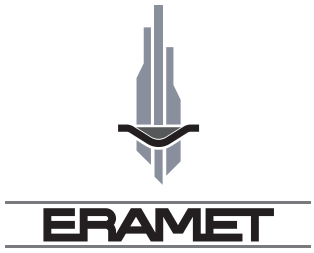
2005 REFERENCE DOCUMENT

ERAMET



A *Société Anonyme* (public limited company) with a share capital of 78,659,115.70 euros
Registered office: Tour Maine Montparnasse, 33 Avenue du Maine, 75015 Paris, France
Paris trade register number 632 045 381

2005 REFERENCE DOCUMENT

Drawn up in accordance with Articles 211-1 to 211-42 of the general regulations
of the AMF [Autorité des Marchés Financiers - French securities regulator]
This document, drawn up on the basis of the 2005 financial statements, includes material information subsequent
to the approval of those financial statements as on the date of its filing.

Registration by the AMF

Pursuant to Article 212-13 of its general regulations, the AMF registered this reference document on May 11, 2006 under number R.06-056. It may not be used in support of a financial transaction unless it is accompanied by a prospectus approved by the AMF. This Reference Document was drawn up by the Issuer and binds its signatories. It was registered, in accordance with the provisions of Article L621-8-1-I of the French Monetary and Financial Code, after the AMF had verified "that the document is complete and understandable and that the information therein is consistent." Registration does not imply verification by the AMF of the accounting and financial information presented.

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1. Person responsible for the reference document

1.1 Name and position of person responsible

Mr. Jacques BACARDATS

Chairman and Chief Executive Officer of Eramet.

1.2 Declaration by the person responsible for the reference document

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

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

The historical financial information presented in the reference document was reviewed in the statutory auditors' reports set out in Chapter 19 of said document.

The general report on the annual financial statements contains an observation on the change of method resulting from the first-time application, as from January 1, 2005, of CRC regulations 2002-10 and 2004-06 on assets.

Name	Jacques BACARDATS
Position	Chairman and Chief Executive Officer
Signature	Paris, May 11, 2006

2. Statutory auditing – name of auditors

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

2.1. Statutory auditors

A. Ernst & Young Audit

Société par actions simplifiée with a variable share capital.

Part of the Ernst & Young group.

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

Represented by Mr. François Carrega.

Partner in charge of the audit: François Carrega.

First appointed by the ordinary general shareholders' meeting of June 21, 1985, with its mandate renewed by the general meeting of June 28, 1991, subsequently by the meeting of July 31, 1997 and finally by the meeting of May 21 2003, for a further period of six financial years.

Date of end of term: general meeting called in 2009 to approve the 2008 financial statements.

B. Deloitte & Associés

Société anonyme with a share capital of 1,723,040 euros

Address: 185 avenue Charles de Gaulle, 92 254 Neuilly sur Seine cedex, France

Represented by Mr. Nicholas L.E. Rolt;

Partner in charge of the audit: Nicholas L.E. Rolt.

First appointed by the ordinary general shareholders' meeting of July 31, 1997, with its mandate renewed by the general meeting of May 21, 2003, for a further period of six financial years.

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

Date of end of term: general meeting called in 2009 to approve the 2008 financial statements.

2.2. Alternate auditors

A. Jean Marc Montserrat

A. Jean Marc Montserrat

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

First appointed by the ordinary general shareholders' meeting of June 21, 1985, with its mandate renewed by the meeting of June 28, 1991, subsequently by the meeting of July 31, 1997 and finally by the meeting of May 21, 2003, for a further period of six financial years;

Date of end of term: general meeting called in 2009 to approve the 2008 financial statements.

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

Société Anonyme with a share capital of 8,000 euros.

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

Represented by Mr. Alain Pons.

It should be noted that, because of the above-mentioned merger, the resignation of Deloitte Touche Tohmatsu Audit (henceforth called Deloitte & Associés) from its position as Alternate Auditors resulted in its replacement by Bureau d'Etudes Administratives Sociales et Comptables - BEAS being approved at the general meeting of May 11, 2005.

Date of end of term: general meeting called in 2009 to approve the 2008 financial statements.

3. Selected financial data – Key business figures

3.1. Selected historical data

The Eramet Group is a French mining and metallurgical group with front-rank global positions in each of its businesses.

The Group, which employed close to 14,000 people in 2005 in some 20 countries, generated sales of 2.7 billion euros for the year, over 80% of which was outside France.

The Group is active in three cyclical businesses with cycles that are out of step with each other. All three businesses show long-term growth.

The Nickel Division has nickel mines in New Caledonia and converts virtually all its ore itself. Eramet is the world's fifth-largest nickel producer, the largest ferronickel producer, one of the three high-purity nickel producers and the global leader in nickel chloride.

The Manganese Division is the world's second-largest producer of manganese alloys, the second-largest producer of manganese ore through its high-grade 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:

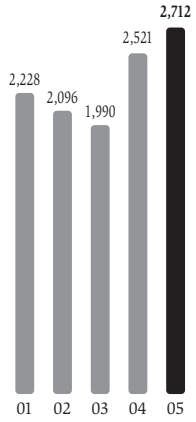
- High-quality ore reserves in terms of both grades and lifespan,
- Extensive technological skills in mining, metallurgy, forging and closed die-forging, metal chemistry and hydrometallurgy,

The Group's strategy is to sustainably strengthen its position and profitability across all its businesses and in markets with long-term growth, through:

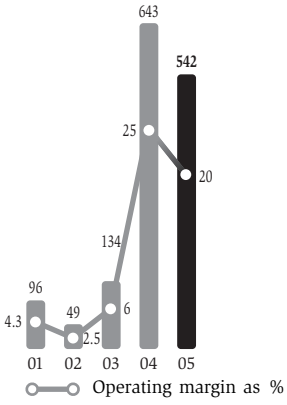
- Competitive capacity expansions in nickel and manganese, to maximise returns from its extensive mining resources while supporting the growth of its major global customers,
- Constantly ensuring that its businesses are world-class in terms of competitiveness,
- Global presence, thanks to the Eramet International sales network and to strategic investments, particularly in China,
- A dynamic research and development policy, with regard to both processes and products,
- Careful management, enabling the Group to come through the most difficult periods resulting from the cyclical nature of its markets and to invest against the cycle to maximise returns from the most dynamic periods.

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

3.2. Key business figures



Turnover
(millions of euros).
Turnover rose 8% with sharp growth in the Alloys Division.



Operating income / Current operating income*
(millions of euros). Current operating income remained very high.
The operating margin was 20% of turnover.

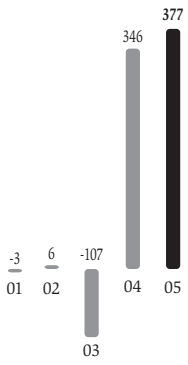
*Operating income under French standards until 2003. Current operating income under IFRS standards for 2004 and 2005.

Turnover by geographic zone

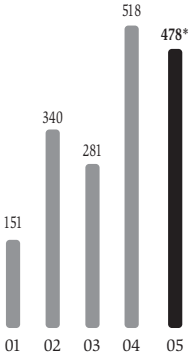
Europe	50%
Asia	24%
North America 23	23%
Other regions	3%
Total	**100%**

Turnover by division
(comparison with 2004)

Nickel	28%	+1%
Alloys	30%	+23%
Manganese	42%	+3%
Total	**100%**	

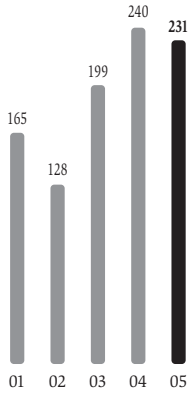


Net income, Group share
(millions of euros).
The Group's share of net income increased 9%, including non-recurring income, Group share, of €77 million resulting from the Bercy agreements.

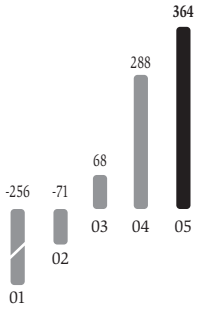


Operating cash flow
(millions of euros).
High cash generation in a context of fast business growth in Alloys Division

* Including €124 million with no impact on the Group's net cash, resulting from the Bercy agreements.



Capital expenditure
(millions of euros).
A year of high capital expenditure with the rollout of major programmes.



Net cash (net debt)
(millions of euros).
Net cash improved again, enabling the Group to keep up its growth strategy.

3.3. Information on the company's stock

3.3.1. Listing market

The company's stock was floated (at the price of 310 francs, i.e. approx. 47.26 euros) on September 29, 1994 – following the decision of the ordinary and extraordinary general shareholders' meeting of June 15, 1994 on a one to five split – on the Paris Stock Exchange Second Marché.

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

Following the restructuring of the Paris Stock Exchange, the Company's shares are now traded on the Euronext Paris SA Premier Marché (ISIN code: FR 0000131757).

It should be recalled that since January 1, 2005 Euronext has grouped all listed securities together on a single "Eurolist". Eramet is included in the "A" compartment of the single Euronext list.

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

In early 2006 Euronext Paris announced that Eramet stock would be eligible for the Deferred Settlement System from March 28, 2006.

3.3.2. Share price trends

Continued sharp growth in the Eramet share price in 2005: up 22%

The Eramet share price grew sharply in 2005 (+22%), following another year of very strong growth in 2004 (+73%).

The stock reached a high of 94.90 on August 1 and ended the year at 81.00 euros.

This growth is in line with that of the CAC 40 index (+23%).

Eramet's market capitalisation amounted to 2.089 billion on December 31, 2005, placing the Group in approximately 80th position amongst companies on the Paris stock exchange.

Following the exercise of new share options by employees, the total number of shares issued as on December 31, 2005 was 25,789,874, compared with 25,744,944 on December 31, 2004.

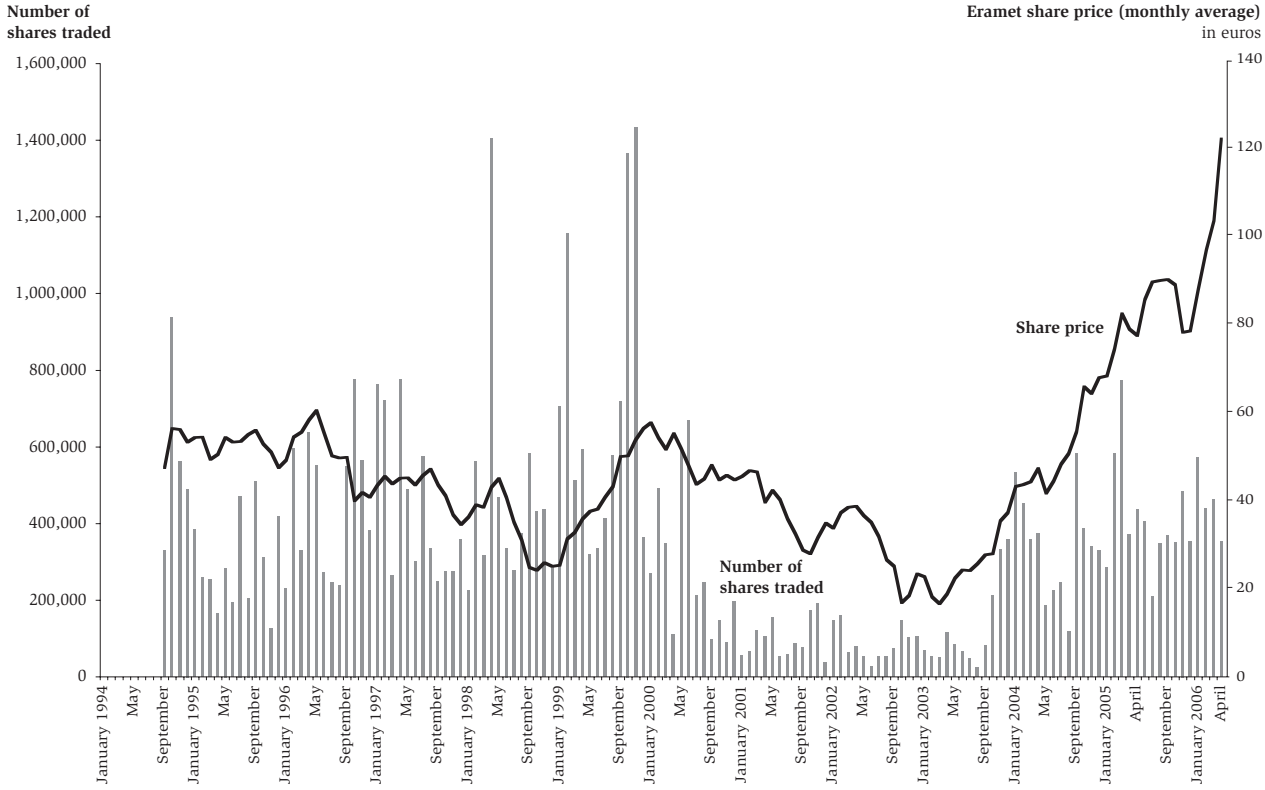
Significant increase in trading volumes

Trading volumes in Eramet shares rose 20% on 2004.

Switch to Deferred Settlement System in 2006

Following the further improvement in the stock's liquidity, Euronext Paris announced that the Eramet stock would be included in the Deferred Settlement System from March 28, 2006.

– Share price trends



– Stock exchange data

	Price in euros			Market capitalisation	
	high	low	as on Dec. 31	(millions of euros)	Volume (daily avg.)
1994*	57.90	47.20	52.59	771	37,385
1995*	58.30	41.30	48.70	743	15,673
1996*	61.80	34.90	41.40	643	23,981
1997*	53.20	33.00	34.70	542	22,172
1998	47.70	22.10	25.60	399	24,176
1999	58.70	23.10	57.00	1,393	33,810
2000	61.70	41.90	43.50	1,076	14,100
2001	47.80	22.00	34.60	855	4,664
2002	39.80	13.90	21.00	527	4,928
2003	38.60	14.50	38.50	985	5,834
2004	72.90	36.70	66.20	1,704	15,951
2005	94.90	66.10	81.00	2,089	19,319

* Recalculated in euros.

	Price in euros			Volume
	low	high	average	(monthly avg.)
2006				
April	107.10	147.50	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
2005				
December	73.00	81.35	78.17	353,520
November	72.80	86.50	77.88	484,605
October	81.35	94.90	88.61	349,955
September	86.55	93.40	89.85	369,765
August	85.40	94.90	89.60	345,990
July	82.85	94.00	89.32	209,221
June	79.00	90.50	85.26	404,855
May	71.65	83.40	77.15	435,244
April	70.15	83.50	78.59	371,411
March	75.20	93.30	82.15	772,307
February	68.25	82.50	74.07	582,074
January	66.10	70.95	68.06	286,137
2004				
December	65.3	72.9	67.64	330,325
November	59.10	69.90	64.05	338,692
October	59.20	70.95	65.61	385,688
September	49.05	66.0	55.39	583,787
August	47.35	52.35	50.43	117,227
July	44.00	51.05	48.05	247,091
June	40.10	47.80	44.27	226,240
May	36.70	45.62	41.43	185,776
April	40.20	49.75	47.08	372,391
March	41.21	45.81	44.08	358,740
February	40.80	44.85	43.46	452,151
January	38.50	44.85	43.03	533,841

Source: Euronext.

3.3.3. Security services

The Company's share register is maintained by:
BNP PARIBAS SECURITIES SERVICES
GCT - Services aux émetteurs
Immeuble Tolbiac
75450 Paris Cedex 09 - France
Tel. +33 (0)826 109 119.
EXANE BNP PARIBAS was appointed to implement the liquidity contract.

4. Risk factors

4.1. Market risks

4.1.1. Foreign currency risk

Actions taken in 2005

In 2005, the Group kept to the framework drawn up in late 2003

- Centralising the monitoring and hedging of foreign currency exposure stemming from the Group's companies,
- Managing foreign currency risk on the basis of a multi-year policy and procedures approved by the Executive Committee,
- Monthly reporting to members of the Executive Committee.

Transactional foreign currency risk

The Group is exposed to foreign currency risks stemming from commercial activities, insofar as its production costs are largely denominated in euros, whereas close to 50% of its sales are received in foreign currency, particularly US dollars. Net exposure is based on invoicing forecasts. This exposure is then managed on an annual or multi-annual basis using forwards and options.

Outstanding amounts under foreign currency contracts as on December 31, 2005

(Notional amounts in millions of foreign currency units)

Currency vs. EUR	Forward sales	Forward purchases	Call options	Put options
USD	473	4	433	309
JPY	369		450	245
GBP	3		2	1
SEK	36	37		

Currency vs NOK	Forward sales	Forward purchases	Call options	Put options
EUR	85		16	8
USD	14	3		

Currency vs SEK	Forward sales	Forward purchases	Call options	Put options
GBP	7	1	3	2
JPY	237		295	135
USD	7			
EUR	26	4	17	11

Currency vs GBP	Forward sales	Forward purchases	Call options	Put options
USD	5	1	3	2
EUR	1		2	1

Sensitivity and fair value

The Group's policy is to hedge at least one year's worth of net sales. The hedging set out below was carried out by Group Treasury on behalf of the various operating companies.

Foreign currency hedging as on December 31, 2005

	2005 sales			2006 sales			2007 and subsequent sales		
(millions of currency units)	**Amount**	**Currency**	**Rate**	**Amount**	**Currency**	**Rate**	**Amount**	**Currency**	**Rate**
Commercial hedging									
Eur / Usd	187	Usd	1.2172	555	Usd	1.2620	13	Usd	1.0497
Usd / Nok	14	Usd	6.6129	3	Usd	6.5152	–	–	–
Eur / Nok	3	Eur	7.8373	90	Eur	8.2232	–	–	–
Eur / Gbp	3	Gbp	0.6921	3	Gbp	0.6876	–	–	–
	1	Eur	0.6899	3	Eur	0.7016	–	–	–
Gbp / Usd	3	Usd	1.7923	4	Usd	1.7608	–	–	–
Gbp / Sek	4	Gbp	13.3176	4	Gbp	13.6011	–	–	–
Jpy / Sek	79	Jpy	0.0686	293	Jpy	0.0690	–	–	–
Eur / Sek	81	Eur	9.1802	26	Eur	9.4079	–	–	–
	25	Sek	9.2021	–	–	–	–	–	–
Usd / Sek	10	Usd	7.4477	3	Usd	7.6769	–	–	–
Eur / Jpy	145	Jpy	138.7172	505	Jpy	133.9093	–	–	–
Financial hedging									
Eur / Sek	37	Sek	9.4345	–	–	–	–	–	–

Based on these outstanding amounts, the valuation of foreign currency transactions at market rates showed an unrealised loss of €23 million as on December 31, 2005. The Eramet Group's US dollar position alone accounted for an unrealised loss of €19 million.

The impact of a 10% negative movement in the rates of each of the exposed currencies on the Group's 2005 operating income would be limited to €5 million, i.e. 0.50% of total exposure.

Recognition

Foreign currency sales/purchases (invoices issued, invoices received, receipts and payments) are translated at a monthly rate that represents an accurate approximation of the market exchange rate. At the end of each month, receivables/payables/bank accounts are restated at the opening rate indicated by the Group treasury department.

Differences between:

- the **monthly rate** for recording sales and receipts/purchases and payments, and
- the **contractual rate** for the unwinding of hedging transactions are recognised by each company in operating income attached to sales or purchases under "Sales - foreign currency gain" or "Purchases - foreign currency loss."

Balance sheet exchange risk

When the exposure stemming from borrowings taken out by Group companies in currencies other than their reporting currencies is not offset by income in those currencies, the Group may hedge its foreign currency risk. In 2004 and 2005, this option was not taken up. Comilog's foreign currency borrowings did not give rise to exchange rate hedging (amount as on December 31, 2004: 9.3 million US dollars; as on December 31, 2005: 7.8 million US dollars). No other borrowings are affected. A 10% negative movement in USD rates would not have a material impact on finance income.

4.1.2. Interest rate risk

Management policy

The Group decides whether or not interest rate hedging is necessary on the basis of the circumstances, the debt and market trends. Hedging transactions are carried out by the Group Treasury department.

Structure of debt as on December 31, 2004 and 2005 (millions of euros)

	2005	2004
By currency	**159**	**149**
Euro	110	104
US dollar	16	22
CFA franc	12	9
British pound	1	2
Other currencies	20	12
By interest rate	**159**	**149**
Fixed rates	25	55
Variable rates	134	94
By maturity	**159**	**149**
Under 1 year	110	89
1 - 5 years	33	41
Over 5 years	16	19

Interest rate risk management

Depending on market conditions as well as forecasts of changes in the financial position, the Group Treasury Department, in liaison with the Finance Department, checks the split between fixed and variable rates of debt and cash investments. The financial instruments employed are interest rate swaps, caps and floors.

The interest rate hedging transactions in place on December 31, 2005 were set up at the end of 2002. They correspond to the existing interest rate risk on that date.

The net borrowing position as on December 31, 2002 was reversed in 2003.

Schedule of financial assets and borrowings

	< 1 year	1-5 years	> 5 years	Total
Variable rate borrowings	88	30	16	134
Variable rate financial assets	(488)	0	0	(488)
Position before management	(400)	30	16	(354)
Interest rate hedging	(20)	(20)	0	(40)
Net position after management	(420)	10	16	(394)

The Group decided to invest short-term excess cash and so is exposed to a fall in interest rates. A 10% decrease in interest rates (i.e. 10 basis points) would have impact of approximately 400,000 on finance income.

Fair value (thousands of euros)

Interest rate hedging transactions	Balance sheet value including accrued coupons interest	Market value including accrued coupons interest
Fixed-rate hedging	20,000	19,835
Capped-rate hedging	20,000	19,635

4.1.3. Liquidity risk

The Group manages the amount of its financial resources, particularly the confirmed and unused medium and long-term credit facilities granted by reputable finance houses.

In total, confirmed credit facilities amounted to 631.9 million as on December 31, 2005, 600 million of which was unused, enabling the Group to refinance its short-term debt at over a year. The schedules of confirmed credit facilities is as follows:

	< 1 year	1-5 years	> 5 years	Total
Variable rates	10.7	617.0	0	627.7
Fixed rates	0.8	3.4	0	4.2
TOTAL	**11.5**	**620.4**	**0**	**631.9**

4.1.4. Covenants

The main covenants at Group level are set out in the table below. As regards Eramet, covenants also apply to the unused credit facilities described in Chapter 1.1.3.

Company	Credit facility/ Bank borrowing	Ratio		Amount in millions of euros
Eramet	Syndicated loan	Net borrowings / Group shareholders' equity	< 1	600
Comilog	Financing loan Moanda industrial complex	Consolidated shareholders' equity / Medium and long-term borrowings	> 1.2	24
Erachem Comilog Inc	Miscellaneous bank borrowings	Borrowings / EBITDA Total borrowings / Shareholders' equity EBITDA / Callable liabilities at less than one year	< 2.5 < 1.75 > 1.5	5

These various covenants were fulfilled as on December 31, 2004 and December 31, 2005. In the event of non-fulfilment, all or part of the loans must be repaid.

4.1.5. Counterparty risk

Hedging transactions for both interest rate and foreign currency risks are agreed privately with reputable banks.

4.1.6. Main off-balance sheet commitments

The Eramet Group's main off-balance sheet commitments, as indicated in the notes to the financial statements as on December 31, 2004 and as on December 31, 2005, can be broken down as follows:

Details of off-balance sheet commitments by category	Dec. 31, 03	Dec. 31, 04	Dec. 31, 05
Bank guarantees	33,003	20,328	19,088
Supplier guarantees	11,022	7,739	432
Customs and tax guarantees	6,115	10,727	12,429
Subsidiary guarantees	71,571	0	0
Other guarantees	1,759	1,661	2,071
Total guarantees	**123,470**	**40,455**	**34,020**
Asset collateral for bank loans	138,025	127,666	100,649
Inventory collateral for bank loans	13,043	33,754	13,369
Other collateral for bank loans	0	2,308	2,308
Total warranties	**151,068**	**163,728**	**116,326**
TOTAL OFF-BALANCE SHEET COMMITMENTS	**274,538**	**204,183**	**150,346**

Commitments received by category	Dec. 31, 03	Dec. 31, 04	Dec. 31, 05
Supplier guarantees	10,308	5,666	8,306
Other	178	9,939	12,658
TOTAL COMMITMENTS RECEIVED	**10,486**	**15,605**	**20,964**

No material commitments have been entered into or received other than those listed in Chapter 4.2.2. – Call options.

The reduction in off-balance sheet commitments is mainly due to the organisation of the Group's financing and the reduction of its debt.

Several non-Group borrowings have expired and/or been replaced with intra-Group financing facilities.

4.1.7. Stock risks

Treasury stock held by Eramet amounted to €6.5 million as on December 31, 2005, (€14.2 million as on December 31, 2004). The net value of these shares is deducted from shareholders' equity in the consolidated financial statements. There is a stock risk to the extent that the selling price may be lower than the most recent net carrying amount. For example, the gain vis-à-vis the market value of the Company's treasury stock portfolio held as on December 31, 2005 was €6.8 million.

4.2. Legal risks/lawsuits

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

Specific regulations

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

- Mining permit and concession systems,
- Operation-specific obligations,
- Environmental limits and controls,
- Post-mining restoration.

Since November 2005, the operation of the Gabon railway has been the subject of a concession agreement.

Specific tax frameworks

Furthermore, the activity is in part subject to a special tax framework (licences and taxes). The Group's companies and units in mainland France are subject to common law French taxation. The current income tax rate is 33.33%, excluding additional contributions of 1.5% and 3.3%.

Eramet is the parent company of a tax consolidation group comprised of 23 companies as on December 31, 2005 (20 companies as on December 31, 2004).

For subsidiaries outside mainland France, it should be noted that:

- Le Nickel-SLN is liable for the mining and metallurgical company tax in New Caledonia at the rate of 35%. Since 1975, the company has benefited from a tax freeze system that has been renewed several times. It was last renewed for 15 years as from January 1, 2002 pursuant to a local decree of June 13, 2002. Moreover, some of the subsidiary's capital expenditure programmes in New Caledonia benefit from the tax exemption measures introduced by the Paul and Girardin Acts and from the benefits granted by the New Caledonian Tax Code to capital expenditure in metallurgy.
- The Comilog subsidiary is subject to income tax at 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 framework is frozen until 2032 under a mining agreement signed in October 2004 and ratified by the Gabonese parliament in 2005.
- In general, subsidiaries based outside France (Norway, Sweden, USA, China, etc.) are subject to local common law taxation. The dividends paid by those subsidiaries to the parent company are in some cases subject to a withholding.

4.2.2. Risks resulting from contractual commitments with third parties

Supply or marketing contracts

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

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

New Caledonian ore reserves issue

- *Recap of facts*

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

The agreement concluded in February 1998 with government officials provided for an exchange of mining rights on condition that the Northern plant is built, with SMSP receiving the

much richer reserves of the Koniambo massif owned by Le Nickel-SLN, in exchange for SMSP's poorer Poum reserves. This exchange came with an indemnity from the State to compensate for the impact on Le Nickel-SLN's and Eramet's businesses of the difference in reserves between the two deposits.

• *First Stage*

In the second half of 1998, Le Nickel-SLN and SMSP transferred their mining rights in Koniambo and Poum respectively to SAS Poum-Koniambo, an independent entity responsible for holding them until their final assignment. The transfer of Koniambo, for a gross selling price of €8 million, was included as an extraordinary item in the 1998 consolidated financial statements.

The indemnity, calculated following a valuation by the Group's bankers and the State at €152 million net of tax (€125 million for Le Nickel-SLN and €27 million for Eramet), was paid to the two companies.

• *Second Stage*

The second stage was to take place as soon as the promoters began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons before a French court in December 2005, on the 28th of that month the court unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In parallel, Le Nickel-SLN acquired Poum SAS, the company holding the Poum massif for a contractually agreed amount of €6 million from SAS Poum-Koniambo. Payment should be made in 2006 as soon as all the conditions have been complied with.

• *Recognising transactions*

In accordance with the 1998 agreements, the indemnity is vested in its entirety and was recognised in other operating income for an amount of €99.7 million plus interest, for which €24.2 million in provisions were recorded in previous years.

• *Developments*

The French State is guarantor of the proper performance of the Bercy agreements. Eramet/Le Nickel-SLN will pay close attention to the satisfactory conclusion of the situation and will ensure that Falconbridge 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. If this is not the case, Eramet/Le Nickel-SLN remain ready to build a plant in the North of New Caledonia, in partnership with Northern Province.

Option to swap shares in the Company for shares in a subsidiary

An agreement entered into by the Company and STCPI grants the latter the option, until June 30, 2007 of acquiring additional securities from Eramet that would take its stake in the Le Nickel-SLN subsidiary from 30% to 34%. The exercise of this call option, which would be remunerated by the contribution of part (1%) of the Eramet shares held by STCPI, is subject to a unanimous decision by STCPI's shareholders (the three Provinces of New Caledonia).

4.2.3. Significant lawsuits

Significant lawsuits affect the Nickel and Manganese Divisions.

4.2.3.1. Nickel Division

Land pollution lawsuits

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

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

The Newland case was the subject of a similar investigative order. The expert's report broadens liability for the lawsuit to include the local authorities, which will delay the conclusion of the issue.

The issue at stake in these two lawsuits, for which a €1.4 million provision has been recorded as on December 31, 2004, mainly lies in the risk that the plaintiff's success would encourage other landowners neighbouring the mining massifs to take proceedings.

In 2005, one of the two lawsuits in New Caledonia brought against the Le Nickel-SLN subsidiary by land-owning stockbreeders was resolved. In a ruling on September 1, the Nouméa Appeal Court dismissed the bulk of Mr. Gauzère's claims, overturning the initial court judgement of May 1999 on the basis of the expert's findings. In the case between Le Nickel-SLN and Mr. Newland, the expert's report is expected to be submitted towards the end of 2006, with the implication of the public authorities holding up the appraisal process. The €1.4 million in provisions recorded has been retained.

Supplier lawsuits

As part of the 75,000-ton capital expenditure programme in New Caledonia, Le Nickel-SLN entered into a "turnkey" type fixed price agreement for €24.6 million with Barclay-Mowlem New Caledonia for the construction of a storage and sea loading facility for the Tiébaghi mine. The facility was completed significantly behind schedule and Barclay-Mowlem New Caledonia brought a claim against Le Nickel-SLN for a price increase and/or damages that rose from €7 million to €20 million in the space of a year. Following the throwing out of the claim by petition on February 6, 2006, Barclay-Mowlem New Caledonia filed a request for arbitration with the International Chamber of Commerce. Le Nickel-SLN judges that it has suffered damage for which it seeks compensation and which is provisionally estimated at €5.3 million. Although the arbitration procedure had not formally begun on December 31, 2005, a €1 million provision was recorded.

4.2.3.2. Manganese Division

An initial lawsuit before the Allegheny County Court in Pennsylvania, USA sets Eramet North America, Eramet Comilog

North America and Eramet Marietta against CII, over the non-performance of a contract to develop a sintering process, which was signed with that company in 1997. A counterclaim was made against CII for a breach of its obligations under the same contract, with respect to the sale of manganese fines and the sale of briquettes. The lawsuit, brought in October 2000, gave rise to a discovery procedure, which was completed in May 2003. Following a long legal battle, the lawsuit ended with an outcome favourable to Eramet's subsidiaries.

A second lawsuit, brought in September 2000, sets Eramet Marietta Inc. against the Environmental Protection Agency (EPA). According to the EPA, discharges of chemicals from the Marietta plant have led to the killing of fish, mussels and snails in the Ohio River. A discovery procedure was launched in December 2003 and continued throughout 2005. Following negotiations, a $3.7 million settlement was agreed on the basis of the EPA's final proposal. Following reporting formalities, the sum will be paid during the first half of 2006. The provision recorded has been fully reversed.

Furthermore, a series of proceedings in France, Italy and Gabon are ongoing between the Carlo Tassara group (Mr. Romain Zaleski) and Comilog and some of its subsidiaries. The main lawsuits concern the payment of the price of shares in Comilog France (formerly SFPO) bought in 1994 and the consequences of the cancellation of the commercial agency contract that existed at the time between Parofer (a Carlo Tassara group company currently in liquidation) and Comilog France (repayment of excess commission paid to the agent in question). Criminal action in Gabon against Mr. Zaleski, following an initial judgement in favour of Comilog, which had claimed damages, has been appealed. A hearing was held before the Franceville Appeal Court on July 29, 2005. The ruling was postponed for further consultation. However, following the Appeal Court's decision to resume proceedings on December 9, 2005, a further hearing took place on February 27, 2006. The Court of Appeal, in its decision of April 7, 2006, acquitted Mr. Zaleski. Comilog lodged an appeal. Seizures carried out in France and Gabon block any financial settlement for the moment. As on December 31, 2005 €12 million in provisions had been recorded for these various lawsuits.

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 income, other than those set out above.

4.3. Industrial risks

4.3.1. Industrial activity and Sustainable Development

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

However, these durable and recyclable products may, at some stage in their conversion or use, present dangers or risks. The issue for the Group, therefore, is to identify all such potential dangers, prevent and control the resulting risks on the sites concerned and on the outside environment, while contributing to the sustainability and development of its business activity.

4.3.2. A stronger Group environmental policy

The Group adopted an Environmental Charter (see appendix) in July 2002, followed in June 2003 by the setting up of DERI, a department working exclusively on environmental and industrial risks.

In recent years, the Group has continued to take environmental improvement action. In addition to protecting air quality and managing historical site pollution, the putting in place of environmental management systems is also a priority.

For example, some of the actions taken to improve air quality and restore sites are set out in the two sections below, which were updated as on March 15, 2006.

4.3.2.1. Improvement of air quality

Nickel Division

The environmental impact of the Doniambo plant, which is located in the urban area of Nouméa, currently raises two sensitive issues. Corrective action has been taken by Le Nickel-SLN under its environmental policy, resulting in the reduction of the amount of dust discharged by the process and the management of peaks of sulphur pollution given off by the fuel oil electricity plant.

The key work carried out in recent years has resulted in significant improvements. The quantity of channelled discharges was reduced by 35% in 2005 compared with the average for the four previous years.

Air emissions from the electricity plant are also monitored. In order to limit and, if possible, over time eliminate the sulphur pollution peaks recorded, a system for switching automatically to low-sulphur fuel oil was put in place, based on real-time measurements from three air quality monitoring stations located near the site. The positive results achieved by the system in recent years were significantly improved in 2005 by using a very low sulphur-content replacement fuel oil in switchover periods and factoring meteorological data into the trigger mechanism to prevent adverse impact before it happens.

These measures are likely to meet the expectations voiced by local elected representatives and the neighbouring population.

Alloys Division

A major programme for capturing and removing dust from smoke emissions in the S40 and S60 electric furnaces was undertaken in August 2005 on the Les Ancizes site and will be operational in November 2006. This project will substantially reduce air emissions from the steelworks, in line with the terms of the prefect's order of September 9, 2004.

4.3.2.2. Management of historical site pollution and site restoration

The Group was formed from the combination of old and varied companies and carries on its business in regions and countries with diverse regulatory frameworks against a backdrop of increasingly stringent environmental standards. The Group has set itself the objective goal of managing, in a responsible and industrially reasonable manner, the heritage of previous periods of business activity that are often marked by historical pollution. The Group also strives to fulfil its responsibilities in those areas with respect to the disposal or discontinuing of activities.

The first stage undertaken by the group is to draw up an inventory of the various situations, appraise them in relation to applicable regulations and undertake relevant, costed action plans. For zones to be restored, these plans particularly take account of the future use of the sites and areas in question. This inventory is ongoing.

The Group's policy includes the restoration of mining sites. In 2004 and 2005, a major review of data and restoration estimates for mining sites in Gabon and New Caledonia was carried out to take account of the most recent capital expenditure programmes. This assessment was also carried out under the new IFRS accounting basis, which requires the recognition of a dismantling asset and the discounting of the provision (discounting rate used: 4.75%).

In Gabon, the "3 million ton" project led to the lifespan of the Bangombé plateau being reviewed. The provision amounted to €6.8 million as on December 31, 2005 (€5.2 million as on December 31, 2004). In New Caledonia, the ramp-up of Tiébaghi mine and the construction of coastal facilities led to an increase in site restoration provisions. The amount as on December 31, 2005 was €54.4 million (€47.6 million as on December 31, 2004).

4.3.2.3. Implementation of new management and communication resources

2004 and 2005 saw the gradual rollout of EraGreen, an environmental IT system on French industrial sites, with a threefold goal of:

- Ensuring the traceability and consolidation of the environmental data of sites in terms of air, water, waste, energy or substance management,
- Organising and facilitating the sharing of experience and best practices between sites,
- Improving regulatory and technical monitoring on subjects of interest to the Group.

All French sites and the Tertre (Manganese Division, Belgium) operation had been equipped with this system by the end of 2005.

4.3.2.4. Towards ISO 14000 certification of industrial operations

Significant advances were made in 2005 towards the goal of setting up Environmental Management Systems (EMS) as set down in the 2002 Charter.

Following ISO 14001 certification in December 2004 for the Commentry site, confirmed by a satisfactory initial follow-up audit in late 2005, 2005 saw the certification of both Eramet Norway plants in June and the formal commitment of the Sandouville and Pamiers plant to the certification process.

The updating of sites' operating permits, in parallel with the improvement commitments, also continued successfully. It particularly concerns the Grenoble, Issoire, Interforge, Le Nickel-SLN, Champagnole and Gennevilliers plants (all in France).

An overhaul of the Group's framework for internal environmental audits began in order to upgrade the existing system. In addition to its initial diagnosis, from 2006 the framework will be used to support and assess ongoing actions.

4.3.3. Management of the closure of the Boulogne-sur-Mer site (Comilog France)

Comilog France's Boulogne-sur-Mer site was shut down in late 2003. On the environmental front, this involved prior studies to assess the nature and extent of regulatory obligations as regards the site's demolition and restoration.

These studies led the Group to record an overall provision of €60 million (balance of €25.8 million as on December 31, 2005). In addition to the labour costs of the closure, this corresponds to the three main phases in the restoration process: demolition work, pollution control work and the closure of the Manihen storage centre.

The study carried out in 2004 by the independent URS firm concluded that the site should be classified as category 2 – "requiring monitoring" - once its pollution hot spots have been cleaned up, in line with regulatory requirements.

The prefect's order of November 22, 2004 regarding the site's restoration set out the goals for the restoration work to be carried out with a view to future industrial use. Water and air monitoring actions will be carried out. A period of 32 months was set for carrying out the work in strict compliance with obligations as regards environmental protection. A public use easement application will be filed.

The work contract was signed in March 2005 and the site opened on April 6, 2005. Work will continue throughout the year, in line with the planned schedule.

The current state of knowledge on the issue leads Comilog France to consider that the financial risk is no greater than the estimates for which provisions have been recorded.

4.3.4. Special focus on hazardous substance monitoring

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

- Active participation, in liaison with professional bodies and networks of competent independent experts, in risk assess-

ment and management work done in line with regulatory processes, particularly for nickel metal and compounds thereof,

- Contributions to the research programme on health and manganese developed by the International Manganese Institute,
- Monitoring and regular updating of Safety Data Sheets on hazardous substances,
- Undertaking campaigns to inform and raise the awareness of employees, customers and stakeholders, in liaison with the Group's Health & Safety Coordination unit, which is attached to the Human Resources Department, and occupational physicians.

These actions are also intended to help the Group to meet the requirements of the future European REACH (registration, evaluation and authorisation of chemicals) regulation. The Group, while supporting the project's underlying principles, is playing an active role in the industry's attempts to have the special nature of assessing metals recognised and accepted by public authorities, in order to protect the industry's competitiveness.

4.3.5. Contribution to greenhouse gas reduction policy

The transposition into French law of European Directive 2003/87/EC of October 13, 2003 establishing a permit system for greenhouse emission gases affects the Group's three steelworks in France (Aubert & Duval - Les Ancizes, Aubert & Duval - Firminy and Erasteel- Commentry).

CO_2 emissions largely stem from the consumption of natural gas in reheating or heat treatment furnaces that use the best available technology in terms of energy efficiency. CO_2 emissions are thus directly related to production volumes.

The quotas assigned to the three sites for 2005 were slightly exceeded at the Les Ancizes and Commentry sites as a result of production expansions. The situation at Firminy is satisfactory.

CO_2 emissions

Activity in metric tons of ingot - steelworks output		Annual quota	2005	
Sites			**Actual**	**Diff.**
Aubert & Duval Les Ancizes	t CO_2	43,336	45,591	(2,255)
Aubert & Duval Firminy	t CO_2	25,934	20,725	5,209
Erasteel Commentry	t CO_2	26,203	27,791	(1,588)
Erasteel Kloster	t CO_2	3,182	2,342	840
Eramet total	t CO_2	98,655	96,449	2,206

Emission declarations by the sites affected by notional quota allotment schemes in France and Sweden were drawn up by independent experts from the association of statutory auditors. In 2005, the Group had a surplus on its quotas of 2,206 metric tons of CO_2. In April 2006, quotas were reallocated between sites with surpluses and deficits. These transactions were carried out on the basis of market prices at the date of the transaction. They are internal transactions and have no impact on the Group's financial position.

4.3.6. Putting in place an industrial risk prevention policy

Industrial risk prevention policy is centred on the following points.

- **Completion in 2005 of crisis management procedures** to be applied across all Group sites in 2006. These define communication requirements and best practices in 3 scenarios:
  - **Prevention of crisis situations:** identification of local and national environment (authorities, councillors, 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.
- **Methodological assistance with risk analyses** carried out on sites with respect to studies of hazards. These analyses are used to identify major accident scenarios and the causes and impact thereof, and result in the set-up of safety-important barriers (SIB) to reduce the likelihood and/or seriousness of possible events.
- **As part of a new global damage insurance policy** for the Group in 2005, Eramet stepped up its annual or biannual engineering audits of all industrial sites. A new audit programme is being drawn up for 2006/2007. These preventive visits are mainly centred on fire, machine breakage and natural disaster risks and the related business interruptions. Insurance recommendation tracking tables are updated quarterly and circulated to the relevant entities and form the basis of a Group progress review. Close involvement by the lead insurer's engineering teams in all capital expenditure programmes helps ensure that new facilities have optimum protection.

4.4. Insurance/ coverage of risks likely to be incurred by the issuer

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

Group organisation

The Group Insurance Department was founded in 2003 with the goal of putting in place of Group programmes, monitoring prevention policy in liaison with the Environmental & Industrial Risks Department and identifying optimal risk-premiums-excess solutions including via the Group's captive reinsurance.

Risk identification and control

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

Use of insurance market

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

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

The Group also makes use of the market to cover risks that are specific to some business activities or non-recurring transactions by its subsidiaries and where that insurance is required by local regulations.

Reinsurance

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

The Group, therefore, is thus able to both manage premium levels more effectively via a retrocession mechanism and to decide retention levels. The Divisions are accordingly encouraged to develop their prevention programmes.

Coverage levels

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

4.4.2. Different types of insurance taken out

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

Civil liability insurance

This scheme covers the civil liability incurred by the Group as a result of damage caused to third parties by its business operations or products, i.e. general liability, operating liability, bailors insurance, product liability, professional civil liability (except USA and Canada), sudden and accidental pollution (except USA and Canada), employers liability (as excess) and automobile liability (as excess). Coverage is comprehensive meaning that everything not excluded is covered, exclusions being those commonly applied for this type of risk. Coverage is applied on a "claims" basis, meaning that it applies to any claim made during the insurance period (including the subsequent five year period, in line with French regulations). For any claims received, the scheme applies from France. It is implemented, as necessary, on top of local policies on a DIC/DIL basis.

The companies included in the scheme are all companies and offices based in the European Community and Norway and all agency or marketing companies worldwide, except in the USA.

Companies in the USA, Canada, Gabon and New Caledonia are covered by local policies and the scheme applies beyond the amounts set by local policies on a DIC/DIL basis.

For companies not yet included in the scheme, the policy is applied on a DIC/DIL basis after a specific excess.

In excess of local policies, the scheme is based on a Master policy issued in France covering €50 million and on an additional the Excess policy line of €50 million bringing the total cover to €100 million; applicable excess levels may vary depending on local policies and are usually around €15,000 per claim.

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

The annual renewal date for this scheme is July 1.

The scheme was set up at Group level by AXA Corporate Solutions on July 1, 2004. It was renewed and improved on July 1, 2005 with no increase in premiums.

Property damage and business interruption insurance

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

The scheme is based on a Master policy issued in France that directly covers the following countries: France, Belgium, Italy, Norway, the United Kingdom and Sweden. It is applied on a DIC/DIL basis on top of the local policies of companies in the scheme and policies not included in the scheme.

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

Despite a relatively high number of claims in 2005, it was renewed on January 1, 2006 for two years with very significant improvements such as the ceiling for machine breakage being doubled from €50 to €100 million and the excess for business interruption for mining activities being lowered from 20 to 10 days on virtually identical premium terms. Management of coverage of these risks entails prior site visits that result in recommendations, which allows the prevention programme to be customised.

Shipping insurance

The Nickel and Manganese Divisions both benefit from a shipping insurance scheme for ore and product freight between industrial sites and to customers.

A series of policies provide coverage (subject to the exclusions that are common practice and the sub-limits applied to some specified events) of €2 million - €6 million per shipment for the Manganese Division and €15 million - €25 million per shipment for the Nickel Division.

Current schemes are with a pool of insurers with Generali as leading insurer. The renewal date is January 1.

The absence of claims and the long-standing policy of partnership with the insurers in this field have enabled reasonable premium levels to be maintained.

4.5. Other specific risks

4.5.1. Specific transportation-related risks

Sea freight

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

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

The risk of Property Damage is covered by specific insurance coverage (see above).

Rail transportation

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

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

4.5.2. Energy-related risks

As energy represents a sizable portion of production costs, to protect itself against increases in those costs, the Group has adopted a policy of diversifying its energy sources (electricity, fuel oil, coal and gas), which does not rule out entering into hedging contracts whenever possible.

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

4.5.3. Political risks

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

In particular, the Group produces and/or markets its products in countries outside the OECD zone, 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 significant impact on its business.

4.5.4. Asbestos risk

In 2004, employees of Aubert & Duval filed a claim with the CPAM health insurance body on the grounds of occupational disease as a result of their exposure to the risk of inhaling asbestos fibres. The number of recognised cases attributable to the Group is limited.

The resulting financial risk appears low and is covered by a provision assessed on the basis of the information available on the balance sheet date. The company can prove that it never produced or converted asbestos, or used it as a raw material, and that it was only used as a component in protective equipment for its personnel and, more generally, as heat insulation.

Former employees of Comilog France (Boulogne-sur-Mer), Comilog Dunkerque (France) and Eramet (Sandouville, France) made similar claims. These cases are currently being reviewed. No decisions have yet been handed down on the merits of the claims.

Some of the cases brought, when the occupational nature of the illness is acknowledged, seek to increase benefits on the grounds of alleged criminal negligence.

4.6. Specific third party relationships

Nickel Division

- *Supply contract with Nisshin-Steel*

Nisshin-Steel, a Japanese stainless steel producer, has been a shareholder of Le Nickel-SLN since 1991 (currently 10% of the share capital in Le Nickel-SLN, see Chapter 4.2.2.2.).

Since 1991, Eramet and Nisshin-Steel have had a ferronickel supply agreement. Nisshin-Steel is a major customer that accounts for 10% of the sales of the Nickel business. The agreement was renewed in 2001 and is designed to guarantee ferronickel deliveries for several years and to smooth out nickel prices.

- *Relationship with STCPI and New Caledonia*

Société Territoriale Calédonienne de Participation Industrielle (STCPI) has been a 30% shareholder in Le Nickel-SLN, in which Eramet has a 60% stake, since September 2000. The company represents the three provinces of New Caledonia: Southern Province (with a population mostly of European origin) and Northern and Island Provinces (mostly Melanesian populations).

This 30% holding, sold by the French state when Eramet was privatised, has political, financial and strategic value, since it aligns local public interests with the Group's mining and industrial interests in New Caledonia. It may be raised to 34% under the Shareholders' Agreement of September 12 and 13, 2000.

STCPI is a Société par Actions Simplifiée with its sole purpose being the holding of shares in Le Nickel-SLN and Eramet (approx. 5%). Four out of thirteen Directors, plus one observer, represent STCPI on the Board of Directors of Le Nickel-SLN, while two others out of fifteen represent it on the Board of Eramet. The choice of the Directors and observer ensure that the representation of the Provinces is balanced between the Northern and Island Provinces, on one hand, and the Southern Province on the other.

Manganese Division

- *With the state of Gabon*

Since its founding, Comilog has had a special relationship with the state of Gabon, which has been a shareholder since 1973 (stake of over 25%) and has four Directors on the Board. From the outset, the state has supported Comilog, in both tax (mining agreement and special tax agreement for the financing of the sintering complex) and industrial (as Comilog's partner for the construction of Owendo Port) terms. More recently, the state granted the concession for the Transgabonais railway to Setrag, in which Comilog is the main partner alongside other Gabonese shareholders.

Although the closure of the Boulogne (Comilog France) plant in 2003 and difficult negotiations on taxation and the mining agreements led to some disagreement, the trusting relationship and the awareness of shared interests provide a constructive basis on which to build. The 3.5 million ton project will contribute to social and economic development in a period of lower oil revenues. In addition, Comilog supports the state in development projects such as iron ore or niobium.

- *With the Carlo Tassara group*

Carlo Tassara International (a company belonging to Mr. Zaleski), currently has a 13.68% stake in Eramet and replaced Maaldrift BV on December 20, 2004 (according to AMF statement of intent no. 204C1559 - Chapter 20.2.7). Furthermore, Formang and Maaldrift BV (which also belong to Mr. Zaleski) are shareholders in Comilog. These companies have been in dispute (see Chapter 4.2.3.) with Comilog for several years following Comilog's take-over of SFPO (now Comilog France). A series of attempts to reach a settlement have so far proved elusive.

5. Information on the issuer

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 on the Paris trade register under number

B 632 045 381.

5.1.2.2. NAF code and business sector

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

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

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

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

Tour Maine Montparnasse

33 avenue du Maine

75 015 Paris - France

Telephone: +33 (0)1 45 38 42 42

Fax: +33 (0)1 45 38 41 28

www.eramet.fr

Legal form and applicable legislation

Eramet is a Société Anonyme with a Board of Directors operating under French law, governed by the provisions of Articles L 225-17 et seq. of the French Commercial Code, Decree 67-236 of March 22, 1967 as amended, and by the provisions of its Articles of Association.

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

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

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

5.1.5. History and development of the Company

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

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

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

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

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

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

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

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

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

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

Private investment followed by Eramet's 30% listing on the Paris Stock Exchange Second Marché 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% stake in Comilog (Gabon), the world's second-largest producer of high-grade manganese ore and also a leading global producer of ferro-manganese for the steel industry and manganese-based chemicals.

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

1998: Agreement to swap Poum / Koniambo mining licences 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 converter of high-performance special steels and nickel alloys,
- Disposal of 30% of Le Nickel–SLN to ERAP in exchange for Eramet shares; ERAP then transfers that stake to a New Caledonian state-owned entity, Société Territoriale Calédonienne de Participation Industrielle (STCPI). The French state transfers ERAP's remaining stake to Cogema, which is then made part of the Areva group,
- Acquisition of the manganese business of the Norwegian group Elkem, making Eramet the world's foremost producer of manganese alloys and broadening its product range with high value-added refined alloys.

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

2000: Acquisition of the Mexican company Sulfamex, a producer of manganese-based agrochemicals.

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

2001: Launch of the 75,000-ton programme, designed to expand nickel production capacity by 25% in New Caledonia.

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

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

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

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

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

- Closure of the Boulogne-sur-Mer ferromanganese plant and the Shaoxing (China) manganese alloys plant,
- Comilog disposes of Sadaci (molybdenum roasting) and its carbon black business, both based in Belgium,
- Acquisition of a 100% stake in Centre de Recherche de Trappes (research centre, France),
- Acquisition of a 100% stake in Eurotungstène,
- Launch of a capital expenditure programme in a new high-speed steel plant in China, as a joint venture with the Chinese company Tiangong.

2004: 75,000-ton programme in New Caledonia: commissioning of new furnace and beginning ramp-up.

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 interests 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 made 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% stake acquired in Bear Metallurgical Cy and construction of a new oil catalyst recycling unit started in Canada.

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

Erasteel: Joint venture with China's Tiangong called off.

Aubert & Duval: Construction started on a distribution centre in Wuxi (China).

5.2. Capital expenditure

5.2.1. Goals

For many years, the Group has implemented a sustained capital expenditure policy. 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 for property, plant and equipment recorded at Group level amounted to €188 million in 2003, €225 million in 2004 and €231 million in 2005. Financing methods for major projects vary according to each programme. The 75kt programme in the Nickel Division is funded from capital resources and, in part, by a tax exemption granted under the Girardin Act. The 40,000-ton programme in the Alloys Division is partly funded by a finance lease. The 3.5 million ton project is also funded from capital resources.

Current expenditure is usually funded from capital resources. Financial investments of an industrial nature amounted to €32.3 million in 2005, compared with €75.3 million in 2004

(largely comprising the purchase of Areva's 30% stake in Eramet Manganèse Alliages for €66 million).

In 2005, acquisitions comprised of the buyout of minority interests in Bear Chemicals, a GCMC subsidiary, for €10.3 million, the €12.7 million share capital increase in Setrag (company holding the Transgabonais railway concession) and the €6.1 million capital increase in SAS Poum, in line with the Bercy agreements (see Chapter 4.2.2.).

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

Nickel Division

Nickel Division	2003	2004	2005
Recognised capital expenditure	€104M	€139M	€68M
Of which:			
– 75kt project	€61M	€94M	€20M
– Mobile equipment			€18M

The "75kt" production capacity expansion project (for the Le Nickel-SLN subsidiary) represents total capital expenditure of 290 million over the 2002-2007 period.

The project is divided into two key parts:

- Renovation, now completed, of an electric furnace at the Doniambo plant in Nouméa (New Caledonia),
- Development of the Tiébaghi (New Caledonia) mine with, among other facilities, a plant for beneficiating mined ore, currently being built, with commissioning planned for the 2nd quarter of 2007.

IIn line with the production target, a major upgrade of production equipment at Doniambo and of mining facilities is being carried out in New Caledonia.

To maximise synergies within the Nickel Division through the full integration of production from mining to finished products, two new product manufacturing projects were launched in France at the Le Havre Sandouville refinery and at Eurotungstène in Grenoble. The two new facilities should be fully operational from 2006.

Manganese Division

Manganese Division	2003	2004	2005
Recognised capital expenditure	€35M	€39M	€94M
3.5 MT project	–	1	€24M
EMD project	–	–	€6M

The 3.5MT project is the main ongoing project in the Manganese Division. With an initial target of 3 million metric tons, the objective was raised during the year and a production capacity at Moanda of 3.5 million tons of manganese per annum is now planned. The project is carried out within Comilog SA and represents total capital expenditure of €61 million over the 2004-2008 period.

The 3.5MT project covers the full ore chain (mining, beneficiation, sintering, transportation and loading) from the Moanda mine (Gabon) to shipment from the port at Owendo (Gabon).

In late 2005, an annualised production rate of 2.9 million metric tons was achieved, ahead of schedule.

Electrolytic Manganese Dioxide (EMD) project China. The project to build an EMD production unit in China represents capital expenditure of some €27 million over the 2004-2006 period.

The main components of the project are:

- Penetration of the Chinese EMD market and support for the globalisation policy of its alkaline battery producing customers,
- Construction of a production unit in Chongzuo (Guangxi province) with annual capacity of approximately 10,000 tons, which is likely to be doubled within two years of start-up for marginal capital cost.
- The project's value was borne out during the year with higher market prices than in the initial investment analysis.

Two other major projects were undertaken during the year and will lead to tangible benefits from 2006.

Canadian Calciner project. Gulf Chemical & Metallurgical Corporation's (GCMC) expansion project in Canada involves the construction of two furnaces with a budget of €28 million over the 2006 – 2007 period. It is designed to:

- Secure current Canadian contracts and the use of GCMC's downstream capacities in Freeport,
- Address market growth resulting from the development of tar sands in Canada,

Setrag project. The project to renovate tracks and infrastructure follows the granting of the concession to Setrag, a subsidiary of Comilog SA, to operate the Transgabonais railway. Amounting to €75 million over five years, the project involves upgrading and modernising tracks, rail facilities and rolling stock. It guarantees the future conduit for Comilog SA's ore while improving service to other Transgabonais customers.

Alloys Division

Alloys Division	2003	2004	2005
Recognised capital expenditure	€60M	€60M	€66M
Of which:			
– 40kt project	€30M	€33M	€21M
– Tiangong Erasteel joint venture	€1M *	€7M *	–

* Financial investment.

The 40,000-ton project, carried out via the Aubert & Duval/Airforge subsidiary, represents capital expenditure of 102 million over the 2002-2006 period. It consists of building a closed die-forging workshop with a 40,000-ton press. Its main components are as follows:

- Set-up in Pamiers (Ariège, France) of an integrated production workshop with a new 40,000-ton press and related facilities: capacity expansion and optimisation of the range of closed die-forging resources within Aubert & Duval (henceforth 65,000, 40,000, 22,000, 20,000, 10,000 and 4,600 tons) to meet growth in the aerospace parts market (structure parts and engine disks),
- Optimised industrial organisation to drastically cut cycle times (halving the closed die-forging cycle), improve market responsiveness and enhance customer service levels.
- Improved productivity and quality through standardising processes and automating some critical stages.

In addition to improvements resulting from process and productivity optimisation, returns on the project are based on a significant increase in market share in engine disks, tripling sales in this segment by 2008.

All facilities will come on stream in the 3rd quarter of 2006.

Tiangong Erasteel Co Ltd joint venture project. The initial project, carried out by the Erasteel subsidiary, involving a joint venture with Tiangong Toolsteel (JV Tiangong Erasteel Co Ltd) was primarily designed to consolidate global leadership in high-speed steels, in terms of both market share and product and service quality.

As the technical and commercial conditions for a robust, lasting partnership were not met, it was decided not to continue the project through that partnership. Erasteel recovered 80% of its initial investment and the dedicated project teams rejoined the Group, particularly in China, in order to continue the development of those activities.

6. Presentation of business activities

6.1. Nickel Division

6.1.1. Nickel market

6.1.1.1. Nickel demand

Properties of nickel

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

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

- Resistance to atmospheric corrosion, when combined with chromium,
- Resistance to high temperatures without losing its good mechanical properties,
- Ductility (ease of conversion),
- Mechanical strength,
- Electrical resistance,
- Magnetic properties.

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

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

Uses of nickel

Stainless steel is by far the sector that consumes most nickel worldwide. Global nickel consumption can be broken down as follows:

Stainless steel (8 - 12% nickel)	: 69 %
Nickel based alloys (25% - 100% nickel)	: 9 %
Electroplating	: 8 %
Casting and alloy steels (less than 4% nickel)	: 7 %
Rechargeable batteries	: 3 %
Coins	: 2 %
Other (including catalysis)	: 2 %

(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

One of the major uses of stainless steel, a material that offers the outstanding hygiene properties needed to guarantee consumer safety. It 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 required by law in developed countries.

– Heavy industries

Chemicals, petrochemicals, paper, power generation.

– Building, construction

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

– Transportation

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

• Nickel alloys

– Superalloys

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

– Nickel/iron alloys

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

– Corrosion-resistant nickel alloys

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

• Electroplating (coating with pure metal)

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

• Casting and alloy steels

Automobiles and mechanical construction.

• Rechargeable batteries

Back-up batteries, telephones, laptop computers.

• Coinage

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

• Other

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

Sustainable development and nickel

In all its applications, nickel ensures a long lifespan for the components that contain it. In addition to its intrinsic qualities, the economic rationale for using nickel over other mate-

rials 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 2004, nickel from recycling accounted for approximately 45% of the nickel consumed in global stainless steel production.

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

The nickel market

Thanks to a high number of growing applications, nickel has historically enjoyed average annual growth of 4% since 1950, which compares very favourably with other industrial products. Stainless steel, the biggest nickel user, has itself grown by on average 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 rises sharply. Historically, Japan, and later the Asian "tigers" are testament to this. The current focus of development is China, where a middle class of some 300 million people is emerging.

6.1.1.2. Nickel supply

The three types of nickel ore

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

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

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

Oxide ores: garnierites, lower mining levels. Opencast mines, generally in tropical zones (New Caledonia, Indonesia, Philippines, Colombia, Dominican Republic, etc.). Garnierites are located under laterites. They have higher nickel grades (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.

Global production by ore type in 2004 (Eramet estimates)

Sulphide	: 58 %
Garnierite	: 28 %
Laterites	: 14 %

Eramet Nickel's main competitors have historically been the major producers (Norilsk, Inco, Falconbridge, BHP-Billiton, etc.).

Mining production per country in 2005

2005 mining production in thousands of metric tons of nickel content		
Russia	270.0	20%
Australia	206.4	15%
Canada	179.0	13%
Indonesia	150.0	11%
New Caledonia	120.0	9%
Cuba	78.0	6%
Colombia	75.0	5%
China	60.0	4%
South Africa	44.0	3%
Brazil	40.0	3%
Botswana	30.0	2%
Dominican Republic	29.0	2%
Philippines	25.0	2%
Greece	22.5	2%
Venezuela	17.0	1%
Zimbabwe	7.5	1%
Macedonia	6.8	0%
Ukraine	6.0	0%
Finland	3.4	0%
Norway	0.4	0%
Turkey	0.0	0%
WORLD	**1,370.0**	**100%**

Source: International Nickel Study Group, INSG

Capital expenditure levels in the Nickel Division

ICapital expenditure levels are particularly high in the nickel industry. A new project comprising a new mine and an integrated plant with an annual capacity of 50 – 60,000 tons (i.e. some 4% of global supply) requires capital expenditure of approximately USD 2 billion. This corresponds to a cost of around 15 - 16 USD/lb (US dollars per pound) (i.e. 33,000-35,000 USD/ton) of annual capacity, whereas the average historic price of nickel on the LME from 1979 to 2005 was 3.29 USD/lb i.e. 7,484 USD/ton.

As a result, capacity expansion is the preferred development method among existing producers, as capital expenditure levels are only half those of a new mine and plant complex, i.e. 7 - 8 USD/lb (15,000 – 17,000 USD/ton) in annual capacity.

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

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

Integrated project development timelines in the Nickel industry

That being the case, development timelines for new integrated projects (mine + plant) are long.

Several stages are essential:

- Geological surveys: 2-5 years
- Prefeasibility study: 1 year,
- Pilot plant for a new process: 2 years,
- Financial feasibility study: 2 years,
- Construction (mine and plant): 2-3 years

The minimum development time, therefore, is 9 - 13 years, but can be extended by several years in some cases because of difficulties in negotiating tax or environmental terms and in obtaining the necessary funding.

Nickel processing

Given the gradual exhaustion of the richest deposits, oxide ores, chiefly in the form of laterites, are the main nickel resource for the future (approx. 70 - 80% of global resources).

Acid leaching (dissolving) is now the preferred method for exploiting these ores. This technology is relatively recent. It was the basis for three Australian projects around 1998.

Two major projects use these technologies. Goro (Inco) and Ravensthorpe (BHP Billiton) are in the process of construction with start-up planned for the end of 2007. To limit risks, substantial expenditure has been devoted to research and industrial management for both projects. In addition, in both cases significantly richer ore will be processed than for their three predecessors.

Acid leaching technology now seems an essential source for delivering the nickel quantities the market needs.

6.1.1.3. Nickel producers

thousands of metric tons of nickel content

2005		Metallurgical production Finished products	
Norilsk	Russia	243.0	19%
Inco	Canada	220.7	17%
BHP Billiton/WMC	Australia/Colombia	145.7	11%
Falconbridge	Canada	113.6	9%
Jinchuan	China	92.9	7%
Eramet	France (New Caledonia)	59.3	5%
Sumitomo Metal Mining	Japan	51.3	4%
Cubaniquel	Cuba	42.4	3%
Pamco	Japan	41.6	3%
OMG	Finland	36.0	3%
Sherritt	Cuba/USA	31.9	2%
Others		200.8	16%
TOTAL		**1,279.2**	**100%**

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

6.1.1.4. Nickel prices

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

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

The graph below illustrates historical trends in nickel prices (in current USD/lb and constant 2005 USD/lb).

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

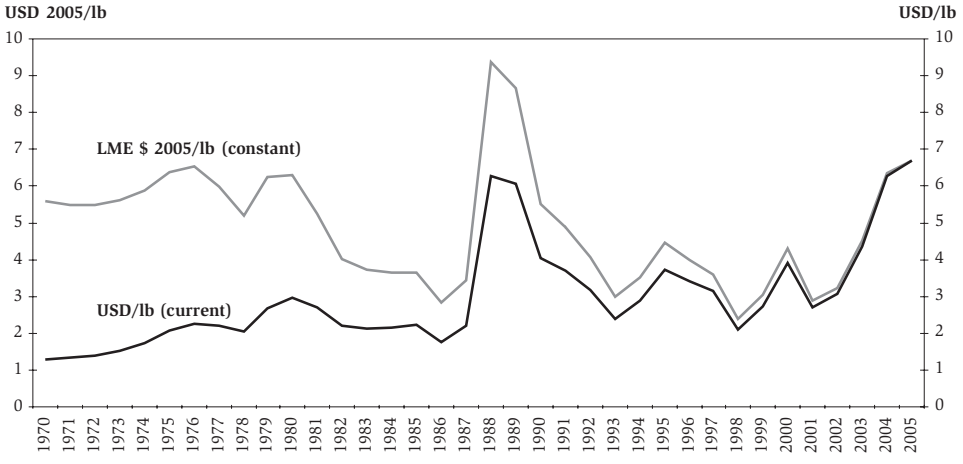
When nickel prices fall below critical profitability thresholds, the least competitive producers are forced to cut their output. Conversely, high nickel prices encourage the reopening of older, less competitive mines, as well as exploration and funding for new projects.

In the short-term, there is a historically verifiable link between nickel prices and global inventory levels stated in weeks' consumption, like for all commodities.

Historically, the average nickel price on the LME from 1979 to 2005 was 3.39 USD/lb, i.e. 7,484 USD/ton.

6.1.1.5. Recent nickel market situation, outlook

The nickel market was tight in 2003 and 2004. Global inventory fell to 7.4 weeks' consumption at the end of 2004, its lowest level since 1990.



Source: London Metal Exchange

In that context, nickel prices rose substantially. 2005 saw a return to a slight supply surplus because of widespread inventory reduction that affected the stainless steel market.

Nickel supply & demand

(thousands of metric tons)	2000	2001	2002	2003	2004	2005E
Stainless steel production	19,273	18,655	19,835	21,917	23,712	23,916
Austenitic stainless steel	14,634	14,343	15,454	17,180	18,243	17,630
Raw nickel %	52.4%	54.1%	56.5%	56.4%	54.3%	52.2%
Raw nickel in stainless steel, metric tons	677.8	681.6	767.4	842.1	842.0	810.0
Nickel – other sectors	440.8	415.0	386.8	405.9	415.0	442.0
Visible nickel consumption	1,118.6	1,096.6	1,154.2	1,248.0	1,257.0	1,252.0
Nickel supply	1,095.1	1,143.1	1,177.3	1,196.0	1,259.2	1,280.0
Balance	(23.5)	46.5	23.2	(52)	2.0	28.0
Inventory in weeks' consumption (year-end)	9.0	12.9	10.5	7.6	7.4	8.9

Sources: INSG – Producteurs – Estimations Eramet.

