

PROFITABLE, SUSTAINABLE AND HARMONIOUS GROWTH

ANNUAL
REPORT
2006



ERAMET

ALLOYS, ORES AND PEOPLE.

“PROFITABLE SUSTAINABLE HARMONIOUS GROWTH”

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FRONT-RANK GLOBAL POSITIONS

Eramet is a mining and metallurgical group with front-rank global positions in the production and conversion of non-ferrous metals and alloys. Its three divisions – Nickel, Manganese and Alloys – develop unique know-how in geology, mineralurgy, pyrometallurgy, hydrometallurgy and the design of high-performance steel grades.

The Group deploys its expertise through **presence on five continents** with industrial and commercial operations located close to its markets. Eramet's diverse know-how supports long-term profitability, driven in particular by Chinese growth.

Supported by stable shareholders, **Eramet's ongoing success is built on a number of strengths** including robust financial fundamentals, world-class industrial assets, substantial research & development capabilities, efficient information systems, innovative human resources policies and a formal process for anticipating environmental, health and safety risks.

Eramet can also rely on **the skill and commitment of its 14,000 employees**. That momentum was strengthened by the recent launch of *Leaders*, a corporate project that strengthens **a Group culture valuing initiative, teamwork and responsibility**.



7 VALUES FOR SHARED COMMITMENT

1. Customer orientation
2. Quest for value-creating performance
3. Intellectual honesty, courage
4. Initiative and open-mindedness
5. Challenging the work status quo, mobility
6. Teamwork and decompartmentalization
7. Maintaining, enhancing and passing on skills

13%

RISE IN TURNOVER TO
€3 BILLION.

14,000

EMPLOYEES WORLDWIDE.

ROBUST FUNDAMENTALS, RELEVANT STRATEGY

INTERVIEW WITH
JACQUES BACARDATS
CHAIRMAN & CEO

After good results in 2004 and 2005, did 2006 confirm Eramet's growth momentum?

Jacques Bacardats: The Group's results were again highly satisfactory in 2006. Our good financial performance reflects not only Eramet's development but also a relevant strategy and sound financial fundamentals. That strategy is to strive for profitable, sustainable and harmonious growth: profitable because by growing our business we intend to create more wealth; sustainable because we want to keep up our results over the long term, which involves actively factoring in environmental conditions; and harmonious because people are the Group's greatest asset. We need to maintain that asset through actions that foster employee fulfilment, motivation and safety, while striving to integrate our activities into their local and cultural environments. That's why we carry out and support programmes that help local populations, such as health initiatives in Gabon.

“
**IN A FAVOURABLE ECONOMIC CLIMATE
IN ALL RESPECTS, WE HAVE
THE HUMAN, TECHNICAL AND
FINANCIAL MEANS TO IMPLEMENT
OUR GROWTH STRATEGY AND INCREASE
OUR PROFITABILITY.”**

What are the Group's growth drivers?

Eramet conducts its three main activities on lucrative markets. Boosted by Chinese growth, demand for stainless steel, which accounts for 70% of the Nickel Division's business, and manganese alloys is high and will remain so. In parallel, the upturn in the aerospace market and the dynamic energy sector directly benefit the Alloys division. The economic climate is favourable in all respects, although we are still likely to face some difficulties and have to remain vigilant. The strike in the operations of our subsidiary Le Nickel-SLN in New Caledonia caused concern, especially as it was a political conflict that had nothing to do with us. Also in nickel, there is uncertainty over trends in prices, which were extraordinarily high in 2006 for mostly speculative reasons. But for Nickel like the other two divisions, trends are still favourable overall and we have the key strengths needed to draw maximum benefit.

What are Eramet's strengths?

The Group has invested heavily in its industrial capacities and tools and will continue to do so. This enables us to support our customers' development by increasing their supply and constantly improving our productivity. In 2006, our capital expenditure totalled 350 M€ – more than 10% of our turnover. The new Airforge plant in Pamiers (France) with its 40,000-ton hydraulic press, the new oil catalyst recycling site being built in Canada, the ramp-up of our manganese mine in Gabon and the acquisition of Weda Bay Minerals, a rich nickel deposit in Indonesia, are just a few of our major projects. As regards Koniambo massif in New Caledonia, we remain convinced of the need to build a plant in the Northern Province. The matter is in the authorities' hands and our research and development efforts enable us to propose a suitable solution if they call on us. More generally, our R&D efforts result in improvements in our industrial processes, such as significant innovations in hydrometallurgy, the process of the future that to be first used by Weda Bay, and in the marketing of new steel grades that meet our customers' needs.

How much does investing in people contribute to the Group's success?

It is obviously a key factor. This strong conviction led us to launch a major corporate project called *Leaders* in 2005. The programme was rolled out in 2006 and its effectiveness was demonstrated at a seminar organised in September. With the aim of reaching all the Group's employees, not just managers, *Leaders* is a mobilisation project. Practical local actions foster a culture of initiative where everyone works to share and enhance know-how and contributes to collective success by his or her commitment. The programme forms our Group's backbone, enabling us to turn our strengths into successes more effectively.

You mentioned the acquisition of Weda Bay Minerals. Are other external growth operations under consideration?

Supported by our two benchmark shareholders and our sound fundamentals, we can consider new operations of this kind. We are attentive to possibilities that would allow us to consolidate our three activities or even expand into neighbouring businesses.

What is the outlook for 2007?

Carrying on from 2006, we should continue to keep up our profitable growth. In response to increasing needs on our markets, our capital expenditure programmes give us greater capacities at the right time. We have ambitious development goals and the means to achieve them.

“**WE ARE ATTENTIVE TO POSSIBILITIES THAT WOULD ALLOW US TO CONSOLIDATE OUR THREE ACTIVITIES OR EVEN EXPAND INTO NEIGHBOURING BUSINESSES.**”



STRATEGY AND MANAGEMENT

DIVERSE, PROFITABLE MARKETS

Eramet implements a strategy of profitable, sustainable and harmonious growth worldwide. To do so, the Group draws on great skill in mining, metallurgy and chemistry at every stage in the production and conversion process for non-ferrous metals.

ERAMET'S ACTIVITIES ARE ORGANISED IN THREE DIVISIONS: ERAMET NICKEL, ERAMET MANGANÈSE AND ERAMET ALLIAGES. THEIR MARKETS ARE CYCLICAL BUT THE CYCLES ARE OUT OF STEP, SMOOTHING OUT THEIR EFFECTS OVER THE LONG TERM.

ERAMET NICKEL



produces and processes nickel ore from its five mining centres in New Caledonia and, in a few years' time, the Weda Bay deposit in Indonesia (see pages 10 and 11). The primary outlet is stainless steel (70% of production), for which Eramet makes ferronickel – a market with 5% average annual growth. Many other sectors use nickel, particularly superalloys, electronics and mobile energy, for which the division produces high-purity nickel as well as nickel and cobalt chlorides on the Sandouville (France) site. It also manufactures ultrafine cobalt and tungsten carbide powders in Grenoble (France).

WORLD #1
FERRONICKEL PRODUCER

A TOP 3 WORLD PRODUCER
OF HIGH-PURITY NICKEL

WORLD LEADER
IN NICKEL CHLORIDES

WORLD #6
NICKEL PRODUCER

ERAMET MANGANESE



produces and markets one of the world's broadest ranges of manganese derivatives. Its industrial assets are located near consumption zones. In Gabon, Eramet mines, enriches and sinters ore. With 5% average global growth, the steel industry accounts for 90% of manganese consumption. A wide range of other markets are profitable, including batteries, chemicals, agrochemicals and metallurgy. The division also has a lucrative oil catalyst recycling business, mainly in North America, and produces molybdenum and vanadium.

WORLD #2 PRODUCER
OF HIGH-GRADE MANGANESE ORE

WORLD LEADER
IN OIL CATALYST RECYCLING

WORLD #1 PRODUCER
OF MANGANESE CHEMICAL
DERIVATIVES

STRONGER, BUSINESS UNIT-BASED MANAGEMENT AND UNIFIED REPORTING

The Eramet Group's organisation is focused on operating performance and business development. Lightweight head office teams and a limited number of targeted procedures ensure close functional relations between support and line personnel. A highlight of 2006 in this area was the creation of business units (BU) within each division. Eramet Manganèse is comprised of two BUs, one dedicated to manganese ores and alloys, the other to recycling and special products. Another important development was the regrouping of activities at the Sandouville, France site (pure nickel and cobalt manufacturing) and Eurotungstène (tungsten and cobalt powder production) into a single Eramet Nickel BU. The two companies Erasteel and Aubert & Duval each make up a BU within the Alloys division. Another step forward was the rollout of a single Group-wide reporting system covering both financial and operating data. In addition to the quality of economic information, the new system, which mobilised more than 200 people, is an important control instrument (see also pages 18 and 19, Governance and Committees).

ERAMET ALLIAGES



makes special alloys, tool steels, high speed steels and superalloys and processes them by forging (including closed-die) and rolling. Its products are intended for demanding markets such as aerospace, power and tooling. While volumes are lower than on carbon or stainless steel markets, prices are higher as products are more sophisticated. Research and development are key success factors for the division, which invests 2% of its turnover to develop new alloy grades and constantly improve its manufacturing processes.

**WORLD #1 PRODUCER
OF HIGH SPEED STEELS**

**WORLD #2 PRODUCER
OF CLOSED DIE-FORGED PARTS
FOR AEROSPACE AND POWER**

**A LEADING WORLD PRODUCER
OF HIGH PERFORMANCE SPECIAL
STEELS AND SUPERALLOYS**



THE SLN PLANT IN DONIAMBO (NEW CALEDONIA) PRODUCES FERRONICKEL AND NICKEL MATTE THAT IS CONVERTED INTO PURE NICKEL IN THE SANDOUILLE (FRANCE) UNIT.

2006 HIGHLIGHTS

A YEAR OF INNOVATION AND SUCCESS



↗ NEW CONTRACT WITH SNECMA FOR AUBERT & DUVAL (80 M€)

Parts for turbine disk manufacturing will be closed die-forged on the new press in Pamiers (France). The February contract is in addition to two other major partnerships signed the same month, one with SKF Aerospace for the supply of alloy bars for aircraft ball joint manufacturing (approx. 250 tons per year and over 90 different articles) and one with Valinox Nucléaire for the supply of semi-finished products for steam generator tube manufacturing.



↗ NEW DISTRIBUTION CENTRE IN CHINA

Inaugurated on March 23rd, the Wuxi (Jiangsu, West of Shanghai) tool steel distribution centre attests to Aubert & Duval's interest in the Chinese market. The site required 3.8 M€ in capital expenditure and includes a warehouse and storage, cutting, machining and vacuum heat treatment facilities.

NEW CRUSHER IN MARIETTA

The new crusher/screener in Marietta (Ohio) came on stream on February 28th. With throughput of 200 tons per hour, the facility significantly increases the unit's productivity and improves manganese alloy quality. Capital expenditure: 4.2 M€.



↗ MOANDA BENEFICIATION UNIT MODERNISED

Completed in March as part of the manganese ore production capacity increase in Gabon, the upgrade includes the setup of a new control & command system and a process overhaul.



↗ NEW ORE IN GABON

At the request of the Gabonese government and alongside local interests, in April Eramet began examination of a project to mine niobium metal for use in steel and superalloy production, primarily for aerospace. This decision illustrates the Group's diversification possibilities in activities that are a good fit with its existing businesses.



➤ SAFETY CAMPAIGN

Against a backdrop of spectacular progress in the past three years and in order to support further improvement, a new safety poster campaign was rolled out in the Group in May. The goal was to put across the key points in the safety charter – involvement from everyone, daily commitment and making prevention the priority.

ACQUISITION OF WEDA BAY

The friendly take-over bid was a success, enabling the Group to acquire the Halmahera (Indonesia) nickel deposit (see following pages).



➤ START-UP OF NEW AIRFORGE PRESS

The 40,000-ton press in Pamiers (France) successfully closed die-forged its first batch of parts – wing spars for the Airbus A320.

SHAREHOLDERS' AGREEMENT RENEWED

Signed in 1999 for seven years, the shareholders' agreement between Sorame and CEIR (the Duval family) as one party and Areva as the other was renewed on July 1st.

NEW WEBSITE

In line with the SFAF (French financial analysts' society) meeting on September 7th, the Group's new website (www.eramet.fr) went online. The site has been enhanced with new sections including human resources, sustainable development and research & development.



➤ MANAGEMENT SEMINAR

Organised on September 22nd and 23rd for the entire Group, the seminar reviewed the *Leaders* programme one year on from the launch of the corporate project and measured the progress already achieved (see pages 46-49).

START OF STRIKE IN NEW CALEDONIA

September 25th marked the start of a conflict that did not concern Eramet but substantially reduced the activities of its subsidiary Le Nickel-SLN. The blockage lasted 114 days.

INTRANET JOB EXCHANGE

Erajob went online in October. The intranet job exchange offers managerial jobs exclusively for 2 weeks before announcing them outside the Group.



➤ ISO 14001 CERTIFICATION FOR SANDOUVILLE

On October 27th, Eramet Nickel's French industrial site joined the other units that have already been certified ISO 14001: copper recycling activity in Tertre (Belgium), the Commentry (France) plant and Eramet Norway's two sites.

WEDA BAY MINERALS

A NEW DIMENSION FOR THE GROUP

The acquisition of Weda Bay is a major event that illustrates Eramet's growth strategy. The operation also reflects the Group's sustainable development policy with the use of new processes that enable a greater share of deposits to be recovered.

Launched in March 2006, the friendly take-over bid for Weda Bay Minerals Inc. was successfully concluded in May. The operation is a highly important one as it gives the Group a world class laterite deposit (laterites are oxidised nickel ores that also contain cobalt) on Halmahera, an Indonesian island in the North-East of the archipelago. The acquisition fulfils the wish of Weda Bay Minerals Inc's board to find a large-scale industrial partner capable of developing the deposit. Eramet's sound financial situation enabled it to complete the operation, which totalled approximately 170 M€, without recourse to the market by using its own capital.

