- expected volatility determined on the basis of an observation of the stock's historic performance;
- a risk-free zero coupon OT rate over the term of the plan;
- a future distribution rate based on the average for the past five years.

Based on these assumptions, the results of each plan are shown in the table below:

(millions of euros)	Number of options	Exercise price *(euros)*	Maturity *(years)*	Expected volatility	Risk-free rate	Average dividend yield	Fair value of option *(euros)*	Accounting expenses of plans over three years			
								Total	FY 2008	FY 2007	FY 2006
Plan no. 2 - Note 14.2.1.	130,000	64.63	6	40.00%	2.80%	3.28%	20.75	2.7	-	-	1.3
Plan no. 1 - Note 14.2.2.	14,000	Bonus	4	40.00%	2.80%	3.28%	68.04	0.9	-	0.4	0.5
Plan no. 2 - Note 14.2.2.	10,000	Bonus	4	40.75%	4.15%	3.00%	155.19	1.6	0.8	0.5	-
Plan no. 3 - Note 14.2.2.	16,000	Bonus	4	40.75%	4.15%	3.00%	194.10	3.1	1.5	0.7	-

Note 15. Minority interests

15.1. By category

(millions of euros)	% minority interests	31/12/2008 Profit (loss)	31/12/2008 Total	31/12/2007 Total	31/12/2006 Total
Le Nickel-SLN	44%	52	661	640	357
Comilog S.A.	32.75%	97	267	183	150
Eralloys Holding A/S & Tinfos A/S	44.22%	16	124	-	-
Pt Weda Nickel Ltd.	10%	-	14	14	15
Guangxi Comilog Ferro Aloys Ltd.	30%	(1)	3	3	2
Interforge	6%	-	1	1	1
Other companies	-	(3)	1	-	-
Total		**161**	**1,071**	**841**	**525**

15.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**841**	**525**	**499**
Business combinations	136	-	16
Other changes in scope	1	45	-
Dividends paid	(51)	(33)	(44)
Profit (loss) for the period	161	232	141
First-time application of IAS 32 & 39	-	-	-
Change in financial instrument revaluation reserve - IAS 32 & 39	4	78	(81)
Translation adjustments and other movements	(21)	(6)	(6)
At 31 December	**1,071**	**841**	**525**

Business combinations in 2006 related to the acquisition of Weda Bay Minerals Inc. in early May 2006. Other changes in scope in 2007 related to the exercise of the option over 4% of Le Nickel-SLN's shares on 23 July 2007, under the shareholders' agreement of 13 September 2000 entered into by ERAMET and Société Territoriale Calédonienne de Participation Industrielle (STCPI) (Note 27).

Business combinations in 2008 related to the acquisition in late July 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (Note 2).

Note 16. Employee liabilities

ERAMET Group companies offer their employees various long-term benefits in accordance with the rules and practices in force in the countries where they operate. An actuarial appraisal of the liabilities of Group companies was carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee Benefits. This appraisal of liabilities is performed each year on a multi-annual basis (two or three years, except for non-recurring events requiring a new appraisal on a case-by-case basis).

The main Group liabilities in respect of employee benefits over the period were as follows:

Belgium:

- pension plan providing for the payment of benefits from the age of 65 for managerial staff with 25 years' service, including possible advances with reductions;
- long-service bonuses: payment of one month's salary to all employees after 25 years of service.

United States:

- pension plans providing for the payment of a pension, the amount of which depends on length of service at the time of retirement (62 or 65, depending on the plans). Possibility of early retirement and eligibility for disability benefits based on length of service and the plan in question;
- healthcare for retirees of certain sites, part of a closed plan;
- life insurance plan for employees of certain sites.

France:

- retirement packages providing for the payment of a lump sum determined based on length of service and final salary;
- healthcare for employees and retirees at ERAMET's Sandouville site;
- long-service bonuses: payment of a lump sum varying depending on the site after 20, 30, 35 and 40 years' service;
- supplementary pension plan for certain senior managers of ERAMET.

Gabon:

- pension plan providing for the payment of an employee termination benefit after three years of service calculated on the basis of salary and length of service;
- plan providing for the payment of an employee termination benefit (retirement, death, redundancy) after two years of service based on a percentage of average monthly salary over the previous 12 months per year of service;
- long-service bonuses: payment of a lump sum after 10, 20 and 30 years of service.

Mexico:

- termination bonus providing for 12 days' salary paid to all employees aged over 60 and with 15 years of service.

Norway:

- long-service bonuses: payment of a lump sum to all employees after 25, 30, 40 and 50 years of service and upon retirement;
- retirement package;
- early retirement plan: defined benefit plan covering employees 62 to 67 years of age following agreement between the employer and employees;
- supplementary pension plan: 3 defined benefit plans covering employees 67 years of age and over.

New Caledonia:

- pension plan providing for the payment of a lump sum based on salary and length of service;
- loyalty bonuses paid after ten years of service and then every five and ten years, calculated as a percentage of the base salary;
- long-service bonuses: payment of a lump sum after 15-20, 22.5-30, 26.25-35 and 30-40 years of service.

United Kingdom:

- pension plan providing for the payment of a lump sum or benefits based on final salary, revised annually for inflation.

Sweden:

- pension plan offered to former employees of Stora providing for the payment of a percentage (over 65%) of the final salary.

The ERAMET Group's defined benefit plan liabilities presented above break down as follows: the US (34% of liabilities), France (26% of liabilities), Norway (23% of liabilities) and New Caledonia (7% of liabilities).

The actuarial assumptions used for appraisals are as follows:

At 31 December 2008	Europe	North America	New Caledonia	Gabon
Discount rate	2.6% - 5.9%	6% - 8.3%	5.4%	6.5%
Inflation rate	2% - 3.2%	2.2% - 3.4%	3%	3%
Salary increase rate	2.5% - 4.5%	3% - 5%	4%	5%
Return on plan financial assets	3.75% - 7%	7.8% - 8%	5%	n/a

As of 31 December 2007	Europe	North America	New Caledonia	Gabon
Discount rate	4.3% - 5.25%	6.25% - 7.9%	5.25%	6.5%
Inflation rate	1.9% - 3.2%	2.1% - 3.4%	3%	3%
Salary increase rate	2.5% - 4.5%	3% - 5.75%	4%	5%
Return on plan financial assets	4.9% - 7%	7.8% - 8%	5%	n/a

As on 31 December 2006	Europe	North America	New Caledonia	Gabon
Discount rate	3.9% - 5.2%	5.9% - 7.5%	4.4%	6.5%
Inflation rate	2% - 2.8%	2.4% - 3.75%	3%	2.3%
Salary increase rate	2% - 4.25%	3% - 5.75%	4%	3.3%
Return on plan financial assets	4.9% - 7%	7.8% - 8%	5%	n/a

The outcome of the appraisals are as follows:

Pension and related liabilities on 31 December

(millions of euros)	Fair value of plan assets			Actuarial value of liabilities			Financial position surplus/(deficit)		
	FY 2008	FY 2007	FY 2006	FY 2008	FY 2007	FY 2006	FY 2008	FY 2007	FY 2006
Pension plans	133	99	101	206	130	153	(73)	(31)	(52)
Retirement package	39	44	42	85	76	71	(46)	(32)	(29)
Awards and bonuses	-	-	-	23	19	19	(23)	(19)	(19)
Healthcare plans	-	-	-	24	22	26	(24)	(22)	(26)
Total	**172**	**143**	**143**	**338**	**247**	**269**	**(166)**	**(104)**	**(126)**

(millions of euros)	Unrecognised actuarial (gains)/losses			Unrecognised past service			(Asset)/liability balance sheet provision		
	FY 2008	FY 2007	FY 2006	FY 2008	FY 2007	FY 2006	FY 2008	FY 2007	FY 2006
Pension plans	33	(6)	2	7	-	-	33	37	50
Retirement package	7	-	(3)	3	-	1	36	32	31
Awards and bonuses	-	-	-	-	-	-	23	19	19
Healthcare plans	-	(2)	1	-	-	-	24	24	25
Total	**40**	**(8)**	**-**	**10**	**-**	**1**	**116**	**112**	**125**
▪ Provisions							121	112	125
▪ Pension plan assets/other financial assets (Note 9)							5	-	-

Total liabilities amounted to €338 million as of 31 December 2008 (€247 million as of 31 December 2007) and the fair value of plan assets to €172 million as of 31 December 2008 (€143 million as of 31 December 2007). The net position (surplus/deficit) of the plans, which was €166 million as of 31 December 2008 (€104 million as of 31 December 2007) does not reflect the impact of plan amendments (€40 million as of 31 December 2008). The greater of actuarial differences in excess of 10% of the present value of the liability in respect of defined benefits and 10% of the fair value of plan assets at the previous balance sheet date is apportioned over the remaining working life of plan members. In the event of changes to the plan, the past service cost is apportioned on a straight-line basis over the average remaining period until the corresponding rights vest for employees. Liabilities for which there are no covering assets amount to €81 million (€65 million as of 31 December 2007).

The pension funds are invested as follows:

(millions of euros)	FY 2008				FY 2007				FY 2006			
Shares			50	29%			70	49%			68	48%
Europe	13	8%			18	13%			17	12%		
North America	36	21%			50	35%			50	35%		
New Caledonia	1	1%			2	1%			1	1%		
Gabon	-	-			-	-			-	-		
Bonds			86	50%			57	40%			65	45%
Europe	53	31%			22	15%			29	20%		
North America	26	15%			30	21%			30	21%		
New Caledonia	7	4%			5	3%			6	4%		
Gabon	-	-			-	-			-	-		
Other investments			36	21%			16	11%			10	7%
Europe	35	20%			14	10%			8	6%		
North America	1	1%			1	1%			1	1%		
New Caledonia	-	-			1	1%			1	1%		
Gabon	-	-			-	-			-	-		
Total			**172**	**100%**			**143**	**100%**			**143**	**100%**

The pension fund asset allocation policy depends on country specific practices.

The change in provisions for employee benefits over the period was as follows:

(millions of euros)	FY 2008		FY 2007		FY 2006	
At 1 January		**112**		**125**		**145**
Business combinations		15		-		-
Other changes in scope		-		-		(1)
Expenses recognised:		27		10		8
▪ Service cost	11		8		9	
▪ Net interest expense	15		13		12	
▪ Return on plan assets	(10)		(9)		(8)	
▪ Depreciation and amortisation of actuarial gains and losses and past service cost	15		-		(1)	
▪ Other	(4)		(2)		(4)	
Contributions paid		(33)		(19)		(21)
Translation adjustments and other movements		(5)		(4)		(6)
At 31 December		**116**		**112**		**125**

The breakdown by provision component in respect of 2008 was as follows:

(millions of euros)	Present value of liabilities	Fair value of plan assets	Financial position surplus/(deficit)	Unrecognised actuarial (gains)/losses	Unrecognised past service	(Asset)/liability balance sheet provision
Position as on 31 December 2005	**289**	**132**	**(157)**	**11**	**1**	**145**
Business combinations	-	-	-	-	-	-
Other changes in scope	(1)	-	1	-	-	(1)
Expenses recognised:	12	15	3	(11)		8
▪ Service cost	9	-	(9)	-	-	9
▪ Net interest expense	12	-	(12)	-	-	12
▪ Return on plan assets	-	15	15	(7)	-	(8)
▪ Depreciation and amortisation of actuarial gains and losses	(4)	-	4	(3)	-	(1)
▪ Depreciation and amortisation of past service cost	-	-	-	-	-	-
▪ Other	(5)	-	5	(1)	-	(4)
Contributions paid	(15)	6	21	-	-	(21)
Translation adjustments and other movements	(16)	(10)	6	-	-	(6)
Position as on 31 December 2006	**269**	**143**	**(126)**	**-**	**-**	**125**
Business combinations	-	-	-	-	-	-
Other changes in scope	-	-	-	-	-	-
Expenses recognised:	7	7		(9)	(1)	10
▪ Service cost	8	-	(8)	-	-	8
▪ Net interest expense	13	-	(13)	-	-	13
▪ Return on plan assets	-	11	11	(2)	-	(9)
▪ Depreciation and amortisation of actuarial gains and losses	(7)	-	7	(7)	-	-
▪ Depreciation and amortisation of past service cost	(1)	-	1	-	(1)	-
▪ Other	(6)	(4)	2	-	-	(2)
Contributions paid	(17)	2	19	-	-	(19)
Translation adjustments and other movements	(12)	(9)	3	1	-	(4)
Position as on 31 December 2007	**247**	**143**	**(104)**	**(8)**	**-**	**112**
Business combinations	43	28	(15)	-	-	15
Other changes in scope	-	-	-	-	-	-
Expenses recognised:	78	(7)	(85)	48	10	27
▪ Service cost	11	-	(11)	-	-	11
▪ Net interest expense	15	-	(15)	-	-	15
▪ Return on plan assets	-	10	10		-	(10)
▪ Depreciation and amortisation of actuarial gains and losses	22	(26)	(48)	48	-	-
▪ Depreciation and amortisation of past service cost	26	-	(26)	-	11	15
▪ Other	4	9	5	-	(1)	(4)
Contributions paid	(17)	16	33	-	-	(33)
Translation adjustments and other movements	(13)	(8)	5	-	-	(5)
Position as on 31 December 2008	**338**	**172**	**(166)**	**40**	**10**	**116**

The breakdown of actuarial differences on the basis of experience is presented below:

(millions of euros)	FY 2008	FY 2007
Actuarial value of liabilities	338	247
Fair value of plan assets	172	143
(Surplus)/deficit	**166**	**104**
Experience gains and losses on liabilities	9	7
Other gains or losses on liabilities	10	(14)
Experience gains and losses on assets	(27)	2
Other gains and losses on assets	-	-

A one percentage point increase in medical expenses would result in the liability changing by around €2 million but no material impact on the expense for the period, primarily in the United States.

The amount of provisions for forecast expected contributions and benefits to be paid by the Group for 2009 in respect of post-employment plans is estimated at €11 million.

Note 17. Provisions

17.1. By category

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Employees	20	23	25
Major lawsuits	-	-	12
Environmental contingencies and site restoration	258	225	120
Other contingencies and losses	25	38	42
Total	**303**	**286**	**199**
Long-term portion	271	255	171
Short-term portion	32	31	28

17.2. Changes over the period

(millions of euros)	FY 2008		FY 2007		FY 2006	
At 1 January		**286**		**199**		**207**
Business combinations		11		-		-
Other changes in scope		-		-		-
Allowances (reversals) over the period		(14)		30		(4)
▪ Allowances over the period	27		74		34	
▪ (Reversals) over the period, used	(44)		(42)		(37)	
▪ (Reversals) over the period, unused	(7)		(8)		(4)	
▪ Reversal of discounting	10		6		3	
Dismantling assets		18		60		-
Translation adjustments and other movements		2		(3)		(4)
At 31 December		**303**		**286**		**199**

17.3. Employees

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Restructuring and redundancy plans	13	7	9
Other payroll contingencies and losses	7	16	16
Total	**20**	**23**	**25**
Long-term portion	7	15	20
Short-term portion	13	8	5

Restructuring and redundancy plans: all restructuring and redundancy costs are fully provisioned whenever the IFRS criteria are satisfied. The following table summarises these liabilities:

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Aubert & Duval redundancy plan	1	2	2
Other restructuring and redundancy plans - Manganese Division	11	5	6
Other restructuring and redundancy plans - Alloys Division	**1**	**-**	**1**
Total	**13**	**7**	**9**

The changes over the period were as follows.

Changes in restructuring

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**7**	**9**	**18**
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	6	(2)	(8)
▪ Allowances over the period	8	-	1
▪ (Reversals) over the period, used	(2)	(2)	(5)
▪ (Reversals) over the period, unused	-	-	(4)
Translation adjustments and other movements	-	-	(1)
At 31 December	**13**	**7**	**9**

The increase in restructuring costs was mainly due to the discontinuation of the "Special Products" business at the US company ERAMET Marietta Inc. (Manganese Division) representing a provisioned cost of 7 million. The implementation of redundancy plans in France, Belgium and Norway in the Alloys and Manganese Divisions contributed to the reduction in the amount of restructurings provisioned as of 31 December 2008 (€5 million compared to €7 million as of 31 December 2007).

Other labour contingencies and losses: These provisions relate primarily to disputes with employees and social security bodies, which changed as follows:

Changes in other payroll contingencies and losses

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**16**	**16**	**15**
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	(10)	1	1
▪ Allowances over the period	4	7	5
▪ (Reversals) over the period, used	(14)	(6)	(4)
▪ (Reversals) over the period, unused	-	-	-
Translation adjustments and other movements	1	(1)	-
At 31 December	**7**	**16**	**16**

17.4. Major lawsuits

Pursuant to an outline settlement signed in early 2008 between Comilog S.A. and some of its subsidiaries and the Carlo Tassara Group definitively settling all disputes (and specifically the payment of shares in Comilog France – formerly SFPO, the payment of dividends and non-convertible bonds), the provisions for major lawsuits funded in 1996/1997 were used together with the sums owed by Comilog S.A. and its subsidiaries, with no impact on earnings. The transaction was settled on 15 February 2008.

17.5. Environmental contingencies and site restoration

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Environmental contingencies	38	27	25
Site restoration*	220	198	95
Total	**258**	**225**	**120**
* Of which, provisions with offsetting dismantling asset	146	122	70
Long-term portion	249	216	120
Short-term portion	11	9	-

Environmental contingencies: The provision amounted to €38 million as of 31 December 2008 (€27 million as of 31 December 2007) and mainly related to the Manganese Division (€19 million compared to €8 million as of 31 December 2007) and the Alloys Division (€11 million as of 31 December 2007).

The increase was mainly due to the integration as of 1 August 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S for the amount of €11 million, stemming from the risk assessment carried out by an independent firm. The amount in question primarily relates to pollution at Fedafjord that may require restoration work. A better understanding of this pollution and its consequences is planned before the end of June 2009.

Provisions were funded in the Manganese Division to cover environmental undertakings arising from regulatory and legal provisions or obligations. In Marietta (US), the provisions primarily cover obligations with regard to impoundments. These provisions were measured on the basis of expert reports and technical analyses; they have been reclassified under site restoration since 2006.

(millions of euros)		FY 2008		FY 2007		FY 2006
At 1 January		**27**		**25**		**47**
Business combinations		11		-		-
Other changes in scope		-		-		-
Allowances (reversals) over the period		(1)		2		(8)
▪ Allowances over the period	1		6		3	
▪ (Reversals) over the period, used	(2)		(4)		(11)	
▪ (Reversals) over the period, unused	-		-		-	
Translation adjustments and other movements		1		-		(14)
At 31 December		**38**		**27**		**25**

Site restoration: Site restoration for mining sites currently in operation involved Le Nickel-SLN in New Caledonia (Nickel Division) for €161 million (31 December 2007: €134 million), Comilog S.A. in Gabon (Manganese Division) for €6 million (31 December 2007: €8 million) and since 2006 ERAMET Marietta Inc. in the US for €24 million (31 December 2007: €26 million). The increase in both 2007 and 2008 in the provision for New Caledonia was due to the remeasurement of certain dismantling costs and the increase in the areas to be restored. For facilities in operation, a dismantling asset of €60 million was recognised in 2007 and €18 million in 2008. At Boulogne-sur-Mer, provisions were recognised in 2003 and 2007 for regulatory and constructive obligations in connection with the demolition and restoration of the site following the decision to shut down the plant (Note 17.6).

Restoration costs are discounted over the remaining period to the expected end of operation of the mine, with averages of nine years and a maximum of 14 in New Caledonia, eight years and a maximum of 15 in Gabon and 63 years and a maximum of 72 in the US. These provisions are discounted at a rate of 5.4% in New Caledonia, 6.5% in Gabon and 6% in the United States. A one percentage point increase or decrease in the discount rate would result in a €16 million decrease and an €18 million increase in provisions.

The Group has no decommissioning fund as defined by IFRIC 5.

Changes in site restoration

(millions of euros)		FY 2008		FY 2007		FY 2006
At 1 January		**198**		**95**		**80**
Business combinations		-		-		-
Other changes in scope		-		-		-
Allowances (reversals) over the period		3		46		-
▪ Allowances over the period	7		50		1	
▪ (Reversals) over the period, used	(14)		(10)		(4)	
▪ (Reversals) over the period, unused	-		-		-	
▪ Reversal of discounting	10		6		3	
Dismantling assets		18		60		-
Translation adjustments and other movements		1		(3)		15
At 31 December		**220**		**198**		**95**

17.6. Other contingencies and losses

The other provisions spread across the three divisions cover miscellaneous contingencies, including the cost of closing the Boulogne-sur-Mer plant, €5 million (the same as at the end of 2007), commercial risks/disputes (€6 million compared to €10 million at the end of 2007), various supplier lawsuits in New Caledonia for €2 million (compared to €4 million as of 31 December 2007) and provisions for insurance deductibles of €4 million (the same as in 2007).

(millions of euros)		FY 2008		FY 2007		FY 2006
At 1 January		**38**		**42**		**35**
Business combinations		-		-		-
Other changes in scope		-		-		-
Allowances (reversals) over the period		(12)		(11)		11
▪ Allowances over the period	7		11		24	
▪ (Reversals) over the period, used	(12)		(14)		(13)	
▪ (Reversals) over the period, unused	(7)		(8)		-	
▪ Reversal of discounting	-		-		-	
Translation adjustments and other movements		(1)		7		(4)
At 31 December		**25**		**38**		**42**

17.7. Ongoing disputes

To the best of the Company's knowledge, there are no other extraordinary situations or disputes likely to have a material impact on the financial position, results or assets or liabilities of the Company or Group.

Note 18. Deferred tax

18.1. By category

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Difference between tax and consolidated amounts of non-current assets	125	121	129
Restatement of tax entries	203	148	107
Other temporary differences	120	108	87
Hedging instruments	16	35	13
Other	6	8	4
Deferred tax liabilities	**470**	**420**	**340**
Temporary differences	120	123	107
Tax loss carry-forwards*	12	2	6
Elimination of gains (losses) on internal disposals	78	34	25
Hedging instruments	52	28	128
Other	-	-	-
Deferred tax assets	**262**	**187**	**266**
Total	**208**	**233**	**74**
* Limited or written off deferred tax assets	30	20	24
Capitalised deferred tax assets	12	2	6

The increased difference between the tax and consolidated amounts of non-current assets in 2006 resulted predominantly from the €65 million deferred tax liability recognised on the measurement of the Pt Weda Bay Nickel mining deposits.

The increase in both 2007 and 2008 in deferred taxes relating to the restatement of tax-related entries was due to the funding of tax-driven provisions in Gabon, New Caledonia and France.

The other temporary differences recognised in liabilities as of 31 December 2008 (€120 million) mostly related to the lease (€43 million), the portion of future taxable profit in Sweden (€9 million) technical provisions for reinsurance (€8 million) and unrealised UCITS capital gains (€11 million).

The temporary differences recognised in assets (€120 million) primarily related to employee benefits, mostly in the US and Norway (€13 million), provisions (€18 million) and the lease (€33 million).

The decrease in 2007 in deferred tax assets on hedging instruments was mainly due to the decline in liability positions on commodity hedges, primarily nickel (Note 21).

18.2. Changes over the period

(millions of euros)	Liabilities	Assets	Net FY 2008	Net FY 2007	Net FY 2006
At 1 January	**420**	**187**	**233**	**74**	**107**
Business combinations	16	10	6	-	68
Other changes in scope	-	-	-	-	-
Deferred tax offset in shareholders' equity	(13)	26	(39)	118	(109)
Deferred tax on profit (loss) for the period	67	52	15	46	10
Translation adjustments and other movements	(20)	(13)	(7)	(5)	(2)
At 31 December	**470**	**262**	**208**	**233**	**74**
Net deferred tax after offsetting by tax entity					
▪ Deferred tax assets			32	13	74
▪ Deferred tax liabilities			240	246	148

Pursuant to IAS 12, deferred tax assets and liabilities have been presented separately in the balance sheet following offsetting within each fiscal entity, with aging being restated accordingly. Except for tax consolidation in France (Note 18.3) and the United States (Note 18.4), every company is an independent tax entity.

18.3. Tax consolidation in France

Tax consolidation in France is comprised of the following companies.

Companies within the scope of tax consolidation	31/12/2008	31/12/2007	31/12/2006
Consolidated companies			
ERAMET	x	x	x
Metal Securities	x	x	x
Metal Currencies	x	x	-
Erasteel	x	x	x
Erasteel Commentry	x	x	x
Erasteel Champagnole	x	x	x
ERAMET Holding Nickel	x	x	x
ERAMET Holding Manganèse	x	x	x
Société Industrielle de Métallurgie Avancée	x	x	x
Aubert et Duval	x	x	x
Airforge	x	x	x
ERAMET Alliages	x	x	x
Eurotungstène Poudres	x	x	x
Non-consolidated companies			
ERAMET International & ERAMET Japan	x	x	x
ERAMET Ingeniérie (ex TEC)	x	x	x
ERAMET Research (ex CRT)	x	x	x
Eramine	x	x	x
Forges de Montplaisir	x	x	x
Supa	x	x	x
Transmet	x	x	x
Brown Europe	x	x	x

All tax loss carry-forwards were used as of 31 December 2006 and there were no new losses in the 2007 and 2008 financial years. Furthermore, the net deferred tax position of the tax consolidation Group in France was a €30 million liability (€103 million in liabilities and €73 million in assets) compared to a €77 million liability (€129 million in liabilities and €52 million in assets) as of 31 December 2007.

18.4. Tax consolidation in the United States

The scope of the tax consolidation in the US comprised the following companies:

Companies within the scope of tax consolidation	31/12/2008	31/12/2007	31/12/2006
Consolidated companies			
Comilog US & ERAMET Comilog North America Inc. (Ecna)	x	x	x
Erachem Comilog Inc.	x	x	x
Gulf Chemical & Metallurgical Corp. (Gcmc)	x	x	x

The tax consolidation Group in the US had a net tax liability of €7 million (€12 million in liabilities and €5 million in assets) compared to an €8 million net liability (€30 million in liabilities and €22 million in assets) as of 31 December 2007. There were no tax loss carry-forwards as of 31 December 2008.

Note 19. Borrowings

19.1. By category

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Bank loans*	55	4	185
Bank overdrafts and creditor banks	46	58	18
Finance lease liabilities	51	56	62
Other borrowings and financial liabilities	47	34	25
Total	**199**	**152**	**290**
** Of which commercial paper*	*-*	*-*	*180*

ERAMET has had a commercial paper programme since 2005. The amount of commercial paper issued is included under "Bank loans". The commercial paper issued in 2006 served mainly to finance the acquisition of shares in Weda Bay Minerals Inc. in early May 2006. It was repaid in Q4 2007.

19.2 By currency

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Euro	112	88	261
US dollar	52	25	7
CFA franc	12	4	3
British pound	-	1	1
Norwegian krone	16	-	-
Other currencies	7	34	18
Total	**199**	**152**	**290**

19.3 By maturity

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Less than a year	109	87	218
One to five years	47	21	24
Over five years	43	44	48
Total	**199**	**152**	**290**

ERAMET SA has confirmed medium- and long-term credit facilities (with maturities ranging from one to five years). The unused amounts of these credit facilities on the balance sheet date would allow the Group to refinance its short-term debt on a longer-term basis.

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Unused confirmed credit facilities*	600	600	600
Unissued commercial paper	400	400	220

* *Bank covenants relating to these credit facilities are wholly satisfied. These covenants relate to the ratio of the Group's net debt to shareholders' equity.*

19.4 By interest rate

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Interest-free	5	6	8
Fixed interest rates	28	15	15
▪ Under 5%	-	1	1
▪ 5%-10%	27	14	14
▪ Over 10%	1	-	-
Floating interest rates	166	131	267
▪ Under 5%	139	114	267
▪ 5%-10%	23	17	-
▪ Over 10%	4	-	-
Total	**199**	**152**	**290**

19.5. Finance lease liabilities

	31/12/2008		31/12/2007		31/12/2006	
(millions of euros)	Nominal value	Present value	Nominal value	Present value	Nominal value	Present value
Less than a year	7	5	7	5	7	5
One to five years	25	21	25	20	26	21
Over five years	25	25	32	31	39	36
Total	**57**	**51**	**64**	**56**	**72**	**62**
Interest expense	-	6	-	8	-	10
Total	**57**	**57**	**64**	**64**	**72**	**72**

Finance lease liabilities mainly relate to capital expenditure on the 40,000-ton press in Pamiers (Airforge – Alloys Division) of €50 million, of which €41 million was for capital expenditure in 2006.

19.6. Net cash or net borrowing position

19.6.1. BY CATEGORY

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Borrowings and financial liabilities	(199)	(152)	(290)
Bonds - other current financial assets	388	144	103
Cash equivalents	869	905	509
Cash	75	57	31
Total	**1,133**	**954**	**353**

19.6.2. NET CASH OR BORROWING POSITION

(millions of euros)	FY 2008	FY 2007	FY 2006
Cash flows from operating activities			
EBITDA	1,505	1,373	758
Elimination of non-cash and non-operating income and expenses:	(395)	(344)	(164)
Cash generated from operations	**1,110**	**1,029**	**594**
Net change in current operating assets and liabilities	30	(41)	(51)
Net cash generated by operating activities	**1,140**	**988**	**543**
Cash flows from investing activities			
Industrial capital expenditure	(419)	(319)	(309)
Payments for financial investments	(425)	7	(192)
Proceeds from non-current asset disposals	11	8	17
Capital grants received	-	-	14
Changes in debt and receivables on non-current assets	(4)	4	(4)
Changes in scope and loans	27	4	11
Dividends received from associates	1	1	1
Net cash used in investing activities	**(809)**	**(295)**	**(462)**
Cash flows from financial activities			
Dividends paid	(205)	(107)	(98)
Proceeds from share capital increases	119	1	3
Change in operating working capital requirement cash flows from financial activities	-	(1)	2
Net cash used in financing activities	**(86)**	**(107)**	**(93)**
Exchange rate impact	(66)	15	1
Decrease (increase) in net cash or borrowings	**179**	**601**	**(11)**
Net cash (borrowings) at 1 January	**954**	**353**	**364**
Net cash (borrowings) at 31 December	**1,133**	**954**	**353**

Note 20. Trade and other payables

20.1. By category

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Trade payables	465	334	288
Tax and payroll liabilities	220	196	177
Other operating liabilities	190	106	71
Debts on non-current assets	39	35	49
Debts of associates - dividends	1	6	5
Prepaid income	14	9	6
Total	**929**	**686**	**596**
▪ Non-current liabilities	22	30	27
▪ Current liabilities	907	656	569

The bulk of trade and other payables are due in less than one year. The €22 million (€30 million on 31 December 2007) in non-current liabilities related to Setrag SA's 25-year debt to the Gabonese State in connection with the purchase of own property and a portion of the spare parts inventory for €12 million (€12 million as of 31 December 2007) as well as with the €10 million (€18 million as of 31 December 2007) in tax breaks relating to the financing of furnace No. 10 (2004 agreement) and of the washing plant (2006 agreement) as part of the Le Nickel-SLN project, apportioned over five to six years.

20.2. Changes over the period

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**686**	**596**	**563**
Business combinations	44	-	1
Other changes in scope	-	-	(1)
Changes in working capital requirement	200	97	61
Translation adjustments and other movements	(1)	(7)	(28)
At 31 December	**929**	**686**	**596**

Foreign-currency denominated debt is translated at the closing rate.

Note 21. Risk management and derivatives

21.1. Financial instruments shown in the balance sheet

(millions of euros)	31/12/2008	Breakdown by type of instrument				
	Balance sheet value	Fair value via profit and loss	Available for sale assets	Loans and receivables	Borrowings at amortised cost	Derivatives
Investment securities	74	74	-	-	-	-
Other non-current financial assets	63	-	-	63	-	-
Other non-current assets	6	-	-	6	-	-
Trade receivables	439	-	-	439	-	-
Other current assets	299	-	-	299	-	-
Derivatives	111	-	-	-	-	111
Other current financial assets	388	-	388	-	-	-
Cash and cash equivalents	944	944	-	-	-	-
Assets	**2,324**	**1,018**	**388**	**807**	**-**	**111**
Borrowings - long-term portion	92	-	-	-	92	-
Other non-current liabilities	22	-	-	22	-	-
Borrowings - short-term portion	107	46	-	-	61	-
Trade payables	465	-	-	465	-	-
Other current liabilities	729	-	-	729	-	-
Derivatives	158	-	-	-	-	158
Liabilities	**1,573**	**46**	**-**	**1,216**	**153**	**158**

(millions of euros)	**31/12/2007**					**Breakdown by type of instrument**
	Balance sheet value	**Fair value via profit and loss**	**Available for sale assets**	**Loans and receivables**	**Borrowings at amortised cost**	**Derivatives**
Investment securities	35	35	-	-	-	-
Other non-current financial assets	26	-	-	26	-	-
Other non-current assets	6	-	-	6	-	-
Trade receivables	554	-	-	554	-	-
Other current assets	252	-	-	252	-	-
Derivatives	129	-	-	-	-	129
Other current financial assets	144	-	144	-	-	-
Cash and cash equivalents	962	962	-	-	-	-
Assets	**2,108**	**997**	**144**	**838**	**-**	**129**
Borrowings - long-term portion	65	-	-	-	65	-
Other non-current liabilities	30	-	-	30	-	-
Borrowings - short-term portion	87	58	-	-	29	-
Trade payables	334	-	-	334	-	-
Other current liabilities	598	-	-	598	-	-
Derivatives	81	-	-	-	-	81
Liabilities	**1,195**	**58**	**-**	**962**	**94**	**81**

(millions of euros)	**31/12/2006**					**Breakdown by type of instrument**
	Balance sheet value	**Fair value via profit and loss**	**Available for sale assets**	**Loans and receivables**	**Borrowings at amortised cost**	**Derivatives**
Investment securities	37	37	-	-	-	-
Other non-current financial assets	30	-	-	30	-	-
Other non-current assets	6	-	-	6	-	-
Trade receivables	557	-	-	557	-	-
Other current assets	148	-	-	148	-	-
Derivatives	55	-	-	-	-	55
Other current financial assets	103	-	103	-	-	-
Cash and cash equivalents	540	540	-	-	-	-
Assets	**1,476**	**577**	**103**	**741**	**-**	**55**
Borrowings - long-term portion	72	-	-	-	72	-
Other non-current liabilities	27	-	-	27	-	-
Borrowings - short-term portion	218	18	-	-	200	-
Trade payables	288	-	-	288	-	-
Other current liabilities	426	-	-	426	-	-
Derivatives	367	-	-	-	-	367
Liabilities	**1,398**	**18**	**-**	**741**	**272**	**367**

The liabilities formerly recognised under "Cash and cash equivalents" were reclassified under "Available for sale financial assets" for a sum of €144 million as of 31 December 2007 and €103 million as of 31 December 2006 (Note 3).

No reclassification among categories of financial instruments was carried out during the period. Investments in associates are recognised in the balance sheet at fair value (Note 1.11.1). Other financial assets are measured at amortised cost calculated using the effective interest rate (EIR) (Note 1.11.2).

Borrowings are recognised at amortised cost calculated using the effective interest rate (EIR) (Note 1.14). Borrowings may, where appropriate, be covered by interest rate hedges and are remeasured with respect to the portion linked to interest rate changes; their fair value is close to their value shown in the balance sheet due to their small amount and the hedges (Notes 19 and 21.4.2).

The fair value of trade receivables and trade payables is equal to the value shown in the balance sheet, since for the most part they fall due in less than one year (Notes 12 and 20).

21.2. Effects of financial instruments on the income statement

(millions of euros)	2008 income statement effect	Finance income and (expenses)	Fair value	Translation	Gains and losses on disposal	Net impairment
Investment securities	4	5	-	-	1	(2)
Other financial assets	4	4	-	-	-	-
Derivatives	(63)	-	(63)	-	-	-
Cash/net financial liabilities	28	36	(12)	(2)	6	-
Total	**(27)**	**45**	**(75)**	**(2)**	**7**	**(2)**

(millions of euros)	2007 income statement effect	Finance income and (expenses)	Fair value	Translation	Gains and losses on disposal	Net impairment
Investment securities	7	2	-	-	3	2
Other financial assets	(2)	(1)	-	-	-	(1)
Derivatives	(228)	-	(228)	-	-	-
Cash/net financial liabilities	19	3	(4)	1	19	-
Total	**(204)**	**4**	**(232)**	**1**	**22**	**1**

The finance income on investments in associates came from dividends. The gains or losses on currency and commodity hedges are for the most part recognised in current operating profit (loss) (Note 1.24). The portion ineligible for hedging pursuant to IAS 39 is recognised in Other finance income and expenses (Notes 1.25 and 25.2).

Breakdown of hedges - assets:

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Financial instrument assets*	60	28	19
Financial instruments - currency hedges	19	87	33
Financial instruments - interest rate hedges	-	-	-
Financial instruments - commodity hedges	32	14	3
Total	**111**	**129**	**55**

* *Foreign currency denominated receivables and debts are translated at the closing rate and the difference between the closing rate and the hedging rate is recognised under "Financial instruments - assets and liabilities".*

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**129**	**55**	**25**
Business combinations	11	-	-
Changes in hedging instruments over the period - shareholders' equity	(43)	49	16
Changes in hedging instruments over the period - finance expense	(18)	16	(1)
Changes in financial instrument assets*	32	9	15
At 31 December	**111**	**129**	**55**

* *Foreign currency denominated receivables and debts are translated at the closing rate and the difference between the closing rate and the hedging rate is recognised under "Financial instruments - assets and liabilities".*

Breakdown of hedges - liabilities:

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Financial instrument liabilities*	6	2	3
Financial instruments - currency hedges	83	18	7
Financial instruments - interest rate hedges	9	-	-
Financial instruments - commodity hedges	60	61	357
Total	**158**	**81**	**367**

* *Foreign currency denominated receivables and debts are translated at the closing rate and the difference between the closing rate and the hedging rate is recognised under "Financial instruments - assets and liabilities".*

(millions of euros)	FY 2008	FY 2007	FY 2006
At 1 January	**81**	**367**	**43**
Business combinations	-	-	-
Changes in hedging instruments over the period - shareholders' equity	65	(286)	328
Changes in hedging instruments over the period - finance expense	8	1	-
Changes in financial instrument liabilities*	4	(1)	(4)
At 31 December	**158**	**81**	**367**

* *Foreign currency denominated receivables and debts are translated at the closing rate and the difference between the closing rate and the hedging rate is recognised under "Financial instruments - assets and liabilities".*

21.3. Risk management

The Group uses derivatives to control its risk exposure. Management of the principal risks, delegated by the Executive Committee, is centralised in ERAMET's Finance Department. This management is carried out directly by ERAMET or through special purpose entities such as Metal Currencies, created specifically to manage the Group's foreign currency risk (Notes 1.5 and 2).