The nickel market became aware of the current lack of global-scale projects that would be able to start up in the 2004-2007 period and the resulting risk of shortage.

Capital expenditure in the nickel industry has been hindered by several phenomena in recent years:

- The collapse of the Soviet system, leading to an inflow of Russian nickel into Western markets from 1989 onward,
- In the early 1990s, the announcement of the Voisey's Bay development in Canada, with an annual production target of 120,000 tons, highly competitive production cost goals and start-up planned for 1999,
- In the mid-90s, the announcement of a wave of new projects using new hydrometallurgical processes, presented as a radical technological and economic shift. These projects, thanks to capital investment levels and production costs which had been heralded as very competitive, were to provide access to laterite deposits, which are very abundant but considered until then as not being economically viable to mine.

But these projects were not completed, at least not as announced.

- The Voisey's Bay mine did not start up until the end of 2005, with its size reduced to 55,000 tons per annum,
- The three Australian plants launched with processes using acid leaching of laterites encountered serious technical and financial difficulties as a result of insufficient technical studies and inadequate capital expenditure and have never achieved their initial production goals.

Excess nickel supply in 2006 and 2007 will mainly come from a series of capacity expansions and reactivations by independent firms of old mines shut for economic reasons. However, these have a limited production capacity and a relatively short residual lifespan. Major greenfield projects for the development of new integrated sites (combining a new mine and a new plant) with long lifespans will not begin to contribute capacities until late 2007 at the earliest.

6.1.2. Presentation of Eramet's Nickel Division

6.1.2.1. Nickel Division key points

- Eramet has a strong and extremely long-standing (1880) presence in New Caledonia.
- Eramet is the world's fifth-largest nickel producer.
- Eramet operates high-quality mines (in terms of both grade and reserves).
- All Eramet's metallurgical production uses ore from its own plants.
- Eramet is the global leader in ferronickel, which is used in the stainless steel market.
- Eramet has developed a policy of gradual expansion, made possible by constant process improvement.
- Eramet is currently extending its capacity by 25% (75kT programme).

6.1.2.2. Nickel Division structure

Legal structure

The Group's Nickel Division, called "Eramet Nickel," is now organised around three companies: Le Nickel-SLN, Eramet and Eurotungstène Poudres.

• Le Nickel-SLN

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

• Eramet

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

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

All metallurgical production at Doniambo is sold to Eramet by Le Nickel-SLN. The selling 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 selling 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 60% owned by Eramet, 30% by STCPI (Société Territoriale Calédonienne de Participation Industrielle, which is jointly owned by the three Provinces of New Caledonia) and 10% by Nisshin Steel (Japan), as a result of the following transactions:

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

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

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

• Eurotungstène Poudres

As of August 21, 2003 Eramet wholly owns Eurotungstène Poudres S.A., a company based in Grenoble, France (Eramet had held a 51% stake in the 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 powders). 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 to product marketing.

It undertook a capital expenditure programme designed to expand its production capacity by 25% from 2003 to 2008 ("75kT programme").

• Nickel mines

The Nickel Division's mines benefit from:

- Extensive garnierite reserves,
- High nickel content (average 2.8%) after beneficiation,
- In-depth knowledge of the geology and mining methods developed by Le Nickel-SLN,
- Environmentally friendly mining techniques.

The Group has furthermore developed its own technique for beneficiating New Caledonian oxide ores. This technology was implemented with the Népoui beneficiation plant and will also be used to optimise the value of the Tiébaghi deposit as part of the 75,000-ton capacity expansion project.

• 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 access to five working mines.

Four are directly operated by the company:

- Thio, operated since 1875,
- Kouaoua, operated since 1960, reopened in 1977,
- Népoui Kopéto, operated from 1970 to 1982, reopened in 1994,
- Tiébaghi, operated since 1997.

The fifth mine, Etoile du Nord, has been operated since 1988 by a subcontractor, Société Minière Georges Montagnat.

Under the 75,000-ton programme, the capacity of the Tiébaghi mine was gradually expanded to 1.2 million wet tons in 2004 and 2005. In addition, Le Nickel-SLN was to have access to another major deposit (either Koniambo or Poum) by early 2006 at the latest, following an exchange of mining licences under the February 1998 agreement with the French State (see note on New Caledonian ore reserves in the notes to the 2005 consolidated financial statements).

Le Nickel-SLN has great 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 excavators. 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. 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.

• Népoui beneficiation plant

In Népoui, ore is sent hydraulically through a seven-kilometre pipeline to the beneficiation plant. The plant was inaugurated 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.

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

(in thousands of wet tons)	2005	2004	2003
Direct production	2,546	2,598	2,640
Sub-contracted production	492	444	554
Total	3,038	3,042	3,194
Laterites bought from contractors	399	365	404

• 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 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 then granulating, or into nickel matte by the addition of sulphur and refining in a Bessemer furnace.

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

The fifth calcination tube at the Doniambo plant came on stream in late 1998, bringing metallurgical production capacity to 60,000 tons per annum.

The 75,000-ton programme includes the demolition and reconstruction of one of the three electric furnaces in order to substantially increase its power. Other major capital expenditure programmes were carried out in parallel at the Doniambo plant in order to adapt ore processing and refining capacity.

Metallurgical production (ferronickel + matte) at the Doniambo plant in metric tons of nickel content

1993	47,733
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

• 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 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. Part of the nickel chloride is sold in liquid form for chemical applications. The rest is crystallised and sold in sacks.

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

Nickel Division marketing policy and products

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

The 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 front-rank global positions in its main products.

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

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

• Ferronickel: world's largest producer

The Group's entire ferronickel production is sold to stainless steel producers. Ferronickel is a nickel (approx. 29%) 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 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 majority of the Group's ferronickel shipments.

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

– Nickel Metal (HP Nickel): Nickel cathodes are mainly sold to nickel alloy manufacturers (superalloys for aerospace and nuclear power, iron-nickel alloys for electronics, etc.) and nickel electroplating workshops.

– Nickel chloride (SELNIC): Eramet is the world's leading producer of nickel chloride, which is used in electroplating and the chemicals industry (catalysts).

– Cobalt chloride: Used in the tyre industry, the chemicals industry (catalysts) and by Eramet's Eurotungstène subsidiary.

• Ore

Ore is mainly sold to ferronickel producers in Japan.

The consolidated sales of the Nickel business by product excluding Eurotungstène breaks down as follows.

In % terms	2005	2004	2002
Ferronickel	75	77	78
Pure nickel and related products (1)	23	20	20
Ore	2	3	2
TOTAL	**100**	**100**	**100**

(1) Nickel metal and salts.

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

In % terms	2005	2004	2003
Western Europe excluding France	35	31	34
North America	4	4	5
Asia and other regions	61	65	61
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 its own research facilities in the Trappes Research Centre (see Chapter 4.7.3. – 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 and, soon, Tiébaghi plants (1991 and 2006, respectively),
- Mining geology techniques.

Furthermore, the process improvements obtained through research and development have enabled the capacity of the three Demag furnaces to be expanded gradually and reliably with production rising from 40,000 tons in 1990 to 61,500 tons in 2003. The current expansion programme is designed to raise capacity to 75,000 tons by 2008, at moderate capital expenditure levels for the nickel industry.

Nickel Division return on capital employed (ROCE)

ROCE: Restated operating income* / Capital employed**

* Operating income - goodwill net of impairment tests.

** The Division's shareholders' equity, plus net borrowings, plus Poum / Koniambo mining indemnity, plus provisions for major lawsuits, redundancy plans and restructuring, less long-term investments.

Nickel ROCE

As %	1999 (1)	2000	2001	2002	2003	2004*	2005*
Nickel	6	47	15	28	64.2	93.5	58.6

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

* IFRS standards.

6.1.2.3. The Nickel Division in 2005

Nickel Division key figures

(IFRS standards, millions of euros)	2005	2004
Sales	774	765
Current operating income	243	309
Net cash flow from operations	321	279
Capital employed	487	415
Capital expenditure	68	139
Average workforce	2,551	2,484

The nickel market saw a second successive year of very high prices in 2005. Averaging 6.69 USD/lb on the London Metal Exchange (LME), prices were at their highest since 1988 and up some 7% on 2004.

However, the physical nickel market showed a slight surplus in 2005. Global nickel consumption was apparently lower than expected and remained unchanged at 2004 levels because of the slowdown in consumption by the stainless steel industry. Other nickel consuming sectors such as superalloys for aerospace and nickel batteries grew sharply, but this only partly offset the relative weakness of stainless steel, which accounts for over two-thirds of total nickel demand.

The stainless steel sector was affected by excessive build-up of inventory in the first half, by both consumers and producers and by the rapid development of major production capacity, mainly in China. To strengthen the market and stop their margins eroding, the main global producers were forced to substantially reduce their output in the second half.

In such a difficult climate, high nickel prices added to the pressure on stainless steel producers, who responded by promoting low-nickel ("200 series") and nickel-free (ferritic) grades. These grades are a long way from having the properties of conventional nickel stainless steel (austenitic stainless steel, with an average 8% nickel content), but can be used in some low-cost applications where corrosion resistance and product lifespan are not critical. In some cases, lack of knowledge by consumers is being exploited, particularly in new markets such as China. This substitution also held back growth in nickel demand in 2005.

Finally, high nickel prices boosted the collection and recycling of steel and nickel alloy scrap, slowing down the consumption of primary nickel.

Both these phenomena – substitution and a high recycling rate - are typical of high price periods but, conversely, are likely to support consumption when nickel prices are lower, helping to keep the market stable.

Global nickel supply rose by a mere 2% in 2005. The start-up of new production capacity from major projects is not expected until late 2007. In the meantime, growth in global nickel production will be relatively limited and will come from capacity expansions by existing producers and from the development of small deposits.

Eramet Nickel's industrial activity was heavily disrupted in 2005 by industrial action in New Caledonia, particularly the

lengthy blockading of the Doniambo mines and plant in the 4th quarter. Metallurgical production at the Doniambo plant was limited to 59,576 tons for the year. Ferronickel shipments fell 7% to 44,848 tons in 2005, mainly because of production and shipment restrictions resulting from industrial action, in a more difficult market climate in the 2nd half of the year.

The Sandouville plant improved its offering with an increasing share of specialty products for electroplating, catalysis and electronics. Its nickel shipments rose 5% to 12,375 tons, amidst high demand for its products.

Total nickel shipments by Eramet Nickel declined 4.7% to 57,223 tons. Nevertheless, thanks to rising nickel prices, the division's sales rose 1% to €774 million in 2005.

In 2005, Eramet Nickel continued to implement the 75kT programme designed to expand its nickel production capacity by 25%. Following the construction of the new furnace at the Doniambo plant and the development of the Tiébaghi mine in northern New Caledonia, in 2005 Eramet Nickel began the construction of the future ore beneficiation plant in Tiébaghi.

Eurotungstène continues to reap the benefits of its innovation strategy. Its Next® range of powders, launched in 2003, is highly successful. In late 2005, the company unveiled Keen®, a new range that will give it access to new market segments.

6.2. The Manganese Division

6.2.1. The manganese market

6.2.1.1. Manganese demand

6.2.1.1.1. Main applications

Steel

Over 90% of manganese worldwide is used in steel production. All steelmakers use manganese in their production processes; on average, 6-7 kg of manganese 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 steel manufacturing process. It is consumed in the form of manganese alloys (ferromanganese, silicomanganese).

Other applications

- Batteries: Alkaline batteries mainly with lower consumption 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).

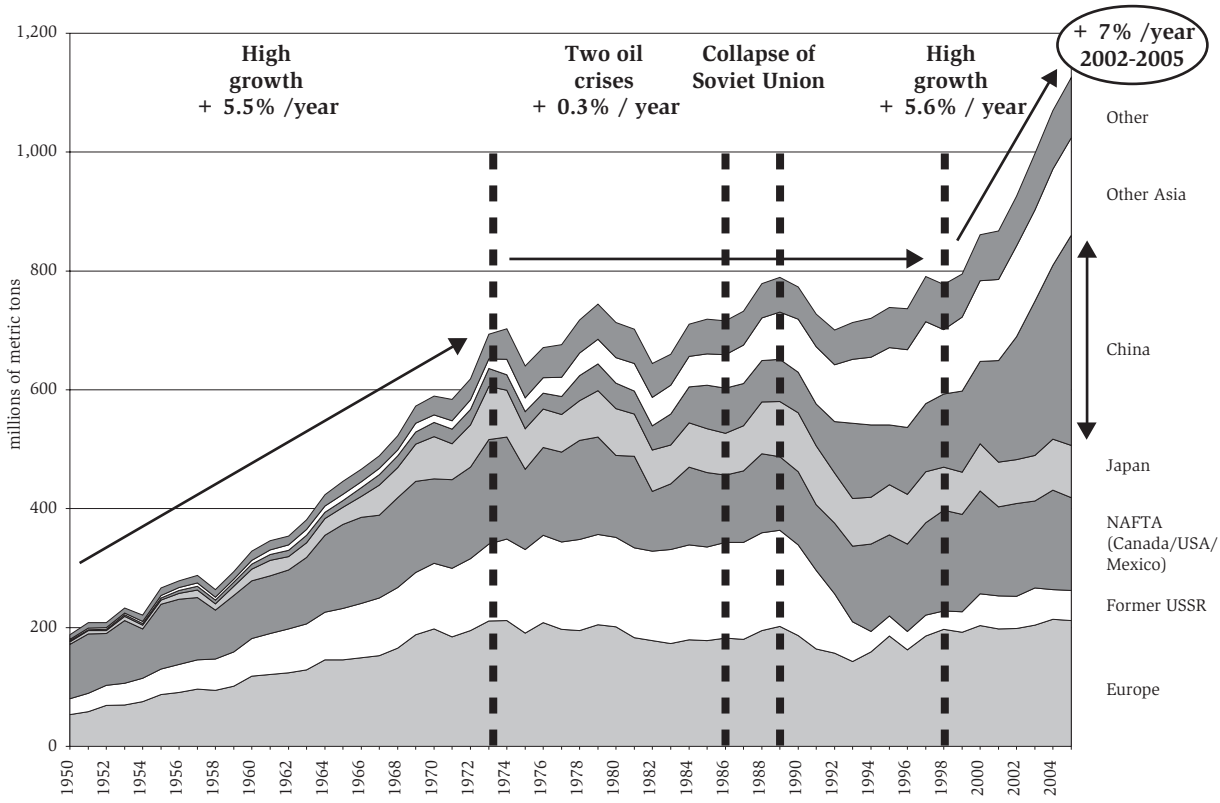
6.2.1.1.2. Historical consumption trends, outlook

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

Since 1998, there has been robust growth in average global carbon steel consumption (some 5% per annum). This is due to the end of the downturn in steel consumption by the former soviet bloc, the slight upturn in demand in traditional regions and, above all, sharp growth in Chinese demand.

From 2002 to 2005, global demand grew by close to 7% per annum, mainly driven by Chinese demand, which rose by over 20% per annum

Visible carbon steel consumption by geographic region*



* 2005: Estimates.

Sources: Eramet and IISI.

Global carbon steel production by geographic region

Millions of metric tons	2003	In % terms	2004	In % terms	2005	In % terms
Europe	194.5	20.1%	204.3	19.2%	204.3	18.1%
Former USSR	108.0	11.1%	112.3	10.5%	112.3	9.9%
NAFTA (Canada / USA / Mexico)	124.8	12.9%	132.7	12.4%	125.8	11.2%
Japan	110.5	11.4%	112.7	10.6%	112.5	10.0%
China	222.4	22.9%	280.5	26.3%	349.4	30.9%
Asia	109.5	11.3%	115.5	10.8%	122.0	10.8%
Other	99.4	10.3%	108.5	10.2%	103.1	9.1%
TOTAL	**969.1**	**100.0%**	**1,066.5**	**100.0%**	**1,129.4**	**100,0%**

Source: International Iron and Steel Institute (IISI).

6.2.1.2. Manganese supply

Manganese ore

Global ore production was assessed in 2005 at 11 million tons of manganese content. Ore is mainly produced in seven countries: China, South Africa, Australia, Gabon, Brazil, Ukraine and India.

Manganese ore production in 2005
(in thousands of metric tons of Mn content)

China*	2,095
South Africa	1,774
Australia	1,674
Brazil	1,600
Gabon	1,342
India*	559
Ukraine*	553
Ghana*	495
Kazakhstan*	456
Mexico*	122
Myanmar*	105
Other *	273
Globally	11,048

* Low grade ore.

Sources: International Manganese Institute and Eramet estimates.

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

Manganese alloys

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

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

These are the basic 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 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 especially used to make flat steel products and special steels.

Eramet Manganèse is one of the world's leading producers of refined alloys.

Global manganese alloy production in 2005 by product group

Silicomanganese:	57%
High carbon ferromanganese:	32%
Refined ferromanganese:	11%

Source: Eramet estimates.

Global manganese alloy production in 2005
(in thousands of tons of alloys)

Europe	1,283
Former USSR	1,662
North America	161
Asia	6,082
Other	1,393
GLOBAL TOTAL	**10,581**

Source: Eramet estimates.

The manganese alloy industry is highly fragmented. Producers are located in a large number of countries, even if 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.

The main manganese alloy producers are Nikopol, BHP Billiton, Eramet, Privat Bank and CVRD.

6.2.1.3. Manganese prices

Manganese alloys

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

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

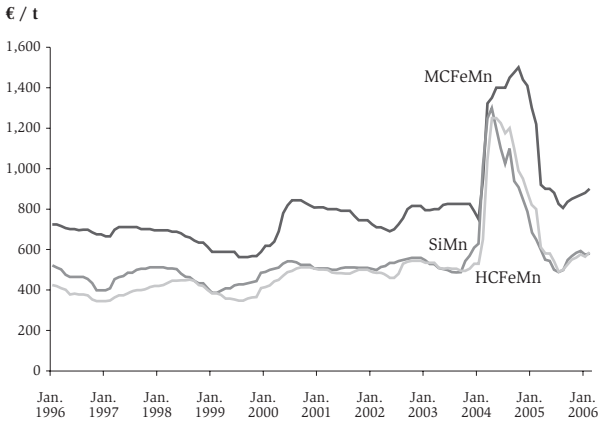
Furthermore, the position of the various alloy groups also vary because of their relative values in use. In particular, refined values have higher selling prices than standard alloys.

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

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

Manganese alloy prices in Europe

(euros per gross alloy ton: €/t.m.)



Sources: CRU.

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

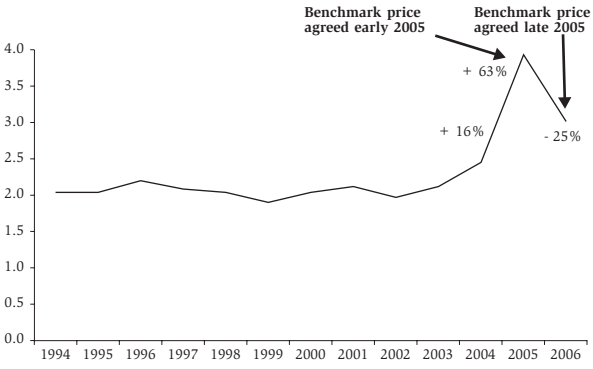
Manganese ore prices

The selling price of manganese ore, as with alloys, is agreed directly between sellers and buyers. Selling prices are usually denominated in US dollars. They are in direct proportion to the ore's manganese content (e.g. 2.5 USD per percentage point of manganese per ton, 120 USD/ton for 48% manganese ore). Ore selling prices are usually agreed for one year.

The graph below shows the historical trend in manganese ore prices agreed between BHP Billiton and Japanese consumers (source: specialised Japanese publications).

Contract price for manganese ore exported to Japan for metallurgical use

US dollar for 1% manganese content - FOB Australia



Source: Tex Report (Japan).

6.2.1.4. Recent market situation and outlook

From 2002 to 2005, global carbon steel production grew by on average 7% per annum. This rate, which is significantly above the historical trend primarily due to Chinese consumption, rose by over 20% per annum from 2000 to 2005.

Other less important factors reinforce the trend: strong economic performance in the USA, Asia and Latin America and the return to sustained growth in Russia and Central Europe.

Manganese producers were not ready to meet such growth. In particular, the overcapacity long seen in the market had helped to keep prices at levels that discouraged investment.

Supply limitations were heightened by bottlenecks in electricity and coke supplies, and by logistical difficulties in manganese ore transportation (rail freight in China).

Average spot prices for manganese alloys virtually doubled in 2004. Manganese ore prices also rose sharply. The prices agreed by BHP Billiton and Japanese foundry owners rose 16% in 2004 and the 2005 review led to a further 63% increase.

However, these high prices brought about surplus supply from the second half of 2004 onwards. Prices fell heavily in 2005, leading less competitive producers to cut their output.

In the medium term, manganese demand mainly depends on trends in global carbon steel production. This factor, which continues to fluctuate, could rise by approximately 4% per annum over the coming years, even were Chinese growth to slow to 5% by 2008. This would result in increases in annual demand of some 450,000 tons for manganese alloy and 900,000 tons for rich manganese ore.

Manganese alloy supply appears to be able to keep up with demand, thanks in particular to the responsiveness and low capital investment levels of Chinese and former Soviet Union producers. Ore demand is, however, likely to be partly met through the development of new mines or the expansion of existing mines. In order to attract the capital needed for those investments, ore prices will probably remain firm for the next few years.

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 manganese ore and alloys, and the leading global producer of manganese chemical derivatives. It benefits from 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 expanding it to 3 million tons in 2006, and to 3.5 million tons in 2008.

6.2.2.2. Manganese Division history

1957: Founding of Comilog.

1962: Mining of the Moanda deposit begins in Gabon.

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

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

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

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

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

2000:

- Acquisition of the Mexican company Sulfamex, which produces manganese-based agrochemicals.
- 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 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 on most other Eramet Manganese sites,
- Disposal by Comilog of Sadaci (molybdenum roasting) and the carbon black business, both based in Belgium,
- Provisional management contract for the Transgabonais train granted to Comilog by the Gabonese government.

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

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

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

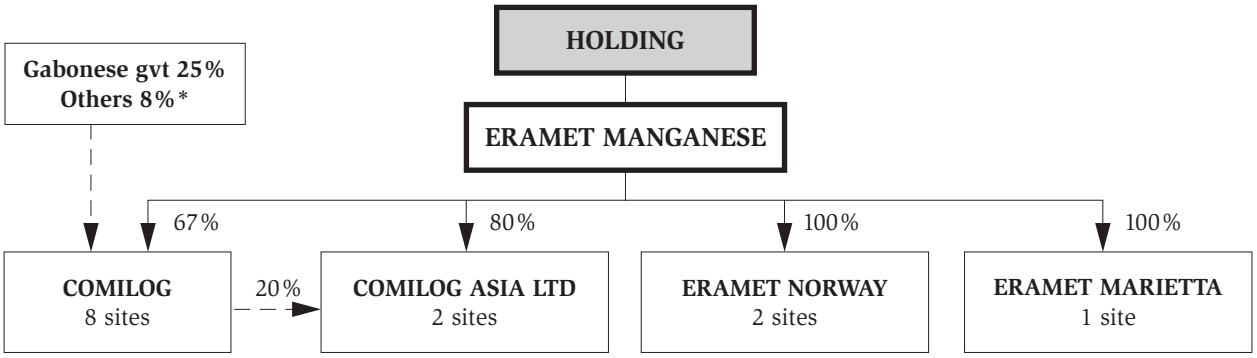
2005: Decision to expand Comilog's ore production capacity to 3.5 million tons by 2008. Eramet bolsters its oil catalyst recycling business through two capital expenditure programmes by its Gulf Chemical and Metallurgical Corporation (GCMC) subsidiary: acquisition of a 100% stake in Bear Metallurgical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

6.2.2.3. Manganese Division structure

Organisational structure as on December 31, 2005

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



- **Ore and sinter** (Gabon)
- **Manganese alloys** (France)
- **Manganese chemical derivatives** (USA, Belgium, Mexico)
- **Recycling of metals** (USA, Belgium)
- **Production of ferrovanadium and ferromolybdenum** (USA)

- **Manganese alloys** (China)

- **Manganese alloys** (Norway)

- **Manganese alloys**
- **Special products** (USA)

– Of which 7.04% of Formang held by Mr. Romain Zaleski's group. (see Chapter 21.1.5. – Last known share capital distribution).

- Comilog is a company operating under Gabonese law and 67% held by Eramet. Its business activities include:
  - The operation of the Moanda manganese mine,
  - Production of manganese alloys in Dunkirk (France),
  - Production of manganese-based chemical derivatives,
  - Recycling of metals contained in catalysts and electronic industry products (copper),
  - Production of ferrovanadium and ferromolybdenum.
- Comilog Asia has two manganese alloy plants in Guilin and Guangxi (China).
- Eramet Norway has two Norwegian alloy plants in Porsgrünn and Sauda.
- Eramet Marietta (USA) produces manganese alloys, manganese-based hardeners for the aluminium industry and high-purity chromium.

Mines and industrial facilities

- Moanda mine

The Moanda mine exploits one of the world's richest manganese ore deposits. The ore's manganese content varies from 44% to 52% and averages approximately 48%. Ore reserves are discussed in Chapter 4.5.

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 some 600 kilometres. In addition to Comilog's manganese ore, it carries wood and miscellaneous goods and transports passengers. Comilog has its own locomotives and wagons.

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

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

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

Comilog has its own ore port, Owendo, with storage capacity that equates to some three months' production. The port can take in 45,000-ton ships and load them in two days.

• Manganese alloy production

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

The Group produces a very wide range of alloys: high-carbon ferromanganese, silicomanganese, medium and low-carbon ferromanganese, and low-carbon silicomanganese.

Production of manganese alloys for the steel industry

(In thousands of metric tons)	2005	2004	2003	2002
High-carbon ferromanganese (including China)	290	295	402	370
Silicomanganese	185	202	225	224
Refined alloys (medium and low-carbon FeMn)	252	233	247	205

Manganese alloy production sites

Site	Country	Production capacity	Furnace type	Products
Dunkerque	France	70 kt	Electric	SiMn
Sauda	Norway	180 kt	Electric	HC, MC, LC FeMn, SiMn
Porsgrünn	Norway	150 kt	Electric	HC, MC, LC FeMn, SiMn, LC SiMn
Marietta	USA	180 kt	Electric	HC, MC, LC FeMn, SiMn
Guangxi PROV.	China	80 kt	Blast	HC FeMn
Guilin	China	140 kt	Blast & electric	HC FeMn, SiMn

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

In China, the Guilin and Shaoxing plants are both located in Guangxi province, close to local manganese mines, which enables them to optimise their ore supply between Comilog and local sources. Both sites furthermore produce alloys using blast furnaces and have a favourable supply position for coke, of which China is the world's foremost supplier.

In the United States, Eramet Marietta (Ohio) is the main manganese alloy producer.

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

• Manganese chemical derivatives and recycling

The Group is the global leader in manganese chemical derivatives. The manganese chemistry business is grouped together in Erachem Comilog and comprised of four plants.

Location	Products
Tertre (Belgium)	Manganese salts and oxides
Baltimore (USA)	Manganese salts and oxides
New Johnsonville (USA)	EMD (electrolytic manganese dioxide)
Tampico (Mexico)	Manganese sulphate

In mid-2004, Eramet Manganese began a capital expenditure programme to produce electrolytic manganese dioxide (EMD) at a new plant in Chongzuo (Guangxi province, China). The plant is scheduled to come on stream in 2006.

The main markets targeted by manganese chemical derivatives are:

- Portable energy (batteries including rechargeables),
- Ferrites (electronics industry),
- Agriculture (fertiliser and animal feed),
- Fine chemistry.

The recycling business is carried out on three sites:

- Tertre (Belgium): recycling of batteries and copper solutions
- Freeport (USA): recycling of oil catalysts to recover the metals therein (vanadium, molybdenum, etc.).
- Butler (USA): ferromolybdenum and ferrovanadium 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 engineering 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 the Trappes Research Centre (CRT). These have led, in particular, to 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 (see Chapter 4.7.).

Manganese Division return on capital employed (ROCE)

ROCE: Restated operating income* / Capital employed**

* Operating income - goodwill net of impairment tests

** The Division's shareholders' equity, plus net debt, plus Poum / Koniambo mining indemnity, plus provisions for major lawsuits, redundancy plans and restructuring, less long-term investments.

Manganese ROCE

As %	1999 (1)	2000	2001	2002	2003 (2)	2004 (2)*	2005*
Manganese	4	11	0	-3	1.2	77.0	65.6

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

(2) Excluding provisions for restructuring.

* IFRS standards.

6.2.2.4. The Manganese Division in 2005

Manganese Division key figures

(IFRS standards, million of euros)	2005	2004
Sales	1,135	1,103
Current operating income	264	326
Net cash flow from operations	184	261
Capital employed	524	393
Capital expenditure	94	39
Average workforce	5,147	5,361

Actual consumption of manganese alloys remained high in 2005, driven by strong growth (6%) in global steel production. That increase came primarily from China, where new capacity has come on stream extremely quickly.

The manganese alloy market was, however, penalised by excessive growth in global capacity in late 2004 and early 2005, boosted by very high prices with extensive development in Ukraine and China. Excess inventory was built up by both producers and consumers.

In 2005, prices continued the sharp downward trend started in late 2004, forcing manganese alloy producers to cut their output towards the beginning of the second half to restore the market's health. These extended efforts, together with a further acceleration in global steel production, did not stabilise prices until the end of 2005, at very low levels.

The manganese ore market was dragged down by contrasting trends in manganese alloy production. Global ore demand was affected by production decreases by alloy manufacturers in the second half of 2005, while less competitive low grade ore producers had stepped up production in late 2004 to tale advantage of high prices. Ore spot prices showed a downward trend in the second half of 2005 compared with the historically high levels at the start of the year.

In this difficult period, Eramet Manganese benefited from the restructuring and capital expenditure carried out over recent years, which have made its manganese alloy and chemical

derivative production plants world-class in terms of competitiveness.

Similarly, to be able to keep up with structural growth in its markets, Eramet is continuing its capacity expansion programme at the Moanda mine (Gabon), where shipped production rose to 2.9 million tons in 2005. This programme will bring the mine's capacity to 3.5 million tons in 2008. In 2005, Eramet also secured the logistics for its ore with the Gabonese government giving it a full 30-year concession to manage the Transgabonais railway.

In the manganese chemistry business, the Group is developing its industrial base in China by building a new plant to produce the electrolytic manganese dioxide (EMD), which is used to produce alkaline batteries. The new unit is designed to meet the needs of Eramet's major battery manufacturer customers now operating in China and of a fast-growing local industry.

The industrial performance of the oil catalyst recycling business (GCMC, USA) benefited from the very high price levels in 2005 for molybdenum and vanadium. In response to growth in this market, the Group decided to invest in the construction of a new catalyst recycling unit in Alberta (Canada), where tar sand refining is entering a high growth phase.

In 2005, the division once again achieved very high levels of operating income at €264 million, with an operating margin of 23%. The sharp fall in manganese alloy prices was partly offset by the very strong performance of the oil catalyst recycling business.

6.3. Alloys Division

6.3.1. The Alloys Division's businesses

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

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

Few customers account for more than 5% of sales. These are notably Airbus, General Electric, SNECMA and Sandvik.

6.3.2. The 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 billion tons
Stainless steel	25 million tons
Tool steels	1 million tons
High-speed steels	100,000 tons
Superalloys	60,000 tons

Source: Eramet estimates.

6.3.2.1. High speed steels

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

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

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

Western consumption of high-speed steels has been affected by competition from tungsten carbide. Furthermore, in recent years high-speed steel-consuming industries have tended to relocate to countries such as China and, to a lesser extent, Brazil, particularly for less technical applications. The Western high-speed steel market has been in a slightly downward trend since the early 80s.

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 lese cyclical than other steel sectors.

There are three families of application:

- Cold working (manufacturing of tools for cutting and stamping),
- Hot working (manufacturing of tools for embossing, extrusion, light alloy injection),
- Plastic injection moulds.

6.3.2.3. Nickel based alloys

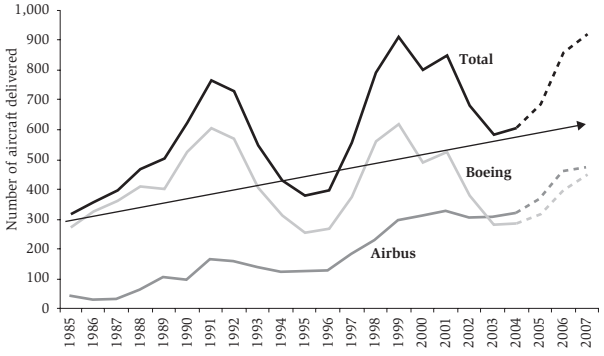
There are several types of nickel alloy that can be broken down in accordance with the specific property required:

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

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

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

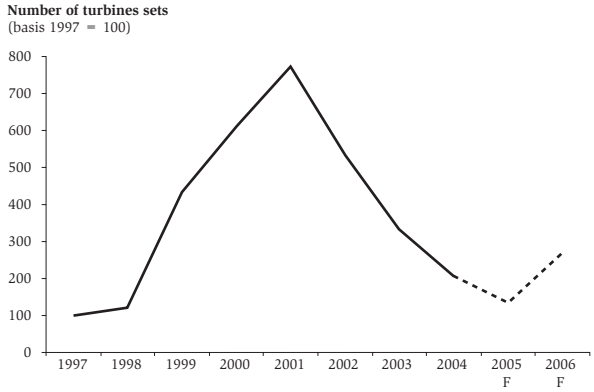
Strong growth in the aerospace market



Source: Airbus - Boeing

Gas turbine markets: nascent upturn in 2006

Deliveries of turbines sets by Aubert & Duval to General Electric Power System



The gas turbine sector is currently in a slump. Following a peak due to the Enron "bubble" from 1999 to 2001, demand in the sector fell sharply. However, the long-term trend, related to demand for energy in general and natural gas in particular, remains positive.

6.3.3. Alloy production processes

6.3.3.1. Alloy making

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

Several types of process are used, depending on the product.

Air metallurgy

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

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

Vacuum metallurgy

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

Remelting

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

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

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 20-100mm in diameter) or wire (5-20mm in diameter) in order to ensure geometry (section), surface condition and use characteristics. The operation is carried out through a series of runs between rolling cylinders.
- Forging involves shaping bars (typically 200-600mm in diameter) or simply-shaped blanks in order to guarantee geometry and characteristics. This operation is done hot using a press, a forging machine or even a ram, with a series of pressing runs between simple tools.
- Closed die-forging consists of shaping and work hardening the material blanks by hot pressing between moulds known as closed dies. Closed die-forging is carried out with a press or ram. It is usually followed by machining and finishing operations.

6.3.4. Alloy producers

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

The Division's special nature is supported by:

- Its expertise in closed die-forging for the four main groups of material, i.e. aluminium, titanium, steels and superalloys,
- Upstream integration (production) in steels and superalloys

	Alloy Making				High-power closed die-forging			
Company	**High speed steels**	**Tool steels**	**High-performance special steels**	**Super-alloys**	**Special high performance special steels**	**Super-alloys**	**Alumi-nium**	**Tita-nium**
Alcoa (USA)						✓	✓	✓
Allvac (USA)		✓	✓	✓				
Boehler-Uddeholm (BUAG) (Austria)	✓	✓	✓		✓	✓		✓
Bosch Gothard & Hüttel (Germany)	✓	✓	✓					
Carpenter (USA)		✓	✓	✓				
Cogne (Italy)		✓	✓					
Crucible (USA)	✓	✓	✓					
Eramet Alloys	✓	✓	✓	✓	✓	✓	✓	✓
Hitachi Tooling (Japan)	✓	✓	✓					
Ladish (USA)					✓	✓		✓
Latrobe Steel (USA)	✓	✓	✓					
Nachi Fujikochi (Japan)	✓	✓						
Otto Fuchs (Germany)/Weber (USA)						✓	✓	✓
Schultz (USA)					✓	✓		✓
Shanghaï 5 Baosteel (China)	✓	✓	✓					
SMC (USA)				✓				
Snecma (France)						✓		✓
Thyssen EWK (Germany)	✓	✓	✓					
Valbruna (Italy)		✓	✓					
VSMPO (Russia)					✓	✓	✓	✓
Wyman Gordon (USA)				✓	✓	✓		✓

Source: Eramet.
✓: 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 producer of closed die-forged parts (Aubert & Duval),
- A strategy based on technological expertise and niche markets,
- A very difficult market environment in 2002 and 2003,
- Major restructuring carried out in 2004,
- Gradually improving outlook,
- Start-up of a new closed die-forging plant in 2005.

6.3.5.2. Alloys Division history

Within the Group, development of the Alloys Division first began with the building up 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 the 17th century (anchor production).

1846: Metallurgical production on the Commentry (France) site dates back to the 19th century (rail production).

1956: Founding of Commentryenne des Aciers Fins Vanadium Alliages.

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 La Société Commentryenne des Aciers Fins Vanadium Alloys, the world's third-largest maker of high-speed steels.

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

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

History of Aubert & Duval

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

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

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

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

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

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

1987: Stake acquired in Special Metals Corporation (SMC)

1989: Aubert & Duval holding company is renamed SIMA.

1991: 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 stake in SMC from 48% to 38.5% following SMC's IPO on the NASDAQ via a capital increase. Usinor sells 40% of CIRAM's capital to SIMA, which now holds 95%. FISID, the Tecphy and Fortech holding company, is renamed HTM.

1998: SMC acquires the Inco Alloy International division of Inco Ltd.

1999: Integration of SIMA's activities 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.

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

The Group's stake in SMC is fully written off.

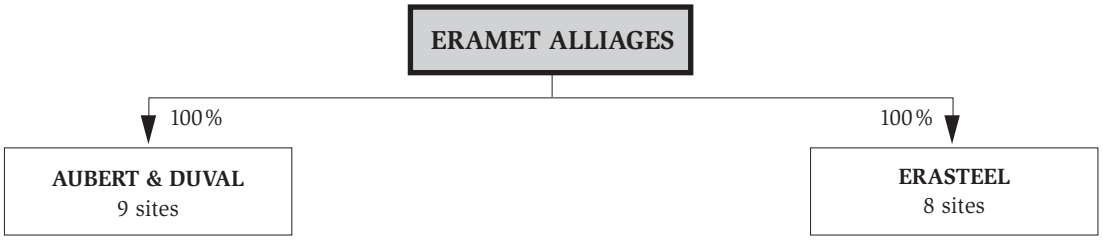
2002: Erasteel acquires 78% of Peter Stubs (UK).

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

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

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

6.3.5.3. Alloys Division organisational structure



- Production of steels and superalloys, long products, flat products, forged parts and closed-die forged parts - France
  - High-performance special steels
  - Nickel or cobalt based superalloys
- Forged parts and closed-die forged parts - France
  - Titanium and aluminium alloys
- Tool steel distribution centre & vacuum heat treatment - China

- Melting and production of high speed steels, flat and long products
  - France, Sweden, UK, USA
- Steelmaking
  - Conventional metallurgy
  - Pre-alloyed powder metallurgy

6.3.5.4. Alloys Division production

6.3.5.4.1. Erasteel

Erasteel's production

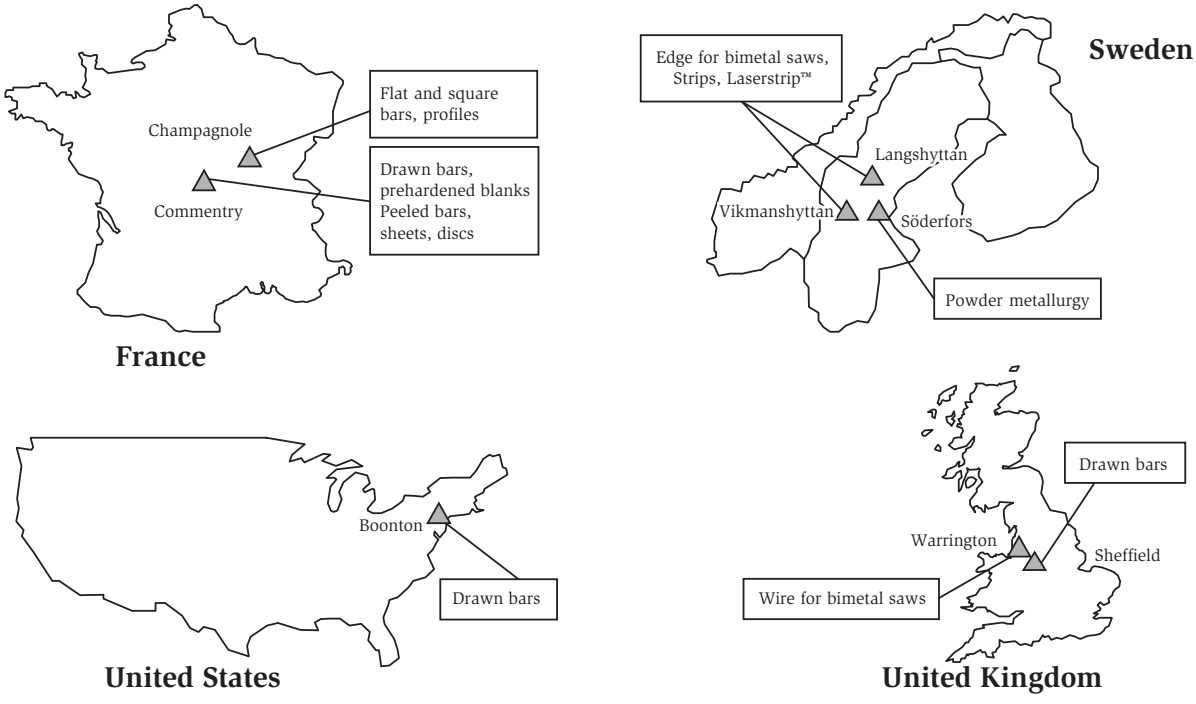
Erasteel is the only specialist producer of high-speed steels and is the global market leader. Its competitors are general steel companies: Boehler-Uddeholm (Austria), Latrobe (USA) and Hitachi (Japan).

This specialisation gives Erasteel great control over the quality of its production and enables it to optimise its processes. Its product catalogue covers all the grades and dimensions required by customers in the sector. Finally, 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 five production sites in France and Sweden.

Erasteel: industrial sites



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.

These four sectors provide mutual support through common processing and remelting resources, shared expertise and know-how and access to major principals.

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 superalloys are produced internally at Aubert & Duval. Aluminium alloys and titanium are bought from third party suppliers.

Closed die-forging is carried out on the two Issoire sites and at Pamiers. In Pamiers, Aubert & Duval has undertaken a capital investment programme for the construction of a new closed die-forging plant with a 40,000-ton press.

• The closed die-forging sector's industrial assets

The sector has the following tools:

- 4.5 kT, 10 kT, 20 kT, 22 kT and 65 kT closed die-forging presses,
- 1-16 ton rams,
- Various finishing (grinding), heat treatment, non-destructive testing and machining (towers, milling machines) facilities.

Under Aubert & Duval's restructuring plan, the Issoire site will specialise in the closed die-forging of aluminium alloys, while steels, titanium and superalloys are closed die-forged on the Pamiers sites.

• The Interforge press

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

The press is a key strategic advantage, as 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 Russal and titanium producer VSMPO).

• Closed die-forging markets

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

- The aerospace industry: this market is divided into two segments, engine parts (customers such as General Electric, SNECMA, Pratt & Whitney, Rolls Royce, etc.) and structure and equipment parts (Airbus, Boeing, BAE, 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 liaison with the customer, enable the characteristics and costs of parts to be optimised. This also shortens research, development and production cycles considerably.

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

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

The closed die-forging business activity will be spurred by the start-up, scheduled for 2006, of a new plant with in particular a 40,000-ton press in Pamiers, France.

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

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

• Closed die-forging sector competitors

In the high-performance steel and superalloy field, Aubert & Duval's main competitors are the US groups Wyman Gordon, Schultz and Ladish.

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

Finally, for the closed die-forging of titanium, its main competitors are the Wyman Gordon and Ladish 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,,
– Vacuum or slag remelting furnaces with capacity up to 30 tons,
– Mill trains for making long products with 5.5mm-200mm diameter,
– Wire drawing equipment for making wire with diameter under 5.5mm,
– Forging presses and machines with force up to 4,500 tons,
– Powder metallurgy production units,
– Hot compacting enclosures via its TCS subsidiary (working diameters up to 1,200mm),
– Machining facilities (for milling, turning, reaming or drilling) and finishing equipment (lapping, scalping, straightening, etc.),
– Surface treatment equipment (case hardening or nitriding),
– Heat treatment equipment, including for parts up to 50 tons in weight or 20 meters in length,
– Non-destructive testing equipment (sweating, ultrasound, X-ray, magnetoscopy, etc.).

All these tools include computerised management and supervision systems and are classed in accordance with the demands of high-technology markets (aerospace, power, arms, automotive, medical, etc.).

• Long products sector

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

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

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

• Tooling sector

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

Aubert & Duval are specifically positioned up range, with high technical guidance content. 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 on March 23, 2006.

• Individual forged parts and specialties sector

This sector groups together several business activities that have very specific tools and skills:

– Individual forged parts, made in short runs for the defence, oil drilling, shipbuilding and food sterilisation markets,
– Cast parts intended for large tooling for aerospace,
– Remelting alloys,
– Powder Metallurgy: semi-finished products for turbine disk closed die-forging and surfacing powders.

6.3.5.5. Marketing policy and products

Erasteel's marketing policy and products

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

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

Aubert & Duval's sales & marketing policy: close relations with principals

Multi-year contracts (typically 3-5 years) with aerospace principals usually specify the market shares to be ordered each year. Shipments are therefore related to aircraft production rates and, consequently, to the state of the aerospace market. Changes in raw material purchasing prices (cobalt, nickel, chromium, molybdenum, scrap iron, etc.) are usually passed on in selling prices.

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

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

6.3.5.6. Alloys Division research and development

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

The Alloys Division ploughs back close to 2% of its sales into R&D. Work is done both on process improvement and the development of new alloys and products (see Chapter 4.6.).

Alloys ROCE

As %	1999 (1)	2000	2001	2002	2003 (2)	2004*	2005*
Alloys	14	16	12	0	-4.7	3	7.9

(1) 1999: calculated using pro forma operating income and capital employed as at year-end.
(2) Excluding provisions for restructuring.
* IFRS standards.

6.3.5.7. The Alloys Division in 2005

Alloys Division key figures

(IFRS standards, million of euros)	2005	2004
Sales	811	659
Current operating income	47	16
Net cash flow from operations	(24)	(24)
Capital employed	664	562
Capital expenditure	66	60
Average workforce	4,555	4,961

The aerospace market saw an upturn in the second half of 2004 that continued into 2005. Combined Boeing and Airbus aircraft deliveries grew by some 11% and orders placed with the two main manufacturers reached record levels. For 2006, Boeing and Airbus were banking on an increase in deliveries in excess of 25%, driving sharp sales growth for suppliers such as Aubert & Duval from 2005.

Aircraft demand is driven by the upturn in global air traffic but also by the need for airlines to have modern aircraft and engines in order to cut fuel consumption in response to high oil prices.

Another highlight of 2005 was the first flight of the Airbus A380, for which Eramet Alliages, the Group's Alloys Division, will manufacture several important parts.

In 2005, Aubert & Duval benefited from the efforts made in 2004 to improve its industrial efficiency, particularly by specialising its production sites and adopting a clear, activity-based organisation. Four centres of excellence (alloy making, rolling, forging and closed die-forging) are now operational at Aubert & Duval, which also undertook ambitious improvement programmes to increase its machine utilisation rate and more effectively respond to market growth.

The Alloys Division continued the construction of a new closed die-forging plant in Pamiers (France). The full production unit will be centred on the new 40,000-ton closed die-forging press and include other key facilities (heat treatment, rolling mill, etc.), designed to reduce cycle times substantially.

Against a backdrop of sharp increases in raw material (particularly molybdenum and vanadium) and energy prices, the Alloys Division has increasingly implemented mechanisms that are designed to pass those price increases on to its different customer types. The division has also faced supply problems for components such as titanium alloy ingots.

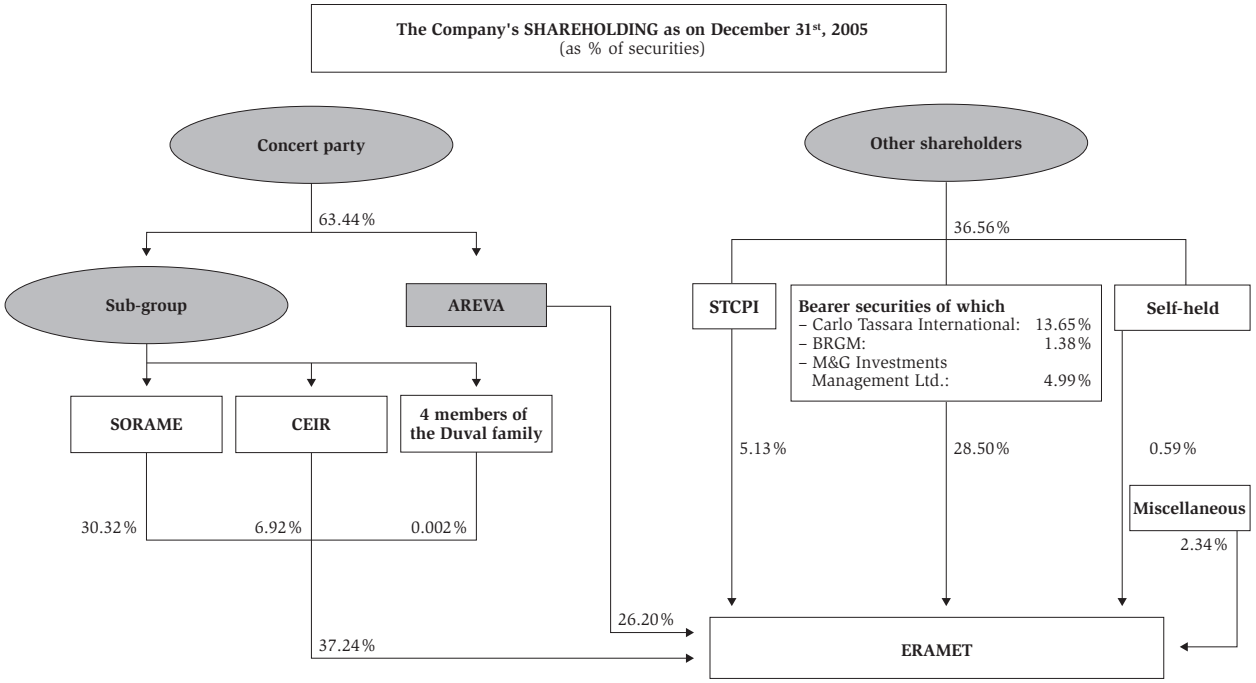
The Alloys Division's business with the tooling sector grew slightly, both for Erasteel's high-speed steels, thanks to brisk exports to Asia, and for Aubert & Duval, which revived its growth in this sector. To keep pace with those markets, Eramet invested in a new tool steel distribution centre in Wuxi (China). The unit, which opened in early 2006 and will also provide technical support, confirms the Alloys Division's Asian development strategy, despite the cancellation of the project to build a high-speed steel plant in Tiangong.

Business in the power generation sector stabilised towards the end of the year, thanks to a diversified marketing policy covering the gas turbine, oil markets, and the nuclear sector, where several programmes are being resumed.

Thanks to the upturn in its markets, but also to the industrial and commercial efforts made, the Alloys Division saw its operating income recover significantly in 2005, at €47 million compared with just €16 million in 2004.

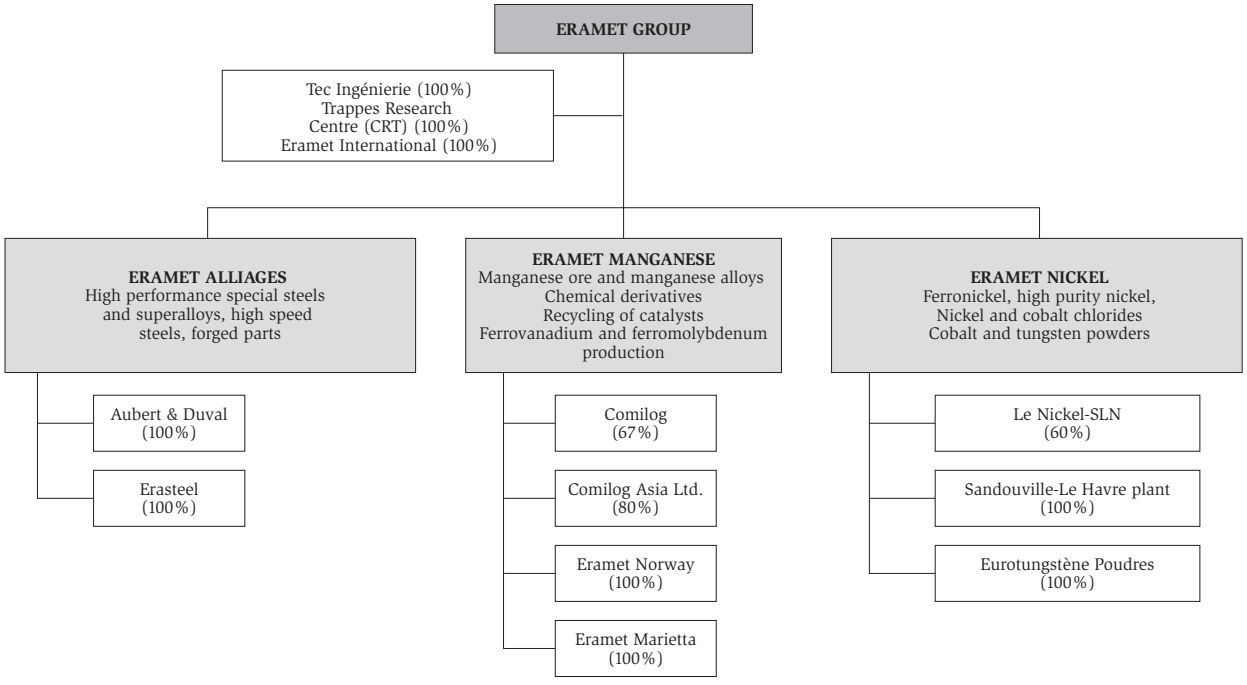
7. Organisational chart

7.1. Control chart



Pursuant to a shareholders' agreement described in CMF notice 199C0577 of May 18, 1999.

7.2. Group organisational chart as on December 31, 2005



8. The Group's property, plant & equipment

Generally speaking, the Group owns its plants and their equipment. Some large items of equipment are financed by finance leases (40,000-ton press in the Alloys Division, 75,000-ton furnace in Nickel Division) and are restated in the consolidated financial statements.

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

Millions of euros	Gross amount	%	Net amount	%
Le Nickel-SLN (New Caledonia)	1,067	35.3	423	35.4
Other	83		22	
Nickel Division	**1,150**	**38**	**445**	**37.2**
Comilog SA (Gabon)	367	12.14	158	12.38
Eramet Norway (Norway)	126	4.17	77	6.46
Eramet Marietta (USA)	98	3.24	37	3.10
GCMC (USA)	76	2.53	42	3.54
Other	403		94	
Manganese Division	**1,070**	**35.35**	**408**	**34.20**
Aubert & Duval (France)	388	12.80	144	12.10
Airforge (France)	91	3.01	89	7.49
Erasteel Kloster (Sweden)	113	3.76	36	3.03
Erasteel Commentry (France)	87	2.88	17	1.46
Other	109		43	
Alloys Division	**788**		**329**	
Holding company	**18**		**11**	
TOTAL	**3,026**		**1,193**	

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

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

- Nickel Division: leasing of ships carrying ore to the Doniambo plant (some €13 million) and of industrial equipment.
- 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.

9. Review of financial position and net income

All 2005 and 2004 data is drawn up pursuant to IFRS and data from previous years pursuant to French GAAP.

9.1. Key business figures

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

	2005	2004	2003	2002
Sales by division				
– Nickel	774	765	610	501
– Alloys	811	659	616	720
– Manganese	1,135	1,103	769	879
– Holding company and miscellaneous	(8)	(6)	(5)	(4)
TOTAL	**2,712**	**2,521**	**1,990**	**2,096**
Sales by geographic region				
– Europe	1,358	1,251	991	1,091
– North America	614	500	407	526
– Asia	666	673	500	412
– Other regions	74	97	92	67
TOTAL	**2,712**	**2,521**	**1,990**	**2,096**

9.1.2. Consolidated financial statements

(IFRS, millions of euros)	2005	2004
Sales	2,712	2,521
Current operating income	542	643
Net cash flow from operations	478*	518
Capital employed	1,664	1,379
Capital expenditure	231	240
Average workforce	12,348	12,898

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

In 2005, Eramet benefited from very high raw material prices and performance was thus outstanding (current operating margin 20% of sales), despite having production difficulties in New Caledonia as a result of industrial disputes and the fall in manganese ore and alloy prices in the second half of the year.

Eramet's net cash position improved further in 2005 €364 million compared with €288 million as at the end of 2004), after funding an extensive, primarily growth-focused, capital expenditure programme (€231 million).

The Group's net income also takes into account the conclusion of the Bercy agreements in New Caledonia. The balance of the mining indemnity was fully recognised in income. The net impact on the Group's share of net income was €77 million.

9.1.2.1. Income statement

Sales

The Group's consolidated sales amounted to €2,712 million, up 8% from €2,521 million in 2004.

The Nickel Division posted sales of €774 million, a slight increase (1%) on 2004, with the positive impact of nickel price increases (6.69 USD/lb on the LME compared with 6.27 in 2004) partly offset by lower sales (57 kT compared with 60 kT) and the slight fall in the US dollar.

The Manganese Division's sales rose 3% to €1,135, up 3%. However, there was a sharp contrast between a 19% increase in the first half of the year compared with the same period in 2004 as a result of steep prices increases for manganese ore, molybdenum and vanadium (by-products of the oil catalyst recycling

activity) and an 11% decrease in the second half compared with the same period in 2004 as a result of a sharp fall in manganese alloy prices.

The Alloys Division's sales rose 23% (€811 million compared with €659 million in 2004) as higher prices for consumed raw materials were passed on to customers and aerospace demand picked up at Aubert & Duval.

Current operating income

Current operating income amounted to €542 million compared with €643 million in 2004.

This bulk of this decrease was due, on one hand, to the negative impact on Le Nickel-SLN's production and sales of sporadic industrial disputes throughout 2005 and a strike lasting several weeks towards the end of the year and, on the other hand, the fall in the dollar (hedged position at 1.26 USD/EUR in 2005 compared with 1.18 in 2004).

Selling prices increased at a slightly slower pace than raw material costs and inflation, with the combined positive impact of selling price rises in the Nickel and Alloys Divisions and the fall in manganese ore prices not offsetting the sharp increase in consumed raw material prices and energy and freight costs.

Business trends were positive in all three divisions.

- Nickel production rose 9% (60 kT compared with 55 kT in 2005);
- Mining (2.9 million tons shipped compared with 2.3 in 2004), chemical and recycling business activities rose, even despite a 6% fall in manganese alloy sales
- Aubert & Duval's sales rose in its main markets (aerospace and power), but fell back slightly for Erasteel's conventional high-speed steels in the European and US markets.

Operating income

Operating income amounted to€654 million in 2005 compared with €616 million in 2004, though "Other operating income" includes €126 million in extraordinary items of income, comprised of €124 million* in principal and interests for the Poum/Koniambo indemnity received by Eramet and, on the other hand, €2 million in negative goodwill stemming from the acquisition of the Poum mining rights, following the conclusion of the Bercy agreements on December 31, 2005.

* This amount, previously recognised under other liabilities, was included in income in line with the Bercy agreements, which consider the balancing cash adjustment as having vested.

Net income

Net income amounted to €518 million compared with €478 million in 2004, after an income tax charge of €126 million, representing an effective rate of 20% (21% in 2004). This lower rate in 2005 is mainly due to permanent differences between accounting and taxable incomes and to previously unrecognised tax assets.

Net income, Group share

After minority interests, net income amounted to €377 million compared with €346 in 2004. This increase takes into account extraordinary items of income (see previous section) for a net amount after tax and minority interests of €77 million. Net income per share is €14.76 and works out at €11.75 excluding extraordinary items of income, compared with €13.75 in 2004.

9.1.2.2. Consolidated balance sheet

The Group's consolidated balance sheet assets amounted to €3,416 million as on December 31, 2005, compared with €2,948 million as at year-end 2004.

Non-current assets amounted to €1,500 million compared with €1,350 million, which represents 56% of sales as against 54% in 2004.

Operating working capital requirements (inventory, receivables, operating payables) were €942 million as on December 31, 2005 (127 days of sales), compared with €808 million as on December 31 2004 (117 days of sales).

Shareholders' equity rose sharply, from €1,502 million as on December 31, 2004 to €1,985 million at the end of 2005.

10. Cash and capital - Market risk

10.1. Information on the Group's shareholders' equity

This section analyses the consolidated balance sheet as on December 31, 2005 compared with December 31, 2004.

10.1.1. Operating working capital

Operating working capital requirements (inventory + receivables – payables) amounted to €942 million on December 31, 2005 compared with €808 million on the same date in 2004. The ratio of operating working capital requirements to sales was 34.7% as at the end of 2005 compared with 32% as at the end of 2004, mainly as a result of an increase in Alloys Division inventory following the upturn in the aerospace market.

10.1.2. Consolidated net cash position (1)

Financing

The Group's net cash position amounted to €364 million as on December 31, 2005, a €76 million improvement (*) on the end of 2004.

(1) Defined as cash and cash equivalents less borrowings and the portion of borrowings under 1 year.
(*) Change in debt flow statement.

This substantial improvement results from the following flows:

- €478 million in net cash flow from operations (€518 million in 2004), given EBITDA of €694 million (compared with €778 million in 2004) and the cash flow impact of an extraordinary gain, and following:

– The outflow of €123 million in income tax and €30 million in restructuring expenses in the Manganese and Alloys Divisions, for which provisions were recorded in 2003,

– An €150 million increase in net working capital requirements, largely on the back of a sharp increase in sales at the Alloys Division.

- €334 million in net cash flow from investing, largely comprised of €231 million (8% of sales) for capital expenditure and the impact of the cancellation of the debt owed to the State in respect of the €124 million Poum/Koniambo indemnity.
- €71 million in net cash flow arising from financing activities, of which €51 million in dividends paid to Eramet shareholders and €21 million to minority shareholders.

10.1.3. Provisions

Provisions amounted to €352 million as on December 31, 2005 compared with €344 million as on December 31, 2004. They can be broken down into two main categories.

Employees

Liabilities vis-à-vis employees as on December 31, 2005 were measured pursuant to IAS 19. Pension liabilities are comprised of retirement indemnities and supplementary pensions.

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

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

Total non-current employee liabilities amounted to €178 million as on December 31, 2005 as against €170 million as on December 31, 2004.

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 estimated discounted costs (rate of 4.75% in New Caledonia and 6.5% in Gabon) of dismantling facilities and replanting sites. These costs are periodically reviewed to factor in mined tonnage and actual costs. The amount of the provision as on December 31, 2005 is €80 million, compared with €83 million as on December 31, 2004 (see note 15.5 to the consolidated financial statements in Chapter 20.1). Other environmental provisions include liabilities stemming from lawsuits or regulatory constraints. They amount to €47 million as on December 31, 2005 as against €36 million as on December 31, 2004.

10.1.4. Other non-current liabilities

Other non-current liabilities amount to €11 million and stem from Setrag SA's debt, which is payable to the Gabonese state over 25 years following the purchase of separate property and a portion of the spare parts inventory.

10.1.5. Shareholders' equity

The Group's shareholders' equity amounted to €1,985 million as on December 31, 2005, compared with €1,502 million as on December 31, 2004.

The change over the period largely stems from income for the year and dividends paid out. The impact of applying IAS 39 is not really material as at the end of December 2005.

10.2. Financing and liquidity resources

10.2.1. Renewable credit facilities

On May 24, 2005, Eramet entered into an agreement for a €600 million multi-currency revolving credit facility with a select group of banks, running up to May 24, 2010. The issuer has the option of seeking a one-year extension during 2006 and 2007. The new syndicated credit facility replaces another €280 million multi-currency revolving credit facility set up on August 13, 2003. The interest rate on the borrowed amounts equates to the reference rate, depending on the borrowing currency, plus the applicable spread. The spread is reduced on a sliding basis in line with the financial ratio of consolidated net debt to shareholders' equity. In addition, Eramet pays a commitment commission of 30–32.5% of the applicable spread. Eramet has granted a single covenant (net debt / Group shareholders' equity) as described in Chapter 4.1.4.

10.2.2. Commercial paper

In 2005, Eramet set up a €400 million commercial paper programme. Because of its surplus cash position, it was decided to issue the minimum outstanding amount for market liquidity. As on December 31, 2005, outstanding Eramet commercial paper amounted to €55 million.

11. Research and development

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 catalyst for growth.

11.1. Dedicated organisation serving the divisions

This organisation is based on:

- The CRT, a dedicated research centre (a wholly owned Eramet subsidiary since 2003), located in Trappes, near Paris. The centre employed around 60 researchers, engineers and technicians and had an annual budget of approximately €7 million in 2005,
- Additional personnel (approx. 90 people) in the Divisions focusing on more specialised areas and selected project study and industrialisation phases,
- Significant resources that represent some 1% of sales for the Nickel and Manganese Divisions and 2% for the Alloys Division (i.e. a total budget of close to €30 million in 2005),
- A central coordination unit designed to develop synergies and skills via the CRT and consistency with regard to the Group's capital expenditure and development projects.

In 2005, Eramet stepped up its research and development efforts to satisfy the requirements of its industrial customers, improve its competitiveness and offer new services. A constant environmental concern governs the development of new processes; emission reduction is now a key selection criterion.

Managing R&D effectiveness

Eramet's research resources are closely focused on the needs of its customers. Whether for superalloys (Les Ancizes), surface treatment (Gennevilliers), powder metallurgy (Söderfors), closed die-forged parts (Pamiers) or cobalt powders (Grenoble), research teams are based at production sites.

The 70 researchers, engineers and technicians at the Trappes research centre (CRT) serve all three divisions. Skills and tools for cross-Group processes (mineralurgy, hydrometallurgy, calcination, electric furnaces, alloy processing, conversion, etc.) are centralised at the unit. The CRT's people often work in the field, cooperating closely with producers on process and product development in line with customer needs.

For several years, Eramet has networked its research teams to ensure that all the skills in the Group are readily available.

