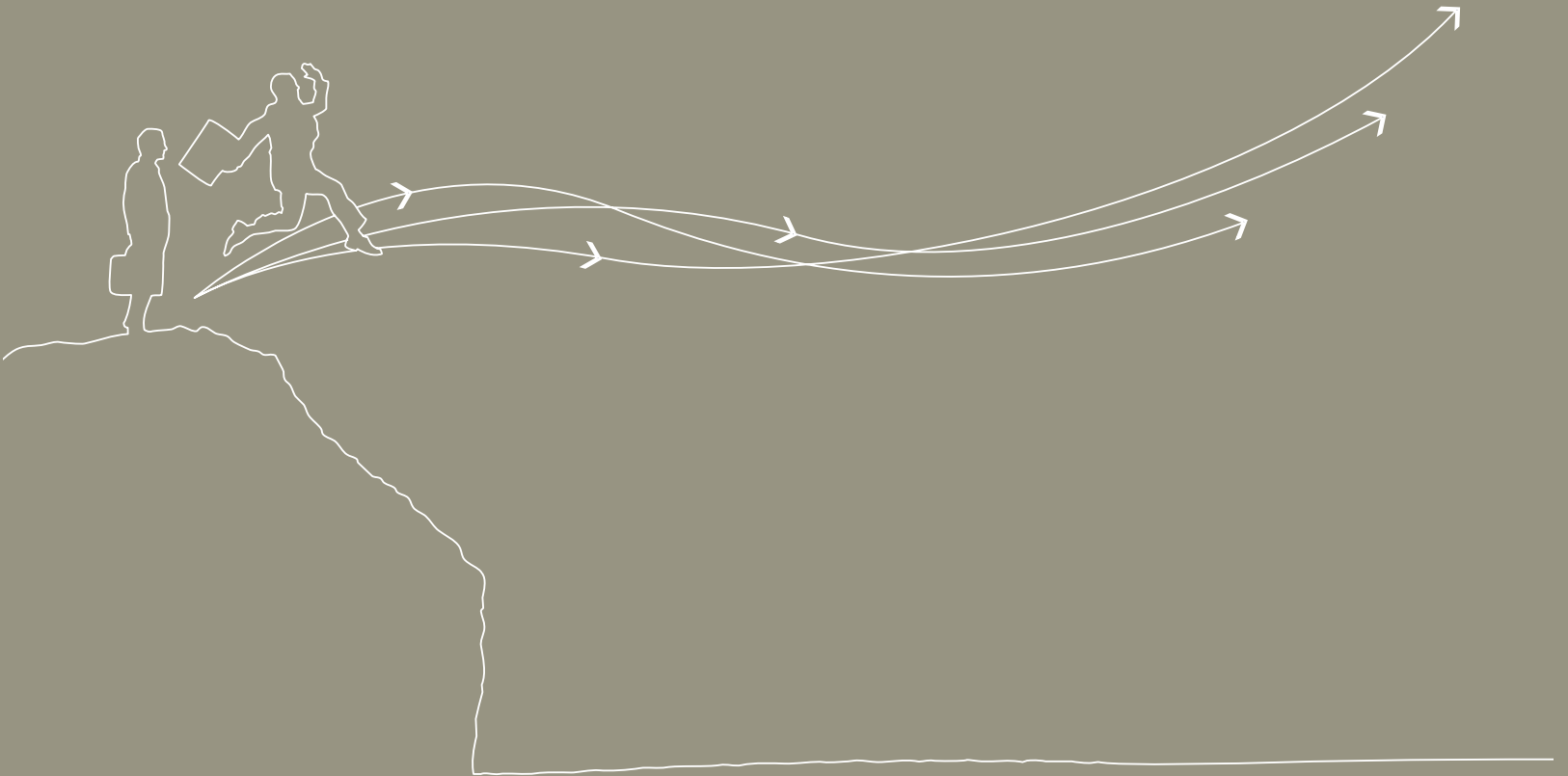


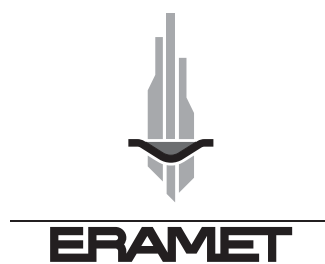
# REFERENCE DOCUMENT

2006



**ERAMET**

ALLOYS, ORES AND PEOPLE.



A Société Anonyme (public limited company) with a share capital of €78,936,726.70  
Registered office: Tour Maine Montparnasse, 33 Avenue du Maine, 75015 Paris, France  
Paris trade register number 632 045 381

#### 2006 REFERENCE DOCUMENT

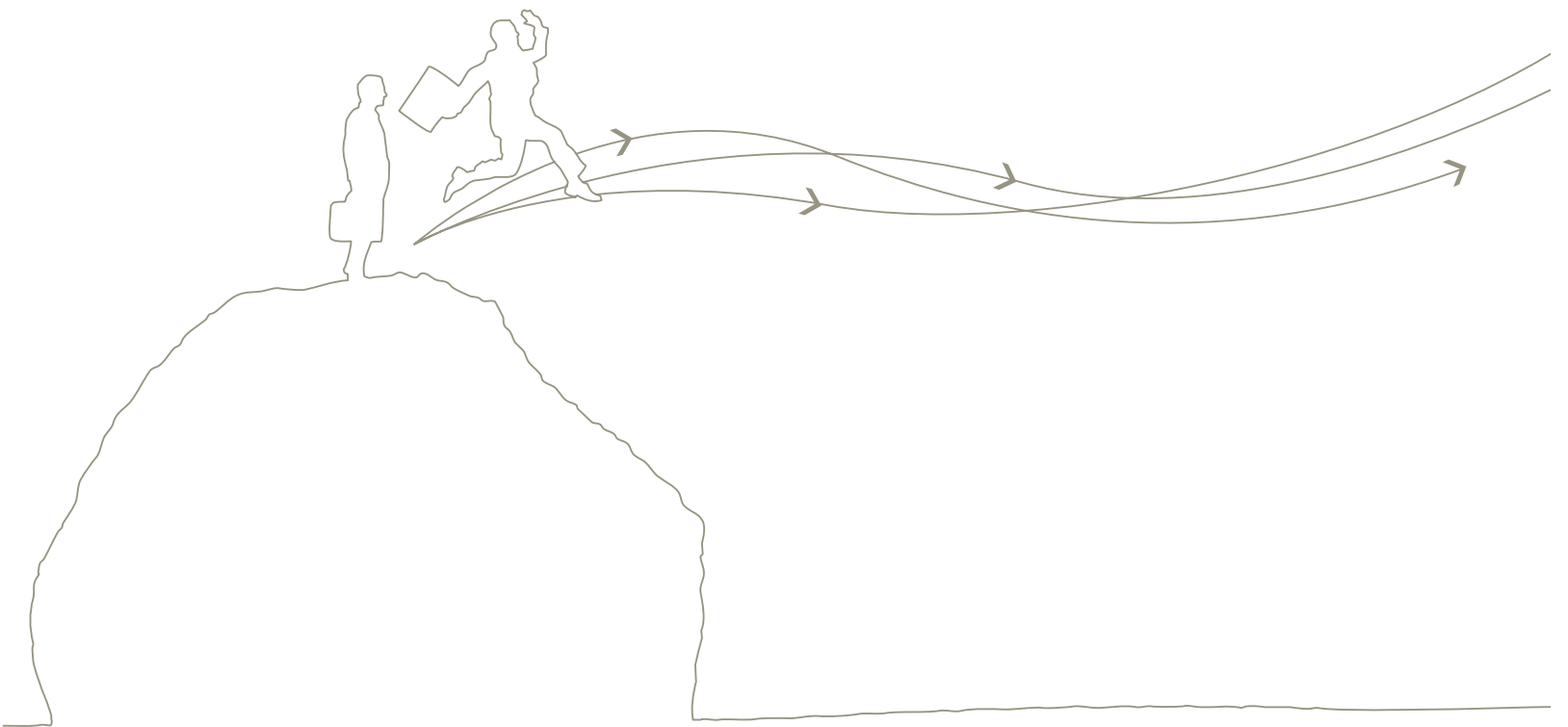
Drawn up in accordance with Articles 211-1 to 211-42 of the general regulations of the AMF  
[Autorité des Marchés Financiers - French securities regulator]  
This document, drawn up on the basis of the 2006 financial statements, includes material information subsequent to the approval  
of those financial statements as on the date of its filing.

Filed with the AMF.

This Reference Document was filed with the AMF on July 20, 2007, pursuant to Article 212-13 of its General Regulations.  
It may not be used in support of a financial transaction unless it is accompanied by a prospectus approved by the AMF.

# REFERENCE DOCUMENT

2006



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The structure of this Reference Document is in line with Appendix I of European Regulation (EC) no. 809/2004.

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# 1. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

## 1.1. NAME AND POSITION OF PERSON RESPONSIBLE

Patrick Buffet  
Chairman and Chief Executive Officer of Eramet.

## 1.2. DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

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

The historical financial information presented in the reference document was reviewed in the statutory auditors' reports set out in Chapter 20 of said document.

The report on the 2004 consolidated financial statements, included with reference to the corresponding historical financial statements, as indicated in Chapter 20.3 of this Reference Document, contains an observation on the application of CNC recommendation 2003-R01 of April 1, 2003 and the CNC notice of July 22, 2004 on employee benefits.

Name	Patrick Buffet
Position	Chairman and CEO
Signature	Paris, July 20, 2007

# 2. STATUTORY AUDITING - NAME OF AUDITORS

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

## 2.1. STATUTORY AUDITORS

### A. ERNST & YOUNG AUDIT

Société par actions simplifiée with a variable share capital.  
Part of the Ernst & Young group.  
Address: Tour Ernst & Young, 11 allée de l'Arche - Paris - La Défense cedex - France.  
Represented by François Carrega.  
Partner in charge of the audit: François Carrega.

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

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

### B. DELOITTE & ASSOCIÉS

Société Anonyme with a share capital of €1,723,040.  
Address: 185 avenue Charles de Gaulle,  
92254 Neuilly-sur-Seine cedex, France  
Represented by Nicholas L.E. Rolt;  
Partner in charge of the audit: Nicholas L.E. Rolt.

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

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

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

## 2.2. ALTERNATE AUDITORS

### A. JEAN-MARC MONTSERRAT

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

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

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

### B. CABINET BEAS (BUREAU D'ETUDES ADMINISTRATIVES SOCIALES ET COMPTABLES)

Société Anonyme with a share capital of €8,000.  
Address: 7/9 Villa-Houssay  
92524 Neuilly-sur-Seine cedex - France  
Represented by Mr. Alain Pons.

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

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

### 3. SELECTED FINANCIAL INFORMATION – KEY BUSINESS FIGURES

#### 3.1. SELECTED HISTORICAL INFORMATION

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

The Group, which employed close to 14,000 people in 2006 in some 20 countries, generated sales of €3.1 billion for the year. All three businesses show long-term growth.

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

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

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

The Group has major competitive advantages:

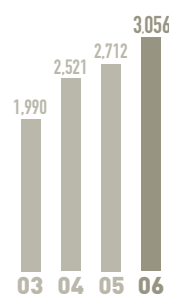
- High-quality ore reserves in terms of both grades and lifespan,
- Extensive technological skills in mining, metallurgy, forging and closed die-forging, metal chemistry and hydrometallurgy,

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

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

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

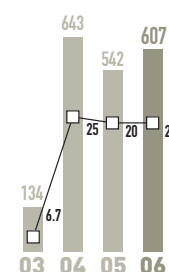
#### 3.2. KEY BUSINESS FIGURES



**+13%**

Further growth in turnover after a high 2005

#### TURNOVER (€ millions)



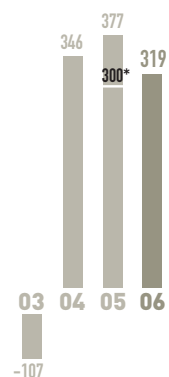
**+12%**

Continued high profitability.

#### Operating margin as percentage

Current operating income under IFRS standards from 2004.

#### OPERATING INCOME/ CURRENT OPERATING INCOME (€ millions)

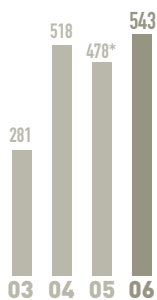


**+6%\***

Increase in Group share of net income, excluding 2005 mining indemnity.

\* Excluding mining indemnity.

#### NET INCOME, GROUP SHARE (€ millions)



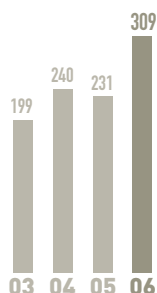
**+14%**

Substantial cash generation to finance developments.

\* 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)

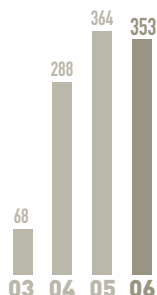


**+34%**

Further increase in an ambitious capital expenditure programme in 2006.

### CAPITAL EXPENDITURE

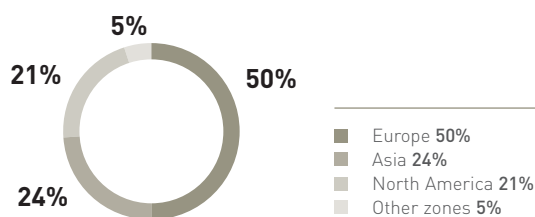
(€ millions)



Net cash remains high after the acquisition of Weda Bay Minerals.

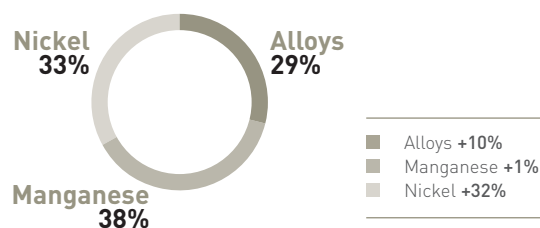
### NET CASH (NET DET)

(€ millions)



A great international scope.

### TURNOVER BY GEOGRAPHIC ZONE



A good balance between the three divisions.

### TURNOVER BY DIVISION

## 3.3. INFORMATION ON THE COMPANY'S STOCK

### 3.3.1. LISTING MARKET

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

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

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

It should be recalled that since February 21, 2005 Euronext has placed all listed securities together on a single "Eurolist". Eramet is included in the "A" compartment of the single Euronext list.

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

In early 2006, Euronext Paris announced that Eramet stock would be eligible for the Deferred Settlement System from March 28, 2006 and since July 2, 2007 Eramet has been part of the N150 index.

### 3.3.2. SHARE PRICE TRENDS

The Eramet share price once again rose sharply this year: **+50%**. This further 50% rise in the Eramet share price follows a 22% rise in 2005 and a 73% rise in 2004.

Having opened the year at €79.0, the price peaked at €147.40 on April 25, closing the year at €121.40. It outperformed the CAC 40 index almost threefold (+18%), which slowed compared with 2005 (+23%). Eramet's market capitalisation amounted to €3.142 billion on December 31, 2006, placing the Group in approximately 75<sup>th</sup> position amongst companies on the Euronext Paris stock exchange. Following the exercise of new share options by employees, the total number of shares issued as on December 31, 2006 was 25,880,894, compared with 25,789,874 on December 31, 2005. In addition, average trading volumes in Eramet shares rose 23% on 2005.

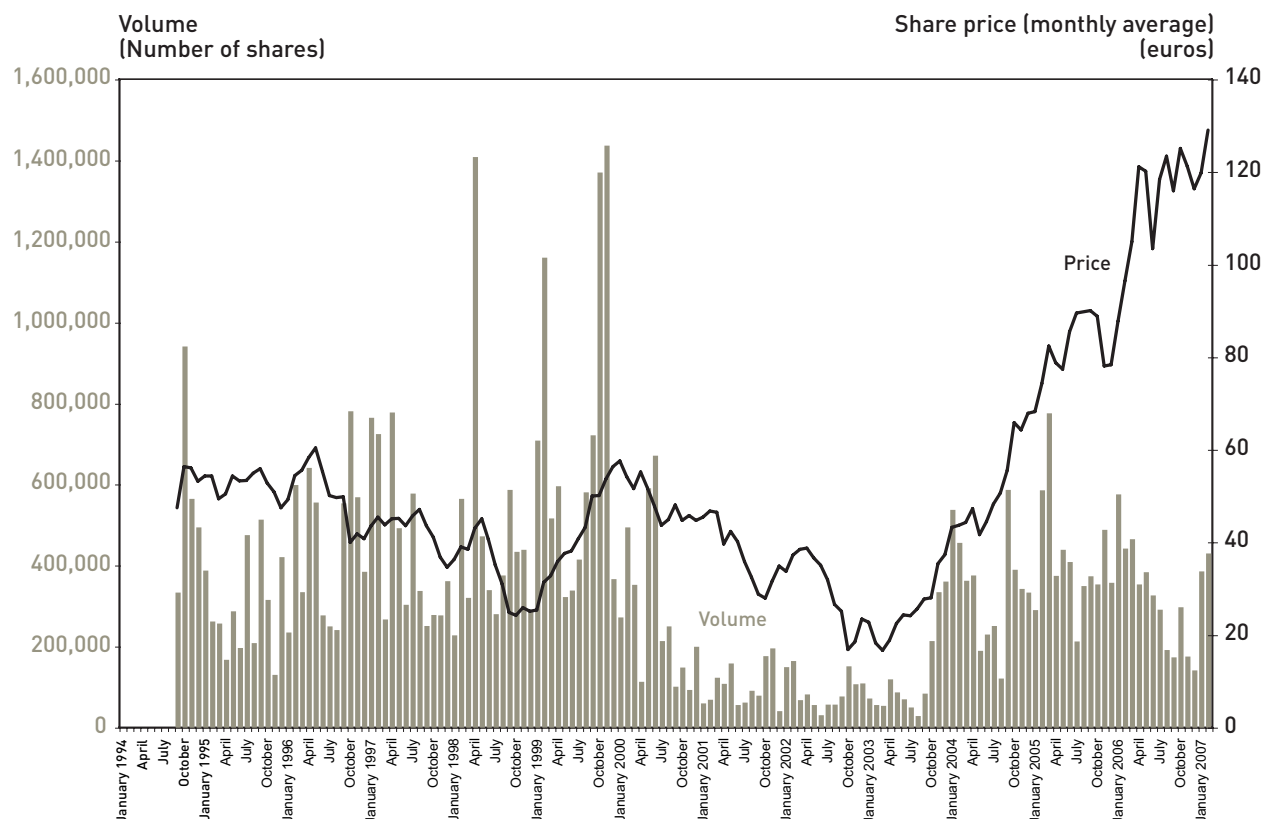
The Financial Communications Department implements the Group's reporting policy vis-à-vis the financial community, investors and shareholders. In addition to the two meetings for analysts and journalists upon publication of the annual and half-yearly financial statements, other briefings were held in Paris, London, Stockholm and Frankfurt. A special presentation on the acquisition of Weda Bay Minerals was notably held in May 2006.

The Eramet website ([www.eramet.fr](http://www.eramet.fr)), designed to provide an overview on the Group and its business activities, provides access to all presentations, press releases (option to subscribe) and financial documents (reference documents and annual reports) published by the Group. It was fully redesigned and enhanced in September 2006.

**Renewal of the shareholders' agreement**  
 SORAME and CEIR (Duval Family) on one hand and AREVA on the other hand, signed an Eramet shareholders' agreement on June 17, 1999.

This agreement was signed for a period of seven years, renewable for one year periods. It thus expired on June 30, 2006 and was first renewed from July 1, 2006 and for the second time from July 1, 2007.

### Share price trends



### Stock exchange data

	Closing rate (€)			Stock market capitalisation as on 31/12 (Millions of euros)	Volume (Daily average)
	High	Low	31/12		
1994 *	57.93	47.26	52.59	771	37,385
1995 *	58.39	41.31	48.78	743	15,673
1996 *	61.89	34.91	41.47	643	23,981
1997 *	53.20	33.08	34.76	542	22,172
1998	47.72	22.11	25.60	399	24,176
1999	58.75	23.15	57.00	1,393	33,810
2000	61.75	41.90	43.55	1,076	14,100
2001	47.80	22.00	34.60	855	4,664
2002	39.80	13.90	21.05	527	4,928
2003	38.60	14.50	38.50	985	5,834
2004	72.90	36.70	66.20	1,704	15,953
2005	94.90	66.10	81.00	2,089	19,319
2006	147.40	79.00	121.40	3,142	14,806

\* Recalculated in euros.

	Price in euros			Volume (Daily average)
	Low	High	Avg.	
<b>2007</b>				
June	176.02	209.00	193.66	357,674
May	163.00	181.90	174.95	619,138
April	154.00	177.99	166.48	264,651
March	125.50	158.30	141.99	449,879
February	123.10	132.00	128.83	426,275
January	114.00	127.50	119.60	382,460
<b>2006</b>				
December	111.30	124.70	116.13	138,274
November	114.00	130.20	121.00	171,773
October	115.00	132.00	124.90	293,343
September	106.80	125.20	115.71	170,284
August	118.10	129.00	123.16	188,297
July	110.00	126.00	118.22	287,598
June	87.00	117.20	103.21	323,317
May	100.40	137.30	119.93	379,998
April	107.10	147.40	120.90	350,107
March	97.15	114.70	104.69	461,964
February	88.20	103.70	96.24	438,666
January	79.00	91.40	87.53	571,899
<b>2005</b>				
December	73.00	81.35	78.17	353,520
November	72.80	86.50	77.88	484,605
October	81.35	94.90	88.61	349,955
September	86.55	93.40	89.85	369,765
August	85.40	94.90	89.60	345,990
July	82.85	94.00	89.32	209,221
June	79.00	90.50	85.26	404,855
May	71.65	83.40	77.15	435,244
April	70.15	83.50	78.59	371,411
March	75.20	93.30	82.15	772,307
February	68.25	82.50	74.07	582,074
January	66.10	70.95	68.06	286,137

Source: Euronext.

### 3.3.3. SECURITY SERVICES

The Company's share register is maintained by:

BNP PARIBAS SECURITIES SERVICES

GCT - Services aux émetteurs

Immeuble Tolbiac

75450 Paris Cedex 09 - France

Tel. 0826.109.119.

EXANE BNP PARIBAS was appointed to implement the liquidity contract.

## 4. RISK FACTORS

### 4.1. MARKET RISKS

#### 4.1.1. FOREIGN CURRENCY RISK

##### Actions continued in 2006

In 2006, the Group followed the framework established in 2003:

- Foreign currency exposure stemming from Group companies is monitored and hedged;
- Foreign currency risk is managed on the basis of a multi-year policy and procedures approved by the Executive Committee;
- Monthly reports are sent to the Executive Committee.

##### Transactional foreign currency risk

The Group is exposed to foreign currency risks stemming from its commercial activities, given that its production costs are denominated primarily in euros while close to 50% of its sales are paid in foreign currencies, most notably US dollars. Net exposure is based on projected invoices, then managed on an annual or multi-annual basis using forwards and options.

##### Outstanding amounts under foreign currency contracts as on December 31, 2006

(Notional amounts in millions of foreign currency units)

Currency vs. EUR	Forward sales	Forward purchases	Call options	Put options
USD	1,079.5	23.0	676.3	533.8
JPY	362.7	60.0	230.0	100.0
GBP	5.2		3.9	2.2
NOK			1,250.0	

Currency vs. NOK	Forward sales	Forward purchases	Call options	Put options
EUR	69.4		53.0	35.0

Devise contre SEK	Forward sales	Forward purchases	Call options	Put options
EUR	29.1	5.6	2.2	1.1
USD	12.0	8.4	1.3	2.2
JPY	251.0	93.7	185.0	75.0
GBP	8.4	0.7	4.9	2.6

Devise contre GBP	Forward sales	Forward purchases	Call options	Put options
USD	5.2		3.2	2.4
EUR	1.1		2.0	1.0

Devise contre USD	Forward sales	Forward purchases	Call options	Put options
CAD		23.9	2.5	5.0



## Sensitivity and fair value

The Group hedges at least one year's worth of net sales. The hedges listed below were carried out by the Group's Treasury Department on behalf of its various operating companies.

### Foreign currency hedges as on December 31, 2006

(in foreign currency millions)	2006 sales			2007 sales			2008 sales and beyond		
	Amount	Currency	Price	Amount	Currency	Price	Amount	Currency	Price
<b>Commercial hedges</b>									
EUR / USD	393	USD	1.2691	895	USD	1.2786	6	USD	1.0518
EUR / NOK	25	EUR	8.2529	79	EUR	8.1546	-	-	-
EUR / GBP	3	GBP	0.6869	4	GBP	0.6830	-	-	-
	-	-	-	2	EUR	0.6896	-	-	-
GBP / USD	3	USD	1.9344	5	USD	1.8846	-	-	-
GBP / SEK	4	GBP	13.2024	6	GBP	13.4349	-	-	-
JPY / SEK	14	JPY	0.1077	219	JPY	0.0633	-	-	-
EUR / SEK	3	EUR	9.7387	22	EUR	9.2519	-	-	-
USD / SEK	12	USD	7.1022	10	USD	6.9775	-	-	-
EUR / JPY	126	JPY	141.9972	276	JPY	140.4317	-	-	-
<b>Financial hedges</b>									
EUR / USD	234	USD	1.3191						
CAD / USD	26	CAD	1.1490						
EUR / NOK	1 250	NOK	8.1000						

Based on the above positions, the Group's foreign currency transactions at market rates generated an unrealised gain of €26 million as on December 31, 2006 (compared with a €23 million unrealised loss as on December 31, 2005). The US dollar position alone accounted for an unrealised gain of €26 million (compared with an unrealised loss of €19 million in 2005). A 10% unfavourable movement in any of the exchange rates to which the Group is exposed would only have a €7 million impact on 2007 operating profit, or less than 1% of its total exposure.

#### Recognition

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

Any differences between:

- The **monthly exchange rate** used to recognise sales, purchases, receipts and payments; and
- The **contractual exchange rate** for unwinding hedge positions, are recognised by each Group company in operating income, attached to sales or purchases under "Sales – foreign currency gain" or "Purchases – foreign currency loss."

#### Foreign currency risk to the balance sheet

- The Group may hedge its foreign currency risk in cases where its exposure to foreign currency risk from loans taken out by its companies in currencies other than their reporting currencies is not offset by income generated in those currencies. However, the Group did not use any such hedges in 2004 and 2005. Comilog's foreign currency debt was fully paid off in June 2006 and there are no other such debts.
- To help finance the Weda Bay acquisition in May 2006, Eramet used its euro denominated commercial paper programme and then swapped the proceeds for US dollars. The swap was done so that the acquisition would be financed using debt denominated in the same currency as Weda Bay's functional currency (US dollars). This debt amounted to \$228 million as on December 31, 2006, with the €5.6 million gain on the currency transaction being recognised in equity.

#### 4.1.2. INTEREST RATE RISK

##### Management policy

The Group looks at current circumstances, its debt position, and market trends when deciding whether interest rate hedging is necessary. The Group's Treasury Department is responsible for putting in place any hedges.

##### Structure of debt as on December 31, 2004, 2005, and 2006 (millions of euros)

	2006	2005	2004
<b>By currency</b>	<b>290</b>	<b>159</b>	<b>149</b>
Euro	261	110	104
US Dollar	7	16	22
CFA Franc	3	12	9
British pound	1	1	2
Other currencies	18	20	12
<b>By interest rate</b>	<b>290</b>	<b>159</b>	<b>149</b>
Interest free	8	3	12
Fixed rate	15	22	43
Variable rate	267	134	94
<b>By maturity</b>	<b>290</b>	<b>159</b>	<b>149</b>
Under 1 year	218	110	89
1 to 5 years	24	33	41
Over 5 years	48	16	19

##### Interest rate risk management

Depending on market conditions and forecast changes in the financial position, the Treasury Department, in liaison with the Finance Department, monitors the split between fixed and variable rate of debt and cash investments. The financial instruments used are interest rate swaps, caps, and floors. The interest rate hedges in place as on December 31, 2006 were established at the end of 2002, and relate to the interest rate exposure at that time. The net borrowing position as on December 31, 2002 was reversed in 2003.

##### Schedule of financial assets and borrowings

	< 1 year	1 to 5 years	> 5 years	Total
Variable-rate borrowings	210	21	36	267
Variable-rate assets	(616)	0	0	(616)
Position before hedging	(406)	21	36	(349)
Interest rate hedges	(20)	0	0	(20)
Position after hedging	(426)	21	36	(369)

The Group invests its excess cash on a short-term basis and is thus exposed to a fall in interest rates. A 10% drop in interest rates (namely 10 basis points) would impact finance income by approximately €700,000.

##### Fair value (thousands of euros)

Interest rate hedges	Carrying amount including accrued coupons	Market value including accrued coupons
Capped-rate hedges	20,000	19,803

#### 4.1.3. LIQUIDITY RISK

The Group manages its financial resources, which include confirmed, unused medium and long-term credit facilities granted by leading financial institutions.

The Group's total confirmed credit facilities amounted to €600 million as on December 31, 2006, enabling it to refinance its short-term debt at over a year. The schedule of confirmed credit facilities is as follows:.

	< 1 year	1 to 5 years	> 5 years	Total
Variable-rate	-	600.0	0	600.0

#### 4.1.4. COVENANTS

The Group's main covenants are listed in the following table. Eramet's covenants also apply to the unused credit facilities described in Section 1.1.3.

Company	Bank credit facilities	Ratios	Amount in millions of euros
Eramet	Syndicated loan	Net borrowings / consolidated shareholders' equity	< 1 600
Erachem			
Comilog Inc	Miscellaneous bank facilities	Borrowings / EBITDA Total debt / Shareholders' equity EBITDA / Liabilities due in less than a year	< 2.5 < 1.75 > 1.5

The Group continued to satisfy these covenants between December 31, 2005 and December 31, 2006. If the Group breaches them, all or part of its loans will have to be repaid.

#### 4.1.5. COUNTERPARTY RISK

The Group carries out its interest rate and foreign currency hedging by private arrangement with reputable banks.

#### 4.1.6. MAIN OFF-BALANCE SHEET COMMITMENTS

The following table lists Eramet's main off-balance sheet commitments as set out in the notes to the financial statements as on December 31 2004, December 31, 2005, and December 31, 2006.

Breakdown of off-balance sheet commitments	Dec-31-04	Dec-31-05	Dec-31-06
Bank guarantees	20,328	19,088	11,681
Supplier guarantees	7,739	432	-
Customs and tax guarantees	10,727	12,429	13,452
Subsidiary guarantees	0	0	99
Other guarantees	1,661	2,071	4,887
Total guarantees	40,455	34,020	30,119
Asset collateral for bank loans	127,666	100,649	30,764
Inventory collateral for bank loans	33,754	13,369	11,177
Other collateral for bank loans	2,308	2,308	10,253
<b>Total collateral</b>	<b>163,728</b>	<b>116,326</b>	<b>52,194</b>
<b>Total off-balance sheet commitments given</b>	<b>204,183</b>	<b>150,346</b>	<b>82,313</b>

Breakdown by type of off-balance sheet commitments received	Dec-31-04	Dec-31-05	Dec-31-06
Supplier guarantees	5,666	8,306	1,021
	9,939	12,658	11,109
<b>Total off-balance sheet commitments received</b>	<b>15,605</b>	<b>20,964</b>	<b>12,130</b>

No material commitments have been entered into or received other than those listed in Section 4.2.2., "STCPI's exercise of Eramet stock options".

The fall in off-balance sheet commitments largely stems from changes to the Group's financial structure and the reduction in its debt.

In addition, several non-Group borrowings expired and/or were replaced with inter-company financing.

#### 4.1.7. STOCK RISKS

Eramet held €5.1 million in treasury stock as on December 31, 2006 (compared with €6.5 million as on December 31, 2005). The net value of this stock is charged to shareholders' equity in the Group's consolidated financial statements. There is a risk that the stock price could fall below the price used to calculate the Group's most recent carrying amount. However, as on December 31, 2006, the carrying amount of the treasury stock was €11.5 million higher than its market value (€6.8 million as on December 31, 2005).

## 4.2. LEGAL RISKS AND LAWSUITS

### 4.2.1. DEPENDENCY ON THE LEGISLATIVE AND REGULATORY ENVIRONMENT

#### Specific regulations

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

- Mining permit and concession regimes;
- Operation-specific obligations;
- Environmental limits and controls; and
- Post-mining site restoration.

Since November 2005, the Gabonese railway has been operating under a concession.

#### Tax framework

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

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

The following notes apply to subsidiaries outside mainland France.

- Le Nickel-SLN is liable for the mining and metallurgical corporation tax in New Caledonia at a rate of 35%. Since 1975, the company has benefited from a tax freeze system that has been renewed several times. It was last renewed for 15 years as from January 1, 2002 pursuant to a local decree of June 13, 2002. Moreover, some of the subsidiary's capital expenditure programmes in New Caledonia benefit from the tax exemption measures introduced by the Paul and Girardin Acts and from the relief granted under the New Caledonian Tax Code for capital expenditure in metallurgy.
- The Comilog subsidiary is subject to income tax at 35% and to export duty and a mining licence that represent approximately 6% of the pithead value of the mined products (close to FOB value) and to a 15% tax on dividends. This tax framework is frozen until 2032 under a mining agreement signed in October 2004 and ratified by the Gabonese parliament in 2005.

- In general, subsidiaries based outside France (Norway, Sweden, USA, China, etc.) are subject to local tax legislation. The dividends paid by those subsidiaries to the parent company are in some cases subject to a withholding tax.

### 4.2.2. RISKS STEMMING FROM CONTRACTUAL COMMITMENTS TO THIRD PARTIES

#### Supply and marketing contracts

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

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

#### New Caledonian ore reserves issue

##### • Summary of the facts

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

The agreement reached with the authorities in February 1998 provided for an exchange of mining rights provided that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo massif owned by Le Nickel-SLN in exchange for SMSP's poorer Poup reserves.

This exchange came with an indemnity from the State to compensate for the impact of the difference in reserves between the two deposits to Le Nickel-SLN's and Eramet's businesses.

##### • First Stage

In the second half of 1998, Le Nickel-SLN and SMSP transferred their mining rights in Koniambo and Poup respectively to SAS Poup-Koniambo, an independent entity responsible for holding them until their final assignment. The transfer of Koniambo, for a gross selling price of €8 million, was included as an extraordinary item in the 1998 consolidated financial statements. The indemnity, calculated following a valuation by the Group's bankers and the State at €152 million net of tax (€125 million for Le Nickel-SLN and €27 million for Eramet), was paid to the two companies.

##### • Second Stage

The second stage was to take place as soon as the promoters began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons to appear in expedited proceedings before the Paris High Court in December 2005, on the 28<sup>th</sup> of that month the court unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In 2006, Le Nickel-SLN acquired Poup SAS, the company holding the Poup massif, from SAS Poup-Koniambo for a contractually agreed amount of €4,111,900. Le Nickel-SLN will pay an estimated €1.9 million for commitments related to Poup restoration work.

- **Transaction recognition**

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

- **Recent developments**

The French State is guarantor of the proper execution of the Bercy agreements. Eramet and Le Nickel-SLN will pay close attention to the satisfactory conclusion of the affair, ensure that Falconbridge (acquired by Xstrata of Switzerland) fulfils its commitments, and ensure that the transfer of mining rights is actually linked to the construction of a plant in the North of New Caledonia. If this is not the case, Eramet and Le Nickel-SLN remain ready to build a plant in the North of New Caledonia, in partnership with the Northern Province.

- **STCPI's exercise of Eramet stock options**

Pursuant to the Le Nickel-SLN shareholders' agreement between Eramet and Société Territoriale Calédonienne de Participations Industrielles (STCPI) of September 13, 2000, which follows an agreement reached on July 17, 2000 between the State, the New Caledonia provinces and representatives of the island's major political parties, on December 6, 2000 STCPI exercised the option granted by Eramet to acquire 4% of Le Nickel-SLN's shares through a share swap, with a ratio of three Eramet shares for five Le Nickel-SLN shares. STCPI exercised its share swap option via a formal deed delivered by a bailiff on January 4, 2007.

Since the transaction is classified as a "regulated agreement" entered into by a Eramet shareholder and Board member, as well as a Eramet share buyback transaction, it is subject to approval from the Board of Directors and the Annual General Meeting and review by the statutory auditors.

The terms of the share swap were based on company valuations dating back to 1999, and no longer reflect the companies' current financial positions. More specifically, they undervalue Le Nickel-SLN and are detrimental to Eramet. Therefore, and in order to provide full information to Eramet shareholders on the financial terms of the transaction, on February 6, 2007 Eramet asked the President of the Paris Commercial Court, in expedited proceedings, to appoint an independent expert to appraise the values of Eramet and Le Nickel-SLN as on December 6, 2006. An expert was appointed under an order issued on February 9, 2007. The Paris Court of Appeals later overturned the order, but the independent expert nonetheless submitted a report to the Eramet Board of Directors. On May 23, 2007 the Board of Directors approved the transaction under the terms of the original shareholders' agreement.

The Annual General Meeting will be asked to approve the transaction at its meeting of July 23, 2007. The accounting and tax impact of the transaction will be included in Eramet's financial statements for the second half of 2007. Le Nickel-SLN's will be consolidated on the basis of a 56% stake, and a €50 million charge will be recognised against shareholders' equity for the Eramet shares received under the swap.

- **Le Nickel-SLN shareholders' agreement: other commitments**

In addition to the purchase option discussed above, the Le Nickel-SLN shareholders' agreement of September 13, 2000, which runs for a period of ten years, subsequently renewable for further five year periods, provides for:

- A share out of the directorships with, as of now, eight for Eramet and four for STCPI, the latter also having the right to appoint an observer;
- A reciprocal right of pre-emption for each party;
- A reciprocal purchase option over the shares held by the party who falls under the control of a company, "the main activity of which or of the group to which it belongs competing with that of Le Nickel-SLN";
- A non-dilution clause by virtue of which in the event of the sale of shares to another shareholder or a share capital increase, each party shall retain the same interest in the share capital or voting rights as they had previously, either through the surrender of shares or part exercise of the subscription rights in a share capital increase.

#### **4.2.3. MAJOR LAWSUITS**

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

##### **4.2.3.1. Nickel division**

###### **Ground pollution lawsuits**

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

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

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

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

In 2005, one of the two lawsuits in New Caledonia brought against the Le Nickel-SLN subsidiary by land-owning stockbreeders was resolved. In a ruling on September 1, the Nouméa Appeal Court dismissed the bulk of Mr. Gauzère's claims, overturning the initial court judgement of May 1999 on the basis of the expert's findings. In the case between Le Nickel-SLN and Mr. Newland, the expert report was submitted in January 2007 but the involvement of local authorities and other miners is holding up the review process. The €1.4 million provision has been maintained.

###### **Supplier lawsuits**

As part of the 75,000-ton capital expenditure programme in New Caledonia, Le Nickel-SLN entered into a turnkey fixed-price contract for €24.6 million with Barclay-Mowlem New Caledonia for the construction of a storage and sea loading facility for the Tiébaghi mine. The facility was completed significantly behind schedule and Barclay-Mowlem New Caledonia brought a claim against Le Nickel-SLN for a price increase and/or damages that

rose from €7 million to €20 million in the space of a year. After the claim was thrown out on motion on February 6, 2006, Barclay-Mowlem New Caledonia filed a request for arbitration with the International Chamber of Commerce. Le Nickel-SLN feels that it has suffered an estimated €5.3 million in damages and is seeking compensation. The arbitration process was undertaken and terms of reference were agreed in July 2006. A decision is expected to be handed down in early 2008.

#### **4.2.3.2. Manganese division**

##### **Litigation with the Carlo Tassara group and Mr. Zaleski**

Several lawsuits are ongoing between the Carlo Tassara group (Mr. Romain Zaleski) and Comilog and some of its subsidiaries. The main lawsuits concern the payment of the price of shares in Comilog France (formerly SFPO) bought in 1994 and the consequences of the cancellation of the commercial agency agreement that existed at the time between Parofer (a Carlo Tassara group company currently in liquidation) and Comilog France regarding the repayment of excess commission paid to the agent. Criminal action was filed in Gabon against Mr. Zaleski. After a series of proceedings, on June 28, 2007 the Court of Cassation, all chambers together, annulled the decision of April 7, 2006 acquitting Mr. Zaleski and sent the case back to the Libreville Court of Appeals. Seizures in France and Gabon currently prevent any financial settlement. A €12 million provision has been recognised for these lawsuits.

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

##### **Claim filed by Kazak producers**

In 2006, Euroalliages, acting on behalf of its members, filed an anti-dumping complaint with the European Union against manganese alloy producers based in Kazakhstan. However, these producers feel that the complaint is abusive and unfounded, and summoned Euroalliages and its members (including Eramet Comilog Manganese) before the Court of Brussels on May 9, 2007. The producers are claiming €335 million in damages. Eramet Comilog Manganese in conjunction with Euroalliages has taken all necessary measures to fight this claim which is clearly excessive, and is most likely intended to put indirect pressure on the European Union. The European Commission has already placed customs tariffs on some products, indicating that this claim has little chance of success.

### **4.3. INDUSTRIAL RISKS**

#### **4.3.1. INDUSTRIAL ACTIVITY AND SUSTAINABLE DEVELOPMENT**

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

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

#### **4.3.2. A STRONGER GROUP ENVIRONMENTAL POLICY**

The Group adopted an Environmental Charter (see appendix) in July 2002, followed in June 2003 by the setting up of DERI, a department working exclusively on environmental and industrial risks. In early 2007, the DERI became part of a new department bringing together communications and sustainable development (Communications and Sustainable Development Department – DC2D).

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

For example, some of the actions taken to improve air quality and restore sites are set out in the two sections below, which were updated on March 10, 2007.

##### **4.3.2.1. Improvement of air quality**

###### **Nickel Division**

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

The results of the key actions taken in recent years mean that in 2005 the level of waste discharged fell by 35% compared with the average of the four preceding years. Marked by extremely difficult labour relations, 2006 saw the results of this policy setting the pace to some extent. Major smoke filtration projects are being undertaken while others are in advanced planning stage with the goal of being launched in 2008-2009.

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

These measures are likely to satisfy the concerns voiced by local elected representatives and the neighbouring population.

###### **Alloys Division**

The installation of the shared dust removal system for furnaces S40 and S60 began in early 2006 at the Ancizes site and service tests were carried out in November 2006. The system has been in industrial operation since December 4, 2006. This capital expenditure project will significantly reduce air emissions from steelwork activities, in line with the instructions of the order of the prefect issued on September 9, 2004.

##### **4.3.2.2. Management of historical site pollution and site restoration**

The Group was formed from the combination of old and varied companies and carries on its business in regions and countries

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

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

In Gabon, the "3 million ton" project led to the lifespan of the Bangombé plateau being reviewed in 2005. The provision amounted to €7.1 million as on December 31, 2006 (€6.8 million as on December 31, 2005). In New Caledonia, the ramp-up of the Tiébaghi mine and the construction of coastal facilities led to an increase in site restoration provisions. The amount as on December 31, 2006 was €57 million (€54.4 million as on December 31, 2005). The increase in 2006 is due to discounting.

#### **4.3.2.3. Implementation of new management and communication measures**

As of the end of 2006, the Group has an operational environmental system called EraGreen at its French, Belgian, Norwegian, Swedish and New Caledonian industrial sites, the goals of which are:

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

It is planned to roll out EraGreen at its Gabonese and US sites during 2007. For the first time in 2007, the environmental information in the 2006 management report of the Eramet Board of Directors was aggregated, for the sites that are kitted out, via EraGreen.

#### **4.3.2.4. Towards ISO 14000 certification of industrial sites**

Major progress has been made over the past number of years towards the goal of setting up Environmental Management Systems (EMS) as laid down in the 2002 Charter.

At present (March 2007), five sites are already ISO 14001 certified: Tertre (copper recycling business), Commentry, and the two Eramet Norway and Sandouville plants. The process is underway in Pamiers.

The policy of renewing site operating permits early has almost come to an end.

An overhaul of the Group's framework for internal environmental audits was carried out in 2006 in order to upgrade the existing system. In addition to its original diagnostic role, the updated version is designed to support and assess actions taken.

#### **4.3.3. MANAGEMENT OF THE CLOSURE OF THE BOULOGNE-SUR-MER SITE (COMILOG FRANCE)**

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

These studies led the Group to record an overall provision of €60 million (balance of €23.4 million as on December 31, 2006). In addition to the labour costs of the closure, this corresponds to the three main phases in the restoration process: demolition work, pollution control work and the closure of the Manihen storage centre.

The prefect's order of November 22, 2004 regarding the site's restoration set out the goals for the restoration work to be carried out with a view to future industrial use. Water and air monitoring actions will be carried out. Started in April 2005, the restoration work was carried out in complete compliance with the environmental prevention and protection requirements.

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

#### **4.3.4. SPECIAL FOCUS ON HAZARDOUS SUBSTANCE MONITORING**

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

- Active participation, in liaison with trade organisations and networks of competent independent experts, in risk assessment and management work done in line with regulatory processes, particularly for nickel metal and compounds thereof,
- Contributions to the research programme on health and manganese developed by the International Manganese Institute,
- Monitoring and regular updating of Safety Data Sheets on hazardous substances,
- Undertaking campaigns to inform and raise the awareness of employees, customers and stakeholders, in liaison with the Group's Health & Safety Coordination unit, which is part of the Human Resources Department, and the occupational physicians.

The Group also put major effort into REACH, a new European policy on chemical products that affects almost all of its products. After having contributed, via trade organisations, to the recognition of the unique nature of metals in the principles and arrangements set out in the text adopted in December 2006, Eramet is now actively preparing to implement the regulation (date of coming into force: June 2007).

#### **4.3.5. CONTRIBUTION TO GREENHOUSE GAS REDUCTION POLICY**

The transposition into French law of European Directive 2003/87/EC of October 13, 2003 establishing a permit system for greenhouse emission gases affects the Group's three steelworks in France

(Aubert & Duval - Les Ancizes, Aubert & Duval - Firminy and Erasteel - Commentry). The Directive also applies to the Söderfors steelworks (Erasteel Kloster).

CO<sub>2</sub> emissions largely stem from the consumption of natural gas in reheating or heat treatment furnaces that use the best available technology in terms of energy efficiency. CO<sub>2</sub> emissions are thus directly proportional to production volumes.

Following receipt of an additional operating permit, Erasteel Commentry was granted 6,371 additional quotas for 2006 and 2007.

The quotas granted for PNAQ1 (2005/2007 period), were slightly exceeded at the Ancizes site.

Overall, Eramet's CO<sub>2</sub> emissions in 2006 were under the 8,720 tons allocated.

#### Summary of CO<sub>2</sub> emissions in 2006

Site	PNAQ1 annual allocation	2006	
		Actual	Diff.
Aubert & Duval Les Ancizes	43,336	45,280	(1,944)
Aubert & Duval Firminy	25,934	21,979	3,955
Erasteel Commentry	26,203 + 6,371 = 32,574	26,817	5,757
Erasteel Kloster	3,182	2,230	952
<b>Eramet total</b>	<b>105,026</b>	<b>96,306</b>	<b>8,720</b>

Emission declarations by the sites affected by notional quota allotment schemes in France and Sweden were verified by independent experts from the association of statutory auditors. In April 2007, quotas will be reallocated between sites with surpluses and deficits. These transactions will be carried out on the basis of market prices at the date of the transaction. They are internal transactions and have no impact on the Group's financial position.

#### Summary of CO<sub>2</sub> emissions in 2005

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

#### 4.3.6. PUTTING IN PLACE AN INDUSTRIAL RISK PREVENTION POLICY

Industrial risk prevention policy is centred on the following points:

- **The roll out in 2006 and 2007 of Group crisis management procedures across all sites.** These set out communication requirements and best practices in 3 scenarios:
  - **Prevention of crises:** identification of local and national environment (authorities, elected representatives, media, etc.), contact plans, identification of poor indicators, Group reporting, simulations.
  - **Management of serious incidents:** definition of a serious incident, Group reporting, feedback, communication.
  - **In a crisis:** criteria for identifying crisis situations, Group reporting, organisation during crises (operations management, communication, recourse to experts, crisis unit), feedback.

- **Methodological assistance with risk analyses** carried out on sites with respect to studies of hazards. These analyses are used to identify major accident scenarios and the causes and impact thereof, and result in the set-up of safety-important barriers (SIB) to reduce the likelihood and/or seriousness of possible events.

- **Within the context of the Group's damage/business interruption policy,** in 2006 Eramet continued its practice of carrying out annual or two-yearly engineering visits (preventive audits) of all industrial sites in close cooperation with the insurer. A new audit programme was put in place for 2007. These preventive visits are mainly centred on fire, machine breakage and natural disaster risks and the related business interruptions. Insurance recommendation tracking tables are updated three times a year by the sites and form the basis for a Group summary, which provides a high-level overview with regard to progress on action items.



- Moreover, in 2006, **standard insurance procedures** were agreed with the insurer and sent out to all sites. They set out the structures and practices that must be wholly respected by sites by the end of 2007, in terms of fire safety (response teams, emergency response plan, monthly internal inspections...). A follow-up of progress towards the implementation of and compliance with these procedures is also carried out three times a year and gives rise to Group reporting.
- Lastly, close involvement by the leading insurer's engineering teams in all capital expenditure programmes helps ensure that new facilities have optimum protection.

#### **4.4. INSURANCE/ COVERAGE OF RISKS LIKELY TO BE INCURRED BY THE ISSUER**

##### **4.4.1. THE GROUP'S GENERAL COVERAGE POLICY / RISK COVERAGE STRATEGY**

###### **Group organisation**

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

###### **Risk identification and control**

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

###### **Use of insurance market**

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

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

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

###### **Reinsurance**

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

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

###### **Coverage levels**

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

##### **4.4.2. DIFFERENT TYPES OF INSURANCE TAKEN OUT**

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

###### **Civil liability insurance**

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

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

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

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

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

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

The annual renewal date for this scheme is July 1.

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

###### **Property damage and business interruption insurance**

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

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

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

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

#### Shipping insurance

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

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

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

In 2006, loss rates were higher than usual but the policy of long-term partnership with the insurers in this field made it possible to keep premiums at reasonable levels.

## 4.5. OTHER SPECIFIC RISKS

### 4.5.1. TRANSPORTATION-RELATED RISKS

#### Sea freight

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

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

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

#### Rail transport

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

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

### 4.5.2. ENERGY-RELATED RISKS

As energy represents a sizable portion of production costs, to protect itself against rises in those costs, the Group has adopted a policy of diversifying its energy sources (electricity, fuel oil, coal and gas), which does not exclude hedging whenever possible. Nevertheless, a significant change in the price of energy resources could, notwithstanding the measures taken, have a negative impact on the Group's future performance.

### 4.5.3. POLITICAL RISKS

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

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

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

### 4.5.4. ASBESTOS RISK

Eramet has set up a process to track occupational illness cases related to asbestos, although the company is able to prove that it has never produced, processed, or sold materials containing asbestos. Eramet has never used asbestos as a raw material; it has only been used as a material in some of the company's employee protective gear and, more generally, heat transfer equipment.

For example, less than 1% of the heat-resistant materials used at the Ancizes site still contain asbestos.

In line with applicable regulations, most notably in France, technical asbestos audits were carried out by approved inspectors at all Eramet's industrial sites, and the audit findings and recommendations have been transformed into detailed action plans.

A survey carried out at Eramet's French sites on May 31, 2007 revealed 319 cases of asbestos-related occupational illness, primarily pleural plaques and pleural thickening, only 129 of which were recognised and attributed to Group companies.

62 allegations of criminal negligence had been filed at that date and proceedings are underway. Provisions for asbestos-related risks have been recognised based on the compensation typically awarded in such cases.

## 4.6. THIRD PARTY RELATIONSHIPS

### Nickel division

#### • Supply contract with Nisshin-Steel

Nisshin-Steel, a Japanese stainless steel producer, has been a shareholder in Le Nickel-SLN since 1991 and currently has a 10% stake (see Section 4.2.2.2.). Eramet and Nisshin-Steel have had a ferronickel supply agreement in place since 1991. Nisshin-Steel is a major customer that accounts for 10% of sales at the Nickel Division. This agreement was renewed in 2001 and is designed to guarantee ferronickel deliveries for several years and smooth fluctuations in nickel prices.

#### • Relationship with STCPI and New Caledonia

Société Territoriale Calédonienne de Participations Industrielles (STCPI) has had a 30% stake in Le Nickel-SLN (in which Eramet has a 60% stake) since September 2000. The company represents the three New Caledonia provinces: on the one hand, the Southern Province (with a population of mostly European origin) and, on the other hand, the Northern and Island Provinces (of mostly Melanesian population).

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

The stake will be raised to 34% subsequent to the Annual General Meeting of July 23, 2007, under the terms of the shareholders' agreement of September 23, 2000. STCPI is a simplified joint-stock company whose sole purpose is to hold shares in Le Nickel-SLN and Eramet (approximately 5%). Four out of the thirteen Board members, plus one observer, represent STCPI on the Le Nickel-SLN Board of Directors, while two out of fifteen Board members represent STCPI on the Eramet Board of Directors. The Board members and observer are selected so as to ensure that the Southern Province, on one hand, and the Northern and Island Provinces, on the other hand, are represented equally.

### Manganese division

#### • With the State of Gabon

Comilog has had a special relationship with the State of Gabon since it was founded. The Gabonese government has owned in excess of 25% of Comilog since 1973, as well as having four seats on its Board. The government has consistently supported Comilog through both tax (a mining agreement and special tax agreement to finance the sintering complex) and industrial (as Comilog's partner in building the Owendo Port) measures. More recently, the government granted a Transgabonais railway concession to Setrag, in which Comilog is the main partner alongside other Gabonese shareholders. While the closure of the Boulogne (Comilog France) plant in 2003, and tense negotiations on tax and mining agreements, led to some disagreements, the relationship of trust enjoyed by the parties and the awareness of shared interests provide a constructive basis on which to build.

The 3.5 million ton project will contribute to social and economic growth as oil revenues decline. In addition, Comilog supports the Gabonese government in development projects such as iron ore and niobium.

#### • With the Carlo Tassara Group

Carlo Tassara France (a company belonging to Mr. Zaleski), currently has a 13.11% stake in Eramet, and replaced Maaldrift BV on December 20, 2004 (according to statements of intent filed with the AMF under numbers 204C1559, 207C0134, and 207C0137, see Section 21.2.6). Formang and Maaldrift BV (which also belong to Mr. Zaleski) are also Comilog shareholders. These companies have been in dispute with Comilog for several years following Comilog's takeover of SFPO (now Comilog France), as discussed in Section 4.2.3.2. Repeated settlement efforts have so far failed.

## 5. INFORMATION ON THE ISSUER

### 5.1. INFORMATION ON THE COMPANY

#### 5.1.1. COMPANY NAME (ARTICLE 2 OF THE ARTICLES OF ASSOCIATION)

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

#### 5.1.2. COMPANY REGISTRATION NUMBER

##### 5.1.2.1. Trade register /SIRET number

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

##### 5.1.2.2. NAF code and business sector

• NAF code: 515 C.

• Business sector: finding and exploiting mining deposits of any kind, metallurgy of all metals and alloys and trading thereof.

#### 5.1.3. DATE OF INCORPORATION AND TERM OF THE COMPANY (ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)

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

#### 5.1.4. REGISTERED OFFICE (ARTICLE 4 OF THE ARTICLES OF ASSOCIATION)

Tour Maine Montparnasse  
33 avenue du Maine  
75015 Paris - France  
Telephone: +33 (0)1 45 38 42 42  
Fax: +33 (0)1 45 38 41 28  
Website: www.eramet.fr

### Legal form and applicable legislation

Eramet is a Société Anonyme with a Board of Directors operating under French law, governed by the provisions of Articles L 224-1 et seq. of the French Commercial Code, Decree 67-236 of March 23, 1967 as amended, and by the provisions of its Articles of Association.

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

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

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

### 5.1.5. HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

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

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

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

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

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

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

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

**1994:** Acquisition of a 51% stake in Eurotungstène, a cobalt and tungsten powder producer. Private investment followed by Eramet's 30% listing on the Paris Stock Exchange Second Marché through disposals by ERAP, Elf and Imétal.

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

**1995:** Transfer of the Eramet stock to the Paris Stock Exchange Premier Marché (Monthly Settlement compartment).

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

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

**1998:** Agreement to swap Poum / Koniambo mining licences in New Caledonia.

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

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

Following these transactions, the Eramet Group had been dramatically transformed. Its businesses are divided into three

Divisions - Nickel, Manganese and Alloys - of similar size and the Group's share capital is mostly held by private shareholders, with the French state retaining a minority interest.

**2000:** Acquisition of the Mexican company Sulfamex, a producer of manganese-based agrochemicals.  
Inauguration of the Moanda industrial complex (Gabon), a manganese ore beneficiation and sintering plant that broadens Comilog's product range and extends the lifespan of its reserves.

**2001:** Launch of the 75,000-ton programme, designed to expand nickel production capacity by 25% in New Caledonia.  
Launch of capital investment project for a new forging and closed die-forging plant in France with a 40,000-ton press.  
Closure of a ferromanganese blast furnace in Boulogne-sur-Mer (France) and a silicomanganese electric furnace in Italy.  
Impairment of Special Metals Corporation.

**2002:** Acquisition of the Guilin manganese alloy plant (China).  
Erasteel acquires a controlling stake (78%) in Peter Stubs (UK).

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

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

**2004:** 75,000-ton programme in New Caledonia: commissioning of new furnace and beginning ramp-up.  
Launch of a capital expenditure programme for a 50% expansion in manganese ore production by Comilog.  
Launch of a capital expenditure programme in China for a new manganese derivatives plant serving the alkaline battery market.  
Buyout of the AREVA group's minority interests in the Manganese Division.  
Purchase from Comilog of 80% of Comilog Asia, the company holding the Guilin and Guangxi joint ventures in China.

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

30-year concession granted in November 2005 for the Transgabonais railway (Gabon).  
Erasteel: Joint venture with China's Tiangong called off.

**2006:** Aubert & Duval: Opening of the Wuxi (China) distribution centre.  
Acquisition of Weda Bay Nickel.  
Manganese ore production reaches 3 million tons.  
Opening of the new closed die-forging plant in Pamiers (40,000-ton press)

## 5.2. CAPITAL EXPENDITURE

### 5.2.1. GOALS

For many years, the Group has implemented a sustained capital expenditure policy. The ultimate aim is both to improve competitiveness and grow the business of the three strategic Divisions (Nickel, Manganese and Alloys). The policy is based on product differentiation with a focus on markets with medium to long-term structural growth.

### 5.2.2. MAIN CAPITAL EXPENDITURE PROGRAMMES

#### 5.2.2.1. Total amount of capital expenditure

Capital expenditure for property, plant and equipment recognised at Group level amounted to €188 million in 2003, €225 million in 2004, €231 million in 2005 and €309 million in 2006. Financing methods for major projects vary according to each programme. The 75kt programme in the Nickel Division is funded from capital resources and, in part, by a tax exemption granted under the Paul Act. The 40,000-ton programme in the Alloys Division is partly funded by a finance lease. The 3.5 million ton project is also funded from capital resources.

Current capital expenditure is generally funded from capital resources.

Financial investments of an industrial nature amounted to €164 million in 2006, €32.3 million in 2005 and €75.3 million in 2004 (in that year this was largely comprised of the purchase of Areva's 30% stake in Eramet Manganèse Alliages for €66 million).

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

In 2006, investments related to the acquisition of Weda Bay in Indonesia following a friendly takeover bid.

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

#### Nickel division

Nickel division	2003	2004	2005	2006
Recognised capital expenditure	€104 M	€139 M	€68 M	€125 M
Of which:				
- 75kt project	€61 M	€94 M	€20 M	€60 M
- Mobile equipment			€18 M€	€17 M
- Financial investments: Weda Bay				€164 M

**“75kt” project.** The “75kt” production capacity expansion project (for the Le Nickel-SLN subsidiary) represents total discounted capital expenditure of €298 million over the 2002-2007 period.

The project is divided into the following two key parts:

- Renovation, now complete, of an electric furnace at the Doniambo plant in Nouméa (New Caledonia),
- The development of the Tiébaghi (New Caledonia) mine with, amongst other facilities, a plant for beneficiating mined ore. The latter is being built and will be operational in the second quarter of 2007.

#### Modernisation of the Le Nickel-SLN production equipment.

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

This programme began in 2006 with the renovation of a rotary furnace in Doniambo and the upgrading of fixed mining installations. The renovation of electric furnace no. 9 was moreover given the green light, with work to begin in 2008. This programme contains a major environmental component.

**Eurotungstène and Le Havre-Sandouville.** To maximise synergies within the Nickel division through the full integration of production from mining to finished products, a new product manufacturing project was launched at the Le Havre Sandouville refinery and will be operational in the first quarter of 2007. At Eurotungstene, the new production manufacturing facility will be operational from mid-2006.

**Weda Bay project.** Pre-feasibility studies began in July 2006 and should continue until around the end of 2008, both in Indonesia and in France.

#### Manganese division

Manganese division	2003	2004	2005	2006
Recognised capital expenditure	€35 M	€39 M	€94 M	€122 M
- 3.5 MT project	-	€1 M	€24 M	€23 M
- EMD project	-	-	€6 M	€17 M
- Canadian Calciner project	-	-	-	€14 M
- SETRAG upgrade project	-	-	€5 M	€9 M

**3.5 MT project.** This project began in 2004 with the goal of increasing the manganese mining capacity of Comilog SA in Moanda, Gabon. With an initial target of 3 million tons, the target was raised in 2005 with planned production capacity of 3.5 million tons of manganese per annum. The project is carried out within Comilog SA and represents total capital expenditure of €61 million over the 2004-2008 period.

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

Targets were met in 2005 and 2006, with production levels equivalent to 2.9 million tons per annum at the end of 2005 and 3.3 million tons per annum at the end of 2006. The final estimated cost is in line with the initial budget.

**Electrolytic Manganese Dioxide (EMD) project, China.** Phase 1 of the project to set up a Electrolytic Manganese Dioxide production unit in China was completed at an initial cost of €23 million.

Initial production tests were carried out in December. 2007 will see the development and certification of products, with staggered ramp-up over the first half.

The main components of the project are:

- Penetration of the Chinese EMD market and support for the globalisation policy of its alkaline battery producing customers,
- Construction of a production unit in Chongzuo (Guangxi province) with annual capacity of approximately 10,000 tons, which is likely to be doubled within two years of start-up. This second phase will be undertaken in 2008 depending on market response.

**Canadian Calciner project.** Gulf Chemical & Metallurgical Corporation's (GCMC) expansion project in Canada undertaken towards the end of 2005 involves the construction of two furnaces with a budget of €32 million over the 2006 – 2007 period. It is designed to:

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

It has progressed as expected in 2006 and will continue in 2007. It is scheduled to open in the final quarter.

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

Launched in 2005, it truly began in 2006: track upgrading will be speeded up in 2007.

#### Alloys division

Alloys division	2003	2004	2005	2006
Recognised capital expenditure	€60 M	€60 M	€66 M	€58 M
Of which:				
- 40KT project	€30 M	€33 M	€21 M	€7.9 M
- Tiangong Erasteel joint venture	€1 M*	€7 M*	-	-

\* Financial investment.

**"40,000 ton" project.** The 40,000-ton project, carried out via the Aubert & Duval/Airforge subsidiary, represents capital expenditure of €102 million over the 2002-2006 period. It consists of building a closed die-forging workshop with a 40,000-ton press.

Its main components are as follows:

- Set-up in Pamiers (Ariège, France) of an integrated production workshop with a new 40,000-ton press and related facilities: capacity expansion and optimisation of the range of closed die-forging resources within Aubert & Duval (henceforth 65,000, 40,000, 22,000, 20,000, 10,000 and 4,600 tons) to meet growth in the aerospace parts market (structure parts and engine disks),

In addition, initial feasibility studies (high-level) were undertaken on two major projects to build the business of the Manganese Division for the long-term.

**"OKOUMA" feasibility study.** This study is looking at the working of a plateau just a few kilometres from the plateau currently being worked by Comilog SA in Gabon.

Containing ore as rich as that mined from the current plateau and allowing the reuse of some of the existing facilities, this plateau should make it possible to sustain ore production at around 3.5 Mt/year beyond 2050.

**"MABOUMINE" feasibility study.** This preliminary study involves the possible working of a niobium deposit in Gabon. Niobium, a very high value-added product, is used as an alloying component in high-performance steels: the market for it is constantly growing. If the outcome is favourable, the decision to invest should be made in 2008.

- Optimised industrial organisation to drastically cut cycle times (halving the closed die-forging cycle), improved market responsiveness and enhanced customer service levels.
- Improved productivity and quality through process automation.

In addition to improvements resulting from process and productivity optimisation, returns on the project depend on continued growth of the aerospace engines market resulting in sales in this market doubling by 2008.

All facilities came on stream in the fourth quarter of 2006.

During 2006, Erasteel invested €8.5 million in productivity, energy cost optimisation and capacity in line with the industrial plan, but also in safety and major repairs across all sites.

## 6. PRESENTATION OF BUSINESS ACTIVITIES

### 6.1. NICKEL DIVISION

#### 6.1.1. NICKEL MARKET

##### 6.1.1.1. Nickel demand

###### Properties of nickel

Nickel is a metal that is little known to the general public, as it is generally used in combination with other products.

Nevertheless, nickel's rich array of properties make it a key material in the modern world especially given the fact that it is recyclable.

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

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

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

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

###### Uses of nickel

Stainless steel is by far the sector that consumes most nickel worldwide. Global nickel consumption in 2006 can be broken down as follows:

Stainless steel (8 - 12% nickel)	: 63%
Nickel based alloys (25% - 100% nickel)	: 11%
Electroplating	: 9%
Casting and alloy steels (less than 4% nickel)	: 8%
Rechargeable batteries	: 4%
Coins	: 2%
Other (including catalysis)	: 3%

(Sources: Eramet estimates)

###### End uses of nickel

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

##### • Stainless steel

> Food safety, hygiene

This is one of the major uses of stainless steel. Stainless steel has outstanding hygiene properties needed to guarantee

consumer safety and is particularly used in the following forms: household equipment (sinks, cutlery, saucepans, dishes, etc.); domestic appliances (washing machines, microwave ovens, catering ovens); food industry and pharmaceutical production tools; surgical equipment etc. Stainless steel's properties mean its use is often legally prescribed in developed countries.

> Heavy industries

Chemicals, petrochemicals, paper, power generation.

> Building, construction

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

> Transportation

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

##### • Nickel alloys

> Superalloys

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

> Nickel/iron alloys

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

> Corrosion-resistant nickel alloys

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

##### • Electroplating (coating with pure metal)

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

##### • Casting and alloy steels

Automobiles and mechanical construction.

##### • Rechargeable batteries

Back-up batteries, telephones, laptop computers.

##### • Coinage

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



• **Other**

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

**Sustainable development and nickel**

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

Nickel is infinitely recyclable and its high economic value makes its collection and recycling worthwhile. The structure of the nickel recycling industry has been firmly established for many years. Products are usually collected for recycling (industrial scrap and products from the destruction of appliances and equipment) by small businesses that sell them on to the major companies in the nickel recycling industry. These firms put together the various alloys containing nickel (stainless steel, superalloys, alloy steels, etc.) in carefully defined proportions to make a new product that is suitable for use by their stainless steel producing customers. In 2006, nickel from recycling accounted for approximately 47% of the nickel consumed in global stainless steel production.

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

**The nickel market**

Thanks to a rising number of applications, nickel has historically enjoyed average annual growth of 4% since 1950, which compares very favourably to other industrial products. Stainless steel, the biggest nickel user, has itself grown by on average 5% per annum.

As a growing share of the population in newly industrialised nations gains access to higher standards of living, nickel demand in these countries rises sharply. Historically, Japan, and later the Asian "tigers" are testament to this. The current focus of development is China, where a middle class of some 300 million people is emerging.

**6.1.1.2. Nickel supply**

**The three types of nickel ore**

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

There are three types of ore:

- Sulphide ore,
- Lateritic oxide ore (limonite),
- Garnieritic oxide ore (saprolite).

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

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

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

• **Oxide ores: laterites, upper mining levels.**

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

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

• **Oxide ores: garnierites, lower mining levels.**

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

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

**Global production by ore type in 2004 (Eramet estimates)**

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

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

## Mining production per country in 2006

### 2006 mining production in thousands of tons of nickel content

Russia	288.0	19%
Canada	232.1	16%
Australia	181.3	12%
Indonesia	159.0	11%
New Caledonia	100.7	7%
Colombia	94.1	6%
Cuba	78.7	5%
China	69.4	5%
Philippines	58.6	4%
South Africa	41.4	3%
Brazil	38.4	3%
Dominican Republic	28.9	2%
Botswana	27.6	2%
Greece	21.7	1%
Venezuela	17.2	1%
Ukraine	12.0	1%
Macedonia	10.9	1%
Spain	7.0	0%
Zimbabwe	6.0	0%
Finland	2.9	0%
Kazakhstan	1.2	0%
Turkey	0.6	0%
Norway	0.4	0%
<b>Globally</b>	<b>1,478.1</b>	<b>100%</b>

Source: International Nickel Study Group, INSG

### Capital expenditure levels in the Nickel Division

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

As a result, capacity expansion is the preferred development method among existing producers, as capital expenditure

levels are only half those of a new mine and plant complex, i.e. 7 - 8 USD/lb (15,000 – 17,000 USD/ton) in annual capacity.

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

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

### Integrated project development timelines in the Nickel industry

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

Several stages are essential:

- Geological surveys : 2 to 5 years,
- Pre-feasibility study : 1 year,
- Pilot plant for any new process : 2 years,
- Financial feasibility study : 2 years,
- (mine and plant) : 2 to 3 years.

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

### Nickel processing

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

Acid leaching (dissolving) is now the preferred method for exploiting these ores. Two major projects use these technologies. Goro (CVRD Inco) and Ravensthorpe (BHP Billiton) are in the process of construction with start-up planned for the end of 2008. Eramet developed its own hydrometallurgy production process, which will be rolled out industrially at its Weda Bay Nickel project in Indonesia.

To limit risks, substantial expenditure has been devoted to research and industrial management for both projects. In addition, in both cases significantly richer ore will be processed than for their three predecessors.

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

### 6.1.1.3. Nickel producers

2006

Thousands of tons of nickel content

Metallurgical production  
Finished products

Producer	Country	Metallurgical production (Thousands of tons)	Finished products (%)
Norilsk	Russia	244.0	18%
Inco	Canada	241.9	18%
BHP Billiton/WMC	Australia / Colombia	136.3	10%
Falconbridge	Canada	110.0	8%
Jinchuan	China	101.0	8%
Eramet *	France (New Caledonia)	62.1	5%
Sumitomo Metal Mining	Japan	48.1	4%
Cubaniquel	Cuba	40.0	3%
OMG	Finland	36.2	3%
Pamco	Japan	35.4	3%
Sherritt	Cuba / USA	30.0	2%
Other		255.0	19%
<b>Total</b>		<b>1,340.0</b>	<b>100%</b>

Sources: INSG (International Nickel Study Group) – Producers – Eramet estimates.

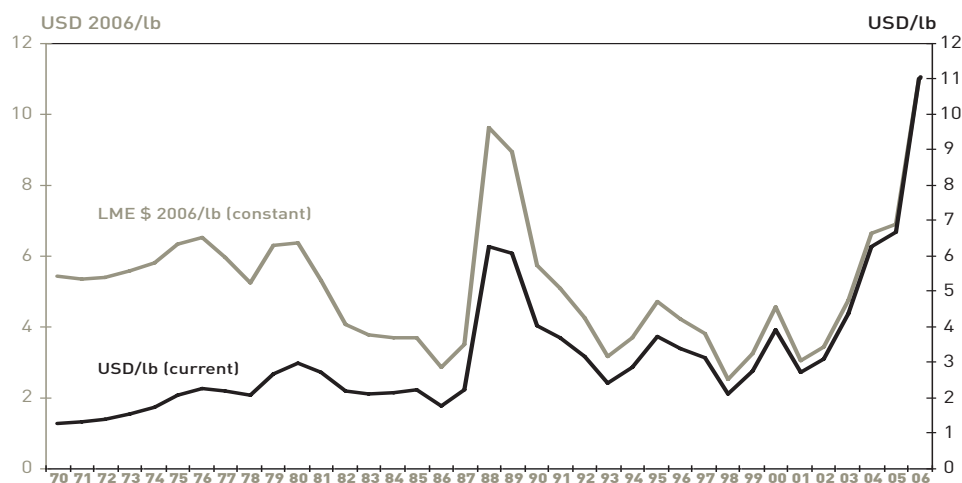
\* Eramet: garnierite for the Doniambo plant (New Caledonia).

### 6.1.1.4. Nickel prices

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

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

The graph below illustrates historical trends in nickel prices (in current USD/lb and constant 2006 USD/lb).



Source: London Metal Exchange - Thomson Financial.

Nevertheless, over the long-term the physical market remains the main driver of nickel price fluctuations.

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

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

Historically, the average nickel price on the LME from 1979 to 2006 was 3.67 USD/lb, i.e. 8,081 USD/ton.

### 6.1.1.5. State of the nickel market

Prices in the nickel market reached unprecedented levels in 2006, in what was in general a very positive environment for metals.

Nickel prices on the LME (London Metal Exchange) were on average 24,250 USD/t (11 USD/lb) and rose sharply during the second half, closing the year at an average price of 34,568 USD/t in December (15.68 USD/lb).

The physical nickel market was driven by a strong recovery in demand after a difficult second half of 2005 for the global stainless steel market as a result of widespread inventory reduction.

This recovery obviously comes on the back of the strong growth in the global economy, still driven by fast growing China. It was also heightened, however, by the end of the inventory reduction that had weighed on demand in the 2<sup>nd</sup> half of 2005.

Overall, global nickel demand rose 6.4% in 2006 and dispelled the 2005 "air pocket".

Nickel supply, on the other hand, experienced two contradictory phenomena: significant production cuts at "traditional" producers as a result of climatic, technical or labour problems, offset by the development and expansion of a new production channel in China. The latter, which consists of importing low grade oxide ore and smelting it in blast furnaces, contributed around 26,000 tons to the nickel market, in particular in the 2<sup>nd</sup> half.

This new source of primary nickel, with high production costs and average quality, is a response to the current lack of nickel and the very high prices, pending the coming onto the market of the large integrated projects (mine + plant) that are currently being built or seeking funding.

In 2006, the latter announced significant delays and sharply higher capital expenditure levels. This contributed to upward speculative pressure on nickel prices, at a time when nickel inventories worldwide seemed low.

### Summary of nickel supply and demand

(thousands of tons)	2000	2001	2002	2003	2004	2005	2006E
Stainless steel production	19,273	18,655	19,835	21,917	23,712	23,931	27,912
Austenitic stainless steel production	14,634	14,343	15,454	17,180	18,243	17,563	21,217
Primary nickel %	52.4%	54.1%	56.5%	56.4%	54.3%	52.4%	53.0%
Primary nickel in stainless steel, tons	677.8	681.6	767.4	842.1	841.5	811.5	879.2
Nickel - other sectors	440.8	415.0	386.8	405.9	415.5	444.7	470.2
Visible nickel consumption	1,118.6	1,096.6	1,154.2	1,248.0	1,257.0	1,256.2	1,349.4
Nickel supply	1,095.1	1,143.1	1,177.3	1,196.0	1,258.6	1,283.3	1,340.0
Balance	(23.5)	46.5	23.2	(52)	1.6	27.1	(9.4)
Inventory in weeks' consumption (year-end)	9.0	12.9	10.5	7.6	7.4	8.8	7.6

Sources: INSG – Producers – Eramet estimates

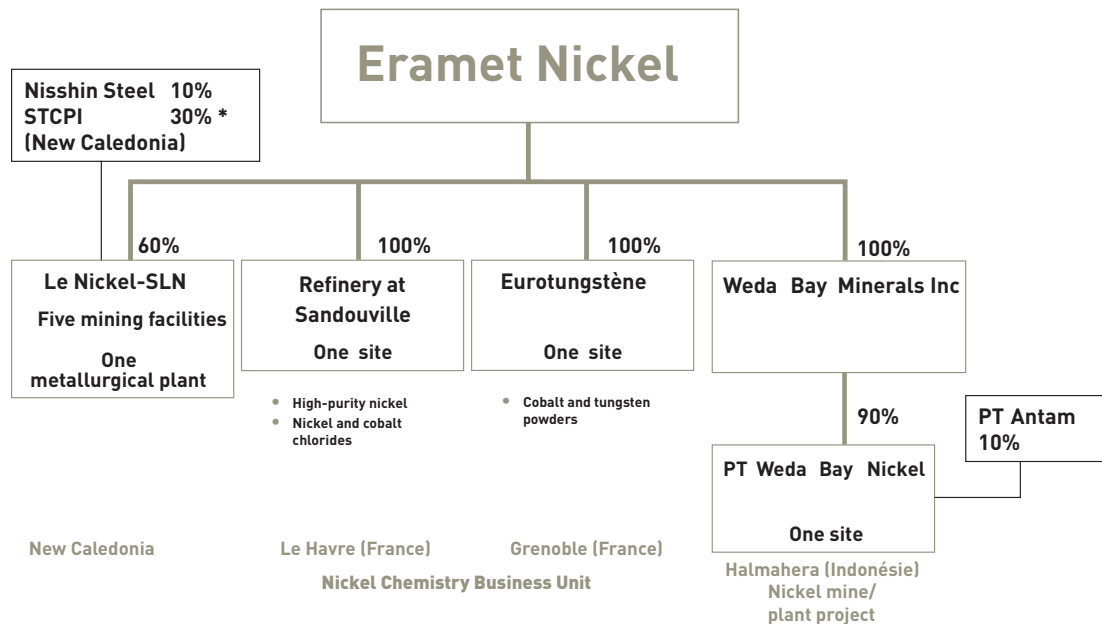
## 6.1.2. PRESENTATION OF ERAMET'S NICKEL DIVISION

### 6.1.2.1. Nickel Division key points

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

### 6.1.2.2. Nickel Division structure

Organisational structure as on December 31, 2006



\* Increase to 34% planned for 2007

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

Since 2006, Eramet has owned Weda Bay Nickel, the world class nickel deposit in Halmahera, Indonesia.

#### • Le Nickel-SLN

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

#### • Eramet

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

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

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

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

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

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

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

**2006:** In December, STCPI exercised a call option enabling it to increase its stake in Le Nickel-SLN to 34%. The practical details will be looked at in early 2007.

- **Eurotungstène Poudres**

Since August 21, 2003 Eramet has wholly owned Eurotungstène Poudres SA, a company based in Grenoble, France (Eramet had held a 51% stake in the company since July 1994).

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

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

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

- **Mines and industrial facilities**

The Group is an integrated nickel producer from mining to product marketing.

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

- **Nickel mines**

The Nickel Division's mines benefit from:

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

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

- **Nickel ore reserves**

See Chapter 11.2.3.

- **Operation of nickel mines**

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

Four are directly operated by the company:

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

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

Under the 75,000-ton programme, the capacity of the Tiébaghi mine was gradually expanded to 1.2 million wet tons in 2004 and 2005. In addition, Le Nickel-SLN owns the Poux deposit following an exchange of mining licences under the February 1998 agreement with the French State (see note on New Caledonian ore reserves in the notes to the 2005 consolidated financial statements).

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

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

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

- **Népoui beneficiation plant**

In Népoui, ore is sent hydraulically through a seven-kilometre pipeline to the beneficiation plant. The plant was inaugurated in 1994 and uses innovative technology based on sorting by particle size and density to increase ore grades. This enables a broader part of the deposit (including lower-grade ores) to be exploited, thereby extending the lifespan of the reserves.

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

(in thousands of wet tons)	2006	2005	2004
Direct production	2,344	2,546	2,598
Sub-contracted production	695	492	444
<b>Total</b>	<b>3,039</b>	<b>3,038</b>	<b>3,042</b>
Laterites bought from contractors	350	399	365

• **Doniambo metallurgical plant**

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

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

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

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

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

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

1994	50,129
1995	52,343
1996	53,413
1997	54,892
1998	56,502
1999	56,642
2000	57,463
2001	58,973
2002	59,867
2003	61,523
2004	55,180
2005	59,576
<b>2006</b>	<b>62,383</b>

• **Sandouville refinery**

The Sandouville-Le Havre refinery uses a high-performance hydrometallurgical process that was specially developed by

Eramet’s research teams. The 75% nickel matte used is completely sourced from Le Nickel-SLN’s metallurgical plant in Doniambo, New Caledonia.

The matte is crushed and then corroded by an iron chloride solution using chlorine. Several successive extraction stages in mixer-settlers allow iron and cobalt to be separated out in the form of iron chloride and cobalt chloride, respectively. The various remaining impurities are then removed. The resulting nickel chloride is mostly processed by electrolysis. The very pure nickel cathode obtained is usually cut up and put into drums. Part of the nickel chloride is sold in liquid form for chemical applications. The rest is crystallised and sold in sacks.

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

**Nickel Division marketing policy and products**

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

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

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

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

• **Ferronickel: world’s largest producer**

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

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

- > Pure nickel and related products: one of only three high-purity nickel producers worldwide.
- Nickel Metal (HP Nickel): Nickel cathodes are mainly sold to nickel alloy manufacturers (superalloys for aerospace and nuclear power, iron-nickel alloys for electronics, etc.) and nickel electroplating workshops.
  - Nickel chloride (SELNIC): Eramet is the world's leading

producer of nickel chloride, which is used in electroplating and the chemicals industry (catalysts).