21.3.1. FOREIGN CURRENCY RISKS

Since 2003, the Group has centralised the foreign currency risk of its subsidiaries. Each group company must report to Group Treasury its exposure in currencies other than its functional currency. This management is part of a multiyear policy with procedures approved by the Executive Committee along with monthly reporting to its members.

ERAMET is exposed to two types of foreign currency risks, namely:

- transactional foreign currency risks where a company has income in a currency other than its functional currency that is not offset by purchases in that currency;
- foreign currency risks to the balance sheet related to the changes in net assets of subsidiaries measured in currencies other than the euro.

Transactional risks: Currency hedging primarily involves the US dollar but also includes the Norwegian Krone, the pound sterling and the Swedish Kronor. These hedges are designed to hedge the Group's structurally long present and future positions on trading transactions, more than 50% of which are invoiced in foreign currencies, while production costs are for the most part denominated in euros. Since 2007, these transactions are carried out via Metal Currencies, which was specifically created to manage and centralise this risk. The subsidiaries in question determine the amount of their net exposure based on multiyear forecasts and budgets. The associated risks are then hedged with a maximum horizon of thirty-six months if the amount is greater than €2,000,000 or the equivalent thereof per currency, except in the case of exemptions.

The breakdown of the hedging portfolio by currency is shown below:

As of 31 December 2008:

	2008 sales			2009 sales			2010 sales and beyond		
(in millions of FX)	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
Commercial hedges									
	693	USD	1.43920	946	USD	1.40	505	USD	1.34
EUR/USD	(459)	USD	1.29820	(49)	USD	1.32	-	-	-
EUR/NOK	15	EUR	7.99690	144	EUR	8.03	38	EUR	8.55
EUR/GBP	(1)	GBP	0.80522	2	GBP	0.79	-	-	-
GBP/USD	2	USD	1.72265	4	USD	1.90	-	-	-
GBP/SEK	2	GBP	12.51500	2	GBP	12.00	-	-	-
JPY/SEK	36	JPY	0.07840	60	JPY	0.06	-	-	-
EUR/SEK	(14)	EUR	11.26799	6	EUR	9.52	-	-	-
USD/SEK	18	USD	7.39711	8	USD	7.41	-	-	-
EUR/JPY	523	JPY	141.8785	620	JPY	141.40	-	-	-
Other hedges									
EUR/USD	268	USD	1.42020						

As of 31 December 2007:

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

As of 31 December 2006:

	2006 sales			2007 sales			2008 sales and beyond		
(in millions of FX)	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
Commercial hedges									
EUR/USD	393	USD	1.2691	895	USD	1.2786	6	USD	1.0518
EUR/NOK	25	EUR	8.2529	79	EUR	8.1546	-	-	-
	3	GBP	0.6869	4	GBP	0.6830	-	-	-
EUR/GBP	-	-	-	2	EUR	0.6896	-	-	-
GBP/USD	3	USD	1.9344	5	USD	1.8846	-	-	-
GBP/SEK	4	GBP	13.2024	6	GBP	13.4349	-	-	-
JPY/SEK	14	JPY	0.1077	219	JPY	0.0633	-	-	-
EUR/SEK	3	EUR	9.7387	22	EUR	9.2519	-	-	-
USD/SEK	12	USD	7.1022	10	USD	6.9775	-	-	-
EUR/JPY	126	JPY	141.9972	276	JPY	140.4317	-	-	-
Other hedges									
EUR/USD	234	USD	1.3191						
CAD/USD	26	CAD	1.1490						
EUR/NOK	1,250	NOK	8.1000						

As of 31 December 2008, the fair value of currency hedges in respect of transactional risks represented a €64 million liability (31 December 2007: a €69 million net asset).

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

- the monthly exchange rate applied to recognise sales and receipts and purchases and payments; and
- the contractual rate for unwinding hedges,

are recognised by each company under current operating profit (loss) on sales (under "Translation adjustments on sales" - Note 22.2) or purchases (under "Cost of goods sold").

A change of plus or minus 10% in the rates of the main currencies to which ERAMET is exposed would have an impact on the hedges charged to shareholders' equity of around -€83 million were rates to rise and approximately +€85 million were rates to fall.

Balance sheet risks: the ERAMET Group partially hedges foreign currency risks to the balance sheet, primarily relating to the US dollar, by issuing debt denominated in the same currency as the net assets in question.

In 2006, the Group took out a US dollar denominated loan for the acquisition of its subsidiary Weda Bay Minerals Inc. via a currency swap.

In 2008, the Group became the majority shareholder in the Norwegian companies Eralloys Holding A/S and Tinfos A/S with the acquisition of a 55.78% interest (Note 2). The Group used its surplus cash to finance the cash portion of this acquisition denominated in Norwegian Krone. This risk was hedged with a forward.

The pre-tax impact on shareholders' equity and earnings of financial instruments relating to foreign currency risks is shown below:

	Currency hedges			
	FY 2008		FY 2007	
(millions of euros)	Transactional risks	Balance sheet risks	Transactional risks	Balance sheet risks
At 1 January	**95**	**(30)**	**42**	**(5)**
Change in unexpired hedging portion	(40)	-	68	-
Change in ineffective portion via income	(13)	-	2	-
Change in effective portion via income	(52)	-	(17)	-
Translation adjustments and other movements	-	(102)	-	(25)
At 31 December	**(10)**	**(132)**	**95**	**(30)**
Changes recognised in shareholders' equity:				
▪ Fair value reserve	-	-	-	-
▪ Hedging reserve	(92)	-	41	-
▪ Translation adjustments	-	(102)	-	(25)
Total	**(92)**	**(102)**	**41**	**(25)**
Changes recognised via income:				
▪ Current operating profit	52	-	17	-
▪ Net finance income	(13)	-	2	-
Total	**39**	**-**	**19**	**-**

21.3.2. INTEREST RATE RISKS

The Group looks at its debt position and market trends when deciding whether or not interest rate hedging is necessary. The Group's Treasury Department is responsible for putting in place any hedges.

As of 31 December 2008, the Group had no interest rate hedges on its debt. "Other current financial assets" (Note 13.1) include a Group portfolio of fixed-rate bonds that were hedged using interest rate forwards (fixed rates against floating rates). Other cash surpluses generated by Metal Securities are primarily invested in instruments bearing interest calculated on the basis of the EONIA (Euro OverNight Index Average) rate (Note 13.2).

The Group's surplus cash is invested on a short-term basis and its exposure to a 10 basis point decline in interest rates would have an approximately €1 million negative impact on the net borrowing cost.

The pre-tax impact of on shareholders' equity and earnings of financial instruments relating to interest rate risks is shown below:

	Interest-rate hedges	
(millions of euros)	FY 2008	FY 2007
At 1 January	**-**	**-**
Change in unexpired hedging portion	(9)	-
Change in ineffective portion via income	-	-
Change in effective portion via income	-	-
Translation adjustments and other movements	-	-
At 31 December	**(9)**	**-**
Changes recognised in shareholders' equity:		
▪ Fair value reserve	-	-
▪ Hedging reserve	(9)	-
▪ Translation adjustments	-	-
Total	**(9)**	**-**
Changes recognised via income:		
▪ Current operating profit	-	-
▪ Net finance income	-	-
Total	**-**	**-**

21.3.3. COMMODITY RISKS

The Group is exposed to commodity price volatility, with respect to its sales as a nickel and manganese producer and to its production costs, as an energy (fuel oil and electricity) and commodities (aluminium) consumer.

The main Group entities involved are:

- ERAMET and Le Nickel-SLN in respect of nickel;
- Le Nickel-SLN in respect of fuel oil;
- Aubert & Duval in respect of aluminium;
- Erasteel Kloster AB and Tinfos Jenverk A/S in respect of electricity.

The exposure to manganese is not hedged since there is no organised market (over the counter market) in manganese.

Hedges are put in place with a horizon of 1 to 4 years, depending on the commodities on the basis of the budget. Only a portion of planned consumption or production is hedged (for example, for fuel oil: on average 50% and a maximum of 80% of the budget is hedged). The Group uses various instruments to hedge and limit its exposure: forwards and options.

As of 31 December 2008, the fair value of hedges put in place for the various commodities were:

- €32 million asset for nickel (€50 million asset as of 31 December 2007);
- €55 million liability for fuel oil (€4 million asset as of 31 December 2007);
- €1 million liability for aluminium (same as of 31 December 2007);
- €4 million liability for electricity (not hedged as of 31 December 2007).

The pre-tax impact on shareholders' equity and earnings of financial instruments relating to commodity risks is shown below:

								Energy resource hedges
				FY 2008				FY 2007
(millions of euros)	Nickel	Fuel oil	Aluminium	Electricity	Nickel	Fuel oil	Aluminium	Electricity
At 1 January	**(50)**	**4**	**(1)**	**-**	**(354)**	**(3)**	**3**	**-**
Change in unexpired hedging portion	38	(52)	(1)	(4)	38	-	(4)	-
Change in ineffective portion via income	(5)	(7)	-	-	6	7	-	-
Change in effective portion via income	49	-	1	(4)	260	-	-	-
Translation adjustments and other movements	-	-	-	4	-	-	-	-
At 31 December	**32**	**(55)**	**(1)**	**(4)**	**(50)**	**4**	**(1)**	**-**
Changes recognised in shareholders' equity:								
▪ Fair value reserve	-	-	-	-	-	-	-	-
▪ Hedging reserve	87	(52)	-	(4)	298	-	(4)	-
▪ Translation adjustments	-	-	-	-	-	-	-	-
Total	**87**	**(52)**	**-**	**(4)**	**298**	**-**	**(4)**	**-**
Changes recognised via income:								
▪ Current operating profit	(49)	-	(1)	4	(260)	-	-	-
▪ Net finance income	(5)	(7)	-	-	6	7	-	-
Total	**(54)**	**(7)**	**(1)**	**4**	**(254)**	**7**	**-**	**-**

A change of plus or minus 20% in commodity prices would impact the hedges, charged to shareholders' equity for nickel and to income for fuel oil as follows:

(millions of euros)	Nickel	Fuel oil	Aluminium	Electricity
+20% change in price	(6)	15	n/a	n/a
-20% change in price	6	(16)	n/a	n/a

21.3.4. LIQUIDITY RISKS

The Group is not exposed to liquidity risks because of its clearly positive net cash position. Cash surpluses are mostly transferred to Metal Securities, the Group's special purpose entity responsible for centralising and investing Group cash surpluses. In addition, the Group has additional sources of financing available, as required, from a revolving credit facility and the issue of commercial paper.

Revolving credit facility: In 2005, ERAMET entered into a five-year agreement for a €600 million multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. In line with the terms of the agreement, the Group has twice asked the lenders to extend it for an additional year, in 2006 and 2007. This facility thus expires on 24 May 2012. It is designed to finance operations as well as capital expenditure on assets and was entered into on an arm's length basis.

Commercial paper: In 2005, ERAMET established a €400 million commercial paper programme.

Like at 31 December 2007, because of the cash surplus as of 31 December 2008, neither the revolving credit facility nor the commercial paper programme were used.

In addition, while its net cash position is clearly positive, the Group must repay its borrowings, primarily comprising finance leases and bank borrowings following the acquisition in early August 2008 of the Norwegian companies Eralloys Holding A/S and Tinfos A/S (Notes 2 and 19), as well as derivatives, the maturity schedule of which is presented below:

Schedule of future payments of financial liabilities and derivatives

	Future payment schedule			Total
(millions of euros)	Less than a year	One to five years	More than five years	
Bank loans	28	24	3	55
Bank overdrafts and creditor banks	46	-	-	46
Finance lease liabilities	5	21	25	51
Other borrowings and financial liabilities	30	2	15	47
Total borrowings	**109**	**47**	**43**	**199**
Derivatives - currencies	10	-	-	10
Derivatives - interest rate	9	-	-	9
Derivatives - commodities	28	-	-	28
Total derivatives	**47**	**-**	**-**	**47**

21.3.5. CREDIT OR COUNTERPARTY RISKS

The Group is exposed to several types of counterparty risks: for its customers and its financial partners because of its cash surpluses invested with the Group's specialist entity Metal Securities. The Group has several means to limit this risk: gathering information ahead of transactions (from rating agencies, published financial statements, etc.), credit insurance and the putting in place of letters of credit and documentary credits. Specifically for trade receivables, there is a credit manager for each Group Division.

The age of the Group's trade receivables and past due receivables is shown below:

(millions of euros)	31/12/2008		31/12/2007		31/12/2006	
	Gross amounts	Impairment	Gross amounts	Impairment	Gross amounts	Impairment
On-time or not due	261	(1)	415	(4)	463	(3)
Delays:						
▪ less than a month	84	(1)	104	(1)	81	-
▪ between one and three months	90	(1)	35	-	12	-
▪ between three and six months	9	(3)	4	-	3	-
▪ between six and nine months	3	(3)	1	-	2	(2)
▪ between nine and twelve months	2	(2)	1	(1)	-	-
▪ over a year	23	(22)	1	(1)	3	(2)

No material unpaid or impaired receivables have been renegotiated.

21.3.6. EQUITY RISKS

ERAMET and its subsidiaries do not speculate in the stock markets; the equities held relate to unlisted controlled companies entirely related to the Group's activities (Note 8). As of 31 December 2008, ERAMET held 389,475 treasury shares (340,786 shares as of 31 December 2007), representing an investment recognised as a €63 million deduction from shareholders' equity (€53 million as of 31 December 2007) (Note 14). ERAMET's shares have been traded on the Euronext Paris Deferred Settlement System (SRD) since 28 March 2006, and since 2 July 2007 on the N150 index. There is thus a risk related to the volatility of its stock price to the extent that such price may be lower than the net carrying amount. It should be noted that as of 31 December 2008, there was an unrealised capital loss on the Company's treasury stock of €10 million (unrealised capital gain of €66 million as of 31 December 2007).

Note 22. Sales and other income

22.1. Sales

(millions of euros)	FY 2008	FY 2007	FY 2006
Sales of goods	4,216	3,669	2,938
Sales of services	130	123	118
Total	**4,346**	**3,792**	**3,056**

2008 consolidated sales amounted to €4,346 million compared to €3,792 million in 2007, a rise of 14.6%, taking into account the €201 million negative impact of foreign exchange losses. The contribution of the Norwegian companies consolidated in early August 2008 was €141 million.

22.2. Other income

(millions of euros)	FY 2008	FY 2007	FY 2006
Translation adjustments on sales	92	37	(13)
Capitalised production	19	11	7
Other	15	14	16
Total	**126**	**62**	**10**

The "Translation adjustments on sales" heading includes the differences between the monthly exchange rate used to recognise sales and the monthly exchange rate used to recognise receipts as well as the differences between the contractual exchange rate for unwinding hedge (or guaranteed rate) positions and the monthly exchange rate used to recognise receipts.

Note 23. Depreciation, amortisation and provisions

23.1. Depreciation and amortisation of and provisions for non-current assets

(millions of euros)	FY 2008	FY 2007	FY 2006
Intangible assets	(8)	(8)	(8)
Property, plant & equipment	(178)	(163)	(136)
Total	**(186)**	**(171)**	**(144)**

23.2. Provisions

(millions of euros)	FY 2008	FY 2007	FY 2006
Pension and related liabilities	(5)	(4)	(4)
Other payroll contingencies and losses	-	(5)	(4)
Environmental contingencies	(1)	(1)	3
Site restoration	(1)	-	(2)
Other contingencies and losses	9	4	-
Total	**2**	**(6)**	**(7)**

Note 24. Other operating income and expenses

(millions of euros)	FY 2008	FY 2007	FY 2006
Gains on asset disposals	1	3	2
Restructuring and redundancy plans	(1)	1	4
Losses on impairment tests	(48)	3	(1)
Changes in estimates - inventories	-	-	17
Site restoration	(3)	(50)	-
Other items - income	15	8	10
Other items - expenses	(42)	(22)	(9)
Total	**(78)**	**(57)**	**23**

Restructuring and redundancy plans: the various redundancy plans announced and implemented in France, Belgium and Norway gave rise to the recognition of a €74 million provision in 2003. Assets no longer used in the Alloys and Manganese Divisions with a carrying amount of €55 million were fully written down. A €34 million provision was recognised for the net cost of site closures and restoration. In 2008, 2007 and 2006, the costs disbursed for the period relating to these restructuring plans were subject to reversals of provisions of €2 million, €2 million and €5 million, respectively (Note 17.3).

Losses on impairment tests: In 2008, in the US, the Manganese Division respectively recorded €31 million and €4 million in writedown in respect of the assets at the catalyst recycling and "Special Products" businesses following the carrying out of an impairment test (Notes 6 and 7). There was a €5 million writedown of the goodwill calculated when acquiring the interest in the Gabonese company Port Minéralier d'Owendo SA (Manganese Division) (Notes 4 and 7). A further €7 million was written down for unused assets in the Nickel Division in New Caledonia (Notes 6 and 7).

Changes in estimates - inventories: In 2006, changes in estimates affected Aubert & Duval (Alloys Division) and Gulf Chemical & Metallurgical Corp. (Manganese Division) by €13 million and €4 million respectively. They stemmed from more accurate inventory valuations following the installation of a new IT system at Aubert & Duval and the recognition of catalysts in inventories at Gulf Chemical & Metallurgical Corp. (Note 11).

Site restoration: As of 31 December 2007, additional provisions were recorded, primarily for the Nickel Division (€13 million) in order to reflect the revision of the costs and areas to be restored at the closed mining sites, as well as provisions for the Manganese Division (€34 million) to cover environmental obligations and contingencies for European and US sites.

Other items – income: In 2006, a €4 million reversal was recognised for pension liabilities at the Gabonese company Setrag SA following a post-acquisition appraisal by an independent appraiser. In 2008, the amount primarily included a reversal of an €8 million provision no longer required for a lawsuit, as well as a €4 million insurance reimbursement.

Other items – expenses: In 2007, an extraordinary expense of €6 million was incurred in connection with a lawsuit involving a Nickel Division supplier, along with expenses for development and health projects in Gabon (€7 million). In 2008, a change to a management pension plan generated a €14 million expense in respect of past service costs along with the adjusting of opening inventories at the Tinfos companies for €16 million.

Note 25. Net borrowing cost and other finance income and expenses

25.1. Net borrowing cost

(millions of euros)	FY 2008	FY 2007	FY 2006
Interest income	47	17	6
Interest expense	(11)	(14)	(15)
Net income on marketable securities	6	19	13
Changes in fair value of marketable securities	(6)	(4)	(1)
Net translation adjustments	(2)	1	4
Other	-	-	-
Total	**34**	**19**	**7**

25.2. Other finance income and expenses

(millions of euros)	FY 2008	FY 2007	FY 2006
Investment and dividend income	5	2	2
Gains (losses) on disposals of investments in associates	-	(1)	-
Net allowances to/reversals of financial provisions	(1)	-	-
Net translation adjustments	-	-	-
Reversal of discounting	(10)	(6)	(3)
Financial instruments ineligible as hedges	(26)	15	(1)
Securitisation finance expense	(6)	(3)	-
Other	(37)	(1)	(2)
Total	**(75)**	**6**	**(4)**

Reversal of discounting relates to provisions for mining site restoration (Note 17.5). The financial instruments that do not qualify as hedges correspond to the portion of hedging instruments (currencies/commodities/interest rates) recognised in income in line with IAS 32 and 39 (Note 21).

In 2008, other items included the effects of unwinding currency hedges following the downward revision of sales budgets representing a €55 million loss and trading transactions presenting a gain of €20 million.

Note 26. Income tax

26.1. By category

(millions of euros)	FY 2008	FY 2007	FY 2006
Current tax	(332)	(304)	(164)
Deferred tax	(15)	(46)	(10)
Total	**(347)**	**(350)**	**(174)**

26.2. Effective tax rate

(millions of euros)	FY 2008	FY 2007	FY 2006
Operating profit	1,243	1,139	630
Net borrowing cost and other finance income and expense	(41)	25	3
Profit (loss) for period before tax of consolidated companies	**1,202**	**1,164**	**633**
Standard tax rate in France (%)	33.33%	33.33%	33.33%
Theoretical tax expense:	**(401)**	**(388)**	**(211)**
Impact on theoretical tax:			
▪ of permanent differences between accounting and taxable profit	21	16	10
▪ of additional contributions in France	(1)	(2)	(1)
▪ of standard tax differences in foreign countries	7	(5)	(7)
▪ of reduced tax rates	6	3	1
▪ of tax credits	3	17	1
▪ of withholding tax on dividends	(7)	(11)	(9)
▪ of unrecognised or limited deferred tax assets	16	17	35
▪ of miscellaneous items	9	3	7
Actual tax charge	**(347)**	**(350)**	**(174)**
Effective tax rate	**29%**	**30%**	**27%**

The current income tax rate applicable in France is 33.33%, excluding an additional social security contribution of 3.3%, recognised under "Additional contributions in France".

Permanent differences are primarily represented by the portion of the provision for reconstituting mining reserves in New Caledonia definitively allocated to investments.

The "Standard tax differences in foreign countries" relates to the impact of the current income tax rate applicable in the foreign countries where Group subsidiaries are located. The main rates are shown below:

(%)	FY 2008	FY 2007	FY 2006
Sweden	28%	28%	28%
Norway	28%	28%	28%
US	34% - 45%	34% - 45%	34% - 39.3%
New Caledonia	35%	35%	35%
Gabon	35%	35%	35%
China	7.5% - 33%	7.5% - 33%	7.5% - 17.5%

In 2007, Le Nickel-SLN obtained and applied a €15 million tax credit in New Caledonia for the Tiebaghi washing plant investment project (75,000 ton nickel production expansion project - Note 6.3).

The withholding tax on dividends relates primarily to dividends paid during the financial year by ERAMET's foreign subsidiaries, particularly in New Caledonia (5%, for €3 million), Gabon (15%, for €3 million) and the United States (5%, for €3 million).

Previously unrecognised prior tax losses used in 2008 amounted to €16 million (Comilog S.A., Erachem Comilog S.A., Comilog France) compared to €10 million in 2007. Deferred tax assets similarly relating to previously unrecognised temporary differences amounted to €7 million in 2007 (ERAMET Marietta Inc., Erachem Comilog S.A.).

Miscellaneous items mostly concern prior year tax adjustments.

The Group should be informed in 2009 of the conclusions of tax audits underway, specifically in New Caledonia (Le Nickel-SLN) and in France (ERAMET, Aubert & Duval).

Note 27. Earnings per share

			FY 2008			FY 2007			FY 2006
	Profit for period	Number of shares	Earnings per share	Profit for period	Number of shares	Earnings per share	Profit for period	Number of shares	Earnings per share
Basic earnings per share	694	25,687,311	27.03	582	25,666,698	22.67	319	25,720,704	12.38
Subscription options	-	67,419	-	-	151,953	-	-	151,250	-
Purchase options	-	-	-	-	-	-	-	63,078	-
Diluted earnings per share	**694**	**25,754,730**	**26.96**	**582**	**25,818,651**	**22.54**	**319**	**25,935,032**	**12.28**

The base number of shares corresponds to the weighted average number of shares, less the weighted number of treasury shares:

	Ordinary shares		Treasury stock		Shares outstanding	
	At close	Weighted average	At close	Weighted average	At close	Weighted average
Number of shares on 31 December 2005	**25,789,874**	**25,789,874**	**166,821**	**166,821**	**25,623,053**	**25,623,053**
Purchases and sales - liquidity contract	-	-	1,014	(97)	(1,014)	97
Subscription option exercises by employees	91,020	70,728	-	-	91,020	70,728
Purchase option exercises by employees	-	-	(37,578)	(26,826)	37,578	26,826
Bonus shares granted to employees	-	-	-	-	-	-
Number of shares as on 31 December 2006						
▪ **Weighted average**	**-**	**25,860,602**	**-**	**139,898**	**-**	**25,720,704**
▪ **At 31 December**	**25,880,894**	**25,880,894**	**130,257**	**130,257**	**25,750,637**	**25,750,637**
Purchases and sales - liquidity contract	-	-	(11,862)	(4,986)	11,862	4,986
STCPI stock swap	-	-	252,885	111,547	(252,885)	(111,547)
Subscription option exercises by employees	12,012	6,344	-	-	12,012	6,344
Purchase option exercises by employees	-	-	(30,494)	(16,278)	30,494	16,278
Bonus shares granted to employees	12,715	-	-	-	12,715	-
Number of shares as on 31 December 2007						
▪ **Weighted average**	**-**	**25,887,238**	**-**	**220,540**	**-**	**25,666,698**
▪ **At 31 December**	**25,905,621**	**25,905,621**	**340,786**	**340,786**	**25,564,835**	**25,564,835**
Purchases and sales - liquidity contract	-	-	48,689	10,255	(48,689)	(10,255)
Share issue for Tinfos A/S acquisition	241,491	101,228	-	-	241,491	101,228
Subscription option exercises by employees	68,119	31,503	-	-	68,119	31,503
Purchase option exercises by employees	-	-				
Bonus shares granted to employees		-	-	-		-
Number of shares as on 31/12/2008						
▪ **Weighted average**	**-**	**26,038,352**	**-**	**351,041**	**-**	**25,687,311**
▪ **At 31 December**	**26,215,231**	**26,215,231**	**389,475**	**389,475**	**25,825,756**	**25,825,756**

The number of unexercised share subscription options as of 31 December 2008 was 93,249 (177,953 as of 31 December 2007). Only 67,419 potentially subscribable shares (151,953 shares as of 31 December 2007) were included in diluted earnings per share, given the 25,830 options not exercisable at the end of 2008 (26,000 at the end of 2007). ERAMET has not issued any other financial instruments that would be likely to cause the dilution of earnings per share.

Note 28. ERAMET/STCPI stock swap

Pursuant to the Le Nickel-SLN shareholders' agreement of 12 and 13 September 2000 between ERAMET and Société Territoriale de Participation Industrielle (STCPI), following the agreement of 17 July between the State, the provinces of New Caledonia and the representatives of the island's main political parties, on 6 December 2006, STCPI exercised the option ERAMET granted it to sell it 4% of the share capital of Le Nickel-SLN via a swap for ERAMET shares at a rate of three ERAMET shares for every five of Nickel-SLN. The Board of Directors decided to proceed with this stock swap on the terms of the shareholders' agreement. The finalisation of this transaction was approved by the General Shareholders' Meeting of 23 July 2007. ERAMET's interest in Le Nickel-SLN was thus consolidated at 56% as of that date (previously 60%). The disposal of the 4% generated a capital gain of €4 million. ERAMET received 252,885 of its own shares, for an amount valued at a purchase price of €52 million (Note 14.1). Minority interests rose from 40% to 44% for a sum of €45 million (Note 15).

Note 29. Off-balance sheet commitments

(millions of euros)	31/12/2008	31/12/2007	31/12/2006
Commitments given			
Endorsements, pledges and guarantees	64	56	30
Collateral security:	197	2	52
▪ Property, plant & equipment	76	2	29
▪ Non-current financial assets	-	-	2
▪ Inventories	76	-	11
▪ Receivables and other assets	45	-	10
Non-current asset orders	-	5	37
Commitments received			
Endorsements, pledges and guarantees	11	18	12
Collateral security	None	None	None
Credit facilities	600	600	600

Commitments for orders of non-current assets only relate to strategic capital expenditure projects (discussed in Note 6.3). The above table does not include current business orders (from customers or with suppliers). The drop-off in commitments for orders of non-current assets is due to certain projects moving from the project phase to the operational phase.

The substantial reduction in guarantees in 2007 was mostly due to early debt repayments in the Manganese Division. In 2008, the increase stemmed from the consolidation of the Norwegian company Eralloys Holding A/S (Note 2) where the bank borrowings of its industrial subsidiaries are secured by mortgages on assets.

"Transgabonais" railway concession - SETRAG SA:

Pursuant to the terms of the November 2005 agreement for an initial term of thirty years, Setrag SA, the concession operator, is required to satisfy operating capacity targets (volume of goods and number of passengers). The concession operator is free to set its rates. Its major shareholder, Comilog S.A., undertook that the financing necessary for the capital expenditure that would enable the operating capacity targets to be achieved, would be put in place.

Operating leases:

The amount recognised in income in respect of operating leases was €46 million (€38 million as of 31 December 2007) concerning primarily real-estate and transport equipment leases, in particular in New Caledonia and Gabon.

Note 30. Other commitments

The Indonesian state company Pt Antam, owner of 10% of Pt Weda Bay Nickel, has a stock option exercisable between the submission date of a feasibility study by an independent banking institution and 30 days later. The price of this option for 15% of the share capital in Pt Weda Bay Nickel will be measured at 150% of the expenses incurred as of the date of the construction decision. Pt Antam also has an additional stock option exercisable during the first 60 days of the 14th year of production over an additional minimum 5% interest and the percentage required to hold a maximum 40% interest. If Pt Weda Bay Nickel is listed on a stock exchange, the price of the shareholding shall be established by determining the average price in the 60 days prior and 60 days subsequent to exercising the option. If Pt Weda Bay Nickel is not listed, the shareholding will be valued by independent experts.

Note 31. Related party transactions

To the best of the Group's knowledge, there were no transactions with shareholders holding over 5% of the share capital. Details of related-party transactions in 2008 are provided below.

(millions of euros)	FY 2008	FY 2007	FY 2006
Sales			
- Non-consolidated controlled subsidiaries	159	60	55
- Associates	-	-	-
Cost of sales and administrative and selling expenses			
- Non-consolidated controlled subsidiaries	(7)	(4)	(3)
- Associates	(3)	(4)	(4)
Net borrowing cost			
- Non-consolidated controlled subsidiaries	-	-	-
- Associates	-	-	-

In 2008, the balance sheet assets and liabilities resulting from related-party transactions were as follows:

(millions of euros)	FY 2008	FY 2007	FY 2006
Trade and other receivables			
- Non-consolidated controlled subsidiaries	51	16	13
- Associates	-	-	-
Trade and other payables			
- Non-consolidated controlled subsidiaries	4	-	5
- Associates	-	-	-
Net financial assets (liabilities)			
- Non-consolidated controlled subsidiaries	3	(2)	2
- Associates	-	-	-

ERAMET does not provide any guarantees on related-party debts.

In 2008, the gross compensation and benefits to Directors and members of the Executive Committee included in the Group's profit (loss) for the period were as follows:

Executive remuneration and related benefits

(thousands of euros)	FY 2008	FY 2007	FY 2006
Short-term benefits			
- Fixed remuneration	2,507	2,331	2,173
- Variable remuneration	1,035	812	451
- Directors' fees	415	394	184
Other benefits			
- Post-employment benefits	7,750	139	286
- Retirement benefits	-	2,927	-
- Share-based payment	815	1,019	428
Total	**12,522**	**7,622**	**3,522**

Note 32. Workforce and personnel costs

32.1. Average workforce by segment

	FY 2008	FY 2007	FY 2006
Nickel	3,057	2,875	2,668
Manganese	6,723	6,503	6,415
Alloys	4,797	4,684	4,573
Holding company and miscellaneous	125	113	105
Total	**14,702**	**14,175**	**13,761**

32.2. Workforce by segment at end of period

	31/12/2008	31/12/2007	31/12/2006
Nickel	3,126	2,946	2,771
Manganese	7,132	6,719	6,501
Alloys	4,847	4,724	4,621
Holding company and miscellaneous	136	118	114
Total	**15,241**	**14,507**	**14,007**

32.3. Personnel costs by category

(millions of euros)	FY 2008	FY 2007	FY 2006
Wages and salaries	(408)	(394)	(353)
Profit-sharing	(25)	(26)	(22)
Other personnel costs	(165)	(140)	(135)
Employee benefits	6	7	13
Share-based payment	(2)	(2)	(2)
Total	**(594)**	**(555)**	**(499)**
Personnel costs - temporary staff	(31)	(31)	(30)
Personnel costs - income statement	**(625)**	**(586)**	**(529)**
Payroll to sales (including temporary staff)	14%	15%	17%
Average personnel cost (excluding temporary staff) (thousands of euros)	(40)	(39)	(36)

Note 33. Fees paid to the Statutory Auditors

Full details of all fees paid for the legally mandated auditing of the separate and consolidated financial statements and for other work (consultancy and services), whether directly related or not are provided below:

(thousands of euros)	FY 2008	FY 2007	FY 2006
Audit and certification of separate and consolidated financial statements	2,350	2,665	2,140
Other consultancy and services directly related to the audit	173	42	702
Other services	1,293	329	103
Total	**3,816**	**3,036**	**2,945**

Note 34. Events after the balance sheet date

On 18 February 2009, ERAMET and Mitsubishi Corporation announced their intention to enter into a partnership in respect of the project to develop the Weda Bay nickel deposit in Indonesia. Mitsubishi Corporation agreed to acquire from ERAMET a 33.4% interest in Strand Minerals, which holds a 90% interest in PT Weda Bay Nickel, alongside the Indonesian group Antam.

To the best of the Company's knowledge, there are no other events to report after the balance sheet date.

Note 35. Segment reporting

35.1. By business segment

(millions of euros)	Nickel	Manganese	Alloys	Holding and eliminations	Total
FY 2008					
External sales	896	2,347	1,102	1	4,346
Inter-segment sales	1	1	-	(2)	-
Sales	**897**	**2,348**	**1,102**	**(1)**	**4,346**
Cash generated from operations	249	814	74	(27)	1,110
EBITDA	239	1,163	122	(19)	1,505
Current operating profit	169	1,088	86	(22)	1,321
Other operating income and expenses	-	-	-	-	(78)
Operating profit	-	-	-	-	1,243
Net borrowing cost	-	-	-	-	34
Other finance income and expenses	-	-	-	-	(75)
Share of profit of associates	-	-	-	-	-
Income tax	-	-	-	-	(347)
Minority interests	-	-	-	-	(161)
Profit (loss) for the period, Group share	-	-	-	-	694
Non-cash expenses	(117)	(84)	(38)	(16)	(255)
- Depreciation and amortisation	(72)	(62)	(41)	(2)	(177)
- Provisions	(9)	21	2	6	20
- Impairment losses	(7)	(41)	-	-	(48)
Industrial capital expenditure (intangible assets and property, plant and equipment)	189	145	83	2	419
Total balance sheet assets (current and non-current)	**2,465**	**2,998**	**1,109**	**(603)**	**5,969**
Total balance sheet liabilities (current and non-current, excluding shareholders' equity)	**765**	**1,058**	**638**	**(225)**	**2,236**

(millions of euros)	Nickel	Manganese	Alloys	Holding and eliminations	Total
FY 2007					
External sales	1,285	1,473	1,033	1	3,792
Inter-segment sales	5	-	-	(5)	-
Sales	**1,290**	**1,473**	**1,033**	**(4)**	**3,792**
Cash generated from operations	574	389	84	(18)	1,029
EBITDA	758	515	112	(12)	1,373
Current operating profit	693	440	78	(15)	1,196
Other operating income and expenses	-	-	-	-	(57)
Operating profit	-	-	-	-	1,139
Net borrowing cost	-	-	-	-	19
Other finance income and expenses	-	-	-	-	6
Share of profit of associates	-	-	-	-	-
Income tax	-	-	-	-	(350)
Minority interests	-	-	-	-	(232)
Profit (loss) for the period, Group share	-	-	-	-	582
Non-cash expenses	(89)	(106)	(41)	21	(215)
- Depreciation and amortisation	(62)	(66)	(39)	(2)	(169)
- Provisions	(13)	(13)	4	(2)	(24)
- Impairment losses	-	2	1	-	3
Industrial capital expenditure (intangible assets and property, plant and equipment)	135	129	54	1	319
Total balance sheet assets (current and non-current)	**2,600**	**1,492**	**1,047**	**(265)**	**4,874**
Total balance sheet liabilities (current and non-current, excluding shareholders' equity)	**912**	**597**	**553**	**(223)**	**1,839**
FY 2006					
External sales	1,015	1,147	892	2	3,056
Inter-segment sales	4	-	-	(4)	-
Sales	**1,019**	**1,147**	**892**	**(2)**	**3,056**
Cash generated from operations	327	176	93	(2)	594
EBITDA	441	230	97	(10)	758
Current operating profit	388	170	62	(13)	607
Other operating income and expenses	-	-	-	-	23
Operating profit	-	-	-	-	630
Net borrowing cost	-	-	-	-	7
Other finance income and expenses	-	-	-	-	(4)
Share of profit of associates	-	-	-	-	1
Income tax	-	-	-	-	(174)
Minority interests	-	-	-	-	(141)
Profit (loss) for the period, Group share	-	-	-	-	319
Non-cash expenses	(49)	(26)	(49)	(10)	(134)
- Depreciation and amortisation	(53)	(54)	(37)	(1)	(145)
- Provisions	(9)	24	3	(1)	17
- Impairment losses	-	1	(2)	-	(1)
Industrial capital expenditure (intangible assets and property, plant and equipment)	125	122	58	4	309
Total balance sheet assets (current and non-current)	**1,959**	**1,119**	**1,097**	**(166)**	**4,009**
Total balance sheet liabilities (current and non-current, excluding shareholders' equity)	**736**	**433**	**720**	**(19)**	**1,870**

35.2. By geographic area

(millions of euros)	Europe	North America	Asia	Oceania	Africa	South America	Total
Sales (location of sales)							
FY 2008	2,224	812	1,156	44	91	19	4,346
FY 2007	1,985	643	922	58	150	34	3,792
FY 2006	1,532	638	725	42	98	21	3,056
Industrial capital expenditure (intangible assets and property, plant and equipment)							
FY 2008	122	47	34	156	60	-	419
FY 2007	76	46	28	111	58	-	319
FY 2006	86	33	29	113	48	-	309
Total balance sheet assets (current and non-current)							
FY 2008	3,725	430	587	1,017	210	-	5,969
FY 2007	2,916	346	425	825	362	-	4,874
FY 2006	2,370	292	362	698	287	-	4,009

20.1.3. Report of the Statutory Auditors on the Consolidated Financial Statements – Year Ended 31 December 2008

Dear Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended 31 December 2008 on:

- the audit of the accompanying consolidated financial statements of ERAMET;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2008 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to Note 3 Balance Sheet Presentation to the consolidated financial statements describing the retrospective reclassification of private obligations to Other current financial assets for the periods indicated in the consolidated financial statements.