2 - 3 MILLION TONS OF NICKEL

The acquisition of Weda Bay is perfectly in line with the Group's strategy of finding new growth vectors, strengthening the Nickel division and diversifying geographically in addition to its activities in New Caledonia. The geographic aspect proves all the more strategic as the Indonesian subsoil is very rich, containing the world's second-biggest nickel reserves after New Caledonia. With historical growth of around 4% - i.e. 50,000 more tons every year - the nickel market is profitable over the long term. In 2010, the reserves of several small mines will be exhausted. The Weda



LOCATED ON THE INDONESIAN ISLAND OF HALMAHERA,
THE WEDA BAY PROJECT INVOLVES OPERATING A MINE AND BUILDING A PLANT.



**WEDA BAY:
A TECHNICAL,
FINANCIAL
AND HUMAN
CHALLENGE.**



**WEDA BAY IS ONE
OF THE LARGEST
NICKEL DEPOSITS
IN THE WORLD.**

Bay project enables Eramet to maintain its market weight. The content of the recognised zones alone on Halmahera is currently estimated at two to three million tons of nickel.

**PRODUCTION TO START UP
IN 2012 OR 2013**

The development of the Halmahera deposit opens up excellent prospects. It will eventually allow the Group to almost double in size on the nickel market. In a good fit with Eramet's base in New Caledonia, Weda Bay will help to meet demand on the Asian market, a fast-growing economic zone where consumption of stainless steel, the main outlet for nickel, is driven by capital expenditure. The feasibility study on the construction of a plant capable of producing 60,000 tons per year on the site is under way. The new operation should come on stream in 2012 or 2013. A key feature will be the use of the hydrometallurgical process developed at the Trappes research centre (see below).

**POSITIVE RECEPTION
FROM MANAGEMENT, POPULATION
AND AUTHORITIES**

Development of the activity in Indonesia will draw on the technical expertise of Eramet Nickel's teams. Two engineers who previously worked in New Caledonia have already been assigned to the project. More generally, synergies will be developed between the two locations, fostering know-how sharing and personnel mobility. The engineers have bolstered the skills of the team set up by Weda Bay. In addition, Eramet's set-up in Halmahera and the ramp-up of the industrial project benefit from a sizable advantage: the support of the population and local authorities, with whom the first bonds have been forged. As proof of that support, the Indonesian state has taken a 10% interest in the project through the company Antam, with an option to raise that stake to 25%.



**CHALLENGING THE
WORK STATUS QUO,
MOBILITY**

The Weda Bay project will create new synergies between Eramet Nickel's teams in New Caledonia and Paris. Dialogue and international mobility will be stepped up; engineers working in New Caledonia have already joined the Weda Bay team.

HYDROMETALLURGY, A PROCESS FOR THE FUTURE

Nickel deposits (garnierites) suitable for pyrometallurgical processing are running out. For the future, oxidised ores (laterites) that can be processed by hydrometallurgy are the main resource. In addition to providing new ore resources, the Weda Bay operation enables Eramet to implement the new process developed in its Trappes (France) research centre. The first industrial application will be a new challenge for the Group. Eramet is able to meet it by developing an innovative and reliable process.

INTERNATIONAL DEPLOYMENT

United States

• 5 plants

- Marietta (Ohio) plant: production of manganese alloys and special products
- Baltimore (Maryland) plant: manganese chemistry
- New Johnsonville (Tennessee) plant: manganese chemistry
- Freeport (Texas) plant: oil catalyst recycling to produce vanadium and molybdenum
- Butler (Pennsylvania) plant: production of ferromolybdenum and ferrovanadium

Canada

- Fort Saskatchewan (Alberta) plant construction of an oil catalyst calcination unit

United States

- Erasteel Boonton (New Jersey) plant high speed steels

Mexico

- Tampico plant: manganese chemistry



CAPITAL EXPENDITURE PROJECTS IN 2006

FRANCE

40,000-TON PRESS:

start-up of Airforge, Aubert & Duval's new press in Pamiers (France, Alloys division) with 40,000 metric tons of power.

GABON

75%

MORE MANGANESE:

continuation of the 3.5 million ton programme, intended to produce that volume in Moanda in 2008 (a 75% increase). Production was extended to 3 million tons in 2006.

NEW CALEDONIA

75,000 TONS

OF NICKEL:

development of programme intended to produce 75,000 tons of nickel by 2008.

CHINA

CHONGZUO EMD PLANT:

completion of construction of a production plant for electrolytic manganese dioxide (EMD), an active agent in alkaline batteries (start-up January 2007).

CANADA

CATALYST RECYCLING:

construction of an oil catalyst recycling plant – start-up planned for autumn 2007.



QUEST FOR VALUE-CREATING PERFORMANCE

Covering every activity on every continent, Eramet's capital expenditure programmes are designed to improve performance constantly with a view to value creation.

France

- **Sandouville-Le Havre plant:** high-purity nickel and cobalt production
- **Eurotungstène Grenoble plant:** tungsten and cobalt powder production

France

- **Dunkerque plant:** manganese alloy production

Belgium

- **Terre plant:** manganese chemistry and copper solution recycling

France

- **2 Erasteel plants** (high-speed steels)
 - Champagnole
 - Commentry
- **6 Aubert & Duval plants** (closed die-forging, long products, tooling, one-off parts)
 - Imphy
 - Firminy
 - Gennevilliers
 - Issoire
 - Pamiers
 - Les Ancizes

Sweden

- **3 Erasteel plants** (high speed steels)
 - Langshyttan
 - Söderfors
 - Vikmanshyttan

United Kingdom

- **1 Erasteel plant** (high speed steels)
 - Warrington

Norway

- **2 manganese alloy plants**
 - Sauda
 - Porsgrunn

China

- **2 manganese alloy plants**
 - Shaoxing (Guangxi province)
 - Guilin (Guangxi province)
- **1 manganese chemistry plant** in Chongzuo

New Caledonia (Le Nickel-SLN)

- **5 mines**
 - Thio
 - Kouaoua
 - Népoui Kopéto
 - Tiébaghi
 - Étoile du Nord
- **1 plant**
 - Doniambo metallurgical plant: ferronickel and nickel matte production

China

- **Wuxi** distribution centre

Indonesia (Weda Bay)

Gabon (Comilog)

- **Moanda mine** and sintering plant
- **SETRAG** – concession to Transgabonais railway

KEY

Nickel operations

Manganese operations

Alloys operations

Group HQ in Paris
Trappes research centre

After the good results achieved in the past three years, 2006 attests to Eramet's ability to keep growing at a firm pace while maintaining high profitability. This trend is true of all three Divisions and stems directly from the Group's strategy, positioning and know-how and its people's commitment. In 2007, it is likely to be supported by healthy conditions on Eramet's different markets.

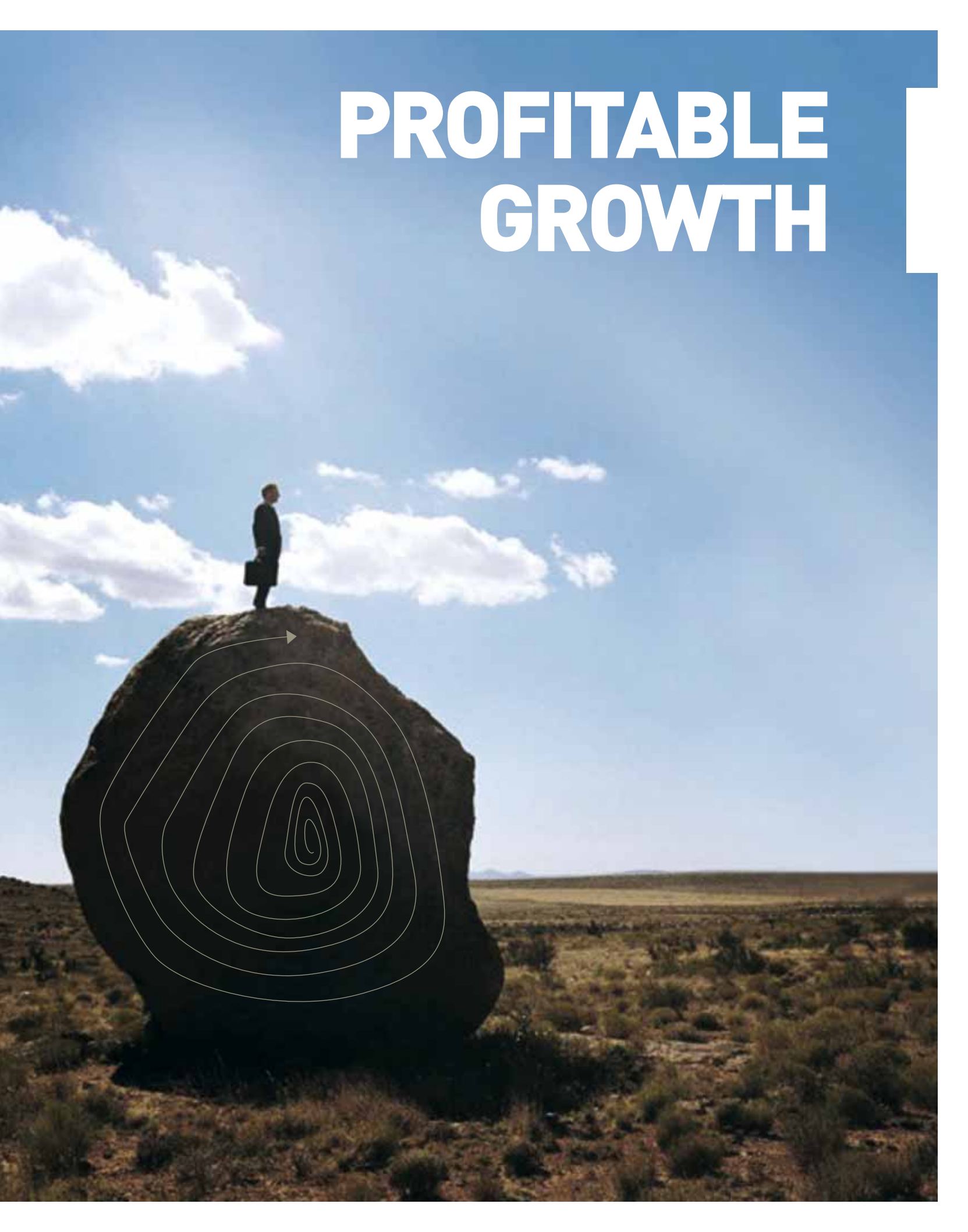
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- 16** 2006 KEY FIGURES
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13%

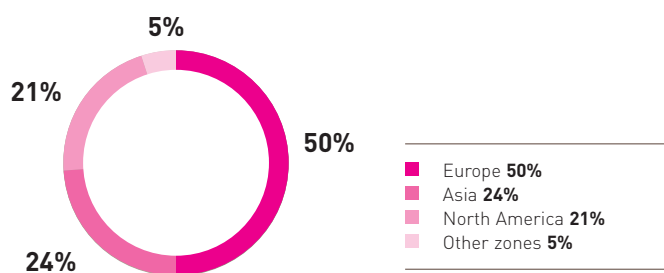
INCREASE IN TURNOVER
TO €3 BILLION.

PROFITABLE GROWTH



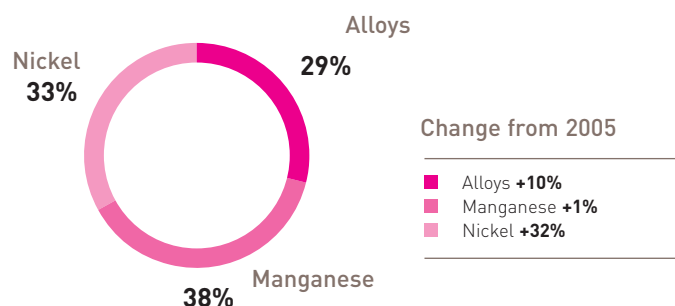
2006 KEY FIGURES

ERAMET REAPS THE REWARD OF ITS GROWTH STRATEGY



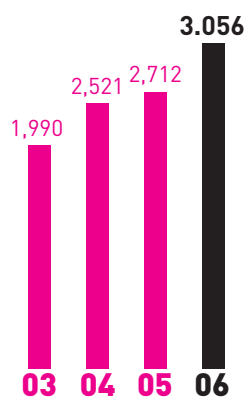
A great international scope.

TURNOVER BY GEOGRAPHIC ZONE



A good balance between the three divisions.

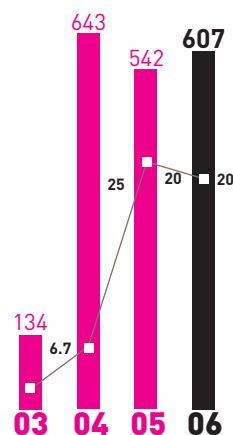
TURNOVER BY DIVISION



+13%

Further growth in turnover after a high 2005.

TURNOVER
(€ millions)



+12%

Continued high profitability.

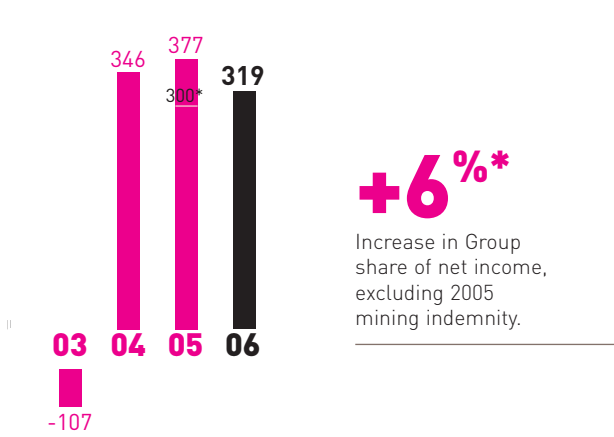
■ Operating margin as percentage

Current operating income under IFRS standards from 2004.

OPERATING INCOME / CURRENT OPERATING INCOME
(€ millions)

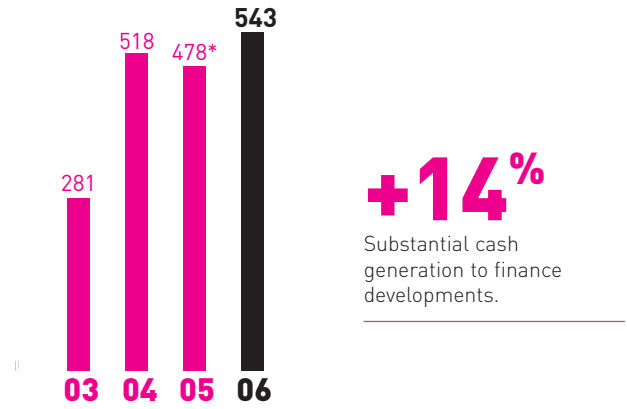


THE GROUP'S RESULTS improved further in 2006 after a very good 2005. Return on capital employed remained outstanding. Capital expenditure increased 34% and the Group financed the acquisition of Weda Bay yet still has over 350 M€ in net cash. Eramet has the resources needed to keep up its ambitious growth strategy in 2007.