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

> Ore

Ore is mainly sold to ferronickel producers in Japan.

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

In % terms	2006	2005	2004
Ferronickel	77	75	77
Pure nickel and related products <sup>(1)</sup>	21	23	20
Ore	2	2	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

(1) Nickel metal and salts.

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

In % terms	2006	2005	2004
European area *	42*	35	31
Americas	7	4	4
Asia and other regions	51	61	65
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* From 2006, Eurozone. Prior to 2006, Western Europe excluding France

#### Nickel Division research and development policy

The Nickel Division's research and development policy has brought about major developments over the past 30 years. The Group has its own research facilities in the Trappes Research Centre (see Chapter 11 – Research and development).

R&D work has led to the following developments:

- The hydrometallurgical process at the Sandouville plant in 1976,
- Ferronickel shot in 1978,
- Ore beneficiation processes for the Népoui and, soon, Tiébaghi plants (1991 and 2006, respectively),
- Mining geology techniques.

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

More recently, the group passed another major milestone in its development by creating its own hydrometallurgical process for the laterites. This will be applied industrially in the Weda Bay deposit, and could also be rolled out in other deposits over time.



## Nickel Division return on capital employed (ROCE)

ROCE: Restated operating profit\* / Capital employed\*\*

\* Operating profit – amortisation of goodwill net of impairment tests.

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

Nickel ROCE								
%	1991 <sup>(1)</sup>	2000	2001	2002	2003	2004 *	2005 *	2006 *
Nickel	14	47	15	28	64.2	93.5	58.6	79.7

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

\* IFRS.

### 6.1.2.3. The Nickel division in 2006

#### Key figures

(IFRS, millions of euros)	2006	2005	2004
Sales	1,019	774	765
Current operating profit	388	243	309
Net cash flows from operating activities	317	321	279
Capital employed	743	487	415
Capital expenditure	125	68	139
Average workforce	2,668	2,551	2,484

#### Commentary

Sales at Eramet Nickel rose 31.6% in 2006 on the back of the rise in nickel prices and higher nickel deliveries.

The physical nickel market benefited from a sharp rise in demand in 2006, after a sharp fall in global stainless steel production in the 2<sup>nd</sup> half of 2005. This recovery comes on the back of a very positive global economic climate and in particular the high level of industrial capital expenditure, but also the end of the widespread inventory reduction in the stainless steel market in 2005. As a result, global production of austenitic stainless steel, which contains between 8% and 9% nickel, rose by some 21% in 2006. Overall, visible global nickel consumption rose by in excess of 7%.

Growth in global nickel supply failed to keep up with demand, with a mere 4% rise, following a series of difficulties faced by several of the leading global producers. This was partly offset by the opportunistic development in the 2<sup>nd</sup> half of Chinese nickel production from low grade imported ore, smelted in unused small blast furnaces. This not very competitive channel was established in response to the very high nickel prices on the LME.

In fact, the latter reached a new record in 2006 of 11 USD/lb on average. The rise was particularly marked in the 2<sup>nd</sup> half, with the price even exceeding 15 USD/lb in December.

Having suffered from a dispute at a subcontractor during the summer, the operations of Le Nickel-SLN in New Caledonia were severely disrupted in the 4th quarter by a long strike (close to 4 months) called by the CSTNC union on September 25, 2006

for reasons completely unrelated to the Company. The labour difficulties in New Caledonia resulted in metallurgical production losses of close to 6,000 tons during 2006, on top of an estimated impact of around 1,000 tons on 2007 production levels.

Metallurgical production at the Doniambo plant (New Caledonia) was thus restricted to 62,383 tons in 2006. This, nevertheless, represents an increase of 4.7% on 2005 when nickel production and deliveries was affected by a labour dispute lasting over three weeks in the 4th quarter, also called by the CSTNC.

Deliveries of Eramet Nickel finished products rose 13.1% to 64,716 tons in 2006. This level was achieved thanks to a reduction at the end of the year in finished product inventory, carried out in order to continue to meet customer commitments as best possible despite the strike.

Eramet Nickel continued to implement its 75,000 ton programme in 2006, with the ongoing construction of the Tiébaghi ore beneficiation plant. Moreover, capital expenditure on the replacement of mining equipment and the upgrading of rotary furnaces helped to once again keep capital expenditure levels very high in 2006 (€125 million).

Benefiting from the economic climate, the Sandouville plant in France produced 13,500 tons of high-purity nickel in particular for the aerospace and nuclear markets. The plant also produces cobalt and iron chloride and is diversifying into nickel derivative compounds. With highly-specialised properties, these products offer significant added value.

In Grenoble, Eurotungstène manufactures tungsten powders, cobalt powders and cobalt alloys (in particular from cobalt supplied by Sandouville), products used in tooling and binders for diamond tools. A global specialist, the site is able to develop and manufacture a special binder for each application. In addition to Eurotungstène's strong industrial and commercial performance, its safety record (a single work accident over the past two years) was also excellent.

#### Acquisition of Weda Bay

Launched in March 2006, the friendly takeover bid for Weda Bay Minerals Inc. had succeeded by May. This takeover bid gives the Group a world class lateritic deposit (laterites are nickel oxide ores that also contain cobalt) on Halmahera, an Indonesian island located to the north east of the archipelago. This acquisition is in line with the goal of the Board of Directors of Weda Bay Minerals Inc. to find an international industrial partner capable of developing the deposit. Eramet's strong financial position meant that it could pay the full amount of this transaction, namely around €164 million, from capital resources (net of cash acquired), without having recourse to the market.

The acquisition of Weda Bay is wholly consistent with the Group's strategy to find new growth drivers, to strengthen the Nickel Division and to further diversify its mining activities away from New Caledonia. A geographic aspect that proves all the more strategic because of the richness of the Indonesian subsoil. With historic growth of around 4% per annum, namely some 50,000 tons per annum, the nickel market is profitable over the long-term. The Weda Bay project will enable Eramet to retain its market presence.

The development of the deposit accordingly brightens the outlook. Over time, it will enable the Group to almost double its presence in the Nickel market. Weda Bay will help to meet demand in the Asian market, a fast growing area where stainless steel consumption, the number one outlet for nickel, is driven by industrial capital expenditure. A feasibility study looking at the possible onsite construction of a plant to produce 60,000 tons per annum has already been launched. The new site should begin operating in 2013. It will implement the hydrometallurgical process developed at the Trappes Research Centre.

The expansion of the business in Indonesia will benefit from the technical expertise of the Eramet Nickel teams. The Company will look for synergies between the two areas, encouraging the exchange of expertise and the mobility of the teams. The Eramet operation in Halmahera and the ramp-up of the industrial project will moreover benefit from a further powerful asset: the support of the local population

and the authorities with whom initial links have been developed. Support that is illustrated by the Indonesian State's 10% stake in the project, via Antam, with options to take this stake to 25%, and ultimately to 40%.

#### Recognition of the Weda Bay deal

Eramet elected to allocate the purchase consideration for the business combination at the fair value of the assets, liabilities and identifiable contingent liabilities.

The main components of the recognition of Weda Bay are as follows:

(millions of euros)	Weda Bay Minerals Inc. and subsidiaries	
	Fair value	Carrying value
Acquisition price		189
Goodwill / (negative goodwill) calculated		-
Non-current assets	254	28
Working capital requirement	2	2
Shareholders' equity	(189)	(46)
Minority interests	(15)	-
Provisions and deferred tax	(68)	-
Net borrowings	16	16

The purchase consideration of Weda Bay Minerals Inc. is wholly allocated to intangible assets within mineral deposits on the basis of assessments carried out by independent experts. Given that it is an early stage company, the impact on the Group's income statement is not material. Pro forma statements were not drawn up.

#### Exercise of the Le Nickel-SLN stock call option by STCPI

See Chapter 4.2.2.

#### Commodity hedging: Nickel and Fuel Oil

During 2006, Eramet hedged around 30% of its fuel oil purchases for Le Nickel-SLN in 2007, with the closing fair value being a liability of €3 million.

Eramet hedges a portion of its nickel sales on the basis of 1 or 2 year forecast budgets, with the closing fair value being a liability of €354 million. Accordingly, as on December 31, 2006, 40% of planned deliveries in 2007 were hedged at an average price of around 19,000 USD/t (8.60 USD/lb) and 16% of planned deliveries in 2008 at an average price of 16,000 USD/t (7.20 USD/lb). Eramet mainly uses futures, combined buy/sell options and the buying of options.

## 6.2. THE MANGANESE DIVISION

### 6.2.1. THE MANGANESE MARKET

#### 6.2.1.1. Manganese demand

##### 6.2.1.1.1. Main applications

##### Steel

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

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

##### Other applications

- Batteries: Alkaline batteries mainly. A lesser percentage continues to be used in saline batteries, which are less efficient.

Manganese derivatives are also used in rechargeable lithium batteries.

- Ferrites: used in electronic circuits;
- Agriculture: fertiliser and animal food;
- Various chemicals: pigments, fine chemistry;
- Other metallurgical uses: mainly as a hardening agent for aluminium (beverage cans).

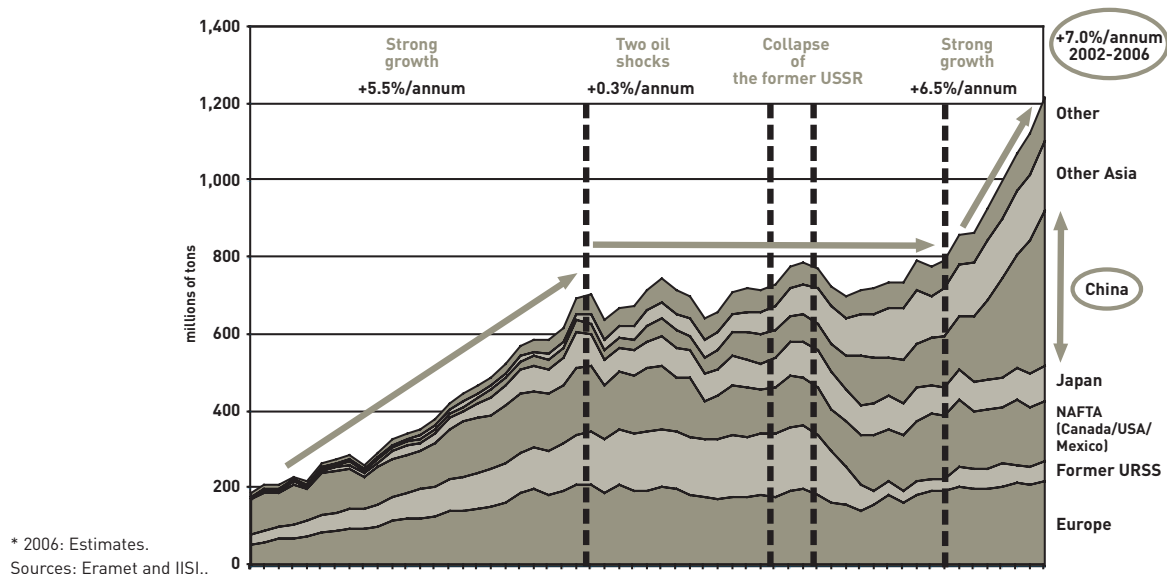
##### 6.2.1.1.2. Historical consumption trends, outlook

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

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

From 2002 to 2006, global demand even grew by close to 7% per annum, mainly driven by Chinese demand, which rose by close to 18% per annum.

Visible carbon steel consumption by geographic region \*



Global carbon steel production by geographic region

Millions of tons	2004	In % terms	2005	In % terms	2006	In % terms
Europe	194.2	18.2%	187.3	16.4%	198.4	16.0%
Former URSS	113.4	10.6%	113.2	9.9%	119.7	9.7%
NAFTA (Canada / USA / Mexico)	150.7	14.1%	143.8	12.6%	147.8	11.9%
Japan	112.7	10.5%	112.5	9.9%	116.2	9.4%
China	280.5	26.2%	353.4	31.0%	418.8	33.8%
Asia	116.9	10.9%	125.2	11.0%	130.7	10.5%
Other	100.5	9.4%	104.2	9.1%	107.9	8.7%
<b>Total</b>	<b>1,068.9</b>	<b>100.0%</b>	<b>1,139.6</b>	<b>100.0%</b>	<b>1,239.5</b>	<b>100.0%</b>

Source: International Iron and Steel Institute (IISI).

### 6.2.1.2. Manganese supply

#### Manganese ore

Global ore production was assessed in 2006 at 10.6 million tons of manganese content. Ore is mainly produced in eight countries: China, South Africa, Australia, Gabon, Brazil, Ukraine, India and Ghana.

#### Manganese ore production in 2006

(in thousands of tons of Mn content)

China *	2,301
South Africa	1,804
Australia	1,757
Gabon	1,393
Brazil	846
Ukraine *	643
India *	559
Ghana *	495
Kazakhstan *	304
Mexico *	122
Georgia *	108
Vietnam *	31
Other *	197
<b>Globally</b>	<b>10,560</b>

\* Low grade ore.

Sources: International Manganese Institute and Eramet estimates.

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

#### Manganese alloys

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

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

There are three product families:

- High carbon ferromanganese (HC FeMn): containing 65-79% manganese and 6-8% carbon, HC FeMn can be produced by two types of process, electric furnaces or blast furnaces.
- Silicomanganese (SiMn): with 60-77% manganese, SiMn can only be made in an electric furnace, using either ferromanganese slag or ore.
- Refined ferromanganese (MC FeMn, etc.). This higher value-added product contains less carbon. It is made by transferring molten HC FeMn alloy to an oxygen converter, which reduces the carbon content to the desired level. A distinction is made between medium carbon ferromanganese (1.5% carbon) and low-carbon ferromanganese (0.5% carbon). These products are especially used to make flat steel products and special steels.

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

#### Global manganese alloy production in 2006 by product group

Silicomanganese	: 58%
High carbon ferromanganese	: 33%
Refined ferromanganese	: 9%

Sources : estimations Eramet.Source: Eramet estimates.

#### Global manganese alloy production in 2006

(in thousands of tons of alloys)

Europe	1,340
CIS	1,781
North America	206
Asia and Oceania	7,242
Other	1,662
<b>Globally</b>	<b>12,231</b>

Source: Eramet estimates.

The manganese alloy industry is highly fragmented. Producers are located in a large number of countries, although China seems dominant. There are no major technological barriers for the standard products, namely high carbon ferromanganese and silicomanganese; capital expenditure levels in the industry are moderate, particularly in China.

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

### 6.2.1.3. Manganese prices

#### Manganese alloys

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

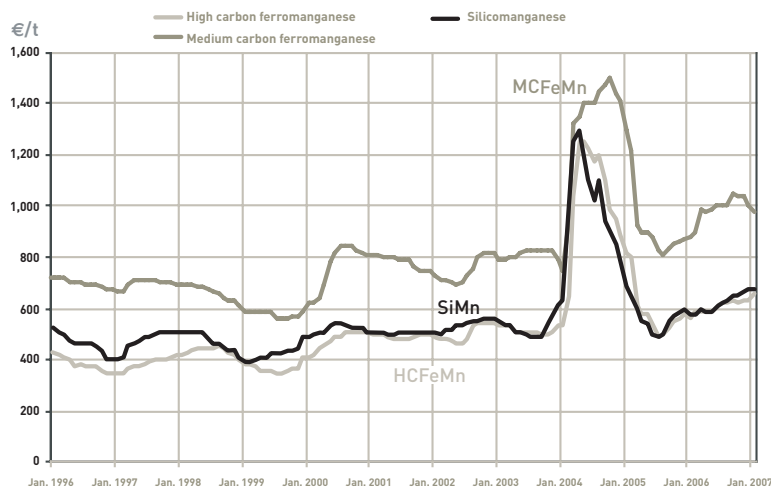
The manganese market is above all global and highly competitive. However, prices can sometimes vary between geographic regions (Europe, North America, Asia) because of movements in currency rates or out-of-step economic cycles. These differences are usually only temporary.

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

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

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

## Manganese alloy prices in Europe (euros per gross alloy ton: €/t.)



Source: CRU.

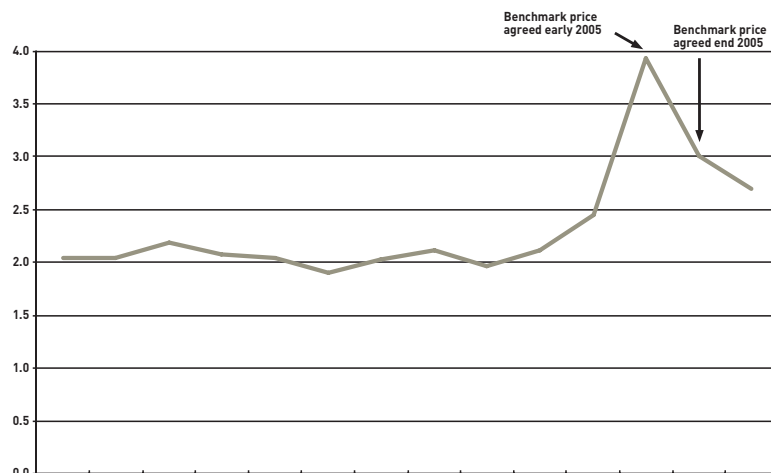
Manganese alloy prices are historically less volatile than those of LME-listed metals.

### Manganese ore prices

The selling price of manganese ore, as with alloys, is agreed directly between buyers and sellers. Selling prices are usually denominated in US dollars. They are typically stated in USD / dmtu (dry metric ton unit). A dmtu is 10 kg of manganese content (for example, in 1 ton of ore at 10% humidity and 48% content, there are  $1,000 \times 0.10 \times 0.48 \times 0.1 = 43.2$  dmtu). The price of the dmtu is higher for rich ores and also depends on the granulosity and the presence or otherwise of impurities such as phosphorus.

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

### Contract price for manganese ore exported to Japan for metallurgical use (US dollar for 1% manganese content – FOB Australia)



Source: Tex Report (Japan).

#### 6.2.1.4. Recent market conditions

Global carbon steel production continued to grow fast in 2006 (+8.8%). China consolidated its driving position (+18.5%), but the other major regions posted improved performances, in particular Europe (+6.2%), and the US (+3.8%).

Imbalances appeared at the end of the year, with major production gaps in the US and a surge in Chinese steel exports.

The manganese market benefited from the good performance of global steel. Manganese alloy prices continued their recovery, which had begun towards the end of 2006. Ore spot prices took longer to stabilise. The low point was around mid-2006 with a very progressive rise being seen over the 2<sup>nd</sup> half.

Projects to increase the supply of rich ore (i.e. > 44% of manganese content) seem relatively limited and this should help sustain ore prices over the medium-term.

## 6.2.2. PRESENTATION OF ERAMET'S MANGANESE DIVISION

### 6.2.2.1. Manganese division key points

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

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

### 6.2.2.2. Manganese division history

**1957:** Founding of Comilog.

**1962:** Mining of the Moanda deposit begins in Gabon.

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

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

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

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

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

**2000:** Acquisition of the Mexican company Sulfamex, which produces manganese-based agrochemicals.  
- Inauguration of the Moanda industrial complex (Gabon), a new manganese ore beneficiation and sintering plant, which enhances Comilog's product range and extends the lifespan of its reserves.

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

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

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

- Closure of the Boulogne-sur-Mer ferromanganese plant and the Shaoxing (China) manganese alloy plant. Manpower reductions at most other Eramet Manganese sites,
- Disposal by Comilog of Sadaci (molybdenum roasting) and the carbon black business, both based in Belgium,
- Provisional management contract for the Transgabonais railway granted to Comilog by the Gabonese government.

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

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

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

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

In November 2005, Eramet was granted the concession to operate the Transgabonais railway for 30 years.

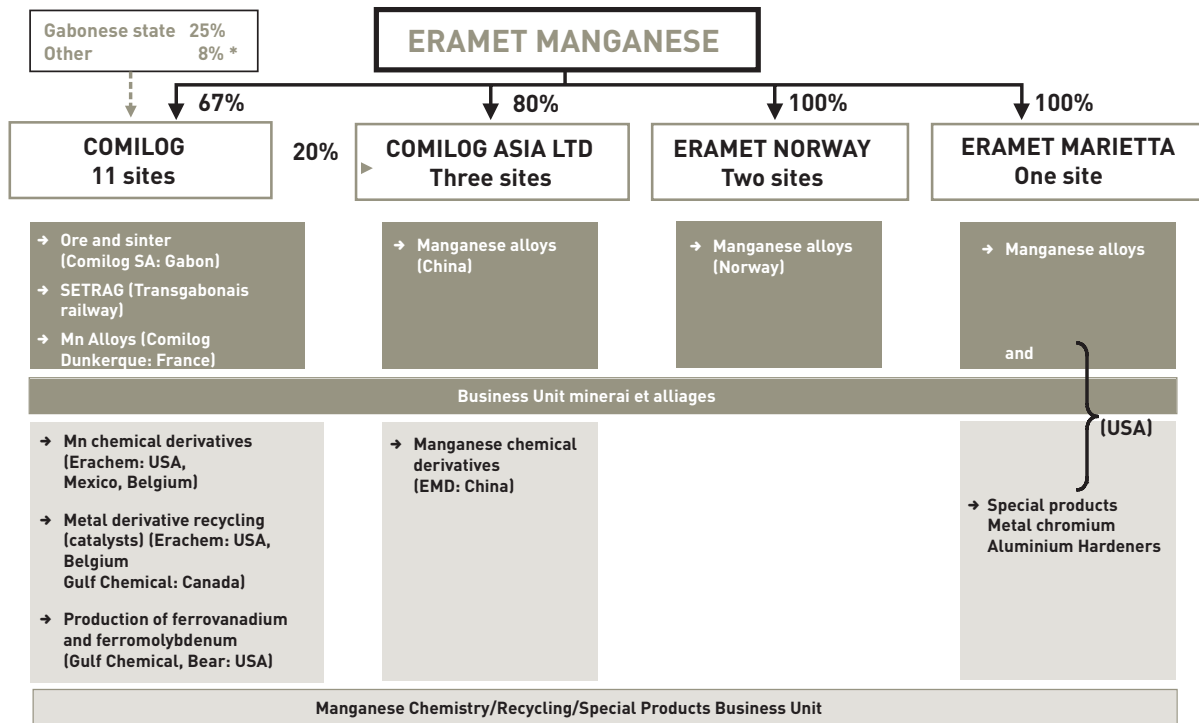
**2006:** Comilog production successfully increased to 3 Mt

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

### 6.2.2.3. Manganese division structure

#### 6.2.2.3.1. Organisational structure as on December 31, 2006

Eramet Manganese, the Group's Manganese Division, is now split into four companies.



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

1. Comilog is a company operating under Gabonese law and 67% held by Eramet. Its business activities include:

- Operation of the Moanda manganese mine and sintering plant,
- Operation of SETRAG (Transgabonais railway),
- Production of manganese alloys in Dunkirk (France),
- Production of manganese-based chemical derivatives,
- Recycling of metals contained in catalysts and electronic industry products (copper),
- Production of ferrovandium and ferromolybdenum.

2. Comilog Asia has the two manganese alloy plants at Guilin and Guangxi, as well as the manganese chemical derivatives plant at Chongzuo.

3. Eramet Norway has two Norwegian alloy plants in Porsgrünn and Sauda.

4. Eramet Marietta (USA) produces manganese alloys, manganese-based hardeners for the aluminium industry and high-purity chromium.

#### 6.2.2.3.2. Ore and alloys business unit

##### The Moanda mine and sintering plant

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

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

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

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

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

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

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

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

##### Manganese alloy production

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

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

##### Production of manganese alloys for the steel industry

(In thousands of tons)	2006	2005	2004	2003	2002
High-carbon ferromanganese (including China)	279	290	295	402	370
Silicomanganese	201	185	202	225	224
Refined alloys (medium and low-carbon FeMn)	271	252	233	247	205

##### Manganese alloy production sites

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

In Europe, two alloy plants are located in Norway, where they benefit from competitive electricity prices under long-term contracts. The third plant is in Dunkirk, France.

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

and local sources. Both sites furthermore produce alloys using blast furnaces and have a favourable supply position in coke, of which China is the world's foremost supplier.

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



### 6.2.2.3.3. Manganese chemistry / recycling / special products business unit

#### Manganese chemistry business

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

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

Moreover, in January 2007, Eramet Manganese completed the construction of a new EMD plant in Chongzuo, China. This will enable it to supply the fast growing Chinese alkaline battery sector.

Chongzuo (Guangxi Province) (China)	EMD (electrolytic manganese dioxide)
-------------------------------------	--------------------------------------

The main markets targeted by manganese chemical derivatives are:

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

#### Recycling business

It is currently carried on at three sites:

Tertre (Belgium)	Recycling of batteries and copper solutions
Freeport (USA)	Recycling of oil catalysts and recovery of metal content (vanadium, molybdenum...).
Butler (USA)	Ferromolybdenum and ferrovanadium production

At Fort Saskatchewan (Canada), land was purchased to build a catalyst recycling plant. A new calcination plant for catalyst recycling is being built and should be completed by the end of 2007.

Fort Saskatchewan (Canada) being built	Catalyst recycling
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#### Special products business

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

Marietta (USA)	Aluminium hardeners, electrolytic and vacuum-processed low-gas chromium metal
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#### Manganese division marketing policy

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

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

#### Extent of the Manganese Division's research and development

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

Manganese chemistry-related activities are highly dependent on the joint development of new products with customers, particularly in the electronics sector (see Chapter 4.7.).

## Manganese division return on capital employed (ROCE)

ROCE: Restated operating profit\* / Capital employed\*\*

\* Operating profit – amortisation of goodwill net of impairment tests.

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

### Manganese ROCE

(%)	1999 <sup>(1)</sup>	2000	2001	2002	2003 <sup>(2)</sup>	2004 <sup>(2)*</sup>	2005*	2006*
Manganese	4	11	0	{3}	1.2	77.0	65.6	32.7

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

(2) Excluding provisions for restructuring.

\* IFRS.

## 6.2.2.4. The Manganese division in 2006

### Key figures

(IFRS, millions of euros)	2006	2005	2004
Sales	1,147	1,135	1,103
Current operating profit	170	264	326
Net cash flows from operating activities	193	184	264
Capital employed	587	528	393
Capital expenditure	122	94	39
Average workforce	6,415	5,147	5,361

### Commentary

Eramet Manganese benefited in 2006 from the strength of its various markets driven by Chinese growth. Although prices were down on the extraordinary 2004 and early 2005 levels, the strong demand represented sustained business for Eramet and satisfactory results.

Driven by a sharp rise in steel production, global demand for manganese alloys rose by over 10%, enabling a progressive recovery in prices throughout the year. Moreover, at the end of 2006, inventory reduction and higher demand helped improve manganese ore prices. Comilog significantly increased its ore deliveries thanks to the rise in production levels and the sale of inventory built up in 2005 during the market low.

The oil catalyst recycling business saw very strong sales. After a record 2005, the fall in molybdenum and vanadium prices automatically hit results. They nevertheless continue to be very satisfactory.

On the other hand, the special products business encountered a more difficult trading environment as a result of the slowdown in high-purity chromium consumption for superalloys and Chinese competition in aluminium hardeners.

Full advantage was taken of the positive climate with significant levels of organic growth. In addition to increases in manganese ore production capacity in Gabon, the Group has expanded its industrial facilities on several continents. In Gabon, the plan is to increase manganese ore production

capacity from 2 to 3.5 million tons per annum. The project is on schedule. In 2006, the 3 million tons benchmark was passed. The goal is to reach 3.3 million tons in 2007 and 3.5 million in 2008. With sustained demand driven by Chinese growth and inventory reductions pushing prices up, this capacity reaffirms Eramet's forecasting prowess and the merit of its capital expenditure programmes.

In China, a new EMD production plant, for alkaline battery producers, was completed in January, 2007. Dedicated to the needs of the fast growing local industry, this site may ultimately represent a very large production base.

In Canada, a catalyst recycling plant is currently being built in order to meet the needs of the fast growing local oil industry and will be operational towards the end of 2007. At the same time, the efforts made over the past number of years to cut costs will now enable Eramet to position itself as one of the most competitive global players, both in ore and alloy production.

## 6.3. ALLOYS DIVISION

### 6.3.1. ALLOYS DIVISION BUSINESSES

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

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

Few customers account for more than 2% of sales. These are notably Airbus, Snecma, General Electric and IHI.

### 6.3.2. ALLOYS DIVISION MARKETS

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

#### Estimated global production

Carbon steel	1.2 billion tons
Stainless steel	28 million tons
Tool steels	1 million tons
High-speed steels	100,000 tons
Superalloys	60,000 tons

Source: Eramet estimates.

#### 6.3.2.1. High-speed steels

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

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

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

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

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

#### 6.3.2.2. Tool steels

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

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

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

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

There are three families of application:

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

#### 6.3.2.3. Nickel based alloys

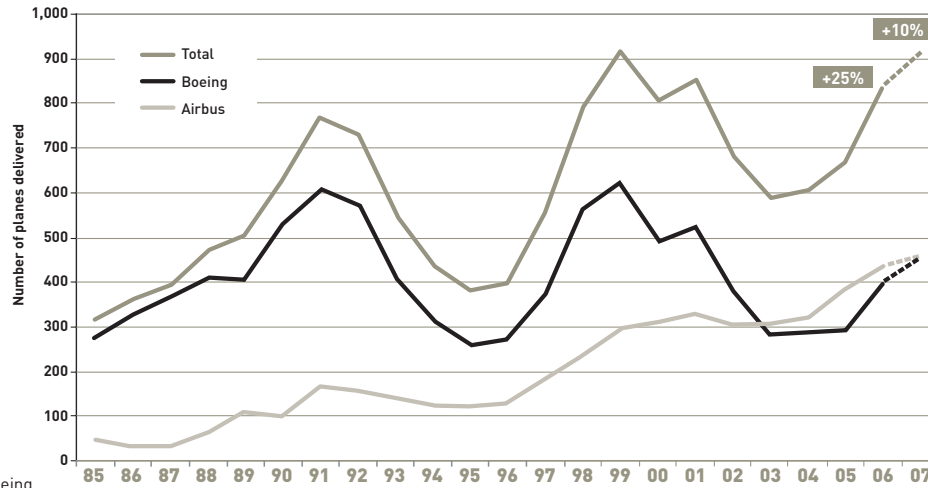
There are several types of nickel alloys that can be grouped together on the basis of the specific property required:

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

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

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

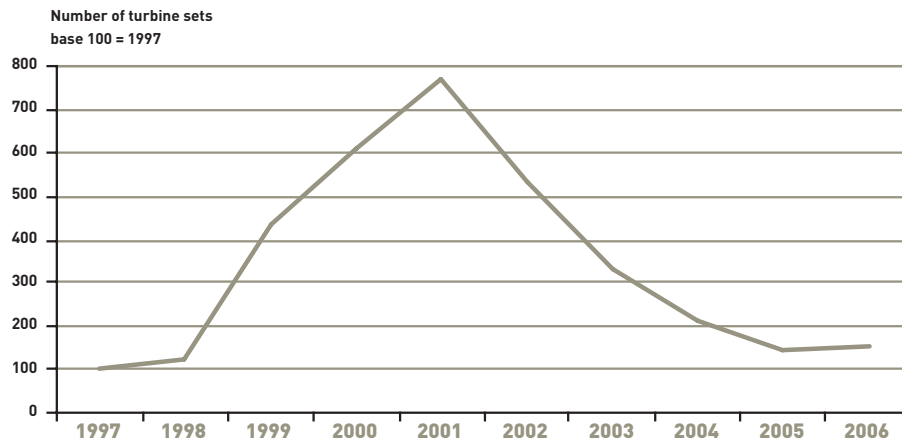
### Aerospace market: continued sustained growth in the sector



Source: Airbus – Boeing

### Gas turbine market: nascent upturn in 2006

#### Changes in AD's turbine set deliveries to General Electric Power System



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

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

### 6.3.3. ALLOY PRODUCTION PROCESSES

#### 6.3.3.1. Alloy making

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

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

##### Air metallurgy

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

##### Vacuum metallurgy

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

##### Remelting

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

Remelting enables better control of segregations and inclusion morphology and reduces gas content. This significantly improves

the characteristics and mechanical reliability of materials. Remelting is needed for some critical parts for the aerospace, power generation and tooling sectors.

#### Powder metallurgy

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

#### 6.3.3.2. Alloy shaping

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

- Rolling consists of shaping and work hardening the material into sheets, bars (typically 20-100mm in diameter) or wire (5-20mm in diameter) in order to ensure geometry (section), surface condition and use characteristics. The operation is carried out through a series of runs between rolling cylinders.

- Forging involves shaping bars (typically 200-600mm in diameter) or simply-shaped blanks in order to guarantee geometry and characteristics. This operation is done hot using a press, a forging machine or even a ram, with a series of pressing runs between simple tools.

- Closed die-forging consists of shaping and work hardening the material blanks by hot pressing between moulds known as closed dies. Closed die-forging is carried out with a press or ram. It is usually followed by machining and finishing operations.

#### 6.3.4. ALLOY PRODUCERS

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

The Division's special nature is built on:

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

Companies	Alloy making				High-power closed die- forging			
	High-speed steels	Tool steels	High-performance special steels	Superalloys	High-performance special steels	Superalloys	Aluminium	Titanium
Alcoa (USA)								
Allvac (USA)								
Böhler-Uddeholm (BUAG) (Austria)								
Bosch Gothard & Hüttel (Germany)								
Carpenter (USA)								
Cogne (Italy)								
Crucible (USA)								
<b>Eramet Alloys</b>								
Hitachi Tooling (Japan)								
Ladish (USA)								
Latrobe Steel (USA)								
Nachi Fujikochi (Japan)								
Otto Fuchs (Germany)/Weber (USA)								
Schultz (USA)								
Shanghai 5 Baosteel (China)								
Schmolze & Bickenbach (Germany)								
Snecma (France)								
Valbruna (Italy)								
VSMPO (Russia)								
Precision Castparts (USA)								

Active in the segment.

Source: Eramet.

### 6.3.5. ALLOYS DIVISION STRUCTURE

#### 6.3.5.1. Alloys division key points

The key facts on the Alloys Division are as follows.

- Global leadership: leading global producer of high-speed steels (Erasteel) and second-largest global producer of closed die-forged parts (Aubert & Duval),
- A strategy based on technological expertise and niche markets,
- A very difficult market environment in 2002 and 2003,
- Major restructuring carried out in 2004,
- Gradually improving outlook,
- Start-up of a new closed die-forging plant in 2006.

#### 6.3.5.2. Alloys division history

Within the Group, development of the Alloys Division first began with the building up of Erasteel between 1990 to 1992.

Subsequently in 1999, the various companies contributed by the SIMA group, most of which are now merged into Aubert & Duval, gave the Alloys Division its current scope.

##### History of Erasteel

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

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

**1956:** Founding of Commentryenne des Aciers Fins Vanadium Alloys.

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

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

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

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

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

##### History of Aubert & Duval

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

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

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

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

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

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

**1987:** Stake taken in Special Metals Corporation (SMC)

**1989:** Aubert & Duval holding company is renamed SIMA.

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

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

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

**2001:** Launch of capital expenditure in a new forging and closed die-forging plant with a 40,000-ton press in Pamiers. The Group's stake in SMC is fully written off.

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

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

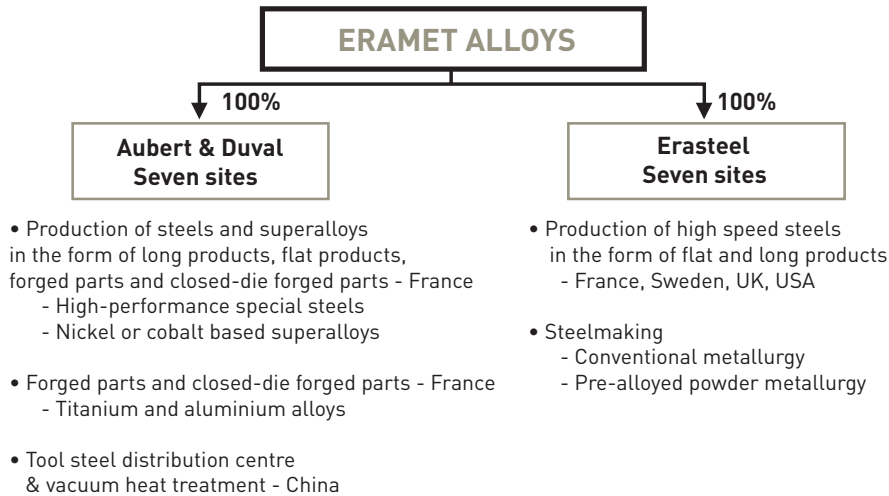
**2004:** Stake in Peter Stubs increased to 100%. Implementation of restructuring and industrial reorganisation at Aubert & Duval. The merger of Aubert & Duval Holding, Fortech and Tecphy into a single company, Aubert & Duval, was completed on July 1, 2004,

backdated to January 1, 2004 (merger under the preferable framework provided by Article 210 A and B of the French General Tax Code).

**2006:** Opening of the new closed die-forging plant in Pamiers ("40,000-ton press")  
Opening of the tool steels distribution centre in Wuxi (China).

**2005:** Joint venture with China's Tiangong called off. Construction of a distribution centre launched in Wuxi (China).

### 6.3.5.3. Alloys division organisational structure



### 6.3.5.4. Alloys division production

#### 6.3.5.4.1. Erasteel

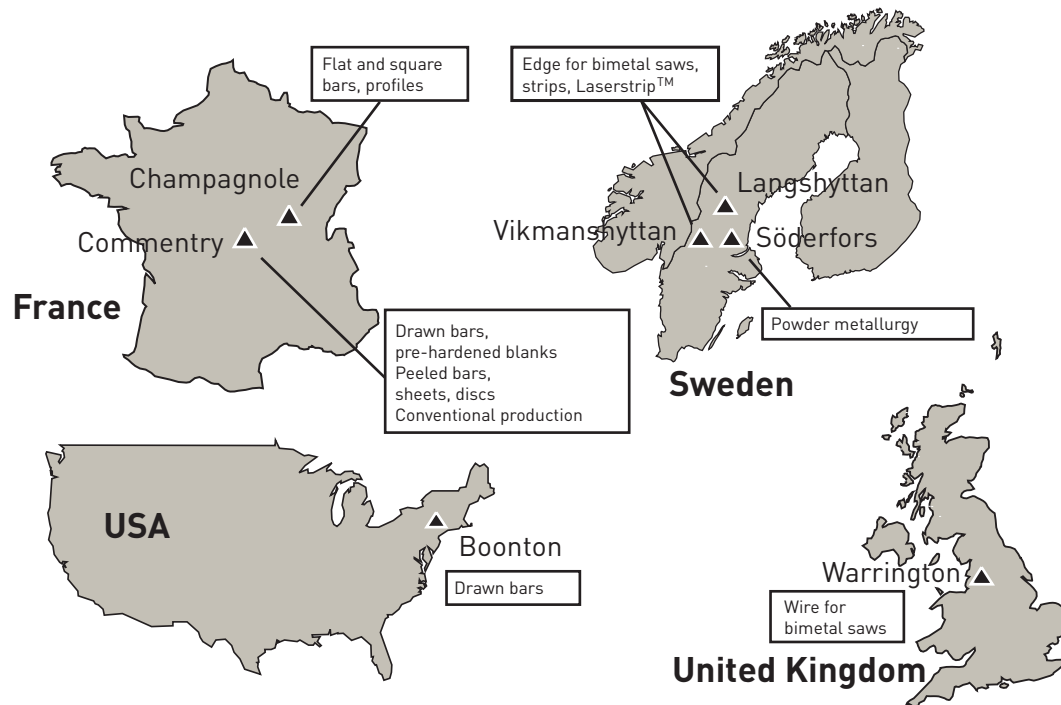
##### Erasteel's production

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

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

### Erasteel's industrial organisation

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



#### 6.3.5.4.2. Aubert & Duval

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

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

- Closed die-forging,
- Long products,
- Tooling, a sector shared with Erasteel,
- Individual forged parts and other specialities.

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

#### Aubert & Duval's closed die-forging sector

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

Aubert & Duval is one of the few producers that closed die-forges all four types of material: steels, superalloys, aluminium and

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

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

#### • The closed die-forging sector's industrial assets

The sector has the following tools:

- 4.5 KT, 10 KT, 20 KT, 22 KT, 40 KT and 65 KT closed die-forging presses,
- 1-16 ton rams,
- Various finishing (grinding), heat treatment, non-destructive testing and machining (towers, milling machines) facilities.

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

#### • The Interforge press

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

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



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

• **The Airforge press**

The new Airforge closed die-forging plant at Pamiers was completed in mid-2006. Built around a fully integrated 40,000 ton press, it is a particularly suited to the closed die-forging of aircraft engines.

• **Closed die-forging markets**

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

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

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

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

- An innovative research & development policy in terms of products: new steel and superalloy grades, expertise in large parts in line with growing equipment size (jumbo jets, high-power gas turbines, etc.),
- An innovative research & development policy in terms of processes: closed die-forging to near-final dimensions to optimise material use, high-speed machining,
- Optimisation of industrial performance, not only in terms of production costs and product quality but also service reliability (specialising production plants, rollout of an ERP tool, etc.).

The closed die-forging business activity has been strengthened with the coming on stream in mid-2006 of a new plant with in particular a 40,000-ton press in Pamiers, France.

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

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

• **Closed die-forging competitors**

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

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

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

• **Aubert & Duval's other business sectors**

Industrial assets for other sectors include:

- Arc furnaces of up to 60 tons, combined with ladle metallurgy tools (ladle, AOD or VOD furnaces),
- VIM furnaces of up to 10 tons for vacuum alloy production,
- Vacuum or slag remelting furnaces with capacity up to 30 tons,
- Mill trains for making long products with 5.5mm-200mm diameter,
- Wire drawing equipment for making wire with diameter under 5.5mm,
- Forging presses and machines with force up to 4,500 tons,
- Powder metallurgy production units,
- Hot compacting enclosures via its TCS subsidiary (working diameters up to 1,200mm),
- Machining facilities (for milling, turning, reaming or drilling) and finishing equipment (lapping, scalping, straightening, etc.),
- Surface treatment equipment (case hardening or nitriding),
- Heat treatment equipment, including for parts up to 50 tons in weight or 20 meters in length,
- Non-destructive testing equipment (sweating, ultrasound, X-ray, magnetoscopy, etc.).

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

• **Long products sector**

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

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

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

• **Tooling sector**

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

Aubert & Duval is specifically positioned up range, with significant levels of technical support. Moreover, Aubert & Duval plans to develop this business geographically by strengthening its distribution, particularly in China, with the tool steels distribution centre in Wuxi, inaugurated on March 23, 2006.

- **Individual forged parts and specialties sector**

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

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

#### 6.3.5.5. Marketing policy and products

##### Erasteel's marketing policy and products

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

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

#### Aubert & Duval's commercial policy:

##### close relations with principals

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

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

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

#### 6.3.5.6. Alloys division research and development

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

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

#### Alloys ROCE

[%]	1999 <sup>(1)</sup>	2000	2001	2002	2003 <sup>(2)</sup>	2004 *	2005 *	2006 *
Alloys	14	16	12	0	(4.7)	3	7.9	9.0

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

(2) Excluding provisions for restructuring.

\* IFRS.

#### 6.3.5.7. The Alloys division in 2006

##### Key figures

(IFRS, millions of euros)	2006	2005	2004
Sales	892	811	659
Current operating profit	62	47	9
Net cash flows from operating activities	35	(24)	(24)
Capital employed	730	661	562
Capital expenditure	58	66	60
Average workforce	4,573	4,555	4,961

## Commentary

Rebounding strongly since 2004, the aerospace sector has once again become profitable. Given that this sector accounts for a large part of the Alloys business, the turnaround improves the division's profitability and opens up new growth avenues. The move back into the black by airlines and the rise in oil prices are encouraging them to modernise their fleets, replacing them with new more fuel efficient models.

Despite this positive background there are two pressure points: the fall off in the dollar, the currency in which most transactions are denominated, and the delay in the Airbus A-380 for which Eramet Alliages manufactures structure and engine parts.

The growth in this business comes on the back of a range of partnerships with the leading aerospace players: Airbus, Boeing, General Electric, Safran, Rolls Royce... Aubert & Duval in particular supplies the disks holding the engine blades in Airbus and Boeing planes. To grow its market share in this field in the most profitable manner, the division opened a new plant at Pamiers in 2006 built around a 40,000 ton hydraulic press, which is added to the two other 22,000 and 65,000 ton presses.

The power market is also growing (Gas and oil turbines). The upgrading of steam power stations from the 70s and 80s is causing an upswing in orders for generator tubes by AREVA from Valinox, an Eramet Alliages customer. The construction of an EPR reactor in Finland and the equivalent project in France are also good news with the business supplying these facilities with high-technology parts.

Another Eramet Alliages market, high-speed steels and tool steels faced a challenging trading environment. In light of the difficult markets, Eramet Alliages expanded its research activities, with the launch of several new formulations of steel in 2006, in which Erasteel is global leader.

In 2006, Aubert & Duval opened a tool steels distribution centre in Wuxi, China. Comprising a technical support department, this unit brings customers closer by aiding their supply lines and helping to cut their conversion costs.

## 6.4. ORGANISATION OF ERAMET SA/ERAMET HOLDING

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

- A pure holding role called Eramet Holding bringing together the various support departments such as General Management, the Administration & Financial Department, the Human Resources Department, the Purchasing Department and the Communications and Sustainable Development Department.
- A section of the Nickel division (General Management and Sales and Marketing Department) as well as the Sandouville plant.

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

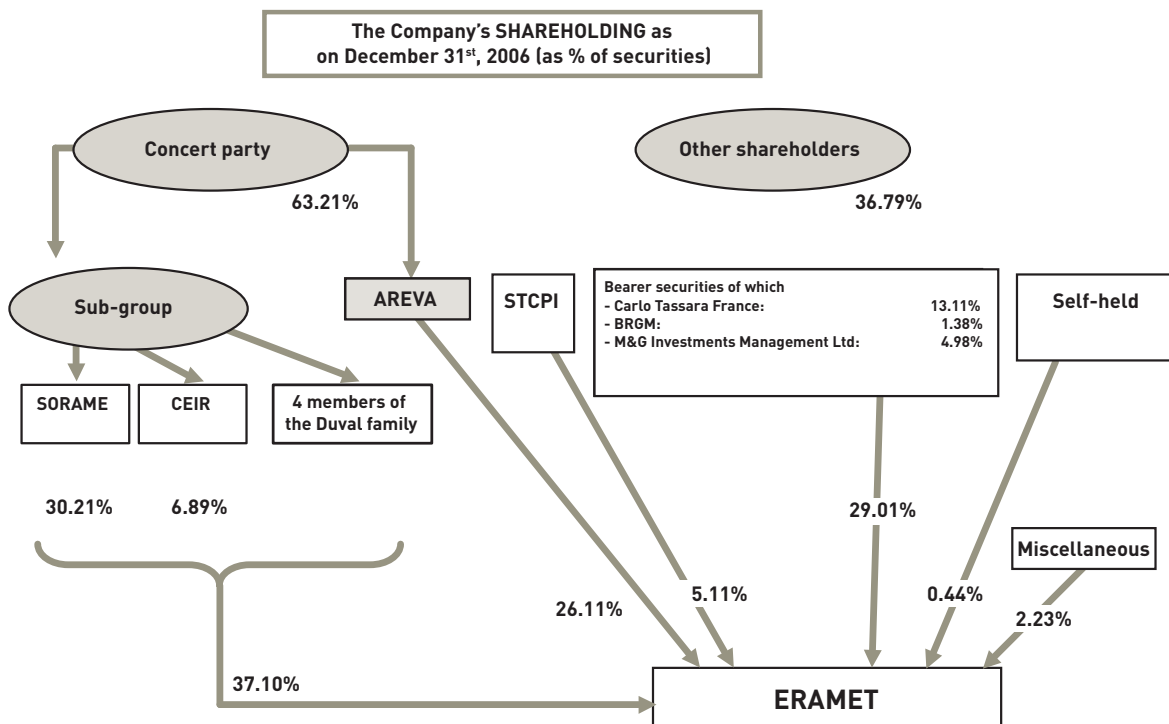
Eramet also has directly held subsidiaries, acting on behalf of the various entities or for the parent company. The main ones are:

- CRT: Trappes Research Centre which is responsible for research and development.
- TEC Ingénierie: a project and technologies company.
- Eramet International: a company that pools the Eramet sales network for certain activities of the three divisions. Eramet International has established subsidiaries and branches around the world. Eramet International is generally paid for its work under agency agreements.
- Metal Securities: the Group's treasury management company which pools surplus cash and short-term funding requirements of the Group as a whole.
- ERAS: reinsurance company.

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

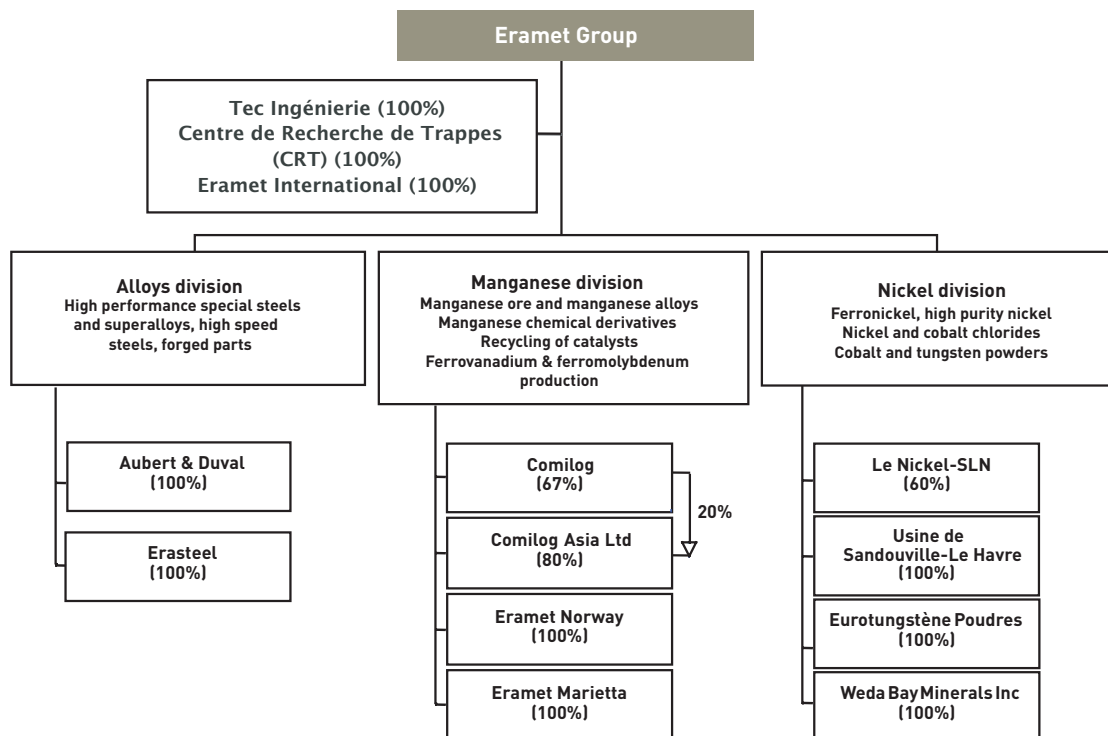
## 7. ORGANISATIONAL CHART

### 7.1. CONTROL CHART



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

### 7.2. GROUP ORGANISATIONAL CHART AS ON DECEMBER 31, 2006



## 8. THE GROUP'S PROPERTY, PLANT & EQUIPMENT

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

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

Millions of euros	Gross amount	%	Net amount	%
Le Nickel-SLN (New Caledonia)	1,157	36.72	487	36.62
Other	90		26	
<b>Nickel division</b>	<b>1,247</b>	<b>39.59</b>	<b>513</b>	<b>38.58</b>
Comilog SA (Gabon)	406	12.89	179	13.46
Eramet Norway (Norway)	132	4.20	74	5.59
Eramet Marietta (USA)	94	2.97	34	2.59
GCMC (USA)	75	2.39	41	3.09
Other	335		129	
<b>Manganese division</b>	<b>1,042</b>	<b>35.35</b>	<b>408</b>	<b>34.20</b>
Aubert & Duval (France)	421	13.36	162	12.19
Airforge (France)	99	3.14	95	7.13
Erasteel Kloster AB (Sweden)	120	3.82	34	2.53
Erasteel Commentry (France)	91	2.89	17	1.31
Other	109		40	
<b>Alloys division</b>	<b>840</b>	<b>26.68</b>	<b>348</b>	<b>26.13</b>
<b>Holding company</b>	<b>21</b>		<b>13</b>	
<b>Total</b>	<b>3,150</b>		<b>1,331</b>	

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

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

- Nickel division: leasing of ships carrying ore to the Doniambo plant (some €13 million) and of industrial machinery and equipment.
- Manganese division: leasing of railway maintenance equipment and of industrial machinery and equipment.
- Alloys division: leases have been put in place as part of ongoing business activities (industrial equipment) and are usually renewed on an annual basis.

## 9. REVIEW OF FINANCIAL POSITION AND NET INCOME

All data is IFRS compliant.

### 9.1. KEY BUSINESS FIGURES

#### 9.1.1. BUSINESS ITEMS (CONSOLIDATED DATA IN MILLIONS OF EUROS)

	2006	2005	2004
<b>Sales by division</b>			
- Nickel	1,019	774	765
- Alloys	892	811	659
- Manganese	1,147	1,135	1,103
- Holding company and miscellaneous	(2)	(8)	(6)
<b>Total</b>	<b>3,056</b>	<b>2,712</b>	<b>2,521</b>
<b>Sales by geographic region</b>			
- Europe	1,532	1,358	1,251
- North America	638	614	500
- Asia	725	666	673
- Other regions	161	74	97
<b>Total</b>	<b>3,056</b>	<b>2,712</b>	<b>2,521</b>

#### 9.1.2. CONSOLIDATED FINANCIAL STATEMENTS

(IFRS, millions of euros)	2006	2005	2004
Sales	3,056	2,712	2,521
Current operating profit	607	542	643
Net cash flows from operating activities	543	478 *	519
Capital employed	1,836	1,664	1,379
Capital expenditure	309	231	240
Average workforce	13,739	12,353	12,898

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

For the third consecutive year, Eramet generated excellent profits and cash flows from operating activities, thanks to high quality industrial and commercial bases that enable it to benefit from very strong growth in its main markets: steelmaking and aerospace.

Its strong financial position and growth in operating cash flow enable it to fund its ambitious programme of organic growth and acquisitions.

#### Income statement

##### Sales

The Group's consolidated sales amounted to €3,056 million compared with €2,712 million in 2005, up 12.7%, 10.9% of which via organic growth.

Sales at Eramet Nickel amounted to €1,019 million, up 31.6% on 2005 on the back of the sharp increase in the price of nickel (+20% after hedging transactions) and higher sales (64.7 kT

versus 57.2 kT), despite production losses at Le Nickel-SLN due to sporadic labour disputes and a strike in the second half.

Sales at Eramet Manganèse amounted to €1,147 million, namely an increase of 1.1% on 2005. This weak growth is due to:

- A sharp fall in the price of manganese ore and alloys (respectively -21%, CIF price, and -8%) offset by higher volumes, primarily of ore (+127%),
- A fall in sales at the recycling business (negative price impact on molybdenum and vanadium sales),
- An increase in the scope of the division (+€50 million with the integration of Bear Metallurgical Corp. and of SETRAG in Gabon).

Sales at Eramet Alliages rose 10% (€892 million compared with €811 million in 2005) on the back of:

- At Aubert & Duval, continued growth in aerospace and power demand and sharply higher sales prices (Sales +19.8%),
- Lower sales at Erasteel (-9.9%), as a result of a falloff in the high-speed steels business in Asia, the impact on selling prices of the decline in commodity prices and a change in the sales mix.

#### Current operating profit

Current operating profit amounted to €607 million compared with €542 million in 2005, representing a 20% operating margin, unchanged on 2005.

- It rose 59.8% at Eramet Nickel: €388 million (operating margin of 38%) compared with €243 million in 2005, despite the effects of labour disputes at Le Nickel-SLN, estimated to have cost €100 million.
- Current operating profit at Eramet Manganèse amounted to €170 million (operating margin of 14.8%), down on 2005 (€264 million) as a result of lower selling prices that were not offset by higher volumes.
- It was up at Eramet Alliages: €62 million (operating margin of 7%) compared with €47 million in 2005, Aubert & Duval improving significantly but with Erasteel falling back slightly.

#### Operating profit

It amounted to €630 million, down on 2005 (€654 million) which had seen an extraordinary gain of €126.7 million (excluding minority interests) following the conclusion on December 31, 2005 of the Bercy agreement (Poum/Koniambo indemnity).

#### Net profit (loss)

It amounted to €460 million compared with €518 million in 2005, after inclusion of income tax of €174 million, namely an effective tax rate of 27% compared with 20% in 2005, the very low reduced tax rate in 2005 including the tax-free nature of the above-mentioned exceptional gain.

#### Net profit (loss), Group share

It amounted to €319 million compared with €377 million in 2005 (€300 million excluding the Poum/Koniambo indemnity net of minority interests), namely earnings per share of €12.38 versus €14.76 and €11.76 excluding the Poum/Koniambo indemnity.

## 10. CASH POSITION AND SHARE CAPITAL – MARKET RISK

### 10.1. INFORMATION ON THE GROUP'S SHAREHOLDERS' EQUITY

This section analyses the consolidated balance sheet as on December 31, 2006 compared with December 31, 2005.

#### 10.1.1. OPERATING WORKING CAPITAL

Operating working capital requirements (inventory + receivables – payables) amounted to €1,038 million as on December 31, 2006 compared with €942 million on the same date in 2005. The ratio of operating working capital requirement to sales was 34% at the end of 2006 compared with 34.7% at the end of 2005, very slightly down but with mixed performances across divisions (rise in receivables in the Nickel division, in particular because of the price impact, decline in inventories in Manganese...).

#### 10.1.2. CONSOLIDATED NET CASH POSITION<sup>(1)</sup>

##### Financing

The Group's net cash position amounted to €353 million as on December 31, 2006, a €11 million decline (\*) compared with the end of 2005.

This slight decline is the result of the following recognised flows:

- €543 million in net cash flows from operating activities (€478 million in 2005), given EBITDA of €758 million (compared with €694 million in 2005) and a small increase in the working capital requirement of €51 million (compared with €150 million in 2005) due in large part to a much smaller increase in inventories than in 2005.
- -€462 million in net cash flows from investing activities, €164 million of which in net outflows for the acquisition of Weda Bay and €309 million in industrial capital expenditure.
- -€92 million in net cash flows relating to share capital transactions, €54 million of which in dividends paid to Eramet shareholders and €43 million to minority shareholders (a major portion of which, €37.4 million, to the minority shareholders of Le Nickel-SLN).

(1) Defined as cash and cash equivalents less borrowings and the portion of borrowings under 1 year.

(\*) Change in debt flow statement.

### 10.1.3. PROVISIONS

The provisions amounted to €324 million as on December 31, 2006 compared with €352 million as on December 31, 2005. They fall into two main categories.

#### Employees

Liabilities vis-à-vis employees as on December 31, 2006 were measured pursuant to IAS 19. Pension liabilities are comprised of retirement indemnities and supplementary pensions.

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

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

Total provisions for employee liabilities amounted to €125 million compared with €145 million in 2005. This reduction can be largely explained by payments to the various contribution funds (USA and France). The actuarial value of obligations amounted to €269 million (compared with €289 million in 2005), largely due to the dollar's exchange rate, the level of liabilities being stable in local currency.

#### Environmental contingencies and site restoration

As stated in Chapter 4.3., Eramet records provisions for the restoration of mining sites in New Caledonia and Gabon on the basis of the estimated discounted cost (rate of 4.75% in New Caledonia and 6.5% in Gabon) of dismantling facilities and replanting sites. These costs are periodically reviewed to factor in mined tonnage and actual costs. The amount of the provision as on December 31, 2005 was €95 million, compared with €80 million as on December 31, 2005 (see note 15.5 to the consolidated financial statements in Chapter 20.1). Other environmental provisions include liabilities stemming from lawsuits or regulatory constraints. They amounted to €25 million as on December 31, 2005 as against €47 million as on December 31, 2005. A provision for the restoration of impoundments was reclassified as a provision for site restoration in line with accounting regulations.

### 10.1.4. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amounted to €27 million and stem from SETRAG SA's debt, payable to the Gabonese State over 25 years following the purchase of separate property, a portion of the spare parts inventory for €11 million and tax benefits obtained in New Caledonia (€16 million) and deferred over 5 to 6 years.

### 10.1.5. SHAREHOLDERS' EQUITY

The Group's shareholders' equity amounted to €2,139 million as on December 31, 2006, compared with €1,985 million as on December 31, 2005.

The changes over the period are largely explained by earnings for the year and dividends paid out as well as by the impact of the change in the financial instrument re-measurement reserve pursuant to IAS 39. This extension was requested in 2006 and also for 2007.

## 10.2. FINANCING AND CREDIT FACILITIES

### 10.2.1. RENEWABLE CREDIT FACILITIES

On May 24, 2005, Eramet entered into an agreement for a €600 million multi-currency revolving credit facility with a select group of banks, running up to May 24, 2010. The issuer has the option of seeking a one-year extension in 2006 and in 2007. The interest rate on the borrowed amounts equates to the reference rate, depending on the borrowing currency, plus the applicable spread. The spread is reduced on a sliding basis in line with the financial ratio of consolidated net debt to shareholders' equity. In addition, Eramet pays a commitment commission of 30–32.5% of the applicable spread. Eramet has granted a single covenant (net debt / Group shareholders' equity) as described in Chapter 4.1.4. This facility had not been used as on December 31, 2006.

### 10.2.2. COMMERCIAL PAPER

In 2005, Eramet set up a €400 million commercial paper programme. Because of its surplus cash position, it was decided to issue the minimum amount for market liquidity. In 2006, commercial paper was used to finance the acquisition of Weda Bay securities. As on December 31, 2006, outstanding Eramet commercial paper amounted to €180 million (€55 million as on December 31, 2005).



# 11. RESEARCH AND DEVELOPMENT

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

## 11.1. DEDICATED ORGANISATION SERVING THE DIVISIONS

This organisation is based on:

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

In 2005 and 2006, Eramet stepped up its research and development efforts to satisfy the requirements of its industrial customers, improve its competitiveness and offer new services. A constant environmental concern governs the development of new processes; emission reduction is now a key selection criterion.

### Managing R&D effectiveness

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

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

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

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

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

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

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

### Actively supporting capital expenditure programmes through research

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

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

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

### Programmes to improve competitiveness

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

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

## **11.2. EXPLOITATION OF DEPOSITS / MINERAL RESERVES AND RESOURCES**

### **11.2.1. GENERAL REMARKS**

#### **11.2.1.1. Location**

Through its subsidiaries, Le Nickel-SLN in New Caledonia and Comilog S.A. in Gabon, the Group, respectively, operates nickel and manganese deposits. With the acquisition of the Weda Bay Nickel project in Indonesia, Eramet has acquired the means of doubling its nickel production over time.

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

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

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

#### **11.2.1.2. Legal claims**

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

#### **11.2.1.3. Estimates**

Estimates have been drawn up by professional full-time Group employees using conventional or geostatic calculation methods.

Geological reconnaissance, resource and reserve estimation, exploitation planning and mining are supplemented by over 40 years' industrial-scale practice. The methods used are constantly evolving to take advantage of technical advances in these areas.

#### **Basis of estimates**

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

#### **Estimation methodology**

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

#### **Mineral resources**

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

Drillings or intercepts are selected where:

- They contain at least two meters of ore at a higher grade than the cut-off grade,
- They are not isolated.

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

#### **Recoverable mineral resources**

Recoverable resources are mineral resources into which mining recovery and ore dressing were factored on the basis of experience acquired on those sites. They are thus referred to as recoverable resources and the nickel or manganese tonnages given correspond to the quantity of metal present in the ore on leaving the mining units for shipment to metallurgical or chemical processing plants. Mining deductions for dilution and losses and with respect to ore dressing were calculated on the basis of current operations and realistic forecasts.

#### **Exploration results**

Exploration results are given on the same basis as resources.

#### **Mineral reserves**

Reserves are estimated on the basis of medium to long-term economic conditions (fuel oil, coal, coke, electricity and metal prices, exchange rates, etc.), commercial constraints (grades, customers, etc.) and current or expected technical mining and processing techniques. No assurance can be given as to the total recovery of the published reserves, insofar as market fluctuations

and technical developments may make the recovery of certain deposits or parts of deposits economically viable or otherwise.

Resource and reserve figures are summed together.

#### Presentation of estimates

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

#### 11.2.1.4. Definitions

##### Definitions of resources

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

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

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

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

##### Definitions of reserves

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

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

##### Exploration results

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

#### 11.2.2. COMILOG S.A. RESERVES AND RESOURCES

##### 11.2.2.1. Mineral resources

The table below sets out the figures for the mineral resources of Comilog S.A. as on January 1, 2007. Only the Bangombé plateau, which is being worked, was reassessed in 2006. These figures are based on the following parameters:

- 42% manganese (Mn) cut-off grade for the Bangombé and Okouma plateaus for measured and indicated resources and 32% - 42% for inferred resources.
- Comilog SA's mining concession also covers other plateaus in the Moanda region, i.e. Bafoula, Massengo and Yéyé. Reconnaissance work carried out on Bafoula and Massengo indicates the existence of ore masses. The quantity and quality of available information is sufficient to estimate inferred resources. The reconnaissance work done on Yéyé indicates the existence of ore masses. The quantity and quality of available information are not sufficient to estimate inferred resources.
- A "Moulili" fine manganese ore deposit was verified by drilling in 2006 and was assessed for mineral resources, which were included in measured resources.
- Recorded tonnages and grades characterise the entire ore layer (with no vertical selection).
- Tonnages of manganese content are calculated with 9% humidity for rock ore and 12% for fines (figures given in Dry Metric Ton Units: 1 DMTU Mn = 10 kg manganese).

### Mineral resources of manganese rock ore and fines

January 1, 2007 (millions of DMTU Mn)

Deposit	Measured			Indicated			Inferred			Total		
	kTs	% Mn	DMTU	kTs	% Mn	DMTU	kTs	% Mn	DMTU	kTs	% Mn	DMTU
<b>Rock ore &gt; 10 mm</b>												
Bangombé	20,000	47.3	950				3,700	38.7	140	23,700	45.9	1,090
Okouma	20,000	49.0	980	31,900	47.9	1,530	3,800	40.3	150	55,700	47.8	2,660
Bafoula							23,000	34.0	780	23,000	34.0	780
Massengo							12,000	40.0	480	12,000	40.0	480
<b>Total</b>	<b>40,000</b>	<b>48.1</b>	<b>1,930</b>	<b>31,900</b>	<b>47.9</b>	<b>1,530</b>	<b>42,500</b>	<b>36.7</b>	<b>1,550</b>	<b>114,400</b>	<b>43.8</b>	<b>5,010</b>
<b>Fines 1-10 mm</b>												
Bangombé	16,000	45.2	720				2,600	36.2	90	18,600	43.9	810
Okouma				50,200	45.6	2,290	3,500	38.9	140	53,700	45.2	2,430
Moulili	4,800	45.8	220							4,800	45.8	200
Bafoula							15,000	32.4	490	15,000	32.4	490
Massengo							7,900	38.1	300	7,900	38.1	300
<b>Total</b>	<b>20,800</b>	<b>45.3</b>	<b>940</b>	<b>50,200</b>	<b>47.9</b>	<b>2,290</b>	<b>29,000</b>	<b>35.1</b>	<b>1,020</b>	<b>100,000</b>	<b>42.5</b>	<b>4,250</b>

#### 11.2.2.2. Recoverable mineral resources and reserves

The table below sets out the figures for recoverable resources and reserves in the Bangombé and Okouma plateaus as on January 1, 2007. They include the mine dump comprised of surplus fines not previously marketable.

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

The figures are based on:

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

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

#### Recoverable manganese ore reserves and resources

January 1, 2007 (millions of DMTU Mn)

Deposit		Reserves		Recoverable resources		Total	Production 2006
		Prouven	Probable	Measured	Indicated		
Bangombé	> 10 mm	830				830	
Okouma	> 10 mm				2,000	2,000	
<b>Total rock ore</b>		<b>830</b>			<b>2,000</b>	<b>2,830</b>	<b>83</b>
Bangombé	1-10 mm		400		200	600	
Okouma	1-10 mm				1,500	1,500	
Moulili	1-10 mm			180		180	
Terril	1-10 mm	50				50	
<b>Total fines and sinter</b>		<b>50</b>	<b>400</b>	<b>180</b>	<b>1,700</b>	<b>2,330</b>	<b>54</b>

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

### 11.2.3. LE NICKEL-SLN'S RESERVES AND RESOURCES

#### 11.2.3.1. Saprolite mineral resources for pyrometallurgy

The mineral resources set out below have been grouped together by main geomorphologic unit.

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

Humidity varies from 22 to 38% depending on the mass in question.

#### Saprolite mineral resources for the Doniambo pyrometallurgical plant On January 1, 2007

Geomorphologic units	Measured			Indicated			Inferred			Total		
	kTs	% Ni	KtNi	kTs	% Ni	KtNi	kTs	% Ni	KtNi	kTs	% Ni	KtNi
Monéo Nord							2,143	2.80	60.1	2,142.9	2.80	60.1
Monéo Centre							5,178	2.55	132.1	5,178.0	2.55	132.1
Kouaoua	3,932	2.62	103.2	5,151	2.70	139.1	1,590	2.73	43.4	10,672.7	2.68	285.6
Poro	2,927	2.78	81.3				1,184	2.55	30.2	4,111.7	2.71	111.5
Nakety							270	2.73	7.4	270.0	2.73	7.4
Dothio *	3,913	2.76	108.1	3,852	2.94	113.2	475	2.77	13.2	8,239.9	2.85	234.5
Thio	33	3.11	1.0	712	3.11	22.2	474	3.09	14.6	1,218.7	3.10	37.8
Ouenghi				30	2.93	0.9	8	2.93	0.2	37.5	2.93	1.1
Port Bouquet							20	3.22	0.6	20.0	3.22	0.6
Kombwi N'Goye	352	2.92	10.3	1,067	2.99	31.9	332	2.97	9.9	1,750.5	2.97	52.0
Tontouta	1,575	2.80	44.1	319	2.66	8.5	403	2.65	10.7	2,296.9	2.75	63.3
Me Adeo	131	3.74	4.9				75	2.42	1.8	206.3	3.26	6.7
Me Maoya				375	2.89	10.8	429	3.17	13.6	803.6	3.04	24.4
Kopeto – Boulinda	5,934	2.15	127.6	5,101	2.17	110.7	11,892	2.16	256.9	22,927.0	2.16	495.1
Kaala	468	2.82	13.2	141	2.95	4.1				608.6	2.85	17.3
Tiébaghi	12,803	2.55	326.0	26,119	2.47	646.0	921	2.74	25.3	39,843.4	2.50	997.3
Poum	9,988	2.65	264.7							9,987.8	2.65	264.7
<b>Total</b>	<b>42,056</b>	<b>2.58</b>	<b>1,084</b>	<b>42,866</b>	<b>2.54</b>	<b>1,087</b>	<b>25,394</b>	<b>2.44</b>	<b>620</b>	<b>110,315</b>	<b>2.53</b>	<b>2,792</b>

\* The Dothio geomorphologic unit includes the Theo Plateau.

These figures were drawn up with:

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

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

Geomorphologic units	Exploration results		
	Kts	%Ni	KtNi
Monéo Centre	1,500	2.51	38
Kouaoua	414	2.80	12
Bel Air	1,875	2.63	49
Poro	375	2.58	10
Boakaine	132	2.75	4
Mara	750	2.72	20
Nakety	110	2.88	3
Dothio	79	2.99	2
Thio	728	2.92	21
Port Bouquet	40	2.78	1
Kombwi N'Goye	265	3.03	8
Mont Do	750	2.78	21
Me Adeo	516	3.07	16
Me Maoya	54	2.78	2
Kopeto – Boulinda	1,313	2.70	36
Tchingou	2,100	3.40	71
Poum	188	2.63	5
<b>Total</b>	<b>11,187</b>	<b>2.84</b>	<b>318</b>

### 11.2.3.2. Recoverable mineral resources and reserves for pyrometallurgy

The table below sets out the figures for recoverable saprolite reserves and resources for the Doniambo pyrometallurgy plant as on January 1, 2007. The data is in thousands of tons of nickel content in shipped ore, calculated at constant humidity for ongoing or estimated production. These figures come from the above-mentioned mineral resources and factor in the following:

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

#### Recoverable reserves and resources in saprolite for the Doniambo pyrometallurgy plant as on January 1, 2007 (In thousands of tons of nickel)

	Reserves	Measured and indicated mining resources	Inferred mining resources	Mining production 2006
<b>Total</b>	<b>866.4</b>	<b>673.4</b>	<b>391.5</b>	<b>61.1</b>

The production given above relates to nickel tonnages (stated as thousands of tons of nickel: Kt Ni) contained in the ore transported to the various ports (wharves or mechanical loading). It therefore includes the low tonnages of nickel relating to exported saprolitic ores (currently approx. 1 Kt Ni per annum.).

The major exploration efforts made in 2006 made it possible to increase inferred recoverable resources and to reclassify a portion of them in indicated recoverable resources. On the other hand, the additional studies carried out on certain masses made it possible to reclassify mineral resources as recoverable resources, on the back of the mineralogical processes used. The reconstitution rate of recoverable reserves and resources of saprolite for pyrometallurgy was 385% in 2006.

In addition to the above-mentioned reserves and resources, and using the same basis of calculation, exploration results on various zones in the Le Nickel-SLN mining deposits looked at in this document point to additional recovery of some 190 Kt of nickel content in the saprolites for the pyrometallurgical plant.

### 11.2.3.3. Others hydrometallurgy resources

At the cut-off grade of 1.8% nickel and outside centres with mineralurgical processing, preliminary exploration results on low-grade saprolite zones, which are currently uneconomical for

pyrometallurgical processing, point on a preliminary basis to 2,000 KT in nickel content.

Furthermore, for all the mineral deposits of Le Nickel-SLN and at a cut-off grade of 1.0% Ni, inferred to measured resources in laterites are currently estimated at 8,000 KT Ni.

### 11.2.4. RESOURCES OF PT WEDA BAY NICKEL

#### 11.2.4.1. Overall mineral resources

The table below sets out the saprolite and limonite mineral resources as on January 1, 2007. The data is in thousands of tons of nickel content in the ore estimated in the 1% Ni pockets in the saprolites and laterites, without making any assumptions as to conversion or beneficiation factors.

The average dry densities are around 0.93 for the laterites and 0.84 for the saprolites, on the basis of the measurements carried out in 1999 and 2001. A further measurement programme is underway.

#### Mineral resources in saprolites and laterites

as on January 1, 2007 (In thousands of tons of nickel)

	Measured resources	Indicates resources	Inferred resources
<b>Total</b>	<b>759</b>	<b>1,944</b>	<b>1,400</b>

#### 11.2.4.2. Breakdown of mineral resources

The mineral resources set out below are broken down by prospect breaking out lateritic and saprolitic products.

##### Saprolite and laterite mineral resources

On January 1, 2007

Prospects	Measured			Indicated			Inferred			Total		
	MTs	% Ni	KtNi	MTs	% Ni	KtNi	MTs	% Ni	KtNi	MTs	% Ni	KtNi
<b>Laterites</b>												
Santa Monica Ouest	20.9	1.27	265.6	3.5	1.27	44				24	1.27	310
Santa Monica Est				18.6	1.21	225				19	1.21	225
Coastal Deposits				9.0	1.22	110				9	1.22	110
Lipe River				3.1	1.12	35				3	1.12	35
Big Kahuna							9.0	1.32	119	9	1.32	119
Jira River				9.0	1.14	103				9	1.14	103
Boki Mokot							12.5	1.27	159	13	1.27	159
Pintu				10.7	1.24	133	7.4	1.24	92	18	1.24	224
Tofu Blowen							5.9	1.25	74	6	1.25	74
<b>Total Laterites</b>	<b>20.9</b>	<b>1.27</b>	<b>265.6</b>	<b>53.9</b>	<b>1.20</b>	<b>649</b>	<b>34.8</b>	<b>1.27</b>	<b>443</b>	<b>110</b>	<b>1.24</b>	<b>1,358</b>
<b>Saprolites</b>												
Santa Monica Ouest	31.6	1.56	493	5.3	1.57	83				37	1.56	576
Santa Monica Est				42.5	1.45	616				43	1.45	616
Coastal Deposits				17.9	1.61	288				18	1.61	288
Lipe River				3.1	1.35	42				3	1.35	42
Big Kahuna							9.3	1.76	164	9	1.76	164
Jira River				8.3	1.67	139				8	1.67	139
Boki Mokot							14.0	1.61	225	14	1.61	225
Pintu				8.4	1.51	127	9.4	1.70	160	18	1.61	287
Tofu Blowen							21.5	1.90	409	22	1.90	409
<b>Total Saprolites</b>	<b>31.6</b>	<b>1.56</b>	<b>493</b>	<b>85.5</b>	<b>1.51</b>	<b>1,295</b>	<b>54.2</b>	<b>1.77</b>	<b>957</b>	<b>171</b>	<b>1.60</b>	<b>2,745</b>
<b>Total</b>	<b>52.5</b>	<b>1.44</b>	<b>759</b>	<b>139.4</b>	<b>1.39</b>	<b>1,944</b>	<b>89.0</b>	<b>1.57</b>	<b>1,400</b>	<b>281</b>	<b>1.46</b>	<b>4,103</b>

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

The resources are estimated using 3D block modelling, the content of the measured and indicated resources were kriged whereas the inferred resources were estimated on the basis of average parameters taken from representative drillings of the mass in question.

In addition to the above-mentioned mineral resources, and using the same basis of calculation, exploration results of areas verified by drilling within the Pt Weda Bay Nickel area point to additional recovery of some 623 Kt nickel content largely in saprolites.

Prospects	Exploration results		
	Mts	%Ni	KtNi
<b>Laterites</b>			
Lipe River	2	1.12	21
Tofu Blowen	9	1.25	108
<b>Total Laterites</b>	<b>11</b>	<b>1.23</b>	<b>129</b>
<b>Saprolites</b>			
Lipe River	2	1.32	30
Tofu Blowen	24	1.90	464
<b>Total Saprolites</b>	<b>27</b>	<b>1.85</b>	<b>494</b>
<b>Total</b>	<b>37</b>	<b>1.67</b>	<b>623</b>

## 12. INFORMATION ON TRENDS

### 12.1. RECENT TRENDS AND OUTLOOK

#### 12.1.1. DEVELOPMENTS UP TO THE DATE OF THE BOARD MEETING

No material events occurred between the balance sheet date and the Board meeting.

#### 12.1.2. FIRST QUARTER 2007 SALES (UNAUDITED)

Millions of euros	Q1 2007	Q1 2006	Change
Eramet Nickel	281	224	+ 25.4%
Eramet Manganese	269	265	+ 1.6%
Eramet Alloys	262	229	+ 14.4%
Parent company & inter-company eliminations	(1)	(1)	-
<b>Eramet Group</b>	<b>811</b>	<b>717</b>	<b>+ 13.0%</b>

Eramet's consolidated sales jumped 13% in the first quarter of 2007, with all three Divisions seeing sales growth.

#### **Eramet Nickel: sales surged 25.4% thanks to higher nickel prices and in spite of a strike in 2006**

Sales at Eramet Nickel surged 25.4% in the first quarter of 2007 on the back of a buoyant physical nickel market. Global stainless steel production rose sharply and nickel prices on the LME continued to climb.

As expected, the strike in New Caledonia at the end of 2006 resulted in a reduction in the grade of ore used at Doniambo in its nickel production in 2007. Nickel production fell to 14,605 tons in the first quarter of 2007, down 14.3% on the first quarter of 2006. This fall-off in production, combined with the need to replenish the finished product inventory which was significantly depleted during the strike, caused nickel deliveries to drop 22% to 12,999 tons, or around 3,500 tons below usual levels.

First quarter sales include the impact of hedges that the company had previously agreed for 8,200 tons of nickel at an average price of \$17,500/ton.

#### **Eramet Manganese: sales up 1.6%, held back by technical issues. The manganese market continues to grow.**

Sales at Eramet Manganese were up 1.6% in the first quarter of 2007. Global steel production grew 10% over the period, with production in China up over 20% and the rest of the world trailing at just over 4%. All regions outside the USA experienced growth.

Alloy prices continued to rally and ended the quarter up sharply on the same period in 2006. The division's manganese alloy deliveries ticked up 1.7% in the first quarter of 2007, despite a

slight drop in production after a tear was found in a silicon-manganese furnace at the Marietta plant (USA).

Manganese ore prices are substantially higher than in the first quarter of 2006. Comilog's ore production in Gabon leapt 18% to 765,000 tons, although ore shipments were hindered by a technical problem at the Owendo port.

Catalyst recycling sales slipped 15% following a production incident at GCMC and lower vanadium prices. Sales, nevertheless, remained solid and the business is performing well.