II. Justification of our assessments

The accounting estimates adopted for the consolidated financial statements for the year ended 31 December 2008 were prepared in a context of heavy market volatility and uncertain economic outlooks. These conditions are described in Note 1.1. General principles to the consolidated financial statements. It is in this context and in accordance with Article L. 823-9 of the French Commercial Code relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

- financial instruments qualifying as hedging instruments are recognized and measured in according with the Group methods described in Note 1.20. to the consolidated financial statements. Our procedures consisted in reviewing the documentation, assessing the relevancy of the qualification as hedging operations and the reasonableness of the assumptions used to determine the fair value of the financial instruments at the balance sheet date;
- Note 1.6. to the consolidated financial statements sets forth the accounting policies and methods applied for the recognition of business combinations. We ensured ourselves that the acquisitions completed during the period have been recognized in accordance with IFRS. The provisional allocation of the purchase price to identified assets and liabilities has been prepared by your Company using the estimated fair value of the underlying assets and liabilities described in Note 2.1. to the consolidated financial statements. We have examined the documentation available and assessed the reasonableness of the estimates adopted;
- your Company performs impairment tests on goodwill and intangible assets with indefinite useful lives at least once a year and whenever there is an indication that an asset may be impaired, in accordance with the methods set out in Notes 1.10 to the consolidated financial statements. We have reviewed the terms and conditions for implementing this impairment test as well as the assumptions used by the Company.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

III. Specific verification

In accordance with the law, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-Sur-Seine, 3 March 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.2. 2008 CORPORATE ANNUAL FINANCIAL STATEMENTS

20.2.1. Commentary on the corporate annual financial statements

(millions of euros)	2008	2007	2006
Sales	1,033	1,370	1,083
Operating profit (loss)	16	72	38
Net finance income	132	181	122
Profit (loss) for the period	148	207	144
Average workforce	369	347	336

Commentary

Total sales fell sharply, by 24.5%. Nickel sales were down 30% due to the post-hedge price effect (US$10.2/pound in 2008 compared to US$13/pound in 2007) and a 6% decline in tonnage sold, dropping from 55,100 tons in 2007 to 51,700 tons in 2008.

Operating profit also fell sharply, from €72 million in 2007 to €16 million in 2008 due to the decline in sales and the rise in fixed costs, studies and research for hydrometallurgy projects expensed and the cost of new planned acquisitions.

Net finance income of €132 million in 2008 included dividends received from ERAMET Manganese (€91 million), ERAMET Nickel (€49.7 million) and ERAMET Alloys (€52.8 million) as well as a €22 million provision funded for the Metal Securities subsidiary in order to cover a potential risk of impairment of financial assets. It also included a net expense of €36.6 million resulting from the effect of the unwinding of USD currency hedges on sales.

Following a €14 million expense in respect of the provision for expenses relating to the changing of the supplementary pension plan, profit sharing of €3.6 million and a tax consolidation credit of €20 million, profit for the period was €148 million, 28.5% down on 2007.

20.2.2. 2008 corporate annual financial statements

1. Balance sheet

ASSETS

(thousands of euros)	Notes	Gross amounts	Depreciation, amortisation and provisions	31/12/2008 Carrying amounts	31/12/2007 Carrying amounts
Intangible assets					
Concessions, patents, licences, trademarks, processes, rights and similar assets		7,527	6,684	843	594
Goodwill					
Other		1,228		1,228	190
Non-current assets in progress					
Down-payments					
Subtotal		**8,755**	**6,684**	**2,071**	**784**
Property, plant & equipment					
Land		1,131		1,131	1,131
Buildings		22,465	13,320	9,145	7,772
Technical installations, machinery and equipment		53,069	40,404	12,665	8,653
Other		10,071	5,776	4,295	4,763
Non-current assets in progress		242		242	4,690
Down-payments		89		89	
Subtotal		**87,067**	**59,500**	**27,567**	**27,009**
Non-current financial assets					
Investments in associates		1,674,367	14,984	1,659,383	1,253,851
Receivables on investments in associates	*2*	281,878		281,878	169,032
Other capitalised investments		63,446	9,678	53,768	53,266
Other	*2*	30,540		30,540	5,408
Subtotal		**2,050,231**	**24,662**	**2,025,569**	**1,481,557**
Non-current assets	*1*	**2,146,053**	**90,846**	**2,055,207**	**1,509,350**
Inventories and work in progress					
Raw materials and other supplies		24,883	3,370	21,513	45,824
Work in progress		6,051		6,051	10,703
Semi-finished and finished products		20,749		20,749	22,118
Goods		35,615		35,615	74,024
Subtotal	*7*	**87,298**	**3,370**	**83,928**	**152,669**
Down-payments made on orders		**2,558**		**2,558**	**2,398**
Operating receivables					
Trade receivables		66,862	774	66,088	160,039
Other receivables		63,620		63,620	12,906
Subtotal	*2 & 7*	**130,482**	**774**	**129,708**	**172,945**
Inter-company current accounts				**0**	**0**
Cash & cash equivalents	*3*	**49**		**49**	**1,690**
Accruals					
Prepaid expenses		1,164		1,164	5,776
Deferred debt issue costs		312		312	533
Subtotal	*4*	**1,476**	**0**	**1,476**	**6,309**
Current assets		**221,863**	**4,144**	**217,719**	**336,011**
Translation adjustments				0	18
Total assets		**2,367,916**	**94,990**	**2,272,926**	**1,845,379**

SHAREHOLDERS' EQUITY & LIABILITIES

(thousands of euros)	Notes	31/12/2008	31/12/2007
Share capital	*6*	79,957	79,012
Issue, merger and contribution premiums		344,832	222,431
Legal reserve		7,901	7,894
Regulated reserves			
Other reserves		253,839	253,839
Retained earnings		471,252	418,313
Profit (loss) for the period		148,159	206,516
Net assets	*5*	**1,305,940**	**1,188,005**
Capital grants			
Regulated provisions	*8*	55,506	53,387
Shareholders' equity		**1,361,446**	**1,241,392**
Provisions for contingencies		22,226	
Provisions for losses	*8*	5,337	7,279
Provisions for contingencies and losses		**27,563**	**7,279**
Borrowings			
Bank loans		714	9,617
Miscellaneous borrowings		374	138
Inter-company current accounts		776,292	386,450
Subtotal		**777,380**	**396,205**
Down-payments received on orders		**205**	**1,823**
Operating payables			
Trade payables		90,703	161,109
Tax and payroll liabilities		13,177	25,479
Miscellaneous liabilities			
Liabilities on non-current assets		1,065	3,456
Other debts		1,367	8,636
Accruals			
Prepaid income		20	
Liabilities	*10&11*	**883,917**	**596,708**
Translation adjustments		0	0
Total shareholders' equity and liabilities		**2,272,926**	**1,845,379**

2. Income statement

(thousands of euros)	Notes	FY 2008	FY 2007
Operating income			
Sales of goods and merchandise		972,524	1,313,119
Income from ancillary activities		60,869	56,878
Sales	*13*	**1,033,393**	**1,369,997**
Change in inventories of finished products and work in-progress		(6,021)	4,170
Capitalised production		76	29
Operating subsidies		(25)	52
Reversal of provisions, excess depreciation & amortisation & expense transfers		11,893	6,354
Other income		1	58
Other income		**5,924**	**10,663**
Total income		**1,039,317**	**1,380,660**
Operating expenses			
Purchases of goods		692,118	1,025,311
Change in inventory		38,410	(52,893)
Raw materials and consumables used		151,132	229,124
Change in inventory		24,073	(3,781)
External purchases and expenses		66,158	59,141
Taxes other than on income		4,344	4,500
Wages and salaries		22,726	25,295
Payroll charges		11,250	10,165
Depreciation and amortisation expense		5,360	4,565
Provisions for losses on current assets		3,370	3,344
Provisions for contingencies and losses		503	668
Other expenses		3,729	2,942
Total expenses		**1,023,173**	**1,308,381**
Operating profit (loss)		**16,144**	**72,279**
Net finance income	*16*	**131,814**	**181,109**
Profit (loss) before tax and extraordinary items		**147,958**	**253,388**
Extraordinary items	*17*	**(16,320)**	**(22,225)**
Employee profit-sharing		(3,605)	(2,620)
Income tax	*14*	20,076	(22,027)
Profit (loss) for the period		**148,109**	**206,516**

3. Cash flow statement

(thousands of euros)	FY 2008	FY 2007
Cash flows from operating activities		
Profit (loss) for period	148,159	206,516
Elimination of non-cash and non-operating income and expenses	32,421	(6,445)
Cash generated from operations	**180,580**	**200,071**
Change in operating working capital requirement	25,161	36,006
Net cash generated by operating activities	**205,741**	**236,077**
Cash flows from investing activities		
Payments for non-current financial assets	(436,694)	(145,764)
Payments for PP&E and intangible assets	(6,628)	(8,479)
Proceeds from non-current asset disposals	764	43
Debt repayments		
Increase in deferred expenses and change in receivables and payables on non-current assets	(2,259)	653
Subtotal	**(444,817)**	**(153,547)**
Other movements		
Net cash used in investing activities	**(444,817)**	**(153,547)**
Cash flows from financial activities		
Dividends paid to ERAMET SA shareholders	(153,570)	(74,061)
Proceeds from share capital increases	123,345	545
Change in working capital requirement from financing activities	(306)	263
Net cash used in financing activities	**(30,531)**	**(73,253)**
Other movements	(363)	1,395
Decrease (increase) in net borrowings	**(269,970)**	**10,672**
Net cash (borrowings) at 1 January	**(225,483)**	**(236,155)**
Net cash (borrowings) at 31 December	**(495,453)**	**(225,483)**

4. Highlights

SALES

The 24.5% decline in Nickel sales was due to:

- the effect of the (post-hedge) average sale price falling from US$13/pound in 2007 to US$10.2/pound in 2008; and
- a decline in tonnage sold from 55,100 tons in 2007 to 51,700 tons in 2008.

OPERATING PROFIT (LOSS)

Operating profit fell sharply from €72 million in 2007 to €16 million in 2008 on the back of:

- the decline in sales;
- the increase in Sandouville expenses;
- the cost of studies and research for hydrometallurgy projects;
- and expenses and fees relating to the new development projects.

NET FINANCE INCOME

Net finance income consisted primarily of dividends received from subsidiaries (Nickel: €49.7 million, Manganese: €91 million and Alloys €52.8 million).

Net foreign exchange losses amounted to €23 million in 2008 compared to a net gain of €13 million as of the end of 2007.

EXTRAORDINARY ITEMS

Extraordinary items comprised the €13.7 million funding of the provision for defined benefit supplementary pensions.

EXERCISE OF PROPERTY LEASE OPTION

At the end of a 12-year lease on the 53rd floor of Tour Montparnasse, the Company exercised its option and bought this property complex.

DEVELOPMENTS WITH REGARD TO INVESTMENTS IN ASSOCIATES

- On 30 July 2008, ERAMET acquired a 55.78% interest in the Norwegian group Tinfos for the sum of €406 million (€7.6 million of this represented acquisition costs) via the purchase of shares in Tinfos (52.65%) and Notodden Calcium-Carbidfabrik (49.87%).
- The PMO Lausanne subsidiary was liquidated at the end of the first half of 2008.

DEVELOPMENTS WITH REGARD TO THE CASH POSITION

The €269 million increase in net borrowings was primarily due to the acquisition of the Tinfos group with a €279 million cash payment.

5. Notes to the separate financial statements – Accounting principles, rules and methods

5.1. RECAP OF PRINCIPLES

Generally accepted accounting principles were applied, while complying with the principle of prudence based on the underlying assumptions, i.e. going concern, consistency of accounting methods from one period to another, application of the matching principle and in line with the rules for preparing and presenting separate financial statements.

The historical cost method is used to measure items.

2008 was marked by an economic and financial crisis, the length and future impact of which cannot be accurately assessed. This background was factored in when preparing the financial statements as of 31 December 2008, particularly with regard to the valuation of investments and employee-related liabilities. The assumptions factor in this economic and financial crisis with a limited duration.

5.2. CHANGE IN METHODS

CRC (Comité de la Règlementation Comptable - French Accounting Regulations Committee) Regulation No. 2002-10 brought about the following change in methods as from 1 January 2005:

- review of depreciation and amortisation periods for certain non-current assets resulting in a reduction in economic depreciation and amortisation, offset by an increase in extraordinary depreciation and amortisation;
- reversal of the provision for major repairs credited to shareholders' equity. Major repairs are now either expensed or recognised as items of property, plant and equipment in the case of replacement expenses.

5.3. RULES AND METHODS APPLIED TO THE VARIOUS BALANCE SHEET AND INCOME STATEMENT LINES

5.3.1. Property, plant and equipment and intangible assets

The gross amount of non-current assets is the amount at which the items were first recognised on the Company's balance sheet and includes any expenses required to bring them into working order. These items have not been remeasured.

Unused assets or assets with fair market values lower than the carrying amount are, as a general rule, impaired or provisioned.

Economically justified depreciation is calculated using the straight-line method. This depreciation is calculated over the asset's useful life.

Depreciation periods for property, plant and equipment are as follows, except in exceptional circumstances:

- buildings: 20 - 30 years;
- technical installations: 12 - 20 years;
- machinery, equipment and tooling: 3 - 10 years;
- general installations, fittings and fixtures: 5 - 10 years;
- transportation equipment: 5 - 8 years;
- office furniture and equipment and computer equipment: 3 - 8 years.

The impact of any difference between the period over which it is used and the useful life is recognised via extraordinary depreciation.

5.3.2. Investments

As from 1 January 2006, the gross amount includes the purchase cost excluding incidental expenses. Borrowings are recognised at their nominal value. Securities are estimated at their value in use, which takes account of both their net asset value and likely returns. If the value in use is lower than the gross amount, an impairment loss is recognised for the difference.

5.3.3. Inventories

Inventories of nickeliferous products are measured at cost, calculated on a first-in-first-out (FIFO) basis. If the value thereby obtained is greater than the net realisable value (i.e. selling price less selling expenses), a provision is recognised for the difference.

Consumables are measured at cost, which is calculated using the weighted average price method.

Spare parts inventories are fully impaired for any item where they exceed one year's supply.

5.3.4. Receivables and debts

Foreign currency receivables and payables are remeasured at the closing rate or at the forward hedging rate, as appropriate.

Any unrealised foreign currency gains or losses resulting from remeasurements at the closing rate are recognised under "Translation adjustments" in the balance sheet. A provision for contingencies and losses is recognised for any unrealised losses.

Impairment losses on trade receivables are assessed on a customer-by-customer basis based on the estimated risk.

5.3.5. Investment securities

Investment securities are measured at acquisition cost, with an impairment loss recognised if their net asset value is lower. Unrealised capital gains are not recognised.

5.3.6. Provisions for contingencies and losses

These take account of all known contingencies and losses up to the date on which the final financial statements are prepared.

Employee indemnities and benefits

ERAMET offers its employees various long-term benefits such as retirement packages and other additional post-employment benefits and long-service bonuses.

Some liabilities are wholly or partly covered by contracts taken out with insurance companies. In this case, the liabilities and covering assets are assessed independently. A provision is then recognised on the basis of the amount of financial assets and liabilities.

ERAMET's liabilities are assessed by independent actuaries. The actuarial assumptions used (likelihood of working employees staying with ERAMET, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the country. The discount rates used are based on the rate of government bonds or bonds in top notch companies with a maturity equivalent to that of the liabilities on the appraisal date.

The expected long-term return on assets was calculated by taking account of the structure of the investment portfolio for each country.

The actuarial assumptions used for appraisals are as follows.

	2008	2007	2006	2005
Discount rate	5,40%	5,25%	4,40%	3,90%
Inflation rate	2,10%	2,00%	2,00%	2,00%
Salary increase rate	2,10%	3,00%	2,00%	4,50%
Return on plan financial assets	5,00%	5,00%	5,00%	5,30%

Notes to the financial statements

Note 1. Non-current assets

ACQUISITION VALUES

(thousands of euros)	Acquisition values 31/12/2007	Acquisitions	Disposals, retirements and adjustments	Acquisition values 31/12/2008
Intangible assets				
Concessions, patents, licences, trademarks, processes, rights and similar assets	6,074	1,544	(92)	7,526
Non-current assets in progress	190	1,055	(16)	1,229
Subtotal	**6,264**	**2,599**	**(108)**	**8,755**
Property, plant & equipment				
Land	1,131			1,131
Buildings	20,059	2,419	(13)	22,465
Technical installations, machinery and equipment	47,293	5,966	(190)	53,069
Other	9,668	510	(107)	10,071
Non-current assets in progress	4,690	(4,352)	(96)	242
Subtotal	**82,842**	**4,543**	**(406)**	**86,978**
Non-current financial assets				
Investments in associates (1)	1,268,835	405,917	(385)	1,674,367
Receivables on investments in associates	169,032	178,328	(65,482)	281,878
Other capitalised investments (2)	53,266	10,180		63,446
Other (3)	5,408	25,356	(224)	30,540
Subtotal	**1,496,541**	**619,781**	**(66,091)**	**2,050,231**
Total	**1,585,647**	**626,923**	**(66,605)**	**2,145,964**

(1) Acquisition of the shares in Tinfos and Notodden for €405.9 million (including €7.6 million in acquisition expenses) and removal of shares in PMO Lausanne (liquidation).
(2) "Other capitalised investments" includes the Company's treasury shares; the value of this portfolio was written down based on the market price.
(3) Acquisition of an option in respect of 75% of the Namibian company Otjozondu Mining for €14 million; €6.4 million increase in the deposit under the liquidity contract with BNP Paribas.

DEPRECIATION, AMORTISATION AND PROVISIONS

(thousands of euros)	Depreciation, amortisation and provisions 31/12/2007	Depreciation and amortisation expense and allocation to provisions	Reversals of depreciation, amortisation and provisions	Disposals, retirements and adjustments	Depreciation, amortisation and provisions 31/12/2008	Carrying amounts 31/12/2008
Intangible assets						
Concessions, patents, licences, trademarks, processes, rights and similar assets	5,480	1,296		(92)	6,684	842
Non-current assets in progress					0	1,229
Subtotal	**5,480**	**1,296**	**0**	**(92)**	**6,684**	**2,071**
Property, plant & equipment						
Land					0	1,131
Buildings	12,287	1,046		(14)	13,319	9,146
Technical installations, machinery and equipment	38,641	2,047	94	(190)	40,592	12,477
Other	4,905	972		(100)	5,777	4,294
Non-current assets in progress					0	242
Subtotal	**55,833**	**4,065**	**94**	**(304)**	**59,688**	**27,290**
Non-current financial assets						
Investments in associates (1)	14,984				14,984	1,659,383
Receivables on investments in associates					0	281,878
Other capitalised investments	0	9,678			9,678	53,768
Other					0	30,540
Subtotal	**14,984**	**9,678**	**0**	**0**	**24,662**	**2,025,569**
Total	**76,297**	**15,039**	**(94)**	**(396)**	**91,034**	**2,054,930**

(1) Maintenance of the provision for S.I.M.A shares.

Note 2. Schedule of receivables

(thousands of euros)	Gross amount 31/12/2008	Up to a year	Over a year
Receivables on investments in associates (1)	281,878	281,878	
Employee loans	0	0	
Pension plan assets (2)	4,759	4,759	
Other non-current financial assets	25,781	25,781	
Trade receivables	66,862	66,862	
Other receivables (3)	63,620	63,620	
Prepaid expenses	1,164	1,164	
Total	**444,064**	**444,064**	**0**

(1) Balance of loans extended by ERAMET (the financing of which is covered internally) to S.I.M.A. for €130 million, ERAMET Norway for €27 million and, from 2008, Comilog Far East Development for €16 million (US$22 million), Gulf Chemical & Metallurgical Corp. for €36 million (US$50 million) and Strand Minerals Indonesia for €70 million (US$90).
(2) Excess payment of defined benefit supplementary pension plan contribution.
(3) Other receivables include a €29 million receivable from Le Nickel and a net €21 million income tax receivable.

Note 3. Cash

Solely comprised of demand bank accounts.

Note 4. Prepaid expenses and accruals

(thousands of euros)	31/12/2008	31/12/2007
Prepaid expenses [1]	1,164	5,776
Deferred debt issue costs	312	533
Translation adjustments	0	18
Total	**1,476**	**6,327**

(1) The premiums paid for Nickel hedges amounted to €0.3 million (€5.3 million as of 31 December 2007); prepaid rent amounted to €0.4 million.

Note 5. Shareholders' equity

The share capital breaks down as follows:

	31/12/2008	31/12/2007
AREVA	25.78%	26.08%
SORAME/CEIR	36.64%	37.07%
STCPI	4.08%	4.13%
Miscellaneous	33.50%	32.72%
Total	**100%**	**100%**

ERAMET's distributable reserves amounted to €1,070 million prior to the allocation of 2008 earnings (€895 million as of 31 December 2007).

(thousands of euros)	Number of shares	Share capital	Premiums, reserves and retained earnings	Profit (loss) for period	Total
Shareholders' equity as on 31 December 2006	**25,880,894**	**78,937**	**831,872**	**144,198**	**1,055,007**
Dividends paid			(74,795)		(74,795)
Allocation to retained earnings and reserves			144,198	(144,198)	0
Withholding					0
Other transactions					0
Share capital increases for cash	24,727	75	469		544
Share capital increases via capitalisation of reserves					0
Contributions in cash					0
Dividends paid in shares			733		733
Share capital increases in kind					0
Profit (loss) for the 2007 financial year				206,516	206,516
Shareholders' equity as on 31 December 2007	**25,905,621**	**79,012**	**902,477**	**206,516**	**1,188,005**
Dividends paid			(153,570)		(153,570)
Allocation to retained earnings and reserves			206,516	(206,516)	0
Withholding					0
Other transactions					0
Share capital increases for cash	68,119	208	3,841		4,049
Share capital increases via capitalisation of reserves					0
Contributions in cash					0
Dividends paid in shares					0
Share capital increases in kind	241,491	737	118,560		119,297
Profit (loss) for the 2008 financial year				148,159	148,159
Shareholders' equity as on 31 December 2008	**26,215,231**	**79,957**	**1,077,824**	**148,159**	**1,305,940**

Note 6. Treasury shares

ERAMET SA held 389,475 treasury shares (340,786 shares as of 31 December 2007).

The table below summarises treasury share transactions:

	Number of shares	Market making	Stock options granted	Other goals	Total
Position as on 31 December 2006		**16,862**	**63,078**	**50,317**	**130,257**
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%
Allocated to stock options:					
▪ Granted			(32,584)	32,584	0
▪ Other					0
Purchase option exercises			(30,494)		(30,494)
Purchases		69,332		252,885	322,217
Sales		(81,194)			(81,194)
Position as on 31 December 2007		**5,000**	**0**	**335,786**	**340,786**
As a percentage of share capital	25,905,621	0.02%	0.00%	1.30%	1.32%
Allocated to stock options:					
▪ Granted					0
▪ Other					0
Purchase option exercises					0
Purchases		210,141			210,141
Sales		(161,452)			(161,452)
Position as on 31 December 2008		**53,689**	**0**	**335,786**	**389,475**
As a percentage of share capital	26,215,231	0.20%	0.00%	1.28%	1.49%

The balance of 53,689 shares (5,000 shares as of 31 December 2007) related to shares bought under a liquidity contract entered into with Exane BNP Paribas and not yet registered as of the date of drafting of this table.

Note 7. Provisions for impairment of current assets

(thousands of euros)	31/12/2007	Allowances	Reversals	31/12/2008
Raw materials				
Other supplies (1)	3,132	238	0	3,370
Trade receivables	774	0	0	774
Miscellaneous receivables (2)	8,097	0	(8,097)	0
Total	**12,003**	**238**	**(8,097)**	**4,144**

(1) Spare parts inventories are fully provisioned when they exceed one year's supply.
(2) Miscellaneous receivables primarily comprised of miscellaneous professional fees that no longer had any rationale were reversed in income.

Note 8. Provisions for liabilities

(thousands of euros)	31/12/2007	Allowances	Reversals		Reclassification	31/12/2008
			Used in period	Unused in period		
Provisions for price increases [1]	49,661					49,661
Extraordinary amortisation and depreciation [1]	3,726	2,522	(403)			5,845
Provisions for reconstituting mining reserves						0
Total regulated provisions	**53,387**	**2,522**	**(403)**	**0**	**0**	**55,506**
Foreign exchange losses						
Personnel [2]	7,203	13,676	(20,377)		4,759	5,261
Environment	76					76
Sector contingencies						0
Taxes						0
Other provisions for contingencies [3]		22,226				22,226
Other provisions for losses						0
Total provisions for contingencies and losses	**7,279**	**35,902**	**(20,377)**	**0**	**4,759**	**27,563**
Provisions for liabilities	**60,666**	**38,424**	**(20,780)**	**0**	**4,759**	**83,069**

(1) In addition to the net allocation of €1.4 million for Sandouville assets, another extraordinary depreciation charge was recognised for €0.7 million, firstly in respect of acquisition costs capitalised for the Tinfos shares and secondly on the basis of the tax value of the property complex acquired upon exercise of a lease option.

(2) ERAMET funds provisions for pension and related liabilities on the basis of an actuarial assessment by an independent firm. Detailed calculations were carried out as of 31 December 2008. The excess payment of defined benefit supplementary pension plan contributions was reclassified under other investments.

(3) The provision for financial contingencies related to the potential loss on the Metal Securities bond portfolio secured by ERAMET.

Note 9. Employee liabilities

(thousands of euros)	Fair value of plan assets	Actuarial value of liabilities	Financial position surplus/ (déficit)
Pension plan	36,180	37,864	(1,684)
Retirement package	1,963	4,091	(2,128)
Awards and bonuses		2,089	(2,089)
Healthcare plans		2,695	(2,695)
Total	**38,143**	**46,739**	**(8,596)**

(thousands of euros)	Unrecognised actuarial (gains)/ losses	Unrecognised past service	(Asset)/ liability balance sheet provision
Pension plan	(518)	6,961	(4,759)
Retirement package	1,175	506	447
Awards and bonuses			2,089
Healthcare plans	(31)		2,726
Total	**626**	**7,467**	**503**

ACTUARIAL ASSUMPTIONS

Discount rate	5.4%
Inflation rate	2.1%
Salary increase rate	3%
Return on plan financial assets	5%

BREAKDOWN OF PENSION FUND INVESTMENTS

(thousands of euros)	Equities	Bonds	Other investments	Total
Amounts	236	1,609	118	1,963
Percentage	12%	82%	6%	100%

CHANGE IN PENSION LIABILITIES

(thousands of euros)		FY 2008
At 1 January		**7,203**
Expenses recognised:		13,573
▪ Service cost	741	
▪ Net interest expense	1,494	
▪ Return on plan assets	(861)	
▪ Depreciation and amortisation of actuarial gains and losses and past service cost	12,198	
▪ Other	1	
Contributions paid		(20,273)
Translation adjustments and other movements		
At 31 December		**503**

Note 10. Breakdown of liabilities and maturity schedule

NET AMOUNT

(thousands of euros)	31/12/2008	Up to a year	From one to five years	Over five years
Bank loans	714	714		
Miscellaneous borrowings [(1)]	776,666	776,666		
Trade payables	90,703	90,703		
Tax and payroll liabilities	13,177	13,177		
Liabilities on non-current assets	1,065	1,065		
Group and associates	0	0		
Other miscellaneous liabilities	1,367	1,367		
Prepaid income	20	20		
Total	**883,712**	**883,712**	**0**	**0**

(1) ERAMET is partly financed by Metal Securities, a subsidiary in which it holds an 87.92% interest. The amount as of 31 December 2008 was €776 million (compared to €386 million as of 31 December 2007) on the back of the acquisition of the Tinfos group and the extension of new loans.

Note 11. Breakdown of liabilities and accrued expenses

GROSS AMOUNT

(thousands of euros)	31/12/2008
Miscellaneous borrowings	776,666
Trade payables	90,703
Tax and payroll liabilities	13,177
Liabilities on non-current assets	1,065
Other miscellaneous liabilities	1,367
Prepaid income	20
Translation adjustments	0
Total	**882,998**

Note 12. tems relating to associates

NET AMOUNT

(thousands of euros)	31/12/2008
Balance sheet	
Investments in associates	1,673,370
Financial receivables	281,878
Trade receivables	16,921
Miscellaneous receivables	3,551
Miscellaneous borrowings	(776,621)
Trade payables	(37,982)
Other liabilities	(1,106)
Income statement	
Finance income	210,681
Finance expenses	(24,484)

Companies are considered associates when ERAMET holds an interest that gives it significant influence over them.

Note 13. Sales

(thousands of euros)	Total	France	International
Sales of goods and merchandise [1]	972,525	37,269	935,256
Income from ancillary activities	60,869	17,371	43,497
Sales	**1,033,393**	**54,640**	**978,753**

(1) Sales included a foreign currency gain of €34.6 million resulting primarily from USD hedging.

Note 14. Increases and reductions in future tax liabilities

(thousands of euros)	31/12/2008
Increases in taxable base	
▪ Regulatory provisions	55,506
▪ Translation adjustment gains at close	0
▪ Deferred expenses	312
Reductions in taxable base	
▪ Provisions not deductible in financial period	19,958
▪ Accrued expenses	(7,534)
▪ Translation adjustment losses at close	0
▪ Unrealised finance income	0
Net increase in taxable base	**68,242**
Increase in future taxation	**23,496**
	34%

BREAKDOWN OF INCOME TAX

(thousands of euros)	Gross amount	Tax owed	Profit (loss) for period
Current profit (loss)	148,008		148,008
Extraordinary items	(16,320)		(16,320)
Profit-sharing	(3,605)		(3,605)
Effects of tax consolidation		20,076	20,076
Total	**128,083**	**20,076**	**148,159**

Income tax

The tax consolidation agreement signed by ERAMET and its subsidiaries complies with the principle of neutrality and places the subsidiaries in the situation in which they would have been in the absence of such consolidation. Each subsidiary calculates its tax as if it were not part of the consolidated tax Group and pays its income tax contribution to ERAMET as Group parent company. The subsidiaries retain their losses to determine the amount of the income tax contribution they should pay to ERAMET.

In the absence of tax consolidation, ERAMET would not have had any income tax expense. As a result of tax consolidation, the income tax line item broke down as follows: tax expense of the consolidated tax Group (€7,286,000), benefit from tax consolidation of €29,214,000 and a (€1,852,000) tax credit adjustment, representing a 2008 net gain of €20,076,000.

ERAMET SA was subject to a tax audit, the findings of which should be known by the end of 2009.

Note 15. Tax consolidation

All French subsidiaries in which ERAMET holds at least a 95% interest are consolidated for tax purposes, ERAMET being the Group parent.

Tax consolidation in France is comprised of the following companies:

Companies within the scope of tax consolidation	31/12/2008	31/12/2007	31/12/2006
Consolidated companies			
ERAMET	x	x	x
Metal Currencies	x	x	x
Metal Securities	x	x	x
ERAMET Holding Nickel (Ehn)	x	x	x
Eurotungstène Poudres	x	x	x
ERAMET Holding Manganèse (Ehm)	x	x	x
Société Industrielle de Métallurgie Avancée (S.I.M.A.)	x	x	x
ERAMET Alliages	x	x	x
Aubert & Duval (Ad)	x	x	x
Airforge	x	x	x
Erasteel	x	x	x
Erasteel Commentry	x	x	x
Erasteel Champagnole	x	x	x
Non-consolidated companies			
ERAMET International	x	x	x
ERAMET Ingénierie (ex TEC)	x	x	x
ERAMET Research (ex CRT)	x	x	x
Eramine	x	x	x
Forges de Montplaisir	x	x	x
Supa	x	x	x
Transmet	x	x	x
Brown Europe	x	x	x
Microsteel			x

Group tax loss carry-forwards were used in full as of 31 December 2006.

Note 16. Net finance income

(thousands of euros)	31/12/2008	31/12/2007
Investments in associates (1)	210,492	157,859
Other dividends and interest	1,797	3,012
Provision reversals		31,767
Foreign currency gains (2)	19,901	12,937
Net gains on disposal of marketable securities		
Finance income	**232,190**	**205,575**
Depreciation and amortisation expense and allocation to provisions (3)	(31,905)	
Interest and similar expenses (4)	(25,340)	(24,466)
Foreign currency losses (5)	(43,131)	
Net losses on disposal of marketable securities		
Finance expenses	**(100,376)**	**(24,466)**
Net finance income	**131,814**	**181,109**

(1) Income from investments in associates is comprised of dividends received from the Nickel Division (€49.7 million), the Manganese Division (€91 million) and from S.I.M.A. (€52.8 million) and interest on Group current accounts.
(2) A €20 million gain on US dollar trading.
(3) A €22.2 million provision for financial contingencies funded to cover the potential loss on the Metal Securities bond portfolio secured by ERAMET; the €9.7 million balance related to the provision for impairment of treasury shares.
(4) A €24.5 million in net interest expenses related to financing via the Metal Securities subsidiary.
(5) Effect of unwinding USD currency hedges on sales: cost of €36.6 million.

Note 17. Extraordinary items

(thousands of euros)	31/12/2008	31/12/2007
Hedging gains	0	0
Gains on share capital transactions (1)	191	2,212
Reversal of provisions and expense transfer (2)	20,403	832
Extraordinary gains	**20,594**	**3,044**
Hedging losses (2)	(21,196)	(4)
Losses on share capital transactions	(23)	(2,514)
Extraordinary depreciation and amortisation expense and allocation to provisions (2)	(15,695)	(22,751)
Extraordinary losses	**(36,914)**	**(25,269)**
Extraordinary items	**(16,320)**	**(22,225)**

(1) The liquidation dividend from PMO Lausanne amounted to €174,856.
(2) As part of the change to the defined benefit supplementary pension plan the Company recognised a €13.2 million expense for past service and €1.2 million in payroll expenses.

Note 18. Headcount

	FY 2008	FY 2007
Management	138	119
Supervisory staff	241	227
Workforce at end of period	**379**	**346**
Average workforce	**369**	**347**

Note 19. Off-balance sheet commitments

(thousands of euros)	31/12/2008	31/12/2007
Commitments given		
Endorsements, pledges and guarantees	76	227
Collateral guarantees	None	None
Forward sales in USD	163,510	160,419
Commitments received		
Endorsements, pledges and guarantees	None	518
Collateral guarantees	None	None
Multi-currency syndicated loan	600,000	600,000
Forward purchases in USD	443	0
Reciprocal commitments		
Currency hedge via Metal Currencies	321,640	1,139,046

The above table does not include current business orders or liabilities stemming from orders for non-current assets as part of capital expenditure programmes.

Liquidity risk

ERAMET SA is not exposed to liquidity risk because of its clearly positive net cash position. Cash surpluses are transferred to Metal Securities, the special purpose Group entity responsible for centralising and managing Group cash surpluses.

In addition, the Company has additional sources of financing available, as required, under a revolving credit facility and the issue of commercial paper.

Revolving credit facility: In 2005, ERAMET entered into a five-year agreement for a €600 million multi-currency revolving credit facility with a select group of banks, with the option of extending it to seven years. In line with the terms of the agreement, the ERAMET Group has twice asked the lenders to extend it for an additional year, in 2006 and 2007. The expiry of this facility has thus been extended to 24 May 2012. The interest rate applicable to the sums borrowed is the benchmark rate, depending on the borrowing currency, plus the applicable spread. The spread is reduced on a sliding basis in line with the financial ratio of consolidated net debt to shareholders' equity. In addition, ERAMET pays a commitment fee of 30-32.5% of the applicable spread.

This revolving credit facility includes a default clause linked to the net debt to shareholders' equity ratio. Considering the Group's positive net cash position, this ratio was wholly satisfied as of 31 December 2008, as it was as of 31 December 2007. If the Group fails to comply with the ratio, all or part of its loans would have to be repaid.

Commercial paper: In 2005, ERAMET established a €400 million commercial paper programme.

Like at 31 December 2007, because of the cash surplus as of 31 December 2008, neither the revolving credit facility nor the commercial paper programme were used.

Market risk

Foreign currency risk: ERAMET SA is exposed to transactional currency risk since its income is invoiced in foreign currencies (mainly the US dollar), while production costs are for the most part denominated in euros. Its hedges are entered into based on multiyear forecasts and budgets with a maximum horizon of thirty-six months.

Interest rate risk: As of 31 December 2008, ERAMET had no interest rate hedges in place on its debt. Its surpluses invested with Metal Securities are remunerated at market rates.

Commodity risk: ERAMET is exposed to the volatility of commodity prices, impacting its sales as a nickel producer. ERAMET hedges a portion of its nickel sales on the basis of 1- or 2-year budget forecasts, with the closing fair value being a liability of €32 million (€50 million as of 31 December 2007). Accordingly, as of 31 December 2008, 9% of 2009 planned deliveries were hedged at an average price of approximately US$23,000/ton (US$10.45/pound). ERAMET mainly uses forwards, combined call and put options and purchase options.

Credit or counterparty risk: ERAMET's counterparty risks mainly relate to its commercial transactions and, by extension, to trade receivables. Accordingly, ERAMET may be exposed to credit risk in the event of default by a counterparty. ERAMET has various means at its disposal to limit counterparty risk, for which the maximum exposure is equal to the net amount of receivables recognised in the balance sheet: gathering information ahead of financial transactions (from rating agencies, published financial statements, etc.), credit insurance and the putting in place of letters of credit and documentary credits to hedge certain specific inherent risks such as, for example, the geographic location of its customers. In addition, ERAMET's customer portfolio is primarily comprised of leading international metallurgy groups for which insolvency risks are limited.

Note 20. Property leases

(thousands of euros)		31/12/2008
Finance leased non-current assets		
Land		0
Buildings		0
Depreciation and amortisation expense for the period		0
Cumulative depreciation and amortisation expense		0
Finance lease commitments		
Lease payments paid:	in period	67
	in total	6,259
Outstanding lease payments:	Up to a year	0
	Over one and up to five years	0
	Over five years	0
Residual purchase price		0

The lease on the 53rd floor of Tour Montparnasse expired during the first half of 2008. The formalities for exercising the option were finalised in September 2008 and the investment was recognised for €4,186. The tax value of the property complex is €2.8 million, of which €0.7 million is for the land.

Note 21. Acquisition of the Tinfos group (Norway)

On 30 July 2008, ERAMET acquired a 55.78% interest (controlling interest 58.93%) in the Norwegian group Tinfos, which is engaged in the production of silicomanganese at its Kvinesdal plant, with a production capacity of 180,000 tons per annum, the production of titanium dioxide and high-purity smelting, the international trading of metallurgical products for the steel and smelting industries and the production of electricity in Norway.

The total amount of the transaction, €406 million, comprised a €279 million cash payment, €119 million via an ERAMET capital increase for Tinfos and Notodden Calcium-Carbidfabrik shareholders and €7.6 million in acquisition expenses (professional fees, investment banks, legal fees).