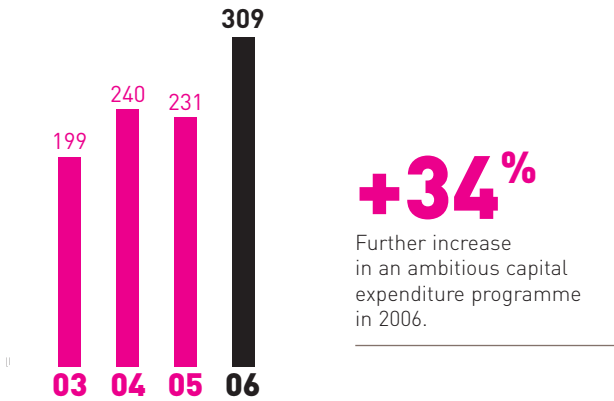
* Excluding mining indemnity.

NET INCOME, GROUP SHARE
(€ millions)

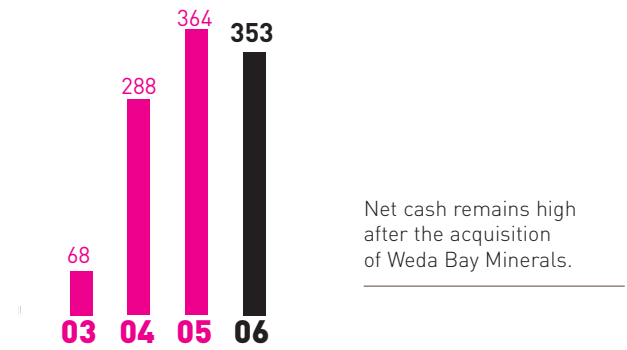


* Including €124 million with no impact on the Group's net cash with respect to the conclusion of the Bercy agreements.

CASH FLOW FROM OPERATIONS
(€ millions)



CAPITAL EXPENDITURE
(€ millions)



NET CASH (NET DEBT)
(€ millions)

GOVERNANCE

TRANSPARENCY AND EFFICIENCY

Specialised committees with clear, complementary missions help Eramet to meet corporate governance standards. This ensures effective, transparent supervision of the Group's implementation of its strategy.



Jacques Bacardats
Chairman
& Chief Executive Officer



Patrick André
Delegate CEO, Manganese
division (until 31/12/06 –
Jacques Bacardats took
over as Division President
from January 2007)



Jean-Didier Dujardin
Chief Financial Officer



Georges Duval
Vice-Chairman,
Delegate CEO,
Alloys Division



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

EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE

The Executive Committee defines and implements the Group's strategy. Centred on it the Chairman & CEO, it is comprised of the Division heads (Nickel, Manganese and Alloys), who are all Delegate CEOs, the Chief Financial Officer and the Vice-President Human Resources. From February 2007, the Executive Committee was strengthened by the addition of the new Vice-President, Communications & Sustainable Development, a position that combines previously separate offices, and the Vice-President Strategy. Some Executive Committee members are in charge of a strategic cross-Group support service: research & development, engineering, information systems and purchasing. As a result, the management body is directly connected to all the Group's strategic activities and functions. It ensures that the Group's employees, partners and stakeholders

are provided with clear information on Eramet's strategic choices.

The Executive Committee also conducts regular reviews of high-potential managers and directly supervises international management.

INTERNATIONAL MANAGEMENT COMMITTEE

This committee was set up in 2004 to leverage new synergy between the Group's entities. For that purpose, it is comprised of Eramet's main executives, with the three divisions and the principal geographic zones represented.

The Committee also supports the Group's intensive international development by facilitating the sharing of information and experiences within international teams. The setup of Eramet China as a common organisation for all Eramet's activities in the country is a clear illustration of that Group momentum.



INTELLECTUAL HONESTY

Challenging oneself calls for courage and intellectual honesty. All the Group's executives have opted to assess each other regularly through a "360°" procedure. This practice is being extended to other managers in the company.



Alain Robert
Delegate CEO,
Nickel Division



Catherine Tissot-Colle
Executive
Vice-President,
Communications
& Sustainable
Development
(from February 2007)



Philippe Vecten
Executive
Vice-President,
Chairman's Office
and Strategy
(from January 2007)

INTERNATIONAL MANAGEMENT COMMITTEE (AS ON JANUARY 1ST, 2007)

Comprised of the Executive Committee
plus the following executives:

Marcel Abéké

Director and CEO,
Comilog SA (Gabon)

Pierre Alla

Delegate CEO,
SLN (New Caledonia)

Benoît Bied-Charreton

CEO, Nickel Chemistry
Business Unit

François Bour

Manganese Ore
& Alloys Business Unit

Joseph Chang

Chairman & CEO, Eramet China

Xavier Chastel

CEO, Aubert & Duval

Édouard Duval

Chairman, Eramet International

Philippe Gundermann

CEO, Erasteel

Alain Pradoura

CEO, Manganese Chemistry
Business Unit

CROSS-GROUP SUPPORT SERVICES

Jean-Pierre Cescutti

Research & Development (CRT)

Antoine Gréco

Industrial Management

Philippe Joly

Financial Communications

Olivier Mongrolle

Information Systems

Alfred Rosalès

Purchasing

Alain Zambetti

Projects and Technology
(TEC Ingénierie)

AUDIT COMMITTEE

The Committee met three times in 2006. Its first meeting focused on the 2005 financial statements and the gap analysis procedure, with presentations by the Audit Committee on internal control and the Finance Department on hedging transactions. The second meeting concerned the first-half 2006 statements and a review of nickel hedging policy. In the Committee's third meeting, the internal audit plan was examined, the audit schedule was set and the Audit Committee's role in hedging policy was defined.

INTERNAL CONTROL

Eramet's audit action plan was launched in 2003 with the aim of auditing every company on the Group (approx. 40 main entities) every year. This goal should be almost completely achieved in 2007. The 2006 campaign included SETRAG,

the company that manages the Transgabonais railway, to which the Group took over the concession to ensure reliable logistics. The SETRAG audit confirmed Eramet's ability to integrate a new activity on the basis of established rules.

COMPENSATION COMMITTEE

Meeting three times in 2006, the Committee determined executive compensation and year-end bonuses, validated the free share grants decided on by the Board of Directors and set goals for 2007. These annual goals are used to base its decisions on a detailed examination of results and actions in the Group's different activities. The Compensation Committee particularly takes into account progress on safety, governance and management.

SHAREHOLDING

FURTHER SHARE PRICE GROWTH

leaders project >

QUEST FOR VALUE-CREATING PERFORMANCE

Eramet's stock market performance reflects its strategic and operating successes. In three years, the share price has increased more than threefold.

ANOTHER YEAR OF SHARP GROWTH AS ERAMET SHARES GAIN 50%

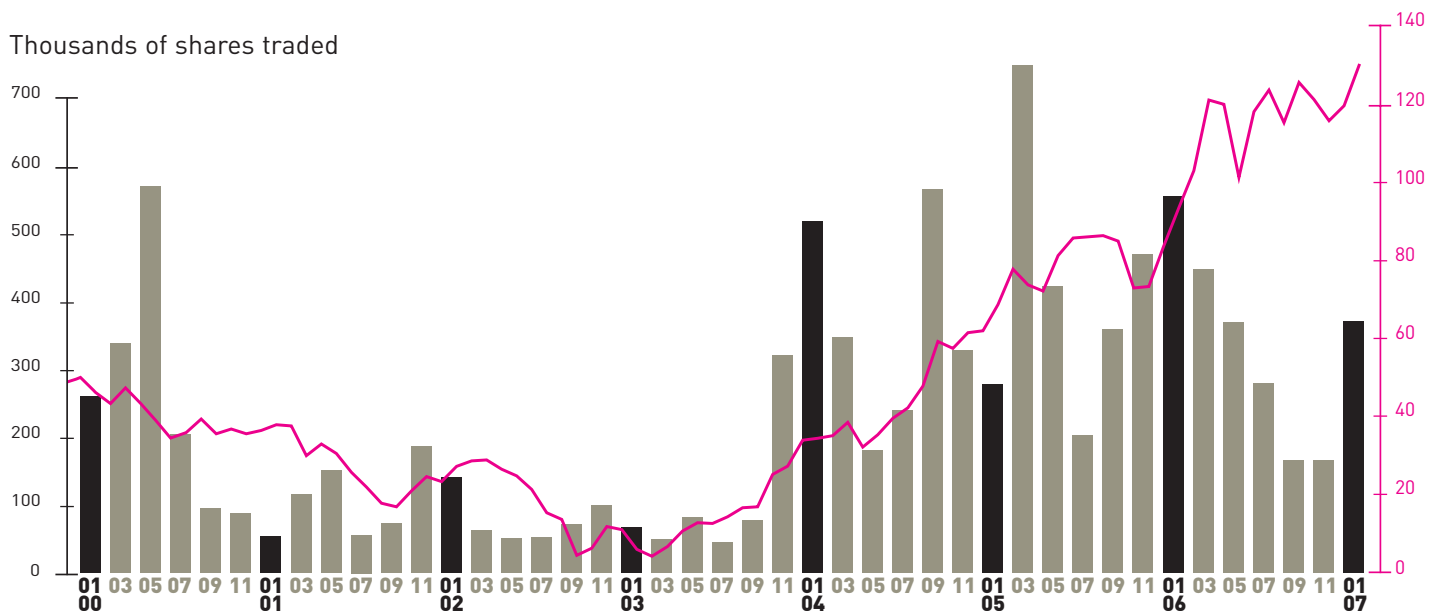
The 50% increase in Eramet's share price follows rises of 22% in 2005 and 73% in 2004. After starting the year at €79, the stock reached a high of €147.40 on April 25th before ending the year at €121.40. This increase is almost three times greater than the rise in the CAC 40 index (+18%), which grew more slowly than in 2005 (+23%). Eramet's market capitalisation totalled €3.142 billion on December 31st, 2006, putting the Group in around 75th place among companies listed on Euronext Paris. Taking into account employees' exercises of new share subscription options, the total number of issued shares as on December 31st, 2006 was 25,880,894, compared with 25,789,874 at year-end 2005. Furthermore, the average trading volume in Eramet stock decreased 23% from 2005.

SHAREHOLDER INFORMATION

The Financial Communications Department implements the Group's information policy with respect to the financial community, investors and shareholders.

In addition to the two meetings organised for analysts and journalists in line with the publication of annual and half-yearly results, several other information meetings were held in Paris, London, Stockholm and Frankfurt. A specific presentation on the acquisition of Weda Bay Minerals was given in May 2006. Eramet's website (www.eramet.fr) was overhauled and enhanced in September 2006. It gives access to all the presentations, press releases (with a subscription option) and financial documents (reference documents and annual reports) produced by the Group.

Thousands of shares traded



ERAMET SHARE PRICE

You can find live a Eramet stock quote on www.eramet.fr

COMPOSITION OF THE BOARD OF DIRECTORS

Board of Directors following the meeting of March 7th, 2007

Jacques Bacardats Chairman & CEO

Yves Rambaud Honorary Chairman

Directors

Rémy Autebert

Chairman, Areva Japan

Georges Duval

Manager, Sorame (Vice-Chairman and Delegate CEO, Eramet)

Édouard Duval

Chairman of Management Board, Sorame

Cyrille Duval

Manager, Sorame

Patrick Duval

Chairman & CEO, CEIR

Pierre-Noël Giraud

Lecturer, École Supérieure des Mines de Paris

Patrick Buffet

Member of the Supervisory Board, Areva¹

Gilbert Lehmann

Member of the Supervisory Board, ASSYSTEM SA (Vice-Chairman, Eramet)²

Louis Mapou

Chairman, STCPI (New Caledonia)

Harold Martin

Chairman of the New Caledonian Congress³

Jacques Rossignol

Former CEO, SNECMA and Arianespace

Michel Somnolet

Former Director, Vice-Chairman and Chief Financial Officer, L'Oréal

Antoine Treuille

Executive Managing Director, Altamont Capital Partners LLC

Areva (represented by Frédéric Tona)

Former Director, Mines-Chemistry-Beneficiation Sector, Areva/NC

1. Director co-opted at the Board of Directors meeting of March 7th, 2007, replacing François Henrot.
2. Director co-opted at the Board of Directors meeting of December 13th, 2005, replacing J.L. Lamy.
3. Director elected at the Shareholders' General Meeting of May 11th, 2005, replacing Pascal Lafleur.

SHAREHOLDER'S DIARY

Wednesday April 25th, 2007
Shareholders' General Meeting

Thursday May 3rd, 2007
Publication of 1st quarter turnover, before trading

Tuesday July 31st, 2007
Publication of 2nd quarter turnover, before trading

Thursday August 30th, 2007
Publication of 1st half results, before trading

Wednesday October 31st, 2007
Publication of 9-month turnover, before trading

Thursday, January 31st, 2008
Publication of 2007 turnover, before trading

Contacts :

Eramet

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33, avenue du Maine 75755 Paris Cedex 15 – France

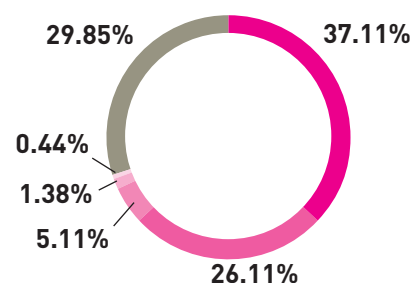
Tel. (33) (0) 1 45 38 42 02

BNP Paribas Securities Services

GCT – Services aux émetteurs

Immeuble Tolbiac 75450 Paris Cedex 09 – France

Tel. (33) (0) 826 109 119



SHAREHOLDING (AS ON DECEMBER 31ST, 2006)

- Sorame + CEIR
- Areva
- STCPI
- BRGM
- Self-held
- Miscellaneous

BRGM: Bureau de Recherches Géologiques et Minières (French state)
STCPI: Société Territoriale Calédonienne de Participation Industrielle (New Caledonian provinces)
Sorame + CEIR: Duval Family

SHAREHOLDERS' AGREEMENT RENEWED

Sorame and CEIR (the Duval family) as one party and Areva as the other signed an Eramet shareholders' agreement on June 17th, 1999. The agreement was entered into for seven years, renewable by one-year periods. It expired on June 30th, 2006 and was renewed from July 1st, 2006.