#### **Eramet Alloys: sales jumped 14.4%**

Sales at Eramet Alloys jumped 14.4% in the first quarter of 2007. Most of the division's markets are performing well, particularly aerospace and energy, and the division has been successful in passing higher energy and raw material costs (aluminium, titanium, nickel, etc.) onto its customers.

#### **Patrick Buffet appointed Eramet Chairman and Chief Executive Officer**

The Eramet Annual General Meeting of April 25, 2007 decided not to reappoint Jacques Bacardats' to the Board. The Board of Directors, which met after the Annual General Meeting, appointed Patrick Buffet as Eramet Chairman and Chief Executive Officer.

#### **STCPI option exercise**

The shareholders' agreement between Eramet and Société Territoriale Calédonienne de Participations Industrielles (STCPI) of September 13, 2000 includes an option for STCPI to buy 4% of Le Nickel-SLN's shares via a swap for Eramet shares. The



exercise of this option is contingent upon the unanimous approval of the representatives of the three New Caledonian provinces. On December 6, 2006 STCPI notified Eramet that was it exercising the option. The Eramet Board of Directors met on May 23, 2007 to discuss the share swap after reviewing an independent assessment of the valuation of Eramet and Le Nickel-SLN as on December 6, 2006.

The Board of Directors decided to proceed with the share swap, in accordance with regulations on related party agreements and under the terms of the shareholders' agreement of September 13, 2000 which stipulates an exchange ratio of three Eramet shares for five Le Nickel-SLN shares. The Annual General Meeting scheduled for July 23, 2007 will be asked to approve this transaction. After this transaction, which will further anchor Le Nickel-SLN's position in New Caledonia, is completed, STCPI's stake in Le Nickel-SLN will rise from 30% to 34%.

Additional information on the Le Nickel-SLN shareholders' agreement, signed between Eramet and STCPI on September 13, 2000 can be found in Section 4.2.2.

### 12.1.3. OUTLOOK FOR 2007

Nickel prices on the LME remain strong, with an average of over \$50,000/ton in April. Eramet's nickel production is projected to rise in the second quarter of 2007 compared with the first, and should end the year at around 63,000 to 64,000 tons due to the lower than expected ore grade following the strike. Deliveries should come in at around 61,000 to 62,000 tons, given the need to replenish finished product inventory.

The nickel hedges set up previously cover 6,000 tons in the second quarter at an average price of \$19,000/ton. The hedges for the full year remain unchanged, and cover 26,000 tons at an average price of \$19,000/ton.

Construction of the ore enrichment plant at Tiebaghi in New Caledonia should be completed during the second quarter of 2007.

Manganese ore and alloy prices continue to strengthen. Eramet opened a new electrolytic manganese dioxide plant in Chongzuo, in southern China, in April 2007. Construction is ongoing on the new oil catalyst recycling plant in Alberta, Canada, and it is scheduled to be completed by the end of the year.

The Alloy division's markets remain buoyant and the new closed-die forging plant and 40,000-ton press at Pamiers are ramping up.

If nickel prices remain at current levels, Eramet's current operating profit for the first half of 2007, should be higher than that reported in the second half of 2006.

## 13. EARNINGS ESTIMATES AND FORECASTS

NA.

## 14. CORPORATE GOVERNANCE

### 14.1. COMPANY AND GROUP MANAGEMENT AND SUPERVISORY BODIES

#### 14.1.1. GENERAL MANAGEMENT

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

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

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

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

##### 14.1.1.2. Composition

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

##### Chairman and CEO: Patrick Buffet (since April 25, 2007).

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

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

In line with the provisions of Article 14, Subsection 2 of the Articles of Association, the Chairman exercises full power subject to the proviso that, "no decision relating to the Company's major strategic, economic, financial or technological issues may be taken without first being discussed by the Board."

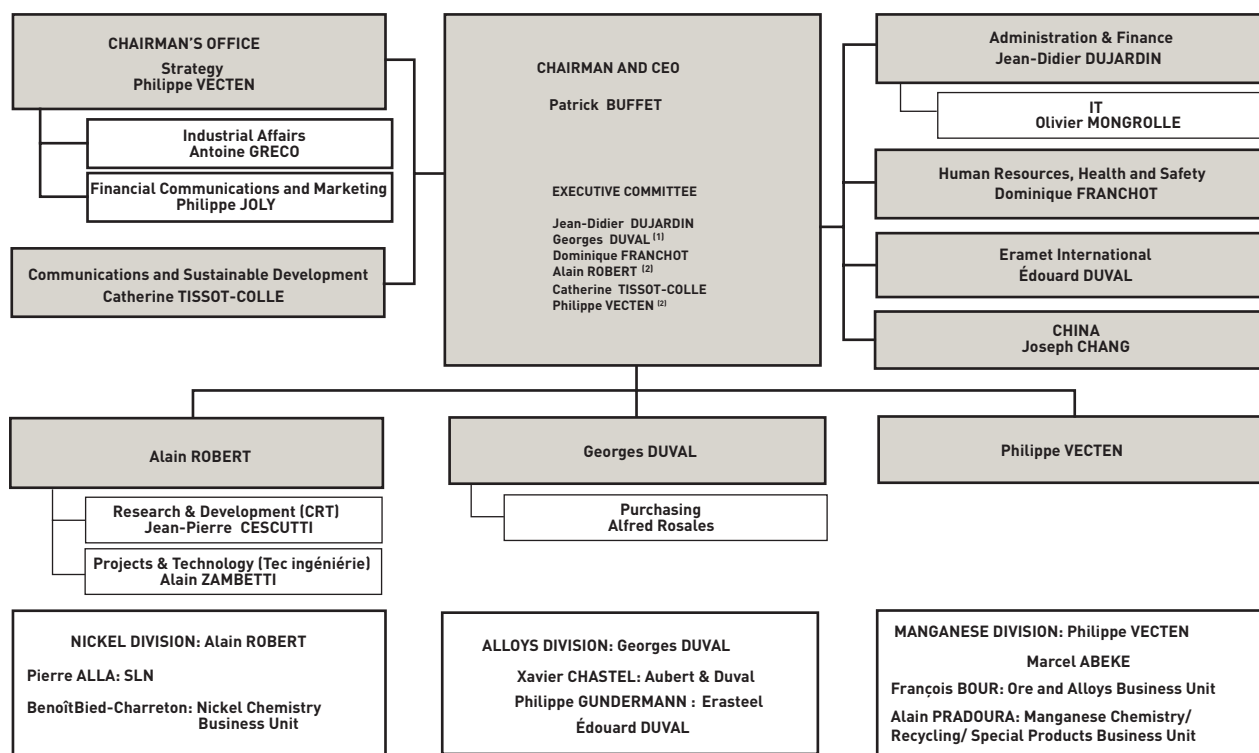
In line with Article 14, Subsection 4 of the Articles of Association, "acts affecting the Company are signed either by the CEO, the Deputy CEO or by any specially authorised person."

#### Deputy CEOs

In line with Article 17.2, the CEO may propose to the Board of Directors the appointment of one or more Deputy CEOs, of which there may be no more than five (5).

The following were appointed in that capacity:  
 Georges Duval (Board meeting of May 23, 2002),  
 Alain Robert (Board meeting of September 17, 2003).  
 Philippe Vecten (Board meeting of May 23, 2007)

#### 14.1.1.3. Organisational chart as on May 23, 2007



(1) Vice-Chairman, Deputy CEO (2) Deputy CEO

## 14.1.2. BOARD OF DIRECTORS

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

### 14.1.2.1. Appointment rules

In line with the shareholders' agreement of June 17, 1999, and pursuant to Article 11 of the Articles of Association, Directors may not be over seventy (70) years of age when appointed and are appointed for a four (4) year term. There are currently fourteen (14) Directors but there may be up to fifteen (15).

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

Each Director must own at least one share.

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

- Five directors put forward by the SORAME-CEIR concert party;
- Three Directors put forward by AREVA;
- Two Directors put forward by STCPI;
- Lastly, four "qualified persons" are nominated, two by the SORAME CEIR concert party and two by AREVA, "in light of their expertise and their independence from the party that nominates them and from the Company itself, in line with the recommendations of the Viénot report."

The responsibilities and obligations of the Directors are described in the Directors' charter, provided for in Article 12-5 of the Articles of Association, while Article 13 Subsection 6 states, "the role of the Directors is to defend the interests of Eramet in all circumstances and they must refrain, in the performance of their duties, from any action or inaction that would be likely to harm those interests."

### 14.1.2.2. Composition

**Honorary Chairman:** Yves Rambaud.

The Board of Directors is currently made up as follows:

**Chairman of the Board of Directors:** Patrick Buffet (since April 2007)

#### **Vice-Chairmen: 2**

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

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

#### **Directors:**

- Rémy Autebert,
- Cyrille Duval,
- Édouard Duval,
- Georges Duval,
- Patrick Duval,
- Pierre-Noël Giraud (independent Director),
- Gilbert Lehmann,
- Louis Mapou,
- Harold Martin,
- Jacques Rossignol (independent Director),
- Michel Somnolet (independent Director),
- Antoine Treuille (independent Director),
- AREVA, represented by Frédéric Tona.

#### **Other participants in Board meetings.**

- **Observers:** The Board of Directors, at its meeting of April 12, 2000, drawing on the option provided for in Article 19 of the Articles of Association, decided to offer two observer positions to Group employees, in addition to Works Council representatives. In practice, the two observers are nominated by the European Works Council. The Council nominated Mats Nilsson (an employee of Erasteel Söderfors) and Daniel Signoret (an employee of Erasteel Commentry), who were appointed as observers at the September 13, 2000 Board meeting for a term of four years. Mats Nilsson resigned and was replaced by Jean-Claude Dumontet (an employee of Erasteel Commentry) on September 11, 2002. From the Board Meeting of August 2007, Jean Javelier (employee of Le Nickel-SLN) replaces Jean-Claude Dumontet.

- **Company Works Council Delegates:** Claudine Grossin, Didier Jacq, Christian Detreille, Yann Perrigault.

## 14.2. PERSONAL SITUATION OF EXECUTIVES

Other positions held within and outside the Group over the past five financial years.

### Directors and general managers of the Company as on July 23, 2007

Surname, forename or company name of member / Main position Family relationship	Date of first appointment	Most recent reappointment and expiry date of term of office	Other positions
<p><b>AUTEBERT Rémy</b> <b>Director</b></p> <p>Born on July 20, 1953</p> <p>Work address: AREVA JAPAN Co. Ltd Urban Toranomon, Bld. 5-F 1-16-4, Toranomon Minato-Ku Tokyo 105-0001 Japan</p>	<p>General shareholders' meeting of May 21, 2003</p>	<p>Reappointment: General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>Chairman of AREVA Japan</li> </ul>
<p><b>BUFFET Patrick</b> <b>Director</b> <b>Chairman and CEO since April 25, 2007</b></p> <p>Born on October 19, 1953</p> <p>Work address: Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p>	<p>Director of: Co-opted by the Board on March 7, 2007 to replace François Henrot, who had resigned</p> <p>Chairman and CEO: Board Meeting of April 25, 2007</p>	<p>General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>Chairman and CEO, Le Nickel- SLN from July 10, 2007</li> <li>Director of Comilog SA from June 7, 2007</li> </ul> <p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>Member of the Supervisory Board of AREVA – Resignation on April 26, 2007</li> </ul> <p>Member of Supervisory Board of: - Bureau Veritas - Arcole Industries</p>
<p><b>DUVAL Georges</b> <b>Director</b> <b>Vice-Chairman</b> <b>Deputy CEO</b></p> <p>Born on May 3, 1946</p> <p>Work address: Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p> <p><b>Brother of Édouard DUVAL, cousin of Cyrille and Patrick DUVAL</b></p>	<p>General shareholders' meeting of July 21, 1999</p> <p>Vice-Chairman of the Board: Board Meeting of September 13, 2000</p> <p>Deputy CEO: Board Meeting of May 23, 2002</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>Chairman: Aubert &amp; Duval (SAS); SIMA (SAS); Eramet Alliances; Erasteel (SAS)</li> </ul> <p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>Manager of SORAME SCA</li> <li>Director and Deputy CEO of CEIR</li> </ul>

Surname, forename or company name of member / Main position Family relationship	Date of first appointment	Most recent reappointment and expiry date of term of office	Other positions
<p><b>DUVAL Édouard</b> <b>Director</b></p> <p>Born on December 2, 1944</p> <p>Work address: Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p> <p><b>Brother of Georges DUVAL, cousin of Cyrille and Patrick DUVAL</b></p>	<p>General shareholders' meeting of July 21, 1999</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>• Director of Le Nickel-SLN</li> <li>• Chairman of Eramet International (SAS)</li> <li>• Deputy CEO of Sima (SAS)</li> </ul> <p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Chairman of the Management Board of SORAME SCA</li> <li>• Director and Deputy CEO of CEIR</li> </ul>
<p><b>DUVAL Patrick</b> <b>Director</b></p> <p>Born on May 15, 1941</p> <p>Address: c/o Eramet Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p> <p><b>Brother of Cyrille DUVAL, cousin of Georges and Édouard DUVAL</b></p>	<p>General shareholders' meeting of July 21, 1999</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>• CEO of SIMA</li> </ul> <p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Chairman of CEIR</li> <li>• Manager of SORAME SCA</li> <li>• Director of Cartonneries de Gondardennes SA</li> <li>• Manager of SCI Compagnie Franroval, SCI Les Bois de Batonceau, SCI de la Plaine, SCEA Les Terres d'Orphin</li> </ul>
<p><b>DUVAL Cyrille</b> <b>Director</b> <b>General Secretary of Aubert &amp; Duval</b></p> <p>Born on July 18, 1949</p> <p>Work address: Tour Maine Montparnasse 33 avenue du Maine</p> <p><b>Brother of Patrick DUVAL, cousin of Georges and Édouard DUVAL</b></p>	<p>General shareholders' meeting of July 21, 1999</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>• Deputy CEO of SIMA</li> <li>• Permanent representative of SIMA on the Board of Directors of Metal Securities</li> <li>• Director of Comilog, TCS, Aubert &amp; Duval UK</li> <li>• Joint manager of Aubert &amp; Duval GmbH</li> <li>• Chairman of Forges de Montplaisir</li> </ul> <p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Deputy CEO and director of CEIR</li> <li>• Manager of SORAME SCA</li> </ul>

Surname, forename or company name of member / Main position Family relationship	Date of first appointment	Most recent reappointment and expiry date of term of office	Other positions
<p><b>GIRAUD Pierre-Noël</b> <b>Director</b></p> <p>Born on March 8, 1949</p> <p>Work address: CERNA 60, boulevard Saint-Michel 75272 Paris cedex 06</p>	<p>General shareholders' meeting of May 21, 2003</p>	<p>Reappointment: General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Director of AREVA N.C.</li> <li>• Lecturer at the École des Mines de Paris</li> <li>• Member of the French Technology Academy</li> </ul>
<p><b>LEHMANN Gilbert</b> <b>Director</b> <b>Vice-Chairman</b></p> <p>Born on September 28, 1945</p> <p>Work address: AREVA 33, rue Lafayette 75009 Paris - France</p>	<p>Co-opted by the Board on December 13, 2005</p>	<p>Co-opting confirmed: General shareholders' meeting of April 27, 2006 called to approve the 2005 financial statements.</p> <p>Reappointment: General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Member of Supervisory Board of: Assystem SA; ALMA SA</li> <li>• Director and Chairman of the Board of Directors of: SEPI (Switzerland); STMicroelectronic Holding N.V. (the Netherlands)</li> </ul>
<p><b>MAPOU Louis</b> <b>Director</b></p> <p>Born on November 14, 1958</p> <p>Work address: STCPI Immeuble Carcopino 3000 98845 Nouméa Cedex</p>	<p>Co-opted by the Board on March 29, 2001 (Confirmed by the general shareholders' meeting of May 30, 2001)</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>• Director of Le Nickel-SLN</li> </ul> <p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Chairman of STCPI (New Caledonia)</li> <li>• CEO of Sofinor (New Caledonia)</li> </ul>
<p><b>MARTIN Harold</b> <b>Director</b></p> <p>Born on April 8, 1954</p> <p>Work address: President of the Congress of New Caledonia 1, boulevard Vauban PO Box P3 98845 Nouméa Cedex</p>	<p>Appointed by the general shareholders' meeting of May 11, 2005</p>	<p>Reappointment: General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2008 financial statements</p>	<p><b>In non-Group companies (in New Caledonia)</b></p> <ul style="list-style-type: none"> <li>• President of Congress of New Caledonia since May 2004</li> <li>• Member of Southern Province Parliament</li> <li>• Mayor of Païta since 1995</li> <li>• Member with tenure: <ul style="list-style-type: none"> <li>- Board of Directors of ADECAL (Treasurer)</li> <li>- Local finance committee</li> <li>- Advisory commission on expense appraisal</li> <li>- Advisory committee on mining</li> <li>- Management committee of mining economic support fund</li> <li>- Select committee in charge of identifying crisis situations in the mining sector</li> </ul> </li> <li>• - Chairman of advisory committee on Research</li> <li>• Director of: Enercal; Savexpress; SEUR; SEM Agglo</li> </ul>

Surname, forename or company name of member / Main position Family relationship	Date of first appointment	Most recent reappointment and expiry date of term of office	Other positions
<p><b>ROSSIGNOL Jacques</b> <b>Director</b></p> <p>Born on February 6, 1940</p> <p>Address: c/o Eramet Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p>	<p>General shareholders' meeting of July 21, 1999</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Director of Innoprocess</li> <li>• Former CEO of SNECMA and Arianespace</li> </ul>
<p><b>SOMNOLET Michel</b> <b>Director</b></p> <p>Born on February 6, 1940</p> <p>Address: c/o Eramet Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p>	<p>General shareholders' meeting of May 21, 2003</p>	<p>Reappointment: General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Former Director of Sanofi-Synthelabo:</li> <li>• Former Director, Deputy Chairman &amp; CFO of L'Oréal</li> <li>• Director of: L'Oréal USA; L'Oréal Morocco</li> </ul>
<p><b>AREVA</b> <b>Director</b></p> <p><b>Represented by Frédéric TONA</b></p> <p><b>Permanent representative of AREVA on the Board of Directors</b></p> <p>Born on August 27, 1947</p> <p>Work address: AREVA For the attention of Frédéric TONA 33, rue Lafayette 75009 Paris - France</p>	<p>Co-opted by the Board on March 27, 2002</p>	<p>Co-opting confirmed: General shareholders' meeting of May 23, 2002</p> <p>Reappointment: General shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Former Director of Mines-Chemistry-Beneficiation at AREVA NC</li> <li>• Member of the Board of the Ecole Nationale Supérieure de Géologie in Nancy</li> <li>• Director of OSEAD (SAS)</li> </ul>
<p><b>TREUILLE Antoine</b> <b>Director</b></p> <p>Born on October 7, 1948</p> <p>Work address: MERCANTILE CAPITAL PARTNERS LLC 535 Madison Avenue New-York, NY 10022 USA</p>	<p>General shareholders' meeting of July 21, 1999</p>	<p>Reappointment: General shareholders' meeting of May 21, 2003 and the general shareholders' meeting of April 25, 2007 for a four-year term.</p> <p>Expiry date: General shareholders' meeting called to approve the 2010 financial statements.</p>	<p><b>In non-Group companies</b></p> <ul style="list-style-type: none"> <li>• Executive Managing Director of: Altamont Capital Partners, LLC (USA); Mercantile Capital Partners LLC(USA)</li> <li>• Chairman of Charter Pacific Corporation (USA)</li> <li>• Director of: BIC SA (France); Haris Interactive, Inc. (USA), Partex Corporation (USA), Harlem Furniture, LLC (USA), Skip's Clothing, Inc. (USA), Imperial Headwaer, Inc. (USA)</li> </ul>

Surname, forename or company name of member / Main position Family relationship	Date of first appointment	Most recent reappointment and expiry date of term of office	Other positions
<p><b>ROBERT Alain</b></p> <p><b>Deputy CEO (not a director)</b></p> <p>Born on December 25, 1945</p> <p>Work address: Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p>	<p>Co-opted by the Board on September 17, 2003</p>		<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>• Director of: Le Nickel-SLN; Comilog SA; PT Weda Bay Nickel (Indonesia)</li> </ul>
<p><b>VECTEN Philippe</b></p> <p><b>Deputy CEO (not a director)</b></p> <p>Born on April 22, 1949</p> <p>Work address: Tour Maine Montparnasse 33 avenue du Maine 75 015 Paris - France</p>	<p>Co-opted by the Board on May 23, 2007</p>		<p><b>In Group companies</b></p> <ul style="list-style-type: none"> <li>• Director of Comilog SA</li> <li>• CEO of ECM</li> <li>• Manager of Comilog Holding</li> <li>• Director of Le Nickel-SLN</li> </ul>

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



## 15. TOTAL REMUNERATION AND BENEFITS OF CORPORATE OFFICERS AND EXECUTIVE COMMITTEE

### Directors' fees

The directors' fees paid to Eramet's corporate officers for 2006 amounted to €152,170 (€153,170 in 2005); this amount is lower than the total package of €180,000 allocated to the Board of Directors at the shareholders' meeting of May 11, 2005, to be divided freely amongst the Directors by the Board.

Directors' fees for 2006 were distributed on the basis of a fixed individual amount of €7,623 for participation at all Board meetings, plus €1,000 for participation in the various

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

(euros)	Eramet	Other Companies	Total 2006	Total 2005	Total 2004
Rémy AUTEBERT	8,623		8,623	12,686	14,686
Jacques BACARDATS	7,623	7,565	15,188	17,879	19,785
Cyrille DUVAL	7,623		7,623	7,623	7,623
Édouard DUVAL	7,623		7,623	7,623	7,623
Georges DUVAL	7,623		7,623	9,923	9,923
Patrick DUVAL	7,623		7,623	7,623	7,623
Pierre-Noël GIRAUD	7,623		7,623	7,623	7,623
François HENROT	7,623		7,623	7,623	7,623
Pascal LAFLEUR	-		-	3,431	12,198
Jean-Lucien LAMY	-		-	9,717	8,623
Gilbert LEHMANN	9,623		9,623	1,906	-
Louis MAPOU	10,673	1,830	12,503	12,503	14,028
Harold MARTIN	9,148		9,148	8,767	-
Jacques ROSSIGNOL	10,623		10,623	10,623	8,623
Michel SOMNOLET	22,773		22,773	14,198	19,248
Frédéric TONA	10,623		10,623	12,623	8,623
Antoine TREUILLE	16,723		16,723	18,248	17,723
<b>Total</b>	<b>152,170</b>	<b>9,395</b>	<b>161,565</b>	<b>170,619</b>	<b>171,575</b>

committees. A travel allowance of €1,525 per Board meeting was also paid to the Directors residing outside France.

The directors' fees paid to Eramet's corporate officers by other Group companies amounted to €9,395 (€17,449 in 2005).

### Members of the Executive Committee ("COMEX")

#### • Criteria:

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

Remuneration of each COMEX member is broken down into a fixed portion and a variable portion.

The variable portion is based on a certain number of specific criteria and goals and ranges from:

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

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

- Very aggressive Safety performance (accident frequency rate 1),
- Financial performance (debt, cash, working capital requirement....),
- Actual economic performance (ROCE, operating profit, etc.),
- Completing major capital expenditure programmes on time and on budget,
- Managerial results,
- Strategy and project proposals falling within their own sphere of responsibility.

\* Determined by the Remuneration Committee.

• Amount

The individual amount of gross remuneration net of payroll charges allocated in 2006 to the members of the Group Executive Committee ("COMEX" - six people in total) amounted to €2,299,924 (€2,039,924 in 2005) and breaks down as follows:

(euros)	Period		Fixed portion <sup>(1)</sup>	Variable portion <sup>(2)</sup>	Directors' fees	Total
<b>Jacques BACARDATS * / **</b>	<b>2006</b>	<b>Gross</b>	<b>505,245</b>	<b>252,038</b>	<b>15,188</b>	<b>772,471</b>
Chairman and CEO	2006	Net	454,327	225,848	15,188	695,363
	<b>2005</b>	<b>Gross</b>	<b>474,905</b>	<b>223,960</b>	<b>17,879</b>	<b>716,744</b>
	2005	Net	415,158	194,849	17,879	627,886
<b>Georges DUVAL *</b>	<b>2006</b>	<b>Gross</b>	<b>224,438</b>	<b>43,129</b>	<b>7,623</b>	<b>275,190</b>
Deputy CEO	2006	Net	193,251	34,665	7,623	235,539
	<b>2005</b>	<b>Gross</b>	<b>221,988</b>	<b>28,100</b>	<b>9,923</b>	<b>260,011</b>
	2005	Net	191,938	22,713	9,923	224,574
<b>Alain ROBERT *</b>	<b>2006</b>	<b>Gross</b>	<b>278,755</b>	<b>33,105</b>	<b>7,565</b>	<b>319,425</b>
Deputy CEO	2006	Net	227,994	27,077	7,565	262,636
	<b>2005</b>	<b>Gross</b>	<b>268,000</b>	<b>12,645</b>	<b>10,256</b>	<b>290,901</b>
	2005	Net	207,643	9,797	10,256	227,696
<b>Patrick ANDRE *</b>	<b>2006</b>	<b>Gross</b>	<b>290,094</b>	<b>55,829</b>	<b>7,565</b>	<b>353,488</b>
Deputy CEO	2006	Net	237,511	45,709	7,565	290,785
	<b>2005</b>	<b>Gross</b>	<b>216,144</b>	<b>28,125</b>	<b>7,956</b>	<b>252,225</b>
	2005	Net	163,824	21,317	7,956	193,097
<b>Dominique FRANCHOT</b>	<b>2006</b>	<b>Gross</b>	<b>265,929</b>	<b>37,465</b>	<b>0</b>	<b>303,394</b>
Human Resources Manager	2006	Net	222,317	31,321	0	253,638
	<b>2005</b>	<b>Gross</b>	<b>235,001</b>	<b>27,535</b>	<b>0</b>	<b>262,536</b>
	2005	Net	191,932	22,489	0	214,421
<b>Jean-Didier DUJARDIN</b>	<b>2006</b>	<b>Gross</b>	<b>218,623</b>	<b>29,743</b>	<b>7,565</b>	<b>255,931</b>
Chief Financial Officer	2006	Net	191,427	26,043	7,565	225,035
	<b>2005</b>	<b>Gross</b>	<b>210,055</b>	<b>16,050</b>	<b>10,256</b>	<b>236,361</b>
	2005	Net	171,987	13,141	10,256	195,384

\* Corporate officers.

\*\* Up to April 25, 2007.

(1) Salaries paid in 2006.

(2) Amounts due in respect of 2006 and paid in 2007. In accordance with the French Economic Confidence and Modernisation Act of July 26, 2005, the variable portion now corresponds to the portion for year N paid in N + 1.

COMEX members also benefit from the collective profit-sharing scheme. The sums paid under the scheme in 2006 with respect to 2005 individually amounted to €15,000, in accordance with the legally prescribed ceiling.

The ten highest amounts of remuneration paid by Eramet SA with respect to 2006 amounted to €2,820,949, as certified by the auditors.

### Corporate officers - remuneration

The gross remuneration paid to corporate officers in 2006 amounted to €2,249,476 (compared with €2,047,842 in 2005).

It breaks down as follows:

(euros)	2006	2005
Jacques BACARDATS *	772,471	716,744
Patrick ANDRE *	353,488	252,225
Rémy AUTEBERT	8,623	12,686
Cyrille DUVAL	172,262	171,496
Édouard DUVAL *	233,132	228,894
Georges DUVAL *	275,190	260,011
Patrick DUVAL	7,623	7,623
Pierre-Noël GIRAUD	7,623	7,623
François HENROT	7,623	7,623
Pascal LAFLEUR	-	3,431
Jean-Lucien LAMY	-	9,717
Gilbert LEHMANN	9,623	1,906
Louis MAPOU	12,503	12,503
Harold MARTIN	9,148	8,767
Alain ROBERT *	319,425	290,901
Jacques ROSSIGNOL	10,623	10,623
Michel SOMNOLET	22,773	14,198
Antoine TREUILLE	16,723	12,623
Frédéric TONA	10,623	18,248
<b>Total</b>	<b>2,249,476</b>	<b>2,047,842</b>

\* Individuals benefiting from a special supplementary scheme.

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

### Pension liabilities

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

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

According to the latest actuarial calculation, the present value of the estimated portion of the four corporate officers in question in the total amount of liabilities with respect to the past service of

all beneficiaries of this supplementary pension plan amounted to €5.6 million as at the end of February 2006 (five corporate officers in 2005 amounting to €5.5 million).

### Other liabilities

In the event of a hostile takeover bid, a special guarantee was put in place vis-à-vis around fifteen Group executives (primarily members of the Group Executive Committee and divisional COMEX). This guarantee is estimated to be worth €5 million.

### Special report on bonus share grants

Pursuant to Article L. 225.197.4 - Subsection 1 of the French Commercial Code, we hereby notify you that no bonus share grants took place in 2006.

## 16. OPERATION OF MANAGEMENT AND SUPERVISORY BODIES

Eramet complies with the corporate governance regime applicable in France.

### 16.1. MODE OF OPERATION

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

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

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

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

Each of the three Division managers are also deputy CEOs, in charge of specific corporate functions in addition to his/her Division. Georges Duval (Alloys) is responsible for purchasing, Alain Robert (Nickel) monitors research & development along with engineering and Jean-Didier Dujardin supervises

information systems. The administration & finance and human resources departments, along with Eramet International, continue to report to the Chairman & CEO. Bringing corporate functions under Executive Committee supervision makes their work more effective and consistent. The aim is to enable them to carry out their three main tasks: supporting operations, steering activities and providing services to the Divisions. Additionally, a Chairman's office has been set up, looking after strategy, communications, marketing and industrial affairs.

## 16.2. BYLAWS OF THE BOARD OF DIRECTORS

### Director's charter

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

The charter, which was approved by the Board of Directors at its September 15, 1999 meeting, particularly emphasises Directors' competence, their duties as regards disclosure, their attendance at Board meetings and, insofar as possible, at shareholders' meetings, and their independence. The members of the Board are especially urged, at all times, to ensure they are not in a direct or indirect conflict of interest between the Company and any company in which they hold a position. Such a situation, which must be notified to the Board, may result, as the case may be, in a refusal to appoint or in their resignation (in the event of a structural conflict), or in their abstention (a once-off conflict). The duty of confidentiality and of refraining from dealing in the Company's shares when in possession of unpublished material information is also repeated. The rule prohibiting dealing in the Company's shares is set down in a procedure that applies to corporate officers and executives. This procedure was approved by the Board of Directors on March 9, 2005.

### Bylaws / committees

On September 6, 2006, the Board adopted internal bylaws specifying its organisation, which is particularly based on the setting up of a series of internal committees. The internal bylaws are available from the Secretary to the Board at the Company's registered office.

At its meeting of May 25, 2007, the Board of Directors confirmed the renewal of the three committees created in 1999, while modifying their membership in line with the appointment of new Directors. Reasserting its desire to turn the Company into a benchmark for best corporate governance practice by focusing more on the future than the past and implementing the recommendations of the Bouton report, the Board specified the make-up, organisation and workings of the committees.

### Audit committee

The audit committee has drawn up its own charter with a view to defining its composition (3 members), workings, responsibilities and the remuneration of its members. The charter was finally approved by the Board of Directors at its meeting of December 10, 2003. The committee set itself the task of reviewing, in addition to internal audit plans and the analysis of the half-yearly and annual financial statements, the tracking of major disputes, foreign currency policy and investment policy, accounting issues following changes in IFRS and the application of the French Financial Security Act. The committee met three times in 2006 (March 7, September 5 and December 12).

Current membership of the committee: Antoine Treuille, Michel Somnolet and Gilbert Lehmann.

### Remuneration committee

Comprised of three directors, including one independent, it is assisted by an Administrative Secretary appointed by the Committee Members and nominated by the Chairman and CEO. Dominique Franchot, Group Human Resources Director, was appointed to this position. Bylaws were also drawn up covering the operation of the Committee. The committee met three times in 2006 (January 4, September 5 and December 12).

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

Secretary to the Committee: Dominique Franchot.

### Selection committee

Comprised of four Directors and the Chairman, the selection committee nominates the corporate officers who head each of the Company's three Divisions. The committee did not meet in 2006.

Current membership of the committee: Édouard Duval, Cyrille Duval, Gilbert Lehmann, Patrick Buffet.

### Board meetings

Calling meetings: meetings are called as often as necessary by the Chairman, in the legally prescribed manner. Meeting notices are sent to members by any means, including electronically, in principle one week prior to the date of the meeting.

Procedure for Board meetings:

- A file containing information on most of the items on the agenda is provided to every participant at the outset of the meeting.
- The meeting usually begins with a preliminary report by the Chairman of the main events in the previous period, followed by an update on business in each of the three Divisions. A particularly important project with respect to the Group's strategy may be presented.

- At the end of the meeting, a draft press release is usually submitted to the Directors for their comments and is published at the end of the day to inform the market of the main developments at the Company that are likely to be of interest.

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

Actual operation of the Board of Directors: a detailed report on the operation of the Board of Directors in 2006 was set out in the report of the Chairman, which was presented to the general shareholders' meeting of April 25, 2007, pursuant to Article L 225-37 Subsection 6 of the French Commercial Code (see notes).

Attendance rate	2006	2005	2004
Board of Directors	79%	87%	84%
Audit committee	100%	78%	100%
Remuneration committee	100%	89%	100%
Selection committee	NA	NA	NA

#### Work of the audit committee in 2006

As usual, the audit committee carried out a detailed review of the 2005 annual financial statements and the 2006 half-yearly financial statements. The audit committee looked into over/under-runs, the inclusion in the notes of certain accounts and the assumptions used to calculate the impairment tests. The Audit Committee also stipulates the importance of the new requirements with regard to reporting and financial communications. A review is also carried out with regard to returns on recent capital expenditure, changes in the working capital requirement and related risks.

At its December 12, 2006 meeting, certain accounting issues relating to inventory measurement at the US subsidiary GCMC and at Aubert & Duval were also dealt with along with deferred tax at the Manganese Division. A review is also carried out with regard to foreign currency, nickel and fuel oil hedging.

The Audit Committee also checked the outcome of the projects identified during the previous period with respect to risk mapping, which improved the quality and reliability of internal control and approved audit proposals for 2007 largely covering internal commercial contracts, purchasing processes and financial controlling in the Alloys Division and the capital expenditure and maintenance process at Le Nickel-SLN.

## 17. EMPLOYEES

### 17.1. HUMAN RESOURCES

The Eramet Group's business activities have a marked international dimension (over 65% of the Group's employees work outside mainland France) in terms of marketing and management as well as industrial production.

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

- Dialogue with social partners, both formally (salary and remuneration policy, training, welfare, employment management) and on a day-to-day and informal basis on sites,
- A desire to inform all personnel regularly and clearly (company and site newsletters, Group intranet).
- Group management involvement (seminars and discussions, meetings with Group and subsidiary managers).

The Eramet Group feels that its employees really drive its performance. They are responsible for the strength of the customer relationship, which is at the heart of the Group's business development. They are responsible for future growth driven by enhanced technological leadership and on the most comprehensive possible demonstration of their managerial and technical capabilities. They are responsible for controlling the management and operational excellence in each division.

### 17.2. IMPROVING HUMAN RESOURCE MANAGEMENT

The Group's human resource management operates on two levels. A shared Group level involving the management of executives and their mobility. A management level that is as close as possible to the real-world, employee concerns and the culture of the country and the company.

Human resource management at the Eramet Group is thus driven at these two levels.

In 2006, in order to further consolidate the executive management processes within the Eramet group, the HR teams carried out an in-depth review of the following issues:

- The remuneration policy for executives in France and abroad,
- The mobility policy,
- How to set goals and measure executive performance,
- How to retain our technological leadership by managing key skill-sets,
- How to better share Group values and develop the sense of belonging.

On each of these issues, specific action has been taken and results achieved.

At each company within the Group, management has undertaken a series of projects to improve performance by involving employees. Management team planning continues, as does skills development. The Group is in constant dialogue with its social partners.

## 17.3. WORKFORCE

### Changes in headcount by geographic region

Over the past three years (2004, 2005 and 2006) the Group's headcount has risen by 1,316. Nevertheless, this trend hides a very divergent picture between the various divisions. So, while the Nickel Division (+229 employees) and, in particular, the Manganese Division (+1,263 employees) saw their headcounts rise, the headcount at the Alloys Division fell by 193.

Within the Nickel Division, employee numbers rose slightly in 2006 at Le Nickel-SLN in New Caledonia (+44) and even less so in mainland France (+8).

Employees at Weda Bay in Indonesia are not included in these figures but will be in 2007.

After the 2002/2004 period, which saw a restructuring at the Manganese Division and a resultant headcount reduction, followed by a 2005 in which the headcount rose as a result of the inclusion of SETRAG (rail transportation in Gabon: +1,306 employees), the Division's headcount was stable in 2006.

With regard to the Alloys Division, 2006 saw a slight increase in headcount (+87).

	France			Other European countries			North America			Asia			Other regions			Total		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Holding Company	207	214	232	3	0	0	14	13	11	20	19	18	0	1	0	244	247	261
Nickel Division	358	341	349	0	0	0	0	0	0	0	0	157	2,184	2,221	2,265	2,542	2,562	2,771
Alloys Division	4,414	4,159	4,165	613	589	643	36	37	45	28	25	43	8	9	10	5,099	4,819	4,906
Manganese Division	152	137	135	640	570	559	885	893	871	2,162	2,118	2,155	1,339	2,766	2,781	5,238	6,484	6,501
<b>Total</b>	<b>5,131</b>	<b>4,851</b>	<b>4,881</b>	<b>1,256</b>	<b>1,159</b>	<b>1,202</b>	<b>935</b>	<b>943</b>	<b>927</b>	<b>2,210</b>	<b>2,162</b>	<b>2,373</b>	<b>3,531</b>	<b>4,997</b>	<b>5,056</b>	<b>13,123</b>	<b>14,112</b>	<b>14,439</b>

The headcounts set out in this and the following tables are as at the end of the year. They cover the scope of companies managed by the Group, which differs from the scope of consolidation. The consolidated headcount is 14,007 employees.

### Headcount by professional category

The concept of professional category in the French sense of the term is difficult to transpose to every country in which the Group operates. However, companies located in mainland France, New Caledonia and Gabon share the same concepts. Given that this represents some 70% of the headcount, it seems appropriate to use the following definitions:

- Management: *executives, managers, post-graduate staff, civil engineers (white collar),*
- Supervisory staff: *clerks, technicians, foremen (white collar),*
- Workers: *workers (blue collars).*

	Workers			Supervisory staff			Management			Total		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Holding company	0	0	0	97	93	99	147	154	162	244	247	261
Nickel Division	1,592	1,600	1,627	772	780	944	178	182	200	2,542	2,562	2,771
Alloys Division	3,080	2,890	2,884	1,543	1,498	1,581	476	431	441	5,099	4,819	4,906
Manganese Division	3,902	4,427	4,391	792	1,430	1,479	544	627	631	5,238	6,484	6,501
<b>Total</b>	<b>8,574</b>	<b>8,917</b>	<b>8,902</b>	<b>3,204</b>	<b>3,801</b>	<b>4,103</b>	<b>1,345</b>	<b>1,394</b>	<b>1,434</b>	<b>13,123</b>	<b>14,112</b>	<b>14,439</b>

### Headcount by type of employment contract

The technical nature of mining and metallurgical jobs calls for a long period of professional training. Use of short-term employment contracts is thus relatively rare and involves some 3% of the headcount outside China, where short contracts are more common.

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

	Open-ended contracts			Fixed-term contracts			Total		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Holding Company	277	234	249	7	13	12	244	247	261
Nickel Division	2,449	2,491	2,537	93	71	234	2,542	2,562	2,771
Branche Alliages	4,978	4,693	4,747	121	126	159	5,099	4,819	4,906
Manganese Division	4,169	5,209	5,100	1,069	1,275	1,401	5,238	6,484	6,501
<b>Total</b>	<b>11,873</b>	<b>12,627</b>	<b>12,633</b>	<b>1,290</b>	<b>1,485</b>	<b>1,806</b>	<b>13,123</b>	<b>14,112</b>	<b>14,439</b>

Use of temporary staff, which is mostly restricted to mainland France and Belgium, is a different kind of practice. It represented on average around 900 employees across the Group as a whole in 2006 (Nickel Division: around 250, Manganese Division: around 90, Alloys Division: over 550). Use of temporary staff is essential in coping with sharp fluctuations in order levels.

### Headcount by sex

Female employment in the mining and metallurgical sectors has traditionally been low. As the table below shows, the headcount is predominantly male, with women representing some 14% of all employees. It is in China that women represent the highest proportion of employees, accounting for close to one quarter of the workforce.

	Male			Female			Total		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Holding Company	163	163	167	81	84	94	244	247	261
Nickel Division	2,343	2,352	2,526	199	210	245	2,542	2,562	2,771
Alloys Division	4,475	4,182	4,264	624	637	642	5,099	4,819	4,906
Manganese Division	4,324	5,377	5,428	914	1,107	1,073	5,238	6,484	6,501
<b>Total</b>	<b>11,305</b>	<b>12,074</b>	<b>12,385</b>	<b>1,818</b>	<b>2,038</b>	<b>2,054</b>	<b>13,123</b>	<b>14,112</b>	<b>14,439</b>

### Seniority

	Workers			Supervisory staff			Management		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Holding Company	0.00	0.00	0.00	15.48	17.00	15.14	10.77	12.00	10.22
Nickel Division	11.97	12.19	11.56	18.93	18.16	15.74	10.68	9.95	9.65
Alloys Division	17.46	17.47	16.58	19.16	19.30	17.96	12.99	12.91	12.84
Manganese Division	10.45	16.26	15.90	12.47	18.25	18.06	12.70	15.79	16.22
<b>Total</b>	<b>13.25</b>	<b>15.92</b>	<b>15.33</b>	<b>17.34</b>	<b>18.59</b>	<b>17.42</b>	<b>12.32</b>	<b>13.73</b>	<b>13.59</b>

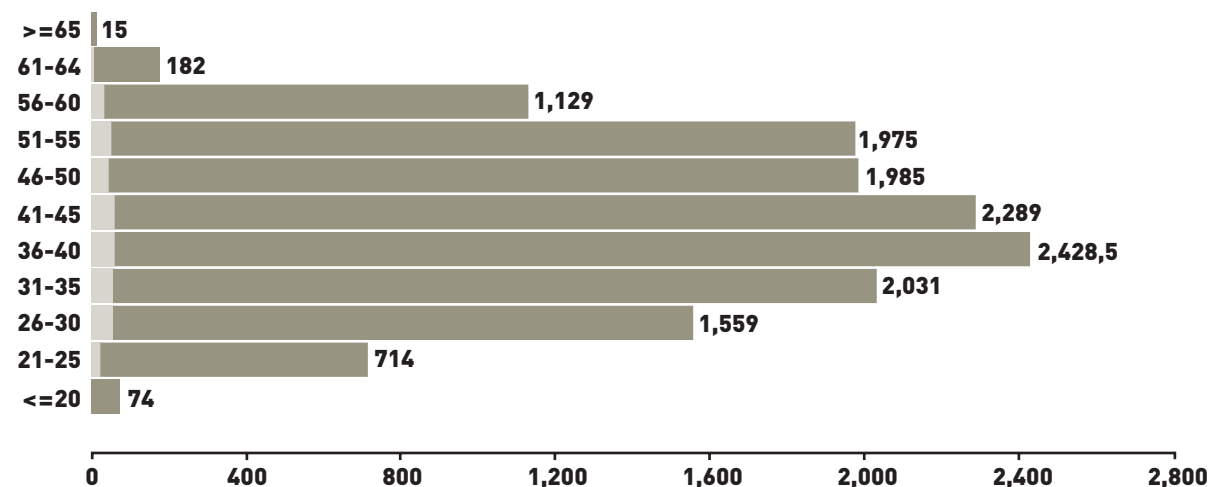
### Average age and seniority

The average age, as can be seen from the table below, is relatively constant across professional categories and Divisions, with the exception of Nickel Division workers (primarily in New Caledonia), where the average age is some 4 years lower than for the other Divisions and professional categories.

	Workers			Supervisory staff			Management		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Holding Company	0.00	0.00	0.00	38.99	45.00	44.30	38.68	46.00	44.59
Nickel Division	37.95	38.63	37.23	46.63	43.75	42.48	42.92	42.78	42.27
Alloys Division	40.37	41.76	40.59	41.59	43.94	42.95	44.83	45.41	45.61
Manganese Division	41.69	40.67	40.68	39.61	42.79	43.20	45.17	46.09	44.82
<b>Total</b>	<b>40.52</b>	<b>40.66</b>	<b>40.02</b>	<b>41.52</b>	<b>43.47</b>	<b>42.96</b>	<b>44.04</b>	<b>45.40</b>	<b>44.68</b>

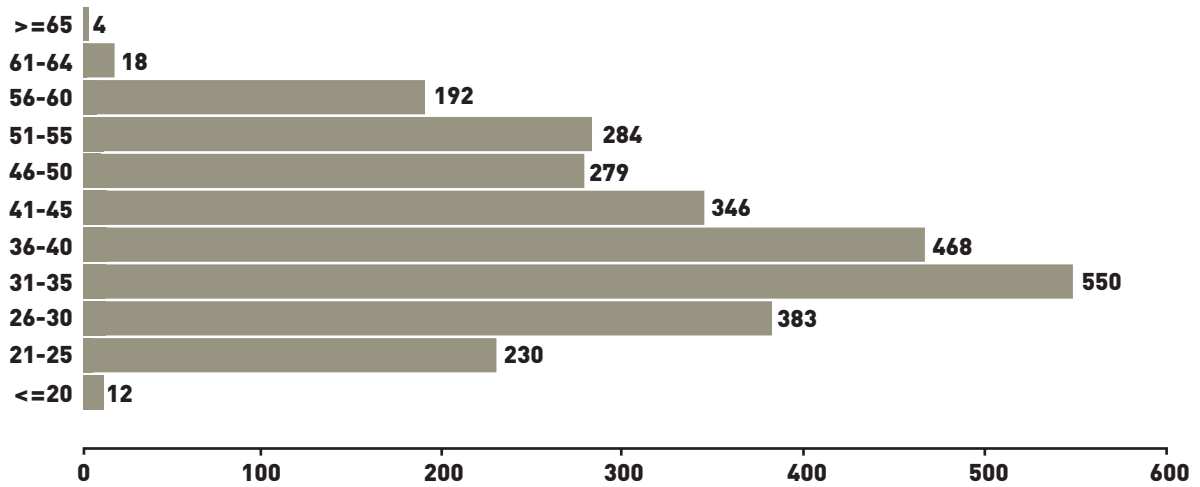
The population pyramid below shows that as on December 31, 2005, the breakdown of employees per age group does not give rise to any particular comments.

### Group

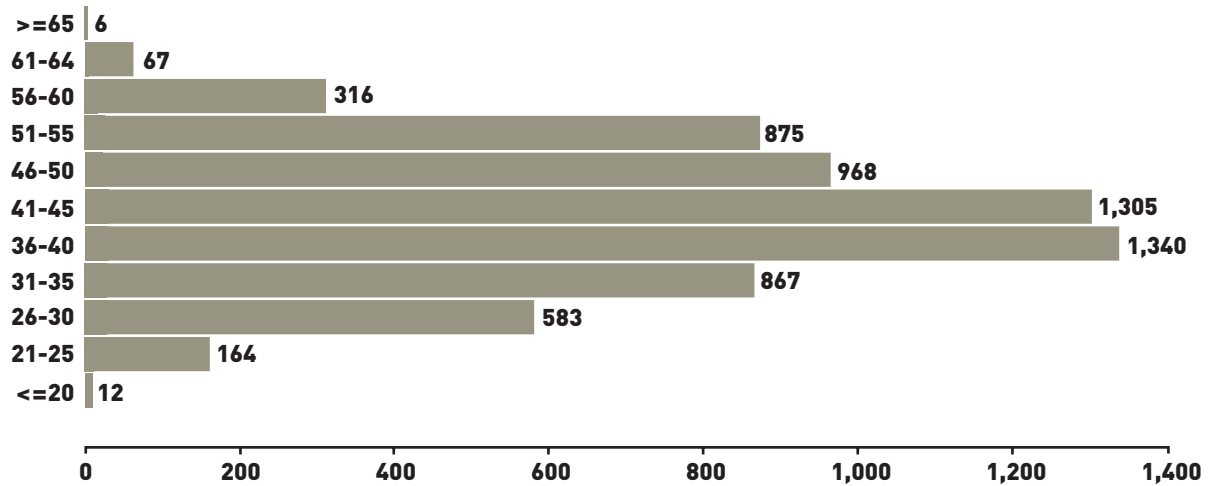


However, an analysis of the population pyramid by age group emphasises significant disparities. The Nickel and Manganese Divisions are relatively similar with a younger population and a larger share of personnel aged between 30 and 40. On the other hand, the Alloys Division's biggest age groups are the over 50s. Consequently, employee attrition in this division is likely to be substantial over the next ten years.

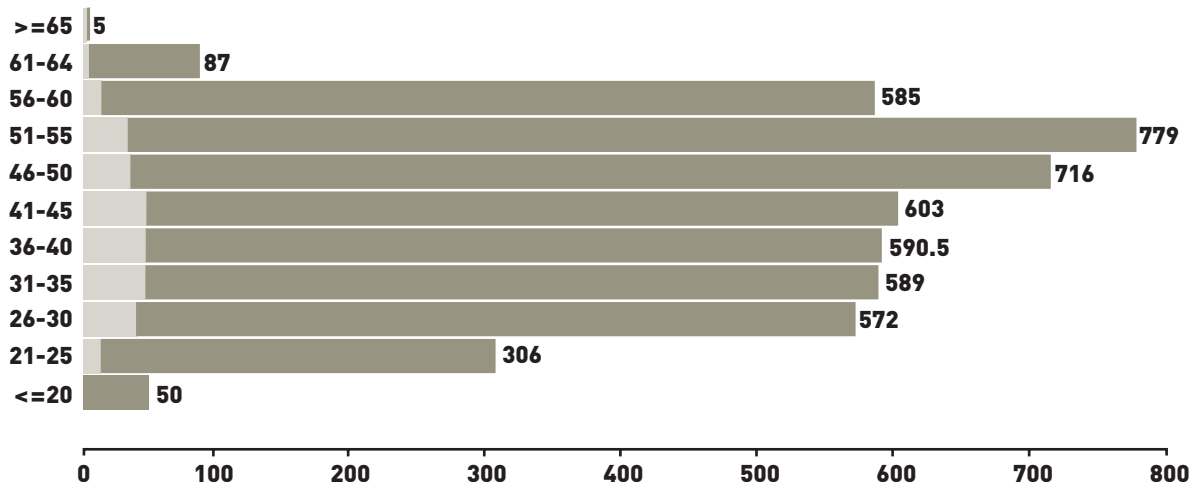
Nickel Division



Manganese Division



Alloys Division





## Workforce attrition and management

The table below gives an indication of employee attrition by country within the Group.

Defined as the sum of arrivals and departures in the year divided by the number of employees at the end of the year, workforce attrition was close to close to 16% in 2004 as a result of restructuring, falling back to close to 13% in 2005 before rising to 19% in 2006.

The resignation rate is relatively constant and represents 1.0% - 1.4% of the total workforce.

### Workforce attrition by country

	Joining						Leaving									Total		
	Outside hiring and others			Firings			Retirement and early retirement			Resignations			Other					
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Mainland France	265	469	527	541	104	37	178	107	141	84	85	89	0	191	207	803	487	474
New Caledonia	150	109	173	6	45	77	49	13	12	3	12	12	0	17	38	58	87	139
Europe ex. France	44	16	102	20	1	18	84	21	29	17	19	46	0	23	14	121	64	107
USA	36	45	81	8	11	12	6	20	16	26	17	35	0	11	10	40	59	73
Gabon	101	193	158	19	13	30	63	0	71	9	2	3	0	43	61	91	58	165
Asia			386			33			61			16			72	0	0	182
Other *	279	97	95	67	62	1	58	53	0	13	11	0	0	4	91	138	130	92
<b>Total</b>	<b>875</b>	<b>929</b>	<b>1,522</b>	<b>661</b>	<b>236</b>	<b>208</b>	<b>438</b>	<b>214</b>	<b>330</b>	<b>152</b>	<b>146</b>	<b>201</b>	<b>0</b>	<b>289</b>	<b>493</b>	<b>1,251</b>	<b>885</b>	<b>1,232</b>

\* Includes Asia for 2004 and 2005.

## 17.4. WORK ORGANISATION AND REMUNERATION

### Working hours

Wherever it is based, the Eramet Group complies with applicable legislation on working hours. For guidance, working hours are as follows:

- Mainland France: 35 hours per week,
- Norway: 37 hours 30 per week,
- New Caledonia: 37 hours 50 per week,
- China, Gabon, USA, Sweden: 40 hours per 5-day week.

Shorter working weeks usually apply to shift personnel.

### Remuneration

- Personnel – payroll charges

Salaries account for the main part of personnel remuneration. The average rate of social contributions on wages and salaries at Group level was 42% in 2004, 39% in 2005 and 38.4% in 2006. Contributions varied according to location in 2005 and 2006, ranging from 40-46% in mainland France or even higher in countries such as Sweden (48%) to lower rates in New Caledonia (41%) and Gabon (37%).

- Profit-sharing policy

In mainland France and New Caledonia, profit-sharing agreements are systematically signed with social partners. They are on top of any regulatory provisions on profit-sharing.

Equivalent provisions in Sweden are based on the ratio of total payroll to earnings.

In 2004, the total amount paid out was €15,692 thousand, which represents almost 5% of the Group's salary bill, but slightly over 10% of salaries in the companies in question.

In 2005, the total amount paid out was €19,430 thousand, which represents almost 6% of the Group's salary bill, but slightly over 8% of salaries in the companies in question.

In 2006, the total amount paid out with respect to profit-sharing schemes was €22,100 thousand, which represents over 6% of the Group's salary bill, but almost 10% of salaries in the companies concerned.

- Other employee liabilities

Provisions have been recorded for all pensions, severance indemnities, medical coverage, welfare and other benefits for active or retired personnel according to current practice in each country.

Provisions are also recorded for the portion not covered by insurance companies or pension funds, particularly for US and Norwegian companies. Plans are usually defined benefit. Liabilities specifically concerning these plans are located in the USA (47%), France (21%), Norway (15%) and New Caledonia (6%). The other plans are defined contribution or employer contribution and are expensed in the period to which they relate. Details of the main assumptions used to calculate these liabilities are set out in the consolidated financial statements (see Chapter 20.1 – Note 14).

Full provisions have also been recorded for a supplementary pension plan for some Eramet senior managers, which was closed on January 1, 2001. The estimated actuarial value of the plan as on December 31, 2006 was €9.6 million (compared with €9 million as on December 31, 2005).

- Stock option plans

There are two different types of plans.

Firstly, there are plans that are open to a very large number of Group employees. One such plan opened in September 1999 covered 5,646 employees. Under this plan, which expires in September 2007, 423,450 Eramet Group shares have been granted. It was created to support the merger of the Eramet Group with the Sima group in 1999. The plan gives each beneficiary the option of acquiring 75 Eramet shares at a

predetermined price. The sharp growth in the share price in the second half of 2004 and in 2005 and 2006 led many employees to exercise their options and sell their shares. 1,132 current or retired employees exercised that right in 2005 and 333 in 2006. Including lapsed options, following the departure of employees, there are 39,670 outstanding options.

Secondly, there are also special plans where the beneficiaries are the Group's senior managers. No new plan was drawn up in 2006.

- **Employee Savings Plan**

In mainland France and New Caledonia, Eramet Group employees can make occasional or voluntary payments into an employee savings plan. The sums paid under profit-sharing schemes may also be paid in. Group companies participate in the savings plan through a top-up on the sums paid by employees. The arrangements for paying the top-up vary from company to company. Savings are invested in mutual funds that are managed by financial institutions that are independent of the Group and controlled by equal-representation supervisory boards.

## **17.5. INDUSTRIAL RELATIONS**

Industrial dialogue plays a very important role in the life and internal workings of every Group company. Many company agreements are signed every year on working conditions, employment and remuneration.

On a corporate level, the Eramet Group facilitates two employee representative bodies. On one hand, the Group Works Council, comprised of 30 delegates from companies governed by French labour law and, by extension, New Caledonian labour law, meets once a year. On the other hand, the European Works Council is comprised of delegates from companies based in Europe, plus New Caledonian delegates, i.e. 34 delegates in all. The European countries currently represented on the European Works Council are France, Belgium, Sweden and Norway. This Council meets once a year. Its operation was streamlined through the creation of a select committee of six officers, which meets more often.

## **17.6. TRAINING**

With regard to the vocational training of its employees, the Eramet Group prioritises training that focuses, on one hand, on safety and, on the other hand, on the development of technical skills enabling employees to more effectively come to terms with processes and their environment.

However, many training initiatives relate to the use of computer tools and foreign languages.

Similarly, capital expenditure programmes are always supported by major training initiatives on operating new tools.

In 2006, major training efforts continued with regard to safety. For example: the "handling" action plan in the Alloys Division covering the driving of the various handling and lifting equipment; training on procedures governing work authorisations

at Comilog SA; the nine-month university diploma course at ESSEL in Limoges by two technicians from Le Nickel-SLN, or once again at Le Nickel-SLN, the three-week "safety coordination and management" training course for all safety coordinators resulting in a diploma from the CNPP.

Significant training efforts accompanied major projects and capital expenditure programmes. As part of the 3.5Mt Comilog project, two hundred and fifteen operators were trained or received refresher training which cut train loading time by one hour; at Le Nickel-SLN, a six-month employment/training programme trained forty people in the operations of the Tiébaghi ore processing plant; two Gabonese geological engineers spent four months in France for a refresher course with our geology specialists and to learn to use mining software with a view to the working of the new Moanda deposit or the niobium ore one in Mabounié; around ten internal trainers from New Johnsonville spent 6 months training the employees of the EMD plant in Chongzuo.

Of the business specific trainings, note should be taken of the BP mines training of twelve people in New Caledonia, the work on making the forging, steelworks machinery reliable at the Firminy, Pamiers and Ancizes sites, trainings on simulation, calculation and statistical software as well as solid/liquid separation processes for the CRT and advanced training in all our areas of activity. The bottom line: 2,736 training hours in France for Gabonese executives and technicians.

Implementation of computer-aided manufacturing at Ancizes, the latter requiring the training of manufacturing operators as well as support staff in procurement; ongoing Oracle roll-out in Gabon.

In the Alloys Division, intensification of combined apprenticeships and training. Note should be taken of the signature by Georges Duval of the apprenticeship charter and of the 100th apprentice celebrations at the Ancizes site.

In line with previous years, the Group's training costs vary depending on the unit but are generally between 3% and 4% of gross payroll.

Overall, in 2006, in line with previous years, overall training initiatives represented 2%-4% of payroll depending on the companies and the professional categories.

## **17.7. HEALTH AND SAFETY**

### **17.7.1. SAFETY**

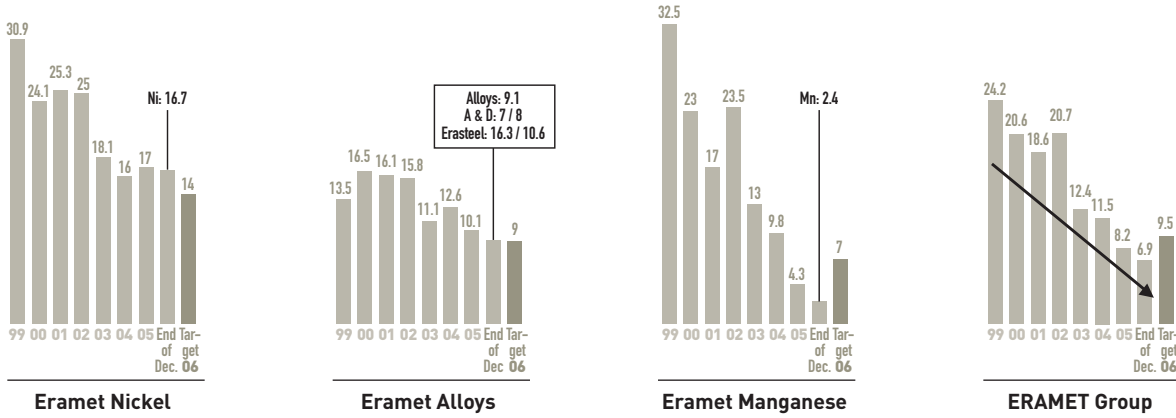
#### **Frequency rate**

The frequency rate is defined as the number of lost-time accidents per million hours worked.

The graph below shows the accident frequency rate for the past six years at a virtually constant scope (excluding Chinese plants for 2003 to 2006).

A steady improvement in the accident frequency rate since 1999 (with the exception of 2002) can be seen, with the rate falling by over a factor of three and a half in seven years. This improvement mainly stems from initiatives in the Manganese Division (which accounts for close to half the hours worked in the Group) and, to a lesser extent, the Alloys Division.

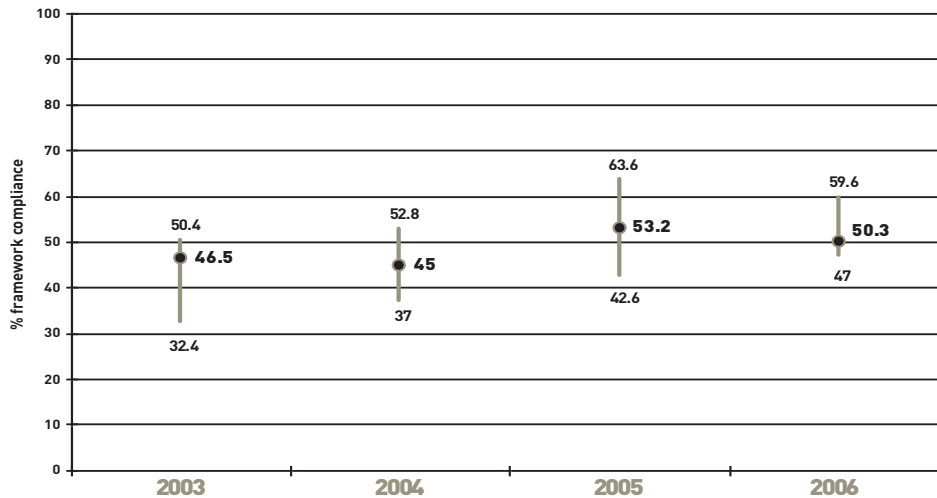
The focus in 2007 will be on improving results in the Nickel Division and at Le Nickel-SLN in particular.



### 17.7.2. SAFETY AUDITS

A site assessment policy is carried out through systematic audits at the rate of one audit every two years for every site worldwide. The audits are carried out by trained auditors who are also safety coordinators on sites steered by the Health & Safety coordinator on the basis of the Group's own framework. This framework was drawn up several years ago in cooperation with DNV and is based both on an international safety appraisal system and on the Group Health & Safety policy signed by the Chairman.

The findings of these audits form the basis for drafting Group and subsequently site action plans for the following two years. For example, in 2003 they enabled a major risk to be detected. Specific action was then carried out in 2004 at Group level to control that risk (scheduled, budgeted and completed for a set of pilot sites, with rollout to all sites scheduled for 2005 and 2006).



### Safety audits in 2006

Sixteen auditors (systematically accompanied by the H&S Coordinator) carried out safety audits at 12 sites in 2006 (out of 13 initially planned):

- 10 sites already audited in 2004 and as part of which this initial review should have given rise to the establishment of an action plan. Compared with the previous audit in 2004, these sites improved, in terms of the percentage of compliance with the framework, by between 2 and 3 points (for the sites that had made the least progress) to 13-14 (for the sites that made the most progress).
- 2 sites audited for the first time, Marietta in the USA (58%) and Moanda in Gabon (35%)

The results (in terms of percentage of compliance with the framework) presented graphically show:

- On average 5 percentage point improvement between 2004 and 2006 (compared with 6 between 2003 and 2005).
- 10 and 7 point improvements, respectively, in the minimum and maximum values between 2004 and 2006 (compared with 10 and 5 respectively between 2003 and 2005).

This relative flattening out is the result of a less proactive approach in 2005 and 2006 with regard to the corrective actions to be carried out following the 2004 reviews. We will have to be more vigilant and work harder in this area in 2007.

### Training new auditors

Seven new auditors, safety coordinators and/or human resource managers of foreign sites (New Johnsonville, Baltimore, Porsgrunn, Klöster, Sheffield, Warrington and Weda-Bay) were trained (theoretical aspects) in carrying out safety audits under the Eramet framework on October 3, 2006 (the day before the Pamiers Safety Club meeting)

### Updating of the Safety Audit Framework

Regulatory changes (French, European) and feedback from the various audits carried out on the basis of the safety framework drawn up in 2000 under the auspices of the Group H&S Coordinator at the time, meant that it was time to look at updating it.

A working group of (senior) safety coordinators thus came together, with the support of a consultant, five times and drew up an updated version of this framework, which takes account of regulatory changes, feedback and the requirements of the OHSAS 18001 international standard. This new look framework moreover makes it possible to automate the calculations following the ratings giving rise to a graphical presentation of the results.

This updated framework was presented to safety coordinators of the Group's global sites who met at the Pamiers Safety Club, after having been used to train new foreign site auditors, and was trialed during the June and December 2006 audits (twin rating carried out for the Interforge, AD Issoire, Moanda, Les Ancizes, Tertre and Imphy sites).

This framework will be used from the first 2007 audit (namely at Commentry). The February 13, 2007 discussion day, organised with the involvement of senior auditors, and on the basis of the twin ratings carried out during the second half of 2006, enabled us to better prepare the sites to use this updated framework, which is more stringent than the previous one.

### 17.7.3. SAFETY CLUB MEETINGS

The Safety Club brings together all the safety coordinators of Eramet Group sites (who are sometimes also the human resource managers at their sites).

On October 4 and 5, 2006, a meeting of the Group's worldwide Safety Coordinators was held in Pamiers.

#### Overview of the 32 replies drawn up by the Safety Coordinators in attendance:

- **The items deemed positive: 93 items mentioned:**
  - 22 times: the formal and informal discussions between site Safety Coordinators.
  - 20 times: the quality and extent of Eramet's involvement and the information provided.
  - 3 times: motivating the troops, the sense of belonging, the importance of safety to Eramet through the work of Dominique FRANCHOT and Marcel ABEKE.
  - 12 times: the organisation, logistics, administration and on-time nature.
- **Desired improvements: 34 items mentioned:**
  - 7 times: delete the "non-value added" commercial component of the excellent technical partner presentations at the event,
  - 7 times: increase the level of participation of the Group's non-French colleagues.
  - 7 times: increase the "too little free time" set aside for informal discussions between Safety Coordinators in light of the very tight timing.
  - As a matter of interest, but nevertheless instructive, the learning of English by the Safety Coordinators at Aubert & Duval in order to communicate with their colleagues.

NB: At each of these events, participants were provided with CD-ROMs containing all the presentations, and specifically for the meeting in Pamiers, in French and English.

### 17.7.4. HEALTH

Workplace physicians at the Group's sites (mostly inter-company physicians) established a "Health Club" that meets once or twice a year to share ideas, experience and best practices or work on changes in applicable regulations.

All of the Group's French-speaking workplace physicians (France, Gabon and New Caledonia) met in Lyon on December 7 and 8, 2006 along with Doctor Robert SAHUT, the Group's new consultant doctor who joined on April 1, 2007.

This meeting made it possible to draw up a list of health issues of concern, as seen by our doctors within the sites in question in the Group, and once the report of the meeting has been published it will be possible to draw up a realistic action plan that will serve as a roadmap in 2007.

As regards asbestos risk, the Eramet Group took determined action well before 1997 to remove asbestos wherever possible. It should be remembered that Eramet's industrial sites have never made materials containing asbestos. A possible source of exposure was the use of materials containing asbestos in order to insulate or lag industrial equipment, particularly furnaces. The legal and regulatory measures introduced since 1997, which the Group applies strictly, consolidated the actions already taken. A Group personnel screening and medical monitoring procedure was set up in 2003. A special committee was also established that is responsible for closely monitoring asbestos related issues, hazardous products and occupational diseases. This committee, which has met regularly since early 2005, is comprised of 3 members of the Executive Committee (the Head of the Alloys Division, the Sustainable Development Manager and the Group's Human Resources Manager), as well as internal experts and specialists (doctors, lawyers, engineers, technicians) and the Group's Health & Safety Manager. Its main focus is to ensure compliance with the relevant laws and regulations and to ensure that when they are proven that the Company assumes responsibility.

A specific action covering all sites was developed in 2005 under the supervision of a special purpose pilot group established to address the issues involved in using chemicals and/or CMR substances (the "CMR" Decree), a health problem that was very apparent from the 2004 audits.

#### 17.7.5. ERAMET GROUP CHARTER

As part of a communications campaign, the Communications Department, together with the Group's H&S Coordinator, put together some very nice visuals "We all want to protect our lives", which show, in the various languages and in the varied and representative faces of the diverse sites, the Group's charter "tidied up" and complemented by the Chairman's undertaking.

This campaign enabled us to pass two key messages to Group employees:

- H&S issues are of concern to all employees whether they are at home with their families or on-site.
- If H&S issues are of such concern, it is important to realise that the procedures to be followed are very different depending on whether the employee is with his/her family or at the plant.

### 17.8. INTERESTS HELD BY CORPORATE OFFICERS

Some Directors have a material interest in the Company's share capital.

#### 17.8.1. INDIRECT INTERESTS

Patrick Duval is Chairman & CEO of CEIR, Édouard Duval is Chairman of the Management Board of SORAME, Georges, Édouard, Cyrille and Patrick Duval are shareholders of SORAME and CEIR.

#### 17.8.2. DIRECT INTERESTS AS ON DECEMBER 31, 2006

	Shares	Voting rights
Jacques Bacardats	100	200
Rémy Autebert	100	200
Cyrille Duval	207	412
Édouard Duval	165	321
Georges Duval	1	2
Patrick Duval	50	100
Pierre-Noël Giraud	-	-
François Henrot	1	2
Gilbert Lehmann	-	-
Louis Mapou	1	1
Harold Martin	-	-
Jacques Rossignol	100	200
Michel Somnolet	100	200
Antoine Treuille	200	400
AREVA	6,757,277	13,514,554
Frédéric Tona	1	2
Patrick Buffet *	10	10

\* Since April 25, 2007

Some Directors hold executive positions in the Company:

- Jacques Bacardats (Chairman and CEO), and subsequently Patrick Buffet since April 25, 2007,
- Georges Duval (Vice Chairman, Deputy CEO),
- Édouard Duval (Chairman of Eramet International),
- Cyrille Duval (General Secretary, Aubert & Duval).

No Director has a direct material interest in any Group subsidiary. No Director has a conflict of interest within the meaning of Article 16.1 of EC regulation 809/2004 or has entered into a service contract with Eramet.

#### 17.8.3. LOANS AND GUARANTEES GRANTED TO OR PUT IN PLACE FOR MEMBERS OF MANAGEMENT OR SUPERVISORY BODIES

None.

### 17.9. EMPLOYEE PROFIT-SHARING SCHEMES

#### 17.9.1. BONUS AND PROFIT-SHARING CONTRACTS

Specific provisions for the benefit of employees of the French parent company.

Profit-sharing scheme

The current profit-sharing scheme stems from the renewed agreement of June 30, 2006 for a period of three years (2006-2008). It concerns the profit-sharing system falling under Articles L. 441 et seq. of the French Labour Code. The agreement is a way of focussing the company and its employees on specific performance goals. It provides for the payment of a profit-sharing bonus calculated on the basis of the Group's cash flow for employees working for the holding company and the Nickel business's cash flow as well as quality criteria and margin performance. The total annual amount paid out cannot exceed 12% of the gross payroll for the employees in question.

The bonus is paid to personnel with over three months' service as on December 31 and breaks down as follows: 20% of the amount uniformly across the beneficiaries in proportion to their working time and 80% in proportion to the reference gross salary.

The following amounts were recognised for the bonus over the past five years.

Year	Thousands of euros
<b>2006</b>	<b>2,031</b>
2005	1,898
2004	2,080
2003	1,149
2002	515

In the event of a profit-sharing payment calculated in line with applicable legislation, 90% of the bonus is deducted from such payment.

## 17.9.2. SHARE PURCHASE SCHEMES

### History of share purchase & subscription options and bonus share grants

Plan	Plan D	Plan E	Plan F	Plan G	Plan H
Date of General Shareholders' Meeting	27/05/98	27/05/98	21/07/99	23/05/02	11/05/05
Date of Board meeting	12/12/01	14/12/99	15/09/99	15/12/04	13/12/05
Type of plan	Subscription	Purchase	Purchase	Subscription	Bonus
Number of options granted at outset	153,000	166,500	423,450	130,000	14,000
Number of beneficiaries at outset	61	80	5,646	81	90
Total number of shares that may be subscribed or purchased					
By corporate officers	66,000	60,000	1,200	31,500	3,400
By top ten employee beneficiaries	30,000	29,000	750	27,000	3,700
Start of option exercise	12/12/03	14/12/01	15/09/01	15/12/06	13/12/07
Expiry date	11/12/09	13/12/07	14/09/07	15/12/12	-
Subscription or purchase price	32.6	54	47.14	64.63	-
Terms and conditions of exercise	-	-	-	-	-
Number of shares subscribed as on 12/31/ 2006	122,750	126,592	309,721	6,000	0
Subscription & purchase options and bonus shares cancelled	3,000	16,500	74,059	0	800
Outstanding subscription & purchase options and bonus shares	27,250	23,408	39,670	124,000	13,200

### Information on share subscription & purchase options and bonus shares (corporate officers)

Share subscription & purchase options and bonus shares granted to each corporate officer and options exercised or shares granted to them	Number of options or bonus shares granted/shares subscribed or purchased	Price in euros	Expiry date	Relevant plan
<b>Share subscription &amp; purchase options and bonus shares granted in 2006 to each corporate officer by the issuer and by any Group company (list by name)</b>				
None	NA	NA	NA	NA
<b>Options exercised in 2006 by each corporate officer (by name)</b>				
Jacques Bacardats	6,000	32.60	December 11, 2009	D
Georges Duval	6,000	32.60	December 11, 2009	D
Édouard Duval	2,500	32.60	December 11, 2009	D
Cyrille Duval	2,500	32.60	December 11, 2009	D
Alain Robert	2,000	32.60	December 11, 2009	D
Patrick André }	6,000	32.60	December 11, 2009	D
	75	47.14	September 14, 2007	F
	6,000	64.63	December 15, 2012	G

## Information on share subscription & purchase options and bonus shares (non-corporate officers)

Share subscription & purchase options and bonus shares granted to the top ten employee non-corporate officer beneficiaries and options exercised by them	Total number of options granted/shares subscribed or purchased or bonus shares	Price in euros	Expiry date	Relevant plan
Share subscription & purchase options and bonus shares granted in 2006 by the issuer and by any company within the option grant scope to the ten employees of the issuer and any company within this scope who received the most free shares (summary information)	None	NA	NA	NA
Options vis-à-vis the issuer and companies referred to above exercised in 2006 by the ten employees of the issuer and these companies who exercised the most options (summary information)	31,000 11,000 75			D E F

## 18. MAIN SHAREHOLDERS

### Shareholders' agreements

Pursuant to a shareholders' agreement dated June 17, 1999, which came into force on July 21, 1999, the Company is under the majority control of a declared concert party of shareholders, comprised of:

- A concert sub-group comprised of Sorame and CEIR, pursuant to a simultaneous shareholders' agreement that came into force on July 21, 1999, it being specified that Georges, Édouard, Cyrille and Patrick Duval together held and continue to hold over half the share capital of SORAME, without any one of them controlling it alone, and that virtually all the share capital of CEIR is held by members of the Duval family (without any of them controlling it alone),
- AREVA, formerly called CEA Industries, which took over the rights and obligations of ERAP, the initial signatory, following a substitution made by an amendment dated July 27, 2001 to the concerted action agreement of June 17, 1999.

The agreement of June 17, 1999, which expires on June 30, 2006, will be extended by tacit renewal for periods of one year, unless it is terminated by the parties with one month's notice. As on May 30, 2007, the shareholders (SORAME and CEIR) and AREVA announced the renewal of the shareholders' agreement for one year.

This shareholders' agreement (including a sub-agreement between SORAME and CEIR), which forms a concert party, was the subject of prior notice 199C0577 of May 18, 1999 to the Conseil des Marchés Financiers.

The main provisions of the agreement:

#### • Concert sub-group clauses

The signatories of the concert sub-group agreement make the following mutual commitments, as of the date of publication of this Reference Document:

- Consultation before any shareholders' meeting with a view to the harmonious exercise of their voting rights for the implementation of a common policy as regards Eramet,

- Compliance with the stability commitments entered into under the wider concert party agreement,
- Reciprocal pre-emptive rights.

#### • Clauses of the main concert party agreement

The concert sub-party shall hold a permanent stake of at least 35% of Eramet's share capital and AREVA shall hold close to 30% of the share capital.

To the best of Eramet's knowledge, there are no other shareholders' agreements.

## 19. RELATED PARTY TRANSACTIONS

The contract signed in 1985 and amended on May 21 1999 under which the Company provides Le Nickel-SLN with technical support on industrial, financial, legal, tax and human resource management matters falls under the procedure for regulated agreements as a result of the presence of common corporate officers.

Similarly, the 1985 agreement under which the Company is supplied by Le Nickel-SLN falls under the same procedure.

As a result of the scope and difficulty of assessing their impact on the Group, these agreements may or may not be subject to procedures for approval by the Board of Directors, following analyses carried out in liaison with Eramet's Auditors.

Details of these ongoing agreements are set out in the notes to the financial statements and the Auditors' report.

The share swap between Le Nickel-SLN and Eramet, following the exercise on December 6, 2006 by STCPI of the option it held over 4% of the share capital in Le Nickel-SLN, was approved by the Board of Directors of Eramet on May 23, 2007 under the same procedure.

## 20. FINANCIAL INFORMATION ON THE ISSUER'S ASSETS, FINANCIAL POSITION AND RESULTS

### 20.1. 2006 CONSOLIDATED FINANCIAL STATEMENTS

#### 20.1.1. 2006 BALANCE SHEETS, INCOME STATEMENT AND NOTES TO THE FINANCIAL STATEMENTS PURSUANT TO IFRS

##### 20.1.1.1. Income statement pursuant to IFRS

(millions of euros)	Notes	FY 2006	FY 2005	FY 2004
<b>Sales</b>	20.1	<b>3,056</b>	<b>2,712</b>	<b>2,521</b>
Other income	20.2	10	36	93
Cost of sales		(2,171)	(1,916)	(1,699)
Administrative and selling expenses		(102)	(106)	(104)
Research and development expenditure		(35)	(32)	(33)
<b>EBITDA</b>		<b>758</b>	<b>694</b>	<b>778</b>
Depreciation and amortisation & impairment of non-current assets	21.1	(144)	(127)	(127)
Impairment charges and provisions	21.2	(7)	(25)	(8)
<b>Current operating profit</b>		<b>607</b>	<b>542</b>	<b>643</b>
Other operating income and expense	22	23	112	(27)
<b>Operating profit</b>		<b>630</b>	<b>654</b>	<b>616</b>
Net borrowing cost	23.1	7	(3)	(8)
Other finance income and expenses	23.2	(4)	(9)	(2)
Share of profit of associates	6	1	2	1
Income tax	24	(174)	(126)	(129)
<b>Profit (loss) for the period</b>		<b>460</b>	<b>518</b>	<b>478</b>
• Minority interest	13	141	141	132
• <b>Group share</b>		<b>319</b>	<b>377</b>	<b>346</b>
Basic earnings per share (EUR)	25	12.38	14.76	13.75
Diluted earnings per share (EUR)	25	12.28	14.62	13.50



### 20.1.1.2. Balance sheet pursuant to IFRS

	Notes	2006	2005	2004
<b>Assets</b> (millions of euros)				
Goodwill	3	36	35	35
Intangible assets	4	320	72	67
Property, plant & equipment	5	1,331	1,193	1,055
Investments in associates	6	3	11	16
Other financial assets	7 & 8	67	62	50
Deferred tax assets	16	266	127	127
Other non-current assets	10	6	6	-
<b>Non-current assets</b>		<b>2,029</b>	<b>1,506</b>	<b>1,350</b>
Inventories	9	769	760	601
Trade receivables and other current assets	10	631	517	472
Current tax assets		74	85	73
Financial derivatives	19	55	25	15
Cash and cash equivalents	11	643	523	437
<b>Current assets</b>		<b>2,172</b>	<b>1,910</b>	<b>1,598</b>
<b>Total assets</b>		<b>4,201</b>	<b>3,416</b>	<b>2,948</b>
<b>Liabilities and shareholders' equity</b> (millions of euros)				
Share capital		79	79	79
Share premiums		222	219	218
Reserves		999	793	490
Translation adjustments		(5)	18	(6)
Profit (loss) for the period		319	377	346
	12	<b>1,614</b>	<b>1,486</b>	<b>1,127</b>
Minority interests	13	525	499	375
<b>Shareholders' equity</b>		<b>2,139</b>	<b>1,985</b>	<b>1,502</b>
Employee liabilities	14	125	145	131
Provisions	15	171	187	179
Deferred tax liabilities	16	340	234	233
Borrowings - long-term portion	17	72	49	60
Other non-current liabilities	18	27	20	13
<b>Non-current liabilities</b>		<b>735</b>	<b>635</b>	<b>616</b>
Provisions - short-term portion	15	28	20	34
Borrowings - short-term portion	17	218	110	89
Trade payables and other current liabilities	18	569	543	581
Current tax liabilities		145	80	124
Financial derivatives	19	367	43	2
<b>Current liabilities</b>		<b>1,327</b>	<b>796</b>	<b>830</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,201</b>	<b>3,416</b>	<b>2,948</b>

### 20.1.1.3. Cash flow statement pursuant to IFRS

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	460	518	477
Elimination of non-cash and non-operating income and expenses:			
- Depreciation, amortisation and provisions	124	99	102
- Financial instruments	1	8	-
- Deferred tax	10	2	6
- Proceeds from asset disposals	-	6	(1)
- Share of profit of associates	(1)	(2)	(1)
<b>Cash generated from operations</b>	<b>594</b>	<b>631</b>	<b>583</b>
(Increase) / decrease in inventories	(32)	(151)	(25)
(Increase) / decrease in trade receivables	(115)	25	(115)
(Increase) / decrease in trade payables	18	1	49
Change in other assets and liabilities	172	158	142
Interest income	6	4	4
Interest paid	(15)	(8)	(17)
Tax paid	(85)	(182)	(103)
<b>Net change in current operating assets and liabilities</b>	<b>(51)</b>	<b>(153)</b>	<b>(65)</b>
<b>Net cash generated by operating activities</b>	<b>543</b>	<b>478</b>	<b>518</b>
<b>Cash flows from investing activities</b>			
Payments for non-current assets	(314)	(229)	(311)
Proceeds from non-current asset disposals	15	11	4
Capital grants received	14	-	21
Proceeds from / repayment of borrowings	(5)	7	1
Dividends received from associates	1	2	4
Impact of additions to scope	(1)	(15)	-
Impact of removals from scope	(2)	(3)	(1)
	<b>(453)</b>	<b>(227)</b>	<b>(282)</b>
New Caledonia mining indemnity	-	(124)	(10)
<b>Net cash used by investing activities</b>	<b>(453)</b>	<b>(351)</b>	<b>(292)</b>
<b>Financing activities</b>			
Dividends paid to Eramet SA shareholders	(54)	(51)	(25)
Dividends paid to minority interests in consolidated companies	(44)	(22)	(10)
Proceeds from share capital increases	3	1	6
Proceeds from and payment for treasury stock sales / (purchases)	(3)	8	11
Proceeds from borrowings	186	61	24
Repayment of borrowings	(61)	(41)	(264)
Net change in current financial assets and liabilities	2	1	-
<b>Net cash (used in) generated by financing activities</b>	<b>34</b>	<b>(43)</b>	<b>(258)</b>
Exchange rate impact	(4)	2	(4)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>120</b>	<b>86</b>	<b>(36)</b>
Cash and cash equivalents at January 1	523	437	473
Cash and cash equivalents at December 31	643	523	437

\* Of which €10 million and €124 million with no impact on the Group's cash position in the 2004 and 2005 financial statements, resulting from the mining indemnity and conclusion of the Bercy agreements (Notes 22 and 26).