For example, in the Alloys Division in 2005, R&D programmes on powder metallurgy were carried out jointly by Erasteel and Aubert & Duval. A project involving the Söderfors laboratory, CRT and Les Ancizes' test facilities resulted in a new steel grade; Grindamax 3VTM enables manufacturers to improve competitiveness by reducing tool rectification costs.

To build up knowledge and anticipate future developments, Eramet has several research partnerships with universities and specialised laboratories, particularly through the Alloys Division. Eramet funds theses and works with engineering schools such as École des Mines in Albi (tooling), Nancy (surface treatment, alloy production and metallurgy) and Sophia Antipolis (digital simulation skills for conversion). In 2005, Eramet Alliages began working with Ecole Centrale on superalloy microstructure.

Eramet Norway's long-standing cooperation with Trondheim University is now shared with CRT. In 2006, it will result in the development of an experimental pilot system to analyse the pyrometallurgical reduction of nickel and niobium ores.

Research on alloy grades requires long-term study of the order of 10-15 years before any industrial application. This is one of the strengths of Aubert & Duval's research teams. New stainless steel grades for aerospace, the grades selected by the US army for weapons and the new 5% chrome tool steel, reflect the vitality and effectiveness of the company's research, which also applies to production processes. Also upstream, Aubert & Duval is preparing the next aerospace programmes at Boeing, SNECMA and Airbus and is working with those manufacturers on the materials and parts for the aircraft of the future.

Actively supporting capital expenditure programmes through research

Eramet's research supports the rollout of capital expenditure programmes, including the ramp-up of electric furnaces in New Caledonia as part of the 75,000 ton programme. Research is also ongoing to define the beneficiation process for nickel ore in Tiebaghi.

In Sandouville, research teams are optimising processes to expand production capacity (15,000 tons of nickel and 300 tons of cobalt in metal content) and decrease organic discharges. The manganese sinter production unit in Gabon is the focus of two programmes, one on production ramp-up and the other on the continuous improvement of sinter quality.

In 2005, Eramet launched a study on mining and processing niobium ore in Gabon. Niobium is used as a hardener in steels and superalloys and as a structure refiner. Based on the mineralogical analysis of the ore, the aim is to define an operating process for extracting and maximising the value of the niobium content.

Programmes to improve competitiveness

A study on the overhaul of the wire drawing process in Commentry began in 2005. The goal is to reduce lead times, inventories and costs substantially in order to become more competitive in terms of service and productivity than low production cost countries. To achieve this, Eramet is looking into the feasibility of a completely online process. The Group wants to offer its customers a service quality that will transform the way they manage inventory and anticipate demand in addition to limiting their expense.

For 40 years, the Söderfors (Sweden) plant has stored its production waste, comprised of oxides with very high metal content. In 2005, Eramet undertook a study to recycle those scales and extract the rich elements they contain, for example vanadium and molybdenum. Using the conventional arc furnace oxide reduction process, Eramet has developed a process that makes that extraction possible using Söderfors' own equipment. The pilot test carried out in November 2005 demonstrated the effectiveness of the new process and the Group will carry out its first industrial trials in January 2006 with the start-up of effective recycling in the same year. The process will result in metal with high vanadium, cobalt, tungsten and molybdenum content, being used as a raw material in manufacturing high-speed steels in Söderfors and Commentry, France. This capital expenditure should pay for itself within a short time, as the price of vanadium has gone from USD 4 to USD 40 per kilo after a peak of USD 120 in July, while molybdenum is currently trading at around USD 65 per kilo after a long period above USD 80.

11.2. Exploitation of deposits/Mineral reserves and resources

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 exploits nickel and manganese deposits, respectively.

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.

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 the Nickel Division and a renewable 75-year concession in the Manganese Division. The carrying amount of reserves is recognised at historical cost for purchased claims and granted concessions are not measured. The balance sheet amount does not necessarily reflect market value.

11.2.1.3. Estimates

Estimates have been drawn up by professional full-time Group employees using conventional or geostatic calculation methods. On both sites, geological reconnaissance, resource and reserve estimation, exploitation planning and mining are consolidated by over 40 years' industrial-scale practice. 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 ore reserves and 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 matters concerning 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.

Drillings or intercepts are selected if:

- They contain at least two meters of ore at a higher grade than the cut-off grade,
- They are 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 the two 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. Mining deductions for dilution and losses and with respect to ore dressing were calculated on the basis of current operations and realistic forecasts.

Exploration results

Exploration results are given on the same basis as resources.

Mineral reserves

Reserves are estimated on the basis of medium to long-term economic conditions (fuel oil, coal, coke, electricity and metal prices, exchange rates, etc.), commercial constraints (grades, customers, etc.) and current or expected technical mining and processing techniques. 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.

Resource and reserve figures are summed together.

Presentation of estimates

Resource and reserve figures have been grouped together by main technical or geographical area. For recoverable resources and reserves, only metal tons are given. The results may also be compared with production levels, which gives an indication of the remaining lifespan of the sites.

11.2.1.4. Definitions

A **Mineral Resource** is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, grade and quantity that there are 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 quantity and grade can be estimated from geological evidence with a very 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 pre-feasibility or feasibility study (a mining project in the broader sense) which takes account of any technical (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 pre-feasibility or feasibility study demonstrates at the time of reporting that extraction is viable. Ore Reserves are subdivided 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. as on January 1, 2006. These figures are based on the following parameters:

- 42% manganese (Mn) cut-off grade for the Bangombé and Okouma plateaus for measured and indicated resources and 32% - 38% for inferred 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 are sufficient to estimate inferred resources. The reconnaissance work done on Yéyé indicates the existence of ore masses. The quantity and quality of available information are not sufficient to estimate inferred 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: 1 DMTU Mn = 10 kg manganese).

Mineral resources in rock and fine manganese ore as on January 1, 2006

Area	Measured			Indicated			Inferred			Total		
	kT	% Mn	DMTU	kT	% Mn	DMTU	kT	% Mn	DMTU	kT	% Mn	DMTU
Rock ore > 10 mm												
Bangombé	21,200	47.4	1,010				3,700	38.9	140	24,900	46.2	1,150
Okouma	20,000	49.0	980	31,900	47.9	1530	3,800	40.3	150	55,700	47.8	2,660
Bafoula							23,000	34.0	780	23,000	34.0	780
Massengo							12,000	40.0	480	12,000	40.0	480
TOTAL	**41,200**	**48.2**	**1,990**	**31,900**	**47.9**	**1,530**	**42,500**	**36.7**	**1,550**	**115,600**	**43.9**	**5,070**
Fine ore 2 -10 mm												
Bangombé	17,400	46.0	800				3,100	37.6	120	20,500	44.7	920
Okouma				50,200	45.6	2290	3,500	38.9	140	53,700	45.2	2,430
Bafoula							15,000	32.4	490	15,000	32.4	490
Massengo							7,900	38.1	300	7,900	38.1	300
TOTAL	**17,400**	**46.0**	**800**	**50,200**	**47.9**	**2,290**	**29,500**	**35.2**	**1,050**	**97,100**	**42.5**	**4,140**

11.2.2.2. Recoverable mineral resources and ore reserves

The table below sets out the figures for measured and indicated recoverable resources in the Bangombé and Okouma plateaus as on January 1, 2006. They include the mine dump comprised of surplus fines not previously marketable.

These figures are based on:

- 42% manganese (Mn) cut-off grade,
- Similar processing to that currently used for Bangombé plateau ore, i.e. production of 10-80mm rock ore and 1-10mm fines from a run-of-mine,
- Currently applied commercial specifications.

These figures take into account the evolution of ore processing, including the work being carried out to improve the recovery of fines.

Recoverable manganese ore reserves and resources as on January 1, 2006 (millions of Mn DMTU)

Area		Reserves		Recoverable resources		Total	Production
		Proven	Probable	Measured	Indicated		2005
Bangombé	> 10 mm	860				860	
Okouma	> 10 mm				2,000	2,000	
TOTAL ROCK ORE		**860**	**–**	**–**	**2,000**	**2,860**	**72**
Bangombé	1-10 mm		400		200	600	
Okouma	1-10 mm				1,500	1,500	
Terril	1-10 mm	100				100	
TOTAL FINE ORE AND SINTER		**100**	**400**	**–**	**1,700**	**2,200**	**54**

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.

11.2.3. Le Nickel-SLN's reserves and resources

11.2.3.1. Saprolite mineral resources for pyrometallurgy

The mineral resources set out below have been grouped together by main geomorphologic unit. 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. Humidity varies from 22 to 38% depending on the mass in question.

Saprolite mineral resources for Doniambo metallurgical plant as on January 1, 2006

Geomorphologic unit	Measured			Indicated			Inferred			Total		
	kT	%Ni	kTNi	kT	%Ni	kTNi	kT	%Ni	kTNi	kT	%Ni	kTNi
Monéo Nord							2,143	2.80	60.1	2,143	2.80	60.0
Monéo Centre							5,036	2.55	128.4	5,036	2.55	128.4
Kouaoua	5,024	2.59	130.3	8,696	2.50	217.4	1,478	2.65	39.2	15,198	2.55	386.8
Poro	2,927	2.78	81.4				1,184	2.55	30.2	4,111	2.71	111.6
Nakety							270	2.73	7.4	270	2.73	7.4
Dothio*	5,909	2.88	170.2	1,419	2.77	39.3	1,269	2.78	35.3	8,597	2.85	244.8
Thio	108	3.03	3.3	633	3.13	19.8	404	3.10	12.5	1,145	3.11	35.6
Ouenghi				38	2.93	1.1				38	2.93	1.1
Port-Bouquet							20	3.22	0.6			
Kombwi N'Goye	352	2.92	10.3	810	2.84	23.0	150	2.78	4.2	1,311	2.86	37.5
Tontouta	234	3.09	7.2	773	2.92	22.6				1,007	2.96	29.8
Me Adeo	131	3.74	4.9				75	2.42	1.8	206	3.26	6.7
Me Maoya				263	2.60	6.8	450	3.07	13.8	713	2.90	20.6
Kopéto – Boulinda	5,641	2.16	121.8	6,940	2.26	156.8	4,838	2.24	108.4	17,419	2.22	387.1
Kaala	919	2.91	26.7							919	2.91	26.7
Tiébaghi	13,447	2.56	344.4	25,074	2.47	618.8	165	2.61	4.3	38,686	2.50	967.5
Poum	9,988	2.65	264.7							9,988	2.65	264.7
TOTAL	**44,680**	**2.61**	**1,165**	**44,643**	**2.48**	**1,106**	**17,482**	**2.55**	**446**	**106,785**	**2.54**	**2,716**

*The Dothio geomorphologic unit includes the Theo Plateau.

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 other sites with conventional treatment.

The exploration results given below also correspond to the weather phase of saprolite with 25% humidity.

Geomorphological unit	Exploration findings		
	kT	%Ni	kTNi
Monéo Centre	1,500	2.51	38
Kouaoua	399	2.67	11
Bel Air	1,875	2.63	49
Poro	375	2.58	10
Boakaine	113	2.75	3
Mara	600	2.50	15
Nakety	110	2.88	3
Thio	756	2.92	22
Ouenghi	9	2.93	0.3
Port Bouquet	40	2.78	1
Kombwi N'Goye	454	3.00	14
Mont Do	1,500	2.78	42
Me Adeo	516	3.07	16
Me Maoya	38	2.50	1
Kopéto – Boulinda	1,313	2.70	35
Tchingou	1,575	3.06	48
Tiébaghi	268	2.80	8
Poum	188	2.63	5
TOTAL	**11,628**	**2.75**	**320**

11.2.3.2. Recoverable mineral resources and ore reserves for pyrometallurgy

The table below sets out the figures for recoverable saprolite reserves and resources for the Doniambo pyrometallurgy plant as on January 1, 2006. The data is in thousands of tons of nickel content in shipped ore, calculated at constant humidity for ongoing production or estimated humidity. These figures come from the above-mentioned mineral resources and factor in the following:

- Conventional treatment of run-of-mine similar to current practices on Le Nickel-SLN and/or subcontracted sites: approximately 80mm screening with or without recovery of part of coarser fractions depending on mineralisation,
- Mineralurgical processing in Népoui Kopéto (in existence) and Tiébaghi (prior study in progress),
- Mining projects in the case of reserves.

Recoverable reserves and resources in saprolite for the Doniambo metallurgical plant as on January 1, 2006

(In thousands of metric tons of nickel)

	Reserves	Measured and indicated mining resources	Inferred mining resources	Mining production 2005
TOTAL	**932.3**	**567.7**	**257.3**	**63.0**

The production given above relates to nickel tonnages (stated as thousands of metric 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 approx. 2 kT Ni per annum.).

Deposit reconnaissance in 2005 enabled part of the inferred mineral resources to be reclassified as measured and indicated mineral resources. The reconstitution rate of recoverable reserves and resources of saprolite for pyrometallurgy was 61%.

In addition to the above-mentioned reserves and resources, and using the same basis of calculation, exploration results on various zones in the SLN zone looked at in this document point to additional recovery of some 200 kT nickel content in saprolite for the pyrometallurgical plant.

11.2.3.3. Other resources

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 to the additional presence of 2,000 kT of nickel.

Furthermore, for the entire Le Nickel-SLN mining zone and at a cut-off grade of 1.0% Ni, inferred to measured resources in laterites are currently estimated at 8,000 kT Ni, without any prior judgement as to their accessibility or economic viability.

12. Information on trends

12.1. Recent trends, outlook

12.1.1. Information up to the meeting of the Board of Directors

No material events took place prior to the date of the meeting of the Board of Directors.

12.1.2. Sales – first quarter 2006

Millions of euros	1st quarter		Change
	2006	2005	
Nickel Division	224	184	+ 22.0%
Manganese Division	265	311	- 14.9%
Alloys Division	229	194	-
Holding company & eliminations	(1)	(2)	+ 17.9%
Eramet Group	**717**	**687**	**+ 4.4%**

The Eramet Group's consolidated sales rose 4.4% in the first quarter of 2006 from the high level recorded in the first quarter of 2005. The Nickel and Alloys Divisions posted sharp increases, while sales fell back in the Manganese Division.

Furthermore, sales in the Manganese Division benefited from the positive impact of consolidation adjustments for €12.5 million in the first quarter of 2006, with the consolidation of Bear Metallurgical and Setrag, the Comilog subsidiary that holds the concession to the Transgabonais railway.

Nickel Division: Eramet Nickel's first-quarter 2006 sales rose 22% on the same period in 2005. Nickel prices on the LME began to pick up in the first quarter of 2006, reaching 6.72 USD/lb., but still below the average for the same period in 2005 (6.96 USD/lb.). However, they rose over 5% in euro terms. Metallurgical production at the Doniambo plant (New Caledonia) amounted to 17,045 tons (+7.9%). The division's nickel shipments amounted to 16,716 tons, up 14.4% on the first quarter of 2005.

Manganese Division: Eramet Manganèse posted a 14.9% decrease in the first quarter of 2006 vis-à-vis the same period in 2005. Excluding the consolidation of Bear Metallurgical (the leading North American producer of ferrovanadium and ferromolybdenum) and Setrag (the Comilog subsidiary that holds the concession to the Transgabonais railway), the division's first quarter sales were down 19% on the same period in 2005. Global carbon steel production in the first quarter grew 5.4% compared with the first quarter of 2005. Spot prices for manganese alloys, with the exception of the Chinese domestic market, continued their recovery from their fourth quarter 2005 levels, but remained lower than in the first quarter of 2005. The division's manganese alloy shipments fell 2.3% on the first quarter of 2005. Comilog's manganese ore and sinter production in Moanda (Gabon) was stable in the first quarter of 2006 compared with the same period in 2005, at 647,000 tons. Production was limited during the quarter by modernisation work on the beneficiation plant as part of the capacity expansion programme. Manganese ore selling prices remain significantly lower than in early 2005. GCMC's sales (oil catalyst recycling) remain high. They were higher than in the first quarter of 2005, but lower than in the fourth quarter of 2005 as a result of corrections in vanadium and molybdenum prices.

Alloys Division: Compared with the first quarter of 2005, sales in the Alloys Division rose some 18% during the same period in 2006. Aubert & Duval posted a 21% increase in sales. The aerospace sector is in a high growth phase. The power generation sector is also recovering. Moreover, in the first quarter Aubert & Duval inaugurated its new tool steel distribution centre in Wuxi, China.

Erasteel's sales rose 12.7%, despite a slight decline in shipments. This increase mainly reflects the policy of passing on higher raw material prices in selling prices, but also the growing share of high value-added products, especially powders.

12.1.3. 2006 trends

Since the beginning of the year, LME nickel prices have been above the already very high average prices seen in 2005. More recently, they reached 9 USD/lb. However, despite the upturn in demand resulting from the end of the inventory reductions that affected the stainless steel market in 2005, the physical nickel market may show a slight surplus in 2006, which may lead to corrections in nickel prices over the coming months. Nevertheless, thanks to the ground gained in the first months of the year and the general economic climate, nickel prices should remain high on average over 2006.

Under its capacity expansion programme, in 2006 Eramet Nickel is looking for a 68,000 ton increase, some 15%. Furthermore, the construction of the ore beneficiation plant in Tiébaghi (New Caledonia) is going satisfactorily.

Growth in manganese demand should remain firm in 2006 thanks to continued growth in global carbon steel production. Manganese alloy prices continue to recover from their trough in the second half of 2005. Manganese ore prices, which are generally set annually, are expected to fall in 2006.

However, Eramet Manganèse will be able to ship higher quantities of ore in 2006 by reducing its inventory and expanding its rated capacity to 3 million tons.

Prices for the molybdenum and vanadium marketed by GCMC and obtained from oil catalyst recycling are likely to fall significantly from their average 2005 levels.

The Alloys Division continues to benefit from strong growth in its aerospace sector sales, but also from improving conditions in power-related markets. Eramet Alliages is focusing its efforts in reducing working capital requirement and continuing to raise prices to offset raw material and energy costs.

The Group's current operating income in the first half of 2006 should be slightly up on the second half of 2005. This trend is based on assumptions that may vary considerably, particularly as a result of highly volatile nickel prices. In a favourable overall context for the Nickel and Alloys Divisions, taking into account the adverse trends in prices of the Manganese Division's products, results for 2006 should remain high, although they will probably be down on the excellent figures achieved in 2005.

12.1.4. Recent development: take-over bid for Weda Bay Minerals

March 15, 2006 – Eramet S.A. and Weda Bay Minerals Inc. announced that they had entered into an agreement under which Eramet will offer Cdn $2.70 per share in cash for shares in Weda Bay. The Eramet offer is fully financed from available funds and comes as a result of a process undertaken by the Board of Directors of Weda Bay to explore possible strategic relationships with industry leaders in order to develop the Halmahera project in Indonesia and enhance shareholder value. The Eramet offer is in line with Eramet's strategy of expanding its nickel business. Development of the Halmahera project offers the potential for significant nickel production and in particular the ability to serve the growing Asian market, which is currently posting sustained growth. In deciding to pursue this transaction, Eramet also considered Indonesia's improving business climate as well as local support for the project. The Board of Directors of Weda Bay, upon the recommendation of a special committee

of its directors, unanimously approved the all-cash offer from Eramet and the support agreement, and agreed to recommend that shareholders accept the offer. All the directors and officers of Weda Bay agreed to accept the offer for their shares.

March 28, 2006 – Eramet S.A. and Weda Bay Minerals Inc. announced that the companies had jointly mailed offer documents, together with a Directors' Circular supporting Eramet's offer to the shareholders of Weda Bay. Eramet's Offer is subject to the usual conditions, including acceptance by holders of at least 75% of Weda Bay's shares (on a fully diluted basis) and the receipt of necessary regulatory approval. The offer will be open for acceptance until 11:59 p.m., Toronto time, on May 1, 2006, unless extended or withdrawn.

May 2, 2006 – Eramet S.A. and Weda Bay Minerals Inc. announced that 91,596,890 common shares of Weda Bay, representing 95.48% of the Weda Bay common shares outstanding on a fully diluted basis, accepted the joint offer by Eramet and its wholly owned subsidiary 3132752 Nova Scotia Limited, which expired on May 1, 2006.

All of the conditions of the offer now having been satisfied or waived, Eramet and 3132752 Nova Scotia Limited have taken up all the Weda Bay common shares that accepted the offer.

In order to provide Weda Bay shareholders who have not yet accepted the offer with more time to do so, Eramet and 3132752 Nova Scotia Limited extended the expiry time of the offer to 5:00 pm, Toronto time, on May 31, 2006.

The acquisition of Weda Bay will ultimately enable Eramet's Nickel Division to double its output through the construction of a processing plant. The plant will use a hydrometallurgical process developed at Eramet's research centre. This process will make it possible to mine the mixed deposit at Halmahera, which is composed equally of garnierites and laterites. Eramet will also be able to take advantage of the excellent environment at Weda Bay: top-level support teams and a solid partnership with P.T. Antam, Eramet's partner in Indonesia which controls 10% of Weda Bay.

The Weda Bay project brings substantial synergies with New Caledonia and Le Nickel (SLN), which has been established there for over a century. The geological knowledge of garnierite and laterite that the Group has acquired will help to optimise management of the mining resources. Metallurgical projects on the same kinds of ore will allow the coordination and enrichment of research programmes and the parallel development of suitable technologies. Regarding human resources, location in the same geographical area of the Asia Pacific region should lead to fruitful exchanges between the two operations and a sharing of experience that will be of benefit to all.

13. Profit forecasts or estimates

N.A.

14. Corporate governance

14.1. Company and Group management and supervisory bodies

14.1.1. General management

14.1.1.1. Company management method (Article 15 of the Articles of Association)

The Company's Board of Directors, comprised of 15 members since the shareholders' meeting of July 21, 1999, adopted, in accordance with the deliberations of the shareholders' meeting of May 23, 2002 pursuant to the provisions of the "NRE" Act and at its meeting of March 26, 2003, a conventional organisation of the Company's management with a Chairman & Chief Executive Officer responsible for both the general management of the Company and the chairmanship of the Board of Directors (responsibilities given to Mr. Jacques Bacardats).

In both cases, the Board may, on the proposal of the person in charge of the Company's general management, appoint up to five deputy CEOs to assist him/her. The Company's CEO and deputy CEOs must be nationals of a member state of the European Union and may not hold the position beyond the age of 70.

The Board may also, in accordance with Article 19 of the Articles of Association, appoint up to four non-voting observers. The observers may be chosen from among the company's employees.

14.1.1.2. Composition

The general management of the Company and Group is organised as follows:

Chairman and Chief Executive Officer: Jacques Bacardats (since May 21, 2003):

At its meeting of May 21, 2003, the Board of Directors, which combined the positions of Chairman of the Board of Directors and of Chief Executive Officer (CEO) of the Company, gave Mr. Bacardats all the powers granted by law to the Chairman and CEO of a Société Anonyme.

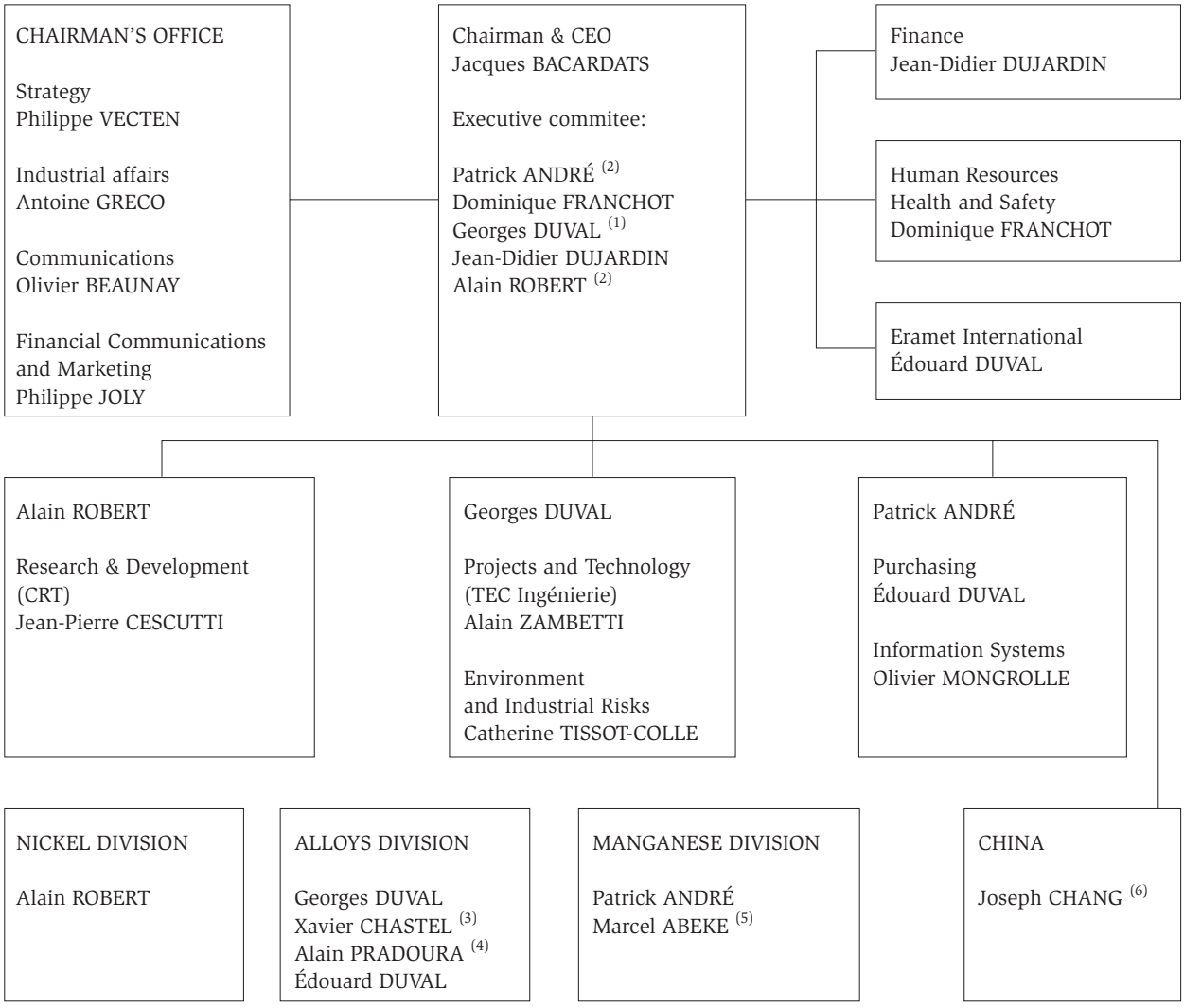
The Board also granted, on the same terms, the power to substitute and delegate, under his or her responsibility, to such persons as he sees fit, with the possibility of sub-delegating such part of his powers as he feels appropriate, by giving special powers for one or more specific purposes.

In line with the provisions of Article 14, Subsection 3 of the Articles of Association, the Chairman exercises full power subject to the proviso that, "no decision relating to major strategic, economic, financial or technological matters may be taken without being first discussed by the Board."
In line with Article 14, Subsection 4 of the Articles of Association, "acts affecting the Company are signed either by the CEO, the Deputy CEO or by any specially authorised person."

Deputy CEOs

In line with Article 17.2, the CEO may propose to the Board of Directors the appointment of one or more Deputy CEOs, of which there may be no more than five (5).
The following have been appointed in that capacity:
Georges Duval (Board meeting of May 23, 2002),
Patrick André (Board meeting of September 17, 2003),
Alain Robert (Board meeting of September 17, 2003).

14.1.1.3. Organisational chart



(1) Vice-Chairman, Deputy CEO.
(2) Deputy CEO.
(3) CEO, Erasteel.
(4) CEO, Aubert & Duval.
(5) CEO, Comilog.
(6) China Manager.

14.1.2. Board of Directors

Eramet abides by the corporate governance principles for listing companies set out in the July 1995 and July 1999 Vienot reports and the September 2002 Bouton report.

14.1.2.1. Appointment rules

In line with the shareholders' agreement of June 17, 1999, and pursuant to Article 11 of the Articles of Association, Directors may not be over seventy (70) years of age and are appointed for a four (4) year term. There are fifteen (15) Directors.

Pursuant to the provisions of Article 11.3, the majority of members on the Board of Directors (including legal entities and their permanent representatives) must be nationals of a member state of the European Union.

Each Director must own at least one share.

Pursuant to the shareholders' agreement, appointments are as follows:

- Five directors for the Sorame-CEIR concert party;
- Three Directors for Areva;
- Two Directors for STCPI;
- Lastly, four "qualified persons" are appointed, two by the Sorame CEIR concert party and two by Areva, "in light of their expertise and their independence from the party that proposes their appointment and from the Company itself, in line with the recommendations of the Viénot report."

The mission and the obligations of the Directors are described in the Directors' charter, provided for in Article 12-5 of the Articles of Association, while Article 13 Subsection 5 states, "the mission of the Directors is to defend the interests of Eramet in all circumstances and they must refrain, in the performance of their duties, from any action or inaction that would be likely to harm those interests."

14.1.2.2. Composition

Honorary Chairman: Yves Rambaud.

The Board of Directors is currently comprised as follows:

Chairman of the Board of Directors: Jacques Bacardats (as of March 2003)

Vice-Chairmen: 2

At its meeting of September 13, 2000, the Board of Directors decided to appoint two Vice-Chairmen representing the two largest shareholders. The following were appointed in that capacity:

- Georges Duval, on behalf of Sorame (as of September 13, 2000),
- Gilbert Lehmann, on behalf of Areva (as of December 13, 2005, succeeding Jean-Lucien Lamy).

Directors:

Rémy Autebert,

Cyrille Duval,

Édouard Duval,

Georges Duval,

Patrick Duval,

Pierre-Noël Giraud (independent Director),

François Henrot (independent Director),

Gilbert Lehmann,

Louis Mapou,

Harold Martin,

Jacques Rossignol (independent Director),

Michel Somnolet (independent Director),

Antoine Treuille (independent Director),

Areva, represented by Frédéric Tona.

- Other participants in meetings of the Board of Directors.

Observers: The Board of Directors, at its meeting of April 12, 2000, drawing on the option provided for in Article 19 of the Articles of Association, decided to offer two observer positions to Group employees, in addition to Works Council representatives. In practice, the two observers are appointed on the proposal of the European Works Council. The Council nominated Mats Nilsson (an employee of Erasteel Söderfors) and Daniel Signoret (an employee of Erasteel Commentry), who were appointed as observers at the September 13, 2000 Board meeting for a term of four years. Mats Nilsson resigned and was replaced by Jean Claude Dumontet (an employee of Erasteel Commentry) on September 11, 2002. The terms of office of the observers were renewed at the Board meeting of May 12, 2004.

Group Works Council Delegates: Claudine Grossin, Didier Jacq, Christian Detreille, Yann Perrigault.

14.2. Personal situation of executives

Other responsibilities held within and outside the group during the past five financial years

Directors and general managers of the Company as on February 28, 2006
Source: 2005 management report

Surname, forename or company name of member /Main position Family relationship	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
BACARDATS Jacques **Chairman and CEO** Born on October 21, 1947 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris - France	Non-Director CEO Board meeting: May 23, 2002 Co-opted as Director Board meeting: March 26, 2003 Chairman and CEO: Board meeting of May 21, 2003	Co-opting approved and renewed: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In Group companies** – Chairman and CEO, Le Nickel- SLN – Director: Comilog; Erasteel Kloster
AUTEBERT Rémy **Director** Born on July 20, 1953 Work address: Cogema 2, rue Paul Dautier 78141 Velizy Cedex - France	General shareholders' meeting of May 21, 2003	Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Director, Mines-Chemistry-Beneficiation, Cogema (since June 2004) – Manager of the Mines business unit, Cogema (July 2000-May 2004) – Chairman & CEO: CFMM SA – Chairman of Management Board: Eurodif (until 9/12/05) – Chairman: COMUF (Gabon); Urangesellschaft GmbH (Germany); Somaïr (Niger); Cogema Australia – Manager: SMJ (until 11/02/05) – Vice-Chairman of the Board: Cominak (Niger) – Member of the Supervisory Board: Eurodif – Director: Eurodif Pro; CFMM SA; SGN; Cominak (Niger); Comurhex (until 7/03/05); Katco (Kazakhstan); Cogema Resources Canada; SGN; CMA (Ivory Coast) (until 1/01/05); COMIN (USA); PMC (USA); UG Canada Ltd (until 1/02/05); 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 the Board of SMJ (until 11/02/05) – Member of the Board of Cogema Inc.; Cogema Deutschland

Surname, forename or company name of member /Main position Family relationship	Date of first ppointment	Last renewal date and expiry date of term of office	Other positions
DUVAL Georges **Director** **Vice-Chairman Deputy CEO** Born on May 3, 1946 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris - France **Brother of Édouard DUVAL, cousin of Cyrille and Patrick DUVAL**	General shareholders' meeting of July 21, 1999 Vice Chairman of the Board: Board meeting: September 13, 2000 Deputy CEO: Board meeting: May 23, 2002.	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In Group companies** – Chairman: Aubert & Duval (SAS); Sima (SAS); Eramet Alliages **In non-Group companies** – Manager: Sorame – Director and Deputy CEO: CEIR
DUVAL Édouard **Director** **Group Purchasing Manager** Born on December 2, 1944 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris - France **Brother of Georges DUVAL, cousin of Cyrille and Patrick DUVAL**	General shareholders' meeting of July 21, 1999	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In Group companies** – Chairman: Eramet International (SAS); Eramet International Tokyo Branch (SAS); Eramet North America Inc. – Deputy CEO, Sima (SAS) **In non-Group companies** – Chairman of the Management Board: Sorame – Director and Deputy CEO: CEIR
DUVAL Patrick **Director** Born on May 15, 1941 Address: c/o Eramet Tour Maine Montparnasse 33, avenue du Maine 75015 Paris - France **Brother of Cyrille DUVAL, cousin of Georges and Édouard DUVAL**	General shareholders' meeting of July 21, 1999	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In Group companies** – CEO: SIMA **In non-Group companies** – Manager: SCI Franroval; SCI Les Bois de Batonceau; SCEA Les Terres d'Orphin; SCI de la Plaine; Sorame – Director: Cartonneries de Gondardennes SA; CEIR – Chairman & CEO: CEIR
DUVAL Cyrille **Director** **General Secretary of Aubert & Duval** Born on July 18, 1949 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris - France **Brother of Patrick DUVAL, cousin of Georges and Édouard DUVAL**	General shareholders' meeting of July 21, 1999	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements	**In Group companies** – Deputy CEO: SIMA – Permanent representative of SIMA, Director of Metal Securities **In non-Group companies** – Deputy CEO and Director: CEIR – Manager: Sorame

Surname, forename or company name of member /Main position Family relationship	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
GIRAUD Pierre-Noël **Director** Born on March 8, 1949 Work address: CERNA 60, bd Saint-Michel 75272 Paris Cedex 06 France	General shareholders' meeting of May 21, 2003	Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Director: Cogema – Lecturer: Ecole des Mines de Paris – Member of the French Technology Academy
HENROT François **Director** Born on July 3, 1949 Work address: Rothschild & Cie 17, avenue Matignon 75008 Paris - France	General shareholders' meeting of July 21, 1999	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Managing Partner: Rothschild et Cie Banque – Director: Carrefour; Pinault Printemps Redoute; BP France; Cogedim; 3 Suisses; Vallourec
LEHMANN Gilbert **Director** **Vice-Chairman** Born on September 28, 1945 Work address: Cogema 2, rue Paul Dautier 78141 Velizy Cedex France	Co-opted by the Board on December 13, 2005	Co-opting approved: General shareholders' meeting called to approve the 2005 financial statements Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Deputy CEO: Cogema – Chairman of the Board of Directors: Cie d'Etudes et de Recherches pour l'Energie – CERE; SEPI (Switzerland) – Director: Framatome; Sofinel; FCI; Cie Technique d'Assurances – CTA; Framapar; CNS; Intercontrole; Assystem; Framatome Technologies (USA); FC USA; Canberra (USA)
MAPOU Louis **Director** Born on November 14, 1958 Work address: STCPI Imm. Carcopino 3000 98845 Nouméa Cedex New Caledonia - France	Co-opted by the Board at its meeting of March 29, 2001 (Approved by the General shareholders' meeting of May 30, 2001)	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In Group Companies** – Director: Le Nickel-SLN **In non-Group companies** – Chairman: STCPI (New Caledonia) – CEO: Sofinor (New Caledonia)
MARTIN Harold **Director** Born on April 8, 1954 Work address: President of the New Caledonian Congress 1, bd Vauban BP P3 98845 Nouméa Cedex New Caledonia - France	Approved by the General shareholders' meeting of May 11, 2005	Expiry date: General shareholders' meeting called to approve the 2008 financial statements	**In non-Group companies (New Caledonia)** – President of Congress of New Caledonia since May 2004 – Member of Southern Province Parliament – Mayor of Païta since 1995 – Deputy Chairman of SCTPI – Member with tenure: • Board of Directors of ADECAL (Treasurer) • Local finance committee • Advisory commission on expense appraisal • Advisory committee on mining • Management committee of mining economic support fund • Select committee in charge of identifying crisis situations in the mining sector – Chairman of advisory committee on Research – Director: Enercal; Savexpress; SEUR; SEM Agglo

Surname, forename or company name of member /Main position Family relationship	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
ROSSIGNOL Jacques **Director** Born on February 6, 1940 Address: c/o Eramet Tour Montparnasse 33, avenue du Maine 75015 Paris - France	General shareholders' meeting of July 21, 1999	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Director: Innoprocess – Former CEO: SNECMA, Arianespace
SOMNOLET Michel **Director** Born on February 6, 1940 Address: c/o Eramet Tour Montparnasse 33, avenue du Maine 75015 Paris - France	General shareholders' meeting of May 21, 2003	Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Former Director of Sanofi-Synthélabo: – Former Director, Deputy Chairman & CFO, L'Oréal – Director: L'Oréal USA; L'Oréal Morocco
AREVA **Director** **Represented by Frédéric TONA** **Permanent representative of AREVA on the Board of Directors** Born on August 27, 1947 Work address: For the attention of Frédéric Tona 2, rue Paul Dautier 78141 Velizy Cedex France	Co-opted by the Board meeting of March 27, 2002	Co-opting approved by General shareholder' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Former Director, Mining, Chemistry & Beneficiation Sector, AREVA/COGEMA – Member of the Board, Ecole Nationale Supérieure de Géologie de Nancy **(2000 - 1/02/2005)** – Director: Mining & Chemistry Sector, COGEMA until 2003 Mining, Chemistry & Beneficiation Sector, COGEMA until 31/05/2004 – Chairman & CEO Comurhex until 2003 CFMM and CFM – Chairman: Somaïr (Niger) – Vice-Chairman of Cominak (Niger) – Director: SGN; Eurodif SA; Eurodif Pro; Sofidif; Urangesellshaft (Germany); Cogema Australia Cogema Resources Canada Pathfinder Mines Corp (USA) Cogema Inc. (USA) – Permanent representative of CFMM on the boards of Cominor SA and SMJ
TREUILLE Antoine **Director** Born on October 7, 1948 Work address: Mercantile Capital Partners LLC 535 Madison Avenue New-York, NY10022 USA	General shareholders' meeting of July 21, 1999	Renewal: General shareholders' meeting of May 21, 2003 Expiry date: General shareholders' meeting called to approve the 2006 financial statements.	**In non-Group companies** – Executive Managing Director: Mercantile Capital Partners LLC – Director and Member of the Compensation Committee: Harris Interactive (NASDAQ) – Director and Chairman of the Audit Committee: BIC (French stock exchange)

Surname, forename or company name of member /Main position Family relationship	Date of first appointment	Last renewal date and expiry date of term of office	Other positions
ANDRÉ Patrick **Deputy CEO** **(non-Director)** Born on October 23, 1963 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris	Appointed at the Board meeting of September 17, 2003		**In Group companies** – CEO, Eramet Comilog Manganèse – Chairman & CEO, Comilog France – Manager, Comilog Holding – Chairman, Erachem Mexico – Chairman: Eramet Marietta Inc. (USA); Eramet Norway (Norway) – Deputy CEO, Comilog SA (Gabon) – Director: Comilog US (USA); Le Nickel-SLN; Comilog SA (Gabon); Erachem Comilog (Belgium)
ROBERT Alain **Deputy CEO** **(non-Director)** **Work address:** Born on December 25, 1945 Work address: Tour Maine Montparnasse 33, avenue du Maine 75015 Paris - France	Appointed at the Board meeting of September 17, 2003		**In Group companies** – Director: Le Nickel-SLN; Comilog SA

No information coming under part 14 – "Management, Administrative or Supervisory Bodies" -of regulation (EC) 809/2004 other than that set out above needs to be disclosed.

15. Total compensation and benefits of corporate officers and executive committee

Directors' fees

The directors' fees paid to Eramet's corporate officers for 2005 amounted to €153,170 (€152,220 in 2004); this amount is lower than the total package of €180,000 allocated to the Board of Directors at the shareholders' meeting of May 11, 2005, to be divided freely amongst the Directors by the Board.

Directors' fees for 2005 were distributed on the basis of a fixed individual amount of €7,623 for participation in all Board meetings, plus €1,000 for participation in the various committees. Furthermore, a travel allowance of €1,525 per Board meeting was paid to the Directors residing outside France.

The directors' fees paid to Eramet's corporate officers by other companies in the Group amounted to €17,449 (€19,355 in 2004).

Directors' fees were distributed as follows (in euros):

	Eramet	Other companies	TOTAL 2005	TOTAL 2004
Rémy AUTEBERT	9,623	3,063	12,686	14,686
Jacques BACARDATS	7,623	10,256	17,879	19,785
Cyrille DUVAL	7,623		7,623	7,623
Édouard DUVAL	7,623		7,623	7,623
Georges DUVAL	7,623	2,300	9,923	9,923
Patrick DUVAL	7,623		7,623	7,623
Pierre-Noël GIRAUD	7,623		7,623	7,623
François HENROT	7,623		7,623	7,623
Pascal LAFLEUR	3,431		3,431	12,198
Jean-Lucien LAMY	9,717		9,717	8,623
Gilbert LEHMANN	1,906		1,906	
Louis MAPOU	10,673	1,830	12,503	14,028
Harold MARTIN	8,767		8,767	
Jacques ROSSIGNOL	10,623		10,623	8,623
Michel SOMNOLET	14,198		14,198	19,248
Frédéric TONA	12,623		12,623	8,623
Antoine TREUILLE	18,248		18,248	17,723
TOTAL	**153,170**	**17,449**	**170,619**	**171,575**

Members of the Executive Committee ("Comex")

Criteria

Compensation of corporate officer Comex members is set annually by the Board of Directors on the basis of the recommendations of the Compensation Committee. For non-corporate officer members of the Comex, compensation is set by general management. Compensation proposals are intended to ensure competitiveness with the outside market and are based on external comparisons made regularly the Human Resources department and external consultants.

Compensation 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 criteria and goals and ranges from:

- 0 - 60% for the Chairman and CEO*
- 0 - 30% for corporate officers*
- 0 - 20% for other Comex members.

* Determined by the Compensation Committee.

Half of the bonus vests on the basis of goals achieved, i.e. 30%, 15%, 10%. To earn a higher percentage the goals set must be exceeded. These goals are based, for instance, on:

- Determined Safety results (accident frequency rate 1),
- Financial performance (debt, cash, working capital, etc.),
- Actual economic performance (ROCE, operating income, etc.),
- Completing major capital expenditure programmes on time and on budget,
- Managerial results,
- Strategy and project proposals coming under their own sphere of responsibility.

Amount:

The individual amount of compensation net of payroll charges allocated in 2005 to the members of the Group Executive Committee ("Comex" - six people in total) amounted to €1,683,058 (€1,525,237 in 2004) and breaks down as follows:

(in euros)	Period	Fixed portion (1)	Variable portion(2)	Directors' fees	Total
Jacques BACARDATS*	**2005**	**415,158**	**194,849**	**17,879**	**627,886**
Chairman & CEO	2004	345,031	136,767	19,785	501,583
Georges DUVAL*	**2005**	**191,938**	**22,713**	**9,923**	**224,574**
Deputy CEO	2004	190,375	24,734	9,923	225,032
Alain ROBERT*	**2005**	**207,643**	**9,797**	**10,256**	**227,696**
Deputy CEO	2004	185,890	19,277	12,162	217,329
Patrick ANDRE*	**2005**	**163,824**	**21,317**	**7,956**	**193,097**
Deputy CEO	2004	144,861	23,041	7,956	175,858
Dominique FRANCHOT	**2005**	**191,932**	**22,489**	**–**	**214,421**
Group Human Resources Manager	2004	189,513	22,868	–	212,381
Jean-Didier DUJARDIN	**2005**	**171,987**	**13,141**	**10,256**	**195,384**
Chief Financial Officer	2004	174,610	8,188	10,256	193,054

* Corporate officers.

(1) Salaries paid in 2005.

(2) Amounts due for 2005 and paid in 2006. In accordance with the French Economic Confidence and Modernisation Act of July 26, 2005, the variable portion now corresponds to the portion for year N paid in N + 1. 2004 data has been restated accordingly.

Comex members also benefit form the collective profit-sharing scheme. The sums paid under the scheme in 2005 with respect to 2004 individually amounted to €15,000, in accordance with the legally prescribed ceiling.

The ten highest amounts of compensation paid by Eramet SA with respect to 2005 amounted to €2,517,439, as certified by the auditors.

Corporate officers - compensation

The net compensation awarded to corporate officers in 2005 amounted to €1,739,300 (compared with €1,643,674 in 2004). It breaks down as follows:

in euros	2005	2004
Jacques BACARDATS*	627,886	501,583
Patrick ANDRE*	193,097	193,097
Rémy AUTEBERT	12,686	14,686
Cyrille DUVAL	139,607	140,141
Édouard DUVAL*	198,869	183,134
Georges DUVAL*	224,574	225,032
Patrick DUVAL	7,623	50,823
Pierre-Noël GIRAUD	7,623	7,623
François HENROT	7,623	7,623
Pascal LAFLEUR	3,431	12,198
Jean-Lucien LAMY	9,717	8,623
Gilbert LEHMANN	1,906	
Louis MAPOU	12,503	14,028
Harold MARTIN	8,767	
Alain ROBERT*	227,696	230,866
Jacques ROSSIGNOL	10,623	8,623
Michel SOMNOLET	14,198	19,248
Antoine TREUILLE	12,623	17,723
Frédéric TONA	18,248	8,623
TOTAL	**1,739,300**	**1,643,674**

* Individuals benefiting from a specific supplementary scheme.

The Company has not made any commitment or pledge with respect to the granting of severance pay for corporate officers.

Pension liabilities

Several years ago, Eramet set up a collective supplementary defined benefit pension plan for a group of executives (closed since January 1, 2001) who met the required eligibility criteria. The plan is managed by an outside insurance company (AXA).

Certain corporate officers (see above table) benefit, through their initial employment contract as employees prior to their corporate office, from this specific top-up scheme which stipulates that they may benefit in the event of the possible drawing down of their pension rights at Eramet SA (i.e. from age 60) from approximately 62 - 63% of their gross salary for minimum seniority of 10 years. This provision is necessarily uncertain as it only occurs on the actual date of retirement or leaving of the company's employ. The substitute income paid is the difference between the guaranteed income and the benefits paid to the retiree by CNAV, ARRCO and AGIRC, in particular.

According to the latest actuarial calculation, the current value of the estimated portion of the five corporate officers in question in the total amount of liabilities compared with the total amount of liabilities with respect to past service amounted to €3.9 million as at the end of December 2005, compared with €3.5 million as at year-end 2004.

Special report on free share grants

Pursuant to Article L. 225.197.4 – Subsection 1 of the French Commercial Code, we submit this report describing the free share grants carried out in 2005.

These transactions took place pursuant to the authorisation granted by the extraordinary general shareholders' meeting of May 11, 2005 to the Board of Directors, for a total of 40,000 shares and a period of three years.

Using that authorisation, the Board of Directors, at its meeting of December 13, 2005, granted 90 people (corporate officers and employees) 14,000 free shares in the Company, to be issued in the form of a capital increase.

At the same meeting, the Board drew up the stock grant scheme regulations that specify vesting and retention arrangements. The shares only vest after two years (i.e. December 13, 2007). The shares may not be sold until after an additional two-year retention period (i.e. from December 13, 2009).

The number of free shares granted to the corporate officers was as follows:

Jacques Bacardats	1,000
Georges Duval	600
Alain Robert	800
Patrick André	800
Cyrille Duval	100
Édouard Duval	100
TOTAL	**3,400**

The number of shares granted to each of the ten (actually eleven) Group employees who receive the highest number of free shares is as follows:

Jean-Didier Dujardin	800
Dominique Franchot	800
Marcel Abeke	300
Alain Pradoura	300
Bertrand Madelin	250
Xavier Chastel	250
Benoît Bied-Charreton	200
Philippe Gunderman	200
Didier Ventura	200
Arnaud Tissidre	200
Jean-Pierre Cescutti	200
TOTAL	**3,700**

The Board of Directors

Paris, March 8, 2006

16. Operation of management and supervisory bodies

16.1. Mode of operation

As of July 3, 2003, the Company's general management is organised into an Executive Committee ("Comex") and, as of September 2004, an International Management Committee headed by the Chairman and CEO.

The Executive Committee, a decision-making centre for the Group and the Divisions, is comprised of the Chairman and CEO, the three Division Managers, the Group Human Resources Manager and the Chief Financial Officer. At regular intervals, it also includes the Chairman and CEO of Erasteel, the CEO of Aubert & Duval and the Chairman of Eramet International.

The International Management Committee meets quarterly and is comprised of the members of the Executive Committee, the CEO of Erasteel, the CEO of Aubert & Duval, the Chairman of Eramet International, the CEO of Le Nickel-SLN, the CEO of Comilog, the China Manager and the Strategy Manager.

In liaison with the Executive Committee, Group decisions that affect the Divisions are made at monthly Division meetings. In addition, monthly reporting is monitored and key decisions regarding the Divisions are made at these meetings.

Each Division manager is also a deputy CEO, in charge of specific corporate functions as well as his/her Division. Georges Duval (Alloys) is responsible for engineering, the environment & industrial risks, Alain Robert (Nickel) monitors research & development and Patrick André (Manganese) supervises information systems and purchasing. The administration & finance and human resources departments, as well as Eramet International, continue to report to the Chairman & CEO. Bringing corporate functions under Executive Committee supervision makes their work more effective and consistent. The aim is to enable them to carry out their three main missions: supporting operations, steering activities and providing services to the Divisions. Additionally, a Chairman's office has been set up, looking after strategy, communications, marketing and industrial affairs.

16.2. Bylaws of the Board of Directors

Director's charter

All new Directors elected by the shareholders' meeting or co-opted by the Board, whether he or she is a Director in their own right or the permanent representative of a legal entity, signs up to a charter that gives a general description of the Directors' mission, the principles governing their actions and the rules of conduct imposed by current legislation and the Company's Articles of Association.

The charter, which was approved by the Board of Directors at its September 15, 1999 meeting, particularly emphasises Directors' competence, their duties as regards disclosure, their attendance at Board meetings and, insofar as possible, at shareholders' meetings, and their independence. The members of the Board are especially urged, at all times, to ensure they are not in a direct or indirect conflict of interest between the Company and any company in which they hold a position. Such a situation, which must be notified to the Board, may result, as the case may be, in a refusal to appoint or a resignation (in the event of a structural conflict), or to their abstention (a once-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 repeated. The rule prohibiting dealing in the Company'

shares is set down in a procedure that applies to corporate officers and executives. This procedure was approved by the Board of Directors on March 9, 2005.

Procedures / committees

The Board will soon adopt a procedures manual specifying its organisation, which is particularly based on the setting up of a series of internal committees.

At its meeting of May 21, 2003, the Board of Directors confirmed the renewal of the three committees created in 1999, while modifying their composition in line with the appointment of new Directors and changing the previous accounts committee into a true audit committee. Reasserting its desire to turn the Company into a benchmark for best corporate governance practice by focusing more on the future than the past and implementing the recommendations of the Bouton report, the Board specified the composition, organisation and workings of the committees

Audit committee

The audit committee has drawn up its own charter with a view to defining its composition (3 members), workings, missions and the compensation of its members. The charter was finally approved by the meeting of the Board of Directors of December 10, 2003. The committee set itself the mission, in addition to examining internal audit plans and analysing the half-yearly and annual financial statements, of monitoring major disputes, foreign currency policy, the transition to IAS and the application of the French Financial Security Act. The committee met three times in 2005 (March 8, September 6 and December 12, 2005).

Current composition of the committee: Antoine Treuille, Michel Somnolet, Rémy Autebert.

Compensation committee

The compensation committee is comprised of three Directors, one of whom is independent, and may be assisted by the Group Human Resources Manager. This committee met three times in 2005 (January 12, February 18 and December 7, 2005).

Current composition of the committee: Frédéric Tona, Michel Somnolet, Jacques Rossignol.

Selection committee

Comprised of four Directors and the Chairman, the selection committee proposes the appointment of the corporate officers who head each of the Company's three Divisions. The committee did not meet in 2005.

Current composition of the committee: Jacques Bacardats, Edouard Duval, Cyrille Duval, Gilbert Lehmann.

Meetings of the Board of Directors

Convening: meetings are called as often as necessary by the Chairman, in accordance with the law. Meeting notices are given to members by any means, including electronic, in principle one week prior to the date of the meeting.

Procedure for Board meetings:

- A folder containing files on most of the items on the agenda is given to every participant at the outset of the meeting.
- The meeting usually begins with a preliminary report by the Chairman of the main events in the previous period, then an update on business in each of the three Divisions. A particularly important project with respect to the Group's strategy may be presented.
- At the end of the meeting, a draft press release is usually submitted to the Directors for their comments and is published at the end of the day to inform the market of the main developments at the Company that are likely to be of interest.

Minutes: the Secretary of the Board (in principle, the Group General Counsel) drafts the minutes, which the Chairman submits to the Directors for approval at the next meeting, the draft minutes being sent to each participant (Directors, observers and Group Works Council members), with the meeting notice and agenda, approximately one week prior to the date of the next meeting.

Actual operation of the Board of Directors: a detailed report on the operation of the Board of Directors in 2005 was set out in the report of the Chairman, who will attend the general shareholders' meeting of April 27, 2005, pursuant to Article 117 of the French Financial Security Act, which is now codified in Article L 225-37 Subsection 6 of the French Commercial Code (see notes).

On the initiative and proposal of the Audit Committee, the Board of Directors at its meeting of March 9, 2005 decided to review its operation.

Attendance rate	**2005**	**2004**
Board of Directors	87%	84%
Audit committee	78%	100%
Compensation committee	89%	100%
Selection committee	NA	NA

Activity of the audit committee in 2005

As usual, the audit committee carried out a detailed review of the 2004 annual financial statements and the 2005 half-yearly financial statements. It looked into the various income statement items, particularly financial expenses, relating to the set-up of the central cash and tax pool, pointing out the relatively low taxation rate due to tax credits and the use of loss carry-forwards. At its September 6 and December 12, 2005 meetings the committee particularly focused on the switchover to the new IAS/IFRS accounting basis and the main options and presentations adopted by the company in this regard. Special attention was paid to the calculation method for asset impairment losses and the application of IAS 32/39. The auditors (Deloitte & Associés and Ernst & Young) gave their comments and agreement on the information to be disclosed, particularly in the notes.

The audit committee also reviewed the various lawsuits and environmental risks. The application of IAS 19 was an opportunity to review all employee liabilities and analyse the value

and composition of pension funds, and to comment on their measurement and control.

The audit committee also checked the completion of the projects identified during the previous period with respect to risk mapping, which improved the quality and accuracy of internal reporting. Harmonisation of Group practices, tightening of application of accounting and cash procedures and the prevention and management of failures were all improved substantially. The audit committee recommended the implementation of a spot-checking policy to ensure that those procedures are applied continuously in all countries.

17. Employees

17.1. Human resources

The diversity of the Eramet Group's locations and businesses required the implementation of a decentralised reporting system for its human resources data. This system has been in operation since 2005. It enables large entities with over 1,000 employees as well as smaller subsidiaries with fewer than 10 people to provide the central consolidation department with consistent data on the basis of common definitions. This reporting tool is also an operational management tool for divisions and companies and will be gradually enhanced in line with needs.

However, in mainland France and in New Caledonia, all the Group's subsidiaries draw up social reports pursuant to labour regulations. These report are submitted to employee representative bodies (works councils) for approval. This requirement does not exist in other countries.

The Eramet Group's business activities have a marked international dimension (over 65% of the Group's employees work outside mainland France) in terms of marketing and management as well as industrial production. The Group's international management aspect was enhanced in 2005 by the creation of an International Management Committee that meets twice a year and is made up of the members of the Group's Executive Committee and Eramet's managers in China, Gabon and New Caledonia.

The Eramet Group has signed up to the charter and principles published by the ILO and fosters several values:

- Dialogue with labour organisations, both formally (compensation policy, profit-sharing, training, welfare, employment management) and on a daily, informal basis on sites,
- A concern for informing all personnel regularly and clearly (company and site newsletters, Group intranet),
- Group management involvement (information and discussion seminars, meetings with Group and subsidiary managers).

17.2. *Leaders* Project: improving performance

Eramet has made it a priority to develop the Group's management culture in order to provide new momentum, driven by the strengths of its growth and teams. The *Leaders* programme was undertaken in 2005 and is a fundamental driver in that process.

Its aim is to mobilise Eramet's men and women in order to more closely involve everyone in performance improvement and change behaviour so as to foster initiative.

The programme supports the aim of empowering people within the Group and getting rid of borders, whether geographic (growing worldwide), technical (fostering excellent know-how), collective (working effectively as a team) or individual (exceeding one's limits to be a better team player).

The project was drawn up following extensive consultation by an outside firm, Stratorg, with managers in all the Group's operations. The survey took a snapshot of, amongst other factors, what motivates managers. The high expectations laid the groundwork for the 12 improvement projects set up in late 2005, mostly on HR and communication topics.

7 benchmark values

The Group's overarching aim is to achieve growth that is economically profitable, socially and environmentally sustainable and in harmony with neighbouring communities.

To achieve this, Eramet opted to structure its development and thereby enable everyone to focus their work on that development via seven core values: customer focus; looking to create value; intellectual honesty, courage; initiative and open-mindedness; challenging the professional status quo, mobility; teamwork and decompartmentalisation; maintaining, improving and passing on skills.

12 improvement projects

Projects are monitored and run by the specially created steering committee and chaired by Group Chairman Jacques Bacardats. Each member is responsible for at least one project jointly with an Executive Committee (Comex) member, who sponsors the initiative.

Following the presentation of the project in September and October 2005, the second phase now underway relates to personal mobilisation and implementation.

The 12 projects are:

1. Sharing strategy with teams;
2. Making internal communications systematic;
3. Creating a Group image;
4. Improving working relationships between different nationalities;
5. Rebuilding our technical leadership;
6. Setting annual goals;
7. Clarifying compensation policy;
8. Developing mobility;
9. Fostering initiative;
10. Developing collective and Group-wide teamwork;
11. Reviving recruitment policy;
12. Communicating on the Leaders project

To date, several tangible actions have been undertaken on every site, with the aim of coordinating and rolling out the *Leaders* programme in line with the specific projects of divisions and entities. The results of these initiatives will be presented in September 2006.

Broadening the process

Furthermore, the phase of extending the programme to supervisors and foremen has begun on a more targeted basis in line with local issues and circumstances.

Overall, the *Leaders* programme is both an improvement process focused on well-defined issues and a wider management momentum designed to encourage everyone to raise their standards, be they technical or managerial, individual or collective.

17.3. Headcount

Changes in headcount by geographic region

Over the past three years (2003, 2004 and 2005) the Group's headcount has risen by 857. While employee numbers rose in the Nickel (+111) and, above all, Manganese (+1,051) divisions, the Alloys Division's headcount fell by 378.

For the Nickel Division in 2005, employee numbers rose at Le Nickel-SLN in New Caledonia (+25) but fell at Sandouville and Grenoble (France).

Following the Manganese Division's restructuring and subsequent manpower reduction in 2002/2004, employment trends were markedly different in 2005, mainly because of the inclusion of Setrag's personnel (rail transportation in Gabon: +1,306). Even excluding that intake, the Manganese Division's personnel in Africa (Comilog SA) grew in 2005 (+56), particularly as a result of the mining capacity expansion programme. On the other hand, the workforce continued to fall in Europe (-85) and North America (-115).

For the Alloys Division, following the restructuring in 2004, manpower was consolidated in 2005. The workforce fell as a whole from 2004 to 2005 (-280), but rose slightly at Aubert & Duval (+25) and fell slightly at Erasteel (- 18, mainly in Sweden).

	France			Other European countries			North America			Asia			Other zones			TOTAL		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
Holding company	204	207	214	0	3	0	0	14	13	0	20	19	0	0	1	204	244	247
Nickel Division	333	358	341	0	0	0	0	0	0	0	0	0	2,118	2,184	2,221	2 451	2,542	2,562
Alloys Division	4,497	4,414	4,159	624	613	589	30	36	37	11	28	25	5	8	9	5,167	5,099	4,819
Manganese Division	472	152	137	696	640	570	885	885	770	1,996	2,162	2,118	1,384	1,339	2, 889	5,433	5,238	6,484
TOTAL	**5,506**	**5,131**	**4,851**	**1,320**	**1,256**	**1,159**	**915**	**935**	**820**	**2,007**	**2,210**	**2 162**	**3,507**	**3 531**	**5,120**	**13,255**	**13,123**	**14,112**

The headcounts set out in this and the following tables are as at the end of the year. They cover the scope of companies managed by the Group, which is different from the scope of consolidation. The consolidated headcount is 13,691 employees.

Headcount by professional category

The concept of 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 collar)

Supervisory staff: clerks, technicians, foremen (white collar)

Workers (blue collar)

	Workers			Supervisory staff			Managers			TOTAL		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
Holding company	0	0	0	83	97	93	121	147	154	204	244	247
Nickel Division	1,542	1,592	1,600	739	772	780	170	178	182	2,451	2,542	2,562
Alloys Division	3,128	3,080	2,890	1,598	1,543	1,498	441	476	431	5,167	5,099	4,819
Manganese Division	3,934	3,902	4,427	990	792	1,430	509	544	627	5,433	5,238	6,484
TOTAL	**8,604**	**8,574**	**8,917**	**3,410**	**3,204**	**3,801**	**1,241**	**1,345**	**1,394**	**13,255**	**13,123**	**14,112**

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 the headcount outside China, where short contracts are more common.

Use of fixed-term contacts is generally prior to hiring on an open-ended contract.

	Permanent contracts			Fixed-term contracts			TOTAL		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
Holding company	201	277	234	3	7	13	204	244	247
Nickel Division	2,347	2,449	2,491	104	93	71	2,451	2,542	2,562
Alloys Division	5,099	4,978	4,693	68	121	126	5,167	5,099	4,819
Manganese Division	4,602	4,169	5,209	831	1,069	1,275	5,433	5,238	6,484
TOTAL	**12,249**	**11,873**	**12,627**	**1,006**	**1,290**	**1,485**	**13,255**	**13,123**	**14,112**

Use of temporary staff, which is mostly restricted to mainland France and Belgium, is a different kind of practice. It represented the equivalent of some 630 employees in 2005 (Nickel: close to 40, Manganese: close to 60, Alloys: over 500). Use of temporary staff is essential in coping with fluctuations in order intake. The faster than expected upturn in the Alloys Division's business in 2005 required recourse to temporary staff.

Headcount by sex

Female employment in the mining and metallurgical sectors has traditionally been low. As the table below shows, the headcount is predominantly male, with women representing some 14% of all employees. It is in China that women represent the highest proportion of employees, accounting for close to one quarter of the workforce.

	Men			Women			TOTAL		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
Holding company	138	163	163	66	81	84	204	244	247
Nickel Division	2,248	2,343	2,352	203	199	210	2,451	2,542	2,562
Alloys Division	4,524	4,475	4,182	643	624	637	5,167	5,099	4,819
Manganese Division	4,465	4,324	5,377	968	914	1,107	5,433	5,238	6,484
TOTAL	**11,375**	**11,305**	**12,074**	**1,880**	**1,818**	**2,038**	**13,255**	**13,123**	**14,112**

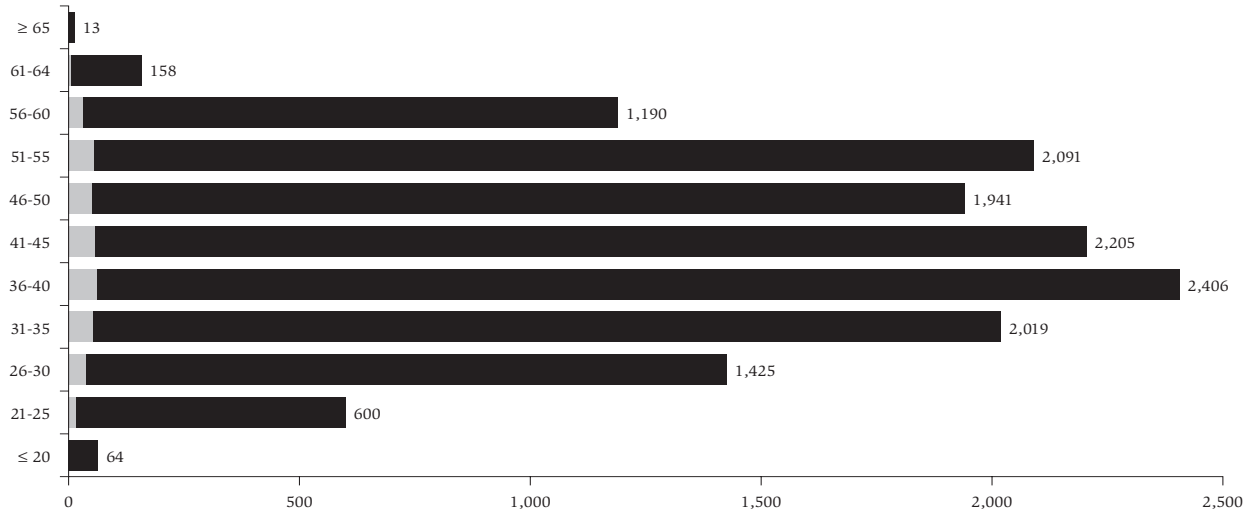
Age and seniority

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 4 years lower than for the other Divisions and professional categories.

	Workers			Supervisory staff			Managers		
	2003	**2004**	**2005**	**2003**	**2004**	**2005**	**2003**	**2004**	**2005**
Holding company	0.00	0.00	0.00	45.13	38.99	45.00	46.21	38.68	46.00
Nickel Division	38.02	37.95	38.63	43.62	46.63	43.75	42.92	42.92	42.78
Alloys Division	41.27	40.37	41.76	43.17	41.59	43.94	42.24	44.83	45.41
Manganese Division	41.69	41.69	40.67	42.09	39.61	42.79	45.06	45.17	46.09
TOTAL	**40.88**	**40.52**	**40.66**	**43.00**	**41.52**	**43.47**	**43.87**	**44.04**	**45.40**

The population pyramid shows that as on December 31, 2005, the breakdown of employees per age group does not give rise to any particular comments.