ERAMET NICKEL INCREASED CAPACITY TO MEET DEMAND

Thanks to firm global capital expenditure, stainless steel consumption was extremely high in 2006, boosting nickel demand to Eramet Nickel's direct advantage. The Division has prepared for healthy market conditions by increasing its capacities.

World #1

FERRONICKEL PRODUCER
AND A TOP 3 PURE NICKEL
PRODUCER.

Production of stainless steel, which contains 8%-9% nickel, rose 14% by volume in 2006. The market environment was favourable, not only in Asia but also in Europe and the United States. Global nickel consumption increased 15% as a result and is unlikely to slow down in 2007. Demand is at record levels but there is little increase in supply.

Inventory absorption at the start of the year stretched the market, fuelling speculation and so keeping nickel prices high all year long. The market tension is creating new behaviour patterns. Additional circuits have been set up, particularly in China where former blast furnaces produced nickel cast iron using ore from the Philippines (approx. 35,000 tons of nickel during the year).

EFFECTIVE CAPITAL EXPENDITURE

The strategy that Eramet has followed for several years is borne out in this profitable but stretched environment.

The capital expenditure programme in progress in New Caledonia will make annual production of 75,000 tons of nickel possible in the short term (see opposite).

The projects already completed at SLN proved their effectiveness in the first half of the year, with performance pointing to annual output of 68,000 tons. Industrial unrest in the second half prevented SLN from reaching that target. The strike that began on September 25th in New Caledonia lasted for a total of 114 days. The conflict had nothing to do with Eramet but its production assets were taken hostage to put pressure on the authorities. The result was a loss of 6,000 tons in nickel production and a shortfall for the company and New Caledonia alike. A return to calm is essential for Eramet to take full advantage of its new capacities and the skills of its New Caledonian teams, which have been reorganised.

The new organisation is more robust and efficient with a separation between the duties of CEO and Industrial Manager, the creation of a Quality, Health, Safety & Environment Department and a Communications Department and a stronger Human Resources Department.

HIGH PERFORMANCE IN SANDOUILLE...

The Sandouville (France) plants produced 13,500 tons of high-purity nickel, mainly intended for the aerospace and nuclear markets. The plant also produces cobalt and iron chloride and is diversifying its activities through nickel derivative compounds. These high-performance products offer high added value. Sandouville is the world's biggest producer of nickel chloride. Some applications are in cutting-edge fields such as electronics markets. In 2007, the site will also produce nickel carbonate for the catalysis market.

Other achievements at Sandouville in 2006 were a zero lost-time accident rate and ISO 14001 certification on October 27th.

... AND AT EUROTUNGSTÈNE

In Grenoble (France), Eurotungstène manufactures tungsten, cobalt and cobalt alloy powders (mostly from cobalt supplied by Sandouville) for the tooling market, particularly binders for diamond tools. The operation is a global specialist that is capable of processing and manufacturing a specific binder for every application. In addition to Eurotungstène's industrial and commercial performance, the company's safety record is good with just two lost-time accidents in the past two years.

leaders project >

CUSTOMER ORIENTATION

Eramet's modern, high-performance industrial assets enable it to offer its customers high-quality products at competitive prices, but also to meet specific needs such as a binder adapted to a particular diamond tool, produced in Eurotungstène's Grenoble (France) plant.

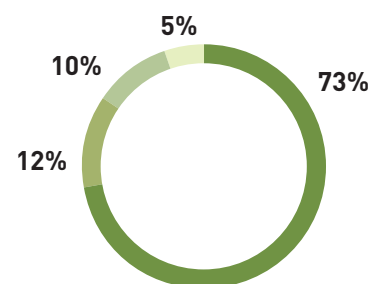
TARGETING 75,000 TONS

In three years, capital expenditure in New Caledonia has more than doubled to total 100 M€ per year. The overhaul of the Doniambo plant (ferronickel and nickel matte production) and the Tiébaghi operation (ore beneficiation) continued in 2006, improving SLN's performance. In Doniambo, the rebuilding of two rotary furnaces and renovation of one electric furnace are scheduled in 2009. A study is in progress for the replacement of the electrical power station by 2011-2015.



TIÉBAGHI MINE IS HELPING TO INCREASE SLN'S PRODUCTION CAPACITY IN NEW CALEDONIA, SET TO REACH 75,000 TONS BY 2008.

2006 FIGURES (IFRS standards, millions of euros)	2005	2006
Turnover	774	1,019
Current operating income	243	388
Net cash flow from operations	321	317
Capital expenditure	68	125
Capital employed	487	743
Average workforce	2,551	2,668



TURNOVER BY MARKET

- Stainless steel
- Chemistry, nickel-plating, miscellaneous
- Nickel alloys (aerospace, power, electronics, coinage)
- Tooling (Eurotungstène)

	2004	2005	2006
Supply	1,259	1,283	1,340
Demand	1,257	1,256	1,349

GLOBAL NICKEL SUPPLY AND DEMAND

thousands of metric tons



ERAMET MANGANÈSE HIGHER PRODUCTION AND PROFITABILITY

With world-class competitiveness and constantly evolving industrial assets, the Manganese division is taking full advantage of favourable market conditions.

World #2

MANGANESE ALLOY
AND ORE PRODUCER

In 2006, Eramet Manganèse benefited from buoyant markets supported by Chinese growth. Although prices remained lower than the exceptional levels of 2004 and early 2005, healthy demand trends meant firm business and satisfactory results for Eramet.

Boosted by a sharp rise in steel production, global demand for manganese alloys grew by over 10%. Eramet's production capacities enabled it to meet that demand by increasing ore output from 2.75 to 3 million tons.

Towards the end of 2006, inventory absorption and steady demand led to an upturn in manganese ore prices. This context was all the more favourable for Eramet because of further capacity extension (see opposite).

MARGIN RECOVERY

The upturn in prices also benefited Eramet's manganese alloy production. Margins recovered in the second half, allowing the Division to post good profitability for the year as a whole.

Business was also excellent for the oil catalyst recycling activity. After the record levels of 2005, the drop in molybdenum and vanadium prices mechanically led to a downturn in results, which nevertheless remained highly satisfactory.

Special products business was more difficult, mostly because of a slowdown in consumption of high-quality chrome for superalloys and Chinese competition on aluminium hardeners.

SIGNIFICANT ORGANIC GROWTH

Full benefit was drawn from healthy market conditions thanks to major organic growth projects. In addition to production capacity extension in Gabon, the Group is developing its industrial assets on several continents. In China, an EMD production plant was built in 2006. Dedicated to the needs of fast-growing local industry and with the potential to form a broader production base in the future, the unit is scheduled to come on stream in 2007.

In Canada, a catalyst recycling plant is under construction to address the sharp growth in demand from the country's oil industry and will start up towards the end of 2007. In parallel, the efforts made in recent years to cut costs have made Eramet one of the world's most competitive producers of both ore and alloys.

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CHALLENGING THE WORK STATUS QUO, MOBILITY

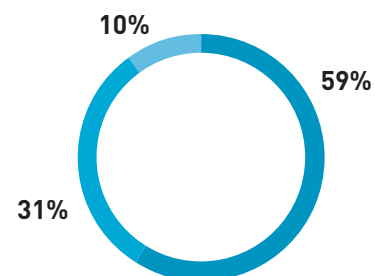
Eramet constantly broadens its offering beyond its traditional activities. Its people's ability to challenge themselves and meet new challenges, often in new territories, contributes to the success of industrial projects like EMD production in China and catalyst recycling in Canada.



3 MILLION TONS OF MANGANESE
WERE MINED AT MOANDA,
GABON IN 2006.

75% PRODUCTION INCREASE IN GABON

Everything is going to plan for the ambitious project of increasing manganese ore production capacity in Gabon from 2 to 3.5 million metric tons per year. The ramp-up is going to schedule, with the 3 million ton mark reached in 2006. Capacity will total 3.3 million tons in 2007 and 3.5 million in 2008. With firm demand driven by Chinese growth and inventory being used up, prices are set to rise again. The extension comes at the perfect time, proving Eramet's ability to plan ahead and make sound capital expenditure choices.



TURNOVER BY MARKET

- Ore and alloys for the steel industry
- Recycling (Mo, Vn) and other
- Ore and products for chemistry

GULF CHEMICAL & METALLURGICAL (USA) IS THE WORLD LEADER IN OIL CATALYST RECYCLING.

2006 KEY FIGURES (IFRS, millions of euros)	2005	2006
Turnover	1,135	1,147
Current operating income	264	170
Net cash flow from operations	184	193
Capital expenditure	94	122
Capital employed	528	587
Average workforce	5,147	6,415



ERAMET ALLIAGES CONSOLIDATED POSITIONS, NEW DEPLOYMENTS

On its different markets, the Alloys division is consolidating its global positions and developing its activities in China.

World #1

IN HIGH SPEED STEELS,
#2 PRODUCER OF CLOSED
DIE-FORGED PARTS
FOR AEROSPACE AND POWER.

The aerospace market is lucrative once more following the 2004 upturn. As the sector accounts for 48% of alloys business in 2007, the turnaround is increasing the Division's profitability and opening up new growth prospects.

Airlines have started to make a profit again; together with rising kerosene prices, this is leading them to upgrade their fleets with new, more fuel-efficient aircraft.

Two constraints can still be felt in this positive context: the depreciation of the US dollar, the currency for most transactions, and the delay of the Airbus A-380, for which Aubert & Duval makes structure and engine parts.

THE MOST MODERN INDUSTRIAL FACILITIES OF THEIR KIND

Business growth is based on a wide range of partnerships with every major player in aerospace: Airbus, Boeing, General Electric, Safran, Rolls Royce...

Aubert & Duval's products include the disks that support engine vanes in Airbus and Boeing aircraft. To increase its market share profitably in this sector, in 2006 Aubert & Duval inaugurated a new plant in Pamiers (France) centred on a 40,000-ton hydraulic press (see opposite). It also has one 22,000 – and one 65,000 – ton press forming an outstanding set of industrial assets – the world's most modern facilities for aircraft disk manufacturing. More generally, through this capital expenditure Aubert & Duval is aiming to become the second-largest supplier of aircraft engine parts in the short term. Aubert & Duval is also one of the top two manufacturers of structure parts.

CREATION OF A DISTRIBUTION CENTRE IN CHINA

From nuclear power to gas turbines and oil, the energy market is also buoyant. Upgrades of steam generators in power stations built in the 1970's and 1980's have resulted in a rise in Areva's orders of generator tubes with Aubert & Duval's customer Valinox. The construction of an EPR in Finland and a similar project in France are also positive factors as the division manufactures high-tech parts for these reactors. Market conditions were less healthy in high speed and tool steels, another major market for Eramet Alliages. Research efforts are coming to fruition with the development of new, highly abrasion-resistant steel grades that can compete more effectively against carbides. Erasteel is the world leader in the powder metallurgy of high speed steels intended for the most testing applications. On the tooling market, 2006 saw the creation of a distribution centre in Wuxi, China. The unit includes a technical assistance service and will build closer relations with customers by making their supply easier and helping to reduce their conversion costs.

leaders project >

TEAMWORK AND DECOMPARTMENTALISATION

The opening of a distribution centre in Wuxi is part of a comprehensive approach to the Chinese market. The different divisions share their experience and combine their strengths to optimise their effectiveness in developing this market.



ERASTEEL'S LANGSHYTAN (SWEDEN) PLANT SPECIALISES IN MANUFACTURING ROLLED STRIP AND WIRE.

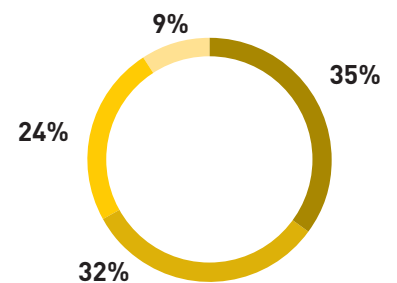
NEW 40,000-TON PRESS IN PAMIERS

Airforge turned out its first industrial part in June 2006. The new production unit in Pamiers (France) is a comprehensive, integrated resource centred on a 40,000-ton press. It also includes a circular rolling mill and product preparation, preheating and heat treatment facilities. France was chosen as the location because of the metallurgical know-how already developed in Pamiers, in particular. The 102 M€ unit is designed to fit with Eramet Alliages' existing two presses: a 22,000-ton tool that is insufficient for aircraft disk manufacturing and a 65,000-ton press that had reached saturation point and will now be focused on structure part production. Airforge's ramp-up should be completed by June 2007, broadening the activity's product range and improving its productivity.



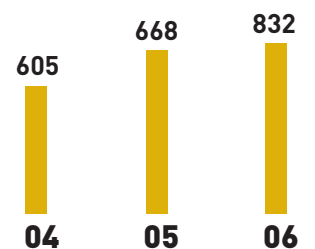
AUBERT & DUVAL'S FIRMINY (FRANCE) PLANT SPECIALISES IN MANUFACTURING LONG CLOSED DIE-FORGED PARTS.

2006 KEY FIGURES (IFRS, millions of euros)	2005	2006
Turnover	811	892
Current operating income	47	62
Net cash flow from operations	(24)	35
Capital expenditure	66	58
Capital employed	661	730
Average workforce	4,555	4,573



TURNOVER BY MARKET

- Aeronautics, space and defence
- Cutting tools, tooling
- Specialities (automotive, medical, transport, mechanical construction)
- Power generation



ANNUAL AIRCRAFT DELIVERIES

Protecting the environment and controlling industrial, health and safety risks are more than major concerns for Eramet – they are a cornerstone of the Group’s worldwide development. By formalising processes in these key areas, Eramet contributes to its sustainable growth. The long-term future is also safeguarded by heavy investment in research & development.

30 ENVIRONMENT

34 HEALTH & SAFETY

38 RESEARCH & DEVELOPMENT



34%

INCREASE IN CAPITAL EXPENDITURE
TO €309 MILLION IN 2006.

SUSTAINABLE GROWTH



ENVIRONMENT STRONGER MANAGEMENT OF THE ENVIRONMENT AND INDUSTRIAL RISKS

Eramet's environmental policy is formalised and managed at Group level. It is implemented on every site through tangible actions and improvements that strengthen its control and anticipation of risks to employees and neighbouring populations.