The Eramet Group specifically uses the concept of net cash / borrowing position as an internal management and performance indicator, as set out in Note 17.6:

<b>Net cash (or net borrowing position)</b>	<b>353</b>	<b>364</b>	<b>288</b>
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(1) Impact of new consolidations relates to:

(millions of euros)	FY 2006	FY 2005	FY 2004
Consolidation of Weda Bay Mineral Inc. and subsidiaries	(164)	-	-
- Acquisition cost	(189)	-	-
- Cash acquired	25	-	-
- Debt on non-current assets	-	-	-
Consolidation of Poum SAS	-	-	-
- Acquisition cost	-	(6)	-
- Cash acquired	-	-	-
- Debt on non-current assets	-	6	-
Consolidation of Bear Metallurgical Corp.	-	(5)	-
- Acquisition cost	-	(10)	-
- Cash acquired	-	5	-
- Debt on non-current assets	-	-	-
Consolidation of Setrag SA	-	(10)	-
- Acquisition cost	-	(13)	-
- Cash acquired	-	3	-
- Debt on non-current assets	-	-	-
<b>Total</b>	<b>(164)</b>	<b>(15)</b>	<b>-</b>

(2) Impact of deconsolidations relates to:

(millions of euros)	FY 2006	FY 2005	FY 2004
Subsidiaries deconsolidated - cash divested	-	(3)	(1)
<b>Total</b>	<b>-</b>	<b>(3)</b>	<b>(1)</b>

(3) Changes in treasury stock include:

(millions of euros)	FY 2006	FY 2005	FY 2004
Acquisitions and disposals - liquidity contract	-	-	-
Purchase option exercises by employees	2	8	11
<b>Total</b>	<b>2</b>	<b>8</b>	<b>11</b>

#### 20.1.1.4. Changes in shareholders' equity pursuant to IFRS

(millions of euros)	Number of shares	Share capital	Share premiums	Reserves	Translation adjustments	Profit (loss) for the period	Total Group share	Minority interests	Total
<b>Shareholders' equity as on January 1, 2004</b>	<b>25,577,574</b>	<b>78</b>	<b>212</b>	<b>505</b>	<b>-</b>	<b>-</b>	<b>795</b>	<b>320</b>	<b>1,115</b>
Dividends paid	-	-	-	(25)	-	-	(25)	(10)	(35)
Share capital increases	167,370	1	6	-	-	-	7	-	7
Translation adjustments	-	-	-	-	(6)	-	(6)	(3)	(9)
Treasury stock	-	-	-	11	-	-	11	-	11
Other movements	-	-	-	(1)	-	-	(1)	(64)	(65)
Profit (loss) for the period	-	-	-	-	-	346	346	132	478
<b>Shareholders' equity as on December 31, 2004 (prior to application of IAS 32 &amp; 39)</b>	<b>25,744,944</b>	<b>79</b>	<b>218</b>	<b>490</b>	<b>(6)</b>	<b>346</b>	<b>1,127</b>	<b>375</b>	<b>1,502</b>
First-time application of IAS 32 & 39	-	-	-	37	-	-	37	16	53
<b>Shareholders' equity as on January 1, 2005 (after application of IAS 32 &amp; 39)</b>	<b>25,744,944</b>	<b>79</b>	<b>218</b>	<b>527</b>	<b>(6)</b>	<b>346</b>	<b>1,164</b>	<b>391</b>	<b>1,555</b>
Allocation to reserves	-	-	-	346	-	(346)	-	-	-
Dividends paid	-	-	-	(51)	-	-	(51)	(22)	(73)
Share capital increases	44,930	-	1	-	-	-	1	-	1
Translation adjustments	-	-	-	(1)	24	-	23	6	29
Treasury stock	-	-	-	8	-	-	8	-	8
Change in financial instrument revaluation reserve IAS - 32 & 39	-	-	-	(38)	-	-	(38)	(19)	(57)
Share-based payment	-	-	-	2	-	(2)	-	-	-
Other movements	-	-	-	-	-	-	-	2	2
Profit (loss) for the period	-	-	-	-	-	379	379	141	520
<b>Shareholders' equity as on December 31, 2005</b>	<b>25,789,874</b>	<b>79</b>	<b>219</b>	<b>793</b>	<b>18</b>	<b>377</b>	<b>1,486</b>	<b>499</b>	<b>1,985</b>
Allocation to reserves	-	-	-	-	377	-	(377)	-	-
Dividends paid	-	-	-	(54)	-	-	(54)	(44)	(98)
Share capital increases	91,020	-	3	-	-	-	3	-	3
Translation adjustments	-	-	-	-	(23)	-	(23)	(6)	(29)
Treasury stock	-	-	-	2	-	-	2	-	2
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	-	(121)	-	-	(121)	(81)	(202)
Share-based payment	-	-	-	2	-	(2)	-	-	-
Other movements	-	-	-	-	-	-	-	16	16
Profit (loss) for the period	-	-	-	-	-	321	321	141	462
<b>Shareholders' equity as on December 31, 2006</b>	<b>25,880,894</b>	<b>79</b>	<b>222</b>	<b>999</b>	<b>(5)</b>	<b>319</b>	<b>1,614</b>	<b>525</b>	<b>2,139</b>

Reserves break down as follows:

(millions of euros)	Treasury stock	Share-based payment	Hedging instruments	Other reserves	Total
<b>As on January 1, 2004</b>	<b>(25)</b>	-	-	<b>530</b>	<b>505</b>
Dividends paid	-	-	-	(25)	(25)
Purchase option exercises by employees	11	-	-	-	11
Other movements	-	-	-	(1)	(1)
<b>As on December 31, 2004 (prior to application of IAS 32 &amp; 39)</b>	<b>(14)</b>	-	-	<b>504</b>	<b>490</b>
First-time application of IAS 32 & 39	-	-	37	-	37
- Exchange rate hedging derivatives	-	-	37	-	
<b>As on January 1, 2005 (after application of IAS 32 &amp; 39)</b>	<b>(14)</b>	-	<b>37</b>	<b>504</b>	<b>527</b>
Allocation to reserves	-	-	-	346	346
Dividends paid	-	-	-	(51)	(51)
Purchase option exercises by employees	8	-	-	-	8
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	(38)	-	(38)
- Exchange rate hedging derivatives	-	-	(41)	-	
- Interest rate hedging derivatives	-	-	-	-	
- Commodity hedging derivatives	-	-	3	-	
Share-based payment	-	2	-	-	2
Other movements	-	-	-	(1)	(1)
<b>As on December 31, 2005</b>	<b>(6)</b>	<b>2</b>	<b>(1)</b>	<b>798</b>	<b>793</b>
Allocation to reserves	-	-	-	377	377
Dividends paid	-	-	-	(54)	(54)
Purchase option exercises by employees	2	-	-	-	2
Change in financial instrument revaluation reserve - IAS 32 & 39	-	-	(121)	-	(121)
- Exchange rate hedging derivatives	-	-	17	-	
- Interest rate hedging derivatives	-	-	-	-	
- Commodity hedging derivatives	-	-	(138)	-	
Share-based payment	-	2	-	-	2
Other movements	-	-	-	-	
<b>As on December 31, 2006</b>	<b>(4)</b>	<b>4</b>	<b>(122)</b>	<b>1,121</b>	<b>999</b>

IAS 32 and IAS 39 were only applied by the Eramet Group as from January 1, 2005 with an impact on equity net of deferred tax of €37 million, mainly relating to cash flow hedging. It is offset in "Hedging instruments" under assets or liabilities, depending on whether hedging gains or losses are recognised (Note 19).

### 20.1.1.5. Notes to the financial statements

Eramet is a French public limited company with a Board of Directors, governed by the provisions of Articles L 225-17 et seq. of the French Commercial Code, Decree 67-236 of March 22, 1967 as amended, and by the provisions of its Articles of Association. As required by law, the Company is audited by two statutory auditors and two alternate auditors.

The Company's shares are traded on the Euronext Paris Deferred Settlement System.

Via its subsidiaries and investments, the Eramet Group operates in the nickel and manganese mining and production sectors, as well as in the alloys production sector, in which it is amongst the market leaders. A detailed presentation of the Eramet Group's activities is provided in the Note on segment reporting (1.4).

The consolidated financial statements in respect of the financial year ended December 31, 2006 were reviewed by the Audit Committee on March 6, 2007 and submitted to the Board of Directors for approval on March 7, 2007.

## 1. Accounting principles and measurement policies

### 1.1 General principles

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the international standards, the consolidated financial statements of the Eramet Group for the financial year ended December 31, 2006 have been prepared in millions of euros in accordance with IFRS, as well as the IFRIC and former SIC applicable as at December 31, 2006 as approved by the European Union as of the date of drafting of these financial statements. Accordingly, the recognition, measurement and presentation methods governing transactions comply with IFRS. The new mandatory standards and interpretations applicable as from January 1, 2006 are:

- The amendment to IAS 19 "Employee Benefits" relating to the treatment of actuarial gains and losses, Group plans and disclosures;
- The amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates" concerning the treatment of foreign currency lending to subsidiaries representing a net investment in these companies;
- The amendment to IAS 39 "Financial Instruments: Recognition and Measurement" regarding cash flow hedges for future inter-company transactions;
- The amendment to IAS 39 "Financial Instruments: Recognition and Measurement" on the fair-value option;
- IFRIC 4 setting out the criteria for determining whether an arrangement contains a lease;
- IFRIC 5 relating to rights to interests arising from decommissioning, restoration and environmental rehabilitation funds; and
- IFRS 6 "Exploration for and Evaluation of Mineral Resources".

The Group has not used any of the options provided by the amendments relating to:

- IAS 19, for which the corridor method remains applicable (Notes 1.16 and 14);
- IAS 39, for which the full fair value option has not been used (Notes 1.19 and 19).

The other standards and interpretations do not have any material impact on the financial statements or are not applicable.

The Eramet Group consolidated financial statements are prepared on the historical cost basis, except for certain types of assets and liabilities as per IFRS guidelines. The categories concerned are specified where applicable in the following Notes.

The Eramet Group elected to apply IAS 32 and 39 on financial instruments as on January 1, 2005 without restating the comparative information (change in shareholders' equity and Note 19).

The Group has elected not to apply early the standards and interpretations that are mandatory after the current balance sheet date, namely:

- IFRS 7, "Financial Instruments: Disclosures", applicable as from January 1, 2007 the application of which should not have a material impact, given the information already provided in the consolidated financial statements as on December 31, 2006;
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", applicable as from January 1, 2007 and which does not currently apply to the Group;
- IFRIC 8 "Scope of IFRS 2" applicable as from January 1, 2007, which would have limited impact on the Group's financial statements given the nature of the options (Notes 1.22 and 12.3);
- IFRIC 9 "Reassessment of Embedded Derivatives", applicable as from January 1, 2007;
- IFRIC 10, "Interim Financial Reporting and Impairment", applicable as from January 1, 2007 and which has no impact on Eramet, with impairment tests being carried out at the annual balance sheet dates;
- The amendment to IAS 1 relating to capital disclosures, applicable as from January 1, 2007, with no impact on the financial statements.

#### 1.1.1. Estimates and judgements

In preparing its financial statements under IFRS, the Eramet Group is required to make estimates and assumptions that affect the carrying amounts of some assets and liabilities and income and expenses, as well as the information set out in specific Notes.

The Eramet Group regularly reviews its estimates and assessments to take account of past experience and other factors

that are deemed relevant with regard to economic conditions. As a result of changing assumptions and conditions, the amounts in future financial statements may differ from current estimates.

The main categories affected by changes to estimates are provisions for employee benefits and for site restoration, deferred taxes and impairment tests. In principle, the Eramet Group only reviews these estimates once a year at each annual balance sheet date. However, when circumstances require, estimates may be updated at interim balance sheet dates.

**Impairment losses:** In accordance with IAS 36, when events or economic changes in the markets in which the Eramet Group operates indicate the possibility of impairment losses on its intangible assets and property, plant and equipment, these non-current assets are subject to impairment tests to determine whether their carrying amount has fallen below their recoverable amount or value in use and impairment may be recorded for any difference. The value in use is determined by applying the estimated future cash flow method over a five-year period with a terminal value (Notes 1.6, 1.7 and 1.10).

**Employee liabilities:** Eramet Group companies offer their employees various long-term benefits such as retirement packages, retirement plans and healthcare plans (Note 1.16). Under IAS 19, all these liabilities are estimated on the basis of assumptions such as discount rates, rates of return on related financial investments and future wage conditions and policies (salary growth, employee turnover and mortality tables). In principle, the Group updates these assumptions once a year and the latest assumptions used are included in the specific Note (Note 14).

**Provisions for site restoration:** Eramet Group companies must provide for their regulatory and constructive obligations with regard to the restoration of their mining sites at the end of operation. Accordingly, under IAS 16 and 37, when a mining site is opened, a restoration provision is allocated with an offsetting dismantling asset. These provisions are estimated on the basis of forecast cash flows by due date and discounted using inflation and discount rates determined in accordance with local economic conditions (Note 15.5). In the absence of regulatory and constructive obligations, the sites for which the end of their operation is not determined are not provided for (Note 1.18).

**Deferred tax:** Deferred tax assets recognised mainly relate to timing differences and tax loss carryforwards in accordance with IAS 12 (Note 16). These deferred tax assets are recognised whenever it is likely that the Eramet Group will have sufficient future taxable profit to absorb these timing differences and tax losses. The Group's ability to recover these capitalised items is estimated partly on the basis of an analytical assessment of the future flows for each fiscal entity (Note 1.17).

### 1.1.2. First-time application of standards

As from January 1, 2005, the Eramet Group applied IAS 32 and 39 pursuant to IFRS 1.36. The main adjustments made to ensure compliance with IAS 32 and 39 relate to foreign currency hedging, particularly in US dollars, and commodity price hedging for nickel, fuel oil and aluminium.

### 1.1.3. "Current" and "non-current" assets and liabilities

"Current" refers to assets and liabilities that are part of the operating cycle, regardless of their maturity, and other assets and liabilities with a maturity of less than one year from their balance sheet entry date. "Non-current" assets and liabilities include other assets and liabilities, namely those with maturities of over one year that are not part of the operating cycle.

### 1.2. Scope and method of consolidation

All material entities that Eramet exclusively controls, whether directly or indirectly, are fully consolidated. Companies over which Eramet has significant influence and in which it directly or indirectly holds a stake of over 20% are accounted for under the equity method (Note 6). Jointly controlled companies (joint ventures) are consolidated proportionally.

Certain interests meet the above criteria but are not consolidated since to do so would not have any material impact on the Group's financial statements and/or the benefits obtained from consolidating them are less than the costs required to do so (Notes 1.11.1 and 7). The list of consolidated companies is set out in Note 2. The material transactions between consolidated companies are eliminated in consolidation.

### 1.3. Business combinations

The Group recognises business combinations using the purchase method. The assets, liabilities and contingent liabilities of an acquired company are measured at their fair value and valuation differences are charged to the relevant assets and liabilities, including for the share of minority interests. Any difference between the cost of the business combination and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities is recognised as goodwill under balance sheet assets (Note 1.6).

When the Eramet Group acquires assets and liabilities from minority interests in a company already controlled, no additional fair value restatement is recognised and the difference between the purchase price and carrying amount of the net assets acquired is recognised in goodwill (Note 1.6).

### 1.4. Segment reporting

The Group presents its segment reporting as follows:

- Primary level: Divisions,
- Secondary level: geographic areas: Europe, North America, Asia, Oceania and Africa.

Primary segment reporting is on the basis of the following divisions:

- The Nickel Division, including mining, production and sales subsidiaries focussed on nickel and its derivative applications (ferronickel, high purity nickel, cobalt and nickel salts, cobalt and tungsten powders).
- The Manganese Division, including mining, production and sales subsidiaries focussed on manganese alloys (ferromanganese, silicomanganese and refined alloys) and manganese chemical derivatives (oxides, sulphate, chloride). The Manganese Division also includes subsidiaries that provide services to industry for the recovery and recycling of metals contained in oil catalysts, electric batteries and acid solutions from the electronics industry.
- The Alloys Division, including subsidiaries that produce and market special high-performance steels, superalloys and pre-machined parts based on these materials or aluminium and titanium.

Each of these three divisions represents a distinct component that is exposed to specific risks and profitability. The Holding company and eliminations area are comprised of the Group's shared services as well as Metal Securities and Eras SA.

Commercial relationships between the divisions are not material. The main relationships primarily relate to the billing of management fees and financial transactions.

Other relationships relate to the reinsurance company Eras SA and the financial company Metal Securities, both of which are fully consolidated via the Holding Division (Note 2):

- Eras SA is a captive reinsurance company that enables it to offer primary coverage in certain reinsurance programmes.
- Metal Securities is a financial company responsible for pooling subsidiaries' cash to optimise investments with financial organisations outside the Group.

### 1.5 Translation of foreign currency denominated transactions and financial statements

Foreign currency transactions are translated at the applicable exchange rate at the time of the transaction. Foreign currency debts and receivables are measured at the closing rate under IAS 21. Translation adjustments resulting from this translation are recognised in income (Notes 1.23 and 1.24), except those involving loans and borrowings between Group companies considered as an integral part of the net investment in a foreign subsidiary. These are recognised directly in shareholders' equity under the "Translation adjustments" heading and linked to the foreign subsidiary.

The financial statements of foreign entities are translated using the official exchange rates at the end of the period for balance sheet items, except for shareholders' equity, for which historical rates are applied. Income statement items and cash flows are translated at the average rate over the period. Goodwill arising from an acquisition is considered part of the acquiree and denominated in its functional currency; it is then translated in the

same way as the other balance sheet items. Translation adjustments stemming from currency fluctuations used to translate shareholders' equity and profit (loss) for the period are allocated to reserves. Translation adjustments are carried as a change to shareholders' equity and broken down between Group and minority interests.

### 1.6. Goodwill

The cost of a business combination recognised when taking an interest is allocated to the fair value of the assets, liabilities and identifiable contingent liabilities of the acquiree. The residual, unassigned part is recognised as "Goodwill" under balance sheet assets. Goodwill is not amortised under IFRS 3 but is subject to an impairment test to detect any impairment loss. Impairment tests are carried out regularly and at least once a year using the discounted estimated future cash flow method, determined over a five-year period with a terminal value. The discount rate used to establish the value in use is the Group's weighted average cost of capital (hereinafter "WACC"), which is 9% and has been unchanged since 2004. Impairment losses are calculated as the difference between the recoverable and carrying amounts and recognised in "Other operating income and expenses" (Note 22). These impairment losses are not reversible. The recoverable amount is defined as the larger of the fair value less selling costs and the value in use.

If the cost of the business combination is less than the share in the net fair value of the assets, liabilities and contingent liabilities, the identification and measurement of the items acquired are reassessed and any remaining surplus (negative goodwill, or "badwill") is recognised directly in income for the period under "Other operating income and expenses" (note 22).

Goodwill in associates is recognised under investments in associates (Note 6).

### 1.7. Intangible assets

Intangible assets are measured at acquisition cost and amortised on a straight-line basis or on the basis of work units in current operating profit (loss) (Note 21.1).

Capitalised amounts with respect to mineral deposits relate to partial asset contributions or permit acquisitions since 1974. Depending on operating specificities, mining deposits are amortised on the basis of annual production vis-à-vis the reserves initially estimated or the length of the concession (Note 4). The Eramet Group does not perform valuations of mining resources separately from those conducted and recognised locally in the individual financial statements of the companies owning the resources. Geological and mining expenses are treated as research and development expenditure (Note 1.9) and the Group does not bear rights to explore as defined in IFRS 6.

Computer software is amortised over a variable period not exceeding five years.



Intangible assets are assigned by cash generating unit (hereinafter "CGU") and are subject to impairment tests just like property, plant and equipment. Any impairment loss, identified as the difference between the recoverable and carrying amounts, is recognised in the income statement under "Other operating income and expenses" (Note 22). The recoverable value is defined as the greater of the fair value less selling costs and the value in use. The value in use is determined by discounting the future cash flows expected from the use of the asset and its disposal.

### 1.8. Greenhouse gas emission quotas

The quotas received free of charge are recognised in amortisable intangible assets at their nominal value on the date granted (Note 4) and similarly in liabilities. Quotas subsequently acquired are valued at the acquisition cost and also form amortisable intangible assets that are not subsequently remeasured. Impairment losses may, however, be recognised where the price is less than the carrying amount, with this impairment recognised in current operating profit (loss) (Note 21). A liability is recognised for the quotas held to be returned and measured at the initial value of these quotas to offset the liability originally recognised. Deficits are estimated at the market value of the quotas that must be acquired and a liability thereby recorded. Eramet does not speculate on greenhouse gas emission quotas but may sell any unused surplus. The proceeds from such disposals are subsequently recognised in "Other operating income and expenses" (Note 22).

### 1.9. Research and development expenditure

Geological and other research expenditure not satisfying the criteria of IAS 38 is expensed in the period in which it is recognised (Note 4).

Mine stripping costs are capitalised under property, plant and equipment and depreciated on the basis of mined tonnage.

### 1.10. Property, plant & equipment

Items of property, plant and equipment are recognised in the balance sheet at acquisition or production cost (Note 5). Items of property, plant and equipment are depreciated on a straight-line basis over the estimated lifespan or useful life, having regard to the components of the asset, in current operating profit (loss) (Note 21.1). For reference:

Buildings	10 - 50 years
Industrial and mining facilities	5 - 50 years
Other items of property, plant and equipment	2 - 10 years

Impairment may be recognised for items of property, plant and equipment should special circumstances so warrant, on the basis of impairment tests performed using the discounted future cash flow method to calculate their value in use. This impairment loss is calculated as the difference between the recoverable and carrying amounts and is recognised in the income statement under "Other operating income and expenses" (Note 22). The

recoverable amount is defined as the greater of the fair value less selling costs and the value in use.

Capital grants are recognised as deductions from the gross amounts of the items of property, plant and equipment in question. Spare parts deemed to be items of property, plant and equipment are capitalised and depreciated on the basis of their actual use. Tooling specifically manufactured for certain customers is recognised as an item of property, plant and equipment and depreciated over its likely lifespan. Major repairs are deemed to be components of items of property, plant and equipment. Borrowing costs are not included in items of property, plant and equipment.

A provision was recorded upon the start-up of operations for the restoration of mining sites. This was via the recognition of an item of property, plant and equipment that is depreciated over the operation of the mine.

Leases transferring the risks and benefits inherent in ownership (finance leases) are recognised as items of property, plant and equipment, offset by a debt (Note 17). These are amortised over their expected useful life on the same basis as the items of property, plant and equipment held or, if shorter, the term of the corresponding lease. Similarly, other agreements, and primarily sub-contracting, involving the use of a specific asset and the right to use it, are reclassified where necessary as leases, pursuant to IFRIC 4 and IAS 17.

All items of property, plant and equipment are assigned to CGUs. There are 18 CGUs in total, corresponding to the various production sites of the Eramet Group's three main businesses: Nickel, Manganese and Alloys. Impairment losses may be recognised for items of property, plant and equipment on the basis of impairment tests using forecasts drawn up per CGU and discounted at the pre-tax cost of capital.

### 1.11. Other financial assets

Other financial assets include non-consolidated subsidiaries (Notes 1.11.1 and 7) and other non-current financial assets (Notes 1.12.1 and 8).

#### 1.11.1. Non-consolidated subsidiaries

Non-consolidated subsidiaries include the following:

Investments in associates that are controlled but not consolidated, retained in the balance sheet at their acquisition cost, less any impairment losses. This impairment is offset in the income statement under "Other finance income and expense" (Note 23.2). Since the benefits obtained from consolidating them would be less than the cost of doing so, these investments are not consolidated.

Other investments are deemed to be available for sale assets and recognised at fair value. These investments relate to interests in companies over which the Group has no control or significant influence. Changes in the fair value of these

investments are recognised in recyclable shareholders' equity except in the event of material and permanent impairment losses.

Fair value is measured on the basis of the listed share price or, if unavailable, the discounted future cash flow method or, in the absence of this, based on the Group share of shareholders' equity in the company.

#### **1.11.2. Other non-current financial assets**

Other non-current financial assets relate to loans or current accounts granted to non-consolidated companies. They are initially recognised at fair value plus the acquisition expense and measured on each balance sheet date at amortised cost using the effective interest rate (hereinafter "EIR", definition in Note 1.14), less any impairment losses, offset in the income statement under "Other finance income and expense" (Note 23.2).

Financial assets as defined in IAS 32 are derecognised when the Group no longer expects future cash flows and all the risks and rewards relating to these assets are transferred.

#### **1.12. Assets held for sale and discontinued operations**

A non-current asset or asset group, and the directly related liabilities, are considered as held for sale where their carrying amount will be recovered from their sale and not their continued use. They must be immediately available and the sale highly probable. When several assets are intended for sale in a single transaction, the asset group is considered as a whole, including the related liabilities. The assets held for sale thereby determined are measured at the lesser of the carrying amount and the fair value less selling costs. Intangible assets and property, plant and equipment classified as held for sale are no longer depreciated.

A discontinued operation is considered as a material Group activity subject to disposal or classification in assets held for sale. The items making up the related financial statements are regrouped under a special heading in the Group's consolidated financial statements.

On each balance sheet date, the amount of assets held for sale must be reviewed to take into account any adjustments to their fair value less selling costs.

#### **1.13. Inventories**

Inventories are measured using the weighted average cost or FIFO (first in, first out) method.

Inventories and work in progress are assessed at cost price and only include production costs, without nevertheless exceeding the realisable value. Costs stemming from sub-normal capacity usage are eliminated from inventory measurement at the end of the period.

The impairment of spare parts that do not qualify for capitalisation is calculated on the basis of their use during the year. Spare parts inventory in excess of one year's use is fully impaired.

#### **1.14. Receivables and debts**

Receivables and debts are measured upon initial recognition at fair value, plus any transaction expenses, and are subsequently re-measured at each balance sheet date at amortised cost using the EIR method. The EIR relates to the rate that precisely discounts the expected future cash movements. Foreign currency receivables and debts are re-measured at the rate on the last day of the period. Resultant translation adjustments are recognised in the income statement as exchange differences under current operating profit (loss) or net borrowing cost, depending on the type of receivable or debt.

Impairment is recognised for a receivable when it is more than likely that it will not be recovered. This impairment, offset in income under the current operating profit (loss) (Note 21), reduces the nominal amount.

#### **1.15. Cash and cash equivalents**

Cash includes cash on hand and demand deposits, excluding bank overdrafts, which appear under financial liabilities. Cash equivalents correspond to marketable securities and relate to investments held to meet short-term cash requirements and are not considered as held to maturity.

Marketable securities at less than three months are recognised at their fair value in the balance sheet in accordance with IAS 39. To be considered a cash equivalent, they must be readily convertible to cash and subject to negligible risk of fluctuations in value. Fair value changes are recognised in income under net borrowing cost (Note 23.1).

#### **1.16. Employee liabilities**

##### **Definition of plans**

**Defined benefit plans:** Eramet Group companies offer their employees various long-term benefits such as retirement packages or other additional post-employment benefits (pension plan or healthcare plan). The characteristics of these schemes vary in line with the laws and regulations in force in each country and/or subsidiary.

In some companies, these liabilities are wholly or partly covered by policies taken out with insurance companies or pension funds. In this case, liabilities and supporting assets are assessed independently. The provision thereby recorded for the defined benefit pension plans represents the discounted value of the defined benefit liability adjusted for unrecognised actuarial gains and losses and the unrecognised past service cost, less the fair value of plan assets. The defined benefit pension plans are measured using the actuarial projected unit credit method.

**Defined contribution plans:** For the defined contribution plans granted in certain Group subsidiaries, employer contributions are expensed in the period to which they relate.

##### **Main actuarial assumptions and methods**

The Group's liabilities are appraised by independent actuaries in line with the international standards (IFRS). The actuarial assumptions used (likelihood of working employees staying with the Group, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic

conditions in the countries in which the plan is in force. The discount rates used are based on the rate of government bonds or bonds in top-rated companies with an equivalent maturity to that of the liabilities on the appraisal date.

The expected long-term return on assets was calculated by taking account of the structure of the investment portfolio for each country.

Actuarial gains and losses resulting from the change in discount rates and rates of return that represent over 10% of the discounted value of liabilities or of the fair value of plan assets are amortised over the expected average remaining working life of the employees in the plan (corridor principle). Plan amendment costs are apportioned over the remaining rights vesting period.

#### 1.17. Deferred tax

The amount of tax actually owed at the balance sheet date is adjusted for deferred tax, which is calculated using the liability method with regard to timing differences between carrying amounts and tax amounts, as well as with regard to consolidation restatements. Deferred tax assets, including those related to loss carry-forwards, which are determined by fiscal entity, are recognised whenever it can be shown that they are likely to be realised. Deferred tax is not discounted.

To assess the probability these assets will be realised, the Group reviews the following information:

- Future forecast profitability;
- Extraordinary items not expected to recur in the future;
- Past taxable profits; and
- Tax strategies.

Provisions are recognised for non-recoverable levies on dividends planned with respect to the previous financial year. Deferred tax assets and liabilities are recognised as balance sheet assets and liabilities (Note 16). Deferred tax is deemed to be non-current and classified as such.

Deferred tax liabilities on investments in subsidiaries, associates and joint ventures are only recognised where the Group can determine the timetable for the reversal of the related timing differences.

#### 1.18. Provisions

Provisions are recorded to meet all liabilities stemming from past events that are known at the balance sheet date for the period and the settlement of which is likely to result in an outflow of resources that represent economic benefits.

Provisions for mining site restoration are recognised when the mining sites open. Restoration costs are discounted over the period remaining to the expected end of operation of the mine and the reversal of discounting are recognised in the income statement under Other finance income and expenses (Note 23.2).

As regards industrial sites, insofar as there are no plans to discontinue operations, no provision is recognised for site restoration.

The costs of restructuring and redundancy plans are fully provided for when the decision to take such measures was taken and announced before the cut-off date.

#### 1.19. Recognition of financial instruments

**Risks:** To manage its foreign currency risk, the Group uses foreign currency forwards, foreign currency swaps and, to a lesser extent, foreign currency options. Foreign currency forwards are recorded as hedges to the extent the Group has defined and documented the hedging relationship and demonstrated its effectiveness. Interest rate risk is generally managed using interest-rate swaps and options. Lastly, the Group also uses collars and swaps in hedging commodity purchases and sales (nickel, fuel oil and aluminium).

**Measurement and presentation:** Derivatives are measured at their fair value upon initial recognition. Subsequently, the fair value of derivatives is reviewed at each balance sheet date. The fair value of foreign currency forwards is estimated on the basis of market conditions. The fair value of interest-rate derivatives is that which the Group would receive (or pay) to unwind current contracts on the closing date. The fair value of commodity derivatives is estimated on the basis of market conditions. Derivatives are included in the balance sheet as current assets or current liabilities (Note 19).

**Hedge accounting:** The Group identifies the hedging item and hedged item when the hedge is set up and formally documents the hedging relationship by identifying the hedging strategy, the hedged risk and the hedge effectiveness measurement method.

- Fair value hedge: the hedged item is remeasured in respect of the hedged risk and the hedging instrument is measured and recognised at fair value. Changes in these two items are recognised simultaneously under operating profit (loss).
- Cash flow hedge: the hedged item is not re-measured. Only the hedging instrument is re-measured at fair value. To offset the remeasurement, the effective portion of the change in fair value that can be ascribed to the hedged risk is recognised net of tax in shareholders' equity. The cumulative shareholders' equity amounts are recycled to the income statement when it is affected by the hedged item. The ineffective portion is retained in income for the period.
- Recognition of derivatives ineligible for hedge accounting: the Company only uses these derivatives to hedge future cash flows. Changes in fair value are immediately recognised in net finance income.

#### 1.20. Concession

In the absence of the IASB's definitive publication of the IFRIC interpretations (IFRIC 12) and/or their adoption by the European Union regarding the recognition method for contracts appointing a third party to manage a public service, the Transgobonais railway concession is recognised as follows: under the terms of the agreement, for an initial 30 year period, the concession-holder freely sets the prices for the services it provides, in return for a commitment to fund the renewal of assets

with the undertaking to recover capital expenditure over the first five years, part of which is guaranteed by Comilog (€21 million). The assets relating to those renewal investments and the non-current assets bought from the State are therefore recognised as balance sheet assets and depreciated over the shorter of their useful lives or the remaining period of the concession.

#### 1.21. Revenue

Revenue mainly comprises the following:

- Sales, including the sale of merchandise, goods and services generated in the course of the Group's main business activities. This is part of current operating profit (loss) (Note 21).
- Other income includes other revenue assigned to current operating profit (loss) (Note 21) such as translation adjustments on sales, capitalised production, lease income, operating subsidies and insurance premiums received.
- Interest income recognised in the income statement under "Net borrowing costs" (Note 23.1).
- Dividends included in the income statement under "Other finance income and expense" (note 23.2).

The revenue recognition criteria by category are as follows:

- Revenue and other income: income is recognised as revenue once the company has transferred the main risks and benefits inherent in ownership of the goods to the buyer. Sales are measured at the fair value of the consideration received or receivable. In the event of a deferred payment having a material impact on the calculation of the fair value, future payments are discounted accordingly.
- Interest: income is recognised for the amount of accrued interest.
- Dividends: income from investments in associates is recognised whenever the Group is entitled to receive payment as a shareholder.

#### 1.22. Share-based payment

Various stock option plans have been set up. The fair value of the services received in consideration for the grant of these options is definitively measured with reference to the fair value of said options on the grant date and to the number of options that will have vested by the end of the vesting period. In this regard, the Group uses a Black-Scholes type mathematical valuation model.

During the vesting period, the total fair value thereby determined is apportioned on a straight-line basis over the full vesting period for the plan in question, with the assumed vested number of exercisable options reviewed at every balance sheet date.

This charge is recognised as a personnel cost, offset by an increase in shareholders' equity. When the options are exercised, the exercise price received by the Group is recognised in cash and offset in shareholders' equity.

In line with the transitional provisions in IFRS 1, only stock option plans subsequent to November 7, 2002 that have not vested by January 1, 2005 are recognised under the abovementioned principle and measured.

#### 1.23. Current operating profit (loss) and other operating income and expenses

As from 2006 and in accordance with paragraphs 88 and 89 of IAS 1, Eramet presents its income statement in accordance with the mixed function/nature approach, so as to comply with the Group's internal management reporting. The Eramet Group specifically uses Ebitda and current operating profit (loss) as performance indicators. Ebitda includes the gross profit (difference between sales and the cost of sales), administrative and selling expenses and research and development expenditure before depreciation, amortisation and provisions, which are presented separately. Current operating profit (loss) includes Ebitda, depreciation, amortisation and provisions; it consists in particular of the cost of employee liabilities including the financial component, the cost of employee profit-sharing and translation adjustments between the rates upon recognition and those at the balance sheet date (trade receivables and payables).

Other operating income and expenses notably include:

- Restructuring costs;
- Capital gains/losses or impairment losses on assets;
- Impairment losses on goodwill, intangible assets and property, plant and equipment.

#### 1.24. Net finance income

Net finance income consists of the following items:

- Net borrowing costs, these being income statement items relating to balance sheet components of net borrowing, namely, financial liabilities and cash and cash equivalents; and
- Other finance income and expenses, such as dividends, provisions on securities, the reversal of discounting and gains/losses on hedging instruments).

#### 1.25. Earnings per share

Basic earnings per share are obtained by dividing the Group profit (loss) for the period by the average number of shares in circulation in the period. This average number of shares in circulation excludes treasury stock.

Diluted earnings per share are obtained by adjusting Group profit (loss) for the period and the number of shares for potentially dilutive effects, mainly represented by employee subscription and purchase option plans (stock options).

#### 1.26. Contingencies

**Environmental:** where there is a legal or contractual obligation to restore mining sites, a restoration provision is recorded, offset by a dismantling asset. The provision is based on site-by-site

estimates of the cost of work, the total cost being apportioned over the operation of the mine (Notes 1.10, 1.18, 5 and 15.5).

Provisions are recorded for any other environmental contingencies on the basis of estimated future costs without, however, allowance for any insurance indemnities receivable (Note 15.5).

**Market:** to manage its interest rate and foreign currency risks, the Group has recourse to various financial instruments. The Group's policy is to reduce its exposure to interest rate and foreign currency fluctuations, but not to speculate. Positions are traded either on recognised markets, or by private contract with leading banking counterparties.

Gains or losses on hedging instruments are recognised symmetrically with the gains or losses on the hedged items. However, unrealised losses on financing hedging transactions ineligible under hedging standards are recognised in the income statement.

All transactions outstanding in the balance sheet date are recognised in the balance sheet, with no set-off (note 19).

**Foreign currency:** when the exposure stemming from the borrowing taken out by Group companies in currencies other than their functional currencies is not offset by income in those currencies, the Group may have recourse to hedging (Note 19).

**Interest-rate:** depending on market conditions and on forecast changes in net debt, the Group Finance Department checks the breakdown between fixed and variable debt and cash investments. The financial instruments used are interest rate swaps, caps and floors.

**Commodities:** the Group only uses derivatives to reduce its exposure to the risks of fluctuations in commodity prices on firm or highly probable commitments. For this purpose, Eramet mainly uses forwards, combined call and put options and call options.

**Financial transaction counterparties:** the Group can be exposed to credit risk in the event of default by a counterparty. To limit this risk the Group collects and reviews information ahead of financial transactions such as that from rating agencies and published financial statements. No systematic arrangement is therefore in place to hedge counterparty risk.

## 2. Scope of consolidation

### 2.1. Changes in scope of consolidation

The scope of consolidation changed in 2006 as follows:

#### *Newly consolidated companies*

**Nickel Division:** acquisition in early May 2006 of 100% of the Canadian company Weda Bay Minerals Inc., owner via its Indonesian subsidiary Pt Weda Nickel of the Halmahera mining site, for €189 million.

**Manganese Division:** creation of the Chinese trading company Eramet Comilog Shanghai Trading Co Ltd and the Canadian industrial company, Gulf Chemical & Metallurgical Corp. Canada, 100% owned.

**Alloys Division:** creation of the Chinese Company Erasteel Innovative Materials Co Ltd, 100%-owned.

#### *Deconsolidated companies*

**Alloys Division:** Forges M. Dembiermont, previously 33.2% accounted for under the equity method, was disposed of in July 2006.

The summary of the main business combinations during the year is represented by the acquisition of Weda Bay Minerals Inc. and its subsidiaries (Nickel Division):

	Weda Bay Minerals Inc. and subsidiaries	
	Fair value	Carrying amount
(millions of euros)		
Acquisition price		189
Goodwill / (negative goodwill) calculated		-
Non-current assets	254	28
Working capital requirement	2	2
Shareholders' equity	(189)	(46)
Minority interests	(15)	-
Provisions and deferred tax	(68)	-
Net borrowings	16	16

The acquisition price of Weda Bay Minerals Inc. is assigned in full to intangible assets in mining resources on the basis of measurements carried out by independent experts. Since this concerns an early-stage company, the impact on the Group's income statement is not material. Pro forma statements were not drawn up.

## 2.2. List of consolidated companies as on December 31, 2006

As on December 31, 2006, the scope of consolidation included 53 companies (as on December 31, 2005: 50), of which 52 companies are fully consolidated globally and one accounted for under the equity method (as on December 31, 2005: 48 and two).

Company	Country	Consolidation method	Percentage (%)	
			control	interest
<b>Eramet</b>	<b>France</b>	<b>Consolidation</b>	<b>-</b>	<b>-</b>
<b>Nickel</b>				
Société Le Nickel	New Caledonia	Fully consolidated	60	60
Cominc	New Caledonia	Fully consolidated	60	60
Poum	New Caledonia	Fully consolidated	60	60
Weda Bay Minerals Inc.	Canada	Fully consolidated	100	100
Weda Bay Minerals Pty Ltd	Australia	Fully consolidated	100	100
Strand Minerals Pte Ltd	Singapore	Fully consolidated	100	100
Pt Weda Nickel Ltd	Indonesia	Fully consolidated	90	90
Eramet Holding Nickel	France	Fully consolidated	100	100
Eurotungstène Poudres	France	Fully consolidated	100	100
<b>Manganese</b>				
Eramet Holding Manganèse	France	Fully consolidated	100	100
Eramet Comilog Manganèse	France	Fully consolidated	100	83.63
Eramet Marietta Inc.	USA	Fully consolidated	100	100
Eramet Norway A/S	Norway	Fully consolidated	100	100
Comilog, S.A.	Gabon	Fully consolidated	67.25	67.25
Setrag S.A.	Gabon	Fully consolidated	83.88	56.66
Comilog Holding	France	Fully consolidated	100	67,25
Comilog International	France	Fully consolidated	100	67,25
Comilog Lausanne	Switzerland	Fully consolidated	100	67,25
Port Minéralier d'Owendo S.A.	Gabon	Equity method	36.35	24.45
Unimin AG	Switzerland	Fully consolidated	100	67.25
Erachem Comilog S.A.	Belgium	Fully consolidated	100	67.25
Comilog US	USA	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp.	USA	Fully consolidated	100	67.25
Bear Metallurgical Corp.	USA	Fully consolidated	100	67.25
Gulf Chemical & Metallurgical Corp. Canada	Canada	Fully consolidated	100	67.25
Erachem Comilog Inc.	USA	Fully consolidated	100	67.25
Comilog France	France	Fully consolidated	100	67.25
Comilog Dunkerque	France	Fully consolidated	100	67.25
Miner Holding BV	Netherlands	Fully consolidated	100	67.25
Erachem Mexico S.A.	Mexico	Fully consolidated	100	67.25
Comilog Asia Ltd	Hong Kong	Fully consolidated	100	93.45
Comilog Asia Ferro Alloys Ltd	Hong Kong	Fully consolidated	100	93.45
Guangxi Comilog Ferro Alloys Ltd	China	Fully consolidated	70	65.42
Guilin Comilog Ferro Alloys Ltd	China	Fully consolidated	100	93.45
Guangxi Eramet Comilog Chemicals Ltd	China	Fully consolidated	100	93.45
Comilog Far East Development Ltd	Hong Kong	Fully consolidated	100	93.45
Eramet Comilog Shanghai Trading Co. Ltd	China	Fully consolidated	100	93.45
<b>Alloys</b>				
Eramet Alliages	France	Fully consolidated	100	100
Erasteel	France	Fully consolidated	100	100
Erasteel Commentry	France	Fully consolidated	100	100
Erasteel Champagnole	France	Fully consolidated	100	100
Erasteel Kloster AB	Sweden	Fully consolidated	100	100
Peter Stubs Ltd	United Kingdom	Fully consolidated	100	100
Erasteel Ltd	United Kingdom	Fully consolidated	100	100
Erasteel Inc.	USA	Fully consolidated	100	100
Erasteel Innovative Materials Co Ltd	China	Fully consolidated	100	100
Société Industrielle de Métallurgie Appliquée	France	Fully consolidated	100	100
Interforge	France	Fully consolidated	94	94
Aubert & Duval	France	Fully consolidated	100	100
Airforge	France	Fully consolidated	100	100
<b>Holding company and miscellaneous</b>				
Eras S.A.	Luxembourg	Fully consolidated	100	100
Metal Securities	France	Fully consolidated	100	100

All companies within the scope of consolidation share the same balance sheet date of December 31.

### 3. Goodwill

#### 3.1. By category

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Eramet Norway A/S	15	15	15
Peter Stubs Ltd	7	7	7
Eurotungstène Poudres (Etp)	6	6	6
Bear Metallurgical Corp.	2	1	-
Erachem Mexico S.A.	3	3	3
Aubert & Duval (Ad)	2	2	2
Other companies (less than a million euro)	1	1	2
<b>Total</b>	<b>36</b>	<b>35</b>	<b>35</b>
Of which impairment losses	(12)	(12)	(12)

Impairment losses were recognised on goodwill in Aubert & Duval and Peter Stubs Ltd (Alloys Division) for €8 million and €4 million, respectively, following impairment tests in 2003 and 2004.

#### 3.2 Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>35</b>	<b>35</b>	<b>35</b>
Business combinations	2	1	-
Other changes in scope	-	(1)	-
Impairment losses over the period	-	-	-
Translation adjustments and other movements	(1)	-	-
<b>As on December 31</b>	<b>36</b>	<b>35</b>	<b>35</b>

The acquisition in early December 2005 of 50.5% of the US company Bear Metallurgical Corp. (Manganese Division) explains the business combinations in 2005, while other changes in scope relate to the deconsolidation as of January 1, 2005 of non-material subsidiaries. The goodwill linked to the acquisition of Bear Metallurgical Corp. was provisionally allocated in full to property, plant and equipment on the 2005 balance sheet date. On January 1, 2006, after definitive measurement of the fair value of assets, residual goodwill of €2 million was reclassified in property, plant and equipment.

### 4. Intangible assets

#### 4.1. By category

(millions of euros)	Gross amount	Depreciation & amortisation	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts 31/12/2004
Mining reserves	361	(53)	-	308	65	57
Software	37	(30)	-	7	4	4
Other intangible assets	9	(6)	-	3	1	3
Work in progress, down-payments	3	(1)	-	2	2	3
<b>Total</b>	<b>410</b>	<b>(90)</b>	<b>-</b>	<b>320</b>	<b>72</b>	<b>67</b>

#### 4.2 - Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>72</b>	<b>67</b>	<b>66</b>
Business combinations	254	10	-
Other changes in scope	-	-	-
Capital expenditure over the period	14	4	7
Depreciation, amortisation and impairment losses over the period	(8)	(7)	(7)
Translation adjustments and other movements	(12)	(2)	1
<b>As on December 31</b>	<b>320</b>	<b>72</b>	<b>67</b>
- Gross amounts	410	155	192
- Depreciation & amortisation	(90)	(83)	(125)
- Impairment losses	-	-	-

The Group allocates the acquisition cost of a business combination to the fair value of the assets, liabilities and identifiable contingent liabilities, in particular to mineral deposits for the Nickel and Manganese Divisions.

Mineral deposits relate to Gabon (Manganese Division) and New Caledonia and Indonesia (Nickel Division) since the acquisition of Weda Bay Minerals in early May 2006 (Note 2) for €44 million, €18 million and €246 million respectively (€46 million and €19 million as on December 31, 2005). The increase in mineral deposits in New Caledonia in 2005 relates to the completion of the Bercy agreements at the end of the year (Note 26) with allocation of the Poum massif at a fair value of €10 million.

#### 4.3. Greenhouse gas emission quotas

Greenhouse gas emission quotas:

(tons of CO <sub>2</sub> )	31/12/2006	31/12/2005
Quotas allocated	105,026	98,655
Actual emissions	96,306	96,449
Emission quota surplus / (deficit)	8,720	2,206
Quotas bought on the market	3,000	-
Quotas sold on the market	-	-

The quotas are allocated annually and involve the industrial sites of the Alloys Division in France and Sweden. At end-November 2006, Eramet was granted 6,371 additional quotas for its sites in France. At end-June 2006, 3,000 quotas were purchased on the market.

#### 4.4. Research & development expenditure – expenses during the period

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Non-capitalised research and development expenditure	35	32	33
<b>Total</b>	<b>35</b>	<b>32</b>	<b>33</b>
Percentage of sales	1.1%	1.2%	1.3%

The Nickel Division's geology expenses are not capitalised and are expensed in the period in which they are incurred.



## 5. Property, plant & equipment

### 5.1. By category

(millions of euros)	Gross amounts	Depreciation & amortisation	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts nettes 31/12/2004
Land and buildings	617	(327)	(1)	289	237	212
Industrial and mining facilities (*)	1,955	(1,206)	(54)	695	690	594
Other property, plant and equipment	345	(230)	(1)	114	87	62
Work in progress, down-payments	233	-	-	233	179	187
<b>Total</b>	<b>3,150</b>	<b>(1,763)</b>	<b>(56)</b>	<b>1,331</b>	<b>1,193</b>	<b>1,055</b>
[*] Of which:						
- Capital grants deducted				(1)	(1)	(6)
- Dismantling assets - site restoration (Note 15.5)				17	18	13

Capital grants deducted from items of property, plant and equipment mainly relate to the strategic capital expenditure programmes discussed in section 5.3., details of which are set out below:

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
40,000-ton press - Aubert & Duval	(1)	(1)	(4)
Other	-	-	(2)
<b>Total</b>	<b>(1)</b>	<b>(1)</b>	<b>(6)</b>

### 5.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>1,193</b>	<b>1,055</b>	<b>967</b>
Business combinations	-	17	-
Other changes in scope	-	(8)	-
Capital expenditure over the period	295	227	226
Capital grants received	-	-	(4)
Disposals over the period	(3)	(5)	(3)
Amortisation, depreciation and impairment losses over the period	(136)	(131)	(127)
Translation adjustments and other movements	(18)	38	(4)
<b>As on December 31</b>	<b>1,331</b>	<b>1,193</b>	<b>1,055</b>
- Gross amounts	3,150	3,026	2,781
- Amortisation & depreciation	(1,763)	(1,773)	(1,678)
- Impairment losses	(56)	(60)	(48)

Impairment losses were recognised for non-current assets primarily in the Manganese and Alloys Divisions following impairment tests in 2003, 2004 and 2005, for €36 million and €18 million respectively (€40 million and €16 million as on December 31, 2005).

The recognition of liabilities for site restoration in New Caledonia (Nickel Division) and decontamination of impoundments in the US gave rise to the establishing of a specific component in respect of provisions recognised (Note 15.5).

Business combinations in 2005 relate to Bear Metallurgical Corp. and Setrag SA, for €9 million and €8 million respectively. Other consolidation adjustments relate to the deconsolidation of non-material companies.

### 5.3. Breakdown of main strategic capital expenditure programmes

(millions of euros)	FY 2006	FY 2005	FY 2004
Increase in nickel production (75,000 ton project) - Société Le Nickel (SIn)	60	20	94
Increase in manganese production (3.5 million ton project) - Comilog S.A.	23	24	-
EMD plant in China - Guangxi Eramet Chemetals Ltd	17	6	-
Catalyst calcination plant in Canada - Gulf Chemical & Metallurgical Corp.	14	-	-
40,000-ton press - Aubert & Duval	8	21	33
<b>Total</b>	<b>122</b>	<b>71</b>	<b>127</b>

The main strategic capital expenditure programmes are financed from cash and borrowings.

The amount of finance leased non-current assets in the balance sheet breaks down as follows:

(millions of euros)	Gross amounts	Depreciation & amortisation	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts nettes 31/12/2004
40,000-ton press - Aubert & Duval	77	(2)	-	75	23	21
Industrial facilities - Aubert & Duval	15	(10)	-	5	6	7
Administrative buildings - Aubert & Duval	7	(2)	-	5	4	4
53 Tour Montparnasse - Eramet	5	(2)	-	3	3	3
<b>Total</b>	<b>104</b>	<b>(16)</b>	<b>-</b>	<b>88</b>	<b>36</b>	<b>35</b>

The increase in finance leased property, plant and equipment in the balance sheet mainly stemmed from the 40,000 ton press capital expenditure programme at Pamiers (Aubert & Duval, Alloys Division). Future lease payments are set out in Note 27 – Off-balance sheet commitments.

### 5.4. Impairment tests

The data and assumptions used to carry out impairment tests on non-current assets included in cash generating units (CGU) are as follows.

- The discount rate used is the WACC, namely 9%.
- Cash flows are prepared over five years taking into account a terminal value. The growth rates used are the same as those used in budgets and the growth rates to perpetuity used for the terminal values are between 0% and 1% depending on the CGU.

No significant additional impairment losses were recognised as on December 31, 2006.

## 6. Investments in associates

### 6.1. By category

(millions of euros)	Companies	Country	% interest	Share of profit (loss)	Share of shareholders' equity		
					31/12/2006	31/12/2005	31/12/2004
	Port Minéralier d'Owendo S.A.	Gabon	36.35%	-	3	4	4
	Forges M. Dembiermont	France	33.2%	1	-	7	8
	Bear Metallurgical Corp.	USA	-	-	-	-	3
	Stahlschmidt GmbH	Germany	-	-	-	-	1
	<b>Total</b>			<b>1</b>	<b>3</b>	<b>11</b>	<b>16</b>

Bear Metallurgical Corp. was 49.5% accounted for under the equity method until November 30, 2005 and since then has been fully consolidated, following the Group's acquisition of the other 50.5% of its stock.

The stake in Forges M. Dembiermont was disposed of in July 2006 and the capital loss realised recognised in "Other finance income and expense" (Note 23.2).

## 6.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>11</b>	<b>16</b>	<b>19</b>
Business combinations	(8)	(4)	-
Other changes in scope	-	(1)	-
Capital expenditure over the period	-	-	-
Disposals over the period	-	-	-
Share of profit (loss) for the period	1	2	1
Dividends paid	(1)	(2)	(4)
Translation adjustments and other movements	-	-	-
<b>As on December 31</b>	<b>3</b>	<b>11</b>	<b>16</b>

The simplified financial statements as on December 31, 2006 (corporate data) for investments in associates are set out below:

(millions of euros)	Port Minéralier d'Owendo S.A. (Manganese Division)
Sales	8
Current operating profit	2
Profit (loss) for the period	2
Non-current assets	3
Working capital requirement	-
Shareholders' equity	(6)
Provisions	-
Net borrowings	3

## 7. Non-consolidated subsidiaries

### 7.1. By category

Companies	Country	% interest	Gross amounts	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts 31/12/2004
(millions of euros)							
Société Financière Brown Europe	France	100%	8		8	8	-
Aubert & Duval USA Inc. (ex Htm Inc.)	USA	100%	3		3	3	3
Erasteel GmbH	Germany	100%	3		3	-	-
Aubert & Duval Mold and Die Technology	Chine	85%	3		3	2	-
La Petite-Faye	New Caledonia	100%	2		2	2	2
Stahlschmidt GmbH	Germany	61.5%	2		2	2	-
Erasteel Italiana Srl	Italy	100%	2		2	-	-
Eramet North America Inc. (ex Lni Inc.)	USA	100%	2	(1)	1	1	1
SAS Extract Ion	France	50%	1	(1)	-	-	1
Centre de Recherche de Trappes (CRT)	France	100%	1		1	1	1
Sogaferro	Gabon	69.99%	1		1	1	1
Microsteel	France	100%	-	-	-	1	1
Traitement Compression Service (Tcs)	France	51%	1		1	1	-
Erasteel Japan KK	Japan	100%	-	-	-	1	-
Erasteel Korea Ltd	South Korea	100%	1		1	1	-
Other companies (less than a million euros)	-	-	27	(18)	9	13	14
<b>Total</b>			<b>57</b>	<b>(20)</b>	<b>37</b>	<b>37</b>	<b>24</b>

Non-consolidated subsidiaries chiefly relate to controlled companies and are recognised in the balance sheet at acquisition cost, less any provisions for impairment determined on the basis of the share of shareholders' equity held, with the Group unable to reliably measure the fair value.

Since January 1, 2006, non-consolidated subsidiaries include companies that were deconsolidated because they have little impact on the Group's financial statements (Erasteel GmbH & Erasteel Srl). These investments are measured at their shareholders' equity stake value on the date of deconsolidation.

## 7.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>37</b>	<b>24</b>	<b>23</b>
Business combinations	-	-	-
Other changes in scope	3	12	-
Capital expenditure over the period	1	5	7
Disposals over the period	(4)	(8)	(12)
Impairment losses over the period	(1)	3	(5)
Translation adjustments and other movements	1	1	11
<b>As on December 31</b>	<b>37</b>	<b>37</b>	<b>24</b>

Simplified financial statements (corporate data) for the main controlled but non-consolidated companies as on December 31, 2005 are set out below:

(millions of euros) (Basis: financial statements as on December 31, 2005)	Stahlschmidt GmbH	Erasteel GmbH Brown	FBE & Europe	Erasteel Italiana Srl	Tec Centre Rech. Ingenierie Trappes (CRT)	Microsteel	Erasteel Japan KK	Erasteel Korea Ltd
Sales	28	24	17	13	10	9	8	7
Current operating profit	1	1	3	-	1	-	-	-
Profit (loss) for the period	1	-	2	-	1	-	-	-
Non-current assets	1	1	6	-	-	3	1	-
Working capital requirement	4	2	6	1	(1)	-	2	1
Shareholders' equity	(4)	(3)	(11)	(1)	(2)	(2)	(1)	(1)
Provisions	-	(1)	-	-	-	(1)	-	-
Net borrowings	(1)	1	(1)	-	3	-	(2)	-

These companies are mainly sales and research and development entities, the services of which are wholly for the Eramet Group and the industrial subsidiaries of SIMA (shaping, wiredrawing and drawing of metallurgical products).

## 8. Other non-current financial assets

### 8.1. By category

(millions of euros)	Gross amounts	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts 31/12/2004
Deposits and guarantees	11	-	11	7	13
Employee loans	6	-	6	2	2
Current accounts - Eramet International & subsidiaries	2	-	2	2	-
Financial investments / US pensions	2	-	2	3	2
Advances - Chine Bayi	-	-	-	1	2
Receivables, Sonadig (Gabon)	4	(2)	2	2	2
Current accounts - Microsteel	-	-	-	2	2
Current accounts - Stahlschmidt GmbH	2	-	2	-	-
Current accounts - Bronzavia Industries	2	(2)	-	1	-
Other loans and current accounts	5	-	5	5	3
<b>Total</b>	<b>34</b>	<b>(4)</b>	<b>30</b>	<b>25</b>	<b>26</b>

Other non-current financial assets primarily relate to loans and current accounts granted to non-consolidated companies and are measured at amortised cost.

Current accounts of Bronzavia Industries had previously been fully impaired in liabilities (Note 15.6); they were reclassified as a reduction to the nominal value on January 1, 2006.

## 8.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>25</b>	<b>26</b>	<b>27</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Changes in cash	6	(2)	(1)
Impairment losses over the period	-	4	1
Translation adjustments and other movements	(1)	(3)	(1)
<b>As on December 31</b>	<b>30</b>	<b>25</b>	<b>26</b>

## 8.3. By currency

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Euro	18	15	15
US dollar	6	3	5
CFA franc	1	4	4
Pacific franc	5	3	2
<b>Total</b>	<b>30</b>	<b>25</b>	<b>26</b>

## 8.4. By interest rate

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Interest-free	15	15	18
Fixed interest rates	4	6	4
Variable interest rates	11	4	4
<b>Total</b>	<b>30</b>	<b>25</b>	<b>26</b>

Interest free items mainly relate to deposits and guarantees and certain loans to employees.

## 9. Inventories

### 9.1. By category

(millions of euros)	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts 31/12/2004
Raw materials	237	265	186
Merchandise and finished products	232	229	224
Work in progress and semi-finished products	283	256	187
Consumables and spare parts	17	10	4
<b>Total</b>	<b>769</b>	<b>760</b>	<b>601</b>
Of which: impairment losses	(131)	(68)	(64)

Impairment provisions mainly relate to raw materials and merchandise and finished products. Inventories pledged against liabilities appear in Note 27 – Off-balance sheet commitments.

## 9.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>760</b>	<b>601</b>	<b>582</b>
Business combinations	-	3	-
Other changes in scope	(6)	(8)	-
Changes in working capital requirement	95	156	22
Impairment losses over the period	(63)	(5)	3
Translation adjustments and other movements	(17)	13	(6)
<b>As on December 31</b>	<b>769</b>	<b>760</b>	<b>601</b>

The increase in inventories, primarily stemming from the Alloys Division due to the continuing strong recovery at Aubert & Duval and in particular in the energy and aeronautical sectors, was mostly offset by the fall-off in inventories in the Nickel and Manganese Divisions, as a result of higher deliveries of finished products (Nickel) and ore (Manganese). Furthermore, changes in estimates at Aubert & Duval (Alloys Division) and Gulf Chemical & Metallurgical Corp. (Manganese Division) contributed to the increase in inventories by €17 million and €2 million respectively. These changes followed more precise measurements following the installation of a new IT system at Aubert & Duval and the recognition in inventories of catalysts for Gulf Chemical & Metallurgical Corp. They were recognised and offset in other operating income and expenses (Note 22).

## 10. Trade and other receivables

### 10.1. By category

(millions of euros)	Gross amounts	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts 31/12/2004
Trade receivables	564	(7)	557	449	412
Payroll and tax receivables	42	-	42	41	27
Other operating receivables	56	(27)	29	26	28
Receivables on non-current assets	-	-	-	-	-
Prepaid expenses	9	-	9	7	5
<b>Total</b>	<b>671</b>	<b>(34)</b>	<b>637</b>	<b>523</b>	<b>472</b>
- Non-current assets	6	-	6	6	-
- Current assets	665	(34)	631	517	472

### 10.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>523</b>	<b>472</b>	<b>380</b>
Business combinations	3	15	-
Other changes in scope	3	14	-
Changes in working capital requirement	114	6	102
Impairment losses over the period	1	-	(5)
Translation adjustments and other movements	(7)	16	(5)
<b>As on December 31</b>	<b>637</b>	<b>523</b>	<b>472</b>

Trade and other receivables are all at less than one year. Other non-current receivables of €6 million, unchanged on December 31, 2005, relate to a receivable of Setrag SA from the Gabonese state under the concession agreement. The change in the trade receivable item is due to increased sales and a deterioration in collection times at the Nickel Division. Foreign-currency denominated receivables are translated at the closing rate. The Eramet Group did not factor or securitise any receivables. Group credit risk exposure is limited and no third-party default with a material impact is expected.

## 11. Cash and cash equivalents

### 11.1. By category

(millions of euros)	Gross amounts	Impairment losses	Net amounts 31/12/2006	Net amounts 31/12/2005	Net amounts 31/12/2004
Cash	31	-	31	51	93
Cash equivalents	612	-	612	472	344
<b>Total</b>	<b>643</b>	<b>-</b>	<b>643</b>	<b>523</b>	<b>437</b>

### 11.2. By currency

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Euro	554	453	361
US dollar	79	57	36
Yuan Ren Min Bi (China)	2	4	4
Other currencies	8	9	36
<b>Total</b>	<b>643</b>	<b>523</b>	<b>437</b>

### 11.3. By interest rate

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Interest free	15	13	62
Fixed interest rates	12	22	59
Variable interest rates	616	488	316
<b>Total</b>	<b>643</b>	<b>523</b>	<b>437</b>

Cash includes cash in bank and at hand and cash equivalents represent the marketable securities. Marketable securities are mainly comprised of money market funds in euros bearing interest at variable rates of less than 3%.

The change from one period to the next is analysed via a cash flow statement drawn up using the indirect method.

## 12. Shareholders' equity

### 12.1. Changes in share capital

The share capital is comprised of 25,880,894 fully paid-up shares with a €3.05 par value each, broken down as follows:

Breakdown	FY 2006				FY 2005				FY 2004			
	Capital		Voting rights		Capital		Voting rights		Capital		Voting rights	
	%	Number shares	%	Number shares	%	Number shares	%	Number shares	%	Number shares	%	Number shares
<b>Registered shares</b>												
Sorame et Compagnie d'Etudes Industrielles du Rouvray (CEIR)	37.11	9,603,338	43.67	19,182,674	37.24	9,603,338	43.76	19,182,665	37.21	9,579,338	43.61	18,832,239
Areva	26.11	6,757,277	30.77	13,514,554	26.20	6,757,277	30.83	13,514,554	26.25	6,757,277	30.89	13,339,767
S.T.C.P.I.	5.11	1,323,471	5.95	2,614,378	5.13	1,323,471	5.96	2,614,378	5.14	1,323,471	6.05	2,614,378
Société Minière G. Montagnat	0.25	65,545	0.29	129,478	0.25	65,545	0.30	129,478	0.25	65,545	0.30	129,478
Eramet S.A.	0.44	114,701	-	-	0.59	151,212	-	-	1.25	321,710	-	-
Eramet SA share fund	0.18	46,970	0.21	92,190	0.18	45,220	0.21	90,440	0.21	53,220	0.24	102,510
Other	1.78	460,271	2.02	885,493	1.91	492,421	2.16	948,641	2.01	517,741	2.39	1,034,012
<b>Total registered shares</b>	<b>70.99</b>	<b>18,371,573</b>	<b>82.91</b>	<b>36,418,767</b>	<b>71.50</b>	<b>18,438,484</b>	<b>83.23</b>	<b>36,480,156</b>	<b>72.32</b>	<b>18,618,302</b>	<b>83.50</b>	<b>36,052,384</b>
Other bearer shares	29.01	7,509,321	17.09	7,509,321	28.50	7,351,390	16.77	7,351,390	27.68	7,126,642	16.50	7,126,642
<b>Total number of shares</b>	<b>100.00</b>	<b>25,880,894</b>	<b>100.00</b>	<b>43,928,088</b>	<b>100.00</b>	<b>25,789,874</b>	<b>100.00</b>	<b>43,831,546</b>	<b>100.00</b>	<b>25,744,944</b>	<b>100.00</b>	<b>43,179,026</b>
- Shares with single voting rights	30.27%	7,833,700	17.83%	7,833,700	30.04%	7,748,202	17.68%	7,748,202	32.28%	8,310,862	19.25%	8,310,862
- Shares with double voting rights	69.73%	18,047,194	82.17%	36,094,388	69.96%	18,041,672	82.32%	36,083,344	67.72%	17,434,082	80.75%	34,868,164

Sorame, Compagnie d'Etudes Industrielles du Rouvray (C.E.I.R.) and Areva are signatories to a shareholders' agreement constituting a concert action that was subject to an opinion by the French financial markets regulator (Conseil des Marchés Financiers) on May 18, 1999 under reference number 199C0577. This agreement was signed for seven years terminating on June 30, 2006 and renewable for one-year periods in the absence of a cancellation one month prior to termination. It was renewed as from July 1, 2006. Shares giving double voting rights were issued in 2002.

#### Dividends

(millions of euros)	FY 2006	FY 2005	FY 2004	FY 2003
Net dividends	2.10	2	0.86	1
Tax credit	-	-	0.43	0.50
Total return	2.10	2	1.29	1.50
<b>Total net payment</b>	<b>54</b>	<b>51</b>	<b>22</b>	<b>25</b>

#### Treasury stock

As on December 31, 2006, Eramet held 130,257 treasury shares (166,821 as on December 31, 2005), mostly purchased between 2000 and 2002 under a share buyback programme set out in the prospectus published on July 2, 1999 and approved by the Combined Extraordinary and Ordinary General Shareholders' Meeting of July 21, 1999, representing 113,395 shares (151,212 shares as on December 31, 2005). The balance of 16,862 shares (15,609 shares as on December 31, 2005) appearing in bearer shares, relates to those bought under a liquidity contract agreed with Exane BNP Paribas and not yet registered on the date of drafting of the table. The total amount of buybacks was charged to shareholders' equity.

The reduction in the number of treasury shares is mainly the result of stock option exercises by employees in 2006, involving 37,578 shares (Note 12.2).

The table below summarises treasury stock transactions:

		Market making	Stock options granted	Other goals	Total
<b>Position as on December 31, 2003</b>		<b>7,004</b>	<b>544,275</b>	<b>5,547</b>	<b>556,826</b>
As a percentage of share capital	25,577,574	0.03%	2.13%	0.02%	2.18%
Allocated to stock options:					
- Granted		-	-	-	-
- Other		-	(3,135)	3,135	-
Purchase option exercises		-	(228,112)	-	(228,112)
Purchases		54,458	-	-	54,458
Sales		(48,689)	-	-	(48,689)
<b>Position as on December 31, 2004</b>		<b>12,773</b>	<b>313,028</b>	<b>8,682</b>	<b>334,483</b>
As a percentage of share capital	25,744,944	0.05%	1.22%	0.03%	1.30%
Allocated to stock options:					
- Granted		-	(10,225)	10,225	-
- Other		(350)	350	-	-
Purchase option exercises		-	(170,848)	-	(170,848)
Purchases		45,854	-	-	45,854
Sales		(42,668)	-	-	(42,668)
<b>Position as on December 31, 2005</b>		<b>15,609</b>	<b>132,305</b>	<b>18,907</b>	<b>166,821</b>
As a percentage of share capital	25,789,874	0.06%	0.51%	0.07%	0.65%
Allocated to stock options:					
- Granted		-	(31,649)	31,649	-
- Other		239	-	(239)	-
Purchase option exercises		-	(37,578)	-	(37,578)
Purchases		59,837	-	-	59,837
Sales		(58,823)	-	-	(58,823)
<b>Position as on December 31, 2006</b>		<b>16,862</b>	<b>63,078</b>	<b>50,317</b>	<b>130,257</b>
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%



## 12.2. Stock subscription and purchase options, bonus shares

### 12.2.1. Share subscription options

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	27/05/1998	12/12/2001	EUR 32.60	61	46	153,000	(40,730)	(85,020)	-	27,250	13	11/12/2009 (2)
2	23/05/2002	15/12/2004	EUR 64.63	81	81	130,000	-	(6,000)	-	124,000	80	15/12/2012 (3)
<b>Total</b>						<b>283,000</b>	<b>(40,730)</b>	<b>(91,020)</b>		<b>151,250</b>		

(1) Plan commencement dates: 1 = December 12, 2003; 2 = December 12, 2006.

(2) Only exercisable as from December 12, 2003. Shares cannot be sold prior to December 14, 2005.

(3) Only exercisable as from December 12, 2006. Shares cannot be sold prior to December 14, 2008.

The exercise of 91,020 subscription options during the period at an average price of €98.23 contributed to an increase in shareholders' equity in consideration for cash through the issue of the same number of shares.

### 12.2.2. Bonus shares

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	11/05/2005	13/12/2005	Bonus	90	90	14,000	-	-	(800)	13,200	89	13/12/2007
<b>Total</b>						<b>14,000</b>			<b>(800)</b>	<b>13,200</b>		

(1) Plan commencement date: 1 = December 13, 2007.

### 12.2.3. Stock purchase options

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	21/07/1999	15/09/1999	EUR 47.14	5,646	1,320	423,450	(327,180)	(24,951)	(31,649)	39,670	560	14/09/2007
2	27/05/1998	14/12/1999	EUR 54.00	80	26	166,500	(130,465)	(12,627)	-	23,408	19	13/12/2007 (2)
<b>Total</b>						<b>589,950</b>	<b>(457,645)</b>	<b>(37,578)</b>	<b>(31,649)</b>	<b>63,078</b>		

(1) Plan commencement dates: 1 = September 15, 1996; 2 = December 14, 2001.

(2) Shares cannot be sold prior to December 14, 2004.

The exercise of 37,578 call options during the period at an average price of €104.21 resulted in the sale of treasury shares in consideration for cash. The result of the sale was charged to shareholders' equity.

### 12.3. Share-based compensation

Share-based compensation only relates to stock option and bonus share plans granted to employees. They represent a charge of €2 million (€2 million as on December 31, 2005).

The applicable rules are common to all plans:

- Vesting or granting of rights relates to the date of the Board meeting,
- The exercise period follows a two-year lock-out period from the date of the grant.

When an option is exercised, it is settled in shares. Only stock option plans established subsequent to November 7, 2002 and where the rights have not vested by January 1, 2005 are recognised pursuant to IFRS 2. Accordingly, only the plans allocated at the Board meetings of December 15, 2004 (plan 3, Note 12.2.1) and December 13, 2005 (plan 4, Note 12.2.2) fall within the scope of IFRS 2. The fair values of stock options are calculated using the Black-Scholes method. They are apportioned on a straight-line basis over the vesting period of the plan under personnel costs and offset in shareholders' equity.

Plan measurement: The assumptions used to assess the plans are based on expected volatility of 40%, a risk-free rate of 2.80% over the term of the plan and a future distribution rate of 3.28%. Based on these assumptions, the fair values taken into account for calculating the expense respectively equal €20.75 per share for plan 3, or a total of €3 million, and €68.04 per share for plan 4, or a total of €1 million, amortised over a two-year period as from December 15, 2004 (plan 3) and a three-year period as from December 13, 2005 (plan 4).

### 13. Minority interests

#### 13.1. By category

	% of minority interest	31/12/2006		31/12/2005	31/12/2004
		Profit (loss)	Total	Total	Total
Société Le Nickel (SIn)	40%	102	357	376	293
Comilog S.A.	32.75%	40	150	118	77
Pt Weda Nickel Ltd	10%	-	15	-	-
Guangxi Comilog Ferro Aloys Ltd	30%	(0)	2	4	4
Interforge	6%	-	1	1	1
<b>Total</b>		<b>142</b>	<b>525</b>	<b>499</b>	<b>375</b>

#### 13.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>499</b>	<b>375</b>	<b>320</b>
Business combinations	16	2	-
Other changes in scope	-	-	(3)
Changes in cash	-	-	(61)
Dividends paid	(44)	(22)	(10)
Profit (loss) for the period	141	141	132
First-time application of IAS 32 & 39	-	16	-
Change in financial instrument revaluation reserve - IAS 32 & 39	(81)	(19)	-
Translation adjustments and other movements	(6)	6	(3)
<b>As on December 31</b>	<b>525</b>	<b>499</b>	<b>375</b>

Business combinations in 2005 involved the end-2005 consolidation of Setrag SA (Note 3) and in 2006 the acquisition of Weda Bay Minerals Inc. in early May.

### 14. Employee liabilities

Eramet Group companies offer their employees various long-term benefits in accordance with the rules and practices in force in the countries where they operate. An actuarial appraisal of the liabilities of all Group companies was carried out using a standard actuarial framework (assumptions and methods) defined by the Group in accordance with the principles set out in IAS 19 – Employee Benefits. This appraisal is performed on a multi-annual basis (two or three years, except for non-recurring events requiring a new appraisal on a case-by-case basis).

The main Group liabilities in respect of employee benefits over the period were as follows:

- **Belgium:**
  - Retirement plan providing for the payment of benefits from the age of 65 for managerial staff with 25 years' seniority, including possible advances with reductions.
  - Long-service bonuses: payment of a month's salary to all employees after 25 years of service.
- **United States:**
  - Retirement plan providing for the payment of a pension, the amount of which depends on seniority at the time of retirement (62 or 65, depending on the plans). Possibility of early retirement and eligibility for invalidity benefits depending on seniority and the plan in question.
  - Healthcare for retirees of certain sites, part of a closed plan.
  - Life insurance plan for employees of certain sites.
- **France :**
  - Retirement package providing for the payment of a lump sum varying on the basis of seniority and final salary.
  - Healthcare for employees and retirees at Eramet's Sandouville site.
  - Long-service bonuses: payment of a lump sum varying on the basis of the site after 20, 30, 35 and 40 years' seniority.
  - Supplementary pension plan for certain senior managers of Eramet.

- **Gabon :**
  - Retirement plan providing for the payment of a benefit after three years' seniority calculated on the basis of the salary and seniority.
  - Plan providing for the payment of an employee termination benefit (retirement, death, redundancy) after two years' seniority based on a percentage of the average monthly salary over the previous 12 months per year of seniority.
  - Long-service bonuses: payment of a lump sum after 10, 20 and 30 years' seniority.
- **Mexico:**
  - Retirement plan providing for 12 days' salary paid to all employees aged over 60 and with 15 years' seniority.
- **Norway:**
  - Long-service bonuses: payment of a lump sum to all employees after 25, 30, 40 and 50 years' seniority and upon retirement.
- **New Caledonia:**
  - Retirement plan providing for the payment of a lump sum depending on salary and seniority.
  - Loyalty bonuses paid after ten years' seniority and then every five and ten years, calculated as a percentage of the basic salary.
  - Long-service bonuses: payment of a lump sum after 15-20, 22.5-30, 26.1/4-35 and 30-40 years' seniority.
- **United Kingdom:**
  - Retirement plan providing for the payment of a lump sum or benefits based on final salary, revised annually for inflation.
- **Sweden:**
  - Retirement plan offered to former employees of Stora providing for the payment of an income corresponding to a percentage (over 65%) of the final salary.

The Eramet Group's defined benefit plan liabilities presented above break down as follows: the US (47% of liabilities), France (21% of liabilities), Norway (15% of commitments) and New Caledonia (6% of liabilities).

The actuarial assumptions used for the appraisals are as follows:

<b>As on December 31, 2006</b>	<b>Europe</b>	<b>North America</b>	<b>New Caledonia</b>	<b>Gabon</b>
Discount rate	3.9% - 5.2%	5.9% - 7.5%	4.4%	6.5%
Inflation rate	2% - 2.8%	2.4% - 3.75%	3%	2.3%
Salary increase rate	2% - 4.25%	3% - 5.75%	4%	3.3%
Return on plan financial assets	4.9% - 7%	7.8% - 8%	5%	n/a
<b>As on December 31, 2005</b>	<b>Europe</b>	<b>North America</b>	<b>New Caledonia</b>	<b>Gabon</b>
Discount rate	3.6% - 4.9%	5.5% - 9.8%	3.9%	6.5%
Inflation rate	2% - 2.7%	2.4% - 3.5%	2%	2.3%
Salary increase rate	2% - 3.5%	3% - 4.5%	4.5%	3.3%
Return on plan financial assets	5% - 7.2%	7.7% - 7.75%	5.3%	n/a
<b>As on December 31, 2004</b>	<b>Europe</b>	<b>North America</b>	<b>New Caledonia</b>	<b>Gabon</b>
Discount rate	5% - 5.5%	6.25% - 7.5%	4.75%	6.5%
Inflation rate	2% - 2.7%	3% - 3.5%	2%	2.3%
Salary increase rate	1.5% - 3.95%	3% - 4.5%	4.5%	3.3%
Return on plan financial assets	5% - 7.2%	7.7% - 7.75%	5.3%	n/a

The outcome of the appraisals are as follows:

(millions of euros)	Fair value of plan assets			Actuarial value of liabilities			Financial position Surplus / (deficit)		
	FY 2006	FY 2005	FY 2004	FY 2006	FY 2005	FY 2004	FY 2006	FY 2005	FY 2004
Pension plans	101	93	70	153	173	142	(52)	(80)	(72)
Retirement package	42	39	39	71	67	66	(29)	(28)	(27)
Awards and bonuses	-	-	-	19	20	13	(19)	(20)	(13)
Healthcare plans	-	-	-	26	29	24	(26)	(29)	(24)
<b>Total</b>	<b>143</b>	<b>132</b>	<b>109</b>	<b>269</b>	<b>289</b>	<b>245</b>	<b>(126)</b>	<b>(157)</b>	<b>(136)</b>

(millions of euros)	Unrecognised actuarial (gains) / losses			Unrecognised past service			Balance sheet provision (asset) / liability		
	FY 2006	FY 2005	FY 2004	FY 2006	FY 2005	FY 2004	FY 2006	FY 2005	FY 2004
Pension plans	2	9	3	-	-	-	50	71	69
Retirement package	(3)	1	1	1	1	1	31	26	25
Awards and bonuses	-	-	-	-	-	-	19	20	13
Healthcare plans	1	1	-	-	-	-	25	28	24
<b>Total</b>	<b>-</b>	<b>11</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>125</b>	<b>145</b>	<b>131</b>

The impact of plan changes is not immediately recognised in the balance sheet; the €125 million provided for does not therefore include the complete liability of €269 million. Indeed, for these plans, actuarial differences in excess of 10% of the present value of the liability in respect of defined benefits or 10% of the fair value of plan assets at the previous closing date, whichever is larger, are apportioned over the remaining working life of plan members. In the event of changes to the plan, the past service cost is apportioned on a straight-line basis over the average remaining period until the corresponding rights vest for employees. Liabilities for which there are no supporting assets amount to €81 million (€88 million as on December 31, 2005). The impact of France's 2007 Social Security Financing Act (Loi de Financement de la Sécurité Sociale), amending the retirement age between 60 and 65, was not assessed as on December 31, 2006. These changes should not be material having regard to all liabilities in France.