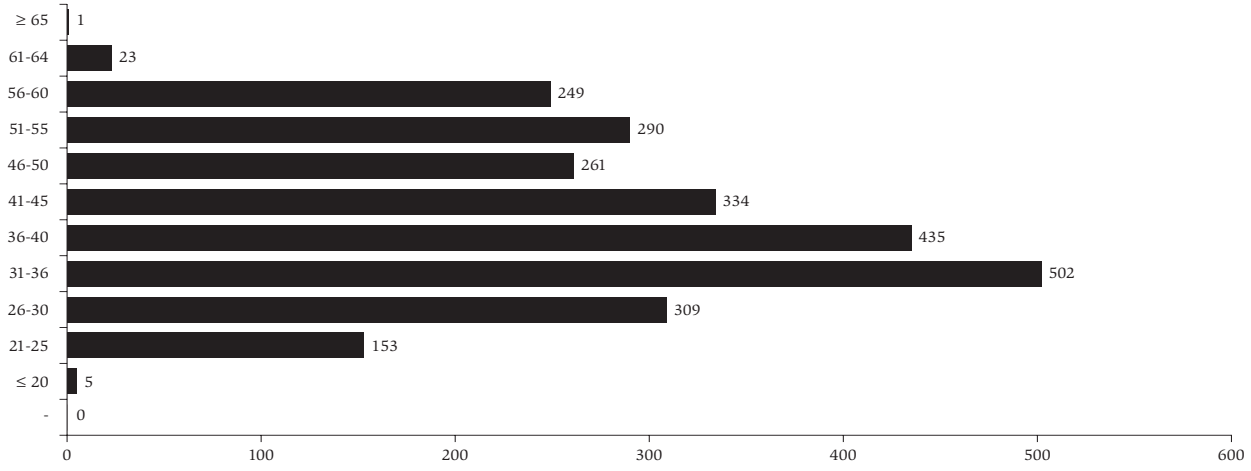
Group



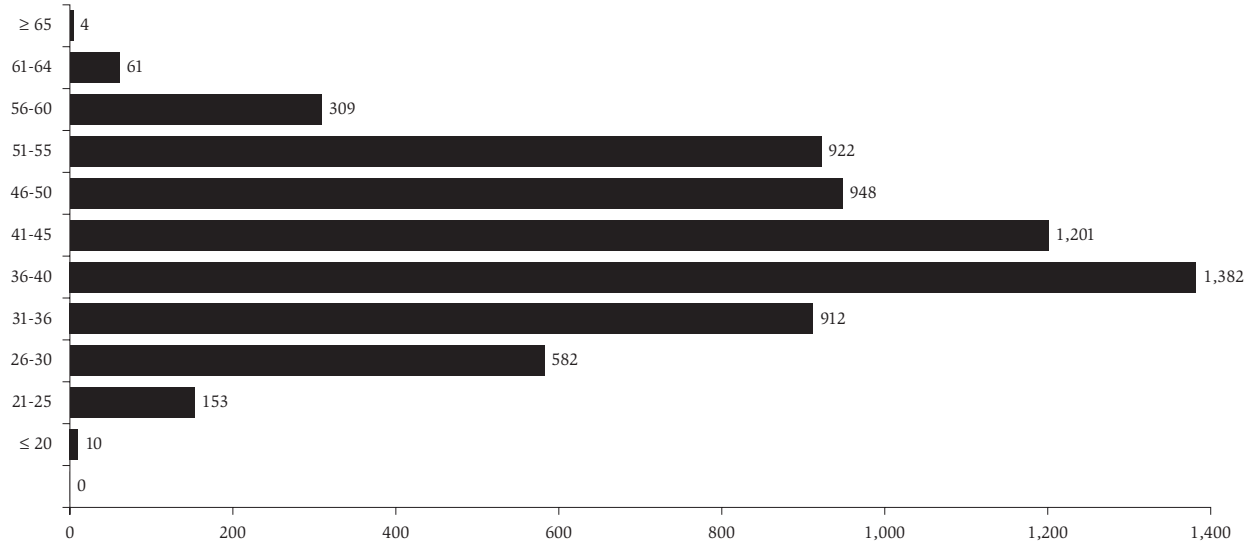
However, analysis of the population pyramid by age group emphasises significant disparities.

The Nickel and Manganese Divisions are relatively similar with a younger population and a larger share of personnel aged between 30 and 40. On the other hand, the Alloys Division's biggest age groups are the over 50s. Consequently, employee attrition in this division is likely to be substantial over the next ten years.

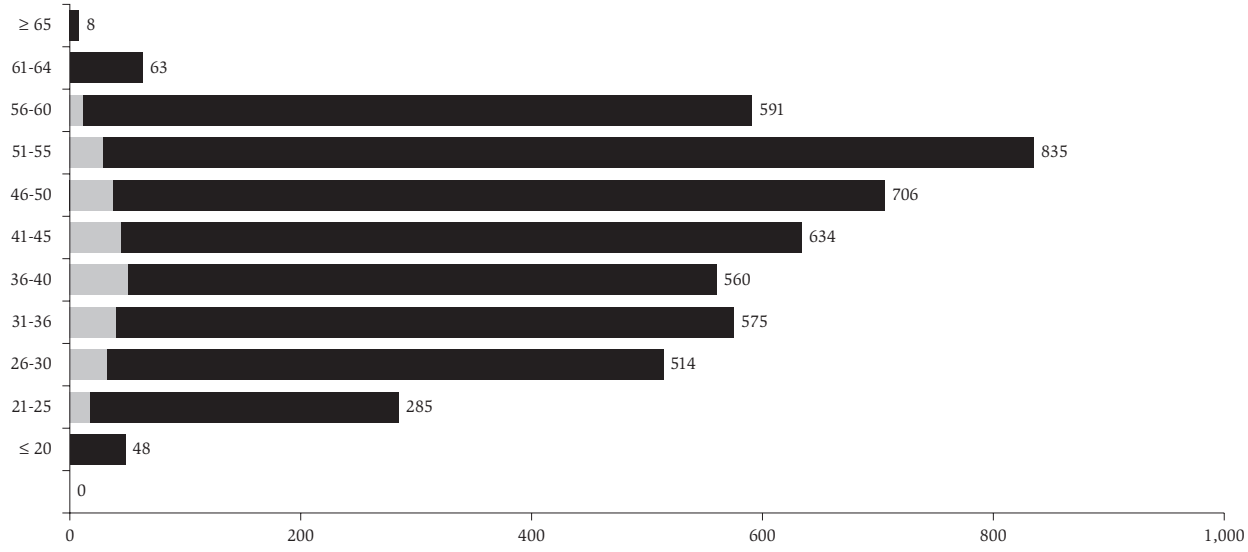
Nickel Division



Manganese Division



Alloys Division



Workforce attrition and management

The table below gives an indication of employee attrition by country within the Group.

Defined as the sum of arrivals and departures in the year divided by the number of employees at the end of the year, workforce attrition was 8% in 2003, rose to close to 16% in 2004 as a result of restructuring and fell back to close to 13% in 2005. The resignation rate is relatively constant and represents 0.8% - 1% of the total workforce.

Workforce attrition by country

	In			Out														
	Outside hiring			Dismissals			Retirement including early retirement			Resignations			Other			TOTAL		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Mainland France	228	265	469	74	541	104	99	178	107	69	84	85	0	0	191	401	984	871
New Caledonia	158	150	109	0	6	45	13	49	13	7	3	12	0	0	17	171	205	184
Europe Exc. France	17	44	16	6	20	1	37	84	21	26	17	19	0	0	23	60	148	61
USA	29	36	45	15	8	11	33	6	20	15	26	17	0	0	11	77	50	87
Gabon	101	101	193	19	19	13	63	63	0	9	9	2	0	0	43	183	183	249
Other	1	279	97	0	67	62	0	58	53	0	13	11	0	0	4	1	404	216
TOTAL	**534**	**875**	**929**	**114**	**661**	**236**	**245**	**438**	**214**	**126**	**152**	**146**	**0**	**0**	**289**	**485**	**1,251**	**885**

17.4. Work organisation and compensation

Working hours

Wherever it is based, the Eramet Group complies with applicable legislation on working hours. For guidance, working hours are as follows:

- Mainland France: 35.00 hours per week
- Norway: 37.30 hours per week
- New Caledonia: 37.50 hours per week
- China, Gabon, USA, Sweden: 40.00 hours per week over 5 days

Shorter working weeks usually apply to shift personnel.

Compensation

• Personnel – payroll charges

Salaries account for the main part of personnel compensation. The average rate of social contributions on wages and salaries at Group level was 39% in 2003, 42% in 2004 and 39% in 2005. While contributions varied according to location in 2005, from 40-46% in mainland France or even higher in countries such as Sweden (48%), they were lower in New Caledonia (41%) or Gabon (37%).

• Profit-sharing policy

In mainland France and New Caledonia, profit-sharing agreements are regularly signed with labour organisations. They are on top of any regulatory provisions on profit-sharing.

Equivalent provisions in Sweden are based on the ratio of total payroll to income.

In 2003, the total amount paid out with respect to profit-sharing schemes was €10,951 thousand, which represents over 3% of the Group's salary bill, but almost 10% of salaries in the companies concerned.

In 2004, the total amount paid out was €15,692 thousand, which represents almost 5% of the Group's salary bill, but slightly over 10% of salaries in the companies concerned.

In 2005, the total amount paid was €19, 430 thousand, i.e. close to 6% of the Group's payroll but a little over 8% of salaries in the companies concerned.

• Other employee liabilities

Provisions have been recorded for all pensions, severance compensation, medical coverage, welfare and other benefits for active or retired personnel according to current practice in each country.

Provisions are also recorded for the portion not covered by insurance companies or pension funds, particularly for US and Norwegian companies. Plans are usually defined benefit. Liabilities specifically concerning these plans are located in the USA (48%), France (21%), Norway (18%) and New Caledonia (6%). The other plans are defined contribution or employer contribution and are expensed in the period to which they relate. Details of the main assumptions used to calculate these liabilities are set out in the financial statements (see Chapter 20.1 – Section 15.3).

Full provisions have also been recorded for a supplementary retirement plan for some Eramet senior managers, which was closed on January 1, 2001. The estimated actuarial value of the plan as on December 31, 2005 was €9 million (compared with €7.5 million as on December 31, 2004).

Stock option plans

There are different types of plans.

On one hand, there are plans that are open to a very large number of Group employees. One such plan opened in September 1999 covered 5,646 employees. Under this plan, which expires in September 2007, 423,450 Eramet Group shares have been granted. It was created to support the merger of the Eramet Group with the SIMA group in 1999.

The plan gives each beneficiary the possibility of acquiring 75 Eramet shares at a predetermined price. The sharp growth in share prices in the second half of 2004 and in 2005 led many employees to exercise their options and sell their shares. 1,132 current or retired employees exercised that right in 2005.

On the other hand, there are also specific plans where the beneficiaries are the Group's senior managers. In 2005, a new discretionary plan entitled 81 people to 14,000 free shares.

• Employee Savings Plan

In mainland France and New Caledonia, Eramet Group employees can make occasional or voluntary payments into an employee savings plan. The sums paid under profit-sharing schemes may also be paid in. Group companies participate in the savings plan through a top-up on the sums paid by employees. The arrangements for paying the top-up vary from company to company. Savings are invested in mutual funds that are managed by financial institutions which are independent of the Group and controlled by equal-representation supervisory boards.

17.5. Industrial relations

Industrial dialogue plays an important role in the life and internal workings of every Group company. Many company agreements are signed every year on working conditions, employment and compensation.

On a corporate level, the Eramet Group facilitates two employee representative bodies. On one hand, the Group Works Council, comprised of 30 delegates from companies governed by French labour law and, by extension, New Caledonian labour law, meets once a year. On the other hand, the European Works Council is comprised of delegates from companies based in Europe, plus New Caledonian delegates, i.e. 34 delegates in all. The European countries currently represented on the European Works Council are France, Belgium, Sweden and Norway. This Council meets once a year. Its operation was streamlined through the creation of a select committee of six officers, which meets more often.

17.6. Training

As regards the vocational training of its employees, the Eramet Group prioritises training that focuses, on one hand, on safety and, on the other hand, on the development of technical skills enabling employees to more effectively come to terms with processes and their environment.

However, many training initiatives relate to the use of computer tools and foreign languages.

Similarly, capital expenditure programmes are always supported by major training initiatives on operating new tools.

For example, the following actions were carried out in 2005:

- In the Nickel Division, extensive training initiatives continued in support of the 75,000-ton programme at Le Nickel-SLN in New Caledonia. The automation of many facilities under this programme required the upgrading of the skills of operators.
- Le Nickel-SLN created a mining vocational diploma in partnership with the French ministry of education. The first class graduated at the end of 2005. This will give the company and, more generally, New Caledonia a pool of future technicians or foremen who are capable of taking on managerial roles in the mines.
- In the Alloys Division, close to 1,000 hours in training supported the capital expenditure programme focussed on the 40,000-ton press in Pamiers.
- In the Manganese Division and in Gabon, the capacity expansion at the Moanda beneficiation plant brought control technicians to France and resulted in on-site training for around 60 people in instrumentation, regulation and, for some of them, facility operation via delta V-type centralised control. Substantial efforts were made in terms of field communications.
- In many metallurgical plants and the Trappes research centre, teams of technicians and engineers were trained in simulation software that can model the behaviour of materials under thermal and/or mechanical constraints. In this case training supports technical development.
- A skills transfer project was undertaken in high-speed steel metallurgy. It is designed to capitalise on the Group's knowledge in this area before the retirement of several experts in order to provide young engineers and beginner technicians with a set of theoretical and technological skills. The project is driven by Franco-Swedish teams and started in 2005.
- In France, initiatives designed to enhance and regularise safety practices are ongoing. Safety facilitators and members of health, safety & working conditions committees develop facility consignment procedures that will be applied across the Group.

In line with previous years, overall training initiatives represented 2%-4% of payroll for the companies and job categories concerned.

17.7. Health & Safety

17.7.1. Safety

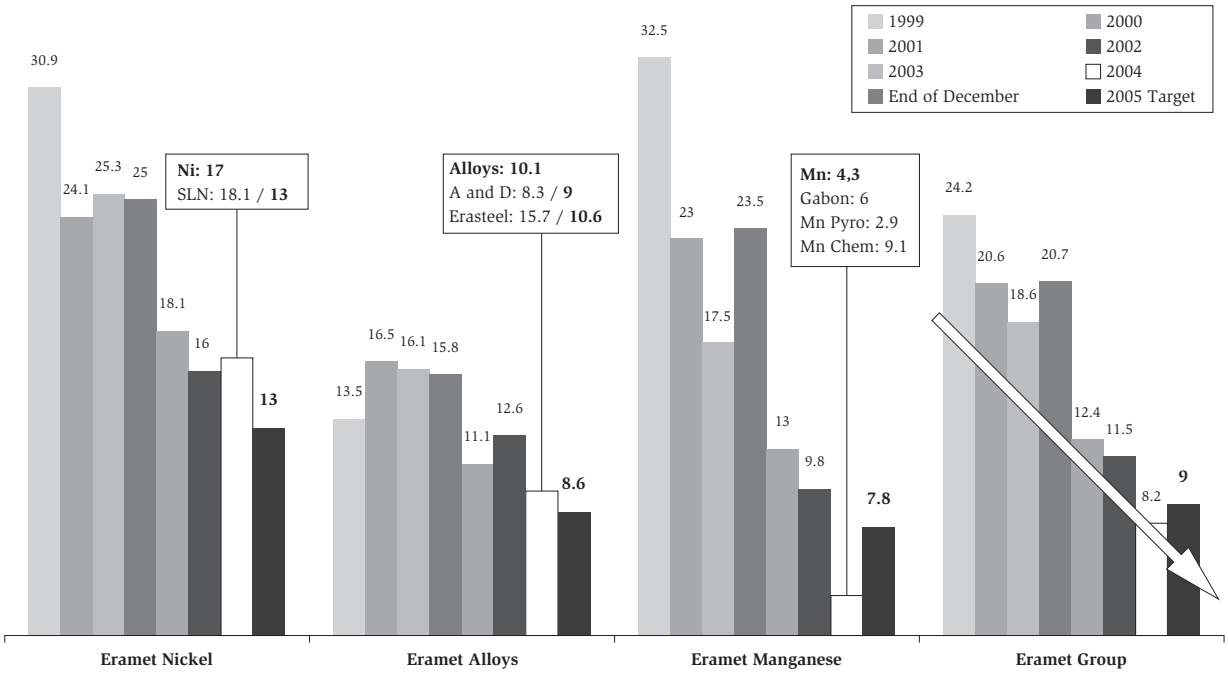
Frequency rate

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 six years for a virtually constant scope (excluding Chinese plants for 2003 and 2004).

A steady improvement in accident frequency since 1999 (with the exception of 2002) can be seen, with the rate falling by over a factor of three in six years. This improvement mainly stems from initiatives in the Manganese Division (which accounts for close to half the hours worked in the Group) and, to a lesser extent, the Alloys Division.

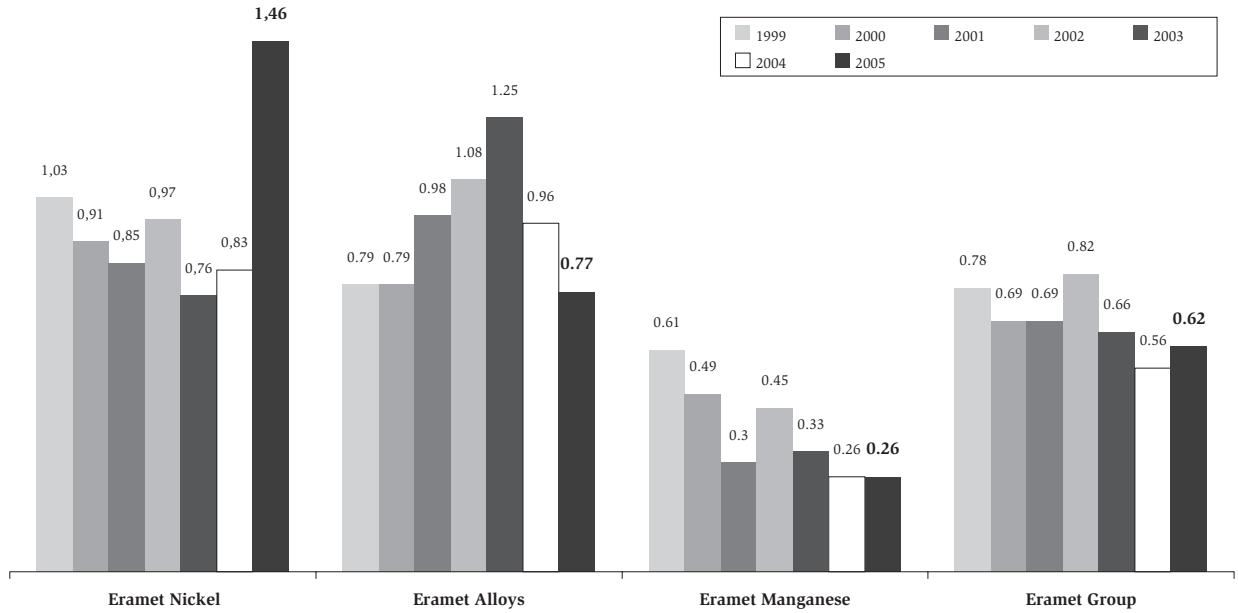
The focus in 2006 will be on improving results in the Nickel Division and at Le Nickel-SLN in particular.



Seriousness rate

The seriousness rate is defined as the number of days lost per 1,000 hours worked.

The chart below shows changes in the seriousness rate over the past seven years for a virtually constant scope (excluding Chinese plants for 2003 and 2004).

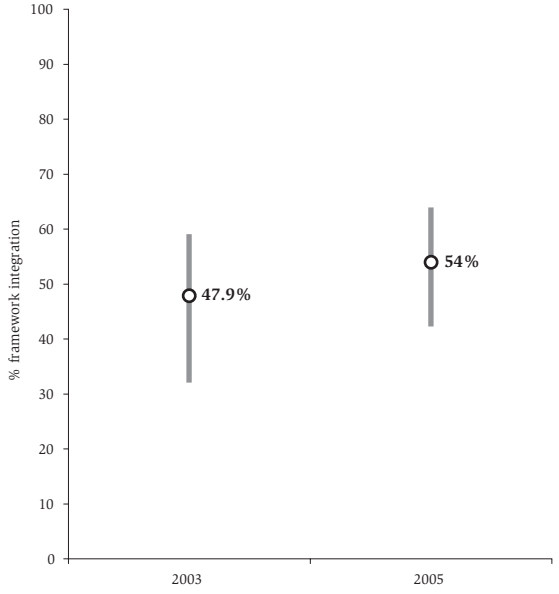


The Group's accident seriousness rate has fallen sharply and steadily (with the exception of 2002) for six years and was 0.62 in 2005 (compared with 0.56 in 2004). This result is due to initiatives by all three divisions, particularly the Alloys Division for 2004 and 2005.

17.7.2. Safety audits

A site assessment policy is carried out through systematic audits at the rate of one audit every two years for every site worldwide. The audits are carried out by trained auditors who are also safety facilitators on sites steered by the Health & Safety coordinator according to a customised framework for the Group. This framework was drawn up several years ago in cooperation with DNV and is based both on an international safety appraisal system and on the Group Health & Safety policy signed by the Chairman.

The findings of these audits form the basis for drafting Group and subsequently site action plans for the following two years. For example, in 2003 they enabled a major risk to be detected. Specific action was then carried out in 2004 at Group level to control that risk (scheduled, budgeted and completed for a set of pilot sites, with rollout to all sites scheduled for 2005 and 2006).



Twelve auditors accompanied by the H&S Coordinator carried out 31 audits in 2005, on:

- 9 sites already audited in 2003: Sandouville (+13 points), Champagnole (+12 points), Gennevilliers (+11 points), Sauda and Porsgrünn, Firminy, Grenoble and Dunkerque.
- 4 sites audited for the first time: Laval de Cère, Owendo, Tiébaghi and Népoui.

Two new auditors were trained during the Gennevilliers audit.

The overall result is reflected in the percentage of audit framework integration. The average score rose by 6 points with 10 and 5-point improvements in the minimum and maximum scores, respectively.

17.7.3. Health

Workplace physicians on the Group's sites (mostly inter-company physicians) established a discussion group that meets twice a year to share ideas, experience and best practices or work on changes in applicable regulations.

As regards asbestos risk, the Eramet Group took determined action well before 1997 to remove asbestos wherever possible. It should be remembered that Eramet's industrial sites have never made materials containing asbestos. A possible source of exposure was the use of materials containing asbestos in order to insulate or lag industrial equipment, particularly furnaces. The legal and regulatory measures introduced since 1997, which the Group applies strictly, consolidated the actions already taken. A Group personnel screening and medical monitoring procedure was set up in 2003.

Specific action concerning all sites was developed in 2005 under the supervision of a special purpose pilot group established to address the issues involved in using chemicals and/or CMR substances (the "CMR" Decree), a health problem that was particularly shown up by the audits carried out in 2004.

17.8. Interests held by corporate officers

Some Directors have a material interest in the Company's share capital.

17.8.1. 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.

17.8.2. Direct interests as on December 31, 2005

	Shares	Voting rights
Jacques Bacardats	100	200
Rémy Autebert	100	200
Cyrille Duval	207	412
Édouard Duval	165	321
Georges Duval	1	2
Patrick Duval	50	100
Pierre-Noël Giraud	–	–
François Henrot	1	2
Gilbert Lehmann	–	–
Louis Mapou	1	1
Harold Martin	–	–
Jacques Rossignol	100	200
Michel Somnolet	100	200
Antoine Treuille	200	400
AREVA	6,757,277	13,514,554
Frédéric Tona	1	2

Some Directors hold executive positions in the Company:

- Jacques Bacardats (Chairman & CEO),
- Georges Duval (Vice Chairman, Deputy CEO),
- Edouard Duval (Group Purchasing Manager, Chairman of Eramet International),
- Cyrille Duval (General Secretary, Aubert & Duval).

No Director has a direct material interest in any Group subsidiary. No Directors have a conflict of interest within the meaning of Article 16.1 of EC regulation 809/2004 or have entered into a service contract with Eramet.

17.8.3. Loans and guarantees granted to or put in place for members of management or supervisory bodies

None.

17.9. Employee profit-sharing schemes

17.9.1. Bonus and profit-sharing contracts

Specific provisions for the benefit of employees of the French parent company.

Profit-sharing scheme

The profit-sharing scheme currently in force stems from the agreement that was renewed on June 30, 2003 for three years and expired at the end of 2005. A new agreement will be proposed and discussed in the first half of 2006. It concerns the profit-sharing system falling under Articles L. 441 et seq. of the French Labour Code. The agreement is a way of focussing the company and its employees on specific performance goals. It provides for the payment of a profit-sharing bonus calculated on the basis of the Group's cash flow for employees working for the holding company and the Nickel business's cash flow and the number of customer complaints for Nickel Division employees. The total annual amount paid out cannot exceed 12% of the gross payroll for the employees in question.

The bonus is paid to personnel with over three months' service as on December 31 and breaks down as follows: 20% of the amount uniformly across the beneficiaries in proportion to their working time and 80% in proportion to the reference gross salary.

The following amounts were recognised for the bonus over the past five years.

Year	Thousands of euros
2005	1,898
2004	2,080
2003	1,149
2002	515
2001	716

In the event of a profit-sharing payment calculated in line with applicable legislation, 90% of the bonus is deducted from such payment.

17.9.2. Share purchase schemes

History of share subscription and/or purchase option and free share grants

Plan	Plan C	Plan D	Plan E	Plan F	Plan G	Plan H
Date of shareholders' meeting	8/06/95	27/05/98	27/05/98	21/07/99	23/05/02	11/05/05
Date of meeting of the Board of Directors	16/12/97	12/12/01	14/12/99	15/09/99	15/12/04	13/12/05
Type of plan	Subscription	Subscription	Purchase	Purchase	Subscription	Free shares
Original number of options granted	104,500	153,000	166,500	423,450	130,000	14,000
Original number of beneficiaries	39	61	80	5,646	81	90
Total number of shares available for subscription or purchase						
By corporate officers	41,000	66,000	60,000	1,200	31,500	3,400
By the 10 employees receiving the largest grant	37,000	30,000	29,000	750	27,000	3,700
Exercisable as from	16/12/99	12/12/03	14/12/01	15/09/99	15/12/06	13/12/05
Expiry date	15/12/05	11/12/09	13/12/07	14/09/07	15/12/12	NA
Subscription or purchase price	33,08	32,6	54	47,14	64,63	NA
Terms of exercise	NA	NA	NA	NA	NA	NA
Number of shares subscribed to as on 31/12/2005	94,500	37,730	113,965	284,770	0	0
Cancelled share subscription/ purchase options and free shares	10,000	3,000	16,500	42,410	0	0
Outstanding share subscription/ purchase options and free shares	0	112,270	36,035	96,270	130,000	14,000

Information on share subscription/purchase options / free shares (corporate officers)

Share subscription/purchase options / free shares granted to and options/shares exercised by each corporate officer	Number of options or free shares granted/shares subscribed or purchased	Price in euros	Expiry date	Related plan
Options granted in 2005 to each corporate officer by the issuer and any Group company (nominative list)				
Jacques Bacardats	1,000	NA		H
Georges Duval	600	NA		H
Alain Robert	800	NA		H
Patrick André	800	NA		H
Cyrille Duval	100	NA		H
Édouard Duval	100	NA		H
Options exercised in 2005 by each corporate officer (nominative list)				
Jacques Bacardats	6,000	54.00	December 13, 2007	E
	75	47.14	September 14, 2007	F
Georges Duval	5,500	54.00	December 13, 2007	E
Alain Robert	3,000	32.60	December 11, 2009	D
	4,000	54.00	December 13, 2007	E
Patrick André	4,000	33.08	December 15, 2005	C
	6,000	54.00	December 13, 2007	E
Cyrille Duval	2,000	54.00	December 13, 2007	E
Édouard Duval	5,500	54.00	December 13, 2007	E

Information on share subscription/purchase options / free shares (excluding corporate officers)

Share subscription/purchase options / free shares granted to the 10 non-corporate officers receiving the greatest number and options exercised by those employees	Number of options or free shares granted/shares subscribed or purchased	Price in euros	Expiry date	Related plan
Free shares granted in 2005 by the issuer and any company coming within the option grant scope to the 10 employees of the issuer and any company within that scope receiving the most free shares (overall figure)	3,700	NA		H
Options held in the company and				
the above-mentioned companies	6,200	33.08	December 15, 2005	C
and exercised in 2005 by the ten employees	5,000	32.60	December 11, 2009	D
of the issuer and said companies receiving	23,318	54.00	December 13, 2007	E
the largest grant (overall figure)	225	47.14	September 14, 2007	F

18. Main shareholders

Shareholders' agreements

Pursuant to a shareholders' agreement dated June 17, 1999, which came into force on July 21, 1999, the Company is under the majority control of a declared concert party of shareholders, comprised of:

- A concert sub-group comprised of Sorame and CEIR, pursuant to a simultaneous shareholders' agreement that came into force on July 21, 1999, it being specified that Georges, Edouard, Cyrille and Patrick Duval together held and continue to hold over half the share capital of Sorame, without any one of them controlling it alone, and that virtually all the share capital of CEIR is held by members of the Duval family (without any of them controlling it alone),
- Areva, formerly called CEA Industries, which took over the rights and obligations of ERAP, the initial signatory, following a substitution made by an amendment dated July 27, 2001 to the concerted action agreement of June 17, 1999.

The agreement of June 17, 1999, which expires on June 30, 2006, will be extended by tacit renewal for periods of one year, unless it is terminated by the parties with one month's notice.

This shareholders' agreement (including a sub-agreement between Sorame and CEIR), which forms a concert party, was the subject of prior notice 199CO577 of May 18, 1999 to the Conseil des Marchés Financiers.

The main provisions of the agreement:

- Concert sub-group clauses

The signatories of the concert sub-group agreement make the following mutual commitments, as of the date of publication of this Reference Document:

– Consultation before any 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.

- Clauses of the main concert party agreement

The concert sub-party shall hold a permanent stake of at least 35% of Eramet's share capital and Areva shall hold close to 30% of the share capital.

To the best of Eramet's knowledge, there are no other shareholders' agreements.

19. Related party transactions

The contract signed in 1985 and amended on May 21 1999 under which the Company provides Le Nickel-SLN with technical support on industrial, financial, legal, tax and human resources management matters falls under the procedure for regulated agreements as a result of the presence of common corporate officers.

Similarly, the 1985 agreement under which the Company is supplied by Le Nickel-SLN falls under the same procedure.

As a result of the scope and difficulty of assessing their impact on the Group, these agreements may or may not be subject to procedures for approval by the Board of Directors, following analyses carried out in liaison with Eramet's Auditors.

Details of these ongoing agreements are set out in the notes to the financial statements and the Auditors' report.

20. Financial information on the issuer's assets, financial position and results

20.1 2005 consolidated financial statements

20.1.1 2005 balance sheets, income statement and notes to the financial statements pursuant to IFRS

20.1.1.1 Balance sheet pursuant to IFRS

ASSETS

(millions of euros)	Notes	At December 31 2005	2004
Goodwill	4	35	35
Intangible assets	5	72	67
Property, plant & equipment	6	1,193	1,055
Companies accounted for using the equity method	7	11	16
Other financial assets	8 & 9	62	50
Deferred tax	16	127	127
Total fixed assets		**1,500**	**1,350**
Inventories	10	760	601
Trade receivables	11	523	472
Tax receivables		85	73
Financial derivatives	19	25	15
Cash and cash equivalents	12	523	437
Total current assets		**1,916**	**1,598**
TOTAL ASSETS		**3,416**	**2,948**

SHAREHOLDERS' EQUITY AND LIABILITIES

(millions of euros)	Notes	At December 31 2005	2004
Share capital		79	79
Share premiums		219	218
Reserves		793	490
Translation adjustments		18	(6)
Net (loss) income		377	346
	13	**1,486**	**1,127**
Minority interests	14	499	375
Shareholders' equity		**1,985**	**1,502**
Provisions	15	352	344
Deferred tax	16	234	233
Borrowings	17	49	60
Other liabilities	18	11	–
Non-current liabilities		**646**	**637**
Borrowings - short-term portion	17	110	89
Trade payables	18	552	594
Tax payables		80	124
Financial derivatives	19	43	2
Current liabilities		**785**	**809**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,416**	**2,948**

2004 data restated under IFRS.

20.1.1.2 Income statement pursuant to IFRS

(millions of euros)	Notes	At December 31 2005	2004
Sales	20.1	**2,712**	**2,521**
Other income	20.2	36	93
Cost of products sold	21	(2,068)	(1,834)
Administrative & selling costs	21	(106)	(104)
Research & development expenditure	21	(32)	(33)
Current operating income	21	**542**	**643**
Other operating income and expenses	22	112	(27)
Operating income		**654**	**616**
Net cost of debt	23.1	(3)	(8)
Other finance income and expenses	23.2	(9)	(2)
Share in earnings of affiliates	7	2	1
Income tax	24	(126)	(129)
Net income		**518**	**478**
Minority interests	14	(141)	(132)
Group net (loss) income		**377**	**346**
Net (loss) income per share (EUR)	25	14.76	13.75
Net (loss) income per share fully diluted (EUR)		14.62	13.50

2004 data restated under IFRS.

20.1.1.3 Cash flow statement pursuant to IFRS

(millions of euros)		At December 31 2005	2004
Operating activities			
Net income		518	477
Elimination of non-cash or non-business items:			
– Amortisation, depreciation and provisions		99	102
– Financial instruments		8	–
– Deferred tax		2	6
– Losses (gains) on disposals of long-term assets		6	(1)
– Share in earnings of equity accounted affiliates		(2)	(1)
Cash flow	(*)	**631**	**583**
(Increase) or decrease in inventories		(151)	(25)
(Increase) or decrease in trade receivables		25	(115)
Increase or (decrease) in trade payables		1	49
Change in other assets and liabilities		158	142
Interest income received		4	4
Interest income paid		(8)	(17)
Tax paid		(182)	(103)
Net change in operating assets and liabilities		**(153)**	**(65)**
Net cash flows from operating activities	(*)	**478**	**518**
Investing activities			
Purchases of long-term assets		(263)	(315)
Disposals of long-term assets		11	4
Investment subsidies received		–	21
(New) repayments of borrowings		7	1
Dividends from equity accounted companies		2	4
Change in accounts payable and liabilities on long-term assets		11	4
Consolidation adjustments		5	(1)
		(227)	**(282)**
New Caledonian mining reserves indemnity		(124)	(10)
Net cash flows from investing activities	(*)	**(351)**	**(292)**
Financing activities			
Dividends paid: to Group shareholders		(51)	(25)
Dividends paid: to minority shareholders		(22)	(10)
Share capital increases		1	6
Disposal / (purchase) value of treasury shares		8	11
New borrowings		61	24
Repayment of borrowings		(41)	(264)
Net change in financing-related assets and liabilities		1	–
Net cash flows from financing activities		**(43)**	**(258)**
Translation adjustments		2	(4)
Increase (decrease) in net cash position		**86**	**(36)**
Opening cash balance		437	473
Closing cash balance		523	437

(*) Of which €124 million with no impact on the Group's cash position, impact on the 2005 financial statements of the conclusion of the Bercy agreements.

2004 data restated under IFRS.

The movements included in the amounts for the sale/(buyback) of the Company's shares include

	At December 31	
(millions of euros)	**2005**	**2004**
Purchases and sales - liquidity contract	–	–
Stock purchase options exercised by employees	8	11
Total	**8**	**11**

Consolidation adjustments concern:

	At December 31	
(millions of euros)	**2005**	**2004**
Subsidiaries leaving scope of consolidation	(3)	(1)
Consolidation of Bear Metallurgical Corp.	5	–
Consolidation of SETRAG SA	3	–
Total	**5**	**(1)**

20.1.1.4 Changes in shareholders' equity pursuant to IFRS

(millions of euros)	Number of shares	Share capital	Premiums	Reserves	Translation	Net income	Total Group share	Minority interests	Total
Shareholders' equity as on December 31, 2003	**25,577,574**	**78**	**212**	**505**			**795**	**320**	**1,115**
Dividends paid				(25)			(25)	(10)	(35)
Share capital increase	167,370	1	6				7		7
Translation adjustments					(6)		(6)	(3)	(9)
Purchase of treasury shares				11			11		11
Other adjustments				(1)			(1)	(64)	(65)
Net (loss) income						346	346	132	478
Shareholders' equity as on December 31, 2004	**25,744,944**	**79**	**218**	**490**	**(6)**	**346**	**1,127**	**375**	**1,502**
Allocations to retained earnings and reserves				346		(346)			
Dividends paid				(51)			(51)	(22)	(73)
Share capital increase	44,930		1				1		1
Translation adjustments				(1)	24		23	6	29
Purchase of treasury shares				8			8		8
First-time application of IAS 32 & 39				37			37	16	53
Change in financial instrument re-measurement reserve - IAS 32 & 39				(38)			(38)	(19)	(57)
Changes in income recognised directly in shareholders' equity - IFRS 2				2		(2)			
Other adjustments								2	2
Net (loss) income						379	379	141	520
Shareholders' equity as on December 31, 2005	**25,789,874**	**79**	**219**	**793**	**18**	**377**	**1,486**	**499**	**1,985**

2004 data restated under IFRS.

Details of reserves concern:

(millions of euros)	Treasury shares	Payments in shares	Hedging instruments	Other reserves	Total
As on December 31, 2003	**(25)**	**–**	**–**	**530**	**505**
Dividends paid	–	–	–	(25)	(25)
Stock purchase options exercised by employees	11	–	–	–	11
Other adjustments	–	–	–	(1)	(1)
As on December 31, 2004	**(14)**	**–**	**–**	**504**	**490**
Allocations to retained earnings and reserves				346	346
Dividends paid				(51)	(51)
Stock purchase options exercised by employees	8				8
First-time application of IAS 32-39 as on January 1, 2005			37		37
Change in financial instrument re-measurement reserve - IAS 32 & 39			(38)		(38)
– Currency hedging derivatives			(41)		
– Interest rate hedging derivatives					
– Commodity hedging derivatives			3		
Changes in net income recognised directly in shareholders' equity - IFRS 2		2			2
Other adjustments				(1)	(1)
As on December 31, 2005	**(6)**	**2**	**(1)**	**798**	**793**

IAS 32 and IAS 39 are only applied by the Group as from January 1, 2005 with an impact on shareholders' equity of €37 million (net of deferred tax), mainly concerning cash flow hedging. It is offset in "Hedging instruments" under assets or liabilities, depending on whether hedging gains or losses are recognised (note 19).

20.1.1.5 Notes

1. Transition to IFRS

The Eramet Group applies IAS/IFRS as from the financial year beginning on January 1, 2005, in compliance with European Commission regulation 1606/2002.

The first financial statements published under IAS/IFRS are for the 2005 financial year and are presented together with comparative financial statements for 2004 drawn up using the same accounting basis, with the exception of IAS 32/39, which are applied as from January 1, 2005.

On December 30, 2005, the Committee of European Securities Regulators (CESR) issued a recommendation on disclosure relating to the transition from national GAAP to IFRS, which was adopted in France by the AMF in February 2004. Those recommendations are implemented through the information set out below, which includes the following items:

- A note on the first-time application of IFRS accounting principles by the Group, in particular the terms of application of IFRS 1, the first-time adoption of IFRS and the formats chosen for the balance sheet and income statement;
- A note summarising the impact of IFRS on the accounting principles applied by the Group;
- Reconciliation statements between French GAAP and IFRS for the following financial statements:
- Shareholders' equity as on January 1, June 30 and December 31, 2004,
- Balance sheets as on January 1, June 30 and December 31, 2004,
- Income statements for the first half of 2004 and the 2004 financial statements.
- A note providing comments on those statements.

The data in this document was drawn up on the basis of the standards and interpretations in force as on this date.

1.1. First-time application of IFRS accounting principles

1.1.1. Standard references

The transition tables presented are drawn up in accordance with all IAS/IFRS and SIC/IFRIC interpretations published in the Official Journal of the European Union as on March 9, 2005 (EC regulations 1725/2003, 707/2004, 2086/2004, 2236/2004, 2237/2004, 2238/2004 and 211/2005). The Group opted to apply IAS 32 and 39 as from January 1, 2005 (statement of changes in shareholders' equity and note 19). The other standards and interpretations published in the Official Journal of the European Union after that date and applicable as on December 31, 2005 do not materially alter the note on the transition.

1.1.2. Application of IFRS 1, first-time adoption of IFRS

IFRS 1 defines the mechanism for drawing up the opening balance sheet under IFRS. The general principle is the retrospective application of all standards in force as on December 31, 2005, with the impact of changes in accounting principles recorded under retained earnings as on the changeover date, January 1, 2004.

Given the practical difficulties involved in fully retrospective application, IFRS 1 provides for optional treatments; the choices made by the Eramet Group in this regard are as follows:

- **Pensions and similar liabilities:** the Group opted to recognise via shareholders' equity the unamortised actuarial differences in the balance sheet as on January 1, 2004,
- **Translation adjustments:** the foreign currency gains/losses resulting from currency fluctuations in subsidiary accounts denominated in currencies other than the euro were frozen as on January 1, 2004 and reclassified under shareholders' equity. Consequently, they will not be recorded as income/expenses upon the subsequent disposal of foreign currency denominated assets.
- **Business combinations:** the Group chose not to retrospectively restate under IFRS business combinations carried out prior to January 1, 2004.

1.1.3. Changes in 2005

For 2005, the Group prepared information and reporting systems to monitor its management accounts and consolidated financial statements under IAS/IFRS. Application of IAS 32 and 39 as on January 1, 2005 has a material impact on the Group's financial statements. The valuation of hedging instruments vis-à-vis the closing rate resulted in a materially positive amount being recognised under net shareholders' equity as on January 1, 2005, mainly due to the valuation of dollar hedging instruments vis-à-vis the closing rate as on December 31, 2004.

1.1.4. Format of IFRS financial statements

1.1.4.1. Balance sheet

Under French GAAP, the Eramet Group's balance sheet uses the presentation format recommended by the general chart of accounts.

The IFRS balance sheet groups assets and liabilities together under two main headings, "current" and "non-current." "Current" refers to assets and liabilities that are part of the operating cycle, regardless of their maturity, and other assets and liabilities with a term of less than one year from their balance sheet entry date, with the exception of cash, which is presented separately. "Non-current" assets and liabilities include other assets and liabilities, i.e. those with maturities over one year that are not part of the operating cycle.

1.1.4.2. Income statement

Under French GAAP, the Eramet Group's income statement is presented by type of expense.

Under IFRS, the income statement is presented by destination. Income statement expenses are necessarily recorded under operating income or finance income. Within operating income, therefore, other operating income and expenses must make it possible to identify specific or non-recurring items in order to determine the level of "current operating income." There is no separate presentation of extraordinary items.

1.2. Effects of IFRS on the accounting principles applied by the Eramet Group

The notes below are designed to specify the types of differences that existed on the date of publication hereof between French GAAP and IFRS, as applied by the Eramet Group, and the Group's terms of application of IFRS, whenever necessary.

1.2.1. IAS 1 – Presentation of financial statements

The Group decided to alter the layout of its income statement and switch from presentation by type of expense to presentation by destination.

Balance sheet items are presented under current and non-current assets and current and non-current liabilities.

The cash flow statement is presented using the indirect method.

1.2.2. IAS 2 – Inventory

Inventories are measured using the weighted average cost or FIFO method. The LIFO, method, used under French GAAP in the Nickel Division, was discontinued as it does not comply with IAS 2.

Depreciation of spare parts, calculated on a statistical basis under French GAAP, which is not allowed under IAS 2, is now calculated on the basis of consumption during the year. Spare part inventory in excess of consumption for the year is fully written off.

Spared parts that are recognised as items of property, plant and equipment are reclassified as such and depreciated on the basis of their actual use.

1.2.3. IAS 12 – Deferred taxes

Pursuant to IAS 12, all restatements carried out as part of the switchover to IFRS gave rise to the calculation of deferred tax at the current rate for the relevant country.

1.2.4. IAS 16 – Property, plant & equipment

Items of property, plant & equipment assets are measured by component, which provides for depreciation on the basis of the different lifespans of each component of a single item of property, plant and equipment. The Group has not assigned any residual value to its property, plant and equipment.

Application of IAS 16 resulted in the Group reclassifying equipment subsidies as a deduction from the gross amount.

1.2.5. IAS 17 – Leases

Some leases were classed as finance leases in line with IAS 17. These leases are recognised as items of property, plant and equipment, offset by a debt.

1.2.6. IAS 19 – Employee benefits

In its 2004 consolidated financial statements drawn up under French GAAP, the Eramet Group applied CNC (French accounting board) recommendation 2003-R01, which recommends recording provisions from January 1, 2004 for pension and related liabilities under the same principles as for IAS 19. The changes resulting from the first-time application of this standard, which also include recording actuarial differences not written off as on January 1, 2004, were all charged to opening shareholders' equity under French GAAP.

The measurement of pension and related liabilities under the principles of IAS 19 and of CNC recommendation 2003-R01 was done with the support of an international actuarial firm.

Actuarial differences are amortised using the corridor method when they exceed 10% of the market value of the funds or the discounted value of the liability per plan (see note 1.4.6.).

1.2.7. IAS 36 – Impairment of assets

Under this standard, the value in use of property, plant & equipment and intangible assets is tested whenever there are indications of an impairment loss, and is reviewed at each balance sheet date. The impairment test is carried out at least once a year for assets with an indefinite lifespan, a category that is restricted to goodwill in the Group.

For this test, assets are grouped into cash generating units. These are homogenous sets of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other groups of assets. The value in use of these units is determined by having regard to the discounted future net cash flows. If that value is lower than the net amount of the unit or the market value, an impairment loss is recognised for the difference and charged first and foremost to goodwill.

Within the Group's three main businesses (Nickel, Manganese, Alloys), a cash generating unit has been created for each production unit.

1.2.8. IAS 37 – Provisions

The application of IAS 37 resulted in provisions for major repairs being reclassified as shareholders' equity.

Pursuant to IAS 37, provisions for long-term contingencies for which a schedule could be drawn up have been discounted. This mainly relates to provisions for mining site restoration.

1.2.9. IAS 38 – Intangible assets

Pursuant to IAS 38, assets – particularly deferred charges – that do not satisfy the strict criteria set out in this standard for recognition as an asset have been deducted from shareholders' equity.

1.2.10. Other balance sheet and income statement restatements

Other restatements are as follows.

- Pursuant to IFRS 3, negative goodwill previously deducted from goodwill was transferred to shareholders' equity as on January 1, 2004,
- Also pursuant to IFRS 3, goodwill is no longer amortised but systematically subject to an annual impairment test to determine any impairment losses (see 2.6 below). Amortisation previously recorded under French GAAP has been reclassified as a deduction from the gross amount.

Investment securities are recognised at their fair value including unrealised gains in the balance sheet.

IFRS 2 (recording stock options as personnel costs) does not apply to the stock options in force in the Group as on January 1, 2004, because they were entered into before November 7, 2002.

1.2.11. Reclassification in the balance sheet and income statement

1.2.11.1. Reclassification in the balance sheet

Some reclassification of balance sheet assets or liabilities was made necessary by IFRS, as were transfers from assets to liabilities. The main reclassifications or transfers related to equipment subsidies reclassified as deductions from items of property, plant and equipment and the splitting of bank borrowings into current/non-current. This information was, however, set out in the notes to the balance sheet under French GAAP.

1.2.11.2. Reclassification in the income statement

The main reclassification in the income statement concerns the removal of the separate presentation of extraordinary items.

1.3. French GAAP/IFRS reconciliation statements

Shareholders' equity as on January 1, 2004

(millions of euros)	Notes	Group share	Minority interests	Total
Shareholders' equity under French GAAP		**797**	**322**	**1 119**
Goodwill	1.4.1	3	1	4
Intangible assets	1.4.2	(1)	(1)	(2)
Property, plant & equipment	1.4.3	44	9	53
Leases	1.4.3	5	–	5
Impairment losses	1.4.3.3	(18)	–	(18)
Inventories	1.4.4	(7)	–	(7)
Marketable securities	1.4.5	4	1	5
Employee benefits	1.4.6.1	(31)	(11)	(42)
Provisions	1.4.6.2 & 1.4.6.3	(1)	(1)	(2)
Shareholders' equity under IFRS		**795**	**320**	**1,115**

Shareholders' equity as on December 31, 2004

(millions of euros)	Notes	Group share			Minority interests			Total
		Reserves	Net (loss) income	Total	Reserves	Net (loss) income	Total	
Shareholders' equity under French GAAP		**769**	**342**	**1,111**	**233**	**133**	**366**	**1,477**
Goodwill	1.4.1	9	(4)	5	–	–	–	5
Intangible assets	1.4.2	(2)	1	(1)	–	–	–	(1)
Property, plant & equipment	1.4.3	44	–	44	9	(1)	8	52
Leases	1.4.3	–	–	–	–	–	–	–
Impairment losses	1.4.3.3	(18)	–	(18)	–	–	–	(18)
Inventories	1.4.4	(8)	5	(3)	1	1	2	(1)
Marketable securities	1.4.5	5	–	5	1	1	2	7
Employee benefits	1.4.6.1	(17)	3	(14)	–	(1)	(1)	(15)
Provisions	1.4.6.2 & 1.4.6.3	(1)	(1)	(2)	(1)	(1)	(2)	(4)
Shareholders' equity under IFRS		**781**	**346**	**1,127**	**243**	**132**	**375**	**1,502**

Balance sheet as on January 1, 2004

ASSETS (millions of euros)	Note	Dec. 31, 2003 French GAAP	IFRS adjustments	Jan 1, 2004 IFRS
Goodwill	1.4.1	40	(5)	35
Intangible assets	1.4.2	81	(15)	66
Property, plant & equipment	1.4.3	876	91	967
Investments		19	–	19
Other financial assets		50	–	50
Deferred tax	1.4.7	66	37	103
Total non-current assets		**1,132**	**108**	**1,240**
Inventories	1.4.4	596	(14)	582
Trade receivables		390	(10)	380
Callable tax receivables		21	–	21
Financial derivatives		–	4	4
Cash and cash equivalents	1.4.5	463	10	473
Total current assets		**1,470**	**(10)**	**1,460**
TOTAL ASSETS		**2,602**	**98**	**2,700**

LIABILITIES AND SHAREHOLDERS' EQUITY (millions of euros)	Note	Dec. 31, 2003 French GAAP	IFRS adjustments	Jan 1, 2004 IFRS
Share capital		78	–	78
Premiums		212	–	212
Reserves		521	(16)	505
Translation adjustments		(14)	14	
		797	**(2)**	**795**
Minority interests		322	(2)	320
Shareholders' equity		**1,119**	**(4)**	**1,115**
Provisions	1.4.6	325	58	383
Deferred tax	1.4.7	160	45	205
Borrowings		209	–	209
Total non-current liabilities		**694**	**103**	**797**
Short-term borrowings		186	–	186
Trade payables		550	(1)	549
Payable tax liabilities		53	–	53
Financial derivatives		–	–	–
Total current liabilities		**789**	**(1)**	**788**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,602**	**98**	**2,700**

Balance sheet as on December 31, 2004

ASSETS (millions of euros)	Note	Dec. 31, 2004 French GAAP	IFRS adjustments	Dec. 31, 2004 IFRS
Goodwill	1.4.1	39	(4)	35
Intangible assets	1.4.2	67	–	67
Property, plant & equipment	1.4.3	976	79	1,055
Investments		16	–	16
Other financial assets		50	–	50
Deferred tax	1.4.7	102	25	127
Total non-current assets		**1,250**	**100**	**1,350**
Inventories	1.4.4	607	(6)	601
Trade receivables		487	(15)	472
Callable tax receivables		73	–	73
Financial derivatives		–	15	15
Cash and cash equivalents	1.4.5	427	10	437
Total current assets		**1,594**	**4**	**1,598**
TOTAL ASSETS		**2,844**	**104**	**2,948**

LIABILITIES AND SHAREHOLDERS' EQUITY (millions of euros)	Note	Dec. 31, 2004 French GAAP	IFRS adjustments	Dec. 31, 2004 IFRS
Share capital		79	–	79
Premiums		218	–	218
Reserves		496	(6)	490
Translation adjustments		(24)	18	(6)
Net (loss) income		342	4	346
		1,111	**16**	**1,127**
Minority interests		366	9	375
Shareholders' equity		**1,477**	**25**	**1,502**
Provisions	1.4.6	304	40	344
Deferred taxes	1.4.7	192	41	233
Borrowings		60	–	60
Total non-current liabilities		**556**	**81**	**637**
Short-term borrowings		89	–	89
Trade payables		598	(4)	594
Payable tax liabilities		124	–	124
Financial derivatives		–	2	2
Total current liabilities		**811**	**(2)**	**809**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,844**	**104**	**2,948**

Income statement for the 2004 financial year

(millions of euros)	Financial 2004 French GAAP	IFRS Ajustements	Financial 2004 IFRS
Sales	**2,521**	**–**	**2,521**
Other income	93	–	93
Cost of sales	(1,847)	13	(1,834)
Administrative & selling costs	(104)	–	(104)
Research & development expenditure	(33)	–	(33)
Current operating income	**630**	**13**	**643**
Other operating income and expenses	(25)	(2)	(27)
Operating income	**605**	**11**	**616**
Net cost of debt	(8)	–	(8)
Other finance income and expenses	–	(2)	(2)
Share in earnings in equity accounted affiliates	1	–	1
Income tax	(123)	(6)	(129)
Net income	**475**	**3**	**478**
Minority interests	(133)	1	(132)
Group net (loss) income	**342**	**4**	**346**
Net (loss) income per share (EUR)	13.62		13.75
Net (loss) income per share fully diluted (EUR)	13.36		13.50

1.4. Notes on the French GAAP/IFRS balance sheet and income statement reconciliation statements

1.4.1. Goodwill

Pursuant to IFRS 1, the Eramet Group did not retrospectively restate acquisitions made prior to the adoption of IFRS. IFRS 3 made goodwill non-depreciable and IAS 36 established the principle of periodic reviews of the value of all assets through the use of impairment tests.

Goodwill is no longer amortised and was frozen at the net carrying amount in the financial statements as on December 31, 2003. Any negative goodwill appearing as a deduction in the "goodwill" line was reclassified under shareholders' equity, increasing that item under IFRS by some €4 million.

Impairment tests were carried out on goodwill as on January 1, 2004, pursuant to IAS 36. As a result, a €9 million provision was recorded in shareholders' equity, with the value of property, plant and equipment increasing as a result of the application of IAS 16.

Under French GAAP, until 1999, goodwill resulting from the consolidation or equity accounting of foreign entities could be recorded in euros at the exchange rate on the date of acquisition, or in the acquired entity's functional currency.

Under IFRS, goodwill is still recorded in the acquired entity's functional currency. In practice, previously recorded goodwill frozen in euros chiefly relates to Erachem Mexico, of which the US dollar is the functional currency.

1.4.2. Intangible assets

The intangible assets, mainly deferred charges, recognised in the Group's balance sheet as on December 31, 2003 that do not satisfy the criteria of IAS 38 were reclassified as deductions from shareholders' equity.

Analysis of the research & development projects in progress on January 1, 2004, did not identify any material research & development expenditure that met all the capitalisation criteria of IAS 38. Consequently, this expenditure continues to be expensed, as under French GAAP.

Only mine stripping costs were retained. These are amortised according to mined tonnages.

Under French GAAP, until the end of 2003, other intangible assets included a portion of foreign pensions to be deferred over ten years for €18 million. As of January 1, 2004, following the application of CNC rule 2003-R01 and the CNC notice of July 22, 2004 on pensions and related liabilities, actuarial differences were charged against opening shareholders' equity.

1.4.3. Property, plant and equipment

1.4.3.1. Gross amount – Component-based approach

Under French GAAP, the Eramet Group recognised items of property, plant and equipment at their acquisition or manufacturing cost and depreciated them over their estimated lifespan. Maintenance and repair costs are expensed, except when incurred to increase productivity or extend the working life of the assets.

Assets financed by leases are recognised as assets at their fair market value at the moment of acquisition and depreciated using the same method and periods as other assets. Leases are identified in accordance with applicable French rules. The corresponding debt is recorded as a liability.

Under IFRS, the following changes have been made pursuant to IAS 16 – Property, Plant & Equipment – and IAS 17 – Leases:

- Equipment subsidies are now recognised as a deduction from the gross amount of the corresponding items of property, plant and equipment.
- Classification of finance leases pursuant to IFRS rules resulted in the capitalisation of leases previously classed as operating leases for €8 million in the Alloys Division.
- Analysis of items of property, plant and equipment by component led to a readjustment of the estimated lifespans of the assets, with a €81 million impact on depreciation.

Items of property, plant and equipment continue to appear in the balance sheet at their acquisition or manufacturing cost. Spare parts satisfying the criteria for items of property, plant and equipment have been reclassified as property, plant and equipment inventory.

Under French GAAP, the disposal of tooling specifically manufactured for certain customers was recorded as revenue. Under IFRS, tooling specifically manufactured for certain customers is recorded as an item of property, plant and equipment and depreciated over its likely lifespan. Any tooling of this kind classified as inventory under French GAAP is reclassified as items of property, plant and equipment under IFRS for an amount of €9 million in the Alloys Division.

Major repairs are recognised as components of property, plant and equipment. For the first-time application of IFRS, provisions for major repairs that do not satisfy the criteria set out in IAS 37 were reversed via shareholders' equity.

A provision was recorded upon the start-up of operations for mining site restoration. This was offset through the recognition of a component of property, plant & equipment, impaired over the operation of the mine on the basis of mined tonnages.

In the Nickel Division, this component represented €14 million in net value as on January 1, 2004, whereas it has been fully written off in the Manganese Division.

Borrowing costs are not factored into items of property, plant and equipment, as under French GAAP.

1.4.3.2. Depreciation of property, plant & equipment

Under French GAAP, depreciation is calculated on the basis of the acquisition or manufacturing cost over the asset's estimated lifespan.

Under IFRS, depreciation is calculated using the same method based on acquisition or manufacturing cost, less, where applicable, any residual value. The Group considers that residual values are nil. The depreciation period continues to be based on the estimated operating lifespan of the various categories of property, plant and equipment.

Key items of property, plant and equipment were analysed by component and depreciation periods adjusted.

The depreciation charge is included in current operating income (loss) and any depreciation charge in operating income (loss).

For the first-time application of IFRS, depreciation is calculated retrospectively from the date of acquisition (representing an impact of €81 million).

1.4.3.3. Impairment losses

All assets have been assigned to cash generating units. There are 18 "CGU" in total, corresponding to the various production sites of the Eramet Group's three main businesses (Nickel, Manganese and Alloys). Forecasts by CGU discounted at the cost of capital after tax resulted in some cases in the recognition of further impairment losses. The discount rate is a post-tax rate applied to post-tax flows. Its use generates the same recoverable amounts as those obtained using pre-tax rates on pre-tax cash flows, as required by IAS 36. These additional impairment losses related to an Alloys Division CGU for €15 million, given the increase in the carrying amount of items of property, plant and equipment as a result of the extension of their lifespans pursuant to IAS 16.

1.4.4. Inventories

Under French GAAP, inventories are measured at cost price. Under IFRS, they are measured at their net realisable value. Consequently, the inventory measurement method was harmonised. The LIFO method used in some countries was discontinued. In the Nickel Division, part of nickeliferous inventory measured using the LIFO method was restated via shareholders' equity to give it a weighted average price. The impact was €12 million. Measurement of inventory at net realisable value resulted in an increase in the impairment of inventories of consumable spare parts. As a result, impairment losses rose by €23 million.

1.4.5. Cash and cash equivalents

Marketable securities are recorded in the balance sheet at their fair value, including unrealised gains for €10 million, mainly in the Nickel Division.

1.4.6. Provisions

1.4.6.1. Employee liabilities: recognition of deferred actuarial differences

For the recognition of pension liabilities, under both French GAAP and IFRS, differences between actuarial estimates and actual data are not systematically recognised (corridor method).

For the opening IFRS balance sheet, all deferred actuarial differences on that date were recognised, which increased the provisions recorded for these liabilities accordingly, with a corresponding reduction in shareholders' equity. Pursuant to IAS 19, the Group did an exhaustive inventory of its pension liabilities with the support of local actuaries, whose work was coordinated by a central actuary. Liabilities were measured using the projected unit credit method and on the basis of consistent actuarial assumptions across each geographic region.

Under the options selected for the first-time adoption of IFRS, actuarial differences and past service cost were fully recognised as balance sheet liabilities offset in shareholders' equity.

The provision for employee liabilities rose by €38 million and actuarial differences recorded as on January 1, 2004 were recognised to offset shareholders' equity for €18 million.

1.4.6.2. Provisions for major repairs

Provisions for major repairs that did not meet the criteria for liabilities were cancelled via shareholders' equity for an amount of €17 million.

1.4.6.3. Provisions for mining site restoration

These provisions, which increased by a further €36 million, related to the Nickel and Manganese Divisions in New Caledonia and Gabon, respectively. Site restoration costs are discounted over the period remaining to the expected end of mining operations. The discounting of these costs is recognised in income under other finance income.

As for industrial sites, insofar as there is no expectation that the activity will be discontinued, no provision for site restoration has been recorded.

1.4.7. Deferred taxes

The impact of IFRS on deferred tax balances in the balance sheet stem from the extension of the tax base following specific IFRS restatements, resulting in deferred tax.

As on January 1, 2004

(millions of euros)	Notes	Shareholders' equity & liabilities	Assets	Total
Deferred tax under French GAAP		**160**	**66**	**94**
Goodwill	1.4.1			
Intangible assets	1.4.2		1	(1)
Property, plant & equipment	1.4.3	28		28
Leases	1.4.3	3		3
Impairment losses	1.4.3.3		5	(5)
Inventories	1.4.4		4	(4)
Marketable securities	1.4.5	3		3
Employee benefits	1.4.6.1		14	(14)
Provisions	1.4.6.2 & 1.4.6.3	11	13	(2)
Deferred tax under IFRS		**205**	**103**	**102**

As on December 31, 2004

(millions of euros)	Notes	Shareholders' equity & liabilities	Assets	Total
Deferred tax under French GAAP		**192**	**102**	**90**
Goodwill	1.4.1			
Intangible assets	1.4.2		1	(1)
Property, plant & equipment	1.4.3	28		28
Leases	1.4.3			
Impairment losses	1.4.3.3		4	(4)
Inventories	1.4.4		1	(1)
Marketable securities	1.4.5	4		4
Employee benefits	1.4.6.1		7	(7)
Provisions	1.4.6.2 & 1.4.6.3	9	12	(3)
Deferred tax under IFRS		**233**	**127**	**106**

Pursuant to IAS 12, deferred tax assets and liabilities are presented separately in the balance sheet.

2. Accounting principles and measurement methods

2.1. General principles

Pursuant to European regulation 1606/2002 of July 19, 2002 on the international standards, the Eramet Group's consolidated financial statements for the period ending December 31, 2005 were drawn up in accordance with the IAS/IFRS applicable as on December 31, 2005 as approved by the European Union on the date of drafting of these financial statements.

Comparative financial data for the 2004 financial year on the impact of the transition to IFRS was prepared by applying the IFRS standards and interpretations in force on the date of preparation of the 2005 financial statements to the 2004 data.

The Eramet Group opted to apply IAS 32/39 on financial instruments as on January 1, 2005 without restating the comparative information (change in shareholders' equity and note 19).

The Group, moreover, opted against the early application of IFRS 6 (Exploration for and Evaluation of Mineral Resources), for which the mandatory application date is January 1, 2006. Part of the post acquisition expenditure is treated pursuant to IAS 38 (intangible assets) as research and development expenditure (notes 2.8 and 5).

The comparative French GAAP - IFRS financial statements and reconciliation statements for the 2004 financial year are set out in Chapter 1 – Transition to IFRS. In preparing the financial statements for the period ending December 31, 2005, and to ensure comparability, some reclassification was

carried out in the income statement for the period ending December 31, 2004 as described in the notes to the financial statements as on June 30, 2005.

2.1.1. Estimates and judgements

In preparing its financial statements, the Eramet Group is required to make estimates and assumptions that affect the carrying amounts of some assets and liabilities and income and expenses, as well as the information set out in specific notes.

The Eramet Group regularly reviews its estimates and assessments to take account of past experience and other factors that are deemed relevant with regard to economic conditions. As a result of changing assumptions and conditions, the amounts in future financial statements may differ from current estimates.

The main categories affected by changes to estimates are provisions for employee benefits and for site restoration, deferred taxes and impairment tests.

2.1.2. First-time application of IAS 32 and 39

As from January 1, 2005, the Eramet Group applied IAS 32-39 pursuant to IFRS 1.36. The main adjustments made to comply with IAS 32 and 39 relate to foreign currency hedging, particularly in US dollars, and commodity price hedging for nickel, fuel oil and aluminium.

2.1.3. "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 term of less than one year from their balance sheet entry date, except for cash, which is presented separately. "Non-current" assets and liabilities include other assets and liabilities, i.e. those with maturities over one year that are not part of the operating cycle.

2.2. Scope and method of consolidation

All material entities that Eramet exclusively controls, whether directly or indirectly, are fully consolidated. Companies over which Eramet has significant influence and in which it directly or indirectly holds a stake of over 20% are accounted for using the equity method (note 7). Jointly controlled companies are proportionally consolidated. Certain interests that meet the above criteria are not consolidated as their consolidation would not have any material impact on the Group's financial statements. The list of consolidated companies is set out in note 3.

2.3. Business combinations

The Group recognised 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 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 contingent liabilities is recognised as goodwill in the balance sheet (note 2.6).

2.4. Segment reporting

The Group presents its segment reporting as follows:

Primary by business,

Secondary by geographic region: Europe, North America, Asia, Other Regions.

Primary segment reporting is set out on the basis of the following divisions:

- The Nickel Division, including mining, production and marketing activities centred 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 marketing activities centred on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil catalysts, electric batteries and acid solutions from the electronics industry.
- The Alloys Division, including subsidiaries that produce and market special high-performance steels, superalloys and pre-machined parts based on those materials or aluminium and titanium.

Each of these three divisions forms a distinct component that is exposed to specific risks and profitability. The Holding company and eliminations division is comprised of the Group's central support services as well as Metal Securities 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 company Metal Securities, both of which are fully consolidated via the Holding division (note 3):

- Eras SA is a captive reinsurance company that enables it to offer primary coverage in some reinsurance programmes.
- Metal Securities is a financial company responsible for pooling subsidiaries' cash to optimise investments with financial organisations outside the Group.

2.5. Translation of foreign currency denominated transactions and financial statements

Foreign currency transactions are translated at the exchange rate at the time of the transaction. Foreign currency debts and receivables are measured at the closing rate under IAS 21.

The financial statements of foreign entities 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. Translation adjustments stemming from fluctuations in the rates used to translate shareholders' equity and net income are allocated to reserves. Translation adjustments are recognised in shareholders' equity and apportioned between Group share and minority interests.

