

**Eramet Group**

- **Good 4th quarter, annual turnover up by nearly 13% in 2006**
- **Current operating profit forecast for 2006 raised to more than that of 2005**
 - **Strategy of growth continues in 2007**

EUR m	4 th quarter		Change	Year		Change
	2006	2005		2006	2005	
Eramet Nickel	289	172	+ 67.3 %	1,019	774	+ 31.6 %
Eramet Manganese	295	304	- 3.2 %	1,147	1,135	+ 1.1 %
Eramet Alloys	236	221	+ 6.8 %	892	811	+ 10.0 %
Holding & eliminations	(1)	(2)	-	(2)	(8)	n.s.
Eramet Group	819	695	+ 17.6 %	3,056	2,712	+ 12.7 %

The consolidated turnover of the Eramet group increased by 12.7% in 2006 and by 17.6% in the 4th quarter. Turnover grew at all three divisions throughout the year, validating our strategy geared towards 'profitable, lasting and harmonious growth'.

- **Eramet Nickel: substantial increase in turnover (+31.6%) in a strong growth market**

The turnover of Eramet Nickel increased by 31.6% in 2006 and by 67.3% in the 4th quarter, thanks to rising nickel prices and higher deliveries.

SLN's activity in New Caledonia was very seriously disrupted in the 4th quarter by the strike instigated by the CSTNC union on 25 September 2006, for reasons entirely unconnected with the company. Industrial action in New Caledonia led to a loss in metallurgical production of nearly 6,000 t in the year 2006. There will also be an estimated negative impact on production of 1,000 t in the year 2007.

Metallurgical production at the Doniambo plant in New Caledonia was therefore limited to 62,383 t in 2006 (12,946 t in the 4th quarter). However, this is an increase of 4.7% compared with 2005, when nickel production and deliveries were disrupted by industrial action – also instigated by the CSTNC – lasting more than three weeks in the 4th quarter.

Deliveries of finished products by Eramet Nickel grew by 13.1% in 2006, to 64,716 t (16,242 t in the 4th quarter). This performance was due to a reduction in inventories of finished products at the end of the year.

Nickel prices on the LME continued to rise, even topping 15 USD/lb in December. Nickel demand remained sustained in the final months of the year, particularly for stainless steel. Global nickel inventories, including those of consumers, declined throughout the year. Global nickel supply

increased by about 50,000 t, with substantial production losses for several major Western producers offset by growth in Chinese nickel production from low-grade imported ore.

- **Eramet Manganese: a slight increase in turnover (+ 1.1 %) despite a decline in prices, thanks to new activities and the successful ramp-up of manganese ore deliveries.**

Thanks to the acquisition of Bear Metallurgical (the leading North American producer of ferrovandium and ferromolybdenum) and the successful integration of Setrag, the subsidiary of Comilog that operates the Transgabon rail concession and which is responsible for transporting the ore, the turnover of Eramet Manganese increased by 1.1% in 2006.

Eramet Manganese withstood well the decline in manganese, vanadium and molybdenum prices in 2006 from the high levels of 2005. At constant structure, turnover fell only slightly (-3.5%) during the year.

Strong growth in sales of manganese ore, made possible by the success of the investment programme and the recovery in demand, also contributed to the turnover growth of Eramet Manganese in 2006.

In Gabon, Comilog reached an important stage in its development in 2006, boosting its production of manganese ore and sinter to nearly 3 million tonnes. Comilog pursued its growth in the 4th quarter 2006, with production reaching an annual rate of 3.2 million tonnes.

Furthermore, global demand for manganese ore rebounded in 2006, driven by the increase in carbon steel production (+8.8%) and amplified by the end of destocking of the ore surpluses accumulated in 2005. Eramet Manganese successfully grew its ore sales in 2006 and its own ore inventories returned to normal. CIF sale prices of manganese ore began to recover gradually during the 2nd half 2006, but from very low levels.

Deliveries of manganese alloys by Eramet Manganese were stable in 2006 (-0.6%).

Manganese alloy prices firmed up throughout the year 2006, thanks to the reduction in surplus alloy inventories which began in 2005.

Despite the growth in its activity, the turnover of GCMC (recycling of oil catalysts) declined by 16% in 2006, due to the adjustment in vanadium and molybdenum prices, which are still high.

- **Eramet Alloys: another increase in turnover (+ 10%)**

The turnover of Eramet Alloys grew by 10% in 2006 and by 6.8% in the 4th quarter.

Aubert et Duval continued to develop its sales in the growth sectors of aeronautics and energy, whilst increasing its prices, mainly to pass on the rising prices of its principal raw materials (titanium, aluminium, etc.) and energy. Its turnover increased by 20% in 2006 and by 21% in the 4th quarter 2006.

The turnover of Erasteel, down 10% in 2006, mainly reflects action to pass on the falling prices of some raw materials (molybdenum, vanadium, etc.) to sale prices, but also a slowdown in demand for high-speed steel and a more selective commercial strategy. Erasteel carried out an industrial reorganisation to take account of the market situation, and pursued development of its high-speed steel production using powder metallurgy in Sweden, where the melting of conventional high-speed steels has been halted and is now centred in the Commentry plant in France.

- **Results for the year 2006**

The Group's current operating income for the full-year 2006 will be substantially higher than in the full-year 2005.

The Group's attributable net profit should be slightly higher than the attributable net profit for 2005, before the mining indemnity.

- **Pursuit of growth strategy in 2007**

Nickel prices began the year at a very high level, topping even 40,000 USD/lb (18.1 USD/lb).

The strike organised by the CSTNC union in New Caledonia ended in mid-January. The company is now focussed on rebuilding a peaceful internal climate and the ramp-up of its industrial operations, in line with the 75,000-tonne programme.

Given the effects of the strike, particularly on ore inventories, as well as planned repair works on two ore calcining furnaces, the target for metallurgical nickel production at the Doniambo plant in 2007 is about 65,000 t. Deliveries will be about 2,000 tonnes lower than this, in order to rebuild inventories of finished products, which fell to an unsustainably low level during the strike.

Eramet pursued its hedging strategy, which currently applies to 40% of deliveries planned for 2007 for an average price of about 19,000 USD/t (8.60 USD/lb).

The teams at Weda Bay Nickel (Indonesia) have rapidly been integrated into Eramet, and in-depth exploration work continues in a satisfactory manner. The R&D teams at Eramet's research centre will carry out pilot campaigns for the hydrometallurgical process developed by Eramet in the 1st half 2007. Mining tests will also be carried out during 2007 at the Weda Bay site.

In Gabon, Eramet Manganese is moving ahead with the ramp-up of manganese ore production, with a target of about 3.3 million tonnes in 2007. In China, the construction of the new electrolytic manganese dioxide (EMD) plant in Chongzuo was completed in January 2007. The progressive launch of the various parts of the process and the qualification of production from customers, which are producers of alkaline batteries, will take place during the next few months.

Furthermore, construction of the new Canadian plant of GCMC (catalyst recycling) should be completed in the 4th quarter 2007.

Eramet Alloys will benefit from its new closed-die forging plant, with a 40,000-t press, which will enable it to pursue ambitious levels of development on the aircraft engine market, which is growing rapidly. The Alloys division is focussing its efforts on reducing its working capital, and improving its margins, mainly through a more selective commercial strategy.

Finally, the Group benefits from a sound financial situation and will continue to pursue further opportunities for growth in 2007.

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