AN INVESTMENT THAT CUTS DUST RELEASE
BOTH INSIDE AND OUTSIDE THE LES ANCIZES (FRANCE) PLANT.



AIR QUALITY IS MEASURED AT DIFFERENT LOCATIONS IN THE TOWN OF NOUMÉA (NEW CALEDONIA).



SETTLING TANKS COLLECT WATER AT TIÉBAGHI MINE (NEW CALEDONIA).

Eramet's activities come under a sustainable development rationale by their nature. Metals can be recycled almost indefinitely. In a context of global scarcity, optimum use of resources has long been a major issue for the Group. However, as metals can pose risks at some stages in their conversion process, Eramet has set up a firm policy to identify, prevent and control all potential hazards.

A MANAGEMENT APPROACH

This approach was formalised in 2002 with the adoption of an environment charter. The following year, the setup of an environment and industrial risks department helped to turn those principles into actions. The department is supported by a network of around 30 local correspondents. The role of these engineers with environmental training is to define, manage and report back on the actions to be taken in each unit.

In 2006, correspondent teams were bolstered and supported by the rollout of a new audit reference matrix. The more sophisticated and in-depth tool produces an accurate, detailed risk assessment for more effective management. This is an important step forward towards two constant goals: limiting the impact of the Group's activities and anticipating risks to control them better.

ERAGREEN – A NEW INFORMATION SYSTEM

Another fundamental project undertaken in the same spirit is the overhaul of all operating permits with studies analysing risks and impacts on employees and neighbouring populations.

This complex work involves a broad spectrum of skills in engineering, law, chemistry, toxicology, various medical specialties and meteorologists. In parallel, Eramet set up a new information system. EraGreen is specifically designed to facilitate environmental reporting and the pooling of experience. The system was rolled out in France, New Caledonia, Belgium, Sweden and Norway in 2006 and will be extended to Gabon and the United States in 2007.

These developments give the relevant teams immediate access to the Group's environmental data and methodologies. On all sites, indicators track every impact on the environment, from air emissions to energy and water consumption. Commentary is given on the data so that every site can contribute to comprehensive reporting on its activity's impact.

INVESTMENT IN DUST TREATMENT IN LES ANCIZES

A major achievement during the year was the installation of a new dust removal and processing system in the Les Ancizes (France) plant. This approximately €7 million project cuts dust build-up fivefold on average, both inside and outside the plant. The system's performance is set to improve still further over time.



INTELLECTUAL HONESTY, COURAGE

Protecting the environment calls for both these qualities. The setup of an objective, detailed audit matrix for in-depth analysis of operations' environmental performance illustrates the Group's responsible approach.

CERTIFICATION PROCESS FOR ALL INDUSTRIAL SITES

The formalisation of the Group's environmental process is also reflected in its efforts to obtain ISO 14001 certification for all its operations' environmental management systems (EMS). After ISO 14001 certificates were renewed for the Tertre (Belgium) unit's copper recycling activity and obtained for the first time at the Commentry (France) and Eramet Norway operations, a highlight of 2006 was the Sandouville (France) site's certification. Moreover, a "mock" audit at Pamiers (France) in October confirmed the feasibility of certification for the entire site (Aubert & Duval and Airforge) in 2007.

ENVIRONMENT

AN ACTIVE ROLE IN TRADE ORGANISATIONS

The environment and industrial risk department represents Eramet with professional bodies on relevant issues.

Three priorities have been defined in this area:

- contribute actively to the development of scientific knowledge on the Group's products;
- take part in work on industrial companies' new social responsibilities;
- promote knowledge and recognition of the Group's processes and products.

This commitment is implemented on the international (Nickel Institute, International Manganese Institute), regional (Eurométaux, Eimac for the EU) and French (Fedem, FFA, etc.) levels.

As in 2005, work in 2006 focused on REACH, the new European policy for managing chemicals adopted in December 2006 (see opposite).

COLLECTIVE RESEARCH ON HEALTH ISSUES

Eramet takes part in international debates on health issues. Through the Nickel Institute and Eurométaux, the Group contributes to research on health risk assessment methods, identifying any toxicological effects of certain substances and defining relevant and accurate exposure thresholds, etc. Some programmes focus more specifically on alloys, which have different toxicological and chemical properties from their components. The aim is to define a methodology for grouping alloys by type and assessing them.

ASBESTOS: STRICT COMPLIANCE WITH CURRENT LEGISLATION

Like many businesses, in the past the Group's companies used materials containing asbestos for its heat insulation qualities. However, asbestos was never a production component. In this area, Eramet strictly complies with current legislation and faces up to its responsibilities whenever they are proven. In addition to site asbestos diagnoses, special medical monitoring is organised for any personnel likely to have been exposed through their work.

Furthermore, a new Group health policy was launched in 2006 and a consultant physician was recruited in early 2007 to define and disseminate action principles, determine work orientations, enhance expertise, coordinate internal and external aspects, pool experience and achievements and help to develop knowledge.



INITIATIVE AND OPEN- MINDEDNESS

Eramet makes a firm commitment on health issues. Its active participation with other operators, as well as public authorities and other stakeholders, reflects the Group's spirit of initiative and openness.



ADOPTED BY THE EUROPEAN
PARLIAMENT AND COUNCIL
IN DECEMBER 2006, REACH WILL
COME INTO FORCE ON JUNE 1, 2007.

READY FOR REACH

On December 13th, 2006, the European parliament adopted the REACH* ruling. Unlike a directive, the ruling is applied as is, without any adaptation to local law. Its application from June 2007 reverses the burden of proof in risk prevention for around 30,000 "chemicals" including metals and their compounds and applications (e.g. alloys, steel). Businesses now have to assess the substances used in their processes and the impacts they have. The principle is a good one, but its implementation has to be adapted to companies' specificities, to avoid increasing their administrative burden disproportionately. Within trade bodies, Eramet works to have those specificities recognised.

A 3^{1/2}-year period was granted for the registration of all substances produced in quantities over 1,000 tons per year. Moreover, in 2006 Eramet planned ahead of REACH and is working actively on its implementation from 2007.

* Registration, evaluation and authorization of chemicals.



PRESENTATION BY ERAMET AT THE INTERNATIONAL MANGANESE INSTITUTE SEMINAR IN CHANSHA, CHINA.

HEALTH AND SAFETY FURTHER PROGRESS, GREATER MOBILISATION

To ensure the continuous improvement of its management of the health and safety risks related to its activities, Eramet has formalised its policy and practices in this area. The Group's action plans were set up following audits and have led to a significant improvement in results. The rollout of new tools including a more demanding audit matrix and a specific information system is intended to take that progress further.

Eramet's efforts on safety in recent years have resulted in a steady decrease in its lost-accident frequency rate. In 2006, the indicator fell below the rate of 7 accidents per million hours worked. Positive trends include an outstanding performance by Comilog SA (Manganese division). The Gabonese subsidiary has cut its accident rate by 17 in less than three years

since the launch of its safety plan (frequency rate 1.6 vs. 27.3 in March 2004). Other noteworthy successes include zero accident rates in 2006 on eight sites: CRT, Dunkerque, Freeport, Porsgrunn, Tertre, Sandouville, Baltimore and Butler. For three of the operations that recorded at least one accident, it was the first such incident for two years or more on sliding basis.



PROFESSOR BERTRAND DAUTZENBERG, A LUNG SPECIALIST AT LA PITIÉ SALPÊTRIÈRE HOSPITAL (PARIS), SPEAKING AT SLN IN NEW CALEDONIA TO RAISE AWARENESS OF RESPIRATORY RISKS.



SAFETY FACILITATORS, LED BY JACQUES GUITOU, HAVE MADE A MAJOR CONTRIBUTION TO ERAMET PERSONNEL'S AWARENESS OF SAFETY ISSUES.



SAFETY INFORMATION STARTS AT THE ENTRANCE TO A PRODUCTION SITE.

Efforts must be continued and stepped up, particularly in New Caledonia. Eramet Nickel's activity in the territory alone accounts for more than one-third of the Group's lost-time accidents.

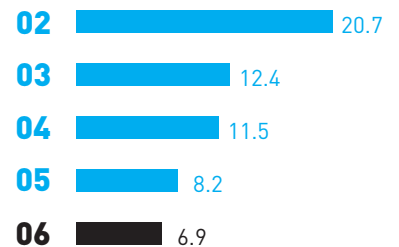
ERALINK, A SPECIFIC NEW INFORMATION SYSTEM

In those efforts, Eramet's people are now supported by a reporting system with a dedicated safety section. Eralink is used to consolidate and circulate every site's safety results, producing a wealth of detailed information available to everyone in real time. Finally, Eramet's site safety teams are strongly urged to analyse the causes of accidents using a common tool and to discuss the corrective actions and best practices to be set up.

A MORE DEMANDING REFERENCE MATRIX

In 2006, 12 Eramet sites benefited from safety audits. These analyses, conducted by auditors who are also site safety facilitators, measured the progress achieved by the ten sites that were already audited in 2004.

The resulting action plans for every site are based on a common safety reference matrix set up in 2000. This document was updated in 2006 by a workgroup comprised of safety facilitators and a consultant. Regulatory developments, feedback and the new requirements of the international standard OHSAS 18001 were all taken into account. The new reference matrix is more demanding but also more practical. In particular, it makes scoring automatic and provides a graphic representation of each site's results. From October 2006, the updated matrix was the basis of training for seven new auditors, safety facilitators and human resources managers in units outside France. The new reference document will be applied from January 2007.



CONSTANT DECREASE IN ACCIDENT FREQUENCY RATE

RAISING AWARENESS OF TEMPORARY PERSONNEL

Temporary workers are subject to the risks inherent in activities, just like the Group's regular personnel. However, it is more difficult to raise their awareness because of their limited time in operations. It is important, therefore, to take specific initiatives aimed at temporary staff. In that spirit and with the aim of setting up dedicated training, Eramet has regular discussions with temping agencies. The Group now intends to develop this process through a more comprehensive, consistent and systematic – in short, more efficient – approach. A collective of different suppliers is being created. This will facilitate the organisation of actions to heighten awareness among temporary staff of Eramet's specificities, rules and behaviour. It will also enable the Group to share its values with its temporary personnel.

HEALTH AND SAFETY COMMUNICATING AND PROGRESSING TOGETHER

From the creation of a safety club to the launch of a new communication campaign on the theme “It’s safe to say we all want to save lives,” a range of initiatives have cut accident risks significantly.



SAFETY DRILLS ARE CARRIED OUT REGULARLY ON PRODUCTION SITES, SUCH AS HERE IN SANDOUVILLE (FRANCE).

Safety facilitators’ knowledge and practices are constantly enhanced through regular meetings. The safety club was set up to formalise these discussions. This specific organisation is comprised of all the Group’s safety facilitators from every site and country. A highlight for the safety club in 2006 was the meeting on October 4th and 5th in Pamiers (France). The event was on an unprecedented scale as 36 participants attended, including 14 from outside France.

A survey of participants showed they appreciated the quality and wealth of information, as well as formal and informal discussions between them and the feeling of belonging created by the event.

A LARGE-SCALE CAMPAIGN ON THE GROUP SAFETY CHARTER

“It’s safe to say we all want to save lives” is the unifying message in several languages for a new communication campaign carried out in 2006 to promote health and safety. More specifically, the aim was to promote Eramet’s recently updated safety charter across the Group. The message’s effectiveness stems from its obviousness and is made even stronger by visuals with which everyone can identify. They feature a wide range of faces representing the different populations in the Group. The campaign’s impact was also enhanced by the personal commitment of Chairman Jacques Bacardats, particularly during his tour of production sites.

This large-scale operation put two messages across to all Eramet’s people. The first was that health and safety should be concerns for every employee, at home as well as in the workplace. The second message is that, because those concerns are so important, everyone must accept the constraints that come with them in the Group.

TRAINING FOR ALL

Beyond the circle of health and safety facilitators, all Eramet employees benefit from robust training in the area. In 2006, all personnel on the Dunkerque and Commentry (France) sites took part in training on “the safety concept.”

This was the second such session at Commentry and was carried out interactively with a message centred on the accidents that had occurred at the plant since the previous session. Mobilisation on safety issues was reflected in lively discussions and participants’ involvement.

Other programmes are more targeted. This was the case in Firminy (France), where a training session was organised for management.

The aim was to raise awareness of the importance of the issues inherent in safety.

An analysis of the training programmes deployed in 2006, carried out jointly with outside consultants, identified four main themes:

- training with in-depth work on employees and their behaviour;
- safety facilitator training;
- highly practical field training, particularly in tools and methods such as fault trees;
- prevention and ergonomics.

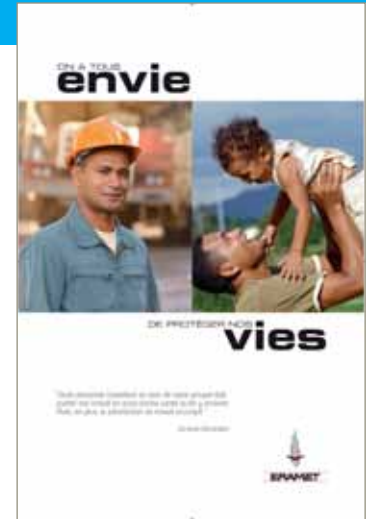
Each type of training can now be assigned to skilled specialists in the respective areas.

A HEALTH ROADMAP FOR 2007

Like the safety club, the physicians' club brings together the players who are directly concerned by health issues. On December 7th and 8th, 2006, every French-speaking occupational physician in the Group (from France, Belgium, Gabon and New Caledonia) met in Lyon (France). The event was also attended by Dr Robert Sahut, Eramet's new consultant physician as of April 2nd, 2007. The meeting resulted in a significant list of health concerns as perceived by physicians on each of the sites in question, particularly as regards addictions (smoking, alcohol, drugs, etc.). Work arduousness and stress are also topical subjects that will lead to discussions and tangible actions in terms of work organisation. The aim is to build a realistic action plan for use as a roadmap for 2007.



COMILOG GABON HAS DIVIDED ITS ACCIDENT RATE BY 17 IN THREE YEARS (FREQUENCY RATE IN 2006: 1.6).