2.6. Goodwill

The initial consolidation goodwill recorded on acquiring an interest is allocated at fair value to the relevant consolidated balance sheet items. The residual, unassigned part is recorded under "goodwill" as a balance sheet asset. Goodwill is not amortised under IFRS 3 but undergoes an impairment test to detect any impairment loss. Impairment tests are regularly carried out using the estimated discounted future cash flow method, which is determined over a five-year period and a terminal value. The discounting rate used is the Group's weighted average cost of capital. Impairment losses are recognised in income under "other operating income" (note 22). Negative goodwill is not recognised and is included in income (loss) for the period under "other operating income" (note 22).

2.7. Intangible assets

Intangible assets are measured at acquisition cost and depreciated on a straight-line basis or on the basis of work units.

Capitalised amounts with respect to mineral deposits relate to partial asset contributions or permit acquisitions made since 1974. Depending on operating specificities, depreciation of mining deposits is done on the basis of annual production vis-à-vis the reserves initially estimated or the length of the concession (note 5). Computer software is depreciated over a variable period not exceeding five years.

Intangible assets are assigned to cash generating units (CGU) and are subject to impairment tests just like property, plant and equipment. Any impairment loss identified is recognised in income under "other operating income (note 22).

2.8. Research and development expenditure

Geological and other research expenditure is expensed in the period in which it is recorded (note 5).

Mine stripping costs are capitalised and depreciated on the basis of mined tonnage.

2.9. Property, plant and equipment

Items of property, plant and equipment appear in the balance sheet at acquisition or manufacturing cost (note 6). Items of property, plant and equipment are depreciated on a straight-line basis over the estimated lifespan or useful life having regard to the components of the asset. For guidance:

Buildings	10 - 50 years
Industrial and mining facilities	5 - 50 years
Other items of property, plant and equipment	2 - 10 years

Items of property, plant and equipment may be impaired should specific circumstances so warrant, on the basis of valuation tests using the estimated discounted future cash flow method. This impairment loss is recognised in income under "other operating income" (note 22).

Equipment subsidies 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 on the basis of their actual use. Tooling specifically manufactured for certain customers is recognised as an item of property, plant and equipment and depreciated over its likely lifespan. Major repairs are deemed to be components of items of property, plant and equipment. Borrowing costs are not included in items of property, plant and equipment.

A provision was recorded upon the start-up of operations for the restoration of mining sites. This was done via the recognition of an item of property, plant and equipment that is depreciated over the operation of the mine.

Leases transferring the risks and benefits inherent in ownership (finance leases) are recognised as items of property, plant and equipment, offset by a debt (note 17). These are amortised over their expected working life on the same basis as the items of property, plant and equipment held or, if shorter, the term of the corresponding lease.

All items of property, plant and equipment are assigned to cash generating units. There are 18 "CGUs" in total, corresponding to the various production sites of the Eramet Group's three main businesses (Nickel, Manganese and Alloys). Items of property, plant and equipment may be impaired on the basis of measurement tests using forecasts drawn up per CGU and discounted at the pre-tax cost of capital.

2.10. Other financial assets

Other financial assets group together investments in related companies (notes 2.9.1 and 8) and other financial assets (notes 2.9.1 and 9).

2.10.1. Interests in related companies

Interests in related companies include the following:

Interests in companies that are controlled but not consolidated are kept in the balance sheet at their cost of acquisition, less any provisions for impairment losses. These impairment losses are offset in income under "other finance income" (note 23.2).

Other investments are deemed to be liquid assets and recognised at fair value. These securities relate to interests in companies over which the Group has no control or significant influence. Changes in the fair value of these securities are recorded as recyclable shareholders' equity except in the event of material long-term impairment losses. Fair value is measured on the basis of the listed share price or, if unavailable, the discounted future cash flow method.

2.10.2. Other long-term financial assets

Other long-term financial assets relate to loans or credit granted to related companies. They are initially recognised at cost and measured at every balance sheet date at their amortised cost, less any offsetting provisions for impairment losses recognised in income under "other finance income" (note 23.2).

2.11. 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 realisable value.

Costs stemming from sub-standard activity levels 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 consumption during the year. Spare parts inventory in excess of one year's consumption is fully written off.

2.12. Receivables and debts

Receivables and debts are measured at their nominal amount. Foreign currency receivables and debts are re-measured at the rate on the last day of the period. Foreign currency gains or losses are recorded in income under translation adjustments.

A receivable gives rise to a provision for impairment if it is highly likely that it will not be recovered. This provision, which is offset in income under "current operating income" (note 21), reduces the nominal amount.

2.13. Cash and cash equivalents

Cash includes cash on hand and demand deposits, excluding bank overdrafts, which come under financial liabilities. Cash equivalents are comprised of investments held in order to meet short-term cash requirements.

Marketable securities at under three months are recognised at their fair value in the balance sheet. To be considered as a cash equivalent, they must be readily convertible and subject to negligible risk in terms of fluctuations in their value.

2.14. Employee liabilities

Pension and related liabilities.

• Definition of Plan

- Defined benefit plans

Eramet Group companies offer their employees various long-term benefits such as severance indemnities or other additional post-employment benefits (pension plan or medical coverage plan). The characteristics of these schemes vary in line with the laws and regulations in force in each country and/or subsidiary.

In some companies, these liabilities are wholly or partly covered by contracts taken out with insurance companies or pension funds. In this case, liabilities and covering assets are assessed independently. A provision is then recorded on the basis of the level of liabilities and financial assets.

Eramet Group liabilities with respect to defined benefit plans break down as follows: USA (48% of liabilities), France (21% of liabilities), Norway (18% of liabilities) and New Caledonia (6% of liabilities).

- Defined contribution plans

For the defined contribution plans granted in certain Group subsidiaries, employer contributions are expensed in the period to which they relate.

• Main actuarial assumptions and methods

The Group's liabilities are appraised by independent actuaries in line with international frameworks (IFRS).

The actuarial assumptions used (probability of active personnel remaining in the Group, mortality probability, 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 discounting rates used are based on the rate of government bonds or bonds in top-rated companies with an equivalent duration to that of the liabilities on the appraisal date.

The expected long-term return on assets was determined by taking into account the structure of the investment portfolio for each country.

Actuarial differences resulting from the change in discounting and return rates that represent over 10% of the discounted value of liabilities or of the fair value of plan assets are depreciated over the expected average remaining working life of the employees in the plan (corridor principle).

Plan amendment costs are deferred over the remaining vesting period.

Restructuring and redundancy plans

The costs of restructuring and redundancy plans are fully recognised where the decision to take such measures was taken before the cut-off date.

2.15. Deferred taxes

The amount of taxes actually owed at the close of the period is adjusted for deferred taxes, which are calculated using the variable carry-forward method on timing differences between carrying amounts and tax amounts and on 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 will probably be realised. Deferred taxes are not discounted.

Provisions are recorded for non-recoverable distribution taxes on the dividends planned with respect to the previous financial year. Deferred tax assets and liabilities are recognised as balance sheet assets and liabilities (note 16).

2.16. Provisions

Provisions are recorded to meet all liabilities stemming from past events that are known on the cut-off date for the period and the settlement of which is likely to result in an outflow of resources that represent economic benefits.

Provisions for mining site restoration are recorded when the mining sites open. Restoration costs are discounted over the period remaining to the expected end of operation of the mine and discounting impact is recognised in income under other finance income

As regards industrial sites, insofar as there are no plans to discontinue operations, no provision is recorded for site restoration.

2.17. Recognition of financial instruments

Risks: To manage its foreign currency risk, the Group uses foreign currency forwards, foreign currency swaps and, to a lesser extent, foreign currency options. Foreign currency forwards are recorded as hedges whenever they are identified as

such. Interest rate risk is generally managed using interest rate swaps and options. Lastly, the Group also uses forwards to hedge commodity purchases or sales.

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 inferred from market conditions. The fair value of interest rate derivatives is what the Group would receive (or pay) to unwind current contracts on the closing date. The fair value of commodity derivatives is inferred from market conditions. Derivatives are presented in the balance sheet as current assets or current liabilities (note 19).

Hedge accounting: The Group identifies the hedging item and hedged item when the hedge is set up and formally documents the hedging relationship by identifying the hedging strategy, the hedged risk and the hedge effectiveness measurement method.

- Fair value hedging: The hedged item is re-measured with regard to the hedged risk and the hedging instrument is measured and recognised at fair value. Changes in these two items are simultaneously recognised under operating income.
- Future cash flow hedging: The hedged item is not re-measured. Only the hedging instrument is re-measured at fair value. To offset the re-measuring, 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 aggregate shareholders' equity amounts are recycled in income whenever the hedged item has an impact on it.
- Recognition of derivatives not classed as hedging: The Company uses these derivatives solely to hedge future cash flows. Changes in fair value are immediately recognised in income.

2.18. Revenue

Revenue mainly comprises the following.

- Sales, comprised of the sale of merchandise, goods and services generated in the course of the Group's main business activities. This is part of "current operating income" (note 21).
- Other income including other revenue assigned to "current operating income" (note 21) such as translation adjustments on sales, capitalised production, rental income, operating subsidies and insurance premiums received.
- Interest income recognised in income under "cost of borrowed capital" (note 23.1).
- Dividends included in income under "other finance income" (note 23.2).

The revenue recognition criteria by category are as follows.

- Sales and other income: Income is recognised as sales once the company has transferred the main risks and benefits inherent in ownership to the buyer. Sales are measured at the fair value of the corresponding payment 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 is recognised whenever the Group is entitled to receive payment as a shareholder.

2.19. Share-based payment

Various stock option plans have been set up. The fair value of the services received in exchange for the grant of these options is definitively measured with reference to the fair value of said options on the grant date and to the number of options that will have vested by the end of the vesting period. In this regard, the Group uses a Black & Scholes-type mathematical valuation model.

During the vesting period, the total fair value thus determined is deferred on a straight-line basis over the full vesting period for the plan in question, with the assumed number of exercisable options reviewed at every cut-off date.

This charge is recorded under personnel costs, 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 transition provisions in IFRS 2, only stock option plans subsequent to November 7, 2002 are recognised under the principle set out above and measured.

2.20. Current operating income and other operating income and expense

The Eramet Group specifically uses current operating income as a performance indicator.

Current operating income corresponds to net income prior to including:

- Other operating income, which particularly includes the impact of:
  - Restructuring costs,
  - Capital gains/losses or impairment losses on assets,
  - Impairment losses on goodwill.
- Cost of borrowed capital.
- Other finance income (dividends, provisions on securities, gains/losses on hedging instruments).
- Share of income of affiliates.
- Income tax.

2.21. Earnings per share

Earnings per share are calculated by dividing the Group net (loss) income by the weighted average number of shares outstanding in the year, excluding treasury shares.

Fully diluted earnings per share are obtained by correcting Group net (loss) income and the number of shares for the impact of potential dilution.

2.22. Contingencies

Environmental

Where there is a legal or contractual obligation to restore mining sites, a corresponding provision is recorded. The provision is based on site-by-site cost estimates, the total cost being deferred over the operation of the mine.

Provisions are recorded for any other environmental contingencies on the basis of estimated future costs without, however, allowance for any insurance indemnities receivable.

Market

To manage its interest and foreign currency risks, the Group has recourse to various financial instruments. The Group's policy is to reduce its exposure to interest and exchange rate fluctuations, but not to speculate. Positions are traded either in recognised markets, or by private contract with reputable banks.

Gains or losses on hedging instruments are symmetrically recognised with the gains or losses on the hedged items. However, unrealised losses on economic hedging transactions not classed as hedged are recognised in income.

All transactions outstanding as on the date of the balance sheet are recognised in the balance sheet, with no set-off (note 19).

Foreign currency risks

When the exposure stemming from the borrowing taken out by Group companies in currencies other than their reporting currencies is not offset by income in those currencies, the Group may hedge its foreign currency risk.

Interest rate risks

Depending on market conditions and on forecast changes in the financial position, the Group Finance Department checks the split between fixed and variable rates of debt and cash investments. The financial instruments used are interest rate swaps, caps or floors.

3. Scope of consolidation

3.1. Changes in scope of consolidation

The scope of consolidation changed as follows in 2005.

• Newly consolidated companies

Nickel Division: The New Caledonian company Poum SAS, owner of the Poum nickeliferous massif, was fully consolidated as on December 31, 2005 following the conclusion of the Bercy agreements (note 26). It is wholly owned by Le Nickel-SLN for an acquisition value of €6 million.

Manganese Division: Following a €13 million capital increase, Comilog SA holds 83.88% of Setrag SA, the company that was awarded the Gabonese railway concession on November 1, 2005. Setrag SA was fully consolidated as from December 31, 2005. The wholly owned Chinese company Guangxi Eramet Chemetals Ltd was founded in late 2005 to consolidate the EMD plant construction project.

• Deconsolidated companies

Alloys Division: The sales companies Erasteel Japan KK, Erasteel Korea Ltd and Erasteel Latin America, all wholly owned by Erasteel, were deconsolidated as from January 1, 2005. Similarly, Traitement Compression Services (TCS), Bronzavia Industries, Financière Brown Europe and its subsidiary Brown Europe and Stahlschmidt GmbH were deconsolidated as from January 1, 2005. As on that date, they were 51%, 100%, 100% and 50% owned by Aubert & Duval and SIMA, respectively.

Manganese Division: The Gabonese company Sodepal and the Italian company Comilog Italia, both wholly owned by Comilog SA, were deconsolidated as from January 1, 2005.

Holding company and miscellaneous division: Port Minéralier d'Owendo Lausanne (PMOL) was deconsolidated as from January 1, 2005. The company was wholly owned by Eramet.

• Changes in ownership levels

Manganese Division: the US company Bear Metallurgical Corp., previously 49.5% held and accounted for using the equity method, was fully consolidated as from December 1, 2005 following the Group's buyout of the remaining 50.5% of shares for €10 million.

• **Overview of the main business combinations during the period**

(millions of euros)	Poum SAS (Nickel Div.)		Bear Metal. Corp. (Manganese Div.)		Setrag SA (Manganese Div.)	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Acquisition price		6		10		13
Goodwill and (negative goodwill) recognised		(3)		–		–
Long-term assets	10	6	9	2	8	8
Working capital	–	–	–	–	6	6
Net financial position	(9)	(6)	(12)	(7)	(15)	(15)
Deferred provisions and tax	(1)	–	(2)	–	(8)	(8)
Net borrowings	–	–	5	5	9	9

The impact on the Group's income statement is not material. Pro forma statements were not drawn up.

The allocation of the acquisition prices for Bear Metallurgical Corp. and Setrag SA was not finalised as on the 2005 balance sheet date.

3.2. Consolidation of Setrag SA, the company holding the concession to the Transgabonais railway

In the absence of the IASB's definitive publication of the IFRIC interpretation on the recognition method for contracts appointing a third party to manage a public service, the Transgabonais railway concession was recognised as follows.

Under the terms of the agreement, for an initial 30 year period, the concessionary freely sets the prices for the services it provides, in return for a commitment to fund the renewal of assets with the undertaking to catch up capital expenditure over the first five years, part of which is guaranteed by Comilog (€21 million). The assets relating to those renewal investments and the assets bought from the State are recognised as balance sheet assets and depreciated over their useful lifespan or over the remaining period of the concession, whichever is shorter.

The balance sheet as on December 31, 2005 was as follows (millions of euros):

Property, plant & equipment	8	Shareholders' equity	15
Inventory	3	Employee liabilities	8
Trade receivables	6	Long-term debts [2]	11
Other receivables [1]	13	Trade payables	2
Cash	9	Other debts	3
	39		**39**

(1) Other receivables include a portion of the capital increase not yet paid (€6 million) and a receivable from the State relating to employee liabilities.
(2) The €11 million debt payable to the Gabonese State over 25 years corresponds to the purchase of separate property and a portion of the spare parts inventory.

3.3. List of consolidated companies on December 31, 2005

As on December 31, 2005, the scope of consolidation included 50 companies (as on December 31, 2004: 58), with 48 fully consolidated and 2 accounted for using the equity method (as on December 31, 2004: 54 and 4).

Company	Country	Consolidated method	Control (%)	Interest (%)
Eramet	**France**	**Parent company**	**–**	**–**
Nickel				
Société Le Nickel (Sln)	New Caledonia	Consolidated	60	60
Cominc	New Caledonia	Consolidated	60	60
Poum	New Caledonia	Consolidated	60	60
Eramet Holding Nickel (Ehn)	France	Consolidated	100	100
Eurotungstène Poudres (Etp)	France	Consolidated	100	100
Manganese				
Eramet Holding Manganèse (Ehm)	France	Consolidated	100	100
Eramet Comilog Manganèse (Ecm)	France	Consolidated	100	83.63
Eramet Marietta Inc.	United States	Consolidated	100	100
Eramet Norway A/S	Norway	Consolidated	100	100
Comilog, SA	Gabon	Consolidated	67.25	67.25
Setrag SA	Gabon	Consolidated	83.88	56.66
Comilog Holding	France	Consolidated	100	67.25
Comilog International	France	Consolidated	100	67.25
Comilog Lausanne	Switzerland	Consolidated	100	67.25
Port Minéralier d'Owendo SA (Pmo)	Gabon	Equity accounted	36.35	24.45
Unimin AG	Switzerland	Consolidated	100	67.25
Erachem Comilog SA	Belgium	Consolidated	100	67.25
Comilog US	United States	Consolidated	100	67.25
Gulf Chemetals & Metallurgical Corp. (Gcmc)	United States	Consolidated	100	67.25
Bear Metallurgical Corp.	United States	Consolidated	100	67.25
Erachem Comilog Inc.	United States	Consolidated	100	67.25
Eramet Comilog North America Inc. (Ecna)	United States	Consolidated	100	67.25
Comilog France	France	Consolidated	100	67.25
Comilog Dunkerque	France	Consolidated	100	67.25
Miner Holding BV	Netherlands	Consolidated	100	67.25
Erachem Mexico SA de CV	Mexico	Consolidated	100	67.25
Comilog Asia Ltd	Hong Kong	Consolidated	100	93.45
Comilog Asia Ferro Alloys Ltd	Hong Kong	Consolidated	100	93.45
Guangxi Comilog Ferro Alloys Ltd	China	Consolidated	70	65.42
Guilin Comilog Ferro Alloys Ltd	China	Consolidated	100	93.45
Guangxi Eramet Comilog Chemicals Ltd	China	Consolidated	100	93.45
Comilog Far East Development Ltd (Cfed)	Hong Kong	Consolidated	100	93.45
Alloys				
Eramet Alliages	France	Consolidated	100	100
Erasteel	France	Consolidated	100	100
Erasteel Commentry	France	Consolidated	100	100
Erasteel Champagnole	France	Consolidated	100	100
Erasteel Kloster AB	Sweden	Consolidated	100	100

Company	Country	Consolidated method	Control (%)	Interest (%)
Peter Stubs Ltd	United Kingdom	Consolidated	100	100
Erasteel Ltd	United Kingdom	Consolidated	100	100
Erasteel Inc.	United States	Consolidated	100	100
Erasteel GmbH	Germany	Consolidated	100	100
Erasteel Italiana Srl	Italy	Consolidated	100	100
Société Industrielle de Métallurgie Appliquée (Sima)	France	Consolidated	100	100
Forges M. Dembiermont	France	Equity accounted	33.2	33.2
Interforge	France	Consolidated	94	94
Aubert & Duval	France	Consolidated	100	100
Airforge	France	Consolidated	100	100
Holding companies and miscellaneous				
Eras SA	Luxembourg	Consolidated	100	100
Metal Securities	France	Consolidated	100	100

All companies within the scope of consolidation draw up financial statements ending on December 31.

4. Goodwills

4.1. By category

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Eramet Norway A/S	15	15
Peter Stubs Ltd	7	7
Eurotungstène Poudres (Etp)	6	6
Bear Metallurgical Corp.	1	–
Erachem Mexico SA	3	3
Aubert & Duval (Ad)	2	2
Other companies (under 1 million euros)	1	2
Total	**35**	**35**

4.2. Changes over the period

	At December 31	
(millions of euros)	2005	2004
As at beginning of period	35	35
Business combinations	1	–
Other consolidation adjustments	(1)	–
Impairment losses over the period	–	–
Translation and other adjustments	–	–
As at end of period	**35**	**35**

On January 1, 2004, an impairment loss of €8 million was recognised against the goodwill of Aubert & Duval (Alloys Division).

The acquisition in early July 2004 from Cogema of 30.5% of Eramet Manganèse Alliages and 6.78% of Comilog SA generated additional, fully impaired goodwill (charged to Eramet Marietta Inc.) of €6 million.

The acquisition in early December 2005 of 50.5% of the US company Bear Metallurgical Corp. (Manganese Division) explains the business combinations, while other consolidation adjustments relate to the deconsolidation as on January 1, 2005 of non-material subsidiaries (note 3).

5. Intangible assets

5.1. By category

(millions of euros)	Gross amount	Amortisation and provisions	Net Dec. 31, 2005	Net Dec. 31, 2004
Mineral reserves	115	(50)	65	57
Computer software	30	(26)	4	4
Other intangibles	7	(6)	1	3
Work in progress, down-payments	3	(1)	2	3
Total	**155**	**(83)**	**72**	**67**

5.2. Changes over the period

	At December 31	
(millions of euros)	2005	2004
As at beginning of period	67	66
Business combinations	10	–
Other consolidation adjustments	–	–
Capital expenditure over the period	4	7
Amortisation and provisions over the period	(7)	(7)
Translation and other adjustments	(2)	1
As at end of period	**72**	**67**
- Gross amount	155	192
- Amortisation and provisions	(83)	(125)

The Group allocates the acquisition cost of a business combination at 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) and New Caledonia (Nickel Division) for €46 million and €19 million respectively (€46 million and €11 million as on December 31, 2004). The increase in mineral deposits in New Caledonia relates to the completion of the Bercy agreements at the end of 2005 (note 26) with allocation of the Poum massif for a fair value of €10 million (note 3).

5.3. Research & development expenditure – expenses during the period

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Other non-capitalised research and development expenditure	32	33
Total	**32**	**33**
Percentage of sales	1.2%	1.3%

The Nickel Division's geology expenses are not capitalised and are expensed in the period in which they are incurred.

6. Property, plant & equipment

6.1. By category

(millions of euros)	Gross amount	Amortisation and provisions	Net amount as on Dec. 31, 2005	Net amount as on Dec. 31, 2004
Land and buildings	558	(321)	237	212
Industrial and mining installations (*)	1,987	(1,297)	690	594
Other property, plant and equipment	302	(215)	87	62
Assets in progress and down-payments	179		179	187
Total	**3,026**	**(1,833)**	**1,193**	**1,055**
(*) Including investment subsidies deducted			(1)	(6)

Investment subsidies deducted from items of property, plant and equipment mainly relate to the strategic capital expenditure items defined in point 6.3., details of which are set out below.

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
40,000-ton press - Aubert & Duval	(1)	(4)
Other	–	(2)
Total	**(1)**	**(6)**

6.2. Changes over the period

	At December 31	
(millions of euros)	2005	2004
As at beginning of period	**1,055**	**967**
Business combinations	17	–
Other consolidation adjustments	(8)	–
Capital expenditure over the period	227	226
Investment subsidies received	–	(4)
Disposals over the period	(5)	(3)
Amortisation and provisions over the period	(131)	(127)
Translation and other adjustments	38	(4)
As at end of period	**1,193**	**1,055**
- Gross amount	3,026	2,781
- Amortisation and provisions	(1,833)	(1,726)

Following an impairment test, items of property, plant and equipment in the Manganese Division were impaired by €5 million as at the end of 2004. As on January 1, 2004, an impairment loss of €15 million was recognised in the Alloys Division to take account of the new amounts stemming from the application of IAS 16 (property, plant & equipment) and IAS 36 (impairment of assets).

The recognition of liabilities for the restoration of mining sites in New Caledonia (Nickel Division) resulted in the creation of a specific component with respect to recorded provisions (note 15.5). The net amount of those items of property, plant and equipment amounted to €18 million as on December 31, 2005 (€13 million as on December 31, 2004).

Business combinations relate to Bear Metallurgical Corp. and Setrag SA for €9 million and €8 million respectively (note 3). Other consolidation adjustments relate to the deconsolidation of non-material companies (note 3).

6.3. Details of main strategic capital expenditure

	At December 31	
(millions of euros)	2005	2004
Nickel production expansion (75kT project) - Société Le Nickel (Sln)	20	94
Manganese production expansion (3,000,000-ton project) - Comilog SA	24	–
EMD plant in China - Guangxi Eramet Chemetals Ltd	6	–
40,000-ton press - Aubert & Duval	21	33
Total	**71**	**127**

The main strategic capital expenditure projects are financed from cash and borrowings.

The net value of items of property, plant and equipment financed by leasing in the balance sheet amounted to €36 million (€33 million as on December 31, 2004), including €2 million for strategic capital expenditure over the period (40,000-ton press).

6.4. Impairment tests

The data and assumptions used for impairment tests on assets included in cash generating units (CGU) are as follows.

(millions of euros)	Net carrying amount	Value in use or fair value	Discount rate [1]	Valuation method [2]
CGU - Eramet Marietta Inc.	96	90	9%	Discounted cash flows
CGU - Comilog Dunkerque	2	–	9%	Discounted cash flows
CGU - Erasteel Kloster AB	3	–	–	Indications of impairment losses

(1) The discounting rate used is the weighted average cost of capital.

(2) Cash flows over 5 years and a terminal value. The growth rates used are the same as those used in budgets and the infinite growth rates used for terminal values are from 0% to 1% depending on the CGU.

7. Equity method affiliates

7.1. By category

(millions of euros)			Share	Share in shareholders' equity	
Company	**Country**	**% held**	**in earnings**	**Dec. 31, 2005**	**Dec. 31, 2004**
Forges M. Dembiermont	France	33.2%	–	7	8
Port Minéralier d'Owendo SA	Gabon	36.35%	1	4	4
Bear Metallurgical Corp.	United States	49.5%	1	–	3
Stahlschmidt GmbH	Germany	–	–	–	1
TOTAL			**2**	**11**	**16**

7.2. Changes over the period

	At December 31	
(millions of euros)	**2005**	**2004**
As at beginning of period	**16**	**19**
Business combinations	(4)	–
Other consolidation adjustments	(1)	–
Capital expenditure over the period	–	–
Disposals over the period	–	–
Share in earnings over the period	2	1
Dividends paid	(2)	(4)
Translation and other adjustments	–	–
As at end of period	**11**	**16**

The simplified financial statements (corporate data) for investments in companies accounted for using the equity method are set out below.

(millions of euros)	Forges M. Dembiermont (Alloys Div.) Dec. 31, 2004	Port Minéralier d'Owendo SA (Manganese Div.) Dec. 31, 2005
Sales	22	8
Current operating income	–	3
Net income	–	3
Long-term assets	41	4
Working capital	6	
Net financial position	(24)	(8)
Provisions	(2)	
Net borrowings	(21)	4

Stahlschmidt GmbH, previously 50% accounted for using the equity method, was withdrawn from consolidation as on January 1, 2005 (notes 3 and 8).

Bear Metallurgical Corp., 49.5% accounted for using the equity method until November 30, 2005, was fully consolidated from that date following the Group's buyout of the remaining 50.5% of shares (note 3).

8. Non-consolidated subsidiaries

8.1. By category

(millions of euros)	Country	% held	Gross amount	Provisions	Net value as on Dec. 31, 2005	Net amount as on Dec. 31, 2004
Société Financière Brown Europe	France	100%	8	–	8	–
Aubert & Duval USA Inc. (ex-Htm Inc.)	United States	100%	3	–	3	3
La Petite-Faye	New Caledonia	100%	2	–	2	2
Stahlschmidt GmbH	Germany	50%	2	–	2	–
Aubert & Duval Mold and Die Technology	China	85%	2	–	2	–
Eramet North America Inc. (ex-Lni Inc.)	United States	100%	2	(1)	1	1
SAS Extract Ion	France	50%	1	(1)	–	1
Centre de Recherche de Trappes (CRT)	France	100%	1	–	1	1
Sogaferro	Gabon	69.99%	1	–	1	1
Microsteel	France	100%	2	(1)	1	1
Traitement Compression Service (Tcs)	France	51%	1	–	1	–
Erasteel Japan KK	Japan	100%	1	–	1	–
Erasteel Korea Ltd	South Korea	100%	1	–	1	–
Other companies (under 1 million euros)	–	–	32	(19)	13	14
TOTAL			**59**	**(22)**	**37**	**24**

Interests in 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 net shareholders' equity held.

As of January 1, 2005, non-consolidated subsidiaries included companies that were withdrawn from the scope consolidation because of their slight impact on the Group's financial statements (note 3). These investments are measured at their equity stake value on the date of deconsolidation.

8.2. Changes over the period

(millions of euros)	At December 31 2005	2004
As at beginning of period	**24**	**23**
Business combinations	–	–
Other consolidation adjustments	12	–
Capital expenditure over the period	5	7
Disposals over the period	(8)	(12)
Impairment losses over the period	3	(5)
Translation and other adjustments	1	11
As at end of period	**37**	**24**

Simplified financial statements (corporate data) for the main controlled but non-consolidated companies as on December 31, 2004 are set out below.

(millions of euros)

(Basis: financial statements as on December 31, 2004)	Erasteel Japan KK	Erasteel Korea Ltd	Microsteel	TCS	FBE & Brown Europe	Eramet North America Inc.	Centre Rech. Trappes (CRT)
Sales	4	3	7	2	11	2	7
Current operating income	–	–	–	–	1	–	–
Net income	–	–	–	–	1	–	–
Long-term assets	–	–	1	4	3	–	2
Working capital	1	1	2	–	5	–	–
Net financial position	(1)	(1)	(1)	(2)	(8)	(1)	(2)
Provisions	–	–	–	–	–	–	(1)
Net borrowings	–	–	(2)	(2)	–	1	1

These companies are mainly sales and research & development entities whose services are wholly for the Group, and industrial subsidiaries of Sima (shaping, wiredrawing and drawing of metallurgical products).

9. Other financial assets

9.1. By category

(millions of euros)	Gross amount	Provisions	Net amount as on Dec. 31, 2005	Net amount as on Dec. 31, 2004
Deposits	7	–	7	13
Employee loans	2	–	2	2
Credit lines - Eramet International & Japan	2	–	2	–
Financial investments / US pensions	3	–	3	2
Advances - China Bayi	1	–	1	2
Accounts receivable - Sonadig (Gabon)	4	(2)	2	2
Credit lines - Microsteel	2	–	2	2
Credit lines - Bronzavia Industries	1	–	1	–
Other loans and credit lines	5	–	5	3
TOTAL	**27**	**(2)**	**25**	**26**

Other financial assets chiefly relate to loans and credit granted to non-consolidated companies and are measured at amortised cost.

Credit granted to Bronzavia Industries has been fully provided for under liabilities (note 15.6).

9.2. Changes over the period

(millions of euros)	At December 31 2005	2004
As at beginning of period	**26**	**27**
Business combinations	–	–
Other consolidation adjustments	–	–
Cash movements	(2)	(1)
Impairment losses over the period	4	1
Translation and other adjustments	(3)	(1)
As at end of period	**25**	**26**

9.3. By currency

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Euro	15	15
US dollar	3	5
CFA franc	4	4
Pacific franc	3	2
TOTAL	**25**	**26**

9.4. By interest rate

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Interest free	15	18
Fixed rate	6	4
Variable rate	4	4
TOTAL	**25**	**26**

10. Inventories

10.1. By category

(millions of euros)	Net amount as on Dec. 31, 2005	Net amount as on Dec. 31, 2004
Raw materials	265	186
Merchandise and finished goods	229	224
Work in progress and semi-finished goods	256	187
Consumables and spare parts	10	4
TOTAL	**760**	**601**

10.2. Changes over the period

(millions of euros)	At December 31 2005	2004
As at beginning of period	**601**	**582**
Business combinations	3	–
Other consolidation adjustments	(8)	–
Working capital adjustments	156	22
Impairment losses over the period	(5)	3
Translation and other adjustments	13	(6)
As at end of period	**760**	**601**

The increase in inventories relates to all Group divisions, particularly Alloys following the significant upturn in business at Aubert & Duval, mainly in aerospace.

11. Trade and other receivables

11.1. By category

(millions of euros)	Gross amount	Provisions	Net amount as on Dec. 31, 2005	Net amount as on Dec. 31, 2004
Trade receivables	460	(11)	449	412
Social and tax receivables	41	–	41	27
Other trade receivables	51	(25)	26	28
Prepaid expenses	7	–	7	5
TOTAL	**559**	**(36)**	**523**	**472**

11.2. Changes over the period

(en millions d'euros)	At December 31 2005	2004
As at beginning of period	**472**	**380**
Business combinations	15	–
Other consolidation adjustments	14	–
Working capital adjustments	6	102
Impairment losses over the period	–	(5)
Translation and other adjustments	16	(5)
As at end of period	**523**	**472**

Trade and other receivables are all at less than one year. The increase is mainly due to the rise in sales. Foreign currency denominated receivables are translated at the closing rate.

12. Cash and cash equivalents

12.1. By category

(millions of euros)	Gross amount	Provisions	Net amount as on Dec. 31, 2005	Net value as on Dec. 31, 2004
Marketable securities	472	–	472	344
Cash	51	–	51	93
TOTAL	**523**	**–**	**523**	**437**

12.2. By currency

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Euro	453	361
US dollar	57	36
Yuan Ren Min Bi (China)	4	4
Other currencies	9	36
TOTAL	**523**	**437**

12.3. By interest rate

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Interest free	13	62
Fixed rate	22	59
Variable rate	488	316
TOTAL	**523**	**437**

This heading covers marketable securities and cash. Marketable securities are mainly comprised of money market funds in euros bearing interest at variable rates under 3%.

The change from one period to the next is analysed via a cash flow statement drawn up using the indirect method.

13. Shareholders' equity

13.1. Changes in share capital

Share capital is comprised of 25,789,874 shares with a par value €3.05, broken down as follows:

Shareholding of Eramet SA

	Financial year 2005				Financial year 2004			
Distribution	**Share capital**		**Voting rights**		**Share capital**		**Voting rights**	
	%	shares	%	shares	%	shares	%	shares
Registered shares								
Sorame et Compagnie d'Etudes Industrielles du Rouvray (CEIR)	37.24	9 603 338	43.76	19,182,665	37.21	9,579,338	43.61	18,832,239
Areva	26.20	6,757,277	30.83	13,514,554	26.25	6,757,277	30.89	13,339,767
S.T.C.P.I.	5.13	1,323,471	5.96	2,614,378	5.14	1,323,471	6.05	2,614,378
Société Minière G. Montagnat	0.25	65,545	0.30	129,478	0.25	65,545	0.30	129,478
Eramet SA	0.59	151,212	–	–	1.25	321,710	–	–
Actions Eramet SA fund	0.18	45,220	0.21	90,440	0.21	53,220	0.24	102,510
Other	1.91	492,421	2.16	948,641	2.01	517,741	2.39	1,034,012
Total registered shares	**71.50**	**18,438,484**	**83.23**	**36,480,156**	**72.32**	**18,618,302**	**83.50**	**36,052,384**
Other bearer shares	28.50	7,351,390	16.77	7,351,390	27.68	7,126,642	16.50	7,126,642
Total number of shares	**100.00**	**25,789,874**	**100.00**	**43,831,546**	**100.00**	**25,744,944**	**100.00**	**43,179,026**
- Single voting right shares	30.04%	7,748,202	17.68%	7,748,202	32.28%	8,310,862	19.25%	8,310,862
- Double voting right shares	69.96%	18,041,672	82.32%	36,083,344	67.72%	17,434,082	80.75%	34,868,164

Sorame, Compagnie d'Etudes Industrielles du Rouvray (CEIR) and Areva are signatories to a shareholders' agreement constituting a concert party, which was subject to an opinion by the Conseil des Marchés Financiers (French financial markets regulator) on May 18, 1999 under reference number 199C0577. Shares giving the double voting rights were issued in 2002.

Dividends

	Financial years			
	2006 (*)	**2005**	**2004**	**2003**
Net dividend	2.10	2	0.86	1
Tax credit	–	–	0.43	0.50
Total return	2.10	2	1.29	1.50
Total net distribution	**54**	**51**	**22**	**25**

(*) Dividend payout proposed by the Board of Directors on March 8, 2006.

Treasury shares

As on December 31, 2005, Eramet SA held 166,821 treasury shares (334,483 shares as on December 31, 2004), mainly bought in 2000 and 2002 under the buyback programme set out in the prospectus published on July 2, 1999 and approved by the extraordinary and ordinary general shareholders' meeting of July 21, 1999, representing 151,212 shares (321,710 shares as on December 31, 2004). The balance of 15,609 shares (12,773 shares as on December 31, 2004), in bearer shares relate to shares bought under a liquidity contract agreed with Exane BNP Paribas and not yet registered as on the date of drafting of the table. The total amount of buybacks was charged to shareholders' equity.

The fall in the number of treasury shares is mainly the result of stock option exercises by employees in 2005, relating to 170,848 shares (note 13.2).

13.2. Stock options, free shares

13.2.1. Stock options and free shares

(1)	Date of Shareholders' meeting	Date of Board meeting	Subscription price	Number of beneficiaries originally	Number of beneficiaries as on 01.01.2005	Originally allotted	Exercised or lapsed prior to 01.01.2005	Exercised in 2005	Lapsed in 2005	Exercisable as from 01.01.2006	Number of beneficiaries as on 01.01.2006	Expiry date of plans
1	08.06.1995	16.12.1997	33.08 EUR	39	13	104,500	(77,300)	(19,200)	(8,000)			15.12.2005
2	27.05.1998	12.12.2001	32.60 EUR	61	58	153,000	(15,000)	(25,730)	–	112,270	46	11.12.2009 (2)
3	23.05.2002	15.12.2004	64.63 EUR	81	81	130,000	–	–	–	130,000	81	15.12.2012 (3)
4	11.05.2005	13.12.2005	free	90	–	14,000	–	–	–	14,000	90	n/a
Total						**401,500**	**(92,300)**	**(44,930)**	**(8,000)**	**256,270**		

(1) Start date of plans: 1 = 12/16/1999; 2 = 12/12/2003; 3 = 12/12/2006.

(2) Could only be exercised as from Dec. 12, 2003. Shares could not be sold prior to Dec.14, 2005.

(3) May only be exercised as from Dec. 12, 2006. Shares may not be sold prior to Dec. 14, 2008.

The exercise of 44,930 subscription options during the period at an average price of €78.93 contributed to the increase of shareholders' equity in exchange for cash through the creation of the same number of shares.

13.2.2. Stock purchase options

(1)	Date of Shareholders' meeting	Date of Board meeting	Subscription price	Number of beneficiaries originally	Number of beneficiaries as on 01.01.2005	Originally allotted	Exercised or lapsed prior to 01.01.2005	Exercised in 2005	Lapsed in 2005	Exercisable as from 01.01.2006	Number of beneficiaries as on 01.01.2006	Expiry date of splans
1	21.07.1999	15.09.1999	47.14 EUR	5,646	2,452	423,450	(241,820)	(75,485)	(9,875)	96,270	1,320	14.09.2007
2	27.05.1998	14.12.1999	54.00 EUR	80	65	166,500	(35,102)	(95,363)	–	36,035	26	13.12.2007 (2)
TOTAL						**589,950**	**(276,922)**	**(170,848)**	**(9,875)**	**132,305**		

(1) Start date of plans: 1 = 09/15/1996 ; 2 = 12/14/2001.

(2) Shares could not be sold prior to Dec. 14, 2004.

The exercise of 170,848 call options during the period at an average price of €79.12 resulted in the sale of treasury securities in return for cash. The result of the sale was charged to shareholders' equity.

13.3. Share based compensation

Share based compensation only relates to stock option and free share plans granted to employees. They represent a charge of €2 million as on December 31, 2005.

The applicable rules are common to all plans:

- Vesting or allocation of rights relate to the date of the meeting of the Board of Directors,
- The exercise period follows a two-year retention period as from the date of the grant.

When an option is exercised, the outcome is in the form of shares. Only stock options issued subsequent to November 7, 2002 are recognised pursuant to IFRS 2. Consequently, only the plans allocated at the meetings of the Board of Directors of December 15, 2004 (plan 3, note 13.2.1) and December 13, 2005 (plan 4, note 13.2.1.) fall under IFRS 2. The fair value of stock options is calculated using the Black & Scholes method. They are deferred on a straight-line basis over the vesting period of the plan under personnel costs and offset in shareholders' equity.

Plan measurement: the assumptions used to assess the plans are based on expected volatility of 40%, a risk-free rate of 2.80% over the duration of the plan and a future distribution rate of 3.28%. Based on these assumptions, the fair values used to calculate the charge work out respectively at €20.75 per share for plan 3, i.e. €3 million in total, and €68.04 per share for plan 4, i.e. €1 million in total, written off over periods of two years from December 15, 2004 (plan 3) and three years from December 13, 2005 (plan 4).

14. Minority interests

14.1. By category

(millions of euros)	minority interest (%)	Dec. 31, 2005 Net income	Dec. 31, 2005 Total	Dec. 31, 2004 Total
Société Le Nickel (Sln)	40%	102	376	293
Comilog SA	32.75%	39	118	77
Guangxi Comilog Ferro Aloys Ltd	30%	–	4	4
Interforge	6%	–	1	1
TOTAL		**141**	**499**	**375**

14.2. Changes over the period

(millions of euros)	At December 31 2005	At December 31 2004
As at beginning of period	**375**	**320**
Business combinations	2	–
Other consolidation adjustments	–	(3)
Cash movements	–	(61)
Dividends paid	(22)	(10)
Net income for the period	141	132
First-time application of IAS 32 & 39	16	–
Change in financial instrument re-measurement reserve - IAS 32 & 39	(19)	–
Translation and other adjustments	6	(3)
As at end of period	**499**	**375**

Acquisitions in 2004 mainly relate to the acquisition in early July 2004 for €66 million of 30.5% of Eramet Manganèse Alliages and 6.78% of Comilog SA. Changes in the scope of consolidation relate to the closure of the Chinese company Shaoxing Comilog Ferro Alloys Ltd.

Business combinations relate to the consolidation of Setrag SA (note 3) at the end of 2005.

15. Provisions

15.1. By category

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Personnel	178	170
Major disputes	12	13
Environmental contingencies and site restoration	127	119
Other contingencies and losses	35	42
TOTAL	**352**	**344**

15.2. Changes over the period

(millions of euros)	At December 31 2005	At December 31 2004
As at beginning of period	**344**	**383**
Business combinations	8	–
Other consolidation adjustments	7	1
Allowance (reversal) for the period	(25)	(34)
Translation and other adjustments	18	(6)
As at end of period	**352**	**344**

Allowance (reversal) for the period is comprised of the following.

(millions of euros)	At December 31 2005	2004
Charge for the period	70	54
(Reversal) for the period - provision used	(94)	(83)
(Reversal) for the period - provision not used	(4)	(7)
Un-discounting charges	3	2
TOTAL	**(25)**	**(34)**

15.3. Personnel

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Pensions and other employee benefits	145	131
Restructuring and redundancy plans	18	32
Other payroll contingencies and charges	15	7
TOTAL	**178**	**170**

Pension and related liabilities: An actuarial appraisal of the liabilities of all Group companies has been carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee benefits. This appraisal is done 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 actuarial assumptions used for appraisals are as follows.

As on December 31, 2004	**Europe**	**North America**	**New Caledonia**	**Gabon**
Discount rate	5% (5.5%)	6.25 % (7.5%)	4.75%	6.5%
Inflation rate	2% (2.7%)	3 % (3.5%)	2%	2.3%
Salary increase rate	1.5% (3.95%)	3 % (4.5%)	4.5%	3.3%
Return on plan financial assets	5% (7.2%)	7.7 % (7.75%)	5.3%	n/a

As on December 31, 2005	**Europe**	**North America**	**New Caledonia**	**Gabon**
Discount rate	3.6% (4.9%)	5.5% (9.8%)	3.9%	6.5%
Inflation rate	2% (2.7%)	2.4% (3.5%)	2%	2.3%
Salary increase rate	2% (3.5%)	3% (4.5%)	4.5%	3.3%
Return on plan financial assets	5% (7.2%)	7.7% (7.75%)	5.3%	n/a

The detailed results of the appraisals as on December 31, 2005 and December 31, 2004 are set out below.

(millions of euros)	**Fair value of plan assets**		**Actuarial value of liabilities**		**Financial position Surplus / (deficit)**	
	Financial 2005	**Financial 2004**	**Financial 2005**	**Financial 2004**	**Financial 2005**	**Financial 2004**
Pension plans	93	70	173	142	(80)	(72)
Retirement indemnities	39	39	67	66	(28)	(27)
Service bonuses			20	13	(20)	(13)
Medical coverage plans			29	24	(29)	(24)
TOTAL	**132**	**109**	**289**	**245**	**(157)**	**(136)**

(millions of euros)	Unrecorded actuarial (gains) / losses		Unrecognised past services		Balance sheet provision (assets) / liabilities	
	Financial 2005	Financial 2004	Financial 2005	Financial 2004	Financial 2005	Financial 2004
Pension plans	9	3			71	69
Retirement indemnities	1	1	1	1	26	25
Service bonuses					20	13
Medical coverage plans	1				28	24
TOTAL	**11**	**4**	**1**	**1**	**145**	**131**

The impact of changes in pension plans is not immediately recognised in the balance sheet. Consequently, the recorded provision of €145 million does not cover the total liabilities of €157 million. For these plans, actuarial differences in excess of 10% of the current value of the liability with respect to defined benefits or 10% of the fair value of plan assets at the previous closing date, whichever is higher, are deferred over the remaining working life of plan participants. In the event of changes to the plan, the past service cost is deferred on a straight-line basis over the average remaining period until the corresponding rights vest.

Pension funds are invested as follows.

	At December 31	
(millions of euros)	**2005**	**2004**
Shares	62 47%	56 51%
Bonds	60 45%	44 40%
Other investments	10 8%	9 9%
TOTAL	**132** **100%**	**109** **100%**

The pension fund asset distribution policy depends on country specific practices.

The change in employee benefits over the period was as follows.

	At December 31	
(millions of euros)	**2005**	**2004**
As at beginning of period	**131**	**138**
Business combination	8	–
Other consolidation adjustments	–	1
Recognised expenses	19	11
- Past service cost	8	6
- Net interest expense	13	13
- Hedging asset yields	(8)	(7)
- Depreciation of actuarial differences and past service	6	–
- Other	–	(1)
Contributions paid	(24)	(17)
Translation and other adjustments	11	(2)
As at end of period	**145**	**131**

Restructuring and redundancy plans: All restructuring and redundancy costs are fully provided for whenever the conditions defined by IFRS are satisfied. The following table sets out these liabilities.

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Aubert et Duval redundancy plan	7	18
Closure of the Boulogne sur Mer plant - Comilog France	1	2
Other restructuring and redundancy plans - Manganese Division	8	11
Other restructuring and redundancy plans - Alloys Division	2	1
TOTAL	**18**	**32**

The changes over the period were as follows.

	At December 31	
(millions of euros)	2005	2004
As at beginning of period	**32**	**72**
Business combinations	–	–
Other consolidation adjustments	–	–
Allowance (reversal) for the period	(14)	(40)
Translation and other adjustments	–	–
As at end of period	**18**	**32**

The fall in provisions for restructuring, which amounted to €18 million as on December 31, 2005 (€32 million as on December 31, 2004), is due to the redundancy plans implemented in France, Belgium and Norway in the Alloys and Manganese divisions.

Other contingencies and payroll charges: These provisions largely relate to lawsuits with employees and welfare bodies.

15.4. Major lawsuits

Provisions for major lawsuits stemming from the acquisition of Comilog SA in 1996/1997 are unchanged (€12 million). The Group estimates that they should be sufficient to cover all the lawsuits in question.

15.5. Environmental contingencies and site restoration

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Environmental contingencies	47	36
Site restoration	80	83
TOTAL	**127**	**119**

Environmental contingencies: The provision as on December 31, 2005 amounted to €47 million (€36 million as on December 31, 2004) and largely related to the Manganese Division (€30 million compared with €31 million as on December 31, 2004) and the Alloys Division (€14 million compared with €5 million as on December 31, 2004).

Provisions were recorded in the Manganese Division to meet environmental undertakings stemming from regulatory and legal measures or obligations. In Marietta (USA), provisions specifically cover obligations with regard to impoundments. These provisions were appraised on the basis of expert reports and technical analyses.

Site restoration: Mining site restoration relates to Le Nickel-SLN in New Caledonia (Nickel Division) for €54 million (€48 million as on December 31, 2004) and Comilog SA in Gabon (Manganese Division) for €7 million (€5 million as on December 31, 2004). Restoration costs are discounted over the remaining period to the expected end of mining operations.

At Boulogne-sur-Mer, provisions were recorded in 2003 for regulatory and implicit obligations with regard to the demolition and restoration of the site following the decision to shut down the plant (note 15.3).

15.6. Other contingencies and losses

The other provisions split between the three divisions cover miscellaneous contingencies, including the cost of closing the Boulogne-sur-Mer plant (€7 million, unchanged from the end of 2004) and financial risk for Bronzavia Industries (€3 million).

15.7. Ongoing disputes

To the best of the Company's knowledge, there are no other exceptional situations or disputes likely to have a material impact on the financial position, net income or assets of the Company or Group.

16. Deferred tax

16.1. By category

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Difference between tax and consolidated amounts of long-term assets	43	54
Tax-related item restatements	128	107
Other timing differences	54	71
Hedging instruments	7	–
Other	2	1
Deferred tax liabilities	**234**	**233**
Timing differences	85	90
Tax losses carried forward - (*)	12	20
Elimination of inter-company gains	18	15
Hedging instruments	12	–
Other	–	2
Deferred tax assets	**127**	**127**
TOTAL	**107**	**106**
(*) Limited or depreciated deferred tax assets	47	96
Capitalised deferred tax assets	12	20

Other timing differences mainly relate to finance leases and the measurement of the inventory of US companies.

16.2. Changes over the period

	Liabilities	Asset	Net Financial	Net Financial
			At December 31	
(millions of euros)			2005	2004
As on January 1	**233**	**127**	**106**	**102**
Business combinations	2		2	–
Other consolidation adjustments		(1)	1	–
Deferred tax - charge for the period	8	11	(3)	–
Deferred income tax	(6)	(8)	2	6
Translation and other adjustments	(3)	(2)	(1)	(2)
As at end of period	**234**	**127**	**107**	**106**

Pursuant to IAS 12, deferred tax assets and liabilities are presented separately in the balance sheet.

Except for tax consolidation in France (note 16.3) and the United States (note 16.4), every company is an independent fiscal entity.

16.3. Scope of tax consolidation in France

Tax consolidation in France is comprised of the following companies.

Fully consolidated companies	**Dec. 31, 2005**	**Dec. 31, 2004**
Consolidated companies		
Eramet SA	x	x
Erasteel SA	x	x
Erasteel Commentry	x	x
Erasteel Champagnole	x	x
Eramet Holding Nickel (Ehn)	x	x
Eramet Holding Manganèse (Ehm)	x	x
Société Industrielle de Métallurgie Avancée (Sima)		x
Aubert et Duval (ad)	x	x
Eramet Alliages	x	x
Financière Brown Europe	–	x
Brown Europe	–	x
Eurotungstène Poudres (Etp)	x	x
Non-consolidated companies		
Selnic		
Eramet International	x	x
Eramet Japan	x	x
Tec Ingénierie	x	x
Eramine	x	x
Forges de Montplaisir	x	x
Supa	x	x
Microsteel	x	x
Transmet	x	x
Financière Brown Europe	x	–
Brown Europe	x	–

Tax losses, which amounted to €33 million, were fully capitalised, representing a deferred tax asset of €11 million in 2005. As on December 31, 2004, only 50% of tax losses, which amounted to €81 million, had been capitalised on the basis of the estimated recovery assumptions used in the business plans of the companies in question. Furthermore, the tax consolidation net deferred tax position in France was a €12 million liability (€61 million in liabilities; €49 million in assets).

16.4. Scope of tax consolidation in the United States

Tax consolidation in the USA is comprised of the following companies.

	Dec. 31, 2005	**Dec. 31, 2004**
Consolidated companies		
Comilog US	x	x
Erachem Comilog Inc.	x	x
Gulf Chemetals & Metallurgical Corp. (Gcmc)	x	x
Eramet Comilog North America Inc. (Ecna)	x	x

Tax consolidation in the USA is currently in a neutral net tax position (€14 million in liabilities; €14 million in assets). There are no tax loss carry-forwards as on December 31, 2005.

17. Borrowings

17.1. By category

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Borrowings from banks	85	49
Bank overdrafts	36	64
Finance leases	22	24
Other borrowings	16	12
TOTAL	**159**	**149**

17.2. By currency

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Euro	110	104
US dollar	16	22
CFA franc	12	9
British pound	1	2
Other currencies	20	12
TOTAL	**159**	**149**

17.3. By maturity

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Under 1 year	110	89
1 to 5 years	33	41
Over 5 years	16	19
TOTAL	**159**	**149**

Eramet has confirmed medium and long-term credit facilities. The unused facilities as on the balance sheet date would allow the Group to refinance its short-term debts on a longer-term basis.

Unused credit lines	600	451

Bank covenants are wholly satisfied.

17.4. By interest rate

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Interest-free	3	12
Fixed interest rates	22	43
- less than 5%	4	13
- 5% - 10%	17	28
- Over 10%	1	2
Variable interest rates	134	94
- less than 5%	121	80
- 5% - 10%	12	13
- Over 10%	1	1
TOTAL	**159**	**149**

17.5. Finance leases

(millions of euros)	Nominal value	Discounted value
Under 1 year	3	2
1 to 5 years	11	9
Over 5 years	12	11
Total	**26**	**22**
Interest expense	–	4
TOTAL	**26**	**26**

Finance leases mainly relate to capital expenditure for the 40,000-ton press in Pamiers (Airforge – Alloys Division) for €22 million (note 6.3).

17.6. Net cash or net borrowing position

17.6.1. By category

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Borrowings	(159)	(149)
Marketable securities	472	344
Cash & cash equivalents	51	93
TOTAL	**364**	**288**

17.6.2. Net borrowing position

(millions of euros)	At December 31 2005	2004
Operating activities		
EBITDA (note 21)	694	778
Elimination of non-cash or non-business items:	(63)	(195)
Operating cash flow before changes in working capital (*)	**631**	**583**
Changes in operating working capital	(153)	(65)
Net cash flow from operating activities (*)	**478**	**518**
Investing activities		
Capital expenditure	(231)	(240)
Long-term financial assets	(32)	(75)
Disposals of long-term assets	19	15
Investment subsidies received	–	21
Net change in long-term asset receivables / liabilities (*)	(113)	(6)
Consolidation and loan adjustments	21	–
Dividends from equity accounted affiliates	2	4
Net cash used in investing activities	**(334)**	**(281)**
Financing activities		
Dividends paid	(73)	(35)
Share capital increases	1	6
Change in financial working capital	1	–
Net cash flows from financing activities	**(71)**	**(29)**
Translation and other adjustments	3	2
Decrease (increase) in net cash (borrowing) position	**76**	**210**
Opening net cash (borrowing) position	288	78
Closing net cash (borrowing) position	364	288

(*) Of which €124 million with no impact on the Group's cash position, impact on the 2005 financial statements of the conclusion of the Bercy agreements.

18. Trade and other payables

18.1. By category

The €11 million payable under non-current liabilities relates to Setrag SA's 25-year debt vis-à-vis the Gabonese State for the purchase of separate property and a portion of the spare parts inventory.

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Trade payables	267	212
Payroll and tax payables	171	148
Other operating payables	49	46
Liabilities on long-term assets	53	67
Shareholders - dividends	4	3
Prepaid income	19	19
Poum / Koniambo mining indemnity (note 26)	–	99
TOTAL	**563**	**594**
- Non-current liabilities	11	–
- Current liabilities	552	594

18.2. Changes over the period

	At December 31	
(millions of euros)	2005	2004
As at beginning of period	**594**	**549**
Business combinations	11	–
Consolidation adjustments	34	–
Working capital movements	(88)	26
Translation and other adjustments	12	19
As at end of period	**563**	**594**

Foreign currency denominated debts are translated at the closing rate. Prepaid income includes the tax benefit with respect to the financing of the furnace no. 10/75 kT project at Le Nickel-SLN for €13 million (€16 million as on December 31, 2004), which is staggered over five years.

The Poum/Koniambo mining indemnity was reversed in income following the conclusion of the Bercy agreements at the end of 2005 (notes 22 and 26).

19. Hedging instruments

Recognised as assets

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Hedging instruments - assets	4	15
Currency hedging	6	–
Interest rate hedging	–	–
Commodity hedging	15	–
TOTAL	**25**	**15**

	At December 31	
(millions of euros)	**2005**	**2004**
As at beginning of period	**15**	**4**
Hedging instruments at fair value as part of the first-time application of IAS 39	82	–
Change in hedging instruments over the period - shareholders' equity	(58)	–
Change in hedging instruments over the period - finance income (expenses)	(3)	–
Change in hedging instruments - total assets	(11)	11
As at end of period	**25**	**15**

Recognised as liabilities

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Hedging instruments - liabilities	7	2
Currency hedging	29	–
Interest rate hedging	1	–
Commodity hedging	6	–
TOTAL	**43**	**2**

	At December 31	
(millions of euros)	**2005**	**2004**
As at beginning of period	**2**	**–**
Hedging instruments at fair value as part of the first-time application of IAS 39	2	–
Change in hedging instruments over the period - shareholders' equity	30	–
Change in hedging instruments over the period - finance income (expenses)	4	–
Change in hedging instruments - total liabilities	5	2
As at end of period	**43**	**2**

Foreign currency denominated receivables and payables are translated at the closing rate. The hedging instrument is measured and recorded at fair value. The breakdown of the change in that fair value, for both covering assets and liabilities, is set out in the “hedging instruments – assets or liabilities” line.

The first-time application of IAS 32/39 as on January 1, 2005, recognised in opening shareholders' equity, had the following impact on the balance sheet.

(millions of euros)	Jan. 1, 2005	Hedging	Non-hedging
Financial hedging instruments	82	76	6
Total assets	**82**	**76**	**6**
Reserves	38	35	3
Minority interests	15	14	1
Shareholders' equity	**53**	**49**	**4**
Deferred taxes	29	27	2
Financial hedging instruments	–	–	–
Total shareholders' equity and liabilities	**82**	**76**	**6**

Interest rate hedging had no impact as on January 1, 2005 and commodity hedging was not material as on the same date.

Currency hedging: Hedging is almost exclusively for the US dollar and is designed to hedge the Group's structurally long present and future positions on business transactions.

Foreign currency hedging as on December 31, 2004

(millions of currency units)	2004 sales			2005 sales			2006 and subsequent sales		
	Amount	Currency	Rate	Amount	Currency	Rate	Amount	Currency	Rate
Commercial hedging									
Eur / Usd	159	Usd	1.2364	940	Usd	1.2351	22	Usd	1.0280
Usd / Nok	10	Usd	6.4155	–	–	–	–	–	–
Eur / Nok	97	Eur	8.2634	111	Eur	8.3866	–	–	–
Eur / Gbp	5	Gbp	0.7074	3	Gbp	0.6902	–	–	–
	1	Eur	0.7008	3	Eur	0.7018	–	–	–
Gbp / Usd	1	Usd	1.9321	5	Gbp	1.8057	–	–	–
Gbp / Sek	4	Gbp	13.0306	4	Gbp	12.9944	–	–	–
Jpy / Sek	48	Jpy	0.0667	–	–	–	–	–	–
Eur / Sek	5	Eur	9.0603	12	Eur	9.0940	–	–	–
	25	Sek	9.0145	31	Sek	9.1805	–	–	–
Usd / Sek	7	Usd	6.9016	2	Usd	6.6568	–	–	–
Eur / Jpy	2	Jpy	136.4196	–	–	–	–	–	–
Financial hedging									
Eur / Usd	57	Usd	1.3174	–	–	–	–	–	–
Eur / Nok	25	Eur	8.3992	–	–	–	–	–	–

Foreign currency hedging as on December 31, 2005

(millions of currency units)	2005 sales			2006 sales			2007 and subsequent sales		
	Amount	Currency	Rate	Amount	Currency	Rate	Amount	Currency	Rate
Commercial hedging									
Eur / Usd	187	Usd	1.2172	555	Usd	1.2620	13	Usd	1.0497
Usd / Nok	14	Usd	6.6129	3	Usd	6.5152	–	–	–
Eur / Nok	3	Eur	7.8373	90	Eur	8.2232	–	–	–
Eur / Gbp	3	Gbp	0.6921	3	Gbp	0.6876	–	–	–
	1	Eur	0.6899	3	Eur	0.7016	–	–	–
Gbp / Usd	3	Usd	1.7923	4	Usd	1.7608	–	–	–
Gbp / Sek	4	Gbp	13.3176	4	Gbp	13.6011	–	–	–
Jpy / Sek	79	Jpy	0.0686	293	Jpy	0.0690	–	–	–
Eur / Sek	81	Eur	9.1802	26	Eur	9.4079	–	–	–
	25	Sek	9.2021	–	–	–	–	–	–
Usd / Sek	10	Usd	7.4477	3	Usd	7.6769	–	–	–
Eur / Jpy	145	Jpy	138.7172	505	Jpy	133.9093	–	–	–
Financial hedging									
Eur / Sek	37	Sek	9.4345	–	–	–	–	–	–

As on December 31, 2005, unrealised gains resulting from the difference between the closing rates and hedging rates of the transactions set out above resulted in a net liability of €23 million (December 31, 2004: net asset of €82 million. This amount was recognised on January 1, 2005 following the application of IAS 32/39).

Interest rate risks: Eramet hedges part of its interest rate risk exposure, principally stemming from its borrowings, via EURIBOR 3-month rate swaps against variable and fixed rates for durations of between 3 months and 3 years. This mechanism is rebuilt every year and differences recognised in full as finance income for the period. As on December 31, 2005, these instruments were not classed as hedges.

(millions of euros)	2005	2006	2007
Outstanding amounts hedged	20	40	40
Average maximum rate	3.97	3.31	3.80

Commodity risks: During 2005, Eramet hedged a portion of the fuel oil for Le Nickel-SLN and a portion of its nickel sales. The closing fair value was €6 million (€6 million in assets; €12 million in liabilities). Some of Aubert & Duval's aluminium purchases during the year were hedged with an asset fair value at year-end 2005 of €3 million.

20. Sales and other income

20.1. Sales

(millions of euros)	At December 31	
	2005	2004
Sales	2,659	2,507
Services	53	14
TOTAL	**2,712**	**2,521**

20.2. Other income

(millions of euros)	At December 31 2005	2004
Foreign currency gains on sales	1	57
Capitalised production	15	15
Other	20	21
TOTAL	**36**	**93**

21. Current operating income / EBITDA

(millions of euros)	Notes	At December 31 2005	2004
Sales		**2,712**	**2,521**
Other income		36	93
Cost of sales - excluding amortisation and provisions		(1,916)	(1,699)
Administrative & selling costs - excluding amortisation and provisions		(106)	(104)
Research & development expenditure - excluding amortisation and provisions		(32)	(33)
EBITDA		**694**	**778**
Amortisation & depreciation on long-term assets	21.1	(127)	(127)
Depreciation charge and provisions	21.2	(25)	(8)
CURRENT OPERATING INCOME		**542**	**643**

21.1. Amortisation & depreciation on property, plant and equipment and intangible assets

(millions of euros)	At December 31 2005	2004
Intangible assets	(7)	(7)
Property, plant & equipment	(120)	(120)
TOTAL	**(127)**	**(127)**

21.2. Impairment charges and provisions

(millions of euros)	At December 31 2005	2004
Inventories	–	3
Trade receivables	–	(1)
Provisions	(25)	(10)
TOTAL	**(25)**	**(8)**

22. Other operating income and expenses

(millions of euros)	At December 31 2005	2004
Gains on asset disposals	–	1
Restructuring and redundancy plans	3	4
Impairment tests	(9)	(11)
Other items - income	126	10
Other items - expenses	(8)	(31)
TOTAL	**112**	**(27)**

Restructuring and redundancy plans: The various redundancy plans announced and being implemented in France, Belgium and Norway generated provisions of €74 million in 2003. Assets no longer used in the Alloys and Manganese Divisions with a carrying amount of €55 million were also fully written off. A €34 million provision was recorded for the net costs of the closure and restoration of sites. As on December 31, 2004 and as on December 31, 2005, expenditure in the period relating to those restructuring plans was covered by provision reversals for €42 million and €14 million, respectively.

Impairment tests: A forecast of industrial performance was carried out at the main sites in 2004. This resulted in the recording of additional impairment losses of €11 million in the Manganese Division to reduce these assets to their fair value. In 2005, €9 million in net additional impairment losses was recognised in the Manganese and Alloys Divisions.

Other items - income: In 2004 the vested portion of the Poum / Koniambo indemnity (note 26) amounted to €10 million. In 2005, the vested indemnity amounted to €8 million, plus the impact of the conclusion of the Bercy agreements (note 26) for €116 million (€92 million for the main indemnity and €24 million in interest) and the reversal in income of the €2 million in negative goodwill stemming from the acquisition of Poum SAS (note 3.1).

Other items - expenses: As on December 31, 2004, provisions were recorded in the Alloys and Manganese Divisions to cover environmental contingencies and lawsuits for €19 million, expenses with respect to the renewal of the Gabon mining agreement for €7 million and risks relating to Erasteel's China project. As on December 31, 2005, €6 million in additional provisions were recorded in the Manganese and Alloys Divisions for environmental contingencies and lawsuits (slag heaps and occupational diseases). Aligning the long service bonus scales between the various sites in the Alloys Division resulted in an additional allowance of €1 million.

23. Cost of borrowed capital and other financial items

23.1. Cost of borrowed capital

(millions of euros)	At December 31 2005	2004
Interest income	4	4
Interest expense	(8)	(17)
Net gains on disposal of marketable securities	15	5
Change in fair value of marketable securities	(8)	–
Foreign currency gain (loss)	(5)	–
Other	(1)	–
TOTAL	**(3)**	**(8)**

23.2. Other finance income

(millions of euros)	At December 31 2005	2004
Income from investments or dividends	3	1
Net financial provisions/reversals	(2)	(1)
Foreign currency gain (loss)	–	1
Un-discounting expense	(3)	(2)
Other	(7)	(1)
TOTAL	**(9)**	**(2)**

Expenses relating to the reversing of discounting relates to provisions for mining site restoration. Other finance costs relate (for –€8 million) to the portion of hedging instruments (currency/commodity/interest rate) recognised in income pursuant to IAS 32/39 (note 19).