The pension funds are invested as follows:

(en millions d'euros)	FY 2006	FY 2005	FY 2004
Shares	68 48%	62 47%	56 51%
Bonds	65 45%	60 45%	44 40%
Other investments	10 7%	10 8%	9 9%
<b>Total</b>	<b>143</b> <b>100%</b>	<b>132</b> <b>100%</b>	<b>109</b> <b>100%</b>

The pension fund asset allocation policy depends on country specific practices.

The change in employee benefits over the period was as follows:

(en millions d'euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>145</b>	<b>131</b>	<b>138</b>
Business combinations	-	8	-
Other changes in scope	(1)	-	1
Expenses recognised:	8	19	11
- Service cost	9	8	6
- Net interest expense	12	13	13
- Return on plan assets	(8)	(8)	(7)
- Depreciation and amortisation of actuarial gains and losses and past service cost	(1)	6	-
- Other	(4)	-	(1)
Contributions paid	(21)	(24)	(17)
Translation adjustments and other movements	(6)	11	(2)
<b>As on December 31</b>	<b>125</b>	<b>145</b>	<b>131</b>

The detailed change by provision component in respect of 2006 was as follows:

(millions of euros)	Present value of liabilities	Fair value of plan assets	Financial position surplus / (deficit)	Unrecognised actuarial (gains)/losses	Unrecognised past service cost	Balance sheet provisions (assets) / liabilities
<b>As on January 1</b>	<b>289</b>	<b>132</b>	<b>(157)</b>	<b>11</b>	<b>1</b>	<b>145</b>
Business combinations	-	-	-	-	-	-
Other changes in scope	(1)	-	1	-	-	(1)
Expenses recognised:	12	15	3	(11)	-	8
- Service cost	9	-	(9)	-	-	9
- Net interest expense	12	-	(12)	-	-	12
- Return on hedging assets	-	15	15	(7)	-	(8)
- Depreciation and amortisation of actuarial gains and losses	(4)	-	4	(3)	-	(1)
- Depreciation and amortisation of past service cost						
- Other	(5)	-	5	(1)	-	(4)
Contributions paid	(15)	6	21	-	-	(21)
Translation adjustments and other movements	(16)	(10)	6	-	-	(6)
<b>As on December 31</b>	<b>269</b>	<b>143</b>	<b>(126)</b>	<b>-</b>	<b>1</b>	<b>125</b>

## 15. Provisions

### 15.1. By category

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Personnel	25	33	39
Major lawsuits	12	12	13
Environmental contingencies and site restoration	120	127	119
Other contingencies and losses	42	35	42
<b>Total</b>	<b>199</b>	<b>207</b>	<b>213</b>
- Long-term portion	171	187	179
- Short-term portion	28	20	34

### 15.2. Changes over the period

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>207</b>	<b>213</b>	<b>245</b>
<b>Business combinations</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other changes in scope	-	7	-
Allowances (reversals) over the period	(4)	(20)	(28)
- Allowances over the period	34	48	49
- (Reversals) over the period - used	(37)	(67)	(73)
- (Reversals) over the period - unused	(4)	(4)	(6)
- Reversal of discounting	3	3	2
Translation adjustments and other movements	(4)	7	(4)
<b>As on December 31</b>	<b>199</b>	<b>207</b>	<b>213</b>

### 15.3. Personnel

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Restructuring and redundancy plans	9	18	32
Other payroll contingencies and losses	16	15	7
<b>Total</b>	<b>25</b>	<b>33</b>	<b>39</b>
- Long-term portion	20	24	22
- Short-term portion	5	9	17

**Restructuring and redundancy plans:** All restructuring and redundancy costs are fully provided for whenever the IFRS criteria are satisfied. The following table summarises these liabilities:

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Aubert & Duval redundancy plan	2	7	18
Closure of the Boulogne-sur-Mer plant - Comilog France	-	1	2
Other restructuring and redundancy plans - Manganese division	6	8	11
Other restructuring and redundancy plans - Alloys division	1	2	1
<b>Total</b>	<b>9</b>	<b>18</b>	<b>32</b>

The changes over the period were as follows.

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>18</b>	<b>32</b>	<b>72</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	(8)	(14)	(42)
- Allowances over the period	1	3	3
- (Reversals) over the period - used	(5)	(17)	(39)
- (Reversals) over the period - unused	(4)	-	(6)
Translation adjustments and other movements	(1)	-	2
<b>As on December 31</b>	<b>9</b>	<b>18</b>	<b>32</b>

The fall in provisions for restructuring, which amounted to €9 million as on December 31, 2006 (€18 million as on December 31, 2005) was due to redundancy plans carried out in France, Belgium and Norway in the Alloys and Manganese Divisions.

Other labour contingencies and losses: These provisions largely relate to disputes with employees and social security bodies, the changes in which break down as follows:

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>15</b>	<b>8</b>	<b>8</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	1	6	3
- Allowances over the period	5	9	5
- (Reversals) over the period - used	(4)	(3)	(2)
- (Reversals) over period - unused	-	-	-
Translation adjustments and other movements	-	1	(4)
<b>As on December 31</b>	<b>16</b>	<b>15</b>	<b>7</b>

#### 15.4. Major lawsuits

Provisions for major lawsuits stemming from the acquisition of Comilog SA in 1996/1997 are unchanged (€12 million). The Group feels that they should be sufficient to cover all the lawsuits in question.

#### 15.5. Environmental contingencies and site restoration

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Environmental contingencies	25	47	36
Site restoration (*)	95	80	83
<b>Total</b>	<b>120</b>	<b>127</b>	<b>119</b>
(*) Of which, provisions with offsetting dismantling asset	70	54	48
- Long-term portion	120	127	119
- Short-term portion	-	-	-

**Environmental contingencies:** The provision amounted to €25 million as on December 31, 2006 (€47 million as on December 31, 2005) and primarily related to the Manganese Division (€8 million compared with €30 million as on December 31, 2005) and the Alloys Division (€8 million against €14 million as on December 31, 2005).

Provisions were recognised in the Manganese Division to meet environmental undertakings arising from regulatory and legal measures or obligations. In Marietta (USA), the provisions specifically cover obligations with regard to impoundments. These provisions were appraised on the basis of expert reports and technical analyses; they have been reclassified in site restoration as from 2006.

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>47</b>	<b>36</b>	<b>34</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	(8)	(2)	13
- Allowances over the period	3	12	13
- (Reversals) over the period - used	(11)	(14)	-
- (Reversals) over the period - unused	-	-	-
Translation adjustments and other movements	(14)	13	(11)
<b>As on December 31</b>	<b>25</b>	<b>47</b>	<b>36</b>

**Site restoration:** Site restoration for mines currently in operation involved Le Nickel-SLN in New Caledonia (Nickel Division), for €57 million (December 31, 2005: €54 million), Comilog SA in Gabon (Manganese Division) for €7 million (December 31, 2005: €7 million) and since 2006 Eramet Mariette Inc. in the USA for €13 million following the reclassification of provisions for environmental contingencies relating to impoundments. Restoration costs are discounted over the remaining period to the expected end of operation of the mine, with averages of nine years and a maximum of 14 in New Caledonia, eight years and a maximum of 15 in Gabon and 63 years and a maximum of 72 in the US. These provisions are discounted at a rate of 4.75% in New Caledonia, 6.5% in Gabon and 5% in the USA. A one percentage point increase or decrease in the rates would have a €6 million impact on provisions and related assets.

At Boulogne-sur-Mer, provisions were recognised in 2003 for regulatory and constructive obligations with regard to the demolition and restoration of the site following the decision to shut down the plant (Notes 15.3 and 15.6).

The Group has no decommissioning fund as defined by IFRIC 5.

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>80</b>	<b>83</b>	<b>66</b>
Business combinations	-	-	-
Other changes in scope	-	-	-
Allowances (reversals) over the period	-	(8)	2
- Allowances over the period	1	1	-
- (Reversals) over the period - used	(4)	(12)	-
- (Reversals) over the period - unused	-	-	-
- Reversal of discounting	3	3	2
Translation adjustments and other movements	15	5	15
<b>As on December 31</b>	<b>95</b>	<b>80</b>	<b>83</b>

### 15.6. Other contingencies and losses

The other provisions spread across the three divisions cover miscellaneous contingencies, including the cost of closing the Boulogne-sur-Mer plant (€5 million compared with €7 million at end-2005), financial risks for Bronzavia Industries (€1 million) and commercial risks/disputes (€13 million compared with €11 million at end-2005).

(en millions d'euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>35</b>	<b>42</b>	<b>52</b>
Business combinations	-	-	-
Other changes in scope	-	7	-
Allowances (reversals) over the period	11	(2)	(4)
- Allowances over the period	24	23	28
- (Reversals) over the period - used	(13)	(21)	(32)
- (Reversals) over the period - unused	-	(4)	-
- Reversal of discounting	-	-	-
Translation adjustments and other movements	(4)	(12)	(6)
<b>As on December 31</b>	<b>42</b>	<b>35</b>	<b>42</b>

### 15.7. Ongoing disputes

To the best of the Company's knowledge, there are no other extraordinary situations or disputes likely to have a material impact on the financial position, results or assets of the Company or Group.

## 16. Deferred tax

### 16.1. By category

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Difference between tax and consolidated amounts of non-current assets	129	66	54
Restatement of tax entries	107	105	107
Other timing differences	87	54	71
Hedging instruments	13	7	-
Other	4	2	1
<b>Deferred tax liabilities</b>	<b>340</b>	<b>234</b>	<b>233</b>
Timing differences	107	85	90
Tax loss carry-forwards (*)	6	12	20
Elimination of gains (losses) on internal disposals	25	18	15
Hedging instruments	128	12	-
Other	-	-	2
<b>Deferred tax assets</b>	<b>266</b>	<b>127</b>	<b>127</b>
<b>Total</b>	<b>74</b>	<b>107</b>	<b>106</b>
(*) Limited or written off deferred tax assets	24	47	96
Capitalised deferred tax assets	6	12	20

The other timing differences recognised in liabilities as on December 31, 2006 (€87 million) mostly related to the lease (€45 million), the portion of future taxable profit in Sweden (€12 million) technical provisions for reinsurance (€9 million) and unrealised UCITS capital gains (€8 million).

The timing differences recognised in assets (€107 million) primarily relate to employee benefits and mostly in the USA and Norway (€25 million), provisions (€17 million) and leases (€39 million).

The increased difference between the tax and consolidated amounts of non-current assets in 2006 resulted predominantly from the €65 million deferred tax liability recognised on the revaluation of the mining site of Pt Weda Bay Nickel (Note 2).



## 16.2. Changes over the period

(millions of euros)	Liabilities	Assets	Net FY 2006	Net FY 2005	Net FY 2004
<b>As on January 1</b>	<b>234</b>	<b>127</b>	<b>107</b>	<b>106</b>	<b>102</b>
Business combinations	68	-	68	2	-
Other changes in scope	-	-	-	1	-
Deferred tax offset in shareholders' equity	6	115	(109)	(3)	-
Deferred tax on profit (loss) for the period	40	30	10	2	6
Translation adjustments and other movements	(8)	(6)	(2)	(1)	(2)
<b>As on December 31</b>	<b>340</b>	<b>266</b>	<b>74</b>	<b>107</b>	<b>106</b>

Pursuant to IAS 12, deferred tax assets and liabilities are presented separately in the balance sheet.

Except for tax consolidation in France (Note 16.3) and the United States (Note 16.4), every company is an independent tax entity.

## 16.3. Tax consolidation in France

Tax consolidation in France is comprised of the following companies:

Companies within the scope of tax consolidation	31/12/2006	31/12/2005	31/12/2004
<b>Consolidated companies</b>			
Eramet S.A.	x	x	x
Metal Securities	x	x	-
Erasteel SAS	x	x	x
Erasteel Commentry	x	x	x
Erasteel Champagnole	x	x	x
Eramet Holding Nickel (Ehn)	x	x	x
Eramet Holding Manganèse (Ehm)	x	x	x
Société Industrielle de Métallurgie Avancée (Sima)	x	x	x
Aubert & Duval (ad)	x	x	x
Airforge	x	x	-
Financière Brown Europe	-	-	x
Brown Europe	-	-	x
Eramet Alliages	x	x	x
Eurotungstène Poudres (Etp)	x	x	x
<b>Non-consolidated companies</b>			
Eramet International & Eramet Japan	x	x	x
Tec Ingénierie	x	x	x
Centre de Recherches de Trappes (Crt)	x	x	-
Eramine	x	x	x
Forges de Montplaisir	x	x	x
Supa	x	x	x
Microsteel	x	x	x
Transmet	x	x	x
Financière Brown Europe & Brown Europe	x	x	-

Tax loss carryforwards were used in full as on December 31, 2006. On December 31, 2005, the capitalised tax loss carryforwards represented €33 million in total (€11 million in deferred tax assets) in accordance with the assumptions for their recovery estimated from the business plans of the companies in question. Furthermore, the net deferred tax position of the tax consolidation in France was a €42 million liability (€95 million in liabilities; €53 million in assets).

#### 16.4. Tax consolidation in the United States

The scope of the tax consolidation in the USA is comprised of the following companies:

Companies within the scope of tax consolidation	31/12/2006	31/12/2005	31/12/2004
<b>Consolidated companies</b>			
Comilog US & Eramet Comilog North America Inc. (Ecna)	x	x	x
Erachem Comilog Inc.	x	x	x
Gulf Chemical & Metallurgical Corp. (Gcmc)	x	x	x

The tax consolidation in the USA currently shows a net tax liability of €2 million (€13 million in liabilities; €11 million in assets). There were no tax loss carry-forwards as on December 31, 2006.

#### 17. Borrowings

##### 17.1. By category

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Bank loans (*)	185	85	49
Bank overdrafts and creditor banks	18	36	64
Finance leases	62	22	24
Other borrowings	25	16	12
<b>Total</b>	<b>290</b>	<b>159</b>	<b>149</b>
(*) Of which commercial paper	180	55	-

Since 2005, Eramet has had a €400 million commercial paper programme. Total issued commercial paper amounted to €180 million as on December 31, 2006 (€55 million at end-2005) and was included under the "Bank loans" heading. The commercial paper issued in 2006 served mainly to finance the acquisition of shares in Weda Bay Minerals Inc. in early May 2006 (Note 2.1).

##### 17.2. By currency

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Euro	261	110	104
US dollar	7	16	22
CFA franc	3	12	9
British pound	1	1	2
Other currencies	18	20	12
<b>Total</b>	<b>290</b>	<b>159</b>	<b>149</b>

##### 17.3. By maturity

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Less than a year	218	110	89
One to five years	24	33	41
Over five years	48	16	19
<b>Total</b>	<b>290</b>	<b>159</b>	<b>149</b>

Eramet enjoys confirmed medium and long-term credit facilities. The unused amounts of these credit facilities on the balance sheet date would allow the Group to refinance its short-term debt on a longer-term basis.

Unused credit facilities	600	600	451
Unissued commercial paper	220	345	-

Bank covenants relating to these credit lines are wholly satisfied. The covenants related to the ratio of net debt to shareholders' equity.

#### 17.4. By interest rate

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Interest-free	8	3	12
Fixed interest rates	15	22	43
- Under 5%	1	4	13
- 5%-10%	14	17	28
- Over 10%	-	1	2
Variable interest rates	267	134	94
- Under 5%	267	121	80
- 5%-10%	-	12	13
- Over 10%	-	1	1
<b>Total</b>	<b>290</b>	<b>159</b>	<b>149</b>

#### 17.5. Finance leases

(millions of euros)	31/12/2006		31/12/2005	
	Nominal value	Present value	Nominal value	Present value
Less than a year	7	5	3	2
One to five years	26	21	11	9
Over five years	39	36	12	11
<b>Total</b>	<b>72</b>	<b>62</b>	<b>26</b>	<b>22</b>
Interest expense	-	10	-	4
<b>Total</b>	<b>72</b>	<b>72</b>	<b>26</b>	<b>26</b>

Finance leases mainly relate to capital expenditure for the 40,000-ton press in Pamiers (Airforge – Alloys Division) for €58 million, of which €41 million was for capital expenditure in 2006 (Note 5.3).

#### 17.6. Net cash or borrowing position

##### 17.6.1. By category

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Borrowings	(290)	(159)	(149)
Cash equivalents	612	472	344
Cash	31	51	93
<b>Total</b>	<b>353</b>	<b>364</b>	<b>288</b>

## 17.6.2. Net cash or borrowing position

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>Cash flows from operating activities</b>			
EBITDA	758	694	778
Elimination of non-cash and non-operating income and expenses:	(164)	(63)	(195)
<b>Cash generated by operating activities *</b>	<b>594</b>	<b>631</b>	<b>583</b>
Net change in current operating assets and liabilities	(51)	(153)	(65)
<b>Net cash generated by operating activities *</b>	<b>543</b>	<b>478</b>	<b>518</b>
<b>Cash flows from investing activities</b>			
Industrial capital expenditure	(309)	(231)	(240)
Payments for financial investments	(192)	(32)	(75)
Proceeds from non-current asset disposals	17	19	15
Capital grants received	14	-	21
Changes in debt and receivables on non-current assets *	(4)	(113)	(6)
Changes in scope and loans	11	21	-
Dividends received from associates	1	2	4
<b>Net cash used in investing activities</b>	<b>(462)</b>	<b>(334)</b>	<b>(281)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(98)	(73)	(35)
Proceeds from share capital increases	3	1	6
Change in working capital requirement stemming from financing activities	2	1	-
<b>Net cash used in financing activities</b>	<b>(93)</b>	<b>(71)</b>	<b>(29)</b>
Exchange rate impact	1	3	2
<b>Increase (decrease) in net cash or borrowings</b>	<b>(11)</b>	<b>76</b>	<b>210</b>
Net cash (borrowings) at January 1	364	288	78
Net cash (borrowings) at December 31	353	364	288

\* Of which €124 million with no impact on the Group's cash position, the impact on the 2005 financial statements of the conclusion of the Bercy agreements (Notes 22 and 26).

## 18. Trade and other payables

### 18.1. By category

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Trade payables	288	279	221
Tax and payroll liabilities	177	171	148
Other operating liabilities	71	37	37
Debts on non-current assets	49	53	67
Debts of associates - dividends	5	4	3
Prepaid income	6	19	19
Poum / Koniambo mining indemnity (Note 26)	-	-	99
<b>Total</b>	<b>596</b>	<b>563</b>	<b>594</b>
- Non-current liabilities	27	20	13
- Current liabilities	569	543	581

The €27 million in debts (€20 million on December 31, 2005) in non-current liabilities relates to Setrag SA's 25-year debt to the Gabonese State for the purchase of own property and a portion of the spare parts inventory for €11 million (identical to December 31, 2005) as well as to the €16 million (€9 million as on December 31, 2005) in tax breaks relating to the financing of furnace No. 10 (2004 agreement) and of the beneficiation plant (2006 agreement) as part of the Le Nickel-SLN "75,000 ton", apportioned over five to six years.

## 18.2. Trade and other payables

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>Trade payables</b>	<b>563</b>	<b>594</b>	<b>549</b>
Business combinations	1	11	-
Other changes in scope	(1)	34	-
Changes in working capital requirement	61	(88)	26
Translation adjustments and other movements	(28)	12	19
<b>As on December 31</b>	<b>596</b>	<b>563</b>	<b>594</b>

Foreign-currency denominated debt is translated at the closing rate. The Poup/Koniambo mining indemnity was fully reversed in income following the conclusion of the Bercy agreements at the end of 2005 (Notes 22 and 26).

## 19. Financial derivatives

Breakdown of financial instruments - assets:

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Financial instrument assets	19	4	15
Financial instruments - currency hedges	33	6	-
Financial instruments - interest rate hedges	-	-	-
Financial instruments - commodity hedged	3	15	-
<b>Total</b>	<b>55</b>	<b>25</b>	<b>15</b>

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>25</b>	<b>15</b>	<b>4</b>
Hedging instruments measured at fair value stemming from the first-time application of IAS 39	-	82	-
Changes in hedging instruments over the period - shareholders' equity	16	(58)	-
Changes in hedging instruments over the period - finance expense	(1)	(3)	-
Changes in financial instrument assets	15	(11)	11
<b>As on December 31</b>	<b>55</b>	<b>25</b>	<b>15</b>

Breakdown of financial instruments - liabilities:

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
Financial instrument liabilities	3	7	2
Financial instruments - currency hedges	7	29	-
Financial instruments - interest rate hedges	-	1	-
Financial instruments - commodity hedges	357	6	-
<b>Total</b>	<b>367</b>	<b>43</b>	<b>2</b>

(millions of euros)	FY 2006	FY 2005	FY 2004
<b>As on January 1</b>	<b>43</b>	<b>2</b>	<b>-</b>
Hedging instruments measured at fair value stemming from the first-time application of IAS 39	-	2	-
Changes in hedging instruments over the period - shareholders' equity	328	30	-
Changes in hedging instruments over the period - finance expense	-	4	-
Changes in financial instrument liabilities	(4)	5	2
<b>As on December 31</b>	<b>367</b>	<b>43</b>	<b>2</b>

Foreign currency denominated receivables and debt are translated at the closing rate. The hedging instrument is measured and recognised at fair value. The breakdown of the change in this fair value, covering the assets and liabilities, is split out in the financial instruments – assets or liabilities line item.

The first-time application of IAS 32 and 39 as on January 1, 2005, recognised in opening shareholders' equity, had the following impact on the balance sheet:

#### Currency hedges

(millions of euros)	01/01/2005	Hedging	Non-hedging
Hedging instruments	82	76	6
<b>Total assets</b>	<b>82</b>	<b>76</b>	<b>6</b>
Reserves	38	35	3
Minority interests	15	14	1
Shareholders' equity	53	49	4
Deferred tax	29	27	2
Hedging instruments	-	-	-
<b>Total liabilities</b>	<b>82</b>	<b>76</b>	<b>6</b>

Interest rate hedging had no impact as on January 1, 2005 and commodity hedging was not material on that date either.

**Foreign currency risks:** currency hedging is almost wholly related to the US dollar and is designed to cover the Group's structurally long present and future positions on business transactions.

#### • As on December 31, 2006:

(in foreign currency millions)	2006 sales			2007 sales			2008 sales		
	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
<b>Commercial hedges</b>									
Eur / Usd	393	Usd	1.2691	895	Usd	1.2786	6	Usd	1.0518
Eur / Nok	25	Eur	8.2529	79	Eur	8.1546	-	-	-
Eur / Gbp	3	Gbp	0.6869	4	Gbp	0.6830	-	-	-
	-	-	-	2	Eur	0.6896	-	-	-
Gbp / Usd	3	Usd	1.9344	5	Usd	1.8846	-	-	-
Gbp / Sek	4	Gbp	13.2024	6	Gbp	13.4349	-	-	-
Jpy / Sek	14	Jpy	0.1077	219	Jpy	0.0633	-	-	-
Eur / Sek	3	Eur	9.7387	22	Eur	9.2519	-	-	-
Usd / Sek	12	Usd	7.1022	10	Usd	6.9775	-	-	-
Eur / Jpy	126	Jpy	141.9972	276	Jpy	140.4317	-	-	-
<b>Financial hedges</b>									
Eur / Usd	234	Usd	1.3191						
Cad / Usd	26	Cad	1.1490						
Eur / Nok	1,250	Nok	8.1000						

#### • As on December 31, 2005:

(in foreign currency millions)	2006 sales			2007 sales			2008 sales		
	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
<b>Commercial hedges</b>									
Eur / Usd	187	Usd	1.2172	555	Usd	1.2620	13	Usd	1.0497
Usd / Nok	14	Usd	6.6129	3	Usd	6.5152	-	-	-
Eur / Nok	3	Eur	7.8373	90	Eur	8.2232	-	-	-
Eur / Gbp	3	Gbp	0.6921	3	Gbp	0.6876	-	-	-
	1	Eur	0.6899	3	Eur	0.7016	-	-	-
Gbp / Usd	3	Usd	1.7923	4	Usd	1.7608	-	-	-
Gbp / Sek	4	Gbp	13.3176	4	Gbp	13.6011	-	-	-
Jpy / Sek	79	Jpy	0.0686	293	Jpy	0.0690	-	-	-
Eur / Sek	81	Eur	9.1802	26	Eur	9.4079	-	-	-
	25	Sek	9.2021	-	-	-	-	-	-
Usd / Sek	10	Usd	7.4477	3	Usd	7.6769	-	-	-
Eur / Jpy	145	Jpy	138.7172	505	Jpy	133.9093	-	-	-
<b>Financial hedges</b>									
Eur / Sek	37	Sek	9.4345	-	-	-	-	-	-

• As on December 31, 2004:

(in foreign currency millions)	2006 sales			2007 sales			2008 sales		
	Amounts	Currency	Rate	Amounts	Currency	Rate	Amounts	Currency	Rate
<b>Commercial hedges</b>									
Eur / Usd	159	Usd	1.2364	940	Usd	1.2351	22	Usd	1.0280
Usd / Nok	10	Usd	6.4155	-	-	-	-	-	-
Eur / Nok	97	Eur	8.2634	111	Eur	8.3866	-	-	-
Eur / Gbp	5	Gbp	0.7074	3	Gbp	0.6902	-	-	-
	1	Eur	0.7008	3	Eur	0.7018	-	-	-
Gbp / Usd	1	Usd	1.9321	5	Gbp	1.8057	-	-	-
Gbp / Sek	4	Gbp	13.0306	4	Gbp	12.9944	-	-	-
Jpy / Sek	48	Jpy	0.0667	-	-	-	-	-	-
Eur / Sek	5	Eur	9.0603	12	Eur	9.0940	-	-	-
	25	Sek	9.0145	31	Sek	9.1805	-	-	-
Usd / Sek	7	Usd	6.9016	2	Usd	6.6568	-	-	-
Eur / Jpy	2	Jpy	136.4196	-	-	-	-	-	-
<b>Financial hedges</b>									
Eur / Usd	57	Usd	1.3174	-	-	-	-	-	-
Eur / Nok	25	Nok	8.3992	-	-	-	-	-	-

As on December 31, 2006, unrealised gains resulting from the difference between the closing rates and hedging rates of the transactions set out above resulted in a net asset of €26 million (December 31, 2005: €23 million net liability).

**Interest rate risks:** Eramet hedges part of its interest-rate risk exposure, primarily arising from its borrowings, via Euribor 3-month rate swaps against variable and fixed rates for periods of between three months and three years. This arrangement is reviewed every year and all differences on settlement recognised in full in net finance income for the period. As on December 31, 2006, these instruments were ineligible for classification as hedges.

**Interest rate derivatives as on December 31, 2006**

(millions of euros)	2007
Outstanding amounts hedged	20
Maximum average rates	3.65

**Interest rate derivatives as on December 31, 2005**

(millions of euros)	2006	2007
Outstanding amounts hedged	20	20
Maximum average rates	2.76	3.65

**Interest rate derivatives as on December 31, 2004**

(millions of euros)	2005	2006	2007
Outstanding amounts hedged	20	40	40
Maximum average rates	3.97	3.31	3.80

**Commodity risks:** In 2006, Eramet hedged around 30% of its fuel oil purchases for Le Nickel-SLN of which the fair value in the balance sheet date gave rise to a €3 million liability.

Eramet hedges part of its nickel sales based on forecast budgets over one or two years, the fair value of which amounted to a €354 million liability. Thus on December 31, 2006, 40% of expected deliveries for 2007 were hedged at an average price of around US\$19,000 per ton (US\$8.60/pound) and 16% of those for 2008 at an average price of US\$16,000 per ton (US\$7.20/pound). Eramet mainly uses forwards, combined calls and puts and purchase options.

Some of Aubert & Duval's aluminium purchases during the year were hedged and the fair value at end-2006 amounted to a €3 million asset.

## 20. Sales and other income

### 20.1. Sales

(millions of euros)	FY 2006	FY 2005	FY 2004
Sales of goods	2,938	2,659	2,507
Sales of services	118	53	14
<b>Total</b>	<b>3,056</b>	<b>2,712</b>	<b>2,521</b>

### 20.2. Other income

(millions of euros)	FY 2006	FY 2005	FY 2004
Translation adjustments on sales	(13)	1	57
Capitalised production	7	15	15
Other	16	20	21
<b>Total</b>	<b>10</b>	<b>36</b>	<b>93</b>

## 21. Depreciation, amortisation and provisions

### 21.1. Depreciation, amortisation and provisions on non-current assets

(millions of euros)	FY 2006	FY 2005	FY 2004
Intangible assets	(8)	(7)	(7)
Property, plant & equipment	(136)	(120)	(120)
<b>Total</b>	<b>(144)</b>	<b>(127)</b>	<b>(127)</b>

### 21.2. Provisions

(millions of euros)	FY 2006	FY 2005	FY 2004
Pension and related liabilities	(4)	(9)	6
Other payroll contingencies and losses	(4)	(8)	(3)
Environmental contingencies	3	(3)	(2)
Site restoration	(2)	(1)	-
Other contingencies and losses	-	(4)	(9)
<b>Total</b>	<b>(7)</b>	<b>(25)</b>	<b>(8)</b>

## 22. Other operating income and expenses

(millions of euros)	FY 2006	FY 2005	FY 2004
Gains on asset disposals	2	-	1
Restructuring and redundancy plans	4	3	4
Losses on impairment tests	(1)	(9)	(11)
Changes in estimates - inventories	17	-	-
Other items - income	10	126	10
Other items - expenses	(9)	(8)	(31)
<b>Total</b>	<b>23</b>	<b>112</b>	<b>(27)</b>



**Restructuring and redundancy plans:** the various redundancy plans announced and being implemented in France, Belgium and Norway gave rise to the recognition of a €74 million provision in 2003. Assets no longer used in the Alloys and Manganese Divisions with a carrying amount of €55 million were fully impaired. A €34 million provision was recognised for the net cost of site closures and restoration. In 2005 and 2006, the costs disbursed for the period relating to these restructuring plans were subject to reversals of provisions of €14 million and €8 million respectively (Note 15.3).

**Losses on impairment tests:** in 2005, estimated future industrial performances were reviewed for the main sites. This resulted in allocating a net provision of €9 million in the Manganese and Alloys Division to reduce the amount of these non-current assets to their fair value. No material additional impairment was recognised on December 31, 2006.

**Changes in estimates - inventories:** in 2006, changes in estimates affected Aubert & Duval (Alloys Division) and Gulf Chemical & Metallurgical Corp (Manganese Division) by €13 million and €4 million respectively. They stemmed from more accurate inventory valuations following the installation of a new IT system at Aubert & Duval and the recognition of catalysts in inventories at Gulf Chemical & Metallurgical Corp. (Note 9).

**Other items - income:** at end-2005, the vested portion for the Poum/Koniambo indemnity (Note 26) amounted to €8 million, on top of the impact of concluding the Bercy agreements (Note 26) for €116 million (€92 million for the main indemnity and €24 million in interest) and the reversal in income of the €2 million in goodwill resulting from the acquisition of Poum SAS. In 2006, a €4 million reversal was recognised for pension liabilities at the Gabonese company Setrag SA after a post-acquisition assessment carried out by an independent expert.

**Other items - expenses:** as on December 31, 2005, €6 million in additional provisions were recorded in the Manganese and Alloys Divisions for environmental contingencies and lawsuits (waste heaps and occupational diseases). Aligning the long service bonus scales between the various sites in the Alloys Division also resulted in an additional allowance of €1 million.

## 23. Net borrowing cost and other finance income and expense

### 23.1. Net borrowing cost

(millions of euros)	FY 2006	FY 2005	FY 2004
Interest income	6	4	4
Interest expense	(15)	(8)	(17)
Net income on marketable securities	13	15	5
Changes in fair value of marketable securities	(1)	(8)	-
Net translation adjustments	4	(5)	-
Other	-	(1)	-
<b>Total</b>	<b>7</b>	<b>(3)</b>	<b>(8)</b>

### 23.2. Other finance income and expense

(millions of euros)	FY 2006	FY 2005	FY 2004
Investment and dividend income	2	3	1
Gains on investments in associates	-	-	-
Net allowances to / reversals of financial provisions	-	(2)	(1)
Net translation adjustments	-	-	1
Reversal of discounting	(3)	(3)	(2)
Financial instruments ineligible as hedges	(1)	(7)	-
Other	(2)	-	(1)
<b>Total</b>	<b>(4)</b>	<b>(9)</b>	<b>(2)</b>

Reversal of discounting relates to provisions for mining site restoration (Note 15.5). The financial instruments ineligible as hedges correspond to the portion of hedging instruments (currencies/commodities/interest rates) recognised in income pursuant to IAS 32 and 39 (Note 19).

## 24. Income tax

### 24.1. By category

(millions of euros)	Exercice 2006	Exercice 2005	Exercice 2004
Current tax	(164)	(124)	(123)
Deferred tax	(10)	(2)	(6)
<b>Total</b>	<b>(174)</b>	<b>(126)</b>	<b>(129)</b>

### 24.2. Effective tax rate

(millions of euros)	Exercice 2006	Exercice 2005	Exercice 2004
Operating profit	630	654	616
Net borrowing cost and other finance income and expense	3	(12)	(10)
<b>Profit (loss) for period before tax of consolidated companies</b>	<b>633</b>	<b>642</b>	<b>606</b>
Standard tax rate in France (%)	33.33%	33.33%	33.33%
<b>Theoretical tax expense:</b>	<b>(211)</b>	<b>(214)</b>	<b>(202)</b>
Impact on theoretical tax:			
- Of permanent differences between accounting and taxable profits	10	43	4
- Of additional contributions in France	(1)	-	(1)
- Of standard tax differences in foreign countries	(7)	(4)	1
- Of reduced tax rates	1	4	1
- Of tax credits	1	5	24
- Of withholding tax on dividends	(9)	(4)	(4)
- Of unrecognised or limited deferred tax assets	35	40	48
- Of miscellaneous items	7	4	-
<b>Actual tax charge</b>	<b>(174)</b>	<b>(126)</b>	<b>(129)</b>
<b>Effective tax rate</b>	<b>27%</b>	<b>20%</b>	<b>21%</b>

As on December 31, 2006, like in 2005, unrecognised or limited deferred tax assets mainly related to tax losses not capitalised at Manganese Division companies (primarily Comilog SA and Erachem Comilog SA). The benefit in 2006 for unrecognised prior tax losses amounted to €26 million and €9 million for other timing differences.

Major permanent differences in 2005 chiefly related to untaxed extraordinary income stemming from the conclusion of the Poum/Koniombo mining indemnity (Notes 22 and 26).

Miscellaneous items mostly concern tax adjustments prior to 2006.

## 25. Earnings per share

	FY 2006			FY 2005			FY 2004		
	Profit (loss) for the period	Number of shares	Earnings per share	Profit (loss) for the period	Number of shares	Earnings per share	Profit (loss) for the period	Number of shares	Earnings per share
Basic earnings per share	319	25,720,704	12.38	377	25,543,203	14.76	346	25,138,630	13.75
Subscription options	-	151,250	-	-	112,270	-	-	165,200	-
Purchase options	-	63,078	-	-	132,305	-	-	313,028	-
<b>Purchase option exercises by employees</b>	<b>319</b>	<b>25,935,032</b>	<b>12.28</b>	<b>377</b>	<b>25,787,778</b>	<b>14.62</b>	<b>346</b>	<b>25,616,858</b>	<b>13.50</b>

The basic number of shares corresponds to the weighted average number of shares, less the weighted number of treasury shares:

	Ordinary shares		Treasury stock		Shares in circulation	
	At close	Weighted average	At close	Weighted average	At close	Weighted average
<b>Number of shares as on December 31, 2003</b>	<b>25,577,574</b>	<b>25,577,574</b>	<b>556,826</b>	<b>556,826</b>	<b>25,020,748</b>	<b>25,020,748</b>
Acquisitions and disposals - liquidity contract	-	-	5,769	1,772	(5,769)	(1,772)
Subscription option exercises by employees	167,370	84,830	-	-	167,370	84,830
Purchase option exercises by employees	-	-	(228,112)	(34,824)	228,112	34,824
<b>Number of shares as on December 31, 2004</b>						
- Weighted average	-	<b>25,662,404</b>	-	<b>523,774</b>	-	<b>25,138,630</b>
- At close	<b>25,744,944</b>	<b>25,744,944</b>	<b>334,483</b>	<b>334,483</b>	<b>25,410,461</b>	<b>25,410,461</b>
Acquisitions and disposals - liquidity contract	-	-	3,186	(3,787)	(3,186)	3,787
Subscription option exercises by employees	44,930	11,708	-	-	44,930	11,708
Purchase option exercises by employees	-	-	(170,848)	(117,247)	170,848	117,247
<b>Number of shares as on December 31, 2005</b>						
- Weighted average	-	<b>25,756,652</b>	-	<b>213,449</b>	-	<b>25,543,203</b>
- At close	<b>25,789,874</b>	<b>25,789,874</b>	<b>166,821</b>	<b>166,821</b>	<b>25,623,053</b>	<b>25,623,053</b>
Acquisitions and disposals - liquidity contract	-	-	1,014	(97)	(1,014)	97
Subscription option exercises by employees	91,020	70,728	-	-	91,020	70,728
Purchase option exercises by employees	-	-	(37,578)	(26,826)	37,578	26,826
<b>Number of shares as on December 31, 2006</b>						
- Weighted average	-	<b>25,860,602</b>	-	<b>139,898</b>	-	<b>25,720,704</b>
- At close	<b>25,880,894</b>	<b>25,880,894</b>	<b>130,257</b>	<b>130,257</b>	<b>25,750,637</b>	<b>25,750,637</b>

The number of unexercised stock subscription and purchase options as on December 31, 2006 numbered 165,250 and 63,078 respectively (256,270 and 132,305 options as on December 31, 2005). Only 151,250 potentially subscribable shares (112,270 shares as on December 31, 2005) were included in diluted earnings per share, allowing for the 13,200 options not exercisable at the end of 2006 (144,000 at year-end 2005).

## 26. New Caledonian ore reserves issue

### Recap of facts

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

The agreement concluded in February 1998 with government officials provided for an exchange of mining rights on condition that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo massif owned by Le Nickel-SLN, in exchange for SMSP's lesser quality Poum reserves.

This exchange came with an indemnity from the State to compensate for the impact on Le Nickel-SLN's and Eramet's businesses of the difference in reserves between the two deposits.

### First stage

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

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

### Second Stage

The second stage was to take place as soon as the developers began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons before a French court on December 28, 2005, the judge unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In parallel, Le Nickel-SLN acquired Poum SAS, the company holding the Poum massif for a contractually agreed amount of €6 million from SAS Poum-Koniambo. A €4.1 million payment was made in 2006, with Le Nickel-SLN contractually assuming the site restoration liabilities of Poum for an estimated €1.9 million.

### Recognition of transactions

In accordance with the 1998 agreements, the indemnity is wholly vested and was recognised in other operating income and expenses for €99.7 million plus interest for which €24.2 million in provisions had been recorded in previous years.

In the IFRS consolidated financial statements, the Poum massif was measured using the discounted cash flow method on the basis of reserves estimated to the best of the Company's knowledge. Assumptions regarding price, capital expenditure, cost price and

discounting, etc. were applied based on the assessments usually made by the Group in its strategic plans. The fair value of €10 million generated after-tax badwill of €2.5 million, recognised directly in income. The conclusion of these transactions in 2005 resulted in a gain of €126 million, recognised in other operating income and expenses (Note 22) and a gain of €77 million in profit (loss) for the period, Group share.

## 27. Off-balance sheet commitments

(millions of euros)	31/12/2006	31/12/2005	31/12/2004
<b>Commitments given</b>			
Endorsements, pledges and guarantees	30	34	62
Warranties:	52	162	141
- Property, plant & equipment	29	35	50
- Long-term financial assets	2	89	55
- Inventories	11	25	23
- Receivables and other assets	10	13	13
<b>Commitments received</b>			
Endorsements, pledges and guarantees	12	21	16
Warranties	None	None	None
Credit lines	600	600	451

The large reduction in warranties is mostly due to early debt repayments in the Manganese Division.

The above table does not include current business orders (from customers or with suppliers), future finance lease commitments detailed separately, or commitments for orders of non-current assets with respect to strategic capital expenditure projects (set out in Note 5.3). Such orders and liabilities amounted to €37 million (€75 million as on December, 31 2005).

### Finance leases:

(millions of euros)	Exercice 2006	Exercice 2005
Amounts recognised in income statement:	3	3
- Lease payments	3	3
- Sub-lease income	-	-
Future commitments:	72	26
- Less than a year	7	3
- One to five years	26	11
- Over five years	39	12

Finance leases mainly concern real-estate leases in the Alloys Division, relating in particular to financing the 40,000-ton press in Pamiers (Notes 5.3 and 17.5); €48 million of which relates to capital expenditure over the period.

### Operating leases:

Operating leases, of which the amount recognised in the income statement amounted to €34 million, mainly concerning real-estate and transport equipment leases, in particular in New Caledonia and Gabon.

## 28. Other commitments

Following an increase in Comilog SA's share capital at the end of 2002, the state of Gabon had an option to acquire, prior to the end of 2005, 75,302 shares or 3.23% of the share capital at the subscription price. At the balance sheet date, the Gabonese state had not purchased any shares.

Pursuant to the Le Nickel-SLN shareholder agreement of September 12 and 13, 2000 between Eramet and Société Territoriale de Participation Industrielle (STCPI), following the agreement of July 17 between the State, the provinces of New Caledonia and the representatives of the island's main political parties, on December 6, 2006, STCPI exercised its option from Eramet to sell it 4% of the share capital of Le Nickel-SLN, via a swap of Eramet shares at a rate of three Eramet shares for every five of Nickel-SLN. The terms of the share exchange were established on the basis of a valuation of the companies from 1999 and so no longer appeared to reflect the current economic realities, undervaluing Le Nickel-SLN and thereby giving rise to a loss for Eramet. As a result, to enable its shareholders to have full information on the financial terms of the swap, on February 6, 2007, the Company asked the President of the Commercial Court of Paris, deliberating in summary proceedings, to appoint an independent expert to value Eramet and Le Nickel-SLN as on December 6, 2006. Following a ruling on February 9, 2007, an expert was appointed. This transaction will be submitted for the approval of the General Shareholders' Meeting of April 25, 2007.

The Indonesian state company Pt Antam, owner of 10% of Pt Weda Bay Nickel, has a call option on securities exercisable between the submission date of a feasibility study by an independent banking institution and 30 days later. The price of this option on 15% of the share capital in Pt Weda Bay Nickel will be valued at 150% of the expenses incurred as on the date of the construction decision. Pt Antam also has an additional stock option exercisable during the first 60 days of the 14th year of output on a minimum stake of 5% and the percentage required to hold a maximum stake of 40%. If Pt Weda Bay Nickel is listed on a stock exchange, the price of the shareholding shall be established by determining the average price in the 60 days prior and 60 days subsequent to exercising the option. If Pt Weda Bay Nickel is not listed, the shareholding will be valued by independent experts.

## 29. Related party transactions

To the best of the Group's knowledge, there were no transactions with shareholders owning more than 5% of the share capital. Details of related party transactions in 2006 are set out below.

(millions of euros)	FY 2006	FY 2005
<b>Sales</b>		
- Non-consolidated controlled subsidiaries	55	23
- Associates	-	1
<b>Cost of sales and administrative and selling expenses</b>		
- Non-consolidated controlled subsidiaries	(3)	(19)
- Associates	(4)	(8)
<b>Net borrowing cost</b>		
- Non-consolidated controlled subsidiaries	-	-
- Associates	-	-

In 2006, balance sheet assets and liabilities resulting from related party transactions are as follows:

(millions of euros)	FY 2006	FY 2005
<b>Trade and other receivables</b>		
- Non-consolidated controlled subsidiaries	13	10
- Associates	-	-
<b>Trade and other payables</b>		
- Non-consolidated controlled subsidiaries	5	4
- Associates	-	1
<b>Net financial assets (liabilities)</b>		
- Non-consolidated controlled subsidiaries	2	4
- Associates	-	-

Eramet does not provide any guarantees on related party debts.

In 2006, the gross compensation and benefits to Directors and members of the Executive Committee included in the Group's profit (loss) for the period were as follows:

(thousands of euros)	FY 2006	FY 2005
<b>Short-term benefits</b>		
- Fixed remuneration	2,173	2,011
- Variable remuneration	451	337
- Directors' fees	184	199
<b>Other benefits</b>		
- Post-employment benefits	286	555
- Share-based payment	428	332
<b>Total</b>	<b>3,522</b>	<b>3,434</b>

### 30. Workforce and personnel costs

#### 30.1. Average workforce by division

	FY 2006	FY 2005	FY 2004
Nickel	2,668	2,551	2,484
Manganese	6,415	5,147	5,361
Alloys	4,573	4,555	4,961
Holding company and miscellaneous	105	100	92
<b>Total</b>	<b>13,761</b>	<b>12,353</b>	<b>12,898</b>

#### 30.2. Workforce by division at end of period

	31/12/2006	31/12/2005	31/12/2004
Nickel	2,771	2,562	2,542
Manganese	6,501	6,484	5,238
Alloys	4,621	4,542	4,720
Holding company and miscellaneous	114	103	96
<b>Total</b>	<b>14,007</b>	<b>13,691</b>	<b>12,596</b>

#### 30.3. Personnel costs by category

(millions of euros)	FY 2006	FY 2005	FY 2004
Wages and salaries	(353)	(336)	(315)
Profit-sharing	(22)	(19)	(16)
Other payroll charges	(135)	(131)	(134)
Employee benefits	13	5	6
Share-based payment	(2)	(2)	-
<b>Total</b>	<b>(499)</b>	<b>(483)</b>	<b>(459)</b>
Personnel costs - temporary staff	(30)	(26)	(15)
<b>Personnel costs - income statement</b>	<b>(529)</b>	<b>(509)</b>	<b>(474)</b>
Payroll to sales (including temporary staff)	17%	19%	19%
Average personnel cost (excluding temporary staff) - thousands of euros	(36)	(39)	(36)

### 31. Events after the balance sheet date

To the best of the Company's knowledge, there are no events to report after the balance sheet date.

## 32. Segment reporting

### 32.1. By business segment

(millions of euros)	Nickel	Manganese	Alloys	Holding company and eliminations	Total
<b>FY 2006</b>					
External sales	1,015	1,147	892	2	3,056
Inter-segment sales	4	-	-	(4)	-
Sales	1,019	1,147	892	(2)	3,056
Cash generated from operations	327	176	93	(2)	594
Current operating profit	388	170	62	(13)	607
Other operating income and expenses	-	-	-	-	23
Operating profit	-	-	-	-	630
Net borrowing cost	-	-	-	-	7
Other finance income and expenses	-	-	-	-	(4)
Share of profit of associates	-	-	-	-	1
Income tax	-	-	-	-	(174)
Minority interests	-	-	-	-	(141)
Profit (loss) for the period, Group share	-	-	-	-	319
Non-cash expenses	(49)	(26)	(49)	(10)	(134)
- Depreciation and amortisation	(53)	(54)	(37)	(1)	(145)
- Provisions	(9)	24	3	(1)	17
- Impairment losses	-	1	(2)	-	(1)
Capital expenditure (intangible assets and property, plant and equipment)	125	122	58	4	309
<b>Total balance sheet assets (current and non-current)</b>	<b>2,037</b>	<b>1,180</b>	<b>1,161</b>	<b>(177)</b>	<b>4,201</b>
<b>Total balance sheet liabilities (current and non-current, excluding shareholders' equity)</b>					
	<b>814</b>	<b>493</b>	<b>783</b>	<b>(28)</b>	<b>2,062</b>
<b>FY 2005</b>					
External sales	766	1,134	811	1	2,712
Inter-segment sales	8	1	-	(9)	-
Sales	774	1,135	811	(8)	2,712
Cash generated from operations	355	223	59	(6)	631
Current operating profit	243	264	47	(12)	542
Other operating income and expenses	-	-	-	-	112
Operating profit	-	-	-	-	654
Net borrowing cost	-	-	-	-	(3)
Other finance income and expenses	-	-	-	-	(9)
Share of profit of associates	-	-	-	-	2
Income tax	-	-	-	-	(126)
Minority interests	-	-	-	-	(141)
Profit (loss) for the period, Group share	-	-	-	-	377
Non-cash expenses	(59)	(21)	(29)	(4)	(113)
- Depreciation and amortisation	(51)	(39)	(36)	(3)	(129)
- Provisions	(8)	16	11	6	25
- Impairment losses	-	(7)	(2)	-	(9)
Capital expenditure (intangible assets and property, plant and equipment)	68	94	66	3	231
<b>Total balance sheet assets (current and non-current)</b>	<b>1,446</b>	<b>1,146</b>	<b>1,057</b>	<b>(233)</b>	<b>3,416</b>
<b>Total balance sheet liabilities (current and non-current, excluding shareholders' equity)</b>					
	<b>422</b>	<b>528</b>	<b>718</b>	<b>(237)</b>	<b>1,431</b>

(millions of euros)	Nickel	Manganese	Alloys	Holding company and eliminations	Total
<b>Exercice 2004</b>					
External sales	759	1,103	659	-	2,521
Inter-segment sales	6	-	-	(6)	-
Sales	765	1,103	659	(6)	2,521
Cash generated from operations	321	240	21	1	583
Current operating profit	309	326	16	(8)	643
Other operating income and expenses	-	-	-	-	(27)
Operating profit	-	-	-	-	616
Net borrowing cost	-	-	-	-	(8)
Other finance income and expenses	-	-	-	-	(2)
Share of profit of associates	-	-	-	-	1
Income tax	-	-	-	-	(129)
Minority interests	-	-	-	-	(132)
Profit (loss) for the period, Group share	-	-	-	-	346
Non-cash expenses	(76)	(5)	(28)	3	(106)
- Depreciation and amortisation	(51)	(44)	(36)	(2)	(133)
- Provisions	(3)	40	6	(6)	37
- Impairment losses	-	(5)	-	-	(5)
Capital expenditure (intangible assets and property, plant and equipment)	139	39	60	2	240
<b>Total balance sheet assets (current and non-current)</b>	<b>1,371</b>	<b>1,013</b>	<b>890</b>	<b>(326)</b>	<b>2,948</b>
<b>Total balance sheet liabilities (current and non-current, excluding shareholders' equity)</b>	<b>520</b>	<b>556</b>	<b>586</b>	<b>(216)</b>	<b>1,446</b>

### 32.2. By geographic region

(millions of euros)	Europe	North America	Asia	Oceania	Africa	South America	Total
<b>Sales (location of sales)</b>							
<b>FY 2006</b>	<b>1,532</b>	<b>638</b>	<b>725</b>	<b>42</b>	<b>98</b>	<b>21</b>	<b>3,056</b>
FY 2005	1,358	614	666	27	29	18	2,712
FY 2004	1,251	500	673	33	44	20	2,521
<b>Industrial capital expenditure (intangible assets and property, plant and equipment)</b>							
<b>FY 2006</b>	<b>86</b>	<b>33</b>	<b>29</b>	<b>113</b>	<b>48</b>	<b>-</b>	<b>309</b>
FY 2005	98	21	10	60	42	-	231
FY 2004	79	16	2	135	8	-	240
<b>Total balance sheet assets (current and non-current)</b>							
<b>FY 2006</b>	<b>2,578</b>	<b>324</b>	<b>362</b>	<b>634</b>	<b>303</b>	<b>-</b>	<b>4,201</b>
FY 2005	2,006	369	115	654	272	-	3,416
FY 2004	1,524	269	82	861	212	-	2,948



## 20.1.2. STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2006

(free translation)

In accordance with the assignment entrusted to us at your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Eramet for the year ended December 31, 2006.

The consolidated financial statements were drawn up by the Board of Directors. Our task is to express an opinion on these consolidated financial statements based on our audit.

### **I. Opinion on the consolidated financial statements**

We carried out our audit in accordance with professional standards applicable in France. These standards require that we carry out our audit in such a manner as to obtain a reasonable assurance that the annual financial statements do not contain any material misstatements. An audit involves examining, by sampling, documentation supporting the information in the financial statements. An audit also includes reviewing the accounting principles and material estimates used in drawing up the financial statements, as well as evaluating their overall presentation. We believe our audit provides a reasonable basis for the opinion set out below.

We certify that the consolidated financial statements for the period are, with respect to the IFRS system adopted by the European Union, reasonable and accurate, and that they give a true and fair view of the assets, financial position and profit (loss) for the period of the group comprised of the companies and entities within the scope of consolidation.

### **II. Explanation of assessments**

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the explanation of our assessments, we would like to bring the following items to your attention:

Financial instruments are analysed with a view to their classification as hedging instruments and are recognised and measured on the basis of Group policies set out in Note 1.19 to the consolidated financial statements. Our work involved, based on the documentation available, assessing the suitability of classifying them as hedges and the reasonability of the assumptions used to determine the fair value of financial instruments as on the balance sheet date.

As specified in Notes 1.1.1 and 1.18 to the consolidated financial statements, the Group has recognised provisions to cover the costs required to restore mining sites. Our work involved reviewing the approach used by the Group to measure these commitments based on items available at this date. On this basis, we assessed the reasonable nature of those estimates.

The assessments thus made are part of our audit process on the consolidated financial statements as a whole and, therefore, contributed to forming the opinion set out in the first part hereof.

### **III. Special check**

We also checked the information set out in the Group's management report in line with professional standards applicable in France. We have no observations to make regarding its fairness or consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-Sur-Seine, March 26, 2007

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

## 20.2. CORPORATE FINANCIAL STATEMENTS 2006

### 20.2.1. COMMENTARY ON THE CORPORATE FINANCIAL STATEMENTS

(millions of euros)	2006	2005	2004
Sales	1,083	843	828
Operating profit (loss)	37	23	17
Net finance income	122	186	147
Profit (loss)	144	247	154
Average workforce	342	325	306

Sales rose sharply by 28%. Nickel sales advanced by 13% to 64,700 tons, compared with 57,200 tons in 2005. Furthermore, prices rose by close to 17%, offset by hedging.

Operating profit amounted to €37 million compared with €23 million in 2005.

Net finance income amounted to €122 million compared with €186 million, and stemmed from the dividends received from the three divisions (Nickel: €53.2 million – Manganese: €18.3 million – and Alloys: €10.8 million). A provision for the SIMA securities was reversed by €38 million. In 2005, net finance income was mostly comprised of €130 million in dividends from the Manganese Division.

After a net provision increase of €10.2 million for price increases and profit-sharing of

€2 million, profit amounted to €144 million compared with €247 million in 2005. In 2005, extraordinary items were affected by the reversal of the balancing cash payment.

### 20.2.1.1. Balance sheet

	Notes	Gross	Depreciation, amortisation and provisions	31/12/2006 Net	31/12/2005 Net	31/12/2004 Net
<b>Assets</b> (thousands of euros)						
<b>NON-CURRENT ASSETS</b>						
<b>Immobilisations incorporelles</b>						
Concessions, patents, licences, trademarks, processes, rights and similar assets		4,924	4,715	209	474	353
Goodwill		0	0	0	0	0
Other		0	0	0	0	0
Intangible assets in progress		969	0	969	616	1,189
Down-payments		0	0	0	0	0
<b>Subtotal</b>		<b>5,893</b>	<b>4,715</b>	<b>1,178</b>	<b>1,090</b>	<b>1,542</b>
<b>Property, plant &amp; equipment</b>						
Land		1,131	0	1,131	1,131	1,131
Buildings		18,416	11,503	6,913	7,211	6,808
Technical installations, machinery and equipment		43,232	37,271	5,961	6,216	3,861
Other		8,814	3,911	4,903	2,646	2,188
Property, plant and equipment in progress		4,037	0	4,037	443	491
Down-payments		0	0	0	0	0
<b>Subtotal</b>		<b>75,630</b>	<b>52,685</b>	<b>22,945</b>	<b>17,647</b>	<b>14,479</b>
<b>Non-current financial assets</b>						
Investments in associates		1,173,838	46,736	1,127,102	931,976	846,009
Receivables on investments in associates		365,627	0	365,627	327,591	235,000
Portfolio of securities		0	0	0	0	0
Other capitalised investments		5,129	15	5,114	6,466	14,262
Other		2,785	0	2,785	1,837	2,043
<b>Subtotal</b>		<b>1,547,379</b>	<b>46,751</b>	<b>1,500,628</b>	<b>1,267,870</b>	<b>1,097,314</b>
<b>Total</b>	1	<b>1,628,902</b>	<b>104,151</b>	<b>1,524,751</b>	<b>1,286,607</b>	<b>1,113,335</b>
<b>CURRENT ASSETS</b>						
<b>Inventories and work in progress</b>						
Raw materials		40,855	0	40,855	22,016	26,258
Other supplies	7	4,320	2,811	1,509	1,609	2,972
Work in progress		6,461	0	6,461	5,235	4,560
Semi-finished and finished products		22,190	0	22,190	15,777	13,924
Goods		21,132	0	21,132	34,417	20,379
<b>Down-payments</b>		<b>1,565</b>	<b>0</b>	<b>1,565</b>	<b>15,875</b>	<b>970</b>
<b>Operating receivables</b>						
Trade receivables	7	177,995	562	177,433	54,341	77,328
Other		0	0	0	0	123
Miscellaneous receivables		44,734	9,351	35,383	20,094	14,023
Subscribed called up share capital - not paid up		0	0	0	0	0
<b>Inter-company current accounts</b>		<b>21,077</b>	<b>0</b>	<b>21,077</b>	<b>0</b>	<b>29,443</b>
<b>Cash &amp; cash equivalents</b>	3	<b>831</b>	<b>0</b>	<b>831</b>	<b>3,330</b>	<b>1,832</b>
<b>Prepaid expenses and accruals</b>						
<b>Prepaid expenses</b>	4	<b>5,453</b>	<b>0</b>	<b>5,453</b>	<b>1,752</b>	<b>458</b>
<b>Total</b>		<b>346,613</b>	<b>12,724</b>	<b>333,889</b>	<b>174,446</b>	<b>192,269</b>
Deferred expenses		0	0	0	0	980
Translation adjustments		19		19	20	109
<b>Overall total</b>		<b>1,975,534</b>	<b>116,875</b>	<b>1,858,659</b>	<b>1,461,073</b>	<b>1,306,693</b>

	Notes	31/12/2006 prior to distribution	31/12/2005	31/12/2004
<b>Liabilities and shareholders' equity</b> ((thousands of euros)				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	6	78,937	78,659	78,522
Issue, merger, contribution premiums		221,962	219,081	217,744
Legal reserve		7,866	7,852	7,640
Statutory reserves		53,529	53,529	53,529
Other reserves		200,311	200,311	199,708
Retained earnings		348,205	155,501	52,522
Profit (loss) for the period		144,198	246,770	154,347
<b>Subtotal: shareholders' equity</b>	5	<b>1,055,008</b>	<b>961,703</b>	<b>764,011</b>
Capital grants		8	25	47
Statutory provisions	8	33,364	22,967	54,895
<b>Total</b>		<b>1,088,380</b>	<b>984,695</b>	<b>818,954</b>
<b>Provisions for contingencies and losses</b>				
Provisions for contingencies		0	0	1,585
Provisions for losses	8 and 9	6,745	7,987	16,070
<b>Total</b>		<b>6,745</b>	<b>7,987</b>	<b>17,655</b>
<b>LIABILITIES</b>				
<b>Borrowings</b>				
Bank loans		2	610	30,000
Miscellaneous borrowings		181,576	55,139	10,057
Inter-company current accounts		440,715	320,511	292,631
<b>Down-payments</b>		<b>1,121</b>	<b>1,308</b>	<b>1,001</b>
<b>Operating payables</b>				
Trade payables		109,291	76,427	109,039
Tax and payroll liabilities		17,025	10,088	10,537
Other		0	0	0
<b>Miscellaneous liabilities</b>				
Liabilities on non-current assets		2,803	1,059	425
Tax charge (income tax)		0	0	0
Other liabilities		11,001	3,249	1,411
<b>Prepaid income, accrued expenses</b>				
Prepaid income		0	0	12,950
<b>Total</b>	10	<b>763,534</b>	<b>468,391</b>	<b>468,051</b>
Translation adjustments		0	0	2,034
<b>Total liabilities and shareholders' equity</b>		<b>1,858,659</b>	<b>1,461,073</b>	<b>1,306,693</b>

## 20.2.1.2. Income statement

(thousands of euros)	Notes	31/12/2006	31/12/2005	31/12/2004
<b>OPERATING INCOME</b>				
Sales		1,028,525	795,301	779,239
Income from ancillary activities		54,146	47,647	49,173
<b>Subtotal A - Net sales</b>	13	<b>1,082,671</b>	<b>842,948</b>	<b>828,412</b>
Change in inventories of finished products and work in-progress		7,639	2,528	1,186
Capitalised production		62	59	47
Operating subsidies		13	20	12
Reversal of provisions, excess depreciation & amortisation & expense transfers		5,521	6,366	4,232
Other income		0	2,425	120
<b>Subtotal B</b>		<b>13,235</b>	<b>11,398</b>	<b>5,597</b>
<b>Total (A + B)</b>		<b>1,095,906</b>	<b>854,346</b>	<b>834,009</b>
<b>OPERATING EXPENSES</b>				
Purchases of goods		765,062	624,456	568,464
Change in inventory		13,285	(14,037)	45,880
Raw materials and consumables used		201,321	128,350	121,715
Change in inventory		(19,063)	3,690	(3,974)
External purchases and expenses		57,368	48,342	40,459
Taxes and levies		3,886	3,196	3,075
Wages and salaries		18,902	17,516	17,950
Payroll charges		8,983	8,271	8,621
Depreciation and amortisation expense		4,092	6,934	3,862
Provisions for losses on current assets		2,980	2,880	2,653
Provisions for contingencies and losses		848	1,414	7,702
Other expenses		576	631	388
<b>Total</b>		<b>1,058,240</b>	<b>831,643</b>	<b>816,795</b>
<b>OPERATING PROFIT (LOSS)</b>		<b>37,666</b>	<b>22,703</b>	<b>17,214</b>
<b>NET FINANCE INCOME</b>	16	<b>121,787</b>	<b>185,572</b>	<b>147,207</b>
<b>PROFIT (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>		<b>159,454</b>	<b>208,276</b>	<b>164,421</b>
<b>EXTRAORDINARY ITEMS</b>	17	<b>(9,691)</b>	<b>36,264</b>	<b>(10,208)</b>
Employee profit-sharing		(2,031)	(1,898)	(2,080)
Income tax	14 and 15	(3,534)	4,128	2,214
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>144,198</b>	<b>246,770</b>	<b>154,347</b>

### 20.2.1.3. Cash flow statement

(thousands of euros)	2006	2005
<b>Cash flows from operating activities</b>		
Profit (loss) for the period	144,198	246,767
Elimination of non-cash and non-operating income and expenses	(25,174)	(59,521)
<b>Cash generated from operations</b>	<b>119,024</b>	<b>187,246</b>
Change in operating working capital requirement	(92,154)	(42,867)
<b>Net cash generated by operating activities</b>	<b>26,870</b>	<b>144,379</b>
<b>Cash flows from investing activities</b>		
Payments for non-current financial assets	(189,859)	(73,454)
Payments for property, plant and equipment and intangible assets	(7,792)	
Proceeds from non-current asset disposals	1,970	12,108
Debt repayments	31,613	0
	(164,068)	(61,346)
Other movements	0	(15,556)
<b>Net cash used in investing activities</b>	<b>(164,068)</b>	<b>(76,902)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to Eramet SA shareholders	(54,053)	(51,153)
Proceeds from share capital increases	3,158	1,476
Change in financing activities working capital requirement	0	
<b>Net cash used in financing activities</b>	<b>(50,895)</b>	<b>(49,677)</b>
Other movements	0	(40)
<b>Increase (decrease) in net cash or borrowings</b>	<b>(188,093)</b>	<b>17,760</b>
Net cash (borrowings) at January 1	(48,062)	(65,822)
Net cash (borrowings) at December 31	(236,155)	(48,062)

## 20.2.1.4. Notes to the corporate financial statements

### 20.2.1.4.1. Highlights of the year

#### Sales

- Nickel sales rose by 30% in 2006, due to continued high prices on the LME.
- In addition, a labour dispute in New Caledonia disrupted shipments in the fourth quarter of 2006.

#### Net finance income

- Net finance income mostly consisted of dividends received (Nickel: €53.2 million, Manganese: €18.3 million and Alloys €10.8 million).
- Improvements in the aeronautical sector contributed to the recovery of the Alloys Division. Consequently, a provision for the impairment of investments in associates (€38 million) was reversed at the SIMA group.

#### Extraordinary items

- These mainly consisted of a net provision increase of €10.1 million for price increases, as well as a tax refund.

#### Balance sheet

- The main transactions involved the purchase of Weda Bay (€189 million) and the agreement for the loans to Eramet Marietta (USD 25 million) and Eramet Norway (€27 million).
- The Company disposed of a large portion of treasury stock as a result of the considerable number of options exercised during the year. The Company's treasury shares fell to 130,257 as on December 31, 2006.
- Eramet increased its issued commercial paper to €180 million, mainly driven by the Weda Bay financing.
- This year Eramet paid €9.4 million in respect of the "fifth instalment" for income tax.

### 20.2.1.4.2. Accounting principles, rules and methods

#### Recap of principles

Generally accepted accounting principles were applied, while complying with the principle of prudence, in line with underlying assumptions, i.e. going concern, consistency of accounting methods from one period to another, application of the matching principle and in line with the rules for drawing up and presenting annual financial statements.

The historical cost policy is used to value items.

#### Changes in methods

Regulation no. 2002-10 from the French Accounting Regulations Committee (Comité de la Règlementation Comptable) introduced the following changes as from January 1, 2005:

- Review of depreciation and amortisation periods of certain non-current assets resulting in a reduction in economic depreciation and amortisation, offset by an increase in excess depreciation and amortisation.

- Cancellation via shareholders' equity of the provision for major repairs. Major repairs are now either expensed or recognised as items of property, plant and equipment in the case of replacement expenses.

#### Rules and methods applied to the various balance sheet and income statement lines

- Property, plant and equipment and intangible assets  
The gross amount of assets is the amount at which the items were first recognised in the Company's balance sheet and includes any expenses required to bring them into working order. These items have not been re-measured.

Unused assets or assets with fair market values lower than the carrying amount are, as a general rule, impaired.

Straight-line depreciation is the economically justified policy and is calculated over the asset's useful life.

Depreciation periods for property, plant and equipment are as follows, except in exceptional circumstances:

- Buildings: 20 - 30 years,
- Technical installations: 12 - 20 years,
- Machinery, equipment and tooling: 3 - 10 years,
- General installations, fittings and fixtures: 5 - 10 years,
- Transportation equipment: 5 - 8 years,
- Office furniture and equipment and computer equipment: 3 - 8 years.

The impact of any difference between the period over which it is used and the useful life is recognised via excess depreciation.

- Non-current financial assets

As from January 1, 2006, the gross amount includes the purchase cost excluding incidental expenses. Borrowings are recognised at their nominal value. Securities are estimated at their value in use, which takes account of both their net asset value and likely returns. If the value in use is lower than their gross amount, an impairment loss is recognised for the difference.

- Inventories

Inventories of nickeliferous products are measured at cost, calculated on a first-in-first-out (FIFO) basis. If the value thereby obtained is greater than the net realisable value (i.e. selling price less selling expenses), a provision is recognised for the difference.

Consumables are measured at cost, which is calculated using the weighted average price method.

Spare parts inventories are fully impaired for any item where they exceed one year's supply.

- Receivables and debts

Foreign currency receivables and debts are re-measured at the closing rate or at the forward hedging rate, as the case may be.

Any unrealised foreign currency gains or losses resulting from re-measurements at the closing rate are recognised under "translation adjustments" in the balance sheet. A provision for contingencies and losses is recognised for any unrealised losses.

Impairment losses on trade receivables are assessed on a customer-by-customer basis in accordance with the estimated risk.

- Investment securities

Investment securities are measured at acquisition cost, with an impairment loss being recognised where their net asset value is lower. Unrealised capital gains are not recognised.

- Provisions for contingencies and losses

These allow for all known contingencies and losses up to the date on which the final financial statements are drawn up.

- Employee indemnities and benefits

Eramet offers its employees various long-term benefits such as retirement packages or other additional post-employment benefits and long-service bonuses.

Some liabilities are wholly or partly covered by contracts taken out with insurance companies. In this case, liabilities and covering assets are assessed independently. A provision is then recognised on the basis of the amount of financial assets and liabilities.

Eramet's liabilities are appraised by independent actuaries. The actuarial assumptions used (likelihood of working employees staying with Eramet, mortality tables, retirement age, salary trends, etc.) vary according to the prevailing demographic and economic conditions in the country. The discount rates used are based on the rate of government bonds or bonds in top-rated companies with an equivalent maturity to that of the liabilities on the appraisal date.

The expected long-term return on assets was calculated by taking account of the structure of the investment portfolio for each country.

The actuarial assumptions used for appraisals are as follows.

	2006	2005	2004
Discount rate	4.40%	3.90%	4.75%
Inflation rate	2.00%	2.00%	2.00%
Salary increase rate	2.00%	4.50%	4.50%
Return on plan financial assets	5.00%	5.30%	5.30%

## 20.2.1.5. Notes to the financial statements

### Note 1. Non-current assets

	Acquisition values			31/12/06
	01/01/06	Acquisitions	Disposals, retirements and adjustments	
(thousands of euros)				
<b>Intangible assets</b>				
Concessions, patents, licences, trademarks, processes, rights and similar assets	4,339	585	0	4,924
Intangible assets in progress	616	505	(152)	969
<b>Subtotal</b>	<b>4,955</b>	<b>1,090</b>	<b>(152)</b>	<b>5,893</b>
<b>Property, plant &amp; equipment</b>				
Land	1,131	0	0	1,131
Buildings	18,103	313	0	18,416
Technical installations, machinery and equipment	42,194	1,273	(235)	43,232
Other	6,327	3,357	(870)	8,814
Property, plant and equipment in progress	443	6,978	(3,384)	4,037
<b>Subtotal</b>	<b>68,198</b>	<b>11,921</b>	<b>(4,489)</b>	<b>75,630</b>
<b>Non-current financial assets</b>				
Investments in associates <sup>(1)</sup>	1,016,713	188,774	(31,649)	1,173,838
Receivables on investments in associates <sup>(2)</sup>	327,591	38,036	0	365,627
Other capitalised investments <sup>(3)</sup>	6,481	90	(1,442)	5,129
Other	1,836	1,039	(90)	2,785
<b>Subtotal</b>	<b>1,352,621</b>	<b>227,939</b>	<b>(33,181)</b>	<b>1,547,379</b>
<b>Total</b>	<b>1,425,774</b>	<b>240,950</b>	<b>(37,822)</b>	<b>1,628,902</b>

(1) Eramet purchased Weda Bay for €189 million, while EHM carried out a share capital reduction (-€31 million).

(2) The increase relates to new loans granted to Eramet Marietta (USD 25 million) and Eramet Norway (€27 million).

(3) The "other capitalised investments" line relates to the Company's treasury shares that were disposed of to satisfy option exercises (-€1.4 million).



	Depreciation, amortisation and provisions				Net amounts	
	01/01/06	Allocations to depreciation and amortisation	Allocations to and reversal of provisions	Disposals, retirements and adjustments	31/12/06	31/12/06
(thousands of euros)						
<b>Intangible assets</b>						
Concessions, patents, licences, trademarks, processes, rights and similar assets	3,865	850			4,715	209
Intangible assets in progress						969
<b>Subtotal</b>	<b>3,865</b>	<b>850</b>			<b>4,715</b>	<b>1,178</b>
<b>Property, plant &amp; equipment</b>						
Land						1,131
Buildings	10,892	612			11,504	6,912
Technical installations, machinery and equipment	34,835	2,957	(286)	(235)	37,271	5,961
Other	3,681	819		(589)	3,911	4,903
Intangible assets in progress						4,037
<b>Subtotal</b>	<b>49,408</b>	<b>4,388</b>	<b>(286)</b>	<b>(824)</b>	<b>52,686</b>	<b>22,944</b>
<b>Non-current financial assets</b>						
Investments in associates <sup>(1)</sup>	84,736		(38,000)		46,736	1,127,102
Receivables on investments in associates						365,627
Other capitalised investments	15				15	5,114
Other						2,785
<b>Subtotal</b>	<b>84,751</b>		<b>(38,000)</b>		<b>46,751</b>	<b>1,500,628</b>
<b>Total</b>	<b>138,024</b>	<b>5,238</b>	<b>(38,286)</b>	<b>(824)</b>	<b>104,152</b>	<b>1,524,750</b>

(1) The provision on the SIMA investment was partly reversed (€38 million), as the division began to recover.

## Note 2. Schedule of receivables

(thousands of euros)	Gross amount	Up to a year	Over a year
Receivables on investments in associates <sup>(1)</sup>	365,627	365,627	0
Other non-current financial assets	2,785	2,785	0
Trade receivables	177,995	177,995	0
Other	0	0	0
Miscellaneous receivables <sup>(2)</sup>	44,734	39,668	5,066
Subscribed called up capital - not paid up	0	0	0
Prepaid expenses	5,453	5,453	0
Current accounts	21,077	21,077	0
<b>Total</b>	<b>617,671</b>	<b>612,605</b>	<b>5,066</b>

(1) Eramet granted loans to SIMA (€325 million), Eramet Marietta (USD 25 million) and Eramet Norway (€27 million) that were financed in-house.

(2) Miscellaneous receivables are comprised of tax receivables (€22.3 million).

## Note 3. Cash

Solely comprised of debit bank accounts.

## Note 4. Prepaid expenses and accruals

(thousands of euros)	Montant brut
Miscellaneous receivables	0
Investment securities	0
Cash and cash equivalents	0
Prepaid expenses <sup>(1)</sup>	5,453
Deferred charges	0
Translation adjustments	19
<b>Total</b>	<b>5,472</b>

(1) Almost all the prepaid expenses relate to the payment of the hedging premium in 2007.

## Note 5. Shareholders' equity

(thousands of euros)	Number of shares <sup>(1)</sup>	Share capital	Reserves and retained earnings	Profit (loss) for the period	Total	Breakdown per share in euros
<b>Shareholders' equity as on December 31, 2004</b>	<b>25,744,944</b>	<b>78,522</b>	<b>531,142</b>	<b>154,347</b>	<b>764,011</b>	<b>29,68</b>
Dividend distribution			(51,155)		(51,155)	
Allocation to retained earnings and reserves			154,347	(154,347)		
Withholding						
Other transactions			603		603	
Share capital increases for cash	44,930	137	1,336		1,473	
Share capital increases via capitalisation of reserves						
Contributions in cash						
Dividends paid in shares						
Share capital increases in kind						
Profit (loss) for the 2005 financial year				246,770	246,770	
<b>Shareholders' equity as on December 31, 2005</b>	<b>25,789,874</b>	<b>78,659</b>	<b>636,273</b>	<b>246,770</b>	<b>961,702</b>	<b>37,29</b>
Dividend distribution			(54,053)		(54,053)	
Allocation to retained earnings and reserves			246,770	(246,770)		
Withholding						
Other transactions						
Share capital increases for cash	91,020	278	2,882		3,160	
Share capital increases via capitalisation of reserves						
Contributions in cash						
Dividends paid in shares						
Share capital increases in kind						
Profit (loss) for the 2006 financial year				144,198	144,198	
<b>Shareholders' equity as on December 31, 2006</b>	<b>25,880,894</b>	<b>78,937</b>	<b>831,872</b>	<b>144,198</b>	<b>1,055,007</b>	<b>40,76</b>

The share capital breaks down as follows:

	2006	2005
AREVA	26.11%	26.20%
SORAME / CEIR	37.11%	37.24%
STCPI	5.11%	5.13%
Miscellaneous	31.67%	31.40%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Note 6. Treasury stock

As on December 31, 2006 Eramet held 130,257 treasury shares (166,821 as on December 31, 2005), mainly bought in 2000 and 2002 under the buyback programme set out in the prospectus published on July 2, 1999 and approved by the Combined Extraordinary and Ordinary General Shareholders' Meeting of July 21, 1999, representing 113,395 shares (151,212 shares as on December 31, 2005). The remaining 16,862 shares (15,609 shares as on December 31, 2005) appearing in bearer shares, relate to those bought under a liquidity contract signed with Exane BNP Paribas and not yet registered as on the date of drafting of this table.

The fall in the number of treasury shares is mainly due to stock option exercises by employees in 2006, involving 37,578 shares.

The table below summarises the treasury stock transactions:

		Market making	Stock options granted	Other goals	Total
<b>Position as on December 31, 2004</b>		<b>12,773</b>	<b>313,028</b>	<b>8,682</b>	<b>334,483</b>
As a percentage of share capital	25,744,944	0.05%	1.22%	0.03%	1.30%
Allocated to stock options:					
- Granted		-	(10,225)	10,225	-
- Other		(350)	350	-	-
Purchase option exercises		-	(170,848)	-	(170,848)
Purchases		45,854	-	-	45,854
Sales		(42,668)	-	-	(42,668)
<b>Position as on December 31, 2005</b>		<b>15,609</b>	<b>132,305</b>	<b>18,907</b>	<b>166,821</b>
As a percentage of share capital	25,789,874	0.06%	0.51%	0.07%	0.65%
Allocated to stock options:					
- Granted		-	(31,649)	31,649	-
- Other		239	-	(239)	-
Purchase option exercises		-	(37,578)	-	(37,578)
Purchases		59,837	-	-	59,837
Sales		(58,823)	-	-	(58,823)
<b>Position as on December 31, 2006</b>		<b>16,862</b>	<b>63,078</b>	<b>50,317</b>	<b>130,257</b>
As a percentage of share capital	25,880,894	0.07%	0.24%	0.19%	0.50%

## Note 7. Provisions for impairment of current assets

(thousands of euros)	01/01/06	Allowances	Reversals	31/12/06
Raw materials				
Other supplies <sup>(1)</sup>	2,487	2,811	(2,487)	2,811
Semi-finished and finished products				
Goods				
Down-payments				
Trade receivables <sup>(2)</sup>	394	168		562
Other				
Miscellaneous receivables	9,351			9,351
<b>Total</b>	<b>12,232</b>	<b>2,979</b>	<b>(2,487)</b>	<b>12,724</b>

(1) Spare parts inventories are fully provided for where they exceed one year's supply.

(2) The trade receivables provision was increased to 75% of the receivable.

## Note 8. Provisions for liabilities

	01/01/06	Allowances	Reversals		31/12/06
			Used in year	Unused in year	
(thousands of euros)					
Provisions for price increases <sup>(1)</sup>	20,416	17,766		(7,587)	30,595
Excess depreciation and amortisation	2,551	883		(665)	2,769
Provisions for reconstituting mining reserves					
<b>Total statutory provisions</b>	<b>22,967</b>	<b>18,649</b>		<b>(8,252)</b>	<b>33,364</b>
Foreign exchange loss					
Personnel <sup>(2)</sup>	7,911	848		(2,090)	6,669
Environment	76				76
Segment contingencies					
Tax					
Other provisions for contingencies					
Other provisions for losses					
<b>Total provisions for contingencies and losses</b>	<b>7,987</b>	<b>848</b>		<b>(2,090)</b>	<b>6,745</b>
<b>Total provisions in liabilities</b>	<b>30,954</b>	<b>19,497</b>		<b>(10,342)</b>	<b>40,109</b>

(1) The provision for price increases was reversed for the portion that had matured (-€7.6 million) and an additional provision was recognised (€17.7 million).

(2) Eramet recognises provisions for pension and related liabilities on the basis of an actuarial appraisal by an outside firm. A comprehensive analysis was performed in 2006.