THE SAFETY CAMPAIGN WAS IMPLEMENTED IN SEVERAL LANGUAGES AND ON EVERY SITE WORLDWIDE.

leaders project >

TEAMWORK AND DECOMPARTMENTALISATION

For a critical issue such as safety, teamwork and decompartmentalisation are just as essential as they are in improving collective performance. This is one of the key roles of the health & safety facilitators, but also of the training provided to all employees and the meetings organised on the issue. When it comes to safety, everyone has a part to play and something to learn from others. Strengthening Eramet's culture also helps to improve working conditions.

RESEARCH AND DEVELOPMENT MEETING CUSTOMERS' EXPECTATIONS MORE FULLY

Since the end of 2005, research and development efforts have been stepped up to support the rollout of Eramet's major projects and help to improve products, processes, competitiveness and, more generally, solutions to customer needs. In two years, activity at the Trappes (France) research centre has risen 50%, with results that attest to Eramet's great capacity for innovation. The centre will increase its activity further in 2007.

AT THE ERAMET GROUP'S TRAPPES RESEARCH CENTRE (FRANCE), ENGINEERS AND RESEARCHERS WORK IN LABORATORIES AND ON PILOTS FOR THEIR IN-HOUSE CUSTOMERS.





STUDIES AND ANALYSES ARE CARRIED OUT IN SEVERAL ERAMET LABORATORIES. THE SÖDERFORS (SWEDEN) AND LES ANCIÈRES (FRANCE) SITES SPECIALISE IN ALLOYS.

Research is a major issue for all Eramet's technical businesses. It has a twofold objective: improve industrial processes to strengthen the competitiveness and performance of the Group's operations; and offer customers increasingly efficient and advanced products and solutions that address their constraints and meet their expectations.

CLOSE TO CUSTOMER NEEDS

The Trappes research centre (CRT) is a cornerstone of Eramet's R&D efforts. With state-of-the-art analysis and investigation resources, CRT carried out the Group's research on process improvement and development. This work is done in close cooperation with the different units' specific development teams, which liaise with line management and coordinate the use of findings.

Product development and customer technical assistance are also organised as closely as possible to the Group's product lines, which have their own resources in direct contact with sales teams. This organisation means that the real needs of the Group's units and customers are always taken into account. In the past two years, research efforts have increased substantially. CRT's expenditure has increased from 6.1 M€ in 2004 to 8.7 M€ in 2006 and should total around 11 M€ in 2007. This rise largely corresponds to two major programmes that alone account for one-third of the total budget: development of a hydrometallurgical process for oxidised nickel ores and the study of niobium ore mining and processing in Gabon.

THE RIGHT PROCESS FOR THE WEDA BAY DEPOSIT

Hydrometallurgical research was resumed a few years ago and now has a practical application in the development of a defined process for

the Weda Bay (Indonesia) nickel deposit acquired by the Group in May 2006. CRT is conducting pilot studies on a process that it developed and is perfectly suited to the deposit's location and composition.

NIObIUM – A HIGH-PERFORMANCE SOLUTION FOR A COMPLEX ORE

The project concerns the development of the Mabounié deposit in Gabon. Processing this complex ore is made more difficult by the presence of radioactive elements. A physical enrichment process was developed to produce a 50% concentrate of niobium, a raw material for the pyrometallurgical production of ferro-niobium. CRT resources are managing the process from end to end.

NEW NICKEL-BASED PRODUCTS

A study programme on nickel carbonate manufacturing was completed in 2006 and industrial setup will begin in early 2007. The product is mainly intended for the oil catalyst market. In the pilot study, product samples were manufactured to test the market. Similar programmes are in progress to develop other nickel salts for new markets.

leaders project >

TEAMWORK AND DECOMPARTMENTALISATION

At the Trappes research centre, all the Group's values are in evidence: customer orientation, the quest for value-creating performance, intellectual honesty, courage, initiative and open-mindedness... In 2006, the will to strengthen teamwork and decompartmentalise led to the clarification of the CRT and the Aubert & Duval (Alloys division) research team's respective areas of expertise. Discussions between teams resulted in the definition of common goals and of ways to achieve them together, as effectively as possible to serve the Group.





ERACHEM COMILOG OFFERS ITS CUSTOMERS A PORTFOLIO OF CHEMICAL DERIVATIVES FROM THE HIGH-GRADE MANGANESE MINED IN GABON.

→ A PROGRAMME TO RECOVER MANGANESE MINING WASTE

To improve both the company's competitiveness and its environmental situation, the recovery of previously unusable, very fine ore particles was studied. The first concentrates were produced in 2006.

BETTER ALLOYS

In 2006, CRT installed a field emission gun scanning electron microscope (FEG-SEM). It has been used to observe the microstructures of steels produced in the Group and understand their relationship with certain properties. The accuracy of observations led to breakthroughs in interpretation and so to product improvements.

The reindustrialisation of the Commentry (France) wire drawing workshop is another issue.

Two significant improvements are being targeted: substantially lower product costs and shorter lead times. This is a major challenge with customer loyalty at stake. To meet it, the process was overhauled and a pilot facility set up at CRT.

This is an exciting programme for several reasons. The pilot facility revealed previously unknown basic phenomena in high speed steels. New applications are already being studied, as research also means discovering unknown phenomena that generate new ideas, original processes and innovative products.



ERAMET'S R&D ENABLES IT TO OFFER INCREASINGLY EFFECTIVE PRODUCTS. PICTURED: KEEN®, A RANGE DEVELOPED AND MARKETED BY EUROTUNGSTÈNE IN GRENOBLE (FRANCE).

ADAPTING RESEARCH RESOURCES TO NEW PROGRAMME DEVELOPMENTS

The crucial issues of developing a hydrometallurgical process for nickel ores, on one hand, and producing ferro-niobium within a short timeframe, on the other, led to changes in the research centre's organisation. In line with the significant rise in the number of continuous pilot programmes, dedicated teams were set up and the workforce was increased substantially.



MAINTAINING, ENHANCING AND PASSING ON SKILLS

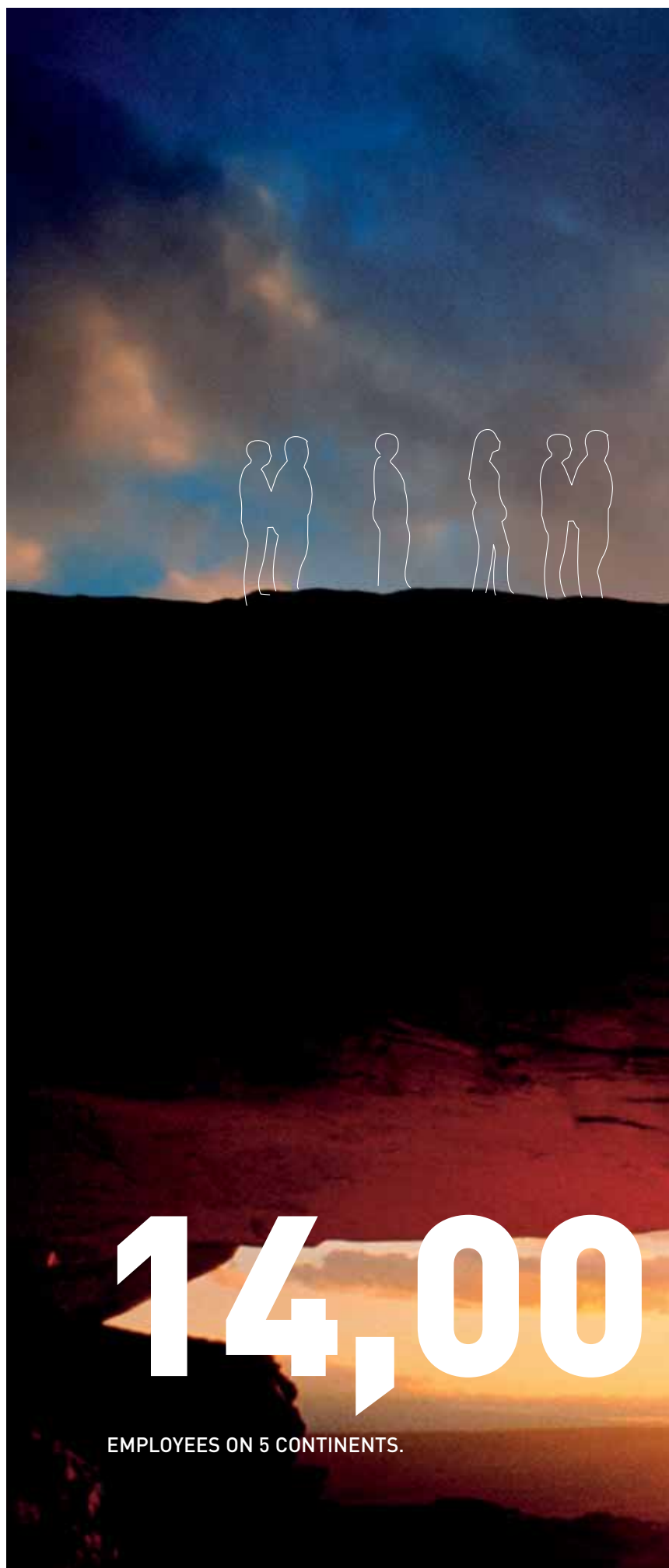
CRT's growth means an increase in staffing, with around 30 new recruits in the past two years taking the centre's workforce to 90 people in 2007. In parallel to this almost one-third growth in human resources, partnerships with other laboratories and subcontractors have been developed. CRT is also strengthening its links with leading engineering schools such as Mines de Paris, Mines de Nancy and Ecole Centrale. These closer relations include rewarding internship offers for students. More generally, students visiting the centre discover the reality of research and its technical challenges and career opportunities. The actions taken with leading schools also help to attract the best candidates and raise the standard of recruitment.

Eramet's growth strategy is supported by the skills and commitment of its people, so it should help them to find fulfilment in their work. This gives human resources a crucial role. It also makes the mobilising and unifying Group programme *Leaders* a central issue. A common international culture is growing stronger and stronger at Eramet. Even beyond the scope of the Group's businesses, that culture can be seen in its commitment to initiatives that foster integration with neighbouring communities.

44 HUMAN RESOURCES

46 LEADERS

50 COMMUNITY INTEGRATION



HARMONIOUS GROWTH



0

HUMAN RESOURCES

A STRATEGIC, UNIFYING ROLE

Human resources management plays a strategic role in the Group's development. By fostering personnel integration, the sharing and rewarding of skills and employee commitment and fulfilment, it helps to create a common culture.

In a group of 14,000 employees with 19 nationalities over 5 continents, human resources management plays a crucial role. The wealth and complexity of know-how makes it all the more strategic. The human dimension at Eramet is a decisive factor in the Group's consistency, functioning and success. To the extent that many priority projects in the *Leaders* programme directly concern human resources, including sharing strategy, defining goals, compensation policy, mobility and capitalising know-how.

Each project is comprised of a number of practical actions. For human resources, 2006 was largely given over to support initiatives. Substantial progress has already been made in several areas. In each case, it is embodied in new common tools and fosters the emergence of a shared culture through personnel's involvement in the projects (see following pages on the *Leaders* programme).

NEW SOCIAL FUNDAMENTALS

In addition to supporting *Leaders* projects, human resources management continues to set up new social fundamentals. The aim is to provide employees of all nationalities with efficient benefits, an approach that also strengthens their buy-in to the Group's values. Following the signing in late 2005 by trade unions of an agreement on accident insurance, a new agreement was concluded in France. The highly innovative mechanism enables employees facing personal difficulties to take time off to deal with them while receiving their salary.

The quality of industrial dialogue at Eramet is conducive to this kind of initiative. In the same spirit, a new health insurance system is being negotiated with unions.

COLLECTIVE APPROACH, INDIVIDUALISED MANAGEMENT

More generally, the Group's social policy uses a collective approach to ensure management that takes individual needs into account. This dual momentum is seen in the health and safety action programme. New approaches were developed in 2005 and grasped by personnel in 2006. In parallel, a project was launched with the aim of rolling out a specific programme on addictions with the Group's occupational physicians.

4 PRIORITIES

- 1. RECRUIT AND INTEGRATE:** in a competitive context, resources have to be optimised to attract the talents the Group needs for today and tomorrow.
- 2. REWARD:** to compensate collective and individual skills and performance fairly, they have to be appraised objectively.
- 3. ENERGISE:** strengthening personnel's skills and employability is not just favourable to the company but also to the employees themselves as it gives them greater control over their career development.
- 4. RETAIN:** the Eramet Group intends to take full advantage of its primary assets – its employees – by building their feeling of belonging.

Leaders project >

MAINTAINING, ENHANCING AND PASSING ON SKILLS

Training is a major issue for Eramet. Beyond the development of skills needed for new industrial projects and personal fulfilment, passing on know-how is a critical need. That is why Eramet takes on a large number of students on internships. At Erasteel, a pilot project on methodology for know-how transmission made significant progress in terms of the process to be implemented at Group level.

SUPPORTING INTERNATIONAL DEVELOPMENT

Human resources support Eramet's three divisions in their international deployment. With major projects completed in 2006* or in progress, China is a strategic region for the Group. Eramet China represents more than 2,500 people and the workforce is likely to grow. Working with local managers, human resources management strives to create a consistent local structure in line with the Group's values and the goals of *Leaders*, in a complex and constantly evolving legal and cultural context. Another issue is the training of local teams to address the skills shortage in some areas.

* Including the Aubert & Duval distribution centre in Wuxi (Jiangsu, West of Shanghai) and the manganese chemistry plant in Chongzuo (Guanqxi, southern China).



UNDER THE *LEADERS* PROGRAMME, THE PAMIERIS (FRANCE) SITE HAS FOCUSED ON SAFETY AND CUSTOMER SERVICE.

LEADERS

A NEW MOMENTUM IN ACTION

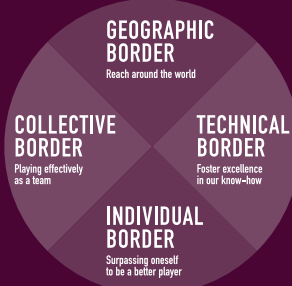
The *Leaders* programme was launched in 2005 and rolled out across the Group in 2006. Centred on and carried by employees, this corporate project is creating a new momentum.