24. Income tax

24.1. By category

(millions of euros)	At December 31 2005	2004
Current taxation	(124)	(123)
Deferred taxation	(2)	(6)
TOTAL	**(126)**	**(129)**

24.2. Effective tax rate

(millions of euros)	At December 31 2005	2004
Operating income	654	616
Cost of borrowed capital and other finance income (expenses)	(12)	(10)
Consolidated net income before tax	**642**	**606**
Standard French tax rate	33.33%	33.33%
Notional tax charge	**(214)**	**(202)**
Adjustments to notional tax charge:		
- Permanent differences between accounting and taxable profits	43	4
- Additional contributions in France	–	(1)
- Difference in rates payable in other countries	(4)	1
- Reduced tax rates	4	1
- tax credits	5	24
- Withholding tax on distributions	(4)	(4)
- Unrecognised or limited deferred tax assets	40	48
- Miscellaneous	4	–
Actual tax charge	**(126)**	**(129)**
Effective rate	**20%**	**21%**

As on December 31, 2005, like in 2004, unrecognised or limited deferred tax assets mainly related to tax losses not capitalised under tax consolidation in France (note 16.3) and Manganese Division companies (primarily Comilog SA and Erachem Comilog SA).

With respect to capital expenditure in New Caledonia, a government order on December 16, 2004 granted Le Nickel-SLN a €23 million tax credit, chargeable against tax with respect to the 2004 financial year.

Major permanent differences in the 2005 financial year chiefly relate to untaxed extraordinary revenue stemming from the conclusion of the Poum/Koniambo mining indemnity (notes 22 and 26).

25. Earnings per share

	Financial year 2005			Financial year 2004		
	Net income	Number of shares	Earnings per share	Net income	Number of shares	Earnings per share
Net income per share	377	25,543,203	14.76	346	25,138,630	13.75
Subscription options	–	112,270	–	–	165,200	–
Purchase options	–	132,305	–	–	313,028	–
Diluted earnings per share	**377**	**25,787,778**	**14.62**	**346**	**25,616,858**	**13.50**

Earnings per share are calculated using the weighted average number of shares outstanding in the year, less the weighted number of treasury shares.

	Ordinary shares		Treasury shares		Outstanding shares	
	As at end of period	Weighted average	As at end of period	Weighted average	As at end of period	Weighted average
Number of shares as on December 31, 2003	**25,577,574**	**25,577,574**	**556,826**	**556,826**	**25,020,748**	**25,020,748**
Purchases and disposals - liquidity contract	–	–	5,769	1,772	(5,769)	(1,772)
Subscription options exercised by employees	167,370	84,830	–	–	167,370	84,830
Purchase options exercised by employees	–	–	(228,112)	(34,824)	228,112	34,824
Number of shares as on December 31, 2004						
- weighted average	**–**	**25,662,404**	**–**	**523,774**		**25,138,630**
- as at end of period	**25,744,944**	**25,744,944**	**334,483**	**334,483**	**25,410,461**	**25,410,461**
Purchases and disposals - liquidity contract	–	–	3,186	(3,787)	(3,186)	3,787
Subscription options exercised by employees	44,930	11,708	–	–	44,930	11,708
Purchase options exercised by employees	–	–	(170,848)	(117,247)	170,848	117,247
Number of shares as on December 31, 2005	**25,789,874**	**25,756,652**	**166,821**	**213,449**	**25,623,053**	**25,543,203**

Exercisable stock options as on December 31, 2005 numbered 256,000 and 132,305, respectively (295,200 and 313,028 options as on December 31, 2004). Only 112,270 potential shares (165,200 shares as on December 31, 2004) were included in fully diluted net income per share, allowing for the 143,730 options that were not exercisable as at the end of 2005 (130,000 options at year- and 2004).

26. New Caledonian ore reserves issue

• *Recap of facts*

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

The agreement concluded in February 1998 with government officials provided for an exchange of mining rights on condition that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo mine owned by SLN, in exchange for SMSP's poorer Poum reserves.

This exchange came with an indemnity from the State to compensate for the impact on SLN's and Eramet's businesses of the difference in reserves between the two deposits.

• *First stage*

In the second half of 1998, SLN and SMSP transferred their mining rights in Koniambo and Poum respectively to SAS Poum-Koniambo, an independent entity responsible for holding them until their final assignment. The transfer of Koniambo, for a gross selling price of €8 million, was included as an extraordinary item in the 1998 consolidated financial statements.

The indemnity, calculated following a valuation by the Group's bankers and the State at €152 million net of tax (€125 million for SLN and €27 million for Eramet), was paid to the two companies.

• *Second Stage*

The second stage was to take place as soon as the promoters began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons before a French court in December 2005, on the 28th of that month the judge unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In parallel, Le Nickel-SLN acquired Poum SAS, the company holding the Poum massif for a contractually agreed amount of €6 million from SAS Poum-Koniambo. Payment should be made in 2006 as soon as all the conditions have been complied with.

• *Recognising transactions*

In accordance with the 1998 agreements, the indemnity is vested in its entirety and was recognised in other operating income for €99.7 million plus interest for which €24.2 million in provisions were recorded in previous years.

In the IFRS financial statements, the Poum massif was measured using the discounted cash flow method on the basis of reserves estimated to the best of the Company's knowledge. Assumptions regarding price, capital expenditure, cost price and discounting, etc. were made on the basis of the assessments usually made by the Group in its strategic plans. The fair value of €10 million generates after-tax negative goodwill of €2.5 million recognised directly in income. In total, these transactions resulted in a gain of €126 million, recognised in other operating income (note 22) and a gain of €77 million under net income, Group share.

27. Off-balance sheet liabilities

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Commitments given		
Endorsements, pledges and guarantees	34	62
Warranties:	162	141
- Property, plant and equipment	35	50
- Financial assets	89	55
- Inventories	25	23
- Receivables and other assets	13	13
Commitments received		
Endorsements, pledges and guarantees	21	16
Warranties	nil	nil
Credit facilities	600	451

The sharp reduction in endorsements, pledges and guarantees given stems from the reduction in bank guarantees following the repayment of borrowings, mainly in the Manganese Division. The increase in warranties is due to the rise in financial assets used as security at Comilog SA, less the release of bank commitments at Erasteel Kloster AB.

The above table does not include current business orders (from customers or with suppliers), or liabilities on orders of items of property, plant and equipment with respect to strategic capital expenditure projects (defined in note 6.3). Such orders and liabilities amounted to €75 million (€137 million as on December 31, 2004).

Liabilities stemming from shareholder agreements within companies that are not fully owned (reciprocal intra-group agreements to acquire minority interests estimated on the basis of the carrying amount of shareholders' equity) amounted to €22 million and largely relate to Le Nickel-SLN.

Following an increase in Comilog SA's share capital at the end of 2002, the state of Gabon has an option to acquire, prior to the end of 2005, 75,302 shares representing 3.23% of the share capital at the subscription price. As on the cut-off date, the Gabonese state had not bought back any shares.

28. Related party transactions

To the best of the Group's knowledge, there are no transactions with shareholders holding over 5% of the share capital. Details of related party transactions in 2005 are set out below.

(millions of euros)	At December 31 2005
Sales	
- Non-consolidated subsidiaries	23
- Affiliated companies	1
Cost of sales and administrative & selling costs	
- Non-consolidated subsidiaries	(35)
- Affiliated companies	(8)
Net cost of borrowed capital	
- Non-consolidated subsidiaries	–
- Affiliated companies	–

In 2005, balance sheet assets and liabilities resulting from related party transactions are as follows.

(millions of euros)	At December 31 2005
Trade receivables	
- Non-consolidated subsidiaries	7
- Affiliated companies	–
Trade payables	
- Non-consolidated subsidiaries	8
- Affiliated companies	1
Net financial assets (debts)	
- Non-consolidated subsidiaries	(2)
- Affiliated companies	–

Eramet does not provide any guarantees on related party debts.

In 2005, the compensation net of social contributions and the benefits and social contributions granted to Directors and members of the Executive Committee included in the Group's net (loss) income were as follows.

(thousands of euros)	At December 31 2005
Short-term benefits	
- Fixed compensation	1,666
- Variable compensation	284
- Directors' fees	199
Other benefits	
- Post-employment benefits	555
- Share-based compensation	457
TOTAL	**3,161**

29. Compensation of management and supervisory bodies

(millions of euros)	At December 31 2005	2004
Compensation of 10 highest-paid people	2.5	2.5
Directors' fees	0.1	0.1
TOTAL	**2.6**	**2.6**

Compensation of management and supervisory bodies. This compensation only relates to the parent company, Eramet SA.

30. Workforce and personnel costs

30.1. Average workforce by Division

(millions of euros)	At December 31 2005	2004
Nickel	2,551	2,484
Manganese	5,147	5,361
Alloys	4,555	4,961
Holding and miscellaneous	100	92
TOTAL	**12,353**	**12,898**

30.2. Workforce by Division as at end of period

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004
Nickel	2,562	2,542
Manganese	6,484	5,238
Alloys	4,542	4,720
Holding and miscellaneous	103	96
TOTAL	**13,691**	**12,596**

30.3. Personnel costs by category

(millions of euros)	At December 31 2005	2004
Wages and salaries	(336)	(315)
Profit-sharing schemes	(19)	(16)
Other payroll costs	(131)	(134)
Employee benefits	5	6
Stock-based payments	(2)	–
Total	**(483)**	**(459)**
Temporary employee costs	(26)	(15)
Payroll costs - income statement	**(509)**	**(474)**
Percentage of payroll costs to sales (including temps)	19%	19%
Average employee costs (excluding temps)	(39)	(36)

31. Events after the balance sheet date

To the best of the Company's knowledge, there are no events after the balance sheet date to report.

32. Segment reporting

32.1. By division

(millions of euros)	Nickel	Manganese	Alloys	Holding co. & eliminations	Total
FINANCIAL YEAR 2005					
Non-Group sales	766	1,134	811	1	2,712
Intra-Group sales	8	1		(9)	
Sales	774	1,135	811	(8)	2,712
Cash flows from operating activities	355	223	59	(6)	631
Current operating income	243	264	47	(12)	542
Other operating income and expenses	–	–	–	–	112
Operating income	–	–	–	–	654
Cost of borrowed capital	–	–	–	–	(3)
Other finance income and expenses	–	–	–	–	(9)
Share of income from equity accounted companies	–	–	–	–	2
Income tax	–	–	–	–	(126)
Minority interests	–	–	–	–	(141)
Net income	–	–	–	–	377
Non-cash expenses	(59)	(21)	(29)	4	(105)
- Depreciation & amortisation	(51)	(39)	(36)	(3)	(129)
- Provisions	(8)	16	11	6	25
- Impairment losses	–	(7)	(2)	–	(9)
Capital expenditure (intangibles and property, plant & equipment)	68	94	66	3	231
Total balance sheet assets (current and non-current)	**1,446**	**1,146**	**1,057**	**(233)**	**3,416**
Total balance sheet liabilities (current and non-current excluding shareholders' equity)	**422**	**528**	**718**	**(237)**	**1,431**
FINANCIAL YEAR 2004					
Non-Group sales	759	1,103	659		2,521
Intra-Group sales	6			(6)	
Sales	765	1,103	659	(6)	2,521
Cash flows from operating activities	321	240	21	1	583
Current operating income	309	326	16	(8)	643
Other operating income and expenses	–	–	–	–	(27)
Operating income	–	–	–	–	616
Cost of borrowed capital	–	–	–	–	(8)
Other finance income and expenses	–	–	–	–	(2)
Share of income from equity accounted companies	–	–	–	–	1
Income tax	–	–	–	–	(129)
Minority interests	–	–	–	–	(132)
Net income	–	–	–	–	346
Non-cash expenses	(76)	(5)	(28)	3	(106)
- Depreciation & amortisation	(51)	(44)	(36)	(2)	(133)
- Provisions	(3)	40	6	(6)	37
- Impairment losses	–	(5)	–	–	(5)
Capital expenditure (intangibles and property, plant & equipment)	139	39	60	2	240
Total balance sheet assets (current and non-current)	**1,371**	**1,013**	**890**	**(326)**	**2,948**
Total balance sheet liabilities (current and non-current excluding shareholders' equity)	**520**	**556**	**586**	**(216)**	**1,446**

32.2. By geographic region

(millions of euros)	Europe	North America	Asia	Other regions	Total
Sales (destination of sales)					
Financial year 2005	**1,358**	**614**	**666**	**74**	**2,712**
Financial year 2004	1,251	500	673	97	2,521
Capital expenditure (intangibles and property, plant & equipment)					
Financial year 2005	**98**	**21**	**10**	**102**	**231**
Financial year 2004	79	16	2	143	240
Total balance sheet assets (current and non-current)					
Financial year 2005	**2,006**	**369**	**115**	**926**	**3,416**
Financial year 2004	1,524	269	82	1,073	2,948

"Other Regions" includes Gabon and New Caledonia.

20.1.2. Statutory auditors' report on the consolidated financial statements for the year ending December 31, 2005

To the shareholders of Eramet

In accordance with the assignment given to us at your General Meeting, we have audited the consolidated financial statements of Eramet for the financial year ending December 31, 2005, as set out herein.

These consolidated financial statements were approved by the Board of Directors. Our task is to express an opinion on these consolidated financial statements based on our audit. These financial statements were drawn up for the first time in accordance with the IFRS adopted by the European Union. For the purposes of comparison, they include data for the 2004 financial year restated under the same rules, except for IAS 32 and 39 which, in accordance with the option provided for by IFRS 1, will only be applied by the Company as from January 1, 2005.

I - Opinion on the consolidated financial statements

We carried out our audit in accordance with professional standards applicable in France. Those standards require that we carry out the audit in such a manner as to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit involves examining, by sampling, documentation supporting the information in the consolidated financial statements. An audit also includes reviewing the accounting principles and material estimates used in drawing up the financial statements, as well as evaluating their overall presentation. We believe that our audit provides a reasonable basis for the opinion set out below.

We certify that the consolidated financial statements for the period are, with respect to the IFRS standards adopted by the European Union, reasonable and fair, and that they give an accurate image of the assets, financial position and income of the group comprised of the persons and entities within the scope of consolidation.

II - Explanation of assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code on the explanation of our assessments, we would like to bring the following items to your attention:

As specified in notes 2.15 and 16 on deferred taxes in the notes to the consolidated financial statements, the Group has recognised deferred tax assets on loss carry-forwards where it is demonstrated that they are likely to be recovered. As part of our assessment of the material estimates used in drawing up the financial statements, we reviewed the estimates made by the Group on these items and, on that basis, checked that those estimates were reasonable.

The Group has recorded provisions with respect to the discounted cost of site restoration planned after the end of mining operations, as indicated in note 15.5, "Environmental contingencies and site restoration" in the notes to the consolidated financial statements. Our work involved assessing the data and assumptions on which those estimates are based, reviewing the Group's calculations and ensuring that Management approved the data and assumptions.

As set out in note 26, "New Caledonian ore reserves issue" in the notes to the consolidated financial statements, a highlight of 2005 was the conclusion of the "Bercy" agreements that resulted in the Group recognising €126 million in income (included in other operating income) and, consequently, recognising the mining rights to the Poum massif at their fair value, estimated at €10 million. Our work involved checking that these items were properly recognised and assessing the data and assumptions on which that estimate was based.

The assessments thus made are part of our audit process on the consolidated financial statements as a whole and, therefore, contributed to our forming the opinion set out in the first part hereof.

III - Specific check

We moreover checked the information set out in the Group's management report in line with professional standards applicable in France. We have no observations to make regarding its fairness and consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-Sur-Seine, March 23, 2006

The statutory auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.2 2005 corporate financial statements

20.2.1. Commentary on the corporate financial statements

(millions of euros)	2005	2004	2003
Sales	843	828	658
Operating income (loss)	23	17	13
Finance income (loss)	186	147	(141)
Net income (loss)	247	154	(162)
Average workforce	325	306	297

Sales rose by a modest 2%. Nickel sales fell 4.7% to 57.2 thousand tons. On the other hand, prices rose by close to 8%, offset by a less favourable US dollar exchange rate.

Operating income amounted to €23 million compared with €17 million in 2004.

Finance income, at €186 million compared with €141 million, results from the dividends received from the three divisions (Nickel: €26.4 million, Manganese: €130.2 million, Alloys: €3.7 million). The provision relating to the SIMA investment was reversed for €20 million. In 2004, finance income mainly resulted from the reversal of provisions on investments relating to the Manganese Division.

After reversing €31 million in provisions as a result of price increases and the receipt of the balance of the mining indemnity for €31 million and €1.9 million in profit-sharing, net income amounted to €247 million, compared with €154 million in 2004.

20.2.1.1 Balance sheet

Assets (thousands of euros)	**Gross**	**DA&P**	**Dec. 31, 2005 Net**	**Dec. 31, 2004 Net**	**Dec. 31, 2003 Net**
LONG-TERM ASSETS					
Intangible assets					
Concessions, patents, licences, trademarks, processes, rights and similar assets	4,339	3,865	474	353	119
Goodwill	0	0	0	0	0
Other	0	0	0	0	0
Assets in-progress	616	0	616	1 189	181
Down-payments	0	0	0	0	0
Subtotal	**4,955**	**3,865**	**1,090**	**1,542**	**300**
Property, plant and equipment					
Land	1,131	0	1,131	1,131	1,131
Buildings	18,103	10,892	7,211	6,808	7,109
Machinery and equipment	42,194	35,978	6,216	3,861	4,037
Other	6,327	3,681	2,646	2,188	2,209
Assets in-progress	443	0	443	491	54
Down-payments	0	0	0	0	0
Subtotal	**68,198**	**50,551**	**17,647**	**14,479**	**14,540**
Long-term financial assets					
Investments	1,016,712	84,736	931,976	846,009	720,145
Receivables on investments	327,591	0	327,591	235,000	0
Portfolio of securities	0	0	0	0	0
Other long-term securities	6,481	15	6,466	14,262	20,717
Other	1,837	0	1,837	2,043	896
Subtotal	**1,352,621**	**84,751**	**1,267,870**	**1,097,314**	**741,758**
TOTAL	**1,425,774**	**139,167**	**1,286,607**	**1,113,335**	**756,598**
CURRENT ASSETS					
Inventories					
Raw materials	22,016	0	22,016	26,258	22,575
Other supplies	4,096	2,487	1,609	2,972	2,702
Work in process	5,235	0	5,235	4,560	5,746
Semi-finished and finished products	15,777	0	15,777	13,924	11,481
Goods	34,417	0	34,417	20,379	66,260
Down-payments paid on orders	**15,875**	**0**	**15,875**	**970**	**2,714**
Operating receivables					
Trade receivables	54,735	394	54,341	77,328	58,552
Other	0	0	0	123	525
Miscellaneous receivables	29,445	9,351	20,094	14,023	14,752
Subscribed called share capital - not paid up	0	0	0	0	0
Intra-group credit lines	**0**	**0**	**0**	**29,443**	**145,338**
Cash & cash equivalents	**3,330**	**0**	**3,330**	**1,832**	**958**
Accruals					
Prepaid expenses	1,752	0	1,752	458	33
TOTAL	**186,678**	**12,232**	**174,446**	**192,269**	**331,641**
Deferred charge	0		0	980	1,598
Translation adjustments	20		20	109	5,580
TOTAL ASSETS	**1,612,472**	**151,399**	**1,461,073**	**1,306,693**	**1,095,418**

Shareholders' equity and liabilities (thousands of euros)	**Dec. 31, 2005 before allocation**	**Dec. 31, 2004**	**Dec. 31, 2003**
SHAREHOLDERS' EQUITY			
Share capital	78,659	78,522	78,012
Share premiums	219,080	217,744	212,323
Legal reserves	7,852	7,640	7,640
Statutory reserves	53,529	53,529	54,888
Other reserves	200,311	199,708	199,708
Retained earnings	155,501	52,522	239,629
Net (loss) income	246,770	154,347	(162,552)
Subtotal: net shareholders' equity	**961,702**	**764,011**	**629,648**
Investment subsidies	25	47	68
Statutory provisions	22,967	54,895	42,895
TOTAL	**984,694**	**818,954**	**672,611**
PROVISIONS FOR CONTINGENCIES AND LOSSES			
Provisions for contingencies	0	1,585	2,840
Provisions for losses	7,987	16,070	9,195
TOTAL	**7,987**	**17,655**	**12,035**
LIABILITIES			
Borrowings			
Bank borrowings	610	30 000	213 305
Miscellaneous borrowings	55,139	10,057	11,430
Intra-group credit lines	320,511	292,631	65,390
Down-payments received on orders	**1,308**	**1,001**	**93**
Operating payables			
Trade payables	76,427	109,039	88,699
Tax and social liabilities	10,088	10,537	7,153
Other payables	0	0	0
Miscellaneous liabilities			
Liabilities on long-term assets	1,059	425	280
Tax charge (income tax)	0	0	0
Other liabilities	3,250	1,411	2,664
Accruals			
Prepaid income	0	12,950	14,750
TOTAL	**468,392**	**468,051**	**403,769**
Translation adjustments	0	2,034	7,003
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,461,073**	**1,306,693**	**1,095,418**

20.2.1.2 Income statement

(thousands of euros)	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
OPERATING INCOME			
Sales	795,301	779,239	611,598
Income from ancillary activities	47,647	49,173	46,813
Subtotal A - Net sales	**842,948**	**828,412**	**658,411**
Change in finished goods and in-progress inventory	2,528	1,186	2,428
Long-term assets produced in-house	59	47	15
Operating subsidies	20	12	8
Reversal of provisions, excess depreciation and expense transfers	6,366	4,232	2,907
Other income	2,425	120	162
Subtotal B	**11,398**	**5,597**	**5,520**
TOTAL (A + B)	**854,346**	**834,009**	**663,931**
OPERATING EXPENSES			
Stock purchases	624,456	568,464	507,668
Change in inventory	(14,037)	45,880	(37,365)
Raw materials and supplies bought	128,350	121,715	102,027
Change in inventory	3,690	(3,974)	(5,604)
External purchases and charges	48,342	40,459	44,184
Taxes and levies	3,196	3,075	2,971
Wages and salaries	17,516	17,950	16,863
Social security charges	8,271	8,621	8,261
Depreciation allowances and provisions	6,934	3,862	3,893
Provisions for losses on current assets	2,880	2,653	874
Provisions for contingencies and losses	1,414	7,702	6,013
Other expenses	631	388	712
TOTAL	**831,643**	**816,795**	**650,497**
OPERATING INCOME (LOSS)	**22,703**	**17,214**	**13,435**
FINANCE INCOME (LOSS)	**185,572**	**147,207**	**(154,693)**
INCOME (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	**208,276**	**164,421**	**(141,259)**
EXTRAORDINARY ITEMS	**36,264**	**(10,208)**	**3,068**
Employee profit-sharing	(1,898)	(2,080)	(1,149)
Income tax	4,128	2,214	(23,212)
NET INCOME (LOSS)	**246,770**	**154,347**	**(162,552)**

20.2.1.3 Cash flow statement

(millions of euros)	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Operating activities			
Net income of consolidated entities	247	154	(163)
Elimination of non-cash or non-business items:	(60)	(109)	
Operating cash flow before changes in working capital	187	45	(163)
Changes in operating working capital	(43)	47	(50)
Net cash flows from operating activities	**144**	**92**	**(213)**
Investing activities			
Long-term asset purchases	(74)	(6)	(3)
Long-term asset disposals	12	13	0
Net change in deferred charges, accounts payable and liabilities on long-term assets	0	0	1
Subtotal	**(62)**	**7**	**(2)**
New Caledonian mining reserves indemnity	(15)	(1)	(2)
Net cash flows from investing activities	**(77)**	**6**	**(4)**
Financing activities			
Dividends paid to the shareholders of Eramet SA	(51)	(25)	(25)
Share capital increases	1	6	10
Net cash flows from financing activities	**(50)**	**(19)**	**(15)**
Other movements	0	0	0
CHANGE IN NET CASH (BORROWING) POSITION	**17**	**79**	**(17)**
Opening net cash (borrowing) position	**(65)**	**(144)**	**(127)**
Closing net cash (borrowing) position	**(48)**	**(65)**	**(144)**

20.2.1.4 Notes to the corporate financial statements

Highlights of the year

Sales

Nickel sales rose by a modest 1% in 2005, due to the fall in LME prices towards the end of the year. Furthermore, industrial unrest in New Caledonia disrupted shipments in the 4th quarter of 2005.

Finance income

- Finance income is primarily comprised of dividends received (Nickel: +€26.5 million, Manganese: +€133.7 million, Alloys: +€3.8 million).
- Improvement in the aerospace sector and the first signs of an upturn in the nuclear power sector contributed to the recovery in the Alloys Division. Consequently, a provision for the impairment of investments (+€20 million) was reversed in the SIMA group.

Extraordinary items

- The balancing cash adjustment for the Poum/Koniambo massifs swap was fully reversed in income (+€15.9 million).

Balance sheet

- The main transactions relate to the 100% subscription to the EHM capital increase (+€66 million) and the increase in the loan granted to SIMA (+€92.3 million).
- The Company transferred a large portion of treasury shares in response to the high number of options exercised this year. The Company held 166,821 treasury shares as on December 31, 2005.
- Eramet issued a total of €55 million in commercial paper.

Standards

- Pursuant to CRC regulation 2002-10, the component-based approach was applied as from January 1, 2005, with a non-material impact on shareholders' equity.

Accounting principles, rules and methods

Recap of principles

General accounting conventions were applied, while complying with the principle of caution, in line with basic assumptions, i.e. going concern status, consistency of accounting methods from one period to another, independence of accounting periods and in line with the rules for drawing up and presenting annual financial statements.

The basic method used to assess items of property is the historical costs method.

Changes in method

CRC regulation 2002-10 resulted in the following changes in method as from January 1, 2005:

- Review of depreciation periods of certain assets resulting in a reduction in economic depreciation, offset by an increase in excess depreciation.
- Cancellation via shareholders' equity of the provision for major repairs. Major repair expenses are now either expensed or recognised as items of property, plant and equipment in the case of replacement expenses.

Rules and methods applied to the various balance sheet and income statement lines

• Property, plant and equipment, intangible assets

The gross amount of assets is the amount at which the items were first recorded in the Company's balance sheet and includes any expenses required to bring them into working order. These items have not been re-measured.

Unused assets or assets with fair market values lower than the carrying amount are, as a rule, depreciated by exceptional depreciation charges or exceptional provisions.

Straight-line depreciation is the economically justified method and is calculated over the asset's useful life.

Depreciation periods for property, plant and equipment are as follows, except in exceptional circumstances:

– Buildings: 20-30 years,
– Technical installations: 12-20 years,
– Machinery, equipment and tooling: 3-10 years,
– General installations, fittings and fixtures: 5-10 years,
– Transportation equipment: 5-8 years,
– Office furniture and equipment and computer equipment: 3-8 years.

The impact of any difference between the period over which it is used and the useful life is recognised via excess depreciation.

• Long-term financial assets

The gross amount is comprised of the cost of purchase excluding incidental costs. Borrowings are recorded at their nominal value. Securities are estimated at their value in use, which takes into account both their net asset value and likely profitability. If the value in use is lower than their gross amount, an impairment loss provision is recorded for the difference.

• Inventories

Inventories of nickeliferous products are measured at cost, calculated on a first-in-first-out (FIFO) basis. If the value thus obtained is greater than the realisable value (i.e. selling price less selling expenses), a provision is recorded for the difference.

Consumables are measured at cost, which is calculated using the weighted average price method.

• Receivables and debts

Foreign currency receivables and debts are re-measured at the exchange rate on the last day of the financial year or at the forward hedging rate, as the case may be.

Any unrealised foreign currency gains or losses resulting from re-measurements at the rate on the last day are recorded under "translation adjustments" in the balance sheet. A provision for contingencies and losses is recorded for any unrealised losses.

Impairment provisions for trade receivables are evaluated on a customer-by-customer basis in line with the estimated risk.

• Investment securities

Investment securities are measured at acquisition cost, with an impairment loss provision being recorded if their net asset value is lower. Unrealised capital gains are not recognised.

• Provisions for contingencies and losses

These allow for all known contingencies and losses up to the date on which the final financial statements are drawn up.

– Employee indemnities and benefits

Eramet offers its employees various long-term benefits such as severance indemnities or other additional post-employment benefits such as long service bonuses.

Some liabilities are wholly or partly covered by contracts taken out with insurance companies. In this case, liabilities and covering assets are assessed independently. A provision is then recorded on the basis of the level of liabilities and financial assets.

Eramet's liabilities are appraised by independent actuaries. The actuarial assumptions used (probability of active employees remaining at Eramet, mortality probability, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the country. The discounting rates used are based on the rate of government bonds or bonds in top-rated companies with an equivalent duration to that of the liabilities on the appraisal date.

The expected long-term return on assets was determined by having regard to the structure of the investment portfolio for each country.

The following actuarial assumptions were used for appraisals.

	2004	2005
Discounting rate	4.75%	3.90%
Inflation rate	2.00%	2.00%
Salary increase rate	4.50%	4.50%
Return on plan financial assets	5.30%	5.30%

20.2.1.5 Notes to the financial statements

1. Long-term assets

(thousands of euros)	Jan. 1, 2005	Gross amount Acquisitions	Disposals, retirements and adjustments	Dec. 31, 2005
Intangible assets				
Concessions, patents, licences, trademarks, processes, rights and similar assets	2,620	1,874	(155)	4,339
Long-term assets in progress	1,275	1,177	(1,836)	616
Subtotal	**3,895**	**3,051**	**(1,991)**	**4,955**
Property, plant and equipment				
Land	1,131	0	0	1,131
Buildings	17,160	962	(19)	18,103
Machinery and equipment	38,372	3,830	(8)	42,194
Other	5,507	1,172	(352)	6,327
Assets in progress	491	5,178	(5,226)	443
Subtotal	**62,661**	**11,142**	**(5,605)**	**68,198**
Long-term financial assets				
Investments (1)	951,032	66,000	(320)	1,016,712
Receivables on investments (2)	235,000	92,591	0	327,591
Other long-term securities (3)	14,277	0	(7,796)	6,481
Other	5,393	0	(3,556)	1,837
Subtotal	**1,205,702**	**158,591**	**(11,672)**	**1,352,621**
TOTAL	**1,272,258**	**172,784**	**(19,268)**	**1,425,774**

(1) & (2) Eramet subscribed in full to the capital increase in EHM (+€66 million) and increased the loan granted to SIMA (+€92.3 million).

(3) The "other capitalised investments" line relates to the Company's treasury shares that were disposed of to fulfil option exercises (-€8.0 million).

(thousands of euros)	Jan. 1, 2005	Depreciation and provisions: Depreciation charge	Provisions allowances & reversals	Disposals, retirements & adjustments	Application of CRC reg. 2002-10	Dec. 31, 2005	Net: Dec. 31, 2005
Intangible assets							
Concessions, patents, licences, trademarks, processes, rights and similar assets	2,267	1,752		(154)		3,865	474
Assets in progress	86		(86)			0	616
Subtotal	**2,353**	**1,752**	**(86)**	**(154)**		**3,865**	**1,090**
Property, plant & equipment							
Land	0	0				0	1,131
Buildings	10,352	559		(19)		10,892	7,211
Machinery and equipment[1]	34,511	1,764	(1,143)	(93)	(204)	34,835	6,216
Other	3,319	649		(287)		3,681	2,646
Assets in progress	0					0	443
Subtotal	**48,182**	**2 972**	**(1,143)**	**(399)**	**(204)**	**49,408**	**17,647**
Long-term financial assets							
Investments [2]	105,023		(20,287)			84,736	931,976
Receivables on investments	0					0	327,591
Other long-term securities	15		0			15	6,466
Other	3,350		(3,350)			0	1,837
Subtotal	**108,388**	**0**	**(23,637)**	**0**		**84,751**	**1,267,870**
TOTAL	**158,923**	**4 724**	**(24,866)**	**(553)**	**(204)**	**138,024**	**1,286,607**

(1) Application of CRC regulation 2002-10 resulted in us reviewing depreciation periods for a portion of our assets. The impact is reflected in a fall in the depreciation recognised, offset by an increase in excess depreciation for the same amount.
(2) The provision on the SIMA investment was partly reversed (+€20 million), as the division began to recover.

2. Schedule of receivables

(thousands of euros)	Gross amount	1 year or less	Over 1 year
Receivables on investments [1]	327,591	327,591	0
Other long-term financial assets	1,837	1,837	0
Trade receivables	54,735	54,735	0
Other long-term financial assets	0	0	0
Miscellaneous receivables			
Subscribed called capital - not paid up	0	0	0
Prepaid expenses	1,752	1,752	0
Group credit lines	0	0	0
TOTAL	**415,360**	**410,294**	**5,066**

(1) Eramet grants a loan to SIMA (+€327 million) that is financed in-house.

3. Cash

Solely comprised of debit bank accounts.

4. Prepaid expenses and accruals

(thousands of euros)	Gross amount
Miscellaneous receivables	0
Marketable securities	0
Cash & cash equivalents	0
Prepaid expenses (1)	1,752
Deferred charges	0
Translation adjustments - gains	19
TOTAL	**1,771**

(1) Half of prepaid expenses relate to setting-up the new syndicated credit facility.

5. Shareholders' equity

(thousands of euros)	Number of shares (1)	Share capital	Reserves and retained earnings	Net income (loss)	Total	Per share in euros
Shareholders' equity as on December 31, 2003	**25,577,574**	**78,012**	**714,188**	**(162,552)**	**629,648**	**24.62**
Dividends paid			(24,555)		(24,555)	
Allowances to retained earnings and reserves			(162,552)	162,552	0	
Withholding			(1,359)		(1,359)	
Capital increase in cash	167,370	510	5,420		5,930	
Capital increase by capitalisation of reserves					0	
Cash contribution					0	
Dividends paid as shares					0	
Capital increase by contributions in kind					0	
Net income for 2004				154,347	154,347	
Shareholders' equity as on December 31, 2004	**25,744,944**	**78,522**	**531,142**	**154,347**	**764,011**	**29.68**
Dividends paid			(51,155)		(51,155)	
Allowances to retained earnings and reserves			154,347	(154,347)	0	
Withholding			0		0	
Other transactions (3)			603		603	
Capital increase in cash (2)	44,930	137	1,336		1,473	
Net income for 2005				246,770	246,770	
Shareholders' equity as on December 31, 2005	**25,789,874**	**78,659**	**636,273**	**246,770**	**961,702**	**37.29**

(1) The share capital is distributed as follows:	2005	2004
AREVA	26.20%	26.25%
SORAME / CEIR	37.24%	37.21%
STCPI	5.13%	5.14%
Miscellaneous	31.43%	31.40%
TOTAL	**100%**	**100%**

(2) The capital increase solely relates to option exercise plans for which Eramet holds treasury shares. As on December 31, 2005, the number of treasury shares was 166,821.

(3) Reversal of the provision for major repairs via shareholders' equity pursuant to regulation 2002-10.

6. Provisions for impairment of current assets

(thousands of euros)	Jan. 1, 2005	Allowances	Reversals	Dec. 31, 2005
Raw materials				
Other supplies (1)	572	2,487	(572)	2,487
Semi-finished and finished products				
Goods				
Down-payments				
Trade receivables (2)	0	394	0	394
Other				
Miscellaneous receivables	1,463	9,351	(1,463)	9,351
TOTAL	**2,035**	**12,232**	**(2,035)**	**12,232**

(1) Spare parts inventories were fully provided for where inventory exceeds one year's consumption.

(2) This relates to a 50% provision recorded for one customer.

7. Provisions for liabilities

(thousands of euros)	Jan. 1, 2005	Allowances	Reversals			Dec. 31, 2005
			Application of CRC regulation 2002-10	Used during the period	Not used during the period	
Price increases (1)	51,914	0			(31,498)	20,416
Excess depreciation (2)	2,981	560	204		(1,194)	2,551
Reconstitution of mining deposits						
Total statutory provisions	**54,895**	**560**	**204**	**0**	**(32,692)**	**22,967**
Foreign currency losses						
Personnel (3)	12,634	3,458			(8,181)	7,911
Major repairs	676	0			(600)	76
Segment contingencies						0
Taxation	2,760	217			(2,977)	0
Other provisions for contingencies	1,585	0		(1,585)		0
Other provisions for losses						0
Total provisions for contingencies and losses	**17,655**	**3,675**		**0**	**(13,343)**	**7,987**
TOTAL PROVISIONS FOR LIABILITIES	**72,550**	**4,235**	**204**	**0**	**(46,035)**	**30,954**

(1) The provision for price increases was reversed for the portion that had reached its term.

(2) See note 1 on depreciation.

(3) Eramet records provisions for pension and related liabilities on the basis of an actuarial appraisal by an outside firm.

8. Debt schedule

(thousands of euros)	Net	1 year or less	1 to 5 years	Over 5 years
Borrowings from banks	610	610		
Miscellaneous borrowings (1)	375,650	375,650		
Down-payments from customers	1,308	1,308		
Trade payables	76,427	76,427		
Tax and social liabilities	10,088	10,088		
Liabilities on long-term assets	1,059	1,059		
Other miscellaneous liabilities	3,250	3,250		
Prepaid income	0	0		
TOTAL	**468,392**	**468,392**	**0**	**0**

(1) Eramet is partly financed by Metal Securities, its 87.92%-owned subsidiary. The amount as on December 31, 2005 was +€320 million (compared with €181.1 million as on December 31, 2004). Eramet also issued €55 million in commercial paper.

9. Prepaid income, accrued expenses

(thousands of euros)	Gross amount
Miscellaneous borrowings	48
Trade payables	20,576
Tax and social liabilities	6,868
Liabilities on long-term assets	379
Other miscellaneous liabilities	618
Prepaid income	0
Translation adjustments - losses	0
TOTAL	**28,489**

10. Items relating to affiliates

(thousands of euros)	Net amount
Balance sheet	
Investments	931,976
Trade receivables	1 335
Miscellaneous receivables	14
Financial receivables	327,289
Miscellaneous borrowings	320,511
Trade payables	42,978
Other liabilities	1,777
Income statement	
Finance income	8,982
Finance expenses	8,388

Companies are considered affiliates where Eramet holds a stake that gives it significant influence over them.

11. Sales

(thousands of euros)	Total	France	International
Sales	795,301	33,825	761,476
Income from ancillary activities	47,647	11,531	36,116
SALES	**842,948**	**45,356**	**797,592**

Sales includes a foreign currency gain of €1.7 million resulting from 2005 hedging, i.e. an average dollar rate of 1.26.

12. Finance income (net)

(thousands of euros)	2005	2004
Investments [1]	173,015	23,892
Other dividends and interest	859	791
Reversal of provisions [2]	20,287	138,776
Foreign currency gains	1,658	1,428
Net gains on disposal of marketable securities	8,708	0
Finance income	**204,519**	**164,887**
Depreciation charge and provisions	0	(9,200)
Interest and similar expenses	(10,917)	(8,481)
Foreign currency losses	(8)	0
Net losses on disposal of marketable securities	(8,030)	
Finance expenses	**(18,955)**	**(17,681)**
Finance income (net)	**185,572**	**147,206**

(1) The bulk of finance income is comprised of dividends received from the Nickel (+€26.5 million) and Manganese (+€133.7 million) divisions.
(2) The provision reversals relate to SIMA.

13. Extraordinary items

(thousands of euros)	2005	2004
Gains on management operations	16,214	1,800
Gains on long-term asset disposals	21	121
Reversal of provisions, expense transfer	45,819	1,245
Extraordinary gains	**62,054**	**3,166**
Losses on management operations	(6,814)	(1)
Charges on long-term asset disposals	(6,805)	(215)
Depreciation charge, provisions	(12,171)	(13,158)
Extraordinary losses	**(25,790)**	**(13,374)**
Extraordinary items (net)	**36,264**	**(10,208)**

Extraordinary items largely relate to the reversal of part of the provision for price increases (+€31.5 million) and the reversal of the mining indemnity for €15.9 million (€1.3 million for the year and €11.6 million following the conclusion of the transaction, excluding interest).

14. Increase and reduction in future tax liabilities

(thousands of euros)

Increases in taxable base	
– Regulated provisions	22,967
– Translation adjustment gains at end of period	19
– Deferred charges	0
Reductions in taxable base	
– Provisions not deductible in financial period	(7,775)
– Accrued liabilities	(1,543)
– Translation adjustment losses at end of period	0
– Unrealised finance income	0
Net increase in taxable base	**13,668**
Increase in future taxation	**4,784**
	(à 35%)

Breakdown of income tax

(thousands of euros)	Gross amount	Tax owed	Net (loss) income
Current income	208,276		208,276
Extraordinary items of income	36,264		36,264
Employee profit-sharing	(1,898)		(1,898)
Impact of tax consolidation		4,128	4,128
TOTAL	**242,642**	**4,128**	**246,770**

Consolidation

All French subsidiaries that are at least 95% owned are consolidated for tax purposes. The tax neutrality framework is applied. In 2002, the Eramet Group elected to renew its tax consolidation system for a period of five financial years.

15. Workforce as at end of period

	2005	2004
Managers	98	89
Supervisory staff (clerks, technicians, foremen)	228	217
TOTAL	**326**	**306**

16. Off-balance sheet liabilities

(thousands of euros)	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Commitments given					
Endorsements, pledges and guarantees	227	227			
Warranties	Nil	Nil			
Commitments received					
Endorsements, pledges and guarantees	16	384			
Warranties	Nil	Nil			
Reciprocal commitments					
Foreign currency hedging		615,209	301,772		
Commodity price hedging			136,409	52,957	45,959
Credit facilities		450,966	600,000		

The above table does not include current business orders (from customers or with suppliers), or liabilities stemming from orders of items of property, plant and equipment with respect to capital expenditure projects.

Interest rate risk

Eramet covers part of its interest rate risk exposure, primarily stemming from its borrowings, via EURIBOR 3-month rate swaps against variable and fixed rates for periods of between 3 months and 3 years. This mechanism is rebuilt every year and differences recognised in full as finance income for the period. As on December 31, 2005, these instruments were not classed as hedges.

(millions of euros)	2005	2006	2007	2008
Hedged outstanding amounts	20	40	40	
Maximum rate	3.9700	3.3100	3.8000	

Currency risk

Hedging almost completely relates to the US dollar and is designed to cover the Group's structurally long present and future positions on business transactions.

(millions of currency units)	2006	2007	2008
Commercial transactions			
Eur / Usd			
Amount	356	Nil	Nil
Currency	Usd		
Rate	1.2620		
Non-commercial transactions			
Eur / Usd			
Amount	Nil	Nil	Nil
Currency			
Rate			

17. Property finance leases

(thousands of euros)		Amount
Long-term finance leases		
Land		683
Buildings		4,199
Depreciation charge for financial year (1)		168
Aggregate depreciation charge (1)		1,652
Finance lease commitments		
Lease payments paid:	in financial year	473
	aggregate	5,238
Outstanding lease payments:	under 1 year	447
	1 to 5 years	636
	over 5 years	0
Residual purchase price:		0.15

(1) Had the property been acquired.

18. New Caledonian mining reserves issue

Recap of facts

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

The agreement concluded in February 1998 with government officials provided for an exchange of mining rights on condition that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo mine owned by SLN, in exchange for SMSP's poorer Poum reserves.

This exchange came with an indemnity from the State to compensate for the impact on SLN's and Eramet's businesses of the difference in reserves between the two deposits.

First stage

In the second half of 1998, SLN and SMSP transferred their mining rights in Koniambo and Poum respectively to SAS Poum-Koniambo, an independent entity responsible for holding them until their final assignment.

The indemnity, calculated following a valuation by the Group's bankers and the State at €27 million, was paid to Eramet.

Second stage

The second stage was to take place as soon as promoters began construction of the Northern plant, provided this occurs before January 2006. Following Eramet's summons before a French court in December 2005, on the 28th of that month the judge unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights.

Recognition of transactions

In accordance with the 1998 agreements, the indemnity is vested in its entirety and was recognised under other operating income for €12.95 million (€1.35 million with respect to 2005 and €11.6 million for the balance) plus interest for which €2.95 million in provisions was recorded in previous years.

19. Events after the balance sheet date

To the best of the Company's knowledge, there are no events after the balance sheet date to report.

20. Consolidation of the corporate financial statements

The Company is consolidated within the Eramet Group, of which it is the parent company.

21. Compensation of management and supervisory bodies

(millions of euros)	2005	2004	2003
Compensation of 10 highest-paid individuals	2.5	2.5	2.4
Directors' fees	0.1	0.1	0.1

22. Share options, free shares

Subscription options and free shares

(1)	Date of Shareholders' meeting	Date of Board meeting	Subscription price	Number of beneficiaries originally	Number of beneficiaries as on 01.01.2005	Originally allotted	Exercised or lapsed prior to 01.01.2005	Exercised in 2005	Lapsed in 2005	Exercisable as from 01.01.2006	Number of beneficiaries as on 01.01.2006	Expiry date of plans
1	08.06.1995	16.12.1997	33,08 EUR	39	13	104,500	(77,300)	(19,200)	(8,000)			15.12.2005
2	27.05.1998	12.12.2001	32,60 EUR	61	58	153,000	(15,000)	(25,730)	–	112,270	46	11.12.2009 (2)
3	23.05.2002	15.12.2004	64,63 EUR	81	81	130,000	–	–	–	130,000	81	15.12.2012 (3)
4	11.05.2005	13.12.2005	free	90	–	14,000	–	–	–	14,000	90	n/a
Total						**401,500**	**(92,300)**	**(44,930)**	**(8,000)**	**256,270**		

(1) Start date of plans: 1 = 12/16/1999; 2 = 12/12/2003; 3 = 12/12/2006.

(2) Could only be exercised as from Dec. 12, 2003. Shares could not be sold prior to Dec.14, 2005.

(3) May only be exercised as from Dec. 12, 2006. Shares may not be sold prior to Dec. 14, 2008.

The exercise of 44,930 subscription options during the year at an average price of €78.93 contributed to the increase in shareholders' equity, offset in cash by the creation of as many shares.

Share purchase options

(1)	Date of Shareholders' meeting	Date of Board meeting	Subscription price	Number of beneficiaries originally	Number of beneficiaries as on 01.01.2005	Originally allotted	Exercised or lapsed prior to 01.01.2005	Exercised in 2005	Lapsed in 2005	Exercisable as from 01.01.2006	Number of beneficiaries as on 01.01.2006	Expiry date of plans
1	21.07.1999	15.09.1999	47.14 EUR	5,646	2,452	423,450	(241,820)	(75,485)	(9,875)	96,270	1,320	14.09.2007
2	27.05.1998	14.12.1999	54.00 EUR	80	65	166,500	(35,102)	(95,363)	–	36,035	26	13.12.2007 (2)
TOTAL						**589,950**	**(276,922)**	**(170,848)**	**(9,875)**	**132,305**		

(1) Start date of plans: 1 = 09/15/1996 ; 2 = 12/14/2001.

(2) Shares could not be sold prior to Dec. 14, 2004.

The exercise of 170,848 purchase options at an average price of €79.12 resulted in the transfer of treasury shares, offset in cash.

Table of subsidiaries and investments

(in thousands of euros or currency unit except XAF, in millions)

		Share capital	Share-holders' equity other than share capital	Proportion of share capital held	Gross carrying amount of securities held	Net carrying amount of securities held	Loans and advances granted and not repaid	Dividends received during the financial year	Sales for past financial year	Profit (loss) for past financial year
		Currency	Currency	%	EUR	EUR	EUR	EUR	Currency	Currency
I - Detailed information on each security (gross carrying amount in excess of 1% of the share capital)										
a) Subsidiaries (at least 50% of share capital held)										
Erasteel SAS	EUR	15,425	134,698	100.00	143,169	143,169		3,760	27,792	7,054
Eramet North America	USD	1,201	817	100.00	1,344	492			2,363	(60)
Eras	EUR	1,264	1,264	100.00	1,250	1,250			0	0
Tec Ingénierie	EUR	525	1,004	100.00	838	838	300		10,353	1,057
Eramet Holding Nickel	EUR	227,104	243,726	100.00	229,652	229,652		26,543	0	24,289
Sima	EUR	53,000	108,225	100.00	234,584	150,700	327,291		4,475	(2,583)
Eramet Holding Manganèse	EUR	341,770	315,800	100.00	341,769	341,769		130,214	0	110,863
Centre de Recherche de Trappes	EUR	1,410	1,846	100.00	1,161	1,161			8,359	(37)
Metal Securities	EUR	38	23	87.92	66	66			0	(289)
b) Investments (10%- 50% held)										
Comilog	XAF	40,812	81,810	26.77	61,874	61,874		3,477	186,979	31,982
II - Overall information on other securities (gross carrying amount 1% or less of the Company's share capital										
a) French subsidiaries	EUR				187	187				
b) Foreign subsidiaries	EUR									
c) Investments	EUR				818	818		38		
TOTAL					**1, 016,712**	**931,976**	**327,591**	**164,032**		

20.2.2. Statutory auditors' general report on the corporate financial statements for the year ending December 31, 2005

To the shareholders of Eramet

In accordance with the mission given to us at your general meeting, we hereby present our report for the year ending December 31, 2005 on:

- The auditing of Eramet's annual financial statements, as set out herein,
- The explanation of our assessments,
- The specific checks and the information provided for by law.

The annual financial statements were drawn up by the Board of Directors. Our task is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We carried out our audit in accordance with professional standards applicable in France. These standards require that we carry out our audit in such a manner as to obtain a reasonable assurance that the annual financial statements do not contain any material misstatements. An audit consists of examining, by sampling, documentation supporting the information in the financial statements. It also consists of reviewing the accounting principles applied and the material estimates used in drawing up the financial statements, as well as evaluating their overall presentation. We believe that our audit provides a reasonable basis for the opinion set out below.

We certify that the annual financial statements are, with respect to French accounting rules and principles, reasonable and fair and that they give an accurate image of the transactions carried out over the past financial year and of the company's financial position and assets as at the end of that financial year.

Notwithstanding the above opinion, we would like to draw your attention to the note setting out the changes in accounting method resulting from the first-time application as from January 1, 2005 of CRC regulations 2002-10 and 2004-06 on assets.

II. Explanation of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the explanation of our assessments, we would like to bring the following items to your attention:

Accounting changes

As part of our review of the accounting rules and principles applied by your company, we made sure that the above-mentioned changes in accounting methods were warranted and correctly presented.

Other assessments

With respect to the financial year ending December 31, 2005, your company recorded provisions for the impairment of investments as stated in your notes to the corporate financial statements under "Note 1- Property, plant and equipment and intangible assets" and in the "Table of subsidiaries and investments." Our work involved reviewing the data and assumptions on which those estimates are based and examining the procedures for their approval by management. On that basis, we assessed the reasonable nature of those estimates.

The resulting assessments are part of our audit process on the annual financial statements as a whole and, thus, contributed to our forming the opinion set out in the first part hereof.

III. Specific checks and information

We furthermore carried out specific checks provided for by law in accordance with professional standards applicable in France.

We have no observations to make regarding the fairness and consistency with the annual financial statements of the information set out in the management report from the Board of Directors and in the documents sent to the shareholders on the financial position and financial statements.

Pursuant to the law, we checked that the miscellaneous information on the acquisition of investments and controlling interests and the identity of shareholders has been provided to you in the management report.

Paris-La Défense and Neuilly-Sur-Seine, March 23, 2006

The statutory auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.2.3. Special report from the statutory auditors on regulated agreements in the year ending December 31, 2005

To the shareholders of Eramet

As your company's statutory auditors, we present our report on regulated agreements.

Our mission is not to search for any agreements but to inform you, on the basis of the information provided to us, of the essential characteristics and terms of those agreements disclosed to us, without making any judgement as to their usefulness or merit. It is up to you, pursuant to the terms of Article 92 of the Decree of March 23, 1967, to assess the benefits resulting from the signing of such agreements with a view to their approval.

We inform you that we have not been notified of any agreement entered into during the period falling under the scope of Article L. 225-38 of the French Commercial Code.

Furthermore, pursuant to the Decree of March 23, 1967, we have been notified of the performance of the following agreements that were approved in previous years and continued over the past year.

With Le Nickel-SLN

a. Nature and purpose

A technical support contract, amending and replacing the previous such contract, was signed on May 21, 1999, under which your company provides Le Nickel–SLN with support in industrial, financial, legal, tax and human resources management matters.

Terms

The amount invoiced for 2005 with respect to this contract was €10,368,000.

b. Nature and purpose

The Eramet/Le Nickel-SLN marketing agreement entered into in 1985 continued in 2005.

Terms

Pursuant to this agreement, Le Nickel–SLN generated €656,041,336 in sales with your company, which received in that respect a sales margin of 1.5% of the selling price to its own customers as well as a fixed royalty designed to cover the fixed costs of converting nickel matte incurred by Eramet on behalf of SLN.

We carried out our audit in accordance with professional standards applicable in France. These standards require that we carry out the audit in such a manner as to enable us to check the consistency of the information provided to us with the underlying documents from which it stems.

Paris-La Défense and Neuilly-Sur-Seine, March 23, 2006

The statutory auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

20.2.4. The company's financial results over the past five financial years

	2001	2002	2003	2004	2005
Share capital at end of period					
a) Share capital	75,406,248 EUR	76,396,531 EUR	78,011,601 EUR	78,522,079 EUR	78,659,116 EUR
b) Number of issued shares	24,723,360	25,048,043	25,557,574	25,744,944	25,789,874
Transactions and results for the period (thousands of euros)					
a) Sales excluding tax	512,967	543,158	658,411	828,412	842,948
b) Income before tax, employee profit-sharing, depreciation, amortisation and provisions	258,714	40,038	81,846	48,989	190,611
c) Income tax	1,187	291	(23,212)	2,214	4,128
d) Employee profit-sharing	0	0	0	0	0
e) Income after tax, employee profit-sharing, depreciation, amortisation and provisions	246,886	15,712	(162,552)	154,347	246,770
f) Proposed dividend	28,185	25,048	24,970	51,490	54,159
Earnings per share (euros)					
a) Income after tax, employee profit-sharing, but before depreciation, amortisation and provisions	10.51	1.61	2.29	1.82	7.23
b) Income after tax, employee profit-sharing, depreciation, amortisation and provisions	9.99	0.63	(6.36)	6.00	9.57
c) Proposed dividend per share	1.14	1.00	0.86	2.00	2.10
Personnel					
a) Number of employees	274	288	302	306	326
b) Payroll (thousands of euros)	14,208	18,038	16,863	17,950	17,516
c) Amounts paid out in employee benefits (thousands of euros)	6,733	7,341	8,261	8,621	8,271

20.3. 2003 & 2004 corporate and consolidated financial statements

Pursuant to Article 28 of (EC) Regulation 809/2004, the following information is included by reference in this document:

a) The consolidated financial statements for the period ending December 31, 2003, drawn up pursuant to French accounting rules and principles, and the report from the statutory auditors on the consolidated financial statements for the period ending December 31, 2003 included in the Company's reference document filed with the AMF on January 25, 2005 under number R.05-007 on page 76 et seq.;

b) The consolidated financial statements for the period ending December 31, 2004, drawn up pursuant to French accounting rules and principles, and the report from the statutory auditors on the consolidated financial statements for the period ending December 31, 2004 included in the Company's reference document filed with the AMF on September 2, 2005 under number R.05-115 on page 77 et seq.;

c) The corporate financial statements for the period ending December 31, 2003 and the report from the statutory auditors on the corporate financial statements for the period ending December 31, 2003 set out in the Company's reference document filed with the AMF on January 25, 2005 under number R.05-007 on page 109 et seq.;

d) The corporate financial statements for the period ending December 31, 2004 and the report from the statutory auditors on the corporate financial statements for the period ending December 31, 2004 set out in the Company's reference document filed with the AMF on September 2, 2005 under number R.05-115 on page 111 et seq.

The two above-mentioned reference documents are available on the Company's website (www.eramet.fr) and the website of the AMF (www.amf-france.org).

20.4. Ordinary General Shareholders' Meeting of April 27, 2006 – Wording of resolutions

Resolution 1 (Annual financial statements 2005)

The Shareholders' Meeting, after having heard the report from the Board of Directors and the report from the Auditors on the financial statements for the financial year ending December 31, 2005, approves, as presented, the financial statements for said year, as well as the transactions included in said financial statements and summarised in these reports.

Resolution 2 (Consolidated financial statements 2005)

The Shareholders' Meeting, after having heard the report from the Board of Directors and the report from the Auditors on the consolidated financial statements for the financial year

ending December 31, 2005, approves, as presented, the consolidated financial statements for said year, as well as the transactions included in said financial statements and summarised in said reports.

Resolution 3 (Related party agreements)

The Shareholders' Meeting, after having heard the special report drawn up by the Auditors on the agreements covered by Articles L 225-38 et seq. of the French Commercial Code, approves said report and the transactions set out therein.

Resolution 4
(Allocation of earnings – setting the dividends)

The Shareholders' Meeting approves the allocation of earnings as proposed by the Board of Directors.

Net income for the past financial year	€246,769,672.46
Plus retained earnings as on December 31, 2005(*)	€155,501,412.35
The Shareholders' Meeting resolves to allocate:	
To the legal reserve:	€13,703.65
Leaving the remainder:	€402,257,381.16
The Shareholders' Meeting resolves to distribute an amount of €2.10 per share, i.e. for the 25,789,874 shares comprising the share capital on the date of the Meeting, the amount of	€54,158,735.40
Leaving retained earnings of:	€348,098,645.76

The dividend will be paid out on June 1, 2006.

If, at the time of payment of the dividend, new shares have been created as a result of the exercise of share options by employee beneficiaries, the amount of the dividend corresponding to those shares shall be automatically deducted from retained earnings. The Shareholders' Meeting, acting as an Ordinary General Shareholders' Meeting, notes that the dividends paid per share with respect to the past financial year and to the previous three financial years, were as follows:

	2002	2003	2004	2005
Number of shares eligible for payment	25,048,043	25,577,574	25,744,944	25,789,874
Net dividend	€1.00	€0.86	€2.00	€2.10
Tax credit	€0.50 (**)	€0.43 (**)	–	–
Total return	€1.50	€1.26	€2.00	€2.10

(*) Retained earnings as on December 31, 2005 include €366,452.00 relating to the amount of the approved but unpaid dividend with respect to Eramet treasury shares as on the date of the Shareholders' Meeting of May 11, 2005.

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

Resolution 5
(Approval of the provisional appointment of a Director)

The Shareholders' Meeting approves the provisional appointment of Mr. Gilbert Lehmann as Director, made at the Board of Directors' meeting of December 13, 2005, succeeding Mr. Jean-Lucien Lamy, who resigned, for the remaining term of office of his predecessor, i.e. until the Shareholders' Meeting called to approve the 2006 financial statements, to be held in 2007.

Resolution 6
(Authorisation to trade in the Company's shares)

The Shareholders' Meeting, after examining the prospectus on trading in the company's shares, drawing on the option provided for by article L 225-209 of the French Commercial Code, authorises the Board of Directors to have the company buy back its shares up to a limit of 5% of its share capital, in order to:

- Support the share prices via a liquidity contract with a market maker, in accordance with the AFEI code of conduct recognised by the AMF,
- Retain the shares or swap them, in particular in the case of acquisitions or the issue of securities giving rights over the share capital,
- Grant stock options to employees of the Company or of the companies in which Eramet directly or indirectly holds 50% of the share capital,
- Cancel the shares, pursuant to resolution 10 of the Ordinary and Extraordinary General Shareholders' Meeting of May 11, 2005 authorising, for a period of 24 months, the reduction of the Company's share capital.

Purchases, sales, transfers or exchanges of these shares may be done by any means, including, as the case may be, using derivatives, and the maximum proportion that may be acquired or transferred in the form of a block of shares may be equal to the full amount of the authorised share buyback programme.

Payment may be in any form.

The maximum purchase price may not exceed €150 per share and the minimum selling price may not be below €25 per share.

This authorisation is granted for a period expiring at the Shareholders' Meeting called to approve the 2006 financial statements.

On the basis of the number of shares comprising the share capital on February 28, 2006, the theoretical maximum investment, assuming a price of €170 per share, would amount to €219,213,929.

For the purposes of implementing this resolution, the Board of Directors are granted full powers, which it may delegate, to:

- Place stock market orders, enter into agreements, particularly in order to keep the registers of share sales and purchases,
- Carry out filings with the AMF,
- Complete any formalities and, in general, do whatever is necessary.

Resolution 7 (Powers)

The Ordinary General Shareholders' Meeting fully empowers the bearer of an original, an extract or a copy of the minutes of this meeting to carry out any registration or formality that may be necessary.

20.5. Dividend policy

20.5.1. Dividend payment arrangements

Dividends are paid annually at the time and in the places specified by the general shareholders' meeting, or failing that by the Board of Directors within at most nine months from the end of the financial year. Properly paid dividends cannot be repeated.

Interim dividend payments may be made prior to the date of the shareholders' meeting. The amount of such interim payments is set by the Board of Directors pursuant to the terms of Article L 232-12 Subsection 2 of the French Commercial Code.

Shareholders may be given the option of payment in whole or part in shares in the Company, pursuant to the terms of Article L 232-18 Subsection 1 of the French Commercial Code.

In line with applicable provisions in France, the right to claim dividends lapses five years from the date of payment.

Unpaid amounts are paid over to the French State within the first 20 days of January of the year following that lapse, pursuant to the provisions of Articles L 27 and R 46 of the French Public Property Code.

20.5.2. Allocation and distribution of earnings/ Dividend payment arrangements (Article 25 of the Articles of Association)

"At least 5% of net earnings for the financial year, less any past losses, are withheld to comprise the legal reserve, until such reserve is equal to 10% of the share capital.

Distributable earnings are comprised of net earnings for the financial year, less any past losses and the withholding described above, plus any retained earnings. Out of the distributable earnings, the ordinary general shareholders' meeting may withhold any sum it deems appropriate, either to be carried forward to the following financial year or to be added to one or more special or general reserves of which it determines the allocation or use.

Any surplus is divided equally between all shares.

The shareholders' meeting may grant each shareholder, for all or part of the dividend being distributed, the option to be paid in shares in the legally prescribed manner, or in cash."

20.5.3. Dividend distribution policy

20.5.3.1. Policy applied

Payment arrangements

As the Company does not usually make interim payments, dividends are paid annually after the shareholders' meeting called to approve the management and financial statements for the past financial year (usually around mid-June).

Mixed payments in cash and shares are sometimes offered at the shareholder's option. Over the past five years, with respect to the 1999 financial year, the Company proposed a cash payment of €0.60, with the option of receiving the balance, i.e. €0.54, as a grant of new shares; with respect to the 2001 financial year, it again proposed a cash payment of €0.60, with the option of receiving the balance, i.e. €0.54, as a grant of new shares; finally, with respect to 2002, it proposed a cash payment of €0.50, with the option of receiving the balance, i.e. €0.50, as a grant of new shares.

No options were offered for dividend payments with respect to the 1998, 2000, 2003, 2004 and 2005 financial years.

Amount of dividend

For the past number of years, the Company has striven to pay a stable, robust dividend without necessarily taking account of the cyclical impact of commodity markets.

20.5.3.2. Dividends paid out in recent years

The following dividends were paid out in the past five financial years.

	2005	2004	2003	2002	2001
Number of shares eligible for payment	25,789,874	25,744,944	25,577,574	25,048,043	24,723,360
Net (loss) income, Group share	€377 M	€346 M	(€107 M) **	€6 M **	€(3) M **
Net dividend per share	€2.10	€2.00	€0.86	€1.00	€1.14
Tax credit per share	–	–	€0.43 *	€0.50 *	€0.57
Total payment per share	€2.10	€2.00	€1.29	€1.50	€1.71
Total net distribution	€54.2 M	€51.4 M	€21.9 M	€25 M	€28.1 M

* Based on a 50% tax credit.
** Under French GAAP.

20.5.3.3. Outlook

The Company intends to continue to follow the policy applied over recent years, including as regards the option of part payment in shares.

20.6. Fees of statutory auditors and other external auditors

20.6.1. Organisation of external auditing

The general shareholders' meeting of May 21, 2003, decided to renew the terms of office of the statutory auditors for six financial years, i.e. until the 2008 financial statements are approved.

For several years, the Group has in preference asked its statutory auditors to audit its main subsidiaries worldwide. However, for historical or practical reasons, other firms carry out audits as seen from the following table.

(thousands of euros)	2005	2004
Ernst & Young	1,598	1,917
Deloitte & Associés	463	364
Other	567	200
TOTAL	**2,628**	**2,481**

20.6.2. Fees paid to the various auditors

Full details of all fees paid to the various audit firms with respect to 2004 and 2005 are given in the table below by type of service.

(thousands of euros)	2005			2004		
Auditing	**Ernst & Young**	**Deloitte & Associés**	**Other**	**Ernst & Young**	**Deloitte & Associés**	**Other**
Certification of financial statements and statutory auditing:	1,184	385	480	1 525	286	154
- Other assignments	234	58	22	252	-	-
Sub-total (1)	**1,418**	**443**	**502**	**1,777**	**286**	**154**
Other services:						
- Legal, fiscal, human resources	81	-	28	55	12	25
- Information technology	0	-	-	-	20	18
- Internal auditing	6	-	9	59	45	-
- Other	93	20	28	26	1	3
Sub-total (2)	**180**	**20**	**65**	**140**	**78**	**460**
TOTAL (1) + (2)	**1,598**	**463**	**567**	**1,917**	**364**	**200**

21. Additional information

21.1. Share capital

21.1.1. Subscribed share capital

Amount and equivalent shares

As on January 1, 2006, share capital amounted to €78,659,115.70, in the form of 25,789,874 fully paid-up shares of the same class with a par value of €3.05.

Effective changes in the share capital since the beginning of the 2006 financial year

As a result of the options exercised since the start of the financial year, the share capital has changes as follows.

2005/2006	Number of options exercised/ shares created	Number of shares after exercise	Amount of the share capital after exercise (euros)
As on January 1, 2005		25,744,944	78,522,079.20
As on December 31, 2005	44,930	25,789,874	78,659,115.70
As on March 31, 2006	59,050	25,848,924	78,839,218.20

Rights assigned to shares

Every share gives the right, in the ownership of the Company's assets and in the sharing of profits, to an amount in proportion to the percentage of share capital it represents, taking into account as necessary redeemed and unredeemed, paid-up and unpaid-up capital, and the par value and rights of shares of the various classes.

Every share gives the right, whether as a going concern or in the event of liquidation, to the payment of the same net sum for any distribution or redemption, in such a way that all shares, without, as the case may be, making a distinction for any tax exemption or tax to which the Company may be subject, shall be considered as a whole.

Share capital subscribed and not paid-up: nil.

21.1.2. Securities not representing shares

21.1.2.1. Founders' shares, certificates of voting rights

None.

21.1.2.2. Other securities

The Company has not issued any other currently valid financial instruments that do not represent shares but are likely to give rights over the share capital in the future or by option. Authorisations exist, however, to do so at the Board's behest (see above). No use has been made of them to date.