Note 22. Events after the balance sheet date

On 18 February 2009, ERAMET and Mitsubishi Corporation announced their intention to enter into a partnership in respect of the project to develop the Weda Bay nickel deposit in Indonesia. Mitsubishi Corporation agreed to acquire from ERAMET a 33.4% interest in Strand Minerals, which holds a 90% interest in PT Weda Bay Nickel, alongside the Indonesian group Antam.

To the best of the Company's knowledge, there are no events to report after the balance sheet date.

Note 23. Consolidation of the separate financial statements

The Company is consolidated within the ERAMET Group, of which it is the parent company.

Note 24. Compensation of management and supervisory bodies

(thousands of euros)	FY 2008	FY 2007
Short-term benefits		
▪ Fixed remuneration	2,508	1,823
▪ Variable remuneration	1,036	805
▪ Directors' fees	375	371
Other benefits		
▪ Post-employment benefits	7,750	3,066
Total	**11,668**	**6,065**

The ten highest paid individuals received a total of €4.1 million in 2008.

Note 25. Share subscription and purchase options and bonus shares

SUBSCRIPTION OPTIONS

	Meeting date	Board Meeting date	Subs-cription price	Number of beneficiaries At outset	Number of beneficiaries At 01.01.2008	Allocated at outset	Exercised or lapsed prior to 01.01.2008	Exercised in 2008	Lapsed in 2008	Still to be exercised as from 01.01.2009	Number of beneficiaries at 01.01.2009	Expiry of plan
1	27/05/1998	12/12/2001	32.60 EUR	61	8	153,000	(134,200)	(11,050)	-	7,750	5	11/12/2009 (1)
2	23/05/2002	15/12/2004	64.63 EUR	81	75	130,000	(9,562)	(57,069)	(3,700)	59,669	41	15/12/2012 (2)
Total						**283,000**	**(143,762)**	**(68,119)**	**(3,700)**	**67,419**		

(1) Only exercisable as from 12 December 2003. Shares could not be sold prior to 14 December 2005.
(2) Only exercisable as from 12 December 2006. Shares could not be sold prior to 14 December 2008.

BONUS SHARES

(1)	Meeting date	Board Meeting date	Subs-cription price	Number of beneficiaries At outset	Number of beneficiaries At 01.01.2008	Allocated at outset	Subscribed or lapsed prior to 01.01.2008	Definitively granted in 2008	Lapsed in 2008	Still to be exercised as from 01.01.2009	Number of beneficiaries At 01.01.2009	Expiry of plan
1	11/05/2005	13/12/2005	Bonus	90	-	14,000	14,000	-	-	-	-	-
2	11/05/2005	25/04/2007	Bonus	1	-	10,000	-	-	-	10,000	1	25/04/2009
3	11/05/2005	23/07/2007	Bonus	61	**-**	**16,000**	**-**	**-**	**170**	**16,170**	59	23/07/2009
Total						**40,000**	**14,000**	**-**	**170**	**26,170**		

(1) Definitive vesting date: 1 = 13.12.2007, 2 = 25.04.2009 and 3 = 23.07.2009. The shares cannot be sold prior to: 1 = 13.12.2009, 2 = 25.04.2011 and 3 = 23.07.2011.

Note 26. Individual training rights

Individual training rights vested for a full year total 20 hours per full-time employee and pro rata for those working part-time or beginning during the year.

Considering the size of the workforce as of 31 December 2008, individual training rights amounted to 23,996 hours (16,182 hours as of 31 December 2007).

TABLE OF SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AT 31/12/2008

(thousands of euros or foreign currency except millions of XAF)		Share capital	Shareholders' equity other than share capital	Ownership interest	Gross carrying amount of securities owned	Net carrying amount of securities owned	Loans and advances granted and outstanding	Deposits and guarantees given	Dividends received in period	Sales in most recent elapsed period	Profit (loss) for more recent elapsed period
		Currency	*Currency*	*%*	*EUR*	*EUR*	*EUR*	*EUR*	*EUR*	*Currency*	*Currency*
I - Detailed information on each stock (gross amount in excess of 1% of the Company's share capital)											
- Subsidiaries (at least 50% of share capital owned)											
Eras	EUR	1,264	0	100.00	1,250	1,250				0	0
ERAMET Ingénierie	EUR	525	2,471	100.00	838	838				10,016	563
ERAMET Research	EUR	1,410	2,001	100.00	1,161	1,161	210			12,799	305
ERAMET International	EUR	160	2,058	100.00	892	892				21,175	171
ERAMET Holding Nickel	EUR	227,104	(38,381)	100.00	229,652	229,652			49,679	0	52,196
Weda Bay Mineral Inc.	USD	81,376	(19,450)	100.00	189,058	189,058	17			0	2,645
ERAMET Holding Manganèse	EUR	310,156	(75,439)	100.00	310,156	310,156			84,075	0	90,232
Tinfos	NOK	16,000	775,116	52.65	383,569	383,569				46,706	70,360
S.I.M.A.	EUR	148,000	2,696	100.00	329,584	314,600	130,000		52,800	3,951	3,320
Erasteel	EUR	15,245	99,540	100.00	143,169	143,169				19,397	(8,111)
					1,589,329	**1,574,345**					
- Investments in associates (between 10% and 50% owned)											
Comilog	XAF	40,812	80,768	26.76	61,546	61,546			6,954	632,752	179,204
Notodden Calcium-Carbidfabrik	NOK	1,200	4,276	49.88	22,348	22,348				0	0
					83,894	83,894					
II - General information on other stocks (gross amount at most equal to 1% of the Company's share capital)											
▪ French subsidiaries	EUR				147	147					
▪ Foreign subsidiaries	EUR										
▪ Investments in associates	EUR				997	997			48		
Total					**1,674,367**	**1,659,383**	**130,227**	**0**	**193,557**		

20.2.3. Report of the Statutory Auditors on the annual Financial Statements – Year Ended 31 December 2008

Dear Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2008, on:

- the audit of the accompanying annual financial statements of ERAMET;
- the justification of our assessments;
- the specific verifications and information required by French law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2008 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. Justification of assessments

The accounting estimates used in the preparation of the financial statements at 31 December 2008 were performed in a context of high market volatility and a definite difficulty in assessing the economic prospects. These conditions are described in Note 5.1 to the financial statements concerning accounting principles, rules and methods. It is in this context that, in accordance with the provisions of Article L. 823.9 of the French Commercial Code (Code de commerce), we performed our own assessments, which we now bring to your attention;

As stated in Note 5.3.2 to the financial statements concerning accounting principles, rules and methods relating to financial fixed assets, the valuation of the investments in the subsidiaries is performed by taking into account not only the value of the net assets held, but also the prospects for profitability. Our work consisted in assessing the data and scenarios on which these estimates are based, and reviewing the calculations made by ERAMET. On these bases, we assessed the reasonable nature of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole and, therefore, contributed to our audit opinion expressed in the first part of this report.

III. Specific verifications and information

We have also performed the specific verifications required by French law.

We have no matters to report regarding the following:

- the fair presentation and consistency with the financial statements of the information given in the Directors' report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the Directors' report in respect of remunerations and benefits granted to the relevant Directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders (and holders of voting rights) has been properly disclosed in the Directors' report.

Paris-La Défense and Neuilly-Sur-Seine, 9 March 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.2.4. Special Report of the Statutory Auditors on related-party agreements and commitments during the year ended 31 December 2008

Dear Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

Authorised agreements and commitments concluded in the year

In accordance with Article L. 225-40 of the French Commercial Code (Code de commerce), we have been advised of certain related party agreements and commitments which were authorised by your Board of Directors.

We are not required to ascertain the existence of any other agreements and commitments but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Collective defined-benefit pension scheme

The three corporate officers, Mr Patrick Buffet (CEO), Mr Philippe Vecten (Deputy Chief Executive) and Mr Bertrand Madelin (Deputy Chief Executive), are now eligible for the defined-benefit pension scheme, otherwise referred to as the Article 39 scheme.

This scheme, which applied previously to Mr Georges Duval (Deputy Chief Executive) and Mr Edouard Duval (Director), as well as certain senior executives, has been modified to take account of regulatory changes and has been extended to a certain number of other beneficiaries.

The conditions and the current value of the commitments are set forth in Chapter 10-2 of the management report. They were approved by the Board of Directors on 30 July 2008 and took effect on 1 July 2008.

Agreements and commitments authorised in prior years and which remain current during the year

In addition, in accordance with the French Commercial Code (Code de commerce), we have been advised that the following agreements and commitments which were approved in prior years, remained current during the year.

With Le Nickel-SLN

A. NATURE AND PURPOSE

Within the scope of a technical support contract signed in 1999, ERAMET provided SLN-Le Nickel with general strategic, industrial, financial, tax and human resources management support. This agreement remained in force and unchanged in 2008.

Terms and conditions

The amount invoiced under this contract amounted to €11,106,000 in 2008, compared to €10,908,000 in 2007.

B. NATURE AND PURPOSE

The ERAMET/Le Nickel SLN marketing agreement entered into in 1985 under which ERAMET markets SLN-Le Nickel products (other than ore) remained in force and unchanged in 2008.

Terms and conditions

Under this agreement, ERAMET buys nickel matte and ferronickel from Le Nickel-SLN at a purchase price allowing ERAMET to generate a mark-up of 1.5%, plus a bonus when the price of nickel exceeds a certain level.

The total amount of purchases invoiced by Le Nickel-SLN to ERAMET amounted to €695,736,842 in 2008, compared to €1,139,852,255 in 2007.

Also under this agreement, ERAMET invoiced Le Nickel-SLN a fixed fee of €27,660,000 in 2008, compared to €26,940,000 in 2007, intended to cover the fixed costs of nickel matte conversion incurred by ERAMET prior to marketing the finished products.

Paris-La Défense and Neuilly-Sur-Seine, 9 March 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.2.5. Corporate annual financial results over the past five financial years

			2004	2005	2006	2007	2008
Share capital at year end	a)	Share capital	78,522,079 EUR	78,659,116 EUR	78,936,727 EUR	79,012,144 EUR	79,956,455 EUR
	b)	Number of shares issued	25,744,944	25,789,874	25,880,894	25,905,621	26,215,231
Transactions and profit (loss) for the year (thousands of euros)	a)	Sales tax excluded	829,840	845,373	1,082,671	1,369,986	1,033,393
	b)	Profit (loss) before tax, employee profit-sharing depreciation, amortisation and provisions	44,869	193,615	123,189	221,083	152,814
	c)	Income tax	(2,214)	(4,128)	3,534	22,027	(20,076)
	d)	Employee profit-sharing	0	0	0	0	0
	e)	Profit (loss) after tax, employee profit-sharing depreciation, amortisation and provisions	154,347	246,770	144,198	206,516	148,159
	f)	Proposed dividend	51,490	54,159	75,055	155,434	137,630
Earnings per share (in euros)	a)	Profit (loss) after tax, employee profit-shring but before depreciation, amortisation and provisions	1,83	7,67	4,62	7,68	6,59
	b)	Profit (loss) after tax, employee profit-sharing, depreciation, amortisation and provisions	6,00	9,57	5,57	7,97	5,65
	c)	Proposed dividend per share	2,00	2,10	2,90	6,00	5,25
Employees	a)	Number of employees (average)	306	326	336	347	369
	b)	Total payroll (thousands of euros)	17,949	19,414	20,933	27,914	26,331
	c)	Amounts paid out in employee benefits (thoursands of euros)	8,617	8,271	8,983	10,165	11,250

20.3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2007 AND 2006

Pursuant to Article 28 of (EC) Regulation No. 809/2004 of the Commission, the following information is included by reference in this Reference Document:

a) the 2007 consolidated financial statements, the related audit report and the overview of the items included respectively in Sections 20.1.1., 20.1.2. and 6 of the 2007 Reference Document filed with the AMF on 9 April 2008;

b) the 2006 consolidated financial statements, the related audit report and the overview of the items included respectively in Sections 20.1.1., 20.1.2. and 6 of the 2006 Reference Document filed with the AMF on 20 July 2007.

The sections of the 2007 and 2006 Reference Documents not included are therefore either of no relevance to investors or covered elsewhere in this Reference Document.

The two above-mentioned Reference Documents can be found on the Company's website (www.eramet.fr) and on that of the AMF (www.amf-france.org).

20.4. ORDINARY GENERAL SHAREHOLDERS' MEETING OF 13 MAY 2009 - WORDING OF DRAFT RESOLUTIONS

20.4.1. Within the remit of the Ordinary General Shareholders' Meeting

Resolution One (2008 separate financial statements)

Having heard the Report of the Board of Directors and the Report of the Statutory Auditors for the year ended 31 December 2008, the General Shareholders' Meeting approves the financial statements for said year as presented as well as the transactions reflected in those financial statements or summarised in those reports.

Resolution Two (2008 consolidated financial statements)

Having heard the Report of the Board of Directors and the Report of the Statutory Auditors on the consolidated financial statements for the year ended 31 December 2008, the General Shareholders' Meeting approves said consolidated financial statements as presented as well as the transactions reflected in those financial statements or summarised in those reports.

Resolution Three (Related-party agreements)

Having heard the special report of the Statutory Auditors on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code, the General Shareholders' Meeting approves that report and the agreements listed therein.

Resolution Four (Allocation of earnings – Setting the dividend)

The General Shareholders' Meeting approves the allocation of earnings as proposed by the Board of Directors.

Earnings for the past financial year	€148,158,539.81
Plus retained earnings as on 31 December 2008*:	€471,251,378.41*

* *Retained earnings as on 31 December 2008 include €1,863,215.96 relating to the amount of the approved but unpaid dividend with respect to ERAMET treasury shares as of the date of dividend payment.*

The General Shareholders' Meeting resolves to allocate:

To the legal reserve:	€94,521.04
Leaving the remainder:	€619,315,397.18
The General Shareholders' Meeting resolves to distribute an amount of €5.25 per share, namely for the 26,215,231 shares comprising the share capital on 31/12/2008, the amount of:	€137,629,962.75
Leaving retained earnings of:	€481,685,434.43

The dividend will be paid out from 25 May 2009.

If, when the dividend is paid out, any new shares have been created as a result of the exercise of subscription options or the creation of bonus shares for beneficiary employees, the dividend corresponding to those shares will be automatically deducted from retained earnings.

The General Shareholders' Meeting, acting as an Ordinary General Shareholders' Meeting, notes that the dividends per share paid out in respect of the previous year and the three preceding years is, or was, as follows:

	2005	2006	2007	2008
Number of shares eligible for payment	25,789,874	25,880,894	25,905,621	26,215,231
Total return	€2.10	€2.90	€6.00	€5.25

Resolution Five (Reappointment of a Director)

The General Shareholders' Meeting reappoints Harold MARTIN, whose term of office expires at the end of this Meeting, for a further four year term as Director, namely to the General Shareholders' Meeting to be held in 2013 to approve the financial statements for the 2012 financial year.

Resolution Six (Appointment of a Director)

Pursuant to Article 11.1 of the Articles of Association, the General Shareholders' Meeting resolves to appoint Jean-Hervé LORENZI for a four year term, namely to the General Shareholders' Meeting to be held in 2013 to approve the financial statements for the 2012 financial year.

Resolution Seven (Reappointment of a Joint Auditor – Statutory and Alternate)

The General Shareholders' Meeting notes that the terms of office of the Statutory and Alternate Auditors namely of ERNST & YOUNG AUDIT and of Jean-Marc MONTSERRAT, respectively, expire at the end of this Meeting and appoints for a period of six financial years, namely to the General Shareholders' Meeting to be held in 2015 to approve the financial statements for the 2014 financial year, the following auditors:

- Statutory Auditor: ERNST & YOUNG et Autres (438 476 913 in the Nanterre Trade Register), represented by Mr. Aymeric de la Morandière; and
- Alternate Auditor: AUDITEX (377 652 938 in the Nanterre Trade Register).

Resolution Eight (Reappointment of a Joint Auditor – Statutory and Alternate)

The General Shareholders' Meeting notes that the terms of office of the Statutory and Alternate Auditors, namely of DELOITTE & Associés and of B.E.A.S., respectively, expire at the end of this Meeting and reappoints for a period of six financial years, namely to the General Shareholders' Meeting to be held in 2015 to approve the financial statements for the 2014 financial year, the following auditors:

- Statutory Auditor: DELOITTE & Associés (572 028 041 in the Nanterre Trade Register), represented by Alain Penanguer; and
- Alternate Auditor: B.E.A.S. (315 172 445 in the Nanterre Trade Register).

Resolution Nine (Authorisation to trade in Company shares)

Having taken note of the description of the Company's share buyback programme and making use of the power provided under Article L. 225-209 of the French Commercial Code, the General Shareholders' Meeting authorises the Board of Directors to have the Company buy back its own shares up to a maximum of 10% of the share capital, with a view to:

- supporting the price via a liquidity contract with an investment services provider, in accordance with the AMAFI (formerly AFEI) code of conduct recognised by the AMF (Autorité des Marchés Financiers - French Financial Markets Authority);
- retaining or exchanging them, particularly as part of an acquisition or when issuing securities granting equity rights;
- granting shares to the employees of the Company and/or companies that are, directly or indirectly, 50% owned by ERAMET, on the terms and in the manner established by law, particularly with regard to the provisions governing stock options and bonus share grants to employees;
- cancelling them, subject to the General Shareholders' Meeting adopting Resolution Ten authorising a reduction in the Company's capital.

Such shares may be purchased, sold, transferred or exchanged by any means, in the market or over the counter, including, where appropriate, by means of derivatives and the whole of the authorised share buyback programme may be acquired or transferred in the form of share blocks.

This may also be carried out during a takeover period if, firstly, the bid for the Company's shares is fully paid in cash and, secondly, the buybacks are carried out in the normal course of its business.

Payment may be by any means.

The maximum purchase price may not exceed €500 per share.

This authorisation is granted for a period that will end at the General Shareholders' Meeting called to approve the financial statements for the 2009 financial year.

On the basis of the number of shares in the share capital at 28 February 2009, assuming a price of €500 per share, the maximum theoretical investment would amount to €1,310,869,000.

For the purposes of implementing this resolution, the Board of Directors is fully empowered, and may delegate these powers, for the purposes of:

- placing all stock market orders, entering into all agreements particularly with regard to the keeping of share purchase and sale records;
- making all filings to the AMF;
- assigning or reassigning the acquired shares to the various goals in line with the applicable legal or regulatory provisions;
- carrying out all other formalities and generally doing whatever is necessary.

20.4.2. Within the remit of the Extraordinary General Shareholders' Meeting

Resolution Ten (Authorisation to reduce the capital by cancelling shares)

Having noted the report of the Statutory Auditors and subject to the General Shareholders' Meeting adopting Resolution Nine on the authorisation to trade in Company shares, the General Shareholders' Meeting authorises the Board of Directors to, at its sole discretion, cancel, on one or more occasions, all or part of the Company's shares held by the latter under the Company share buyback authorisations.

This authorisation is valid for 26 months from the date of this General Shareholders' Meeting, up to a maximum of 10% of the share capital. It supersedes any previous authorisation having the same purpose.

The General Shareholders' Meeting fully empowers the Board of Directors to adjudicate any objections, decide to cancel shares, record a share capital reduction, charge the difference between the buyback value of the cancelled shares and their par value to the available reserves and premiums, accordingly amend the Articles of Association and generally take all appropriate measures and carry out all formalities.

Resolution Eleven (Share capital increase by issuing shares, miscellaneous securities and warrants with shareholders' preferential subscription rights)

Having noted the special report of the Statutory Auditors and pursuant to the provisions of Articles L. 225-129 et seq. of the French Commercial Code, the General Shareholders' Meeting authorises the Board of Directors to increase the share capital, at its sole discretion, by a maximum par amount of €24,000,000, by successively or simultaneously issuing, on one or more occasions, both in France and abroad, securities providing immediate or future entitlement to a portion of the share capital in the form of:

a) shares stemming:

- from the issue of new shares to be subscribed for in cash or by offsetting debt, with or without issue premium;
- or by incorporating all or part of the then existing reserves or issue premiums into the capital, to be carried out by distributing bonus shares or raising the par value of existing shares;
- or by simultaneously carrying out a number of them.

b) securities other than shares, directly or indirectly providing entitlement, by conversion, exchange, redemption, presentation of a warrant or by any other means, to the allocation, at any time or on fixed dates, of securities that shall be issued for that purpose, representing a portion of the share capital. These securities may take the form of convertible bonds, bonds with warrants, bonds redeemable in shares or any other form that is not incompatible with current legal provisions. These securities may be issued in euros, foreign currencies or monetary units established with reference to a basket of currencies, up to an amount corresponding to a total maximum par capital increase of €24,000,000 or the exchange value of that amount determined on the date of the decision to issue such securities;

c) warrants that give their holders the right to subscribe for securities representing a portion of the Company's share capital, on the understanding that these warrants may be issued either by subscription for cash or by bonus grant and furthermore that the warrants may be issued alone or attached to both the shares and securities mentioned in (a) and (b) above issued simultaneously.

Upon the issue of the securities mentioned under (a), (b) and (c) for cash, the owners of existing shares shall have an automatic (as of right) preferential right in proportion to the number of shares then held by them, to subscribe for those securities; on the occasion of each issue, the Board of Directors shall set the terms and limits under which shareholders may exercise their automatic subscription rights in line with current legal provisions.

The Board of Directors may grant shareholders the right to subscribe for excess shares to be exercised in proportion to their rights and up to the amount of their request.

If subscriptions as of right and for excess shares do not fully take up all the shares, securities or warrants issued, the Board of Directors may limit the issue to the amount of subscriptions received, in the legally established manner (on the understanding that if the Board of Directors were to decide to issue new ordinary shares mentioned under (a) above, the amount of subscriptions must at least equal 75% of the amount of the decided capital increase), or freely distribute the shares, securities or warrants not subscribed for as of right or as the case may be as excess shares, or even offer all or some of them to the public; the Board of Directors may use the above powers or just some of them in whatever order it sees fit.

If it issues securities providing entitlement to equity securities on presentation of a warrant, the Board of Directors shall be fully empowered to determine the manner in which the Company may buy back warrants on the stock market, at any time or during specific periods, in order to cancel them.

The General Shareholders' Meeting fully empowers the Board of Directors, with the power to further delegate to its Chairman in the manner established by law, to implement this authorisation, on one or more occasions, specifically to determine the dates and terms of issues, set the prices and interest rates, set the amounts to be issued and the type of securities to be created, their dividend entitlement date, even if retrospective, the terms of their redemption and/or buyback, to make any adjustments required in accordance with legal and regulatory provisions, to make any amendments to the Articles of Association made necessary by this authorisation and more generally to take all appropriate measures and enter into all agreements and arrangements to conclude the proposed issues, in full compliance with current laws and regulations.

The General Shareholders' Meeting resolves that in the event of a capital increase via the granting of bonus shares, fractions shall not be negotiable and the corresponding shares shall be sold and fully empowers the Board of Directors to proceed with such sales pursuant to the terms of legal and regulatory provisions.

It further authorises the Board of Directors to charge the cost of the capital increase to the premiums relating to those increases and to deduct from those premiums any sums necessary to raise the legal reserve to one tenth of the new capital after each increase.

This authorisation, which cancels and supersedes any previous authorisation, is valid for the period established by law.

Resolution Twelve (Incorporation of reserves, earnings, premiums or other items that may be capitalised)

The General Shareholders' Meeting:

a) grants the Board of Directors the necessary powers to increase the share capital, on one or more occasions, in the proportion and at such times as it shall see fit, either by incorporating reserves, earnings, premiums or other items that may be capitalised, or by combining it with a cash capital increase carried out by virtue of Resolution Eleven and in the form of a bonus share grant or an increase in the par value of existing shares, or a combination of both;

b) resolves that the amount of the capital increase to be carried out by virtue of this authorisation, may not exceed €24,000,000;

c) resolves that the Board of Directors shall be fully empowered, with the power to further delegate to its Chairman in the manner established by law, to implement this authorisation specifically to:

- decide on all the terms and conditions of the authorised transactions and in particular set the amount and nature of the reserves and premiums to be incorporated into the capital, set the number of new shares to be issued or the amount by which the par value of the existing shares in the share capital is to be increased, decide the date, even retrospective, from which the new shares will be entitled to dividends or the date on which the increase in the par value will take effect and, where appropriate, allocate all charges to the share premiums, in particular the cost of carrying out the issues,
- decide, where appropriate, pursuant to the provisions of Article L. 225-130 of the French Commercial Code, that fractions shall not be negotiable and that the corresponding shares shall be sold; the proceeds of the sale being allocated to the rights holders within a maximum of 30 days of the whole number of allocated shares being registered to them,
- take all appropriate measures and enter into all agreements to ensure the conclusion of the proposed transaction(s) and generally do whatever is necessary to carry out all acts and formalities in order to render effective any capital increase that may be carried out by virtue of this authorisation and to accordingly amend the Articles of Association.

The authorisation hereby granted to the Board of Directors, which supersedes any previous authorisation, is valid for the period established by law.

Resolution Thirteen (Share capital increase by issuing shares, miscellaneous securities and/or warrants with waiving of shareholders' preferential subscription rights)

Having noted the special report of the Statutory Auditors and pursuant to Article L. 225-129 of the French Commercial Code, the General Shareholders' Meeting grants the Board of Directors the power to increase the share capital by a maximum par amount of €24,000,000, by the successive or simultaneous issue, on one or more occasions, both in France and abroad, of securities providing immediate or future entitlement to a portion of the capital. This authorisation may be exercised on the following terms:

I) issue by the Company, in the form of:

a) new shares to be subscribed for in cash or by offsetting debt, with or without issue premium,

b) securities other than shares, directly or indirectly providing entitlement, by conversion, exchange, redemption, presentation of a warrant or by any other means, to the allocation, at any time or on fixed dates, of securities that shall be issued for that purpose, representing a portion of the share capital. These securities may take the form of convertible bonds, bonds with warrants, bonds redeemable in shares or any other form that is not incompatible with current legal provisions.

These securities may be issued in euros, foreign currencies or monetary units established with reference to a basket of currencies, up to an amount corresponding to a total maximum par capital increase of €24,000,000 or the exchange value of that amount determined on the date of the decision to issue such securities;

c) warrants that give their holders the right to subscribe for securities representing a portion of the Company's share capital, on the understanding that these warrants may be issued alone or attached to both the shares and securities mentioned in (a) and (b) above issued simultaneously.

The securities mentioned under (a), (b) and (c) above may be issued to compensate securities that may be contributed to the Company as part of a share exchange involving securities satisfying the terms of Article L. 225-148 of the French Commercial Code.

The par value of the securities representing a portion of the Company's capital likely to be created by virtue of the issues provided for under (b) and (c) of this Section I may not, under any circumstances, result in the share capital being increased by a par amount of more than €24,000,000 in respect of issues mentioned under (b) or more than €24,000,000 in respect of issues mentioned under (c), to which may be added the par value of the securities to be issued in order to preserve the rights of the owners of securities mentioned under (b) and (c) above;

II) issues by one or more companies in which ERAMET directly or indirectly holds more than half the share capital, carried out by those companies, on one or more occasions, whether in euros, foreign currencies or monetary units established with reference to a basket of currencies, in the French or international markets:

a) ERAMET bonds with warrants;

b) securities, directly or indirectly providing entitlement, by conversion, exchange, redemption, presentation of a warrant or by any other means, to the granting, at any time or on fixed dates, of securities that are or shall be issued for that purpose, representing a portion of the share capital of ERAMET. These securities may take the form of shares with warrants, convertible bonds, bonds redeemable in shares or any other form that is not incompatible with current legal provisions.

The par value of the securities representing a portion of the capital likely to be created by virtue of the issues provided for under (a) and (b) of this Section II may not, under any circumstances, result in the capital being increased by a par amount of more than €24,000,000 to which may be added the par value of the securities to be issued in order to preserve the rights of the owners of securities mentioned under (a) and (b) and the securities mentioned under (b) of this Section II.

III) the General Shareholders' Meeting resolves to waive shareholders' preferential subscription rights to the shares, securities and warrants mentioned under (a), (b) and (c) of Section I and the warrants and securities mentioned under (a) and (b) of Section II. In respect of issues made in the French market and for a period and on the terms it shall determine, the Board of Directors may however grant shareholders a priority period in which to subscribe for the shares, securities and warrants issued, without creating any negotiable and transferable rights.

The General Shareholders' Meeting also resolves that this authorisation includes a waiver by shareholders of their preferential subscription rights to securities representing a portion of the capital of ERAMET to which the issue of the securities and warrants mentioned under (b) and (c) of Section I and the warrants and securities mentioned under (a) and (b) of Section II provides immediate or future entitlement.

In the event of the issue of securities providing entitlement to equity securities on presentation of a warrant, the Board of Directors shall be fully empowered to determine the manner in which the Company may buy back warrants on the stock market, at any time or during specific periods, in order to cancel them.

IV) the General Shareholders' Meeting resolves that the sum immediately reverting or likely to subsequently revert to the Company:

1) in respect of each share issued pursuant to the authorisation conferred under (a) of Section I above,

2) in respect of each of the securities representing a portion of the capital issued or created by conversion, exchange, redemption, presentation of a warrant or by any other means pursuant to the authorisation conferred under (b) of Sections I and II above,

3) and in respect of the exercise of each of the warrants issued pursuant to the authorisations conferred under (c) of Section I and (a) and (b) of Section II above;

must be at least equal to the weighted average price over the three stock market sessions immediately preceding its fixing (possibly less a maximum discount of 5%) after any necessary correction of that average to take into account any difference in dividend entitlement date, on the understanding that the price of any warrants issued alone must, per security representing the capital to be created, be such that the sum of that price and the exercise price of each warrant is at least equal to 105% of that average;

V) the General Shareholders' Meeting fully empowers the Board of Directors, with the power to further delegate to its Chairman in the manner established by law, to implement this authorisation, on one or more occasions, specifically to determine, in conjunction with the issuing companies in the circumstances provided for in Section II, the dates and terms of issues, set the prices and interest rates, set the amounts to be issued and the type of securities to be created, their dividend entitlement date, even if retrospective, the terms of their redemption and/or buyback, to take decisions and carry out the necessary transactions if issuing securities in order to compensate the securities contributed as part of a share exchange, to make any adjustments required in accordance with legal and regulatory provisions, to make any amendments to the Articles of Association made necessary by this authorisation and more generally to take all appropriate measures and enter into all agreements and arrangements to conclude the proposed issues, in full compliance with current laws and regulations.

It further authorises the Board of Directors to allocate the cost of the capital increase to the premiums relating to those increases and to deduct from those premiums any sums necessary to raise the legal reserve to one tenth of the new capital after each increase.

This authorisation, which supersedes any previous authorisation, is valid for the period established by law.

Resolution Fourteen (Share capital increase by issuing shares or miscellaneous securities providing entitlement to capital in consideration for contributions in kind relating to equity securities or securities providing entitlement to capital, with waiving of shareholders' preferential subscription rights)

Having heard the Report of the Board of Directors and having noted the special report of the Statutory Auditors and pursuant to the provisions of paragraph 6 of Article L. 225-147 of the French Commercial Code, the General Shareholders' Meeting:

1. fully empowers the Board of Directors to, up to a maximum of 10% of the share capital, compensate contributions in kind granted to the Company and consisting of equity securities or securities providing entitlement to capital, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable, by issuing, on one or more occasions, shares (excluding preference shares) or securities providing entitlement to the Company's capital;
2. resolves that the Board of Directors shall be fully empowered to implement this resolution, specifically in order to determine the terms of the issues, draw up the list of contributors, the value of the

contributions, the list of securities contributed, to record the resulting capital increase(s), allocate all charges to the contribution premium(s), particularly the costs or taxes incurred in carrying out the transactions or the sums necessary to raise the legal reserve to its maximum and to accordingly amend the Articles of Association;

3. notes that, in accordance with the law, the implementation of this resolution shall not give rise to any preferential subscription rights for shareholders;
4. resolves that the par value of any capital increases decided by virtue of this resolution shall be included in the overall ceiling established in Resolution Fifteen of this Meeting;
5. sets the period of validity during which the Board of Directors may make use of this authorisation at 25 months from 15 June 2009 (expiry date of the ninth resolution approved by the General Shareholders' Meeting of 16 April 2008 with the same object).

Resolution Fifteen (Ceiling on the amount of issues)

The General Shareholders' Meeting resolves that:

- any capital increases resulting from the use of the authorisations including those to issue shares, other securities and warrants granted in Resolutions Eleven to Fourteen above, whether immediate, deferred or possible, may not exceed a maximum total par amount of €24,000,000 to which shall be added the amount of any additional capital increases made necessary to preserve the rights of holders of securities providing entitlement, in any way whatsoever, to the granting of securities representing a portion of the capital as well as warrant holders;
- the issue of securities other than shares authorised by Resolutions Eleven to Fourteen above may not lead to a capital increase with a par value of more than €24,000,000; where appropriate the exchange value in euros of issues of securities denominated in foreign currencies or a monetary unit set with reference to a basket of currencies shall be included in that sum.

Resolution Sixteen (Entitlement to use authorisations during a public offer period)

The General Shareholders' Meeting expressly empowers the Board of Directors to make use of all or part of the various authorisations resulting from Resolutions Eleven to Fourteen of this General Shareholders' Meeting, subject to legal provisions, were a takeover bid or share exchange to occur involving the securities issued by the Company.

This authorisation is valid for the period established by law.

Resolution Seventeen (Capital increase reserved for employees)

Having noted the report of the Board of Directors and the special report of the Statutory Auditors and deliberating in accordance with the provisions of Articles L. 225-129, L. 225-129-6 and L. 225-138-1 of the French Commercial Code, the General Shareholders' Meeting grants the Board of Directors, with the power to further delegate, the necessary powers to increase the share capital, on one or more occasions, by a maximum par amount of €500,000, by issuing new cash shares reserved for employees and former employees of the Company and related companies within the meaning of Article L. 225-180 of the French Commercial Code, belonging to a Company savings plan or pension scheme.

It resolves to waive shareholders' preferential subscription rights to the cash shares to be issued under this resolution, in favour of those employees and former employees, and to waive any other rights to bonus share granted under this resolution.

This authorisation is granted for a period of 26 months.

The subscription price of the shares shall be set in accordance with the provisions of Articles L. 3332-18 et seq. of the French Labour Code.

Resolution Eighteen (Share subscription or purchase options)

Having noted the special reports of the Board of Directors and of the Statutory Auditors, the General Shareholders' Meeting authorises the Board of Directors to grant, on one or more occasions, options providing entitlement to subscribe for new Company shares or buy existing Company shares out of buybacks made by the Company, to corporate officers and employees of the Company and related companies within the meaning of Article L. 225-180 of the French Commercial Code, in accordance with legal provisions and in particular Articles L. 225-177 et seq. of the French Commercial Code.

It is specified that the total number of options that may be granted under this authorisation may not provide entitlement to purchase or subscribe for more than 186,000 shares.

The options shall have a maximum term of ten years from the date on which they are granted.

The General Shareholders' Meeting fully empowers the Board of Directors, with the power to further delegate to its Chairman, to carry out the following in accordance with current laws and regulations:

- decide the purchase or subscription price which shall be at least equal to the average share price over the 20 stock market sessions preceding the date of the decision of the Board of Directors;
- determine, where appropriate, the performance conditions to be satisfied for the option grant;
- set any other terms relating to the grant and exercise of options, more particularly the number of shares offered in respect of each option and the term of the latter;
- if it sees fit, prohibit the resale or subscription of all or part of the acquired shares for a period running from the date on which the options were granted.

The Board of Directors may make use of this authorisation, on one or more occasions, for a period of twelve months from this Meeting.

Resolution Nineteen (Bonus share grants)

Having noted the special reports of the Board of Directors and of the Statutory Auditors, the General Shareholders' Meeting authorises the Board of Directors to carry out bonus grants of existing or unissued shares, in accordance with Articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code, to corporate officers and employees of the Company and related companies within the meaning of Article L. 225-180 of the French Commercial Code.

The total number of bonus shares that may be granted under this authorisation may not exceed 85,000 shares.

The share grant to the beneficiaries shall be definitive at the end of a vesting period of at least two years.

In addition, beneficiaries may not sell the shares granted to them under this authorisation for a minimum of two years from the definitive share grant.

The bonus shares granted may consist of existing or new shares. In the latter case, the share capital shall be accordingly increased by incorporating reserves, earnings or issue premiums.

As the decision to grant bonus shares falls to the Board of Directors, it shall determine the identity of the beneficiaries of the share grants, set the terms and where appropriate the share grant criteria.

In accordance with legal provisions, at the end of the mandatory holding period, the shares may not be sold:

- within ten stock market sessions preceding and following the date on which the consolidated, or failing them the separate financial statements, are made public;
- during a period running from the date on which the Company's corporate bodies became aware of a piece of information that, if made public could have a significant impact on the price of the Company's securities, to the date subsequent to ten stock market sessions after that on which that piece of information is made public.

The Board of Directors may make use of this authorisation, on one or more occasions, for a period of twelve months from this Meeting.

Resolution Twenty (Powers)

The Combined Ordinary and Extraordinary General Shareholders' Meetings fully empowers the bearer of an original, extract or copy of the minutes of this Meeting for the purposes of carrying out all necessary filings or formalities.

REPORT OF THE STATUTORY AUDITORS ON THE RESOLUTIONS PRESENTED TO THE GENERAL SHAREHOLDERS' MEETING

Report of the Statutory Auditors on the proposed share capital decrease through cancellation of shares purchased – 10th resolution

Dear Shareholders,

In accordance with our appointment as Statutory Auditors of ERAMET, and pursuant to the engagement set forth in Article L. 225-209, paragraph 7 of the French Commercial Code (Code de commerce) concerning capital decreases by cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and terms and conditions of the proposed capital decrease.

We conducted the procedures we deemed necessary pursuant to the professional guidelines set forth by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) with regard to this engagement. These procedures involved examining whether the reasons for and the terms and conditions of the proposed share capital decrease are appropriate.

This transaction involves the purchase by the Company of its own shares, up to a maximum of 10% of its share capital, pursuant to the terms and conditions set forth in Article L. 225-209, of the French Commercial Code. This purchase authorization is subject to the approval of the Annual General Meeting and shall end on the date on which the shareholders shall approve the financial statements for fiscal year 2009.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months, to cancel the shares purchased by the Company, pursuant to the share purchase authorization, up to a maximum of 10% of the share capital by 24-month period.