1 OBJECTIVE

PROFITABLE, SUSTAINABLE
AND HARMONIOUS GROWTH

4 BORDERS

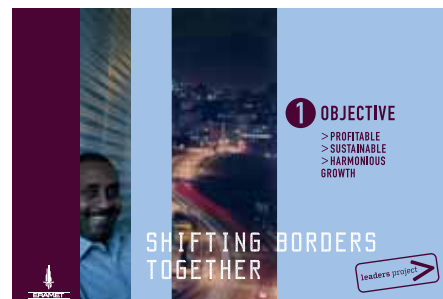


7 VALUES

- 1_ CUSTOMER ORIENTATION
- 2_ QUEST FOR VALUE-CREATING PERFORMANCE
- 3_ INTELLECTUAL HONESTY, COURAGE
- 4_ INITIATIVE AND OPEN-MINDEDNESS
- 5_ CHALLENGING THE WORK STATUS QUO, MOBILITY
- 6_ TEAMWORK AND DECOMPARTMENTALISATION
- 7_ MAINTAINING, ENHANCING AND PASSING ON SKILLS

SHIFTING BORDERS TOGETHER





THE INFORMATION CAMPAIGN ON THE LEADERS PROGRAMME WAS CIRCULATED ON EVERY ERAMET SITE IN EVERY COUNTRY.

Eramet's growth strategy is founded on its vital assets – its 14,000 employees. As participants in the Group's success, they are directly concerned by its issues, projects and future. How is Eramet's strategy shared with its people? How can they contribute more to its performance? That was the starting point for *Leaders*: on every continent, share a single corporate project that unifies the Group and establishes a new mindset. In other words, fostering the emergence of a performance based culture where all employees feel they belong, contribute their know-how and share their talent. *Leaders* is a collective programme in both its ambitions and its workings. The steering committee is chaired by Group Chairman & CEO Jacques Bacardats and represents various line and support entities. One year on from the project's launch, the management seminar on September 22nd and 23rd was an opportunity to measure personnel's ownership of the programme, as well as the progress made of which examples follow.

NEW STANDARDS FOR ANNUAL PERFORMANCE APPRAISALS (APA)

These individual interviews were not carried out systematically enough until now, with only 60% of the management population benefiting from an APA from the end of 2005 to the beginning of 2006. Under a new organisation, 2006 appraisals began on November 1st with a deadline of February 28th, 2007. The target is to complete 100% of all APAs and notify salary adjustments from mid-March with retrospective effect from January 1st. Special attention is given to mobility during the interviews. All movement aspirations are reported on division then Group level, ensuring that an individual answer is given to every case.

The Group's seven values are also a major theme. The manager defines improvement areas in line with the three values that are most important to each employee's mission.

To make sure the appraisals are a success, 1,400 managers will receive specific training in 2007. Every step is taken to ensure APAs work as a key vector of the Group's culture, clearly identify every manager's priorities and goals, provide an objective basis for salary reviews and foster mobility.

A SPECIFIC MOBILITY PROCEDURE

"Mobility" sheets are filled in by employees during their APA, then processed by HR and profession committees to match candidates with vacancies. A career interview helps to define candidate's wishes according to their skills. Among other initiatives, Erajob, a new Intranet job exchange, opened. Offers are shown exclusively for at least two weeks before being published outside the Group. Interested managers can find out about the vacancies online. As regards international mobility, a benchmarking study was conducted so that a common policy could be formalised. The precise new rules define every procedure concerning international transfers, including expatriation, compensation, tax, vacations, moving house, schooling and local sponsorship.





SHARING COMMON RULES ON HUMAN RESOURCES MANAGEMENT WILL HELP BUILD COHESION.



A CLEAR, CONSISTENT COMPENSATION POLICY

Another priority action in *Leaders* is to make compensation policy clearer. Here too extensive groundwork is in progress. As for mobility, the specific mechanisms of the Group's different units and the practices of other companies were examined. New goals were identified and turned into clear rules to take better account of young, high-potential and expert managers and to integrate a variable part into senior managers' compensation. The new, more transparent system will fill the gaps that remained for young managers, bringing Eramet's salaries into line with the market. More generally, sharing common rules across the Group will foster cohesion.

The new system will be set up in France in 2007, with the variable part of compensation phased in over three years until 2009. International deployment will be completed by the end of this year.

TECHNICAL LEADERSHIP: ENHANCING SKILLS FOR THE LONG TERM

The goal of the technical leadership project is to develop and pass on the know-how and skills that the Group's operations need. A methodology has been drawn up for the defined skill sets (e.g. geology, mining and metallurgy, industrial data-processing). Inventory was taken to identify specific skills. Certain individuals were recognised as the expert "pillars" who hold those key skills. As these positions require prior experience within the Group, they cannot be filled from outside in the event of a vacancy.

On that basis, succession plans were projected 6-8 years into the future. The aim is to deploy relevant recruitment plans through tailor-made actions with teaching institutions, a dynamic internship policy, the creation of talent pools for young employees and the recording of in-house knowledge. The outcome should be the successful transmission of knowledge in the Group's critical professions – a key performance factor for the future.

JOINT ACTIONS FOR BUSINESS DEVELOPMENT

The priority projects in *Leaders* are interrelated and in some cases even implemented jointly. The combination and Group-wide extension of Technical Leadership and Recruitment actions will make career planning easier and improve integration of essential resources for business development. In the Manganese division, for example, there are projects in niobium, manganese chemistry and mining. New skills will be developed inside the Group and sourced outside. Technical Leadership actions will identify and quantify future needs that the Recruitment project will satisfy. The Mobility project could be added as it is designed to facilitate not only in-house recruitment but also access to crucial resources in regions where the workforce does not yet have the relevant technical culture.



A MANAGEMENT SEMINAR IS ORGANISED IN FRANCE EVERY SEPTEMBER, BRINGING TOGETHER AROUND 100 SENIOR MANAGERS FROM AROUND THE WORLD.

A PROJECT FOR ALL

Implementation of *Leaders* in 2006 mainly concerned Eramet's managers. However, the programme's ambition is wider in scope. *Leaders* is intended for all the Group's employees, regardless of their job, nationality or location. In 2007 mobilisation will begin for foremen, technicians and workers. Drawing on the momentum already created, this extension will involve them fully in the project's goals. The tools and processes for grasping and disseminating the *Leaders* programme will be tested through with a few pilot sites and in close liaison with trade unions.



THE GROUP'S INTERNET AND INTRANET SITES HAVE BEEN REDESIGNED. AS WELL AS BEING MORE USER-FRIENDLY, THEY NOW OFFER COMPREHENSIVE INFORMATION ON ERAMET AND ITS ACTIVITIES.

PROGRESS IN 2006

➤ Clarity projects

- Share strategy with personnel: tour of Group sites by Chairman & CEO Jacques Bacardats, distribution of strategy explanation material.
- Make internal communications systematic: Eranet, the new communication intranet, formalising of Group communications plan.
- Create an Eramet image: launch of a corporate image campaign in France in November.

➤ Infrastructure projects

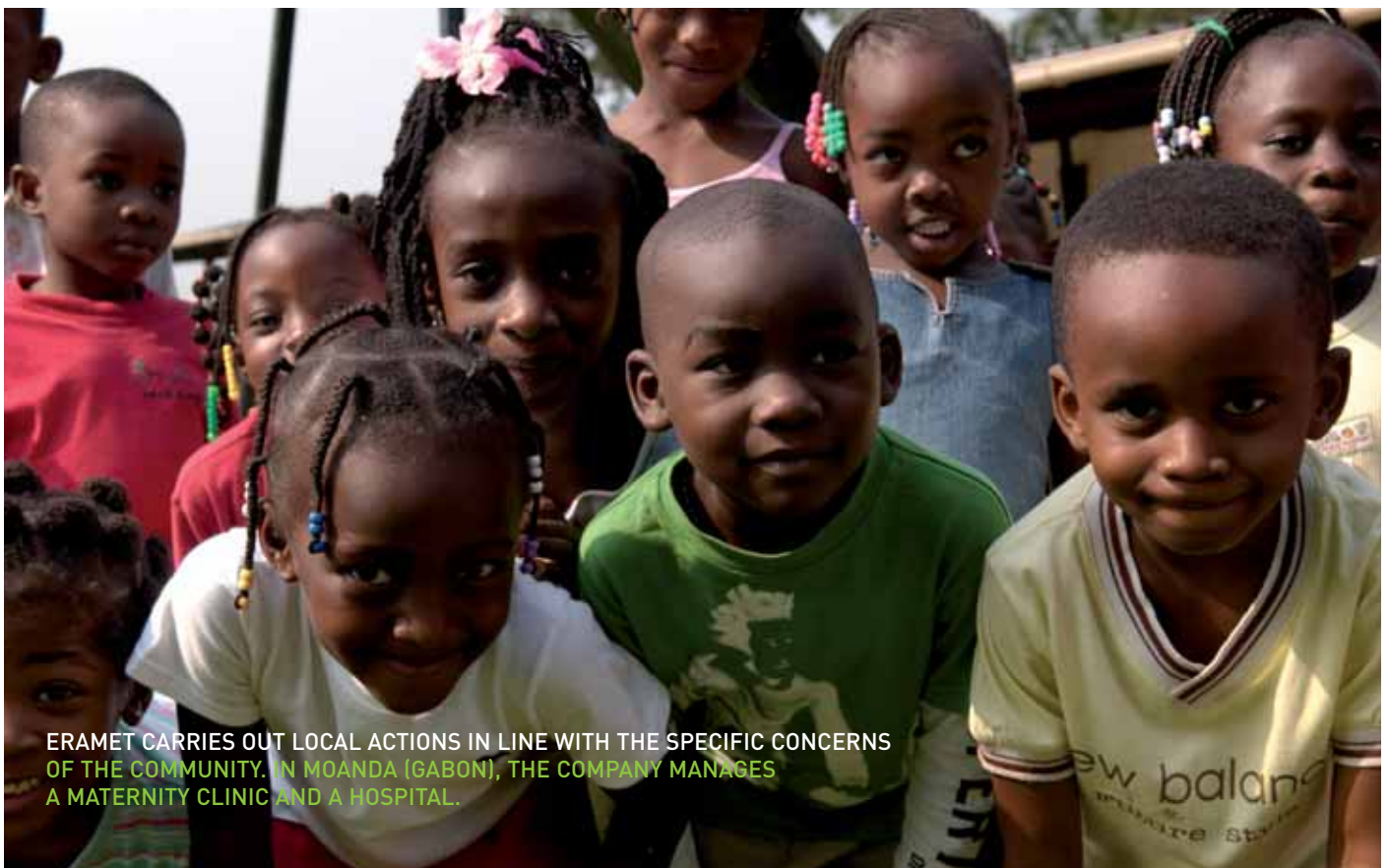
- Make compensation policy clear: definition of a Group policy for France based on a detailed diagnosis of the current situation.
- Develop mobility: new international mobility policy, revival of profession committees, creation of Erajob.
- Rebuild our technical leadership: study of three key skill sets.
- Rebuild annual performance appraisals: new tools for these assessment interviews.

➤ Mobilisation projects

- Encourage initiative: definition of tools to promote initiative, launch of 9 specific projects with significant initiative issues.
- Develop Group's wide teamwork: launch of 3 progress task forces, definition of the 10 commandments for project management.
- Work better between different nationalities: rollout of *Leaders* in 5 countries (Norway, Swede, United States, Gabon, China) on the subjects of their choice.

COMMUNITY INTEGRATION AN ACTIVE CONTRIBUTION TO SOCIAL AND CULTURAL DEVELOPMENT

In addition to its commitment to protect the environment and control industrial risks, the Eramet Group takes part in economic, social and cultural projects in the different countries where it is active. This contribution strengthens its local roots and its bond with the population.



ERAMET CARRIES OUT LOCAL ACTIONS IN LINE WITH THE SPECIFIC CONCERNS OF THE COMMUNITY. IN MOANDA (GABON), THE COMPANY MANAGES A MATERNITY CLINIC AND A HOSPITAL.

In many countries, the Eramet Group's businesses give it a major social and economic role. In New Zealand and Gabon, mining is based on a partnership with local authorities. In both locations, Eramet's activities are essential to development.

A MAJOR ECONOMIC AND SOCIAL PLAYER IN NEW CALEDONIA

In New Caledonia, Eramet operates five nickel deposits and a ferronickel production plant with Société Territoriale Calédonienne de Participation

Industrielle (STCPI). Representing the territory's three provinces, as of 2006 STCPI holds a 5% stake in Eramet and 30% of its local subsidiary, SLN. SLN directly employs 2,200 people and has led to the creation of almost 1,000 indirect jobs. It contributes to a better balance in favour of Northern Province and is a pioneer on social issues with employees enjoying far better treatment and protection than under local practices. Through its tax contributions, SLN also provides New Caledonia with around 10% of its budget resources.



AT THE JOB FAIR ORGANISED BY SLN, HIGH SCHOOL STUDENTS COULD GET INFORMATION AND TOUR THE DONIAMBO PLANT.



MARCEL ABEKE ET JACQUES BACARDATS LAUNCH THE GAMMA PLAN IN GABON, IN THE PRESENCE OF THE MINISTER FOR THE FIGHT AGAINST AIDS.

Fully integrated into local life, SLN supports a number of social and cultural initiatives. These include "les Nickels de l'Initiative," a programme created 14 years ago. Since then, 900 projects have been filed and 180 supported for a total amount of almost €600,000. Moreover, SLN communicates extensively with local authorities and keeps environmental associations and local populations informed of its projects. The company favours subcontracting to local companies, as was the case for the construction of the Tiébaghi ore beneficiation plant.

A LONG-STANDING CONNECTION IN GABON

The Gabonese state owns a 25% interest in Eramet's subsidiary Comilog. The capital invested to increase manganese production contributes to the country's socio-economic development. Local authorities also showed their confidence in granting the concession to the Transgabonais railway to Comilog for 30 years. As a result, traffic has improved for passengers, goods and manganese ore alike. Eramet is closely involved in Gamma, a programme for the prevention of AIDS, an illness that heavily afflicts young adults in Gabon. Humanitarian and economic interests meet in the programme, as AIDS is a major health problem for Comilog employees as well as the general population.