21.1.3. Changes in share capital

Year	Transaction	Amount in euros	Issue or share premium	Amount of the share capital after the transaction	Number of shares created*	Number of shares after the transaction
2000	Option exercises	986,656		74,491,456	323,602	24,431,596
	Payment of dividend in shares	677,898		75,169,354	222,336	24,653,932
2001	Option exercises	138,509	–	75,307,863	45,428	24,699,360
	Switch to euro	25,184.83	–	75,333,048	0	24,699,360
2002	Option exercises	73,200	–	75,406,248	24,000	24,723,360
	Payment of dividend in shares	989,216	–	76,395,464	324,333	25,047,693
2003	Option exercises	1,067.5	–	76,396,531	350	25,048,043
	Payment of dividend in shares	1,605,004	–	78,001,535	526,231	25,574,274
2004	Option exercises	520,544	–	78,522,079	3,300	25,577,574
					167,370	25,744,944
2005 **	Option exercises	137,037	–	78,659,116	44,930	25,789,874
2006 ***	Option exercises	180,102	–	78,839,218	59,050	25,848,924

* Options exercised during financial year "n" resulting in a capital increase for financial year "n + 1"

** As on December 31, 2005.

*** As on March 31, 2006.

21.1.4. Changes in distribution over the past three years

The distribution of the share capital has not changed significantly over the past three years, not even as a result of the substitution in 2001 of Areva for Cogema, which had itself taken on ERAP's rights in 1999.

Since the end of the 2005 financial year, the Company has not been notified of any material change in shareholdings.

Forthcoming changes will probably stem from the exercise of options granted under stock option plans or the automatic vesting of voting rights for shares that have been registered for over two years.

21.1.5. Last known share capital distribution

The last known distribution of the Company's share capital as on December 31, 2005, results from a study carried out on that date by the banking house responsible for updating the share register, from disclosures of thresholds crossed since that date (M&G Investments Management Ltd), and the exercise of outstanding options by their beneficiaries as on the same date.

As on December 31, 2005 (including shareholders holding – or likely to hold – at least 1% of the share capital or voting rights and known to the company)

Main shareholders	Number of shares	Percentage of capital	Number of votes	Percentage of voting rights
SORAME*				
(Société de Recherche et d'Applications Métallurgiques)	7,818,919	30.32%	15,613,838	35.62%
CEIR*				
(Compagnie d'Études Industrielles de Rouvray)	1,783,996	6.92%	3,567 992	8.14%
Other private individuals acting in concert:	423	0.002%	835	0.002%
Cyrille, Georges, Édouard and Patrick Duval				
Total SORAME/CEIR sub-group	**9,603,338**	**37.24%**	**19,182,665**	**43.76%**
AREVA*	**6,757,277**	**26.20%**	**13,514,554**	**30.83%**
Total concert party (sub-group / AREVA)	**16,360,615**	**63.44%**	**32,697,219**	**74.60%**
STCPI				
(Société Territoriale Calédonienne de Participations Industrielles)	1,323,471	5.13%	2,614,378	5.96%
Société Minière G. MONTAGNAT	65,545	0.25%	129,478	0.30%
Personnel (Eramet share fund)	45,220	0.18%	90,440	0.21%
Treasury shares**	151,212	0.59%	0	0.00%
Corporate officers (ex. concert)	702	0.003%	1,103	0.003%
Various registered shareholders	491,719	1.91%	947,538	2.16%
Total Registered Shares	**18,438,484**	**71.50%**	**36,480,156**	**83.23%**
Carlo Tassara International				
(Company in Mr. Romain Zaleski's group)*	3,521,259	13.65%	3,521,259	8.03%
MG Investments Management LTD	1,288,127	4.99%	1,288,127	2.94%
BRGM	356,044	1.38%	356,044	0.81%
Other bearer shares	2,185,960	8.48%	2,185,960	4.99%
Total bearer shares***	**7,351,390**	**28.50%**	**7,351,390**	**16.77%**
TOTAL SHARES	**25,789,874**	**100.00%**	**43,831,546**	**100.00%**

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

** Taking into account shares purchased under the liquidity contract entered into with Exane BNP Paribas and not yet registered on the date of drafting of this table, the total number of shares controlled by Eramet should be increased by 11,973 shares (but 0 voting rights), i.e. a total of 147,884.

*** Based on the latest disclosures of thresholds crossed, reconciled with the latest survey of identifiable bearer shares.

To the best of the Company's knowledge, no other shareholders directly or indirectly hold over 1% of the share capital or voting rights in the Company. Apart from the treasury shares referred to in the above table, the Company does not own any other treasury shares. To the best of the Company's knowledge, employees and members of the Board of Directors hold less than 3% of the share capital and voting rights in the Company, it being added that securities giving rights over the share capital have been granted to employees and executives, as described in Chapter 17.2.

21.1.6. Stock option plans

21.1.6.1. Authorisations granted to the Board of Directors

On several occasions, the general shareholders' meeting has authorised the Board of Directors to grant options to employees.

The meeting of June 8, 1995 authorised the Board of Directors to grant options; this authorisation was replaced for the unused part by the authorisation granted by resolution 5 of the meeting of May 27, 1998. All the options granted under the 1995 authorisation had expired or been taken up on December 31, 2005.

Resolution 5 by the meeting of May 27, 1998 authorised the Board of Directors to grant, in one or more stages, options that give the right to subscribe to new shares or purchase existing shares in the Company to employees and executives of the Company and any companies in which Eramet directly or indirectly holds at least 50% of the share capital.

Terms: share subscription or purchase price to be determined by the Board, it being understood that the price must at least be equal to the minimum value defined by current legislation, i.e. on that date 80% of the average share price over the twenty trading days leading up to the date of the Board's decision; maximum number of shares to be issued under that framework: 350,000 shares; option exercise period: 8 years; term of authorisation: 5 years, i.e. until May 26, 2003.

Resolution 22 by the meeting of July 21, 1999 authorised the Board of Directors to grant, in one or more stages, call options on existing shares from purchases made by the Company to employees of the Company and any companies in which Eramet directly or indirectly holds at least 50% of the share capital.

Terms: share subscription or purchase price to be determined by the Board, it being understood that the price must at least be equal to the minimum value defined by current legislation and to the average share price over the twenty trading days leading up to the date of the Board's decision; maximum number of shares to be issued under that framework: 500,000 shares; option exercise period: 8 years; term of authorisation: 5 years, i.e. until July 20, 2004.

Resolution 21 by the meeting of May 23, 2002 authorised the Board of Directors to grant, in one or more stages, subscription or purchase options for new shares in the Company to employees of the Company and any companies of which Eramet directly or indirectly controls at least 50%.

Terms: subscription price of shares on the day the options are granted: to be determined by the Board, it being understood that the price must at least be equal to the minimum value defined by current legislation with reference to the average share price over the twenty trading days leading up to the Board's decision; maximum number of shares to be issued in that framework: 500,000; option exercise period: 8 years; term of authorisation: 38 months, i.e. until July 22, 2005. At its December 15, 2004 meeting, the Board of Directors set the subscription price at 64.63, with 130,000 shares likely to be issued under that framework; option exercise period: 8 years – term of plan, i.e. until December 14, 2012.

21.1.6.2. Right to use authorisations during public offer period

At the general meeting of May 11, 2005 it was proposed (resolution 18) to renew this delegation for the period provided by law.

21.1.6.3. Stock option plans actually granted

Stock subscription options

(1)	Date of shareholders' meeting	Date of Board meeting	Subscription price	Number of beneficiaries originally	Number of beneficiaries as on 01.01.2005	Options originally granted	Exercised or lapsed prior to 01.01.2005	Exercised in 2005	Lapsed in 2005	Still to be exercised as from 01/01/2006	Number of beneficiaries as on 01.01.2006	Expiry date of plans
1	08.06.1995	16.12.1997	EUR 33.08	39	13	104,500	(77,300)	(19,200)	(8,000)			15.12.2005
2	27.05.1998	12.12.2001	EUR 32.60	61	58	153,000	(15,000)	(25,730)	–	112,270	46	11.12.2009 (2)
3	23.05.2002	15.12.2004	EUR 64.63	81	81	130,000	–	–	–	130,000	81	15.12.2012 (3)
4	11.05.2005	13.12.2005	free	90	–	14,000	–	–	–	14,000	90	n/a
Total						**401,500**	**(92,300)**	**(44,930)**	**(8,000)**	**256,270**		

(1) Plan start dates: 1 = 16.12.1999; 2 = 12.12.2003; 3 = 12.12.2006.

(2) Could not be exercised before 12.12.2003. Shares could not be sold prior to 14.12.2005.

(3) Could not be exercised before 12.12.2003. Shares could not be sold prior to 14.12.2005.

Stock purchase options

(1)	Date of shareholders' meeting	Date of Board meeting	Subscription price	Number of beneficiaries originally	Number of beneficiaries as on 01.01.2005	Options originally granted	Exercised or lapsed prior to 01.01.2005	Exercised in 2005	Lapsed in 2005	Still to be exercised as from 01/01/2006	Number of benefic-iaries as on 01.01.2006	Expiry date of plans
1	21.07.1999	15.09.1999	EUR 47.14	5,646	2,452	423,450	(241,820)	(75,485)	(9,875)	96,270	1,320	14.09.2007
2	27.05.1998	14.12.1999	EUR 54.00	80	65	166,500	(35,102)	(95,363)	–	36,035	26	13.12.2007 (2)
TOTAL						**589,950**	**(276,922)**	**(170,848)**	**(9,875)**	**132,305**		

(1) Plans start dates: 1 = 15.09.1996; 2 = 14.12.2001.

(2) Shares could not be sold prior to 14.12.2004.

21.1.6.4. Potential dilution resulting from the exercise of all stock options issued and not yet exercised

Assuming the exercise of all valid options not yet exercised as on December 31, 2005, at the rate of one share per option, 256,270 shares (of which 130,000 options issued in December 2004 and exercisable on December 15, 2006) would be created, resulting in the following figures:

Number of shares:	26 046 144
Share capital:	EUR 79 440 739
Number of voting rights:	44 087 816

21.1.7. Table summarising existing financial authorisations

Authorised share capital increases			**Use of existing authorisations**
A – By issue of shares, miscellaneous securities and/or warrants, with shareholders' preferential subscription rights. Art. L 225-129 CC			
By extraordinary general meeting	May 21, 2003 (Resolution 13)	May 11, 2005 (Resolution 14)	NA
B – By issue of shares, miscellaneous securities and/or warrants, without shareholders' preferential subscription rights.			
By extraordinary general meeting	May 21, 2003 (Resolution 15)	May 11, 2005 (Resolution 16)	NA
C – By capitalisation of reserves, retained earnings, premiums or other items that may be capitalised			
By extraordinary general meeting	May 21, 2003 (Resolution 14)	May 11, 2005 (Resolution 15)	NA
A/B/C			
Maximum nominal amount	€ 12,000,000	€ 24,000,000	NA
Period for which authorisation is granted to Board of Directors	26 months (July 21, 2005)	Legal period	
Issue limit (total A + B)			
By extraordinary general meeting		May 11, 2005 (Resolution 17)	NA
Maximum amount		€ 24,000,000	
Free share grants			
(Art. L 225-197-1 and L 225-197-2 CC)			May 11, 2005
Total maximum amount			40,000 shares
Period of authorisation			38 months
Used in 2005			14,000
Available balance			26,000

21.1.8. Description of share buyback programme

21.1.8.1. Results of 2005 buyback programme

The ordinary and extraordinary general shareholders' meeting of May 11, 2005 authorised the Company to buy back its shares up to a limit of 5% of the share capital (prospectus given AMF approval number 05-228 dated April 7, 2005). This authorisation expires at the ordinary general shareholders' meeting called to approve the 2005 financial statements.

Under that authorisation, on February 28, 2006 the Company bought 49,234 shares, i.e. 0.19% of the share capital, at the average unit price of €82.59. No shares have been cancelled in the past 24 months. For example, as on February 28, 2006, the Company held 147,884 shares (0.57% of the share capital).

The 147,884 shares held by Eramet have been allocated for the purposes of share price support by a market maker under a liquidity contract.

21.1.8.2. Purposes of 2006 buyback programme

The resolution put to the ordinary general shareholders' meeting of April 27, 2006 comes under the legal maximum limit and is designed to authorise a share buyback programme up to a maximum of 5% in the Company's share capital.

Eramet will use the share buyback programme in descending order of priority to:

- Support the share prices via a liquidity contract with a market maker, in accordance with the AFEI code of conduct recognised by the AMF,
- Retain the shares or swap them, in particular in the case of acquisitions or the issue of securities giving rights over the share capital,
- Grant stock options to the employees of the Company or of the companies in which Eramet directly or indirectly holds 50% of the share capital,
- Cancel the shares, pursuant to resolution 10 of the Ordinary and Extraordinary General Shareholders' Meeting of May 11, 2005 authorising, for a period of 24 months, the reduction of the Company's share capital.

Legal framework

The implementation of this programme, falling under the legislative framework created by French Act 98-546 of July 2, 1998 (Article L 225-209 of the French Commercial Code), which includes various economic and financial provisions, will be submitted to the ordinary general shareholders' meeting of April 27, 2006 taking decisions on the basis of the quorum and majority rules set out for ordinary general meetings (see resolution 6 in Chapter 19.3).

Programme mechanism

Purchases, sales, transfers or exchanges may be made by any means, by market trading or private agreement, including the acquisition of blocks of securities or using derivatives (the goal in this case being to improve the Company's cash position). Derivatives will be used to hedge the option positions taken in other circumstances through the sale of puts.

Price

- Maximum purchase price: €170.
- Minimum sale price: €25.
- Theoretical maximum amount payable by the Company:
  - €219,213,929 for 1,289,494 shares representing 5% of the Company's share capital,
  - €194,073,649 for 1,141,610 shares representing 4.43% of the share capital, given the shares already held by the Company.

Term and schedule of buyback programme

The programme will cease to be valid at the general shareholders' meeting called to approve the 2006 financial statements.

Moreover, it is specified that, pursuant to resolution 10 put to the ordinary and extraordinary general shareholders' meeting of May 11, 2005, the Board of Directors is authorised for a period of 24 months as from that date to reduce the share capital by cancelling shares up to a limit of 5% of the share capital.

Financing the programme

The share buyback will be financed from the Company's own resources, and by borrowings for any additional needs in excess of its cash flows from operations.

Theoretical impact of the programme on the Company's financial position

For guidance, the table below sets out the impact that the buyback programme would have on the Company's financial statements (consolidated financial statements as on December 31, 2005). The calculation was based on the following assumptions:

- Buyback of 4.43% (i.e. 1,141,610 shares) of the number of shares comprising the share capital on February 28, 2006,
- Bought back at a price of €96.27 per share, the average price during February 2006,
- Finance costs: 5.5% before tax,
- Tax rate: 35%.

On this basis, the theoretical impact of the buyback programme for a full year would be as follows.

Millions of euros (unless stated otherwise)	Consolidated financial statements 31/12/05	Buyback of 4.43% of the share capital	Pro forma after buyback of 4.43% of the share capital	Effect of buyback in % terms
Shareholders' equity, Group share	1,486	(110)	1,376	(7.40) %
Total shareholders' equity	1,985	(110)	1,875	(5.54) %
Net cash	364	(114)	250	(31.28) %
Net (loss) income, Group share	377	(4)	373	(1.04) %
Weighted average number of outstanding shares (excluding treasury)	25,543,203	(1,141,610)	24,401,593	(4.47) %
Net (loss) income per share	14.76	0.53	15.29	3.59%
Weighted average number of outstanding shares (excluding treasury), allowing for the effect of dilutive instruments (*)	25,787,778	(1,141,610)	24,646,168	(4.43) %
Net (loss) income per share, fully diluted	14.62	0.52	15.14	3.54%

(*) The potential number of shares taken up by employees under stock option plans is 244,575.

Tax framework of share buybacks

For the transferee: Eramet's buyback of its shares with a view to their subsequent cancellation has no impact on its taxable income. Any re-measurement of the shares recognised between their buyback date and cancellation date does not result in a capital gain for tax purposes.

Only Eramet's buyback of its shares without their subsequent cancellation would have an impact on its taxable income, insofar as the shares would then be sold or transferred at a different price from the buyback price.

For the transferor: As repurchases are carried out on the basis of Article L 225-209 of the French Commercial Code, the resulting gains are subject to the capital gains tax framework pursuant to the provisions of Article 112-6 of the French General Tax Code. The tax framework described hereafter applies to French residents in France and may be different for non-residents.

The gains made by legal entities will be subject to the framework for business capital gains provided by Article 39 duodecies of the French General Tax Code. The gains made by private persons will be subject to the tax framework for gains on the sale of securities or rights, i.e. proportional taxation at 16% (27% with social contributions), pursuant to Article 150-0-A of the French General Tax Code, whenever the annual disposal threshold is exceeded (current threshold: €15,000).

Non-resident shareholders are not generally subject to taxation in France.

It should be noted that this information is merely a summary of the tax framework and the specific circumstances of transferors should be reviewed together with their tax advisors.

21.2. Memorandum and Articles of Association

21.2.1. Corporate purpose (Article 3 of the Articles of Association)

"The purpose of the Company in all countries is finding and exploiting mining deposits of all kinds, the metallurgy of all metals and alloys and their trading.

For this purpose, it takes part in the following activities, whether directly or indirectly through investments:

- The uncovering, acquisition, subcontracting, disposal, concession and exploitation 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 manufacturing and marketing of any products of which the above-mentioned materials or substances are components,
- More generally, any transactions directly or indirectly related to the above purposes or likely to aid the development of the Company's business.

To achieve this purpose, 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 companies, construction sites and premises whatsoever, and any movable and tangible objects,
- Obtain or acquire any patents, licences, processes and trademarks, exploit, transfer or contribute them, and grant all manner of operating licences in any country,
- And, in general, carry out any commercial, industrial or financial transaction, whether for movable assets or property, that may directly or indirectly relate or be useful to the corporate purpose or are likely to facilitate the achievement thereof. It may directly or indirectly act on its own behalf or on behalf of third parties, whether alone or in a partnership, joint venture or company, with any other company or persons, and carry out, directly or indirectly, in France or other countries, in any form whatsoever, the transactions that come under the corporate purpose. It may take any interest or stake, in any form and in any French or foreign company, that is likely to aid the development of its own business."

21.2.2. Financial year (Article 24 of the Articles of Association)

The financial year lasts 12 months, beginning on January 1 and ending on December 31 every year.

21.2.3. General Shareholders' meetings

21.2.3.1. Calling and terms of admission (Articles 21, 22 and 23 of the Articles of Association)

Composition: General shareholders' meetings are comprised of all shareholders in the Company, regardless of the number of shares they hold.

Calling: General shareholders' meetings are called and meet pursuant to the provisions of the French Commercial Code and Articles 21 to 23 of the Articles of Association.

Meetings are held either at the registered office or in any other place in the same department specified on the meeting notice.

Terms of admission: All shareholders have the right to take part in General Shareholders' Meetings, subject to the obligation to prove their identity, either in person or by proxy through another shareholder or their spouse.

Holders of registered shares must, however, be listed on the share register; holders of bearer shares must have deposited, in the places indicated on the meeting notice, a certificate issued by an authorised intermediary attesting to the freezing of the shares registered in the account up to the date of the meeting. These formalities must, in both cases, be completed at least five days prior to the meeting. Shareholders may also vote by correspondence pursuant to the provisions of Article L 225-107 of the French Commercial Code and Article 131-1 of the Decree of March 23, 1967, as amended, using a form that must reach the Company at least three days prior to the date of the meeting.

Jointly owned, split, pledged or sequestrated shares:

In the absence of any other statutory provisions, and pursuant to the provisions of Article L 225-110 of the French Commercial Code, any holder of a jointly owned share, a split share – bare ownership and usufruct, a pledged share or a sequestrated share, is called to the meeting and may attend, subject to compliance with the legal or statutory provisions below with regard to the exercise of voting rights.

21.2.3.2. Conditions for exercising voting rights (Articles 8 and 21 of the Articles of Association)

Shareholders have as many voting rights as the shares they own or represent, subject to the double voting rights attached to some shares. The extraordinary general shareholders' meeting of July 21, 1999 granted a double voting right, with effect from January 1, 2002, to every paid-up share where it can be shown that they have been registered in the name of the same shareholder for over two years.

Shares that are allotted free of charge following the capitalisation of reserves, profits or issue premiums on the basis of old shares benefiting from double voting rights only gain such a right following a two year period.

Double voting rights cease for any shares that are converted to bearer shares or transferred, except, in accordance with the law, any registered-to-registered transfer following a succession or family gift.

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 a special meeting of beneficiary shareholders.

Jointly owned, split, pledged or sequestrated shares:

In the absence of any other statutory provisions, and pursuant to the provisions of Article L 225-110 of the French Commercial Code, the voting right is exercised by the usufructuary at ordinary shareholders' meetings, by the bare owner at extraordinary general shareholders' meetings, by one of the joint owners or by a proxy in the case of co-owned shares and by the owner of pledged or sequestrated shares.

Limitation of voting rights: none

Expiry: none, apart from a decision by an extraordinary general shareholders' meetings or the transfer from registered to bearer form.

21.2.4. Transmission of shares

Since the deletion of the approval clause by the shareholders' meeting of June 15, 1994, shares may be traded freely, subject to compliance with the rules applicable to companies that are listed on regulated markets.

21.2.5. Identification of shareholders

21.2.5.1. Crossing thresholds/Declaration of intent

Legal declarations: Pursuant to Articles L 233-7 to L 233-11 of the French Commercial Code, any private person or legal entity, whether acting alone or jointly, that comes into pos-

session of a number of shares representing over one-twentieth, one-tenth, one-fifth, one-third, one-half or two-thirds of the Company's share capital and/or voting rights, must inform the AMF and the Company within five trading days by registered mail, 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 above-mentioned thresholds.

Lastly, in addition to this duty of disclosure, any person crossing the above-mentioned thresholds of one-tenth and one-fifth of the share capital is legally required to declare their intentions for the coming twelve months, within 10 trading days.

In the event of non-compliance with such disclosure duties, the provisions of Article L 233-14 of said Code shall apply.

Additional statutory declarations: Since the amendment of Article 9 of the Articles of Association by the shareholders' meeting of June 15, 1994, any private person or legal entity, whether acting alone or jointly, that comes to hold or ceases to hold a fraction equal to 1% of the share capital and/or voting rights, or any multiple of that percentage, must inform the Company within 10 days by registered mail, 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, on the request in a shareholders' meeting of one or more shareholders holding 5% of the share capital or voting rights at a shareholders' meeting.

21.2.5.2. Identifiable bearer shares

Pursuant to Article L 228-2 of the French Commercial Code and Article 9 of the Articles of Association, the Company may at any time ask Euroclear SA to carry out the "identifiable bearer share" procedure to identify the holders of such shares.

21.2.6. Bearer shares

As on December 31, 2005, the breakdown between registered and bearer securities was as follows.

	As on December 31, 2005	As on December 31, 2004
Registered securities	18,438,484 (71.50%)	18,618,302 (72.32%)
Bearer securities	7,351,390 (28.50%)	7,126,642 (27.68%)
TOTAL	**25,789,874 (100%)**	**25,744,944 (100%)**

Liquidity contract

To ensure minimum liquidity levels at all times for its stock, the Company has, since July 18, 2003, had a liquidity contract with Exane BNP Paribas. The contract was notified to the Euronext Paris market and to the Commission des Opérations de Bourse and complies with the AEFI charter.

Pledged securities

None.

Likely changes in voting rights

The double voting rights attached to shares that have been registered for over two years were mostly created in 2002.

As on December 31, 2005, a total of 94,388 registered shares that have not been registered for two years do not have double voting rights.

In that scenario, the number of double voting rights would rise to 36,574,544, to which should be added the single voting rights of bearer shares, i.e. 7,351,390 additional rights as on December 31, 2005.

Treasury shares (numbering 151,212 as on December 31, 2005) do not have voting rights.

21.2.7. Recap of public declarations

Date	AMF decision number	Subject
03/08/1999	199C1045	Declaration of crossing threshold (ERAP – CEIR – SORAME). Declaration of intent. Appointment of 5 qualified persons as Directors. Reminder: dispensation from obligation to file public offer project.
29/12/1999	199C2064	Declaration of crossing threshold. Cogema replaces ERAP.
30/12/1999	199C2068	Declaration of crossing 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 threshold. Amendment to shareholders' agreement following AREVA's replacement of Cogema.
20/12/2004	204C1559	Declaration of crossing threshold and declaration of intent. Maaldrift BV replaced by Carlo Tassara International.
14/02/2006	206C0296	Declaration of crossing threshold by M&G Investments Management Limited of 5.0034% of the share capital and 2.98% of voting rights.

21.3. Changes in share capital

Changes in share capital occur in the manner laid down by laws and regulations.

Authorised share capital reduction through the cancellation of shares

Resolution 10 by the ordinary and extraordinary general shareholders' meeting of May 11, 2005 authorised the Board of Directors to cancel, at its sole discretion and in one or more stages, all or part of the treasury shares held under the authorisations to buy back the Company's shares. This authorisation is valid for 24 months from the date of the meeting, up to a limit of 5% of the share capital.

Unissued authorised share capital

• Share capital increase(s) reserved for employees

Resolution 11 by the general shareholders' meeting of May 11, 2005, pursuant to Articles L 225-29 and L 225-138 of the French Commercial Code and Article L 443-5 of the French Labour Code, delegated to the Board, with the option of sub-delegating, the powers required to increase the share capital, in one or more stages, by a maximum nominal amount of 500,000 euros, through the issue of new cash shares reserved for current and former employees of the Company who join a company savings plan or a voluntary employee savings plan.

– Subscription price: to be set pursuant to the provisions of Article 443-5 of the French Labour Code,

– Duration: 26 months from the date of the shareholders' meeting.

• Share capital increase(s) through the issue of shares, miscellaneous securities and/or stock warrants with shareholders' subscription right

Resolution 14 by the general shareholders' meeting of May 11, 2005, pursuant to the provisions of Article L 225-129.1 of the French Commercial Code, granted the Board of Directors the power to increase the share capital, at its sole discretion, by a maximum nominal amount of €24,000,000, through successive or simultaneous issues, in one or more stages, both in France and abroad, of securities giving rights, whether immediately or in the future, over a portion of the share capital.

This power may be used in the following manner

• Issue by the Company in the form of:

a) Shares, through:
   – Either the issue of new shares to be subscribed for either in cash or by offsetting debts, with or without issue premiums,
   – Or the capitalisation of all or part of issue premiums or reserves existing on that date, to be implemented via the distribution of free shares or by an increase in the par value of existing shares,
   – Or the simultaneous implementation of more than one of these processes.

b) Securities other than shares, giving the right, whether directly or indirectly, through conversion, exchange, redemption, presentation of a warrant or in any other manner to the allocation, at any time or on set dates, of securities representing a portion of the share capital that

shall be issued for that purpose. These securities may take the form of convertible bonds, bonds with stock warrants, bonds redeemable as shares, or any other form that is not incompatible with applicable legal provisions.

These securities may be issued in euros, in foreign currency or in monetary units defined with reference to several currencies, for a total maximum nominal amount of €24,000,000 or the equivalent value to that amount determined on the day of the decision to issue said securities.

c) Warrants that give the right to subscribe for shares representing a portion of the Company's share capital, it being specified that the issue of said warrants may take place either by cash subscription or by free allocation and, furthermore, that said warrants may be issued alone or attached, either to shares or to the securities described in a) and b) above that are issued at the same time.

The owners of existing shares at the time of the issue for cash of the securities described in a), b) and c) above will have, on an irreducible basis and in proportion to the number of shares then owned by them, a preferential subscription right to those shares. The Board may create, for the benefit of shareholders, an irreducible subscription right that will be exercised in proportion to their rights and to the extent that they so request.

The shareholders' meeting may decide that the sum to be received immediately or likely to be received in the future by the Company for each security representing a portion of the share capital, whether issued or created through subscription, conversion, exchange, warrant exercise or in any other manner pursuant to the authorisations granted in b) and c) shall at least be equal to the average price of shares in the Company observed for ten consecutive trading days chosen from the twenty days prior to the day of the first issue of the shares, securities or warrants giving rights over the share capital, after, as the case may be, correction of that average to allow for any difference in dated dates.

Other arrangements: issue dates and mechanisms, setting of prices and interest rates, amounts to be issued, types of security, dated dates, even backdated, redemption and/or buyback terms, miscellaneous adjustments: powers delegated to Board, with the option of sub-delegating to its Chairman.

• Share capital increases through the capitalisation of reserves, profits or other capitalisable items

Resolution 15 by the general shareholders' meeting of May 11, 2005, granted the Board the power to increase the share capital, at its sole discretion, in one or more stages, in the proportion and at the times of its choosing, through the capitalisation of reserves, earnings or other capitalisable items, or jointly with a cash capital increase carried out under resolution 13, in the form of a free share allocation or an increase in the par value of existing shares, or by combining the two transactions;

Maximum nominal amount: €24,000,000.

Other arrangements: powers delegated to the Board, with the option of sub-delegating to its Chairman.

• Share capital increase(s) through the issue of shares, miscellaneous securities and/or stock warrants without shareholders' subscription rights

Resolution 16 by the general shareholders' meeting of May 11, 2005, pursuant to the provisions of Section 3 of Article L 225-129.1 of the French Commercial Code, granted the Board the power to increase share capital, at its sole discretion, by a maximum nominal amount of €24,000,000, through successive or simultaneous issues, in one or more stages, both in France and abroad, of securities giving rights, whether immediately or in the future, over a portion of the share capital.

This power may be used in the following manner

• Issue by the Company, in the form of:

a) New shares to be subscribed for either in cash or by offsetting debts, with or without issue premiums.

b) Securities, other than shares, giving the right, whether directly or indirectly, through conversion, exchange, redemption, presentation of a warrant or in any other manner to the allocation, at any time or on set dates, of securities representing a portion of the share capital that shall be issued for that purpose. These securities may take the form of convertible bonds, bonds with stock warrants, bonds redeemable as shares, or any other form that is not incompatible with applicable legal provisions.

These securities may be issued in euros, in foreign currency or in monetary units defined with reference to several currencies, for a total maximum nominal amount of €24,000,000 or the equivalent value to that amount determined on the day of the decision to issue said securities.

c) Warrants that give the right to subscribe for shares representing a portion of the Company's share capital, it being specified that said warrants may be issued alone or attached, either to shares or to securities described in a) and b) above that are issued at the same time.

The securities described in a) and b) above may be issued in consideration for securities that may be contributed to the Company as part of a public exchange offer for securities that meet the conditions laid down in Article L 225-148 of the French Commercial Code.

Nominal amount of securities created pursuant to the issues provided for in b) and c) above: the above-mentioned issues may not in any circumstances result in an increase in the share capital by a nominal amount in excess of €24,000,000 for the issues referred to in b), and in excess of €24,000,000 for the issues referred to in c), to which amount may be added the nominal amount of any securities to be issued to protect the rights of owners of the securities referred to in b) and c) above.

• Issues by one or more companies in which Eramet directly or indirectly holds over half of the share capital, carried out by those companies in one or more stages, in euros, in foreign currency or in monetary units defined with reference to several currencies, on the French or international market:

a) Bonds with Eramet stock purchase warrants.

b) Securities giving the right, whether directly or indirectly, through conversion, exchange, redemption, presentation of a warrant or in any other manner to the allocation, at any time or on set dates, of securities representing a portion of the share capital that shall be issued for that purpose. These securities may take the form of shares with stock warrants, convertible bonds, bonds redeemable as shares or any other form that is not incompatible with the applicable legal provisions.

Nominal amount of securities created pursuant to the issues provided for in a) and b) above: the above-mentioned issues may not in any circumstances result in an increase in the share capital by a nominal amount in excess of €24,000,000, to which amount may be added the nominal amount of any securities to be issued to protect the rights of owners of the warrants referred to in a) and b) and the securities referred to in b) above.

• Preferential right

The Board may, however, for issues carried out on the French market and for a period and pursuant to the terms and conditions that it defines, grant shareholders a preference period during which to subscribe for the shares, securities and warrants issued, without giving rise to the creation of tradeable and transferable rights.

• Method for determining security subscription prices

The general shareholders' meeting decides that the sum to be received immediately or likely to be received in the future by the Company:

1) For each share issued under the power granted in I (a) above;

2) For each security representing a portion of the share capital, whether issued or created through conversion, exchange, redemption, presentation of a warrant or in any other manner pursuant to the authorisations granted in I b) and II b) above;

3) And for the exercise of each of the warrants issued pursuant to the powers granted in I c), II a) and II b) above;

shall at the least be equal to the weighted average price over the three trading sessions prior to its determination (with a maximum discount of 5%, as the case may be), after, as the case may be, correction of that average to allow for any difference in dated dates, it being specified that the price of the warrants issued alone must, for each security representing capital to be created, be such that the sum of that price and the exercise price is at least equal to 105% of that average.

• Limits on the total amount of authorised issues

Resolution 17 by the general shareholders' meeting of May 11, 2005 proposed the limitation of the capital increases that may result from the use of powers including the authorisation to issue shares, other securities and warrants, given in resolutions 14 to 16, for a maximum total nominal amount of €24,000,000, to which shall be added the nominal amount of any additional capital increases made necessary for the protection of the rights of bearers of securities that give rights, in any way whatsoever, over the allocation of securities representing a portion of the share capital, and of the bearers of stock warrants. The Board of Directors shall report to the extraordinary shareholders' meeting in the event that these powers are not used.

The issue of securities other than shares authorised by resolutions 14 and 26 may not result in a capital increase with a nominal value in excess of €24,000,000; as the case may be, the equivalent value in euros of any issue of securities denominated in foreign currencies or in units determined with reference to several currencies shall be charged to this amount.

• Right to use authorisations during public offer periods

Resolution 18 by the general shareholders' meeting of May 11, 2005, proposed granting the Board, in line with legal provisions, the right to use the various powers granted to it under resolutions 14 and 16 "in the event that one or more public purchase or exchange offers are made for the securities issued by the Company."

22. Major contracts

To date, Eramet has not entered into any major contracts entailing a major obligation or commitment for the Group as a whole, other than those entered into in the normal course of its business.

As regards the contracts entered into the normal course of business, please see the following chapters in particular:

- The financial contracts mentioned in Chapter 4,
- The take-over bid described in Chapter 12.1.4.

23. Information from third parties, expert statements and declarations of interest

Not applicable.

24. Documents available to the public

24.1. Disclosure policy

24.1.1. Person responsible for disclosure

Name: Mr Philippe Joly.

Position: Financial Communications Manager.

Adress: Eramet
Tour Maine – Montparnasse
33 avenue du Maine
75 755 Paris Cedex 15 – France
Telephone: +33 (0)1 45 38 42 02

24.1.2. Communications process

Frequency: in line with regulations, Eramet publishes its half-yearly and annual financial statements and its quarterly sales.

Publication of information: in addition to legal announcements in financial publications, the latest press releases are available to the public on the Company's website: http://www.eramet.fr

In addition, under a contract signed on November 2, 2004 with the AMF, all the Company's press releases from then on are also available upon publication on the AMF website: http://www.amf-france.org

24.1.3. Diary: key dates in 2006

Recap of 2005 diary

Publication of 1st quarter sales: Tuesday, May 10, 2005 (after trading).

General shareholders' meeting: Wednesday, May 11, 2005.

Publication of 1st half sales: Wednesday, August 3, 2005 (before trading).

Publication of 1st half earnings: Thursday, September 8, 2005 (before trading).

Publication of 9-month sales: Thursday, November 3, 2005 (after trading).

Publication of 2005 sales: Thursday, February 2, 2006 (before trading).

2006 diary

Publication of 2005 earnings: Thursday, March 9, 2006 (before trading).

General shareholders' meeting: Thursday, April 27, 2006.

Publication of 1st quarter sales: Wednesday, May 3, 2006 (before trading).

Publication of 2nd quarter sales: Tuesday, August 1, 2006 (before trading).

Publication of 1st half earnings: Thursday, September 7, 2006 (before trading).

Publication of 9-month sales: Friday, November 3, 2006 (before trading).

Publication of 2006 sales: Thursday, February 1, 2007 (before trading).

24.2. Place where documents and information on the company may be consulted

The Articles of Association, minutes of general meetings, corporate and consolidated financial statements, reports from the statutory auditors and all documents provided to shareholders may be consulted at the Company's registered office.

All the data set out in this document and where the source is not specifically indicated was generated from the Company's internal data and reporting.

All copies of the documents included in this reference document may be consulted either on Eramet's website (http://www.eramet.fr) or by submitting a request to the Company's General Counsel at its registered office: Tour Maine Montparnasse – 33, avenue du Maine 75015 Paris – France.

24.2.1. List of press releases

24.2.1.1. 2006

May 3, 2006: Eramet: sales up 4.4% in 1st quarter 2006.

Positive outlook for 2006.

May 2, 2006: Eramet acquires control of Weda Bay and will eventually double output at its Nickel Division.

April 27, 2006: Eramet – Chairman's speech – General meeting of April 27, 2006.

April 27, 2006: Eramet – Ordinary General Meeting of April 27, 2006.

Dividend of €2.10/share compared with €2.00/share for 2004.

March 28, 2006: Eramet – Information on the offer to acquire Weda Bay Minerals.

March 15, 2006: Eramet bids for Weda Bay Minerals.

March 9, 2006: Eramet – 2005 annual earnings.

Net income, Group share rose 9% to €377 million

The current operating margin remains high, at 20%.

February 2, 2006: Eramet – sales up nearly 8% in 2005.

Market better oriented in early 2006.

January 12, 2006: Letter of information for Eramet shareholders.

The Koniambo dossier is not closed.

24.2.1.2. 2005

December 29, 2005: Eramet: Falconbridge's disconcerting silence on its binding obligation.

December 23, 2005: Eramet: New Caledonia.

December 23, 2005: New Caledonia: Yes to a plant in the Northern Province of New Caledonia.

Yes to faithfully complying with the Bercy Agreements, No to pretence.

December 13, 2005: Eramet is strengthening its oil catalyst recycling business through two investments by its subsidiary, Gulf Chemicals & Metallurgical Corporation (GCMC).

December 13, 2005: Eramet: Letter of information for shareholders.

November 3, 2005: Eramet: 3rd quarter 2005 sales. Cumulative 9-month sales up 10%.

September 8, 2005: Eramet: net income, Group share amounts to €196M, up 56%, representing 14% of sales.

Continued implementation of major capital expenditure programmes.

September 8, 2005: Eramet: information on transition to IFRS.

Half-yearly financial statements 2005.

August 3, 2005: Eramet: strong growth in sales in the 1st half 2005 (+17.4%).

Positive outlook confirmed for 2005.

May 11, 2005: Eramet: Ordinary and Extraordinary General Meeting of 11 May 2005.

Chairman's address.

May 11, 2005: Eramet: Ordinary and Extraordinary Annual General Meeting of 11 May 2005 – A dividend of 2.00 euros per share, compared with 0.86 euro per share for 2003.

Very positive outlook for 2005. New capital expenditure to expand manganese ore production capacity to 3.5 million tonnes.

May 10, 2005: Eramet: sharp rise in sales in 1st quarter 2005 (+20.4%).

Positive outlook for 2005.

March 10, 2005: Eramet: 2004 annual earnings. Record earnings, Group share of €342 million.

Fivefold increase in net operating income to €630 million – sharp increase in dividend, to €2.00 per share.

February 8, 2005: Eramet Group: in the fourth quarter 2004, sharp rise in sales (+ 40%).

Strong rise in earnings in the 2nd half 2004 compared with the 1st half 2004 – positive outlook for 2005.

24.2.2. List of publications in B.A.L.O. (Official Journal)

2006

- Notice of approval of financial statements without amendment: May 8, 2006
- Number of voting rights at general shareholders' meeting: May 8, 2006
- 2005 annual financial statements: April 12, 2006
- Notice of calling the general shareholders' meeting: April 10, 2006
- General shareholders' meeting notice: March 24, 2006
- Sales as on December 31, 2005: February 10, 2006.

2005

- Sales as on September 30, 2005: November 9, 2005
- 2005 first-half report: October 26, 2005
- 2005 first-half financial statements: September 28, 2005
- Notice of publication of 2004 reference document: September 21, 2005
- Sales as on June 30, 2005: August 12, 2005
- Notice of approval of financial statements without amendment: May 20, 2005
- Number of voting rights at general shareholders' meeting: May 18, 2005,
- Sales as on March 31, 2005: May 13, 2005,
- 2004 annual financial statements: April 27, 2005,
- Notice of calling general shareholders' meeting: April 22, 2005,
- General shareholders' meeting notice: April 6, 2005,
- Sales as on December 31, 2004: February 14, 2005.

25. Information on investments

The companies in which Eramet holds a significant portion of the share capital are set out in Chapter 6, "Presentation of business activities." The scope of consolidation is given in the consolidated financial statements as on December 31, 2005 (Chapter 20.1). The names and contact details of all the companies are listed in Chapter 28.

26. List of reports

26.1. Internal reports

	Chapter
Report from the Board of Directors on free shares	15.
Report from the Chairman on internal control procedures	27.1.

26.2. External reports

	Chapter
Report from the Auditors on the 2005 consolidated financial statements	20.1.2.
Report from the Auditors on the 2005 corporate financial statements	20.2.2.
Special report from the Auditors on regulated agreements	20.2.3.
Special report from the Auditors on internal controls	27.2.

27. Report of the Chairman of the Board of Directors and auditors – 2005 financial year

(Art. 117 of the French Financial Security Act of August 1, 2003)

27.1. Report of the Chairman of the Board of Directors – financial year ending December 31, 2005

Ladies and gentlemen,

In my role as Chairman of the Board of Directors of the Company, I have the pleasure of presenting the report provided for in Article 117 of the French Financial Security Act of August 1, 2003.

As required by this Act, the report first covers the preparation and organisation of the Board's work. It will then cover internal control procedures. Finally, it will set out the limits on the powers of the Chairman & CEO.

I – Work of the Board of Directors

In 2005, the Board of Directors met four times, on March 9, May 11, September 7 and December 13, in line with a schedule set at the last Board meeting in the previous year.

The following major transactions by the Company were discussed at those meetings.

- The March 9 meeting was held to approve the Company's 2004 financial statements and call the general shareholders' meeting of May 11, 2005.
- The May 11 meeting followed the general shareholders' meeting. In particular, the Board welcomed a new Director, Mr. Harold Martin, President of the New Caledonian Congress, who replaced Mr. Pascal Lafleur, who was removed from office by the shareholders at the preceding general meeting.
- The September 7 meeting approved the first-half financial statements and the financial documents required under the Act of March 1, 1984.
- The December 13 meeting acknowledged the resignation of Mr. Jean-Lucien Lamy and co-opted Mr. Gilbert Lehmann, Deputy CEO of COGEMA, who was also appointed Vice-Chairman. The 2006 budget was also presented. It was lastly decided to set up a free share programme.

In addition, at each Board meeting, the Chairman outlined the key events affecting the Group. This was followed by a report on business in each of the three Divisions by their respective managers. Particularly important capital expenditure projects were submitted to the Board at its March 9 (production of 3.5 million tons of ore in Gabon; EMD plant in China) and December 13 (Gulf Chemicals) meetings.

The Chairman also reported on the status of the 1998 Bercy agreements at every Board meeting.

The Board is supported in its work by committees that it appoints from among its members:

A – The Audit committee usually meets the day before each Board meeting. It met three times in 2005 and dealt with the following issues.

1. At the March 8 meeting, presentations were given on cash balancing policy, provisions policy, lawsuits and the 2004 financial statements. It was also proposed that the Board carry out a self-assessment.

2. At the September 6 meeting, the first-half 2005 financial statements were reviewed, as well as the main issues stemming from the switch to the IFRS.

3. At the December 12 meeting, the two topics addressed were improving end-of-year reporting and the audit action plan.

B – The compensation committee met three times, on January 12, February 18 and December 7, 2005. In January and February, it determined the compensation of the corporate officers and set their 2004 bonuses and 2005 goals. In December, it reviewed and discussed their 2006 compensation. It also set 2005 bonuses, based on a detailed review of estimated results and actions taken, division by division and at Group level. It lastly determined the goals for 2006.

As a result of the changes in the composition of the Board of Directors during 2005, the December 13 Board meeting replaced Mr. Jean-Lucien Lamy with Mr. Gilbert Lehmann on the Appointments Committee and with Mr. Michel Somnolet on the Compensation Committee.

At its March 9 meeting, the Board of Directors approved the procedure for holding and dealing in Eramet shares. The procedure was presented at the Audit Committee meeting of December 14, 2004 and was given to each member of the Board.

A folder containing files on most of the items on the agenda is given to members at the outset of the meeting of the Board of Directors.

At the end of meetings, especially when the Board approves the financial statements, a draft press release is submitted to Directors and published (online with the AMF) to inform the market of the main items in the Company and Group's development.

The Secretary of the Board drafts the minutes, which the Chairman submits to the directors for approval at the next meeting, the draft minutes being sent to each participant (directors, observers and Group Works Council members), together with the meeting notice and agenda, roughly one week prior to the date scheduled for the next meeting.

Board meetings are usually held at the Company's registered office (Tour Maine-Montparnasse). The September 7 meeting was exceptionally held in Porsgrünn (Norway), where the Company's Manganese Division has two major units.

II – Internal control procedures

In early 2004, the Company undertook the progressive review of the internal control system. The first stage in this programme consisted of mapping risks. The project was carried out through interviews with the main managers of the Company's various processes, so as 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 process.

The work done in 2004 and 2005 did not reveal any serious failings or weaknesses in the organisation of internal control.

1. The Company's internal control goals

The purpose of the internal control procedures in force at Eramet is to:

- Ensure that management actions, operations and employee behaviour all comply with the policies defined by the Company's governing bodies, with applicable laws 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 faithfully reflects the Company's activity and business,
- 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. Like any control system, however, it cannot provide an absolute guarantee that these risks have been totally eliminated.

2. Overview of the control procedures in place.

a) Internal control players

Eramet, because of its diverse activities, is organised into three independent Divisions, each with all the departments necessary to operate (management, production, sales, purchasing, finance, etc.) The head office, in addition to its general management function, provides support or carries out control tasks necessary for the Group's cohesion. The following are the main internal control players:

- The Executive Committee (Comex), which is comprised of the Chairman & CEO, the three Deputy CEOs, each of whom manages one of the three Divisions (Nickel, Manganese and Alloys), the Chief Financial Officer (CFO) and the Group Human Resources Manager. The Comex is the Group's decision-making centre and meets every two weeks. An International Management Committee, which also includes the CEOs of Aubert & Duval, Comilog, Erasteel and Le Nickel-SLN as well as the Manager of the China region and the Chairman of Eramet International, more specifically deals with organisational matters. It meets four times a year.
- The Internal Audit Department reports to the CFO. Based on an annual Audit Plan approved by the Comex, the department carries out assignments in the various Group units as defined in the Plan and instructed by the Chairman. It reports quarterly to the Comex and annually to the Audit Committee on the results of its assignments and the progress of the resulting action plans.
- The Group Planning and Financial Control Department reports to the CFO. It defines the architecture of Eramet's financial controls and monitors the Division's projects in terms of financial management systems to ensure they are consistent with the Group's goals. The department defines and helps implement relevant key performance indicators for every Division and entity. 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 assistance on all matters within its field of expertise.
- The Finance, Treasury and Insurance Department reports to the CFO. As a service centre, it manages foreign currency hedging and financial resources (investments and borrowings) for the whole Group, and sets up and monitors all the insurance contracts taken out by the Group.
- The Tax Department is part of the Accounting, Tax and Consolidation Department and reports to the CFO. As a service centre, it assists the Group's various subsidiaries

with their various tax obligations and fulfils those of the parent company.

- The Environment and Industrial Risks Department reports to the Deputy CEO in charge of the Alloys Division. 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 social changes.
- The Group Human Resources, Health and Safety Department reports to the Chairman & CEO. 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 through a network of local contact persons.
- More generally, every management level in the company is responsible within its field of expertise for defining, implementing and steering internal control items.

b) Summary of internal control procedures implemented by the Company.

- Existing charters: the Audit Committee and the Internal Audit, Legal, Financial Control and Tax Departments have each published a charter. The purpose of these charters is to specify the operating rules of the various committees or departments and to formalise relationships with other parties.
- Powers: The three Division Managers & Deputy CEOs have all the powers granted by law. The Chairman & CEO has empowered the CFO to carry out all types of financial transactions. The Manager of the Eramet Sandouville plant has the power granted by the Chairman & CEO to carry out any transaction necessary to run the plant, as well as powers with respect to health and safety. To operate bank accounts, powers of attorney have been given to a limited number of Company employees, with two signatories required for any payment and specified ceilings for each group of signatories.
- Risk control: Major risks were mapped out in early 2004 in order to detect areas for improvement and form a basis for the annual audit plan. The approach by Division and by major process enabled risks to be classified by main theme (strategic, operating, support, etc.) and processes to be ranked on the basis of their importance in terms of achieving the Company's strategic goals.
- IT systems: The role of the Group IT Department is to make IT systems more consistent across the Group and to aid the various subsidiaries. It has set up a global network and a single Group email system. Security has been improved through system audits and the implementation of specific tools. A standard is also being drafted for office technology (hardware and software). Several projects to improve financial controls are ongoing in the Divisions, including the implementation of integrated purchasing applications for better control of liabilities and segregation 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, financial management (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.
- Legal and operational control of subsidiaries by the parent company:

– Because of the diversity of their businesses, the Divisions are managed independently. Each Division has a management committee that makes all the decisions within its area of responsibility.

– The Chief Financial Officer (CFO) is a Director, either on his/her own behalf or as the Company's permanent representative, of the main subsidiaries of Eramet. The Legal Department, to which he/she reports, acts as Board secretary for the main companies (Le Nickel-SLN, Comilog SA) and participates in Board meetings relating to major transactions undertaken by the subsidiaries.

– Financial management meetings: Monthly meetings are organised with the management of each Division to review monthly results and analyse budget over/under-runs and the resulting action plans. Management/Accounting and Treasury meetings are also held monthly, bringing together Division and parent company accountants, financial controllers and treasurers, respectively, to deal with shared issues and provide the necessary coordination. Specific meetings take place every month to discuss sales, accounting, treasury, insurance and other issues within the Divisions. Lastly, specific budgeting, forecast updating and planning meetings are organised with the same participants as Division meetings to address those issues.

– Systematic disclosure in the event of strategic decisions: Under the Capital Expenditure Procedure, all projects exceeding a certain amount are approved in Division meetings on the basis of specific procedures (presentation file, number of approval meetings, etc.). Capital expenditure projects are controlled and approved with regard to technical aspects by the Engineering Department, which reports to the Chairman & CEO and, on economic matters by the Administration & Financial Department. Strategic projects are presented to the Board of Directors of Eramet.

– Information on commitments given and received: Independently of the above procedure, quarterly consolidation reporting includes information on any such commitments. The Legal Department, furthermore, provides support for major contract negotiations or in the event of disputes.

c) Internal control of the generation 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 statements relating to tax consolidation and publishes Eramet's corporate and consolidated financial statements. The necessary coordination with subsidiaries is provided by the Financial Management/Accounting committee, through monthly meetings attended by the CFOs, accountants and financial controllers of the main 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 (purchases/payroll) are not interfaced because of their low number. Treasury software is partly interfaced. The Group uses Magnitude consolidation software, published by Cartesis.
- Main internal players involved in controlling this information:

– The Accounting Department approves the Company's monthly sales. It receives payroll entries from the HR Department. Lastly, purchasing invoices must be approved by authorised signatories, of whom the Accounting Department has a list. Payments are made by the Treasury Department and must be counter-signed.

– The Group Treasury Department centralises and hedges foreign currency risk for all companies.

– The Financial 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 Financial Management/Accounting Department provides the necessary coordination between the Company and its subsidiaries.

– The Audit Committee, as mentioned above, analyses the half-yearly and annual financial statements and monitors major disputes, foreign currency hedging policy and internal audit plans. It also reviews the transition to IFRS and the application of the French Financial Security Act ("LSF").

- General standards: 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 sub-stages. Financial statements are closed 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 foreign currency risk, sets up financing for the group's main subsidiaries and carries out financial investments. It centralises the cash forecasts of the main companies and assists them in determining payment methods for at-risk countries. At the end of 2004, the Group set up Metal Securities, a cash pooling company for all Group companies.
- Budget and management control: The Company's budget control is published monthly. Budget/Actual reporting is monthly and includes financial 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 done during the year. These budgets and forecast updates, as well as the related action plans, are formally approved by Division management and the Chairman & CEO in special Division meetings. The Group's budgets and forecast updates are approved by the Executive Committee.
- Financial statement consolidation preparation procedure: As indicated above, the consolidation manual is distributed to all subsidiaries and includes common accounting rules and the consolidation return. Consolidation returns are input into the Equilibre software by each subsidiary. 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 as on various points during the year.
- Liaison with statutory auditors: the auditors carry out six-monthly reviews of the financial statements, for which approval meetings are organised with the auditors of the main subsidiaries.

d) Other mechanisms contributing to the Group's internal control

The Environment and Industrial Risk Department was set up in 2003 and organises prevention plans and safety actions in these areas within the Group.

3. Main actions carried out in 2005

- In late 2004, Eramet set up a cash pooling company to serve as a central cash hub for all Group companies. Financial procedures for cash were reviewed accordingly and implemented in early 2005.
- A new Group-wide cash management software package was implemented during the year.
- In 2004, the Company produced a Reference Document based on the 2003 financial statements, which received AMF approval on January 25, 2005. A new Reference Document based on the 2004 financial statements was approved by the AMF on September 2, 2005.
- The IFRS rollout resulted in the tightening of the Group's accounting standards and principles and their standardisation within the various companies. This was done by a working group entitled ERANORM. Comprised of the chief accountants in the various companies, its goal was to ensure that the new standards could be applied from early 2005. The Group presented its opening balance sheet as on January 1, 2004 and its financial statements as on June 30, 2005 under IAS/IFRS as they were published.

- The overhaul of the Group reporting system was undertaken with the adoption of a new consolidation and reporting software package. The financial portion is operational and operating indicators are being deployed.
- Implementation of consistent marketing resources for the Manganese Division and improvement of sales information systems.

4. 2006 Action plan

The main actions scheduled for 2006 relate to:

- The rollout of the new cash management applications, the continued development of interfaces with accounting applications and the switch to secure protocols for communicating with banks.
- Further modernisation of the IT systems in the various divisions.
- Revision of risk mapping and drafting of a resulting multi-annual Audit Plan.

III – Limits on the powers of the Chairman & CEO

The Chairman & CEO exercises his powers pursuant to the law and within the scope of the corporate purpose. No limits on those powers have been placed by the Board of Directors of the Company.

Paris, March 8, 2006.

The Chairman of the Board of Directors

27.2. Report of the auditors on the report of the Chairman of the Board of Directors for the financial year ending December 31, 2005

To the shareholders of Eramet,

In our capacity as statutory auditors of Eramet and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we submit our report on the report from the Chairman of Eramet, in compliance with the provisions of Article L. 225-37 of the French Commercial Code, for the financial year ending December 31, 2005.

In his report, the Chairman is required to describe the conditions for preparing and organising the work of the Board of directors and the internal control procedures put in place by the company.

It is our responsibility to inform you of our observations on the information set out in the report from the Chairman on internal control procedures for the generation and handling of accounting and financial information.

We carried out our review in accordance with the professional standards applicable in France. Those standards require us to carry out our audit in such a manner as to assess the fairness of the information set out in the report from the Chairman on internal control procedures for the generation and handling of accounting and financial information. This work particularly consisted of:

– Reviewing the goals and general organisation of the internal controls, and of the internal control procedures for the generation and handling of accounting and financial information, as presented in the report from the Chairman;
– Reviewing the work underlying the information set out in the report.

Based on our audit, we have no comments to make on the information provided on the company's internal control procedures for the generation and handling of accounting and financial information, as contained in the report from the Chairman of the Board of Directors drawn up pursuant to the provisions of the final Subsection of Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-Sur-Seine, March 23, 2006

The Statutory Auditors

Ernst & Young Audit	Deloitte & Associés
François CARREGA	Nicholas L.E. ROLT

28. List and addresses of consolidated subsidiaries as on December 31, 2005

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
Germany						
Erasteel GmbH Auf dem Sand 27 Postfach 430 D – 40704 Hilden Germany 49 (0) 2103 49 05 0			✓		FC	100.00%
Belgium						
Erachem Comilog SA Rue du Bois 7334 Saint Ghislain Belgium		✓			FC	67.25%
China						
Comilog Asia Ltd. Unit 1201, Huaneng Union Tower n° 139 Yin Cheng Dong Road, Pudong 200120 Shangai P.R.C. 86-21 6881-0241		✓			FC	93.45%
Comilog Far East Development Ltd. Unit 1201, Huaneng Union Tower n° 139 Yin Cheng Dong Road, Pudong 200120 Shangai P.R.C. 86-21 6881-0241		✓			FC	93.45%
Guangxi Eramet Comilog Chemicals Room 2612-26F China Bank Tower 200 Yincheng Road Central Pudong Shangai 200120 China P.R. 86 21 6100 6161		✓			FC	93.45%
Guangxi Comilog Ferro Alloys Ltd. Fenghuang Town, Laibin County, Guanqxi Province, 546102 China (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 Shangai P.R.C. China 86-21 6881-0625		✓			FC	93.45%

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
United States						
Bear Metallurgical Corp. 302 Midway Road – P.O. Box 2290 Freeport Texas 77541 United States 1-979 233 7882		✓			FC	67.25%
Comilog US 610 Pittman Road MD 21226 Baltimore-Maryland United States 1-410 636 71 26		✓			FC	67.25%
Erachem Marietta Inc. P.O. Box 299 State Route 7 – South Marietta, Ohio 45750-0299 United States 1-740 374 1000		✓			FC	100.00%
Erachem Comilog Inc. 610 Pittman Road Baltimore-Maryland MD 21226-1788 United States 1-410 789 8800		✓			FC	67.25%
Eramet Comilog North America Inc. P.O. Box 1198 Airport Office Park Building 4, Suite 300, 333 Rouser Road Coraopolis, PA 15108 United States 1-412 262 6200		✓			FC	67.25%
Erasteel Inc. 95 Fulton street Boonton NJ 07005 – 1909 United States 1-973 335 8400			✓		FC	100.00%
Gulf Comilog and Metallurgical Corp. 302 Midway Road – P.O. Box 2290 Freeport Texas 77541 United States 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%

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
France						
Aubert & Duval Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 44 10 24 00			✓		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 Holding Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 24 87		✓			FC	67.25%
Comilog International Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 24 87		✓			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 44 10 24 67			✓		FC	100.00%
Eramet Comilog Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 44 10 24 67		✓			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%

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
France						
Eramet Holding Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 24 87		✓			FC	100.00%
Erasteel Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 45 38 63 00			✓		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-Clemenceau BP 104 39300 Champagnole France 33 (0) 3 84 52 64 44			✓		FC	100.00%
Eurotungstene Poudres 9, rue André-Sibellas BP 152X 38042 Grenoble Cedex 9 France 33 (0) 4 76 70 54 54	✓				FC	100.00%
Forges M. Dembiermont 4, rue Jules-Campagne 59330 Hautmont France 33 (0) 3 27 69 73 73			✓		Equity method	33.20%
Interforge Z.I. de la Maze – BP 75 63501 Issoire France 33 (0) 4 73 89 07 83			✓		FC	94.00%
Metal Securities Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France 33 (0) 1 40 88 20 55				✓	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%

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
Gabon						
Comilog SA **Compagnie minière de l'Ogooué** Z.I. de Moanda BP 27–28 Gabon 241-66 10 00		✓			FC	67.25%
PMO **Compagnie minière de l'Ogooué** Z.I. de Moanda BP 27–28 Gabon 241-66 10 00		✓			Equity method	24.45%
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%
Italy						
Erasteel Italian Srl Viale Leonardo Da Vinci, 97 20090 Trezzano Sul Naviglio (Mi) Italy 39-02 48 46 37 55			✓		FC	100.00%
Luxembourg						
Eras SA 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 Mexico 52-1 210 27 62		✓			FC	67.25%

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
Norway						
Eramet Norway A/S N – 4201 Sauda Norway 1-410 789 8800		✓			FC	100.00%
Eramet Norway A/S P.O. Box 82 – N-3901 Porsgrunn Norway 47 35 56 18 00		✓			FC	100.00%
New Caledonia						
Cominc BP E5 98848 Nouméa Cedex New Caledonia 687-24 55 55	✓				FC	60,00%
Société **Le Nickel – SLN** BP E5 98848 Nouméa Cedex New Caledonia 687-24 55 55	✓				FC	60.00%
Poum SAS 98848 Nouméa Cedex New Caledonia 687-24 55 55	✓				FC	60.00%
Netherlands						
Miner Holding BV Rokin 55 Amsterdam Netherlands		✓			FC	67.25%
United Kingdom						
Erasteel Ltd 371, Coleford Road Darnall UK – Sheffield S9 5NF United Kingdom 44 (0) 114 261 04 10			✓		FC	100.00%
Peter Stubs Ltd Causeway Avenue WA4 6QB Warrington United Kingdom 44 (0) 1925 41 3870			✓		FC	100.00%
Sweden						
Erasteel Kloster AB Box 100 815 82 Söderfors Sweden 46 (0) 293 17 000			✓		FC	100.00%

	Nickel	Manganese	Alloys	Holding Company	Consolidation method	Percentage owned
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	67.25%

29. Environmental charter

Control and reduce the environmental impact of the group's industrial activities

As a responsible industrial company, the Eramet Group carries on its business activity in such a way as to keep its health and environmental impact as low as possible, while ensuring that the cost of such efforts remain economically viable.

Control the risks and impacts relating to products sold by the group

The Eramet Group's environmental policy includes a specific portion relating to the potential risks and impacts stemming from the characteristics and use of its products. Controlled and reasonable management of these risks is one of its priorities.

Promote continuous improvement

The Group is continuously looking to improve its environmental performance. This commitment is one of its responsibilities, on a par with ensuring the safety and security 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 a new activity, a project or capital expenditure,
- Throughout the daily 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 communicate

Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both progress and difficulties is key to the implementation of a policy. Communicating on the results achieved is becoming a regulatory requirement. By setting up an Environmental Information System (EIS), the Eramet Group is providing itself with the resources necessary to achieve its ambition.

Anticipate regulatory changes from a sustainable development perspective

The environmental regulatory framework to which the Eramet Group is subject is multiple, complex and expanding. We have a duty to ourselves to acquire full knowledge of that framework, anticipate changes to it and act to raise awareness of our situation from a perspective of sustainable development that protects our competitiveness.

Contribute to the development of scientific knowledge

Scientific knowledge of the health or environmental impact of our activities is complex and constantly evolving. The Eramet Group contributes to the development of research and knowledge relating to its activities.

30. Environmental data

The Group's industrial sites

AUBERT & DUVAL – FIRMINY

The Aubert & Duval Firminy (France) industrial site has four main workshops:

- An electric steelworks with a 40-ton arc furnace, a 40-ton ladle furnace for alloy steels and vacuum refining equipment for stainless steels. It produces on average 22,000 tons of steel per annum,
- A forge with a 4,500-ton press, several heating furnaces and finishing tools,

- A heat treatment workshop with 10 car-type furnaces, 3 vertical furnaces and several quenching tanks,
- A machining workshop fitted with horizontal turret lathes, drills and bandsaws for the production of very long parts up to 20m.

The Firminy plant's markets are divided into 4 main product lines:

- Single Forged Parts for the oil, nuclear and food industries,
- Artillery for weapons tubes,
- Punches for MPM-type tube rolling mills,
- Tooling.

The Tooling line is the hub of "Firminy 2008". As part of this site development project, annual production will rise to 30,000 tons of steel and 8,000 tons of tool steel blocks. To achieve this, a new workshop dedicated to their finishing went into production in 2005, comprising:

- A heat treatment furnace,
- A central turret lathe for blanks,
- Three bandsaws,
- An inspection area.

As regards regulations, an additional order from the prefect was issued on June 22, 2005 requiring the monitoring of ground and surface water and the drafting of a shutdown scenario for the former forge.

Following repeated pollution of the Ondaine river, two formal notices were issued in 2005 (see Ground).

• Energy

An upturn in business activities during 2004 and 20005 caused the sharp increase in consumption compared with 2003. Energy consumption trends in 2005 relate to an increase in the site's business activities, particularly at the steelworks.

An arc furnace load shedding system was set up in order to optimise the RTE power supply contract.

In 2005, Firminy was the pilot site for the Eramet Group's energy saving drive.

Consumption	Unit	2003	2004	2005
Electricity + fuel oil + gas	MWh	111,065	128,465	134,600

• Greenhouse gases

The Firminy steelworks is one of the 3 electric steelworks in the Eramet Group to come under the scope of the European Directive on greenhouse gas emission quotas. The quotas allocated to the site for the 2005-2007 period should correspond to its business forecasts.

• Water

The set-up of dividing networks is almost complete. As a result, the operation of the hydrocarbons separator installed on the industrial water networks in 2003 was successfully optimised in 2004..

Water consumption trends are the result of:

- An increase in the site's activity levels,
- An increase in boiler power,
- Malfunctions on the quenching tanks, resulting in their emptying because of fallen parts,
- Many additions of cold water following refrigerant breakdowns.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	20,000	22,000	32,000
Industrial water	m^3	14,000	15,000	16,800

The aqueous discharges reported for 2005 are calculated from four samples taken during the year. This evaluation method is more accurate and representative of the site's activity. 2003 and 2004 data was overestimated.

Aqueous discharges	Unit	2003	2004	2005
Nickel	kg	4	4	1.7
Total chrome	kg	4	4	3.3
Irons	kg	20	25	10
Cadmium	kg	2	2	1.7
Suspended solids	t	0.6	0.6	0.3
COD	t	2.8	3	1.7

• Air

The forge and heat treatment furnaces are supplied with natural gas that generates little pollution other than the production of CO_2.

The site particularly focuses on dust emissions from the steelworks, which are too high, particularly given the facility's urban location. The arc furnace has been fitted with a bag filter for a number of years. Action was taken in 2002 to upgrade this facility and improve its reliability.

Air emissions	Unit	Regulatory limit	2003	2004	2005
CO_2	t		15,333	18,000	20,725
SO_2	t		0.05	0.055	0.09
NO_x	t		15.7	16.9	18.7
Total dust	t	3.3	11	15	15.5
Iron dust	t		3.63	4.95	5.1
Nickel dust	t		0.099	0.135	0.14

• Waste

The non-recurring rise in hazardous waste volume in 2005 is related to the cleaning of the 450 m^3 oil quenching tank (processing of part of the spent oil, plus greasy scale and washing water).

Waste	Unit	2003	2004	2005
Hazardous waste	t	102	155	374
Non-hazardous waste	t	120	125	130
Metal recycling	t	5,990	8,050	8,200
Slag + refractories	t	~ 5,900	~ 6,600	6,500

• Ground

Oil seepage was observed in the Ondaine river, which crosses the site near the heat treatment and machining workshops. This is the major environmental problem on the Firminy site.

In 2004, an investigation carried out with the help of the CSD/AZUR firm located and quantified the extent of the ground pollution.

At the same time, an action plan was undertaken on the oil quenching tanks and machine tools in order to remove the pollution sources.

An overflow system was set up to recover run-off and retention tanks were installed.

Additional retention tanks were set up on the oil storage facilities.