We have no comments on the reasons for or the terms and conditions of the proposed share capital decrease, which, you are reminded, may only be performed subject to the prior approval by the shareholders of the resolution on the purchase by the Company of its own shares.

Paris-La Défense and Neuilly-Sur-Seine, 3 April 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

Report of the Statutory Auditors on the issue of shares and other financial instruments with or without cancellation of preferential subscription rights – 11th, 13th, 14th, 15th and 16th resolutions

Dear Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with Articles L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code (Code de commerce), we hereby report on the proposed delegation of authority to the Board of Directors in respect of various issues of shares and securities, operations upon which you are called to vote.

Your Board of Directors proposes that, on the basis of its report:

- it be empowered for a period of 26 months to decide on the following operations and to determine the final conditions for these issues, and proposes if need be to cancel your preferential subscription rights:
  - issue of ordinary shares and securities giving access to the Company's ordinary shares, with retention of the preferential subscription rights (eleventh resolution),
  - issue of ordinary shares and securities giving access to the Company's ordinary shares, with cancellation of the preferential subscription rights (thirteenth resolution), it being specified that these shares and securities may be issued to remunerate shares and securities contributed to the Company in the context of a public share exchange offer meeting the conditions laid down by Article L. 225-148 of the French Commercial Code (Code de commerce),
  - issue of ordinary shares, as a result of the issue by subsidiaries of the Company of securities giving access to the Company's ordinary shares (thirteenth resolution);
- it be empowered for a period of 26 months to determine the conditions of an issue of shares (with the exception of preferred shares) and securities giving access to the capital, with a view to remunerating contributions in kind granted to the Company and composed of equity securities or securities giving access to the capital (fourteenth resolution), within the limit of 10% of the capital.

Your Board of Directors also proposes, under the sixteenth resolution, that it be able to use these delegations of authority in the case of a public offer in respect of the shares of your Company, in the event of the first paragraph of Article L. 233-33 of the French Commercial Code (Code de commerce) being applicable.

The overall nominal amount of the increases in capital that may be carried out immediately or in the future, resulting from issues of shares, other securities and warrants, in respect of the eleventh and fourteenth resolutions, shall not exceed €24,000,000.

It is your Board of Directors' responsibility to draw up a report in accordance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code (Code de commerce). Our role is to express an opinion on the fairness of the financial information taken from the accounts, on the proposed cancellation of the preferential subscription rights and on other specific information provided in this report relating to these operations.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These standards require that we perform the necessary procedures to verify the information contained in the Board of Directors' report relating to these operations and the methods used for determining the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issues that may be decided, we have nothing to report on the methods used for determining the issue price of the equity securities to be issued as detailed in the Directors' report in respect of the thirteenth resolution

In addition, as this report does not specify the methods used for determining the issue price of the capital securities to be issued within the context of the implementation of the eleventh and fourteenth resolutions, we cannot give an opinion on the choice of the elements used to calculate the issue price.

As the issue price of the capital securities to be issued has not yet been determined, we do not express an opinion on the final conditions under which the issues are to be carried out and, consequently, on the cancellation of the preferential subscription rights proposed to you in the thirteenth and fourteenth resolutions.

In accordance with Article R. 225-116 of the French Commercial Code (Code de commerce), we shall issue a further report, if need be, when your Board of Directors has exercised these authorizations in the event of issues of shares with the cancellation of preferential subscription rights and issues of securities giving access to the capital.

Paris-La Défense and Neuilly-Sur-Seine, 3 April 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

Report of the Statutory Auditors on the share capital increase with elimination of the preferential subscription right reserved for employees – 17th resolution

Dear Shareholders,

In our capacity as Statutory Auditors of your Company and pursuant to the engagement set forth in Articles L. 225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report on the planned increase in share capital, with elimination of the preferential subscription right, on or more occasions, for a maximum nominal amount of €500,000, reserved for current and former employees of the Company and related entities within the meaning of Article L. 225-180 of the French Commercial Code, that are members of a corporate savings plan or a corporate retirement plan and who satisfy the conditions eventually required by the Board of Director, a transaction which you are asked to approve.

This share capital increase is subject to your approval pursuant to Articles L. 225-129-6 of the French Commercial Code and Articles L. 443-5, L. 3332-18 et seq. of the French Labor Code (Code du travail).

Based on its report, your Board of Directors is asking you to grant it the authority to determine the terms and conditions of this transaction, with the possibility to sub-delegate such authority, for a period of 26 months and to approve a proposal to eliminate your preferential subscription right.

It is the responsibility of your Board of Directors to draw up a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the quantified information drawn from the accounts, the proposal to eliminate the preferential subscription right and on other information concerning the issue, as provided in this report.

We have performed the procedures we deemed necessary in terms of the relevant professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. These procedures consisted in verifying the content of the report of the Board of Directors relating to this transaction and the terms and conditions governing the determination of the issue price.

Subject to a subsequent review of the terms and conditions governing the proposed share capital increase, we have no comment on the terms and conditions governing the determination of the issue price, as provided in the Board of Directors' report.

As the issue price has not been set, we do not express an opinion on the definitive terms and conditions governing the share capital increase and, consequently, the proposal to eliminate the preferential subscription right which you are asked to approve.

In accordance with Article R. 225-116 of the French Commercial Code, we will draw up an additional report when your Board of Directors carries out the share capital increase.

Paris-La Défense and Neuilly-Sur-Seine, 3 April 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

Report of the Statutory Auditors on the stock option subscription or purchase plan reserved for corporate officers (mandataires sociaux) and employees – 18th resolution

Dear Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with Articles L. 225-177 and R. 225-144 of the French Commercial Code (Code de commerce), we hereby report on the stock option subscription or purchase plan reserved for the corporate officers (mandataires sociaux) and employees of your Company and of the companies that are related to it within the meaning of Article L. 225-180 of the French Commercial Code (Code de commerce).

The report on the reasons for the stock option plan and on the proposed methods used for determining the subscription (or purchase) price is the responsibility of the Board of Directors. Our responsibility is to express an opinion on the proposed methods for determining the subscription (or purchase) price.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These standards require that we perform the necessary procedures to verify that the methods proposed for determining the subscription (or purchase) price are included in the Directors' Report, are in accordance with legal requirements, are of information to the shareholders and do not appear manifestly inappropriate.

We have nothing to report on the methods proposed.

Paris-La Défense and Neuilly-Sur-Seine, 3 April 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

Report of the Statutory Auditors on the free allotment of existing or future shares to salaried employees and corporate officers (mandataires sociaux) – 19th resolution

Dear Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with Article L. 225-197-1 of the French Commercial Code (Code de commerce), we hereby report on the proposed free allotment of existing or future shares to the salaried employees and corporate officers (mandataires sociaux) of your Company and of the companies that are related to it within the meaning of Article L. 225-180 of the French Commercial Code (Code de commerce).

Your Board of Directors proposes that you authorize it to allot existing or future shares free of charge. It is the responsibility of your Board of Directors to draw up a report on this operation that it hopes to be able to perform. It is our responsibility to report to you, where necessary, on the information thus given to you on the proposed operation.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These standards require that we perform the necessary procedures to verify, in particular, that the methods envisaged and detailed in the Board of Directors' report are in accordance with the provisions laid down by law.

We have nothing to report on the information provided in the Board of Directors' report relating to the proposed free allotment of shares.

Paris-La Défense and Neuilly-Sur-Seine, 3 April 2009

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.5. DIVIDEND POLICY

20.5.1. Dividend payment arrangements

Dividends are paid annually at the timing and in the places specified by the General Shareholders' Meeting, or failing that by the Board of Directors, within nine months of the end of the financial year. Properly paid dividends cannot be repeated.

Interim dividend payments may be made prior to the date of the Meeting setting the amount thereof, at the initiative of the Board of Directors pursuant to the provisions of paragraph 2 of Article L. 232-12 of the French Commercial Code.

Shareholders may be given the option of payment wholly or partly in new Company shares, pursuant to the provisions of paragraph 1 of Article L. 232-18 of the French Commercial Code.

In accordance with applicable provisions in France, unclaimed dividends lapse five years from the date of payment.

Unclaimed amounts are paid over to the French State during the first 20 days of January of each year following that lapse, pursuant to the provisions of Articles L. 27 and R. 46 of the French Public Property Code.

20.5.2. Allocation and distribution of earnings/Dividend payment arrangements (Article 25 of the Articles of Association)

"5% of earnings, as defined by law, less any past losses, where applicable, are withheld to make up the legal reserve, until such time as the reserve is equal to 10% of the share capital.

Distributable earnings consist of earnings for the financial year, less any past losses and the abovementioned withheld amount, plus any retained earnings. Out of the distributable earnings, the Ordinary General Shareholders' Meeting may deduct any sum it deems appropriate, either to be carried forward to the following financial year or to be added to one or more special or general reserves, of which it determines the allocation or use.

Any surplus is divided equally between all shares.

The General Shareholders' Meeting may grant each shareholder, for all or part of the dividend being distributed, the option to be paid in shares in the legally established manner, or in cash."

Breakdown of 2008 earnings allocation

The allocation of the €148,158,539.81 in earnings (plus €471,251,378.41 carried forward as at 31 December 2008) will be proposed at the next Ordinary General Shareholders' Meeting:

- €94,521.04 to the legal reserve;
- €137,629,962.75 by way of dividend;
- the balance to be carried forward.

20.5.3. Dividend policy

20.5.3.1. Policy applied

PAYMENT ARRANGEMENTS

As the Company does not usually make interim payments, with dividends being paid out annually following the General Shareholders' Meeting called to approve the management activities and financial statements for the past financial year (in 2009 with effect from 1 June 2009).

Mixed payments, in cash and shares, are sometimes offered at the shareholder's option. Accordingly, with respect to the 1999 financial year, the Company proposed a cash payment of €0.60, with the option of receiving the balance, namely €0.54, as a new share grant; with respect to the 2001 financial year, it again proposed a cash payment of €0.60, with the option of receiving the balance, namely €0.54, as a new share grant; finally, with respect to 2002, it proposed a cash payment of €0.50, with the option of receiving the balance, namely €0.50, as a new share grant.

AMOUNT OF DIVIDEND

In recent years, the Company has endeavoured to pay a regular and substantial dividend. The proposed dividend is €5.25 per share.

20.5.3.2. Dividends paid out over the past few years

The dividends paid out over the past five years are as follows:

	2008	2007	2006	2005	2004
Number of shares eligible for payment	26,215,231	25,905,621	25,880,894	25,789,874	25,744,944
Profit (loss) for the period, Group share	694 M€	582 M€	319 M€	377 M€	346 M€
Net dividends	5,25 €	6,00 €	2,90 €	2,10 €	2,00 €
Total net payment	137,6 M€	155 M€	75 M€	54,2 M€	51,4 M€

20.5.3.3. Outlook

The Company intends to continue to follow the policy applied over recent financial years (including with regard to the option of part-payment in shares).

20.6. FEES PAID TO THE STATUTORY AUDITORS

20.6.1. Organisation of external auditing

The General Shareholders' Meeting of 13 May 2009 will propose the reappointment of the current Statutory Auditors for six financial years, namely until the approval of the 2014 financial statements.

In recent years, the Group has asked the Company's Statutory Auditors in preference to audit its main global subsidiaries. However, for historical or practical reasons, other firms carry out audits as can be seen from the following table:

(thousands of euros)	2008	2007	2006
Ernst & Young	1,325	1,464	1,176
Deloitte & Associés	1,550	862	1,267
Other	941	710	502
Total	**3,816**	**3,036**	**2,945**

20.6.2. Fees paid to the various auditors

Full details of all fees paid to the various auditors for 2007 and 2008 are provided in the table below, broken down by type of service:

	ERNST & YOUNG				DELOITTE & ASSOCIÉS				AUTRES			
	Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%	
(thousands of euros)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Audit												
Statutory auditing, certification, examination of the separate and consolidated financial statements												
Issuer	167	189	13%	13%	217	201	14%	23%		60	0%	8%
Fully consolidated subsidiaries	950	1,168	72%	80%	727	637	47%	74%	289	410	31%	58%
Other work and services directly related to the statutory auditing												
Issuer		6	0%	0%	112	3	7%	0%			0%	0%
Fully consolidated subsidiaries	23		2%	0%	10	2	1%	0%	28	31	3%	4%
Subtotal (1)	**1,140**	**1,363**	**86%**	**93%**	**1,066**	**843**	**69%**	**98%**	**317**	**501**	**34%**	**71%**
Other services provided by networks to fully consolidated subsidiaries												
Legal, tax, labour	33	7	2%	0%			0%	0%	258	196	27%	28%
Other	152	94	11%	6%	484	19	31%	2%	366	13	39%	2%
Subtotal (2)	**185**	**101**	**14%**	**7%**	**484**	**19**	**31%**	**2%**	**624**	**209**	**66%**	**29%**
Total (1) + (2)	**1,325**	**1,464**	**100%**	**100%**	**1,550**	**862**	**100%**	**100%**	**941**	**710**	**100%**	**100%**

Additional Information

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21.1. MARKET IN THE COMPANY'S SHARES

21.1.1. Market on which shares are listed

The Company's shares were floated on the Second Market of the Paris Bourse (at a price of 310 Francs, or about €47.26) on 29 September 1994 – following the decision of the Combined Ordinary and Extraordinary General Shareholders' Meeting of 15 June 1994 to carry out a five-to-one split.

With effect from 26 June 1995, the shares were transferred to the Official List (monthly settlement compartment).

The Company's shares are traded on the NYSE Euronext Paris market (ISIN code: FR 0000131757) where ERAMET is included in compartment A.

The stock is part of the SBF 80, 120 and 250 Euronext Paris indices. ERAMET was included in the DJ STOXX 600 index in late 2007. ERAMET joined the Euronext Paris N 100 index on 2 January 2008. The stock was also included in the CAC Next-20 index on 23 June 2008 and the MSCI Standard Index on 6 May 2008. No securities of any other group company have been admitted to trading on any other stock market.

21.1.2. Share price performance

The share price at its early 2007 level

The ERAMET share price has been impacted by the effects of the financial crisis affecting all global stock markets. Following the very sustained 50% rise in 2006 and the record 188% in 2007 (compared to +1.31% for the CAC 40), it lost 61% in 2008, falling back to its March 2007 level.

This fall is bigger than that of the CAC 40 (-43%) over 2008, but in line with the performance of the mining sector. Over the past three years, ERAMET shares have risen 70% while the CAC 40 has fallen 31%.

After opening the year at €349.49, the price hit a high of €669.98 on 20 May. It then fell, reaching a low of €96.06 on 20 November and closed 2008 at €138.00.

ERAMET's stock market capitalisation was €3.6 billion as at 31 December 2008, making ERAMET one of the top 55 French companies.

Furthermore, the average trading volume in ERAMET shares (52,945 shares per day) was up 120% on 2007.

Capital increase for the acquisition of Tinfos

In 2008, ERAMET acquired 58.93% of the capital and 55.78% of the economic interest of the Norwegian company Tinfos. This transaction was 70% paid in cash and 30% in shares. In addition to cash, selling Tinfos shareholders received 241,491 new ERAMET shares. On the basis of the parameters used in the agreements (exchange rate of 7.96 Norwegian Krone to one Euro and a reference value of the ERAMET share of €494), the value of this acquisition worked out at €398,309,032.64.

On 30 July 2008, the Board of Directors approved ERAMET's capital increase via an ensuing contribution in kind of a par value of €736,547.55, by issuing 241,491 new ERAMET shares with a par value of €3.05 granted to selling Tinfos shareholders.

These new ERAMET shares earn dividends from their date of issue and are indistinguishable from the old shares, bearing the same rights and obligations for their holders. Following this capital increase, ERAMET's share capital stood at €79,748,691.6 split into 26,147,112 shares of the same class with a par value of €3.05 each.

In view of the new share subscription options exercised by employees and the definitive vesting of bonus shares, the total number of shares issued as at 31 December 2008 was 26,215,231 compared to 25,905,621 as at 31 December 2007.

Renewal of the shareholders' agreement

SORAME and CEIR (Duval Family), on one hand, and AREVA, on the other hand, signed an ERAMET shareholders' agreement on 17 June 1999. This agreement was entered into for a period of seven years, renewable for one-year periods. It was renewed with certain adjustments on 29 May 2008. The frequency of renewal has notably been shortened to six months. The agreement is presented in detail in Chapter 18 of this document.

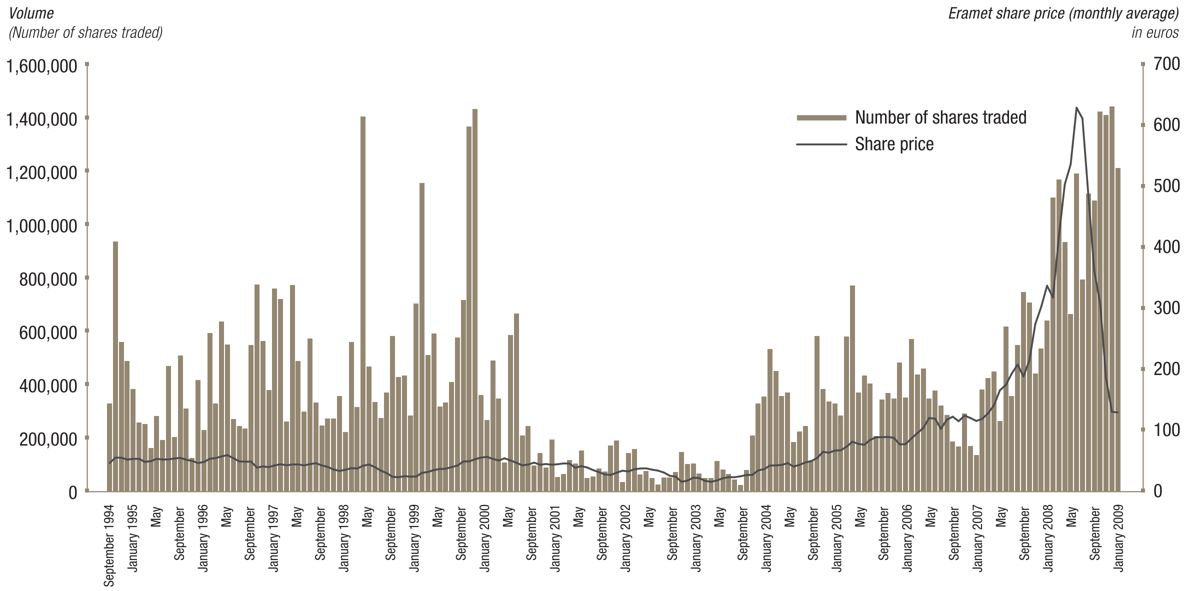
Full financial disclosure

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

In addition to two meetings intended for analysts and journalists upon publication of the annual and interim results, several other information meetings were arranged in Paris, London and Stockholm. Comilog also arranged a visit to the Gabon for financial analysts in order to help them better understand the Group's manganese business.

All presentations, press releases (option to subscribe) and financial reports (Reference Documents and annual reports) produced by the Group and other disclosures required under the Transparency Directive can be found in the "Investors" section of the ERAMET Website (www.eramet.fr) designed to present the Group and its businesses.

CHANGES IN TRADING VOLUMES AND ERAMET SHARE PRICE PERFORMANCE



STOCK MARKET DATA

	Price *(in euros)*			Stock market capitalisation as on 31/12	Volume
	Maximum and minimum in period				
	high	low	Closing price on 31/12	*(millions of euros)*	(daily average)
1994*	57,93	47,26	52,59	771	37,385
1995*	58,39	41,31	48,78	743	15,673
1996*	61,89	34,91	41,47	643	23,981
1997*	53,20	33,08	34,76	542	22,172
1998	47,72	22,11	25,60	399	24,176
1999	58,75	23,15	57,00	1,393	33,810
2000	61,75	41,90	43,55	1,076	14,100
2001	47,80	22,00	34,60	855	4,664
2002	39,80	13,90	21,05	527	4,928
2003	38,60	14,50	38,50	985	5,834
2004	72,90	36,70	66,20	1,704	15,953
2005	94,90	66,10	81,00	2,089	19,319
2006	147,40	79,00	121,40	3,142	14,806
2007	391,26	114,00	350,00	9,067	24,022
2008	669,98	96,06	138,00	3,618	52,945

* *Recalculated in euros.*

	low	high	Price *(in euros)* Average (period)	Volume (average/month)
2009				
February	108,00	149,50	131,506	932,017
January	122,00	193,00	149,318	1,422,169
2008				
December	115,00	149,50	130,150	1,211,461
November	96,06	175,00	131,021	1,443,299
October	131,12	278,79	186,849	1,410,394
September	240,72	375,98	308,481	1,423,270
August	318,03	450,99	361,961	1,090,663
July	400,00	634,99	485,971	1,116,959
June	563,72	655,80	611,596	794,622
May	561,20	669,98	629,300	1,191,992
April	473,30	595,00	536,614	665,791
March	402,00	560,00	503,747	934,809
February	328,00	509,96	418,39	1,168,588
January	249,00	367,90	318,37	1,101,950
2007				
December	297,00	391,26	337,68	641,029
November	265,00	333,00	302,97	535,937
October	250,43	322,80	274,95	442,298
September	193,03	255,40	215,18	709,482
August	163,40	219,99	189,11	748,051
July	197,17	233,50	208,45	548,907
June	176,02	209,00	193,66	357,674
May	163,00	181,90	174,95	619,138
April	154,00	177,99	166,48	264,651
March	125,50	158,30	141,99	449,879
February	123,10	132,00	128,83	426,275
January	114,00	127,50	119,60	382,460
2006				
December	111,30	124,70	116,13	138,274
November	114,00	130,20	121,00	171,773
October	115,00	132,00	124,90	293,343
September	106,80	125,20	115,71	170,284
August	118,10	129,00	123,16	188,297
July	110,00	126,00	118,22	287,598
June	87,00	117,20	103,21	323,317
May	100,40	137,30	119,93	379,998
April	107,10	147,40	120,90	350,107
March	97,15	114,70	104,69	461,964
February	88,20	103,70	96,24	438,666
January	79,00	91,40	87,53	571,899

Source: Euronext.

21.1.3. Securities services

The Company's share register is maintained by:

BNP PARIBAS SECURITIES SERVICES
GCT – Issuer Services
Immeuble Tolbiac
75450 Paris Cedex 09

Tel. +33 (0)826 109 119.

The implementation of the liquidity contract was entrusted to EXANE BNP PARIBAS.

21.2. SHARE CAPITAL

21.2.1. Subscribed capital

Amount and shares

As at 1 January 2009, the share capital stood at €79,956,454.55, represented by 26,215,231 shares with a par value of €3.05, all of the same class and fully paid up.

Actual changes in the share capital since the beginning of 2008

Due to options exercised since the beginning of the year, the capital has already changed as follows:

	Number of shares	Amount of share capital *(in euros)*
As of Janvier 1, 2008	25,905,621	79,012,144.05
Options exercised	68,119	207,762.95
Share capital increase by a contribution in kind (Tinfos)	241,491	736,547.55
As of 31 December 2008	26,215,231	79,956,454.55

Rights attaching to the shares

Every share provides entitlement, with regard to ownership of the Company's assets and a share of its earnings, to an amount proportional to the percentage of the share capital it represents, taking into account, as appropriate, redeemed and unredeemed (balance of share capital remaining where part has been redeemed), paid up and not paid up share capital, and the par value and rights of the various share classes.

Every share provides entitlement, whether as a going concern or in the event of liquidation, to payment of the same net sum for any distribution or redemption, in such a way that any tax exemptions or tax to which the Company may be liable shall be applied to all shares.

Capital subscribed for but not yet paid up

Nil.

21.2.2. Securities not representing share capital

21.2.2.1. Founders' shares, voting rights certificates

Nil.

21.2.2.2. Other securities

The Company has not issued any other currently valid financial instruments that do not represent share capital but which may provide entitlement to the share capital in the future or by way of options. Authorisations do, however, exist for such issues, upon a decision of the Board. No use has yet been made of such authorisations.

21.2.3. Changes to the share capital

Year	Transaction	Number of shares created	Amount in euros	Issue or contribution premium	Amount of the share capital after the transaction	Number of shares after the transaction
		3,300	520,544			25,577,574
2004	Option exercises	167,370		-	78,522,079	25,744,944
2005	Option exercises	44,930	137,037	-	78,659,116	25,789,874
2006	Option exercises	91,020	277,611	-	78,936,727	25,880,894
2007	Option exercises + bonus shares	12,012	36,636	-	78,973,363	25,892,906
		12,715	38,781	-	79,012,144	25,905,621
2008	Payment for contribution of Tinfos + option exercices	241,491	736,547	118,560,006	79,748,691	26,147,112
		68,119	207,762	3,840,836	79,956,454	26,215,231

21.2.4. Changes in the capital structure over the past three years

The capital structure has not changed materially over the past three years, not even as a result of the substitution in 2001 of AREVA for Cogema, which had itself taken on ERAP's rights in 1999.

The Company has not been notified of any material change in shareholdings since the end of the year.

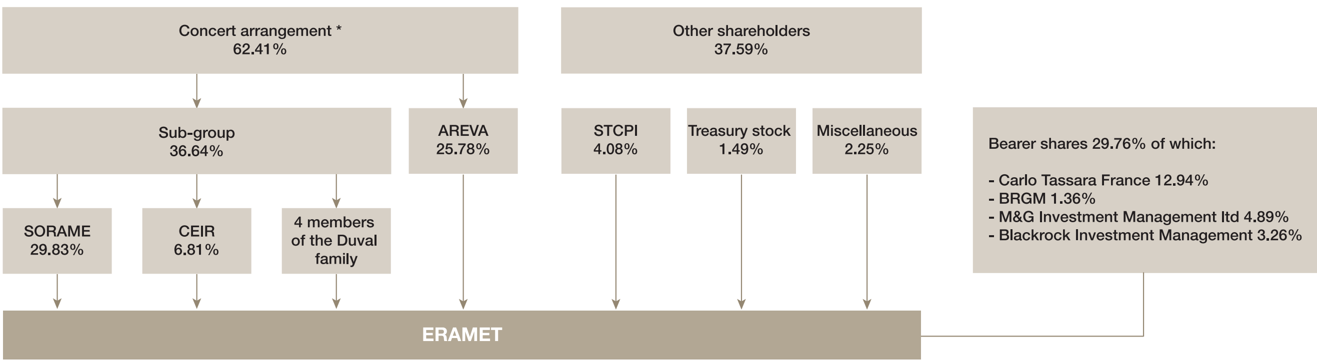
Potential changes could stem from the exercise of options granted under stock option plans or the vesting of shares granted under bonus share plans or the automatic vesting of double voting rights for shares that have been registered for more than two years.

21.2.5. Capital structure

The known structure of the Company's capital over the past three financial years is taken from a study carried out on 31 December of each year by the bank responsible for maintaining the share register, notified declarations of threshold crossing as well as the exercise of still-valid options and bonus shares.

OWNERSHIP STRUCTURE

Company shareholders as at 31 December 2008 (in % of shares)



* *Pursuant to a shareholders' agreement subject to CMF (Financial Markets Board) notice 199CO577 of 18 May 1999.*

AS AT 31 DECEMBER 2008 (INCLUDING SHAREHOLDERS HOLDING – OR LIKELY TO HOLD – AT LEAST 1% OF THE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

Major shareholders	Number of shares	Percentage of share capital	Number of votes	Percentage of voting rights
SORAME*				
(Société de Recherche et d'Applications Métallurgiques)	7,818,919	29.83%	15,637,838	35.80%
CEIR*				
(Compagnie d'Études Industrielles de Rouvray)	1,783,996	6.81%	3,567,992	8.17%
Other private individuals party to the concert:	1,275	ns%	1,696	ns%
Cyrille, Georges, Édouard and Patrick Duval				
Total SORAME/CEIR sub-group	**9,604,190**	**36.64%**	**19,207,526**	**43.97%**
AREVA*	**6,757,277**	**25.78%**	**13,514,554**	**30.94%**
Total concert (sub-group/AREVA)	**16,361,467**	**62.41%**	**32,722,080**	**74.90%**
STCPI				
(Société Territoriale Calédonienne de Participations Industrielles)	1,070,586	4.08%	2,141,172	4.90%
Employees (ERAMET share fund)	19,610	0.07%	39,220	0.09%
ERAMET treasury stock	389,475	1.49%	0	0.00%
Corporate officers (excluding concert)	2,983	ns%	3,066	Ns%
Carlo Tassara France (Company belonging to Mr Romain Zaleski's group)**	3,394,146	12.94%	3,394,146	7.77%
BRGM***	356,044	1.36%	356,044	0.81%
M&G Investment Management Ltd.****	1,281,703	4.89%	1,281,703	2.93%
BlackRock Investment Management (UK) Ltd.***	855,678	3.26%	855,678	1.96%
Others	2,483,539	9.47%	2,893,701	6.62%
Total shares	**26,215,231**	**100.00%**	**43,686,810**	**100.00%**
Total registered shares	**18,413,075**	**70.24%**	**35,884,564**	**82.14%**
Total bearer shares	**7,802,156**	**29.76%**	**7,802,156**	**17.86%**

* *SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party which was subject to an opinion from the Conseil des Marchés Financiers (French Financial Markets Regulator) on May 18, 1999 under reference number 199C0577.*

** *Based on the latest disclosure of thresholds crossed, n°207C0134 on 17/01/2007.*

*** *Based on the most recent survey of identifiable bearer shares (TPI).*

*****Based on the latest disclosure of thresholds crossed n° 208C1083 on 3/06/2008. On 25 March 2009, M&G Investment Management Ltd., subsidiary to Prudential plc, indicated that Prudential plc controlled as from 24 March 2009 792,995 shares i.e. 3.02% of shares and 1.81% of voting rights as of 31/12/2008.*

AS AT 31 DECEMBER 2007 (INCLUDING SHAREHOLDERS HOLDING – OR LIKELY TO HOLD – AT LEAST 1% OF THE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

Major shareholders	Number of shares	Percentage of share capital	Number of votes	Percentage of voting rights
SORAME*				
(Société de Recherche et d'Applications Métallurgiques)	7,818,919	30.18%	15,637,838	36.00%
CEIR*				
(Compagnie d'Études Industrielles de Rouvray)	1,783,996	6.89%	3,567,992	8.21%
Other private individuals party to the concert:	423	0.002%	844	0.002%
Cyrille, Georges, Édouard and Patrick Duval				
Total SORAME/CEIR sub-group	**9,603,338**	**37.07%**	**19,206,674**	**44.21%**
AREVA*	**6,757,277**	**26.08%**	**13,514,554**	**31.11%**
Total concert (sub-group/AREVA)	**16,360,615**	**63.15%**	**32,721,228**	**75.32%**
STCPI				
(Société Territoriale Calédonienne de Participations Industrielles)	1,070,586	4.13%	2,141,172	4.93%
Employees (ERAMET share fund)	40,470	0.16%	80,940	0.19%
ERAMET treasury stock**	340,786	1.32%	0	0.00%
Corporate officers (excluding concert)	612	0.002%	1,303	0.003%
Miscellaneous registered shareholders	424,108	1.64%	829,981	1.91%
Total registered shares	**18,237,177**	**70.40%**	**35,774,624**	**82.35%**
Carlo Tassara France(Company belonging to Mr Romain Zaleski group)	3,394,146	13.10%	3,394,146	7.81%
M&G Investment Management Ltd.***	1,413,773	5.46%	1,413,773	3.25%
Blackrock Investment Management (UK) Ltd.***	901,832	3.48%	901,832	2.08%
BRGM	356,044	1.37%	356,044	0.82%
Other bearer shares	**1,602,649**	**6.19%**	**1,602,649**	**3.69%**
Total bearer shares* **	**7,668,444**	**29.60%**	**7,668,444**	**17.65%**
Total shares	**25,905,621**	**100.00%**	**43,443,068**	**100.00%**

* *SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party which was subject to an opinion from the Conseil des Marchés Financiers (French Financial Markets Regulator) on May 18, 1999 under reference number 199C0577.*

** *Taking into account the 5,000 shares purchased under the liquidity contract signed with Exane BNP Paribas.*

*** *Based on the latest disclosures of thresholds crossed, reconciled with the most recent survey of identifiable bearer shares (TPI).*

AS AT 31 DECEMBER 2006 (INCLUDING SHAREHOLDERS HOLDING – OR LIKELY TO HOLD – AT LEAST 1% OF THE CAPITAL OR VOTING RIGHTS AND KNOWN TO THE COMPANY)

Major shareholders	Number of shares	Percentage of share capital	Number of votes	Percentage
SORAME*				
(Société de Recherche et d'Applications Métallurgiques)	7,818,919	30.21%	15,613,838	35.54%
CEIR*				
(Compagnie d'Études Industrielles de Rouvray)	1,783,996	6.89%	3,567,992	8.12%
Other private individuals party to the concert:	423	0.002%	844	0.002%
Cyrille, Georges, Édouard and Patrick Duval				
Total SORAME/CEIR sub-group	**9,603,338**	**37.11%**	**19,182,674**	**43.67%**
AREVA*	**6,757,277**	**26.11%**	**13,514,554**	**30.77%**
Total concert (sub-group/AREVA)	**16,360,615**	**63.22%**	**32,697,228**	**74.43%**
STCPI				
(Société Territoriale Calédonienne de Participations Industrielles)	1,323,471	5.11%	2,614,378	5.95%
Société Minière G. MONTAGNAT	65,545	0.25%	129,478	0.29%
Employeees (ERAMET share fund)	46,970	0.18%	92,190	0.21
ERAMET treasury stock**	113,395	0.44%	0	0.00%
Corporate officers (excluding concert)	702	0.003%	1,303	0.003%
Miscellaneous registered shareholders	460,875	1.78%	884,190	2.01%
Total registered shares	**18,371,573**	**70.99%**	**36,418,767**	**82.91%**
Carlo Tassara France(Company belonging to Mr Romain Zaleski group)	3,394,146	13.11%	3,394,146	7.73%
M&G Investment Management Ltd.***	1,288,127	4.98%	1,288,127	2.93%
BlackRock Investment Management (UK) Ltd.***	400,000	1.55%	400,000	0.91%
BRGM	356,044	1.38%	356,044	0.81%
Other bearer shares	**2,071,004**	**8.00%**	**2,071,004**	**4.71%**
Total bearer shares* **	**7,509,321**	**29.01%**	**7,509,321**	**17.09%**
Total shares	**25,880,894**	**100.00%**	**43,928,088**	**100.00%**

* *SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party which was subject to an opinion from the Conseil des Marchés Financiers (French Financial Markets Regulator) on May 18, 1999 under reference number 199C0577.*

** *Taking into account the shares purchased under the liquidity contract signed with Exane BNP Paribas and not yet transferred to registered shares on the date of this table, ERAMET treasury stock must be increased by 16,862 actions (but 0 voting right), i.e. a total 130,257 shares.*

*** *Based on the latest disclosures of thresholds crossed, reconciled with the most recent survey of identifiable bearer shares (TPI).*

To the best of the Company's knowledge, no other shareholders directly or indirectly hold more than 1% of the share capital or voting rights in the Company and there are no pledged shares. Apart from the treasury shares referred to in the above table, the Company does not own any other of its own shares. The shareholdings of corporate officers are detailed in Chapter 14.

Foreseeable changes in voting rights

As at 31 December 2008, a total of 269 registered shares, registered for less than two years, did not enjoy double voting rights. If those shares were to enjoy double voting rights, the double voting rights would be increased to a total of 35,884,833 plus the single voting rights of bearer shares, making 7,802,156 additional rights as at 31 December 2008.

21.2.6. Stock option plan and bonus shares

21.2.6.1. Authorisations conferred on the Board of Directors

On a number of occasions, the Company's General Shareholders' Meeting has authorised the Board of Directors to issue options or bonus shares to employees.

Under Resolution Five, the Meeting of 27 May 1998 authorised the Board of Directors to grant, on one or more occasions, options providing the right to subscribe for new shares or purchase existing shares in the Company to employees and executives of the Company and, potentially, of any company in which ERAMET directly or indirectly holds at least 50% of the capital.

Terms: subscription or purchase price for the shares to be set by the Board, on the understanding that the price must be at least equal to the minimum amount provided for under applicable legislation, namely, as at that date, 80% of the average share price over the twenty stock market sessions prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 350,000 shares; option exercise period: 8 years; term of authorisation: 5 years, namely to 26 May 2003. The Board Meeting of 12 December 2001 set the subscription price at €32.60. 153,000 stock options were allocated under this plan, option exercise period: 8 years – term of the plan, namely to 11 December 2009.

Under Resolution Twenty-One, the Meeting of 23 May 2002 authorised the Board of Directors to grant, on one or more occasions, subscription or purchase options for new shares in the Company to employees of the Company and, potentially, of any company in which ERAMET directly or indirectly controls over 50%.

Terms: subscription price for the shares on the day the options were created: to be set by the Board, on the understanding that the price must be at least equal to the minimum amount provided for under applicable legislation and pegged to the average share price over the twenty stock market sessions prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 500,000 shares; option exercise period: 8 years; term of authorisation: 38 months, namely to 22 July 2005. The Board Meeting of 15 December 2004 set the subscription price at €64.63, with 130,000 shares being allocated under these arrangements; option exercise period: 8 years – term of plan, namely to 14 December 2012.

Under Resolution Thirteen, the Extraordinary General Shareholders' Meeting of 11 May 2005 authorised the Board of Directors to make bonus share grants of existing or unissued shares to corporate officers and certain employees, the total number not to exceed 40,000 shares.

Terms: the term of the so-called "vesting" period was set at two years from the bonus share grant.

The Board Meeting of 13 December 2005 allocated 14,000 shares to be issued as part of a capital increase. The actual vesting as at 13 December 2007 involved 12,715 shares.

The Board Meeting of 25 April 2007 granted 10,000 shares to the new Chairman and Chief Executive Officer and the balance of the shares to be issued (16,000) pursuant to the authorisation of the Extraordinary General Shareholders' Meeting of 11 May 2005 was granted to some sixty executives by decision of the Board Meeting of 23 July 2007.

21.2.6.2. Share subscription options and bonus shares

SUBSCRIPTION OPTIONS

	Date of GSM	Date of Board Meeting	Subs-cription price	Number of beneficiaries At outset	Number of beneficiaries On 01/01/2008	Granted at outset	Exercised or lapsed prior to 01/01/2008	Exercised in 2008	Lapsed in 2008	Outstanding as from 01/01/2009	Number of beneficiaries on 01/01/2009	Expiry of plans	
D	27/05/1998	12/12/2001	€32.60	61	8	153,000	(134,200)	(10,050)	-	7,750	5	11/12/2009	(1)
G	23/05/2002	15/12/2004	€64.63	81	75	130,000	(9,562)	(57,069)	(3,700)	59,669	41	14/12/2012	(2)
Total						**283,000**	**(143,762)**	**(68,119)**	**(3,700)**	**67,419**			

(1) Only exercisable as from 12 December 2003. Shares could not be sold prior to 14 December 2005.
(2) Only exercisable as from 12 December 2006. Shares cannot be sold prior to 14 December 2008.