## Note 9. Employee liabilities

Pension and related liabilities as on December 31, 2006:

(thousands of euros)	Fair value of plan assets	Actuarial value of liabilities	Financial position surplus / (deficit)
Pension plan	9,136	9,620	(484)
Retirement package	1,902	2,839	(937)
Awards and bonuses		1,930	(1,930)
Healthcare plans		2,759	(2,759)
<b>Total</b>	<b>11,038</b>	<b>17,148</b>	<b>(6,110)</b>

(thousands of euros)	Unrecognised actuarial (gains) / losses	Unrecognised past service cost	Balance sheet provisions (asset) / liability
Pension plan	(783)		1,267
Retirement package	(112)	60	989
Awards and bonuses			1,930
Healthcare plans	276		2,483
<b>Total</b>	<b>(619)</b>	<b>60</b>	<b>6,669</b>

Actuarial assumptions:

Discount rate	4.4%
Inflation rate	2%
Salary increase rate	2%
Return on plan financial assets	5%

Breakdown of pension fund investments:

(thousands of euros)	Shares	Bonds	Other investments	Total
Amounts	1,947	8,222	869	11,038
Percentage	18%	74%	8%	100%

Change in pension liabilities:

(thousands of euros)	Year 2005
<b>At January 1</b>	<b>7 911</b>
Expenses recognised:	848
- Service cost	927
- Net interest expense	652
- Return on plan assets	(380)
- Depreciation and amortisation of actuarial gains and losses and past service cost	(350)
- Other	(1)
Contributions paid	(2,090)
Translation differences and other movements	
<b>At December 31</b>	<b>6,669</b>

The main Eramet SA liabilities in respect of employee benefits were as follows:

- Retirement packages providing for the payment of a lump sum varying on the basis of seniority and final salary.
- Healthcare for employees and retirees of Eramet's Sandouville site.
- Long-service bonuses: payment of a variable lump sum after 20, 30, 35 and 40 years' seniority.
- Supplementary pension plan for certain senior managers of Eramet.

#### Note 10. Debt schedule

(thousands of euros)	Net amount	Under a year	Over a year and up to five years	Over five years
Bank loans	2	2		
Miscellaneous borrowings <sup>(1)</sup>	622,291	622,291		
Down-payments	1,121	1,121		
Trade payables	109,291	109,291		
Tax and payroll liabilities	17,025	17,025		
Liabilities on non-current assets	2,803	2,803		
Other miscellaneous liabilities	11,001	11,001		
Prepaid income	0	0		
<b>Total</b>	<b>763,534</b>	<b>763,534</b>	<b>0</b>	<b>0</b>

(1) Eramet is partly financed by Metal Securities, its 87.92%-owned subsidiary. The amount as on December 31, 2005 was €440 million (compared with €320 million as on December 31, 2005).

Eramet also issued €180 million in commercial paper.

#### Note 11. Prepaid income, accrued expenses

(thousands of euros)	Montant Brut
Miscellaneous borrowings	1,484
Trade payables	10,997
Tax and payroll liabilities	7,097
Liabilities on non-current assets	2,360
Other miscellaneous liabilities	8,611
Prepaid income	0
Translation adjustments	0
<b>Total</b>	<b>30,549</b>

## Note 12. Items relating to associates

(thousands of euros)	Net amounts
<b>Balance sheet</b>	
Investments in associates	1,127,406
Trade receivables	2,332
Miscellaneous receivables	131
Financial receivables	285,715
Miscellaneous borrowings	705,992
Trade payables	98,641
Other debts	162
<b>Income statement</b>	
Finance income	11,298
Finance expenses	(13,699)

Companies are considered associates where Eramet holds a stake that gives it significant influence over them.

## Note 13. Sales

(thousands of euros)	Total	France	Abroad
Sales <sup>(1)</sup>	1,028,525	37,639	990,222
Income from ancillary activities	54,146	18,102	36,708
<b>Total sales</b>	<b>1,082,671</b>	<b>55,741</b>	<b>1,026,930</b>

(1) Sales include a foreign currency loss of €10.6 million resulting from hedging in 2006, i.e. an average dollar rate of 1.2772.

## Note 14. Increases and reductions in future tax liabilities

(thousands of euros)	
<b>Increases in taxable base</b>	
- Statutory provisions	33,364
- Translation adjustment gains at close	18
- Deferred charges	
<b>Reductions in taxable base</b>	
- Provisions not deductible in financial period	(8,545)
- Accrued expenses	(1,394)
- Translation adjustment losses at close	
- Unrealised finance income	
<b>Net increase in taxable base</b>	<b>23,443</b>
<b>Increase in future taxation</b>	<b>8,205</b>
	<b>35%</b>

### Breakdown of income tax:

(thousands of euros)	Gross amount	Tax owed	Net profit (loss)
Current profit (loss)	159,454		159,454
Extraordinary items	(9,691)		(9,691)
Profit-sharing	(2,031)		(2,031)
Tax consolidation in France		(3,534)	(3,534)
<b>Total</b>	<b>147,732</b>	<b>(3,534)</b>	<b>144,198</b>

### Income tax:

The tax consolidation agreement signed between Eramet and its subsidiaries complies with the principle of neutrality and places the subsidiaries in the situation in which they would have been in the absence of such consolidation. Each subsidiary calculates its tax as if it did not form part of a consolidated tax group and pays its income tax contribution to Eramet as Group parent company. The subsidiaries retain their losses to determine the amount of the income tax contribution they should pay Eramet.

In the absence of tax consolidation, Eramet would have had to pay income tax of €10.273 million. As a result of the tax consolidation, the income tax line item can be broken down as follows: tax consolidation charge of €12.226 million, saving from tax consolidation of €8.417 million and 2005 tax adjustment of €0.274 million, namely, a net charge of €3.534 million.

## Note 15. Tax consolidation

All French subsidiaries that are at least 95% owned are consolidated for tax purposes, Eramet being the Group parent. In 2002, the Eramet Group chose to renew its tax consolidation system for a period of five financial years.

Tax consolidation in France is comprised of the following companies.

Companies within the scope of tax consolidation	31/12/2006	31/12/2005	31/12/2004
<b>Consolidated companies</b>			
Eramet S.A.	x	x	x
Metal Securities	x	x	-
Erasteel SAS	x	x	x
Erasteel Commentry	x	x	x
Erasteel Champagnole	x	x	x
Eramet Holding Nickel (Ehn)	x	x	x
Eramet Holding Manganèse (Ehm)	x	x	x
Société Industrielle de Métallurgie Avancée (Sima)	x	x	x
Aubert & Duval (ad)	x	x	x
Airforge	x	x	-
Financière Brown Europe	-	-	x
Brown Europe	-	-	x
Eramet Alliages	x	x	x
Eurotungstène Poudres (Etp)	x	x	x
<b>Non-consolidated companies</b>			
Eramet International & Eramet Japan	x	x	x
Tec Ingénierie	x	x	x
Centre de Recherches de Trappes (Crt)	x	x	-
Eramine	x	x	x
Forges de Montplaisir	x	x	x
Supa	x	x	x
Microsteel	x	x	x
Transmet	x	x	x
Financière Brown Europe & Brown Europe	x	x	-

Group tax loss carryforwards were used in full as on December 31, 2006. As on December 31, 2005 the tax losses amounted to €33 million.

## Note 16. Net finance income

(thousands of euros)	2006	2005
Investments in associates <sup>(1)</sup>	96,261	173,015
Other dividends and interest	1,117	859
Reversal of provisions <sup>(2)</sup>	38,000	20,287
Foreign currency gains	7,022	1,658
Net gains on disposal of marketable securities	1,858	8,708
<b>Finance income</b>	<b>144,258</b>	<b>204,527</b>
Depreciation and amortisation expense and allocation to provisions	0	0
Interest and similar expenses <sup>(3)</sup>	(21,029)	(10,917)
Foreign currency losses	0	(8)
Net losses on disposal of marketable securities	(1,442)	(8,030)
<b>Finance expenses</b>	<b>(22,471)</b>	<b>(18,955)</b>
<b>Net finance income</b>	<b>121,787</b>	<b>185,572</b>

(1) Finance income is comprised of dividends received from the Nickel (€53.2 million) and Manganese (€18.3 million) Divisions and interest income on Group current accounts (€13.69 million).

(2) The provision reversal relates to SIMA.

(3) Interest relates to Metal Securities internal financing (-€11 million) and commercial paper (-€5.2 million).

## Note 17. Extraordinary items

(thousands of euros)	2006	2005
Hedging gains	1,020	16,214
Reversal of provisions and expense transfer	19	21
Extraordinary gains	8,252	45,819
<b>Extraordinary gains</b>	<b>9,291</b>	<b>62,054</b>
Hedging losses	(49)	(6,814)
Losses on share capital transactions	(281)	(6,805)
Extraordinary depreciation and amortisation charge and allocation to provisions	(18,652)	(12,171)
<b>Extraordinary losses</b>	<b>(18,982)</b>	<b>(25,790)</b>
<b>Extraordinary items</b>	<b>(9,691)</b>	<b>36,264</b>

Most of the extraordinary items are comprised of the net allowance for the portion of the provision relating to price increases (€10.18 million).

## Note 18. Workforce

End of period	2006	2005
Management	114	98
Supervisory staff	228	228
<b>Total</b>	<b>342</b>	<b>326</b>
Average	336	329

## Note 19. Off-balance sheet commitments

(thousands of euros)	31/12/04	31/12/05	31/12/06
<b>Commitments given</b>			
Endorsements, pledges and guarantees	227	227	227
Warranties	None	None	None
<b>Commitments received</b>			
Endorsements, pledges and guarantees	16	384	635
Warranties	None	None	None
<b>Reciprocal commitments</b>			
Endorsements, pledges and guarantees		615	1,064
Warranties	0	450,966	600,000

The above table does not include current business orders (from customers or with suppliers), or liabilities stemming from orders for non-current assets as part of capital expenditure programmes.

## Interest rate risk

Eramet hedges part of its interest rate risk exposure, primarily stemming from its borrowings, via Euribor 3-month rate swaps against variable and fixed rates, for periods of between three months and three years. This arrangement is updated every year and differences on settlement fully recognised in finance income for the period. As on December 31, 2006, these instruments did not qualify as hedges.

(thousands of euros)	2006	2007	2008
Outstanding amount hedged	20	40	40
Maximum rate	3.9700	3.3100	3.8000



## Currency risk

Hedging is almost wholly related to the US dollar and is designed to cover the Group's structurally long present and future positions on business transactions.

(thousands of foreign currency units)		2006	2007	2008
<b>Commercial transactions:</b>				
EUR / USD	Amounts	252	692	None
	Currency	USD	USD	USD
	Rate	1.2772	1.2820	1.0497
<b>Non-commercial transactions:</b>				
EUR / USD	Amounts	228	None	None
	Currency	USD		
	Rate	1.3201		
EUR / NOK	Amounts	1,250	None	None
	Currency	NOK		
	Rate	8.1000		

As on December 31, 2006, unrealised gains resulting from the difference between the closing rates and hedging rates of the transactions set out above resulted in a net asset of €18 million, of which €1 million related to the non-hedging hedged items.

## Note 20. Other commitments

Pursuant to the Le Nickel-SLN shareholder agreement of September 12 and 13, 2000 between Eramet and Société Territoriale de Participation Industrielle (STCPI), following the agreement of July 17 between the State, the provinces of New Caledonia and the representatives of the island's main political parties, on December 6, 2006, STCPI exercised its option from Eramet to sell it 4% of the share capital of Le Nickel-SLN, via a swap of Eramet shares at the rate of three Eramet shares for every five of Le Nickel-SLN. The terms of the share exchange were established on the basis of a valuation of the companies from 1999 and so no longer appeared to reflect the current economic realities, undervaluing Le Nickel-SLN and thereby giving rise to a loss for Eramet. As a result, to enable its shareholders to have full information on the financial terms of the swap, on February 6, 2007, the Company asked the President of the Commercial Court of Paris, deliberating in summary proceedings, to appoint an independent expert to value Eramet and Le Nickel-SLN as on December 6, 2006. Following a ruling on February 9, 2007, an expert was appointed. This transaction will be submitted for the approval of the General Shareholders' Meeting of April 25, 2007.

## Note 21. Property leases

(thousands of euros)	Amount	
<b>Finance leased assets</b>		
Land	683.00	
Buildings	4,199.00	
Depreciation and amortisation expense for the period <sup>(1)</sup>	168.00	
Cumulative depreciation and amortisation expense <sup>(1)</sup>	1,820.00	
<b>Lease commitments</b>		
Lease payments paid:	During period	447.00
	Cumulative	5,685.00
Outstanding lease payments:	Up to a year	429.00
	Over one and up to five years	207.00
	Over five years	0.00
Residual purchase price	0.15	

(1) Had the asset been acquired.

## Note 22. New Caledonian ore reserves issue

### Recap of facts

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

The agreement concluded in February 1998 with government officials provided for an exchange of mining rights on condition that the Northern plant is built, with SMSP receiving the much richer reserves of the Koniambo massif owned by Le Nickel-SLN, in exchange for SMSP's lesser quality Poum reserves.

This exchange came with an indemnity from the State to compensate for the impact on Le Nickel-SLN's and Eramet's businesses of the difference in reserves between the two deposits.

### First stage

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

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

### Second stage

The second stage was to take place as soon as the developers began construction of the Northern plant, provided this occurred prior to January 2006. Following Eramet's summons before a French court on December 28, 2005, the judge unmistakably confirmed Falconbridge's binding obligation to build the Northern plant and authorised the vesting of the Koniambo mining rights. In parallel, Le Nickel-SLN acquired Poum SAS, the company holding the Poum massif for a contractually agreed amount of €6 million from SAS Poum-Koniambo. Payment was due by end-2006 upon all conditions being met. A €4.1 million payment was made in 2006, with Le Nickel-SLN contractually assuming the site restoration liabilities of Poum for an estimated €1.9 million.

### Recognition of transactions

In accordance with the 1998 agreements, the indemnity is wholly vested and was recognised in other operating income and expense for €12.95 million plus interest, for which €2.95 million in provisions had been recorded in previous years. These amounts were recognised in extraordinary items in 2005.

## Note 23. Events after the balance sheet date

To the best of the Company's knowledge, there are no events to report after the balance sheet date.

## Note 24. Consolidation of the corporate financial statements

The Company is consolidated within the Eramet Group, of which it is the parent company.

## Note 25. Compensation of management and supervisory bodies

(thousands of euros)	Exercice 2006	Exercice 2005
<b>Short-term benefits</b>		
- Fixed remuneration	2,173	2,011
- Variable remuneration	451	337
- Directors' fees	184	199
<b>Other benefits</b>		
- Post-employment benefits	286	555
<b>Total</b>	<b>3,094</b>	<b>3,102</b>

The amount paid to the ten best paid people amounted to €2.8 million in 2006.

## Note 26. Share subscription and purchase options, bonus shares

### Subscription options

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	27/05/1998	12/12/2001	32.60 EUR	61	46	153,000	(40,730)	(85,020)	-	27,250	13	11/12/2009 (2)
2	23/05/2002	15/12/2004	64.63 EUR	81	81	130,000	-	(6,000)	-	124,000	80	15/12/2012 (3)
<b>Total</b>						<b>283,000</b>	<b>(40,730)</b>	<b>(91,020)</b>		<b>151,250</b>		

(1) Plan commencement dates: 1 = December 12, 2003; 2 = December 12, 2006.

(2) Only exercisable as from December 12, 2003. Shares cannot be sold prior to December 14, 2005.

(3) Only exercisable as from December 12, 2006. Shares cannot be sold prior to December 14, 2008.

The exercise of 91,020 subscription options during the period at an average price of €98.23 contributed to an increase in shareholders' equity in consideration for cash through the issue of the same number of shares.

### Bonus shares

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	11/05/2005	13/12/2005	gratuites	90	90	14,000	-	-	(800)	13,200	89	13/12/2007
<b>Total</b>						<b>14,000</b>			<b>(800)</b>	<b>13,200</b>		

(1) Plan commencement date: 1 = December 13, 2007.

### Purchase options

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	21/07/1999	15/09/1999	47.14 EUR	5,646	1,320	423,450	(327,180)	(24,951)	(31,649)	39,670	560	14/09/2007
2	27/05/1998	14/12/1999	54.00 EUR	80	26	166,500	(130,465)	(12,627)	-	23,408	19	13/12/2007 (2)
<b>Total</b>						<b>589,950</b>	<b>(457,645)</b>	<b>(37,578)</b>	<b>(31,649)</b>	<b>63,078</b>		

(1) Plan commencement dates: 1 = September 15, 1996; 2 = December 14, 2001.

(2) Shares cannot be sold prior to December 14, 2004.

The exercise of 37,578 call options during the period at an average price of €104.21 resulted in the sale of treasury shares in consideration for cash.

## Note 27. Individual training rights

Individual training rights vested for a full year total 20 hours per full-time employee and pro rata for those working part-time or beginning during the year.

Having regard to the workforce as on December 31, 2006, the individual training rights totalled 11,214 hours.

### Table of subsidiaries and investments in associates

(thousands of euros or foreign currency except millions of XAF)

	Share capital	Shareholders' Equity other than share capital	Percentage of share capital owned	Gross carrying amount of shares owned	Net carrying amount of shares owned	Loans and advances granted and not repaid	Endorsements and guarantees provided	Dividends collected during the period	Sales over the past year	Profit (loss) over past year
	Currency	Currency	%	EUR	EUR	EUR	EUR	EUR	Currency	Currency
<b>I - Detailed information on each stock</b>										
<b>(gross amount in excess of 1% of the Company's share capital)</b>										
<b>a) Subsidiaries (at least 50% of share capital owned)</b>										
Erasteel SAS	EUR	15,245	115,136	100.00	143,169	143,169		10,880	23,796	1,710
Eramet North America	USD	1,201	(384)	100.00	1,344	492			2,605	62
Eras	EUR	1,264	0	100.00	1,250	1,250			0	0
Tec Ingénierie	EUR	525	2,044	100.00	838	838			10,720	508
Eramet Holding Nickel	EUR	227,104	16,476	100.00	229,652	229,652		53,228	0	55,336
Sima	EUR	53,000	55,201	100.00	234,584	188,700	315,000		4,172	2,597
Eramet Holding Manganèse	EUR	310,156	18,641	100.00	310,156	310,156		14,867	0	12,828
Centre de Recherche de Trappes	EUR	1,410	505	100.00	1,161	1,161	270		9,446	134
Metal Securities	EUR	38	13	87.92	66	66			0	318
Weda Bay	USD	81	(19)	100.00	188,565	188,565			0	0
					<b>1,110,785</b>	<b>1,064,049</b>				
<b>b) Investments in associates (between 10% and 50% owned)</b>										
Comilog	XAF	40,812	87,006	26.77	61,874	61,874		3,477	190,268	34,081
<b>II - General information on other stock</b>										
<b>(gross amount at most equal to 1% of the Company's share capital)</b>										
a) French subsidiaries	EUR				187	187				
b) Foreign subsidiaries	EUR									
c) Investments in associates	EUR				992	992		111		
<b>Total</b>					<b>1,173,838</b>	<b>1,127,102</b>	<b>315,270</b>	<b>0</b>	<b>82,562</b>	

## 20.2.2. STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2006

(free translation)

In accordance with the assignment entrusted to us at your General Shareholders' Meeting, we hereby present our report for the year ended December 31, 2006 on:

- The auditing of Eramet's annual financial statements, as set out herein,
- The explanation of our assessments,
- The special checks and the disclosures required by law.

The annual financial statements were drawn up by the Board of Directors. Our task is to express an opinion on these financial statements based on our audit.

### I. Opinion on the annual financial statements

We carried out our audit in accordance with professional standards applicable in France. These standards require that we carry out our audit in such a manner as to obtain reasonable assurance that the annual financial statements do not contain any material misstatements. An audit involves examining, by sampling, documentation supporting the information in these financial statements. An audit also includes reviewing the accounting principles and material estimates used in drawing up the financial statements, as well as evaluating their overall presentation. We believe that our audit provides a reasonable basis for the opinion set out below.

We certify that the annual financial statements are, with respect to French accounting rules and principles, reasonable and accurate and give a true and fair view of the transactions carried out over the past financial year and of the company's financial position and assets at the end of that financial year.

### II. Explanation of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the explanation of our assessments, we would like to bring the following items to your attention:

As indicated in Note 4.2.3.2. of the accounting principles, rules and methods for non-current financial assets, investments in subsidiaries are valued having regard not only to the value of the assets owned but also the expected returns. Our work involved reviewing the data and assumptions on which those estimates are based and examining the calculations made by the company. On this basis, we assessed the reasonable nature of those estimates.

The assessments thus made are part of our audit process on the annual financial statements as a whole and, therefore, contributed to forming the opinion set out in the first part hereof.

### III. Special checks and disclosures

We furthermore carried out the special checks provided for by law in accordance with professional standards applicable in France.

We have no observations to make on:

- The accuracy or consistency with the annual financial statements of the information set out in the management report of the Board of Directors or in the documents sent to the shareholders on the financial position and annual financial statements; or
- The accuracy of the information in the management report relating to remuneration and benefits paid to the corporate officers concerned or benefits granted to them when taking up, leaving or changing posts or subsequently.

As prescribed by law, we checked that the various disclosures on the acquisition of investments in associates and controlling interests and the identity of shareholders has been provided to you in the management report.

Paris-La Défense and Neuilly-Sur-Seine, March 26, 2007

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

### 20.2.3. SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS DURING THE YEAR ENDED DECEMBER 31, 2006

(free translation)

As your company's statutory auditors, we hereby present our report on regulated agreements and commitments.

Our task is not to search for any agreements or commitments but to inform you, on the basis of the information provided to us, of the essential characteristics and terms of those agreements disclosed to us, without making any judgement as to their usefulness or merit. It is up to you, pursuant to the terms of Article 92 of the Decree of March 23, 1967, to assess the benefits resulting from the signing of such agreements and commitments with a view to their approval.

#### **Agreements and commitments authorised during the year**

We inform you that we have not been notified of any agreement or commitment entered into during the period falling under the scope of Article L. 225-38 of the French Commercial Code.

#### **Agreements approved in previous years and still in force over the past year**

Furthermore, pursuant to the Decree of March 23, 1967, we have been notified of the continued performance of the following agreements that were approved in previous years and were still in force over the past year.

With Le Nickel-SLN

##### **a. Nature and purpose**

A technical support contract, amending and replacing the previous such contract, was signed on May 21, 1999, under which your company provides Le Nickel-SLN with support in industrial, financial, tax and human resource management matters.

Terms

The amount invoiced for 2006 with respect to this contract was €10,536,000.

##### **b. Nature and purpose**

The Eramet/Le Nickel-SLN marketing agreement entered into in 1985 remained in force in 2006.

Terms

Pursuant to this agreement, Le Nickel-SLN generated €854,881,076 in sales with your company, which received in this respect a gross margin of 1.5% of sales plus a fixed royalty designed to cover the fixed costs of nickel matte conversion incurred by Eramet on behalf of Le Nickel-SLN.

We carried out our work in accordance with professional standards applicable in France. These require us to perform procedures to verify the consistency of the information provided to us with the underlying documentation on which it is based.

Paris-La Défense and Neuilly-Sur-Seine, March 26, 2007

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

## 20.2.4. CORPORATE FINANCIAL RESULTS OVER THE PAST FIVE FINANCIAL YEARS

	2002	2003	2004	2005	2006
<b>Share capital at year-end</b>					
a) Share capital	EUR 76,396,531	EUR 78,011,601	EUR 78,522,079	EUR 78,659,116	EUR 78 936 727
b) Number of shares issued	25,048,043	25,557,574	25,744,944	25,789,874	25,880,894
<b>Transactions and profit (loss) for the year (thousands of euros)</b>					
a) Sales ex. tax	543,158	658,411	828,412	842,948	1,082,671
b) Profit (loss) before tax, employee profit-sharing depreciation, amortisation and provisions	40,038	81,846	48,989	190,611	127,250
c) Income tax	291	(23,212)	2,214	4,128	(3,534)
d) Employee profit-sharing	0	0	0	0	0
e) Profit (loss) after tax, employee profit-sharing depreciation, amortisation and provisions	15,712	(162,552)	154,347	246,770	144,198
f) Proposed dividend	25,048	24,970	51,490	54,159	75,055
<b>Earnings per share (in euros)</b>					
a) Profit (loss) after tax, employee profit-sharing but before depreciation, amortisation and provisions	1.61	2.29	1.82	7.23	4.78
b) Profit (loss) after tax, employee profit-sharing depreciation, amortisation and provisions	0.63	(6.36)	6.00	9.57	5.57
c) Proposed dividend per share	1.00	0.86	2.00	2.10	2.90
<b>Employees</b>					
a) Number of employees	288	302	306	326	342
b) Total payroll (thousands of euros)	18,038	16,863	17,950	17,516	18,902
c) Amounts paid out in employee benefits (thousands of euros)	7,341	8,261	8,621	8,271	8,983

## 20.3. CONSOLIDATED FINANCIAL STATEMENTS FOR 2005 AND 2004

Pursuant to Article 28 of (EC) Regulation 809/2004 from the Commission, the following data is included for information purposes in this Reference Document:

- a) The 2005 consolidated financial statements, the related audit report and the overview of business activities appearing respectively in sections 20.1.1., 20.1.2. and 6 of the 2005 Reference Document filed with the AMF on May 11, 2006 under the N° R.06-056.
- b) The 2004 consolidated financial statements, the related audit report and the key business figures, appearing respectively in sections 5.1.1., 5.1.2. and 4.1.5. of the 2004 Reference Document filed with the AMF on September 2, 2005 under the N° R.05-115.

The portions of the 2005 and 2004 Reference Documents not included are either therefore of no relevance to the investor or covered by another section of this Reference Document.

The two above-mentioned reference documents are available on the website of the Company ([www.eramet.fr](http://www.eramet.fr)) and that of the AMF ([www.amf-france.org](http://www.amf-france.org)).

## 20.4. ORDINARY GENERAL SHAREHOLDERS' MEETING OF APRIL 25, 2007 – WORDING OF RESOLUTIONS

### THOSE WITHIN THE AMBIT OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

#### Resolution 1 (2006 annual financial statements)

The General Shareholders' Meeting, after having heard the report from the Board of Directors and the report from the Statutory Auditors on the financial statements for the financial year ended December 31, 2006, approves, as presented, the financial statements for said year, as well as the transactions included in said financial statements or summarised in these reports.

#### Resolution 2 (2006 consolidated financial statements)

The General Shareholders' Meeting, after having heard the report from the Board of Directors and the report from the Statutory Auditors on the consolidated financial statements for the financial year ended December 31, 2006, approves, as presented, said consolidated financial statements, as well as the transactions included in said financial statements or summarised in said reports.

### Resolution 3 (Regulated agreements)

The General Shareholders' Meeting, after having heard the special report drawn-up by the Statutory Auditors on the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code, approves said report and the transactions set out therein (in this instance: the transaction for the exchange of Le Nickel-SLN shares for Eramet shares following the exercise of its option by S.T.C.P.I., under the terms of Le Nickel-SLN's shareholder's agreement of September 2000).

### Resolution 4

#### (Allocation of earnings – setting the dividends)

The General Shareholders' Meeting approves the allocation of earnings as proposed by the Board of Directors.

Earnings for the past financial year	€144,198,011.51
Plus retained earnings as on December 31, 2006(*)	€348,204,639.06

The General Shareholders' Meeting resolves to allocate:

To the legal reserve:	€27,761.10
Leaving the remainder:	€492,374,889.47

The General Shareholders' Meeting resolves to distribute an amount of €2.90 per share, namely for the 25,880,894 shares comprising the share capital on the date of the Meeting, the amount of

Leaving retained earnings of:	€75,054,592.60
	€417,320,296.87

The dividend will be paid out on May 15, 2007.

If, at the time of payment of the dividend, new shares have been created as a result of the exercise of share options by employee beneficiaries, the amount of the dividend corresponding to those shares shall be automatically deducted from retained earnings.

The General Shareholders' Meeting, acting as an Ordinary General Shareholders' Meeting, notes that the dividends per share with respect to the past financial year, and to the previous three financial years, were as follows:

	2003	2004	2005	2006
Number of shares eligible for payment	25,577,574	25,544,944	25,789,874	25,880,894
Net dividend	€ 0.86	€ 2.00	€ 2.10	€ 2.90
Tax credit	€ 0.43**	-	-	-
Total return	€ 1.26	€ 2.00	€ 2.10	€ 2.90

(\*) Retained earnings as on December 31, 2006 include €284,010.30 relating to the amount of the approved but unpaid dividend with respect to Eramet treasury shares as of the General Shareholders' Meeting of April 27, 2006.

(\*\*) On the basis of a 50% tax credit.

### Resolution 5 (Directors' fees)

In accordance with the provisions of the Articles of Association, the General Shareholders' Meeting sets the maximum amount of directors' fees that may be allocated each year to the Board of Directors at three hundred and sixty thousand euros (€360,000). This provision shall be applicable for the first time to fees paid during the 2007 financial year.

### Resolution 6

#### (Renewal of the term of office of a Director) <sup>(1)</sup>

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Jacques Bacardats, which expires at this Meeting.

### Resolution 7

#### (Renewal of the term of office of a Director)

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Rémy Autebert, which expires at this Meeting.

### Resolution 8

#### (Renewal of the term of office of a Director)

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Cyrille Duval, which expires at this Meeting.

### Resolution 9

#### (Renewal of the term of office of a Director)

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Edouard Duval, which expires at this Meeting.

### Resolution 10

#### (Renewal of the term of office of a Director)

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Georges Duval, which expires at this Meeting.

(1) This resolution was rejected.



#### **Resolution 11**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Patrick Duval, which expires at this Meeting.

#### **Resolution 12**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Pierre-Noël Giraud, which expires at this Meeting.

#### **Resolution 13**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Gilbert Lehmann, which expires at this Meeting.

#### **Resolution 14**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Louis Mapou, which expires at this Meeting.

#### **Resolution 15**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Jacques Rossignol, which expires at this Meeting.

#### **Resolution 16**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Michel Somnolet, which expires at this Meeting.

#### **Resolution 17**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as Director of Antoine Treuille, which expires at this Meeting.

#### **Resolution 18**

##### **(Renewal of the term of office of a Director)**

The General Shareholder' Meeting renews for a four-year term, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011, the term of office as

Director of AREVA, represented by Frédéric Tona, which expires at this Meeting.

#### **Resolution 19**

##### **(Confirmation of the co-option and renewal of the term of office as Director)**

The General Shareholders' Meeting confirms the co-opting of Patrick Buffet as Director, made at the Board Meeting of March 7, 2007, succeeding François Henrot, who resigned, for the remaining term of office of his predecessor, namely until this Meeting, and resolves to renew said term of office for four years, namely until the General Shareholders' Meeting called to approve the financial statements for the 2010 financial year, which is scheduled to be held in 2011.

#### **Resolution 20**

##### **(Authorisation to trade in the Company's shares)**

The General Shareholders' Meeting, after examining the prospectus on trading in the Company's shares, exercising the option provided for in Article L. 225-209 of the French Commercial Code, authorises the Board of Directors to have the company buy back its shares up to a limit of 5% of its share capital, in order to:

- Support the share prices via a liquidity contract with a market maker, in accordance with the AFEI code of conduct recognised by the AMF,
- Retain the shares or swap them, in particular in the case of acquisitions or the issue of securities giving rights over the share capital,
- Grant stock options to employees of the Company or of the companies in which Eramet directly or indirectly holds 50% of the share capital,
- Cancel the shares, pursuant to resolution 21 of the General Shareholders' Meeting authorising the reduction of the Company's share capital.

Purchases, sales, transfers or swaps of these shares may be carried out by any means, including, as the case may be, using derivatives, and the maximum proportion that may be acquired or transferred in the form of a block of shares may be equal to the full amount of the authorised share buyback programme.

Payment may be in any form.

The maximum purchase price may not exceed €170<sup>(a)</sup> per share .

This authorisation is granted for a period expiring at the General Shareholders' Meeting called to approve the 2007 financial statements.

On the basis of the number of shares comprising the share capital on February 28, 2007, the theoretical maximum investment, assuming a price of €170 per share, would amount to €219,987,480.

For the purposes of implementing this resolution, the Board of Directors is granted full powers, which it may delegate, to:

- Place stock market orders, enter into agreements, particularly in order to keep records of share purchases and sales,
- File declarations with the AMF,
- Complete all formalities and, in general, do whatever is necessary

(a) This resolution was amended and the amount increased from €170 to €300.

## **THOSE WITHIN THE AMBIT OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING**

### **Resolution 21**

#### **(Authorisation to reduce the share capital by cancelling shares)**

The General Shareholders' Meeting, after having familiarised itself with the report from the Statutory Auditors, authorises, subject to the prior approval by the General Shareholders' Meeting of resolution 20 on the authorisation to trade in the Company's shares, the Board of Directors, at its sole discretion, to cancel, on one or more occasions, all or part of the Company's treasury stock acquired under the authorisations to buy back Company shares.

This authorisation is valid for 24 months as from the date of this General Shareholders' Meeting, up to a limit of 5% of the share capital. It replaces any and all prior authorisations.

The General Shareholders' Meeting bestows all powers on the Board of Directors in order to settle the outcome of any objection, decide upon the cancellation of shares, record the share capital reduction, allocate the difference between the buyback value of the cancelled shares and their par value to the premiums and available reserves, accordingly amend the Articles of Association and, generally, do whatever is necessary and complete all formalities.

### **Resolution 22**

#### **(Share capital increase through the issue of shares, securities and/or share subscription warrants with shareholders' preferential subscription rights)**

The General Shareholders' Meeting, after having familiarised itself with the special report from the Statutory Auditors, delegates to the Board of Directors, pursuant to the provisions of Article L. 225-129 of the French Commercial Code, the authority to increase, at its sole discretion, the share capital by a maximum par amount of €24,000,000, via the successive or simultaneous issue, on one or more occasions, both in France and abroad, of securities giving rights, either immediately or in the future, over a fraction of the share capital, in the form of:

- a) Shares, by:
- Either issuing new shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium, or
  - By incorporating into the share capital all or part of the reserves or issue premiums existing at that time, to be carried out via the allocation of bonus shares or by increasing the par value of existing shares, or
  - By the simultaneous use of a number of these mechanisms.
- b) Securities other than shares giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of grant, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital. Such securities shall be in the form of convertible bonds, bonds with share subscription warrants, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, up to an amount corresponding to a

maximum total share capital par increase of €24,000,000 or the equivalent of said amount calculated on the date of the decision to issue such securities.

- c) Warrants granting their holders the right to subscribe for securities representing a fraction of the Company's share capital, it being hereby stipulated that the issue of such warrants may take place, either by subscription for cash, or by bonus grant and that, moreover, said warrants may be issued on their own or combined with the shares and securities referred to in (a) and (b) above which are issued simultaneously.

The owners of existing shares on the issue date for cash of the securities referred to in (a), (b) and (c) shall be entitled, as of right and in proportion to the number of shares they own at that time, to a preferential subscription right for said securities; for each issue, the Board of Directors shall set the terms and timeframes within which shareholders may exercise their subscription as of right in line with applicable legal provisions.

The Board of Directors may introduce a right to subscribe for excess shares for shareholders, which shall be exercised in proportion to their rights and up to the amount subscribed for.

Should the subscriptions as of right and, where applicable, the subscriptions for excess shares, not take up the whole share, security or warrant issue, the Board of Directors may limit the issue, in the legally prescribed manner, to the amount of subscriptions received (it being hereby stipulated that in the event that the Board of Directors were to decide to issue the new ordinary shares referred to in (a) above, the amount of subscriptions must reach at least 75% of the amount of the share capital increase decided upon), or freely allocate the unsubscribed shares, securities and warrants as of right and, where applicable, as excess shares, or even offer all or part thereof to the general public; the Board of Directors may use the abovementioned powers, or certain of them, in any order it sees fit.

In the event of the issue of securities giving entitlement to the allocation of shares on presentation of a warrant, the Board of Directors shall be fully empowered to set the terms and conditions under which the Company shall be entitled to buy subscription warrants on the stock market at any time or during specific periods, in order to cancel them.

The General Shareholders' Meeting resolves that the amount accruing immediately, or which may subsequently accrue, to the Company for each of the securities representing a fraction of the share capital, issued or created by subscription, conversion, swap, the exercise of warrants or in any other manner under the authorisations granted in (b) and (c) shall be at least equal to the average Company share price, recorded during ten consecutive trading days, selected from the twenty days prior to the commencement of the share, security or warrant issue giving rights over the share capital after adjustment, if appropriate, of this average for any difference in the vesting dates.

The General Shareholders' Meeting grants all powers to the Board of Directors, with the right to further delegate to its Chairman in the legally prescribed manner, in order to

implement this authorisation, on one or more occasions, in order, in particular, to determine the dates and terms and conditions of the issues, decide upon the prices and interest rates, set the amounts to be issued and the type of securities to be created, their vesting dates, even retroactive, the terms for their redemption and/or buyback, make any adjustments required by legal and regulatory provisions, accordingly amend the Articles of Association in light of the exercise of this resolution and, more generally, take all relevant measures and execute all resolutions and agreements so as to ensure the due and proper completion of the planned issues, in full compliance with applicable legal provisions.

The General Shareholders' Meeting resolves that, in the event of a share capital increase via the allocation of bonus shares, the fractional rights shall not be marketable and that the corresponding shares shall be sold, and grants the Board of Directors all the powers necessary to make such a sale in the legally prescribed manner.

Moreover, it authorises the Board of Directors to allocate the expenses relating to the share capital increases to the premiums relating to such increases and to deduct from these premiums the amounts required to bring the legal reserve up to ten percent of the new share capital following each increase. This authorisation, which cancels any prior authorisation, is valid for the legally prescribed term.

**Resolution 23  
(Incorporation of reserves, earnings, premiums or other reserves that may be capitalised)**

The General Shareholders' Meeting:

Delegates to the Board of Directors the powers necessary to increase the share capital on one or more occasions, in the proportions and at the timing of its choosing, via the incorporation of reserves, earnings, premiums or other reserves that may be capitalised, or even in tandem with a share capital increase for cash carried out under resolution 22, in the form of bonus share grants or by increasing the par value of existing shares, or by a combination of such mechanisms;

Resolves that the amount of the capital increase that may be carried out under this authorisation may not exceed €24,000,000;

Resolves that the Board of Directors shall be fully empowered, with the right to further delegate to its Chairman in the legally prescribed manner, to implement this authorisation in order, in particular, to:

- Decide upon all the terms and conditions for authorised transactions and, in particular, set the amount and nature of the reserves and premiums to be incorporated into the share capital, set the number of new shares to be issued or the amount by which the par value of the existing shares comprising the share capital shall be increased, decide on the date, even retroactive, when the new shares shall give entitlement to dividends or when the increase in the par value shall become effective and, where applicable, make any allocations to the issue premium(s) and, in particular, for the expenses generated by the issues;

- Decide, where applicable, under the provisions of Article L. 225-130 of the French Commercial Code, that the fractional rights shall not be marketable and that the corresponding shares shall be sold, with the proceeds of the sale being allocated to the rights holders within 30 days of registration in their account of all the shares granted;
- Take all relevant measures and execute all resolutions so as to ensure the due and proper completion of the planned transaction(s) and, generally, do whatever is necessary, to complete all acts and formalities so as to finalise any share capital increase(s) that may be carried out under this authorisation, accordingly amending the Articles of Association.

The authorisation hereby granted to the Board of Directors, which cancels any prior authorisation, is valid for the legally prescribed term.

**Resolution 24  
(Share capital increase via the issue of shares, various securities and/or share subscription warrants with the cancellation of the preferential subscription right for shareholders)**

The General Shareholders' Meeting, after having familiarised itself with the special report from the Statutory Auditors, delegates to the Board of Directors, under the provisions of Article L. 225-129 of the French Commercial Code, the authority to increase the share capital by a maximum par amount of €24,000,000, via the successive or simultaneous issue, on one or more occasions, both in France and abroad, of securities giving rights, either immediately or in the future, to a fraction of the share capital. This authorisation may be used on the basis of the following terms and conditions:

**I) Issues by the Company, in the form of:**

- a) New shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium;
- b) Securities other than shares giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of grant, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital. Such securities shall be in the form of convertible bonds, bonds with share subscription warrants, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, up to an amount corresponding to a maximum total share capital par increase of €24,000,000 or the equivalent of said amount calculated on the date of the decision to issue such securities.

- c) Warrants granting their holders the right to subscribe for securities representing a fraction of the Company's share capital, it being hereby stipulated that said warrants may be issued on their own or attached both to the shares and securities referred to in (a) and (b) above that are issued simultaneously.

The securities referred to in (a), (b) and (c) above may be issued in consideration for securities that may be contributed to the Company as part of a public offer involving a share swap pursuant to the provisions of Article L. 225-148 of the French Commercial Code.

The par value of the securities representing a fraction of the Company's share capital that may be created under the issues provided for in (b) and (c) of this section I may not, under any circumstances, result in the share capital increasing by more than €24,000,000 for the issues referred to in (b) and more than €24,000,000 for the issues referred to in (c), an amount to which the par value of the securities to be issued to preserve the rights of the owners of the securities referred to in (b) and (c) above may ultimately be added.

**II)** Issues by the company(ies) in which Eramet directly or indirectly holds over half the share capital, carried out by said companies, on one or more occasions, either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, on the French market or the international market of:

- a) Bonds with Eramet share subscription warrants;
- b) Securities giving direct or indirect rights, by conversion, swap, redemption, presentation of a warrant or in any other manner, to the granting, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital of Eramet. Such securities shall be in the form of shares with share subscription warrants, convertible bonds, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

The par value of securities representing a fraction of the share capital that may be created under the issues provided for in (a) and (b) of this section II may not, under any circumstances, result in the share capital increasing by a par amount of more than €24,000,000 to which the par value of the securities to be issued to preserve the rights of the owners of the warrants referred to in (a) and (b) and the securities referred to in (b) of this section II may ultimately be added.

**III)** The General Shareholders' Meeting resolves to cancel the shareholders' preferential subscription right for shares, securities and subscription warrants set out in (a), (b) and (c) of section I and for the warrants and securities set out in (a) and (b) of section II. The Board of Directors may nevertheless grant shareholders, in respect of issues made in the French market, for a period and subject to the terms and conditions of its choosing, a preferential period in which to subscribe for the shares, securities and warrants issued, without creating rights that are either marketable or transferable.

The General Shareholders' Meeting further resolves that this authorisation includes a waiver by shareholders of their preferential subscription right for securities representing a proportion of the share capital of Eramet which provide entitlement, either immediately or in the future, to the issue of the securities and warrants referred to in (b) and (c) of section I and to the warrants and securities referred to in (a) and (b) of section II.

In the event of the issue of securities giving entitlement to the allocation of shares on presentation of a warrant, the Board of Directors shall be fully empowered to set the terms and conditions under which the Company shall be entitled to buy subscription warrants on the stock market at any time or during specific periods, in order to cancel them.

**IV)** The General Shareholders' Meeting resolves that the amount accruing immediately, or which may subsequently accrue, to the Company:

- 1) For each share issued under the authorisation granted in (a) of section I above;
- 2) For each security representing a fraction of the share capital either issued or created by conversion, swap, redemption, presentation of a warrant, or any other means under the authorisation granted in (b) of sections I and II above;
- 3) And for the exercise of each warrant issued under the authorisations granted in (c) of section I and in (a) and (b) of section II above, shall be at least equal to the weighted average of the share price over the previous three trading days prior to its being set (possibly reduced by a maximum of 5%) after adjustment, if appropriate, of this average for any difference in vesting dates, it being hereby stipulated that the price of standalone warrants shall, for each security representing the capital to be created, be such that the total of this price plus the exercise price of each warrant is at least equal to 105% of said average.

**V)** The General Shareholders' Meeting grants all the necessary powers to the Board of Directors, with the right to further delegate to its Chairman in the legally prescribed manner, to implement this authorisation, on one or more occasions, in order, in particular, to determine, together with the issuer company(ies) in the cases provided for in section II, the timing and terms and conditions of the issues, decide upon the prices and interest rates, set the amounts to be issued and the form of the securities to be created, their vesting dates, even retroactive, the terms and conditions for their redemption and/or buyback, take the decisions and carry out the transactions required in the event of the issue of securities as consideration for the securities contributed as part of a public offer involving a share swap, make any adjustments required by legal and regulatory provisions, accordingly amend the Articles of Association in light of the exercise of this resolution and, more generally, take all relevant measures and execute all resolutions and agreements so as to ensure the due and proper completion of the planned issues, in full compliance with applicable legal provisions.

It, moreover, authorises the Board of Directors to allocate the expenses relating to the share capital increases to the premiums relating to such increases and to deduct from these premiums the amounts required to bring the legal reserve up to ten percent of the new share capital following each increase.

This authorisation, which cancels any prior authorisation, is valid for the legally prescribed term.

#### **Resolution 25**

##### **(Limitation of the amount of issues)**

The General Shareholders' Meeting resolves that:

- The capital increases that may result from the use of the authorisations governing the issue of shares, various securities and warrants, as provided for in resolutions 22 and 24 above, whether immediate, deferred or potential, may not exceed the maximum par amount of €24,000,000, adding to this amount the additional share capital increases, made necessary by the preservation of the rights of holders of securities granting the right, in any manner, to the allocation of securities representing a fraction of the capital, and to holders of share subscription warrants.
- The issue of securities other than the shares authorised under resolutions 22 and 24 above may not result in a share capital increase with a par value of over €24,000,000; as the case may be, the euro equivalent of the security issues denominated in foreign currencies or in monetary units established with reference to a basket of currencies, shall be included in this amount.

#### **Resolution 26**

##### **(Entitlement to use the authorisations during public offers)**

The General Shareholders' Meeting expressly grants the Board of Directors the right to make use, either in full or in part, pursuant to legal provisions, of the various authorisations granted under resolutions 22 and 24 passed by this General Shareholders' Meeting relating to the securities issued by the Company, in the event of one or more public offers including those involving share swaps.

This authorisation is valid for the legally prescribed term.

#### **Resolution 27**

##### **(Capital increase reserved for employees)**

The General Shareholders' Meeting, after having familiarised itself with the report from the Board of Directors and the special report from the Statutory Auditors, and adopting resolutions under the provisions of Articles L. 225-129 and L. 225 129-6 of the French Commercial Code, delegates to the Board of Directors, with the right to further delegate, the powers necessary to increase the share capital, on one or more occasions, by a maximum par amount of €500,000, via the issue of new cash shares reserved for the Company's employees and former employees, who are members of an employee savings plan or voluntary savings scheme.

It resolves to cancel, in favour of said employees and former employees, the preferential right for shareholders to subscribe for cash shares to be issued pursuant to this resolution, and to waive any entitlement to shares allocated free of charge on the basis of this resolution.

This authorisation is granted for a period of twenty-six months.

The share subscription price shall be set in accordance with the provisions of Article L. 443-5 of the French Labour Code.

For the benefit of the abovementioned staff, this authorisation includes an express waiver by shareholders of their preferential subscription right for shares to be issued.

#### **Resolution 28 (Powers)**

The Combined Ordinary and Extraordinary General Shareholders' Meeting, fully empowers the bearer of an original, an extract or a copy of the minutes of this Meeting to carry out any filing or formality that may be necessary.

## **20.5. DIVIDEND POLICY**

### **20.5.1. DIVIDEND PAYMENT ARRANGEMENTS**

Dividends are paid annually at the time and in the places specified by the General Shareholders' Meeting, or failing that by the Board of Directors within nine months of the end of the financial year at the latest. Properly paid dividends cannot be repeated.

Interim dividend payments may be made prior to the date of the Meeting setting the amount thereof. The amount of such interim payments is set by the Board of Directors pursuant to the provisions of Article L. 232-12, subsection 2, of the French Commercial Code.

Shareholders may be given the option of payment in whole or in part in new shares in the Company, pursuant to the provisions of Article L. 232-18, subsection 1, of the French Commercial Code.

In line with applicable provisions in France, the right to claim dividends lapses five years from the date of payment.

Unpaid amounts are paid over to the French State during the first 20 days of January of the year following that lapse, pursuant to the provisions of Articles L. 27 and R. 46 of the French Public Property Code.

### **20.5.2. ALLOCATION AND DISTRIBUTION OF EARNINGS / DIVIDEND PAYMENT ARRANGEMENTS (ARTICLE 25 OF THE ARTICLES OF ASSOCIATION)**

"5% of earnings, as defined by law, less any past losses, where applicable, are withheld to comprise the legal reserve, until such reserve is equal to 10% of the share capital.

Distributable earnings are comprised of earnings for the financial year, less any past losses and the abovementioned withheld amount, plus any retained earnings. Out of the distributable earnings, the Ordinary General Shareholders' Meeting may withhold any sum it deems appropriate, either to be carried forward to the following financial year or to be added to one or more special or general reserves of which it determines the allocation or use.

Any surplus is divided equally between all shares.

The General Shareholders' Meeting may grant each shareholder, for all or part of the dividend being distributed, the option to be paid in shares in the legally prescribed manner, or in cash."

### 20.5.3. DIVIDEND DISTRIBUTION POLICY

#### 20.5.3.1. Policy applied

##### Payment arrangements

As the Company does not usually make interim payments, dividends are paid annually after the General Shareholders' Meeting called to approve the management activities and financial statements for the past financial year (in 2007: as from May 15).

Mixed payments in cash and shares are sometimes offered at the shareholder's option. Over the past five years, with respect to the 1999 financial year, the Company proposed a cash payment of €0.60, with the option of receiving the balance, namely €0.54, as a new share grant; with respect to the 2001 financial year, it again proposed a cash payment of €0.60, with the option of

receiving the balance, namely €0.54, as a new share grant; finally, with respect to 2002, it proposed a cash payment of €0.50, with the option of receiving the balance, namely €0.50, as a new share grant.

No options were offered for dividend payments with respect to the 2000, 2003, 2004, 2005 and 2006 financial years.

##### Amount of dividend

In recent years, the Company has endeavoured to pay a stable and substantial dividend without necessarily taking account of the cyclical impact of the commodity markets.

#### 20.5.3.2. Dividends paid out in recent years

The following dividends were paid out in the past five financial years.

	2006	2005	2004	2003	2002
Number of shares eligible for payment	25,880,894	25,789,874	25,744,944	25,577,574	25,048,043
Earnings, Group share	M€ 319	M€ 377	M€ 346	(M€ 107) **	M€ 6 **
Net dividend per share	€ 2.9	€ 2.10	€ 2.00	€ 0.86	€ 1.00
Tax credit	-	-	-	€ 0.43 *	€ 0.50 *
Total payment per share	€ 2.9	€ 2.10	€ 2.00	€ 1.29	€ 1.50
Total net distribution	M€ 75	M€ 54.2	M€ 51.4	M€ 21.9	M€ 25

\* Based on a 50% tax credit.

\*\* Under French GAAP.

#### 20.5.3.3. Outlook

The Company intends to continue to follow the policy applied over recent financial years, including as regards the option of part-payment in shares.

## 20.6. FEES OF STATUTORY AUDITORS

### 20.6.1. ORGANISATION OF EXTERNAL AUDITING

The General Shareholders' Meeting of May 21, 2003, decided to renew the terms of office of the Statutory Auditors for six financial years, namely until the 2008 financial statements are approved.

For several years, the Group has asked its Statutory Auditors in preference to audit its main global subsidiaries. However, for historical or practical reasons, other firms carry out audits as seen from the following table.

(thousands of euros)	2006	2005	2004
Ernst & Young	1,176	1,598	1,917
Deloitte & Associés	1,267	463	364
Other	502	567	200
<b>Total</b>	<b>2,945</b>	<b>2,628</b>	<b>2,481</b>

## 20.6.2. FEES PAID TO THE VARIOUS AUDITORS

Full details of all fees paid to the various audit firms with respect to 2005 and 2006 are provided in the table below, broken down by type of service.

(thousands of euros)	Ernst & Young				Deloitte & Associés				Autres			
	Amount (ET)		%		Amount (ET)		%		Amount (ET)		%	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Auditin</b>												
Statutory certification, auditing of corporate consolidated financial												
Issue	153	153	13%	10%	163	153	13%	33%			0%	0%
Fully consolidated	908	1,031	77%	65%	432	232	34%	50%	484	480	96%	85%
Other work and directly related to work of statutory												
Issue		59	0%	4%	225	54	18%	12%			0%	0%
Fully consolidated subsidiaries	38	175	3%	11%	439	4	35%	1%		22	0%	4%
<b>Subtotal (1)</b>	<b>1,099</b>	<b>1,418</b>	<b>93%</b>	<b>89%</b>	<b>1,259</b>	<b>443</b>	<b>99%</b>	<b>96%</b>	<b>484</b>	<b>502</b>	<b>96%</b>	<b>89%</b>
<b>Autres prestations rendues parOther services provided by network to fully subsidiaries</b>												
Legal, tax, social	47	81	4%	5%	8		1%	0%	9	28	2%	5%
Other	30	99	3%	6%		20	0%	4%	9	37	2%	7%
<b>Subtotal (2)</b>	<b>77</b>	<b>180</b>	<b>7%</b>	<b>11%</b>	<b>8</b>	<b>20</b>	<b>1%</b>	<b>4%</b>	<b>18</b>	<b>65</b>	<b>4%</b>	<b>11%</b>
<b>Total (1) + (2)</b>	<b>1,176</b>	<b>1,598</b>	<b>100%</b>	<b>100%</b>	<b>1,267</b>	<b>463</b>	<b>100%</b>	<b>100%</b>	<b>502</b>	<b>567</b>	<b>100%</b>	<b>100%</b>

## 21. ADDITIONAL INFORMATION

### 21.1. SHARE CAPITAL

#### 21.1.1. SUBSCRIBED SHARE CAPITAL

##### Amount and equivalent shares

As on January 1, 2007, the share capital amounted to €78,936,726.70, in the form of 25,880,894 fully paid-up shares in the same class with a par value of €3.05 each.

##### Actual changes to the share capital since the beginning of the 2007 financial year

As a result of the options exercised since the start of the financial year, the share capital has changed as follows:

FY 2006	Number of options exercised/ shares created	Number of shares after exercise	Amount of the share capital after exercise (euros)
As on January 1, 2006		25,789,874	78,659,115.70
As on December 31, 2006	91,020	25,880,894	78,936,726.70
As on February 28, 2007	0	25,880,894	78,936,726.70

##### Rights attached to shares

Every share gives the right, as regards ownership of the Company's assets and sharing in its earnings, to an amount in proportion to the percentage of the share capital it represents, taking into account, as necessary, redeemed and unredeemed, paid-up and unpaid-up share capital, and the par value and rights of shares in the various classes.

Every share gives the right, whether as a going concern or in the event of liquidation, to the payment of the same net sum for any distribution or redemption, in such a way that all shares are considered as a whole, regardless of any tax exemptions or tax to which the Company may be subject.

**Share capital subscribed for and not paid-up: nil**

## 21.1.2. SECURITIES NOT REPRESENTING SHARE CAPITAL

### 21.1.2.1. Founders' shares, voting rights certificates

None.

### 21.1.2.2. Other securities

The Company has not issued any other currently valid financial instruments that do not represent shares but which may grant rights over the share capital in the future or provide options. Authorisations do, however, exist for such issues, following a decision of the Board (see above). No use to date has been made of such authorisations.

## 21.1.3. CHANGES IN SHARE CAPITAL

Year	Transaction	Amount in euros	Issue or contribution premium	Amount of the share capital after the transaction	Number of shares created *	Number of shares after the transaction
2000	Option exercises	986,656		74,491,456	323,602	24,431,596
	Payment of dividend in shares	677,898		75,169,354	222,336	24,653,932
2001	Option exercises	138,509	-	75,307,863	45,428	24,699,360
	Switchover to euro	25,184.83	-	75,333,048	0	24,699,360
2002	Option exercises	73,200	-	75,406,248	24,000	24,723,360
	Payment of dividend in shares	989,216	-	76,395,464	324,333	25,047,693
2003	Option exercises	1,067.5	-	76,396,531	350	25,048,043
	Payment of dividend in shares	1,605,004	-	78,001,535	526,231	25,574,274
2004	Option exercises	520,544	-	78,522,079	3,300	25,577,574
					167,370	25,744,944
2005	Option exercises	137,037	-	78,659,116	44,930	25,789,874
2006	Option exercises	277,611	-	78,936,727	91,020	25,880,894
2007 **	Option exercises	0	-	78,936,727	-	25,880,894

\* Options exercised during financial year "n" resulting in a capital increase for financial year "n+1"

\*\* As on February 28, 2007.

## 21.1.4. CHANGES IN DISTRIBUTION OVER THE PAST THREE YEARS

The distribution of the share capital has not changed materially over the past three years, not even as a result of the substitution in 2001 of Areva for Cogema, which had itself taken on ERAP's rights in 1999.

Since the end of the 2006 financial year, the Company has not been notified of any material change in shareholdings.

Forthcoming changes will probably stem from the exercise of options granted under stock option plans or the automatic vesting of double voting rights for shares that have been registered for over two years.



## 21.1.5. LAST KNOWN SHARE CAPITAL DISTRIBUTION

The last known distribution of the Company's share capital as on December 30, 2006 results from a study carried out on that date by the banking house responsible for maintaining the share register, from disclosures of thresholds crossed since that date (M&G Investments Management Ltd and Blackrock), and the exercise of outstanding options by their beneficiaries on December 31, 2006.

As on december 31, 2006 (including shareholders holding, or likely to hold, at least 1% of the share capital or voting rights and known to the company)

Major shareholders	Number of shares	Percentage of share capital	Number of votes	Percentage of voting rights
<b>SORAME *</b>				
[Société de Recherche et d'Applications Métallurgiques]	7,818,919	30.21%	15,613,838	35.54%
<b>CEIR *</b>				
[Compagnie d'Etudes Industrielles de Rouvray]	1,783,996	6.89%	3,567,992	8.12%
Other private individuals party to the concert: Cyrille, Georges, Édouard and Patrick Duval	423	0.002%	844	0.002%
<b>Total SORAME/CEIR sub-group</b>	<b>9,603,338</b>	<b>37.11%</b>	<b>19,182,674</b>	<b>43.67%</b>
<b>AREVA *</b>	<b>6,757,277</b>	<b>26.11%</b>	<b>13,514,554</b>	<b>30.77%</b>
<b>Total concert (sub-group/AREVA)</b>	<b>16,360,615</b>	<b>63.22%</b>	<b>32,697,228</b>	<b>74.43%</b>
<b>STCPI</b>				
[Société Territoriale Calédonienne de Participations Industrielles]	1,323,471	5.11%	2,614,378	5.95%
Société Minière G. MONTAGNAT	65,545	0.25%	129,478	0.29%
Employees (Eramet share fund)	46,970	0.18%	92,190	0.21%
Eramet treasury stock**	113,395	0.44%	0	0.00%
Corporate officers (excluding concert)	702	0.003%	1,303	0.003%
Miscellaneous registered shareholders	460,875	1.78%	884,190	2.01%
<b>Total registered shares</b>	<b>18,371,573</b>	<b>70.99%</b>	<b>36,418,767</b>	<b>82.91%</b>
Carlo Tassara France				
[Company belonging to the Romain Zaleski group]	3,394,146	13.11%	3,394,146	7.73%
MG Investments Management LTD ***	1,288,127	4.98%	1,288,127	2.93%
Blackrock ***	400,000	1.55%	400,000	0.91%
BRGM	356,044	1.38%	356,044	0.81%
Other bearer shares	2,071,004	8.00%	2,071,004	4.71%
<b>Total bearer shares***</b>	<b>7,509,321</b>	<b>29.01%</b>	<b>7,509,321</b>	<b>17.09%</b>
<b>TOTAL SHARES</b>	<b>25,880,894</b>	<b>100.00%</b>	<b>43,928,088</b>	<b>100.00%</b>

\* SORAME, CEIR and AREVA are signatories to a shareholders' agreement constituting a concert party which was subject to an opinion from the Conseil des Marchés Financiers (French Financial Markets Regulator) on May 18, 1999 under reference number 199C0577.

\*\* Taking into account shares purchased under the liquidity contract entered into with Exane BNP Paribas and not yet registered as of the date of drafting of this table, the total number of shares controlled by Eramet should be increased by 16,862 shares (but 0 voting rights), namely a total of 130,257.

\*\*\* Based on the latest disclosures of thresholds crossed, reconciled with the most recent survey of identifiable bearer shares (TPI).

To the best of the Company's knowledge, no other shareholders directly or indirectly hold over 1% of the share capital or voting rights in the Company. Apart from the treasury shares referred to in the above table, the Company does not own any other own shares. To the best of the Company's knowledge, employees and members of the Board of Directors hold less than 3% of the share capital and voting rights in the Company, with it being specified that securities giving rights over the share capital have been granted to employees and executives, as described in Chapter 17.9.2.

## 21.1.6. STOCK OPTION PLANS AND BONUS SHARES

### 21.1.6.1. Authorisations granted to the Board of Directors

On several occasions, the Company's General Shareholders' Meeting has authorised the Board of Directors to grant options to employees.

Under resolution 5, the Meeting of May 27, 1998 authorised the Board of Directors to grant, on one or more occasions, options that give the right to subscribe for new shares or to purchase existing shares in the Company to employees and executives of the Company and, potentially, of any company in which Eramet directly or indirectly holds at least 50% of the share capital.

Terms: share subscription or purchase price to be set by the Board, it being understood that the price must be at least equal to the minimum amount provided for under applicable legislation, namely on that date, 80% of the average share price over the twenty trading days prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 350,000 shares; option exercise period: 8 years; term of authorisation: 5 years, namely until May 26, 2003.

Under resolution 22, the Meeting of July 21, 1999 authorised the Board of Directors to grant, on one or more occasions, call options on existing shares from purchases made by the Company to employees of the Company and, potentially, of any company in which Eramet directly or indirectly holds at least 50% of the share capital.

Terms: share subscription price to be set by the Board, it being understood that the price must be at least equal to the minimum amount provided for under applicable legislation and to the average share price over the twenty trading days prior to the date of the Board's decision; maximum number of shares to be issued under these arrangements: 500,000 shares; option exercise period: 8 years; term of authorisation: 5 years, namely until July 20, 2004.

Under resolution 21, the Meeting of May 23, 2002 authorised the Board of Directors to grant, on one or more occasions, subscription

or purchase options for new shares in the Company to employees of the Company and, potentially, of any company of which Eramet directly or indirectly controls at least 50%.

Terms: subscription price of shares on the day the options are granted: to be set by the Board, it being understood that the price must be at least equal to the minimum amount provided for under applicable legislation with reference to the average share price over the twenty trading days prior to the date of Board's decision; maximum number of shares to be issued under these arrangements: 500,000; option exercise period: 8 years; term of authorisation: 38 months, namely until July 22, 2005. At its December 15, 2004 Meeting, the Board of Directors set the subscription price at €64.63, with 130,000 shares able to be issued under these arrangements; option exercise period: 8 years – term of plan, namely until December 14, 2012.

Under resolution 13, the Extraordinary General Shareholders' Meeting of May 11, 2005 authorised the Board of Directors to allocate existing shares, or those to be issued, free of charge, to corporate officers and certain employees. The total number may not exceed 40,000 shares.

Terms: the grant to the beneficiaries shall finally vest after a vesting period, which shall last at least two years.

The Board of Directors' Meeting of December 13, 2005 granted 14,000 shares to be issued as a capital increase (actual vesting after two years, namely on December 13, 2007).

### 21.1.6.2. Right to use authorisations during public offer periods

At the General Shareholders' Meeting of April 25, 2007 (resolution 26), it was proposed to renew this authorisation for the legally prescribed period.

### 21.1.6.3. Stock subscription and purchase option plans and bonus shares

#### Options de souscription

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	27/05/1998	12/12/2001	EUR 32.60	61	46	153,000	(40,730)	(85,020)	-	27,250	13	11/12/2009 (2)
2	23/05/2002	15/12/2004	EUR 64.63	81	81	130,000	-	(6,000)	-	124,000	80	15/12/2012 (3)
<b>Total</b>						<b>283,000</b>	<b>(40,730)</b>	<b>(91,020)</b>		<b>151,250</b>		

(1) Plan commencement dates: 1 = December 16, 1999; 2 = December 12, 2003; 3 = December 12, 2006.

(2) Only exercisable as from December 12, 2003. Shares cannot be sold prior to December 14, 2005.

(3) Only exercisable as from December 12, 2006. Shares cannot be sold prior to December 14, 2008.

The exercise of 91,020 subscription options during the financial year at an average price of €98.23 contributed to the increase in shareholders' equity offset in cash by the creation of the same number of shares.

#### Bonus shares

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	11/05/2005	13/12/2005	Bonus	90	90	14,000	-	-	(800)	13,200	89	13/12/2007
<b>Total</b>						<b>14,000</b>			<b>(800)</b>	<b>13,200</b>		

(1) Plan commencement date: 1 = December 13, 2007.

## Purchase options

(1)	Date of GSM	Date of Board meeting	Subscription price	Number of beneficiaries		Granted at outset	Exercised or lapsed prior to 01/01/2006	Exercised in 2006	Lapsed in 2006	Outstanding as from 01/01/2007	Number of beneficiaries on 01.01.2007	Expiry of plans
				at outset	on 01/01/2006							
1	21/07/1999	15/09/1999	EUR 47.14	5 646	1,320	423,450	(327,180)	(24,951)	(31,649)	39,670	560	14/09/2007
2	27/05/1998	14/12/1999	EUR 54.00	80	26	166,500	(130,465)	(12,627)	-	23,408	19	13/12/2007 (2)
<b>Total</b>						<b>589,950</b>	<b>(457,645)</b>	<b>(37,578)</b>	<b>(31,649)</b>	<b>63,078</b>		

(1) Plan commencement dates: 1 = September 15, 1996; 2 = December 14, 2001.

(2) Shares cannot be sold prior to December 14, 2004.

The exercise of 37,578 purchase options during the financial year at an average price of €104.21 led to the disposal of treasury shares offset in cash. The income from this disposal was allocated to shareholders' equity.

### 21.1.6.4. Potential dilution resulting from the exercise of all stock options issued and not yet exercised

Assuming the exercise of all valid options not yet exercised as on January 1, 2007 or as on February 28, 2007, at a rate of one share per option, 151,250 shares\* would be created, resulting in the following:

Number of shares:	26,032,144 shares
Share capital:	€79,398,039.20
Number of voting rights:	44,087,816 voting rights

\* Plus the 13,200 bonus shares as from December 13, 2007.

### 21.1.7. TABLE SUMMARISING EXISTING FINANCIAL AUTHORISATIONS

Table summarising existing financial authorisations.

Authorised share capital increases			Use of existing authorisations
A – By issuing shares, various transferable securities and/with retention of preferential shareholder rights. Art. L 225-129 of the French Civil Code			
By EGM	May 11, 2005 (Resolution 14)	April 25, 2007* (Resolution 22)	NA
B – By issuing shares, various transferable securities and/or subscription warrants, with waiving of preferential shareholder rights.			
By EGM	May 11, 2005 (Resolution )	April 25, 2007* (Resolution 24)	NA
C – By capitalising reserves, earnings, premiums or other capitalisable items.			
By EGM	May 11, 2005 (Resolution 15)	April 25, 2007* (Resolution 23)	NA
A/B/C			
Maximum par amount	€ 24,000,000	€ 24,000,000	NA
Board period of authorisation	Legal period	Legal period	

\* Draft resolutions put forward to the General Shareholders' Meeting of April 25, 2007

#### Limits on total issues (total A+B)

By EGM	May 11, 2005 (Resolution 17)	April 25, 2007 (Resolution 25)	NA
Maximum amount	€ 24,000,000	€ 24,000,000	

#### Bonus share grants

(Art. L 225-197-1 and L 225-197-2 of the French Civil Code)	May 11, 2005
Maximum number of shares	40,000 shares
Period of authorisation	38 months
Used in 2005	14,000
Outstanding amount	26,000

## 21.1.8. DESCRIPTION OF SHARE BUYBACK PROGRAMME

### 21.1.8.1. Results of 2006 buyback programme

The Combined Ordinary and Extraordinary General Shareholders' Meeting of May 11, 2005 authorised the Company to buy back its shares up to a maximum of 5% of the share capital (prospectus given AMF approval number 05-228 on April 7, 2005). This authorisation expires at the Ordinary General Shareholders' Meeting called to approve the 2006 financial statements. Under said authorisation, on February 28, 2007, the Company bought back 65,412 shares, namely 0.25% of the share capital, at an average unit price of €116.99. No shares have been cancelled in the past 24 months. For reference, as on February 28, 2007, the Company held 129,282 shares (0.50% of the share capital).

### 21.1.8.2. Goals of the 2007 buyback programme

The resolution put to Eramet's General Shareholders' Meeting is under the maximum legal threshold and is designed to authorise a share buyback programme up to at most 5% of the Company's share capital. Eramet will use the share buyback programme in descending order of priority to:

- Support the share price via a liquidity contract with a market maker, in accordance with the AFEI code of conduct recognised by the AMF,
- Retain the shares or swap them, in particular in the event of acquisitions or the issue of securities giving rights over the share capital,
- Grant stock options to the employees of the Company, or of the companies in which Eramet directly or indirectly holds 50% of the share capital,
- Cancel the shares, subject to the General Shareholders' Meeting adopting resolution 21 authorising the reduction of the Company's share capital.

#### Legal framework

The implementation of this programme, falling under the legislative framework established by French Act no. 98-546 of July 2, 1998 (Article L. 225-209 of the French Commercial Code), which includes various economic and financial provisions, was submitted to the Ordinary General Shareholders' Meeting of April 25, 2007, adopting resolutions on the basis of the quorum and majority rules set out for ordinary general shareholders' meetings (see resolution 20).

#### Programme mechanism

Shares may be bought back by trading in the market or by private agreement, in particular via the acquisition of blocks of securities or by using derivatives. The company shall ensure that it does not cause share prices to become more volatile. The draft authorisation submitted to the ordinary general shareholder's

meeting of April 25, 2007, does not limit the portion of the programme which may be carried out via the acquisition of blocks of securities. The company specifies that, in the possible event of the use of derivatives, its aim would be to cover the options granted by the issuer (share subscription and purchase options granted to the group's employees, debt securities providing rights over the issuer's share capital). More specifically, the use of derivatives involves buying purchase options and the company should not be obliged to use the sale of puts.

#### Price

- Maximum purchase price: €300\*.
- Minimum selling price: €25.
- Theoretical maximum amount payable by the Company:
  - €388,213,200 for 1,294,044 shares representing 5% of the Company's share capital,
  - €349,428,600 for 1,164,762 shares representing 4.50% of the share capital, taking into account the shares already held by the Company.

#### Term and schedule of buyback programme

The programme will cease to be valid at the General Shareholders' Meeting called to approve the 2007 financial statements.

Moreover, it is specified that, pursuant to resolution 21 put to the Combined Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2007, the Board of Directors is authorised, for a period of 24 months as from that date, to reduce the share capital by cancelling shares up to a maximum of 5% of the share capital.

#### Financing the programme

The share buyback programme will be financed from the company's own resources, and by borrowings for any additional requirements in excess of its cash flow from operations.

#### Theoretical impact of the programme on the Company's financial position

For information, the table below sets out the impact that the buyback programme would have on the Company's financial statements (consolidated financial statements as on December 31, 2006). The calculation was based on the following assumptions:

- Buyback of 4.50% (namely 1,164,762 shares) of the number of shares comprising the share capital on February 28, 2007;
- Bought back at a price of €128.83 per share, the average price during February 2007;
- Finance expenses: 5.5% before tax;
- Tax rate: 35%.

\* Amount increased from €170 to €300 at the General Shareholders' Meeting of April 25, 2007.

Theoretical impact of the share buyback programme on the Company's financial position:

(Millions of euros unless otherwise stated)	Consolidated financial statements December 31, 2006	Buyback of 4.50% of the share capital	Pro forma after buyback of 4.50% of the share capital	Effect of buyback in % terms
Shareholders' equity, Group share	1,614	(150)	1,464	(9.30)%
Total shareholders' equity	2,139	(150)	1,989	(7.02)%
Net cash	353	(155)	198	(43.99)%
Earnings, Group share	319	(5)	314	(1.68)%
Weighted average number of outstanding shares (excluding treasury shares),	25,720,704	(1,164,762)	24,555,942	(4.53)%
Earnings per share	12.38	0.37	12.75	2.98%
Weighted average number of outstanding shares (excluding treasury shares), allowing for the effect of dilutive instruments (*)	25,935,032	(1,164,762)	24,770,270	(4.49)%
Earnings per share, fully diluted	12.28	0.36	12.64	2.94%

\* The potential number of shares exercised by employees under stock option plans is 214,328.

#### Tax framework of share buybacks

For the transferee: Eramet's buyback of its shares with a view to their subsequent cancellation has no impact on its taxable income. Any revaluation of the shares recognised between their buyback date and cancellation date does not result in a capital gain for tax purposes.

Only Eramet's buyback of its shares without their subsequent cancellation would have an impact on its taxable income, insofar as the shares would then be sold or transferred at a different price from the buyback price.

For the transferor: As repurchases are carried out on the basis of Article L. 225-209 of the French Commercial Code, the resulting gains are subject to the capital gains tax regime pursuant to the provisions of Article 112-6 of the French General Tax Code. The tax regime described below applies to French residents in France and may be different for non-residents.

The gains made by legal entities will be subject to the professional capital gains regime provided for in Article 39 *duodecies* of the French General Tax Code.

The gains made by individuals will be subject to the capital gains regime for the sale of securities or equities, namely proportional taxation at 16% (27% with social security contributions), pursuant to Article 150-0-A of the French General Tax Code, whenever the annual disposal threshold is exceeded (2006 threshold: €15,000 and €20,000 as from 2007).

Non-resident shareholders are not generally subject to taxation in France.

It should be noted that this information is merely a summary of the current tax regimes and the specific circumstances of transferors should be reviewed together with their tax advisors.

## 21.2. MEMORANDUM AND ARTICLES OF ASSOCIATION

### 21.2.1. CORPORATE PURPOSE (ARTICLE 3 OF THE ARTICLES OF ASSOCIATION)

"The purpose of the Company in all countries is finding and exploiting mining deposits of all kinds, the metallurgy of all metals and alloys and their trading.

For this purpose

- The uncovering, acquisition, subcontracting, disposal, concession and exploitation of all mines and quarries of any kind whatsoever,
- The processing, transformation and trading of all ores, mineral and metal substances and their by-products, alloys and any derivatives,
- The manufacture and marketing of any products of which the abovementioned materials or substances are components,
- More generally, any transactions directly or indirectly related to the above purposes or which may aid the development of the Company's business.

To achieve this purpose, the Company may, in particular:

- Create, acquire, sell, swap, take on lease or lease-out, with or without a purchase option, manage and operate directly or indirectly any industrial or commercial companies, plants, construction sites and premises whatsoever, and any movable and tangible objects,
- Obtain or acquire any patents, licences, processes and trademarks, exploit, transfer or contribute them, and grant all manner of operating licences in any country,
- And, in general, carry out any commercial, industrial or financial transaction, whether for movable assets or property, that may directly or indirectly relate or contribute to the corporate purpose or which may facilitate the achievement thereof. It may directly or indirectly act on its own behalf or on behalf of third parties, whether alone or in a partnership, joint venture or company, with any other company or persons, and carry out, directly or indirectly, in France or other countries, in any form whatsoever, the transactions that are within the scope of the corporate purpose. It may take any interest or stake, in any form and in any French or foreign company, which may aid the development of its own business."

### **21.2.2. FINANCIAL YEAR (ARTICLE 24 OF THE ARTICLES OF ASSOCIATION)**

The financial year lasts 12 months, beginning on January 1 and ending on December 31 every year.

### **21.2.3. GENERAL SHAREHOLDERS' MEETINGS**

#### **21.2.3.1. Calling meetings and terms of admission (Articles 21, 22 and 23 of the Articles of Association)**

**Composition:** General Shareholders' Meetings are comprised of all shareholders in the Company, regardless of the number of shares they hold.

**Calling:** General Shareholders' Meetings are called and are held pursuant to the provisions of the French Commercial Code and Articles 21 to 23 of the Articles of Association.

Meetings are held either at the registered office or in any other place in the same French department specified in the Meeting notice.

**Terms of admission:** All shareholders are entitled to take part in General Shareholders' Meetings, subject to the obligation of proving their identity, either in person or by proxy through another shareholder or their spouse.

Holders of registered shares and holders of bearer shares must carry out the formalities provided for in the applicable regulations. In both cases, said formalities must have been completed at least five days prior to the Meeting. Shareholders may also vote by correspondence pursuant to the provisions of Article L. 225-107 of the French Commercial Code and Article 131-1 of the Decree of March 23, 1967, as amended, using a form that must reach the Company at least three days prior to the date of the Meeting.

Jointly owned, split, pledged or sequestered shares:  
In the absence of any other statutory provisions, and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, any holder of a jointly owned share, a split share – bare ownership and usufruct, a pledged share or a sequestered share, is invited to the Meeting and may attend, subject to compliance with the legal or statutory provisions below with regard to the exercise of voting rights.

#### **21.2.3.2. Conditions for exercising voting rights (Articles 8 and 21 of the Articles of Association)**

Shareholders have as many voting rights as the shares they own or represent, subject to the double voting rights attached to some shares. The Extraordinary General Shareholders' Meeting of July 21, 1999 granted a double voting right, with effect from January 1, 2002, to every fully paid-up share for which it can be demonstrated that it has been registered in the name of the same shareholder for over two years.

Shares that are allotted free of charge following the incorporation of reserves, earnings or issue premiums on the basis of old shares benefiting from double voting rights only gain such a right following a two-year period.

Double voting rights cease for any shares that are converted to bearer shares or transferred, except, in accordance with legislation, any registered to registered transfer following a succession or family gift.

In accordance with the law, double voting rights may only be cancelled by a resolution of the Extraordinary General Shareholders' Meeting, and following approval by a Special Meeting of Beneficiary Shareholders.

Jointly owned, split, pledged or sequestered shares:  
In the absence of any other statutory provisions, and pursuant to the provisions of Article L. 225-110 of the French Commercial Code, the voting right is exercised by the holder of a life interest at Ordinary General Shareholders' Meetings, by the bare owner at Extraordinary General Shareholders' Meetings, by one of the joint owners or by a proxy in the case of co-owned shares and by the owner of pledged or sequestered shares.

Limitation of voting rights: none

Expiry: none, except where otherwise decided by the Extraordinary General Shareholders' Meeting, or the transfer from registered to bearer form.

### **21.2.4. TRANSMISSION OF SHARES**

Since the deletion of the approval clause by the Shareholders' Meeting of June 15, 1994, shares may be traded freely, subject to compliance with the rules applicable to companies which are listed on regulated markets.

### **21.2.5. IDENTIFICATION OF SHAREHOLDERS**

#### **21.2.5.1. Crossing thresholds / Declaration of intent**

**Legal declarations:** Pursuant to Articles L. 233-7 to L. 233-11 of the French Commercial Code, any individual or legal entity, whether acting alone or in concert, who/that comes into possession of a number of shares representing over one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the Company's share capital and/or voting rights, must inform the AMF and the Company within five trading days, by registered letter with acknowledgement of receipt, of the total number of shares and/or voting rights owned. The same persons or entities are also required to inform the Company within five days whenever their interest falls below any of the abovementioned thresholds.

Finally, in addition to this duty of disclosure, any person crossing the above-mentioned thresholds of one-tenth and one-fifth of the share capital is legally required to declare their intentions for the coming twelve months, within 10 trading days.

In the event of non-compliance with such disclosure obligations, the provisions of Article L. 233-14 of said Code shall apply.

**Additional statutory declarations:** Since the amendment of Article 9 of the Articles of Association by the Shareholders' Meeting of June 15, 1994, any individual or legal entity, whether acting alone or in concert, who/that comes to hold, or ceases to hold, a fraction equal

to 1% of the share capital and/or voting rights, or any multiple of that percentage, must inform the Company within 10 days, by registered letter with acknowledgement of receipt, sent to the Company's registered office, stating the number of shares and voting rights held.

Failure to make this disclosure shall result in a loss of voting rights for the shares or voting rights in excess of the fraction that should have been disclosed for a period of two years from the date the

situation is rectified, following a simple request from a Shareholders' Meeting of one or more shareholders holding 5% of the share capital or voting rights at a Shareholders' Meeting.

#### 21.2.5.2. Identifiable bearer shares

Pursuant to Article L. 228-2 of the French Commercial Code and Article 9 of the Articles of Association, the Company may at any time request Euroclear SA to carry out the "identifiable bearer share" procedure to identify the holders of such shares.

#### 21.2.6. BEARER SHARES

As on December 31, 2006, the breakdown between registered and bearer shares was as follows.

	As on December 31, 2006	As on December 31, 2005
Registered shares	18,371,573 (70.99%)	18,438,484 (71.50%)
Bearer shares	7,509,321 (29.01%)	7,351,390 (28.50%)
<b>Total</b>	<b>25,880,894 (100%)</b>	<b>25,789,874 (100%)</b>

#### Liquidity contract

Since July 18, 2003, so as to ensure minimum liquidity levels at all times for its stock, the Company has had a liquidity contract with Exane BNP Paribas. The contract was notified to the Euronext Paris market and to the *Commission des Opérations de Bourse* and complies with the AEFI charter.

Pledged securities: none

#### Probable changes in voting rights

The double voting rights attached to shares that have been registered for over two years were mostly created in 2002.

As on December 31, 2006, a total of 94,977 registered shares, which have not been registered for two years, do not have double voting rights. In this case, the number of double voting rights would rise to 36,513,744, to which the single voting rights of bearer shares should be added, namely 7,509,321 additional rights as on December 31, 2006.

Treasury shares (113,395 as on December 31, 2006) do not have voting rights.