The pumping phase of pollution removal will begin in 2006 and should continue for several years.

Following the simplified risk study carried out in 2001, a detailed risk study was undertaken jointly with a hydrogeological survey of the site.

Work to secure the Layat slag heap belonging to Aubert & Duval Firminy, located outside the site and not used for several decades, began in 2005.

AUBERT & DUVAL – GENNEVILLIERS

The operation has been located in the suburbs of Paris since 1919. Aubert & Duval's Gennevilliers site is specialised in the heat treatment of steels. The site is a Classified Facility for the Protection of the Environment and requires authorisation.

It is comprised of several workshops:

- Heat treatment (roller hearth furnaces, bell furnaces, pit furnaces),
- Finishing,
- Contract processing (case hardening, nitriding, etc.),
- Steel bar distribution centre.

Products sold are for the aerospace, nuclear, power, automotive (notably Formula 1 racing), defence, tooling and medical sectors.

In 2003-2005, Aubert & Duval's Gennevilliers site sought the administrative regularisation of its operating permit based on updated hazard and impact studies. The authorisation order is in the review process and should be approved in the first half of 2006.

• Energy

Energy consumption rose slightly in line with production. A change to the site's electricity supply contract put an end to the consumption of domestic fuel oil in 2004.

Energy	Unit	2003	2004	2005
Electricity + gas + fuel oil*	MWh	26,835	22,689	23,174

* The difference from the values set out in the 2003 and 2004 annual reports is due to the non-inclusion of data corresponding to town gas used to heat furnaces.

• Water

The main water-consuming facilities are the quenching water baths and the quenching oil cooling circuits.

The fall in industrial water consumption in 2005 results from the closure of the forging furnace heat treatment line.

The increase in drinking water consumption is due to polymer quenching trials (methylene glycol substitution) and changes in the air-cooling tower de-concentration circuits.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	15,083	13,224	16,618
Industrial water	m^3	36,518	32,372	28,093

• Air

The site's air emissions chiefly come from the various heat treatment and finishing operations. No measurements are currently required under the site's operating permit.

The figures set out in the 2004 annual report represented the quantity of dust recovered by the filters installed on the shot blasting machines.

• Waste

The phasing-out of the rectification workshop, which was completed in late 2003, put an end to slurry production, which explains the subsequent sharp fall in hazardous waste.

The fall in non-hazardous waste mainly stems from the completion of the building and office restructuring projects.

Asbestos or refractory ceramic fibre waste is packed and managed in a similar fashion by a class 1 approved technical landfill facility.

As work progresses on the furnaces, refractory ceramic fibre is gradually replaced by "organic" fibre.

Waste	Unit	2003	2004	2005
Hazardous waste	t	173	115	100
Non-hazardous waste	t	144	160	119
of which metal	t	ND	71,1	43
of which wood and cardboard	46	43	24	

DU: Data unavailable

• Industrial safety

2005 was a year of industrial safety on the Gennevilliers site.

- Following the hazard study carried out in 2003 on ammonia use and storage, impact risks were reduced through storage in smaller containers and a overhaul of handling conditions,
- APSAD N4-R4 fire certification was obtained,
- Following the hazard study carried out in 2003 on ammonia use and storage, impact risks were reduced through storage in smaller containers and an overhaul of handling conditions,
- The technical study on asbestos was extended to include the furnaces and heat treatment facilities.

AUBERT & DUVAL – IMPHY

Although the presence of a forge can be traced back to around 1580, the site's industrial use began in 1755 with the operation of the Imphy forge by Marquis Dubourg de Bozas. Aubert & Duval's Imphy (France) site is specialised in the production and conversion of special steels and superalloys.

The site's specificity is the production of very high value-added metal powders for surfacing or compacting applications (aeronautical, specific glassmaking and marine parts, etc.).

2004 was marked by the shutdown of two of the site's basic historical activities: forging (press with 6 heating furnaces) and heat treatment (5 furnaces).

Two heat treatment furnaces were kept for the softening and stress relief of electrodes or remelted ingots.

2005 was the first year of operation for the new system based on three production units:

- Electrode remelting and preparation,
- Metal powder production,
- Cold working (machining and CND).

The prefect issued a new operating permit in 2005 following administrative regularisation.

• Energy

Remelting and induction furnaces are powered by electricity.

Only handling equipment uses fuel oil.

The sharp fall in gas consumption results from the phasing-out of the forging and heat treatment furnaces. Workshop heating now accounts for most gas consumption.

Consumption	Unit	2003	2004	2005
Electricity	MWh	16,051	18,824	16,938
Fuel oil	MWh	275	203	218
Gas	MWh	32,500	25,300	10,940

• Water

The sharp fall in industrial water consumption in 2005 is a direct result of the shutdown of forging activities, resulting in a substantial fall in aqueous discharges.

Lower drinking water requirements are due to significant manpower reduction on the Imphy site in 2005.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	35,398	34,824	26,705
Industrial water	m^3	954,484	853,788	97,093

Aqueous discharges	Unit	2003	2004	2005
Nickel	kg	151	93	11
Chrome	kg	34	26	3
Iron	kg	278	146	22
Suspended solids	t	10.1	5.9	0.22
COD	t	11.7	10.9	1.3

• Prevention of Legionnaires' disease

Circuits were cleaned and fully disinfected when facilities were idle. No readings above 100,000 UFC/l were recorded in 2005.

The press cooling tower was shut down following the end of the forging activity in 2005.

• Air

The steady reduction in CO_2 emissions is due to the decrease in production volume and the shutdown of the forging and heat treatment furnaces at the end of 2004. This value is correlated with the fall in gas consumption.

Air emissions	Unit	2003	2004	2005
CO_2	t	11,800	9,200	4,000

• Waste

Cleaning and disinfection of the air-cooling towers generated a large quantity of acid residue following the incident observed in September 2004. 35 tons of additional hazardous waste was recorded in 2004 compared with 2003.

The decrease in hazardous waste volumes in 2005 results from the sharp fall in the oil + water mixture, which is no longer generated following the shutdown of the press.

The rise in non-hazardous waste in 2005 is due to rubble from workshop dismantling.

Waste	Unit	2003	2004	2005
Hazardous waste	t	133	166	107
Non-hazardous waste	t	175	142	170
of which wood and paper recycling	t	40	50	52
Metal recycling *	t	2,500	2,200	1,600

* These figures reflect the quantity of metal products resulting from the site's processes (trimmings, grindings, turnings, etc.) which are recycled within the Eramet Group or recovered outside the Group.

AUBERT & DUVAL – ISSOIRE

Aubert & Duval's Issoire (France) operation was founded in 1939 and is specialised in the closed die-forging of medium-size and large aluminium alloy parts, mainly for the aerospace market. The plant has two closed die-forging presses (4,600 and 20,000 tons) and two forging presses (1,200 tons and 10,000 tons).

In 2005, production rationalisation continued (transfer of titanium part to Pamiers and aluminium to Issoire).

Selective sorting was wholly reorganised in 2005 and chrome +6 use was discontinued (shutdown of chrome anodising line).

The site's operating permit is being reviewed. A public enquiry was carried out in July 2005. The final version of the authorisation permit should be available in 2006.

• Energy

Electrical energy consumption was stable in 2005, although production trends were positive. Requirements only rose for fuel oil (fork-lift trucks).

The set-up of an energy consumption reduction plan is to be actively continued in 2006.

Consumption	Unit	2003	2004	2005
Electricity	MWh	15,947	16,153	16,467
Fuel oil	MWh	793	793	965
Gas	MWh	14,009	14,441	15,275

• Water

Water consumption has been optimised over the past 10 years on surface treatment lines (implementation of rinsing water flow regulation).

The discontinuation of industrial water use (Alcan supply) in 2004 is due to the need for water quality that is compatible with the site's processes.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	27,274	30,633	29,335
Industrial water	m^3	453	0	0

Metal discharges continued to fall in 2005 following the implementation of a specific action plan (reduction of iron chloride use at treatment plant).

The significant fall in discharges (metal, COD, suspended solids) is a direct result of treatment plant performance monitoring.

An ultrafiltration unit will soon replace the effluent treatment plant for the two sweating facilities.

Aqueous discharges	Unit	Regulatory limit	2003	2004	2005
Total metals	kg		58	47	24
Nickel	kg		1.6	0.1	0.0
Total chrome	kg	20	2.8	3.9	1.8
Iron	kg		28	8.8	7.5
Suspended solids	t	1	0.276	0.267	0.098
COD	t	4.4	0.714	0.644	0.200

• Air

Air emissions are related to the use of gas furnaces, stripping lines, handling equipment and workshop heating.
Figures are stable for the past three years.

Air emissions	Unit	2003	2004	2005
CO_2	t	1,156	1,191	1,260
SO_2	t	0.294	0.294	0.35
NO_x	t	5.32	5.45	5.7
Total dust	t	0.1	0.07	0.07

• Waste

The low figure for 2003 is related to the postponement of removals to 2004 for both non-hazardous waste and metals.
For economic reasons, a larger quantity of turnings was recycled in 2005 (decision to reduce idle inventory).

Waste	Unit	2003	2004	2005
Hazardous waste	t	96	181	187
Non-hazardous waste	t	1 000	1 198	1 627
of which metal recycling	t	840	1 041	1 490
of which wood and paper recycling	t	83	71	61

• Ground

Soil is protected as the entire waste collection area has been tarred. All tanks and cisterns are in secondary containment areas.

• Management

Environmental management is based on the implementation of the environmental management system, which began in 2000.

In 2005, selective sorting of waste was reorganised with the installation of skips for soiled waste.

Management's commitment to selective sorting was bolstered by standardising collection points, organising handling equipment and running a poster campaign on sorting.

AUBERT & DUVAL – LES ANCIZES

Industrial activity at the Les Ancizes (France) site dates back to 1917 with construction of a railway crossing the Les Fades viaduct in the Sioule valley. The viaduct, together with the construction of the Les Fades hydroelectric plant, led Compagnie Hydro-Métallurgique d'Auvergne to build the Les Ancizes plant.

The site began by producing ferroalloys and carbon steels.

It was not until 1926 that the special steels manufacturer Aubert & Duval took an interest in the Les Ancizes plant.

The site soon became not only Aubert & Duval's main production centre, but also a special steels plant that housed some of the most powerful steel production, conversion and finishing facilities in Europe on the same site.

The Les Ancizes steelworks is distinguished by its grasp of every aspect of the steelmaking process, including:

- Research,
- Production of steels and superalloys,
- Hot conversion by rolling and forging,
- Heat treatment,
- Finishing,
- Destructive and non-destructive testing,
- Analysis laboratories,
- Special steel casting.

Through the site's quality assurance process, environmental management is defined by an internal procedure that includes organisational and management provisions setting out the actions taken to prevent environmental risks.

A new operating permit issued by the prefect in December 2005 authorises Aubert & Duval to take over operation of part of the class 2 waste storage centre on municipal land from Les Ancizes-Comps local authorities and lays down the management arrangements.

• Energy

The steelwork's furnaces are electric; reheating and heat treatment furnaces are mainly powered by natural gas.

Use of fuel oil is restricted to vehicle operation, domestic heating of buildings and the non-recurring use of a generator.

Consumptions changes directly in line with the site's production levels.

Consumption	Unit	2003	2004	2005
Total energy	MWh	265,274	302,453	338,617
Electricity	MWh	102,799	116,179	131,009
Fuel oil	MWh	1,803	2,260	2,568
Gas	MWh	160,672	184,014	205,040

• Greenhouse gases

The Les Ancizes steelworks is one of the three electric steelworks in the Eramet Group to fall under the scope of the European Directive on greenhouse gas emission quotas. The quotas allocated to the site for the 2005-2007 period were slightly exceeded in 2005 due to the increase in the site's activities.

• Water

The main sources of industrial water consumption are the electric furnaces, the rolling mill and the forge. Use of drinking water is mainly for sanitary purposes, topping up induction furnace cooling circuits and supplying the etching workshop.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	321,575	315,882	321,575
Industrial water	m^3	40,460	47,973	40,460

A multi-annual pollution control programme has been undertaken. On one hand, it involves grouping the six aqueous discharge points into a single outlet and, on the other hand, the disconnection of the Viouze river from the two ponds. This process is in line with the full recycling of cooling water and the improvement of river water quality.

The data for elements contained in aqueous discharges reported in 2005 were the result of a new monitoring programme. Using monthly rather than six-monthly measurements and analyses, the programme is more representative of the site's impact on the natural environment.

Aqueous discharges	Unit	2003	2004	2005
Nickel	kg	23	23	9
Manganese	kg	35	10	33
Iron	kg	160	216	72
Suspended solids	t	8.6	11.5	0.76
COD	t	6.4	13.6	5.1

Metals mainly come from the site's surface washing water and from contact with rolling mill scales.

• Air

A major capture and dust removal programme for smoke emissions from the S40 and S60 electric furnaces was undertaken in August 2005 and will be operational from November 2006. This capital expenditure project will significantly reduce air emissions from steelworks activities, in line with the instructions of the order of the prefect issued on September 9, 2004.

The increase in total dust emissions is related to steelworks activity, more specifically the volume of air-cast ingots. CO_2 emissions are in proportion to the quantity of air-cast liquid steel.

The trends in readings for SO2, NOx and VOC in 2005 are due to better understanding of the various gas emission sources, taking into account:

- Coal coke, pitch,
- Building heating boilers.

Air emissions	Unit	2003	2004	2005
Total dust*	t	186	215	254
CO_2	t	33,779	40,317	45,591
SO_2	t	0.29	0.37	1.43
NO_x	t	43.4	39.7	53.8
VOC	t	4.58	3.63	5.33
HCl	t	0.014	< 20	0.46

* Data extrapolated from steelworks activity levels.

• Waste

Major redevelopment work was carried out on the internal waste collection centre in 2005. The park manager will help to improve at-source sorting by checking compliance of waste on arrival at the centre and directing site personnel to the relevant storage facilities.

The change in hazardous waste disposal stems from:

- A new campaign to raise employee awareness of hazardous waste identification and at-source sorting,
- Removal from inventory of waste produced in 2004 and disposed of in 2005.

Waste	Unit	2003	2004	2005
Hazardous waste	t	1,028	505	1,007
Non-hazardous waste	t	3,648	6,213	4,170
Internal metal recycling	t	22,374	26,070	26,026
Wood, cardboard, plastic recycling	t	341	286	528
Les Ancizes landfill waste	t	12,784	12,538	15,590

Metal recycling relates to the waste generated by the site's industrial activities and recycled internally.

AUBERT & DUVAL – PAMIERS

The industrial calling of Aubert & Duval Pamiers (France) is to design, manufacture and market forged and closed-die forged parts from very high-quality special steels, titanium alloys and superalloys. Its know-how is centred on the conversion of materials by forging, closed-die forging, rolling, heat treatments, machining and product and process control.

• Management

With the help of the regional business environmental plan, the site has started the ISO14001 certification process.

Phase 1, relating to the carrying out of inventory and the drawing up of an action plan, is in the process of being completed.

The second phase, which will begin in early 2006, relates to the implementation of the environmental management system (EMS).

The site has set itself the goal of setting up the EMS and obtaining ISO14001 certification by late 2006.

Regular in-house communication actions continue with environmental newsletters and newsflashes.

The renewal of the operating permit is being reviewed by local authorities. The application must be submitted to the regional health committee during the first quarter of 2006.

Special care is given to the financial management of waste through monthly monitoring. The partnership with a specialised firm will result in a reduction in management/processing costs from 2006 through the complete disposal service provided by that company.

• Energy

Gas:

The renewal programme for the natural gas-fired furnaces continues.

In 2004, two major capital expenditure projects were authorised in this regard, on one hand to replace an old furnace and on the other hand to rationalise forge ram heating resources.

Electricity:

An electroslag remelting furnace was shut down in 2005.

The total amount of electricity specified in 2005 includes the requirements of Airforge. Aubert & Duval Pamiers provides the electrical energy for the company's rolling and cutting activities, etc., resulting in an increase in consumption despite the shutdown of an electrical furnace.

Compressed air:

Consumption of compressed air (power source for large stamping rams) was reduced significantly through the joint action by production operators and maintenance staff.

Systematic insulation of the air network, excluding ram operating, is now the rule.

Network leak detection equipment was purchased to cut air losses through regular preventive searches.

Consumption	Unit	2003	2004	2005
Total	MWh	110,204	116,625	134,484
Electricity	MWh	30,886	32,140	36,752
Fuel oil	MWh	1,320	1,360	1,300
Gas	MWh	77,998	83,125	96,432

• Water

A very large project was launched in 2004 with the twin goal of:

- Reducing the number of surface water outlets into the natural environment to limit pollution risks and improve discharge monitoring (regulatory requirement),
- Cutting the consumption of industrial water taken from the Ariège river by re-circulating process water (savings).

The project has been presented to regional industrial & environmental authorities.

The completion schedule still has to be defined and budget constraints arising from capital expenditure programmes in 2006 may result in temporary postponement.

A pollution accident with dispersal of spent hydraulic oil from the 22,000-ton press into the natural environment unfortunately took place in 2005.

Its origin lay in human error, fostered by the lack of a separation, retention or filtration mechanism on discharges into the natural environment.

The polluted conduits were immediately cleaned up and the monitoring of discharge quality over space and time was stepped up to ensure a return to standard levels.

The necessary changes were made to the networks and procedures at the source of the pollution.

The set-up of hydrocarbon separators on those discharges is a priority that should be examined, even if the general outlet reduction project is temporarily postponed.

In the absence of an indicative method for sampling surface water discharges, it was decided to use the methodology employed in the national programme for research and reduction of hazardous substance discharges. This decision ensures that measurements are consistent over time and that trends in environmental indicators can be tracked.

Consequently, 2005 should be considered as the first benchmark year in terms of the figures given for aqueous discharges.

Nevertheless, the readings only give a statistical indication of actual discharges as a result of the impact of external factors (temperature, rainfall, leeching, etc.) and the state of the activity at the time of the measurements.

The fall in drinking water consumption is due to faster leak detection and fewer burst pipes during freezing spells in 2005.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	34,328	40,878	33,970
Industrial water	m^3	3,706,220	3,898,190	3,848,019

Discharges	Unit	2003	2004	2005
Metals	kg	2,726	185	370
of which Chrome	kg	28.01	4.11	12
of which Iron	kg		37.6	240
Hydrocarbons	kg	37.4	618	171
Suspended solids	t	0.148	19.35	12.2
COD	t	0.085	60.1	60.7

• Prevention of Legionnaires' disease

Since the shutdown of the air-cooling tower needed to cool the hydraulic circuit of the 22kT closed die-forging press, the site has not encountered any particular difficulty on this issue.

Cooling is now achieved by circulation of industrial wastewater.

This process has proven satisfactory and does away with the characteristic plume of steam and water droplets of an open air-cooling tower.

The risk of the dispersal of Legionnaire's disease has thus been eliminated.

• Air

Air emissions	Unit	2003	2004	2005
CO_2	t	13,138	15,400	16,288
SO_2	t	0.117	0.141	0.163
NO_x	t	17.2	18	20.8

Trends in air emissions are related to the increase in the site's activity levels and energy requirements.

• Waste

Eight-way selective collection continued in 2005.

The new contract for the site's overall waste management was signed. It includes the construction of a treatment plant for hazardous liquid waste from industrial activities (acid baths, alkaline baths, water/hydrocarbon mixtures, etc.).

This will make substantial savings possible and remove the risks stemming from the road transportation of waste to be disposed of on approved sites.

These facilities will be operational in mid-2006.

Grindings containing nickel are now sold on according to their grade.

The recovery of wood waste (some 200 tons produced per annum) is worth exploring. The quantity of wood generated is mostly related to activity levels as it comes from delivered raw material packaging (crates, pallets, etc.).

Hazardous waste volumes relate directly to production levels.

Waste	Unit	2003	2004	2005
Hazardous	t	1,261	1,584	1,844
Non-hazardous	t	279	219	580
of which paper, wood, plastic	t	226	173	312
Metal recycling	t	0.18	0	0

• Noise

Anther positive consequence of the shutdown of the 22kT closed die-forging press self-cooling tower was the removal of a night-time noise emergence point identified in the preparatory study for the renewal of the operating permit.

A new noise map was drawn up to take account of activity trends (relocated or moved facilities).

COMILOG DUNKERQUE

An industrial site built in 1978 to make ferrosilicon, Comilog's plant in Dunkirk (France) adapted to market trends and focused on manufacturing a new alloy, silicomanganese, in 1988. This is a ferroalloy that combines the properties of ferrosilicon and ferromanganese and is used to deoxidise steel and improve its mechanical properties.

Its raw material is mainly imported from Gabon and arrives by ship close to the plant.

• Energy

The main process at the Dunkerque site is based on the use of the 35 MW reducing furnace. The fall in propane consumption stems from the lower number of casting operations (propane is used to heat casting sand).

The fall in electricity consumption is due to lower silicomanganese production.

Consumption	Unit	2003	2004	2005
Electricity	MWh	275,192	264,197	236,282
Fuel oil	MWh	3,091	3,032	2,510
Gas	MWh	204	230	142

• Water

Drinking water is used to produce demineralised water and to top up the process, as well as for sanitary purposes. No water is discharged during the production process.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	32,212	38,846	35,075

The increase in chemical oxygen demand (COD) may relate to the washing of surfaces when taking samples. The very low flow of estimated discharges (~ 11 m^3/day) has a substantial impact on extrapolated values.

Aqueous discharges	Unit	2003	2004	2005
Mn and compounds	kg	6.64	9.32	11.2
Suspended solids	t	0.13	0.05	0.17
COD	t	0.63	0.62	1.06

* Values extrapolated from regulatory values and average discharge flows, on the basis of 365 days' operating.

• Air

Furnace smoke is drawn through several ventilators and transferred for processing in a baghouse. The reduction of dust emissions is directly linked to better management of filter compartments.

The fall in CO_2 emissions results from lower activity levels in 2005 - stoppages due to technical incidents tied up production facilities for 58 days.

The fall in SO_2 emissions relates to the type of raw materials used in 2005.

The site encountered malfunctions in the gas filtration system on the 35 MW furnace (deterioration of filter bags in 4th quarter).

Emissions	Unit	Regulatory limit	2003	2004	2005
CO_2	t		81,933	82,840	76,003
SO_2	t		14	26	11
NO_x	t	289	48	43	37
Total dust	t	58	13	12	11
Lead and compounds	t	2.89	0.11	0.08	0.14
Mn + Co + Cu + Cr + Zn + Sb + Sn + nickel + V	t	14.4 (1)	7.33	5.23	6.6

(1) Based on a regulatory emission limit of less than 5 mg/Nm³.

• Waste

A waste sorting system has been set up on the site.

Dust and scale are consumed internally and not removed.

The quantity of hazardous waste in 2005 mainly comes from the removal of the water and oil mixture resulting from the fire at the secondary electrical transformer on the 35 MW furnace in February 2005.

Non-recurring management of non-hazardous carbon electrode waste (114 tons) increased the volume in 2005.

The high level of non-hazardous waste in 2003 stemmed from the removal of the site's historical landfill.

The lower amounts of slag and scale stem from the lower activity levels in 2005.

Waste	Unit	2003	2004	2005
Hazardous waste	t	19.9	69.5	48.4
of which Pyralene and polluted PCB compounds	t	15.6	8.8	0
Non-hazardous waste	t	1,025 (4)	403 (4)	682
of which metal	t	216	154	192
of which paper, wood	t	27.8	3.4	1.6
Slag (2)	t	50,796	55,282	37,968
Dust (3)	t	5,852	5,236	4,398

(2) Slag is reused externally as backfill.

(3) Generated dust is recycled in the production furnace.

(4) The volumes set out in the 2004 management report did not include recycled metals.

It should be noted that the site does not produce scale; it is bought and used in the manufacturing processes.

Waste	Unit	2003	2004	2005
Scale (4)	t	4,449	4,417	4,079

COMILOG GABON – MOANDA

The Comilog Gabon mining and industrial site is comprised of three activities:

- Mining and processing: Bangombé plateau in Moanda,
- Production of manganese sinter: CIM in Moanda,
- Ship loading: Owendo port in Libreville.

Comilog's activity includes the mining, processing and shipment of manganese ore to its customers.

The main events at the Comilog Moanda industrial and mining site in 2005 were as follows.

- Assignments by Sysmin Huitième Fed programme steering and management unit,
- "Moulili environmental & restoration unit" projects,
- "Okouma and Bangombé drilling" project.
- Excavation and construction of impoundments 1 and 2 for beneficiation plant fines.

* This involves building storage areas for ultrafine slurry in pulp form. The project will continue in 2006 and result in the end of all slurry discharges into the Moulili river.

- Launch of a preliminary study on storing 150µm-1mm grained sand.

* Two solutions are being examined:

– Depositing the sand in Moulili impoundment 2,

– Drying the sand and storing it in stockpiles,

– Crushing the sand and storing it in quarries.

- Launch of the redevelopment project for pre-homogenising mining service station and ore transportation station.

The project consists of examining the conditions/solutions for collecting all hydrocarbons from the various sources.

The installation of new collection gutters and retention tanks is planned, as well as the construction of hydrocarbon separators to limit the risk of direct discharge into the natural environment.

In addition, Comilog has undertaken an Environmental Management System (EMS)-type approach, largely based on the contents and spirit of the ISO 14001 standard with the following main goals:

- Compliance with current legislation and regulations,
- Prevention of pollution,
- Continuous improvement,

This commitment is based on an ongoing improvement process that involves analysing and planning environmental actions, identifying legal requirements, setting goals and targets, and setting up the procedures and inspections necessary to gauge and assess the effectiveness of the environmental performance.

• Energy

Energy consumption is almost entirely based on the fuel requirements of mining and transportation machinery. The increase since 2002 is directly related to production capacity, which rose from 1,855 kT in 2002 to 2,750 kT in 2005.

Consumption	Unit	2003	2004	2005
Electricity + fuel oil	MWh	49,090	67,003	69,783

• Water

Checks and analyses of surface water, discharges and processes are part of the Environmental Action Plan (EAP). They are carried out at regular intervals, on the basis of an 18-point sampling plan on a regularly updated map.

The various regular analyses of Moulili valley surface water, and discharge and processing water from Comilog plants are carried out internally and by the mining ministry's DGEL laboratory.

The values obtained at the various sampling locations are compared with World Bank or World Health Organisation (WHO) guidelines.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	800,000	800,000	590,000
Industrial water	m^3	3,200,000	4,000,000	4,800,000

The data for 2003 and 2004 was estimated. This explains the difference with the 2005 data, which comes from measurements.

• Air

Control of ambient air at Comilog is a major concern. To meet this EAP requirement, Comilog retained LECES to carry out a technical and economic study with a view to setting up a dust measuring network around the plants on its 3 sites. A call for tender has been issued.

Analyses of CIM's gaseous discharges are now regularly carried out by LECES France.

The increase in manganese dust discharges is directly related to malfunctions in the plant's electronic filters. Corrective action has been taken and measurements will be done in 2006 to check their effectiveness.

The increase in volatile organic compounds (VOC) is due to the change in throughput on the combustion chain following a rise a production (change in combustion rate at CIM). Nevertheless, the VOC discharge rate remains below regulatory thresholds.

Annual samples are taken on stacks to assess NOx discharge quantities. This low frequency causes some uncertainty as to the accuracy of NOx discharge figures in 2005.

Discharge	Unit	2003	2004 (2)	2005
CO_2 (1)	t	13,293	18,144	18,897
SO_2	t	1,047	1,425	1,416
NO_x	t	1,132	1,541	853
VOC	t	43	59	174
Manganese dust	t	157	214	505

(1) Values calculated from consumed diesel fuel volumes and the following conversion factors: 1 t diesel = 42 GJ et 1 GJ = 75 kg CO_2.
(2) Values extrapolated from sinter tonnage with 2003 data as reference.

• Waste

Management of solid and liquid waste classified by type is one of the priorities of Comilog. This includes:

- Spent oils, collected and stored in 10m3 buffer tanks (6 tanks for the 3 sites) and regularly sent for incineration to Cimgabon's N'Toum cement works.
- Vehicle batteries, collected and stored in purpose-built premises. The recycling solution is being examined.
- Toxic substances in dispersed quantities, packed in crates, are awaiting shipment either to Cimgabon or to an external channel for incineration.
- Scrap metal, tyres and rubber collected, transported and stored after sorting in a purpose-built 2.6 hectare park designed for future recycling.

Waste	Unit	2004	2005
Total hazardous waste	t	55.7	30.7
of which PCB	t	20	0
of which toxic	t	0.7	0.7
of which oils	t	35	30

• Ground

Ground contaminated by various oil discharges has been biologically treated for total pollution control.

Results of analyses are satisfactory, with total hydrocarbons measured as below the threshold value.

• Noise

Constant noise monitoring of at-risk work areas outside CIM (Moanda industrial complex) falls under the same framework. Facilities are currently being examined by Comilog and Sysmin Huitième Fed experts with a view to acquiring noise measurement equipment in the near future.

Some intermittent values measured at CIM vary from 70 to 80 dB, slightly above the World Bank standard (threshold 70 dB). These points are located in areas that are not usually frequented by personnel. In the event of work there, special instructions are given.

ERACHEM COMILOG TERTRE

Since 1964, Erachem Comilog has produced manganese salts and oxides, which are chiefly used by the agrochemical and electronics industries. In the early 1980s, the company's business activities were diversified to produce copper and zinc oxides, re-using various types of waste from the electronics industry and the recycling of used batteries.

Its geographic location in the Tertre industrial zone is warranted by the existence since 1930 on the site of an extensive fertiliser production business, with which Erachem Comilog has developed close synergies through its ammoniac, sulphuric and nitric chemical processes.

Since August 2002, Erachem Comilog is classified as Seveso – high threshold, following the grading of certain substances and preparations as hazardous under European legislation, in this case mostly manganese sulphate-based aqueous solutions.

The highlights of 2005 at Erachem Comilog were as follows.

- Consolidation of the overall cost reduction plan undertaken in 2004, particularly with the switch of several workshops from sulphate to nitrite-based processes,
- Corresponding significant improvements in energy efficiency and the quantities of waste generated,
- ISO 14001: 2004 recertification of copper processing activities,
- The completion and submission to the relevant authorities of a Seveso Safety Report,
- Signing of a major new manganese sulphate supply contract from 2006.

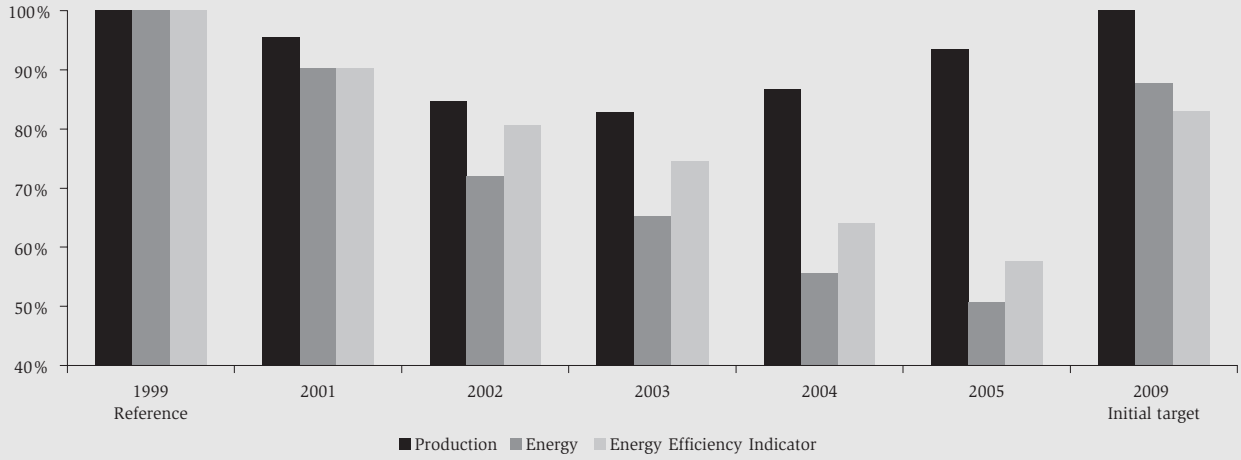
• Energy

In line with the Kyoto Protocol for greenhouse gas reduction, in June 2003 Erachem Comilog signed a Belgian chemistry sector agreement with regional authorities with the aim of a 17% improvement in Erachem's energy efficiency by 2009 on the 1999 benchmark data.

In early 2005, on Eramet's initiative, Erachem defined various new additional energy-saving actions designed to attain an overall 10% cut in its consumption compared with 2004. The combination and gradual implementation of these two improvement plans have already enabled Erachem to meet and exceed those general and specific targets for reducing energy consumption.

Consumption	Unit	2003	2004	2005
Electricity + Steam + Fuel oil + Gas + Coal	MWh	170,868	141,529	124,577

Erachem Comilog – Energy Consumption Indicator



• Water

Erachem Comilog has a single wastewater release point without internal separating networks. This sole surface water discharge point is checked on a weekly basis using average daily samples in proportion to the discharge flow.

In 2005, a sodium chlorate fire took place at Erachem. The in-house emergency plan was implemented immediately and the fire was swiftly brought under control with neither injuries nor damage. Water used to quench the fire was contained and treated in the tank designed for that purpose.

Aqueous discharge trends in 2004 and 2005 are mainly due to the transition from sulphate-based processes to nitrite-based processes and various non-recurring incidents that occurred following the related technical restructuring plan for the production workshops (particularly Mn trends).

The increase in chloride discharges results from the difficulty of recovering ammonium chloride externally, making it necessary to break down the compound to recover ammonia.

Aqueous discharge	Unit	Regulatory limit	2003	2004	2005
Manganese	kg	109,500	25,550	44,557	62,750
Chloride	t	2,920	1,163	1,120	1,616
Copper	kg	2,738	149	334	394
Total nitrogen	t	365	188	219	235
Suspended solids	t	58	28	56	42
COD	t	219	10	21	27

COD: Chemical oxygen demand.

• Air

The site's air emissions are directly related to the various workshops for producing, drying and transferring fine metal salt and oxide powders. These are processed and filtered by dust removers or by gas absorption and washing facilities.

CO_2 emissions fell significantly following implementation of the energy efficiency improvement plan and the related discontinuation of use of natural gas as a manganese ore reducing agent.

Air emission	Unit	2003	2004	2005
CO_2	t	19,721	13,326	10,736
VOC	t	0.18	0.16	0.20
Cl2 (HCl equivalent)	t	0.26	0.08	0.08
Manganese	t	22	23	21
PM10 dust	t	6.2	6.4	6.1

• Waste

The hazardous waste generated corresponds to purification residue from solutions recovered by the Recycling Unit. This is collected, made inert and placed in the technical landfill via an approved disposal channel.

The waste put into the internal technical landfill corresponds to manganese ore gangue resulting from the sulphuric or nitric acid ore attack. The gradual transition from sulphate to nitrate processes in 2004 resulted in a significant fall in this type of waste (-37% to date on 2003), whereas the business's total production rose slightly.

Waste	Unit	2003	2004	2005
Hazardous	t	70	81	67
Non-hazardous waste	t	157	154	158
Waste stored in internal landfill	t	8,768	7,557	5,556

• Management

Since September 2001, Erachem Comilog has had an ISO 14000-certified environmental management system (EMS) for its copper waste processing activities. The EMS was re-certified in September 2005 in accordance with the new ISO 14000: 2004 standard.

Erachem also adapted the EMS in 2005 to phase in analyses and action plans for all its business activities with regard to:

- Health and safety,
- Seveso, industrial risks and insurance,
- Energy saving,
- Waste in internal technical landfills.

In 2005, Erachem Comilog did not receive any complaints from its neighbours and continued to work with the local authorities and community through the Safety & Environment Commission for Tertre industrial zone.

ERAMET SANDOUVILLE

The Le Havre-Sandouville (France) plant operates a refining line that processes nickel concentrate (matte) produced by one of its subsidiaries (Le Nickel-SLN in Nouméa, New Caledonia).

From that basic nickel matte, the plant makes several products including:

- High-purity nickel metal,
- Crystallised nickel metal.

Nickel metal is used in steelmaking for the production of special alloys, stainless steel and coinage.

• Industrial risk control

In 2005, Eramet's Sandouville site continued to improve the safety management system set up under the Seveso II directive. This improvement was endorsed for the first time when the plant obtained ISRS level 3.

The site regularly carries out exercises to assess and improve industrial risk-related procedures in liaison with local authorities.

• Management

The site and its stakeholders reviewed the whole sustainable development issue in 2005.

The work undertaken in 2004 to encourage employees to look beyond daily concerns and report any malfunctions swiftly was successfully expanded in 2005.

On the back of that effort and with the support of the new operating permit, the site has started implementing an environmental management process with the aim of achieving ISO 14001 certification in the first half of 2006.

• Energy

The electrolysis process used to make nickel remains the main source of energy consumption. The slight increase in requirements is related to production capacity, which also expanded in 2005.

Fuel oil is used for steam production.

Consumption	Unit	2003	2004	2005
Electricity + fuel oil + gas	MWh	76,445	83,492	85,067

• Water

Production of softened water and demineralised water are the two main areas of water consumption.

Water consumption rose in 2005, due to product development pilots. A consumption reduction working group is analysing the issue and will put forward an action plan.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	16,197	3,558	4,488
Industrial water	m^3	585,848	603,628	695,954

Aqueous discharges	Unit	Regulatory limit	2003	2004	2005
Nickel	t	1.06 (1)	0.28	0.26	0.47
Suspended solids	t	7.08 (1)	2.44	3.14	3.26
COD	t	92.1 (1)	52.9	39.6	45.1

(1) Value calculated on the basis of 295 days' operating per annum.
COD: chemical oxygen demand.

A new recovery tank for the plant's effluents went into service in 2003, contributing to the fall in nickel discharges.

Non-recurring incidents took place in 2005 (vat overflow, pump breakdowns, etc.), resulting in the presence of solvent in the effluent plant.

These malfunctions were analysed and controlled. Corrective actions are underway to prevent their reoccurrence.

• Air

Nickel matte (raw material) is finely crushed so as to be more readily reactivated during the chemical attack phases. This phase of the process generates dust that is treated by the filters before being discharged.

The constant reduction of sulphur dioxide (SO_2) levels since 2003 follows the gradual switch to the exclusive use of very low-sulphur fuel.

Chlorine emissions were lower in 2005 than in 2003, although activity levels were up. Following the change of chlorine detectors in 2003, their sensitivity and margin of uncertainty are factored into calculated values.

The significant reduction in chlorine emissions in the second half of 2005 is due to substantial improvements in the air-tightness of electrolysis cells.

The increase in nickel dust emissions was the cause of bag filter malfunctions during the first half of 2005.

To address that issue, an action plan involving filter changes and preventive maintenance was put in place.

Air emissions	Unit	Regulatory limit	2003 (2)	2004 (2)	2005
SO_2	t	1,192	60.8	54.1	53.8
CO_2	t		7,746	8,892	8,640
NO_x	t	175	17.9	19.9	20.0
VOC (3)	t	112	88	84.6	92.5 (4)
Cl2 (HCl equivalent)	t	1.44	0.52	0.32	0.14
Nickel dust	t	0.72	0.29	0.32	0.47

(2) Value calculated on the basis of 334 days' operating per annum.
(3) The indicated value is deducted from the materials balance.
(4) Estimated value in being assessed.

• Waste

The amount of hazardous waste, mainly comprised of concrete and polluted soil, varies depending on the type of work done during technical stoppages. This year, a new sulphur storage area was built by refurbishing a former facility, resulting in the removal of large amounts of concrete and rubble.

Waste	Unit	2003	2004	2005
Hazardous (4)	t	246	515	808
Non-hazardous waste (5)	t	202	257	187
Of which metal recycling	t	63	108	60

(4) (5) Excluding iron hydroxide and sulphur.

• By-products

A large amount of impure sulphur is obtained by physical-chemical processing of ground nickel matte. This by-product is used by an outside company to make sulphuric acid. The nickel content is recovered for use at the site.

ERASTEEL CHAMPAGNOLE

The site, located in Jura (France), was founded in 1911.

Erasteel's Champagnole plant receives billets and coils from Commentry (France) and Söderfors (Sweden). Billets and machine wire are prepared and rolled to obtain rectangular section bars. These undergo heat treatments to upgrade their metallurgical qualities to the required level then go through a finishing workshop where they are given the desired shape by drawing and gauging.

Erasteel Champagnole has been part of the Eramet Group's Alloys Division since 1993.

• Management

The quality management system has been certified compliant with ISO 9001: 2000 for both these business activities since 2001. In 2005, Champagnole's management continued to strive to integrate the environment and safety into the quality management system. This process will be bolstered in 2006 by an apprentice working to qualify as a QSE management system coordinator.

On the regulatory side, two new orders were issued by the prefect in 2005 defining the restoration requirements for the Le Chalet zone and the restoration of the former slag heap. The operating permit order is still in the review process.

• Energy

Electrical energy is used to heat products by induction and for reheating and annealing furnaces.

Fuel oil and gas are used to heat buildings, for handling equipment and to soften products to be converted.

The lower consumption of fuel oil is due to its replacement by town gas.

The rise in electricity consumption is directly related to production levels.

Consumption	Unit	2003	2004	2005
Electricity	MWh	6,331	6,545	7,445
Fuel oil	MWh	207	219	102
Gas	MWh	423	454	557

• Water

Industrial water is mostly used to cool the rolling line and annealing furnace.

The excess consumption of industrial water seen in 2003 has been under control for two years. This malfunction is directly related to technical problems that provisionally made open circuit operation of the cooling towers necessary.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	1,418	920	906
Industrial water	m^3	85,900	45,600	46,460

The higher sampling rate of aqueous discharges (4 in 2005 compared with 1 in 2004) makes it possible to better assess actual discharge quantities.

Discharges	Unit	2002	2004	2005
Iron	kg		9.58	11.0
Chrome	kg		0.45	0
Suspended solids	t		1.41	2.41
COD	t		5.93	7.65

• Air

Although the site is not governed by any regulatory obligation to monitor air emissions, all air emissions likely to contain dust are treated.

Nevertheless, all air emissions likely to contain dust have been treated. A filtration system using a cassette dust remover (installed in 2003) limits metal dust emissions from the forging machine. Shot blasting machines and chainsaws are fitted with cyclone separators.

Emissions	Unit	2003	2004	2005
CO_2	t	150	160	149

• Waste

The greater quantities of recycled metal stem from the increase in the site's activity levels in 2005. In addition, the non-recurring removal of rubble and soil increased the quantity of non-hazardous waste.

Following malfunctions in the rolling mill water circuit, polluted water was handled as dangerous waste, increasing the quantity generated in 2005.

Waste	Unit	2003	2004	2005
Hazardous waste	t	2.93	34.5	41.3
Non-hazardous waste	t	166	180	278
Of which recycled metal	t	144	154	224

Erasteel Champagnole recycles over 70% of the waste it produces.

• Ground

A simplified risk study carried out in 2000-2001 pinpointed two zones requiring an in-depth risk study:

- The former "slag heap" zone, where the Champagnole plant used to tip mostly casting slag,
- An area polluted with barium chloride ($BaCl_2$) located near a former heat treatment workshop.

• Slag heap zone

This area, which is now closed off, was transferred to the Champagnole municipality following the shutdown of the steelworks in 1985

An in-depth risk study was carried out in 2004 on the basis of a future use of the site determined in cooperation with the municipality. This environmentally satisfactory solution involved narrowing the river running at the bottom of the thalweg, backfilling the zone and creating a municipal platform. Narrowing work began in the forth quarter of 2005. All work will be completed in the first half of 2006.

• BaCl2 pollution

The zone in question was sold to a neighbouring garage which built a chalet that is to date unoccupied and that the construction permit defines as for security purposes.

Following the in-depth risk study carried out in 2004, the local hygiene committee decided at its meeting of December 16, 2004 that:

- The polluted part covering some $20m^3$ should be removed and treated,
- Public easements should be established on the land in question.

All the scheduled work was completed in the first half of 2005.

• Prevention of Legionnaires' disease

The monthly analyses required by the May 2004 prefect's order have been taken onboard. A new prefect's order was issued in that respect in 2005.

Facility monitoring (water treatment monitoring, etc.) was formalised in 2005 to prevent the risk of spread of Legionella. A Legionella development risk study is scheduled for early 2006.

ERASTEEL COMMENTRY

Erasteel Commentry (France) is located on an industrial site with steelmaking activity dating back to 1846. The plant is now specialised in the manufacture of high-speed bars, round wire and sheet.

These products are used to make cutting and sawing tools and wearing parts. The facilities are also used for the conversion of sheets for the aerospace sector. The site houses a wide range of activities, including steelmaking, hot and cold conversion and finishing, with the corresponding variety of professions.

• Management

Located in Commentry town centre, Erasteel has been actively involved in the protection of the environment for several years.

En 2003, Erasteel Commentry began to implement an Environmental Management System under the ISO 14001 standard.

Commentry's Environmental Management System was ISO 14001 certified following an audit carried out in December 2004.

The first follow-up audit was carried out successfully in December 2005 under the 2004 framework.

The clear overview of commitments defined in the policy, the regulatory monitoring process, implementation of a skills reference matrix and good operational control of facilities were all identified as strengths.

The internal organisation plan was reviewed in 2005.

The first trial launch of the plan will take place in 2006.

• Energy

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

A diagnosis of the furnaces identified potential savings in terms of energy consumption.

A programme for switching furnaces from fuel oil to gas was actively implemented in 2005 with four furnaces modified. The switch to gas is also supported by the set-up of an energy recovery system and changes to furnace doors for estimated total energy savings of 20%.

The programme will continue in 2006 and 2007 with the conversion of all the plant's furnaces to gas.

The rise in fuel oil consumption is due to the increase in the site's upstream activities (steelworks, forging, etc.) in 2005. The fuel oil ratio (t fuel oil / t ingot) has fallen since 2004.

Consumption	Unit	2003	2004	2005
Electricity	MWh	40,719	41,014	48,271
Total fuel oil	MWh	38,695	39,998	44,823
Gas	MWh	64,028	67,353	78,625

• Greenhouse gases

The Commentry steelworks is one of the 3 electric steelworks in the Eramet Group to fall under the scope of the European Directive on greenhouse gas emission quotas. The quotas allocated to the site for the 2005-2007 period should correspond to its business forecasts. The quotas allocated to the site for the 2005-2007 period were slightly exceeded in 2005 following an increase in the site's activity levels.

Air emissions	Unit	2003	2004	2005
CO_2	t	22,822	23,858	27,790

• Water

In January 2004, the site set up a self-monitoring system on its main release point. Analyses are carried out monthly. Actions will be taken in 2006 to assess technically feasible solutions for reducing pollutant discharges.

The increase in drinking water consumption is due to the discontinuation of use of industrial water on a cooling tower following the development of interfering flora.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	41,046	44,158	51,743
Industrial water	m^3	167,925	196,692	204,363

The metal discharge values given for 2003 are estimates. Quantities for 2004 and 2005 are calculated from the average flows measured at the two self-monitoring discharge points and on the basis of production volumes.

A deterioration in the quality of suspended solids has been recorded since the second half of 2005. Analysis of the causes is ongoing in order to determine the origin.

Emissions	Unit	2003	2004	2005
Fe + Zn + Mo + Al	kg	1,000	356	413
Cobalt	kg		21	24.5
Iron	kg		128	164
Manganese	kg		10	12.6
Suspended solids	t	6	2.37	4.2
COD	t	14	11.35	12.4

The effluent treatment circuit on the Gros Mill rolling mill was modified to improve hydrocarbon trapping by:

- Connecting a sewer to a pool fitted with a siphonic partition,
- Relocating the hydrocarbon separator to that pool.

• Air

Trends in SO_2, NOx, VOC and dust emissions are directly related to production levels.

Air emissions	Unit	2003	2004	2005
SO_2 (1)	t	54	55	62
NO_x	t	8	9	11.9
VOC (2)	t	7	7.4	9.6
Total dust (3)	t	21	23	32

(1) Calculated by balance

(2) In/out balance

(3) The figures set out in the 2004 annual report were based on extrapolation from the emission coefficient: 150 g dust / ton of steel, in the absence of actual measurement of fugitive dust.

• Waste

The selective sorting process for hazardous waste continued in 2005.

The higher tonnage of hazardous waste in 2005 was caused by the removal of lagoon mud after drying (200 tons).

Three transformers were removed in 2005 (two of which were PCB-contaminated).

The high quantity of non-hazardous waste results from the dismantling of the former sheet rolling mill, generating 758 tons of metal.

• Internal landfill

The increase in waste stored in Grande Tranchée corresponds to the addition of inert backfill in order to keep the lower platform out of the water.

3,000 m^3 was moved and 2,640 m^3 from outside sites was stored.

Storage of inert manufacturing waste (slag and spent refractories) rose 26% on 2004 following a 38% increase in activity levels.

Waste	Unit	2003	2004	2005
Hazardous waste	t	428	431	619
Non-hazardous waste	t	991	483	1,436
of which metal recycling	t	757	295	1,156
of which paper and wood recycling	t	105	72	78

EUROTUNGSTENE – GRENOBLE FRANCE

Located in the heart of the Grenoble (France) urban district since 1947, the Eurotungstene plant produces cobalt- and tungsten- based metal powders for the diamond tools and cemented carbides market. The unit has a definite international focus with over 95% of its production exported.

In 2005, Eurotungstene obtained not only the renewal of its current operating permit, but also the authorisation to produce its new powder line, Keen®.

The new operating permit, signed in July 2005 by the Prefect of Isère, is the result of effective cooperation and constructive dialogue with the various regulators. It marks the end of over two years of proceedings, including a public enquiry.

In parallel, the plant completed the implementation of the compensatory measures agreed with authorities, under which it carried out the following tasks:

- Extension of foam release network throughout the hydrochloric acid storage area,
- Extension of the fire water network,
- New smoke detection systems in the finished product store,
- New physical protection of hydrogen tanks.

• Energy

The site's total energy consumption (electricity and natural gas) has been stable since 2004.

Energy	Unit	2003*	2004*	2005
Total electricity	MWh	9,993	10,536	10,587
Total energy	MWh	18,019	16,865	16,659

* Change in scope following the acquisition of CERMeP, mid-2003.

• Water

The main uses of industrial water are process gas cleaning and the production of demineralised water.

The increase in industrial and drinking water requirements stems from an increase in production.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	26,474	15,356	19,079
Industrial water	m^3	396,969	408,683	414,107

The results of the analyses carried out on aqueous discharges are significantly below maximum regulatory thresholds. A technical and economic feasibility study of network separation is nearing completion.

The change in COD in 2005 results from a change in the measurement method for this discharge:

- Until 2004 included, the annual flow was calculated by extrapolating the results of analyses of two average samples over 24 hours.
- In 2005, calculation of the annual flow was based on all daily data.

The 2005 figure, therefore, is more representative of the actual discharge. Regardless, this remains far below the limit defined in the prefect's order granting Eurotungstène's operating permit.

Aqueous discharges	Unit	2003 (1)	2004 (2)	2005
Cobalt	kg	516	142	160
Iron	kg	134	95	100
Suspended solids	t	6.4	1.2	2.6
COD	t	11.5	9.9	49

(1) Annual flow estimated from average 24-hour analyses, extrapolated over 329 days/year

(2) Annual flow estimated from average 24-hour analyses, extrapolated over 365 days/year

• Air

CO_2, SO_2 and NOx emission quantities are calculated from energy consumption. They are stable for 2004 and 2005.

Grouping together several stacks in 2005 and installing an absolute filter stage on all dust removers upstream of existing bag filters has substantially reduced dust release.

Air emissions	Unit	2003	2004	2005
Cobalt (dust)	t	0.1	0.12	0.005
CO_2 (gas)	t	1,647	1,174	1,246
SO_2 (gas)	t	0	0	0
NO_x (gas)	t	84	1.2	1.3

• Waste

Selective sorting was set up in recent years to reuse waste by recycling. This reduces the quantity of natural resources used and prevents clogging of technical landfills.

The increase in non-hazardous waste, and in particular the quantity of recycled metal, is due to the dismantling of the following facilities:

- Old screw furnaces,
- Raw material unloading station,
- Old steam boilers.

Waste	Unit	2003	2004	2005
Hazardous	t	31	12	19
Non-hazardous waste	t	164 *	195	427
of which metal recycling	t	84 *	105	333

* Different value in 2003 report following reversal of results for 2001 and 2003.

• Industrial Safety

Extensive capital expenditure was put into improving the site's industrial safety during the year. This contributed to the control of risks related to the products used through the following compensatory measures:

- Extension of foam release network throughout the hydrochloric acid storage area,
- Extension of the fire water network,
- New smoke detection systems in the finished product store,
- New physical protection of hydrogen tanks.

LE NICKEL-SLN – DONIAMBO

Located in an urban area on the outskirts of Nouméa (New Caledonia), Le Nickel-SLN's Doniambo plant produces ferronickel and nickel matte. A major industrial player in New Caledonia, the site has an environmental policy with the main goal being to reduce dust emissions and improve air quality.

Operation of the Doniambo plant is subject to New Caledonian environmental regulations, which are largely based on those of mainland France.

The results of the key actions taken in recent years have improved substantially.

At Doniambo, compliance with the order governing industrial activity led the site to fit almost all its stacks with measuring equipment in order to monitor smoke opacity.

After heavy capital expenditure in 2004-2005, further projects concerning smoke filtration are planned. The electronic filters on the rotary furnaces will be renewed in 2006 and 2007.

A highlight of 2005 was the founding of SCAL-AIR, an association that monitors air quality in Nouméa. Le Nickel-SLN contributes actively to the network in cooperation with local authorities.

• Energy

Many disruptions to the plant's ore supply resulted in transitional phases that adversely affected the energy consumption ratio (kWh per kg of nickel produced), which rose from 2004 to 2005.

• Water

Through constant efforts and greater user awareness, drinking water consumption continued to fall this year. On the other hand, industrial water consumption rose from a combination of two factors:

- Start-up of dust treatment workshop, where dust is wetted.
- Prevention of Legionnaires' disease, which required facilities to be emptied several times for quick, effective treatment of the problem.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	315,929	231,320	174,533
Industrial water	m^3	986,376	1,059,396	1,233,030

Assessment of metal discharges remains imprecise because of the non-recurring nature of measurements, which are heavily influenced by sampling conditions. Nevertheless, better recovery of slag from the South canal significantly reduced water discharges.

Aqueous discharges	Unit	2003	2004	2005
Metals	t	177	302	116
Nickel	t	12.7	52.8	10.4
Suspended solids	t	7,380	11,670	2,356
COD	t	99*	64	92

* The value set out in the 2003 report was incorrect
COD: Chemical oxygen demand

• Air

The sharp fall in dust release quantities is due to improvements in the effectiveness of smoke filtration and the dust processing workshop outlet.

The quantity of channelled emissions fell 35% from the average over the past four years.

SO_2 emission quantities are directly related to production levels and fell in 2005 as a result of the policy of switching to very low sulphur fuel oil as soon as an emission peak is detected. This switch was optimised by measures taken to improve response times (weather - thresholds).

Air emissions	Unit	Regulatory limit	2003	2004	2005
SO_2	t		26,000	23,854	20,796
CO_2	t		2,011,470	1,667,400	1,957,886
NO_x	t		2,887	2,285	3,958
VOC	t		< 10.4	< 8.3	< 9.3
HCl	t		22	20	21
Total dust	t	1,438	1,415	1,098	1,142
of which nickel and compounds	t		40	44	33

The significant increase in NOx volumes in 2005 results from the incorrect rating of thermal power station burners during the measurements carried out to determine emission values. This figure is probably overstated and will be checked in 2006.

• Slag management

The pyrometallurgical processing of ore generated a very large quantity of slag. This by-product is used as needed (20% of total produced) as a raw material for road ballast and construction backfill. The rest is stored.

In the melting process, 1 ton of ore produces 110 kg of ferronickel and 750 kg of slag.

Slag production levels are related to activity volumes.

Slag (t)	2003	2004	2005
Waste stored in internal landfill + slag (1)	2,035,000	1,900,000	2,059,000

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

• Waste management

The high level of hazardous waste generated in 2005 is due to the inclusion of a fuel oil tank bottom (100 tons) during a maintenance operation. This waste was mixed and dosed with ore so it could be co-incinerated in electric furnaces.

In addition, 50 tons of hazardous waste was generated by manufacturing incidents. It was treated using a biophysical process before being taken to a technical landfill.

The closure of an internal waste depot improved knowledge and management of non-hazardous waste, all of which is now taken to the municipal technical landfill.

The large level of high-quality metal scrap should be noted. This is incorporated into the manufacturing process, resulting in substantial recycling of secondary raw materials.

Waste	Unit	2003	2004	2005
Hazardous waste	t	24.3(2)	20.7(2)	170
Non-hazardous waste	t	868	1,373	1,790
Metal recycling	t	17,000	16,500	16,600
PCB and polluted products	t	235	2,285	2,083

(2) Mainly electric batteries

• Administrative situation

An operating permit review process is underway.

Several studies were carried out in that respect in 2005, including:

- Asbestos technical diagnosis (Bureau Veritas),
- Closure of internal landfill,
- Definition of a sodic slurry treatment process,
- Co-incineration procedure for hydrocarbon slurry,
- Slag heap build-up procedure.

• Mines, highlights

As regards mining operations, an important administrative issue coming under the "Organic" Act of March 19, 1999 gave rise to several meetings. The aim is to formalise, from 2006, new regulations that take account of environmental matters in most articles.

Under that framework, for any drilling or pit opening campaign, an impact study would need to be carried out and a mining operation charter specify operating methods (tailing heaps, tracks, etc), water management facility principles and design and site closure arrangements including restoration.

Le Nickel-SLN has been planning for these aspects for several years. Carrying on from that work, this year the DEM department:

- Produced a guidebook on environmental protection techniques,
- Drew up water management plans for the Kouaoua centre,
- Started up operations on the "mining site restoration project" structure,
- Set up a project for storing tailings on the Pouembout side of Népoui – Kopéto mine.

The following major work was carried out in the field:

- Redevelopment of Kabar creek in Kouaoua, securing the Adeo dam in Népoui, upgrading peripheral sites in Poro and, finally, hydraulically seeding 15 hectares and planting 10,000 plants across the four mining areas.
- All these efforts are disrupted by nature itself; whether by the climate with heavy damage to two dams in Kouaoua from Cyclone Kerry or by fauna, with deer hungry for seedlings.

MARIETTA

• Environmental Protection/ Emergency Response

The Eramet Marietta (EMI) plant is one of the largest manganese Ferro alloys production sites in the world. EMI is a participating member of the Washington County Local Emergency Planning Committee (LEPC) and the Central Ohio Valley Industrial Emergency Organisation (COVIEO). These organisations exist to promote community and industry awareness of the potential risks associated with the operation of local manufacturing facilities, and to effectively plan for these risks in the unlikely event an accident or release should occur.

Each year, EMI spends over $5 million operating emissions abatement systems that capture the vast majority of emissions and prevent them from leaving the facility property. Process wastes that would otherwise be discharged to the air and water are collected and safely deposited in site impoundments. The impoundments are closely monitored to ensure migration to the environment does not occur.

In 2005, EMI worked with local residents to determine the source of noxious odours that are periodically reported within a community located some four miles to the northeast of EMI. An evaluation was performed in which stack gases from a suspect plant process were speciated, and the detected components were compared with recognised odour thresholds. Although the evaluation demonstrated the suspect process could not be the sole source of the odours, EMI will continue with additional studies to determine the contribution (if any) EMI's permitted emissions have with regard to the odour problem. EMI is the only local industry that continues to listen to the residents' concerns. Study costs to date are less than $10 thousand.

Also in 2005, EMI spent close to $40 thousand to perform engineering studies on ammonia abatement. Renewal of the facility's wastewater discharge permit may require a commitment to reduce ammonia emissions to the water by 50%. If current studies, as well as additional studies to be completed in 2006, demonstrate abatement is feasible from both operational and cost standpoints, a significant capital expenditure may be required within a three- to four-year period.

• Energy

The 3 arc furnaces as well as the chromium electrolysis unit are the largest consumers of electricity. The pre-heating and drying furnaces use gas as their energy source.

Consumption	Unit	2003	2004	2005
Energy (1)	MWh	808,267	818,456	835,550

(1) Including close to 70,000,000 kWh redistributed to other companies close to the site.

• Water

The site has a dividing network for domestic waters and cooling waters.

The effluents are collected together after treatment, and released into the natural environment (Ohio river). The measured values show pollutant levels much lower than the authorised limits.

From 2001 to 2005, the plant cut its filtered water use and increased the quantity of industrial water purchased.

Industrial water consumption rose a mere 3% from 2004 to 2005. This is a metered value, reflecting actual usage. The amount used has minimal dependence on production output, and should remain relatively constant from year to year.

Consumption	Unit	2003	2004	2005
Drinking water (purchased in plastic bottles)	m^3		121	125
Industrial water	m^3	184,095	219,454	225,857

The chrome +6 concentration continues to be controlled successfully with the addition of FeSO4 into the recycling system.

Aqueous discharges	Unit	Permit	2003	2004	2005
Chrome	t	0.63	0.068	0.050	0.044
Manganese (1)	t	70.4	8.84	16.52	12.05
Lead	t		0.184	0.109	0.089
Suspended materials	t	299	17	13	21
Ammonia	t		493	453	464

(1) Excluding Mn Runoff Storm water

• Air

The CO_2 emissions are calculated on the basis of the production assessment (HCFeMn + MCFeMn + LCFeMn + SiMn) with specific CO_2 correlation factors.

Ammonia levels used and discharged is dependent upon the number of cells operating in the chrome unit. The average number of cells operating has risen over the past three years.

Manganese dust emission estimates came from stack test data. Stack tests are performed on an annual basis, as required by the facility's Title V air permit. Manganese dust emissions fell in 2005.

Air emissions	Unit	2003	2004	2005
CO_2	t	213,000	206,000	199,000
SO_2	t	5.4	5.3	5.1
NO_x	t	16.4	16.2	16
Volatile Organic compounds	t	312	338	343
Ammoniac	t	300	382	444
Total Dust	t	564	521	428
of which Manganese	t	225	211	155

Ammonia solution acts as an electrolytic carrier enabling metal deposition in chrome unit processes (FAS production and formation of Cr plate).

• Waste

The amount of waste generated from one year to the next varies appreciably due to project impacts, including maintenance, construction, and demolition activities.

The quantity of non-hazardous waste is related to site activity in terms of projects involving area cleanup.

Waste	Unit	2003 *	2004	2005
Hazardous waste	t	46	77	80
Non hazardous waste	t	682	848	706

* The values published were provided as US (short) tons

PORSGRUNN & SAUDA

Eramet Norway operates two plants in Norway.

One of these, Eramet Norway Sauda (ENS) is located in Sauda in the south-western part of Norway. This plant is the main private employer in the local community. The population in the community of Sauda is close to 5,000, and has been falling over the past few years. Besides the plant, there are some mechanical shops, a safety-glass producer, in addition to mainly service-related businesses in the area. The plant was started in the early 1920s, and the location was chosen because of the hydro-electric power production in the area. The plant has been producing manganese alloys throughout its history.

The other plant (Eramet Norway Porsgrunn (ENP)) is located in Porsgrunn in the south-eastern part of Norway. The plant is close to the big industrial site of Norsk Hydro at Herøya. In the Grenland area (which Porsgrunn is a part of), there are several big industrial sites producing fertilisers, petrochemical products and cement. The plant was started around 1920, and it has been producing various kinds of ferroalloys over the years.

ENS now operates two furnaces producing high carbon (HC) FeMn, and in addition a refining-plant producing refined FeMn-alloys (medium and low carbon) from HCFeMn. The total annual tonnage produced at ENS is close to 220,000 metric tons.

ENP now also operates two furnaces, one producing SiMn and one producing HCFeMn. In addition the plant refines the SiMn to low carbon (LC) SiMn, and it also operates a refining plant for HCFeMn. The annual tonnage produced amounted to some 170,000 metric tons from ENP.

The activities at the plants include raw-material handling, tapping and casting of alloys from furnaces, tapping and casting of alloys from the refining plant, tapping and casting of slags from the furnaces, crushing and handling of finished products, and collection and handling of waste materials (for example dust from filters and sludge from water-treatment). The most important environmental aspects of the plants are as follows:

- Fugitive and canalised dust emissions from material handling, furnaces, handling of liquid metal and slag, and casting and crushing,
- Canalized dust emissions from material handling, furnaces, handling of liquid metal and slag, and casting and crushing,
- Noise (continuous and discontinuous) from the plants affecting the neighbours (noise from fixed sources and noise from vehicles),
- Emissions to air of PAH and metals both in gas- and particulate phase,
- Emissions of CO_2 to air,
- Emissions of PAH, particulate matter and inorganic compounds (metals, zinc etc.) to sea,
- Depositing sludge in landfills close to the plants.

The Eramet Norvège environmental management system was certified ISO 14001 following the June 6, 2005 audit.

• Energy

The electric furnaces are the main users of electricity. The pre-heating furnaces are fed by fuel oil or propane.

Consumption	Unit	2003	2004	2005
Electricity + Gas + fuel	MWh	1,079,000	1,088,000	1,022,000

• Water

Both plants have had problems with increased levels of metals in the discharge to sea in 2005. A new water-treatment plant at the Sauda plant will handle this problem in 2006, and at the Porsgrunn plant some improvements on raw-material control and on the water-treatment plant are being implemented.

Consumption	Unit	2003	2004	2005
Drinking water	m^3	193,000	179,000	151,263
Industrial water	m^3	14,406,000	16,106,000	16,777,000

Aqueous discharges	Unit	2003	2004	2005
Cadmium	kg	0.5	1.2	1.7
Chrome	kg	0.9	1.2	3.7
Zinc	kg	81.6	784	568
Lead	kg	5.30	26	38
Manganese	kg	305	334	529
PAH	kg	7	6	11.3
Suspended materials	t	3.4	2.5	3.3

• Air

The conversion to only one main product at the Sauda plant has contributed to an increase in fugitive dust emissions from the plant, but total dust emissions have improved due to installation of a new filter on the centre-stacks of the furnaces.

Fugitive dust emissions are still a major problem at the Sauda plant. This will improve significantly when the work being done on the new logistics in the furnace building is completed.

Air emissions	Unit	2003	2004	2005
CO_2	t	356,000	391,900	356,000
SO_2	t	38	44	36
NO_x	t	17	18	16
Total Dust	t	53	44	68
Lead	t	0.11	0.06	0.06

• Waste

The fall in non-hazardous waste is also due to the conversion of the Sauda plant to FeMn-production (no SiMn-slag produced).

For the Porsgrunn plant a new solution rehandling of sludge will be implemented from January 2006. This means that the transportation to Sauda of this waste will be ended.

Waste	Unit	2003	2004	2005
Hazardous waste	t	7,324	11,700	10,197
Non-hazardous waste	t	124,558 (1)	85,685 (2)	81,564
Of which wood waste generated	t	84	223	263
Of which metal waste generated	t	84	3,497	1,435

(1) Including silicomanganese production slag for ENS and ENP.
(2) Including silicomanganese production slag for ENP.

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