BONUS SHARES

(1)	Date of GSM	Date of Board Meeting	Subs-cription price	Number of beneficiaries At outset	Number of beneficiaries On 01/01/2008	Granted at outset	Exercised or lapsed prior to 01/01/2008	Actually allocated in 2008	Lapsed in 2008	Outstanding as from 01/01/2009	Number of beneficiaries on 01/01/2009	Expiry of plans
H	11/05/2005	13/12/2005	Bonus	90	-	14,000	(14,000)	-	-	-	-	-
I	11/05/2005	25/04/2007	Bonus	1	1	10,000	-	-	-	10,000	1	25/04/2009
J	11/05/2005	23/07/2007	Bonus	61	61	16,000	-	-	(170)	15,830	59	23/07/2009
Total						**40,000**	**(14,000)**	**-**	**(170)**	**25,830**		

(1) Definitive vesting date: 1 = 12/13/2007, 2 = 04/25/2009 and 3 = 07/23/2009. The shares cannot be sold prior to: 1 = 12/13/2009, 2 = 04/25/2011 and 3 = 07/23/2011.

21.2.6.3. Total potential dilution resulting from the exercise of all stock options issued but not yet exercised and the vesting of all bonus shares granted but not yet definitively vested

In the event of the exercise of all valid options not yet exercised and the vesting of all bonus shares granted but not yet definitively vested as at 1 January 2009, at a rate of one share per option, 93,249 shares would be created, resulting in the following number of shares, share capital and number of voting rights:

Number of shares:	26,308,480 shares
Share capital:	80,240,864 euros
Number of voting rights:	43,780,059 voting rights

21.2.7. Summary table of financial authorisations

SUMMARY TABLE OF EXISTING FINANCIAL AUTHORISATIONS

Authorised share capital increases	
A – By issuing shares, various transferable securities and/or subscription warrants, with retention of preferential shareholder rights. Art. L. 225-129 of the French Commercial Code	
By EGM for an amount of 24,000,000 euros	25 April 2007 (Resolution 22)
Period of authorisaton	26 months until 24/06/2009
Use of existing authorisations	None
B – By issuing shares, various transferable securities and/or subscription warrants, with waiver of preferential shareholder rights.	
By EGM for an amount of 24,000,000 euros	25 April 2007 (Resolution 24)
Period of authorisaton	26 months until 24/06/2009
Use of existing authorisations	None
C – By capitalising reserves, earnings, premiums or other capitalisable items	
By EGM for an amount of 24,000,000 euros	2[5] April 2007 (Resolution 23)
Period of authorisaton	26 months until 24/06/2009
Use of existing authorisations	None
D – By issuing shares, various transferable securities, in payment for contributions in kind granted to the Company with waiver of preferential shareholder rights. Art. L. 225-147 6th paragraph of the French Commercial Code	
By EGM for an amount of 10% of share capital i.e. 7,901,214 euros	16 April 2008 (Resolution 9)
Period of authorisation	14 months until 15/06/2009
Use of existing authorisations	736,547.55 euros on 30/07/2008

Limits on total issues (total A+B+D)	
By EGM	**2[5] April 2007 (Resolution 25)**
Maximum amount	24,000,000 euros
Use of existing authorisations	736,547.55 euros on 30/07/2008

Share capital increase reserved to employees	
E – By EGM	**2[5] April 2007 (Resolution 27)**
Period of authorisation	26 months until 24/06/2009
Maximum amount	500,000 euros
Use of existing authorisations	None
Share capital decrease	
F – By EGM	**2[5] April 2007 (Resolution 21)**
Period of authorisation	24 months until 24/04/2009
Maximum amount	5% of share capital
Use of existing authorisations	None

Bonus share grants	
(Art. L. 225-197-1 and L. 225-197-2 of the French Commercial Code)	11 May 2005
Maximum number of shares	40,000 shares
Authorisation period	38 months
Used in 2005	14,000
Used in 2007	26,000
Outstanding amount	0

Draft resolutions will be put to a vote at the General Shareholders' Meeting to be held on 13 May 2009 in order to empower the Board to increase the capital by issuing shares with or without preferential subscription rights, by incorporation of reserves, earnings and premiums and by issuing shares in consideration for a contribution in kind as well as for the granting of bonus shares and share purchase or subscription options (see wording of the draft resolutions).

Supplementary report to the General Shareholders' Meeting on the use by the Board of Directors on 30 July 2008 of the authorisation granted by the General Shareholders' Meeting of 16 April 2008 by virtue of the final paragraph of Article L. 225-147 of the French Commercial Code

On 30 July 2008, deliberating pursuant to an authorisation from the Combined Ordinary and Extraordinary General Shareholders' Meeting of 16 April 2008 in accordance with the provisions of Article L. 225-147 of the French Commercial Code and in the light of the reports produced by the Appraisers, Maurice Nussenbaum and Didier-Yves Racapé, the Board of Directors approved the terms of the contribution agreement entered into with the selling shareholders of the Norwegian company Tinfos and involving 58.93% of the capital of Tinfos (i.e. an economic interest of 55.78%) and approved ERAMET's capital increase via a resulting contribution in kind by a par value of €736,547.55 via the issue of 241,491 new ERAMET shares with a par value of €3.05. In view, firstly, of the value of the contributions made (i.e. €398,309,032.64) and, secondly, the par value of the capital increase (i.e. €736,547.55) and the amount paid in cash (i.e. 1,925,301,049.50 Norwegian Krone and €37,140,487.50), the transaction generated a contribution premium of €118,560,006.45, to which all present and future ERAMET shareholders have rights.

The 241,491 new ERAMET shares earn dividends from their date of issue and are indistinguishable from the old shares, bearing the same rights and obligations for their holders. Following this capital increase, ERAMET's share capital stood at €79,748,691.60 split into 26,147,112 shares of the same class with a par value of €3.05 each.

21.2.8. Description of the share buyback programme

21.2.8.1. Report on the 2008 buyback programme

The Combined Ordinary and Extraordinary General Shareholders' Meeting of 16 April 2008 authorised the Company to buy back its own shares up to a maximum of 10% of the share capital (i.e. 8.69% of the capital taking into account the shares already held by ERAMET) and at a maximum purchase price of €700, namely a maximum amount payable by the Company of €1,813,393,400 (i.e. €1,575,438,200 taking into account the shares already held by ERAMET). This authorisation expires at the Ordinary General Shareholders' Meeting approving the financial statements for the 2008 financial year and was granted with a view to:

- supporting the price via a liquidity contract with an investment services provider, in accordance with the AMAFI (formerly AFEI) code of conduct recognised by the AMF;
- retaining or exchanging them, particularly as part of an acquisition or when issuing securities granting equity rights;
- granting share purchase options to employees of the Company and/or companies that are, directly or indirectly, 50% owned by ERAMET;
- cancelling those shares, in accordance with Resolution Twenty-One of the Combined Ordinary and Extraordinary General Shareholders' Meeting of 25 April 2007, which authorised a reduction of the Company's capital for a period of 24 months.

DETAILS OF TREASURY SHARES TRADING OVER THE YEAR (ARTICLE L. 225-211 OF THE FRENCH COMMERCIAL CODE)

The following table summarises treasury share transactions carried out by the Company between 1 January and 31 December 2008.

	Total number of shares	Market making	Stock-options granted	Other goals	Total
Position as on 31 December 2007		**5,000**	**-**	**335,786**	**340,786**
As a percentage of share capital	25,905,621	0,02%	-	1,30%	1,32%
Allocated to stock-options					
- granted		-	-	-	-
- others		-	-	-	-
Purchase options exercised		-	-	-	-
Purchases		210,141	-	-	210,141
Sales		(161,452)	-	-	(161,452)
Position as on 31 December 2008		**53,689**	**-**	**335,786**	**389,475**
As a percentage of share capital	26,215,231	0,20%	-	1,28%	1,49%

Over the course of the year, 210,141 shares were purchased at an average price of €235.54 and 161,452 shares were sold at an average price of €243.51.

The carrying amount of the portfolio of 389,475 shares with a par value of €3.05 each, held as at 31 December 2008, was €63,425,870.34, with a market value on that same date of €138 per share, representing €53,747,550.

The Company did not use any derivatives during the year.

LIQUIDITY CONTRACT

In order to guarantee a minimum liquidity for its shares at any time, the Company has had a liquidity contract in place with EXANE BNP PARIBAS since 18 July 2003. This liquidity contract complies with the AMAFI Charter (formerly the AFEI Charter). A summary of share price support transactions can be found in the details of trading above. The total amount of cash assigned to the implementation of this contract by the Company was increased by €16 million, via the addendum of 25 September 2008. As at 31 December 2008, the following resources were in the liquidity account: 54,714 ERAMET shares and €11,186,650.

21.2.8.2. Description of the 2009 buyback programme

LEGAL FRAMEWORK

In accordance with the provisions of Article 241-2 of the general regulations of the AMF and European Regulation No. 2273/2003 of 22 December 2003, the purpose of this section is to describe the terms and goals of the Company's buyback programme. This programme, which falls within the scope of Article L. 225-209 of the French Commercial Code, shall be put to the General Shareholders' Meeting of 13 May 2009, deliberating on the basis of the quorum and majority requirements for Ordinary General Shareholders' Meeting.

NUMBER OF SHARES AND PORTION OF THE CAPITAL HELD BY THE COMPANY

As at 28 February 2009, the Company's capital consisted of 26,217,381 shares.

On that date, the Company held 406,984 treasury shares, i.e. 1.55% of the share capital.

BREAKDOWN BY GOAL OF THE EQUITY SECURITIES HELD BY THE COMPANY

As at 28 February 2009, the 406,984 treasury shares held by the Company were allocated as follows by goal:

- share price support (liquidity contract): 71,198 shares;
- other goals: 335,786 shares.

GOALS OF THE NEW BUYBACK PROGRAMME

The goals of this programme would be to:

- support the share price via a liquidity contract with an investment services provider, in accordance with the AMAFI (formerly AFEI) code of conduct recognised by the AMF;
- retain or exchange the shares, particularly as part of an acquisition or when issuing securities granting equity rights;
- grant shares to employees of the Company and/or companies that are, directly or indirectly, 50% owned by ERAMET, on the terms and in the manner established by law, particularly with regard to provisions governing stock options and bonus share grants to employees;
- cancel those shares, in accordance with the resolution put to the General Shareholders' Meeting of 13 May 2009 authorising a reduction in the Company's capital for a period of 26 months.

MAXIMUM PORTION OF THE CAPITAL, MAXIMUM NUMBER AND CHARACTERISTICS OF THE EQUITY SECURITIES

10% of the share capital as at 28 February 2009, i.e. 2,621,738 shares. Taking into account the treasury shares held as at 28 February 2009, i.e.

406,984 shares, the remaining number of shares that may be bought back is 2,214,754 shares, i.e. 8.45% of the capital.

ERAMET shares are listed in compartment A of Euronext Paris (ISIN code: FR0000131757).

The maximum purchase price would be €500 per share.

The maximum sum allocated to these purchases would be:

- €1,310,869,000 for 2,621,738 shares representing 10% of the Company's capital;
- €1,107,377,000 for 2,214,754 shares representing 8.45% of the capital, given the shares already held by the Company.

BUYBACK TERMS

Share purchases, sales and transfers may be carried out by any means in the market or over the counter, including share block transactions or via derivatives, on the understanding that the resolution put to shareholders does not limit the portion of the programme that can be carried out via share block purchases.

The Company notes that if derivatives are used, the Company's goal would be to cover the option positions taken by the issuer (share purchase or subscription options granted to Group employees, debt instruments granting equity rights). More specifically, the use of derivatives shall consist of buying call options and the Company should not have occasion to sell put options.

TERM OF THE BUYBACK PROGRAMME

The validity of the programme is limited to a period that will end at the General Shareholders' Meeting approving the financial statements for the 2009 financial year.

REPORT ON THE PREVIOUS BUYBACK PROGRAMME CARRIED OUT BY THE COMPANY IN RESPECT OF TREASURY SHARES FROM 16 APRIL 2008 TO 28 FEBRUARY 2009

Position as of February 28, 2009
Percentage of share capital held either directly or indirectly: 1.55%
Number of shares cancelled during the last 24 months: 0
Number of shares held as treasury stock: 406,984
Book value of treasury stock: 65,734,007.26
Market value of treasury stock: 47,012,756.76

REPORT ON THE IMPLEMENTATION OF THE PROGRAMME BETWEEN 1 MARCH 2008 AND 28 FEBRUARY 2009

	Aggregate gross flows		Positions existing as of February 28, 2009			
	Sales	Purchases or transfers	Buy		Sell	
			Call	Future (purchase)	Put	Future (sale)
Number of shares	269,991	202,443	None	None	None	None
Average maximum maturity	na	na	None	None	None	None
Average transaction price (in euros)	207.98	212.05	None	None	None	None
Average exercice price	na	na	None	None	None	None
Total amount of transactions	**56,138,683.87**	**42,926,610.07**	**None**	**None**	**None**	**None**

21.3. MEMORANDUM AND ARTICLES OF ASSOCIATION

21.3.1. Corporate object (Article 3 of the Articles of Association)

"The object of the Company, in all countries, is exploring for and operating mining deposits of all kinds, the metallurgy of all metals and alloys and their trading.

For this purpose, it is involved in the following activities, whether directly or indirectly through investments:

- the exploration for, acquisition, leasing, disposal, concession and operation of all mines and quarries of any kind whatsoever;
- the processing, transformation and trading of all ores, mineral and metal substances and their by-products, alloys and any derivatives;
- the manufacture and marketing of all products in which the abovementioned materials or substances are components;
- more generally, any transactions directly or indirectly related to the above objects or that may aid the development of the Company's business.

To achieve this object, the Company may, in particular:

- create, acquire, sell, exchange, take on lease or lease-out, with or without a purchase option, manage and operate directly or indirectly any industrial or commercial establishments, plants, construction sites and premises whatsoever, and any movable and tangible objects;

- obtain or acquire any patents, licences, processes and trademarks, operate, transfer or contribute them, and grant all manner of operating licences in any country;
- and, in general, carry out any commercial, industrial, financial, property or chattel transactions that may directly or indirectly relate or contribute to the corporate object or that may facilitate the achievement thereof. It may directly or indirectly act on its own behalf or on behalf of third parties, whether alone or via a partnership, joint venture or company, with any other company or person, and carry out, directly or indirectly, in France or abroad, in any form whatsoever, the transactions that are within the scope of its corporate object. It may take any interest or stake, in any form and in any French or foreign company that may aid the development of its own business."

21.3.2. Financial year (Article 24 of the Articles of Association)

The financial year runs for 12 months, beginning on 1 January and ending on 31 December of each year.

21.3.3. General Shareholders' Meeting

21.3.3.1. Calling Meetings and terms of admission (Articles 21, 22 and 23 of the Articles of Association)

Composition: General Shareholders' Meetings comprise all shareholders in the Company, regardless of the number of shares they hold.

Meeting notice: General Shareholders' Meetings are called and held pursuant to the provisions of the French Commercial Code and Articles 21 to 23 of the Articles of Association.

Meetings are either held at the registered office or any other venue in the same French department specified in the Meeting notice.

Terms of admission: All shareholders are entitled to participate in General Shareholders' Meetings, either in person or by proxy through another shareholder or their spouse, subject to proving their identity.

Holders of registered shares and holders of bearer shares must carry out the formalities provided for in the applicable regulations. In both cases, these formalities must have been completed by midnight, Paris time, at least three business days prior to the Meeting. Shareholders may also vote by correspondence pursuant to the provisions of Article L. 225-107 and R 225-75 et seq. of the French Commercial Code, using a form that must reach the Company at least three days prior to the date of the Meeting.

Jointly owned, split, pledged or sequestrated shares:

In the absence of any other provisions of the Articles of Association, and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, any holder of a jointly owned share, a split share – bare ownership and usufruct, a pledged share or a sequestrated share, is invited to the Meeting and may attend, subject to compliance with the following legal provisions or provisions of the Articles of Association with regard to the exercise of voting rights.

21.3.3.2. Terms of exercise of voting rights (Articles 8 and 21 of the Articles of Association)

Shareholders have the same number of voting rights as the shares they own or represent, subject to the double voting rights attaching to some shares. The Extraordinary General Shareholders' Meeting of 21 July 1999 granted a double voting right, with effect from 1 January 2002, to every fully paid-up share for which it can be demonstrated that it has been registered in the name of the same shareholder for more than two years.

Bonus share grants following the incorporation of reserves, earnings or issue premiums on the basis of old shares benefiting from double voting rights, also gain such rights after two years.

Double voting rights cease for any shares that are converted to bearer shares or transferred, except, in accordance with the law, any transfer by succession, settlement of communal property between spouses or family gift, or merger or demerger of the shareholder company.

In accordance with the law, double voting rights may only be cancelled by a decision of the Extraordinary General Shareholders' Meeting and following approval by the Special Meeting of Beneficiary Shareholders.

Jointly owned, split, pledged or sequestrated shares:

In the absence of any other provisions of the Articles of Association and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, the voting right is exercised by the usufructuary at Ordinary General Shareholders' Meetings, by the bare owner at Extraordinary General Shareholders' Meetings, by one of the joint owners or by a sole proxy in the case of jointly owned shares and by the owner of pledged or sequestrated shares.

Limitation of voting rights: none

Expiry: none, except where otherwise decided by the Extraordinary General Shareholders' Meeting, or the transfer from registered to bearer form.

21.3.4. Transfer of shares

Since the deletion of the approval clause by the Meeting of 15 June 1994, shares may be traded freely, subject to compliance with the rules applicable to companies whose shares are listed on regulated markets.

21.3.5. Identification of shareholders

21.3.5.1. Crossing thresholds/Declaration of intent

Legal declarations: Pursuant to Articles L. 233-7 to L. 233-11 of the French Commercial Code, any individual or legal entity, whether acting alone or in concert, coming to hold a number of shares representing more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the Company's share capital and/or voting rights, must inform the AMF and the Company within the defined time limit, by registered letter with acknowledgement of receipt, of the total number of shares and/or voting rights owned. The same persons or entities are also required to inform the Company within five days whenever their interest falls below any of the abovementioned thresholds.

Finally, in addition to this legal duty of disclosure, any person crossing the abovementioned thresholds of one-tenth, three-twentieths, one-fifth and one-quarter of the share capital is legally required to declare their intentions for the coming six months, within the defined time limit.

In the event of non-compliance with these disclosure obligations, the provisions of Article L. 233-14 of said Code shall apply.

Additional disclosures in accordance with the Articles of Association: Since the amendment of Article 9 of the Articles of Association by the Meeting of 15 June 1994, any individual or legal entity, whether acting alone or in concert, coming to hold, or ceasing to hold, a fraction equal to 1% of the share capital and/or voting rights, or any multiple of that percentage, must inform the Company within ten days, by registered letter with acknowledgement of receipt, sent to the Company's registered office, stating the number of shares and voting rights held.

Failure to make this disclosure shall result in a loss of voting rights for the shares or voting rights in excess of the fraction that should have been disclosed for a period of two years from the date the situation is rectified and upon the mere request of one or more shareholders holding 5% of the share capital or voting rights at a Meeting.

21.3.5.2. Identifiable bearer shares

Pursuant to Article L. 228-2 of the French Commercial Code and Article 9 of the Articles of Association, the Company may at any time ask Euroclear SA to carry out the "identifiable bearer share" (IBS) procedure to identify the holders of such shares.

21.3.6. Published declarations of threshold crossings

Date	AMF decision n°	Subject
03/08/1999	199C1045	Declaration of crossing of threshold (ERAP – CEIR – SORAME). Declaration of intent. Appointment of 5 qualified persons as Directors. Reminder: dispensation from obligation to file a planned public offer.
29/12/1999	199C2064	Declaration of crossing of threshold. Cogema replaces ERAP.
30/12/1999	199C2068	Declaration of crossing of threshold. AFD replaces ERAP.
25/07/2001	199C0921	Planned amendment to shareholders' agreement: ERAMET shares held by Cogema assigned to CEA Industrie.
12/09/2001	201C1140	Declaration of crossing of threshold. Amendment to shareholders' agreement following AREVA's replacement of Cogema.
20/12/2004	204C1559	Declaration of crossing of threshold and declaration of intent. Maaldrift BV replaced by Carlo Tassara International.
14/02/2006	206C0296	Declaration of crossing of threshold of 5.0034% of capital and 2.98% of voting rights by M&G Investment Management Limited.
17/01/2007	207C0134	Declaration of crossing over threshold of 13.16% of capital and 7.74% of voting rights and declaration of intent by Carlo Tassara France.
18/01/2007	207C0137	Declaration of crossing under threshold (0%) by Carlo Tassara International.
24/07/2007	207C1569	Declaration of crossing under threshold at 4.14% of capital and 4.81% of voting rights by STCPI.
30/05/2008	208C1042	Amendment to the Shareholders' Agreement (CEIR – SORAME – AREVA) of 17/06/1999.
03/06/2008	208C1083	Declaration of crossing under threshold at 4.95% of capital and 2.93% of voting rights by M&G Investment Management Limited.

21.3.7. Factors likely to influence a public offer

In addition to the information relating to threshold crossing, double voting rights, shareholders' agreements and undertakings detailed above, the following factors should be noted:

Possibility of using capital increase authorisations during a public offer

Resolution Eight of the General Shareholders' Meeting of 16 April 2008 empowered the Board to make use of various authorisations granted to it under Resolutions Twenty-Two and Twenty-Four of the General Shareholders' Meeting of 25 April 2007, for a period laid down by law and in line with the law, "were one or more takeover bids or share exchanges to occur involving securities issued by the Company".

There is a proposal before the General Shareholders' Meeting of 13 May 2009 to renew this authorisation to make use of the authorisations granted to the Board with regard to the issue of shares, miscellaneous securities and/or warrants, with or without shareholder preferential subscription rights, for the period laid down by law.

Material contracts

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To date, ERAMET has not entered into any material contracts representing a substantial obligation or undertaking for the whole Group, other than those entered into in the normal course of its business.

In the case of contracts entered into in the normal course of its business, please see the financial contracts discussed in Chapter 4.

Third-party information, statement by experts and declarations of interest

23

Not applicable.

Documents on display

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24.1. DISCLOSURE POLICY

24.1.1. Name of the person responsible for disclosure

Name:	Monsieur Philippe Joly.
Position:	Directeur de la Stratégie et de la Communication Financière.
Address:	ERAMET Tour Maine - Montparnasse 33 avenue du Maine 75755 Paris cedex 15 Téléphone : 33 (0) 1 45 38 42 02

24.1.2. Means of communication

Frequency: in line with regulations, ERAMET publishes its annual and interim results and releases its quarterly sales.

Distribution: in addition to legal publication in financial publications, press releases and all regulated financial information are made available to the public on the Company's website (http://www.eramet.fr – in the Investors section), and filed with the AMF in line with the Transparency Directive.

24.1.3. Diary: key dates in FY 2008 and FY 2009

2009 diary

Publication of 2008 sales and earnings:	Thursday, 19 February 2009	(before trading)
Publication of Q1 sales:	Thursday, 30 April 2009	(before trading)
General Shareholders' Meeting:	Wednesday, 13 May 2009	
Publication of H1 sales and earnings:	Thursday, 30 July 2009	(before trading)
Publication of Q3 sales:	Wednesday, 28 October 2009	(before trading)
Publication of Q4 sales:	Thursday, 28 January 2010	(before trading)

2008 diary

Publication of 2007 earnings:	Thursday, 21 February 2008	(before trading)
General Shareholders' Meeting:	Wednesday, 16 April 2008	
Publication of Q1 sales:	Tuesday, 29 April 2008	(before trading)
Publication of H1 sales and earnings:	Thursday, 31 July 2008	(before trading)
Publication of Q3 sales:	Wednesday, 29 October 2008	(before trading)

24.2. VENUE WHERE COMPANY DOCUMENTS AND INFORMATION CAN BE CONSULTED

The Articles of Association, Meeting minutes, separate and consolidated financial statements, reports of the Statutory Auditors and all documents made available to shareholders can be consulted at the Company's registered office.

All data indicated in this document, the source of which is not specifically indicated, is from the Company's internal reporting and data.

All copies of documents included within this Reference Document can be found on ERAMET's Website (http://www.eramet.fr) or by requesting them from the Company's Director of Legal Affairs at its registered office: Tour Maine Montparnasse – 33, avenue du Maine 75015 Paris.

24.2.1. List of press releases

24.2.1.1. 2009

7 April 2009: First stone laid at Moanda mettalurgical complex, Gabon.

12 March 2009: Acquisition of Eralloys (formerly Tinfos): new agreement allowing ERAMET to raise its stake in Eralloys to 100%.

19 February 2009: ERAMET – Excellent results despite the strong impact of the crisis in Q4 - Weda Bay Project: new partnership with Mitsubishi.

21 January 2009: Board of Directors – ERAMET adjusts its production to changes in demand and confirms its current operating profit forecast for 2008.

20 January 2009: ERAMET – partnership with the Southern Province of New Caledonia for the development of Prony and Pernod Creek world class nickel deposits.

24.2.1.2. 2008

18 December 2008: ERAMET – AFEP-MEDEF recommendations of 6 October 2008.

Extract from the press release entitled: "Board Meeting of 9 December 2008" released on 9 December 2009 after market close.

9 December 2008: ERAMET – Board Meeting of 9 December 2008.

ERAMET adjusts its production to changes in demand.

AFEP-MEDEF recommendations of 6 October 2008.

27 November 2008: Update on the Tinfos acquisition.

21 November 2008: Patrick Buffet opens the new Tiébaghi ore processing plant, in the North of New Caledonia.

This €125 million investment has provided work for some 60 New Caledonian companies.

29 October 2008: ERAMET – sales up 18% in Q3 2008 compared to Q3 2007, not including the contribution from Tinfos.

Confirmation of the prospect of a significant rise in current operating profit for 2008 compared to 2007, excluding the Tinfos contribution.

10 October: ERAMET completes acquisition of purchase option relating to 75.1% of Otjozondu Mining (Pty) Ltd.

Launch of feasibility study for development of Otjozondu manganese project in Namibia in partnership with Otjozondu Holdings (Pty) Ltd. and Oreport (Pty) Ltd.

15 September 2008: ERAMET – Erasteel, world leader in high-speed steels, subsidiary of ERAMET, invests in a new atomising unit in Sweden.

Erasteel will have the largest global capacity for metal powder gas atomisation.

31 July 2008: ERAMET – a record half-year for the ERAMET Group.

Current operating profit +32% - Profit for period, Group share +55%.

30 July 2008: ERAMET – completion of the first phase of the acquisition of Tinfos.

ERAMET holds 56% of Tinfos – Capital increase by ERAMET.

29 July 2008: ERAMET – Partnership between ERAMET, Otjozondu Holdings and Oreport to develop a manganese mine in Namibia.

11 July 2008: ERAMET – ERAMET's Board of Directors confirms the Group's position regarding the stability of the shareholder structure at SLN.

27 June 2008: ERAMET - ERAMET Group press release on the shareholder structure at Société Le Nickel (SLN).

16 June 2008: ERAMET - ERAMET Group press release on the shareholder structure at Société Le Nickel (SLN).

29 April 2008: ERAMET – Q1 2008 sales.

Sales up 37.9% in Q1 2008 – Very sharp rise at ERAMET Manganese (+92.9%) – All three divisions up – Positive outlook for the first half of 2008.

16 April 2008: ERAMET – Combined Ordinary and Extraordinary General Shareholders' Meeting of 16 April 2008.

Dividend of €6.00 per share, up 107%. Accelerated development of the Group in 2008.

15 April 2008: ERAMET announces an agreement for the acquisition of Tinfos AS.

21 February 2008: ERAMET - record results in 2007.

Doubling of current operating profit (+97%). 82% rise in profit for period, Group share and dividend raised to €6 per share.

Positive outlook and continuation of the growth strategy in 2008.

8 February 2008: Aubert & Duval, a subsidiary of ERAMET, announces a strategic partnership in titanium with EADS, Airbus and UKTMP (Kazakhstan).

31 January 2008: 2007 annual sales up 24.1% to €3.8 billion. In Q4 2007, very sharp improvement in Group sales (+30.5%) compared to Q4 2006, with a 53.2% increase in sales at ERAMET Manganese.

24.2.2. List of publications in the Bulletin of Mandatory Legal Announcements (BALO)

FY 2009

▪ Notice of calling the General Shareholders' Meeting:	▪ 6 April 2009

FY 2008

▪ Sales as of 30 June 2008:	▪ 6 August 2008
▪ Sales as of 31 March 2008:	▪ 7 May 2008
▪ Notice of approval of financial statements without amendment:	▪ 5 May 2008
▪ 2007 annual financial statements:	▪ 4 April 2008
▪ Notice of calling the General Shareholders' Meeting:	▪ 28 March 2008
▪ General Shareholders' Meeting Notice:	▪ 10 March 2008
▪ Sales as of 31 December 2007:	▪ 8 February 2008

Information on holdings

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The companies in which ERAMET holds a significant interest are described in Chapter 6 “Business overview”. The scope of consolidation and contact details of all companies can be found in the consolidated financial statements as at 31 December 2008 (Chapter 20.1). The names and contact details of all companies can be found in the appendix to this document.

Appendices

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Report from the Statutory Auditors on the 2008 corporate financial statements	20.2.3.
Special report from the Statutory Auditors on 2008 related party agreements and committments	20.2.4.
Report from the Statutory Auditors, pursuant to Article L. 225-235 of the French Commercial Code, on the report by the Chairman of the Board of Directors of ERAMET – Financial year 2008	16
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APPENDIX 2. ENVIRONMENTAL CHARTER

Control and reduce the environmental impact of the Group's industrial activities

As a responsible industrial operator, the ERAMET Group carries on its business activities in such a way as to keep its health and environmental impact (both internal and external) as low as possible, while ensuring that the cost of such efforts remains economically viable.

Control the risks and impact stemming from products sold by the Group

The ERAMET Group's environmental policy includes a specific component relating to the potential risks and impact stemming from the characteristics and use of its products. Controlled and reasonable management of these risks is one of its priorities.

Encourage ongoing improvement

The Group is continuously looking to improve its environmental performance. This commitment is one of its responsibilities, on a par with ensuring the health and safety of its employees, complying with commercial agreements or identifying optimised technologies at the lowest possible cost.

Factor the environment into every aspect of the Group's activities

This determination to make the environment a part of the Group's activities is demonstrated in every aspect of the Company's activities:

- when designing and starting up new activities, projects or capital expenditure programmes;
- throughout the day-to-day operation of facilities;
- when discontinuing activities.

Strictly comply with regulations

Strict compliance with regulations that are applicable to sites is the first guarantee of responsible management of their impact. Any non-compliance must be temporary, justified and notified to the relevant administrative body.

Develop self-knowledge to improve and disclose

Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both improvements and difficulties is key to the implementation of a policy. Disclosing actual performance is becoming a regulatory requirement. By setting up an Environmental Information System (EIS), the ERAMET Group is equipping itself with the resources necessary to achieve its goal.

Anticipate regulatory changes from a sustainable development perspective

The ERAMET Group is subject to a series of complex and ever more stringent environmental regulations. We owe it to ourselves to acquire full knowledge of these regulations, anticipate changes to them and act to raise awareness of our situation from a perspective of sustainable development that protects our competitiveness.

Contribute to scientific know-how

Scientific knowledge of the health or environmental impact of our activities is complex and constantly evolving. The ERAMET Group helps to further research and knowledge regarding its activities.

APPENDIX 3. SUSTAINABLE DEVELOPMENT

Introduction

ERAMET's activities operate against a background of Sustainable Development accompanied by a constant desire for ongoing improvement.

Since July 2002, the Group has had an Environmental Charter (see Appendix 2) before setting up a department working exclusively on environmental and industrial risks (EIRD) in June 2003. In early 2007, a new Communications and Sustainable Development Department (DC2D) was set up, headed up by a member of the Executive Committee ("COMEX").

In order to render the implementation of its environmental policy tangible and measurable, at the request of the Board of Directors ERAMET set goals for 2008, the nature of which and progress with regard to which are described below. The goals set for 2008 were achieved.

For the Group, knowing the impact of activities precisely is of vital importance. Knowing how to anticipate and evaluate progress as well as difficulties is essential to managing environmental policy. The implementation of an Environmental Information System EraGreen (ERAMET Group

Environment Exchange Network) provides the ERAMET Group with the necessary resources to achieve its ambition.

EraGreen is designed to collect and consolidate key information on the environment of the industrial sites and constitutes a real technical reporting tool for the Group. For the third year running, the various environmental parameters for 2008 aggregated using EraGreen were included in the management report drawn up by ERAMET's Board of Directors.

The Group acts to constantly improve its environmental performance; while this tool enables it to measure this, it also highlights best practices and is thus a source of improvement.

On the industrial sites, the Group is strengthening the teams in place, either by broadening them or by recruiting specialist young engineers. A domain working group has been set up and the Environment and Safety responsibilities have been discussed and this "domain" defined by the relevant departments and the Human Resources team. An initial meeting of an international club dedicated to health, safety and the environment was held in Grenoble in September. It was also attended by the HQ teams and representatives from all the Group's industrial sites and provided the opportunity to strengthen the cohesion of the Group's actions on these matters.

The policy of ISO 14001 certification of the industrial sites continued. At the end of the year, nine sites were certified and the commitment shown by the industrial sites should lead to further certifications in 2009 and 2010.

2008 also provided the opportunity to reconsider environmental audit practices by drawing up an audit reference framework covering the environment, health and safety, fully in line with the ISO 14001 and OHSAS 18001 standards. This goal, driven by the DC2D and the Health & Safety Unit at the HR Department, brought together in a working group the Corporate functions and the Environment and Safety coordinators of the three Divisions.

Mixed teams of certified auditors (central departments and site representatives) take part in audits that will be become more and more integrated so that each site is, as in the past, evaluated every two or three years.

This involvement will aid the sharing of experience between the operational teams and enable them to benefit from the others' best practices. A second synergy concerns health aspects where operational and environmental considerations often overlap. In this regard, the Group medical officer takes part in site audits and reports to both the HR and DC2D departments.

On top of this are visits made as part of the insurance programme, which has been beefed up with an environmental component this year.

Sustainable Development is taken into account in every Group project. The DC2D department is involved in the developments of the Divisions worldwide. The social, economic and environmental improvement programmes, in line with the three cornerstones of Sustainable Development, are carried out together with the other Group Departments. They also look at a fair balance with the local communities and environmental friendliness, applying the best available technologies and preserving biodiversity. In all the regions in which the Group operates, specific programmes are implemented with the stakeholders covering information on the activities, involvement of elected officials and local authorities, training and education for children and young people and furthermore raising awareness of major health and safety concerns, such as AIDS. A summary of specific measures taken for the communities is presented along with measures relating to the preservation of nature and flora and fauna.

ERAMET also wishes to assume full responsibility for its products, whether manufactured or used in its facilities. The efforts made on the REACH project (Registration, Evaluation and Authorisation of CHemicals) are a strong sign of this and it was a major issue in 2008.

The growing constraints of energy resources and greenhouse gas emissions, taken into account since 2005, have led ERAMET to anticipate future regulatory requirements by establishing its carbon footprint. The study was conducted in 2008 and the results will be known in early 2009, allowing suitable development measures to be taken with regard to the environment.

Despite all the issues covered and the significant efforts made by the Group and its industrial sites on these matters, substantial progress still remains to be made.

The findings set out below and the examples given testify to the ERAMET Group's desire and commitment to treat Sustainable Development as a priority and to unfailingly strive to make further improvements.

ISO 14001 certification of the industrial sites

The significant progress made in recent years with regard to the goal of gradual introduction of measures along the lines of Environmental Management Systems, provided for in the 2002 charter, continued in 2008.

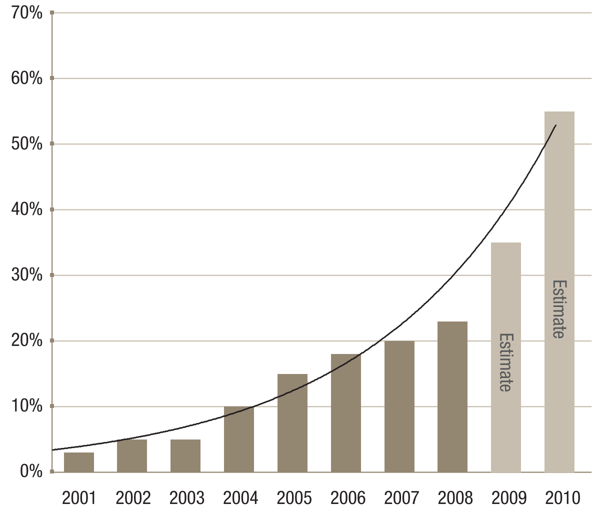
In line with the goal set in early 2007, a schedule of site commitment to ISO 14001 certification measures was drawn up and followed, with twin OHSAS 18001 and ISO 14001 certification being obtained for the Eurotungstène (Grenoble) site in 2008. Being ISO 9001 certified (2008 version), Eurotungstène is the first of the Group's plants to operate using an integrated Quality, Safety and Environment management system.

At 31 December 2008, 9 sites were ISO 14001 certified:

- Aubert & Duval Pamiers;
- Erachem Comilog Tertre (copper recycling activities, certification renewed in November 2008);
- Erasteel Commentry (certification renewed in 2008);
- ERAMET Norway Sauda;
- ERAMET Norway Porsgrunn;
- ERAMET Sandouville;
- Eurotungstène Grenoble;
- Tinfos Jernverk;
- Tinfos Titane Iron.

ISO 14001 processes undertaken in the industrial sites are diligently continuing and should result in further certifications in 2009 and 2010.

PROPORTION OF SITES ISO 14001 CERTIFIED AND THE OUTLOOK FOR 2010 (EXCLUDING CHINA)



Continuing rollout of EraGreen

The Group has made use of an operational environmental information system called EraGreen since 2006 which collects, tracks and consolidates environmental data from the Group's sites in the fields of air, water, waste, soil and energy.

At the end of 2007, 21 of the Group's industrial sites were equipped with EraGreen. In line with the 2008 goal, EraGreen has been rolled out at the Gabonese sites (Comilog), the US Marietta site, and the site in Mexico. EraGreen should continue to be rolled out in 2009.