#### Recap of public declarations

Date	AMF decision number	Subject
03/08/1999	199C1045	Declaration of crossing of threshold (ERAP – CEIR – SORAME). Declaration of intent. Appointment of 5 qualified persons as Directors. Reminder: dispensation from obligation to file a planned public offer.
29/12/1999	199C2064	Declaration of crossing of threshold. Cogema replaces ERAP.
30/12/1999	199C2068	Declaration of crossing of threshold. AFD replaces ERAP.
25/07/2001	199C0921	Planned amendment to shareholders' agreement: Eramet shares held by Cogema assigned to CEA Industrie.
12/09/2001	201C1140	Declaration of crossing of threshold. Amendment to shareholders' agreement following AREVA's replacement of Cogema.
20/12/2004	204C1559	Declaration of crossing of threshold and declaration of intent. Maaldrift BV replaced by Carlo Tassara International.
14/02/2006	206C0296	Declaration of crossing of threshold by M&G Investments Management Limited of 5.0034% of the share capital and 2.98% of voting rights.
17/01/2007	207C0134	Declaration of crossing of threshold and declaration of intent by Carlo Tassara France.
18/01/2007	207C0137	Declaration of crossing of threshold (below) by Carlo Tassara France.

## 21.3. CHANGES TO THE SHARE CAPITAL

Changes to the share capital occur in the legally prescribed manner.

### Authorised share capital reduction through the cancellation of shares

Resolution 10 of the combined ordinary and extraordinary general shareholders' meeting of May 11, 2005 authorised the board of directors to cancel, at its sole discretion and on one or more occasions, all or part of the treasury shares held under the authorisations to buy back the company's shares. This authorisation is valid for 24 months from the date of the meeting, up to a maximum of 5% of the share capital.

The same resolution was submitted to the combined ordinary and extraordinary general shareholders' meeting of April 25, 2007 (resolution 21) up to a maximum of 5% and valid for 24 months.

### Unissued authorised share capital

#### • Share capital increase(s) reserved for employees

Resolution 11 of the general shareholders' meeting of May 11, 2005, was resubmitted to the general shareholders' meeting of April 25, 2007 (resolution 27) which, pursuant to articles L. 225-129 and L. 225-129-6 of the French Commercial Code, delegated to the board, with the option of further delegating, the powers required to increase the share capital, on one or more occasions, by a maximum par amount of €500,000, via the issue of new cash shares reserved for current and former employees of the company who join a company savings plan or a voluntary employee savings plan.

- subscription price: to be set pursuant to the provisions of article 443-5 of the French Labour Code,

- term: 26 months from the date of the shareholders' meeting.

#### • Share capital increase(s) via the issue of shares, various securities and/or share subscription warrants with retention of shareholders' subscription right

The general shareholders' meeting of April 25, 2007 (resolution 22), readopted resolution 14 from the general shareholders' meeting of May 11, 2005, in resolution 14, pursuant to the provisions of article L. 225-129 of the French Commercial Code, and granted the board of directors the power to increase the share capital, at its sole discretion, by a maximum par amount of €24,000,000, through successive or simultaneous issues, on one or more occasions, both in France and abroad, of securities giving rights, whether immediately or in the future, over a fraction of the share capital.

This authorisation may be used in the following manner:

#### • Issue by the Company in the form of:

a) Shares, by:

- Either issuing new shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium, or
- By incorporating into the capital all or part of the reserves or issue premiums existing at that time, to be carried out by the allocation of bonus shares or by increasing the par value of existing shares, or
- By the simultaneous use of a number of these mechanisms.

b) Securities other than shares giving direct or indirect rights, via conversion, exchange, swap, presentation of a warrant or any other form of grant, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital. Such securities shall be in the form of convertible bonds, bonds with share subscription warrants, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, up to a maximum total par amount of €24,000,000 or the equivalent of said amount calculated on the date of the decision to issue such securities.

c) Warrants granting their holders the right to subscribe for securities representing a fraction of the Company's share capital, it being hereby stipulated that the issue of such shares may take place, either by subscription for cash, or by bonus allocation and that, moreover, said warrants may be issued on their own or attached both to the shares and securities referred to in (a) and (b) above that are issued simultaneously.

The owners of existing shares on the date of issue for cash of the securities referred to in (a), (b) and (c) shall have, as of right and in proportion to the number of shares they own at that time, a preferential subscription right for said securities. The Board may introduce a subscription right for excess shares for shareholders to be exercised in proportion to their rights and up to the amount subscribed for.

The Shareholders' Meeting resolves that the amount accruing immediately, or which may subsequently accrue, to the Company for each of the securities representing a fraction of the capital, issued or created by subscription, conversion, swap, the exercise of warrants or in any other manner under the authorisations granted in (b) and (c) shall be at least equal to the average Company share price, recorded during ten consecutive trading days, selected from the twenty days prior to the commencement of the share or security or warrant issue giving rights over the share capital after adjustment, if appropriate, of this average for any difference in vesting dates.

Other arrangements: timing and terms and conditions of issues, setting the prices and interest rates, amounts to be issued, types of securities, vesting dates, even retroactive, conditions for redemption and/or buyback, sundry adjustments: powers delegated to the Board, with the right to further delegate to its Chairman.

#### • Share capital increase(s) by incorporation of reserves, earnings or other reserves that may be capitalised.

In resolution 23, the General Shareholders' Meeting of April 25, 2007 readopted resolution 15, which had originally been adopted by the General Shareholders' Meeting of May 11, 2005, and granted the Board the power to increase the share capital, at its sole discretion and on one or more occasions, in the proportions and at the timing of its choosing, by the incorporation of reserves, earnings or other reserves that may be capitalised, or even in tandem with a share capital increase in cash carried out under



resolution 13, and in the form of bonus share grants or by increasing the par value of existing shares, or by combining both such mechanisms;

Maximum par amount: €24,000,000.

Other arrangements: powers delegated to the Board, with the right to further delegate to its Chairman during the legally prescribed term.

**• Share capital increase(s) via the issue of shares, various securities and/or share subscription warrants with waiving of shareholders' preferential subscription rights**

In resolution 24, and under the provisions of Article L. 225-129.1 of the French Commercial Code, the General Shareholder's Meeting of April 25, 2007 granted the Board the power to increase the share capital, at its sole discretion, by a maximum par amount of €24,000,000, through successive or simultaneous issues, on one or more occasions, both in France and abroad, of securities giving rights, whether immediately or in the future, over a fraction of the share capital.

**This authorisation may be used on the basis to the following terms and conditions:**

**• Issues by the Company, in the form of:**

- a) New shares to be subscribed for in cash or by offsetting receivables, with or without an issue premium;
- b) Securities other than shares giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of allocation, at any time or on specific dates, to securities which, in this respect, shall be issued to represent a fraction of the share capital. Such securities shall be in the form of convertible bonds, bonds with share subscription warrants, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

These securities may be issued either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, up to a maximum total par amount of €24,000,000 or the equivalent of said amount calculated on the date of the decision to issue such securities.

- c) Warrants granting their holders the right to subscribe for securities representing a fraction of the Company's share capital, it being hereby stipulated that said warrants may be issued on their own or attached both to the shares and securities referred to in (a) and (b) above that are issued simultaneously.

The securities referred to in (a) and (b) above may be issued in consideration for securities which may be contributed to the Company as part of a public offer involving a share swap pursuant to the provisions of Article L. 225-148 of the French Commercial Code.

The par value of the securities created under the issues provided for in (b) and (c) above: the abovementioned issues may not, under any circumstances, result in the share capital increasing by more than €24,000,000 for the issues referred to in (b) and more than €24,000,000 for the issues referred to in

(c), an amount to which the par value of the securities to be issued to preserve the rights of the owners of the securities referred to in (b) and (c) above may ultimately be added.

**• Issues by the company(ies) in which Eramet directly or indirectly holds over 50% of the share capital, carried out by said companies, on one or more occasions, either in euros, or in foreign currencies, or in monetary units established with reference to a basket of currencies, on the French market or the international market of:**

- a) Bonds with Eramet share subscription warrants;
- b) Securities giving direct or indirect rights, via conversion, swap, redemption, presentation of a warrant or any other form of grant, at any time or on specific dates, to the allocation of securities which, in this respect, shall be issued to represent a fraction of the share capital of Eramet; such securities shall be in the form of shares with share subscription warrants, bonds convertible into shares, bonds redeemable in shares, or any other form that does not breach applicable legal provisions.

The par value of the securities created under the issues provided for in (a) and (b) above: the abovementioned issues may not, under any circumstances, result in the share capital increasing by a par amount of more than €24,000,000 to which the par value of the securities to be issued to preserve the rights of the owners of the warrants referred to in (a) and (b) and the securities referred to in (b) above may ultimately be added.

**• Preferential subscription right**

However, for issues carried out on the french market and for a period and pursuant to the terms and conditions that it sets out, the board may grant shareholders a preferential period during which to subscribe for the shares, securities and warrants issued, without giving rise to the creation of tradeable and transferable rights.

**• Method for determining subscription prices of securities**

The General Shareholders' Meeting resolves that the amount accruing immediately, or which may subsequently accrue, to the Company:

- 1) For each share issued under the authorisation granted in (a) of section I above;
- 2) For each of the securities representing a fraction of the capital, issued or created by subscription, conversion, swap, the exercise of warrants or in any other manner under the authorisations granted in (b) of sections I and II above;
- 3) And for the exercise of each of the warrants issued pursuant to the powers granted in (c) of section I and in (a) and (b) of section II above;

shall at least be equal to the weighted average of the share price for the last three trading days prior to its being set (possibly reduced by a maximum of 5%) after adjustment, if

appropriate, of this average for any difference in the vesting dates, it being hereby stipulated that the price of standalone warrants shall, for each security representing the capital to be created, be such that the total of this price and the exercise price of each warrant is at least equal to 105% of said average.

- **Limits on the total amount of authorised issues**

In resolution 25, the General Shareholders' Meeting of April 25, 2007, proposed limiting the share capital increases that may result from the use of the authorisations governing the issue of shares, other securities or warrants, as granted under resolutions 22 to 24, to a maximum par amount of €24,000,000, adding to this amount the additional share capital increases, made necessary by the preservation of the rights of holders of securities granting the right, in any manner, to the allocation of securities representing a fraction of the capital, and to holders of share subscription warrants. The Board of Directors shall report to the Extraordinary General Shareholders' Meeting in the event of the non-use of said authorisations.

The issue of securities other than the shares authorised under resolutions 22 and 24 above may not result in a share capital increase with a par value of over €24,000,000; where applicable, the euro equivalent of the security issues denominated in foreign currencies or in monetary units established with reference to a basket of currencies, shall be included in this amount.

- **Entitlement to use the authorisations during public offer periods:**

In resolution 26, the General Shareholders' Meeting of April 25, 2007, proposed to grant the Board, for the term thereof, the authority to make use, either in full or in part, pursuant to legal provisions, of the various authorisations granted under resolutions 22 and 24, "in the event that one or more public offers including those involving share swaps were to be made with regard to securities issued by the Company".

## 22. MAJOR CONTRACTS

To date, Eramet has not entered into any major contracts entailing a major obligation or commitment for the Group as a whole, other than those entered into in the normal course of its business.

As regards the contracts entered into the normal course of business, please see, in particular, the financial contracts mentioned in Chapter 4.

Albert & Duval executed a contract for the securitisation of receivables on July 5, 2007 for a total amount of €115 million and US\$50 million. This contract will take effect during the second half of 2007.

## 23. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST

Not applicable.

## 24. DOCUMENTS AVAILABLE TO THE PUBLIC

### 24.1. DISCLOSURE POLICY

#### 24.1.1. PERSON RESPONSIBLE FOR DISCLOSURE

Name: Monsieur Philippe Joly.  
Position: Financial Communications Manager.  
Address: Eramet  
Tour Maine - Montparnasse  
33 avenue du Maine  
75 755 Paris cedex 15 - France  
Telephone: +33 (0)1 45 38 42 02

#### 24.1.2. COMMUNICATIONS PROCESS

Frequency: in line with regulations, Eramet publishes its interim and annual financial statements and its quarterly sales.

Publication of information: in addition to legal announcements in financial publications, the latest press releases are available to the public on the Company's website: <http://www.eramet.fr>

In addition, under a contract signed on November 2, 2004 with the AMF, all the Company's press releases from then on are also available upon publication on the AMF website: <http://www.amf-france.org>

#### 24.1.3. DIARY: KEY DATES IN FY 2007

##### Recap of 2005 diary

Publication of Q1 sales:  
Tuesday, May 10, 2005 (after trading).

General Shareholders' Meeting:  
Wednesday, May 11, 2005.

Publication of H1 sales:  
Wednesday, August 3, 2005 (before trading).

Publication of H1 earnings:  
Thursday, September 8, 2005 (before trading).

Publication of 9-month sales:  
Thursday, November 3, 2005 (after trading).

Publication of 2005 sales:  
Thursday, February 2, 2006 (before trading).

### Recap of 2006 diary

Publication of 2005 earnings:  
Thursday, March 9, 2006 (before trading).

General Shareholders' Meeting:  
Thursday, April 27, 2006.

Publication of Q1 sales:  
Wednesday, May 3, 2006 (before trading).

Publication of Q2 sales:  
Tuesday, August 1, 2006 (before trading).

Publication of H1 earnings:  
Thursday, September 7, 2006 (before trading).

Publication of 9-month sales:  
Friday, November 3, 2006 (before trading).

Publication of 2006 sales:  
Thursday, February 1, 2007 (before trading).

### 2007 diary

Publication of 2006 earnings:  
Thursday, March 8, 2007 (before trading).

General Shareholders' Meeting:  
Wednesday, April 25, 2007.

Publication of Q1 sales:  
Thursday, May 3, 2007 (before trading).

General Shareholders' Meeting:  
Monday, July 23, 2007.

Publication of Q2 sales:  
Tuesday, July 31, 2007 (before trading).

Publication of H1 earnings:  
Thursday, August 30, 2007 (before trading).

Publication of 9-month sales:  
Wednesday, October 31, 2007 (before trading).

Publication of 2007 sales:  
Thursday, January 31, 2008 (before trading).

## 24.2. PLACE WHERE DOCUMENTS AND INFORMATION ON THE COMPANY MAY BE CONSULTED

The Articles of Association, minutes of Shareholders' Meetings, corporate and consolidated financial statements, reports from the Statutory Auditors and all documents provided to shareholders may be consulted at the Company's registered office.

All the data set out in this document, for which the source is not specifically indicated, came from the Company's internal data and reporting.

All copies of the documents included in this reference document may be consulted either on Eramet's website (<http://www.eramet.fr>) or by submitting a request to the Head of the Company's Legal Department at its registered office: Tour

Maine Montparnasse – 33, avenue du Maine 75015 Paris - France.

### 24.2.1. LIST OF PRESS RELEASES

#### 24.2.1.1. FY 2007

**July 19, 2007:**  
Eramet: comments following press articles

**May 23, 2007:**  
Eramet: exercise of the STCPI option.

**May 3, 2007:**  
Eramet: sales up by 13% in Q1 2007.  
Current operating profit expected to be higher in H1 2007 compared to H2 2006.

**April 25, 2007:**  
Eramet: Combined Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2007.  
Appointment of Patrick Buffet as Chairman and CEO of Eramet.  
Chairman's speech to the Combined Ordinary and Extraordinary General Shareholders' Meeting of April 25, 2007.

**March 8, 2007:**  
Eramet – 2006 earnings  
Eramet reaps the fruits of its profitable growth strategy.  
12% rise in current operating profit to €607 million.  
Dividend up 38% to €2.90 per share.

**February 1, 2007:**  
Eramet – strong Q4, annual sales up almost 13% in 2006.  
Forecast current operating profit for 2007 revised upwards, expected to be higher than in 2006.

#### 24.2.1.2. FY 2006

**December 6, 2006:**  
STCPI takes up 4% option in Le Nickel-SLN

**November 30, 2006:**  
Eramet – STCPI announcement.

**November 3, 2006:**  
Eramet – significant increase in Q3 2006 sales (+17%).  
Markets still very buoyant.

**September 7, 2006:**  
Eramet – H1 2006 earnings.  
Current operating profit: €206 million (17% of sales).  
Strong earnings, Group share: €121 million.

**August 1, 2006:**  
Eramet – significant increase in Q2 2006 sales (+11.9%).  
Sales for H1 up 8.2%.

**May 3, 2006:**  
Eramet: sales up 4.4% in Q1 2006.  
Positive outlook for 2006.

**May 2, 2006:**  
Eramet takes control of Weda Bay and will eventually double output at its nickel division.

**April 27, 2006:**

Eramet – Chairman’s speech – General Shareholders’ Meeting of April 27, 2006.

**April 27, 2006:**

Eramet – Ordinary General Shareholders’ Meeting of April 27, 2006. Dividend of €2.10 per share compared with €2.00 per share for 2004.

**March 28, 2006:**

Eramet – Information on the offer to acquire Weda Bay Minerals.

**March 15, 2006:**

Eramet bids for Weda Bay Minerals.

**March 9, 2006:**

Eramet – 2005 earnings.  
Earnings, Group share rose 9% to €377 million  
The current operating margin remains high, at 20%.

**February 2, 2006:**

Eramet – sales up close to 8% in 2005.  
Market stronger in early 2006.

**January 12, 2006:**

Eramet shareholder letter.  
The Koniambo dossier is not closed

**24.2.1.3. FY 2005****December 29, 2005:**

Eramet: Falconbridge’s disconcerting silence on its binding obligation.

**December 23, 2005:**

Eramet: New Caledonia.

**December 23, 2005:**

New Caledonia: Yes to a plant in the Northern Province of New Caledonia.  
Yes to faithfully complying with the Bercy Agreements, No to pretence.

**December 13, 2005:**

Eramet is strengthening its oil catalyst recycling business through two investments by its subsidiary, Gulf Chemicals & Metallurgical Corporation (GCMC).

**December 13, 2005:**

Eramet: shareholder letter.

**November 3, 2005:**

Eramet: Q3 2005 sales.  
Cumulative 9-month sales up 10%.

**September 8, 2005:**

Eramet: earnings, Group share, amount to €196 million, up 56%, representing 14% of sales.  
Continued implementation of major capital expenditure programmes.

**September 8, 2005:**

Eramet: information on transition to IFRS.  
Interim financial statements 2005.

**August 3, 2005:**

Eramet: strong growth in sales in the H1 2005 (+17.4%).  
Positive outlook confirmed for 2005.

**May 11, 2005:**

Eramet: Combined Ordinary and Extraordinary General Shareholders’ Meeting of May 11, 2005.  
Chairman’s speech.

**May 11, 2005:**

Eramet: Combined Ordinary and Extraordinary General Shareholders’ Meeting of May 11, 2005 – A dividend of €2.00 per share, compared with €0.86 per share for 2003.

Very positive outlook for 2005. New capital expenditure to expand manganese ore production capacity to 3.5 million tons.

**May 10, 2005:**

Eramet: sharp rise in sales in Q1 2005 (+20.4%).  
Positive outlook for 2005.

**March 10, 2005:**

Eramet: 2004 earnings. Record earnings, Group share, of €342 million.  
Fivefold increase in net operating profit to €630 million – sharp increase in dividend, to €2.00 per share.

**February 8, 2005:**

Eramet Group: sharp rise in sales in Q4 2004 (+ 40%).  
Strong rise in earnings in the H2 2004 compared with H1 2004 – positive outlook for 2005.

**24.2.2. LIST OF PUBLICATIONS  
IN B.A.L.O. (OFFICIAL JOURNAL)****Sales as at September 30, 2006:**

- Sales as at September 30, 2006: November 20, 2006,
- 2006 interim financial statements: September 22, 2006,
- Sales as on June 30, 2006: August 11, 2006,
- Q1 sales: May 15, 2006,
- Notice of publication of 2005 reference document: May 11, 2006,
- Notice of approval of financial statements without amendment: May 8, 2006,
- Number of voting rights at the General Shareholders’ Meeting: May 8, 2006,
- 2005 annual financial statements: April 12, 2006,
- Notice of calling the General Shareholders’ Meeting: April 10, 2006,
- General Shareholders’ Meeting Notice: March 24, 2006,
- Sales as on December 31, 2005: February 10, 2006.

**2007**

- Notice of calling the General Shareholders’ Meeting: June 15, 2007
- Notice of approval of financial statements without amendment: May 11, 2007,
- Q1 sales: May 11, 2007,
- 2006 annual financial statements: April 18, 2007,
- Notice of calling the General Shareholders’ Meeting: April 6, 2007,
- General Shareholders’ Meeting Notice: March 16, 2007,
- Sales as on December 31, 2006: February 9, 2007.

## 25. INFORMATION ON INVESTMENTS IN ASSOCIATES

The companies in which Eramet holds a significant portion of the share capital are set out in Chapter 6, "Presentation of business activities." The scope of consolidation is set out in the consolidated financial statements as on December 31, 2006 (Chapter 20.1). The names and contact details of all the companies are listed in Chapter 28.

## 26. LIST OF REPORTS

### 26.1. INTERNAL REPORTS

	Chapter
Report from the Board of Directors on bonus shares	15.
Report from the Chairman on internal audit procedures	27.1.

### 26.2. EXTERNAL REPORTS

	Chapter
Report from the Statutory Auditors on the 2006 consolidated financial statements	20.1.2.
Report from the Statutory Auditors on the 2006 corporate financial statements	20.2.2.
Special report from the Statutory Auditors on related-party agreements and commitments	20.2.3.
Special report from the Statutory Auditors on internal audit	27.2.

## 27. REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND FROM THE STATUTORY AUDITORS – 2006 FINANCIAL YEAR

[Art. 117 of the French Financial Security Act of August 1, 2003]

### 27.1. REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS – 2006 FINANCIAL YEAR (ART L. 225-37, SUBSECTION 6, OF THE FRENCH COMMERCIAL CODE)

Dear shareholders,

As Chairman of the Board of Directors of the Company, I am delighted to present you with the report provided for in Article L. 225-37, subsection 6, of the French Commercial Code.

As required by law, the report firstly covers the preparation and organisation of the work of the Board of Directors, before covering internal audit procedures. Finally, it will set out the limits on the powers of the Chairman and CEO.

#### I – WORK OF THE BOARD OF DIRECTORS

In 2006, the Board of Directors met five times, on March 8, March 20, April 27, September 6 and December 13, in line with a schedule set at the final Board Meeting the previous year, with the exception of the Meeting of March 20.

The following major corporate transactions were discussed at these Meetings.

- The March 8 Meeting was held to approve the Company's 2005 financial statements and to call the Annual General Shareholders' Meeting of April 27, 2006.
- The March 20 Meeting was held to discuss the planned Weda Bay public offer and to have the Board adopt the resolutions requested by the US and Canadian authorities.
- The April 27 Meeting followed the General Shareholders' Meeting.
- The September 6 Meeting was held in Toulouse and provided the opportunity of visiting the new 40,000-ton press. It approved the interim financial statements and the management documents required under the Act of March 1, 1984.
- The 2007 budget and the Leaders corporate project were presented to the December 13 Meeting.

In addition, at each Board Meeting, the Chairman outlined the key events affecting the Group. This was followed by a report on business in each of the three Divisions by their respective managers. The Group's major capital expenditure projects were also reviewed (production of 3.5 million tons of ore in Gabon; EMD plant in China, Gulf Chemicals in Canada).

At the September 6 Meeting, the Chairman set out the major stock market transactions that have impacted the Nickel sector.

Finally, the Board is supported in its work by Committees that it appoints from amongst its members:

**A - The Audit Committee** usually meets the day before each Board Meeting. It met three times in 2006 and dealt with the following issues:

1. At the March 7 Meeting, a presentation of the 2005 financial statements and procedures governing the analysis of over/under-runs. The Audit Department explained the internal audit procedures. Lastly, the Finance Division presented the hedging transactions.
2. At the September 5 Meeting, the interim 2006 financial statements were examined. The Nickel-hedging policies were reviewed.
3. At the December 12 meeting, the internal audit plan was examined and its future schedule decided upon. The Audit Committee's role in respect of hedging policies was clarified.

**B - The Remuneration Committee** met three times, on January 4, September 5 and December 12, 2006. In January it set the 2006 bonuses for corporate officers on the basis of the principles approved at the Remuneration Committee Meeting of December 7, 2005. It also approved the list of bonus share beneficiaries confirmed at the Board Meeting of December 13, 2005.

The September Meeting was devoted to preparing the end of year Meeting.

In December 2006, a final position on directors' fees was agreed and an estimate of 2006 bonuses made on the basis of a detailed analysis of forecast earnings and the initiatives implemented, Division by Division and at Group level. Moreover, the fixed portion of the corporate officers' compensation package was agreed and the 2007 targets set.

In order to take account of changes in the responsibilities of Rémy Autebert, the Board Meeting of December 13 ratified the latter's replacement on the Audit Committee by Gilbert Lehmann.

At its Meeting of September 6, the Board of Directors approved the Board of Directors' Bylaws and asked the Secretary to the Board to assess its work, on the basis of a questionnaire it had approved. Each Director was provided with a copy of the Bylaws and the Directors' Charter.

At the December 13 Board Meeting, Patrick André, Deputy CEO and Manager of the Manganese Division, resigned.

At each Meeting, the members of the Board of Directors receive a folder containing files on most of the items on the agenda.

At the end of Meetings, especially when the Board approves the financial statements, a draft press release is submitted to Directors and published (online with the AMF) in order to inform the market of the main items impacting the Company's and Group's development.

The Secretary to the Board drafts the minutes of each Meeting, which the Chairman submits to the Directors for approval at the subsequent Meeting, with the draft minutes being sent to each participant (Directors, Observers and the Group's Works Council members), together with the Meeting notice and agenda, approximately one week prior to the date scheduled for the subsequent Meeting.

Board meetings are usually held at the Company's registered office (Tour Maine-Montparnasse). Exceptionally, the September 6 Meeting was held in Toulouse.

## II - INTERNAL AUDIT PROCEDURES

In early 2004, the Company undertook a progressive review of its internal audit system. The first stage of this programme consisted of mapping risks. The project was carried out through interviews with the main managers of the Company's various processes, to measure their exposure to risks and the effectiveness of the related internal controls. The mapping made it possible to draw up an improvement action plan for implementation in 2004 and thereafter. Audit Plans are drawn up on the basis of that mapping process. The latter was partially updated during the final quarter of 2006.

The work carried out in 2006 did not reveal any serious failings or weaknesses in the way in which internal audit is organised.

### 1. The Company's internal audit goals

The purpose of the internal control procedures in force at Eramet is to:

- Ensure that management actions, the carrying out of transactions and employee behaviour all comply with the policies laid down by the Company's governing bodies, with applicable legislation and regulations and with the Company's values, standards and internal rules,
- Check that the accounting, financial and management information provided to the Company's governing bodies accurately reflects the Company's business activities and position,
- Ensure that assets are protected against the various risks of losses resulting from theft, fire, improper or illegal actions and natural risks.

One of the goals of the internal audit system is to prevent and control the risks resulting from the Company's business activities and risks of error or fraud, particularly in the accounting and financial areas. However, as with any audit system, it cannot provide an absolute guarantee that these risks have been totally eliminated.

### 2. Overview of the audit procedures in place.

#### a) Internal audit players

Owing to the diversity of its business activities, Eramet is organised into three independent Divisions, each with all the functions required for its operations (management, production, sales, purchasing, finance, etc.) In addition to its general management function, the head office provides support and carries out the audit work required for the Group's cohesion. The following are the main internal audit players:

- The Executive Committee (Comex), which is comprised of the Chairman and CEO who, since the resignation of Patrick André, has also been the Manager of the Manganese Division, two Deputy CEOs, the managers of the Nickel and Alloys Divisions, the Chief Financial Officer (CFO) and the Group Human Resources Manager. At the end of 2006, the Strategy Manager and the Communications and Sustainable Development Manager joined the Committee. The Comex is the Group's decision-making centre and meets every two weeks. An International Management Committee, which also includes the CEOs of Aubert & Duval, Comilog, Erasteel and SLN, as well as the Manager of the China region and the Chairman of Eramet International deals, more specifically with organisational matters. It meets four times a year.
- The Internal Audit Department reports to the CFO. Based on an annual Audit Plan approved by the Comex, the department carries out assignments in the various Group units as defined in the Plan and instructed by the Chairman. It reports quarterly to the Comex and annually to the Audit Committee on the results of its assignments and the progress of the resulting action plans.

- The Group Planning and Management Control Department reports to the CFO. It set out the structure of Eramet's management controls and monitors the Division's management systems projects to ensure they are consistent with the Group's goals. The department defines for the Group and helps implement for every Division and entity the relevant key performance indicators. It is also responsible for Group reporting.
- The Legal Department reports to the CFO. As a service centre, it provides the whole Group with legal support on all issues within its area of expertise.
- The Finance, Treasury and Insurance Department reports to the CFO. As a service centre, it manages foreign currency hedging and financial resources (investments and borrowings) for the whole Group, and sets up and monitors all the insurance contracts taken out by the Group.
- The Tax Department is part of the Accounting, Tax and Consolidation Department and reports to the CFO. As a service centre, it assists the Group's various subsidiaries with their respective tax obligations and fulfils those of the parent company.
- The Environment and Industrial Risks Department is part of the Communications and Sustainable Development Department, which itself reports to the Chairman and CEO. It assists the various Divisions to control and reduce the Group's environmental impact, thereby ensuring the sustainability of Eramet's business activities, products and markets in line with regulatory, political and labour developments.
- The Group Human Resources, Health and Safety Department reports to the Chairman and CEO. It manages the Company's human resources and ensures that HR policies are consistent across the Group's various entities. The department coordinates Health and Safety policies within the Group and formalises health issues via a network of local contacts in the sites.
- More generally, every management level in the Company is responsible within its field of expertise for defining, implementing and steering internal audit items.

#### b) Summary of internal audit procedures implemented by the Company.

- Existing charters: the Audit Committee and the Internal Audit, Legal, Management Control and Tax Departments have each published a charter. The purpose of these charters is to specify the operating rules of the various committees or departments and to formalise relationships with other parties.
- Powers of attorney, other powers: The three Division Managers and Deputy CEOs all have the powers granted by law. The Chairman and CEO has empowered the CFO to carry out all types of financial transactions. The Manager of the Eramet Sandouville plant has the power granted by the Chairman and CEO to carry out any transaction necessary to run the plant, as well as powers with respect to health and safety. Powers of attorney have been given to a limited number of Company employees to operate bank accounts, with two signatories required for any payment and specified ceilings for each group of signatories.
- Risk-control: Major risks were mapped out in early 2004 in order to detect areas for improvement and form a basis for the annual audit plan. The approach by Division and by major process enabled risks to be classified by main theme (strategic, operating, support, etc.) and processes to be ranked on the basis of their importance in terms of achieving the Company's strategic goals. At the end of 2006, this mapping was partially updated.
- IT systems: The role of the Group IT Department is to make IT systems more harmonised across the Group and to assist the various subsidiaries. It has set up a worldwide network and a single Group email system. Security has been improved through the auditing of certain systems and the implementation of specific tools. A standard is also being drafted for office technology (hardware and software packages). Several projects to improve management systems are ongoing in the Divisions, including the implementation of integrated procurement applications for better control of liabilities and separation of tasks throughout the supply chain.
- General organisation of procedures: Eramet has drawn up, and published within the Company and its subsidiaries, internal procedure manuals on capital expenditure, foreign currency hedging, management procedures (budgeting, planning, updating forecasts, analysis of over/under-runs, etc.), the consolidation manual and shared accounting rules, travel and expense accounts and financial procedures for cash. Three procedures relating to crisis scenario prevention and management have been established and distributed.
- Legal and operational control of subsidiaries by the parent company:
  - Owing to the diversity of their businesses, the Divisions are managed independently. Each Division has a Management Committee that makes all the decisions within its area of responsibility.
  - The Chief Financial Officer (CFO) is a Director, either on his/her own behalf or as the Company's permanent representative, of the main subsidiaries of Eramet. The Legal Department, to which s/he reports, acts as Secretary to the Board for the main companies (Le Nickel-SLN, Comilog SA) and participates in Board Meetings on major transactions undertaken by the subsidiaries.
  - Management meetings: Monthly meetings are organised with the management of each Division to review monthly performance and analyse budget over/under-runs and the resulting action plans. Management/Accounting and Treasury Committee meetings are also held monthly, bringing together Division and parent company accountants, management controllers and treasurers, respectively, to deal with common issues and provide the necessary coordination. Specific meetings take place every month to discuss sales, accounting, treasury, insurance and other issues within the Divisions. Finally, specific budgeting, forecast updating and planning meetings are organised with the same participants as Division meetings to address these issues.

- Systematic disclosure in the event of strategic decisions: Under the Capital Expenditure Procedure, all projects exceeding a certain amount are submitted for approval at Division meetings on the basis of specific procedures (presentation file, approval meetings, follow-up, etc.). Capital expenditure projects are controlled and approved from a technical perspective by the Engineering Department, which reports to the Chairman and CEO and, from a financial perspective by the Administration & Financial Department. Strategic projects are presented to the Board of Directors of Eramet.
- Disclosure of commitments given and received: Independently of the above procedure, quarterly consolidation reporting includes disclosure of any such commitments. Moreover, the Legal Department provides support for major contract negotiations or in the event of disputes.

#### c) Internal audit of the production of the parent company's financial and accounting information

- Organisation of the accounting department within the Group: The Accounting, Tax & Consolidation Department is part of the Administration and Financial Department and is organised into five units: General Accounting, Third Party & Management Accounting, Bank Accounting, Tax and Consolidation. It updates the Company's financial records, issues its tax returns and all statements relating to tax consolidation and publishes Eramet's corporate and consolidated financial statements. The necessary coordination with subsidiaries is provided by the Financial Management/Accounting Committee, through monthly meetings attended by the CFOs, accountants and management controllers of the main Divisions and Subsidiaries.
- Accounting IT systems: the financial records are kept in the Baan integrated software package. This includes a Sales module that is interfaced with the Accounting module. Other transactions (procurement / payroll) are not interfaced because of their low number. Treasury software is partly interfaced. The Group uses Magnitude consolidation software, published by Cartesis.
- Main internal audit players involved in checking this information:
  - The Accounting Department approves the Company's monthly sales figures. It receives payroll entries from the HR Department. Finally, procurement invoices must be approved by authorised signatories, a list of whom is kept by the Accounting Department. Payments are made by the Treasury Department and must be counter-signed.
  - The Group Treasury Department centralises and hedges the foreign currency risk for all companies.
  - The Management Control Department provides the relevant managers with budget control information. It organises the budget cycle and forecast updates (3 times a year). The Department compares budgeted and actual figures and analyses over/under-runs.
- The Consolidation Department coordinates and controls the Divisions' consolidations and provides technical support as required. It carries out the Group's final consolidation.
- The Financial Management/Accounting Department takes care of the necessary coordination between the Company and its subsidiaries.
- The Audit Committee, as mentioned above, analyses the interim and annual financial statements and monitors major disputes, foreign currency hedging policy and internal audit plans. It also reviews the transition to IFRS and the application of the French Financial Security Act ("LSF").
- General reference materials: The consolidation manual includes common accounting rules for the whole Group and a single consolidation return. It sets out the measurement methods used by the Group and specifies the rules to be followed for consolidation milestones. The accounts are closed out monthly, except in January and July. Financial statements are consolidated quarterly.
- Cash and Financing control: The Group Treasury Department, in addition to its role in centralising the management of the foreign currency risk, sets up financing for the Group's main subsidiaries and carries out financial investments. It centralises the cash forecasting of the main companies and assists them to determine payment methods for at-risk countries. At the end of 2004, the Group set up Metal Securities, a cash-pooling company for all Group companies. At the end of 2006, an "exchange rate guarantee" company, Metal Currencies, was created to centralise foreign exchange transactions, which are currently recognised in the financial statements of each Group entity.
- Budget and management control: The Company's budgetary audit is published monthly. Budget/Actual reporting is monthly and includes management consolidation. The Company's and the Group's budgets are determined at the end of each year for the following year and three forecast updates are carried out during the year. These budgets and forecast updates, as well as the related action plans, are formally approved by Division management and the Chairman and CEO at special Division meetings. The Group's budgets and forecast updates are approved by the Executive Committee.
- Financial statement consolidation preparation procedure: As indicated above, the consolidation manual is distributed to all subsidiaries and includes common accounting rules and the consolidation return. Consolidation returns are input into Magnitude by each subsidiary and Division-level consolidation is carried out by each Division under the supervision and with the support of the central consolidation department. This department also carries out Group consolidation. Consolidation is quarterly with annual items (taxes, provisions, etc.) estimated at various times during the year.
- Liaison with the Statutory Auditors: the auditors carry out six-monthly reviews of the financial statements, for which approval meetings are organised with the auditors of the main subsidiaries.



#### d) Other mechanisms contributing to the Group's internal audit

- The Environment and Industrial Risk Department was set up in 2003 and organises prevention plans and safety actions in these areas within the Group. A position of environment manager has been created in all the Group's sites.
- In December 2006, a "Nickel Committee" was created. It is composed of representatives designated by AREVA, SORAME and CEIR, on one hand, and by the Group's General Management, on the other hand. It is responsible for advising the latter as regards the implementation of policies to control the risks relating to Nickel price fluctuations.

#### 3. Main actions carried out in 2006.

The overhaul of the Group reporting system continued. Following the implementation of the consolidation and financial results module of the new software package, the introduction of the reporting module continued with the roll-out of operational indicators.

The paper regulations for the Company and the French subsidiaries were gotten rid of. A reassessment of the whole supply chain was carried out so as to improve process security and pave the way for the introduction of payments via secure protocols in liaison with the banks.

The Company is currently in the process of rolling out an Environmental Information System. It has already been introduced into the Group's French sites and implementation is ongoing in the others.

#### 4. 2007 action plan.

The main actions scheduled for 2007 relate to:

- The progressive introduction of the centralised foreign exchange hedging policy by Metal Currencies.
- Further modernisation of the IT systems in the various Divisions.
- Reviewing the risk mapping and drafting a resulting multi-annual Audit Plan.

#### III – LIMITS ON THE POWERS OF THE CHAIRMAN AND CEO:

The Chairman and CEO exercises his powers in the legally prescribed manner and within the scope of the corporate purpose. No limits have been placed on these powers by the Board of Directors of the Company.

Paris, March 7, 2007

The Chairman of the Board of Directors

#### 27.2. REPORT FROM THE STATUTORY AUDITORS, ESTABLISHED UNDER ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ERAMET, AS REGARDS THE INTERNAL AUDIT PROCEDURES RELATING TO THE DRAWING UP AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2006

(free translation)

Dear shareholders,

In our capacity as Statutory Auditors of Eramet, and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby submit our report on the report from the Chairman of Eramet, in compliance with the provisions of Article L. 225-37 of the French Commercial Code, for the financial year ended December 31, 2006.

In his report, the Chairman is required to describe the conditions for preparing and organising the work of the Board of Directors and the internal audit procedures introduced by the Company.

It is our responsibility to provide you with our observations on the information set out in the report from the Chairman on internal audit procedures for the drawing up and processing of accounting and financial information.

We carried out our review in accordance with the professional standards applicable in France. These standards require us to carry out our audit in such a manner as to assess the accuracy of the information set out in the report from the Chairman on internal audit procedures for the drawing up and processing of accounting and financial information. In particular, this work involved:

- Reviewing the goals and general organisation of internal audit, and the internal audit procedures for the drawing up and processing of accounting and financial information, as presented in the report from the Chairman;
- Reviewing the work underlying the information set out in the report.

Based on our audit, we have no comments to make on the information provided on the company's internal audit procedures relating to the drawing up and processing of accounting and financial information, as contained in the report from the Chairman of the Board of Directors drawn up pursuant to the provisions of the final subsection of Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-Sur-Seine, March 26, 2007

The Statutory Auditors

Ernst & Young Audit  
François CARREGA

Deloitte & Associés  
Nicholas L.E. ROLT

## 28. LIST AND ADDRESSES OF CONSOLIDATED SUBSIDIARIES AS ON DECEMBER 31, 2006

	Nickel	Manganese	Alloys	Holding company	Consolidation method	Percentage owned
<b>Australia</b>						
<b>Weda Bay Minerals Pty Ltd</b>						
Unit 5, 46 Hillside Crescent, Hamilton QLD 4007						
P.O Box 508, Fortitude Valley QLD 4006						
(61 7) 3624 8103						
	x				FC	100.00%
<b>Belgium</b>						
<b>Erachem Comilog S.A.</b>						
Rue du Bois						
7334 Saint Ghislain						
Belgium						
		x			FC	67.25%
<b>Canada</b>						
<b>Gulf Chemical and Metallurgical Canada Corporation</b>						
P. O. Box 3510						
55418 Range Road 214						
Fort Saskatchewan, Alberta						
Canada T8L4A4						
+1 (780) 998 8700						
		x			FC	67.25%
<b>Weda Bay Minerals Inc.</b>						
220 bay Street, 14 <sup>th</sup> Floor						
Toronto, Ontario Canada M5J 2W4						
(416) 603 0591 or 1 888 933 2646						
	x				FC	100.00%
<b>China</b>						
<b>Comilog Asia Ltd.</b>						
Unit 1201, Huaneng Union Tower						
n° 139 Yin Cheng Dong Road, Pudong						
200120						
Shanghai P.R.C.						
86-21 6881-0241						
		x			FC	93.45%
<b>Comilog Far East Development Ltd.</b>						
Unit 1201, Huaneng Union Tower						
n° 139 Yin Cheng Dong Road, Pudong						
200120						
Shanghai P.R.C.						
86-21 6881-0241						
		x			FC	93.45%
<b>Eramet Comilog Shanghai Trading Co. Ltd.</b>						
Room 2612, 26Floor Bank of China Tower						
n° 200 Yin Cheng Zhong Road,						
Pudong, Shanghai, China						
021-61006161						
		x			FC	93.45%
<b>Erasteel Innovative Material Co. Ltd.</b>						
Room 2607-2612 Bank of China Tower						
n° 200 Yin Cheng Zhong Road,						
Pudong 200-120, Shanghai, Chine						
			x		FC	100%
<b>Guangxi Eramet Comilog Chemicals</b>						
Room 2612-26F						
China Bank Tower						
200 Yincheng Road Central Pudong						
Shanghai 200120						
China						
P.R. 86 21 6100 6161						
		x			FC	93.45%
<b>Guangxi Comilog Ferro Alloys Ltd.</b>						
Fenghuang Town,						
Laibin County, Guanqxi Province,						
546102						
China						
(86) 7724 812 288						
		x			FC	65.42%

	Nickel	Manganese	Alloys	Holding company	Consolidation method	Percentage owned
<b>Guilin Comilog Ferro Alloys Ltd.</b>						
Unit 1201, Huaneng Union Tower n° 139 Yin Cheng Dong Road, Pudong 200120 Shangai P.R.C. China						
86-21 6881-0625		x			FC	93.45%
<b>United States</b>						
<b>Bear Metallurgical Corp.</b>						
302 Midway Road – P.O. Box 2290 Freeport Texas 77541 United States						
1-979 233 7882		x			FC	67.25%
<b>Comilog US</b>						
610 Pittman Road MD 21226 Baltimore-Maryland United States						
1-410 636 71 26		x			FC	67.25%
<b>Erachem Marietta Inc.</b>						
P.O. Box 299 State Route 7 – South Marietta, Ohio 45750-0299 United States						
1-740 374 1000		x			FC	100.00%
<b>Erachem Comilog Inc.</b>						
610 Pittman Road Baltimore-Maryland MD 21226-1788 United States						
1-410 789 8800		x			FC	67.25%
<b>Erasteel Inc.</b>						
95 Fulton street Boonton NJ 07005 – 1909 United States						
1-973 335 8400			x		FC	100.00%
<b>Gulf Comilog and Metallurgical Corp.</b>						
302 Midway Road – P.O. Box 2290 Freeport Texas 77541 United States						
1-979 233 7882		x			FC	67.25%
<b>France</b>						
<b>Airforge</b>						
75, bd de la Libération BP 173 09102 Pamiers Cedex France						
33 (0) 4 77 40 36 47 33 (0) 5 61 68 44 24/22			x		FC	100.00%
<b>Aubert &amp; Duval</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 44 10 24 00			x		FC	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation method	Percentage owned
<b>Comilog Dunkerque</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 53 91 24 05		x			FC	67.25%
<b>Comilog Holding</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 45 38 24 87		x			FC	67.25%
<b>Comilog International</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 45 38 24 87		x			FC	67.25%
<b>Eramet</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 45 38 41 20					Parent company	
<b>Eramet Alliages</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 44 10 24 67			x		FC	100.00%
<b>Eramet Comilog</b>						
Manganèse Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 44 10 24 67		x			FC	83.63%
<b>Eramet Holding Nickel</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 45 38 41 20	x				FC	100.00%
<b>Eramet Holding Manganèse</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 45 38 24 87		x			FC	100.00%
<b>Erasteel</b>						
Tour Maine Montparnasse 33, avenue du Maine 75755 Paris Cedex 15 France						
33 (0) 1 45 38 63 00			x		FC	100.00%
<b>Erasteel Commentry</b>						
1, place Martenot - BP 1 03600 Commentry France						
33 (0) 4 70 28 78 00			x		FC	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation method	Percentage owned
<b>Erasteel Champagnole</b>						
23, rue Georges Clémenceau - BP 104						
39300 Champagnole						
France						
33 (0) 3 84 52 64 44						
			x		FC	100.00%
<b>Eurotungstene Poudres</b>						
9, rue André Sibellas						
BP 152X						
38042 Grenoble Cedex 9						
France						
33 (0) 4 76 70 54 54						
	x				FC	100.00%
<b>Interforge</b>						
Z.I. de la Maze - BP 75						
63501 Issoire						
France						
33 (0) 4 73 89 07 83						
			x		FC	94.00%
<b>Metal Securities</b>						
Tour Maine Montparnasse						
33, avenue du Maine						
75755 Paris Cedex 15						
France						
33 (0) 1 40 88 20 55						
				x	FC	100.00%
<b>S.I.M.A.</b>						
Tour Maine Montparnasse						
33, avenue du Maine						
75755 Paris Cedex 15						
France						
33 (0) 1 40 88 20 55						
			x		FC	100.00%
<b>Gabon</b>						
<b>Comilog S.A.</b>						
Compagnie minière de l'Ogooué						
Z.I. de Moanda						
BP 27-28						
Gabon						
241-66 10 00						
		x			FC	67.25%
<b>PMO</b>						
Compagnie minière de l'Ogooué						
Z.I. de Moanda						
BP 27-28						
Gabon						
241-66 10 00						
		x			Equity method	24.45%
<b>SETRAG</b>						
BP 578						
Libreville						
Gabon						
00241708049						
		x			FC	56.66%
<b>Hong kong</b>						
<b>Comilog Asia Ferro Alloys Ltd.</b>						
Unit 1402, Toxer one, Lippo Centre						
89, Queensway, Admiralty						
Hong Kong						
852-2 529 60 60 46						
		x			FC	93.45%
<b>Comilog Asia Ltd.</b>						
Unit 1402, Toxer one, Lippo Centre						
89, Queensway, Admiralty						
Hong Kong						
852-2 529 31 99						
		x			FC	93.45%

	Nickel	Manganese	Alloys	Holding company	Consolidation method	Percentage owned
<b>Comilog Far East Development Ltd.</b>						
Unit 1402, Toxer one, Lippo Centre						
89, Queensway, Admiralty						
Hong Kong						
852-2 529 31 99						
		x			IG	93.45%
<b>Indonesia</b>						
<b>Pt Weda Bay Nickel</b>						
Wisma Raharja 8 <sup>th</sup> Floor						
Jl. TB. Simatupang, Kav. 1						
Cilandak Timur - Jakarta Selatan 12560						
Indonesia						
+62 (21) 788 49 866						
	x				IG	90.00%
<b>Luxembourg</b>						
<b>Eras S.A.</b>						
6 B Route de Trève						
L-2633 Luxembourg						
Luxembourg						
				x	IG	100.00%
<b>Mexico</b>						
<b>Industrias Sulfamex / Erachem Mexico</b>						
Carretera Tampico - Valles km. 28						
Tamos, Panuco, Vert.						
CP 92018 Mexico						
Mexico						
52-1 210 27 62						
		x			IG	67.25%
<b>Norway</b>						
<b>Eramet Norway A/S</b>						
N - 4201 Sauda						
Norway						
1-410 789 8800						
		x			IG	100.00%
<b>Eramet Norway A/S</b>						
P.O. Box 82 - N-3901						
Porsgrunn						
Norway						
47 35 56 18 00						
		x			IG	100.00%
<b>New Caledonia</b>						
<b>Cominc</b>						
BP E5						
98848 Nouméa Cedex						
New Caledonia						
687-24 55 55						
	x				IG	60.00%
<b>Société Le Nickel – SLN</b>						
BP E5						
98848 Nouméa Cedex						
New Caledonia						
687-24 55 55						
	x				IG	60.00%
<b>Poum SAS</b>						
98848 Nouméa Cedex						
New Caledonia						
687-24 55 55						
	x				IG	60.00%
<b>The Netherlands</b>						
<b>Miner Holding BV</b>						
Rokin 55						
Amsterdam						
The Netherlands						
		x			IG	67.25%
<b>United Kingdom</b>						
<b>Erasteel Ltd</b>						
371, Coleford Road						
Darnall						
UK - Sheffield S9 5NF						
United Kingdom						
44 (0) 114 261 04 10						
			x		IG	100.00%

	Nickel	Manganese	Alloys	Holding company	Consolidation method	Percentage owned
<b>Peter Stubs Ltd</b>						
Causeway Avenue WA4 6QB Warrington United Kingdom 44 (0) 1925 41 3870			x		IG	100.00%
<b>Singapore</b>						
<b>Strand Minerals Pte Ltd.</b>						
TEMASEK Avenue 27-01 Millenia Singapore Singapore 039192 Singapore	x				IG	100.00%
<b>Sweden</b>						
<b>Erasteel Kloster AB</b>						
Box 100 815 82 Söderfors Sweden 46 (0) 293 17 000			x		IG	100.00%
<b>Switzerland</b>						
<b>Comilog Lausanne</b>						
Avenue C.F. Ramuz 43 1009 Pully Switzerland 41 21 - 729 45 03		x			IG	67.25%
<b>Unimim AG</b>						
Industriestrasse 47 6304 Zug Switzerland		x			IG	67.25%

## 29. ENVIRONMENTAL CHARTER

### Control and reduce the environmental impact of the Group's industrial activities

As a responsible industrial operator, the Eramet Group carries on its business activities in such a way as to keep its health and environmental impact as low as possible, while ensuring that the cost of such efforts remains economically viable.

### Control the risks and impact stemming from products sold by the Group

The Eramet Group's environmental policy includes a specific portion relating to the potential risks and impact stemming from the characteristics and use of its products. Controlled and reasonable management of these risks is one of its priorities.

### Encourage ongoing improvement

The Group is continuously looking to improve its environmental performance. This commitment is one of its responsibilities, on a par with ensuring the health and safety of its employees, complying with commercial agreements or identifying optimised technologies at the lowest possible cost.

### Factor the environment into every aspect of the Group's activities

This determination to make the environment a part of the Group's activities is demonstrated in every aspect of the company's activities:

- When designing and starting up new activities, projects or capital expenditure programmes,
- Throughout the day-to-day operation of facilities,
- When discontinuing activities.

### Strictly comply with regulations

Strict compliance with regulations that are applicable to sites is the first guarantee of responsible management of their impact. Any non-compliance must be temporary, justified and notified to the relevant administrative body.

### Develop self-knowledge to improve and disclose

*Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both progress and difficulties is key to the implementation of a policy. Disclosing actual performance is becoming a regulatory requirement. By setting up an Environmental Information System (EIS), the Eramet Group is equipping itself with the resources necessary to achieve its goal.*

### Anticipate regulatory changes from a sustainable development perspective

The Eramet Group is subject to a series of complex and ever more stringent environmental regulations. We owe it to ourselves to acquire full knowledge of these regulations, anticipate changes to them and act to raise awareness of our situation from a perspective of sustainable development that protects our competitiveness.

### Contribute to scientific know-how

Scientific knowledge of the health or environmental impact of our activities is complex and constantly evolving. The Eramet Group helps to further research and knowledge on its activities.

## 30. ENVIRONMENTAL DATA

### 30.1. INTRODUCTION

As a responsible industrial operator, the Eramet Group carries on its business activities in such a way as to keep its health and environmental impact as low as possible, while ensuring that the cost of such efforts remains economically viable.

The Group is continuously looking to improve its environmental performance.

*Accurate knowledge of our actual impact is a necessity. Knowing how to anticipate and assess both progress and difficulties is key to the implementation of our environmental policy. Reporting on the results achieved is becoming a regulatory requirement. By setting up an Environmental Information System (EraGreen - Eramet Environment Exchange Network), the Eramet Group is providing itself with the resources necessary to achieve its goal.*

As a result, 2007 will be the first year in which the management report of the Eramet Board of Directors (with respect to 2006) will be aggregated on the basis of EraGreen (information which will also be included in the Reference Document)

The Group also reaffirms its desire to act and to improve with the setting up in early 2007 of a Communication and Sustainable Development Department which will form part of the Executive Committee.

Moreover, an ambitious but realistic schedule is being put together for the ISO 14001 certification of all the Group's sites. As of now, six of the Group's sites have already been certified.

A significant improvement has been seen in the quality of the measures implemented in 2006. In fact, across the board, the methods used to measure environmental indicators are improving

The Group's scope, spread across four continents, includes the following sites in Norway, Sweden, Gabon, the USA, Belgium, France and New Caledonia:

- Norway: Porsgrunn and Sauda.
- Sweden: Soderfors, Langshyttan, Vikmanshyttan,
- Belgium: Tertre,
- France: Dunkirk, Sandouville, Gennevilliers, Les Ancizes, Interforge, Issoire, Commentry, Imphy, Firminy, Champagnole, Grenoble, Pamiers,
- New Caledonia: Doniambo,
- USA: Marietta,
- Gabon: Moanda.

2006 was the first year in which EraGreen could be effectively used. This application makes it possible to collect and consolidate environmental indicators, as well as the networking of the management of environmental documentation.

All of the sites in France, as well as those in Sweden, Norway, Belgium and New Caledonia (in part) have this application. It will be rolled out to the USA and Gabon during 2007.

The data set out in this document has been obtained exclusively (for those sites where it has been rolled out) from data consolidated by the application. The inclusion of data in the EraGreen format may result in slight discrepancies with previously published figures (the calculation methods are substantially different).

The application allows sites, divisions or even the Group as a whole to issue scorecards, and to carry out segment reporting. It also provides an overview of environmental performance.

#### Energy

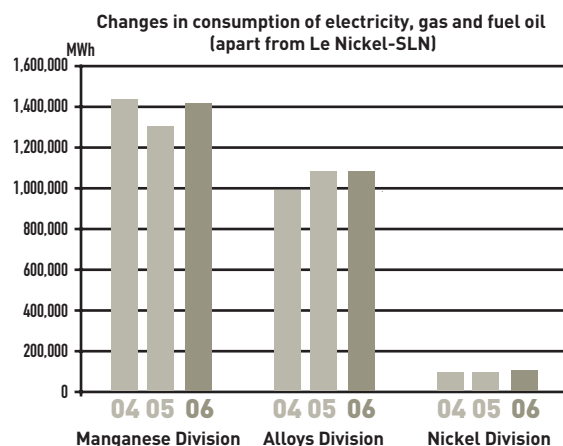
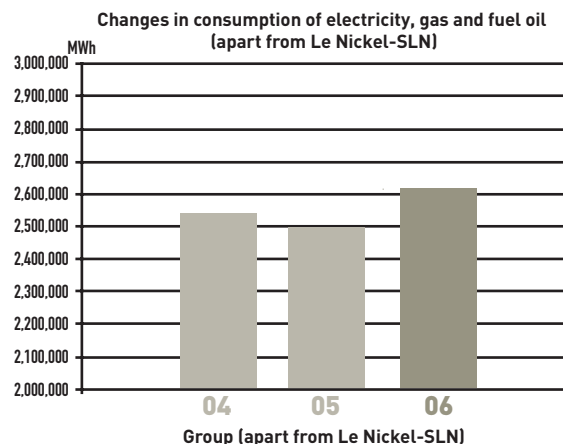
##### • Consumption

The heat treatment furnaces, as well as the melting installations, which lie at the heart of the metallurgical activities of all three divisions of the Eramet Group, are the main consumers of large quantities of energy.

The main energy requirements are at Manganese Division sites, which on their own account for about 50% of the requirements of the scope in question (apart from Le Nickel-SLNL). Any change, however slight, at one of the Division's sites impacts the performance of the Group as a whole.

**Figure 1. Changes in energy consumption**

(Scope: France, Belgium, Norway, Sweden)





**Water**

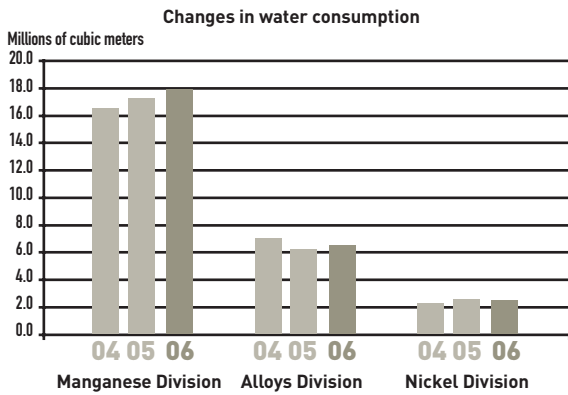
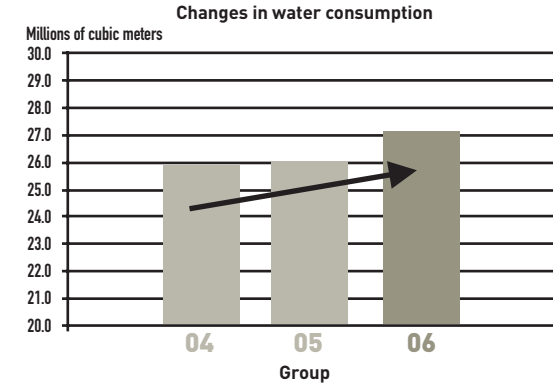
**• Consumption**

Metallurgy, hydrometallurgy and chemicals are three activities that consume water for a range of purposes:

- Washing of ore, raw materials and by-products
- Cooling of furnaces and other metallurgical installations
- Solubilisation and reaction of compounds.

**Figure 2. Changes in water consumption**

[Scope: France, Belgium, Norway, Sweden, New Caledonia]



The increase in water consumption seen in 2006 in the Manganese Division was directly linked to an increase in production capacity at the Souda site in Norway.

**• Aqueous discharge**

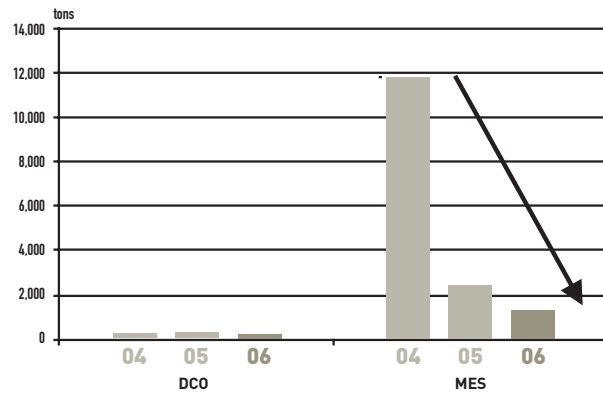
The renewal of a large number of operating permits combined with an aggressive improvement policy led the Group to look into new, less polluting processes, in order to limit environmental impact and modernise the technology and equipment used to monitor aqueous discharges.

The work undertaken over the past three years has shown that it is possible to reduce the environmental impact of industrial activities.

The main cause of suspended solids is the Le Nickel site in New Caledonia. The figures recorded depend on the volume and nature of the ore processed.

**Figure 3 . Changes in aqueous discharges (Suspended solids/COD)**

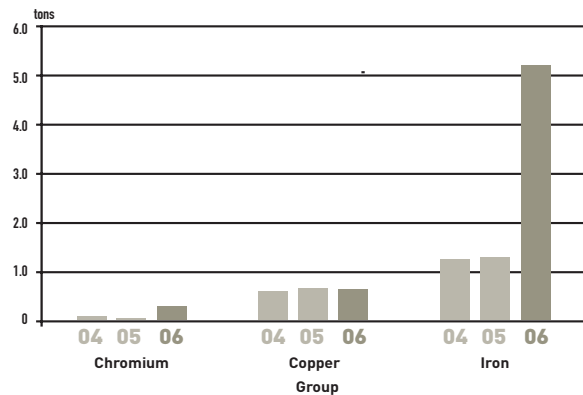
[Scope: France, Belgium, Norway, Sweden, New Caledonia]



The abnormal figure for iron in 2006 was due to an incident in Sweden following a failure in pH measurement, which gave rise to an abnormally high discharge over a short period of time. Measures have been adopted to prevent a similar occurrence happening in the future.

**Figure 4.a. Changes in aqueous discharges (metals)**

[Scope: France, Belgium, Norway, Sweden, New Caledonia]

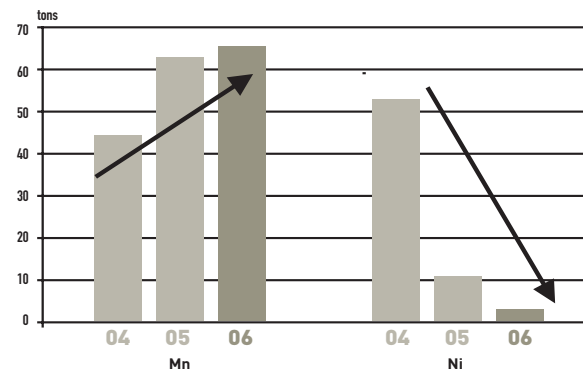


The sharp drop in aqueous discharges of nickel is due to the quality of the ore processed in New Caledonia.

The changes in aqueous discharges of manganese reflect the resumption in 2006 of the manufacture of manganese salts at the Erachem Tertre site in Belgium, which had been temporarily shut down in 2004.

**Figure 4.b. Changes in aqueous discharges of Ni and Mn**

[Scope: France, Belgium, Norway, Sweden, New Caledonia]



## Air

### • Air emissions

The Group's air emissions fall into two main categories:

- Energy consumption
- Production of ferrous and non-ferrous alloysx.

Metallurgical activities use large quantities of energy in the melting processes, as well as for the heating of metal parts during heat treatment.

Other sources of carbon dioxide also contribute, though to a lesser extent, such as building heating systems and handling equipment.

The Group as a whole has embarked on a world-wide energy saving programme, with a twofold aim:

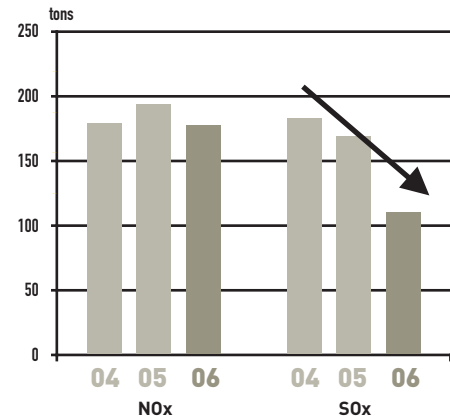
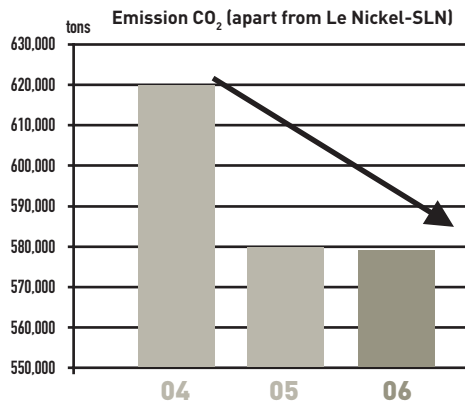
- Cut energy costs and consequently make our activities more sustainable,
- Promote less polluting solutions (upgrading facilities).

In this regard, a number of pre-heating or heat treatment furnaces powered by fuel oil that were up for renewal, were replaced with machinery that uses a less polluting type of fuel (natural gas).

With regard to the scope in question, there has been a sharp drop in carbon dioxide and sulphur dioxide emissions over the past three years.

**Figure 5.a. Changes in CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub> emissions**

(Scope: France, Belgium, Norway, Sweden)

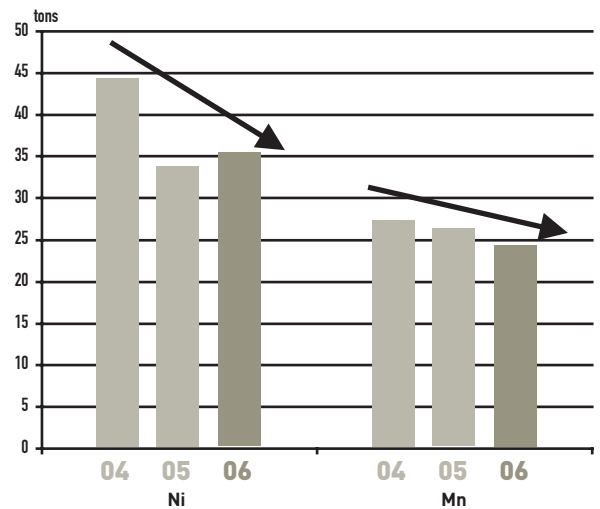


The main contributor to nickel air emissions is the Le Nickel-SLN site in New Caledonia. The increase in 2006 is due, among other factors, to the difficulties encountered in keeping the operational loads of the electric furnaces stable.

The fall in manganese air emissions in 2006 is the result of better facility controls, together with the optimisation and improved monitoring of the dust filtration equipment in the manganese alloy production units.

**Figure 5.b. Changes in Ni and Mn air emissions**

(Scope: France, Belgium, Norway, Sweden, New Caledonia)



**Solid waste**

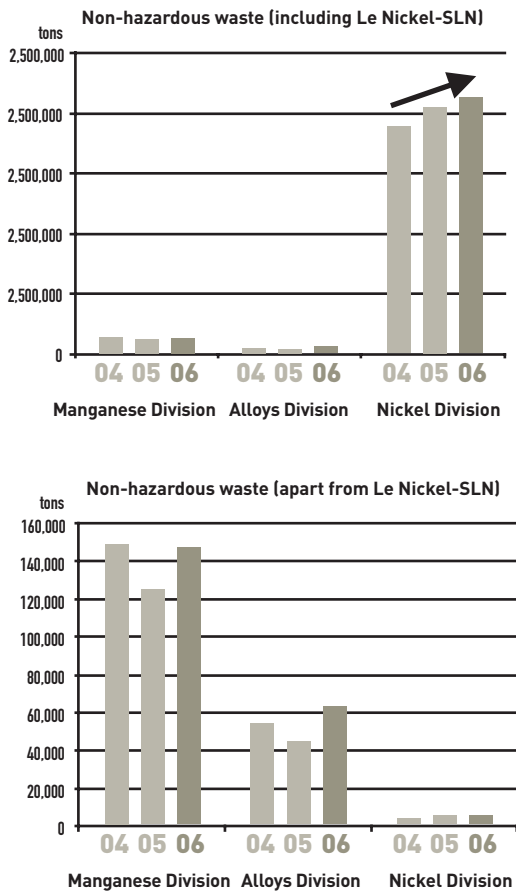
• **Non-hazardous waste**

The concept of hazardous and non-hazardous waste was defined by Europe in the list published by the European Commission (C (2001)108 amending decision 2000/532/EC). By extrapolating the regulations, this classification applies to all sites with the EraGreen system.

The steel-making and melting-reduction industrial activities generate a significant quantity of non-hazardous waste. A large proportion takes the form of slag, some of which has a commercial value as a raw material for road ballast and construction backfill or inert slag, which is usually stored in internal dumps.

**Figure 6.a. Changes in non-hazardous waste generated**

[Scope: France, Belgium, Norway, Sweden with or without New Caledonia]

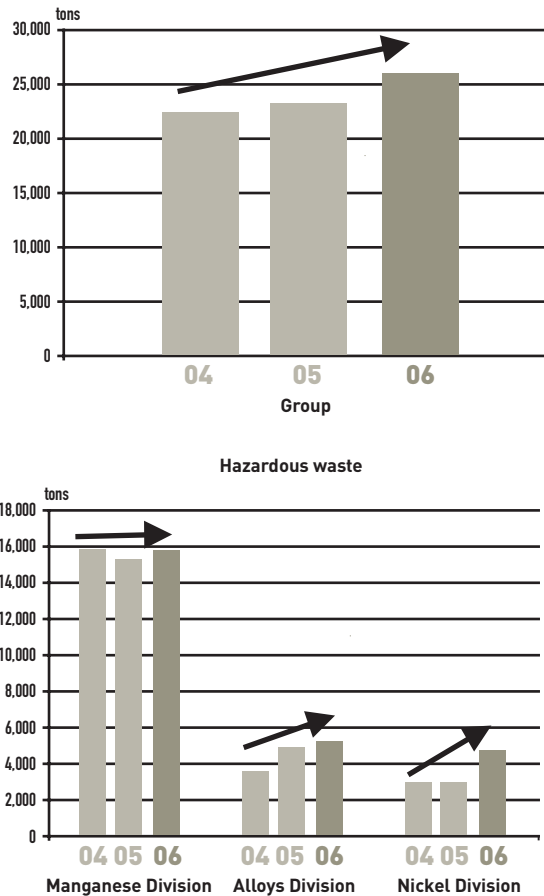


• **Hazardous waste**

The Group's 'chemical' activities generate a large volume of production and purification residues. These are discharged to approved technical landfill sites and are therefore in compliance with the regulations. When possible, the manufacturing processes are modified to significantly reduce the waste generated by the level of production in question. The increase in 2006 in the Alloys sector is the result both of the exceptional removal of oil from the Interforge site and the inclusion of waste during the 'dust remover' project on the site of the Ancizes steel plant.

**Figure 6.b. Changes in hazardous waste generated**

[Scope: France, Belgium, Norway, Sweden, New Caledonia]



## 30.2. ENVIRONMENTAL DATA FROM THE GROUP'S INDUSTRIAL SITES

### AUBERT & DUVAL – FIRMINY

#### General description

The Aubert & Duval Firminy industrial site has five main workshops:

- An electric steelworks enabling casting of up to 45 tons; in 2006, it produced 25,600 tons of steel,
- A forge,
- A heat treatment workshop,
- A machining workshop,
- A finishing workshop set up in 2005, which became fully operational in 2006.

The plant supplies the following sectors: steel industry, oil industry, nuclear, naval, agri-food and defence.

The plant is a Classified Facility for the Protection of the Environment and is subject to authorisation and filings. The classification categories were unchanged during 2006.

Various analyses and work required by the Prefecture were completed during the year 2006:

- Analyses and work required to control the pollution of the Ondaine under the machining workshop,
- An analysis of the shutting down of the old 2,000 ton forge,
- Ten-year operations review,
- Detailed risk analysis of the soil at the plant,
- Work on controlling the pollution of the Ondaine near the heat treatment workshop (work still in progress as of February 2007).

Five transformers, containing a total of 11,294 litres of oil, contaminated with PCB, were removed in 2006; a sixth transformer, containing 7,111 litres, was decontaminated.

#### Details sector by sector

N.B.: For the Firminy plant, 2006 was the first year in which the EraGreen system was used, making it possible to consolidate all the environmental data for the plant. The figures shown for the three years 2004, 2005 and 2006 were pulled from this system. In the event of any discrepancy from the figures already published for 2004 and 2005, explanations are provided sector by sector.

#### • Energy

Consumption	Unit	2004	2005	2006
Electricity + fuel oil + gas	MWh	127,862	142,045	151,691

The change in energy consumption between 2005 and 2006 is in line with the increased level of production at the site. It is mainly due to an increase in the consumption of natural gas, used for the operation of the new finishing furnace. The energy-saving measures put into effect did, however, make it possible to achieve a slight reduction in energy consumption per unit of output.

#### • Eau

- Consumption

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	23,675	32,024	26,482
Industrial water	m <sup>3</sup>	15,469	16,812	27,773

After an abnormal year in 2005, drinking water consumption levels reverted to normal for the site's activities. Conversely, the increase in industrial water consumption levels was due to the malfunctioning of one of the air-cooling towers.

The slight differences in the figures for 2004 and 2005 as compared with the figures previously published are due either to rounding off or to extrapolating for the months of December, for which invoices had not yet been raised at the time of publication.

#### • Aqueous discharges

Compounds	Unit	2004	2005	2006
Nickel	Kg	2.58	0.417	1.95
Total chrome	Kg	0	0	0
Iron	Kg	8.398	8.015	15.955
Cadmium	Kg	0	0	0
Suspended solids	T	0.457	0.216	0.373
COD	T	2.89	1.73	2.86

The differences with regard to the figures for 2004 and 2005 as compared with the figures previously published stem from a variety of factors:

- For chromium or cadmium, the figures were extrapolated on the basis of the detection threshold for these metals, whereas the figures input into EraGreen are 'zero plus a comment on the detection threshold' when the element being sought cannot be detected by analysis.
- EraGreen extrapolates from all the analyses recorded, whereas the figures published from 2003 to 2005 were only based on some of these analyses.

• Air

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	T	18,000	20,725	21,979
SO <sub>2</sub>	T	6.63	4.90	3.35
NO <sub>x</sub>	T	13.56	13.80	19.32
Total dust	T	15.92	18.206	18.49
Iron dust	T	Parameter not measured		
Nickel dust	T	0.001	0.171	0.004

The discrepancies between EraGreen and the published figures can be accounted for as follows:

- The SO<sub>2</sub> emissions previously published for 2004 and 2005 had been assessed on the basis of a natural gas emission factor. The inappropriateness of this emission factor was evident from the ten-year review filed with the regional industrial and environmental authorities in June 2006.
- As far as nickel is concerned, the figures were extrapolated taking account of the detection threshold for this metal, whereas the figures for EraGreen are 'zero plus a comment on the detection threshold' when the element being sought cannot be detected by analysis.
- Iron dust is not one of the emissions subject to regulation, either in the permits specific to the plant or in the permit of February 2, 1998. The figures published in the previous

• Waste

	Unit	2004	2005	2006
Hazardous waste	t	148	336	243
Non-hazardous waste	t	7,146	7,157	6,566

As far as hazardous waste is concerned, some of the disposal firms take up to two months to send in their tracking sheets. These delays account for the over or understatement between figures recorded after the event in the EraGreen system and the figures published for 2004 and 2005 on the basis of the information available in January each year. The figures currently shown for 2006 are thus also provisional.

The discharge levels in 2006 are comparable with those in previous years. The increase recorded for iron is the result of the difference between one method of analysis and another, and not due to any significant increase in the discharge of this metal.

These discharges are in line with the terms of the plant's permit issued by the Prefect.

The analysis results for the fourth quarter of 2006 are not yet available, which means that the figures for 2006 are provisional.

reference documents were extrapolated from analysis of dust collected in the dust remover, showing iron at 30.3% of total dust.

With greenhouse gas emissions equivalent to 21,979 tons of CO<sub>2</sub> (tonnage checked by the certifying body), the Firminy plant is in line with its allotted quotas. The increase on 2005 is directly linked to the increase in consumption of natural gas. The improvements which have been introduced have however made it possible to reduce the level of greenhouse gas emissions per unit of output.

Dust emissions from the steelworks are still too high. For this reason, a review was carried out in 2006, and improvements should begin to show in 2007.

Slag and refractories from the steelworks are the main items of non-hazardous waste produced at the plant.

For 2004 and 2005, figures for metal recycling were published erroneously, since they relate to metals that are not treated as waste.

- **Soil**

The detailed risk analysis submitted to the Prefecture in 2006 shows that there is no pollution requiring work apart from:

- Work carried out in the machining workshop;
- Work in progress near the heat treatment workshop.

In December 2006, the inspector from the regional industrial and environmental authorities came to verify the effectiveness of the work carried out in the machining workshop and the ending of oil seepages into the Ondaine. It is expected that the work of a similar nature which is being carried out near the heat treatment workshop will prove to be equally effective.

#### **AUBERT & DUVAL – GENNEVILLIERS**

Aubert & Duval, Gennevilliers, has been operating in the suburbs of Paris since around 1910. The firm specialises in the heat treatment of steels.

The site is a Classified Facility for the Protection of the Environment and is subject to authorisation.

It is comprised of several workshops:

- A heat treatment workshop,
- A finishing workshop,

- A workshop for manufacturing Anti-Vibration Bars,
- A contract processing workshop (case hardening, nitriding and vacuum treatment),
- A steel bar distribution centre,
- A laboratory.

The products sold are for the aerospace, nuclear, power, automotive (especially Formula 1), defence, tooling and medical sectors.

Further to the request for administrative regularisation of its operating permit, Aubert & Duval Gennevilliers obtained a new permit at the end of May 2006.

- **Energy**

Electricity consumption is falling. This reduction results from the optimisation of furnace filling. A campaign to raise the awareness of the cleaning and security personnel regarding the importance of energy issues will have been completed by mid-May 2007. This campaign will subsequently be expanded.

The increase in gas consumption stems from the increased level of heating for individual staff members at their workplaces, in order to improve their working conditions.

<b>Energy</b>	<b>Unit</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Electricity + gas + fuel oil	MWh	22,689	23,176	23,543

- **Water**

The main water-consuming facilities are the quenching and cooling baths, plus the consumption of an air-conditioning water condenser during the summer months.

Industrial water consumption stems from the following:

- Polymer quenching trials, intended in due course to replace oil quenching,
- Consumption of well water for 4 months to cool an oil tank,
- Changes in the air-cooling tower dilution circuits (automation) as part of the Legionnaires' disease prevention programme,
- Replacement of one air-cooling tower.

<b>Consumption</b>	<b>Unit</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Drinking water	m <sup>3</sup>	13,224	16,618	14,765
Industrial water	m <sup>3</sup>	32,372	28,093	49,638

- **Air**

The site's air emissions chiefly come from the various heat treatment and finishing operations.

Air analyses were carried out at the end of 2006, and an action plan will be drawn up on the basis of the results.

Work designed to upgrade the trichloroethylene machines is planned for 2007.

• **Waste**

The increase in the amount of hazardous waste is essentially bound up with the work on upgrading the furnaces, and with improvements in the means of storing, sorting and removing this waste.

Asbestos or refractory ceramic fibre waste is packaged and disposed of in the legally prescribed manner.

As work progresses on the furnaces, refractory ceramic fibre is being gradually replaced with 'organic' fibre.

A system of selective sorting of wood was inaugurated in early 2006. In 2007, this system will be extended to cover paper and dirty rags.

Waste	Unit	2004	2005	2006
Hazardous waste	t	67	80	90
Non-hazardous waste	t	342	217	345
- Of which metal	t	71	43	86
- Of which wood and cardboard		43	24	90

The figures published in 2005 for non-hazardous waste are different, as they did not cover either metal, or wood, or category 10 02 99 waste (waste not otherwise specified).

The figures for hazardous waste also differ, since they previously included categories 10 02 99 and 06 13 99.

• **Other**

> Replacement of methyl glycol:

In order to solve at one and the same time the problem of using both a CMR and a metallurgical method to treat steel at extreme temperatures, which may go as low as -150°C, it was decided to invest in a cryogenic chamber for very low temperature treatments using liquid nitrogen. It has accordingly been possible to replace methyl glycol with water containing glycol for temperatures down to -20°C.

> Noise protection:

A programme of noise measurement was carried out, and an action plan drawn up, which will be implemented in early 2007. Particular attention has been paid to the wearing of ear protectors and a series of reminders have been issued. Ear protectors are compulsory in some of the workshops and strongly recommended in others. Earplug distributors and warning signs have been installed, and all staff members concerned are once again being issued with instructions.

**AUBERT & DUVAL - IMPHY**

Although the presence of a forge can be traced back to around 1580, the site's industrial operations began in 1816 with the opening of the Imphy forge by Louis Boigues. Nowadays, Aubert & Duval's Imphy site specialises in the production and conversion of special steels and superalloys.

The site has two special characteristics:

- It produces very high value-added metal powders for surfacing or post-compacting applications for the aerospace, shipbuilding and glassmaking industries.
- Aubert & Duval Imphy are tenants of Imphy Alloys (Arcelor-Mittal group), which is responsible for the common areas, as well as for supplying energy to Aubert & Duval, with the two company's buildings being closely interlinked.

2006 was the second year under the new operating structure, with three production units:

- Electrode remelting and preparation,
- Metal powder production,
- Cold working (machining and Non Destructive Testing).

In 2006, the remelting department commissioned a new VAR furnace with a capacity of twelve tons.

• **Energy**

The remelting and induction furnaces are electric. The increase in consumption in 2006 is the result of increased use of the remelting furnaces (increased capacity).

Only handling equipment uses fuel oil. The increase is also due to a higher amount of remelting.

The sharp fall in gas consumption from 2005 onwards is the result of the phasing-out of the forging furnaces and some of the heat treatment ones. From that time on, workshop heating has been the largest consumer of gas.