OPENNESS AND INTEGRATION IN ALL COUNTRIES

This community integration is a feature of all the Group's subsidiaries. For example, Eramet Norway maintains close relations with local communities, particularly by presenting its projects and gathering their views. It also supports schools in their sports, cultural and scientific programmes, with specific actions that reward entrepreneurship and innovation. In France, Aubert & Duval is involved in the industrialisation of the Combrailles region of Auvergne. The Les Ancizes operation works with local authorities to energise employment and economic activity, especially through initiatives to pass on knowledge such as apprenticeships. In 2006, the programme reached the milestone of its 100th apprentice. To give young machining technicians easier access to employment, the Issoire and Les Ancizes units signed a partnership agreement with regional education authorities. This was just the second agreement of its kind in France, after vehicle manufacturer PSA. In addition, an agreement was signed with the European Union and the Auvergne region to help people in difficulty return to work.



INITIATIVE AND OPEN-MINDEDNESS

For the 5th year running, SLN signed an agreement with ADIE, an association for the right to economic initiative with the pledge of an annual gift of €16,000. ADIE specialises in loans to people with business projects (fishing, catering, laundry, etc.) but no access to bank credit. Since 1999, the association has helped to fund 1,400 projects, more than two-thirds of which remained in business after five years.

OPENING OPERATIONS TO CULTURAL EVENTS

In addition to its economic and social commitment, Eramet supports cultural initiatives and opens its plants to the public. In 2006, the Les Ancizes (France) unit housed Anne-Sophie Emard's poetic video installation *Didascalies*, inspired by the plant's exceptional setting. On the Pamiers (France) site, a concert was held as part of the Gabriel Fauré music festival.

FINANCIAL STATEMENTS

ROCE

36%

CONSOLIDATED FINANCIAL STATEMENTS

For the third year running, Eramet's performance was excellent in terms of income and operating cash flow, thanks to first-class industrial and commercial bases that enable the Group to draw full benefit from outstanding growth on its main markets - steelmaking and aerospace. Eramet's very sound financial position and the growth in its operating cash enable it to fund an ambitious programme of internal and external growth.

INCOME STATEMENT

Sales

The Group's consolidated sales totalled €3,056 million, compared with €2,712 million in 2005. This represents a 12.7% rise, 10.9% of which was from organic growth.

The Nickel division posted turnover of €1,019 million. This 31.6% increase from 2005 was driven by sharp rises in nickel prices (up 20% after hedging) and growth in sales (64.7 Kt for 57.2 Kt), despite production losses at Le Nickel-SLN due to sporadic industrial action and a strike in the second half of the year.

The Manganese division's sales totalled €1,147 million, up 1.1% from 2005. This slight increase is due to:

- a sharp drop in manganese ore and alloy prices (down 21%, CIF price, and 8%, respectively) offset by higher volumes, primarily for ore (up 127%),
- lower turnover for the recycling activity (negative price effect on molybdenum and vanadium sales), and
- an increase in the division's scope (+€50 million with the consolidation of Bear Metallurgical Corp. in the USA and SETRAG in Gabon).

The Alloys division recorded a 10% increase in sales (€892 million vs. €811 million in 2005) with:

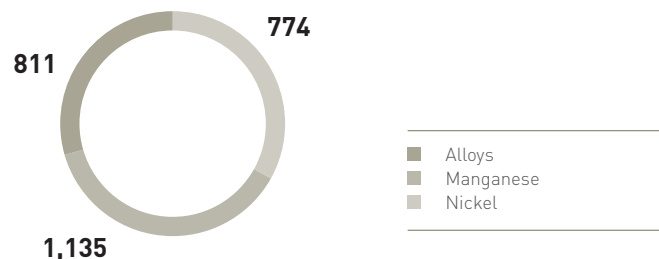
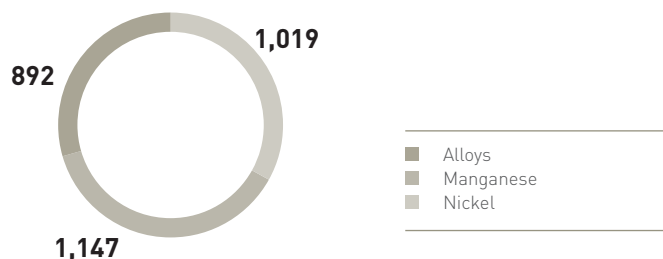
- continued growth in demand on the aerospace and power markets and significantly higher sales prices at Aubert & Duval (sales up 19.8%),
- lower sales at Erasteel (-9.9%) because of a downturn in conventional high speed steels, particularly in Asia, the effect of a decrease in raw material prices on sales prices and a change in the product mix.

Current operating income

Current operating income totalled €607 million, compared with €542 million in 2005.

This represents an operating margin of 20%, on a par with 2005.

- In the Nickel division, current operating income rose 59.8% from €243 million in 2005 to €388 million (operating margin 38%), despite the effect of industrial action at Le Nickel-SLN, evaluated at €100 million.
- It totalled €170 million for the Manganese division (operating margin 14.8%). This decrease from 2005 (€264 million) resulted from lower sales prices that were not offset by higher volumes.



2006 SALES
(€ millions)

2005 SALES
(€ millions)



- For the Alloys division, current operating income increased to €62 million (operating margin 7%), up from €47 million in 2005, with significant growth for Aubert & Duval but a slight decrease for Erasteel.

Operating income

At €630 million, operating income was lower than in 2005 (€654 million), when it included extraordinary income of €126.7 million (excluding minority interests) as a result of the conclusion of the Bercy agreements (Poum/Koniambo indemnity) on December 31st, 2005.

Net income

Net income totalled €460 million, compared with €518 million in 2005, after allowing for €174 million in income tax. This represents an effective tax rate of 27% as against 20% in 2005, a very low rate that reflected the non-taxation of the extraordinary income mentioned above.

Net income, Group share

At €319 million compared with €377 million in 2005 (€300 million excluding the Poum/Koniambo indemnity after minority interests), the Group's share of net income represented a net amount per share of €12.38 euros compared with €14.76 and €11.76 excluding the Poum/Koniambo indemnity.

FINANCING*

The Group's net cash totalled €353 million as on December 31st, 2006, close to its year-end 2005 level (€364 million).

This change results from the following flows:

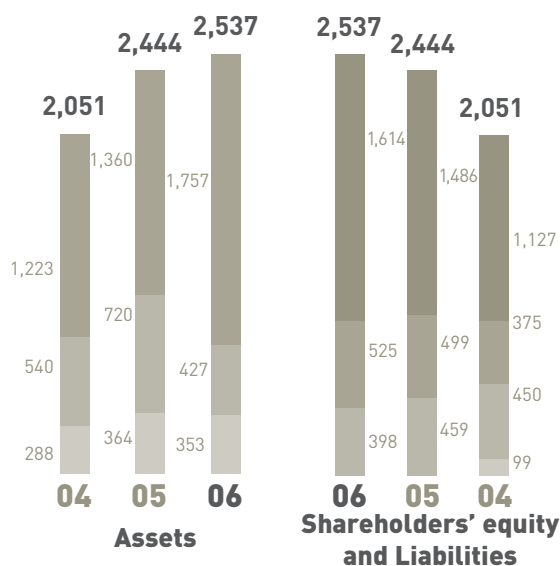
- €543 million in net cash flow from operating activities (€478 million in 2005), given gross cash flow of €594 million and an increase in working capital requirements of €51 million.
- -€462 million in net cash flow resulting from investing activities, mostly comprised of -€309 million in purchases of long-term assets, €164 million in costs for the acquisition of Weda Bay Minerals Inc., net of acquired cash and after €14 million in public subsidies paid to Le Nickel-SLN to finance the Tiébaghi beneficiation plant.
- -€93 million in net cash flow from financing activities, of which €54 million in dividends paid to Eramet shareholders and €44 million to minority shareholders.

* Cash flow statement.

CONSOLIDATED BALANCE SHEET

The Group's consolidated balance sheet assets amounted to €4,201 million, compared with €3,416 million as on December 31st, 2005. Intangible assets increased significantly to €320 million, compared with €72 million at the end of 2005, by allocation of the gross fair value of Weda Bay Minerals Inc. to mining assets. Simplified working capital (inventory, receivables, operating payables) was €1,038 million as on December 31st, 2006 (124 days' turnover), compared with €942 million as on December 31st, 2005 (127 days' turnover). Current liabilities rose significantly (€1,327 at year-end 2006 vs. €796 million at year-end 2005) as a result of gross financial debt (use of commercial paper), change in derivatives (application of IAS 32 and 39 standards*) and an increase in tax debt. Shareholders' equity increased from €1,985 million at the end of 2005 to €2,139 million at the end of 2006.

* Change included in working capital requirements.



CONSOLIDATED BALANCE SHEET

(€ millions)

BALANCE SHEET

(IFRS standards, millions of euros)

	2006	2005
Assets		
Goodwills	36	35
Intangible assets	320	72
Property, plant and equipment	1,331	1,193
Companies accounted for using the equity method	3	11
Other financial assets	67	62
Deferred tax	266	127
Other fixed assets	6	6
Total fixed assets	2,029	1,506
Inventories	769	760
Trade receivables	631	517
Tax receivables	74	85
Financial derivatives	55	25
Cash and cash equivalents	643	523
Total current assets	2,172	1,910
Total assets	4,201	3,416
Shareholders' equity and liabilities		
Share capital	79	79
Share premiums	222	219
Reserves	999	793
Translation adjustments	(5)	18
Net (loss) income	319	377
	1,614	1,486
Minority interests	525	499
Shareholders' equity	2,139	1,985
Personnel commitments	125	145
Provisions	171	187
Deferred tax	340	234
Borrowings – long-term portion	72	49
Other non-current liabilities	27	20
Non-current liabilities	735	635
Provisions – short-term portion	28	20
Borrowings – short-term portion	218	110
Current trade payables	569	543
Tax payables	145	80
Financial derivatives	367	43
Current liabilities	1,327	796
Total shareholders' equity and liabilities	4,201	3,416

INCOME STATEMENT

(IFRS standards, millions of euros)

	2006	2005
Sales	3,056	2,712
Other income	10	36
Cost of products sold	(2,171)	(1,916)
Administrative & selling costs	(102)	(106)
Research & development expenditure	(35)	(32)
EBITDA	758	694
Fixed asset amortisation and depreciation	(144)	(127)
Depreciation expense, provisions	(7)	(25)
Current operating income	607	542
Other operating income and expense	23	112
Operating income	630	654
Net cost of debt	7	(3)
Other financial income and expense	(4)	(9)
Share in earnings of affiliates	1	2
Income tax	(174)	(126)
Net income	460	518
- Minority interests	141	141
- Group net (loss) income	319	377
Net (loss) income per share (EUR)	12.38	14.76
Net (loss) income per share fully diluted (EUR)	12.28	14.62

CASH FLOW STATEMENT

(IFRS standards, millions of euros)

	2006	2005
Operating activities		
Ebitda	758	694
Elimination of non-cash or non-business items or non-business items	(164)	(63)
Cash flow	594	631
Net change in operating assets and liabilities	(51)	(153)
Net cash flow from operating activities	543	478
Investing activities		
Purchases of long-term assets	(309)	(231)
Financial investments	(192)	(32)
Disposals of long-term assets	17	19
Investment subsidies received	14	-
Changes in accounts payable and liabilities on long-term assets	(4)	(113)
Consolidation adjustments	11	21
Dividends from equity accounted companies	1	2
Net cash flow from operating activities	(462)	(334)
Financing activities		
Dividends paid	(98)	(73)
Share capital increases	3	1
Net change in financing-related assets and liabilities	2	1
Net cash flow from financing activities	(93)	(71)
Translation adjustments	1	3
Increase (decrease) in net cash position	(11)	76
Opening cash balance	364	288
Closing cash balance	353	364

CHANGES IN SHAREHOLDERS' EQUITY

(IFRS standards, € millions)

	Number of shares	Share capital	Premiums	Reserves	Translation	Net income	Total Group share	Minority interests	Total
Shareholders' equity as on January 1st, 2005	25,744,944	79	218	527	(6)	346	1,164	391	1,555
Allocation to 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
Change in financial instrument reappraisal reserve - IAS 32 & 39	-	-	-	(38)	-	-	(38)	(19)	(57)
Payments in shares	-	-	-	2	-	(2)	-	-	-
Other adjustments	-	-	-	-	-	-	-	2	2
Net (loss) income	-	-	-	-	-	379	379	141	520
Shareholders' equity as on December 31st, 2005	25,789,874	79	219	793	18	377	1,486	499	1,985
Allocation to reserves	-	-	-	377	-	(377)	-	-	-
Dividends paid	-	-	-	(54)	-	-	(54)	(44)	(98)
Share capital increase	91,020	-	3	-	-	-	3	-	3
Translation adjustments	-	-	-	-	(23)	-	(23)	(6)	(29)
Purchase of treasury shares	-	-	-	2	-	-	2	-	2
Change in financial instrument reappraisal reserve - IAS 32 & 39	-	-	-	(121)	-	-	(121)	(81)	(202)
Payments in shares	-	-	-	2	-	(2)	-	-	-
Other adjustments	-	-	-	-	-	-	-	16	16
Net (loss) income	-	-	-	-	-	321	321	141	462
Shareholders' equity as on December 31st, 2006	25,880,894	79	222	999	(5)	319	1,614	525	2,139

GLOSSARY

PROCESSES

Acid leaching

Processing oxidised nickel ores (laterites) by putting them into an acidic solution.

Alloy metallurgy

- Air metallurgy: melting takes place in an arc furnace and is followed by metallurgical treatment to add alloying metals, eliminate impurities and obtain the required chemical analysis.
- Vacuum metallurgy: used for alloys undergoing higher constraints (nitrogen content, oxygen-reactive alloying elements), this process is carried out in vacuum induction melting (VIM) furnaces.
- Remelting: essential for some critical parts intended for the aerospace and power markets, this process gives tighter control over segregations and inclusion morphology and reduces gas content for a significant improvement in characteristics and mechanical reliability.
- Powder metallurgy: The production of high grade alloys by pulverising a stream of liquid metal, thus producing powder which is compacted at very high pressure and high temperature.

Beneficiation

Used by Le Nickel-SLN, this innovative technology uses particle size and density sorting to increase ore grade in order to use a larger share of a deposit and so extend the lifespan of reserves.

Closed die-forging

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

Forging

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

Hydrometallurgy

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

Press

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

Pyrometallurgy

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

Rolling

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

PRODUCTS

Alloys

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

Cobalt and tungsten powders

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

Electrolytic Manganese Dioxide (EMD)

Active agent in alkaline batteries.

Ferroalloys

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

Grades

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

High speed steels

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

Long products

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

Manganese

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

Nickel

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

Superalloys

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



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