In order to ensure effective use of the system, measures for updating the parameters of the sites at which the system is installed and system training were carried out in 2008.

The environmental data in the management report of the Board of Directors and the Reference Document is aggregated, for the sites where it is installed, using EraGreen.

Environmental data

The significant improvement in the quality of the measurements taken, seen since 2006, continued in 2008. In fact, across the Board, the resources employed to measure the environmental indicators have increased.

The 2008 environmental report covers 70% of the scope of the industrial sites presented by the Group (37 sites), spread across four continents, and represented by the following Norwegian, Swedish, Gabonese, Mexican, US, Belgian, French and New Caledonian sites:

Norway:	Porsgrunn and Sauda.
Sweden:	Söderfors, Långshyttan, Vikmanshyttan.
Belgium:	Tertre.
France:	Dunkerque, Sandouville, Gennevilliers, Les Ancizes, Issoire, Commentry, Imphy, Firminy, Champagnole, Grenoble, Pamiers, Trappes.
New-Caledonia:	Doniambo.
USA:	Marietta, Baltimore, Freeport, New Johnsonville.
Mexico:	Tampico.
Gabon:	Moanda, mine, Owendo.

The 2008 scope does not take into account the Chinese sites, Société ferroviaire d'exploitation du Transgabonais (Setrag), the future mining site at Weda Bay or the Norwegian Tinfos sites which joined the Group during the second half of the year.

Compared to previous reports, this report sets out the performance of indicators across the scope of the Group as defined above.

For all the sites at which the system has been installed, the quantitative data provided (environmental indicators) is output from EraGreen and comes solely from data consolidated by the application. Including data in the EraGreen format may sometimes generate slight discrepancies with the data previously published.

Energy

Since the Group's activities consume a great deal of energy, since 2006 ERAMET has introduced an "energy saving" programme which aims to reduce the Group's energy costs by 5 - 10%. This measure, which helps the sites to define their "energy saving" action plan, first took the form of a pilot measure on six of the Group's sites. It was then gradually extended to all Group sites with high levels of energy consumption.

A site's action plan is defined in cooperation with the Group's Industrial Affairs Department, which may call upon independent experts if necessary. It requires three stages: identification/understanding of the process used by the plant, "brainstorming" of potential ideas, and definition of the action plan.

The actions generally adopted cover at least the following subjects:

- Production equipment and its energy performance (improvement and maintenance);
- Operation of this equipment (best practices, etc.);
- Energy metering and monitoring of energy performance, etc.

Once the action plan has been drawn up, the Group's Industrial Affairs Department continues to support the sites depending on their needs and asks them for a six-monthly progress report. Progress is also presented to the Group's COMEX annually.

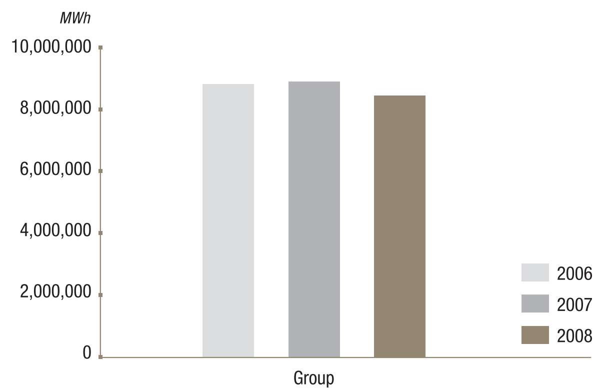
At the end of 2008, 22 sites (out of the 26 targeted) had their action plan, and progress on them varies from one site to another. However, specific measures were implemented which not only allowed substantial gains to be made but sometimes also enabled the environmental impact to be reduced.

In 2008, new investments enabled the energy consumption of sites to be reduced. Accordingly, Aubert & Duval Issoire replaced several of its furnaces by making use of equipment offering improved performance. Energy losses are thus minimised and consumption ratios improved. In the same line, the site invested in electric furnaces that are more suitable and less polluting than the gas furnaces.

The Erasteel Commentry site, by switching from fuel oil furnaces to gas furnaces in recent years, and by optimising the consumption of all its furnaces, has reduced the site's emissions while doubling its production in four years.

The main energy requirements are due to the pyrometallurgy operations sites. The heat treatment furnaces and the melting facilities, at the heart of the ERAMET Group's metallurgy activities in its three Divisions, are the main contributors.

FIGURE A1 CHANGES IN ENERGY CONSUMPTION



In 2008, a slight fall in energy consumption was recorded by the Group, mainly explained by the slowdown in activities in Q4.

The "energy saving" measure also enabled substantial gains to be made, resulting in marked progress in the energy consumption ratios in relation to the sites' industrial production indicators (work units, operating time, product tonnage, etc.).

In 2008, for example, in Sandouville the merging of two chemical operations into the same piece of equipment enabled gains to be made, from both a steam and a financial point of view. At Aubert et Duval Les Ancizes, the actions taken to control the energy consumption of the heat treatment furnaces have already led to a fall in natural gas consumption.

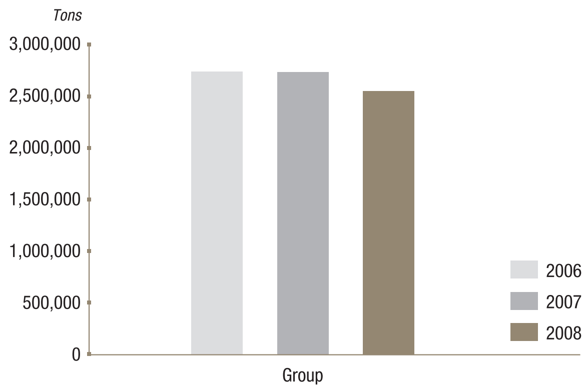
GCMC at Freeport modified its two roasters to improve the energy performance and thereby reduced their natural gas consumption.

Erachem Mexico launched an action plan to reduce fuel consumption by means of heat insulation measures which should bear fruit as from 2009.

Air

The Group's air emissions derive from energy consumption and the production of ferrous and non-ferrous metal alloys.

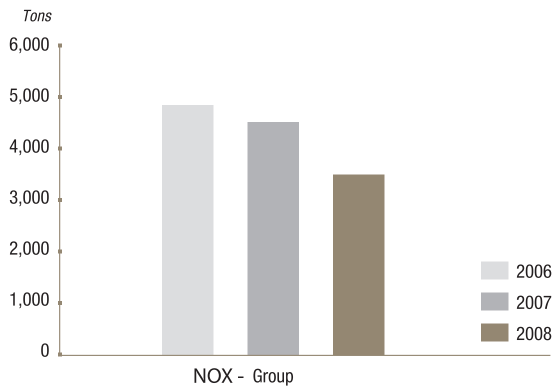
FIGURE B1 CHANGES IN CO_2 EMISSIONS

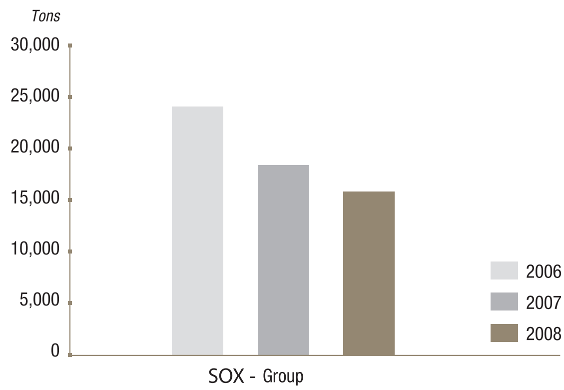


The slowdown in activities, connected with the economic climate, explains the downward trend in CO_2 emissions.

The fall, recorded in 2008, was also partly due to Comilog Gabon's stopping the use of anthracite and to the lower tonnages of coke consumed at its Moanda industrial complex, which produces manganese ore sinter.

FIGURE B2 CHANGES IN NOX AND SOX EMISSIONS

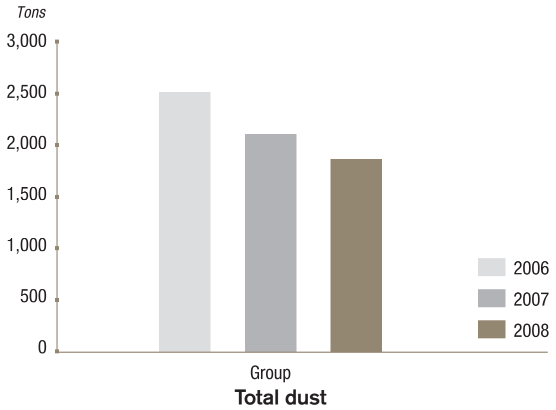


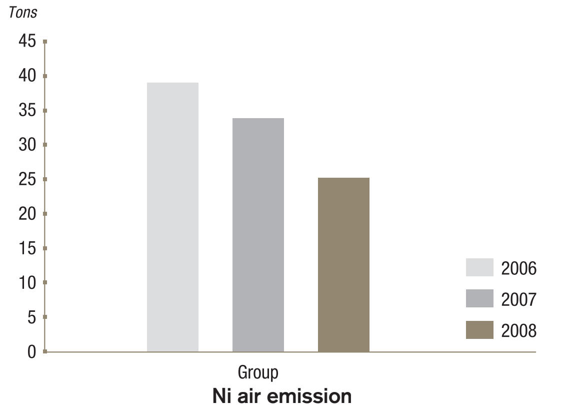


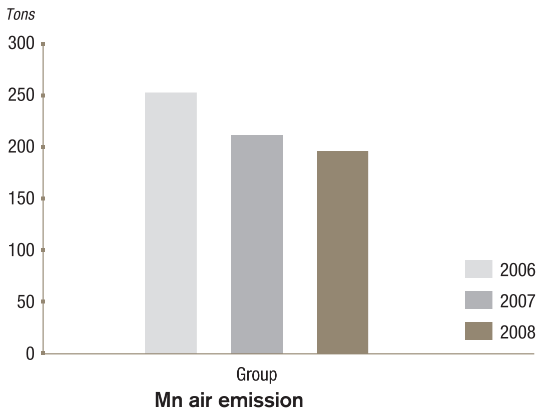
The trend already seen in the 2007 report of a reduction in nitrogen oxide and sulphur oxide emissions in the chosen scope continued in 2008. A very considerable improvement was noted, of around 30% over three years. Besides the slowdown in activities in Q4, these reductions are essentially due to the ongoing policy of using fuel oil with a low sulphur content at SLN.

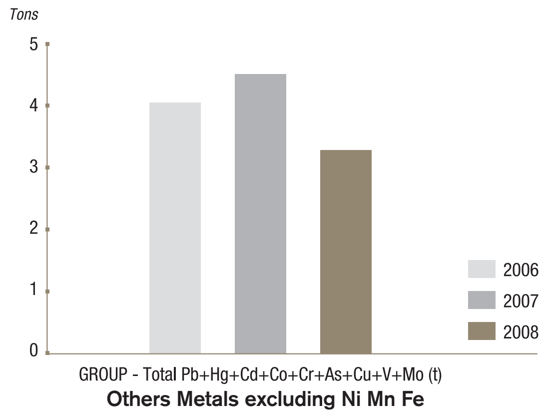
The GCMC plant at Freeport, which is a lesser contributor of SO_2 emissions, started a project to reduce its emissions.

FIGURES B3 TO B6 CHANGES IN AIR EMISSIONS OF TOTAL DUST, NI & MN AND OTHER METALS









Air emissions of dust, and of metals overall, have fallen considerably since 2006. This is due to the Group's stated desire to reduce air emissions by making numerous investments, particularly in dust removal systems.

At the end of 2006, at Aubert et Duval Les Ancizes, the industrial start-up of the dust capture and removal facility shared by the S40 and S60 electric furnaces enabled dust air emissions to be reduced by 98%. The remarkable effectiveness of this investment was confirmed in 2008 with a flow of 7.4 tons.

At Erasteel Commentry, the installation of a primary capture system on the electric melting furnace and optimisation of the dust removal operation enabled site emissions to be improved by increasing the dust recovery rate per ton of molten steel produced.

Finally, Aubert et Duval Imphy started up a system of capturing dust emissions from the powder workshop in Q4 2008.

This year, other new dust collectors came into operation. At Erachem-Comilog New Johnsonville, a dust collectors was installed in the ore crushing and storage facility, feeding the manganese oxide reduction operation.

Similarly, the Norwegian Porsgrunn site optimised the collection of fumes from one of its furnaces.

ERAMET Marietta also began revamping one of its furnaces. This operation enabled dust air emissions to be reduced by 25%.

The main air emissions of metals presented above within the scope studied are connected with the Group's core activities (Ni and Mn). For the whole scope studied, when adding in the other metals besides nickel and manganese that are subject to specific regulatory monitoring, particularly low levels are noted.

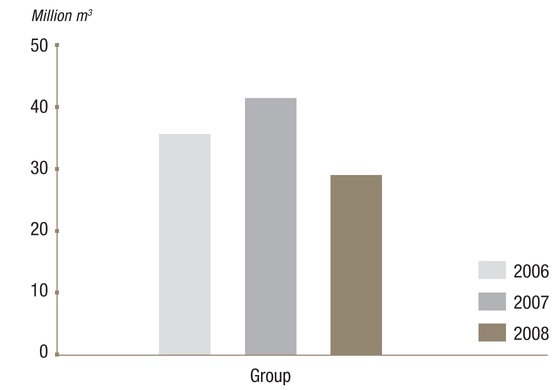
Water

CONSUMPTION

Metallurgy, hydrometallurgy and chemicals are three activities that consume water for a range of purposes:

- washing of ore, raw materials and by-products;
- cooling of furnaces and other metallurgical installations;
- hydrometallurgy processes: solubilisation and reaction environments.

FIGURE C1 CHANGES IN WATER CONSUMPTION



2008 saw a marked fall in the Group's water consumption. This fall is not only due to the slowdown in activities in Q4 but is also the result of action plans on certain sites. The problems with processes resulting in accidental water consumption are systematically taken into account.

For example, Aubert et Duval Pamiers introduced systematic monitoring of differences in consumption with corrective measures.

In Norway, ERAMET Sauda's water consumption fell considerably in 2008 following the shutdown of a furnace for four months.

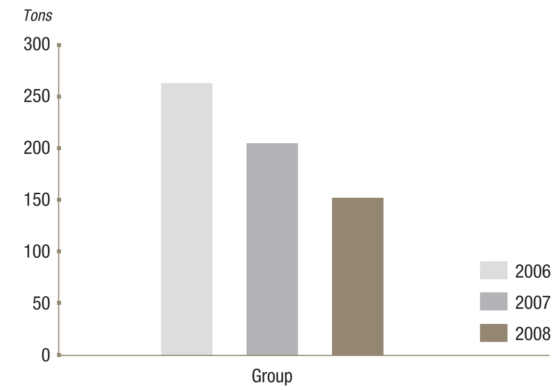
At Comilog Gabon, a water metering system was installed in 2006 which highlighted an under-calculation of the industrial water consumption estimated in previous years.

AQUEOUS DISCHARGES

The renewal of a large number of operating permits combined with an aggressive improvement policy led the Group to look into new, less polluting processes, in order to limit environmental impact and update the techniques and equipment used to monitor aqueous discharges.

This work shows that it is possible to reduce the environmental impact of industrial activities.

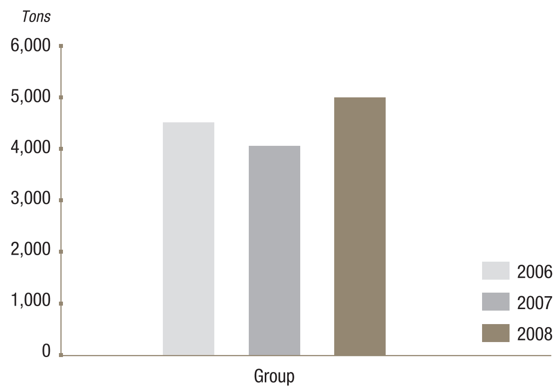
FIGURE C2 CHANGES IN AQUEOUS DISCHARGES (COD)



The first stage of the project to reduce discharges at Aubert et Duval Pamiers was implemented at the end of 2007. This stage consisted of the installation of two separators/scrubbers at the main discharge points. These separators effectively trap the hydrocarbons and suspended solids and have led to a spectacular fall in the site's COD discharges compared to 2007.

Mid-year, Aubert et Duval Gennevilliers also started up a hydrocarbons separator at the outlet to the site's decontamination network.

FIGURE C3 CHANGES IN AQUEOUS DISCHARGES (SUSPENDED SOLIDS)

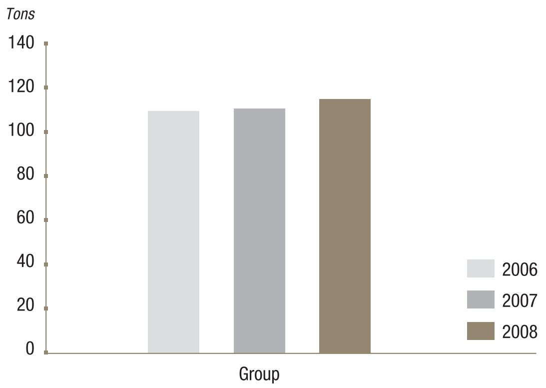


It should be noted that the suspended solids in the aqueous discharges for the Group mainly stem from the SLN's waste (slag filtration). The main flow (plant cooling and slag granulation) consists of seawater drawn from the port of Nouméa. The plant is therefore reliant on its characteristics (temperature, suspended solids, etc.).

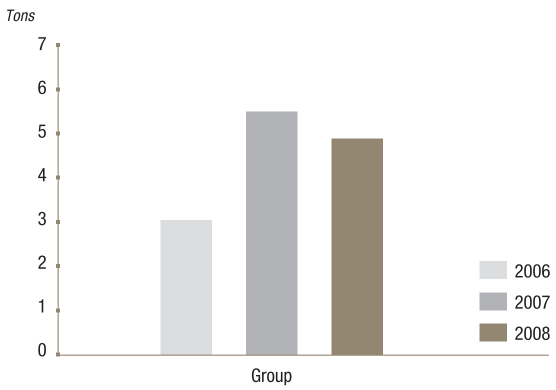
The Erachem Comilog plant in Tertre also contributed to the higher discharge of suspended solids. This increase is mainly explained by the start-up of new facilities for the treatment of the recycling unit's new non-ferrous waste. These new processes are characterised by more basic pH discharges and involve uncontrolled precipitations of initially soluble solids and finally discharges outside suspended solid standards.

FIGURES C4 TO C6 CHANGES IN AQUEOUS DISCHARGES (METALS)

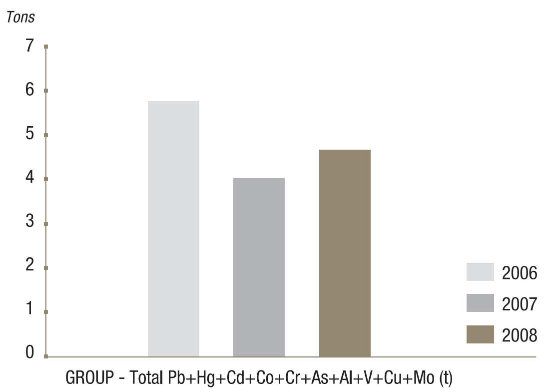
Aqueous descharges Mn



Aqueous descharges Ni



Other metals excluding aqueous descharges Mn, Ni et Fe



Following an increase in 2007, nickel aqueous discharges fell in 2008 mainly due to the slowdown in production in Q4 2008.

As already noted in previous years, manganese aqueous discharges remained stable overall in proportion and mirrored manganese hydrometallurgy production levels, which were slightly higher than in 2007 despite the slowdown in activities in Q4.

As for the air emissions, the main aqueous discharges of metals presented above for the scope studied are connected with the Group's core activities (Ni and Mn).

For the whole scope studied, when looking at other metals besides nickel and manganese that are subject to specific regulatory monitoring, particularly low levels can be observed.

This is the result of adjustments made to the water treatment processes in particular, also allowing the quality of waste water to be improved. This is the case for the Aubert et Duval Issoire site in 2008, for example, which, by stopping the use of iron chloride at the water treatment plant, achieved a marked fall in the total metal quantities discharged.

Waste

Although it generates waste, like any industrial activity, ERAMET is working to develop more and more recycling processes for "waste" reused as secondary raw materials.

GCMC's activities in Freeport (US), Fort Saskatchewan (Canada), and Erachem-Comilog's in Tertre (Belgium) for its copper and zinc salt and oxide production, are focused on the recovery of secondary raw materials.

The Group's alloy plants, particularly the four steelworks, incorporate the use of secondary raw materials into their processes.

GCMC's plants recycled used catalysts via a combination of hydrometallurgy and pyrometallurgy operations to produce vanadium pentoxide, molybdenum trioxide and aluminium/nickel concentrates, which are then treated to produce nickel/cobalt alloys. The used catalysts are supplied by refineries in North America, Europe and Latin America.

At Tertre, Belgium, the Company's activities involve manganese chemistry and the production of copper and zinc oxides by making use of various waste from the electronics industry (liquids used for etching printed circuits). In 2008, as part of its Copper Sourcing project, Erachem-Comilog looked at sourcing its supplies from other types of copper-based waste (settling sludge, case hardening residues, etc.).

The Group's four steelworks use a large quantity of secondary raw materials, mainly scrap iron, in their furnaces. The steelworks generally use more than 90% recycled metals which themselves comprise some 40% internal recycling (scrap, scale, shavings, etc.). At Aubert et Duval Firminy the percentages of raw materials supplying the steelworks comprise 97% recycled scrap iron and 3% new metals.

At Aubert et Duval Imphy, to make metal powders, the powder workshop furnaces are loaded with 60% recycled internal scrap (powder and solid).

Several other synergies designed to recover usable waste are organised between the Group's various sites. This is the case in particular of relevant recycling between Erasteel's Kloster plant in Sweden, the Boonton plant in the US, and the Champagnole and Commentry plants in France. Other similar situations should be mentioned, including the use of dust removal fines from the Marietta plant in Ohio by Erachem-Comilog in Baltimore, Maryland.

Measures are also taken to use the waste generated whenever possible. In the US, a substantial tonnage of manganese ore gangue is thus used for the manufacture of bricks or tiles. At Aubert et Duval Les Ancizes in France, tests on the use of steelworks slag, refractories and the sorting of debris from the pouring basin began this year. The goal is to achieve a steelworks waste reuse rate of 95%.

Finally, a specific measure was undertaken at GCMC in Texas comprising the reuse of over 100,000 tons of aluminium concentrate accumulated over the years in a dump for its residual usable metal content.

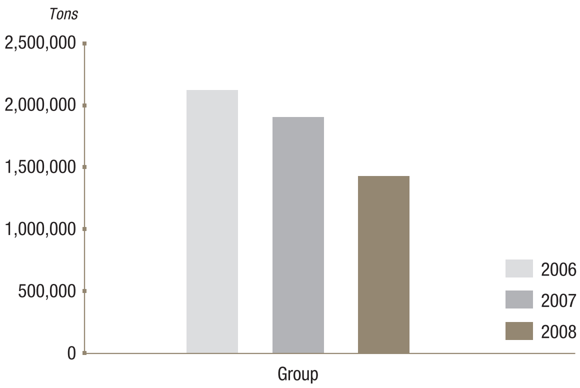
NON-HAZARDOUS WASTE

The concept of hazardous and non-hazardous waste is defined by the European Union in the list published by the European Commission. All the European sites determine the hazardous nature of their waste on the basis of these regulatory principles. Outside Europe, the hazardous or non-hazardous nature of waste is in line with applicable national regulations.

The steelworks and melting/reduction operations generate more than 80% non-hazardous waste in the form of slag or inert slag usually stored in internal dumps. Some of it has a commercial value as hard core in the public buildings and works sector. The waste calculations do not include the tonnages of deliberately rich slag generated by the manufacture of ferromanganese, used directly in the manufacture of silicomanganese.

Systematic waste sorting has also been introduced at all the Group's plants. Accordingly, at Commentry, the improvement in selective sorting in the workshops has made it possible to optimise the recovery of cardboard and conventional waste.

FIGURE D1 CHANGES IN NON-HAZARDOUS WASTE RECORDED

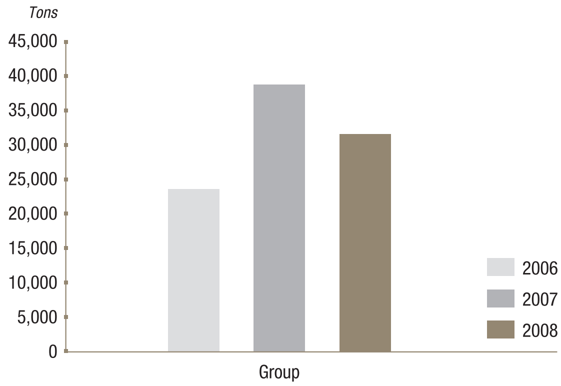


In 2008, the fall of around 25% in the tonnage of non-hazardous waste is due to the slowdown in activities connected with the economic climate in Q4, but also the monitoring and control of the volume of waste on many of the Group's sites.

HAZARDOUS WASTE

The "chemical" activities of the Group's Manganese Division produce a large volume of production and purification waste. The fact that approved landfill sites handle this waste means that the regulations are complied with on all points.

FIGURE D2 CHANGES IN HAZARDOUS-WASTE GENERATED



The fall in production following the slowdown in activities connected with the economic climate in Q4 significantly affected the quantity of hazardous waste.

The impact of various site restoration actions should also be noted, such as at Aubert et Duval Les Ancizes, with the clean-up of the small pond which generated over 740 tons of dry sludge. A substantial amount of dust has also been recovered at this steelworks, following the start-up of the new dust remover in December 2006.

Major projects

The Environment and Sustainable Development specialists fully support major projects, including the project for the new electricity plant at Nouméa, the Greenfield project at Weda Bay, the preliminary feasibility study for the Namibian project, the new industrial plans, process optimisation and also mergers and acquisitions involving due diligence or the incorporation of Tinfos into the Group.

At the same time, when they arise, the discontinuation of operations or asset disposals are managed in the same way as major projects and factor in environmental aspects well in advance.

In all these major projects, specialist teams are brought on board very early on and take part in the various technical and steering committees. These include the Industrial Departments, the Communications and Sustainable Development Department, ERAMET Research, ERAMET Ingénierie, the Group's Legal Department and the Administrative and Financial Department which work together. All aspects resulting from these bodies' findings are carefully examined by the COMEX and subsequently by the Board of Directors for a final decision.

The environmental control and corporate bodies binding the Group form an integral part of the investment process. Great attention is given to the technical, scientific and regulatory support required to produce dossiers and studies on the assessment of environmental impact or health risks in a complex, changing and highly specialised international legislative environment.

As part of the **Weda Bay project** in Indonesia, involving one of the most attractive Ni deposits not yet exploited, the Group has set up an international team of Sustainable Development specialists, combining the Group's Departments, international specialists, a firm of specialist consultants and the project team. This team coordinates the studies establishing the initial state (water, air, soil, subsoil, biodiversity, fauna and flora, etc.) and incorporates the 8 guiding principles of the World Bank, Indonesian regulations and the development action plans of local communities.

This project involves the operation of a Ni and Co mine, as well as a limestone quarry, the creation of a hydrometallurgy complex and a deep water port. It incorporates the concept of social and environmental sustainability as well as its industrial and financial dimensions.

The process developed by ERAMET Research for this project makes use of ERAMET's long experience in the field of nickel hydrometallurgy which dates back to the 1970s with the Sandouville site. The innovative dimension of this process should be noted: at atmospheric pressure, it allows the treatment of low-content saprolite and laterite ores. It also uses very little energy as it is self-sufficient and only requires small inputs. Its environmental impact is also controlled as it produces very low CO_2 emissions (10t CO_2/t Ni), only generating unclassified waste that is easily stored and inert effluent.

➔ **Integration of TINFOS**

The Communications and Sustainable Development Department and the HSE Unit are involved in the integration of the Tinfos divisions into the ERAMET Group. Several working groups have been established, one of which deals with Health, Safety and Environmental issues. Cross meetings are held with the ERAMET Norway teams, contacts have been established with regard to the management of REACH issues and Tinfos representatives have even been invited, since joining the Group, to take part in the ERAMET Group's international HSE seminar.

➔ **Plant projects in Gabon**

The Group is in the process of studying the feasibility of setting up 2 ore processing plants in Moanda, Gabon: a pyrometallurgy plant for producing SiMn and a hydrometallurgy plant for producing Mn metal by electrochemistry. The environmental aspects are being given a great deal of attention.

➔ **The plant project in New Guilin**

The Manganese Division aims to transfer its Guilin site to a suitable industrial zone outside the city, thus freeing up a zone for urban redevelopment. The project is reaching the final stage and has seen specialist teams working together with environmental experts in order to draw up an environmentally-friendly industrial project.

Responsibility for chemicals

REACH and the Group

Cross meetings of ERAMET teams on REACH enabled the first stage of this complex project to be completed in 2008.

For reference, REACH obliges industrial companies to assess all the chemical substances produced in or imported into the European Union. Metals and their compounds fall within the scope of REACH. Their impact on health and the environment must also be assessed with regard to each of their uses.

Beyond the team at the Communications and Sustainable Development Department (DC2D), this work has involved many of the Group's teams creating an inter multi-disciplinarily network working around one REACH Manager per Division: buyers and salespeople, plant representatives, R&D, logisticians, lawyers, IT experts, etc.

Awareness measures were taken by DC2D throughout the year. Seminars were organised for people involved both on the European sites and outside Europe. They provided in-depth training on the regulations, their application, their legal aspects and the known consequences of their implementation.

REACH was also a subject broadly covered at the seminar provided for salespeople, the one provided for IT network employees, the Group's buyers, safety and environment managers and furthermore at the seminar for the integration of young hires and at several meetings of the International Management Committee (IMC)/Comex during the course of the year.

The complete and complex inventory of substances enabled their timely pre-registration before 30 November 2008 (204 pre-registrations for 103 identified substances and 14 legal entities). To achieve this, a special system was introduced with committees at Division and Group level. More than a simple organisation, REACH represents a profound mobilisation of the Company helping to generate new synergies and new communication models within the production and distribution chain.

At the same time, the consortia enabling producers of the same substance to conduct their studies and tests together got up and running. On account of the range of its activities, at the end of 2008 ERAMET had signed up to 7 consortia agreements and may join others. These agreements are the result of necessarily delicate negotiations owing to shared work with competitors. These consortia now have to define their modus operandi within forums provided under the REACH framework. These provide for the exchange of information between manufacturers on each of the substances pre-registered.

The Group is highly involved and participates actively in the consortia working groups, and those of professional bodies engaged in the REACH process.

The success of pre-registration was a key step for the continued marketing of substances. The future registration stage requires continued efforts at all levels.

The Group closely monitors REACH regulations and the resulting lobbying activities in order to ensure that certain specific characteristics of the substances used or produced by its processes are taken into account.

The Group's involvement was particularly marked in efforts vis-à-vis the French and European authorities in order to assert certain aspects relevant to the preparation of guidance documents enabling the regulations to be implemented.

Moreover, specific efforts relating to some of the substances produced by the Group were undertaken vis-à-vis the French or European authorities (MEEDAT and the ECHA agency in Helsinki).

Finally, the Group participates regularly in meetings of the two French REACH discussion forums: the mirror group which includes industry representatives and the French authorities and the select MEDEF group which includes the same parties, but with fewer participants.

Strong involvement in professional bodies

ERAMET is highly involved and holds several key positions in professional bodies operating in its sphere, including:

- the DC2D Director, Vice-Chairman of Eurométaux, Chairman of FEDEM, Chairman of IMnI's HSE Committee;
- the Public Affairs Manager, Chairman of FEDEM's Health Safety and Environment (HSE) Committee;
- ERAMET was behind the establishment of the IEHP ("Industry, Environment and Health Panel") in 2007, in the global nickel industry association (NICKEL INSTITUTE), and chairs this expert group (Manager of the Nickel Division);
- the Commercial Director of the Manganese Division is the Chairman of the Steering Committee of the Manganese consortium and member of the Boards of Euroalliages and IMnI;
- the Manager of the Alloys Division is a member of the Board of the FFA.

ERAMET and the international scientific community

ERAMET is particularly active in the scientific field involving studies assessing the toxicity of nickel compounds. Along with other manufacturers, ERAMET has contributed for several years to the preparation and completion of the dossier on the risk assessment of 5 nickel substances leading the European authorities to regard the dossier (health and environment) as a reference in terms of content and quality. This dossier was submitted to the European Union and ratified last October by the OECD (Organisation for Economic Cooperation and Development). With this dossier and its dynamic participation in the activities of Eurométaux, ERAMET also contributed to the preparation of new methodologies for the assessment of the impact of metals on the environment and on health (HERAG & MERAG).

ERAMET also plays a key role with regard to manganese and contributes to the development of scientific knowledge. The Group thus helps to manage a US research programme called the MHRP (Manganese Health Research Programme) participating, in close cooperation with the International Manganese Institute (IMnI), on the steering committee. 2008 also saw the organisation of a seminar in Ottawa focused on the health and environmental elements of three metals that are essential to life (Cu, Zn and Mn). This seminar was organised by the University of Ottawa and was sponsored by the IMnI and its member industrial operators, including ERAMET.

Regulatory changes

Finally, ERAMET pays close attention to regulatory changes that may affect its present and future activities and has actively worked on some of the recent changes, including:

- the latest two Adaptations to Technical Progress, Annex 1 to Directive 67/548 EEC on classification, packaging and labelling, constituting the European list of substances classified as hazardous;
- changes in the IPPC European directive;
- the preparation and update of the European document on the best available techniques for the non-ferrous metals industry. In this regard, a visit to the Sandouville site was made by the European and French authorities, leading the latter to be referenced in connection with nickel hydrometallurgy processes. The Norwegian sites are referenced in connection with technologies for reducing metal air emissions;
- the new regulations such as the GHS (Global Harmonised System), future regulations on the classification and labelling of hazardous products, etc.

Integration into the Community

Active and multi-faceted participation in local life

Wherever it operates, the ERAMET Group plays an active role vis-à-vis local communities in fields as varied as education, health, the environment and socio-cultural and sporting activities. The programmes developed at the sites endeavour to meet as best as possible the expectations of the surrounding communities and the social challenges of the countries in which it operates. These measures require both a long-term view, vital to the success of these programmes, and innovation in the way the projects are to be implemented and selected.

Active support for the education and training of young people

For over a decade now the Group has been committed to a policy of providing active support for the education and training of local communities and young people in particular.

In Gabon, Comilog makes nursery and primary schooling available to employees' children and pays 80% of the fees of the Henri-Sylvoz secondary school in Moanda which has 400 pupils all years combined.

In New Caledonia, in 2008 SLN continued its efforts for New Caledonian young people. In fact, SLN provides ongoing financial support for several programmes including the "Juvénat Jules Garnier" (since 2003 its annual aid has amounted to 2.7 million CFP francs – i.e. €22,600) which fights against academic failure, offering young people from the bush and the islands a special framework and heightened academic support. When the new school year began in 2008, this programme, which was launched in 1991, refocused its actions on pupils from the bush and islands studying science in secondary school. With 12 pupils when launched, 70 pupils now benefit from this scheme. In 2008 SLN also continued its participation in the "Cadres Avenir" programme created in 1998 as a result of the Matignon Agreements. The aim of this programme is to continue rebalancing the Territory by favouring the accession of local people to positions of responsibility. In 2008, SLN had 21 executives and 10 supervisors who had benefited from this scheme.

SLN continues to to participate in many forums (Carrefour des métiers in Hienghène and Kouaoua, Salon de l'Etudiant in Nouméa, etc.), providing a range of opportunities for presenting the Company's various professions and encouraging young people to continue their studies. To bring education closer to the professional world, DEUST first- and second-year metallurgy students and DEUST second-year applied geo-science students visited the Doniambo plant. The visit took place a few days after a presentation at the University of New Caledonia was made on SLN's and the ERAMET Group's activities and available internship opportunities. DEUST Metallurgy also benefited in 2008 from financial aid from SLN. With regard to DEUST Applied Geo-science, some of the courses offered are provided by geological engineers who are employees of SLN.

In Indonesia, Weda Bay Nickel, the Group's Indonesian subsidiary, in charge of the large mining and metallurgy project on Halmahera Island, also launched several education initiatives in 2008 aimed at the communities of the neighbouring villages, as part of a more global Local Development Support project: funding of ten university grants to enable students from these villages to continue their studies on a neighbouring island and donation of educational books and materials to local primary and secondary schools.

In Europe and in Metropolitan France in particular, partnerships with primary and secondary schools are also being established. The Sandouville facility, in cooperation with the Schuman secondary school in Le Havre, introduced a *Passeport Jeunes Chimie Sécurité* in 2006, intended for technical school pupils. This awareness of the organisation and operation of a chemicals company took place over 6 days throughout the academic year, included presentations and practical exercises and ended with day release for pupils attended by the site Human Resources and Communications Manager and a former employee involved in the programme. ERAMET Sandouville is also continuing to provide financial support for AFPI (Association de Formation Professionnelle de l'Industrie) in the Le Havre Region, which has some 200 trainees per year and also provides ongoing training.

Continuation of efforts against AIDS in Gabon through the GAMMA programme

In Gabon, the Gamma programme for combating AIDS, launched at the end of 2006 and rolled out in 2007, continued in 2008 vis-à-vis the country's health authorities. This programme, intended for employees of Comilog and Setrag and their families, includes several aspects. Following the success of the voluntary and anonymous screening campaigns (more than two-thirds of employees took part), the distribution of condoms to employees and their families continued (over 45,000). HIV positive and sick people are taken charge of, with suitable medical treatment and a possible adaptation of their work posts. In 2008, emphasis was placed on the provision of prevention and information messages. Accordingly, a radio programme was broadcast once a fortnight on Friday evenings on Radio Moanda, on a subject connected with AIDS. When the new school year began, a meeting organised with parents of pupils from second year up at the Henry Sylvoz secondary school helped increase awareness. Other actions took place with the contribution of a civil service volunteer recruited by the Group and dedicated to the programme: launch of an information bulletin, stand with games at the large Kermesse de Sainte-Barbe on 4 December, etc.

Sodepal, a subsidiary of Comilog, whose activities are focused on fish farming and eco-tourism in Lékédi park in Haut-Ogooué, also participates in the Gamma programme and in children's vaccination programmes, and in UNICEF's ART GOLD programme (local development).