Consumption	Unit	2004	2005	2006
Electricity	MWh	18,770	16,938	20,509
Fuel oil	MWh	203	218	250
Gas	MWh	25,300	10,940	10,136

• **Water**

The very sharp fall in industrial water consumption since 2005 is a direct result of the shutdown of forging activities, which in turn accounts for the substantial reduction in aqueous discharges.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	34,824	26,705	32,906
Industrial water	m <sup>3</sup>	845,318	76,389	55,705

Aqueous discharges	Unit	2004	2005	2006
Nickel	kg	90	8	6
Chromium	kg	25	2	2
Iron	kg	150	17	13
Suspended solids	t	5.6	0.16	0.2
DOC	t	10.7	1	0.6

• **Prevention of Legionnaire's disease**

Circuits were cleaned and fully disinfected when facilities were idle on the site. No readings above 100,000 CFU/l were recorded in 2006.

Following the installation of a new VAR furnace, a fourth air-cooling tower was announced in 2006.

• **Air**

The steady reduction in CO<sub>2</sub> emissions is due to the lower production volumes and the shutdown of the forging and heat treatment furnaces at the end of 2004. This figure is correlated with the fall in gas consumption.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	9,200	4,000	3,700

• **Waste**

The quantity of hazardous waste has remained constant.

The volume of non-hazardous waste is reverting to former levels after the spike in 2005 resulting from the dismantling of workshops.

Waste	Unit	2004	2005	2006
Hazardous waste	t	148	84	75
Non-hazardous waste	t	349	436	310
- Of which wood and paper recycling	t	49	52	45

**AUBERT & DUVAL – INTERFORGE**

The Interforge plant, which was set up in 1975, specialises in the closed die-forging of parts made from aluminium alloys, superalloys and titanium, specifically for the aerospace market. The plant has a 65,000-ton press (the only one in the western world) and a complex for the stripping and heat treatment of aluminium parts.

All the products are semi-finished products and are passed on to the firm's partners Aubert & Duval and SNECMA.

Interforge renewed its application for an administrative permit this year (legal obligation).

A waste collection zone was established. Waste sorting will be operational in March 2007.

Supplies are now being brought in for the construction of a new stripping plant, together with a new effluent treatment plant (to come on stream in May 2007). The goal is to better control water consumption and improve the quality of aqueous discharges.

The plant has acquired a drum crusher which prevents any pollution during crushing operations.

In 2007, the air-cooling tower, by now obsolete, will be replaced and work is ongoing in an effort to cut the production of soluble oil waste.

The plant is also working on a project for water-based lubrication of products being pressed, which would reduce fouling both of the machine and of its surroundings.



- **Energy**

Improved furnace programming together with reduced cooling when not in use, has made it possible to cut gas consumption by 7%.

Measures to control the use of machinery, such as for instance the installation of a timer on a suction system have made it possible to cut electricity consumption by 9% in 2006 compared with 2005.

Consumption	Unit	2004	2005	2006
Electricity	MWh	9,071	11,633	10,572 *
Fuel oil	MWh	771	864	874
Gas	MWh	53,791	66,024	61,289

\* Estimate.

- **Water**

Lower drinking water and industrial water consumption in 2006 is the result of fewer leakages from the water distribution networks and the fact that drinking water was not used when there was a malfunction in the industrial water supply.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	9,764	7,518	3,933
Industrial water	m <sup>3</sup>	35,576	36,159	32,132

Liquid discharges exiting the plant:

Aqueous discharges	Unit	2004	2005	2006
COD	kg	7,286	7,657	4,623
Suspended solids	kg	4,929	9,020	1,299
Iron	kg	27.7	30.3	21.5
Aluminium	kg	34.2	50.2	37.5
Fluor	kg	29.5	12	8.24
Chromium	kg	0	0.5	2.25

The sharp fall in aqueous discharges in 2006 is above all linked to the collection and processing of soluble oils in a destruction unit, plus a fall in water consumption and a low level of rainfall during the year.

It should be noted that although the discharge of chromium was higher in 2006, it is still well below the permitted level (21 kg/year).

- **Air**

Air emissions reflect the use of gas furnaces for heating.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	9,855	12,096	11,167

- **Waste**

There was a substantial increase in the production of soluble oil and oily sludge, mainly because of increased cleaning and leakage from the press. Work will be carried out in 2007 with a view to reducing this level of waste.

It should also be possible to reduce the output of alumina sludge once the new stripping unit comes on stream.

Waste	Unit	2004	2005	2006
Soluble oils	t	77	78	149
Oily sludge	t	24	22	119
Alumina sludge	t	280	279	287
Soda	t	124	113	148
Non-hazardous industrial waste	t	138	125	170
Wood	t	114	125	167
Cardboard	t	Not known	Not known	2,5
Shot	t	204	130	130.2

- **Management**

One person was appointed to work on ISO 14001 certification for the site by the end of 2008.

#### **AUBERT & DUVAL – ISSOIRE**

Aubert & Duval's Issoire operation was founded in 1939, and specialises in the closed die-forging of medium and large-sized aluminium alloy parts primarily for the aerospace industry. The plant has two closed die-forging presses of 20,000 tons and 4,600 tons and two forging presses of 10,000 tons and 1,200 tons. Sales of parts (€56.2 million) have been steadily rising since 2004 (+33%).

In 2006, production rationalisation was completed (transfer of the titanium unit to Pamiers and aluminium to Issoire).

The reorganisation of selective sorting was completed in 2006, and all discharges of chromium +6 were eliminated (following the permanent closure of the chromium anodising line).

The site's operating permit is being reviewed. A final version of the permit should be issued in early 2007.

The goal is to obtain ISO 14001 certification in 2008 and an action plan in this regard will be put in place in early 2007.

- **Energy**

The introduction of an energy savings plan (regulation of air compressors and improved airtightness of furnaces) has made it possible to cut energy consumption despite higher operating levels. The use of fork-lifts is to be rationalised, which should lead to fuel oil savings.

Consumption	Unit	2004	2005	2006
Electricity	MWh	16,153	16,467	16,170
Fuel oil	MWh	793	965	1,231
Gas	MWh	14,441	15,275	14,937

- **Water**

Water consumption has been optimised over the past 10 years on surface treatment lines (putting in place of rinsing water flow controls).

The increase in 2006 is due to an error on the part of the water supplier (leading to blockages in the solenoid valves). The invoice was amended accordingly.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	30,633	29,335	32,826

Discharges of metals continued to fall in 2006 thanks to the introduction of a special action plan (less use of ferrous chloride at the treatment plant).

The substantial reduction in discharges (metals, suspended solids) is the direct result of close monitoring of the performance of the treatment plant.

An ultrafiltration unit is currently being commissioned (replacing the effluent treatment plant for the fluorescent sweating facilities).

Aqueous discharges	Unit	Regulatory limit	2004	2005	2006
Total metals *	kg		47	24	20.3
Nickel	kg		0.1	0.0	0.0
Total chromium	kg	20	3.9	1.8	0.2
Iron	kg		8.8	7.5	7.9
Suspended solids	t	1	0.267	0.098	0.110
COD	t	4.4	0.644	0.200	0.340

\* Metals include: aluminium, copper, iron and zinc.

• **Air**

Air emissions are related to the use of gas furnaces, stripping lines, handling equipment and workshop heating.

Figures have been stable over the past three years.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	1,191	1,260	1,232
SO <sub>2</sub>	t	0.29	0.35	0.44
NOx	t	5.45	5.70	5.60
Total dust	t	0.07	0.07	0.06

• **Waste**

Since the sludge from the treatment plant no longer contains traces of chromium, it has been reclassified as non-hazardous.

Waste	Unit	2004	2005	2006
Hazardous waste	t	101	160	134
Non-hazardous waste *	t	45	22	35

\* The figures in the 2004 and 2005 reference documents included metal recycling.

• **Ground**

Soil is protected as the entire waste collection area has been tarred. All tanks and cisterns are in secondary containment areas.

• **Management**

Environmental management is based on the implementation of the environmental management system, which began in 2000.

The reorganised system of selective waste sorting came into effect in 2006, with the installation of skips for soiled waste.

Management's commitment to selective sorting was bolstered by standardising collection points, organising handling equipment and running a poster campaign on sorting.

The environmental management system will be implemented in 2007, paving the way for ISO 14 001 certification in 2008.

**AUBERT & DUVAL – LES ANCIZES**

The construction, firstly, of the Fades hydroelectric plant (1912-1917) together, secondly, with the crossing of the Sioule valley via the Fades railway viaduct, linking Lapeyrouse and Clermont-Ferrand, almost certainly drove the Compagnie hydro-métallique d'Auvergne to start work on the Ancizes plant as early as 1917.

By 1918, the plant was producing ferroalloys and a little later carbon steels.

Aubert & Duval, which already had a wide range of special steels at its disposal, took an interest in the Ancizes plant in 1926.

The site soon became not only Aubert & Duval's main production centre, but also a special steels plant that housed some of the most powerful production, conversion and finishing facilities in Europe on the same site.

The Ancizes steelworks stands out because of its expertise in every aspect of the steelmaking process. Its main activities are as follows:

- Research,
- Production of steels and superalloys,
- Hot conversion by rolling and forging,
- Heat treatment,
- Finishing,
- Destructive and non-destructive testing,
- Analysis laboratories,
- Special steel casting, etc.

Through the site's quality assurance process, the Ancizes site's environmental management system has been driven since 2000 by a procedure that has organisational and management aspects relating to environmental protection. These provisions, henceforward known as general instructions, regroup all environmental measures.

N.B.: The implementation of new management software for environmental data has meant that we have brought certain figures into line, and corrected others, for the 2004 and 2005 financial years.

- **Energy**

The steelworks' furnaces are electric while the reheating and heat treatment furnaces are mainly powered by natural gas.

Use of fuel oil is restricted to vehicle operation, heating buildings, and the occasional use of generators. In order to bring fuel oil consumption into line with the air emissions that have to be

disclosed to the authorities, fuel oil consumption by vehicles has been omitted. However, in 2006 there was a sharp rise in the consumption of fuel oil due to the utilisation of an additional compressor.

Changes in gas and electricity consumption are directly in line with the site's production levels.

Consumption	Unit	2004	2005	2006
Total energy	MWh	320,857	356,335	355,652
Electricity	MWh	116,179	131,009	133,234
Fuel oil*	MWh	218	206	1,269
Gas	MWh GCV	204,460	225,120	221,149

\* Excluding vehicle consumption.

A drive to encourage energy savings and a reduction in fluid consumption (water, compressed air) was launched in 2006. This drive will continue in 2007, ending in 2008 with the introduction of a centralised energy management system.

- **Greenhouse gases**

The Ancizes steelworks is one of the three electric steelworks in the Eramet Group to fall under the scope of the European Directive on greenhouse gas emission quotas. The quotas allocated to the site for the 2005-2007 period were slightly exceeded in 2006 due to the increase in the site's activities compared with 2004.

- **Water**

At present, the riverbed of the Viouze (a top class fish-farming river) runs through ponds at the rear of the steelworks and the rolling mill. By the end of 2007, an artificial bed will have been installed, disconnecting the Viouze from the ponds. The rebuilding of the river bed will recreate the low-water channel on

the right bank of the ponds, thus reverting as far as possible to the appearance of a natural watercourse. A ladder downstream of the existing weir will allow fish to move freely upstream of the ponds. This project necessitated large-scale geotechnical work during 2006.

At the same time, the water discharges will be brought together and feed into the ponds. Pollution control of the single outlet will then be carried out in the pools (settling, removal of oil, biological treatment, etc.).

The main sources of industrial water consumption are the electric furnaces, the rolling mill and the forge. Use of drinking water is mainly for sanitary purposes, topping up induction furnace cooling circuits and supplying the etching workshop,

The increase in drinking water consumption during 2006 is the result of the commissioning of two remelting furnaces in the Special Steels plant.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	315,882	299,545	331,001
Industrial water	m <sup>3</sup>	47,973	56,107	56,281

Aqueous discharges	Unit	2004	2005	2006
Ni	kg	20	10	15
Mn	kg	44	33	39
Fe + Al	kg	285	107	316
Suspended solids	t	9.02	0.74	5.29
COD	t	10.4	5.21	11.2

The discharges are in line with the limits set in the site operating permit issued by the prefect.

• **Air**

The dust removal system common to electric furnaces S40 and S60 came on stream in early 2006. The capture hoods, ducting, dampers, filters and related infrastructure were installed. Service testing was carried out in November 2006. The system has been fully operational since December 4, 2006. The capture parameters for the two furnaces were to be optimised in December 2006 and January 2007. The capital expenditure for this project is around €7 million. Furthermore, this installation required capital expenditure of €5 million to guarantee its electricity supply.

The increase in total dust emissions is related to the level of steelworks operations, more specifically the volume of air-cast ingots. CO<sub>2</sub> emissions are in proportion to the quantity of air-cast liquid steel.

Changes in SO<sub>2</sub> and NO<sub>x</sub> readings are due to better understanding of the various gas emission sources, firstly factoring in:

- Coal coke and pitch coke (since 2005),
- Building heating boilers (since 2005),
- Generators (since 2005),
- The etching workshop (since 2006 for NO<sub>x</sub>),

and secondly factoring in the number of hours each installation is in operation.

Changes in VOC emissions can be explained by the introduction of a Solvent Management Plan since 2005, the goal being to monitor more closely the on-site consumption of solvents and to take steps to reduce this consumption.

Discharges of hydrochloric acid (HCl) and hydrofluoric acid (HF) were produced by the etching workshop (non-destructive testing of parts). Measurements are taken once a year.

The increase in SO<sub>2</sub> emissions largely stemmed from higher consumption of fuel oil (additional compressor) compared with previous years.

Air emissions	Unit	2004	2005	2006
Total dust *	t	215	335	340
CO <sub>2</sub>	t	40,602	45,591	45,279
SO <sub>2</sub>	t	1.5	1.44	3.2
NO <sub>x</sub>	t	40.2	54.8	61.8
VOC	t	3.63	8.49	7.54
HCl	t	< 20	0.103	2.27
HF	t	0.047	0.028	0.018

\* Data extrapolated from steelworks operating levels.

• **Waste**

In 2006, the non-hazardous waste storage area at Les Ancizes was improved and secured in line with the order issued by the Prefect in December 2005. This order permitted Aubert & Duval to take over from the local authorities in Ancizes-Comps part of the operation of a non-hazardous waste storage area on land belonging to the commune. Site rehabilitation work will proceed gradually until use of the storage area comes to an end. This is planned for 2011.

Since June 2006, the waste collection area has been in operation under the responsibility of a manager, who helps to improve waste sorting at source (monitoring, checking of conformity, compliance with storage regulations, etc.).

The increase seen in 2006 in waste disposal at the Ancizes site stems from the large quantity of debris from the earthworks required for the construction of the dust removal system and the HV station.

Waste	Unit	2004	2005	2006
Hazardous waste	t	601	1,045	1,265
Non-hazardous waste	t	30,947	20,874	40,156
- Of which wood, cardboard, plastic recycling	t	388	630	639
- Of which other non-hazardous waste	t	163	231	306
- Of which external metal recycling	t	3,641	4,369	4,817
- Of which Ancizes landfill waste	t	26,755	15,644	34,394
Internal metal recycling	t	26,070	26,026	22,652

## AUBERT & DUVAL – PAMIERS

Operating levels at the Pamiers site rose substantially in 2006 compared with the preceding years.

The Airforge unit, which combines the new 40,000-ton press, a circular rolling mill and heating and heat treatment facilities came on stream, with the first parts being manufactured in June 2006.

This unit will enable Aubert & Duval to expand significantly in the aero engine discs market and to use the 65,000-ton press to produce items for other markets.

Since this new unit started up in mid-year, the figures do not differentiate between Aubert & Duval and Airforge.

This expansion was accompanied by the launch of a site project entitled 'Pamiers 2010', which is designed to improve customer service, to reduce debt levels and to enhance safety and environmental management.

This 'Leaders' project relies on the participation of all site employees, by encouraging them to apply Group values on a day-to-day basis.

The main environmental actions and results are listed below sector by sector.

Here are some examples:

- Continued roll-out of the Environmental Management System with a view to achieving ISO 14001 certification during 2007,
- The commissioning of the internal hazardous effluent treatment plant.

### • Management

The environment task force, which comes under the site's new projects engineering department, is responsible for preparing and implementing the Environmental Management System with a view to ISO 14001 certification.

At the present time, it comprises an environmental engineer whose task is to achieve ISO 14001 certification, and two technicians responsible for quality, safety and environmental management, one of whom is a trainee on a work experience contract.

'Environment Coordinators' have been appointed and trained in the workshops and in the administrative departments so that information can be distributed through the various teams, in particular as part of the 'Pamiers 2010' project.

An internal audit of the environmental management system was carried out in late 2006 by Eramet, and three internal on-site auditors were trained.

The ISO 14001 certification goal for the Aubert & Duval plant and for Airforge should be achieved in 2007.

The new operating permit for the Aubert & Duval site was issued by the Prefecture of Ariège in September 2006.

The site is thus now covered by three recent permits:

- One for Airforge,
- One for the upgraded internal waste disposal site,
- One for the Aubert & Duval plant.

### • Water and aqueous discharges

The first stage of the rationalisation plan for industrial water consumption was included in the 2007 budget.

It will provide protection for the natural environment, via the installation of hydrocarbon separators at the two most sensitive discharge points.

Consumption	Unit	2004	2005	2006
Industrial water	m <sup>3</sup>	3,898,000	3,848,000	4,120,000
Drinking water	m <sup>3</sup>	40,878	33,970	36,277

The increase in consumption relates to the coming on stream of the Airforge industrial facilities.

Discharges	Unit	2004	2005	2006
Main metals	kg	253	409	1,910
Total hydrocarbons	kg	245	186	685
Suspended solids	t	37.8	12.4	36.8
COD	t	69.3	68.4	88.9

The metals in question are nickel (Ni), iron (Fe), titanium (Ti) and aluminium (Al).

Sampling methods have not changed since 2005, so the changes in the figures are directly related to the small number of measurements carried out (4 a year), which are affected to a very large extent by external factors such as ambient temperature, rainfall, etc., and the level and type of operations at the time the measurements are taken.

The figures from the previous report for 2004 and 2005 differ from those shown in the above table, since the calculations factor in the number of days worked and not the outflows.

The samples were taken at the site as part of the national campaign to identify and reduce the discharging of hazardous substances.

These results were filed with the regional industrial and environmental authorities.

• Energy

Consumption	Unit	2004	2005	2006
Electricity	MWh	32,140	36,752	38,551
Gas	MWh	83,543	96,432	92,313
Diesel	MWh	1,360	1,300	1,725

The upgrading of the gas heating facilities continued in 2006, with favourable impact on consumption, despite the commissioning of Airforge.

All tools and production facilities were operating under a very heavy load, thus resulting in the recorded increase in electricity consumption.

The number of fork-lifts was increased, thereby accounting for the higher level of diesel consumption.

• Air emissions

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	15,400	16,288	15,592
SO <sub>2</sub>	t	0.141	0.163	0.156
NOx	t	18	20.8	19.9

The reductions seen since 2005 are directly related to the lower consumption of natural gas.

The only air-cooling towers remaining on site are closed circuit (on the circuit of Airforge's 40,000-ton press), which means that periodic checks are not now required.

• Waste

The overall management of waste, which began in 2005 with the signing of a new contract with SITA SOLVING is now fully operational.

The eight-way selective sorting of ordinary waste in all workshops has now been improved by the in-situ treatment of hazardous liquid waste, which had hitherto been shipped away to be destroyed.

The treatment plant for hazardous liquid waste makes it possible to treat the acid and alkaline waste from the etching and control workshops, together with mixtures of oil-based products which cannot be recovered. This material is finally discharged into the environment after being checked.

Waste	Unit	2004	2005	2006
Hazardous	t	606	1,172	1,120
Non-hazardous	t	993	1,227	1,308

The above figures for 2004 and 2005 are not the same as those in the previous report. The reason for this is that the classification between 'hazardous' or 'non-hazardous' waste has changed.

Inputting errors at the site during the implementation of the EraGreen system, and mistakes in determining the nature of the waste account for these discrepancies. The input for 2006, however, matches the Group's categories.

The tracking sheets for the waste were properly filled in and filed with the regional industrial and environmental authorities.

## COMILOG DUNKIRK

An industrial site built in 1978 to produce ferrosilicon, COMILOG's plant in Dunkirk (France) followed market trends and focused on manufacturing a new alloy, silicomanganese, in 1988.

This is a ferroalloy that combines the properties of ferrosilicon and ferromanganese and is used to deoxidise steel and improve its mechanical properties.

The raw materials are mainly imported from Gabon and arrive by ship close to the plant.

Production levels in 2006 (63 KT in 1,311 castings) is comparable to those in 2004 (63.6 KT in 1,307 castings), whereas in 2005, production fell to 52.5 KT, as a result of a number of incidents.

Consumption	Unit	2004	2005	2006
Electricity	MWh	280,049	236,282	275,841
Fuel oil	MWh	3,032	2,510	3,185
Gas	MWh	230	142	231

### • Water

Drinking water is used to produce demineralised water and to top up the process, as well as for sanitary purposes.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	38,846	35,075	43,826

During 2006, there were large-scale leakages from the drinking water circuits, which accounts for the difference in consumption between 2004 and 2006.

Aqueous discharges	Unit	2004	2005	2006
Mn and compounds	kg	9.32	11.2	8.85
Total suspended solids	t	0.05	0.17	0.07
COD	t	0.62	1.06	0.63

(\*) Figures extrapolated from regulatory figures and average discharge flows, on the basis of 365 days of operation..

There were no discharges of process water.

The figures relate to the washing of surfaces when taking samples. The very low level of estimated discharges (~11 m<sup>3</sup>/day) has a major impact on the extrapolated figures.

### • Air

Furnace smoke is drawn through several ventilators and transferred for processing in a baghouse. The reduction in dust emissions is directly linked to better management of the filter compartments.

The fall in CO<sub>2</sub> emissions in 2005 is the result of lower operating levels in 2005; stoppages due to cuts in the electricity supply tied up production facilities for 58 days.

On the other hand, in 2006 the furnace operated for 336 days.

The level of CO<sub>2</sub> emitted in 2006 was calculated on the basis of a complete review of the materials used, including the

This explains the change in the figures below between 2005 and 2006.

### • Energy

The main process at the Dunkirk site uses the 35 MW reducing furnace. The increase in propane consumption is due to the increased number of castings (propane is used to heat the casting sand).

The increased consumption of gas and electricity is due to the higher silicomanganese production levels (rate of operation in 2005 = 80%, in 2006 = 92%).

The electricity consumption of the furnace in 2006 was slightly lower than consumption in 2004.

carbonaceous elements introduced into the process (coke, limestone), unlike the method used in the previous years when the flow was calculated on the basis of a single annual analysis.

The figures for NO<sub>x</sub> and SO<sub>2</sub> were calculated from a single one-off analysis, extrapolated for the year as a whole. Since the spot checks on flows gave widely varying readings, the figures calculated have a high degree of uncertainty. Nevertheless, the operating parameters did not change between 2004 and 2006. Accordingly, the actual emission figures should be regarded as stable.

The fall in metal emissions between 2005 and 2006 can be explained by the fact that the length of the air emissions in 2005 (287 hours) was far higher than in 2006 (24 hours), due to the large number of incidents, a programme of changing filter sleeves in early 2006, which improved the levels of dust capture and by the recycling of dust back into the process, all of which reduced the manganese content of the dust.



Emissions	Units	Regulatory limit	2004	2005	2006
CO <sub>2</sub>	t		82,840	76,003	99,790
SO <sub>2</sub>	t		26	11	10.7
NO <sub>x</sub>	t	289	43	37	12.23
Total dust	t	58	12	11	13.3
Lead and compounds	t	2.89	0.08	0.14	0.094
Mn + Co + Cu + Cr + Zn + Sb + Sn + Ni + V	t	14.4 <sup>(1)</sup>	5.23	6.6	2.37

(1) Based on a regulatory emission limit of less than 5 mg / Nm<sup>3</sup>.

#### • Waste

A waste sorting system has been established on site.

Dust is consumed internally and not removed.

The quantity of hazardous waste in 2005 stems from the removal of waste containing hydrocarbons following the fire in a transformer

(46 tons); in 2004 the quantity of hazardous waste was affected by the discharge of 55 tons of aqueous cleaning liquid.

The quantity of non-hazardous waste produced in 2004 and 2005 is affected by the removal of soil and gravel (200 tons in 2004 and 250 tons in 2005), and moreover the 2005 figure includes the removal of waste following the transformer fire.

Waste	Unit	2004	2005	2006
Hazardous waste	t	69.5	48.4	8.88
- Of which Pyralene and PCB polluted compounds	t	8.8	0	7.8
Non-hazardous waste	t	403 <sup>(3)</sup>	682	151
- Of which metal	t	154	192	134
- Of which paper, wood	t	3.4	1.6	1.04
Slag <sup>(1)</sup>	t	55,282	37,968	41,745
Dust <sup>(2)</sup>	t	5,236	4,398	4,652

(1) Slag is reused externally as backfill.

(2) The dust generated is recycled in the production furnace.

(3) The figures in the 2004 management report did not include recycled metals.

## COMILOG GABON – MOANDA

The Comilog SA Gabon mining and industrial site has three distinct operations:

- Mining and processing: Bangombé plateau in Moanda (mining Division),
- Production of manganese sinter: CIM (Complexe Industriel de Moanda) in Moanda,
- Rail transportation and loading of ships in the port of Owendo, Libreville (Rail and Port Installations division - DFIP).

Comilog SA's business activities include the mining, processing and shipment of manganese ore and sinter to its customers.

As in previous years, the figures do not include those from the Owendo site.

#### • Environmental management

> Continuation of the work of the steering and management unit of the SYSMIN 8° FED programme, on the main goals of the Environmental Action Plan, as follows:

- 1) Audit of the Environment and Equipment Unit of the Mining Division Laboratory of Comilog SA, Gabon, carried out by ORTEC.

#### 2) Moulili river regeneration project:

Completion by the ORTEC decontamination company of the first three stages of the Environmental study for the Moulili river project, as follows:

- EMS audit with reference to ISO14001,
- Environmental survey including sampling of fauna and flora,
- Completion of an aerial photographic survey of the Moulili valley.

#### 3) Carrying out of soundings in the fields of Hydrology, Hydraulics, Sedimentology, and Geotechnics, which will over the long-term make it possible to recover the fines that have built up in the upper valley of the Moulili river, and to recycle them at the CIM.

This voluntary programme is one of the key planks of this waterway regeneration project.

> Assessment by BRGM of the Bangombé and Okouma manganese deposits

> Completion of the recruitment of 3 Quality, Environment, Safety engineers at each of the 3 sites, and undertaking the recruitment of a highly skilled environmental technician to strengthen the core of the company's environmental unit.

• **Investments in environmental protection**

> Redevelopment work on the pre-homogenising mining service station.

> Building of a first slurry storage area for the Mine Washing Plant and the pumping station conveying the slurry.

Building work is complete. Clear water testing was successfully carried out at the end of November 2006. However, a few process and control changes will be necessary.

The project should come on stream at the end of February 2007.

The building of a second storage area is planned for the first quarter of 2007.

Implementation of dust trapping systems for the loading, unloading and transfer facilities at the CIM, as well as for the wagon unloading facilities at Owendo, the aim being to minimise uncontrolled release.

These systems, which are now all operational, have proved effective.

• **Energy**

The rise since 2004 is directly linked to the higher production capacity (3.5 MT planned).

Consumption	Unit	2004	2005	2006
Electricity + fuel oil	MWh	67,003	69,783	80,175

• **Water**

Checks and analyses of surface water, discharges and process water are part of the Moanda Environmental Action Plan (EAP). They are carried out annually on the basis of an 18-point sampling plan.

The various regular analyses of Moulili valley surface water, and of some of the discharge water and process water from the

Comilog treatment plants are carried out either internally or by the Gabon Mining Ministry's DGEL laboratory.

The figures obtained at the various sampling points are compared with WHO (World Health Organization) guidelines and disclosed annually to the Gabonese authorities.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	800,000	590,000	600,000
Industrial water	m <sup>3</sup>	4,000,000	4,800,000	7,400,000

After a water metering system was installed in 2006, it was found that the consumption of industrial water had been under-estimated in previous years.

• **Air**

Emissions at Comilog are checked on an ongoing basis. To meet the requirements of the EAP, air emissions are sampled and analysed at the CIM every two years, and the air quality is assessed by both DFIP and CIM.

A thorough analysis of the CIM electronic filter made it possible to take effective corrective action, which resulted in a significant drop in air emissions.

LECES has been retained to carry out this work.

Emissions	Unit	2004	2005	2006
CO <sub>2</sub> <sup>(1)</sup>	t	233,576	242,714	260,115
- of which CIM stack	t	210,179	213,925	228,313
SO <sub>2</sub> <sup>(2)</sup>	t	1,274	1,300	1,387
- of which CIM stack	t	1,125	1,116	1,184
NO <sub>x</sub> <sup>(3)</sup>	t	912 (4)	718	780
VOC <sup>(3)</sup>	t	24 (4)	?	59
Manganese dust <sup>(3)</sup>	t	127 (4)	427	249

(1) Calculated on the basis of the quantities of coke and anthracite as well as the volume of diesel consumed (1 litre diesel consumed = 2.7 kg CO<sub>2</sub>).

(2) Calculated on the basis of the quantities of coke, anthracite and diesel consumed, confirmed by measurements at the CIM stack.

(3) Extrapolated from the measurement programmes at the CIM stack.

(4) Extrapolated from the 2003 measurement programme.

The figures for the CO<sub>2</sub> emissions include the consumption of coke and anthracite, which was not the case in the documents published in earlier years.

Since no major changes were made to the process that might affect NO<sub>x</sub> and VOC emissions, the changes in the table stem from measurement inaccuracies. The general level of these emissions has remained stable.

An incident affecting the electronic filter at the sintering plant in late 2004 greatly impaired its effectiveness. The problem was solved at the end of 2005, which explains why dust emission levels were virtually back to normal in 2006.

#### • Waste

Continued management of solid and liquid waste by type:

- Used oils, collected and stored in buffer tanks (six buffer tanks for the three sites) and regularly shipped away via one of Gabon's two officially approved disposal channels.
- Batteries from both light vehicles and HGVs are collected and stored in a purpose-built facility at Moanda. The recycling solution is still being examined.
- Toxic substances in dispersed quantities, packed in crates, are awaiting shipment to an approved site for incineration (not yet available in Gabon).
- At Moanda, scrap metal, tyres and rubber are collected, transported and stored after sorting in purpose-built areas, awaiting future recycling (one area at CIM, the other at the Mine).
- At Owendo, waste is collected, sorted and shipped away via approved channels; the waste concerned is spent oil, scrap metal, tyres or common waste.

Waste	Unit	2004	2005	2006
Non-hazardous waste		55.7	30.7	15
Total hazardous waste	t	55.7	30.7	30.7
- Of which PCBs	t	20	0	0
- Of which toxic	t	0.7	0.7	0.7
- Of which oils	t	35	30	30

The reduction in the total tonnage of non-hazardous waste is due to the fact that not all of it could be removed in 2006, and this situation will continue in 2007 (problem of finding suitable disposal channels, particularly in the case of Moanda, which is a very long way from Libreville).

#### • Ground

Ground has been contaminated by various hydrocarbon discharges at several points. The ones located near the vehicle fuel distribution station at the Moanda mine were treated biologically with a view to complete decontamination in 2005. However, this treatment was premature, since the installation is still being modified to bring it into line with the standards. The problem has yet to be solved.

Generally speaking, the question of ground protection is an ongoing issue at all three sites.

An action plan is being drawn up by the Industrial Affairs Department and designed to upgrade the hydrocarbon storage and distribution facilities.

The Owendo site has hydrocarbon separators and collection pools with retaining walls at the main strategic points. Facilities for the Moanda sites are still in the planning stage.

#### ERACHEM COMILOG TERTRE

Since 1964, Erachem Comilog has been producing manganese salts and oxides, which are chiefly used by the agrochemical and

electronic industries. In the early 1980s, the company's business activities were diversified to produce copper and zinc oxides, by reusing various types of waste from the electronics industry and recycling spent batteries.

Its geographic location in the Tertre industrial zone is warranted by the existence since 1930 on the site of an extensive fertiliser production business, with which Erachem Comilog has developed close synergies through its ammoniac, sulphuric and nitric chemical processes.

Since August 2002, Erachem Comilog has been classified as Seveso – high threshold, following the grading of certain substances as environmentally hazardous under European legislation, in this case mostly manganese sulphate-based aqueous solutions.

The key events at Erachem Comilog in 2006 were as follows:

- Consolidation of the overall cost reduction plan undertaken in 2004, particularly with the switchover of several workshops from sulphate to nitrate-based processes,
- Corresponding significant improvements in energy efficiency and reduction of waste generated,
- The coming back on stream of some of the sulphate workshops in order to satisfy a major new contract, from June 2006, for the supply of manganese sulphate (contract signed in late 2005),
- Ensuring security of the supply of ammonia for the plant following the conclusions of the Seveso Safety Report forwarded to the authorities in 2005,
- Finally, the decision to invest in the diversification of supplies of the various non-ferrous scrap metal intended for re-use at the site.

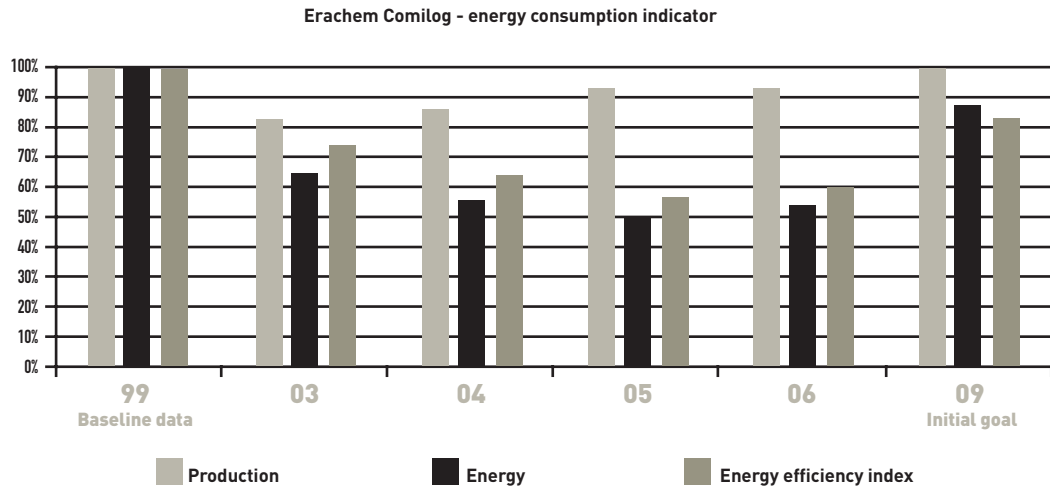
• **Energy**

In line with the Kyoto Protocol for greenhouse gas reductions, in June 2003, Erachem Comilog signed a Belgian chemistry sector agreement with the relevant regional authorities, with the goal of achieving a 17% improvement in Erachem's energy efficiency by 2009, as compared with the benchmark data for 1999.

In early 2005, at Eramet's behest, Erachem drew up various additional energy-saving initiatives designed to achieve an overall 10% reduction in its consumption as compared with 2004.

Up to 2005, and on a like-for-like basis, the combination and gradual implementation of these two improvement plans have enabled Erachem to meet and substantially exceed these general and specific energy reduction targets. The increase in consumption in 2006 is the result of the coming back on stream of the workshop that uses natural gas to reduce manganese ore, as part of the new contract for the supply of manganese sulphate.

	Unit	2004	2005	2006
Electricity + Steam + Fuel oil + Gas + Coal	MWh	141,529	124,577	135,922



• **Water**

> Consumption

Water consumption has been falling significantly over the past number of years, and the site constantly endeavours to restrict its consumption from outside sources, in line mainly with its intake

of liquid waste and its facilities for recycling process water and steam condensates.

	Unit	2004	2005	2006
Water derived from natural sources + drinking water from the public supply	m <sup>3</sup>	338,941	243,728	193,826

> Discharge:

Erachem Comilog has a single wastewater release point without internal separating networks. This sole surface water discharge point is checked on a weekly basis using average daily samples in proportion to the discharge flow.

The change in aqueous discharges over the 2004-2006 period is mainly due to the coming back on stream in 2006 of a number of workshops in the sulphate line, in preparation for the major new manganese sulphate supply contract from June onwards (contract signed in late 2005).

Aqueous discharges	Unit	Regulatory limit	2004	2005	2006
Manganese	kg	109,500	44,557	62,750	65,726
Chloride	t	2,920	1,120	1,616	1,434
Copper	kg	2,738	334	394	409
Total nitrogen	t	365	219	235	170
Suspended solids	t	58	56	42	31
COD	t	219	21	27	15

COD: Chemical oxygen demand.

• Air

The site's air emissions are directly related to the various workshops involved in producing, drying and transferring fine metal salt and oxide powders. These are processed and filtered by dust removers or by gas absorption and washing facilities.

CO<sub>2</sub> emissions, which fell significantly following the implementation of the energy efficiency improvement plan, rose again in 2006. This increase is due to the coming back on stream of the workshops that use natural gas to reduce manganese ore, as part of the new manganese sulphate supply contract.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	13,326	10,736	14,441
COV	t	0.16	0.20	0.19
Cl <sub>2</sub> (HCl equivalent)	t	0.08	0.08	0.10
Mn	t	23	21	22
PM10 dust	t	6.4	6.1	6.2

• Waste

The hazardous waste generated relates to purification residue from solutions recovered by the Recycling Unit. This is collected, made inert and placed in the external technical landfill via an approved disposal channel.

The waste put in the internal technical landfill relates to manganese ore gangue resulting from the sulphuric or nitric acid attacking of ore. It should be noted that the gradual transition from sulphate to nitrate processes in 2004 resulted in a significant fall in this type of waste. In 2006, the resumption of manganese sulphate production in the sulphate line led to an increase in the quantities of ore gangues.

Waste	Unit	2004	2005	2006
Hazardous *	t	7,638	5,623	7,575
Non-hazardous **	t	205	232	226

\* Hazardous waste + mineral gangues stored in internal technical landfill.

\*\* Non-hazardous industrial waste + Recycled paper + Recycled metals.

• HSE Management

Since September 2001, Erachem Comilog has had an ISO 14000-certified environmental management system (EMS) for its copper waste recycling business. The EMS was re-certified in September 2005 in line with the new ISO 14000: 2004 standard.

- Health and Safety,
- Seveso, Industrial Risks and Insurance,
- Energy saving,
- Waste placed in internal technical landfills.

Erachem also adapted the EMS in 2005 to phase in analyses and action plans for all its business activities covering:

In 2006, Erachem Comilog received a complaint from the local community (one-off accidental air emission of copper dust into the car park of the neighbouring factory). Erachem continued to work with the local authorities and community through the Safety & Environment Commission for the Tertre industrial zone.

## ERAMET SANDOUILLE

The Le Havre-Sandouville plant operates a refining line that processes nickel concentrate (matte) produced by one of its subsidiaries (Le Nickel-SLN in Nouméa, New Caledonia).

From that basic nickel matte, the plant makes several products including:

- High-purity nickel metal,
- Nickel chloride,
- Crystallised nickel chloride.

Nickel metal is used in steelmaking to manufacture special alloys, stainless steel and coinage.

### • Industrial risk control

In 2006, Eramet's Sandouville site continued to improve the safety management system set up pursuant to the Seveso II directive.

The site regularly carries out exercises to assess and improve industrial risk-related procedures in liaison with local authorities.

### • Environmental management

In 2005, there was a reassessment of the site and its stakeholders with a view to sustainable development. This reassessment, together with a strong impulse from Management, made it possible to obtain ISO 14001 certification, which was issued by LRQA in October 2006.

The environmental programme resulting from this reassessment primarily focused on the following aspects:

- Prevention of ground and water pollution,
- Improvement in air emission controls,
- Reduction in energy consumption,
- Improvement in the operating parameters of the purification plant.

### • Energy

The electrolysis process used to make nickel continues to be the main source of energy consumption. The slight increase in demand is related to production capacity, which rose in 2006.

Fuel oil is used for steam production.

Consumption	Unit	2004	2005	2006
Electricity + fuel oil + gas	MWh	83,492	85,067	91,460

### • Water

Production of softened water and demineralised water are the two main areas of water consumption.

The consumption of industrial water was slightly higher in 2006. This is due to the increase in the quantity of nickel produced.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	3,558	4,488	4,089
Industrial water	m <sup>3</sup>	603,628	695,954	757,929

Aqueous discharges	Unit	Regulatory limit	2004	2005	2006
Nickel	t	1.163 <sup>(1)</sup>	0.26	0.47	0.23
Suspended solids	t	7.75 <sup>(1)</sup>	3.14	3.26	2.43
COD	t	155 <sup>(1)</sup>	39.6	45.1	28.1

(1) Calculated on the basis of 323 days of operation per annum.  
COD: Chemical oxygen demand.

The successful shutdown and bringing back online of the site during the technical stoppage in July 2006, made it possible to minimise aqueous discharges.

In addition, a change to one of the solvent circuits made it possible to prevent solvents overflowing into the water treatment plant, which in its turn reduced the COD discharged.

These factors contributed to the fall in aqueous discharges from the site in 2006.

• **Air**

Nickel matte (raw material) is finely crushed so as to be more readily reactivated during the chemical attack phases. This stage of the process generates dust that is treated by the filters before being emitted.

The boiler operates on very low sulphur fuel oil, which enables us to reduce our SO<sub>2</sub> emissions.

Chlorine emissions were much lower in 2006 than in 2005 (-75%), following a series of measures adopted in 2006:

- Installation of a heating system when samples are being taken for continuous measurement, and purging of condensates, which improved measuring.

- Installation of an automated system for adding extra soda to one of the scourers where the concentration exceeds 1.5 ppm.
- Safety shutdown of the chlorine network (valves) where the level exceeds 5 ppm.
- Improved reliability of the system of introducing chlorine into the oxidation columns of the attack units.

The work undertaken in 2005 designed to improve the airtightness of the electrolysis cells was continued in 2006.

Air emissions	Unit	Regulatory limit	2004	2005	2006
SO <sub>2</sub>	t	585.3 <sup>(1)</sup>	54.1	53.8	51.3
CO <sub>2</sub>	t		8,892	8,640	8,234
NOX	t	258.2 <sup>(2)</sup>	19.9	20.0	19.1
VOC <sup>(3)</sup>	t	79	84.6	76	50
Cl <sub>2</sub> (HCl equivalent)	t	1.74 <sup>(3)</sup>	0.32	0.14	0.003
Nickel dust	t	1.3 <sup>(4)</sup>	0.32	0.47	0.36

(1) Calculated on the basis of 329 days of operation per annum.

(2) Calculated on the basis of 329 days of operation per annum.

(3) Calculated on the basis of 331 days of operation per annum.

(4) Calculated on the basis of 327 days of operation per annum.

• **Waste**

The amount of hazardous waste, mainly comprised of concrete and polluted soil, varies depending on the type of work done during technical stoppages. In 2006, the renewal of two concrete platforms led to the removal of large quantities of concrete and rubble.

In 2005, the large volume of non-hazardous waste stemmed from the removal of non-polluted concrete and rubble, which was re-used.

Waste	Unit	2004	2005	2006
Hazardous <sup>(4)</sup>	t	287	149	767
Non-hazardous <sup>(5)</sup>	t	501	851	196
Of which metal recycling	t	108	60	65

(1) Excluding iron hydroxides.

(2) Excluding sulphur.

(4) The figures published in 2005 for Hazardous Waste included all the waste disposed of as per the industrial waste tracking sheets, and not hazardous waste within the meaning of the Decree of April 18, 2002.

(5) The data published in the 2005 reference document only covered waste belonging to the code 20 group of waste (municipal and similar waste) set out in the regulatory schedule.

• **By-products:**

By-products:	Unit	2004	2005	2006
Sulphur (classified as non-hazardous)	t	4,090	4,890	5,005
Iron hydroxides (classified as hazardous)	t	324	501	387

A large amount of impure sulphur is obtained by physical-chemical processing of ground nickel matte. This by-product is used by an outside company to make sulphuric acid. The nickel content is recovered for use at the site.

## ERASTEEL CHAMPAGNOLE

The site, located in Jura, in the commune of Champagnole, was founded in 1911.

Erasteel's Champagnole plant receives billets and coils from Commentry (France) and Söderfors (Sweden). Billets and machine wire are prepared and rolled to obtain rectangular section bars. These undergo heat treatment to bring their metallurgical properties to the required level, then go through a finishing workshop where they are given the desired shape by drawing and gauging.

Erasteel Champagnole has been part of the Eramet Group's Alloys Division since 1993.

### • Management

The quality management system has been certified under ISO 9001:2000 for this business activity since 2001. In 2006, Champagnole's management continued to look to include environmental and safety factors in the quality management system, bringing on board an apprentice working to qualify as a QSE management system coordinator.

On the regulatory side, two new orders were issued by the Prefect in 2005, setting out the rehabilitation requirements for the area adjoining the Le Chalet site and the restoration of the former slag heap.

The operating permit issued by the prefect is still under review. The authorisation file was forwarded to the regional industrial and environmental authorities in June 2006.

### • Energy

Electricity is used to heat products by induction and for the reheating and annealing furnaces.

Fuel oil and gas are used to heat buildings, for handling equipment and to soften products to be converted.

The lower consumption of fuel oil is down to its replacement by town gas.

The figures for electricity consumption are directly related to the production levels.

Consumptions	Unit	2004	2005	2006
Electricity	MWh	6,545	7,445	6,945
Fuel oil	MWh	219	102	46
Gas	MWh	454	557	650

### • Water

Industrial water is mainly used to cool the rolling line and the annealing furnace.

Various factors may account for the reduction in water consumption, such as improved functioning of the closed circuits and optimisation of the sluices on these circuits.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	920	906	849
Industrial water	m <sup>3</sup>	45,600	46,460	39,100

The improvement in the quality of water discharged is due to the separation of the rolling line process water flows: the cooling water for the cages has been separated from the cooling water for the hydraulic circuits and other exchangers, and is now conveyed to a settling tank.

Discharges	Unit	2004	2005	2006
Iron	kg	9.58	11.0	9.5
Chromium	g	0.45	0	0
Total suspended solids	t	1.41	2.41	0.77
COD	t	5.93	7.65	2.05
BOD5	t	0.73	1.12	0.24
Hydrocarbons	t	1.22	2.96	0.37



• **Air**

Although the site is not governed by any regulatory obligation to monitor air emissions, all air emissions likely to contain dust are treated.

A filtration system using a cassette dust remover (installed in 2003) limits metal dust emissions from the forging machine.

The shot blasting machines and chainsaws are fitted with cyclone separators.

Emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	160	149	145

• **Waste**

The volume of metal recycled depends on the site's operating levels.

In 2005, the one-off removal of rubble and soil increased the quantity of non-hazardous waste, thereby explaining the fall seen in 2006.

In 2005, malfunctions in the rolling mill water circuit meant that polluted water had to be treated as hazardous, increasing the quantity of hazardous waste to be handled.

Waste	Unit	2004	2005	2006
Hazardous waste	t	33.6	41.3	29.3
Non hazardous waste	t	180	278	207
Of which recycled metal		154	224	191

Erasteel Champagnole therefore recycles over 70% of the waste it produces.

• **Ground**

A simplified risk study carried out in 2000-2001 pinpointed two zones requiring an in-depth risk study:

- The former slag heap zone, where the Champagnole plant used to tip mostly casting slag,
- An area polluted with barium chloride located near a former heat treatment workshop, which was decontaminated in 2005.

• **Slag heap zone**

This area, which is now closed off, was transferred to the Champagnole municipality following the shutdown of the steelworks in 1985.

An in-depth risk study was carried out in 2004 on the basis of a future site use determined in cooperation with the municipality of Champagnole. This environmentally satisfactory solution involved narrowing the river running at the bottom of the thalweg, backfilling the zone and creating a municipal platform.

Narrowing work began in the fourth quarter of 2005. Backfilling of the zone was completed in December 2006. The work should be completed during the second quarter with the laying of a dense coating over the backfilled zone.

• **Prevention of Legionnaires' disease**

The Champagnole site is subject to a permit with regard to the operation of the air-cooling towers.

In accordance with the new regulations, staff training in the risks of Legionnaires' disease and risk analysis regarding the possibility of an outbreak of Legionnaires' disease were carried out in early 2006.

Analytical monitoring is carried out in accordance with the regulations.

The facilities will be inspected by an approved body during the first quarter of 2007.

## ERASTEEL COMMENTRY

Erasteel Commentry is located on an industrial site involved in steelmaking as far back as 1846. In 2006, the plant, which specialises in the manufacture of high-speed steel bars and sheets, experienced a substantial increase in business through its production of ingots for Erasteel in Sweden.

The finished products from this site are used to make cutting and sawing tools, injectors for diesel engines and parts subject to wear and tear. The facilities are also used for the conversion of sheets for the aerospace sector. The site houses a wide range of activities: steelmaking, hot and cold conversion and finishing, with a corresponding variety of skills.

### • Management

Located in Commentry town centre, Erasteel has been actively involved in the protection of the environment for a long number of years, and makes every effort to build a sustainable relationship with the community. Having acquired ISO 14001 certification in 2004, the first follow-up audit was carried out successfully in 2005 under the 2004 framework. This audit cited the clear overview of commitments set out in the policy, the regulatory

monitoring process, implementation of a skills reference matrix and good operational control.

As a result of the 25% increase in production, the expansion request submitted by the site led to the issuing of a supplementary order by the Prefect on 18/07/2006. A fresh permit application was compiled in 2006 to increase the activity to 35,000 tons of ingots. A new operating permit is expected to be issued in mid-2007.

### • Energy

The site's energy consumption mainly stems from the use of the melting, reheating and heat treatment furnaces located upstream of the site. This part of the plant has been at higher operating levels, explaining the overall increase in energy consumption. Changes in the process and use of the furnaces, as well as the switch-over from fuel oil to gas for four of the furnaces have made it possible to optimise energy consumption on the site. The change-over from fuel oil to gas power for the furnaces will continue in 2007. The ratio of MWh/t of ingots has been falling steadily since 2004.

Consumption	Unit	2004	2005	2006
Electricity	MWh	41,014	48,271	47,646
Total fuel oil	MWh	39,998	44,820	40,434
Gas	MWh	67,353	78,625	79,533

### • Greenhouse gases

The Commentry steelworks is one of the three electric steelworks in the Eramet Group to fall under the scope of the European Directive on greenhouse gas emission quotas.

The supplementary permit of 18/07/2006 granted an additional 6,351 tons of CO<sub>2</sub> for 2006 and 2007.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	t	23,858	27,790	26,818

### • Water

In January 2004, the site set up a self-monitoring system at its main discharge point. The increases seen in 2006 in suspended solids, COD and metals is due to the fact that all effluents are now included in the figures. The first phase of the single discharge point was completed in 2006. The storm drainage pool will be completed in 2007, and this will improve the treatment of discharges.

Adjustments were made in 2006 to improve the trapping of hydrocarbons at the wire mill pool and the industrial water pools. An analysis of the groundwater revealed an improvement in the situation as regards metals.

Discharges	Unit	2004	2005	2006
Fe + Zn + Mo + Al	kg	354	411	514
Cobalt	kg	21.2	24.5	22.7
Iron	kg	124	164	189
Zn	kg	57.2	71.6	64.6
Manganese	kg	10.4	12.7	10.9
Total suspended solids	t	2.24	4.22	8.24
COD	t	11.4	12.4	26.3

The switch-over to drinking water for the cooling towers brought about an increase in drinking water consumption as compared with a reduction in industrial water. In addition, work carried out to ensure the reliability of the network made it possible to limit leakages and thereby achieve a substantial reduction in the consumption of industrial water.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	44,158	51,743	69,417
Industrial water	m <sup>3</sup>	196,692	204,363	164,456

#### • Air

Trends in SO<sub>2</sub>, NO<sub>x</sub>, COV and dust emissions are directly related to production levels, but the switch-over from fuel oil to gas for the furnaces cut SO<sub>x</sub> emissions. The increase in NO<sub>x</sub> is related to the inclusion of measurements from the dust remover, not included in previous years. The replacement of solvent fountains with biological fountains had an impact on VOC emissions.

In terms of dust, the installation of a primary trapping system on the electric melting furnace substantially cut uncontrolled dust emissions from the site and increased the rate of recovery of dust per ton of liquid steel produced.

Air emissions	Unit	2004	2005	2006
SO <sub>2</sub>	t	55	62	52
NO <sub>x</sub>	t	9.0	12	19
VOC	t	7.4	9.6	2.9
Total dust	t	23	30	17

#### • Waste

Because of the increase in operating levels, the quantities of non-hazardous and hazardous waste have increased. The quantities of paper/cardboard and wood re-used also rose.

One transformer contaminated with PCB was demolished in 2006, and the last traces of pitch on the site after its shutdown were removed. Since then, the refractory ceramic fibres have been buried in a Class 1 landfill.

Waste	Unit	2004	2005	2006
Hazardous waste	t	430	605	762
Non-hazardous waste	t	7,663	8,980	10,840

#### • Internal landfill

13,000 m<sup>3</sup> of backfill was moved to the internal landfill to permit optimum storage of the 7,900 tons of slag and spent refractories placed there in 2006.

A larger proportion of the operations of the steelworks consists of recycling offcuts from its own treatment activities on the site, from its customers and also special metal scrap, plus the melting of bought-in metal alloys.

#### ERASTEEL KLOSTER AB

Erasteel Kloster is the Swedish subsidiary of Erasteel, which produces high-speed steel for cutting tools at three sites in Sweden:

- Söderfors for electric arc furnace (EAF) metallurgy, powder metallurgy and bar products,
- Långshyttan for wire drawing and hot rolling of steel strip and wire,
- Vikmanshyttan for cold-rolled and bimetallic products.

High-speed steel is mainly used to manufacture tools such as bits, taps, cutters, knives and saws.

Production of high-speed steel starts with the melting of steel offcuts and alloy materials. The alloy materials which give these steels their special characteristics are mainly cobalt, chromium, vanadium, molybdenum and tungsten.

The main environmental aspects at Långshyttan are the management of discharges and waste from the stripping lines. A study was carried out with the aim of improving neutralisation. In addition, a different solution for the waste stored in the internal landfill is being sought.

At Söderfors, three reports compiled during a period of observation and covering the recycling of dust, industrial noise, and emissions of dust suspended in the air, were forwarded to the authorities. The landfill is being topped up with material from the old dust treatment system. The landfill is to be checked for compacting before it is finally covered over.

Preliminary studies of contaminated areas were carried out at Långshyttan, and other similar studies will be undertaken at Söderfors in 2007.

The management has launched an environmental policy review to deal with environmental management related-issues, and to follow up on targets and performance.

#### • Energy

Energy consumption levels at Söderfors mainly stem from the melting, heating and heat treatment furnaces. Fuel oil is used for vacuum furnace steel refining and building heating.

The production of high-speed steel at the steelworks is declining, which explains the fall in fuel oil consumption.

The quantity of propane used is linked to the volume of powders produced.

Energy consumption levels at Långshyttan and Vikmanshyttan are mainly linked to the activities of the rolling mills and the furnaces, together with the fuel oil used to heat buildings.

The consumption is directly in proportion to the level of production and the severity of the winter as regards building heating.

Consumption	Unit	2004	2005	2006
Electricity	MWh	105,173	99,716	104,614
Total fuel oil	MWh	8,230	7,590	6,716
Propane	MWh	1,304	1,548	1,772

#### • Water

The majority of the industrial water consumption is accounted for by the cooling of the electric furnaces, the forge and the rolling mills at the three sites. Leakage from one pipe at Långshyttan is the reason why drinking water consumption increased by nearly 2,500 m<sup>3</sup>.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	32,421	22,626	26,839
Industrial water	m <sup>3</sup>	1,300,800	1,300,814	1,300,800

The Långshyttan site also had to contend with the malfunctioning of the pH measurement system on the stripping line during one weekend, resulting in an increase in discharges of iron, chromium and molybdenum. The problem was quickly tracked down and corrected. Since this incident, the equipment has been operating normally.

Discharges	Unit	2004	2005	2006
Suspended solids	kg	9,553	8,150	7,753
Iron	kg	632	642	3,275
Total chromium	kg	13	16	195
Molybdenum	kg	2,222	2,042	2,538
Lead	kg	34	16	2
Zinc	kg	176	126	27

#### • Greenhouse gases

The Söderfors steelworks falls under the scope of the European Directive on greenhouse gas emission quotas. Söderfors was allocated 3,182 CO<sub>2</sub> quotas for the 2005-2007 period. It has complied with the quantity of quotas allocated.

#### • Air

The main sources of dust emissions are the electric furnaces, the shot blasting machines, the stripping lines, the forges and the rolling mills located at the sites.

Söderfors has been equipped with a dust trapping system for all its furnaces since 2003.

All the other dust sources are equipped with dust trapping systems.

At the end of 2005 and in early 2006, there was a malfunction in the shot blaster dust trapping system at Långshyttan.

Air emissions	Unit	2004	2005	2006
Dust	kg	301	1,235	1,295
CO <sub>2</sub>	t	4,265	4,647	3,491
NO <sub>x</sub>	t	13	14	10

- **Waste**

The reduction in the volume of non-hazardous and hazardous waste is due to the low level of high-speed steel production at the Söderfors steelworks. The site has started to recycle scale.

Waste	Unit	2004	2005	2006
Hazardous waste	t	951	903	861
Non-hazardous waste	t	6,518	5,503	3,480

- **Internal landfill**

The internal landfill at Söderfors is in a closed-off area and complies with the European directive.

The Långshyttan landfill is currently being reviewed to bring it into line with the directive.

## EUROTUNGSTENE – GRENOBLE FRANCE

Located in the heart of the Grenoble urban district since 1947, the Eurotungstène Poudres plant produces cobalt- and tungsten-based metal powders for the diamond tools and cemented carbides market. The unit has a definite international focus with over 95% of its production exported.

2006 was marked by the production of a new type of nickel-based powder. Prior to this, Eurotungstène obtained an additional permit authorising it to produce this powder at the plant. The amendments did not necessitate a public enquiry.

In 2005, Eurotungstène obtained not only the renewal of its current operating permit but also the authorisation to produce its new powder line, Keen®.

- **Energy**

The site's total energy consumption (electricity and natural gas) has been stable since 2004.

Energy	Unit	2004	2005	2006
Total electricity	MWh	10,536	10,587	11,047
Total energy	MWh	16,865	16,659	16,386

- **Water**

The main uses of industrial water are process gas cleaning and the production of demineralised water.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	15,356	19,079	19,917
Industrial water	m <sup>3</sup>	408,683	414,107	448,136

The increase in both industrial and drinking water requirements is linked to the increase in production and the coming on stream of new projects.

The results of the analyses carried out on aqueous discharges are significantly below the maximum regulatory thresholds.

In 2006, Eurotungstène started to separate the water coming from the research centre and the R&D pilot plants: the process water is now conveyed to the internal treatment plant and normal waste water is discharged to the main drains.

Aqueous discharges	Unit	2004	2005	2006
Cobalt	Kg	142	160	551
Iron	Kg	95	100	109
Total suspended solids	T	1.2	2.6	2.4
COD	T	27	48	87

The marked increase in the discharge of cobalt is due to extrapolations carried out on the basis of monthly spot sampling. As from January 1, 2007, the installation of an automatic sampling device attached to the outflow will make it possible to obtain fully representative results for the discharges. Nevertheless, the 2006 figures are below the limits prescribed in the new permit.

The COD figures for 2004 are different from those published in the previous document. This is because all the daily measurements were input into the EraGreen system.

- **Air**

CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub> emission levels are calculated from energy consumption. They are stable for 2004, 2005 and 2006, with a fall in CO<sub>2</sub> and NO<sub>x</sub> emissions (higher electricity consumption offset by a fall in gas consumption).

Air emissions	Unit	2004	2005	2006
Cobalt (dust)	t	0.053	0.005	0.007
CO <sub>2</sub> (gas)	t	1,174	1,246	985
SO <sub>2</sub> (gas)	t	0	0	0
NO <sub>x</sub> (gas)	t	1.2	1.3	1

An input error in the 2005 document has been corrected, which accounts for the difference in the figure for cobalt discharged during 2004 and the figure shown above.

- **Waste**

Waste	Unit	2004	2005	2006
Hazardous	t	12	19	2,8
Non-hazardous	t	195	427	211
Of which metal recycling	t	105	333	78

The reduction in hazardous and non-hazardous waste in 2006 is not only due to an improvement in the quality of the manufactured products (fewer rejects), and the absence of hazardous products being stored prior to destruction, but also to the smaller amount of dismantling work on the site as compared with 2005.

#### LE NICKEL-SLN/DONIAMBO SITE/NEW CALEDONIA

Le Nickel-SLN, which mines and then processes ferronickel and nickel matte at Nouméa, promotes an ambitious environmental management system, which is built on the Group's highly important Sustainable Development policy.

The Nouméa plant, located inside a rapidly expanding city and in a demanding natural context, looks to incorporate local constraints relating to respect for the population and its environment into its capacity expansion plans.

As one of the main industrial players in New Caledonia, the site's aggressive environment policy is chiefly designed to substantially reduce its aqueous discharges and air emissions.

The New Caledonia environmental standards are largely based on those in France, and a recently updated ICPE order governs the operation of the plant.

The start-up in 2007 of SCAL-AIR, an association which monitors air quality in Nouméa, with the active participation of Le Nickel/SLN and in collaboration with local groups, will make it possible to take over from the industrial monitoring network which

is already in operation, to monitor the contribution of the various industries and to confirm the satisfactory air quality in the city and suburbs.

For the second year running, conditions have been extremely difficult because of local labour unrest, which means that the results of the programmes that have now been in place over the past number of years have made no progress as regards dust emissions.

Capital expenditure on smoke filtering is now underway in certain areas (new electronic filters on two rotary furnaces) and at an advanced preparatory stage in other cases (Bessemer workshops and desulphurisation), with a view to starting up in 2008-2009.

At the same time, a major programme of bringing the aqueous discharges up to standard will be completed in 2007.

- **Energy**

In spite of the numerous temporary setbacks due to the labour unrest during the final quarter and the consumption of ore which was frequently off-spec., the energy consumption ratio (kWh per kg of Ni produced), which rose substantially in 2005, returned to more acceptable levels in 2006.

• **Water**

Once again this year, drinking water consumption was down significantly. The consumption of industrial water, however, remains high for the following reasons:

- The increase in the quantity of dust compacted after humidification (preventing dust from blowing away).
- Prevention of Legionnaire's disease, which required facilities to be completely emptied on several occasions.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	231,320	174,533	159,735
Industrial water	m <sup>3</sup>	1,059,396	1,233,030	1,259,835

Raised awareness of the problem of aqueous discharges has made it possible to reduce these discharges. The site is, however, still highly dependent on the quality of the filtration system for slag granulated using sea water, because of the high level of these discharges (10,000 m<sup>3</sup>/h).

The considerable fall in the discharge of suspended solids is linked to this improvement in filtration, since the principal component of these discharges is nickel.

In 2007, a major capital expenditure programme will make it possible to further improve the situation and to provide for continuous measurement of discharges.

Aqueous discharges	Unit	2004	2005	2006
Metals	T	302	116	98
Nickel	T	52.8	10.4	2.6
Suspended solids	T	11,670	2,356	1,246
COD	T	64	92	54

COD: Chemical oxygen demand.

• **Air**

The rate of dust production per ton of crude ore processed is about the same as for the preceding year (136 as compared with 137 g/t) which can be accounted for by developments in calcination in particular, but also by occasional technical hitches at the pre-drying stage and especially at the electric furnaces, arising from problems at the mines, since the production site didn't always have full loads.

The quantities of SO<sub>2</sub> discharged are accounted for by the increase in production and the systematic application of the policy of prevention (in case of risk) relating to the precautionary switchover to very low sulphur fuel oil.

It should be noted that the number of emission peaks measured at the air monitoring stations has diminished and that no complaints were received this year.

The level of NO<sub>x</sub> last year has been confirmed. It reflects the problems caused by the incorrect rating of the thermal power station, which had to operate on three different types of fuel oil.

The site is, however, well below the limits for dust fall.

Air emissions	Unit	2004	2005	2006
SO <sub>2</sub>	t	23,854	20,796	20,767
CO <sub>2</sub>	t	1,667,400	1,957,886	1,750,961
NO <sub>x</sub>	t	2,285	3,958	3,833
VOC	t	< 8.3	< 9.3	<13.1
HCl	t	20	21	24
Total dust	t	1,098	1,142	1,220
- Of which nickel and compounds	t	44	33	35

• **Slag management**

The pyrometallurgical processing of ore generates a very large quantity of slag (about 750 kg per ton). This by-product is used as needed as a raw material for road ballast and construction backfill. The rest is stored in internal landfill and will subsequently be landscaped to form hills.

Slag (t)	2004	2005	2006
Waste stored in internal <sup>(1)</sup> + external landfill	1,900,000	2,059,000	2,130,420

(1) Bricks, pre-refining slag, sulphurisation, Bessemer and melting slag (96% of total).

- **Waste management**

Waste	Unit	2004	2005	2006
Hazardous waste	T	20.7	170	117.7
Non-hazardous waste	T	1,373	1,790	966
Metal recycling	T	16,500	16,600	18,452
PCB, scrap metal and polluted products	T	2,285	2,083	3,465 *

N.B. Substantial reduction in non-hazardous waste for which the price of processing increased six-fold.

\* Including the processing of 500 t of spent lime.

- **Administrative situation**

In order to underline its aggressive integrated Quality, Safety, Health and Environment management policy, a QHSE unit was set up in 2006 within the Industrial Environment Department thereby adding to its strength.

A number of studies were carried out in 2006, including:

- Lightning and seismic studies at the Doniambo site,
- Potential improvements to a sodic slurry treatment process,
- The filing relating to the Népoui spirals and the Thio mobile screen,
- Application for a permit to re-locate the Kouaoua machine shop,
- Continued research into the identification and location of environmental asbestos fibres at the mine sites.

- **Mines, highlights**

> While awaiting the arrival of the forthcoming mining regulations, the Mining Environment Department continued its programme of putting SLN's knowledge into concrete form by compiling the following guides and distributing them both within the company and externally:

- Hydraulic techniques and works,
- Rules governing the design and building of slag heaps,
- Opening up of prospecting sites.

These publications were used for the internal training of staff in environmental protection techniques.

As the regulations are expected to be implemented during 2007, the Department took on extra staff and restructure so as to be able to cope with the likely increase in engineering work (compilation of files for permit applications, with better handling of the environmental aspects).

To support the continued creation of new very high tailings heaps (Kouaoua, Thio, Poum) a report was compiled covering the 15 years of geotechnical soundings, and forwarded to the DIMENC.

- > The main studies completed in 2006 were as follows:
  - Successful application for a provincial permit to alter the operation of the Kopeto – Mont Vert deposit (storage of waste rock within the water protection area of the Pouembout river basin) after 2 years of studies and analyses;
  - Drawing up of the plan for water management at the Tiébaghi facility;
  - Implementation of the plan to close the Bonini mine at Poro;
  - Condition of the surface areas of the Poum mine prior to the exchange of mining licences.

> As regards work carried out in the field, the following should be noted:

- Continuation of development work in the Kakar creek at Kouaoua and at the mines closed at Poro as part of a programme that is scheduled to last several years,
- Work on stabilisation of the Ouamango quarries and the Sapins quarry (Népoui), which began in September and should be completed before the end of the first half of 2007,
- The replanting campaign continued with 12.5 hectares of hydraulic seeding and 10,600 seedlings being planted across the four mining facilities.

The following factors should also be noted:

- The labour unrest in the final quarter of the year which specifically hampered the work programme on the east coast,
- The increase in environmental restrictions relating to the major biodiversity in New Caledonia (flora and fauna), which means that it will be necessary to hold talks on sustainable development with the decision-makers,
- Participation in the studies carried out in New Caledonia on environmental asbestos and the work designed to reduce all potential risks at the Le Nickel-SLN sites.

## MARIETTA

Eramet Marietta Incorporated (EMI) is one of the most important ferromanganese alloys producers worldwide.

Eramet Marietta Incorporated (EMI) actively participates in a wide variety of environmental protection initiatives, associated not only with pollution prevention and emergency response planning, but with programs to promote the general well-being of our valued employees and the local community as well.

- **Investments Related to Environmental Protection**

Each year, EMI spends over 5 million USD operating emissions abatement systems that capture the vast majority of emissions and prevent them from leaving the facility property. Process wastes that would otherwise be discharged to the air and water are collected and safely deposited in onsite impoundments. The impoundments are closely monitored to ensure migration to the environment does not occur.

In 2006, EMI completed the installation of a new crushing, sizing, and packing operation. The project included a 1.4 million USD investment for a state-of-the-art dust collection system for reduction of fugitive emissions to the air. Additional investment for air quality improvement includes 15 thousand USD for completion of a preliminary engineering study to define a suitable technology for odor control of an Electrolytic Chromium process. Capital costs for installation of a regenerative thermal oxidizer have been budgeted for 2007 and 2008.



Also in 2006, EMI spent approximately 26 thousand USD to continue engineering studies on ammonia abatement. Renewal of the facility's wastewater discharge permit may require a commitment to reduce ammonia emissions to the water by 50 percent. Installation of an approved technology will represent a significant capital expenditure within a three- to four-year period. Annual operation and maintenance costs may also be significant.

**• Emergency Response**

EMI continues to be a participating member of the Washington County Local Emergency Planning Committee (LEPC) and the Central Ohio Valley Industrial Emergency Organization (COVIEO). These organizations exist to promote community and industry awareness of the potential risks associated with the operation of local manufacturing facilities, and to effectively plan for these risks in the unlikely event an accident or release should occur. John Hughes, one of EMI's Environmental Engineers, was recently given the honor of being re-elected Secretary of COVIEO for the 2007 calendar year.

**• Industrial Hygiene**

In anticipation of more stringent hexavalent chromium standards, enhanced monitoring was performed in the Electrolytic Chromium Department to better define exposures. Based on personal and area sampling results, the new limit, established at 5 µg/m<sup>3</sup>, can be achieved throughout the Department.

**• Environmental Management**

In 2006, EMI's Environmental Department continued with the implementation of a formal environmental auditing program. Audits of varying scope are conducted on a minimum weekly basis to assist the operating departments in the identification and correction of potential problems. The Environmental Department works directly with the responsible persons to address noted issues before they are identified as violations or deficiencies.

As of 2007, EMI's Environmental Department merged with the Safety Department to form the Department of Safety, Health, and Environmental Affairs. This will facilitate the sharing of available resources, giving the combined Department optimal effectiveness.

**• Energy**

The three submerged electric arc furnaces as well as the Electrolytic Chromium Department are the most significant consumers of electric power. Pre-heaters and dryers associated with furnace operations use natural gas as an energy source. Decreased energy consumption in 2006 can be attributed to furnace performance.

- regulating transformer failure on #18, which required lower load for almost 3 months.
- long outage on F12 in August
- Operation on reduced load on F1 for 2 months while the new pressure rings were being made.
- work stoppage, with reduced operations for 2 weeks.

Consumption	Unit	2004	2005	2006
Energy <sup>(1)</sup>	MWh	818,456	835,550	799,844

(1) Including approximately 70,000 MWh redistributed towards other companies close to the site.

**• Water**

The site has a dividing network for domestic waters and cooling waters.

The effluents are gathered after treatment, and released into the natural environment (Ohio River). The measured values show contents of pollutants much lower than the authorized limits.

Industrial water consumption has decreased in 2006, as a result of the implementation of closed circuit on 2 (out of 3) furnace cooling systems. Because only metered water consumption from the public water supply is reported and because River water used for industrial cooling is not metered, this decrease cannot be exactly measured.

Consumption	Unit	2004	2005	2006
Drinking water (purchased in plastic bottles)	m <sup>3</sup>	121	125	94
Industrial water (public supply)	m <sup>3</sup>	219,454	225,857	210,363

Manganese, chromium (non-hexavalent forms), lead, and suspended solids discharges are calculated using actual analytical results for the permitted outfalls. Lower rainfall for 2006 resulting in reduced flow at the outfalls may be responsible for lower total mass loadings to the river.

Ammonia discharge to the River is measured through analyses, and varies due to production in the Electrolytic Chromium Department (number of operating cells), pH and temperature within treatment systems, as well as accounting methods for purchased ammonia. Ammonia discharges to the air are calculated through mass balance. Generally speaking, an increase in ammonia discharge to the water results in a decrease in ammonia discharges to the air, and vice versa.

Aqueous discharges	Unit	Limits	2004	2005	2006
Chrome	Metric tons	0.63	0.050	0.044	0.054
Manganese <sup>(1)</sup>	Metric tons	70.4	16.52	12.05	7.2
Lead	Metric tons		0.109	0.089	0.091
Suspended materials	Metric tons	299	13	21	7
Ammonia	Metric tons		453	464	515

(1) Excluding Mn Runoff Storm water

• Air

The CO<sub>2</sub> emissions are calculated from the assessment of production (HCFeMn + MCFeMn + LCFeMn + SiMn) with specific CO<sub>2</sub> correlation factors.

Amount of ammonia used and discharged is dependent upon the number of operating cells in the El Chrome Department. The average number of operating cells in each calendar year has increased over the past three years. Ammonia discharge calculations are performed by mass balance.

Manganese dust emissions estimates are derived primarily from stack test data, performed on an annual basis, as required by the facility's Title V air permit.

Some of the reported dust emissions are estimated using US EPA (AP-42)-approved emission factors, which consider process throughputs, hours of operation, equipment sizing, characteristics of materials handled, and average weather conditions. In the United States, facilities are required to account for all non-measurable emissions through application of these factors.

Although, CO<sub>2</sub> is considered a greenhouse gas, it is not regulated as a priority pollutant in the US. CO, however, is regulated as a priority pollutant in the US, and is an indicator of incomplete or inefficient combustion in most processes. The quantities of CO<sub>2</sub> and CO emitted, as well as the ratio of CO to CO<sub>2</sub>, is partly dependent upon the quantity, quality, and types of non-metallic raw materials fed to the furnaces.

CO<sub>2</sub>, VOC, and dust emissions originate primarily from furnace processes, while ammonia and (most) CO originate from electrolytic operations. CO<sub>2</sub> emissions and ammonia emissions are calculated through mass balance, VOC emissions are estimated using emission factors, and dust emissions from the furnaces are developed using actual stack measurements and approved emission factors.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	Metric tons	206,000	199,000	159,855
SO <sub>2</sub>	Metric tons	5.3	5.1	4.9
NO <sub>x</sub>	Metric tons	16.2	16	16
Volatile Organic compounds	Metric tons	338	343	416
Ammonia	Metric tons	382	444	321
Total dust	Metric tons	521	428	476
- of which manganese	Metric tons	211	155	170

• **Waste**

The amount of waste generated from year to year varies appreciably due to project impacts, including maintenance, construction, and demolition activities.

Most likely, the increase in hazardous waste generation is due to improved process maintenance and housekeeping efforts in the

El Chrome Department. Discarded equipment, piping, tank refractories and linings, and cleanup debris that have contacted hazardous waste usually must be treated as hazardous waste itself.

Waste	Unit	2004	2005	2006
Hazardous waste	Metric tons	77	80	132
Non hazardous waste	Metric tons	848	706	662

**PORSGRUNN & SAUDA**

Eramet Norway operates two plants in Norway.

One of these [ENS] is located in Sauda in the south-western part of Norway. This plant employs 216 persons, and is the main private employer of the local community. The population in the community of Sauda is close to 5,000, and has been decreasing over the past few years. Besides the plant, there are some mechanical shops, a safety-glass producer, in addition to mainly service-related businesses in the area. The plant started in the early 1920's, and the location was chosen because of the hydro-electric power production in the area. The plant has been producing manganese alloys throughout its history.

The other plant of Eramet Norway (ENP) is located in Porsgrunn in the soth-eastern part of Norway. The plant employs 186 persons, and is a close neighbour to a big industrial site of Norsk Hydro at Herøya. In the Grenland area (which Porsgrunn is a part of), there are several big industrial sites producing fertilizers, petrochemical products, cement and other products. The plant started around 1920, and it has been producing different kinds of ferroalloys during the years of operation.

ENS is today operating two furnaces producing high carbon (HC) FeMn, and in addition a refining-plant producing refined FeMn-alloys (medium and low carbon) from HCFeMn. The total annual tonnage produced at ENS is approx. 217,000 metric tons.

ENP is also operating two furnaces, one producing SiMn and one producing HCFeMn. In addition, the plant refines the SiMn to low carbon (LC) SiMn, and it also operates a refining plant for HCFeMn. The annual tonnage produced totals approx. 180,000 metric tons from ENP.

The activities at the plants include raw-material handling, tapping and casting of alloys from furnaces, tapping and casting of alloys from refining plant, tapping and casting of slag from furnaces, crushing and handling of finished products, and collection and handling of waste materials (for example dust from filters and sludge from water-treatment).

• The most important environmental aspects of the plants are as follows:

- Fugitive dust emissions from material handling, furnaces, handling of liquid metal and slag, and casting and crushing,
- Canalized dust emissions from material handling, furnaces, handling of liquid metal and slag, and casting and crushing,
- Noise (continous and discontinous) from the plants influencing the neighbours (noise from fixed sources and noise from vehicles),
- Emissions to air of PAH and heavy metals both in gas and particulate phase,
- Emissions of CO<sub>2</sub> to air,
- Emissions of PAH, particulate matter and inorganic compounds (heavy metals, zinc etc.) to sea,
- Deposition of sludge in landfills close to the plants.

• The main Investments related to environmental protection in 2006 have been the following:

> ENP:

- Noise-reduction quai
- PCB removal (in electrical equipment)
- New filter water treatment
- New online dust-measurement MOR
- Thermo-vision-camera
- Pilot-burners ENP10

> ENS:

- Improvements of tapping fumes gas-cleaning systems
- New plant for water-treatment
- Noise-reduction
- PCB removal (in electrical equipment)

- **Environmental Management**

EN received the certification according to ISO 14001 on 6<sup>th</sup> of June 2005.

- **Main actions and commitments of concerned parties**

In 2006 the main environmental objectives for EN have been:

- Reduction of dust emissions to air from the plants. For ENS a specific objective is to re-establish the levels of dust-precipitation in the surroundings to the level it was before converting to 100% FeMn-production.

- Reduction of the discharge of Pb, Zn and Cu to sea.
- Noise-reductions.
- Improve the waste-handling.
- Further improvements with the ISO 14001 certification as a basis (procedures, roles and working-instructions).

- **Energy**

Electric furnaces are the main equipments that are using electrical energy. Pre-heating of different types of equipment uses gas.

Consumption	Unit	2004	2005	2006
Electricity + Gas + fuel oil	MWh	1,088,000	1,022,000	1,088,000

- **Water**

The water consumption has increased in 2006, as a result of higher production level at the MOR-plants which needs more cooling water.

A valve at the Sauda MOR-plant has not worked properly since July 2006 and this has also generated higher water consumption.

ENS had problems with increased levels of metals in the discharge to sea in 2005.

The new water-treatment has been put into operation early 2006, and ENS has been below permit-limitations since July 2006.

ENP has also had problems with increased levels of metals in the discharge to sea during 2006. The prognosis is that the discharges will be within the permit level of 10 kg/last 12 months by the end of April 2007. The daily discharges have been low since July 2006.

Consumption	Unit	2004	2005	2006
Drinking water	m <sup>3</sup>	179,000	151,263	159,000
Industrial water	m <sup>3</sup>	16,106,000	16,777,000	17,602,000

Aqueous discharges	Unit	2004	2005	2006
Cadmium	kg	1.2	1.7	0.2
Chrome	kg	1.2	3.7	1
Zinc	kg	784	568	93
Lead	kg	26	38	14
Manganese	kg	334	529	100
PAH	kg	6	11.3	4
Suspended materials	Metric tons	2.5	3.3	2.6

• **Air**

At ENS the Phøniks-project (reconstruction and improved fume collection in the tapping area) has been implemented during the last months of 2006. It will be completed in March 2007. Improvement will probably appear during the dry part of the year

ENP has had problems with increased of dust's canalized emissions from MRU and MOR-plant in 2006. The result of this is

that the limit for total dust-emission from the plant has been exceeded. The emissions will not be below the limit of 35 tons/last 12 months until second half of 2007.

The CO<sub>2</sub> emission decreases in 2006 because the Porsgrunn plant has delivered more furnace-gas to the next door company (mixture CO+CO<sub>2</sub>). At Sauda plant, furnace 12 was out for five weeks in 2006.

Air emissions	Unit	2004	2005	2006
CO <sub>2</sub>	Metric tons	391,900	356,000	327,000
SO <sub>2</sub>	Metric tons	44	36	40
NO <sub>x</sub>	Metric tons	18	16	31
Total Dust	Metric tons	44	68	85
Lead	Metric tons	0.06	0.06	0.08

• **Waste**

The reduction of metal waste for 2006 is due to the decrease of old processing equipment's dismantling at Sauda plant.

At Sauda plant, demolition activity generates much waste, hazardous and non- hazardous for 2006.

At Porsgrunn plant, we still deposit the sludge, but at a new approved location from January 2006. This means that the transport to Sauda of this waste was terminated.

Waste	Unit	2004	2005	2006
Hazardous waste	Metric tons	11,700	10,197	8,365
Non hazardous waste	Metric tons	85,685 <sup>(1)</sup>	81,564 <sup>(1)</sup>	101,081 <sup>(1)</sup>
Included Wood waste generated	Metric tons	223	263	343
Included Metal waste generated	Metric tons	3,497	1,435	719

(1) Including silicomanganese production slag for ENP







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