Support for and sharing in local initiatives on economic, cultural, sporting or environmental issues

In 2008, SLN continued its active sponsorship policy in order to further its integration into the New Caledonian community with a view to sustainable development. For the eighth year running it renewed its partnership with Adie (*Agence pour le droit à l'initiative économique* - Agency for rights to economic initiative), which offers micro-loans to people who do not have access to bank loans and who live in the areas surrounding SLN's and Doniambo's mining sites. With this financial support, SLN contributes to the creation of local employment, particularly around its mining sites.

2008 also saw the 16th "Nickels de l'Initiative" event, an annual sponsorship programme created in 1992 to support sports, cultural, environmental, scientific or solidarity programmes placing particular emphasis on a spirit of initiative. For 16 years, this sponsorship programme has made it possible to support around 180 graduates for a total sum of 65 million CFP francs – i.e. €544,700. The 2008 event saw the acceptance of projects from 9 graduates, including Lelö Stéphanie Siapo Page for Thai boxing, Pascale Jouannot for the "Coral Earth" exhibition and Jean-Louis Thépinier for the "A Bike for Christmas" campaign, who shared close to six million CFP francs – i.e. more than €50,000.

The Group's French sites also play their part. Several sites, including Comilog Dunkirk and the Aubert & Duval site in Gennevilliers, participate in collecting recyclable or reusable items such as plastic tops, mobile phones and prescription glasses for charities. In June 2008, the Aubert & Duval site in Firminy concluded an agreement with an employment company for the re-use of certain used consumables (printer and photocopier ink cartridges, etc.) thus contributing to facilitating access to work for disabled persons.

Alongside these specific programmes, the Group's sites also participate in local sporting life by providing financial and sometimes logistical support for various sports clubs and events (Raid Sillon Vert in New Caledonia). Many of them also support local charities such as the local branches of the Red Cross (TTI in Norway). The Freeport plant in the US supports many associations such as "BACH-Rehabilitation for children", American Heart Association-"Go Red For Women", Habitat for Humanity, Freeport Boys & Girls Association, etc.

Considered support for the economic development of communities when converting sites or undertaking projects

In Gabon, Sodepal (Société d'exploitation du Parc de la Lékédi), a subsidiary of Comilog, has for 15 years been managing Parc de la Lékédi, covering 14,000 hectares of savannah and forest in Haut-Oggoué, in the south-east of the Republic of Gabon. This park was developed between 1990 and 1994 on the remains of the old cable-car system that carried manganese ore from the Moanda mine to the Congo from where the ore was exported. Since then, Sodepal has managed to develop new activities to maintain the social fabric and work in the municipality of Bakoumba which has 2,500 inhabitants.

First of all, it is developing fish farming, which represents 60% of its sales. By constantly improving the Tilapia fish farming techniques, Sodepal has become the leading fish producer in Gabon with 120 tons per year. Since last year, the farming method has incorporated sustainable development concerns by abandoning fish meal in favour of a 100% plant food. This farming offers a growing source of animal protein for the population of Bakoumba and for the entire province more generally. Market gardening and fruit production are also developing. The company, which is the only economic operator in the Department of Lékoko, is very involved in local development, also producing drinking water and electricity for the entire municipality of Bakoumba. Moreover, as part of the safeguarding of Gabonese cultural heritage, Sodépal supports one of the last traditional potters in Gabon as well as local basket makers and is making the most of the archaeological remains at Parc de la Lékédi (paleo-metallurgy site of Magnima).

In Indonesia, on the site of the mining and metallurgy project on Halmahera Island, the Group's Indonesian subsidiary, Weda Bay Nickel, set up a *Local Development Support* (LDS) department in mid 2008, well in advance of the carrying out of the project, the aim of which is to put together programmes to help ten neighbouring villages with their economic development, in line with government policies and in close cooperation with stakeholders. This department includes a team of 14 people including ten CLOs, Community Liaison Officers, at a rate of one per village, serving as a link between their village and the company. Each CLO has a Team 5, a network of five volunteers in each village, representatives of an association of women or young people or religious leaders, so that the interests of each member of the local communities can be represented. Contacts are also forged with the village leaders who remain the main LDS contacts, and with the representatives of the local and regional administration responsible for areas covered by LDS programmes. In 2008, the following measures were taken under this programme: availability of large generators to supply electricity for street lighting and public buildings (schools, churches, mosques, markets, etc.), purchase of a small passenger boat for a village, development of two markets allowing small producers to come and sell their farm produce, renovation of public buildings or stretches of road, donations of medicines to dispensaries and the assistance of a doctor in villages deprived of these services, and the setting up of a pilot farm in one of the villages.

Open days: opportunities to encourage dialogue with residents and other stakeholders

Being close to chemical, mining and metallurgy sites may make residents curious about the site's activities (its processes, products, businesses and commercial uses) and also lead to concerns regarding safety and environmental impact.

Open days are therefore proposed at many of the Group's sites, both in France and in other regions in which it operates. Since 2007, the Sandouville facility in Le Havre has organised "Industry Discovery" days with the regional branch of UIC (Union des Industries Chimiques). On celebrating its 30-year anniversary, the Comilog Dunkirk site, in partnership with the local Chamber of Commerce, also organised four open days in 2008. In Commentry, the Erasteel steelworks also opened its doors, in autumn 2008, to some fifty personalities from political, administrative, economic and local media life. In Gabon, the feast of Sainte-Barbe, patron saint of miners and metallurgists, is an opportunity to present local communities with the activities of the Group's various sites and mining occupations. This year, a "Know the Company" stand was set up in Moanda municipal stadium, while activities were organised in the quarry (exploring mining equipment, visits to mining sites).

Discussions and actions with regional communities, local information and consultation authorities and the research centres

The Group's sites are also endeavouring to develop their relations with local communities, by working closely with representatives of regional communities and local authorities, with elected officials at the forefront.

In France, almost 40 mayors replied to the invitation from the management of Ancizes (Aubert & Duval) to take stock of current developments and projects in November 2008. More generally, ERAMET Alloys forges partnerships with local communities (municipalities, departments and regions) to conduct major training and recruitment drives, but also public transport and housing. In this field, it is also planned to sell housing belonging to the Company to the relevant local authorities for redevelopment as social housing. Moreover, in China, GECC has been holding monthly meetings since the start of the project with the authorities in the town of Chongzuo on matters connected with the safety of the site and its employees, hospital services or local educational infrastructure.

The sites also take part on local committees set up in the industrial zones in which they are established:

- in France, the Sandouville facility in Le Havre participates with other industrial operators in the area, on the Industrial Risks Committee and its working groups to exchange information on best practices in respect to the TRPP (Technological Risks Prevention Plan) and to contribute towards the creation of a common emergency plan for industrial operators in the port area of Le Havre. The site's HSE Officer also takes part in the works and discussions of the Environment, Health and Industrial Ecology Committee in the area;

- in Belgium in 2008, Erachem-Comilog continued to participate with local authorities and residents in the work of the Safety and Environment Committee in the Tertre industrial zone;
- in the US in 2008, ERAMET Marietta Inc. continued to participate on two local committees: the Washington County Local Emergency Planning Committee (LEPC) and the Central Ohio Valley Industrial Emergency Organisation (COVIEO). These two committees aim to make the local communities and industrial operators aware of the potential risks connected with the activities of industrial operators and draw up emergency plans.

In France several sites were involved in the local sustainable development initiatives taken in the region following the environmental roundtable *(Grenelle de l'Environnement).*

Sandouville chose to participate in the discussions of the Seine Estuary environment roundtable, launched on 28 November 2008 by the communities of the Le Havre region. The work of this local roundtable will concern 600,000 inhabitants living in 450 municipalities across 3 departments (Seine-Maritime, Eure and Calvados) and will take place between December 2008 and summer 2009. Among the 5 workshops set up around common challenges in the estuary regions, the Sandouville Site Manager will participate in the workshop on health and the environment. The Sandouville site is also a member of AUPAES (*Association des Usagers de la Plaine Alluviale de l'Estuaire de la Seine* - Association of Users of the Seine Estuary Flood Plain) which is carrying out an industrial ecology measure in the region (where some people make use of the waste produced by others, heating networks, transportation of people and deep water table monitoring study). The Site Manager sits on the steering committee of this association.

In April 2008, Erasteel's steelworks in Commentry took part in the Sustainable Development week organised by the town council: the Site Manager and Environment Officer took part in a Conference on Economic Development and the Environment, together with another company in the municipality.

On another level, in addition to the actions described above, we should also mention SLN's participation in the setting up, in May 2008 in Nouméa, of the CNRT (*Centre National de Recherche Technologique* - National Technological Research Centre) for Nickel and its environment. The aim of this public interest grouping is to bring together scientists, industrial operators and the local authorities and to promote scientific and technical research to develop the mining resources of New Caledonia on the basis of three principles: the environment, respect for society and technological innovation. This centre is comprised of three groups. The first comprises the State and the local communities (NC government and provinces). The second is composed of scientific organisations (IRD, Ifremer, BRGM and IAC). The third is composed of industrial operators, including SLN, and the mining industries union. Besides participating on the centre's Board of Directors, SLN also participates in financing its budget.

Biodiversity

The ERAMET Group is aware of the biodiversity issues raised by its activities, mining in particular, and attaches the greatest importance to the protection and conservation of biodiversity, particularly the species and ecosystems present in the regions where its mining activities are situated.

Far-reaching measures have been initiated, firstly in New Caledonia, on account of the Group's historic operations in this region where there is vast biodiversity. In fact, New Caledonia is home to a particularly rich flora comprising 3,300 species of which 76% are endemic species, particularly on soils naturally rich in metals and poor in nutriments. To take into account the particular environmental constraints of the island and particularly its biodiversity, the New Caledonian mining operations have therefore developed techniques over the last 40 years that are increasingly environmentally friendly.

With this experience, the Group ensures that the protection and conservation of species and ecosystems are fully integrated as a key component of any new mining project. This is the case with the Weda Bay project in Indonesia, for example.

Alongside the mining activities, actions to protect animal species are also carried out within the Group. This is the case of the biodiversity preservation policy adopted in Parc de la Lékédi in Gabon or actions to combat the smuggling of bush meat in which the railway company Setrag provides its assistance.

These few examples illustrate the Group's desire to work effectively towards the conservation and protection of the ecosystems. Much work, however, remains to be done to drive forward this initiative.

An initiative that began in New Caledonia…

BACKGROUND

Nickel ore in New Caledonia is mined in opencast mines on very hilly terrain. Mining starts with an exploration stage and continues with the mining stage. This results in the extraction of large quantities of ore which are then sent by lorry, cable-car or conveyor or as pulp in reinforced pipelines (hydraulic transportation) as far as the coast where they are loaded onto ore boats which take them to metallurgy plants.

Following mining, some of the unusable ore (mining waste rock) is stored close to the place of extraction. These operations are carried out in areas where there is initially no access, with no human activities but where flora and fauna are particularly rich in endemic species. It is therefore necessary to minimise the impact of these mining activities on the environment and disturb the functioning of the ecosystems as little as possible.

SOLUTIONS IMPLEMENTED

Société Le Nickel (SLN), a subsidiary of the ERAMET Group, operates many deposits in New Caledonia. Since the 1970s it has developed new mining methods to reduce the environmental impact of mining activities.

The main innovation was firstly the dumping of waste rock. While waste rock was previously dumped directly on the unused slopes of the mine sites, harming flora and fauna found there, they are now stored in dumps situated in sterile regions. These dumps are intrinsically stable in their design: slope and nature of the substrate, front slope, height, etc. A rocky front protection or plant cover prevents erosion. Water seeping or flowing onto the surface is drained by a rocky drain. Consequently, the sterile laterites in the covering are permanently in place on the mining sites.

This technique was approved by DIMENC (*Direction de l'Industrie, des Mines et de l'Energie de la Nouvelle-Calédonie* -Department of Industry, Mines and Energy of New Caledonia). A monthly inspection is made by the Building and Public Works Laboratory to check the stability of the structures via various sensors installed inside the dumps. These have demonstrated their long-term stability, even during exceptional cyclone rains, and are less sensitive to erosion than the natural slopes. To reduce the surface of natural terrain affected by the mining activities as well, waste rock may also be stored in pits where all the ore has been extracted.

To supplement the measures designed to limit the environmental impact of mining operations, research and tests have been conducted since the mid 1970s with ORSTOM (now the IRD, *Institut de Recherche pour le Développement* – Development Research Institute) and CTFT (now the IAC) to reinstate plant cover on the former mining sites. The initial work conducted allowed two local shrubs to be selected, the gaïac *(Acacia spirorbis, Mimosaceae)* and the iron wood (*Casuarina collina*, Casuarinaceae) showing very satisfactory development on several mining sites, particularly at altitudes of less than 600 m.

Since 1988, SLN has carried out research designed to diversify the local pioneering species that can be used to reinstate plant cover on the former mining sites and to try and replace the plantations with sowing. This work was carried out in partnership with the IRD. It enabled 67 species to be identified which may be planted spontaneously on former mines. Some forty of them have been produced since 1992 by nursery workers in New Caledonia financed by SLN who planted them on its mining sites.

At the same time, work was carried out to try and replace costly manual planting with sowing. Tests showed the importance of mulching to maintain sufficient humidity on the surface of the soil. Initial replanting tests using the hydraulic sowing technique have been conducted since 1994. Improvements since made by SIRAS Pacifique made it possible to indicate the nature and quantities of fertilisers to be provided and to use nurse plant species, exotic fast-growing species that disappear in a few years and, providing temporary plant cover favouring the development of local perennial species that grow much more slowly.

RESULTS OBTAINED

Between 1993 and 2003, SLN financed the production and planting of around 500,000 plants over its mining sites. The cost of the plantations is now around €40 to €60,000 per hectare, depending on the species planted, with a density of one plant per square metre.

Moreover, since the first hydraulic sowing test carried out on the former mines in the Ningua massif in 1994, tests have been carried out on all SLN's mining sites and the areas treated comprise around 50 hectares. The replanting of SLN's mining sites increasingly involves hydraulic sowing, associated with the planting of suitable woody species, planted in copses. In that way, the replanting carried out by SLN, with IRD and SIRAS Pacifique, enables a woody and grassy scrub to be reinstated with perennial New Caledonian pioneer species, the nurse species being carefully chosen to disappear quickly and not to endanger the rich local flora.

The planting carried out since 1990 with a growing diversity of pioneering plant species, has shown that the local species used, particularly the Cyperaceae, bear fruit after two to three years, producing seeds that partly germinate on the spot, which improves the density of the plant cover. Moreover, the pioneering plants introduced contribute after several years to the establishment of non-pioneering local species. Consequently, the biodiversity of the replanted areas gradually grows over a long period, with plants that are for the most part endemic to New Caledonia and dependent on the ultramafic massifs. In 2008 the replanting campaign programme covered 16 hectares of hydraulic sowing and 10,600 plants spread over all 5 mining sites and 2 subcontractors.

The modern mining methods developed by SLN have been adopted by the other mining companies in New Caledonia. Moreover, one of the focuses of the new Centre National de Recherche Technologique "Nickel and its Environment", set up in May 2008 in Nouméa and in which SLN participates, relates to knowledge of the environments and their operation (land, water, erosion, transportation, sedimentation, replanting and microbiology, etc.).

… and rolled out in Indonesia

As part of its Greenfield project on Halmahera Island in Indonesia, **studies establishing and assessing the initial state of the environment** began together with the preliminary feasibility study incorporating a major "Biodiversity and sustainable management of natural resources" component. The aim of these studies is to fully establish the diversity of the ecosystem consisting of the local and regional fauna and flora so as to be able to avoid or limit the effect of future activities in the project(s) impact area and to manage renewable natural resources in a sustainable way.

The studies cover subjects as diverse as land and sea diversity of flora and fauna, the status of forests with regard to Indonesian regulations, characterisation of the aquatic biotopes or even social and socio-economic studies. These are assigned to firms and independent experts specialised in the relevant subjects and experienced at regional and international level.

Halmahera Island offers a composition of flora and fauna of strong interest to biologists owing to its proximity to the 3 ecological boundaries, namely the Wallace line, the Weber line and the Lydekker line, and because it has a range of dense and relatively diverse vegetation. This environment is mainly formed of permanent tropical forests dominated by species of essentially Malaysian origin. However, the vegetation in the south of the island shows a particular mixture of species originally from Asia or Papua New Guinea, owing to the characteristics of its soil.

There are more than 500 species of trees representing around 120 families that have been listed, then classified vis-à-vis the IUCN list of endangered species and Indonesian legislation on forest protection. These studies serve as a basis for a development and research plan on processes for reintroducing the relevant species to be used in the operating phase. This plan is currently being tested with excellent performance results, aiming to identify the most suitable process in terms of effectiveness, speed and limitation of erosion.

Tests are also being conducted on vegetables, grasses or trees relating to some twenty specific species in the area whose replanting capacity has been confirmed, including one endemic species. A nursery with over 4,000 plans has been in place for several years and replanting trials carried out with the assistance of Hatfield have demonstrated their effectiveness.

Preservation of biodiversity and raising awareness of environmental protection in Parc de la Lékédi, Gabon

For more than fifteen years, Sodepal *(Société d'exploitation du Parc de la Lékédi* - Parc de la Lékédi operating company), a subsidiary of Comilog, has managed the 14,000 hectares of savannah, gallery forests and lakes in Parc de la Lékédi and Bakoumba, a small town in the province of Haut-Oggoué, in the south-east of the Republic of Gabon. A unique endeavour, the 14,000 hectares are divided into three totally enclosed units. Beginning in 1990, work on the development of this park was completed in December 1994, on which date the park acquired its final form. Since then, the park has been constantly maintained and regularly developed with a view to preserving fully protected species, animal observation and rearing.

Sodepal has chosen to diversify its activities to better valorise the local resources, as well as the exceptional natural heritage of the region. Among other activities, it develops eco-tourism and fish farming.

Comilog's investment and financial support have enabled the Company to maintain work in this region affected by the shutdown of the cable-car system. This also reflects the Group's desire to work towards sustainable development, incorporating social dimensions and environmental protection in the regions of the world in which it is present.

Sodepal is highly committed, through many actions, to the preservation of biodiversity and raising awareness of the exceptional environmental protection of the park.

Hosting eco-tourists and groups of children allows the richness of the biodiversity of the Gabonese forest to be explored and raises awareness with regard to nature preservation. For fifteen years Sodepal has been developing a programme for the protection of primates which is divided into several aspects:

- accommodating a dozen orphan chimpanzees in the Mioula park (small area of the park);
- for 2 years, accommodating three gorillas saved from the trade in bush meat in Sodepal's units;
- cooperation with international organisations, the Aspinall Foundation for gorillas and Jane Goodall international for chimpanzees, as part of the protection of the large monkeys of Gabon.

At the same time, the park has hosted an original programme for several years for the reintroduction of mandrills into the wild. This cooperation with the CIRMF (*Centre International de Recherche Médicale de Franceville* – Franceville International Centre for Medical Research) and CNRS, offer scientists an incomparable observatory on the ecology of mandrills and tourists an unforgettable encounter with unknown primates.

The launch of the fight against poaching in agreement with the Gabonese Ministry of Water and Forests to protect park fauna is supplemented by raising the awareness of local communities regarding the conservation of biodiversity. In this regard, an action targeted at primary school children was carried out in cooperation with the Gorilla Protection Programme (John Aspinall Foundation).

Setrag (*Société d'Exploitation du Transgabonais* - Transgabonese Operating Company) also plays an active part in these actions combating the poaching of bush meat. Its voluntary participation in the protection of wild fauna began in 2006, and resulted on 14 July 2008 in the signing of a memorandum of understanding between the company, the Ministry of Forestry Economics, Water, Fisheries and Fish Farming (MEFEPA), and the World Wildlife Fund for Nature (WWF).

In substance, it established that Setrag undertook not to carry bush meat in its trains any more. Preceded by an extensive poster campaign at all the stations on the railway network (at the company's expense) and the distribution of leaflets by the commercial department, this agreement was implemented immediately.

Thanks to the good observance of instructions given to personnel responsible for checking baggage, the vigilance of station officers and railway police, the transportation of game fell almost immediately by close to 100%... Since that date, there have been no fewer than 14 seizures of game amounting to almost 1,600 kg of bush meat. Before this agreement, several hundreds of kilos passed through Owendo station (port of Libreville) every week.

To take its good citizenship measures further, a meeting was held with the signatories of the memorandum of understanding and the Owendo town councillor (wife of a railway worker), in order to smoothly close the station market "specialising" in bush meat.

In Europe too

Actions taken to aid environmental protection have also been carried out in Europe. On the Aubert et Duval Les Ancizes site in Auvergne, as part of a project designed to improve management of residual water, containment basins have been emptied. The only discharge into the natural environment is equipped with a self-monitoring station. The work to disconnect the Viouze river from the ponds was completed in 2008. The recreation of the river bed recreates the low-water channel on the right bank of the ponds and the natural appearance of the watercourses. A fish ladder, downstream of the existing dam, allows fish to swim freely upstream.

APPENDIX 4. THE ERAMET GROUP'S HEALTH POLICY

The health safety of employees, whatever their status, of personnel of outside companies, of visitors and people living in the vicinity of the industrial sites is a priority for the ERAMET Group.

While recognising that the elimination of every health risk is impossible, the aim of the Group's Health policy is to control them in order to minimise their frequency and seriousness.

The ERAMET Group wants to have detailed and in-depth information on all the dangers associated with its activities. It wants to contribute to the development of knowledge on these subjects, distribute it and promote dialogue.

Health policy guiding principles

This policy is based on the following guiding principles:

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

Priority actions applying the principles of this health policy

These priority actions are as follows:

- making health and working conditions a factor in all decisions on a day-to-day basis and at all management levels in the same way as safety and the environment;
- drafting, distributing and applying the standards, guides and procedures necessary for the health policy in cooperation with the workforce and their representatives;
- preparing a health and safety action plan for each unit:
  - introducing scorecards allowing relevant health indicators to be monitored (illnesses connected with occupational activities, absenteeism, exposure indicators, respecting the frequency of risk assessments),
  - using a standardised method of risk assessment, allowing the ranking of risks and corrective actions,
  - monitoring actions defined as top priority by the risk analysis, particularly providing information and raising the awareness of employees of the risks and work procedures, adaptation of work posts and availability of the most suitable work equipment for preserving health,
  - getting the advice of employee representative bodies on health and safety issues when preparing the plan;
- ensuring monitoring enabling the early detection of health problems that could relate to production processes or products marketed:
  - regularly assessing levels of exposure and identifying people affected by such exposure,
  - ensuring suitable medical monitoring of risks that is in line with regulatory recommendations and current scientific data,
  - providing information to employees and reporting collective results,
  - allowing exposure to be tracked and monitoring of each person exposed to a risk;
- continuing scientific work and the benchmarking of new risks and best practices:
  - making an active contribution, particularly within professional organisations, to the development of scientific knowledge on the health impact of the Group's activities and products;
- developing a policy to combat addictive behaviour:
  - conducting prevention and information campaigns,
  - assisting in weaning (paying for nicotine substitutes, medical support, monitoring, etc.),
  - detecting behavioural risks, particularly for new addictions (drugs), in line with local regulations and professional codes of conduct,
  - imposing penalties if people or facilities are placed in danger;
- identifying the worst work posts for lumbago and musculoskeletal disorders via an analysis method in order to achieve the ergonomic set-up of the work posts in question.

APPENDIX 5. CONCORDANCE TABLE - ANNUAL FINANCIAL REPORT

This Reference Document contains all the information that must be included in annual financial reports pursuant to the provisions of Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the AMF.

In order to facilitate the reading of this annual financial report, the concordance table below makes it possible to identify the sections contained herein.

N°	Annual financial report information	Reference document
1	Statement from management regarding the fairness of the information	Chapter 1
2	Consolidated financial statements	Chapter 20.1.1.
3	Report from the Statutory Auditors on the consolidated financial statements – Financial year ended 31 December 2008	Chapter 20.1.3.
4	Corporate financial statements of the parent company – Financial year ended 31 December 2008	Chapter 20.2.2.
5	Report from the Statutory Auditors on the annual financial statements – Financial year ended 31 December 2008	Chapters 20.2.3. and 20.2.4.
6	Excerpts from the Management report: - Business activities - Financial commentaries - Research and Development - Organisational chart - Information on workforce and management remuneration - Environmental information - Share capital increase authorisations to the Board - Items which may have an influence in case of a public offer - Share buy-back program.	 - Chapters 3, 4 and 6 - Chapter 3 - Chapter 11 - Chapter 7 - Chapter 15 - Appendix 3 - Chapter 21 - Chapter 21 - Chapter 21
7	Statutory Auditor's fees	Chapter 20.6
8	Report from the Chairman of the Board of Directors of ERAMET - Report from the Statutory Auditors pursuant to Article L. 225-235 of the French Commerce Code on the report from the Chairman of the Board of Directors of ERAMET	Chapter 16

APPENDIX 6. CONCORDANCE TABLE - EUROPEAN REGULATION NO. 809-2004

The following correspondence table identifies the main sections required under European Regulation no. 809-2004, implementing the so-called "Prospectus" directive.

Chapter	Information	Reference document chapter
1	Persons responsible	1
1.1	Persons responsible	1.1
1.2	Declaration by persons responsible	1.2
2	Statutory auditors	2
2.1	Information on Statutory Auditors	2.1/2.2
2.2	Changes	not applicable
3	Selected financial information	3
3.1	Selected financial information	3
3.2	Interim period	not applicable
4	Risk factors	4
5	Informations about the issuer	
5.1	History and development of the issuer	5.1
5.2	Investments	5.2
6	Business overview	
6.1	Principal activities	6.1/6.2/6.3
6.2	Principal markets	6.1/6.2/6.3
6.3	Potential exceptional events in activity and business	6.1/6.2/6.3
6.4	Potential dependency	6.1/6.2/6.3
6.5	Competitive position	6.1/6.2/6.3
7	Organisational structure	
7.1	Group	7
7.2	Main subsidiaries	7
8	Property, plants and equipment	
8.1	Material tangible fixed assets	8
8.2	Environmental issues for these equipment	4.3 and appendixes 2 and 3
9	Operating and financial review	
9.1	Financial condition	3
9.2	Operating results	3
10	Capital resources	
10.1	Capital resources	3
10.2	Cash flows	3
10.3	Funding structure	3
10.4	Restrictions to the use of capital resources	3
10.5	Sources of funds	3
11	Research and development, patents and licences	11
12	Information on trends	
12.1	Trends	3
12.2	Material effect	3
13	Profit forecasts or estimates	
13.1	Assumptions	not applicable
13.2	Report	not applicable
13.3	Comparison	not applicable
13.4	Update	not applicable
14	Administrative, Managment and supervisory bodies and senior management	
14.1	Information on members	14/16
14.2	Conflicts of interests	1
15	Remuneration and benefits	
15.1	Remuneration	15
15.2	Pensions, retirement or similar benefits	15

Chapter	Information	Reference document chapter
16	Board practices	
16.1	Term of office	14
16.2	Service contracts	14
16.3	Committees	16
16.4	Compliance	16
17	Employees	
17.1	Employees' information	17
17.2	Shareholdings and stock options	21
17.3	Employees' shareholding	17
18	Major shareholders	
18.1	Shareholders	21
18.2	Voting rights	21
18.3	Ownership and control	18
18.4	Arrangements related to control	18
19	Related party transactions	19
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1	Historical financial information	20
20.2	Pro forma financial information	not applicable
20.3	Financial statements	20
20.4	Auditing of historical annual financial information	20
20.5	Age of latest financial information	20
20.6	Interim and other financial information	not applicable
20.7	Dividend policy	20
20.8	Legal and arbitration proceedings	4/20
20.9	Significant change in the issuer's financial or trading position	not applicable
21	Additional information	
21.1	Share capital	21
21.2	Memorandum and Articles of association	21
22	Material contracts	22
23	Third-party information and statements by experts and declarations of any interest	
23.1	Declarations of interest	not applicable
23.2	Confirmation	not applicable
24	Documents on display	24
25	Information on holdings	6/20

APPENDIX 7. LIST AND ADDRESSES OF SUBSIDIARIES CONSOLIDATED AT 31 DECEMBER 2008

	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
Australia						
Weda Bay Minerals Pty Ltd. (Nickel) Unit 5, 46 Hillside Crescent Hamilton Qld 4007 PO Box 508 Fortitude Valley Qld 4006 Australia (617) 3624 8103	✓				FC	100,00%
Belgium						
Erachem Comilog S.A. Rue du Bois 7334 Saint Ghislain Belgique		✓			FC	67,25%
Canada						
Gulf Chemical and Metallurgical Canada Corporation P. O. Box 3510 55418 Range Road 214 Fort Saskatchwan, Alberta Canada T8L4A4+1 (780) 998 8700		✓			FC	67,25%
Weda Bay Minerals Inc. (Nickel) 14th Floor, 220 Bay Street Toronto Ontario, M5J2W4 Canada (416) 603 0591	✓				FC	100,00%
China						
ERAMET Comilog Shanghai Trading Co. Ltd. Room 2612, 26 Floor Bank of China TowerNo. 200 Yin Cheng Zhong Road, Pudong, Shanghai, Chine 86-21-6100 6161		✓			FC	93,45%
Erasteel Innovative Material Co Ltd. Room 2607-2612 Bank of China TowerN° 200 Yin Cheng Zhong Road Pudong 200-120, Shanghai Chine			✓		FC	100%
Guangxi ERAMET Comilog Chemicals Room 2612-26F China Bank Tower 200 Yincheng Road Central Pudong Shanghai 200120 Chine 86- 21 6100 6161		✓			FC	93,45%
Guangxi Comilog Ferro Alloys Ltd. Fenghuang Town Laibin County Guangxi Province, 546102 Chine 86- 7724 812 288		✓			FC	65,42%
Guilin Comilog Ferro Alloys Ltd. Unit 1201, Huaneng Union Tower n° 139 Yin Cheng Dong Road, Pudong 200120 Shanghai P.R.C. Chine 86-21 6881-0625		✓			FC	93,45%
United States						
Bear Metallurgical Corp. 302 Midway Road - P.O. Box 2290 Freeport Texas 77541 États-Unis 1-979 233 7882		✓			FC	67,25%

	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
Comilog US 610 Pittman Road MD 21226 Baltimore-Maryland États-Unis 1-410 636 71 26		✓			FC	67,25%
ERAMET Marietta Inc. P.O. Box 299 State Route 7 – South Marietta, Ohio 45750-0299 États-Unis 1-740 374 1000		✓			FC	100,00%
Erachem Comilog Inc. 610 Pittman Road Baltimore-Maryland MD 21226-1788 États-Unis 1-410 789 8800		✓			FC	67,25%
Erasteel Inc. 95 Fulton street Boonton NJ 07005 – 1909 États-Unis 1-973 335 8400			✓		FC	100,00%
Gulf Chemical and Metallurgical Corp. 302 Midway Road - P.O. Box 2290 Freeport Texas 77541 États-Unis 1-979 233 7882		✓			FC	67,25%
France						
Airforge 75, Bd de la Libération BP 173 09102 Pamiers Cedex France 33 (0) 4 77 40 36 47 33 (0) 5 61 68 44 24/22			✓		FC	100,00%
Aubert & Duval Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		FC	100,00%
Comilog Dunkerque Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 53 91 24 05		✓			FC	67,25%
Comilog France Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 53 91 24 05		✓			FC	67,25%
Comilog Holding Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	67,25%
Comilog International Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	67,25%
ERAMET Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42					Parent company	
ERAMET Alliages Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		FC	100,00%
ERAMET Comilog Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	83,63%
ERAMET Holding Nickel Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42	✓				FC	100,00%
ERAMET Holding Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42		✓			FC	100,00%
Erasteel Tour Maine Montparnasse 3, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42			✓		FC	100,00%
Erasteel Commentry 1, Place Martenot BP 1 03600 Commentry France 33 (0) 4 70 28 78 00			✓		FC	100,00%
Erasteel Champagnole 23, rue Georges Clémenceau BP 104 39300 Champagnole France 33 (0) 3 84 52 64 44			P		FC	100,00%

	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
Eurotungstene 9, rue André Sibellas BP 152X 38042 Grenoble Cedex 9 France 33 (0) 4 76 70 54 54	✓				FC	100,00%
Interforge Z.I. de la Maze BP 75 63501 Issoire France 33 (0) 4 73 89 07 83			✓		FC	94,00%
Metal Currencies Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42				✓	FC	100,00%
Metal Securities Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 42 42				✓	FC	100,00%
S.I.M.A. Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 40 88 20 55			✓		FC	100,00%
Gabon						
Comilog S.A. Compagnie minière de l'Ogooué Z.I. de Moanda BP 27-28 Gabon 241-66 10 00		✓			FC	67,25%
PMO (Port Minéralier d'Owendo) Compagnie minière de l'Ogooué Z.I. de Moanda BP 27-28 Gabon 241-66 10 00		✓			FC	65,40%
Setrag BP 578 Libreville Gabon 00241708049		✓			FC	56,66%
Hong Kong						
Comilog Asia Ferro Alloys Ltd. Unit 1402, Toxer one, Lippo Centre 89, Queensway, Admiralty Hong Kong 852-2 529 60 60 46		✓			FC	93,45%
Comilog Asia Ltd.Unit 1402, Toxer one, Lippo Centre 89, Queensway Admiralty Hong Kong 852-2 529 31 99		✓			FC	93,45%
Comilog Far East Development Ltd. Unit 1402, Toxer one, Lippo Centre 89, Queensway Admiralty Hong Kong 852-2 529 31 99		✓			FC	93,45%
Indonesia						
Pt Weda Bay Nickel Wisma Raharja 8th Floor Jl. TB. Simatupang, Kav. 1 Cilandak Timur - Jakarta Selatan 12560 Indonesia +62 (21) 788 49 866	✓				FC	90,00%
Luxembourg						
Eras S.A. 6 B Route de Trève L-2633 Luxembourg Luxembourg				✓	FC	100,00%
Mexico						
Industrias Sulfamex/Erachem Mexico Carretera Tampico - Valles km. 28 Tamos, Panuco, Vert. CP 92018 Mexico Mexique 52-1 210 27 62		✓			FC	67,25%
Norway						
ERAMET Norway A/S P.O. Box 82 - N-3901 Porsgrunn Norway 47 35 56 18 00		✓			FC	100,00%
Eralloys Holding A/S Vollsveien 13H P.O. Box 103 N - 1325 Lysaker Norway 47 67 10 3425		✓			FC	55,78%
Tinfos A/S O. H. Holtas gate 21 - N – 3678 Notodden Norway 47 53 65 25 00		✓			FC	55,78%

	NICKEL	MANGANESE	ALLOYS	HOLDING COMPANY	CONSOLIDATION METHOD	STAKE
Tinfos Energi A/S Oyesletta 61 P.O. Box 246 N – 4491 Kvinesdal Norway 47 38 35 72 00		✓			FC	55,78%
DNN Industrier A/S GI Oddavei 6 N – 5770 Tyssedal Postal C/O Tinfos A/S O. H. Holtas gate 21 - N – 3678 Notodden Norway 47 53 65 25 00		✓			FC	55,78%
Tinfos Titan A/S GI Oddavei 6 N – 5770 Tyssedal Norway 47 53 65 25 00		✓			FC	55,78%
Tinfos Titan & Iron A/S GI Oddavei 6 N – 5770 Tyssedal Norway 47 53 65 25 00		✓			FC	55,78%
Tinfos Jernverks A/S Oyesletta 61 P.O. Box 246 N – 4491 Kvinesdal Norway 47 38 35 72 00		✓			FC	55,78%
Notodden Calcium Carbifabrik A/S O. H. Holtas gate 21 - N – 3678 Notodden Norway 47 53 65 25 00		✓			FC	49,88%
New-Caledonia						
Cominc BP E5 98848 Nouméa Cedex New-Caledonia 687-24 55 55	✓				FC	56,00%
Société Le Nickel – SLN BP E5 98848 Nouméa Cedex New-Caledonia 687-24 55 55	✓				FC	56,00%
Poum SAS 98848 Nouméa Cedex New-Caledonia 687-24 55 55	✓				FC	56,00%
The Netherlands						
Miner Holding BV Rokin 55 Amsterdan The Netherlands		✓			FC	67,25%
United Kingdom						
Erasteel Ltd. 371, Coleford Road Darnall UK - Sheffield S9 5NF UK 44 (0) 114 261 04 10			✓		FC	100,00%
Erasteel Stubs Ltd. Causeway Avenue WA4 6QB Warrington UK 4 (0) 1925 41 3870			✓		FC	100,00%
Singapore						
Strand Minerals Pte Ltd. (Nickel) 1 Temasek Avenue #27-01 Millenia Singapore Singapore 039192	✓				FC	100,00%
Sweden						
Erasteel Kloster AB Box 100 815 82 Söderfors Sweden 46 (0) 293 17 000			✓		FC	100,00%
Switzerland						
Comilog Lausanne Avenue C.F. Ramuz 43 1009 Pully Switzerland 41 21 – 729 45 03		✓			FC	67,25%
Unimim AG Industriestrasse 47 6304 Zug Switzerland	✓				FC	100,00%

APPENDIX 8. GLOSSARY

Processes

ACID LEACHING

Exploiting of oxidised nickel ores (laterites) by dissolving them in acid.

ALLOY METALLURGY

- Air metallurgy: melting takes place in an arc furnace and is followed by metallurgical treatment to add alloying metals, eliminate impurities and obtain the required chemical analysis.
- Vacuum metallurgy: used for alloys undergoing higher constraints (nitrogen content, oxygen-reactive alloying elements), this process is carried out in vacuum induction melting (VIM) furnaces.
- Remelting: essential for some critical parts intended for the aerospace and power markets, this process gives tighter control over segregations and inclusion morphology and reduces gas content for a significant improvement in characteristics and mechanical reliability.
- Powder metallurgy: The production of high grade alloys by pulverising a stream of liquid metal, thus producing powder which is compacted at very high pressure and high temperature.

CLOSED-DIE FORGING

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

FORGING

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

HYDROMETALLURGY

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

ORE BENEFICIATION

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

PRESS

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

PYROMETALLURGY

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

ROLLING

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

Products

ALLOYS

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

COBALT AND TUNGSTEN POWDERS

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

ELECTROLYTIC MANGANESE DIOXIDE (EMD)

Active agent in alkaline batteries.

FERROALLOYS

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

GRADES

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

HIGH SPEED STEELS

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

LONG PRODUCTS

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

MANGANESE

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

NICKEL

An essential alloy element, this metal gives steel a number of properties that vary according to grades, e.g. resistance to air corrosion in combination with chrome (stainless steel), high

temperature resistance, ductility, mechanical resistance, electrical resistivity and magnetic properties. Nickel is infinitely recyclable.

SUPERALLOYS

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

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ERAMET

ALLOYS,
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